

Health Care

Key data

Price (SEK)*	53.0
Country	Sweden
Bloomberg	ICO SS
Reuters	ICO.ST
Free float	67.0%
Market cap (SEKm)	412
Net debt (current Y/E) (SEKm)	-71
No. of shares (m)	7.8
Next event	Q1: 8-May

* Price as at close on 14 April 2020

CEO	Johan Wåborg
CFO	Anna Gallon

Company description

Iconovo AB develops, manufactures, and supplies inhalation products. The firm offers inhalers for use in the treatment of asthma and respiratory disorders. The company was founded in 2013 and is headquartered in Lund, Sweden.

Ownership structure

Mats Johansson	11.8%
Orest Lastow	10.9%
Eiffel Investment Group SAS	10.3%
SEB Life International	8.2%
Johan Lundgren	5.9%

Source: Company data 31 March 2020

Analyst(s)

Daniel Albin

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Important disclosures and certifications are contained from page 29 of this report

Iconovo

The same but different

Iconovo develops drug inhalation products, offering exposure to the growing market for inhaled generics in the treatment of asthma and COPD. It has managed to sign three royalty agreements with global generic drug companies. Iconovo focuses on early-stage out-licensing of projects, reducing risk in the business model. The licensing partner takes clinical and commercial risk, while Iconovo retains the option of royalty revenues.

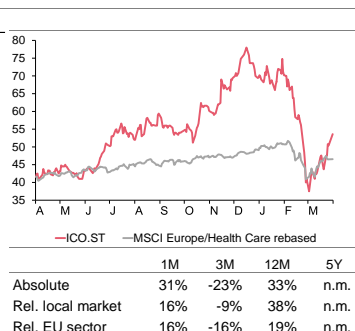
- Significant market opportunity.** Iconovo's addressable market amounts to c.500m people suffering from asthma or COPD (chronic obstructive pulmonary disease). The company's current product portfolio addresses a market worth c.USD14bn in product sales annually, comprising mainly five approved inhalers (HandiHaler from Boehringer Ingelheim, Breezhaler from Novartis, Advair Diskus and Ellipta inhalers from GSK, and Symbicort Turbuhaler from AstraZeneca). Compared to generic solid oral tablets, the generic market for inhalants is tougher to access due to its high regulatory standards and complexity in drug delivery, combining a drug formulation with an inhaler.
- Scalable business model.** We estimate Iconovo will be able to achieve total non-risk-adjusted peak royalty revenue of SEK293m, corresponding to SEK3,590m in combined peak sales from its generic partners by 2031E. Since we assume that Iconovo's products will be produced, marketed and distributed by its partners, we see limited need for the company to expand its operational organisation to achieve incremental sales. We estimate the company will become profitable in 2021E, with peak operating margins well in excess of 70% beyond 2026E. With SEK89m in net cash (end-Q4 19), we do not fear the company will need to raise additional funds to break even.
- Experienced team.** The company was founded in 2013 by former AstraZeneca employees with an extensive background in the development of inhalers and inhalation drug formulations, such as the Symbicort Turbuhaler.
- Valuation.** Our DCF-derived fair value points to a valuation interval of SEK609-786m assuming a cost of capital of between 9% and 12%, corresponding to a share price of between SEK78 and SEK101.

Key financials

Year-end Dec (SEK)	2018	2019	2020E	2021E	2022E
Revenues (m)	12	12	12	34	51
Revenues growth	-40.7%	-1.4%	2.2%	n.m.	51.1%
EBITDA (m)	-4	-9	-13	5	19
EBIT adj. (m)	-6	-12	-16	2	16
EBIT growth	n.m.	n.m.	-33.7%	n.m.	n.m.
Pre-tax profit (m)	-6	-11	-16	2	16
EPS adj.	-0.86	-1.57	-2.02	0.31	1.62
DPS	0.00	0.00	0.00	0.00	0.00
Dividend yield					
FCF yield (incl. recurr capex)	-2.6%	-3.3%	-4.4%	-0.4%	2.2%
EBIT margin (adj.)	-48.9%	n.m.	n.m.	7.0%	31.2%
Net debt/EBITDA (x)	13.2	9.7	5.6	-12.6	-4.1
ROIC	-54.1%	-77.0%	-75.4%	9.9%	45.4%
EV/sales (x)	15.5	44.1	28.4	10.2	6.5
EV/EBITDA (adj.) (x)	n.m.	n.m.	n.m.	62.4	17.3
EV/EBITA (x)	n.m.	n.m.	n.m.	66.1	17.6
EV/EBIT (adj.) (x)	n.m.	n.m.	n.m.	n.m.	21.0
P/E (adj.) (x)	n.m.	n.m.	n.m.	n.m.	32.7

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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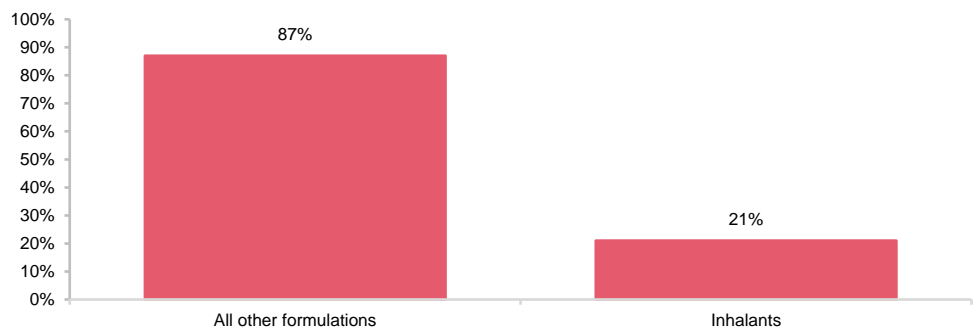
Executive summary

An investment in Iconovo offers exposure to the attractive, growing market for inhaled generics for the treatment of chronic respiratory diseases such as asthma and COPD. Iconovo was founded in 2013 by former AstraZeneca employees with a wealth of experience in inhalation product development and commercialisation. Iconovo offers four in-house developed inhalation drug delivery devices (inhalers) used to administer inhaled generics and/or enhance the delivery of existing drug molecules. To date, Iconovo has managed to sign three royalty agreements with different global generic drug companies. We see near-term positive catalysts to be additional collaboration and royalty agreements signed with drug companies.

Addressable market worth billions

Iconovo's addressable market amounts to c.500m people suffering from asthma or COPD disorders. The company's current product portfolio addresses a market worth c.USD14bn in product sales annually, comprising mainly five approved inhalers (HandiHaler from Boehringer Ingelheim, Breezhaler from Novartis, Advair Diskus and Ellipta inhalers from GSK, and Symbicort Turbuhaler from AstraZeneca). Compared to generic solid oral tablets, the generic market for inhalants is tougher to access due to high regulatory standards and complexity in drug delivery, combining a drug formulation with an inhaler.

Chart 1 : 2017 US generic prescription share, %



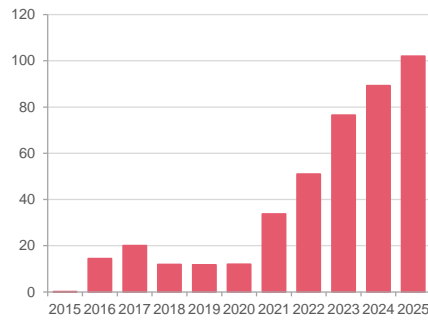
Source: IQVIA Global Generic and Biosimilars Trends and Insights, presented at the Association for Accessible Medicines 13 February 2018

Scalable business model

We estimate Iconovo will be able to achieve total non-risk-adjusted peak royalty revenue of SEK293m in 2031E, corresponding to SEK3,590m in combined peak sales from its generic partners. Since we assume that Iconovo's products will be produced, marketed and distributed by its partners, we see limited need for the company to expand its operational organisation heavily to achieve incremental sales. We estimate that the company will become profitable in 2021E, with peak operating margins well in excess of 70% beyond 2026E. With SEK89m in net cash as of end-Q4 19, we do not fear the company will need to raise additional funds to break even.

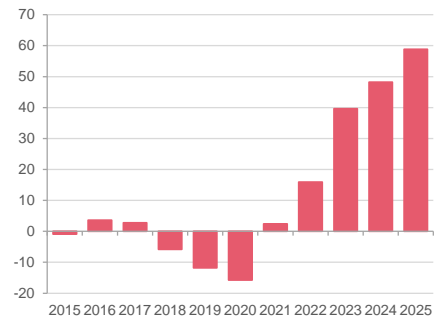
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Chart 2 : Net sales (SEKm) – estimates for 2020 onwards



Source: Company data, Danske Bank Equity Research estimates

Chart 3 : EBIT (SEKm) – estimates for 2020 onwards



Source: Company data, Danske Bank Equity Research estimates

Valuation and methodology

We base our valuation of Iconovo on a DCF that assumes a cost of capital of between 9% and 12%. We have estimated free cash flow until 2040. Our valuation does not consider any terminal value post 2040. Given the unique company characteristics and the lack of ideal comparable peers (Vectura being one, but cost structure and royalty agreements differ greatly), we consider a relative valuation would not be reliable.

Absolute valuation

Our DCF-derived fair value points to a valuation interval of SEK609-786m assuming a cost of capital of between 9% and 12%, corresponding to a share price of between SEK78 and SEK101.

Risks to consider

In our opinion, the key risks include: (1) a highly regulated industry with stringent requirements to gain approval, (2) competition from large, global pharmaceutical companies and (3) delayed or lower-than-expected market acceptance for generic inhaled drug devices.

Partnership and industrial cooperation

Iconovo's business model is to out-license its products primarily to generic drug companies. Iconovo's future royalties depend largely on sales conducted by its partners. There is a risk that such collaboration will not turn profitable and/or that the out-licensing partners may fail in their product launches, which will negatively affect Iconovo's future income stream of royalties.

Regulatory considerations for generic orally inhaled drugs

The regulatory pathway to achieving approval for bringing generic orally inhaled drugs to market is harder compared to generic solid oral dosage forms (i.e. a tablet). The challenges to achieve bioequivalence for inhaled generic drugs must be met and may require repeated in vitro studies and pharmacokinetic studies, which may delay a potential product launch and thus delay upcoming royalties to Iconovo.

Technology risk

A key risk when investing in medical-device developing companies is the proprietary technology used. Iconovo may encounter competition from larger companies in the field, which could impair Iconovo's partners' market share and uptake. We see new and upcoming technology from larger competitors as a moderate threat, however, and argue that the market is large enough for generic players.

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Dependence on key personnel

We see one of the main risks in Iconovo to be its relatively small size as an organisation. We view the risk of losing senior R&D employees and senior sales representatives as the most serious risk.

Market overview

The end-users of the products offered by Iconovo and its partners are individuals suffering from asthma and chronic obstructive pulmonary disease (COPD). In this section, we aim to give some colour on some of the trends regarding market size and growth. Although there is considerable uncertainty in the estimates regarding market size due to the difficulty of agreeing on a clear definition of asthma and the number of individuals affected (some of whom are unlikely to have been diagnosed), we believe it is necessary to review the estimates. We also describe the competitive landscape in which Iconovo has entered, and is about to enter.

Asthma

Asthma is the most common chronic disease in childhood, and consequently imposes a substantial burden on the individual for a very long period of time. As briefly touched upon above, the medical community has had difficulties agreeing on a clear definition of the condition and has instead formulated an operational description:

'Asthma is a chronic inflammatory disorder of the airways in which many cells and cellular elements play a role. The chronic inflammation is associated with airway hyperresponsiveness that leads to recurrent episodes of wheezing, breathlessness, chest tightness, and coughing, particularly at night or in the early morning. These episodes are usually associated with widespread, but variable, airflow obstruction within the lung that is often reversible either spontaneously or with treatment.' (Global Initiative for Asthma, 2012).

In other words, it is hard to make a proper diagnosis due to the variability of the symptoms.

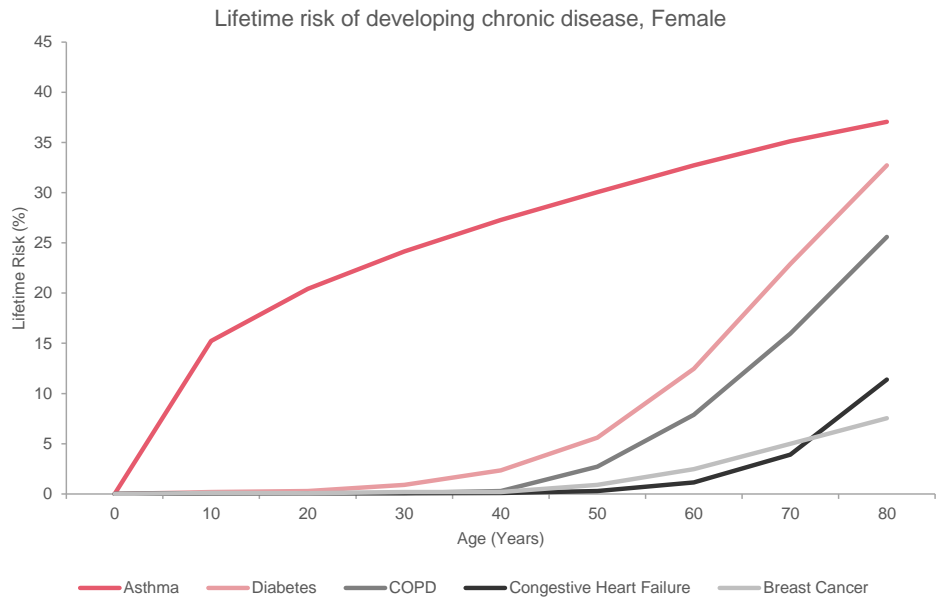
Chart 4 : Lifetime risk of developing chronic disease, Male



Source: The Lancet 'Lifetime risk of developing chronic obstructive pulmonary disease: a longitudinal population study', Danske Bank Equity Research

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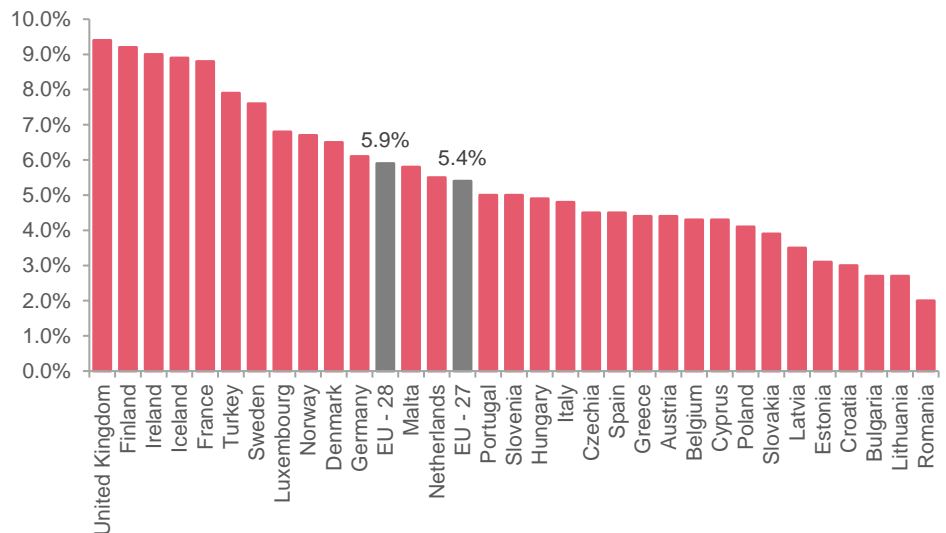
Chart 5 : Lifetime risk of developing chronic disease, Female



Source: The Lancet 'Lifetime risk of developing chronic obstructive pulmonary disease: a longitudinal population study', Danske Bank Equity Research

According to the Global Asthma Network, c.339m people are affected by asthma across the world. Around 10% are estimated to suffer from severe asthma, which is considered difficult to treat.

Chart 6 : Percentage of population suffering from asthma



Source: Eurostat, Danske Bank Equity Research

Orion Corporation (Easyhaler products) communicated during its Capital Markets Day 2019 that it anticipates that the asthma market in Europe (EU Top 5) will grow from a total value of c.USD2.5bn to USD3.5bn 2018-27. Long-term asthma control medications include long-acting beta agonist (LABA) and inhaled corticosteroids (ICS).

Common asthma medications

SABA (short-acting beta-2-agonist), example salbutamol.

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LABA (long-acting beta-2-agonist), example formoterol.

LAMA (long-acting muscarinreceptor antagonist), example tiotropium.

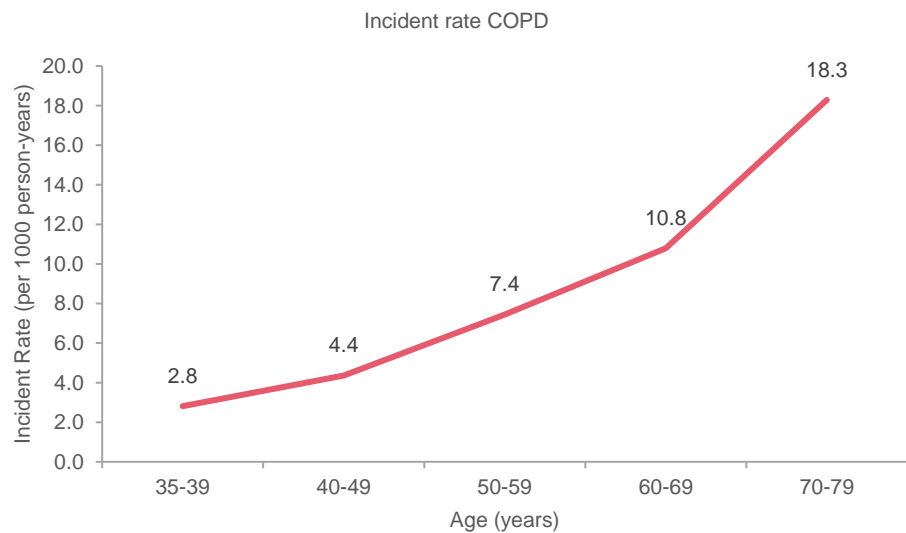
ICS (inhaled corticosteroid), example budesonide and beclomethasone.

Commonly inhalers include a combination of both long-acting beta agonists and inhaled corticosteroid, such as AstraZeneca's Symbicort Turbuhaler combining budesonide and formoterol.

Chronic obstructive pulmonary disease (COPD)

Chronic obstructive pulmonary disease, or COPD, is a progressive condition that is characterised by respiratory difficulties. Oftentimes, COPD results from a persistent cycle of emphysema and chronic bronchitis, emphysema causes the alveoli (air sacs in the lungs) to lose elasticity, and chronic bronchitis causes the bronchioles (air passages) to become inflamed, leading to increased mucus production. COPD most frequently results from smoking cigarettes, but can also be caused by the inhalation of pollutants.

Chart 7 : Incident rate COPD



Source: The Lancet 'Lifetime risk of developing chronic obstructive pulmonary disease: a longitudinal population study', Danske Bank Equity Research

Orion Corporation wrote during its Capital Markets Day 2019 that it anticipates that the COPD market in Europe (EU Top 5) will grow from a total value of c.USD2.7bn to USD3.4bn 2018-27. Many of the types of medications used to treat asthma are also used to treat COPD. In comparison to asthma, long-acting muscarinic agonist is commonly used together with long-acting beta agonist and inhaled corticosteroids.

Common COPD medications

SABA (short-acting beta-2-agonist), example salbutamol.

LABA (long-acting beta-2-agonist), example formoterol.

LAMA (long-acting muscarinreceptor antagonist), example Tiotropium.

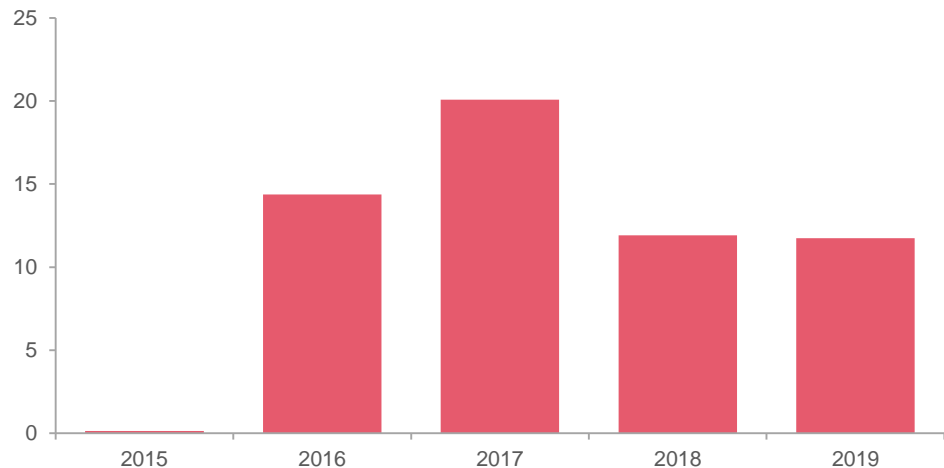
ICS (inhaled corticosteroid), example budesonide and beclomethasone.

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Company overview

Iconovo was founded in 2013 by people with backgrounds at Astra Zeneca. The founders of Iconovo have extensive experience in the development of inhalers and inhalation drug formulation and have been part of developing some of the world's best-selling inhalation products. At the end of Q4 19 the company had 17 full-time employees and had signed three ongoing royalty agreements. The company's focus on out-licensing projects at an early stage de-risks the business model significantly, as the licensing partner takes the clinical and commercial risk.

Chart 8 : Net sales development since 2015, SEKm



Source: Company data, Danske Bank Equity Research

The company's addressable market amounts to c.500m people with asthma or COPD disorders. The company's current product portfolio addresses a market worth c.USD14bn in product sales annually, according to the company.

Product overview

The company's product portfolio includes four different types of inhalation devices. The complexity concerning inhalation devices relates to both the dry powder formulation, establishing the right particle size, and how the powder is administered through the inhalation device. Iconovo sells a complete one-stop product-development solution consisting of both the development of the inhaler and the dry-powder formulation, where the out-licensed partner will be responsible for clinical trials (bioequivalence), registration and commercial launch.

Figure 1: Product portfolio



Source: Iconovo

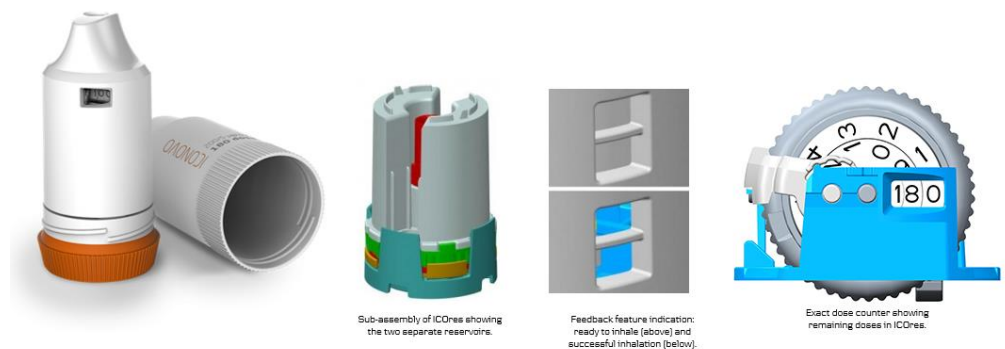
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1. ICORES – a reservoir device

ICORES is the company's generic version of AstraZeneca's Symbicort Turbuhaler (budesonide/formoterol). ICORES is a reservoir-based dry powder inhaler (DPI). Some of the unique features with ICORES are that it has:

- Two separate reservoirs, which can be filled with the same dry powder formulation, or with two different formulations. Using two different combination formulations allows for the simultaneous delivery of up to four different APIs (active pharmaceutical ingredients). With this technology Iconovo can deliver 3-in-1 treatment for COPD with a triple combination inhaler, this is unique compared to competitors.
- In comparison to Symbicort, ICORES also has a built-in exact dose counter feature showing remaining doses, and after the last dose, a red bar will appear on a side window indicating that the inhaler is empty. ICORES also has an additional feedback feature indicating when the inhaler is ready to inhale, and if the drug formulation has been successfully inhaled. Symbicort Turbuhaler lacks these features.
- AstraZeneca reported product sales of Symbicort of USD678m for FY 2019 in Europe. The research institute IQVIA has estimated the market value for Symbicort and generic alternatives in Europe at c.USD1,034m FY 2018. There are currently two generic versions of Symbicort Turbuhaler on the market: (1) Teva's DuoResp Spiromax (budesonide and formoterol) and (2) Orion's Easyhaler (budesonide and formoterol).

Figure 2 : ICORES a multi-dose dry powder inhaler



Source: Iconovo

2. ICOCap - a capsule-based device

ICOCap is a capsule-based dry powder inhaler designed to be bioequivalent to other capsule dry powder inhaler products on the market.

- ICOCap is available in two versions and has the same function and performance as the established capsule-based dry powder inhaler HandiHaler (used to administer Spiriva, tiotropium bromide) from Boehringer Ingelheim, or dry powder inhaler Breezhaler from Novartis (used to administer indacaterol and glycopyrronium).
- ICOCap is designed for medicines in capsules that are loaded one at a time and can handle different capsule sizes. ICOCap can also be optimised to provide maximum product performance for a given drug substance, especially for new, unapproved drug substances that are undergoing clinical trials.

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Figure 3: ICOcap a capsule-based dry powder inhaler



Source: Iconovo

3. ICOpre – a pre-metered device

ICOpre is the company’s latest innovation and development project, a pre-metered dry powder inhaler intended for carrier-based formulations. Every individual dose is filled and sealed during manufacturing.

- ICOpre is intended to be bioequivalent to GSK’s Ellipta inhalers. GSK’s Ellipta inhalers had net sales of c.GBP2.3bn in 2019 and are expected to produce c.USD3.6bn sales by 2023 (FactSet consensus). ICOpre will also be able to compete with GSK’s Advair Diskus and the generic version, Wixela Inhub from Mylan.
- The first essential patents regarding Ellipta (Breo/Relvar) expire in 2025 for the APIs and 2030 for the device, after which the market will open to generic alternatives. As Iconovo has a novel inhaler developed in-house, the company is able to circumvent the inhalation device patent and access the market earlier than general generic competition. Reviewing the competitive environment, Vectura, together with Hikma, is developing generic versions of GSK’s Ellipta inhalers.

4. ICOone – a disposable unit-dose device

ICOone is a unit-dose disposable dry powder inhaler. It is easy to use and delivers inhalation medication in a simple and cost-effective way.

- ICOone is simple and suitable for high-volume low cost production. ICOone has two cavities allowing the use of two different drug formulations with two different APIs.
- ICOone enables the use of a dry, powder-based vaccination compared to traditional vaccination through injection with a needle. Dry powder-based vaccination does not require cold chain storage and eliminates the risk of contamination associated with needles.

Figure 4: ICOone



Source: Iconovo

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Commercial overview

Three royalty agreements signed

As of the end of Q4 19, Iconovo had signed three product development and licensing agreements, two royalty agreements regarding the commercialisation of ICOres and one regarding the commercialisation of ICOcap. We argue that the signed royalty agreements confirm Iconovo's in-house technology expertise and that the company has been able to commercialise its technology, which in our opinion de-risks the investment case somewhat.

1. Collaboration with CBC Corporation on ICOres

In June 2016, Iconovo signed a development and licensing agreement with Amneal Pharmaceuticals regarding ICOres. The project was taken over by CBC Corporation India Pvt Ltd in March 2019. The agreement relates to the product ICOres, a Symbicort generic inhaler (budesonide/formoterol), expected to be approved and marketed in 2022. The original agreement with Amneal Pharmaceuticals, with a deal value of c.SEK30m, includes a royalty fee when the product reaches the market. The addressable market for budesonide/formoterol amounts to c.USD3bn.

CBC Corporation is a Japanese company founded in 1925 and has over 2,700 employees globally with annual sales of c.USD2.1bn. The headquarters are situated in Tokyo, Japan. CBC has manufacturing facilities in Japan, USA, Italy, Bangladesh, Thailand and China. The company also has a global sales and distribution organisation present in North America, Europe and Asia with a focus on synthetic plastic raw materials, chemicals, pharmaceuticals and agricultural chemicals. CBC also manufactures raw materials for the pharmaceutical industry.

2. Collaboration with Intas Pharmaceuticals on ICOres

In December 2017, Iconovo signed a EUR2.8m royalty-backed product development and licensing agreement with Intas Pharmaceuticals. The agreement incorporates a royalty fee when the product reaches the market. The agreement includes Iconovo's inhaler ICOres and the development of a dry powder formulation (not announced) for treatment of asthma and COPD.

Intas Pharmaceuticals is among the top-10 Indian pharmaceutical companies and one of the largest privately held pharmaceuticals companies in India. Intas has net sales over USD1bn annually of which 60% is from internal operations. Intas has an extensive geographic footprint with a presence in 70 countries with 80% of export volumes coming from the US, UK and EU. In addition to generics formulation, R&D focuses on value added products such as complex formulations, biosimilars, and improved generics using novel drug delivery systems.

3. Collaboration with Stevanato Group on ICOcap

In July 2018 Iconovo signed a manufacturing, marketing and commercialisation agreement with Italian Stevanato Group on ICOcap, a capsule-based dry powder inhaler. As part of the agreement, Iconovo will receive a technology access payment of EUR0.2m, Iconovo will also receive a royalty fee on Stevanato's sales. ICOcap will be manufactured by Balda in Germany, the specialist in plastics and part of Stevanato Group.

Stevanato Group, founded in 1949, is the world's largest privately owned designer and producer of glass parenteral packaging for the pharmaceutical industry. It comprises two operational divisions serving the pharmaceutical industry: (1) the Pharmaceutical Systems division, specialising in glass primary packaging, and Balda, focused on specialty plastics and delivery devices, and (2) the Engineering Systems division, specialising in glass processing, inspection systems, assembly and packaging solutions. The Stevanato group has c.4,000 employees and exports products to 150 countries worldwide. In 2019, the Stevanato group had EUR517m in net sales.

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Development project for ICOone with TOA Pharma

In addition to the three signed royalty agreements mentioned above, Iconovo also has a signed development agreement with TOA Pharma regarding a proof-of-concept project for ICOone, a low-cost unit-dose disposable dry powder inhaler. The collaboration began in April 2017, and if the results of the preliminary study are satisfactory, the agreement could be expanded into a commercial collaboration with Iconovo to receive royalties based on sales.

In October 2018, Iconovo also announced an agreement signed with McMaster University in Canada for the development of a vaccine against tuberculosis, the aim being to develop a next-generation virus-based powder vaccine that is stable at room temperature. Iconovo's disposable ICOone inhaler will be used as a test platform to facilitate future commercialisation and large-scale manufacturing. The project is expected to last for three years and is partly financed by the Canadian state.

Competitive landscape

In comparison to general small molecule original drugs and generic alternatives, the combination of a dry powder formulation (API) administered through a medical device (inhaler) has proved hard to copy. Iconovo's competitive landscape is dominated by original product companies such as AstraZeneca (Symbicort Turbuhaler), Novartis (Breezhaler), Boehringer Ingelheim (HandiHaler), and GSK (Ellipta portfolio).

In addition, Iconovo will be competing with the generic inhaler alternatives from Teva (DuoResp Spiromax) and Orion (Easyhaler). Iconovo's main competitor is Vectura Group, listed on the London Stock Exchange, the innovator behind Novartis' Breezhaler, for example. Vectura has a broad range of dry powder inhaler solutions, metered-dose inhalers and nebulisers. In fiscal year 2019 Vectura had c.GBP178m in revenues with a gross profit result of c.GBP95m. Vectura has over 400 employees.

Regulatory differences between the EU and US

In general, the regulatory approaches to bringing generic orally inhaled drugs to the market have some similarities across countries, but there are important differences due to the cultural, historical and economic circumstances of each region. Reviewing the approaches to gaining marketing approval in the US and Europe, can be summarised in three general points. In the EU, only one out of three needs to be fulfilled in order to achieve marketing approval. Regulators in the US the FDA is the most strict when it comes to generic inhaled drugs and has a weight-of-evidence approach, meaning that you need to fulfil all the three requirements listed below, which is both costly and time-consuming for generic companies seeking approval.

- 1. In vitro studies.** Companies seeking approval need to show pharmaceutical equivalence, i.e. in vitro lab tests comparing particle size distribution profiles between the reference product and the generic. In vitro acceptance ranges are strict (typically +/- 15%) and hard to meet given batch-to-batch variation of the reference product. The key in vitro studies for bioequivalence assessment of DPIs include single actuation content and aerodynamic particle size distribution.
- 2. Pharmacokinetic studies.** Clinical pharmacokinetic studies (typically n=50) are performed to examine the absorption, distribution, metabolism, and excretion of a drug under investigation in healthy volunteers. Pharmacokinetic bioequivalence studies are considered an acceptable methodology to assess the extent of lung deposition of the inhaled drugs and the pattern of deposition within the lungs, when the contribution of the swallowed fraction is negligible or made negligible. The efficacy profile can be assumed to be equivalent if the lung deposition is shown to be equivalent.

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3. **Clinical endpoint studies.** Clinical endpoint studies in asthma and/or COPD patients to establish bioequivalence are similar to step 2, but in patients.

Estimates

Revenue forecasts

Our long-term revenue estimates are mainly based on the upcoming royalties from Iconovo's out-licensed products. Some of the main assumptions behind our sales forecast are outlined below. We have not considered any potential in the company's ICOone single-inhaler in our estimates since we believe the uncertainty to be high still.

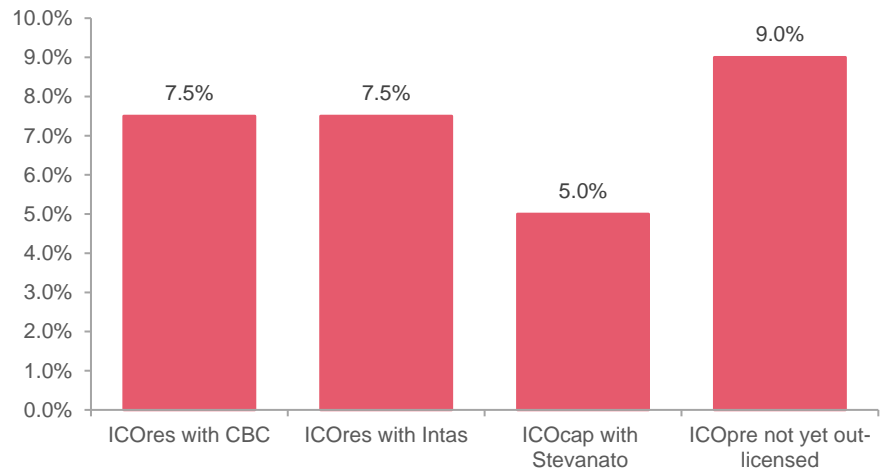
Royalty assumptions

To date Iconovo has managed to sign three royalty agreements regarding its dry powder inhalers: ICOres and ICOcap. Our royalty revenue estimates assume that all three agreements will also be converted into actual commercialised products, with ICOcap, out-licensed to the Stevanato Group, being the first product to be launched in 2021E.

We forecast that ICOres budesonide/formoterol, out-licensed to CBC Corporation, and ICOres out-licensed to Intas Pharma (drug formulation not yet known) will be commercially launched in 2022E (assuming successful clinical studies). ICOres with budesonide/formoterol formulation proved successful in a minor pilot clinical study (n=29) reported in late 2019, which is case-confirming, although minor adjustments are still needed.

Iconovo has not yet disclosed its actual royalty rate agreements, but communicated an interval of 5-10%. We have pencilled in 7.5% royalty rates regarding ICOres and 5% regarding ICOcap. We believe ICOpre holds the largest upside potential, though it also bears the largest risk in our estimates. In our sales estimates, we have assumed that Iconovo will sign a deal with a company in 2021 and we have pencilled in SEK20m as an upfront payment, and a 9% royalty rate.

Chart 9 : Assumed royalty rate, % of partner's net sales



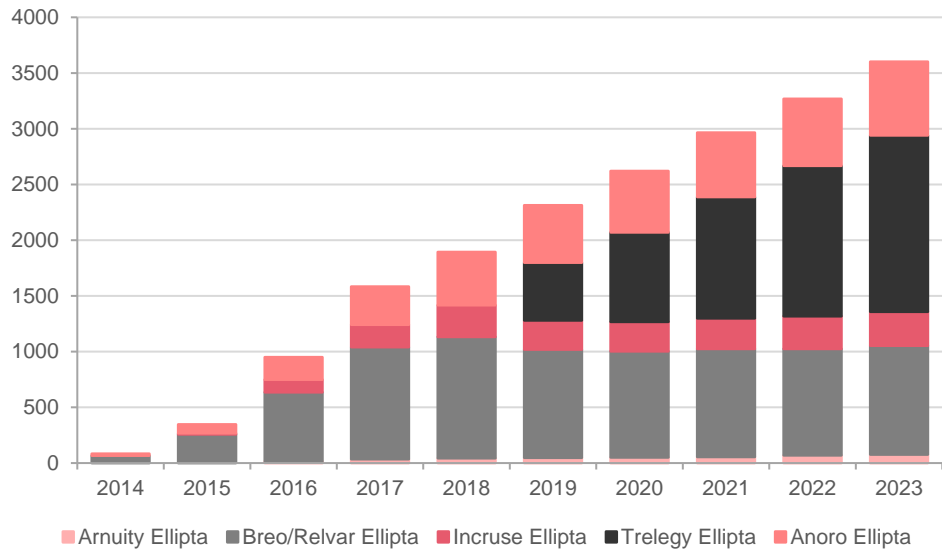
Source: Danske Bank Equity Research estimates

We would like to highlight that during December 2018 Vectura (Iconovo's largest competitor) signed a global agreement with Hikma Pharmaceuticals to develop generic versions of GSK's Ellipta portfolio, with an upfront payment USD15m, and USD80m in potential development milestone payments and mid-teen royalty rates (profit share) for each portfolio product.

We will view upcoming commercial and technological breakthroughs of Iconovo's ICOpre investment as materially bullish regarding the company's long-term earnings capacity, although at this point we remain cautiously optimistic.

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Chart 10: Net sales actual and forecast GSK Ellipta portfolio (GBPm)

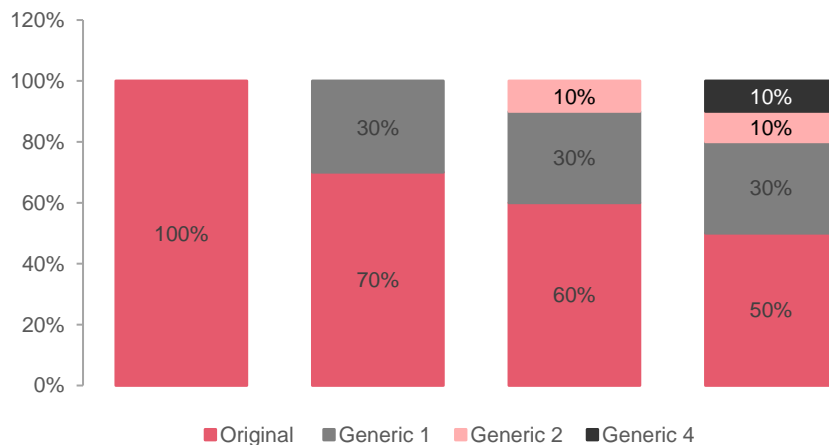


Source: GSK Annual Report 2019, FactSet consensus estimates on forecast net sales numbers

Generic market penetration

As a basis for our royalty net sales assumptions we have (1) firstly assumed that Iconovo’s product can gain c.10% of the addressable market and (2) the generic version will be priced at c.30% below the list price of the original. We argue that as long as the competitive environment comprises only three or four market participants, larger price reductions will not be seen. Furthermore, we assume that it will take around six years to reach steady-state peak sales for the company’s generic partner.

Chart 11: Market share development competitors



Source: Danske Bank Equity Research

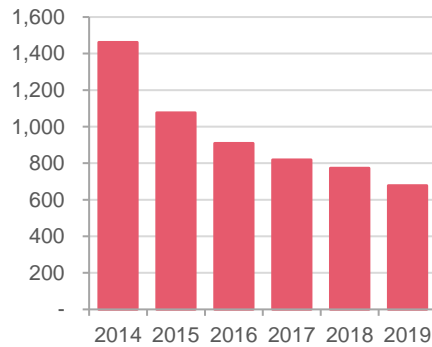
Peak sales estimates

The addressable market of Symbicort Turbuhaler in 2018 was estimated at c.USD1,034m annually, according to data from IQVIA. It is worth highlighting that generic price adjustments in the market had already taken place with generic products such as DuoResp from Teva in 2014 and Easyhaler from Orion. A 10% market penetration of ICores would imply c.SEK1,000m in peak sales for Iconovo’s generic partner. We have pencilled in SEK1,000m in peak sales regarding ICores (budesonide and formoterol) with CBC Corporation Ltd and peak sales of

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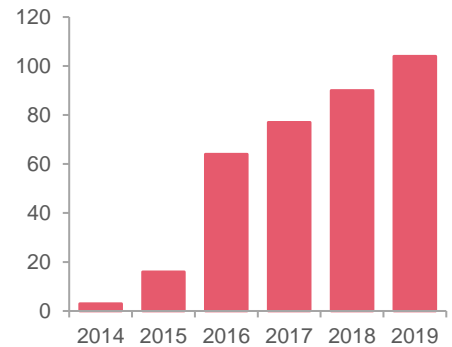
SEK500m regarding ICORES (in a new formulation) with Intas Pharmaceuticals. Regarding ICOCap with Stevanato Group, we have estimated peak sales of SEK300m as we argue that this is a more generic inhaler.

Chart 12 : Net sales Symbicort (Europe) AstraZeneca (USDm)



Source: AstraZeneca Annual Report 2019

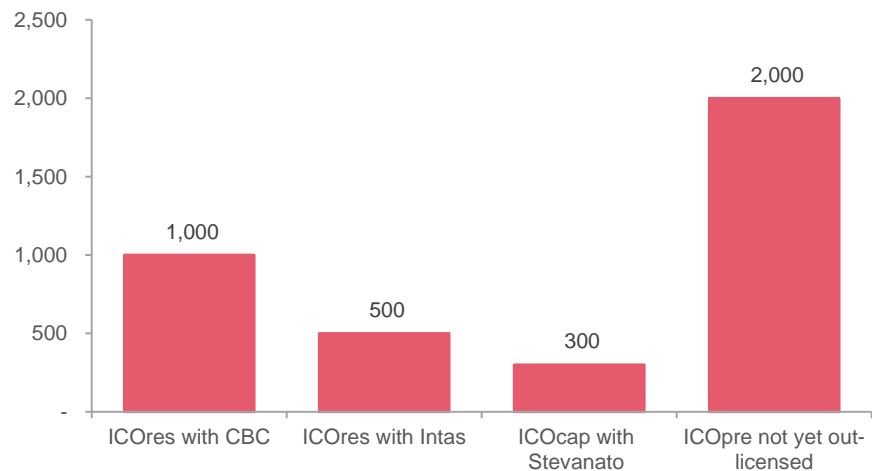
Chart 13 : Easyhaler Orion Oyj product family (EURm)



Source: Orion Oyj Annual Report 2019

Regarding ICOPre, which has not yet been out-licensed, we argue that Iconovo is the generic number 2 player after Vectura/Hikma. A 10% market penetration with a 30% price reduction corresponds to c.SEK2,000m in assumed peak sales (on FY 2019 GSK Ellipta portfolio net sales).

Chart 14 : Assumed peak sales by Iconovo's partners (SEKm)



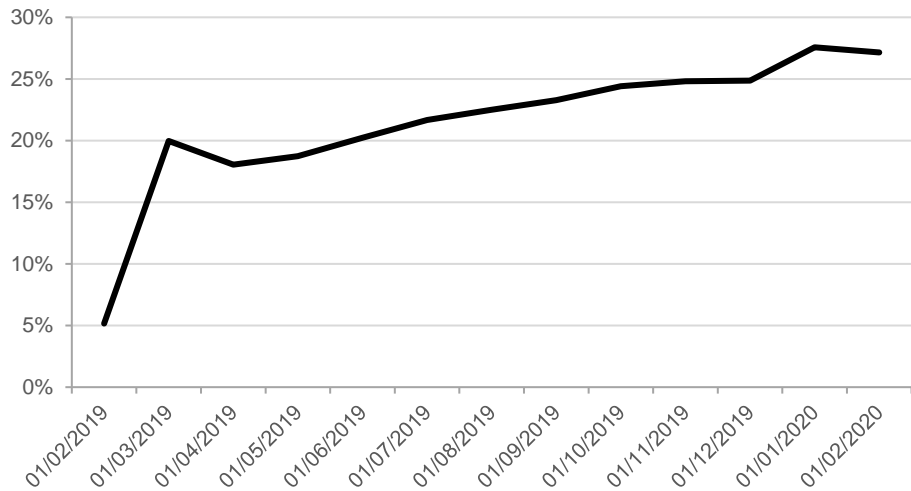
Source: Danske Bank Equity Research estimates

FDA approval of Mylan's Wixela Inhub is first sign of US market opening up

On 31 January 2019, Wixela Inhub (fluticasone propionate and salmeterol), from Mylan was FDA-approved as the first inhaler generic version in the US of Advair Diskus from GSK. After c.13 months, Wixela achieved c.27% market share which we view as surprisingly strong, according to prescription data from Symphony Health.

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Chart 15: WIXELA INHUB US market penetration (%)

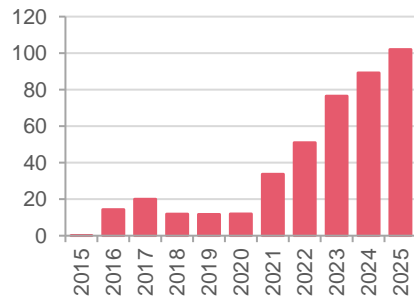


Source: Symphony Health

Operating expenses and earnings forecasts

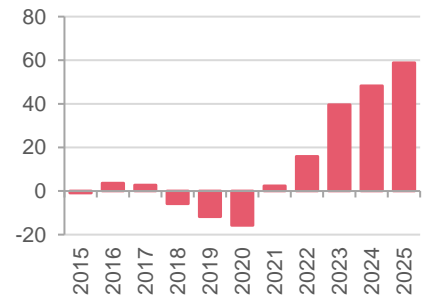
We see limited need for Iconovo to invest heavily in its operating organisation to produce incremental sales. The company’s main cost components relate to (1) personnel costs and (2) other external costs including rent, consultants, listing fees, overheads and travel costs etc. We have pencilled in that Iconovo will increase FTEs from 17 at the end of 2019 to 22 at the end of 2023E. We have assumed an annual steady-state cost increase of 3% regarding personnel and external costs. Regarding investments, the company has announced that it is going to invest c.SEK20m in order to develop and finalise the ICOpre platform over the next three years.

Chart 16 : Net sales dev. (SEKm)



Source: Company data, Danske Bank Equity Research estimates

Chart 17 : EBIT dev. (SEKm)



Source: Company data, Danske Bank Equity Research estimates

No need to raise additional funds

As of the end of Q4 19 Iconovo had SEK89m in net cash.

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Detailed estimates

Table 1 : Detailed estimates, SEKm - quarterly

SEKm	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20E	Q2 20E	Q3 20E	Q4 20E
Net sales	5.2	3.0	3.5	0.0	1.3	1.3	3.3	6.3
Other income	1.7	1.4	1.1	1.2	0.8	0.8	0.8	0.8
COGS	-0.2	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3
Gross profit	6.7	4.2	4.4	0.9	1.7	1.7	3.7	6.7
Gross margin, %	97%	94%	96%	73%	86%	86%	93%	96%
Other external costs	-1.6	-1.4	-1.2	-2.5	-1.6	-1.6	-1.6	-1.6
Personnel cost	-4.2	-4.9	-4.5	-4.9	-5.0	-5.0	-5.0	-5.0
D&A	-0.6	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Other Operating Costs	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Opex	-6.4	-7.0	-6.4	-8.1	-7.4	-7.4	-7.4	-7.4
Opex growth, y/y	50%	48%	69%	62%	15%	6%	15%	-8%
EBIT	0.3	-2.8	-2.0	-7.2	-5.7	-5.7	-3.7	-0.7
EBIT margin, %								
Net financials	0.2	0.2	0.3	-0.3	0.0	0.0	0.0	0.0
EBT	0.5	-2.6	-1.8	-7.5	-5.7	-5.7	-3.7	-0.7
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	0.5	-2.6	-1.8	-7.5	-5.7	-5.7	-3.7	-0.7
Net sales drivers								
Technology access fee	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milestones	0.0	3.0	3.4	0.0	1.3	1.3	3.3	6.3
Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net sales	5.2	3.0	3.5	0.0	1.3	1.3	3.3	6.3
Royalties by segment								
ICOres (7.5%)								
ICOcap (5%)								
ICOpri (9%)								
ICOne								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Royalties by partner								
CBC Corporation Ltd								
Intas Pharma								
Stevanato Group								
Not yet out-licensed								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, Danske Bank Equity Research estimates

Table 2 : Detailed estimates, SEKm - annual

SEKm	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	11.9	11.7	12.0	33.8	51.0	76.5	89.3	102.0	186.8	235.5
Other income	3.0	5.4	3.0	4.0	3.0	4.0	3.0	3.7	3.5	3.5
COGS	-2.9	-1.0	-1.1	-1.3	-1.6	-1.3	-1.5	-1.5	-1.5	-1.5
Gross profit	12.0	16.2	13.9	36.5	52.4	79.2	90.8	104.2	188.7	237.5
Gross margin, %	81%	94%	93%	97%	97%	98%	98%	99%	99%	99%
Other external costs	-4.1	-6.7	-6.4	-7.7	-8.0	-8.7	-9.2	-9.8	-10.4	-11.1
Personnel cost	-11.9	-18.5	-20.2	-23.1	-25.0	-27.0	-29.0	-31.2	-33.5	-35.9
D&A	-1.8	-2.6	-3.0	-3.1	-3.4	-3.8	-4.1	-4.2	-4.3	-4.4
Other Operating Costs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Opex	-17.8	-27.9	-29.7	-34.1	-36.6	-39.6	-42.5	-45.4	-48.4	-51.5
Opex growth, y/y		57%	6%	15%	7%	8%	7%	7%	7%	6%
EBIT	-5.8	-11.8	-15.7	2.4	15.9	39.6	48.2	58.8	140.4	186.1
EBIT margin, %	-39%	-69%	-105%	6%	29%	49%	52%	56%	74%	78%
Net financials	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	-5.8	-11.4	-15.7	2.4	15.9	39.6	48.2	58.8	140.4	186.1
Taxes	0.0	0.0	0.0	0.0	-3.3	-8.2	-9.9	-12.1	-28.9	-38.3
Net income	-4.3	-11.4	-15.7	2.4	12.6	31.5	38.3	46.7	111.4	147.7
Net sales drivers										
Technology access fee	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milestones	9.0	6.5	12.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0
Royalties	0.0	0.0	0.0	3.8	51.0	76.5	89.3	102.0	186.8	235.5
Other	0.2	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net sales	11.9	11.7	12.0	33.8	51.0	76.5	89.3	102.0	186.8	235.5
Royalties by segment										
ICORES (7.5%)					45.0	67.5	78.8	90.0	101.3	112.5
ICOCAP (5%)				3.8	6.0	9.0	10.5	12.0	13.5	15.0
ICOPRE (9%)					0.0	0.0	0.0	0.0	72.0	108.0
ICONE					0.0	0.0	0.0	0.0	0.0	0.0
Total		0.0	0.0	3.8	51.0	76.5	89.3	102.0	186.8	235.5
Royalties by partner										
CBC Corporation Ltd					30.0	45.0	52.5	60.0	67.5	75.0
Intas Pharma					15.0	22.5	26.3	30.0	33.8	37.5
Stevanato Group				3.8	6.0	9.0	10.5	12.0	13.5	15.0
Not yet out-licensed					0.0	0.0	0.0	0.0	72.0	108.0
Total		0.0	0.0	3.8	51.0	76.5	89.3	102.0	186.8	235.5

Source: Company data, Danske Bank Equity Research estimates

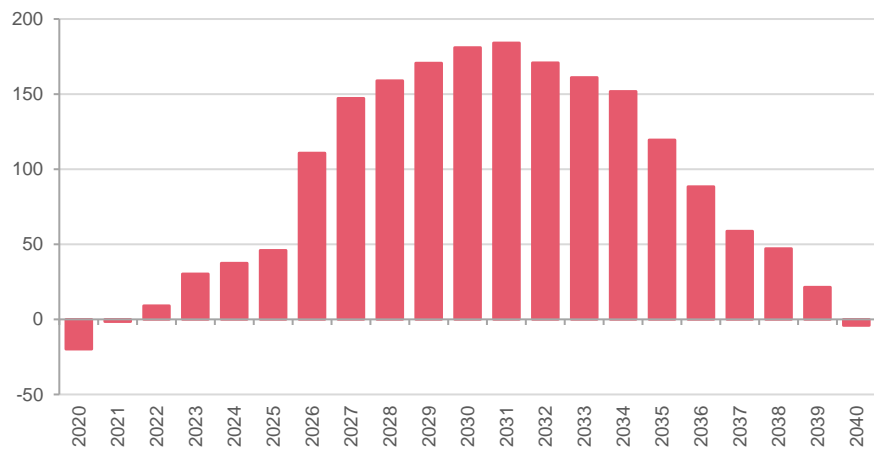
Valuation

Our preferred valuation method is a discounted cash flow analysis. Given the unique company characteristics and the lack of ideal comparable peers (Vectura being one, though cost structure and royalty agreements differ greatly), we put a greater emphasis on a DCF valuation using a cost of capital of 9% and 12%. To account for the risks still involved and as a measure of precaution in our valuation we have not considered any terminal value i.e. we have not considered free cash flow generation beyond 2040 in our valuation.

Absolute valuation

Our DCF-derived fair value points to a valuation interval of SEK609-786m assuming a cost of capital of between 9% and 12%, corresponding to a share price of between SEK78 and SEK101.

Chart 18 : Unlevered free cash flow generation estimates (SEKm)



Source: Danske Bank Equity Research estimates

Table 3: DCF-based valuation range

Revenues (SEKm)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E	2040E
Technology access fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Milestones	12	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Royalties	0	4	51	77	89	102	187	236	254	272	288	293	281	268	254	210	167	126	108	72	36
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net sales	12	34	51	77	89	102	187	236	254	272	288	293	281	268	254	210	167	126	108	72	36
Growth, y/y		181%	51%	50%	17%	14%	83%	26%	8%	7%	6%	2%	-4%	-5%	-5%	-17%	-21%	-24%	-14%	-33%	-50%
Other income (activated work)	3	4	3	4	3	4	3	4	3	4	3	4	3	3	3	3	3	3	3	3	3
Total revenues	15	38	54	81	92	106	190	239	257	275	291	297	284	271	257	213	170	129	111	75	39
COGS	-1	-1	-2	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Gross profit	14	36	52	79	91	104	189	238	255	274	290	295	282	270	255	212	168	128	110	74	38
Gross margin, %	93%	97%	97%	98%	98%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	98%	96%
OPEX																					
Other external costs	-6	-8	-8	-9	-9	-10	-10	-11	-12	-12	-13	-14	-15	-14	-14	-13	-12	-11	-11	-10	-9
Personnel cost	-20	-23	-25	-27	-29	-31	-33	-36	-38	-41	-44	-47	-50	-49	-47	-45	-43	-41	-38	-35	-32
D&A	-3	-3	-3	-4	-4	-4	-4	-4	-4	-5	-5	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3
Other Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	-30	-34	-37	-40	-43	-45	-48	-51	-55	-58	-62	-64	-67	-67	-64	-62	-59	-55	-52	-48	-44
EBIT	-16	2	16	40	48	59	140	186	201	215	228	232	215	203	191	150	110	73	58	26	-6
EBIT margin, %	-105%	6%	29%	49%	52%	56%	74%	78%	78%	78%	78%	78%	76%	75%	74%	70%	65%	56%	52%	34%	-16%
Tax	0	0	-3	-8	-10	-12	-29	-38	-41	-44	-47	-48	-44	-42	-39	-31	-23	-15	-12	-5	1
NOPLAT	-16	2	13	31	38	47	111	148	159	171	181	184	171	161	152	119	87	58	46	20	-5
Plus D&A	3	3	3	4	4	4	4	4	4	5	5	3	3	3	3	3	3	3	3	3	3
EBITDA	-13	5	16	35	42	51	116	152	164	176	186	187	174	164	155	122	90	61	49	23	-2
Less: Capex in tang and intang	-7	-7	-7	-5	-5	-5	-5	-5	-5	-5	-5	-3	-3	-3	-3	-3	-2	-2	-2	-2	-2
Less: changes in NWC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unlevered FCF	-20	-2	9	30	37	46	111	147	159	171	181	184	171	161	152	119	88	59	47	21	-4
NPV (unlevered) FCF SEKm	519	697																			
Net debt Y/E 2019	89	89																			
NPV per share (SEK)	78	101																			
WACC	12%	9%																			

Source: Danske Bank Equity Research estimates

Management and Board composition

Management

Johan Wäborg – Incoming CEO

Johan Wäborg has broad experience within the pharmaceutical industry, where he has held several managing and sales roles. Johan has spent the past 14 years at Actelion Pharmaceuticals, a drug development company which is a part of the Johnson & Johnson group. Johan holds a Master's degree in Chemical Engineering from the Faculty of Engineering, Lund University (LTH). Johan has also completed an executive programme of the London Business School and several management courses of IMD Business School.

Johan currently holds 2,400 shares in Iconovo and 200,000 warrants.

Dr. Orest Lastow – Chief Technical Officer, Founder

Founder and CTO Orest Lastow has extensive experience within the field of inhalation, in which he has specialised for about 30 years. Most of his professional career has been spent at AstraZeneca, acting as an inventor and project director for their new inhalation platform. Orest is the inventor of nine different inhalation devices, has worked on 13 different inhalation devices and holds over 40 patents. Orest is a well-recognized voice within the field of inhalation, and is one of the co-authors of the ISO standard on inhalation devices. Orest holds a Master's degree in Technical Physics from the Faculty of Engineering, Lund University (LTH) and a Ph.D. in Aerosol Physics from Brunel University.

Orest currently holds 846,400 shares in Iconovo.

Anna Gallon – Chief Financial Officer

Anna joined Iconovo 2019 and has more than 20 years' experience from different roles in controlling and accounting. Over the past nine years, Anna has acted as CFO for companies such as Hövding and Terranet, both listed at Nasdaq First North. Anna holds a Bachelor's degree in Business Administration from Lund University.

Anna currently holds 1,800 shares in Iconovo.

Dr Mikael Arinder – Vice President, Operations

Mikael joined Iconovo in 2016 and has over 20 years' experience in operations management, e.g. pharmaceutical project management and medical device development. Mikael has worked for prominent pharmaceutical actors such as AstraZeneca, Johnson & Johnson-owned McNeil and Atos Medical. Mikael is the project director of Iconovo's device and formulation development projects, and former project director of AstraZeneca's new inhalation product platform. Mikael holds a Master's degree in Chemical Engineering from The Faculty of Engineering, Lund University (LTH) and a Ph.D. in Organic Chemistry from Lund University.

Mikael currently holds 1,300 shares in Iconovo.

Dr Mikael Ekström – Vice President, Development

Mikael joined Iconovo in 2018 and has 30 years of experience in pharmaceutical development at AstraZeneca. During this time, his focus has predominantly been on inhalation and nasal delivery, in which he has been involved from a preclinical phase to working with life-cycle management. Mikael holds a Ph.D. in Physical Organic Chemistry from Lund University.

Mikael currently holds 0 shares in Iconovo.

Roger Lassing – Vice President, Business Development

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Roger joined Iconovo in 2019 and has broad experience within business development in the pharmaceutical industry. He comes most recently from LEO Pharma, where he acted as a Senior Manager at the Global Business Development department. Roger has also worked for other prominent pharmaceutical companies such as Novo Nordisk, AstraZeneca and Takeda Pharmaceuticals. Roger holds a Bachelor's degree in Business Administration from Lund University.

Roger currently holds 4,050 shares in Iconovo.

*Board of Directors***Mats Johansson – Chairman**

Mats joined the board and has acted as chairman since 2013. Mats has extensive experience in starting and developing companies and has experience from several IPOs. He is the founder of, among others, ZetaDisplay, listed on NASDAQ First North, and MultiQ International, listed on NASDAQ Stockholm.

Mats currently holds 920,000 shares in Iconovo.

Orest Lastow – Member of the board

See description above.

Berndt Axelsson – Member of the board

Berndt joined the board in 2013 and has broad experience in business development and risk management from his role as a management consultant at PwC. Beside his involvement in Iconovo, he is CEO of Flokk AB and VP Legal & Risk at Flokk Group. Berndt holds a Master's degree in Business and Economics.

Berndt currently holds 315,600 shares in Iconovo.

Sven Totté – Member of the board

Sven joined the board in 2017 and possesses broad experience in sales, business development and strategy. Sven has experience from several senior roles in companies such as Ericsson, and is currently a self-employed management consultant focusing on leadership and business development. Sven holds a Master's degree in Engineering from Karel de Grote-Hogeschool, and an MBA from the University of Antwerp.

Sven currently holds 24,000 shares in Iconovo.

Agneta Walhagen – Member of the board

Agneta joined the board in 2019 and has over 26 years' experience working in research and development in the pharmaceutical industry. Agneta has experience ranging from the preclinical phase to commercial development. Agneta has significant knowledge in the field of inhalation, as she worked in the respiratory area at AstraZeneca for 20 years. While at AstraZeneca, Agneta held several senior leadership positions such as manager/director, project leader and portfolio manager. Agneta currently acts as Senior Director at LEO Pharma, Denmark. She holds a Ph.D. in Analytical Science from Lund University.

Agneta currently holds 1,800 shares in Iconovo.

Maria Bech – Member of the board

Maria joined the board in 2018 and has over 25 years' experience in drug development, clinical research and project management. In her various roles within the pharmaceutical and biotech industry, she has worked in a number of therapeutic areas such as metabolic diseases, oncology, endocrinology, and more. Maria is currently an independent consultant and board member with several companies. She holds a Master's degree in Molecular Biology from Lund University.

Maria currently holds 2,000 shares in Iconovo.

Leif Bergvall Hansen – Member of the board

Leif has been a member of the board since 2018. He has over 25 years of experience from managerial positions in several fast-moving consumer goods companies, ranging from big actors like Nestle to several midcap companies. Currently, Leif acts as Group CEO for Scandi

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Standard, which is a leading actor within chicken-based food. Leif holds a Master's degree from Copenhagen Business School.

Leif currently holds 25,974 shares in Iconovo.

Company summary

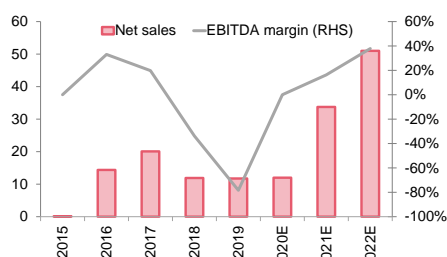
Company information

Iconovo
 Scheelevägen 2 Medicion Village
 Sweden
 iconovo.se

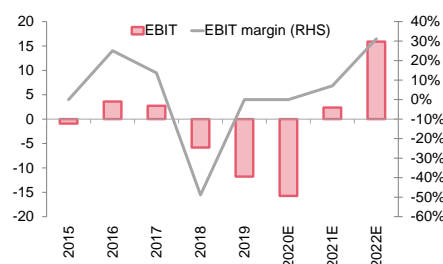
Main shareholders

Name	Votes (%)	Capital (%)
Mats Johansson	11.8%	11.8%
Orest Lastow	10.9%	10.9%
Eiffel Investment Group SAS	10.3%	10.3%
SEB Life International	8.2%	8.2%
Johan Lundgren	5.9%	5.9%

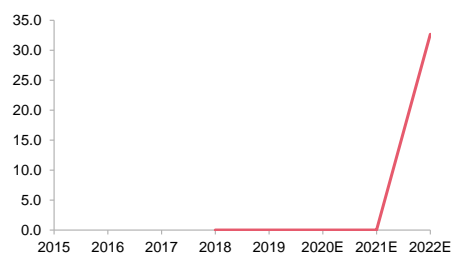
Net sales and EBITDA margin (SEKm)



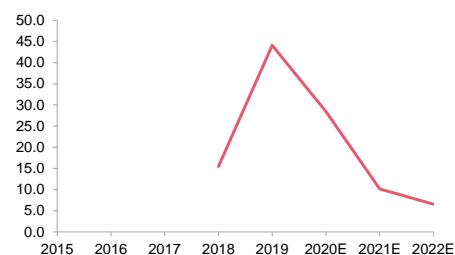
EBIT and EBIT margin (SEKm)



P/E NTM (x)



EV/sales NTM (x)



Source: FactSet, Company data, Danske Bank Equity Research estimates

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Summary tables

INCOME STATEMENT

Year end Dec, SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net sales			0	14	20	12	12	12	34	51
Cost of sales & operating costs			-6	-14	-19	-19	-26	-28	-32	-35
EBITDA			-1	5	4	-4	-9	-13	5	19
EBITDA, adj.			-1	5	4	-4	-9	-13	5	19
Depreciation			-0	-0	-0	-0	-1	-0	-0	-0
EBIT			-1	5	4	-4	-10	-13	5	19
EBIT incl. EO, bef. ass.			-1	4	3	-6	-12	-16	2	16
EBIT, adj.			-1	4	3	-6	-12	-16	2	16
Financial items, net	0	0	0	-0	-0	0	0	0	0	0
Pre-tax profit			-1	4	2	-6	-11	-16	2	16
Taxes				-0	-0					-3
Net profit, rep.			-1	3	2	-6	-11	-16	2	13
Net profit, adj.			-1	3	2	-6	-11	-16	2	13

CASH FLOW

SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA			-1	5	4	-4	-9	-13	5	19
Change in working capital				1	-8	3	-3	2		
Net interest paid	0		-0	-0	-0	0	0			
Taxes paid				-0	-0	-0	-0			-3
Other operating cash items			1	-0	1	0				
Cash flow from operations			0	6	-4	-1	-12	-11	5	16
Capex				-2	-5	-5	-8	-7	-7	-7
Div to min										
Free cash flow			0	4	-8	-6	-20	-18	-2	9
Disposals/(acquisitions)										
Free cash flow to equity			0	4	-8	-6	-20	-18	-2	9
Dividend paid										
Share buybacks										
New issue common stock					23	40	60			
Incr./(decr.) in debt										
Minorities & other financing CF			5	2	-3	-4	-4			
Cash flow from financing			5	2	19	37	56	0	0	0
Disc. ops & other										
Incr./(decr.) in cash			5	6	11	31	36	-18	-2	9

BALANCE SHEET

SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Cash & cash equivalents			5	12	22	53	89	71	69	78
Inventory					0	0	0			
Trade receivables				0	9	5	3			
Other current assets				2	2	2	3			
Goodwill										
Other intangible assets			6	7	7	9	16	19	22	24
Fixed tangible assets			0	0	3	4	2	3	4	5
Associated companies										
Other non-current assets			0							
Total assets			11	20	42	73	114	93	95	108
Shareholders' equity			6	9	32	64	109	93	95	108
Of which minority interests										
Current liabilities			5	9	9	9	5			
Interest-bearing debt				2						
Pension liabilities										
Oth non-curr. liabilities				1	2					
Total liabilities			5	11	11	9	5	0	0	0
Total liabilities and equity			11	20	42	73	114	93	95	108
Net debt			-5	-10	-22	-53	-89	-71	-69	-78

Source: Company data, Danske Bank Equity Research estimates

Summary tables

PER SHARE DATA	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
No. of shares, fully diluted (y.e.) (m)						6.8	7.8	7.8	7.8	7.8
No. of shares, fully diluted (avg.) (m)						6.8	7.3	7.8	7.8	7.8
EPS (SEK)						-0.86	-1.57	-2.02	0.31	1.62
EPS adj. (SEK)						-0.86	-1.57	-2.02	0.31	1.62
DPS (SEK)						0.00	0.00	0.00	0.00	0.00
CFFO/share (SEK)						-0.1	-1.7	-1.4	0.7	2.1
Book value/share (SEK)						9.44	14.0	12.0	12.3	13.9
MARGINS AND GROWTH	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA margin			n.m.	33.1%	19.8%	-33.9%	-78.3%	n.m.	16.3%	37.9%
EBITA margin			n.m.	31.5%	18.5%	-36.9%	-82.7%	n.m.	15.4%	37.2%
EBIT margin			n.m.	25.1%	13.7%	-48.9%	n.m.	n.m.	7.0%	31.2%
EBIT adj margin			n.m.	25.1%	13.7%	-48.9%	n.m.	n.m.	7.0%	31.2%
Sales growth				n.m.	39.6%	-40.7%	-1.4%	2.2%	n.m.	51.1%
EBITDA growth				n.m.	-16.5%	n.m.	n.m.	-39.0%	n.m.	n.m.
EBITA growth				n.m.	-17.7%	n.m.	n.m.	-34.6%	n.m.	n.m.
EPS adj growth							-82.4%	-29.3%	n.m.	n.m.
PROFITABILITY	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
ROIC (after tax, incl. GW, adj.)			-158.7%	657.7%	50.9%	-54.1%	-77.0%	-75.4%	9.9%	45.4%
ROIC (after tax, excl. GW, adj.)			-158.7%	657.7%	50.9%	-54.1%	-77.0%	-75.4%	9.9%	45.4%
ROE (adj.)			-28.6%	41.3%	11.6%	-12.2%	-13.2%	-15.6%	2.5%	12.4%
ROIC (adj.) - WACC			-166.2%	650.1%	43.3%	-61.7%	-84.6%	-83.0%	2.3%	37.8%
MARKET VALUE	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Share price (SEK)						35.0	78.0	53.0	53.0	53.0
No. shares reduced by buybacks (m)						6.8	7.8	7.8	7.8	7.8
Mkt cap used in EV (m)						237	607	412	412	412
Net debt, year-end (m)			-5	-10	-22	-53	-89	-71	-69	-78
MV of min/ass and oth (m)			0	0	0	0	0	0	0	0
Enterprise value (m)						184	517	341	343	334
VALUATION	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EV/sales (x)						15.5	44.1	28.4	10.2	6.5
EV/EBITDA (x)						n.m.	n.m.	n.m.	62.4	17.3
EV/EBITA (x)						n.m.	n.m.	n.m.	66.1	17.6
EV/EBIT (x)						n.m.	n.m.	n.m.	n.m.	21.0
P/E (reported) (x)						n.m.	n.m.	n.m.	n.m.	32.7
P/E (adj.) (x)						n.m.	n.m.	n.m.	n.m.	32.7
P/BV (x)						3.71	5.58	4.43	4.32	3.81
EV/invested capital (x)										
Dividend yield										
Total yield (incl. buybacks)										
FCFE-yield						-2.61%	-3.31%	-4.42%	-0.37%	2.19%
FINANCIAL RATIOS	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net debt/EBITDA (x)			5.8	-2.0	-5.7	13.2	9.7	5.6	-12.6	-4.1
Net debt/equity (x), year-end			-0.8	-1.1	-0.7	-0.8	-0.8	-0.8	-0.7	-0.7
Dividend payout ratio						0.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage (x)										
Cash conversion (FCF/net profit)			n.m.	142.7%	-358.6%	n.m.	n.m.	n.m.	-63.3%	71.7%
Capex/sales				11.2%	22.8%	43.4%	68.2%	58.3%	20.7%	13.7%
NWC/sales			n.m.	-47.6%	6.4%	-14.5%	13.2%	0.0%	0.0%	0.0%
QUARTERLY P&L			Q1 19	Q2 19	Q3 19	Q4 19	Q1 20E	Q2 20E	Q3 20E	Q4 20E
Sales (m)			5	3	3	0	1	1	3	6
EBITDA (m)			1	-2	-1	-6	-5	-5	-3	0
EBIT before non-recurring items (m)			0	-3	-2	-7	-6	-6	-4	-1
Net profit (adj.) (m)			0	-3	-2	-7	-6	-6	-4	-1
EPS (adj.) (SEK)			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA margin			15.8%	-72.3%	-38.9%	n.m.	n.m.	n.m.	-90.6%	5.6%
EBIT margin (adj.)			5.1%	-92.5%	-58.6%	n.m.	n.m.	n.m.	n.m.	-11.0%

Source: Company data, Danske Bank Equity Research estimates

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Report completed: 14 April 2020 at 17:51 CEST
Report disseminated: 14 April 2020 at 21:20 CEST

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