O Outperform • Long term (3 years) B Buy • Short term (3 months)

Photocure

Phase 3 abstract for Cevira shows impressive response rate

- Abstract shows more details from Phase 3 trial (n=402) of out-licensed asset Cevira...
- ... shows 19% placebo-adjusted clearance of pre-cancerous cervical lesions (p=0.0001)
- Positive – but more details due at the EUROGIN presentation on March 16

Cevira delivers 19% placebo-adjusted response – in-line with 20% 'expectation'

In September 2023, we provided our first-take on the Phase 3 top-line results of Photocure's outlicensed asset Cevira, which contained very limited details. Today, we received another piece of the puzzle with an abstract providing additional data points. As illustrated below, in a 402 patient Phase 3 trial from eight countries (including Germany and the Netherlands), Cevira showed a response rate of 41.1% versus placebo of 21.7%, a ~19% placebo-adjusted response rate. According to the study protocol, the trial was powered to show a ~20% placebo-adjusted response rate, with a 60% response from Cevira and 40% from placebo. We believe the lower response rate in the Phase 3 trial is explained by it treating higher-grade and more difficult-to-treat tumours compared to the Phase 2b trial, which the protocol was based on. Treatment emergent adverse events (TEAEs) in the Cevira and PBO groups were 57% and 56%, respectively. The majority of TEAEs were mild, and the incidence of serious adverse events were 1.5% in both treatment groups. The abstract did not specify error rates or drop-out rates, but based on the Phase 2b results, an 8% error rate of pathological assessment and 10% dropout rate was expected. Overall, we view the results as strong and they appear to be clinically meaningful. We do however hope to get more details on how many patients followed the trial protocol and the share of patients with CIN 2 and CIN 3 tumours, respectively.

Next stop – oral presentation at the EUROGIN congress on March 16

The study will be presented for the first time in the form of an oral presentation at the 2024 European Research Organization on Genital Infection and Neoplasia (EUROGIN), according to partner Asieris. We will attend the presentation scheduled for Saturday, March 16 at 11:15-11:24 CET in Stockholm. We also note that the results have been selected for late breaking oral presentation at the 2024 Society of Gynecologic Oncology (SGO) congress in San Diego, to be held on March 16-18. We will try to get feedback on the data from key opinion leaders, and whether it is perceived to be practice-changing data, and whether additional data will be needed to achieve European market approval.

Attractive deal economics with Chinese regulatory filing likely next step

In July 2019, Photocure signed a global licensing agreement with Chinese specialty pharma company Jiangsu Yahong Meditech (also known as "Asieris") to develop and commercialise Cevira. Photocure has the rights of up to USD 200m in milestone payments (mostly related to sales thresholds) as well as tiered sales royalties ranging from 10-20%. Photocure would receive USD 13m upon potential Chinese regulatory approval (expected 2025) and USD 31m upon potential EU/US approval. The partner Asieris IPO'd in China in early 2022, with two of three of its late-stage pipeline assets coming from Photocure (Cevira and Hexvix). We have translated and studied Asieris' IPO prospectus and have made two key findings: 1) following its registrational trials, it expected commercial launches of both Cevira and Hexvix during 2024, and 2) Asieris guides for USD 500-800m in sales for Cevira by 2030 in China alone based on 15-25% penetration rates and a price of CNY 7,500 per treatment in a ~2.6 million addressable patient population. This would translate into NOK 800m-1bn annual royalty potential for Photocure. Our risk-adjusted stand-alone valuation of Cevira points to NOK 35 per share (NOK 89 de-risked).

Rickard Anderkrans, +46 73 337 4501, rickard.anderkrans@handelsbanken.se

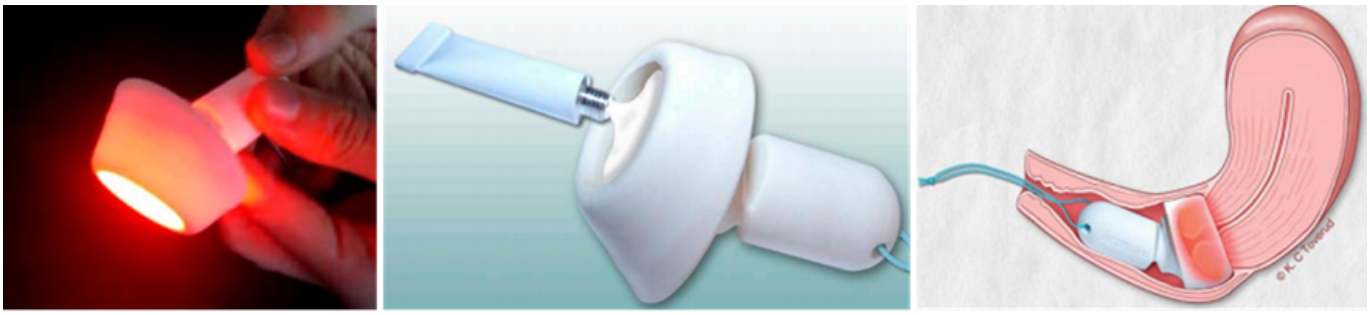
Mattias Häggblom, +46 70 204 4078, mattias.haggblom@handelsbanken.se

Company data

NOKm	2021	2022	2023	2024e	2025e
Sales	361	393	501	482	559
Sales growth (%)	40.6	8.9	27.5	-3.8	16.1
Gross margin (%)	93.3	94.3	94.8	94.0	94.0
EBIT adj	-5	-43	28	1	67
margin (%)	-1.5	-11.0	5.6	0.24	11.9
EBT	-31.1	-65.4	9.8	-13.9	52.8
EPS rep (NOK)	-1.14	-2.65	0.01	-0.40	1.52
EPS adj (NOK)	-1.14	-2.65	0.01	-0.40	1.52
P/E adj (x)	n.m	n.m	>99	n.m	35.6
P/BV (x)	5.5	6.3	3.8	3.1	2.9
ROE adj (%)	-6.1	-14.9	0.06	-2.3	8.4
EV/EBIT (x)	n.m	n.m	57.2	>99	18.0
EV/EBITDA (x)	>99	n.m	28.7	39.6	12.3
EV/sales (x)	7.0	6.8	3.2	2.6	2.2
FCF adj yield (%)	0.72	-0.19	2.0	-0.02	3.0
Tot DPS	0.00	0.00	0.00	0.00	0.00
Net debt/equity (%)	-50.2	-48.4	-48.9	-47.9	-50.6
Target price (NOK)	125				

Source: Handelsbanken Capital Markets

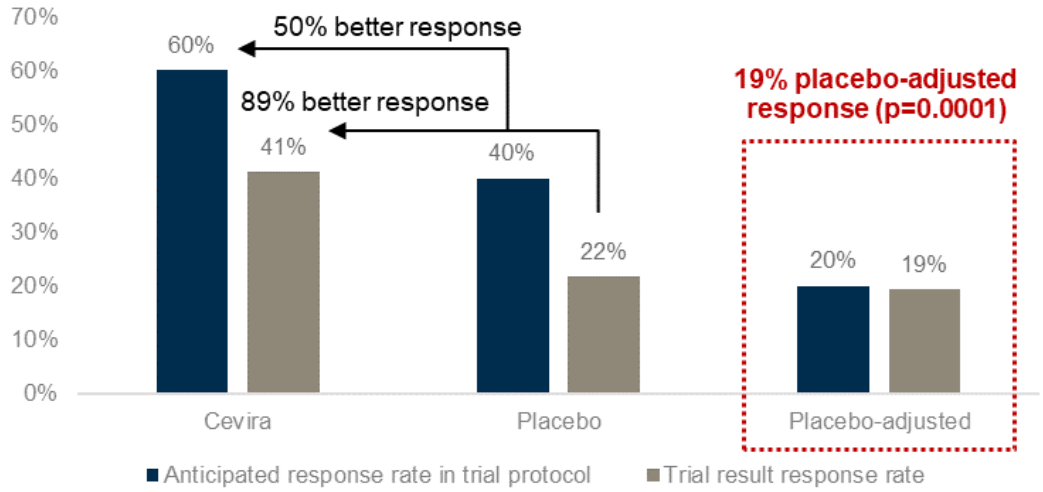
Cevira uses the same active ingredient as Hexvix for its HAL gel (2030 patent)



Source: Handelsbanken Capital Markets

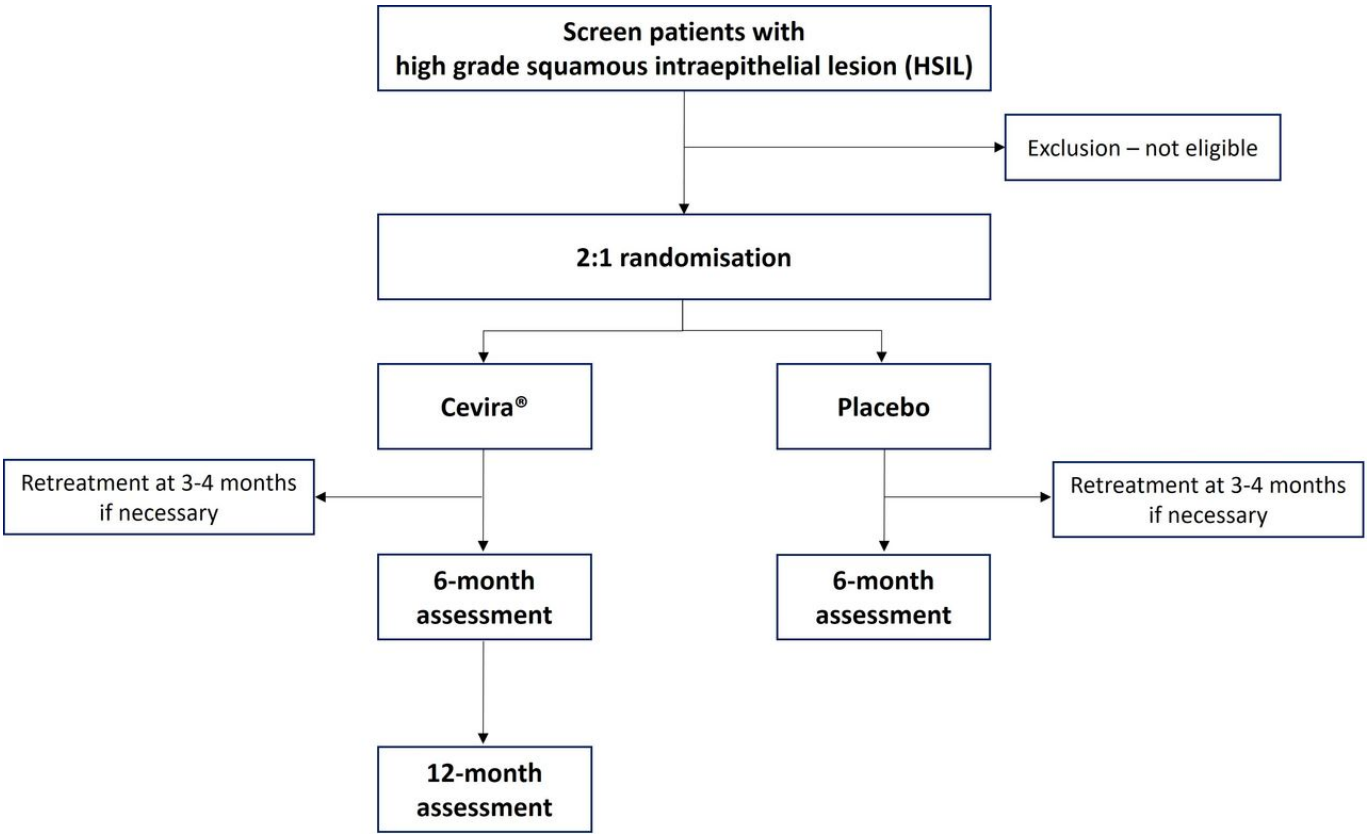
Response Rate - comparing the trial protocol expectations versus the outcome

Based on the Ph2 trial, the study protocol expected a 60% reponse rate for Cevira and 40% for placebo, we believe the lower response rate was due to the Ph3 trial including tougher higher-grade tumours - but ~20% placebo-adjusted response rate for Cevira was spot-on



Source: Handelsbanken Capital Markets
Note: Abstract: https://agenda.euromedicom.com/pdf/abstract.php?id_manifestation=363&id_abstract=6939

APRICITY Phase 3 study design: 402 patients enrolled (target was 'at least' 384)



Source: Handelsbanken Capital Markets

Partner Asieris guided for CNY 3-5bn Cevira sales by 2030

峰值渗透率为 15%。在 15%~25%峰值市场渗透率区间内进行弹性测算，APL-1702 到 2030 年在国内市场空间可达 29.38~48.97 亿元；即使在最终未被纳入医保目录的很小概率悲观情形下，按照仅 10%的峰值市场渗透率测算，APL-1702 的市场空间也可达到 19.59 亿元。因此，APL-1702 市场空间较为广阔。具体弹性分析测算结果如下表所示：

年度	2023 年	2024 年	2025 年	2026 年	……	2030 年
情形 1：APL-1702 被纳入医保，市场渗透率乐观						
市场渗透率	-	0.63%	6.25%	11.25%	……	25.00%
治疗费用（万元/次）	-	0.75	0.75	0.75	……	0.75
市场销售规模（亿元）	-	1.24	12.35	22.20	……	48.97
情形 2：APL-1702 被纳入医保，市场渗透率中性						

Source: Handelsbanken Capital Markets, Jiangsu Yahong Meditech IPO Prospectus 2021

Photocure

This report has not been given to the subject company, or any other external party, prior to publication to approve the accuracy of the facts presented. The subject company has not been notified of the recommendation, target price or estimate changes, as stated in this report, prior to publication.

13 Mar 2024: Photocure - Handelsbanken's analysts Rickard Anderkrans and Mattias Häggblom have no positions in Photocure or a related instrument.

Handelsbanken beneficially owns one percent or more of any class of common equity securities of the company that is the subject of this research report.

The short-term recommendation Buy was set on 25 Mar 2022 as the first short-term recommendation for the company at the share price of NOK 111.1.

The long-term recommendation Outperform was set on 25 Mar 2022 as the first long-term recommendation for the company at the share price of NOK 111.1.

Research disclaimers

Handelsbanken Capital Markets, a division of Svenska Handelsbanken AB (publ) (collectively referred to herein as 'SHB'), is responsible for the preparation of research reports. SHB is regulated in Sweden by the Swedish Financial Supervisory Authority, in Norway by the Financial Supervisory Authority of Norway and in Finland by the Financial Supervisory Authority of Finland. All research reports are prepared from trade and statistical services and other information that SHB considers to be reliable. SHB has not independently verified such information.

In no event will SHB or any of its affiliates, their officers, directors or employees be liable to any person for any direct, indirect, special or consequential damages arising out of any use of the information contained in the research reports, including without limitation any lost profits even if SHB is expressly advised of the possibility or likelihood of such damages.

The views contained in SHB research reports are the opinions of employees of SHB and its affiliates and accurately reflect the personal views of the respective analysts at this date and are subject to change. There can be no assurance that future events will be consistent with any such opinions. Each analyst identified in this research report also certifies that the opinions expressed herein and attributed to such analyst accurately reflect his or her individual views about the companies or securities discussed in the research report.

Research reports are prepared by SHB for information purposes only. The information in the research reports does not constitute a personal recommendation or personalised investment advice and such reports or opinions should not be the basis for making investment or strategic decisions. This document does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. Past performance may not be repeated and should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and investors may forfeit all principal originally invested. Investors are not guaranteed to make profits on investments and may lose money. Exchange rates may cause the value of overseas investments and the income arising from them to rise or fall. This research product will be updated on a regular basis.

No part of SHB research reports may be reproduced or distributed to any other person without the prior written consent of SHB. The distribution of this document in certain jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

The report does not cover any legal or tax-related aspects pertaining to any of the issuer's planned or existing debt issuances.

Please be advised that you should read our complete research disclaimer at the Handelsbanken Capital Markets website: https://www.researchonline.se/desc/disclaimers