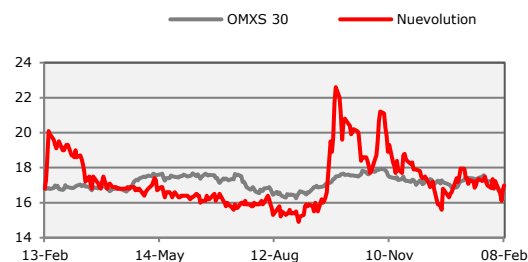


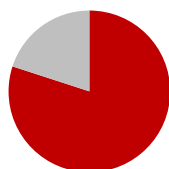
Summary
Nuevolution (NUE.ST)
Metamorphosis

- NUE continues their transformation into a clinical stage biotech with a forceful R&D engine. We believe the coming years could transcend NUE into the next level.
- NUE ended the year on a positive note, with progress across the board. The company have chosen prioritized indications for the internal RORyt inhibitor (ankylosing spondylitis) and the BET inhibitor (atopic dermatitis and/or psoriasis). The projects could be clinically ready by early-to-mid 2019.
- We are adding the internal RORyt inhibitor program to our valuation due to a clear pathway forward and seemingly high interest around the program. This adds SEK 4 per share for the project. We have also updated the timing and size of our cost and income estimates for the coming time period. In sum, our new Base Case is SEK 27 (24) per share, with a Bull Case of 40 (33) per share and a Bear Case of 16 (15) per share.

List: First North Premier
 Market Cap: 723 MSEK
 Industry: Biotech
 CEO: Alex Haahr Gouliaev
 Chairman: Stig Løkke Pedersen

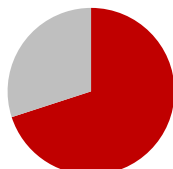

Redeye Rating (0 – 10 points)

Management



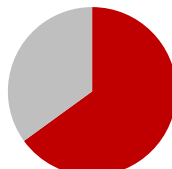
8.0 points

Ownership



7.0 points

Profit outlook



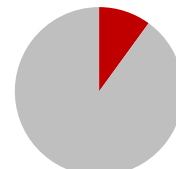
6.5 points

Profitability



0.0 points

Financial strength



1.0 points

Key Financials

	2016	2017	2018E	2019E	2020E
Revenue, MSEK	122	12	79	125	251
Growth	448%	-90%	537%	59%	101%
EBITDA	-52	-121	-53	-18	113
EBITDA margin	-43%	-980%	-68%	-15%	45%
EBIT	-50	-123	-55	-20	111
EBIT margin	-41%	-994%	-70%	-16%	44%
Pre-tax earnings	-49	-124	-55	-20	111
Net earnings	-65	-118	-55	-20	111
Net margin	-53%	-950%	-70%	-16%	44%
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-1.51	-2.74	-1.29	-0.47	2.58
P/E adj.	0.0	0.0	-13.1	-35.8	6.5
EV/S	-1.2	-8.9	8.6	5.6	2.4
EV/EBITDA	2.8	0.9	-12.6	-38.3	5.3

Share information

Share price (SEK)	16.9
Number of shares (m)	42.9
Market Cap (MSEK)	723
Net debt (MSEK)	-48
Free float (%)	28 %
Daily turnover ('000)	18

Analysts:
 Mathias Spinnars
 mathias.spinnars@redeye.se

Klas Palin
 klas.palin@redeye.se

Important information: All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

Redeye Rating: Background and definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicity, and 8 – Forthcoming binary events.

Quarterly review

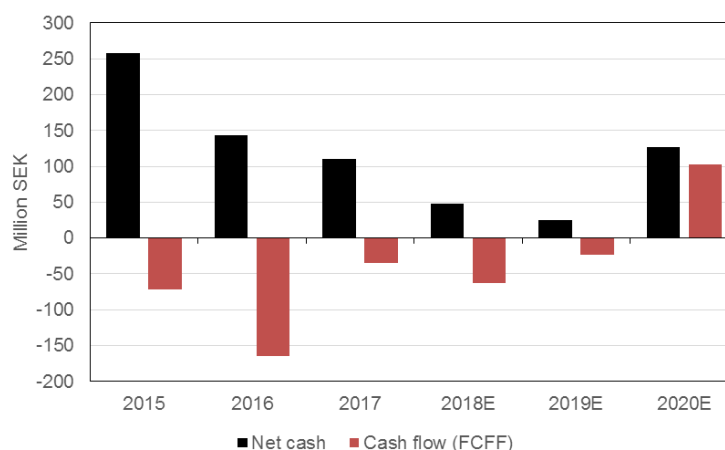
NUE ended the year with income of SEK 3.2 (111.0) million, attributed to the drug discovery collaboration with Janssen Biotech. Operating costs were in-line with what we expected, coming in at -37.5 (-35.1) million for the quarter vs our expectation of -36 million. This gave an operating loss of -34.2 (75.8) million for Q4. The net result was -32.7 (56.4) million in Q4. All-in-all, the results for the quarter was largely in-line. We estimate that costs will remain in the same range in the coming years, but acknowledge that this could change quite dramatically when NUE enters the clinic. While both the BET and the company's internal RORyt inhibitor program could enter clinic in 2019, it is not yet clear whether they will be internally or externally developed.

Nuevolution: Costs, adjusted									
	12/17	03/18	06/18	09/18	12/18	03/19	06/19	09/19	12/19
SG&A	-10.9	-7.0	-7.0	-7.2	-7.4	-7.5	-7.7	-7.9	-8.1
R&D	-26.6	-28.0	-26.6	-25.0	-26.0	-30.0	-28.0	-28.0	-28.0
Total	-37.5	-35.0	-33.6	-32.2	-33.4	-37.5	-35.7	-35.9	-36.1

Source: Redeye Research

The cash flow from operating and investing activities amounted to -32.8 (25.5), while cash flow from financing activities was -0.4 (-0.3). At year end, cash and cash equivalents was 115 million. We estimate that current cash will be enough through 2019, given milestone payments and deals materialize. If not, a larger capital raise would be needed. However, management have a history of hitting their goals, and we see multiple deal opportunities in the coming year (BETi, RORyt, drug discovery collaboration) that could solve the issue. Even if a capital raise was needed, NUE would likely be an attractive opportunity for institutional investors as they enter the main market, and as funds will have a hard time taking a sizeable position in the stock in the market due to the low liquidity (72% of shares in the four majority owners).

Net cash & cash flow

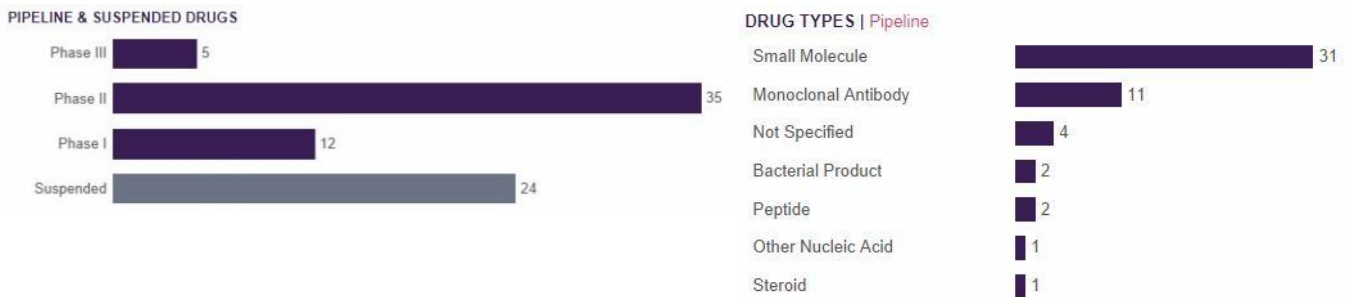


Source: Redeye Research

BET inhibitor moving forward

Operationally, the quarter gave some results we have been looking for. We have previously lifted the BET inhibitor as a top program for dealmaking. New data have shown to support both mechanism of action and treatment opportunities for the BET BD1 inhibitor, and NUE now have animal *in vivo* proof-of-concept data supporting the potential in dermatological diseases. Therefore, NUE have decided to prioritize atopic dermatitis and/or psoriasis initially, which we believe are highly attractive opportunities, both from a market size and partnering interest point of view. While the competition is increasing in the areas, the market offers a blockbuster opportunity. Estimated prevalence is roughly 35 million people in the seven major markets (7MM), though in varying degrees of severity, and the moderate-to-severe segment is estimated to 1.5 million actively treated patients (Datamonitor). This translates into a USD 2.5 billion market by 2023 in the 7MM, and up to 7.3 billion globally. The majority of patients are treated with corticosteroids, which have shown underwhelming efficacy for moderate-to-severe cases, and limited R&D efforts have left a large unmet clinical need for decades. Regeneron/Sanofi’s Dupixent (dupilumab anti-IL-4 antibody) is the latest big addition to the clinical arsenal, and first year sales (approved by FDA in March 2017 and the EU in September 2017) was USD 256 million.

Pipeline in Atopic dermatitis



Source: Biomedtracker, accessed Feb. 2018

We have written about psoriasis more in detail in our previous reports ([initiation](#), [update](#)) as the Almirall-licensed RORyt inhibitor project goes for the same indication. We believe NUE’s strategy for the BET inhibitor, initially going for skin indications where early efficacy readouts can be achieved, then expand into other promising indications such as Systemic Lupus Erythematosus (SLE) and fibrotic diseases, is a good strategy and can save both time and reduce uncertainty at a later stage.

During the quarterly conference all, NUE indicated that they aim to nominate a candidate compound during Q2-2018, which could be clinically ready by mid-2019. We maintain our view of the BET-inhibitor program being a highly attractive partnering opportunity and estimate a similar deal as with Almirall. In our model we assume a 50% probability of a SEK 3.5

billion deal in 2018. However, we also note that NUE intend to keep some programs internally up until Phase I or II, and given the indications we believe the BET-program would be a good fit for internal development. The studies would likely be less costly, give early readout of efficacy, and be completed in a shorter period of time compared to standard clinical trials. But clinical development require increased capacity and resources, and in the end we think NUE will take some time to make this transition, which is why we believe the BET program will be partnered in the preclinical stage.

RORyt inhibitor

For the internal RORyt inverse agonist program, NUE indicated that Ankylosing Spondylitis (AS) will be the prioritized indication, with inflammatory bowel disease (IBD) remaining as a secondary opportunity. We see both as interesting opportunities, but view AS as offering a more attractive development pathway due to its limited innovative small molecule treatment alternatives, as well as the seemingly high interest a project could receive in the area. The market is estimated to about USD 1.5 billion in 2017 for 7MM, expected to grow about 6% per year until 2024. Most therapies used for AS was originally developed for other autoimmune diseases, e.g. Cimzia, Cosentyx, Humira, and Remicade. The competition from other R&D projects is also less intense than in IBD. Thus, we believe NUE is positioning themselves as being able to run the program internally in an efficient way, if no attractive partnering deal is found. The project could expand it into other attractive areas in the autoimmune/inflammatory space. .

During the quarterly conference call, NUE guided that the RORyt inhibitor could enter clinical development by early 2019. IND-enabling studies could start in Q2-2018. Due to a clear path towards clinic and identified indications, we now choose to include the project in our SOTP valuation. We assume a similar pathway towards market as the out-licensed RORyt inhibitor, but more limited sales potential (USD 1,000 million). While NUE is keen on bringing internal projects into the clinic and could have the capacity to do so in AS, we believe the progression will take some time (and more capital) and thus assume the project will be out-licensed during 2019. We estimate a deal value of roughly USD 400 million, with an upfront of 10 million. The project attributes SEK 4 per share to our valuation. With a clear path towards clinic, and a previous validation from the Almirall deal, we see RORyt inhibitor program as an attractive opportunity for further value creation which further strengthens our view that 2018-2019 will be a positive period for NUE.

For the Almirall-licensed program, indications dermatology and psoriatic arthritis, NUE mentioned in the report that the program is progressing toward clinic. There is limited information about the project, but we maintain our expectation that the project will enter clinical development

during the first half of 2018. The entry into clinical development will likely trigger a milestone payment.

During their Q4 earnings call, Allergan reported that they have initiated a [Phase II study](#) in psoriasis with their exploratory RORyt inhibitor (originally developed by Vitae Pharma and now called AGN-242428). The study will include 200 patients that will be treated once daily with one of three doses and compared to placebo. Primary endpoint is PASI75 at week 16. The study will run for 16 weeks and could report results in H2-2019. Allergan estimate that Phase III initiation could be initiated during 2020.

Amgen collaboration

The Amgen collaboration reached a preliminary first in vivo proof-of-concept, with one fast-tracked compound showing dose-dependent inhibition of tumor growth and shrinkage at the highest dose, greater than the benchmark compound with a similar mechanism of action (see below). As second fast-tracked compound, also in cancer, the compounds have been identified and could be entering *in vivo* proof-of-concept testing in a tumor model during Q1-2018. As such, we expect more material updates throughout the year from the Amgen collaboration which should give more clarity about when the next inflection point can come for the programs. We estimate that a smaller milestone payment could be received already in 2018.

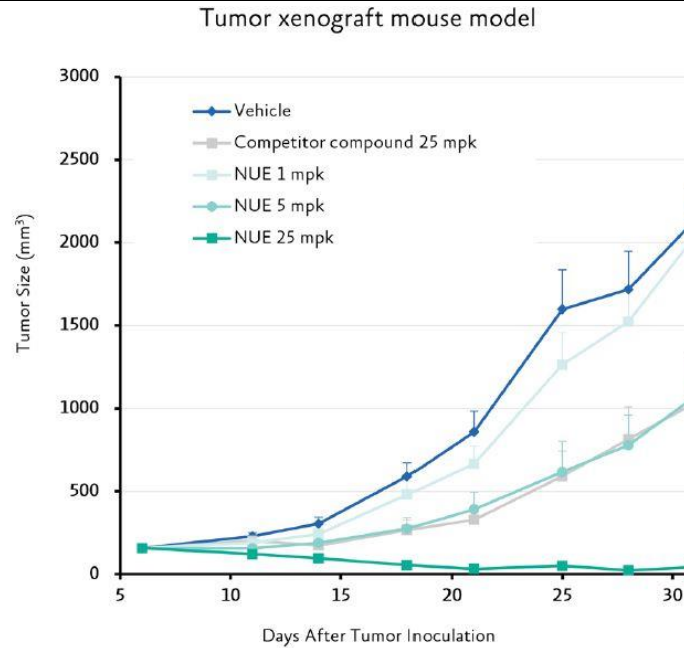
NUE/Amgen collaboration mouse model efficacy


Figure 6. Tumor xenograft mouse model. One Nuevolution lead compound was tested for tumor efficacy at three different concentrations and compared to a competitor compound with similar mechanism of action with all compounds dosed by injection once daily. The NUE compound shows positive and dose-dependent effects on tumor growth, superior to the competitor compound, with the highest NUE dose resulting in near complete elimination of the tumor from only 2 weeks of dosing.

Source: Nuevolution

Janssen collaboration

NUE received another milestone payment from Janssen Biotech in the beginning of January. The collaboration progressed as one early research program was out-licensed. The program is in the anti-infective area, and Janssen will be responsible for future development. Further activity is expected in the collaboration and we could see additional milestone payments (similar size as the previous payouts of USD 750,000) in the coming year.

Cytokine X

The Cytokine X project also seem to move ahead according to plan and a pre-clinical mouse model showed equivalent efficacy (% inhibition of cytokine compared to antibody) to a known benchmark anti-cytokine-X antibody dosed subcutaneously twice daily. While we currently do not include Cytokine X in our valuation, we see the project as a highly interesting value option going forward. In the conference call, NUE hinted that more data could be presented, and the target potentially disclosed, by late 2018.

Cytokine X efficacy in mouse model vs benchmark anti-CytX antibody

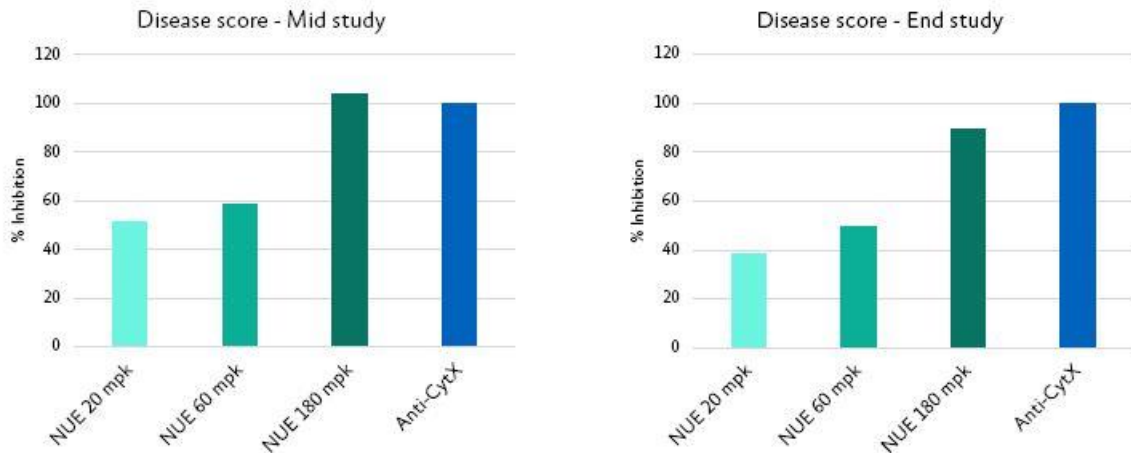


Figure 5. *In vivo* mouse inflammation study testing NUE compounds targeting cytokine X. In this model, the clinical score, reflecting human diseases, increase gradually during the study. The score, here shown by mid-study and by end of study, was reported as % inhibition compared to the antibody targeting cytokine X. The compounds were dosed sub-cutaneously (depot under skin), twice daily. The NUE small molecule compound provided improvement in disease score at all doses throughout the study timeline. At the highest dose the compound is showing efficacy on par with the antibody yielding 102% and 91% inhibition levels at mid-study and by end of study, respectively.

Source: Nuevolution

RORyt agonist

One of the negative results from NUE's research was that the RORyt agonist failed to reach proof-of-concept in an *in vivo* studies of mouse breast cancer tumor model. NUE's compound was compared to a benchmark compound with claimed *in vivo* activity, but both compounds failed to show statistically significant tumor reduction. This suggest the tumor model was suboptimal. NUE have identified additional compound during the quarter which will go through testing. We expect more updates around the program in the coming quarters.

Business activity

NUE maintained their guidance of entering a partnering deal during the coming 3-9 months. During the conference call, discussions around partnering and business activity left us with strong indications that NUE is well positioned to execute on their promises. The partnering interest seem to be high, and we believe NUE is very apt at positioning their projects where potential partners want to see data. We continue to see the BET inhibitor as an attractive out-license opportunity during 2018, but also see potential for a drug discovery collaboration (similar to the Amgen deal). In sum, we believe the report gives positive indications operationally, with some operational progress that we have been waiting for, and sets the company up for business activity opportunities during 2018.

Valuation and stock

The action in NUE's stock is characterized by long periods of relative calmness, followed by an up- or downward valuation as investors adjust to news flow such as a deal, pipeline progress, or a scrapped project. While these catalysts are hard to time, we argue that the stock should not be equal to a traditional binary biotech as the value is spread out over multiple projects and deals, giving it more safety and stability. Thus, the slower periods can offer good buying opportunities for the investor that is willing to sit on the hands for some time. Further, NUE has communicated their intent to up-list their shares on the Nasdaq Main Market by mid-2018. With this, the stock could get a lift from the additional liquidity and increased institutional interest.

In our valuation of NUE, we use a risk-adjusted NPV model as we believe this is most reflective of the value in the Company. We are updating some assumptions as new information emerged, most notably including the internally developed RORyt inhibitor program. We have also updated the probability of success for multiple projects as they move along, and partly based on a new analysis of over 21,000 compounds between the years 2000-2015¹, which found some conclusions dissimilar to previous studies. We are incorporating these as using an average of multiple studies.

With the inclusion of the internally developed RORyt inhibitor, increased costs estimates, and updated assumptions, our new Base Case is **SEK 27 per share** (from SEK 24/share). More details below.

Nuevolution: Valuation						
Project	Indication	Partner	Unadj. top sales (\$M)	LOA	Royalty*	NPV (SEK, M)
RORyt inverse agonist	Dermatology / PsA	Almirall	1600	14%	5-10%	594
Multi-target partnership	Oncology, neuroscience	Amgen	1500	6%	5-10%	327
Multi-target partnership	Oncology, inflammatory, infectious	Janssen	1500	5%	3-5%	58
BET-inhibitor	Inflammatory	-	1000	8%	5-10%	220
RORyt inverse agonist	AS / IBD	-	1000	8%	5-10%	182
Chemetics (w/ other ops.)	Oncology, inflammation	-	1500	8%	5-10%	558
Shared (incl. tax)						(877)
Net cash (beg of year)						111
Total						1,172
Shares outstanding (mn)						43
Value per share (SEK) @ 14.0% WACC						27

* Royalty= Tiered royalty rates. Source: Redeye Research

- **RORyt inverse agonist (Almirall):** Due to good pre-clinical data and good results from competitors, we believe the compound has a good chance of reaching Phase III by 2022, triggering SEK 750 million in milestones.
- **RORyt inverse agonist (internal development):** We assume a sales potential of USD 1,000 million. We further assume the project will

¹ Lo et al, Biostatistics 2018: 00, 00, pp. 1-14.

be out-licensed during 2019, and estimate a deal value of roughly USD 400 million, with an upfront of 10 million.

- **Amgen deal:** We estimate the chance of finding a hit for any given target to be about 15%, and assume five targets in total. Using these statistics, the probability of at least one target making it to the preclinical stage is just above 50%. From there, we use base success rates.
- **BET BD1:** We assume a 50% probability of a SEK 3.5 billion deal in 2018, where development/sales milestones are distributed equally.
- **Janssen deal:** We assume the probability of at least one candidate making it to the pre-clinical stage to less than 50%. From there we use base success rate assumptions.
- **Chemetics:** In valuing the platform, we assume one multi-target deal is entered by YE 2018, and see a 50% chance of one more internal project being out-licensed by 2019 (any of the internally developed projects, excluding the ones valued separately).

NUE is entering a major inflection point in the coming years with multiple projects maturing to be clinically ready, which will add a lot of pipeline value. Below we show our estimated financials for the period 2018-2020. The revenue estimates are risk-adjusted in our model and include multiple projects, with the major ones being the BET inhibitor, the internal and external RORyt inhibitor programs, and the Amgen collaboration. While the capacity for R&D is high, and as we have emphasized previously, we do not assume internal clinical development at this point. If NUE were to bring the BET or RORyt inhibitor program into clinical development internally, our cost estimates would go up. However, from a valuation standpoint, the value of the projects would increase as well as the project/deal values when the programs move through the development phases.

Nuevolution: Financials

	2015	2016	2017	2018E	2019E	2020E
Unadj. net sales	22	122	12	134	233	409
Risk-adj. net sales	22	122	12	79	125	251
OPEX	(117)	(174)	(134)	(132)	(143)	(138)
EBITDA	(95)	(52)	(121)	(53)	(18)	113
EBIT	(94)	(50)	(123)	(55)	(20)	111
Net financials	1	1	(1)	0	0	0
EBT	(93)	(49)	(124)	(55)	(20)	111
Tax	7	(15)	6	0	0	0
Earnings	(86)	(65)	(118)	(55)	(20)	111
EPS	(2.01)	(1.51)	(2.74)	(1.29)	(0.47)	2.58

Source: Redeye Research

Scenario analysis

Bull Case

Bull Case raised to SEK 40 per share (from 33)

In a more optimistic scenario, we assume the following:

- Almirall pushes the project through Phase I and enters Phase II by 2020, triggering milestone payments along the way.
- The Amgen-project finds a promising lead candidate which is optioned and later pushed into pre-clinical studies, triggering milestone payments.
- The BET inhibitor program gets out-licensed in 2018, triggering an upfront payment of about SEK 100 million.

Model-wise this means we set the probabilities of the above events happening to 100%. The other projects remain probability-adjusted as in our base case as we believe they have less visibility than the above.

Fair value in our Bull Case is increased to **SEK 40 per share (33)**.

Bear Case

Bear Case raised to SEK 16 per share (from 15)

In our pessimistic scenario we take into account the risk from not getting new deals or being unable to push forward promising pipeline projects. With that, we assume the following:

- No new deals are entered in the coming years. Model-wise this means we value the Chemetics platform with other opportunities at SEK 0 per share. The shared costs will be lowered as less projects are being developed.
- All other projects are modeled the same as in our Base Case – probabilities intact.

Fair value in our Bear Case-scenario is **SEK 16 (15)**.

Investment case

Nuevolution is a biopharma company focusing on discovering and developing small molecule drugs for hard-to-drug disease targets. The company's business model is built around their proprietary DNA-encoded drug discovery platform Chemetics, which offers significant cost and time savings compared to traditional high-throughput screening. Due to the advantages, DNA-encoded platforms have attracted interest from the industry. With technological advances and an improving ability to screen a wider set of disease targets, we believe the platforms will become a greater part of pharmaceutical drug discovery in the future. With a long history and broad expertise in the field, NUE is well positioned to ride the industry tailwinds and create further value with Chemetics going forward.

Multiple partnership deals have been entered to date, generating over SEK 525 million in revenues. The company was founded in 2001 with an initial focus on drug discovery collaborations and technology licensing. However, since the IPO in 2015 the business model has been geared towards developing internal pipeline projects and seeking multi-target, high-value deals. 2016 was a transformational year for the company as it entered two major deals with Amgen and Ammirall. The Amgen deal is a multi-target drug discovery deal worth SEK 3.6 billion per target plus royalties on future sales. The deal with Ammirall is a licensing deal worth SEK 4.4 billion plus royalties, where the Spanish specialty pharma licensed the dermatological indications and psoriatic arthritis for Nuevolution's internal RORyt inverse agonist program. We expect the program to enter Phase I by the first half of 2018, and we further expect Nuevolution to pursue the program in the ex-Amirall indications, offering multiple valuation drivers in the coming years.

Of the other pipeline programs, we see the BET-inhibitor program for autoimmune and inflammatory diseases as a potential deal maker in 2018. The compound has shown an interesting profile and partnering interest could be high. The company is pro-actively setting up their business for success, and we expect the business activity to be high going forward. We believe a multi-target collaboration deal and out-licensing of an internal project have a good probability to occur in the coming 12 months.

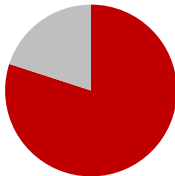
While a portfolio of projects make the business less sensitive to development failures, every business has its challenges. For Nuevolution, we believe the most challenging step toward reaching their full potential is a clinical validation for their DNA-encoded drug discovery platform. Further, enabling the screening of more diverse targets and being able to fill their pipeline with promising projects will be important to reach the next level.

Summary Redeye Rating

The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

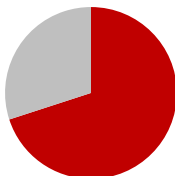
Rating changes in the report: None

Management 8.0p



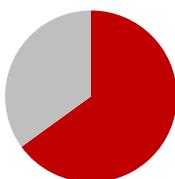
Management is led by co-founder Alex Haahr Gouliaev, who has been in the CEO position since 2005. The company has delivered on their goals since the IPO and communication is consistent and transparent. Experience and expertise in the management team is vast and they are supported by a board with expertise in the area.

Ownership 7.0p



More than 70% of the equity is owned by long-term owners that have backed up the company financially when needed. Sunstone and Industrifonden each have a representative on the board. Stig Løkke Pedersen has been chairman of the board since 2001 and has a large direct ownership. Only CEO Alex Haahr Gouliaev has a large direct ownership among the management group.

Profit outlook 6.5p



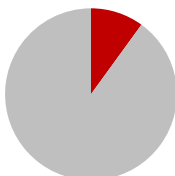
The company have a business model focused on deal-making, and management have shown an ability to increase the value of the deals with every deal entered. The capacity is high and many projects can be run simultaneously. The market shows signs of adopting DNA-encoded drug discovery platforms to a greater extent, supporting the future growth potential of the company.

Profitability 0.0p



While the company has had a continuing inflow of revenues and might turn a slight profit in the coming years, the burn rate is high and consistently high profitability is a few years away.

Financial strength 1.0p



The financial position is relatively strong and will finance operations for the foreseeable future. If large, additional milestone payments would occur, the runway would increase further. As such, we don't expect an equity raise, but acknowledge that if multiple projects fail or an increase in costs occur, outside capital could be needed.

Income statement	2016	2017	2018E	2019E	2020E
Net sales	122	12	79	125	251
Total operating costs	-174	-134	-132	-143	-138
EBITDA	-52	-121	-53	-18	113
Depreciation	2	-2	-2	-2	-2
Amortization	0	0	0	0	0
Impairment charges	0	0	0	0	0
EBIT	-50	-123	-55	-20	111
Share in profits	0	0	0	0	0
Net financial items	1	-1	0	0	0
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-49	-124	-55	-20	111
Tax	-15	6	0	0	0
Net earnings	-65	-118	-55	-20	111
Balance	2016	2017	2018E	2019E	2020E
Assets					
<i>Current assets</i>					
Cash in banks	148	115	48	25	127
Receivables	97	10	11	19	40
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
Current assets	245	125	59	43	167
<i>Fixed assets</i>					
Tangible assets	6	6	6	8	9
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	0	0	0	0	0
O non-current assets	4	5	5	5	5
Total fixed assets	10	12	12	13	15
Deferred tax assets	0	0	0	0	0
Total (assets)	254	137	71	56	182
Liabilities					
<i>Current liabilities</i>					
Short-term debt	1	1	0	0	0
Accounts payable	14	18	12	18	33
O current liabilities	10	3	3	3	3
Current liabilities	25	23	15	21	36
Long-term debt	3	3	0	0	0
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	29	26	15	21	36
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	225	111	56	36	146
Minority interest (BS)	0	0	0	0	0
Minority & equity	225	111	56	36	146
Total liab & SE	254	137	71	56	182
Free cash flow	2016	2017	2018E	2019E	2020E
Net sales	122	12	79	125	251
Total operating costs	-174	-134	-132	-143	-138
Depreciations total	2	-2	-2	-2	-2
EBIT	-50	-123	-55	-20	111
Taxes on EBIT	-16	6	0	0	0
NOPLAT	-66	-117	-55	-20	111
Depreciation	-2	2	2	2	2
Gross cash flow	-67	-115	-53	-18	113
Change in WC	-95	84	-7	-2	-6
Gross CAPEX	-2	-4	-2	-3	-4
Free cash flow	-164	-35	-63	-23	103
Capital structure	2016	2017	2018E	2019E	2020E
Equity ratio	89%	81%	79%	63%	80%
Debt/equity ratio	2%	4%	0%	0%	0%
Net debt	-143	-111	-48	-25	-127
Capital employed	82	1	8	11	19
Capital turnover rate	0.5	0.1	1.1	2.2	1.4
Growth	2016	2017	2018E	2019E	2020E
Sales growth	448%	-90%	537%	59%	101%
EPS growth (adj)	-25%	82%	-53%	-64%	-648%

DCF valuation	
WACC (%)	14.0 %
Fair value e. per share, SEK	27.0
Share price, SEK	16.9

Profitability	2016	2017	2018E	2019E	2020E
ROE	-28%	-70%	-66%	-44%	122%
ROCE	-21%	-71%	-65%	-44%	122%
ROIC	420%	-142%	-	-252%	998%
			10675%		
EBITDA margin	-43%	-980%	-68%	-15%	45%
EBIT margin	-41%	-994%	-70%	-16%	44%
Net margin	-53%	-1050%	-70%	-16%	44%

Data per share	2016	2017	2018E	2019E	2020E
EPS	-1.51	-2.74	-1.29	-0.47	2.58
EPS adj	-1.51	-2.74	-1.29	-0.47	2.58
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-3.33	-2.58	-1.12	-0.57	-2.96
Total shares	42.86	42.86	42.86	42.86	42.86

Valuation	2016	2017	2018E	2019E	2020E
EV	-142.9	-110.6	675.6	698.9	596.4
P/E	0.0	0.0	-13.1	-35.8	6.5
P/E diluted	0.0	0.0	-13.1	-35.8	6.5
P/Sales	0.0	0.0	9.2	5.8	2.9
EV/Sales	-1.2	-8.9	8.6	5.6	2.4
EV/EBITDA	2.8	0.9	-12.6	-38.3	5.3
EV/EBIT	2.8	0.9	-12.2	-34.6	5.4
P/BV	0.0	0.0	13.0	20.3	4.9

Share performance	Growth/year	15/17e
1 month	-2.4 %	Net sales
3 month	-12.5 %	Operating profit adj
12 month	1.7 %	EPS, just
Since start of the year	1.7 %	Equity
		-19.5 %
		4.9 %
		-7.6 %
		-50.2 %

Shareholder structure %	Capital	Votes
Sunstone Capital	20.8 %	20.8 %
Stiftelsen Industrifonden	20.0 %	20.0 %
S-E-Bankens Utvecklingsstiftelse	7.7 %	7.7 %
LMK-bolagen & Stiftelse	2.7 %	2.7 %
SEB-Stiftelsen	2.7 %	2.7 %
Avanza Pension	2.5 %	2.5 %
Nordnet Pensionsförsäkring	1.0 %	1.0 %
Granit Fonder	0.7 %	0.7 %
Peter Ragnarsson	0.7 %	0.7 %
Henry Dunkers Donationsfond &	0.7 %	0.7 %

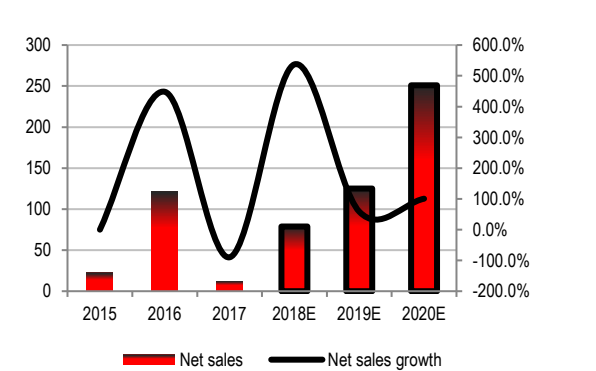
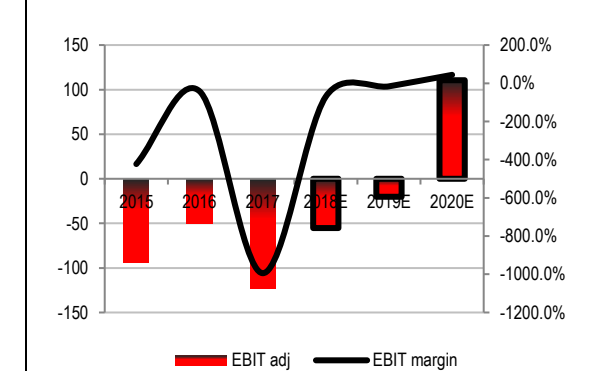
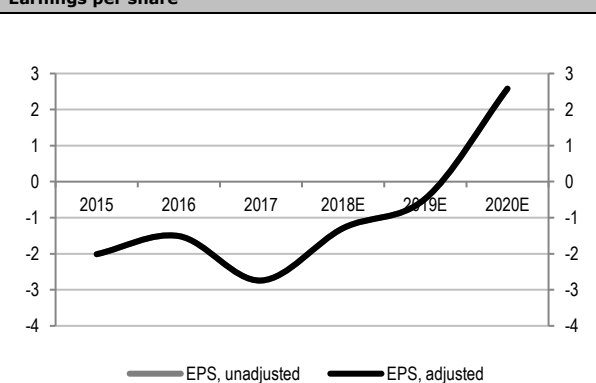
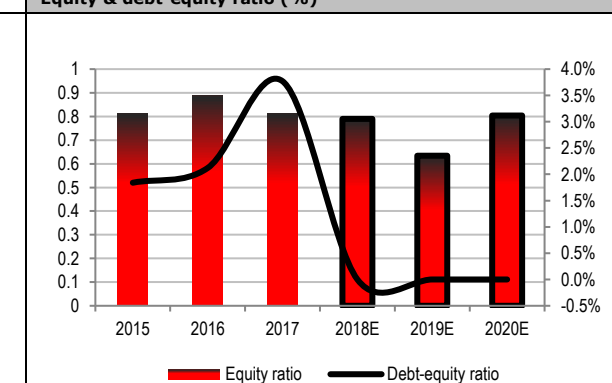
Share information	
Reuters code	NUE.ST
List	First North Premier
Share price	16.9
Total shares, million	42.9
Market Cap, MSEK	723.4

Management & board	
CEO	Alex Haahr Gouliarov
CFO	Henrik D. Simonsen
IR	Johnny Stilou
Chairman	Stig Løkke Pedersen

Financial information	
Q1 report	May 08, 2018
Q2 report	August 22, 2018
Q3 report	November 07, 2018
FY 2018 Results	February 27, 2019

Analysts		Redeye AB
Mathias Spinnars		Mäster Samuelsgatan 42, 10tr
mathias.spinnars@redeye.se		111 57 Stockholm

Klas Palin
klas.palin@redeye.se

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)																																										
 <p>Net sales (red bars) and Net sales growth (black line) from 2015 to 2020E. Net sales are shown in million SEK on the left axis (0-300), and growth is in percentage on the right axis (-200.0% to 600.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net sales (M SEK)</th> <th>Net sales growth (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>~20</td> <td>~0.0%</td> </tr> <tr> <td>2016</td> <td>~120</td> <td>~450.0%</td> </tr> <tr> <td>2017</td> <td>~10</td> <td>~-100.0%</td> </tr> <tr> <td>2018E</td> <td>~80</td> <td>~450.0%</td> </tr> <tr> <td>2019E</td> <td>~120</td> <td>~50.0%</td> </tr> <tr> <td>2020E</td> <td>~250</td> <td>~100.0%</td> </tr> </tbody> </table>	Year	Net sales (M SEK)	Net sales growth (%)	2015	~20	~0.0%	2016	~120	~450.0%	2017	~10	~-100.0%	2018E	~80	~450.0%	2019E	~120	~50.0%	2020E	~250	~100.0%	 <p>EBIT adj (red bars) and EBIT margin (black line) from 2015 to 2020E. EBIT adj is in million SEK on the left axis (-150 to 150), and EBIT margin is in percentage on the right axis (-1200.0% to 200.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EBIT adj (M SEK)</th> <th>EBIT margin (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>~-100</td> <td>~-400.0%</td> </tr> <tr> <td>2016</td> <td>~-50</td> <td>~100.0%</td> </tr> <tr> <td>2017</td> <td>~-120</td> <td>~-1000.0%</td> </tr> <tr> <td>2018E</td> <td>~-50</td> <td>~100.0%</td> </tr> <tr> <td>2019E</td> <td>~-20</td> <td>~100.0%</td> </tr> <tr> <td>2020E</td> <td>~100</td> <td>~100.0%</td> </tr> </tbody> </table>	Year	EBIT adj (M SEK)	EBIT margin (%)	2015	~-100	~-400.0%	2016	~-50	~100.0%	2017	~-120	~-1000.0%	2018E	~-50	~100.0%	2019E	~-20	~100.0%	2020E	~100	~100.0%
Year	Net sales (M SEK)	Net sales growth (%)																																									
2015	~20	~0.0%																																									
2016	~120	~450.0%																																									
2017	~10	~-100.0%																																									
2018E	~80	~450.0%																																									
2019E	~120	~50.0%																																									
2020E	~250	~100.0%																																									
Year	EBIT adj (M SEK)	EBIT margin (%)																																									
2015	~-100	~-400.0%																																									
2016	~-50	~100.0%																																									
2017	~-120	~-1000.0%																																									
2018E	~-50	~100.0%																																									
2019E	~-20	~100.0%																																									
2020E	~100	~100.0%																																									
<p>Earnings per share</p>  <p>EPS, unadjusted (grey line) and EPS, adjusted (black line) from 2015 to 2020E. Values range from -4 to 3 SEK.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EPS, unadjusted (SEK)</th> <th>EPS, adjusted (SEK)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>~-2.0</td> <td>~-2.0</td> </tr> <tr> <td>2016</td> <td>~-1.5</td> <td>~-1.5</td> </tr> <tr> <td>2017</td> <td>~-2.5</td> <td>~-2.5</td> </tr> <tr> <td>2018E</td> <td>~-1.0</td> <td>~-1.0</td> </tr> <tr> <td>2019E</td> <td>~-0.5</td> <td>~-0.5</td> </tr> <tr> <td>2020E</td> <td>~2.5</td> <td>~2.5</td> </tr> </tbody> </table>	Year	EPS, unadjusted (SEK)	EPS, adjusted (SEK)	2015	~-2.0	~-2.0	2016	~-1.5	~-1.5	2017	~-2.5	~-2.5	2018E	~-1.0	~-1.0	2019E	~-0.5	~-0.5	2020E	~2.5	~2.5	<p>Equity & debt-equity ratio (%)</p>  <p>Equity ratio (red bars) and Debt-equity ratio (black line) from 2015 to 2020E. Equity ratio is on the left axis (0 to 1), and Debt-equity ratio is on the right axis (-0.5% to 4.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Equity ratio</th> <th>Debt-equity ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>~0.8</td> <td>~1.5%</td> </tr> <tr> <td>2016</td> <td>~0.9</td> <td>~2.0%</td> </tr> <tr> <td>2017</td> <td>~0.8</td> <td>~3.5%</td> </tr> <tr> <td>2018E</td> <td>~0.8</td> <td>~0.0%</td> </tr> <tr> <td>2019E</td> <td>~0.65</td> <td>~0.0%</td> </tr> <tr> <td>2020E</td> <td>~0.8</td> <td>~0.0%</td> </tr> </tbody> </table>	Year	Equity ratio	Debt-equity ratio (%)	2015	~0.8	~1.5%	2016	~0.9	~2.0%	2017	~0.8	~3.5%	2018E	~0.8	~0.0%	2019E	~0.65	~0.0%	2020E	~0.8	~0.0%
Year	EPS, unadjusted (SEK)	EPS, adjusted (SEK)																																									
2015	~-2.0	~-2.0																																									
2016	~-1.5	~-1.5																																									
2017	~-2.5	~-2.5																																									
2018E	~-1.0	~-1.0																																									
2019E	~-0.5	~-0.5																																									
2020E	~2.5	~2.5																																									
Year	Equity ratio	Debt-equity ratio (%)																																									
2015	~0.8	~1.5%																																									
2016	~0.9	~2.0%																																									
2017	~0.8	~3.5%																																									
2018E	~0.8	~0.0%																																									
2019E	~0.65	~0.0%																																									
2020E	~0.8	~0.0%																																									
<p>Sales division</p>	<p>Geographical areas</p>																																										
<p>Conflict of interests</p> <p>Mathias Spinnars owns shares in the company : No Klas Palin owns shares in the company : No</p> <p>Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.</p>	<p>Company description</p> <p>Nuevolution is a Scandinavian biopharmaceutical company. The company uses their proprietary DNA-encoded drug discovery platform Chemetics to identify and develop small molecule drugs for tough-to-treat diseases. The business model revolves around collaboration partnerships and out-licensing of projects. Lead program RORYt inverse agonist was licensed to Almirall in 2016. The business model allows for multiple programs to be run simultaneously, mitigating some development risk.</p>																																										

DISCLAIMER**Important information**

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

Redeye is licensed to; receive and transmit orders in financial instruments, provide investment advice to clients regarding financial instruments, prepare and disseminate financial analyses/recommendations for trading in financial instruments, execute orders in financial instruments on behalf of clients, place financial instruments without position taking, provide corporate advice and services within mergers and acquisition, provide services in conjunction with the provision of guarantees regarding financial instruments and to operate as a Certified Advisory business (ancillary authorization).

Limitation of liability

This document was prepared for information purposes for general distribution and is not intended to be advisory. The information contained in this analysis is based on sources deemed reliable by Redeye. However, Redeye cannot guarantee the accuracy of the information. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Redeye cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Redeye accepts no liability for any loss or damage resulting from the use of this analysis.

Potential conflict of interest

Redeye's research department is regulated by operational and administrative rules established to avoid conflicts of interest and to ensure the objectivity and independence of its analysts. The following applies:

- For companies that are the subject of Redeye's research analysis, the applicable rules include those established by the Swedish Financial Supervisory Authority pertaining to investment recommendations and the handling of conflicts of interest. Furthermore, Redeye employees are not allowed to trade in financial instruments of the company in question, effective from 30 days before its covered company comes with financial reports, such as quarterly reports, year-end reports, or the like, to the date Redeye publishes its analysis plus two trading days after this date.
- An analyst may not engage in corporate finance transactions without the express approval of management, and may not receive any remuneration directly linked to such transactions.
- Redeye may carry out an analysis upon commission or in exchange for payment from the company that is the subject of the analysis, or from an underwriting institution in conjunction with a merger and acquisition (M&A) deal, new share issue or a public listing. Readers of these reports should assume that Redeye may have received or will receive remuneration from the company/companies cited in the report for the performance of financial advisory services. Such remuneration is of a predetermined amount and is not dependent on the content of the analysis.

Redeye's research coverage

Redeye's research analyses consist of case-based analyses, which imply that the frequency of the analytical reports may vary over time. Unless otherwise expressly stated in the report, the analysis is updated when considered necessary by the research department, for example in the event of significant changes in market conditions or events related to the issuer/the financial instrument.

Recommendation structure

Redeye does not issue any investment recommendations for fundamental analysis. However, Redeye has developed a proprietary analysis and rating model, Redeye Rating, in which each company is analyzed and evaluated. This analysis aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Redeye Rating (2018-02-13)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	45	43	18	10	20
3,5p - 7,0p	73	67	101	35	45
0,0p - 3,0p	14	22	13	87	67
Company N	132	132	132	132	132

Duplication and distribution

This document may not be duplicated, reproduced or copied for purposes other than personal use. The document may not be distributed to physical or legal entities that are citizens of or domiciled in any country in which such distribution is prohibited according to applicable laws or other regulations.

Copyright Redeye AB.