



NeuroVive Pharmaceutical AB

(Nasdaq Stockholm: NVP.ST, OTCQX: NEVPF)

Target Price: SEK 6.50 / USD \$1.30)

Based in Lund, Sweden, NeuroVive Pharmaceutical AB (Nasdaq Stockholm: NVP, OTCQX: NEVPF, "NeuroVive") is a clinical stage biotechnology company focused on the discovery and development of compounds that protect and enhance mitochondrial function. NeuroVive has several intriguing assets, which leverage the company's domain expertise regarding mitochondria – including an ongoing clinical trial for traumatic brain injury and multiple research projects in late-stage discovery. The company's programs include Phase 2 NeuroSTAT® for the prevention of traumatic brain injury (TBI), and pre-clinical programs targeting mitochondrial disease and NASH. NeuroVive is expected to report meaningful data over the next year, including Phase 2 clinical data related to NeuroSTAT® for TBI.

Investment Highlights

On November 22, 2016, NeuroVive released a comprehensive investor update including 3Q16 financial results and an update on its development pipeline, with highlights as follows:

- NeuroVive discontinued its CicloMulsion® program following Phase 2 study results; shifts focus to NeuroSTAT for TBI and promising pre-clinical mitochondrial medicine programs.
- NeuroVive reported a net loss of SEK 34.3mn in 3Q16, or (SEK 0.86 per share) including non-recurring items related to the 50% write-off of NeuroVive Asia.
- At the end of 3Q16 NeuroVive had cash on hand of SEK 112.9mn and net assets of SEK 182.4mn.
- NeuroVive completed a 10% investment in strategic research partner Isomerase Therapeutics, and also reported encouraging preclinical results for NV556 in an experimental model for non-alcoholic steatohepatitis (NASH).

NeuroVive shifts focus to NASH, TBI programs

With the discontinuation of its CicloMulsion® program following disappointing Phase 2 results from its CiPRICS (Cyclosporine to Protect Renal Function In Cardiac Surgery) study for acute kidney disease, NeuroVive has shifted focus to the remainder of its pipeline of mitochondrial medicines, as well as its intention to pursue a new business model focused on out-licensing projects for common indications, and pursuing proprietary development for orphan indications. Currently, NeuroVive's pipeline consists of an ongoing Phase 2 trial of NeuroSTAT for traumatic brain injury (TBI), and several pre-clinical candidates, including NVP015 for mitochondrial respiratory chain disorders and NV556 – which showed encouraging preclinical results in an experimental model for non-alcohol steatohepatitis (NASH), a chronic liver disease.

Update (December 5, 2016)

Equity | Healthcare / Biotechnology

New target of SEK 6.50 following results

We are updating our target price to reflect recent results and, in particular, the discontinuation of the CicloMulsion® program. We remain attracted to NeuroVive's remaining pipeline and note that its balance sheet boasted cash on hand of SEK 112.9mn at the end of 3Q16.

Stock Details (11/25/16)

Nasdaq Stockholm	NVP
OTCQX:	NEVPF
Sector / Industry	Healthcare / Biotechnology
Price target	SEK 6.50 / USD \$0.70
Recent share price	SEK 3.30 / USD \$0.36
Shares o/s (mn)	49.5
Market cap (mn)	SEK 163.2mn / USD \$17.6mn
52-week high/low	SEK 12.10 / 2.90

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (SEK, unless specified)

	FY15	FY16E	FY17E
Revenues (mn)	3.0	0.1	21.3
EBITDA	(90.3)	(60.8)	(31.3)
EBIT	(91.5)	(62.0)	(32.2)
Net income	(90.8)	(61.7)	(32.2)
EPS (SEK)	(3.01)	(1.45)	(0.76)

Source: SeeThruEquity Research

Key Ratios

	FY15	FY16E	FY17E
Operating Margin (%)	(3,024.7)	(65,944.7)	(151.7)
EBITDA margin (%)	(2,985.0)	(64,668.1)	(147.3)
Net margin (%)	(3,002.7)	(65,666.0)	(151.7)
P/ Revenue (x)	54.0	1,736.3	7.7
EV/Revenue (x)	10.2	329.1	1.5

Source: SeeThruEquity Research

Share Price Performance (SEK, LTM)

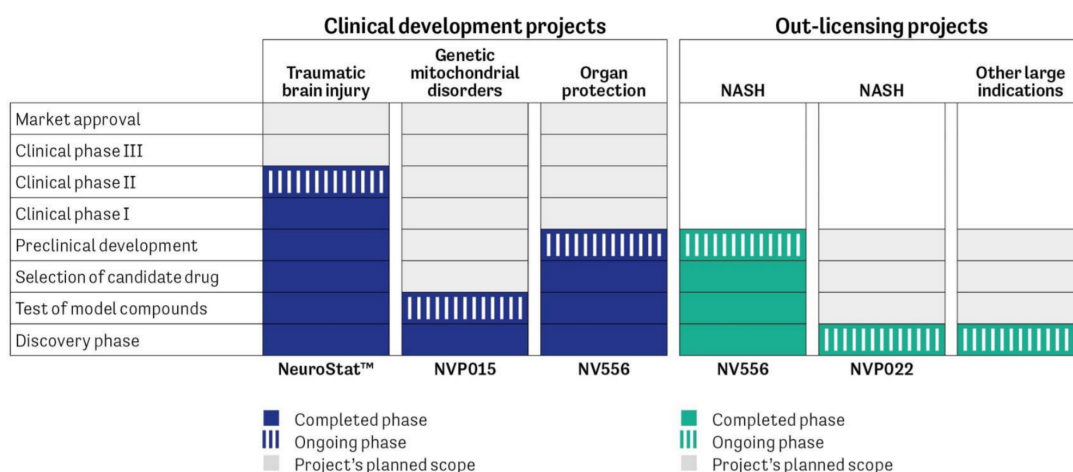


Source: Thomson Reuters

NeuroVive shifts focus to NASH, TBI progresses towards key events in 2017

- NeuroVive discontinues CicloMulsion®, focus shifts to NASH, TBI, other programs.** In October, NeuroVive announced that it had decided to discontinue its CicloMulsion® program. CicloMulsion® was a Phase 2 candidate that had shown therapeutic potential for acute kidney injury (AKI). The decision was made to discontinue the program following results of its CiPRICS (Cyclosporine to Protect Renal Function In Cardiac Surgery), which essentially showed that patients treated with CicloMulsion® had no benefit from the treatment in the prevention of acute kidney disease when a heart-lung machine is used.
- Phase 2 data from NeuroSTAT expected in 2017:** Following this development, NeuroVive is focused on creating a business model targeting orphan-stage drugs and the out-licensing of early phase projects, as illustrated in the image below. The next key milestone for the company is expected to occur in 2017, when the company is expected to report data from its ongoing Phase 2 clinical study of NeuroSTAT® for traumatic brain injury (TBI).

Project portfolio



Source: Company

- TBI represents a significant opportunity.** TBI occurs in more than 3mn patients in the US and Europe each year, with approximately 15% of those suffering moderate to severe injuries. In the US, TBI results in 50,000 deaths annually and accounts for direct and indirect costs of \$60 billion each year. NeuroVive's ongoing Copenhagen Head Injury Cyclosporine (CHIC) study had enrolled 16 patients in 3Q16, and is expected to be fully enrolled in 1Q17, with data available by 2Q17.
- In addition to the CHIC study, NeuroVive has been working with the University of Pennsylvania to evaluate the preventative effect of NeuroSTAT in an experimental TBI model; the company expects to report on this study in 1H17.
- During the quarter, NeuroVive also announced that it had acquired a 10% stake in UK-based research partner Isomerase Therapeutics Ltd. Isomerase is the company's research partner in early-stage programs NV556 and NVP022 for NASH, and NVP015 for mitochondrial disease.
- In our view the announcements signals that the company is optimistic about its early stage development projects. We note that NeuroVive recently announced that it had achieved positive data for NV556 in an experimental model for NASH – a chronic liver disease which affects approximately 15mn Americans. The other NASH project, NVP022, is based on NeuroVive's expertise in mitochondrial energy regulation; management stated that NVP022 may have value as a supplemental treatment for NASH.

QUARTERLY FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in SEK 000 unless specified	3Q16	3Q15
Revenue	16	74
YoY growth	-78.4%	
Operating Expenses	34,206	54,129
As % of sales	NM	NM
Operating Income	-34,190	-54,055
Operating Margin %	NM	NM
Interest & Other	-99	108
PreTax Income	-34,289	-53,947
Taxes	0	0
Net Income	-34,289	-53,947
Comprehensive Income	-33,545	-55,176
EPS	-0.86	-1.75

Source: Company Filings Release, SeeThruEquity Research

ADDITIONAL NOTES

- NeuroVive reported 3Q16 results on November 22, 2016. As expected for a clinical stage biotechnology company, NeuroVive did not report revenues. The company's most advanced program is Phase 2, and we would not expect it to reach regulatory approval for several years.
- We do expect NeuroVive to seek to strike license agreements with industry participants as a path to monetization, rather than to fund development from early stage through the regulatory decision process and commercialization. Management has indicated that its business model will be focused on out-licensing programs for common indications, as well as to pursue development of orphan indication projects.
- **3Q16 Net loss per share of SEK 0.86:** In 3Q16, NeuroVive reported a net loss of SEK 33.3mn, or 0.86 per share.
- The results included an unusual item – a loss on a write-down of 50% of its investment in NeuroVive Asia. The company also wrote off all capitalized expenses related to the development of CicloMulsion®.
- For the first nine months of 2016, NeuroVive reported a loss of SEK 57.3mn, versus a loss of SEK 83.4mn in the comparable 2015 period.
- **Balance Sheet in good shape in short run:** NeuroVive ended the quarter with cash on hand of SEK 112.9mn. The company had total assets of SEK 193.0mn. We still see liquidity as a key area to watch, as NeuroVive does not have operating revenues, and the cost to fund clinical trials is substantial.
- NeuroVive had SEK 10.6mn in liabilities at the end of the quarter and no financial debt. Operating cash outflows were SEK 10.1mn during the quarter.

Adjusting target to SEK 6.50; eyes on clinical data, clinical advancement in 2017

- We are updating our price target to SEK 6.50 for NeuroVive following 3Q16 results and the discontinuation of the CicloMulsion® program. Our target considers the strong cash position at the company as well as the company's pipeline targeting traumatic brain injury, mitochondrial diseases, and NASH.

Management Team

Erik Kinnman, Chief Executive Officer

Erik Kinnman, born 1958, is a seasoned life science executive with broad experience and understanding from the industry across a variety of businesses and functions. He has held a number of senior leadership positions in biopharmaceutical companies such as AstraZeneca and Sobi. His expertise and experience includes clinical development, business strategy, business development, and investor relations. Erik Kinnman also has experience from the financial sector. In addition, he holds an Executive MBA from the Stockholm School of Economics and has comprehensive scientific qualifications from the Karolinska Institutet, which has rendered him a Ph.D. and an Associate Professor. Moreover, Erik Kinnman is an M.D., board certified in Neurology and Pain Management. Employed since 2016.

Catharina Jz Johansson, Chief Financial Officer

Catharina Jz Johansson, born 1967, possesses experience from work on medtech growth enterprises with multinational operations. Catharina Johansson holds a M.Sc. in Business and Economics. Her previous experience includes different financial positions in the medical device company Cellavision, which is listed on Nasdaq Stockholm, and Accounting Manager for Bong and Alfa Laval Europe. Employed since 2013.

Eskil Elmér, CSO

Eskil Elmér, born 1970, is associate professor of experimental neurology at Lund University (Sweden) and group leader of the Mitochondrial Medicine lab at the department of Clinical Neurophysiology. Dr Elmér is patentee and co-founder of both Maas Biolab, LLC and NeuroVive Pharmaceutical AB, and CSO of NeuroVive, with overall charge of the company's pre-clinical research. In addition, Eskil Elmér is a practising physician in the department of clinical neurophysiology at Skåne University Hospital in Lund, Sweden. Employed since 2000.

Magnus Hansson, CMO

Magnus Hansson, born 1976, has extensive experience in the area of Mitochondrial Medicine. He has previously been serving as a Senior Scientist in NeuroVive since 2008 and as a consultant physician and associate professor in medical imaging and physiology at Skåne University Hospital, Sweden. Dr Hansson has overall charge of the company's pre-clinical and clinical development programs. He holds a PhD in Experimental brain research from Lund University, Sweden and has authored more than 30 scientific publications and 10 patent applications. Employed since 2008.

Cecilia Hofvander, IR & Communications Director

Cecilia Hofvander, born 1967, has long experience from IR (Investor Relations) and international business development. She has also worked with financial transactions, early drug development and global clinical trials of candidate drugs. She joins NeuroVive from a position at Active Biotech AB (publ) where she worked for 15 years, the last eight years as responsible for IR and communication. Cecilia holds a B.Sc degree in chemistry and molecular biology from Lund University and a Communications Executive Program diploma from Stockholm School of Economics. Employed since 2016.

About NeuroVive Pharmaceutical AB

NeuroVive Pharmaceutical AB (Nasdaq Stockholm: NVP, OTCQX: NEVPF), is a leader in mitochondrial medicine and a company committed to the discovery and development of highly targeted candidates that preserve mitochondrial integrity and function in areas of significant therapeutic need. NeuroVive's business approach is driven by value-adding partnerships with mitochondrial research institutions and commercial partners across the globe. NeuroVive is listed on Nasdaq Stockholm, Sweden, Small Cap, under the ticker symbol NVP. The share is also traded on the OTC Markets Group Inc. market in the US. NeuroVive Pharmaceutical (OTC: NEVPF) trades on the OTCQX Best Market.

Contact

Amit Tandon
SeeThruEquity
www.seethruequity.com
(646) 495-0939
info@seethruequity.com

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