Nuevolution

Sector: Biotech

Strengthening the foundation & Cytokine X unveiled

Q2 largely in-line with expectations

NUE's second quarter was characterized by preparatory work. The R&D efforts continue to lay a solid foundation for the future, and on the corporate side NUE completed a directed share issue and up-listing the shares on the Nasdaq Stockholm main market.

Amgen: Collaboration moving ahead

The Amgen collaboration saw its first big step forward as the US biotech opted-in on the first program. A second program is moving toward the opt-in stage, and we estimate that this could occur as early as in 2018, with a third program being moved ahead as well. All-together this puts NUE in a good position to generate at least one upfront licensing payment of a minimum of USD 10 million.

IL-17A inhibitor (a.k.a. "Cytokine X"): Unveiling a high-potential project

In connection with the Q2 report, NUE unveiled the identity of the "Cytokine X" project: a small molecule inhibitor of IL-17A, which has proven to be a highly attractive drug target for autoimmune diseases such as psoriasis, psoriatic arthritis, and ankylosing spondylitis. Many steps remain before the project could enter clinic, but the project has a good value potential. We have included the project in our valuation, which adds about SEK 2 per share.

Almirall cautiously moving forward & new deal could come in 2018

No new material information has been released regarding the NUE/Almirall RORyt project. We continue to expect the program to enter clinic in 2018, but understand that the compounds need careful characterization before entering clinic. During 2018, we also expect the next partner deal for NUE, which could provide a catalyst to the stock in the near-term.

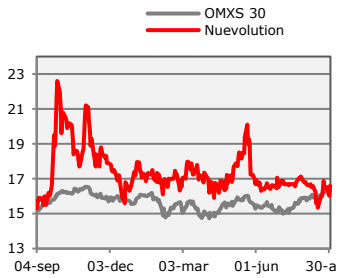
Valuation and the share

With this update we make some timing-changes to our cash flow estimates and, most notably, include the IL-17A project in our sum-of-the-parts valuation of NUE. In total, this results in a new Base Case at SEK 28 (27) per share, with a Bull and Bear Case at SEK 42 (40) and SEK 16 (16), respectively.

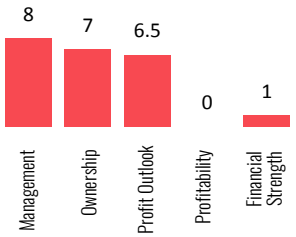
FAIR VALUE RANGE

BEAR	BASE	BULL
16.0	**28.0**	42.0

NUE.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	NUE.ST
Market	Small cap
Share Price (SEK)	16.4
Market Cap (MSEK)	810
Net Debt 18E (MSEK)	-168
Free Float	28 %
Avg. daily volume ('000)	0

KEY FINANCIALS (MSEK)	2016	2017	2018E	2019E	2020E	2021E
Net sales	122	12	91	72	345	143
EBIT	-50	-123	-39	-65	206	22
EBITDA	-52	-121	-38	-63	208	24
EPS (adj.)(SEK)	-1.5	-2.4	-0.8	-1.3	4.2	0.4
EV/Sales	-1.2	-8.9	7.0	9.9	1.5	3.4
EV/EBIT	2.8	0.9	-16.3	-10.9	2.5	22.8
EV/EBITDA	2.8	0.9	-17.1	-11.2	2.5	20.2
P/E	0.0	0.0	-20.5	-12.4	3.9	37.4

Source: Redeye Research

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Q2 financials show higher burn rate due to one-off costs

The second quarter was characterized by preparatory R&D work and corporate events, building for the longer term. In May, NUE completed a directed share issue of SEK 110 million (gross) at SEK 16.50 per share, and following this in June, the company's share was approved for up-listing on the Nasdaq Stockholm main market. The capital raise have the immediate effect of strengthening both NUE's shareholder base with institutional investors as well as its business, and the up-listing could improve the trading metrics in the NUE share going forward, as well as potentially give a more high-profile platform where important news and developments are seen by more investors. The capital will be used to advance the pipeline broadly and could show potential partners that NUE can go their own way if the right deal does not materialize. Thus, it increases the optionality in the short term, and potentially also the value in the long-term.

The net results for the quarter was SEK -32.1 (-27.3) million, with operating expenses of 35.1 (34.7) and income of 0.6 (5.9) million. The increase in costs were largely due to one-off costs in connection with the up-listing process and capital raise. The operating cash flow was -33.5 (-22.1) million and total cash flow was 70.2 (-22.5) million, including the roughly 110 million raised through a private placement in May. The company finished the quarter with about 160 million in cash, which should last at least 12 months, not including additional revenues.

Given the developments in the Amgen deal, where the US biotech company is funding all future R&D in the first program and potentially soon also the second program which seem to move forward nicely, we expect that future burn rate to come down a bit in the coming quarters. Further, the listing process is now completed, which burdened H1 costs slightly. As an offset, we expect increasing costs as the pipeline move forwards, giving an increased activity. However, we see good potential for deals in this time period that could bring a meaningful upfront and at the same time reduce the R&D costs.

Nuevolution: Costs

	Q4'17A	Q1'18A	Q2'18A	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
SG&A	-11	-7	-9	-7	-7	-7	-8	-8	-8
R&D	-27	-24	-26	-25	-25	-26	-26	-27	-27
Total	**-38**	**-31**	**-35**	**-32**	**-33**	**-33**	**-34**	**-35**	**-35**

Source: Redeye Research

CFO change

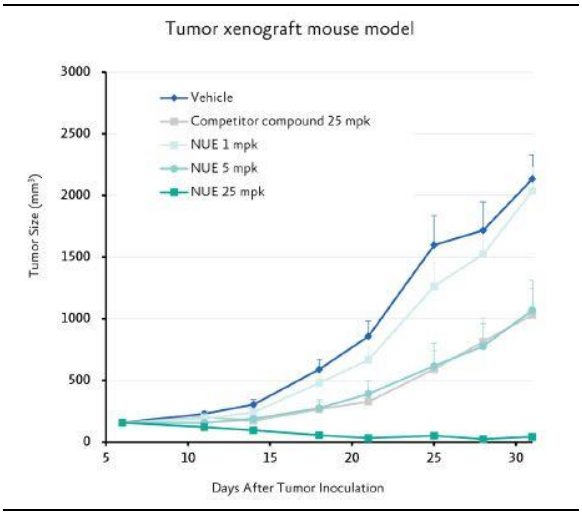
On August 31st, NUE announced that Johnny Stilou has been appointed as Chief Financial Officer as the previous CFO, Henrik Simonsen, leaves the company to pursue other career opportunities. Johnny Stilou joined NUE in February as Director of Investor Relations & Corporate Communications, and has vast experience in various finance roles, for example an eight-year stint as CFO for Nasdaq-listed Veloxis Pharmaceuticals.

Update on the R&D programs

Amgen: Collaboration moving ahead

Recent disclosures about the deal terms has improved our understanding of the deal, allowing for a better assessment of value. In sum, we see the Amgen collaboration, entered in October 2016, as a favorable deal to NUE. The terms specify that the companies will collaborate on a handful of mutually agreed upon targets, where NUE handles the screening and early research, after which Amgen can opt-in to each program depending on the data. If Amgen opts in, the companies will collaborate on late-stage research with Amgen bearing all future R&D costs. Amgen will have the opportunity to license the specific program up until the end of phase I. The licensing fee will be a minimum of USD 10 million, increasing with time. NUE will retain all rights and may be compensated if Amgen decides to discontinue development before end of phase I without good reason, e.g. given no program-ending compound characteristic such as toxicity is found. We assume the same deal structure is applicable to all programs.

During 2017, the first program (cancer) reached an *in vivo* proof-of-concept. Daily injections with the compound showed a dose-dependent reduction in tumor growth with good responses seen already at low doses. At the highest dose (25 mpk) the tumor was almost completely eliminated. Compared to a competitor compound (undisclosed) with a similar mechanism of action, the NUE compound showed superiority. While still very early in the process, the data is promising and we are not surprised that Amgen chose to opt-in for further development. The companies will now collaborate on late-stage research and pre-clinical work, with Amgen bearing all future development costs.



Source: Nuevolution 2017 YE report

A second program is moving toward the opt-in stage, and we estimate that this could occur as early as in 2018, with a third program being moved ahead as well. With each opt-in, NUE increases their chances to generate *at least* one upfront licensing payment and clinical candidates. Having Amgen as a partner indicates that the programs are in very strong R&D hands, if a program reaches clinic.

All-in-all, we believe the deal is a good long-term value creator for NUE. The collaboration shows that big companies can work efficiently with the NUE team, and with continued positive developments, the partnership could drive more business going forward. However, as for the cash flow, we believe more patience is needed. The timing of the in-licensing will be a balancing act for Amgen as the price increases with each step. While we believe Amgen want to see some data before acting, it is unclear whether that will be at the candidate stage

or in phase I. But if the program continues to progress according to plan, we estimate that this could result in an in-licensing around 2020-2022 for the first program.

IL-17A inhibitor (a.k.a. "Cytokine X"): Unveiling a high-potential project

Interleukin-17A (IL-17A) has, in the past few years, been realized as a one of the most commercially attractive drug targets for a range of autoimmune diseases such as psoriasis, psoriatic arthritis, and ankylosing spondylitis. Novartis' antibody Cosentyx (secukinumab) was the first IL-17A inhibitor to be approved and was also the first psoriasis drug to be labeled as changing the disease course. Since its approval in January 2015 (psoriasis) the commercial uptake has been strong and in 2017 the drug brought in over USD 2 billion in revenues. Eli Lilly's Taltz (ixekizumab) was the second IL-17A antibody to reach the market and registered 2017 sales of about USD 560 million. With strong clinical data, the drugs, together with Siliq/Kyntheum (brodalumab), reached USD 2.6 billion in combined sales 2017. Given the strong efficacy, the revenue is estimated to reach about USD 7 billion by 2023.

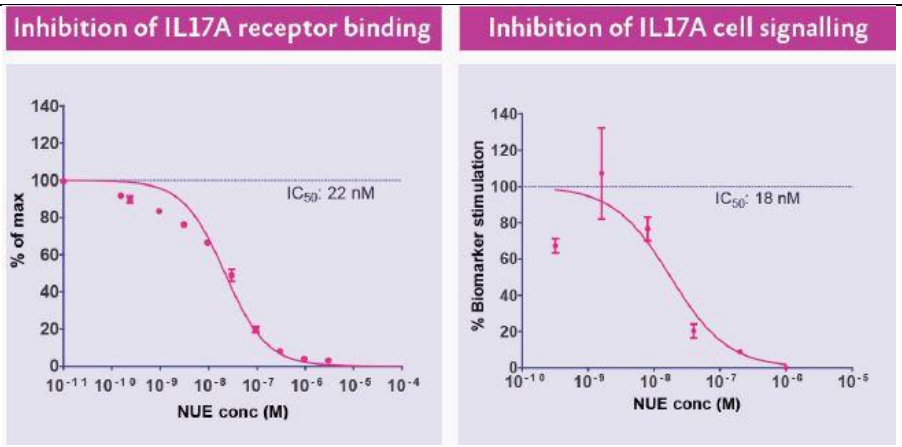
Marketed IL-17 inhibitors

Generic name	secukinumab	ixekizumab	brodalumab
Brand name	Cosentyx	Taltz	Siliq/Kyntheum
Company	Novartis	Eli Lilly	Valeant/Leo Pharma
Mechanism	IL-17Ai	IL-17Ai	IL-17RAi
Structure	Fully human IgG1 mAb	Humanized IgG4 mAb	Fully human IgG2 mAb
Administration	SubQ inj.	SubQ inj.	SubQ inj.
Psoriasis	Approved Jan'15	Approved Mar'16	Approved Feb'17
Ankylosing spondylitis	Approved Jan'16	Positive Phase III data Feb'18	Phase III data Japan H2'18
Psoriatic arthritis	Approved Jan'16	Approved Dec'17	Filed
Atopic dermatitis	Phase I/II data H1'18	-	-
Dosing frequency	Q4W	Q4W	Q2W
Est. annual price (WAC, $)	61,000	67,000	45,500
2017 sales across indications ($m)	2,071	559	16

Source: company filings, Bloomberg, Redeye Research

All three approved IL-17A drugs are antibodies, which might be easier to develop for the particular target. NUE is developing a small molecule drug, an approach that's historically not been successful for others due to a difficulty in finding small molecules that could bind the challenging IL-17A target. However, early data indicates that compounds generated with Chemetics has a good ability to bind IL-17A and inhibit the cytokine binding to the IL-17A receptor. The compounds tested also shows good ability to suppress cell signaling in human keratinocytes (skin cells).

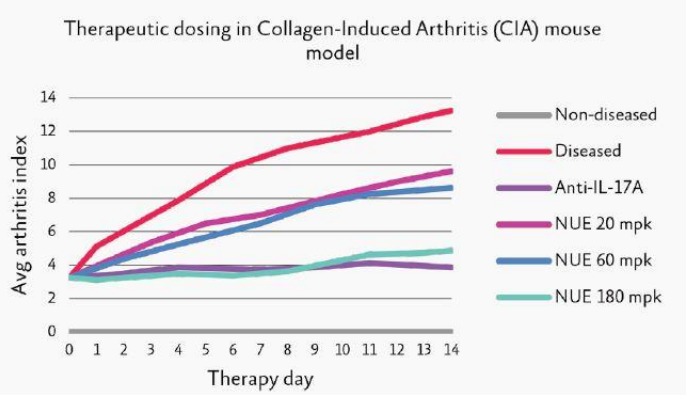
NUE's IL-17A inhibitor shows a positive profile



Source: Nuevolution 2018 Q2 report

Data presented from a collagen-induced arthritis (CIA) mouse model helps to validate the mechanism of action and to compare the compound to a benchmark IL-17A antibody. The

data shows a dose-dependent efficacy, where the highest dose of the NUE compound is on par with the benchmark anti-IL-17A antibody. Together with the earlier data, we believe this indicates a promising profile of the NUE compounds. The company is currently working on generating more data for a topical version of the compound, and will also work on developing a tablet-based formulation going forward.



Source: Nuevolution 2018 Q2 report

A topical medication with IL-17A-inhibiting capacity could, for example, be used for patients with mild-to-moderate psoriasis, where antibodies are not offered either due to safety or cost limitations. At a later stage, the tablet-based product could be used for the moderate-to-severe patients, potentially offering a competitive substitute to injectable IL-17A inhibitors. As an indication of the attractiveness of tablet-based medication in the immunology fields (chronic diseases often requiring life-long medication) we can look at the sales of Otezla (apremilast; Celgene). The drug was launched for psoriasis in Q3 2014, and despite a sub-par efficacy sold for USD 1.3 billion in 2017 across indications. The usage is likely to continue to grow in the coming years.

Against this background, we assess that a small molecule compound against IL-17A would be a highly attractive asset both as a topical and tablet-based medication, and we believe a deal could be entered with only limited data. However, given the commercial potential, the project could be worth much more at a later stage if additional data can be presented. Thus, there will be a balancing act for NUE, where an early deal will be beneficial in the near-term but where patience can set up a transformative deal. From a valuation-based approach (instead of focusing on the short-term share price move), we believe that shareholders will fare best if NUE choose to develop the drug as far as possible in-house before finding the right partner for an attractive price, which will likely be when the asset has been de-risked to the point where a potential partner will be less price-conscious. NUE stated in their Q2 report that the project is in such a stage of development where the target identity disclosure will support the start of external promotion. We estimate that the time-frame for a potential deal could be similar to the Almirall deal, which was in pre-clinical development (pre-IND).

With this update we have included the IL-17 project in our model. We assume the drug will have a similar indication exposure as the antibodies. As the potential launch would be multiple years from now, there is uncertainty around pricing and competition. Further, the drug can potentially first be launched as a topical treatment, with the oral tablet as a follow-on drug product. We believe the topical ointment would have a lower commercial potential than the oral drug. While Cosentyx reached USD 2 billion in its third full year on the market, we assume a USD 2 billion top sales potential for NUE's IL-17A project. Model-wise, we apply a 5% probability of reaching the market and assume 30% chance of a deal worth up to USD 500 million in 2020 with USD 20 million upfront and a relatively evenly distributed milestones. In total, the project contributes about SEK 2 per share to our valuation.

RORyt: Almirall cautiously moving forward

Since the out-licensing of the RORyt inhibitor program to Almirall in December of 2016 there has been no material updates. What we know is that the program seem to be progressing according to the work plan, but the details of the plan are not publicly disclosed. Looking at the plan when the project was part of NUE's portfolio, we understood the aim as entering phase I by late 2017 or early 2018. Thus, the current situation seem to be behind schedule. However, optimistic time-lines and delays are common in the biotech sphere.

Multiple competitors have tried to develop a small molecule RORyt inhibitor. While some promising efficacy has been seen, we've seen almost all competitors strike out early, often due to safety concerns. A high-profile failure was Allergan's AGN-242428 (previously VTP-43742), which was scrapped in March (and a write-down of USD 522 million) after safety concerns in a phase IIb psoriasis study that was likely compound-related (see previous note). During Q2, AstraZeneca suspended their phase I psoriasis study with AZD-0284 due to preclinical findings. To our knowledge, only one competitor is currently in clinic, Arrien's ARN-6039 in phase I. The project has been partnered with a US-based pharma company (undisclosed, but believed to be Boston Pharmaceuticals), but there is limited details on the project. The encouraging part among all the failures is that the majority of the companies continue to work on their programs, going back to the drawing board and trying to optimize or find better compounds, instead of just scrapping the whole idea.

The early failures seem to indicate that the RORyt target is hard to drug safely. We continue to see the project as promising and believe that NUE could have an advantage with its vast libraries that were screened to generate the lead compound. The competitors' failures could also generate a greater knowledge and cautiousness to NUE/Almirall, who are now working on the characterization of the compound. Moving carefully forward in pre-clinic could improve the chances of success in clinic.

For Almirall, we believe this project will be an important part of their pipeline efforts. The Spanish pharma is aiming to be a leading dermatology player, having narrowed the focus of their portfolio in recent years by selling off their respiratory portfolio to AstraZeneca. Further, in August this year, Almirall made a USD 650 million acquisition of a five-product dermatology portfolio from Allergan. In accordance with this strategy, the company will also focus on building the pipeline with promising projects, with the RORyt inhibitor being an important project. The project seem to be in good hands for future development.

Model-wise, we have approached the new timelines by delaying some potential milestones and incomes in the project, which lowers the net present value in the project slightly. However, we want to note that this is not a fundamental adjustment, but only in the timing of the cash flows.

New deal could come in 2018

NUE has been guiding for a new partnership deal to happen in the near-term, something we see as highly likely. In the Q2 report NUE suggested that the timeline for a potential deal was during 2018, which is a slight extension compared to previous guidance. CEO Alex Haahr Gouliaev elaborated during the conference call that, more important than the timing, is to find the right deal and to have the patience in the negotiations. The company have mentioned that they have had discussions with several parties regarding partnerships, and we have written previously that we see the BET inhibitor as being a strong licensing candidate. But partner negotiations are also uncertain affairs and can consume a lot of time. Obtaining a lucrative deal might take some extended negotiation and NUE seem to be on-track towards achieving that goal.

Valuation and the NUE share

The key changes in this report is that we have included the IL-17A project in our sum-of-the-parts valuation and pushed some milestones in the Almirall project further into the future, as well as adjusted the Amgen project according to new disclosures. This give a positive net effect on our valuation range. Our new Base Case is SEK 28 (27) per share, with the Bull and Bear Case being SEK 42 (40) and SEK 16 (16) per share, respectively.

Nuevolution: Valuation

Project	Indication	Partner	Unadj. top sales ($M)	LOA	Royalty*	NPV (SEK, M)
RORγt inverse agonist	Dermatology / PsA	Almirall	1600	14%	5-10%	522
Multi-target partnership	Oncology, neuroscience	Amgen	1500	6%	5-10%	273
Multi-target partnership	Oncology, inflammatory, infectious	Janssen	1500	5%	3-5%	69
BET-inhibitor	Inflammatory	-	1000	8%	5-10%	229
RORγt inverse agonist	AS / IBD	-	1000	8%	5-10%	188
IL-17A inhibitor	Dermatology / PsA	-	2000	5%	5-10%	109
Chemetics (w/ other ops.)	Oncology, inflammation	-	n.a.	n.a.	n.a.	600
			Shared costs net of cash			(590)
			Total (MSEK)			**1,400**
			Value per share (SEK) @ 14.0% WACC			**28**

* Royalty=Tiered royalty rates.
Source: Redeye Research

We see a good upside in NUE going forward, with the shares trading around our Bear Case for the majority of the year. The NUE share is mainly news flow driven, tending to be range bound for long periods of time until fundamental news change investors' perception, similar to traditional biotech companies. Further, as no projects have yet reached clinic and many are still in early development, we think that this can increase the uncertainty and perceived riskiness of an investment in NUE and give a complexity discount in the stock market. However, we think that there is more to the story and that the patient investor can find a lot of value in NUE going forward.

The downside is somewhat protected, differentiating NUE from traditional biotechs, given the portfolio approach where the binary nature of any one program will have less impact on the total value. Further, two major partnerships have already been signed with Almirall and Amgen, leading companies in their respective fields, which could bring large milestone payouts in the coming years. And with Chemetics, the drug discovery platform at the heart of the company, there is the potential to bring a steady flow of new projects and additional partnerships opportunities also in the future, where the next one could materialize in 2018. So in sum, we see a good case in NUE, where the downside is relatively limited and where near-term catalysts could force an upward valuation in the shares.

Investment Case

- Biopharma with a DNA-encoded drug discovery platform - well-positioned in a growing niche segment
- Deal-making abilities of high importance - strategy is taking off
- Multiple value driving assets reduces overall risk - two internal projects could enter clinic in 2019
- Clinical and deal developments could force near-term upward valuation

Nuevolution is a Scandinavian biopharma company mainly focused on drug discovery and early-stage drug development. At the heart of the company lies the proprietary DNA-encoded screening platform Chemetics, which is used to identify small molecule drug candidates for hard-to-drug disease targets, which can offer multiple benefits compared to antibodies. Further, the screening technology can provide cost and time efficiencies while improving the screening quality compared to conventional high-throughput screening methods. Due to these advantages, DNA-encoded platforms attract an increasing amount of interest in the industry, and with technological advances, we believe the platforms are on track to become a larger part of Pharma's drug discovery efforts. With a long history and broad expertise in the field, we see Nuevolution as the best positioned pure-play DNA-encoded platform player.

Nuevolution's business model is deal-driven and the company has a good strategy. At their inception in 2001, deals focused more on proving the concept and the technology rather than conduct drug development. But as the technology has improved, Nuevolution has increased their involvement in the drug development, running internal projects up to the pre-clinical stage and soon also in early-stage clinical trials. Seventeen partnerships has been entered to date, generating more than USD 65 million in revenues. A sign of strength has been in Nuevolution's ability to raise the bar for each deal entered, and the strategy really took off in 2016 when they signed a multi-target collaboration with Amgen worth USD 410 per target, as well as a EUR 453 million out-licensing agreement with Almirall for their RORyt-inhibitor program.

The Almirall deal was the first out-licensing deal for a Chemetics-derived compound. Pre-clinical data has been promising and the RORyt-target has attracted broad interest. Competitors have had trouble getting it right and safety issues in clinic has been a show stopper for AbbVie, Takeda, and Allergan. However, we believe the failures are to be seen as compound-specific rather than target-specific. Nuevolution screened over one billion compounds to get their lead candidates and has been very careful with the optimization and characterization. We believe the compound has a good chance to be best-in-class, and see Almirall as a good partner for the project. Successful development of the RORyt inhibitor would not only be positive for the project, but would also have a greater implication of showing the power of Chemetics.

Nuevolution has two internal project that could enter clinic during 2019. The most progressed is the ex-Almirall indications for the RORyt inhibitor program. The IL-17/IL-23 blocking mechanism is believed to have potential in multiple indications, and Nuevolution is prioritizing ankylosing spondylitis (AS) and inflammatory bowel disease (IBD). The second project is a selective BET-inhibitor that has shown promising pre-clinical results in inflammatory and fibrotic diseases. The prioritized indication is atopic dermatitis (i.e. eczema), which offers a large market opportunity for a tablet-based medication. The BET inhibitor is unique and we believe that there is a good amount of partnering interest around the program. So, while we believe the compound would be very attractive to bring into clinic in-house, the unique profile make a licensing deal possible in the near-term.

Nuevolution's pipeline is progressing and project-specific news flow is likely to drive the stock going forward. However, the most exciting near-term event could be a partnering deal, and management have indicated that there is potential for the next deal to happen during 2018. We believe the best positioned is either an out-licensing of the BET-inhibitor, or a high-value collaboration agreement. Further, the RORyt-inhibitor is set to enter phase I development under Almirall in the near-term and we expect a smaller milestone payment in conjunction with that. The internal RORyt program could enter clinic by early 2019. Each piece of data is important for further validation of the pipeline potential and is likely to capture the attention of investors. While negative results is unavoidable in the long run, the portfolio approach helps mitigate risk and as more projects advances towards clinic, any one project is less likely to have an outsized effect on fundamentals.

Catalysts

RORyt inverse agonist becomes a clinical program

Almirall will likely push the RORyt program into Phase I studies in psoriasis and/or psoriatic arthritis during 2018. This will be the first Chemetics-derived drug tested in humans.

IMPACT				
Downside		Upside		Time Frame
Potency	Likelihood	Potency	Likelihood	
Major	Extremely unlikely	Moderate	Highly likely	Short

Licensing deal

The internal pipeline includes promising projects. We believe the BET-inhibitor program has good potential of being out-licensed.

IMPACT				
Downside		Upside		Time Frame
Potency	Likelihood	Potency	Likelihood	
Moderate	Possible	Major	Possible	Mid

Collaboration deal

Nuevolution is actively hunting for new deals. One more multi-target collaboration could be entered in the near-term. Structure would likely be similar to the Amgen deal.

IMPACT				
Downside		Upside		Time Frame
Potency	Likelihood	Potency	Likelihood	
Moderate	Possible	Major	Possible	Mid

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

Management: 8.0

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: 7.0

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: 6.5

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: 0.0

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: 1.0

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 in the near-term, 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	91	72	345
Total operating costs	-174	-134	-129	-135	-137
EBITDA	-52	-121	-38	-63	208
Depreciation	2	-2	-2	-2	-2
Amortization	0	0	0	0	0
Impairment charges	0	0	0	0	0
EBIT	-50	-123	-39	-65	206
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	-39	-65	206
Tax	-15	6	0	0	0
Net earnings	-65	-118	-39	-65	206

BALANCE SHEET	2016	2017	2018E	2019E	2020E
Assets					
Current assets					
Cash in banks	148	115	183	100	294
Receivables	97	10	13	11	55
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
Current assets	245	125	195	111	349
Fixed assets					
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	207	123	364
Liabilities					
Current liabilities					
Short-term debt	1	1	5	0	0
Accounts payable	14	18	14	10	45
O current liabilities	10	3	3	3	3
Current liabilities	25	23	22	13	48
Long-term debt	3	3	10	0	0
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	29	26	32	13	48
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	225	111	176	110	316
Minority interest (BS)	0	0	0	0	0
Minority & equity	225	111	176	110	316
Total liab & SE	254	137	207	123	364

FREE CASH FLOW	2016	2017	2018E	2019E	2020E
Net sales	122	12	91	72	345
Total operating costs	-174	-134	-129	-135	-137
Depreciations total	2	-2	-2	-2	-2
EBIT	-50	-123	-39	-65	206
Taxes on EBIT	-16	6	0	0	0
NOPLAT	-66	-117	-39	-65	206
Depreciation	-2	2	2	2	2
Gross cash flow	-67	-115	-38	-63	208
Change in WC	-95	84	-7	-2	-10
Gross CAPEX	-2	-4	-2	-3	-4
Free cash flow	-164	-35	-47	-68	194

CAPITAL STRUCTURE	2016	2017	2018E	2019E	2020E
Equity ratio	89%	81%	85%	89%	87%
Debt/equity ratio	2%	4%	8%	0%	0%
Net debt	-143	-111	-168	-100	-294
Capital employed	82	1	8	11	22
Capital turnover rate	0.5	0.1	0.4	0.6	0.9

GROWTH	2016	2017	2018E	2019E	2020E
Sales growth	448%	-90%	638%	-22%	383%
EPS growth (adj)	-25%	57%	-66%	65%	-416%

DCF VALUATION	
WACC (%)	14.0 %
Fair value e. per share, SEK	28.0
Share price, SEK	16.4

PROFITABILITY	2016	2017	2018E	2019E	2020E
ROE	-28%	-70%	-28%	-46%	96%
ROCE	-21%	-71%	-26%	-43%	96%
ROIC	420%	-142%	-7623%	-828%	1951%
EBITDA margin	-43%	-980%	-41%	-88%	60%
EBIT margin	-41%	-994%	-43%	-91%	60%
Net margin	-53%	-950%	-43%	-91%	60%

DATA PER SHARE	2016	2017	2018E	2019E	2020E
EPS	-1.51	-2.37	-0.80	-1.32	4.16
EPS adj	-1.51	-2.37	-0.80	-1.32	4.16
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-3.33	-2.23	-3.39	-2.02	-5.94
Total shares	42.86	49.52	49.52	49.52	49.52

VALUATION	2016	2017	2018E	2019E	2020E
EV	-142.9	-110.6	642.5	710.3	516.0
P/E	0.0	0.0	-20.5	-12.4	3.9
P/E diluted	0.0	0.0	-20.5	-12.4	3.9
P/Sales	0.0	0.0	8.9	11.3	2.3
EV/Sales	-1.2	-8.9	7.0	9.9	1.5
EV/EBITDA	2.8	0.9	-17.1	-11.2	2.5
EV/EBIT	2.8	0.9	-16.3	-10.9	2.5
P/BV	0.0	0.0	4.6	7.3	2.6

SHARE PERFORMANCE		GROWTH/YEAR	16/18E
1 month	-1.7 %	Net sales	-13.4 %
3 month	-1.7 %	Operating profit adj	-11.4 %
12 month	6.9 %	EPS, just	-27.3 %
Since start of the year	-1.5 %	Equity	-11.7 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Sunstone LSV Fund I K/S	20.7 %	20.7 %
SEB Venture Capital	20.4 %	20.4 %
Stiftelsen Industrifonden	18.2 %	18.2 %
SEB Utvecklingsstiftelse	6.6 %	6.6 %
SEB-Stiftelsen	5.0 %	5.0 %
Avanza Pension	2.4 %	2.4 %
LMK Forward	2.3 %	2.3 %
AAGCS NV RE AACB NV RE EURO CCP	1.4 %	1.4 %
Nordnet Pensionförsäkrings AB	1.0 %	1.0 %
Vätterleden AB	1.0 %	1.0 %

SHARE INFORMATION	
Reuters code	NUE.ST
List	Small cap
Share price	16.4
Total shares, million	49.5
Market Cap, MSEK	810.2

MANAGEMENT & BOARD	
CEO	Alex Haahr Gouliaev
CFO	Johnny Stilou
Chairman	Stig Løkke Pedersen

FINANCIAL INFORMATION	
Q3 report	November 07, 2018
FY 2018 Results	February 27, 2019

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Redeye Rating and Background 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 – Cyclicality, and 8 – Forthcoming binary events.

Redeye Equity Research team

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Disclaimer

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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 (2018-09-05)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	44	45	18	10	19
3,5p - 7,0p	83	76	111	35	50
0,0p - 3,0p	14	20	12	96	72
Company N	141	141	141	141	141

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CONFLICT OF INTERESTS

Mathias Spinnars owns shares in the company : Yes
Klas Palin owns shares in the company : No
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.