

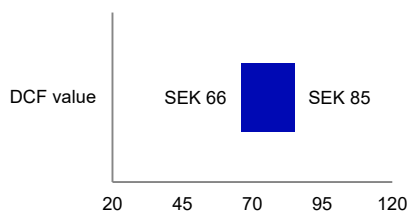
KEY DATA

Stock country	Sweden
Bloomberg	ORX SS
Reuters	ORX.ST
Share price (close)	SEK 41.40
Free Float	89%
Market cap. (bn)	EUR 0.14/SEK 1.42
Website	www.orexo.com
Next report date	

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	-13%	-12%	-6%
EBIT (adj)	34%	-60%	-29%

Source: Nordea estimates

Nordea Markets - Analysts

Josefine Persson
Assistant Analyst

Weak sales momentum in Q1

Orexo experienced a challenging quarter with weaker-than-expected sales for Zubsolv and the DTx offering. The flagship pharma project, OX124, did not receive fast-track approval, delaying its potential launch until late 2023. Consequently, we lower our estimates and cut our DCF-based fair value range to SEK 66-85 (72-91).

Lower sales and lower opex in Q1

Sales totalled SEK 132.3m in Q1 2021, down almost 17% from SEK 159.2m in Q4 2020. Zubsolv sales declined by 22.6% in local currency, down to SEK 126.8m, 6.7% below our forecast. EBITDA at SEK -23.9m was better than our forecast of SEK -37.7m, driven by lower selling expenses. Q1 opex totalled SEK -149.9m compared to our estimate at SEK -176.7m. The financial outlook remains mostly unchanged but with a small incremental positive revision as US pharma EBIT is expected to be 50% (from 45-50%).

DTx launch remains challenging

The DTx launch started off slowly and has not gained pace, as reimbursements are still a challenge. Orexo is assessing reimbursement strategies, developing a platform for managing payments and running studies to gather real world evidence. We believe Orexo will soon find a favourable strategy and eventually meet the huge medical need for this ground-breaking treatment.

Digital therapies in Europe to increase awareness

The pharmaceutical company Ethypharm acquired exclusive rights from GAIA for the use of deprexis® and vorvida® in some European countries. Ethypharm believes digital solutions will be essential to extend its product offerings beyond conventional medicine and improve patient outcomes. In our view, this confirms Orexo's strategic move into the area of DTx. We believe increased awareness and market uptake in Europe could amplify sales and reimbursement acceptance for Orexo's DTx offering in the US.

Key to overcome the reimbursement challenges

Orexo must overcome the reimbursement challenge to realise the full potential of the DTx offering. Knowing that this will take time, it is highly important for Orexo to keep sharing positive news about DTx-related projects to maintain the market's interest. We lower our estimates and our DCF-based value range to SEK 66-85 (72-91) following the report.

SUMMARY TABLE - KEY FIGURES

SEKm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	644	783	845	664	548	658	802
EBITDA (adj)	78	117	224	19	-104	43	88
EBIT (adj)	57	96	183	-20	-143	8	53
EBIT (adj) margin	8.9%	12.2%	21.6%	-3.0%	-26.1%	1.2%	6.6%
EPS (adj, SEK)	0.67	3.92	4.82	-2.45	-3.62	0.21	1.31
EPS (adj) growth	-20.5%	485.5%	23.0%	-150.8%	-47.8%	105.8%	527.0%
DPS (ord, SEK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	2.2	2.3	2.1	2.3	2.5	2.1	1.7
EV/EBIT (adj)	24.7	18.8	9.6	n.m.	n.m.	171.3	25.8
P/E (adj)	61.6	15.0	13.0	n.m.	n.m.	n.m.	31.5
P/BV	4.3	4.4	3.1	3.1	3.3	3.2	2.9
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	4.3%	11.7%	13.1%	-10.1%	-13.8%	-0.2%	2.9%
Net debt	-9	-269	-473	-214	-31	-27	-60
Net debt/EBITDA	-0.1	-2.3	-2.1	-11.4	n.m.	-0.6	-0.7
ROIC after tax	8.1%	15.0%	29.1%	-2.9%	-19.5%	1.0%	6.3%

Source: Company data and Nordea estimates

Detailed estimates

OREXO: DETAILED ESTIMATES (SEKm)

SEKm	2020				2021				2020	2021E	2022E	2023E
	Q1	Q2	Q3	Q4	Q1	Q2E	Q3E	Q4E				
Net sales	175	179	150	159	132	140	136	140	664	548	658	802
Gross profit	155	159	136	148	114	121	118	122	598	474	582	727
Gross, margin	88.6%	88.9%	90.4%	92.9%	86.0%	86.0%	86.0%	86.0%	90.1%	86.0%	85.0%	85.0%
EBITDA	39	-9	-12	1	-23	-30	-45	-16	19	-104	43	88
EBITDA margin, %	22.3%	-5.0%	-8.1%	0.6%	-17.5%	-21.2%	-32.9%	-11.4%	2.8%	-18.9%	6.6%	10.9%
IP litigation costs	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted EBITDA	39	-9	-12	1	-23	-30	-45	-16	19	-104	43	88
Adjusted EBITDA margin, %	22.4%	-5.0%	-8.1%	0.6%	-17.5%	-21.2%	-32.9%	-11.4%	2.8%	-18.9%	6.6%	10.9%
EBIT	34	-13	-30	-11	-36	-38	-54	-25	-20	-143	8	53
EBIT margin	19.4%	-7.4%	-19.7%	-6.9%	-27.3%	-27.5%	-39.4%	-17.7%	-3.0%	-26.1%	1.2%	6.6%
Net income	83	-33	-85	-50	-31	-34	-48	-21	-84	-124	7	45
EPS	2.3	-0.9	-2.4	-1.4	-0.9	-1.0	-1.4	-0.6	-2.5	-3.6	0.2	1.3
Zubsolv US sales	163.9	172.5	143.8	143.1	126.8	131.9	124.6	126.8	623.3	510.1	493.9	478.4
Growth y/y, %	1.4%	-6.5%	-21.3%	-24.9%	-22.6%	-23.5%	-13.3%	-11.4%	-13.3%	-18.2%	-3.2%	-3.1%
- of which organic, %	-4.0%	-8.7%	-14.9%	-15.7%	-8.3%	-9.1%	-6.7%	-7.7%	-11.4%	-12.7%	-3.2%	-3.1%
- of which FX, %	5.4%	2.2%	-6.4%	-9.2%	-14.4%	-14.5%	-6.7%	-3.7%	-1.9%	-5.5%	0.0%	0.0%

Source: Company data and Nordea estimates

Valuation

Based on our updated forecasts, we derive a new DCF-derived fair value range of SEK 66-85 (72-91), using a WACC of 8-10%.

OREXO: DCF MODEL ASSUMPTIONS

	2021-26	2027-31	2032-36	2037-41	2042-46	2047-51	Sust.
Sales growth, CAGR	22.8%	4.0%	3.0%	2.5%	2.5%	2.5%	
EBIT-margin, excluding associates	14.6%	16.5%	16.5%	16.5%	16.5%	5.0%	
Capex/depreciation, x	1.4	1.0	1.0	1.0	1.0	1.0	
Capex/sales	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
NWC/sales	29.3%	30.0%	30.0%	30.0%	30.0%	30.0%	
FCFF, CAGR	-212.6%	-2.3%	3.8%	2.9%	2.5%	-23.8%	2.5%

Source: Company data and Nordea estimates

DCF MODEL SENSITIVITY: SALES GROWTH AND EBIT MARGIN CHANGE (SEK/SHARE)

		Sales growth change				
		-1.0pp	-0.5pp		+0.5pp	+1.0pp
EBIT margin change	+1.0pp	75	77	78	80	83
	+0.5pp	73	75	77	78	80
		71	73	75	76	78
	-0.5pp	70	71	73	74	76
	-1.0pp	68	69	71	72	74

Source: Company data and Nordea estimates

DCF MODEL SENSITIVITY: WACC AND SALES GROWTH CHANGE (SEK/SHARE)

		WACC				
		8.0%	8.5%	9.0%	9.5%	10.0%
Sales growth change	+1.0pp	90	84	78	74	69
	+0.5pp	87	82	76	72	68
		85	80	75	70	66
	-0.5pp	83	78	73	69	65
	-1.0pp	81	76	71	67	64

Source: Company data and Nordea estimates

DCF MODEL SENSITIVITY: WACC AND EBIT MARGIN CHANGE (SEK/SHARE)

		WACC				
		8.0%	8.5%	9.0%	9.5%	10.0%
EBIT margin change	+1.0pp	90	84	78	74	69
	+0.5pp	87	82	77	72	68
		85	80	75	70	66
	-0.5pp	83	77	73	69	65
	-1.0pp	80	75	71	67	63

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	429	570	643	706	644	783	845	664	548	658	802
Revenue growth	31.6%	32.8%	12.8%	9.7%	-8.8%	21.7%	7.9%	-21.4%	-17.4%	20.1%	21.7%
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	-90	-12	-150	74	78	117	224	19	-104	43	88
Depreciation and impairments PPE	-5	-5	-4	-5	-4	-4	-8	-31	-22	-19	-19
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	-94	-17	-154	70	74	112	215	-12	-125	24	68
Amortisation and impairments	-46	-8	-15	-18	-17	-17	-33	-8	-18	-16	-16
EBIT	-140	-25	-169	52	57	96	183	-20	-143	8	53
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	-14	-28	-22	-16	-28	-4	-3	-18	7	0	0
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	-153	-53	-191	36	30	92	179	-38	-136	8	53
Reported taxes	-2	-4	-7	-7	-7	46	-9	-46	12	-1	-8
Net profit from continued operations	-155	-57	-198	29	23	138	171	-84	-124	7	45
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	-155	-57	-198	29	23	138	171	-84	-124	7	45
EPS, SEK	-4.87	-1.73	-5.74	0.84	0.67	3.92	4.82	-2.45	-3.62	0.21	1.31
DPS, SEK	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	-20.9%	-2.2%	-23.4%	10.5%	12.1%	14.9%	26.5%	2.8%	-18.9%	6.6%	10.9%
EBITA	-21.9%	-3.1%	-24.0%	9.9%	11.5%	14.4%	25.5%	-1.8%	-22.9%	3.6%	8.5%
EBIT	-32.5%	-4.4%	-26.2%	7.3%	8.9%	12.2%	21.6%	-3.0%	-26.1%	1.2%	6.6%

Adjusted earnings

EBITDA (adj)	-90	-12	-150	74	78	117	224	19	-104	43	88
EBITA (adj)	-94	-17	-154	70	74	112	215	-12	-125	24	68
EBIT (adj)	-140	-25	-169	52	57	96	183	-20	-143	8	53
EPS (adj, SEK)	-4.87	-1.73	-5.74	0.84	0.67	3.92	4.82	-2.45	-3.62	0.21	1.31

Adjusted profit margins in percent

EBITDA (adj)	-20.9%	-2.2%	-23.4%	10.5%	12.1%	14.9%	26.5%	2.8%	-18.9%	6.6%	10.9%
EBITA (adj)	-21.9%	-3.1%	-24.0%	9.9%	11.5%	14.4%	25.5%	-1.8%	-22.9%	3.6%	8.5%
EBIT (adj)	-32.5%	-4.4%	-26.2%	7.3%	8.9%	12.2%	21.6%	-3.0%	-26.1%	1.2%	6.6%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	28.7%	14.6%	12.8%	8.2%	0.6%	-4.9%	0.5%	0.5%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-11.2%	-5.5%
EBIT	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	-32.3%	-11.3%
EPS	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	-20.7%	-19.6%
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.	-13.5%	-7.5%	0.3%	6.0%	10.1%	5.0%	3.5%	2.3%
Average EBITDA margin	n.a.	n.a.	-14.5%	-9.0%	-3.3%	3.2%	9.5%	14.1%	9.6%	8.5%	7.7%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E (adj)	n.m.	n.m.	n.m.	44.7	61.6	15.0	13.0	n.m.	n.m.	n.m.	31.5
EV/EBITDA (adj)	n.m.	n.m.	n.m.	19.0	18.2	15.5	7.8	80.1	n.m.	32.3	15.5
EV/EBITA (adj)	n.m.	n.m.	n.m.	20.3	19.2	16.0	8.1	n.m.	n.m.	58.3	19.9
EV/EBIT (adj)	n.m.	n.m.	n.m.	27.4	24.7	18.8	9.6	n.m.	n.m.	171.3	25.8

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E	n.m.	n.m.	n.m.	44.7	61.6	15.0	13.0	n.m.	n.m.	n.m.	31.5
EV/Sales	12.46	8.14	3.82	2.01	2.21	2.30	2.07	2.27	2.53	2.12	1.70
EV/EBITDA	n.m.	n.m.	n.m.	19.0	18.2	15.5	7.8	80.1	n.m.	32.3	15.5
EV/EBITA	n.m.	n.m.	n.m.	20.3	19.2	16.0	8.1	n.m.	n.m.	58.3	19.9
EV/EBIT	n.m.	n.m.	n.m.	27.4	24.7	18.8	9.6	n.m.	n.m.	171.3	25.8
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	-2.3%	4.1%	-4.1%	5.5%	4.2%	11.4%	11.9%	-10.0%	-13.8%	-0.2%	2.9%
FCF Yield bef A&D, lease adj	-0.2%	5.7%	-4.9%	5.0%	4.3%	11.7%	13.1%	-10.1%	-13.8%	-0.2%	2.9%
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	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Intangible assets	195	259	155	138	121	104	114	253	283	295	308
of which R&D	164	224	147	132	117	100	100	120	119	119	119
of which other intangibles	4	7	8	6	5	4	14	133	164	176	188
of which goodwill	26	27	0	0	0	0	0	0	0	0	0
Tangible assets	33	29	25	22	20	20	79	115	115	115	115
of which leased assets	0	0	0	0	0	0	57	68	68	68	68
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	3	18	25	28	93	86	33	33	33	33
Other non-IB non-current assets	0	1	2	8	7	10	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	1	1	0	0	0
Total non-current assets	228	293	200	193	177	227	280	401	431	443	455
Inventory	383	488	403	344	250	174	132	108	90	109	132
Accounts receivable	36	142	168	179	218	296	273	218	180	216	263
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	19	32	51	21	31	0	0	0	0	0	0
Cash and bank	106	285	198	282	328	590	817	505	322	318	351
Total current assets	544	946	820	826	827	1,060	1,221	831	593	642	746
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	772	1,239	1,020	1,019	1,004	1,287	1,501	1,233	1,024	1,086	1,202
Shareholders equity	161	468	270	310	329	476	706	559	434	441	486
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	161	468	270	310	329	476	706	559	434	441	486
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	104	494	494	398	319	321	290	0	225	225	225
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	10	9	7	1	6	7	11	26	26	26	26
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	33	47	47	47	47
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	114	503	501	399	325	327	334	73	298	298	298
Short-term provisions	0	0	122	164	201	266	269	197	163	196	238
Accounts payable	138	29	35	36	46	0	0	0	0	0	0
Current lease debt	0	0	0	0	0	0	21	19	19	19	19
Other current liabilities	359	239	92	110	104	218	171	160	110	132	160
Short term interest bearing debt	0	0	0	0	0	0	0	225	0	0	0
Total current liabilities	497	268	249	310	350	483	461	601	292	347	418
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	772	1,239	1,020	1,019	1,004	1,287	1,501	1,233	1,024	1,086	1,202
Balance sheet and debt metrics											
Net debt	136	212	296	115	-9	-269	-473	-214	-31	-27	-60
of which lease debt	0	0	0	0	0	0	55	67	67	67	67
Working capital	-59	394	495	398	351	252	234	166	161	193	235
Invested capital	169	686	695	591	527	479	514	567	592	636	691
Capital employed	266	962	765	708	648	797	1,051	850	725	732	777
ROE	-87.9%	-18.0%	-53.6%	10.0%	7.3%	34.3%	28.8%	-13.3%	-25.0%	1.6%	9.7%
ROIC	-86.8%	-4.6%	-19.3%	6.4%	8.1%	15.0%	29.1%	-2.9%	-19.5%	1.0%	6.3%
ROCE	-48.3%	-4.0%	-19.6%	7.0%	8.5%	13.3%	19.8%	-2.1%	-18.2%	1.1%	7.0%
Net debt/EBITDA	n.m.	n.m.	n.m.	1.6	-0.1	-2.3	-2.1	-11.4	n.m.	-0.6	-0.7
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	20.9%	37.8%	26.5%	30.5%	32.8%	37.0%	47.1%	45.3%	42.4%	40.7%	40.5%
Net gearing	83.9%	45.2%	109.7%	37.2%	-2.7%	-56.5%	-66.9%	-38.3%	-7.2%	-6.0%	-12.3%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA (adj) for associates	-90	-12	-150	74	78	117	224	19	-104	43	88
Paid taxes	-2	-4	0	0	0	0	0	0	0	0	0
Net financials	-11	-28	-25	-28	-35	-32	-8	-9	7	0	0
Change in provisions	6	-1	119	37	42	66	8	-57	-34	33	43
Change in other LT non-IB	19	-4	-16	-13	-3	-68	16	54	1	0	0
Cash flow to/from associates	0	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	16	13	25	-3	28	43	13	-42	0	0	0
Funds from operations (FFO)	-62	-36	-47	68	110	125	253	-35	-131	76	131
Change in NWC	-201	-452	-62	89	36	117	38	52	5	-32	-42
Cash flow from operations (CFO)	-263	-487	-109	156	147	242	291	17	-126	44	89
Capital expenditure	251	739	3	-91	-85	0	0	-190	-70	-47	-47
Free cash flow before A&D	-12	252	-107	66	61	242	291	-173	-195	-3	41
Proceeds from sale of assets	0	0	22	7	0	0	10	1	0	0	0
Acquisitions	-108	-72	-4	-1	-2	-6	-36	0	0	0	0
Free cash flow	-120	180	-89	71	60	236	265	-172	-195	-3	41
Free cash flow bef A&D, lease adj	-12	252	-107	66	61	242	291	-173	-195	-3	41
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	19	342	4	2	0	0	2	-27	0	0	0
Net change in debt	0	0	0	0	0	0	-56	-84	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	12	-1	-8
Other non-cash adjustments	-22	-343	-1	11	-14	26	16	-28	0	0	0
Change in cash	-123	179	-86	84	46	262	227	-312	-183	-5	33
Cash flow metrics											
Capex/D&A	n.m.	n.m.	-14.1%	n.m.	n.m.	0.0%	0.0%	n.m.	n.m.	n.m.	n.m.
Capex/Sales	-58.5%	n.m.	-0.4%	12.8%	13.3%	0.0%	0.0%	28.6%	12.7%	7.2%	5.9%
Key information											
Share price year end (/current)	164	136	63	38	41	59	63	50	41	41	41
Market cap.	5,214	4,431	2,164	1,300	1,428	2,071	2,221	1,720	1,420	1,420	1,420
Enterprise value	5,349	4,643	2,460	1,415	1,420	1,802	1,749	1,506	1,389	1,393	1,360
Diluted no. of shares, year-end (m)	31.8	32.7	34.5	34.6	34.7	35.2	35.4	34.4	34.3	34.3	34.3

Source: Company data and Nordea estimates

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