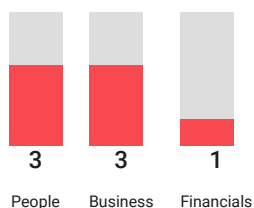
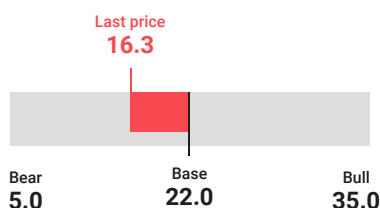


Redeye Rating

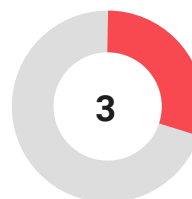
COMPANY QUALITY



FAIR VALUE RANGE

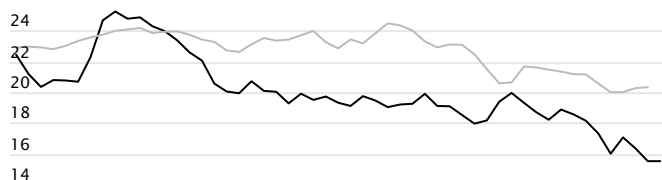


TIMELINESS



Snapshot

Lipum
OMXS30



Volume



Marketplace First North Stockholm

CEO Dr. Einar Pontén

Chairman Ulf Björklund

Share information

Share price (SEK) 16.3

Number of shares (M) 5.1

Market cap (MSEK) 82

Net debt (2022E, MSEK) -28,807

Analyst



Kevin Sule
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Conflict of interests

Kevin Sule owns shares in Lipum: No

Financials

			Redeye Estimates	
	2020	2021	2022E	2023E
Revenue, MSEK	11,723	1,583	1,789	1,986
Growth	20.9%	-86.5%	13.0%	11.0%
EBITDA	-21,058	-52,106	-57,269	-62,978
EBITDA margin	Neg	Neg	Neg	Neg
EBIT	-21,058	-52,106	-57,269	-62,978
EBIT margin	Neg	Neg	Neg	Neg
Pre-tax earnings	-21,098	-52,256	-57,434	-63,159
Net earnings	-21,098	-52,256	-45,602	-50,148
Net margin	Neg	Neg	Neg	Neg
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-4,177.82	-10,347.72	-6,514.67	-5,572.08
P/E adj.	0.0	0.0	0.0	0.0
EV/S	-0.2	-28.6	-16.0	-4.2
EV/EBITDA	0.1	0.9	0.5	0.1

Last updated: 2022-05-20

Owner	Equity	Votes
Nordnet Pensionsförsäkring*	18.0%	18.0%
Avanza Pension	12.5%	12.5%
Flerie Invest (Thomas Eldered)	9.6%	9.6%
LGL-Bioconsult (Lennart Lundberg)	5.9%	5.9%
Adam Dahlberg	4.5%	4.5%
Crafoordska Stiftelsen	3.3%	3.3%
Göran Källebo	3.2%	3.2%
Tibia Konsult AB	2.5%	2.5%
UBP Clients Assets-Sweden	2.4%	2.4%
Ulf Andersson	2.2%	2.2%

Company description

Lipum is a research and development-stage biopharmaceutical company specializing in developing biological drugs for the treatment of chronic inflammatory diseases. The company was originally founded based on a discovery made by scientists at Umeå University. Co-founder and Board member Prof. Olle Hernell and his team discovered that a protein now known as bile salt-stimulated lipase (BSSL) is present in human white blood cells and plays an important role in inflammation. This novel and unexpected finding led to the development of Lipum's lead candidate drug SOL-116. The candidate is a fully humanized monoclonal antibody currently in development to become a safer and more efficacious alternative to current therapy in, primarily, rheumatoid arthritis (RA) and juvenile idiopathic arthritis (JIA). The treatment has a new and unique mechanism of action, operating through the blockage of a previously overlooked target molecule of the immune system.

Lipum was founded in 2010 in Umeå, Sweden, where it has its current headquarters. Since April 2021, the company has been listed on Nasdaq First North Growth Market (LIPUM).

Investment thesis

Case

Potential to satisfy market need

Lipum has its sight set for the multibillion dollar rheumatoid arthritis (RA) market with the aim of providing a new first-in-class treatment to a population in need of a paradigm shift. RA continues to be one of the largest pharmaceutical markets globally, yet, despite the vast number of approved drugs, the medical need remains high as no drug has been able to achieve disease-free remission. The demand for cost-effective and safe treatments is glaring as current standard of care entail multiple side-effects and lack efficacy in a significant part of the patient population. However, we believe that Lipum's lead candidate, SOL-116, has the potential to eradicate this discrepancy and offer a resolution-based therapy. The candidate has a unique mechanism of action (MOA), targeting the previously-overlooked BSSL protein, suggested to play a central role in inflammation and inflammatory response. Should SOL-116 prove a good safety profile and repeat the efficacy shown in preclinical studies in the upcoming phase Ia/Ib clinical trials, we believe that it is well-positioned to attract interest from the public and catch the eye of large industry players.

Evidence

Establishing a platform to broaden pipeline

Lipum is simultaneously establishing a platform of preclinical data on the therapeutic effect of SOL-116 in several other diseases of interest, which could lead to the discovery of further potential indications. The list of viable chronic inflammatory diseases and proinflammatory conditions can be made long given the candidate's potential in both autoimmune and autoinflammatory illness. The company continually evaluates the indications and carries out selections for in-depth preclinical studies.

Challenge

Unproven target

SOL-116 targets the BSSL protein, which is an unproven target in previous biopharmaceuticals. While showing great promise in preclinical models, there is no guarantee that the enzyme is an effective target in humans as well.

However, the fact that SOL-116 is developed as a monoclonal antibody, as are the current biological disease-modifying antirheumatic drugs (TNF α -inhibitors), could prove to be an advantage when it comes to clinical implementation in patients.

Challenge

Highly competitive market

The market for RA is one of the world's most competitive markets within the pharmaceutical industry – with many drugs approved, or under development, and an established treatment protocol. Should SOL-116 fail to show substantial safety or efficacy benefits over today's established treatments, it may struggle to gain meaningful market share even if it receives marketing authorization.

Valuation

Long-term value potential

Our Base Case fair valuation amounts to SEK 22 per share, suggesting some 30% upside from today's share price levels. Further, our Bull and Bear Cases equal SEK 35 and 5 per share, respectively. We argue that the share trades at a discount to its fundamental value and offers an attractive entry point at current levels. We foresee an exciting 2022 and beyond for Lipum as lead candidate SOL-116 enters clinical studies. Primarily, we judge that interim- and top-line data from the phase Ia/Ib studies and in-depth preclinical data on further indications could induce share price re-ratings.

Catalyst types

SOL-116 phase Ia interim data

The soon-to-start first clinical study of SOL-116 will be a major milestone for the company, an interim analysis of the trial is expected towards the end of this year.

Preclinical data on further indications

Lipum is establishing a platform of preclinical data on the therapeutic effect of SOL-116 in several other diseases and targets. This could potentially lead to the discovery of further possible indications for the candidate.

SOL-116 phase Ib top-line data

Following the initial phase Ia study, Lipum is planning a phase Ib Multiple Ascending Dose (MAD) trial studying clinical effect and immunogenicity in RA patients. Top-line data is expected in 2024 and should have a big impact on the share.