

FARON PHARMACEUTICALS

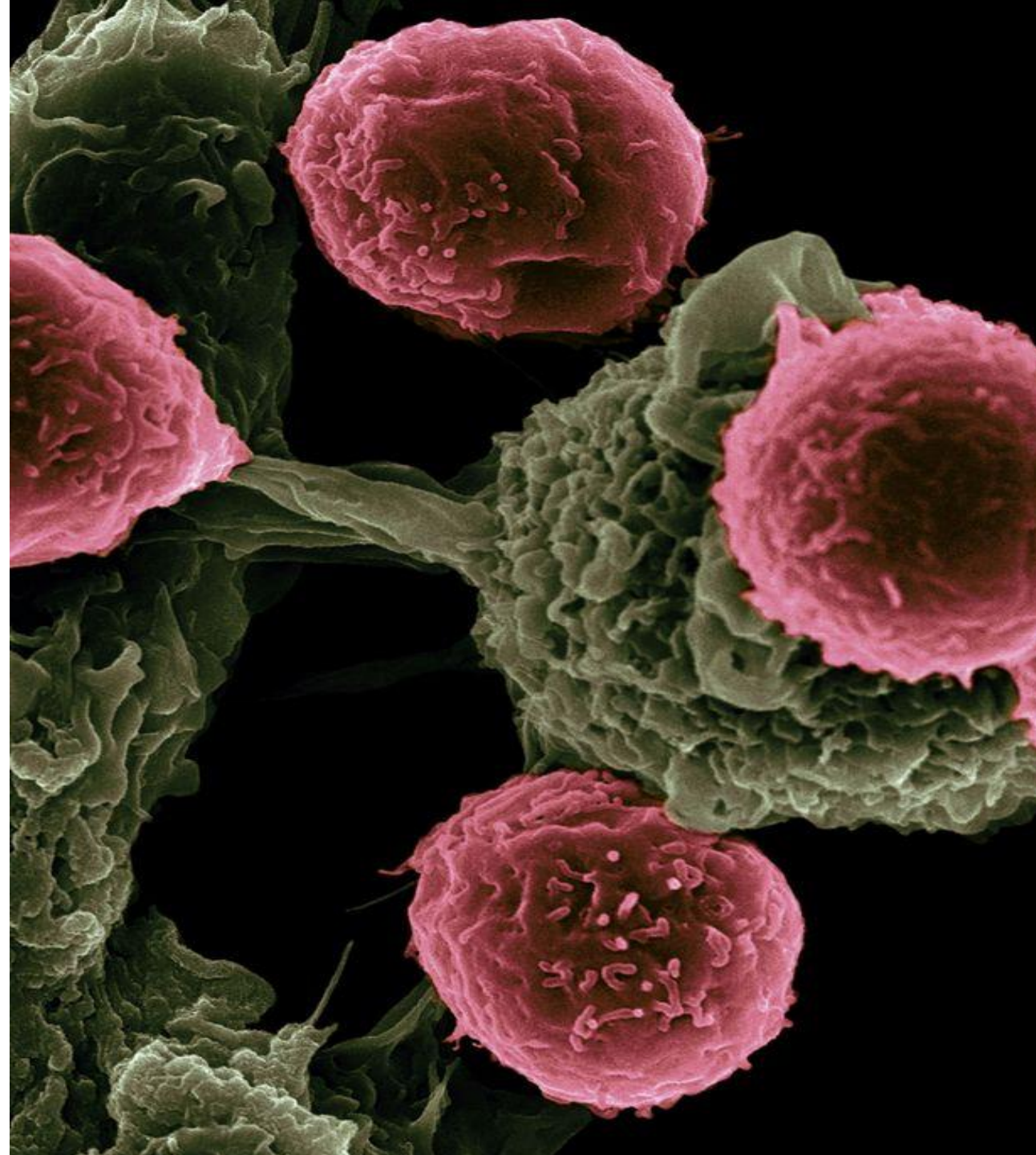
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This is a translated version of "Vaiheen II hedelmät
kypsyä poimittavaksi" report, published on 6/3/2025



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INDERES CORPORATE CUSTOMER
COMPANY REPORT



Phase II fruits ripe for picking

Faron presented the results of the BEXMAB hematological cancer study in a webcast on Monday. We believe the results support advancing to the final, critical clinical Phase III, which we estimate could begin patient recruitment next year. The published results for both end-stage and first-line MDS patients support our previous view on the stock, so we are not making any forecast changes in relation to blood cancers. For other projects, we are moving our timeline estimates forward, which results in a reduction in our target price to EUR 3.0 (was 3.2). We believe the stock is fully priced, so we lower the recommendation to Reduce (was Accumulate).

Treatment responses in late-stage MDS patients were now fully analyzed for the first time

BEXMAB is a clinical phase I/II blood cancer trial focusing specifically on myelodysplastic syndrome (MDS). The study combines Faron's bexmarilimab with standard-of-care azacitidine. The phase II analysis included all 32 r/r MDS patients in the study (whose previous HMA medication is no longer effective). The patients had an overall response rate (ORR) of 47% (IWG2023). The response rate may still increase as treatments continue, as responses sometimes come with a delay. According to Faron, the expected response rate in a similar situation with azacitidine alone, without bexmarilimab, would be around 0-15%. Overall, we believe 47% is a good result and supports the transition of the trial to the pivotal phase (Clinical Phase III). Moving to the final phase requires a positive response from the FDA and securing financing. The combination of bexmarilimab and azacitidine was well tolerated, which was not surprising, as there is already plenty of data on bexmarilimab's favorable safety profile. We note that only the Phase III study is designed to provide reliable information on the efficacy of the drug. Currently, the efficacy data is still preliminary.

Preliminary treatment responses in first-line patients also promising

Faron also reported treatment responses in first-line MDS patients to the combination of bexmarilimab and azacitidine in addition to r/r MDS. Since first-line patients have not received treatment before, the response rates are generally higher than those of end-stage patients. The response rate of the 18 patients now analyzed was 67% (IWG2023), which can also be considered a good result. Composite complete remission was 56%. This percentage of patients had clear treatment responses that correlate positively with life expectancy. To our knowledge, this figure is better than the expected response to azacitidine alone. We would like to remind you that Faron's trial is at an early stage for first-line patients and the time for more detailed conclusions is later. A Phase III study of the competing combination of azacitidine + venetoclax is also ongoing. Future results of that study may set a standard that bexmarilimab will need to exceed in terms of either efficacy, safety, or both.

Delays bring down forecasts

The BEXMAB results were mainly in line with our expectations, and we believe that they support advancing the study to Phase III. This trend aligns with our previous estimates, so we have no reason to adjust our projections regarding blood cancers at this time. There have been delays in launching projects for solid cancers and other drug candidates, which we take into account in this update. These project delays will reduce the present value of cash flows.

The share is tightly valued

Our DCF model values the stock at EUR 3.0, so the upside is exhausted for now. The stock is also highly valued relative to its Nordic peers. We believe that the valuation premium is partly justified based on Faron's potential to move quickly towards commercialization in MDS and the potentially large number of indications. Solid tumors bring longer-term potential to the share.

Recommendation

Reduce
(was Accumulate)

Target price:

EUR 3.00
(was EUR 3.20)

Share price:

EUR 3.02

Business risk



Valuation risk



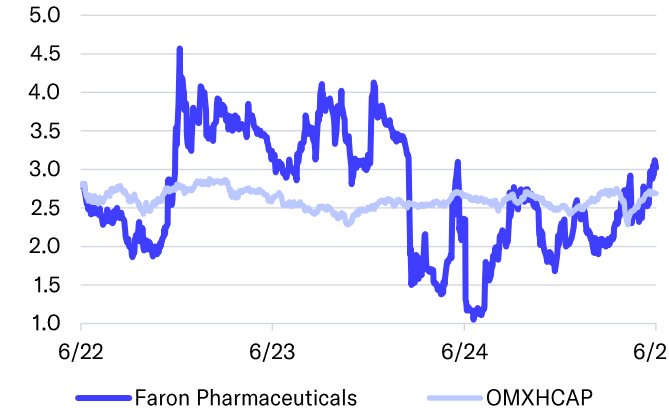
	2024	2025e	2026e	2027e
Revenue	0.0	0.0	0.0	4.6
growth-%	0%	0%	0%	113896%
EBIT adj.	-18.7	-18.9	-30.5	-26.6
PTP	-26.0	-22.0	-33.9	-30.4
EPS (adj.)	-0.25	-0.19	-0.28	-0.24
Dividend	0.00	0.00	0.00	0.00
P/E (adj.)	neg.	neg.	neg.	neg.
P/B	neg.	neg.	neg.	neg.
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
EV/S	>100	>100	>100	91.9

Source: Inderes

Guidance

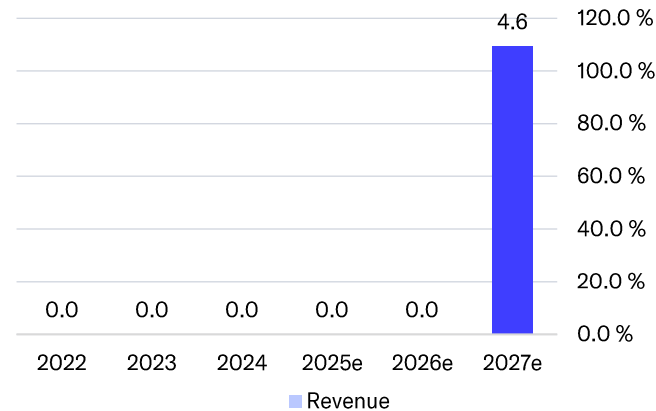
Faron does not provide any guidance

Share price



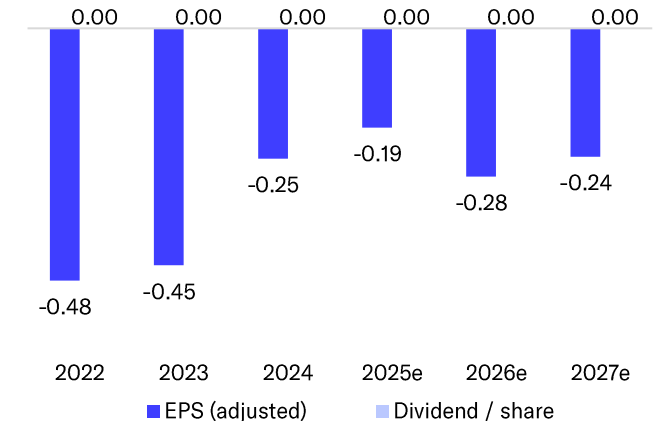
Source: Millistream Market Data AB

Revenue



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- High need for new cancer drugs
- Target market is estimated to grow to 140 BNUSD by 2030 (CAGR 16.4%)
- The pharmaceutical sector is very defensive
- Possibility of globally sold drugs whose annual revenue potential is calculated in billions and Faron's cash flow in hundreds of millions
- Potential can also materialize through a cooperation agreement or acquisition

Risk factors

- Drug development requires substantial front-loaded investments
- Failed drug development is likely to result in permanent loss of invested capital
- Success depends on the safety and efficacy of drug candidates, which may prove insufficient in studies
- If market entry is successful, the market share, sales price and royalties involve uncertainties
- The financing situation in the sector is challenging

Valuation	2025e	2026e	2027e
Share price	3.02	3.02	3.02
Number of shares, millions	116.6	120.6	124.5
Market cap	352	364	376
EV	351	387	419
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	neg.	neg.	neg.
P/S	>100	>100	82.5
EV/Sales	>100	>100	91.9
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Estimate revisions

Estimate revisions

- Our estimates regarding blood cancers remain unchanged, as the results presented were broadly as expected and in line with our previous interpretations.
- Faron's other drug candidates, Traumakine and Haematokine, have not progressed either, so we have moved the cash flows forward in time. This reduces the present value of cash flows.
- We also made moderate temporal shifts in the indications for solid tumors.

Estimate revisions MEUR / EUR	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %	2027e Old	2027e New	Change %
Revenue	0.0	0.0	0%	0.0	0.0	0%	0.0	4.6	113896%
EBIT	-26.1	-18.9	28%	-29.2	-30.5	-4%	-30.5	-26.6	13%
PTP	-29.7	-22.0	26%	-31.2	-33.9	-9%	-32.7	-30.4	7%
EPS (excl. NRIs)	-0.28	-0.19	34%	-0.30	-0.28	6%	-0.31	-0.24	22%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

ASCO ANNUAL MEETING 2025 Webcast

PRESENTERS

Dr. Juho Jalkanen, CEO, Faron Pharmaceuticals

Dr. Amer Zeidan, MBBS, MHS, Professor of Medicine and Chief of Hematologic Malignancies at Yale School of Medicine and Yale Cancer Center, and the lead presenter. Dr. Zeidan is consulting for Faron and receiving honoraria for his time. His opinions are personal and not of his employer.

Dr. Petri Bono, CMO, Faron Pharmaceuticals

Host: Julie Adrian, communications



FARON PHARMACEUTICALS | THE 2025 ASCO ANNUAL MEETING | NEW ORLEANS

FARON

Valuation table

Valuation		2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	2.91	3.24	3.71	3.77	2.24	3.02	3.02	3.02	3.02
Number of shares, millions	46.9	53.2	59.8	68.8	104.6	116.6	120.6	124.5	127.8
Market cap	136	172	222	259	234	352	364	376	386
EV	135	169	228	265	237	351	387	419	439
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
P/E	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
P/B	neg.	58.8	neg.	neg.	neg.	neg.	neg.	neg.	neg.
P/S	>100	>100	>100	>100	>100	>100	>100	82.5	40.3
EV/Sales	>100	>100	>100	>100	>100	>100	>100	91.9	45.8
EV/EBITDA	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes

The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Income statement

Income statement	H1'23	H2'23	2023	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	2026e	2027e	2028e
Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.6	9.6
EBITDA	-12.6	-15.6	-28.2	-11.1	-7.2	-18.3	-7.3	-11.4	-18.7	-30.2	-26.4	-21.1
Depreciation	-0.2	-0.2	-0.3	-0.2	-0.2	-0.4	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2
EBIT (excl. NRI)	-12.8	-15.8	-28.6	-11.3	-7.4	-18.7	-7.4	-11.5	-18.9	-30.5	-26.6	-21.2
EBIT	-12.8	-15.8	-28.6	-11.3	-7.4	-18.7	-7.4	-11.5	-18.9	-30.5	-26.6	-21.2
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-0.9	-1.5	-2.4	-3.1	-4.2	-7.3	-2.5	-0.6	-3.1	-3.4	-3.8	0.0
PTP	-13.7	-17.2	-30.9	-14.4	-11.6	-26.0	-9.9	-12.1	-22.0	-33.9	-30.4	-21.2
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-13.7	-17.2	-30.9	-14.4	-11.5	-25.9	-9.9	-12.1	-22.0	-33.9	-30.4	-21.2
EPS (adj.)	-0.20	-0.25	-0.45	-0.14	-0.11	-0.25	-0.08	-0.10	-0.19	-0.28	-0.24	-0.17
EPS (rep.)	-0.20	-0.25	-0.45	-0.14	-0.11	-0.25	-0.08	-0.10	-0.19	-0.28	-0.24	-0.17

Source: Inderes

Full-year earnings per share are calculated using the number of shares at year-end.

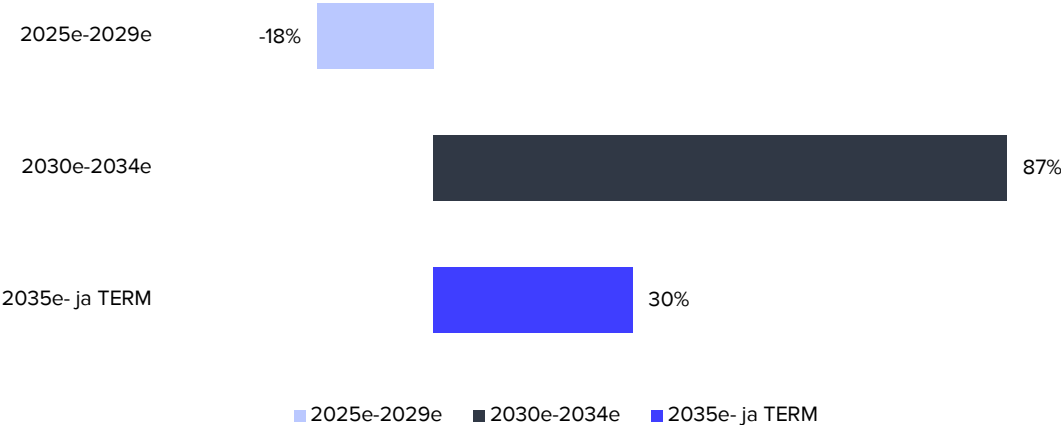
DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e	2038e	2039e	2040e	2041e	TERM
Revenue growth-%	NA	NA	NA	NA	110.1 %	109.8 %	86.8 %	68.0 %	109.6 %	38.9 %	32.2 %	10.5 %	6.2 %	7.6 %	-39.1 %	-46.5 %	-39.5 %	0.0 %	-100.0 %
EBIT-%	NA	NA	NA	NA	-221.7 %	10.2 %	50.0 %	69.1 %	85.2 %	88.7 %	91.2 %	91.7 %	92.0 %	92.4 %	86.9 %	74.8 %	57.4 %	0.0 %	0.0 %
EBIT (operating profit)	-18.7	-18.9	-30.5	-26.6	-21.2	2.0	18.8	43.6	113	163	221	246	262	283	162	74.7	34.7	0.0	
+ Depreciation	0.4	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
- Paid taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-8.7	-22.5	-32.6	-44.3	-49.2	-52.4	-56.6	-32.4	-14.9	-6.9	0.0	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-4.6	1.6	0.0	0.0	1.1	-0.6	-0.8	-0.3	-3.5	-2.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	-22.8	-17.1	-30.2	-26.4	-20.0	1.6	18.1	34.7	86.8	128	177	197	210	226	130	59.8	27.8	0.1	
+ Change in other long-term liabilities	3.1	-3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	
- Gross CAPEX	-0.6	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
Free operating cash flow	-20.3	-20.6	-30.3	-26.5	-20.0	1.6	18.0	34.6	86.7	128	177	197	210	226	129	59.7	27.7	0.0	
+/- Other	34.7	27.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	14.3	6.4	-10.3	-26.5	-20.0	1.6	18.0	34.6	86.7	128	177	197	210	226	129	59.7	27.7	0.0	0.4
Discounted FCFF		6.0	-8.6	-19.8	-13.4	0.9	9.6	16.4	36.7	48.3	59.8	59.3	56.4	54.4	27.7	11.4	4.7	0.0	0.1
Sum of FCFF present value		350	344	353	372	386	385	375	359	322	274	214	155	98.3	43.9	16.2	4.8	0.1	0.1
Enterprise value DCF		350																	
- Interest bearing debt		-11.8																	
+ Cash and cash equivalents		9.5																	
-Minorities		0.0																	
-Dividend/capital return		0.0																	
Equity value DCF		348																	
Equity value DCF per share		3.0																	

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	10.0 %
Equity Beta	1.58
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.5 %
Cost of equity	12.0 %
Weighted average cost of capital (WACC)	12.0 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2022	2023	2024	2025e	2026e	Per share data	2022	2023	2024	2025e	2026e
Revenue	0.0	0.0	0.0	0.0	0.0	EPS (reported)	-0.48	-0.45	-0.25	-0.19	-0.28
EBITDA	-27.4	-28.2	-18.3	-18.7	-30.2	EPS (adj.)	-0.48	-0.45	-0.25	-0.19	-0.28
EBIT	-27.4	-28.6	-18.7	-18.9	-30.5	OCF / share	-0.39	-0.36	-0.22	-0.15	-0.25
PTP	-28.7	-30.9	-26.0	-22.0	-33.9	OFCF / share	-0.38	0.01	0.14	0.05	-0.09
Net Income	-28.6	-30.9	-25.9	-22.0	-33.9	Book value / share	-0.19	-0.22	-0.09	-0.04	-0.24
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	11.3	10.2	12.5	19.7	10.8	Revenue growth-%	0%	0%	0%	0%	0%
Equity capital	-11.5	-15.2	-9.8	-4.8	-28.7	EBITDA growth-%	32%	3%	-35%	2%	62%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	30%	4%	-35%	1%	62%
Net debt	6.0	6.0	2.3	-0.9	22.8	EPS (adj.) growth-%	20%	-6%	-45%	-24%	49%
Cash flow	2022	2023	2024	2025e	2026e						
EBITDA	-27.4	-28.2	-18.3	-18.7	-30.2						
Change in working capital	4.3	3.7	-4.6	1.6	0.0						
Operating cash flow	-23.1	-24.6	-22.8	-17.1	-30.2						
CAPEX	-0.4	-0.2	-0.6	-0.1	-0.1						
Free cash flow	-22.5	0.8	14.3	6.4	-10.3						
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	>100	>100	>100	>100	>100						
EV/EBITDA	neg.	neg.	neg.	neg.	neg.						
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.						
P/E (adj.)	neg.	neg.	neg.	neg.	neg.						
P/B	neg.	neg.	neg.	neg.	neg.						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8/8/2022	Accumulate	2.80 €	2.44 €
8/26/2022	Accumulate	2.80 €	2.22 €
10/17/2022	Accumulate	2.50 €	1.97 €
1/10/2023	Reduce	3.00 €	3.71 €
3/6/2023	Reduce	3.00 €	3.74 €
4/18/2023	Reduce	3.60 €	3.85 €
8/30/2023	Accumulate	4.00 €	3.64 €
11/14/2023	Accumulate	3.50 €	3.00 €
12/22/2023	Reduce	3.50 €	3.69 €
3/4/2024	Reduce	2.00 €	1.89 €
3/14/2024	Reduce	2.00 €	1.85 €
5/23/2024	Reduce	2.40 €	2.78 €
6/5/2024	Buy	2.00 €	1.31 €
7/30/2024	Accumulate	2.50 €	1.95 €
8/29/2024	Accumulate	2.80 €	2.39 €
12/11/2024	Accumulate	2.80 €	2.24 €
2/28/2025	Accumulate	2.80 €	2.03 €
4/15/2025	Accumulate	3.20 €	2.70 €
6/3/2025	Reduce	3.00 €	3.02 €



CONNECTING INVESTORS AND COMPANIES.

Inderes connects investors and listed companies.

We serve over 400 Nordic listed companies that want to better serve investors. The Inderes community is home to over 70,000 active investors.

We provide listed companies with solutions that enable seamless and effective investor relations. The Inderes service is built on four cornerstones for high-quality investor relations: Equity Research, Events, IR Software, and Annual General Meetings (AGM).

Inderes operates in Finland, Sweden, Norway, and Denmark and is listed on the Nasdaq First North Growth Market.

Inderes was created by investors, for investors.

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