Dicot

Commissioned Research

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Stockpicker releases a research report on the pharmaceutical company Dicot. The Swedish company, listed on Spotlight Stock Market, recently began phase one trials to evaluate the drug candidate LIB-01's safety profile in humans.

Unique position and large addressable market

After the launch of PDE-5 inhibitors, such as Viagra and Cialis, there have been few advancements in the erectile dysfunction medication field. The dropout rate among users of PDE-5 inhibitors is anticipated to be around 50% due to side effects, non-responders and that the medication requires planning of sexual activity.

Dicot intends to address this issue with their drug candidate LIB-01, that has demonstrated extended duration of effect, which sets it apart from currently available drugs. As of today, the worldwide market for erectile dysfunction medication and premature ejaculation treatment is estimated to generate almost 5 billion and 3 billion USD in annual revenues, respectively. Due to demographic trends, among other factors, both markets are expected to grow for the foreseeable future.

High Risk – High Reward

Dicot's LIB-01 has the potential to be a blockbuster when it comes to medication of erectile dysfunction. However, phase one trials started just a few months ago and there are plenty of pieces that need to fall into place before market launch. In the near term, Dicot is focusing on the phase one trial, preparations for phase two and finding a partner to finance and develop LIB-01 further into a registered pharmaceutical.

Dicot's cash position is solid after a successful unit issue in January, with a subscription rate of 110 % and 83 % of warrants TO4 being exercised in June. The subscription period for Dicot's TO5 warrants runs from November 1st to 15th and will provide the company with additional liquidity.

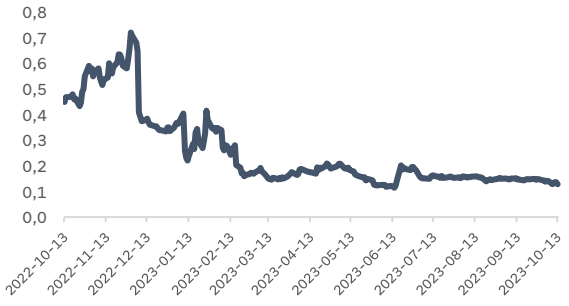
Stockpicker's valuation results in a fair value per share of 0.26 SEK in a base case scenario, which indicates significant upside potential. However, the level of uncertainty in our forecasts are high and based on a number of assumptions. For a pharmaceutical company in the early stages like Dicot, we therefore consider the risk level high.

Dicot

Risk	High
Sector	Healthcare
Industry	Pharmaceuticals
Market	Spotlight
Ticker	DICOT
CEO	Elin Trampe
Latest Report	Q2 2023 | 24 August 2023
Next Report	Q3 2023 | 31 October 2023
Share Price	0.12 SEK
Market Cap	75 MSEK
No. of shares (million)	625.1
Free Float	98 %
Date	2023-10-27

Source: Stockpicker (data from Borsdata & Holdings)

Return	3M	12M
DICOT	-25 %	-75 %



Source: Stockpicker (data from Borsdata)

Fair Value Range

Bear	Base	Bull
0.15 SEK	**0.26 SEK**	0.69 SEK

Source: Stockpicker

Table of Contents

Background

Dicot AB's beginnings can be traced back to a moment in the early 2000's when Jarl Wikberg, a professor at Uppsala University's Department of Pharmaceutical Biosciences, attended a conference in South Africa. There he met Prof. Philippe Rasoanaivo, a professor from Madagascar, who shared his research on the traditional use of plants in medicine. One revelation captured Prof. Wikberg's attention: the use of decoction made from the root of the Neobeguea Mahafelensis tree in Madagascar. This was commonly used in Madagascar to treat failing sexual ability and the effect was believed to be long lasting after ingestion.

LIB-01 originates from folk medicine usage in Madagascar

Prof. Wikberg, with his expertise in pharmacologically active substances affecting sexual function, found this research fascinating and suggested a research collaboration. Shortly after, Prof. Wikberg began to investigate whether there was a pharmacologically active substance in the decoction that triggered the effect and the research resulted in the isolation of two separate substances (Libiguin A and Libiguin B). Follow-up studies then confirmed that both substances had a strongly potent effect on sexual behavior.

Due to the synthesis of LIB-01, Dicot eliminated the need to extract roots from the limited biological resources in Madagascar. Instead, Dicot have identified similar molecules, so-called phragmalins, that can be extracted from other species of trees. The phragmalins themselves do not have the desired effect, but when synthesized in several steps, they have taken the form of the Libiguin molecule.

Listed on Spotlight Stock Market in 2018

Dicot listed on the Spotlight Stock Market in 2018

After Prof. Wikberg were able to demonstrate a clear effect on erection and premature ejaculation with the isolated, semi-synthesized, substance, Dicot AB was founded in 2015 and listed on the Spotlight Stock Market in 2018. After a few years of extensive research, pharmacology- and toxicology studies, preparations for clinical phase, the first clinical trial (phase one) of LIB-01 in humans started in August 2023.

The long-term goal for Dicot is to develop LIB-01 into a registered drug for the global market, that treats erectile dysfunction and premature ejaculation better than currently available drugs.

Dicot AB operates with relatively low costs and a small management team of four persons. In addition to the operative team, Dicot's board consists of the chairman and five members, with a good combination of extensive experience from both the pharmaceutical sector and finance.

Management

Elin Trampe was hired by Dicot AB as COO and Deputy CEO in September 2021. Shortly after, in April 2022, Trampe was named CEO with the main task being to take LIB-01 into clinical studies. The former CEO, Göran Beijer, continued in Dicot AB as a consultant.

Elin Trampe | CEO

Björn Petersson joined Dicot AB as CFO in March 2022. He has experience from leading roles in business management from various industries, including the life science sector, and was involved in the listing of the investment company Flat Capital in 2021.

Charlotta Gauffin holds a Ph.D. in organic chemistry from Uppsala University and was appointed as CSO (Chief Scientific Officer) in 2022. She has more than 20 years of experience in the pharmaceutical industry, including roles at companies such as Medivir, Biovitrum and Galderma.

Björn Petersson | CFO

Mats Silvander was recruited as CTO (Chief Technical Officer) earlier this year to lead and develop the company's supply chain and IP-work. Previous work history includes Novavax, BioGaia and Paragon Nordic, among others.

Board

The Chairman of the Board, Prof. Eva Sjökvist Saers, has a PhD in Pharmaceutical science from Uppsala University. She has worked in different manager positions within AstraZeneca and currently acts as board member for several companies within the life science sector (e.g., Alligator Bioscience, Apoex and Bluefish Pharmaceuticals). Sjökvist Saers was elected Chairman of the Board in 2021.

Prof. Eva Sjökvist Saers | Chairman of the Board

Other members of the Board include Prof. Mikael von Euler (elected 2018), Prof. Per-Göran Gillberg (2021), Michael Zell (2022), Fredrik Buch (2022) and Jan-Eric Österlund (2023). All of them possess extensive experience in their respective fields.

Dicot has also entered into agreements with opinion leaders and experts in the research and medical field.

The purpose of this advisory group is to help in profiling Dicot's drug candidate LIB-01 and prepare it for market authorization. For now, the advisory group consists of three experts: Harin Padma-Nathan, François Giuliano and Elin Gahm. Professor François Giuliano recently presented Dicot's research results at an American Congress and is one of the founders behind the contract laboratory Pelvipharm, a collaboration partner for Dicot.

Ownership

As of the end of the third quarter, Avanza Pension was the largest shareholder in Dicot AB with 12.5% of the total shares. All members of the Board and management holds shares in Dicot AB. Michael Zell, who was elected a Member of the Board last year, holds over 1% of the total outstanding shares as of June 30.

All major shareholders, board members and senior executives holding subscription warrants of series TO4 chose to exercise all of their warrants in June, corresponding to a total investment of approximately 3.9 MSEK. This signals a belief in Dicot's drug candidate and hopefully board members and senior executives will choose to exercise their TO5 warrants for the subscription of new shares again now in November.

At the end of the second quarter, outstanding shares amounted to approximately 625 million. However, the options program 2023 TO5 now in November may result in the issuance of up to 225 million new shares.

Owner	Capital	Votes	Country	Verified
Avanza Pension	12.5 %	12.5 %	Sweden	2023-09-27
Bertil Lindkvist	7.5 %	7.5 %	Sweden	2023-06-30
Tore Robertsson	3.3 %	3.3 %	Sweden	2023-09-27
Nordnet Pensionsförsäkring	2.8 %	2.8 %	Sweden	2023-09-27
Torsten Söderberg med familj	1.8 %	1.8 %	Sweden	2023-09-27
Kenneth Sjökvist	1.6 %	1.6 %	Sweden	2023-09-27
Michael Zell	1.1 %	1.1 %	Sweden	2023-09-27
Johan Thorell	1.1 %	1.1 %	Sweden	2023-09-27
Gunilla Paalberg	1.1 %	1.1 %	Sweden	2023-09-27

Source: Stockpicker / Holdings (2023-10-15)

Early research and studies have indicated that Dicot's drug candidate LIB-01 may have a positive effect on both erectile dysfunction (ED) and premature ejaculation. Together, the total value of these global markets exceeded 7.5 billion USD in 2022. To get the drug candidate LIB-01 into clinical phase one trials at a tight time schedule, Dicot selected the larger market ED as its primary focus initially.

Erectile Dysfunction (ED)

One of the most recent and comprehensive publications on the topic indicates that the total global market for erectile dysfunction (ED) medication is expected to increase from approximately 4.7 billion USD in 2023 to 6.2 billion USD by 2029, reflecting an anticipated annual growth rate (CAGR) of 3.8%. North America and Europe continue to be the largest markets, with market shares of 39% and 30%, respectively*.

Global erectile dysfunction medication market expected to be worth 6.2 billion USD in 2029

Despite the prevalence of erectile dysfunction among older men, the available pharmaceutical alternatives for ED remain relatively limited, with minimal advancements in the field since Viagra achieved remarkable success in the late 1990's. Viagra was originally developed as a treatment for blood pressure but was discovered to have unexpected side effect in helping men achieve erections. Pfizer experienced one of the fastest prescription uptakes and most rapid sales growths of any medication in history with Viagra, reaching peak annual sales of 2 billion USD before the introduction of generic versions in 2013. Today, Viagra and other PDE-5 inhibitors are still the primary treatment for ED.

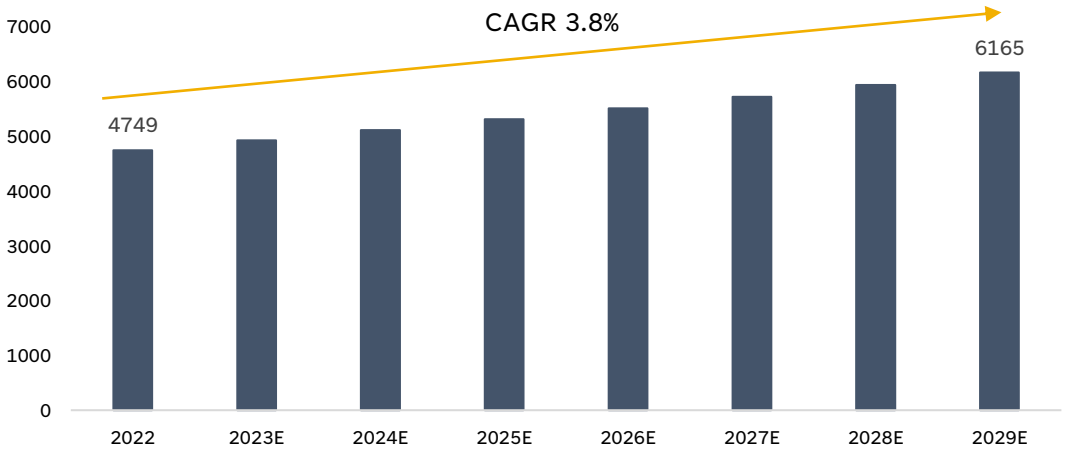
However, PDE-5 inhibitors are far from perfect. Over one third of those who have used PDE-5 inhibitors (e.g., Viagra, Cialis or Levitra) are considered poor to none responders**. In addition to that, a severe side effect that has been observed is a significant drop in blood pressure, which makes the medication unsuitable for patients with heart and vascular diseases. Furthermore, side effects like headache, stomach pain and dizziness have also been reported. As these are prescription medications with a short effect, taken approximately 30 to 60 minutes before sexual activity, it necessitates planning and may therefore result in a loss of spontaneity.

Dropout rate among users of PDE-5 inhibitors around 50%

Dicot reports that the dropout rate among users of PDE-5 inhibitors is approximately 50%. This is likely due to side effects, a significant percentage of poor to none responders, and the need to plan sexual activity in advance that these drugs entail.

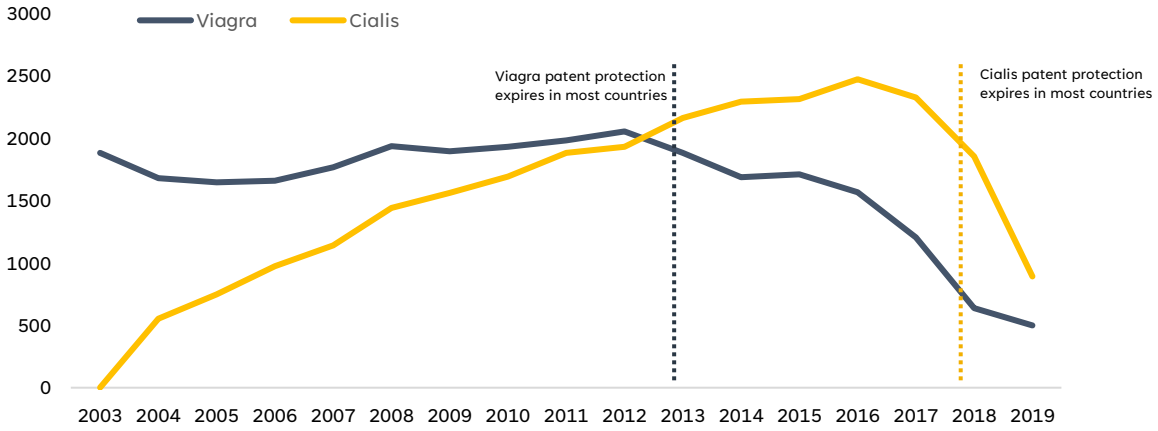
Sources:
* Global Erectile Dysfunction Medication Market – Industry Reports (360researchreports.com)
** Treatment Strategy for Non-Responders to PDE5 Inhibitors [Park, C. et al. 2013]

Global Market for Erectile Dysfunction Medication (MUSD)



Source: Stockpicker, data from Global Erectile Dysfunction Medication Market – Industry Reports (360researchreports.com)

Viagra and Cialis Revenue 2003 – 2019 (MUSD)



Source: Stockpicker, data from Statista and annual reports from Cialis/Eli Lilly

Premature Ejaculation

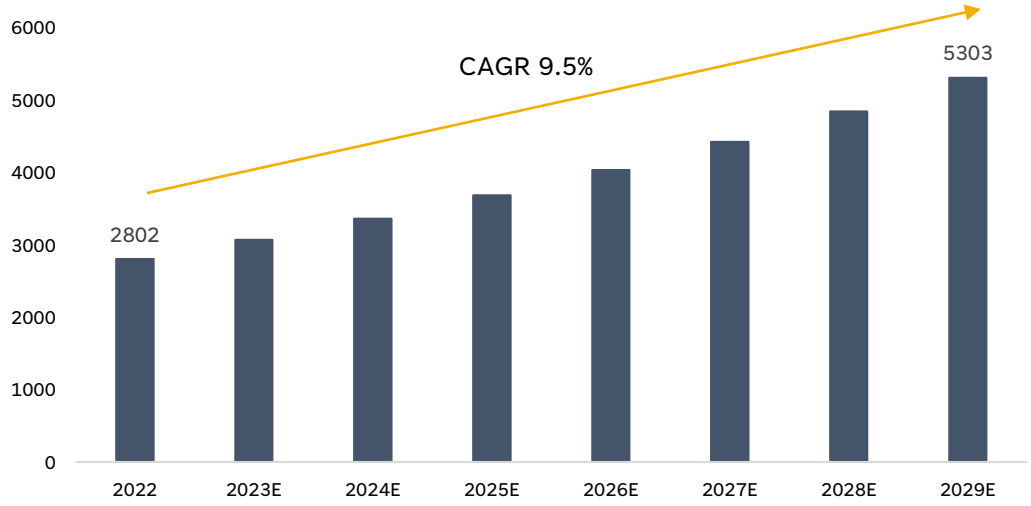
As mentioned earlier, Dicot chose ED treatment as its primary market for LIB-01 to get the drug candidate into phase one trials within a tight timeframe. However, Prof. Wikberg's research and subsequent studies have indicated that LIB-01 also has a positive effect on premature ejaculation. In the ongoing first clinical trial, the primary objectives are to assess the safety of LIB-01 in humans, as well as the drug uptake, metabolism and excretion. Since Dicot's potential candidate for premature ejaculation most likely will be based on the same substance as for ED, or even exactly the same, there may be an opportunity for Dicot to explore the effects in a later phase without the

need for comprehensive phase one trials.

The total global premature ejaculation treatment market is projected to grow from 2.8 billion in 2022 to 5.3 billion USD in 2029. In other words, the anticipated annual growth rate (CAGR: 9.5%) for the premature ejaculation treatment market far exceeds the expected growth for the ED market. Much like the ED market, there have been few advancements in the premature ejaculation field lately and the market is controlled by a few prominent pharmaceutical companies. Global top five companies, such as Pfizer, GSK and Johnson & Johnson, share of the market is estimated to be over 40%.*

Premature ejaculation is one of the most common sexual dysfunctions, impacting roughly 25 – 40% of all men worldwide. Unlike ED, it is not linked to older age groups but tends to affect men across various age ranges quite equally. As of today, there are only a limited number of effective treatments available. One of the most used treatment methods involves applying local anesthesia to the glans to decrease sensitivity. However, this treatment may not only reduce sensitivity but also sexual pleasure.

Global Premature Ejaculation Treatment Market (MUSD)



Source: Stockpicker, data from Global Premature Ejaculation Treatment Market – Industry Reports (360researchreports.com)

Sources:
* Global Premature Ejaculation Treatment Market – Industry Reports (360researchreports.com)

Bringing the potency drug candidate LIB-01 all the way to the market naturally requires substantial investments. However, Dicot has been successful in its fundraising efforts this year, resulting in a stable financial position.

Solid cash position

Solid financial situation following a successful rights issue in January

In January 2023, Dicot conducted a rights issue, which was subscribed to 110%, aimed at financing phase one studies and ongoing operations. The successful issue provided Dicot with 50.1 million SEK after issuance costs. The issue consisted of units containing shares and two series of warrants (TO4 and TO5). The first series (TO4) could be exercised in June 2023 and provided Dicot with gross proceeds of 20.7 million SEK after a subscription rate of 83%.

The second series can be exercised in November 2023 and could theoretically provide Dicot with up to 56.3 MSEK (pre-issuance costs). However, the share currently trades at 0.13 SEK, so with a similar subscription rate as in June, Dicot's net proceeds will most likely be between 15 and 20 MSEK.

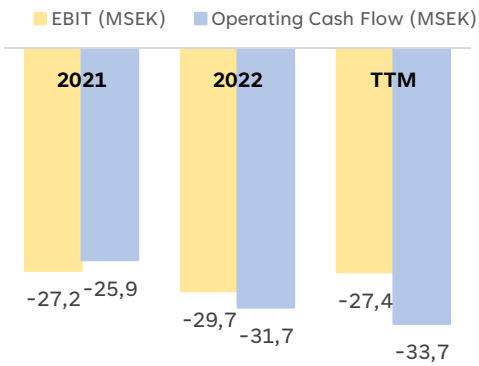
Cash position of 54 MSEK at the end of June and TO5 warrants can be exercised in November

As of June 30, cash and cash equivalents amounted to 53.6 million SEK after the successful rights issue and the exercise of warrants (TO4) earlier this year. As mentioned earlier, the TO5 warrants can be exercised from November 1st to 15th and will hopefully provide additional liquidity.

Operating Expenses & Cash Flow

Operating expenses for the first six months of 2023 amounted to approximately 20.1 MSEK (H1 2022: 18.1 MSEK). The cash flow from operations during the same period was -23.5 MSEK (H1 2022: -25.8 MSEK). Over the past twelve months (TTM), the operating cash flow adds up to -33.7 MSEK. Going forward, operating costs will most likely continue to increase since LIB-01 entered the first clinical trial (phase one) in August 2023.

Securing financing remains one of the management and Board's primary responsibilities. Dicot's financing options are mainly rights issues, applying for grants, or potentially securing capital through partnerships.



Source: Stockpicker (data from Borsdata)

Dicot has actively been working on its global IP strategy to maximize the value of its assets.

Market exclusivity on key markets until 2033

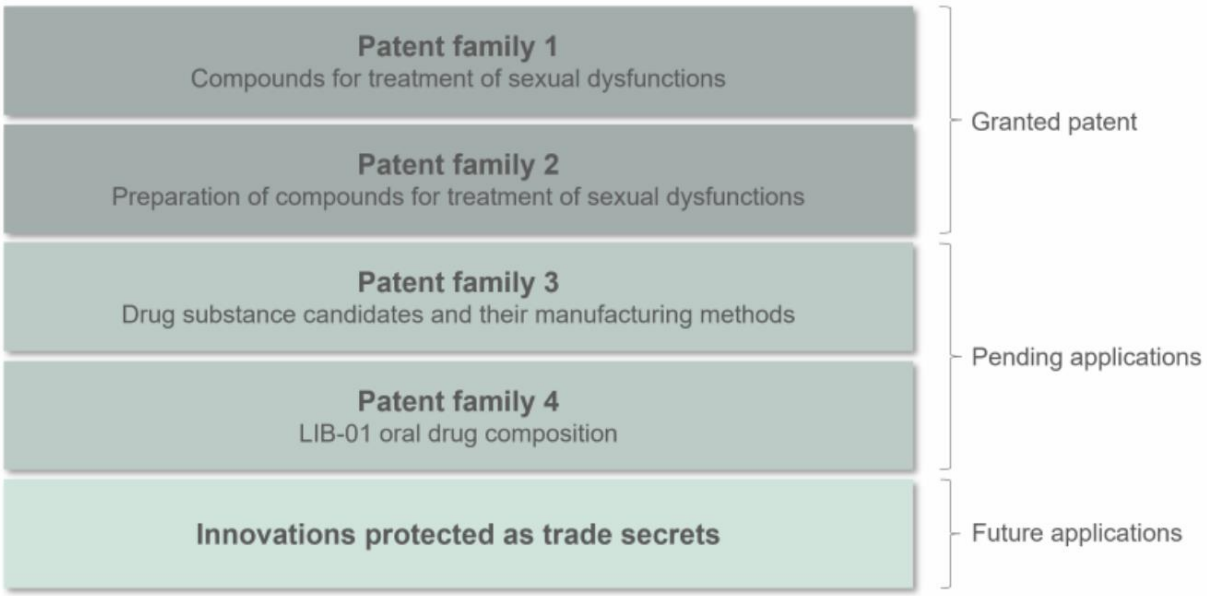
As shown in the picture below, Dicot has existing patent protection by two already granted patent families. This gives Dicot market exclusivity on key markets until 2033, but the most recent applications intend to extend the protection until 2042 and 2043.

Active ongoing IP work is, of course, a key priority for Dicot. If the patent protection is extended by roughly ten years, and LIB-01 becomes the first choice of treatment for erectile dysfunction, Dicot could potentially ensure a substantial market share for a prolonged period before generics becomes available.

This would naturally have a positive effect on both the market potential of LIB-01 and the valuation of the company, which will be discussed later in this report. A potential market launch is still a few years away, but the duration of the patent protection will most likely be a crucial factor also in a potential licensing deal with a partner.

In addition to the granted patents and pending applications, Dicot holds additional patent opportunities documented and protected as trade secrets, to be able to convert these into patents at the right point of time.

The most recent patent applications intend to provide patent protection until 2042 and 20243



Source: Dicot

Despite the initiation of dosing for the first participants in the clinical phase one trial of LIB-01, there is still significant work ahead to develop LIB-01 into a registered drug for the global market.

Weak stock performance since listing

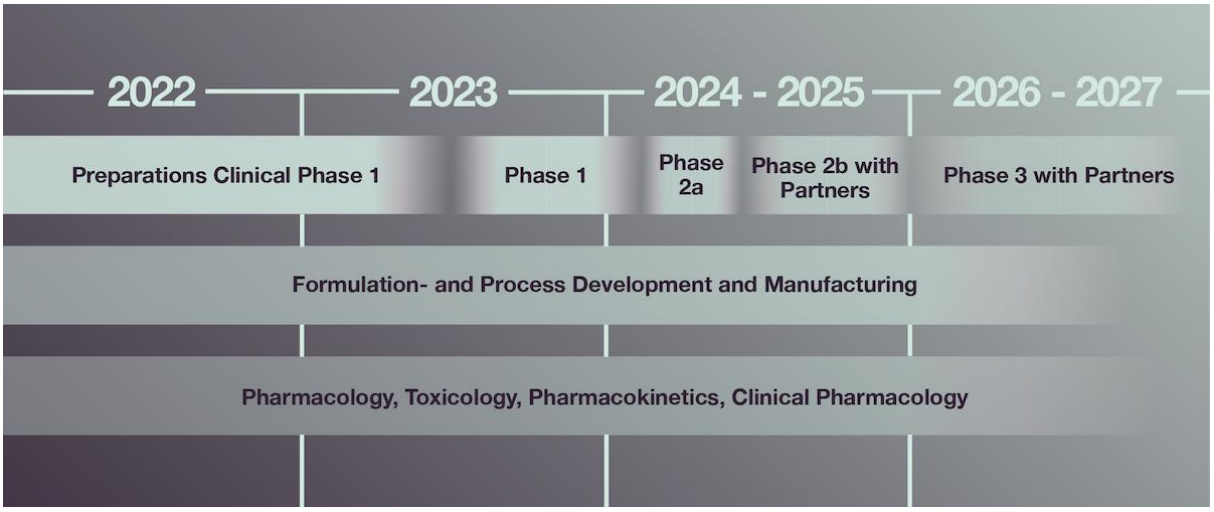
Since the stock market listing on Spotlight Stock Market in 2018, Dicot's stock has performed poorly. This may be a reflection on the delays the company encountered in its preclinical work, which have led to higher costs and significant dilution for early investors.

However, it's worth noting that since Elin Trampe took over as CEO in 2022, Dicot has stayed on track with its updated development plan and began phase one studies in mid-2023 according to plan.

Development plan

Dicot's main strategy is to develop LIB-01 under own auspices until phase 2a studies and thereafter in partnership with a larger pharmaceutical company, finance and develop LIB-01 further to a registered pharmaceutical. Based on the timeline of Dicot's development plan, a partnership agreement could be signed already late 2024.

In collaboration with partners, phase 2b trials are expected to be completed as early as 2025, followed by phase three studies in 2026 – 2027. In parallel, process development and manufacturing are carried out to ensure the availability of the drug substance.



Source: Dicot

In our prognosis, we expect Dicot's management to successfully follow the development plan and meet the communicated timeline. We expect the phase one trial to be successful during the spring next year and preparations for phase 2a studies (Proof-of-Concept) to be done shortly after that.

Partnership / Licensing Deal

In the past decade, there have been relatively few deals, acquisitions, and licensing agreements within the erectile dysfunction medication field. One probable explanation for this is the long-standing market dominance of a few major players, as well as the relatively limited research conducted in this field compared to other more prominent areas. While we did identify some transactions involving companies in the erectile dysfunction medication sector, the payment terms were often also undisclosed.

In our view, the licensing deal for Auxilium to market and sell Vivus' erectile dysfunction drug Stendra (PDE-5 inhibitor) in the United States and Canada, might be the closest reference point. The Stendra deal, worth up to 300 MUSD, consisted of an upfront licensing fee of 30 MUSD and up to 270 MUSD in milestone payments. However, the drug had already passed phase three trials and been approved by the FDA at the time of the agreement (2013). In addition to that Vivus had already tied up with Italy's Menarini Group earlier to market the drug in Europe.*

Relatively few deals within the erectile dysfunction drugs market the last decade

Just a few years later (2016) a licensing agreement was struck between Vivus and Metuchen Pharmaceuticals for Stendra. This agreement granted Metuchen exclusive rights for Stendra in the United States, Canada, India and South America and the value of the deal was 70 MUSD plus royalties.**

In 2017, AMAG Pharmaceuticals entered into a licensing agreement with Palatin Technologies to secure exclusive rights to develop and commercialize Rekynda for the treatment of hypoactive sexual desire disorder (HSDD). The potential value of the deal was up to 440 MUSD, including an upfront payment of 60 MUSD. Palatin had successfully completed phase three clinical trials for Rekynda when the transaction took place.***

Sources:
*https://reuters.com/article/us-vivus-stendra-auxilium-idUSBRE99A0C620131011
** https://ir.vivus.com/news-releases/news-release-details/vivus-and-metuchen-pharmaceuticals-announce-license-agreement
*** https://www.biospace.com/article/releases/amag-announces-closing-of-exclusive-licensing-agreement-for-north-american-rights-to-rekynda-bremelanotide-/

Parties	Drug Candidate	Year	Value of Deal (potential)	Specification	Area
AMAG & Palatin	Rekynda	2017	440 MUSD Upfront payment 60 MUSD and milestone payments up to 380 MUSD	Exclusive rights for Rekynda in North America	HSDD
Metuchen & Vivus	Stendra	2016	70 MUSD + royalties	Rights for Stendra in USA, Canada, South America and India	ED (PDE-5)
Auxilium & Vivus	Stendra	2013	300 MUSD Upfront payment 30 MUSD and milestone payments up to 270 MUSD	Licensing deal to market and sell Vivus' Stendra in the United States and Canada	ED (PDE-5)

Source: Stockpicker (data from various sources)

As mentioned earlier, Dicot's main strategy is to develop LIB-01 under own auspices until phase 2a studies (est. 2024). Our assumption is that a positive outcome in the phase one trial and early data from phase 2a trials will attract enough attention for Dicot to achieve a partnership towards the end of 2024.

While it's not uncommon for licensing deals to be negotiated based on phase two data, we've unfortunately not been able to find any similar licensing deals in the ED field to use as reference. Given the increased risk for the partner, we anticipate a lower compensation for Dicot, compared to the deals mentioned above for instance.

Due to the absence of clear reference transactions in earlier phases, we have opted for a cautious approach in our licensing deal assumptions where we arrive at an upfront payment of 200 MSEK and milestone payments based on clinical development, regulatory achievements and achieved sales levels. The milestone payments adds up to a total value of 500 MSEK from 2026 to 2030.

Our licensing deal assumptions can be regarded speculative, and are based on various factors, such as drug candidates' likelihood of approval in early stages (BioMedTracker Urology 2016), a selection of licensing agreements within the pharmaceutical sector as well as our own assumptions.

Based on studies we have come across; we assume a royalty rate on global sales of 10%. However, it's worth mentioning that royalty rates between licensing deals vary significantly in the pharmaceutical industry. After the deal is signed, we further assume that the licensing partner bears all development costs.

Considering LIB-01's market potential and the level of innovation, there is of course a possibility that a potential deal could be far more lucrative for Dicot than what we are predicting.

Licensing Deal Assumptions	Amount	Year
Upfront Payment	200 MSEK	2024
Milestone Payments	500 MSEK	2026 - 2030
Royalty Rate	10% on total Sales	2030 - 2039

Source: Stockpicker

Market Share & Launch

In our view, it is too early to speculate on a potential sales price for the drug candidate LIB-01 and therefore we have chosen to base our valuation on the estimated total market size of ED treatment. However, as a reference point the common Cialis pill (20 mg) costs approximately 150 SEK in Sweden (when purchasing a larger package), with generics available for approximately half the price. We firmly believe that a drug such as LIB-01, with its extended duration of effect, limited side effects and patent protection, would receive premium pricing. However, the mode of action for LIB-01 is still partly unclear, and it's uncertain how frequently the medication would need to be taken.

It's worth noting that the prevalence of ED most likely is significantly higher than what the market size implies. As mentioned earlier, the dropout rate among users of PDE-5 inhibitors is expected to be around 50%. A drug with an extended duration of effect, that doesn't require the same planning before a sexual activity, would most likely result in a significant increase in number of patients.

In our valuation, we are expecting a market launch for LIB-01 in 2030. Our assumption is based on Dicot's development plan, where phase three studies are conducted in collaboration with partners 2026 - 2027, and that it generally takes two to three years after the completion of phase three trials to reach market launch.

Stockpicker anticipates market launch for LIB-01 in 2030

Source: Drug launch curves in the modern era by Robey & David 2017

A study conducted by Robey & David in 2017 indicated that drug candidates tend to reach their peak market share after six years on the market*. We therefore predict sales of LIB-01 to peak around year 2035, reaching a total market share of approximately 20% in our base case scenario.

The total market size is based on the Global Market for Erectile Dysfunction Medication study on page 8, and we expect the total market to continue to grow with 3.8% annually (CAGR) from 2030 to 2039. A market share of 20% may sound ambitious but considering the level of innovation, limitations of current treatment alternatives and how fast Viagra scaled up sales after approval, we find this more than reasonable and in a more optimistic scenario we argue that LIB-01 could reach a market share of 35%.

For now, Dicot has market exclusivity on key markets until 2033, but the recent patent applications intend to provide patent protection until 2042 – 2043. Based on the assumptions above, Stockpicker arrives at annual global peak sales of over 1,5 billion USD for the drug candidate LIB-01 in our base case scenario.

Enough cash after the TO5 subscription period to finance phase I trials and do preparations for phase IIa

Cash Position & Operating Expenses

Our assumption is that Dicot will have a cash position of around 45 MSEK at the end of 2023. We anticipate that this will be enough to finance LIB-01 through a clinical phase one trial and do preparations for clinical phase two in parallel. The assumption above is based on a similar negative cash flow from operations going forward as in the first half of 2023 (-23.5 MSEK), and a comparable exercise of warrants in November (TO5) as observed in June (TO4 – 83% subscription), as well as an exercise price of approximately 0.09 SEK. In the scenario above, the number of shares would increase from 625 million, to approximately 813 million after the TO5 exercise period.

We anticipate that a license deal will be signed towards the end of 2024, with an upfront payment and a partner that bears all development costs from that point forward. Dicot may need to raise capital at some point next year to finance its phase 2a studies. It's also worth noting that a lack of a licensing deal later next year, would result in significant changes to our forecasts. These risks will be discussed in detail later in this report.

Source: Drug launch curves in the modern era by Robey & David 2017

We further expect the operational expenses (OPEX) to increase to 45 MSEK next year. However, in 2025 we expect OPEX to decrease to 20 MSEK and thereafter increase 3% annually. The lower OPEX from 2025 and forward is based on the anticipated licensing deal where the partner bears all development costs going forward.

Key Assumptions for LIB-01 (Base Case Scenario)

- Licensing Deal with Partner in 2024
- Market Launch in 2030
- Peak Market Share of 20% in 2035
- Royalty Rate of 10% of Total Sales

Source: Stockpicker

Valuation Summary

Stockpicker's valuation is based on the assumptions discussed on previous pages. In addition to that we have used a discount rate of 14%, a tax rate of 21% and a USDSEK exchange rate of 10.95. As shown in the table below, the LoA (Likelihood of Approval) rate for LIB-01 is set to 8%. This is based on industry averages, the probability of a licensing deal as well as our own assumptions. Per share valuation is calculated on 812.8 million shares, based on a subscription rate of 83% (TO5) in November.

Stockpicker establishes a fair value per share of 0.26 SEK in a base case scenario

LoA Assumption	
Phase 1	57 %
Phase 2	33 %
Phase 3	71 %
Approval	86 %
LoA	**11 %**
Probability of License Deal	70 %
Used LoA	**8 %**

Source: Stockpicker, BioMedTracker Urology 2016

Based on these key assumptions, Stockpicker sees a fair value (risk-adjusted) per share of 0.26 SEK, which indicates an upside potential of approximately 100%. Since Dicot does not have any recurring revenues for now, and it is difficult to find any publicly listed direct peers, we considered a risk-adjusted valuation to be most suitable. Since the valuation is largely based on revenue and result forecast that stretches far into the future - the model is highly sensitive to even minor changes. It's also worth noting that for pharmaceutical companies such as Dicot, there tends to be so called "binary outcomes", where the drug candidate either becomes successful or not. Given the absence of middle ground, we consider the risk level to be high.

Valuation Summary

Drug Candidate	Stage	Launch	Peak Sales	LoA
LIB-01	Phase I	2030	1542 MUSD	8 %

Risk adjusted fair value (+ Net Cash MSEK)	208.4
Number of shares* (million)	812.8
Fair value per share Base Case	**0.26**

Source: Stockpicker *Based on an 83% subscription rate for TO5 warrants in November

Bear Case Scenario

In Stockpicker's Bear Case Scenario, we anticipate some minor delays, and the market launch is expected to occur one year later (2031E). In addition to that, the drug candidate LIB-01 achieves a lower market penetration rate, peaking at a market share of approximately 10 % in 2036. The total erectile dysfunction medication market is also expected to have a more modest annual growth rate of 3% from 2030 – 2039. These changes results in a fair value per share of 0.15 SEK.

Bull Case Scenario

In an optimistic scenario, we have assumed that both the global market for erectile dysfunction medication and premature ejaculation will grow with 5% annually (CAGR) from 2030 to 2045. We further assume that the patent protection is extended to 2042/2043, and that LIB-01 will reach a higher market rate of 35% of the total ED market. In addition to that, LIB-01 will secure a significant share of the secondary market, premature ejaculation treatment, peaking at about 20%. Due to these assumptions, royalty income will increase significantly in comparison to the base case scenario, resulting in a risk-adjusted value per share of 0.69 SEK.

A more pessimistic and optimistic scenario results in a fair value per share of 0.15 and 0.69 SEK respectively

Sensitivity Analysis

The level of uncertainty in our forecasts are extremely high and based on several assumptions. To reflect the uncertainties related to the company and the market, we illustrate how the discount rate affects the fair value calculation per share below.

It's also worth noting that an extension of the patent protection until 2042/2043 would have a substantial positive effect on our fair value calculations in both our base and bear case scenario, since LIB-01 would be able to maintain a higher market share for a longer period of time.

Sensitivity analysis

Discount rate	12 %	13 %	14 %	15 %	16 %
Bear	0.17	0.16	0.15	0.14	0.13
Base	0.31	0.28	**0.26**	0.24	0.22
Bull	0.89	0.78	0.69	0.60	0.53

Source: Stockpicker

Pharmaceutical companies, with drug candidates in clinical development, are typically unique and do not have any recurrent revenue streams. Peer valuation is therefore hard, since the only relevant financial measure is Enterprise Value (EV).

However, Dicot's EV is currently very modest (approximately 80 MSEK) compared to most other Swedish listed companies with drug candidates in clinical trials.

The most similar peer is probably the Danish biotech company Initator Pharma, listed on First North in Sweden. The company has several projects in clinical trials, but their drag candidate Pudafensine (IP2015) have reached phase 2b studies. IP2015 is a drug candidate for the treatment of patients suffering from organic ED that do not respond to the currently marketed drugs in the PDE5i class.

Difficult to find similar publicly listed peers

In 2020, Initiator Pharma announced a financing agreement with MAC Clinical Research covering the continued development of Pudafensine. Within the agreement, MAC Clinical Research took on the cost for conducting a Phase 2b intercourse study (up to 23 MSEK) and upon full completion of the study has the right to convert the accrued debt into shares in Initator Pharma.

Initiator Pharma's current enterprise value is 474 MSEK*, but all the factors mentioned above naturally affect valuation, and thus, one cannot draw any significant conclusions. However, it can be interesting to monitor how Initator Pharma's drug candidates succeeds in the clinical phases, since both the Danish company and Dicot, at least to an extent, are aiming for a share of the erectile dysfunction medication market.

Dicot's enterprise value currently very modest compared to most other listed companies with drug candidates in clinical trials

Apart from Initiator Pharma, it's challenging to find any publicly listed peers with drug candidates within the erectile dysfunction medication field. As earlier mentioned, this is probably a result of relatively limited research conducted in this field compared to other more prominent areas.

* Source: Borsdata (2023-10-25)

Risks

Naturally, there are plenty of risks for a company in such an early stage as Dicot. As demonstrated by our applied Likelihood-of-Approval (LoA) earlier only a minority of companies manage to bring a drug candidate from phase one trials all the way to the market. Dicot's valuation depends almost solely on the success of the drug candidate LIB-01, and thus, the risk level can be considered very high.

In addition to that, Dicot's financing options are mainly rights issues, applying for grants, or potentially securing capital through partnerships. Lately, raising capital, through for example rights issues, have not been the easiest assignment for small companies in early phases. To not be able to secure funding for the development of the drug candidate LIB-01 can therefore be regarded as a substantial risk for Dicot.

Dicot's success depends on the success of the drug candidate LIB-01

In Dicot's case, it will likely be crucial at some point to find a partner to further develop the drug candidate. In our valuation, we assumed a licensing agreement for Dicot's LIB-01 already next year, but this is of course far from certain and can be regarded as speculative. Since the IPO in 2018, existing shareholders have experienced significant dilution and as a result the stock have performed poorly. There is, of course, a probability that this could continue if Dicot doesn't succeed in its fundraising efforts or is able to find a partner for the continued development of the drug candidate.

Today Dicot has market exclusivity on key markets until 2033 and the most recent applications intend to provide patent protection until 2042 and 2043, respectively. Since a potential market launch most likely will not happen before 2029 – 2030, it would obviously be crucial for Dicot to be able to extend the patent protection.

Crucial for Dicot to be able to extend patent protection

Besides the perhaps most obvious risks mentioned above, there are also some other risks that are worth to take into consideration. Dicot is for example highly dependent on its suppliers, manufacturers and collaborative partners. This is also associated with risk, and as an example delays can occur that Dicot has little to no control over.

Small businesses also tend to carry greater risk. In Dicot's case, the management team consists of a handful of people, and it might be damaging for the company if a key person choses to leave. For investors, the Dicot-stock's low liquidity in the market can also be considered a risk.

STRENGTHS

- Unique drug candidate; long duration and different mode of action
- Large & growing addressable market
- Potential to gain market share rapidly upon approval
  (given the limitations of existing drugs in the field)
- Relatively small and cost-efficient organization

WEAKNESSES

- Dicot's success depends solely on the success of the drug candidate LIB-01
- Stock have performed poorly since IPO due to some delays and dilutive issuances
- Development phase requires capital

OPPORTUNITIES

- Positive results from clinical one trial may attract interest fast (even from major players)
- Limited competition in the field with similar attributions to LIB-01

THREATS

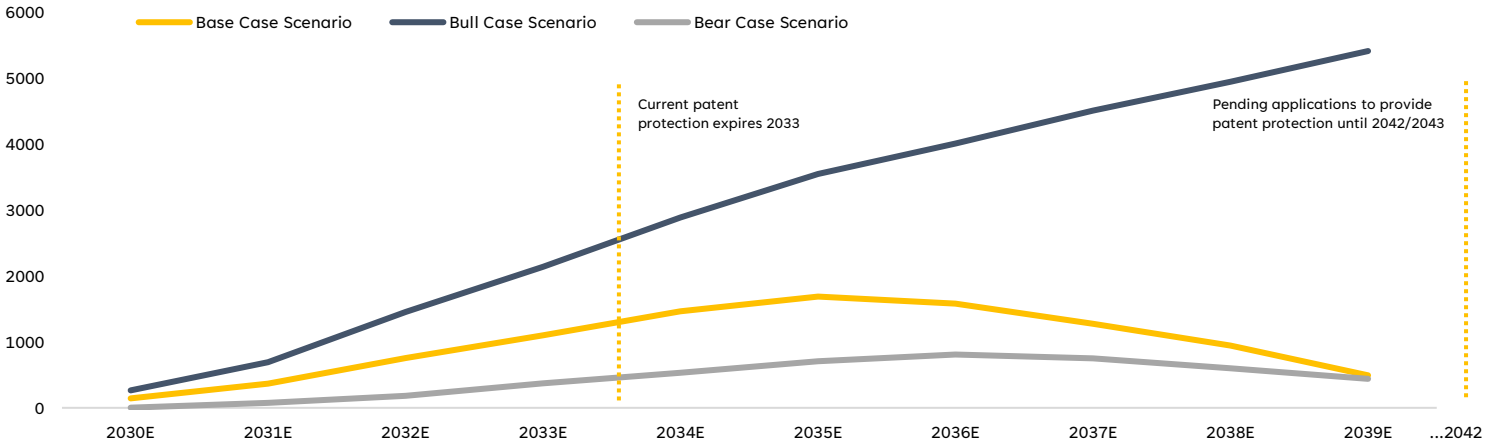
- Further dilution for existing shareholders
- A handful of players dominates the market (with very few successfully breaking in)
- Risk of unfavorable results for LIB-01 in clinical trials
- Risks associated with small companies
  (such as key persons leaving the company)

Press Releases (2023)

2023-10-20	Idag startar andra delen i Dicots fas 1-studie
2023-10-10	Sexualmedicinexpert presenterar Dicots forskningsresultat på amerikansk kongress
2023-09-26	Dicot ansöker om internationellt patentskydd
2023-09-04	Första deltagarna doserade i Dicots fas 1-studie
2023-08-29	Dicot ansöker om amerikanskt patent
2023-08-25	Idag startar Dicots kliniska fas 1-studie
2023-08-24	Dicot AB presenterar delårsrapport Q2 2023
2023-08-15	Dicot har fått godkänt att starta klinisk fas 1-studie
2023-08-14	Dicot bekräftar planerat startdatum i augusti för sin fas 1-studie
2023-06-29	Dicot beviljas medel från Almi
2023-06-19	Dicot tillförs 20,7 MSEK genom utnyttjande av teckningsoptioner av serie TO4 till 83,3 % teckningsgrad
2023-06-05	Dicot ingår avtal om säkerställande av teckningsoptionslösen av serie TO4 om ytterligare 13,4 MSEK
2023-06-01	Dicot på BioStock Life Science Summit
2023-06-01	Dicot har skickat in ansökan om att starta klinisk fas 1-studie
2023-06-01	Utnyttjandeperioden för teckningsoptioner av serie TO4 i Dicot inleds idag
2023-05-31	Framgång i Dicots forskningsprojekt om alternativ tillverkningsmetod
2023-05-31	Större aktieägare, ledamöter och ledningen har åtagit sig att nyttja sina TO4 i Dicot, motsvarande cirka 3,9 MSEK
2023-05-31	BioStock Life Science Spring Summit med Dicot
2023-05-30	Teckningskursen för utnyttjande av teckningsoptioner av serie TO4 i Dicot har fastställts och teckningsperiod inleds 1 juni
2023-05-23	Kommuniké från årsstämma i Dicot AB
2023-05-19	Dicot AB offentliggör delårsrapport januari – mars 2023
2023-05-17	Inför Dicots kliniska studie: studieläkemedlet har anlänt till Sverige
2023-05-03	Dicot rekryterar Mats Silvander som CTO
2023-05-02	Flaggning i Dicot AB – ökning av innehavet
2023-05-02	Start av Dicots fas 1-studie bokad till augusti
2023-04-28	Dicot AB publicerar årsredovisningen för 2022
2023-04-27	Dicots toxikologiprogram slutfört med goda resultat
2023-04-25	Kallelse till årsstämma i Dicot AB
2023-04-04	Dicots valberedning föreslår Jan-Eric Österlund som ny styrelseledamot
2023-03-28	Lyckat möte med Läkemedelsverket stärker Dicots kliniska prövningsansökan
2023-03-08	Dicot kontrakterar världsledande medicinsk expert inom erektil dysfunktion
2023-03-02	Dicot till Life Science-dagen 8 mars
2023-02-27	Dicot AB offentliggör bokslutskommuniké 2022
2023-02-20	Dicot har startat tillverkning av studieläkemedel för klinisk prövning och håller tidsplanen
2023-02-17	Dicot studieresultat presenterades idag på European Society for Sexual Medicine
2023-02-10	Dicot meddelar sista dag för handel med BTU och första handelsdag för teckningsoptioner serie TO4 och TO5
2023-02-08	Dicot AB genomför riktad emission av units till garanter i samband med den genomförda företrädesemissionen
2023-01-31	Dicot AB offentliggör utfall i företrädesemissionen – övertecknades till 109,5%
2023-01-24	Sista dag för teckning av units i Dicots pågående företrädesemission
2023-01-23	Dicot går vidare med ny patentansökan
2023-01-20	Personer i ledning och styrelse har tecknat units i Dicots pågående företrädesemission
2023-01-19	Dicot har kontrakterat Thermo Fisher Scientific för tillverkning av LIB-01
2023-01-18	BioStock Investor Pitch: Dicot
2023-01-13	Idag inleds teckningsperioden i Dicots till 63,5% säkerställda företrädesemission
2023-01-09	Dicot offentliggör prospekt med anledning av förestående företrädesemission
2023-01-09	Kommuniké från extra bolagsstämma i Dicot AB
2023-01-04	Upphandling klar för Dicots fas 1-studier

Source: Borsdata/Modular Finance

Royalty Income 2030E - 2039E (MSEK)

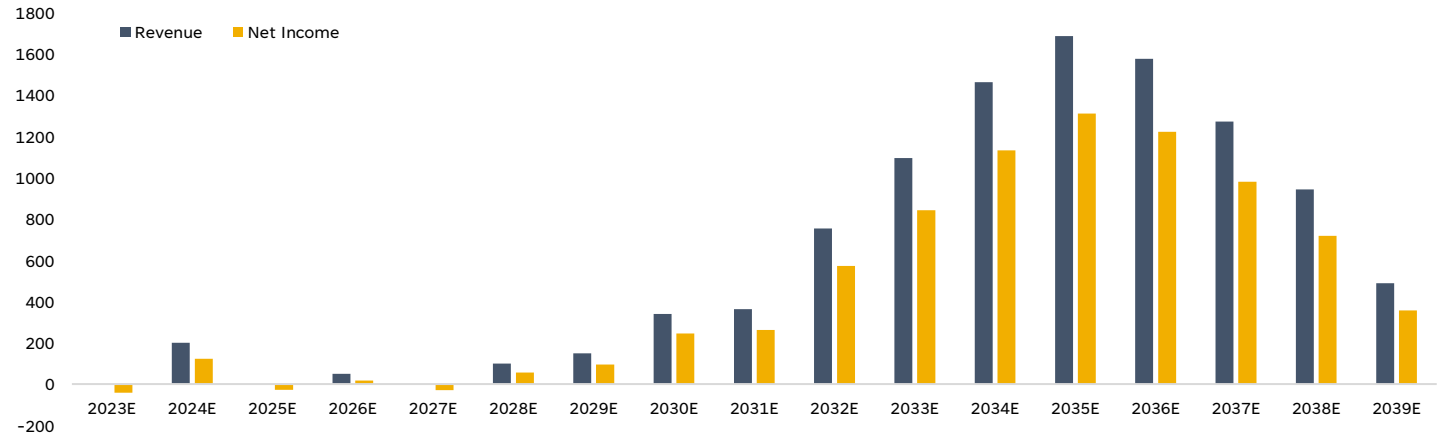


Source: Stockpicker

Total Market Value	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E
ED	6398	6641	6894	7156	7428	7710	8003	8307	8623	8950
Market Share	2 %	5 %	10 %	14 %	18 %	20 %	18 %	14 %	10 %	5 %
LIB-01 Sales (MUSD)	128	332	689	1002	1337	1542	1441	1163	862	448
LIB-01 Royalty Dicot	13	33	69	100	134	154	144	116	86	45
LIB-01 Income (MSEK)	**140**	**364**	**755**	**1097**	**1464**	**1688**	**1577**	**1273**	**944**	**490**

Source: Stockpicker

Base Case Scenario (MSEK)



Source: Stockpicker

About Us

Stockpicker was founded in 1997 as a media company providing Swedish retail investors with the digital newspaper Newsletter. The focus of Newsletter was, and still is, providing its readers with stock analysis. Since then, Stockpicker has expanded its offering to retail investors and listed companies. Today Stockpicker provides 6 different email newsletters to an audience of well over 50 000 readers.

Services for companies have evolved from investor targeting and IPO marketing to a full range of services helping small- and mid Cap listed companies with their communication to the investor community. An important part of a fair valuation of a listed company is the support of commissioned research. Since Stockpicker has extensive experience from analyzing stocks and a team of well-educated analysts, the services are very well appreciated among our listed customers.

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