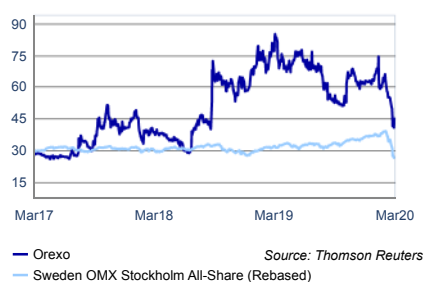


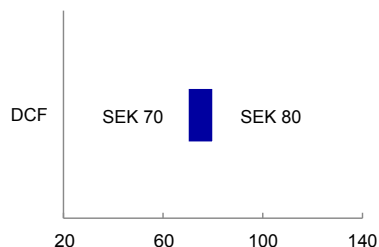
KEY DATA

Stock country	Sweden
Bloomberg	ORX SS
Reuters	ORX.ST
Share price (close)	SEK 46.05
Free Float	89%
Market cap. (bn)	EUR 0.16/SEK 1.66
Website	www.orexo.com
Next report date	28 Apr 2020

PERFORMANCE



VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2020E	2021E	2022E
Sales	0%	0%	0%
EBIT (adj)	0%	0%	0%

Source: Nordea estimates

Nordea Markets - Analysts

Klas Pyk
Analyst

Impressions from CMD

At its capital markets day yesterday, Orexo elaborated on the company's pipeline (first product launch as early as Q3 2020). Its ambition is to build on the company's well-established US operation in addiction therapy. The company estimates its pipeline revenue potential is in the range of SEK 4.7-6.7bn (USD 480-695m). If this materialised, it would significantly add to future earnings (revenues in 2019 totalled SEK 845m).

Significant revenue potential in its pipeline

In 2019, Orexo announced its ambition to enter the area of digital therapy and has since acquired the rights to Vorvida (digital therapy targeting alcohol misuse) and OXD01 (opioid disorder). The company estimates the combined revenue potential of the two is around USD 270m-445m and it expects that Vorvida will launch as early as in Q3 2020. Orexo also presented further details on its pipeline pharma projects (first product launch in 2022), which it said holds additional revenue potential of USD 210-270m. In our view, the commercial potential of the pipeline is validated by the well-documented experience of Orexo and GAIA (Orexo's partner in digital therapy) in addiction treatments. We are also encouraged by the fact that the upcoming product launches should broaden Orexo's revenue streams and as such ease its reliance on Zubsolv.

Still gas in the Zubsolv tank

In conjunction with its year-end report, Orexo announced its 2020 outlook, including flat y/y growth for Zubsolv US. At the CMD, however, the company remained confident in its longer-term growth prospects for the product, driven by improved market access and a more favourable competitive landscape (competition from generic versions of Suboxone Film will end). We maintain our view that there is still room for Zubsolv to grow, but argue that the main valuation trigger for the share lies in the company's pipeline.

Limited impact from COVID-19

To date, Orexo has seen only a limited impact from the ongoing COVID-19 outbreak and the company does not expect any material financial consequences going forward. Its sales force in the US, however, is working from home – a prolonged period of this could have a negative impact on sales. The company sees only limited risk of any product launch delays, but notes that FDA processes could take longer than usual.

SUMMARY TABLE - KEY FIGURES

SEKm	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	706	644	783	845	816	851	900
EBITDA (adj)	74	78	117	224	174	241	272
EBIT (adj)	52	57	96	183	147	213	243
EBIT (adj) margin	7.3%	8.9%	12.2%	21.6%	18.0%	25.0%	27.0%
EPS (adj)	0.84	0.67	3.92	4.82	3.98	5.74	6.25
EPS (adj) growth	114.7%	-20.5%	485.5%	23.0%	-17.4%	44.1%	9.0%
DPS (ord)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	2.0	2.2	2.3	2.1	1.2	0.9	0.6
EV/EBIT (adj)	27.4	24.7	18.8	9.6	6.8	3.7	2.2
P/E (adj)	44.7	61.6	15.0	13.0	11.6	8.0	7.4
P/BV	4.2	4.3	4.4	3.1	1.9	1.6	1.3
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	5.0%	4.3%	11.7%	13.1%	10.4%	14.8%	17.0%
Net debt	115	-9	-269	-473	-627	-846	-1,084
Net debt/EBITDA	1.6	-0.1	-2.3	-2.1	-3.6	-3.5	-4.0
ROIC after tax	6.4%	8.1%	15.0%	29.1%	23.1%	34.4%	39.5%

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	326	429	570	643	706	644	783	845	816	851	900
Revenue growth	63.5%	31.6%	32.8%	12.8%	9.7%	-8.8%	21.7%	7.9%	-3.4%	4.3%	5.8%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	-62	-90	-12	-150	74	78	117	224	174	241	272
Depreciation and impairments PPE	-6	-5	-5	-4	-5	-4	-4	-8	-5	-6	-6
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	-68	-94	-17	-154	70	74	112	215	168	235	266
Amortisation and impairments	-11	-46	-8	-15	-18	-17	-17	-33	-21	-22	-23
EBIT	-79	-140	-25	-169	52	57	96	183	147	213	243
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	-8	-14	-28	-22	-16	-28	-4	-3	9	13	17
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	-88	-153	-53	-191	36	30	92	179	156	225	260
Reported taxes	2	-2	-4	-7	-7	-7	46	-9	-16	-23	-39
Net profit from continued operations	-86	-155	-57	-198	29	23	138	171	141	203	221
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	-86	-155	-57	-198	29	23	138	171	141	203	221
EPS	-2.98	-4.87	-1.73	-5.74	0.84	0.67	3.92	4.82	3.98	5.74	6.25
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Profit margin in percent

EBITDA	-19.0%	-20.9%	-2.2%	-23.4%	10.5%	12.1%	14.9%	26.5%	21.3%	28.3%	30.2%
EBITA	-21.0%	-21.9%	-3.1%	-24.0%	9.9%	11.5%	14.4%	25.5%	20.6%	27.6%	29.5%
EBIT	-24.3%	-32.5%	-4.4%	-26.2%	7.3%	8.9%	12.2%	21.6%	18.0%	25.0%	27.0%

Adjusted earnings

EBITDA (adj)	-62	-90	-12	-150	74	78	117	224	174	241	272
EBITA (adj)	-68	-94	-17	-154	70	74	112	215	168	235	266
EBIT (adj)	-79	-140	-25	-169	52	57	96	183	147	213	243
EPS (adj)	-2.98	-4.87	-1.73	-5.74	0.84	0.67	3.92	4.82	3.98	5.74	6.25

Adjusted profit margins in percent

EBITDA (adj)	-19.0%	-20.9%	-2.2%	-23.4%	10.5%	12.1%	14.9%	26.5%	21.3%	28.3%	30.2%
EBITA (adj)	-21.0%	-21.9%	-3.1%	-24.0%	9.9%	11.5%	14.4%	25.5%	20.6%	27.6%	29.5%
EBIT (adj)	-24.3%	-32.5%	-4.4%	-26.2%	7.3%	8.9%	12.2%	21.6%	18.0%	25.0%	27.0%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	28.7%	14.6%	12.8%	8.2%	4.9%	3.8%	6.9%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	26.5%	28.3%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	32.7%	33.5%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	46.8%	56.3%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	-13.5%	-7.5%	0.3%	6.0%	14.1%	17.7%	21.0%
Average EBITDA margin	n.a.	n.a.	n.a.	-14.5%	-9.0%	-3.3%	3.2%	9.5%	17.6%	21.1%	24.5%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E (adj)	n.m.	n.m.	n.m.	n.m.	44.7	61.6	15.0	13.0	11.6	8.0	7.4
EV/EBITDA (adj)	n.m.	n.m.	n.m.	n.m.	19.0	18.2	15.5	7.8	5.8	3.2	2.0
EV/EBITA (adj)	n.m.	n.m.	n.m.	n.m.	20.3	19.2	16.0	8.1	6.0	3.3	2.1
EV/EBIT (adj)	n.m.	n.m.	n.m.	n.m.	27.4	24.7	18.8	9.6	6.8	3.7	2.2

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E	n.m.	n.m.	n.m.	n.m.	44.7	61.6	15.0	13.0	11.6	8.0	7.4
EV/Sales	4.05	12.46	8.14	3.82	2.01	2.21	2.30	2.07	1.23	0.92	0.61
EV/EBITDA	n.m.	n.m.	n.m.	n.m.	19.0	18.2	15.5	7.8	5.8	3.2	2.0
EV/EBITA	n.m.	n.m.	n.m.	n.m.	20.3	19.2	16.0	8.1	6.0	3.3	2.1
EV/EBIT	n.m.	n.m.	n.m.	n.m.	27.4	24.7	18.8	9.6	6.8	3.7	2.2
Dividend yield (ord.)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	2.4%	-2.3%	4.1%	-4.1%	5.5%	4.2%	11.4%	11.9%	10.4%	14.8%	17.0%
FCF Yield bef A&D, lease adj	1.9%	-0.2%	5.7%	-4.9%	5.0%	4.3%	11.7%	13.1%	10.4%	14.8%	17.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	135	195	259	155	138	121	104	114	101	86	71
of which R&D	106	164	224	147	132	117	100	100	87	72	57
of which other intangibles	3	4	7	8	6	5	4	14	14	14	14
of which goodwill	26	26	27	0	0	0	0	0	0	0	0
Tangible assets	35	33	29	25	22	20	20	79	79	79	79
of which leased assets	0	0	0	0	0	0	0	57	57	57	57
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	3	18	25	28	93	86	86	86	86
Other non-IB non-current assets	19	0	1	2	8	7	10	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	1	0	0	0
Total non-current assets	189	228	293	200	193	177	227	280	265	251	236
Inventory	28	383	488	403	344	250	174	132	127	133	140
Accounts receivable	18	36	142	168	179	218	296	273	263	275	291
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	19	19	32	51	21	31	0	0	0	0	0
Cash and bank	228	106	285	198	282	328	590	817	971	1,190	1,428
Total current assets	293	544	946	820	826	827	1,060	1,221	1,362	1,598	1,859
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	482	772	1,239	1,020	1,019	1,004	1,287	1,501	1,627	1,848	2,095
Shareholders equity	191	161	468	270	310	329	476	706	847	1,050	1,271
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	191	161	468	270	310	329	476	706	847	1,050	1,271
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	118	104	494	494	398	319	321	290	290	290	290
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	4	10	9	7	1	6	7	11	11	11	11
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	0	0	33	33	33	33
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	122	114	503	501	399	325	327	334	334	334	334
Short-term provisions	0	0	0	122	164	201	266	269	260	271	287
Accounts payable	20	138	29	35	36	46	0	0	0	0	0
Current lease debt	0	0	0	0	0	0	0	21	21	21	21
Other current liabilities	149	359	239	92	110	104	218	171	165	172	182
Short term interest bearing debt	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	169	497	268	249	310	350	483	461	446	465	490
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	482	772	1,239	1,020	1,019	1,004	1,287	1,501	1,627	1,848	2,095
Balance sheet and debt metrics											
Net debt	-108	136	212	296	115	-9	-269	-473	-627	-846	-1,084
of which lease debt	0	0	0	0	0	0	0	55	55	55	55
Working capital	-104	-59	394	495	398	351	252	234	226	236	249
Invested capital	85	169	686	695	591	527	479	514	491	486	485
Capital employed	309	266	962	765	708	648	797	1,051	1,191	1,394	1,615
ROE	-89.8%	-87.9%	-18.0%	-53.6%	10.0%	7.3%	34.3%	28.8%	18.1%	21.4%	19.0%
ROIC	n.m.	-86.8%	-4.6%	-19.3%	6.4%	8.1%	15.0%	29.1%	23.1%	34.4%	39.5%
ROCE	-48.7%	-48.3%	-4.0%	-19.6%	7.0%	8.5%	13.3%	19.8%	13.1%	16.5%	16.2%
Net debt/EBITDA	1.7	-1.5	-17.0	-2.0	1.6	-0.1	-2.3	-2.1	-3.6	-3.5	-4.0
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	39.7%	20.9%	37.8%	26.5%	30.5%	32.8%	37.0%	47.1%	52.1%	56.8%	60.7%
Net gearing	-56.2%	83.9%	45.2%	109.7%	37.2%	-2.7%	-56.5%	-66.9%	-74.0%	-80.5%	-85.3%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA (adj) for associates	-62	-90	-12	-150	74	78	117	224	174	241	272
Paid taxes	0	-2	-4	0	0	0	0	0	0	0	0
Net financials	-8	-11	-28	-25	-28	-35	-32	-8	9	13	17
Change in provisions	4	6	-1	119	37	42	66	8	-9	11	16
Change in other LT non-IB	-19	19	-4	-16	-13	-3	-68	16	1	0	0
Cash flow to/from associates	-53	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	77	16	13	25	-3	28	43	13	0	0	0
Funds from operations (FFO)	-61	-62	-36	-47	68	110	125	253	175	265	304
Change in NWC	90	-201	-452	-62	89	36	117	38	8	-10	-14
Cash flow from operations (CFO)	29	-263	-487	-109	156	147	242	291	183	255	291
Capital expenditure	-2	251	739	3	-91	-85	0	0	-13	-14	-14
Free cash flow before A&D	27	-12	252	-107	66	61	242	291	170	241	277
Proceeds from sale of assets	13	0	0	22	7	0	0	10	0	0	0
Acquisitions	-6	-108	-72	-4	-1	-2	-6	-36	0	0	0
Free cash flow	34	-120	180	-89	71	60	236	265	170	241	277
Free cash flow bef A&D, lease adj	27	-12	252	-107	66	61	242	291	170	241	277
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	-52	19	342	4	2	0	0	2	0	0	0
Net change in debt	0	0	0	0	0	0	0	-56	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	-15	-23	-39
Other non-cash adjustments	246	-22	-343	-1	11	-14	26	16	0	0	0
Change in cash	228	-123	179	-86	84	46	262	227	154	219	238
Cash flow metrics											
Capex/D&A	8.7%	n.m.	n.m.	-14.1%	n.m.	n.m.	0.0%	0.0%	50.1%	48.5%	48.1%
Capex/Sales	0.5%	-58.5%	n.m.	-0.4%	12.8%	13.3%	0.0%	0.0%	1.6%	1.6%	1.5%
Key information											
Share price year end (/current)	50	164	136	63	38	41	59	63	46	46	46
Market cap.	1,430	5,214	4,431	2,164	1,300	1,428	2,071	2,221	1,629	1,629	1,629
Enterprise value	1,322	5,349	4,643	2,460	1,415	1,420	1,802	1,749	1,002	783	545
Diluted no. of shares, year-end (m)	28.8	31.8	32.7	34.5	34.6	34.7	35.2	35.4	35.4	35.4	35.4

Source: Company data and Nordea estimates

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Completion Date

18 Mar 2020, 01:31 CET

Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
Nordea Markets Division, Research Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland Tel: +358 9 1651 Fax: +358 9 165 59710 Reg.no. 2858394-9 Satamaradankatu 5 Helsinki	Nordea Markets Division, Research Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Nordea Markets Division, Research Visiting address: Grønjørdsvej 10 DK-2300 Copenhagen S Denmark Tel: +45 3333 3333 Fax: +45 3333 1520	Nordea Markets Division, Research Visiting address: Essendropsgate 7 N-0107 Oslo Norway Tel: +47 2248 5000 Fax: +47 2256 8650