



COMPANY UPDATE

21 February 2025
Sweden
Healthcare

Research analysts:

Klas Palin

Nav: SEK4.6

Share price: SEK1.03

Fair value range: SEK1.7-2.6

Karolinska Development

Several major inflection points in 2025

Increased NAV

Karolinska Development (KDEV) reported a net result of SEK18.6m in Q4(24), driven by an increase in the estimated value of its portfolio assets and realised capital gains from divesting listed shareholdings in OssDsign. During the quarter, KDEV invested SEK19.4m in its portfolio holdings, and by YE(24) its net cash position was SEK42.0m. NAV increased by 2% over the quarter, to SEK4.6 per share from SEK4.5, primarily on higher value of the Forendo earn-out agreement, increased value of PharmNovo, and an improved cash position.

Portfolio companies advancing

The largest holding by far, Umecrine Cognition, has made significant progress with its lead asset, golexanolone, reporting a promising interim readout from the ongoing Phase Ib/IIa study in November 2024, along with positive preclinical data on Parkinson's disease. The clinical trial is expected to deliver topline results by mid-2025. Another important advancement was made by Dilafor, which has finally achieved alignment with regulatory authorities in both the Europe and the US on the design of pivotal Phase III studies for tafoxiparin in labour priming. This has been a lengthy but necessary process to finalise before advancing further, and we believe it increases the likelihood of Dilafor securing a partner. Additionally, AnaCardio has secured SEK205m in financing following positive Phase Ib results, with the study progressing to Phase IIa. We expect results from the study towards the end of 2025.

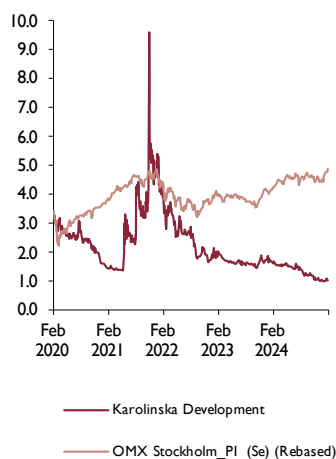
Upcoming events

- Q1 Report: 30 Apr 2025
- AGM 2025: 15 May 2025
- Q2 Report: 29 Aug 2025
- Q3 Report: 14 Nov 2025

2025 data readouts set to turn up the heat on the stock

We are adjusting our fair value range to SEK1.7–2.6 per share (SEK2.1–2.7) to reflect the continued challenging market conditions in the life sciences industry. The share price performance has been weak over the past 12 months, declining by 37%. However, 2025 has started more optimistically, with an increase of 7%. We expect several major inflection points in its portfolio companies throughout 2025, which could drive investor interest. The most significant catalyst and trigger we see for the stock is the Phase Ib/IIa readout for Umecrine.

Share price -5Y



Price/share	1.04	Last reported NAV/sha	4.61
Share price discount to NAV (%)	-77%		
SEKm			
Karolinska Development NAV	Q4(24)	per share (SEK)	% of portfolio
Modus Therapeutics	43	0.2	4%
OssDsign	45	0.2	4%
Promimic	7	0.0	1%
AnaCardio	61	0.2	5%
Boost Pharma	5	0.0	0%
Dilafor	46	0.2	4%
PharmNovo	35	0.1	3%
SVF Vaccines	26	0.1	2%
Umecrine	626	2.3	56%
KCIF Co-Investment Fund	9	0.0	1%
KDev Investments	218	0.8	19%
Total listed	95		
Total unlisted	1 026		
Investment portfolio	1 121		
Other receivables/liabilities	124		
Total NAV	1 245		
NAVPS	4.6		
		Q3(24)	per share (SEK)
		39	0.1
		61	0.2
		11	0.0
		53	0.2
		2	0.0
		46	0.2
		28	0.1
		26	0.1
		610	2.3
		8	0.0
		238	0.9
		112	
		1 010	
		1 122	
		103	
		1 224	
		4.5	

Source: Carnegie Research, Karolinska Development

Source: Carnegie Research, FactSet, Millstream & company data

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NAV by the end of 2024

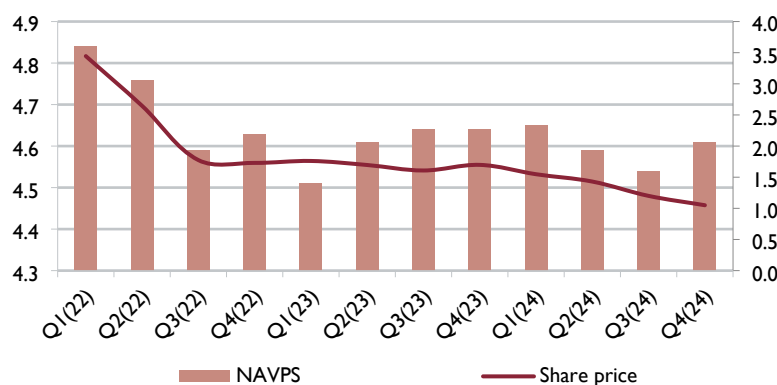
Over 2024, KDEV reported a slight decline in its NAV by 1%, with a year-end value of SEK1,245m (SEK1,253m). This decrease was primarily driven by lower cash and cash equivalents, while the valuation of its portfolio assets increased by 2%. The table below illustrates how the valuation of its holdings has developed per quarter. In the table we have highlighted some valuation changes that stood out in Q4(24).

Quarterly NAV development 2023-2024 (SEKm)

Karolinska Development	2023				2024				change Q/Q
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Net asset value, SEKm									
Modus Therapeutics	29	34	32	41	27	25	39	43	9%
OssDsign	36	37	54	73	92	85	61	45	-27%
Promimic	5	7	8	10	10	11	11	7	-37%
Total listed assets	69	79	94	125	129	120	112	95	-15%
AnaCardio	45	45	45	45	53	53	53	61	15%
Boost Pharma	-	-	-	-	-	2	2	5	144%
Dilafor	28	34	40	40	40	46	46	46	0%
PharmNovo	20	30	30	34	34	28	28	35	26%
SVF Vaccines	16	17	18	21	23	26	26	26	2%
Umecrine	584	585	585	588	589	589	610	626	3%
KCIF Co-Investment Fund	8	9	8	8	8	8	8	9	16%
KDev Investments	208	221	225	234	230	235	238	218	-8%
Total unlisted assets	910	941	952	970	978	987	1010	1026	2%
Investment portfolio	979	1020	1046	1095	1107	1107	1122	1121	0%
Net of other liabilities and debts*	112	105	77	73	80	81	73	82	12%
Cash and cash equivalents	127	118	130	85	67	50	29	42	43%
Total investment portfolio	1218	1243	1253	1253	1254	1238	1224	1245	2%
Total NAV	1218	1243	1253	1253	1254	1238	1224	1245	2%
Total NAV (SEK) Q/Q (%)	-	2%	1%	0%	0%	-1%	-1%	2%	-251%
Net debt	-127	-118	-130	-85	-67	-50	-29	-42	43%
NAV/share (SEK)	4.5	4.6	4.6	4.6	4.6	4.6	4.5	4.6	2%
Closing share price (SEK)	1.8	1.7	1.6	1.7	1.5	1.4	1.2	1.0	-21%
Discount to NAV	-61%	-63%	-65%	-63%	-67%	-69%	-74%	-79%	8%
Net debt/NAV	-10%	-9%	-10%	-7%	-5%	-4%	-2%	-3%	41%

Source: Carnegie Research, company materials, *incl. Henlez

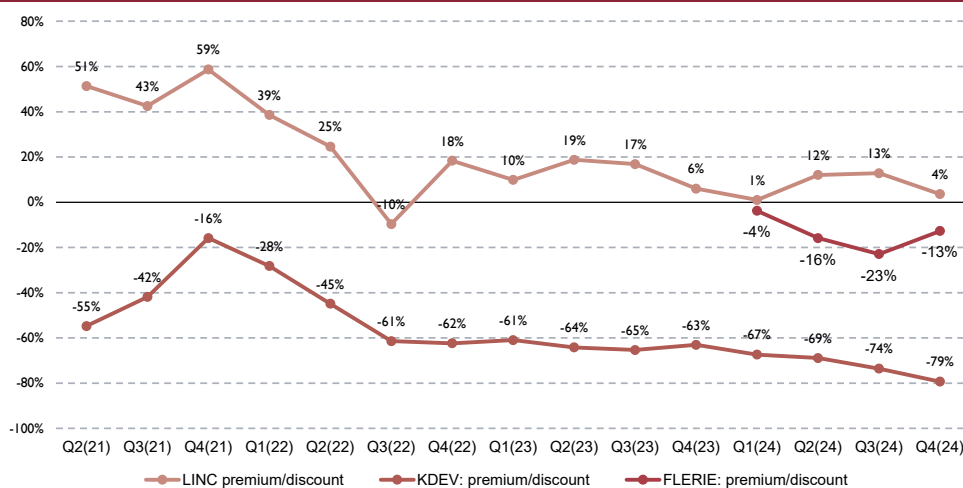
NAVPS and share price development 2022-2024 (SEK)



Source: Carnegie Research

As illustrated on the previous page, the share price performance in 2024 was weak as market conditions remained challenging in the sector. This resulted in a record-high discount level for its portfolio compared to market valuation. By the end of 2024, the discount to NAV stood at 79%, and currently, the discount compared to the reported portfolio values in Q4 stands at 78%. Compared to similar listed investment companies, KDEV has by far the highest discount to its NAV. Some reasons for this include a more concentrated portfolio with only a small portion of its holdings in commercial-stage companies, as well as KDEV's weaker financial position.

NAVPS premium/discount KDEV, Flerie, and LINC

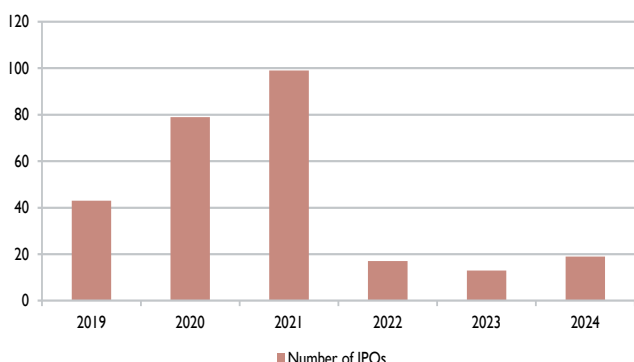


Source: Carnegie Research, company materials

Market trends and index performance

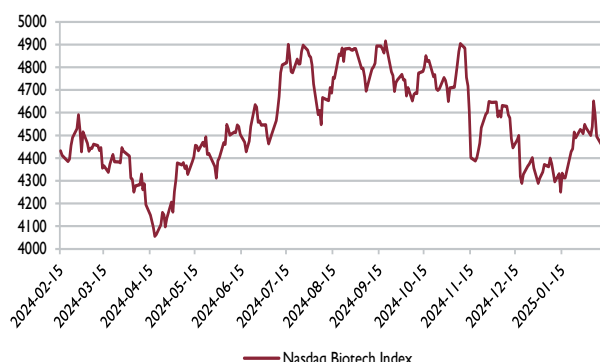
After several years of a downturn in the life science industry, there were some positive signs of increasing momentum in the market in 2024. Although the number of IPOs on the US Nasdaq Stock Market remains well below its 2021 highs, there was an uptick in the number of public offerings last year. We believe that an open IPO window is important for venture capital (VC) players and the overall ecosystem. Looking at the performance of the Nasdaq Biotech Index, it has increased slightly over the past 12 months.

Number of Biotech IPOs on US Nasdaq Stock Market



Source: Carnegie Research

Nasdaq Biotech Index last 12 months

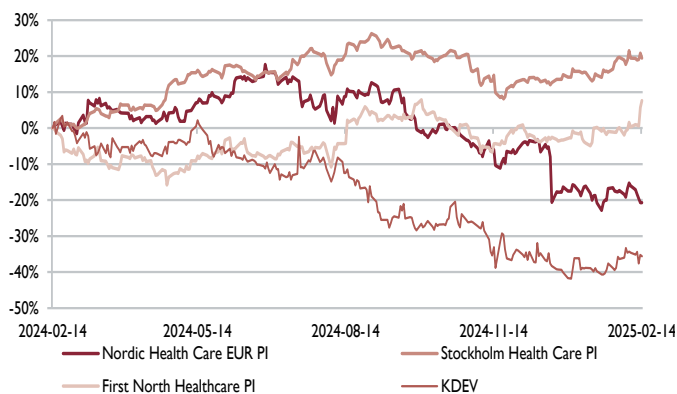


Source: Carnegie Research

Swedish healthcare indices have performed positively over the past year, while broader Nordic healthcare indices have declined, primarily due to the downturn in Novo Nordisk shares. Karolinska Development's share price performance has been weak, with a significant deviation from the First North healthcare index starting in August. A contributing factor to this

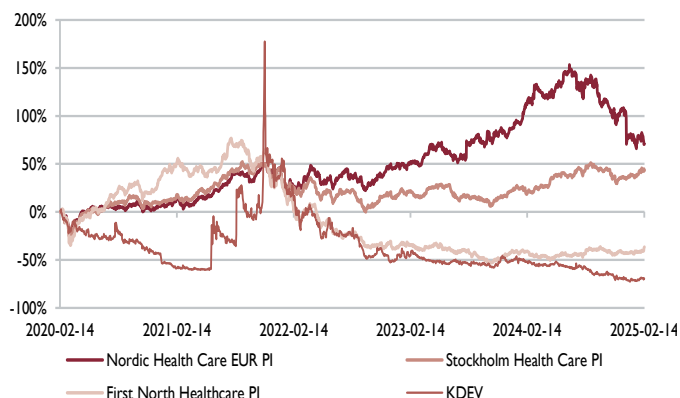
underperformance may be that the second-largest shareholder, Worldwide International Investments Limited, reduced its holdings in Q3(24).

Share price and reference index performance last 12 months



Source: Carnegie Research, Infront

Share price and reference index performance last five years



Source: Carnegie Research, Infront

Expected and potential news flow in 2025

With a large part of its portfolio companies in clinical development, we argue the KDEV share price is highly sensitive to the news flow, particularly news from its largest holdings.

- Umecrine Cognition, the largest holding, is expected to report top-line results for its lead programme by mid-2025. A positive outcome is important for KDEV, as we believe it will facilitate any necessary capital raises and, ideally, potentially open up opportunities for a partnering deal.
- Dilafor is preparing for the final stage of development following its progress with regulatory authorities in Europe and the US on the design of its upcoming pivotal Phase III studies for tafoxiparin in labour priming. We believe that clarity about the study design may increase the likelihood of a partner stepping up to license or acquire the company.
- AnaCardio has secured SEK205m in funding for its ongoing Phase Ib/IIa studies of its candidate drug, AC01, in patients with heart failure and reduced ejection fraction. We expect topline results from the IIa part later this year, a potential derisking event.
- BOOST Pharma, following a positive outcome in a Phase I/II study, is preparing to initiate a pivotal study at the beginning of 2026. We believe additional capital will be needed to conduct the study and, hopefully, KDEV can maintain its ownership position during such a capital raise. We believe BOOST Pharma could be one of KDEV's holdings with potential upside compared to its current reported value in the NAV, which might become more evident in the event of a transaction.
- Modus Therapeutics is expected to report data later this year from the first part of its ongoing Phase II study. So far, KDEV has shouldered a significant portion of the financing for the company, and we hope that positive data may attract increased interest from investors.

Valuation

We value Karolinska Development with a fair value range of SEK1.7–2.6 per share (SEK2.1–2.7). This range is derived from the reported NAV, where we apply a discount of 50–70% to its unlisted assets, while our valuation of the listed assets is based on their current market value. We view our 70% discount level as representing current market conditions, while our upper end of our fair value range represents market improvements.

There are several direct and indirect factors that we believe affect market valuation for investment companies compared to NAV and thus determine whether investment companies trade at a discount or premium versus the NAV. Among the most significant risk factors are the company's track record and overall risk profile, as these greatly influence investor confidence and value. A strong track record of successful exits and effective risk management can help mitigate discounts, while higher perceived risk and a lack of demonstrated success can lead to deeper discounts.

One of the highest share price discounts to NAVPS among listed life science investment companies suggests low investor confidence in KDEV's ability to create value and become a financially self-sustainable company. However, as demonstrated in 2021, a successful exit can quickly change market perception, reducing the discount to NAV to less than 20%.

Fair value range of Karolinska Development (SEKm)

Company			
<u>Listed portfolio</u>		Current market valuation	
Modus Therapeutics			30
OssDsign			60
Promimic			7
Sum			97
<u>Unlisted portfolio</u>		Discount to NAV 70%	Discount to NAV 50%
AnaCardio		18	30
Boost Pharma		1	2
Dilafor (direct)		14	23
PharmNovo		11	18
SVF		8	13
Umecrine		188	313
KCIF Co-Investment Fund		3	5
KDev Inv. ex Dilafor		10	17
Dilafor (indirect)		55	92
KDev Investments tot		65	109
Forendo earn-outs		25	41
Sum		332	554
Total value		430	651
Net cash		40	40
Fair value		470	691
Fair value per share (SEK)		1.7	2.6

Source: Carnegie Research

Risks

Here we outline some key risks that apply to Karolinska Development specifically and to the entire life science sector. We believe the main risks to our valuation are associated with the outcomes of clinical trials, competition, and financing needs. The list below is not meant to be exhaustive but rather includes only those risks that we find most relevant.

Dependence on successful exits

The company's future financial performance and capacity to support upcoming investments is dependent on successful exits within the next one to three years. If these exits do not materialise, it could adversely affect the NAV and increase its need to raise capital from its shareholders, further decrease investor confidence.

High exposure to clinical-stage companies with high risk

The portfolio's significant focus on private, early-stage loss-making drug development companies, which often have limited visibility, increases the risk due to the inherent uncertainties in drug development. The dynamic nature of drug development makes it challenging to predict capital needs beyond the short term, potentially leading to funding shortfalls or dilution of existing investments.

NAV valuation risks

Although KDEV uses an overall conservative approach to valuing its portfolio, relying on recent funding rounds for upward revaluations introduces risk. This method can delay valuation updates, meaning the portfolio's value may not reflect current market conditions or recent company developments promptly. Positive changes might not be captured until the next funding round, potentially understating the NAV. Conversely, negative developments could lead to abrupt downward adjustments, increasing volatility and making it harder for investors to assess the real-time performance of their investments.

Regulatory hurdles

The pharmaceutical market is highly regulated in all major regions. To bring a product to market, extensive clinical testing is required to demonstrate both efficacy and a manageable safety profile. However, once approved, the clinical data package not only supports commercialisation but also helps maintain exclusivity against competition.

Competition

Drug development is highly competitive, with thousands of clinical projects in development. Even as clinical trials may meet their goals, the commercial opportunity may be limited by stronger data from competitors.

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