

# NORDIC NANOVECTOR

## PARADIGME on track

Nordic Nanovector reported its Q2 operating results on 22 August, and the loss of cNOK85m was broadly in line with our forecast of cNOK87m. As of 21 August the company had 41 sites across 13 countries open for enrolment in the PARADIGME trial, in line with our expectations. No US sites have yet opened but they are expected to do so within a month. We reiterate our BUY and NOK110 target price.

**Earnings (loss) in line with expectations.** The company reported an operating loss of cNOK85m (we forecast cNOK-87m). At quarter-end it had cNOK570m of cash on the balance sheet, slightly more than our cNOK555m forecast. In the report, the company reiterated it had enough funds to get it through the most important event in the upcoming years (data read-out from PARADIGME trial in H1 2020e).

**Positive update on PARADIGME.** The company said in June the first patient in the trial had been dosed and at its Q2 results presentation it said that 41 centres across 13 countries were open and enrolling patients. The target is c80–85 centres globally in the trial. The first US centre is expected by the company to be open within a month.

**New CEO enters the stage.** In June, the company said it had appointed Mr Eduardo Bravo as its new CEO. The Q2 report was his first large presentation to the market and we believe he gave a competent and solid first impression (despite being only six weeks in to the job). In our view, the company needs to continue to communicate more effectively than in the past, and we believe the Q2 report was a clear step in the right direction.

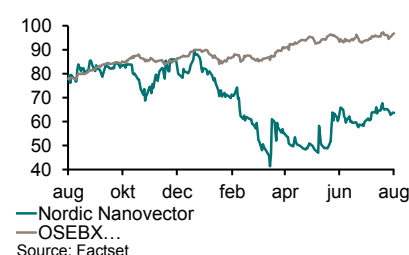
**We believe the next important catalyst will be the ASH meeting in December,** at which we expect the company to present full data from the LYMRIT 37-01 trial; and we are eager to see the results concerning the duration of response. We believe the overall ORR and CR levels will be in line with previous results but the DoR should see a clear improvement with a longer follow-up.

**BUY and NOK110 target price reiterated.** There was no data in the report or the company's comments that prompted us to change our view on the stock or the prospects for the company.

## BUY

### TP: NOK110

NANO versus OSEBX (12m)



#### SUMMARY

Recommendation (prev.)	BUY (BUY)
Share price (NOK)	63.6
Target price (previous) (NOK)	110 (110)
Upside/downside potential (%)	73
Tickers	NANO NO, NANO.OL

#### CAPITAL STRUCTURE

No. of shares (m)	48.8
No. of shares fully dil. (m)	48.8
Market cap. (NOKm)	3,103
NIBD adj end-2018e (NOKm)	-414
Enterprise value adj (NOKm)	2,689
Net debt/EBITDA adj (x)	1.21

#### SHARE PRICE PERFORMANCE

Abs. 1/3/12m (%)	6/25/-18
Rel. 1/3/12m (%)	3/24/-43
High/Low 12m (NOK)	90/41
Free float (%)	63

Source: Company, DNB Markets (estimates)

#### NEXT EVENT

Q3 2018 report	21/11/2018
----------------	------------

#### ESTIMATE CHANGES (NOK)

Year-end Dec	2018e	2019e	2020e
Sales (old)		0.60	1.00
Sales (new)	0.00	0.00	0.00
Change (%)	nm	-100.0	-100.0
EPS (old)	-6.97	-7.42	-6.23
EPS (new)	-6.98	-7.43	-6.25
Change (%)	nm	nm	nm

Source: DNB Markets, Bloomberg

Year-end Dec	2014	2015	2016	2017	2018e	2019e	2020e
Revenue (NOKm)	0	0	0	0	nm	nm	nm
EBITDA adj (NOKm)	-68	-182	-215	-315	-341	-361	-301
EBIT adj (NOKm)	-69	-183	-216	-317	-343	-364	-306
PTP (NOKm)	-64	-173	-235	-293	-341	-362	-305
EPS rep (NOK)	-3.54	-4.32	-5.05	-6.02	-6.98	-7.43	-6.25
EPS adj (NOK)	-3.54	-4.32	-5.05	-6.02	-6.98	-7.43	-6.25
DPS (NOK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	43.6	-0.6	-28.1	-3.8	nm	nm	nm
P/Book (x)	1.52	0.79	4.75	5.81	9.15	6.51	18.10
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company (historical figures), DNB Markets (estimates)

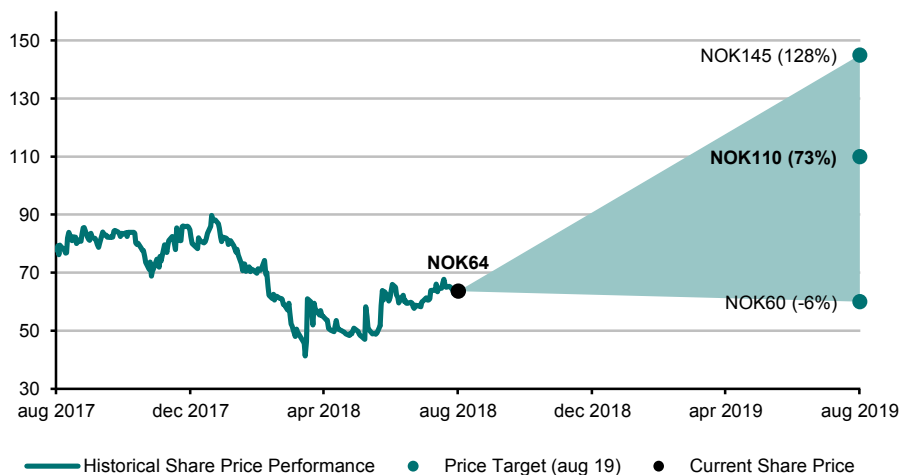
#### ANALYSTS

Patrik Ling  
patrik.ling@dnb.se  
+46 8 473 48 43

Please see the last two pages for important information. This research report was not produced in the US. Analysts employed by non-US affiliates are not registered/qualified research analysts with FINRA in the United States.

# Investment case overview

## Share price performance, DNB Markets' target price, bear- and bull-case scenarios



Source: FactSet, DNB Markets

### Downside risks to our investment case

- We still expect Betalutin to have a meaningful clinical effect. The biggest risk we see is that the development programme (which we believe is ambitious) might incur further delays.
- There is much focus on the NHL market from many big pharmaceutical companies; hence the competitive environment might get tougher.
- Longer than expected approval times and changes to regulatory conditions.
- Lower realised prices than we factor into our model.

Source: DNB Markets

### DNB Markets investment case and how we differ from consensus

- In our base case, the company will develop Betalutin all the way to the market and launch the product alone.
- The first indication should reach the market in 2021. We have applied a 50% probability adjustment to FL sales, but development costs are unadjusted.
- We estimate a global average price per patient of USD150,000 for Betalutin for all indications.

Source: DNB Markets

### Target price methodology

- Our target price continues to be based primarily on a SOTP, which includes the period until the patent expires, and is probability-adjusted. We discount the values back to a NPV with a WACC of 10%.
- Our bull-case fair value is based on our SOTP but with a higher peak penetration assumption than in our base case.
- Our bear-case fair value is based on our SOTP but with a lower peak penetration assumption than in our base case.

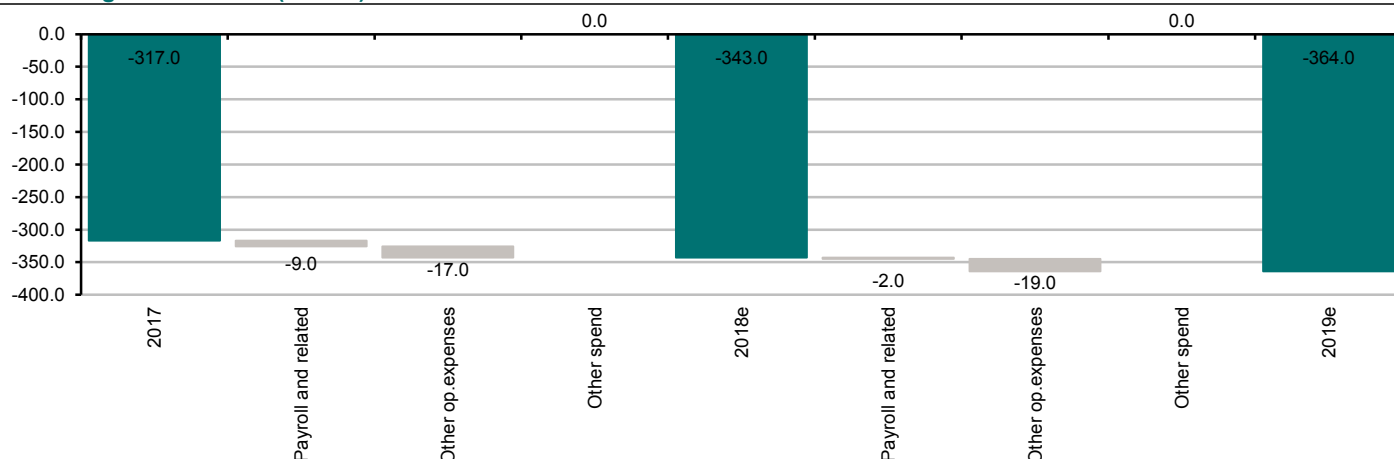
Source: DNB Markets

### Upside risks to our investment case

- The company could well become a target for consolidation in the industry.
- It might realise higher prices for Betalutin than we have factored in.
- With strong clinical data, the approval process might be speedier than we estimated and thus a launch might take place earlier than expected.

Source: DNB Markets

### EBIT bridge 2017–2019e (NOKm)



Source: DNB Markets (forecasts), company (historical data)

## Q2 earnings report a non-event

As is almost always the case with development biotech companies, Nordic Nanovector's Q2 earnings report was a non-event from a share price perspective. Operating costs were in line with our forecast and the operating loss was cNOK85m (we forecast cNOK87m). At quarter-end it had cNOK570m of cash on the balance sheet, slightly more than we forecast. The company reiterated its forecast that the cash position would get it through its most important trigger – data read-out from the PARADIGME trial in H1 2020e.

### Q2 results

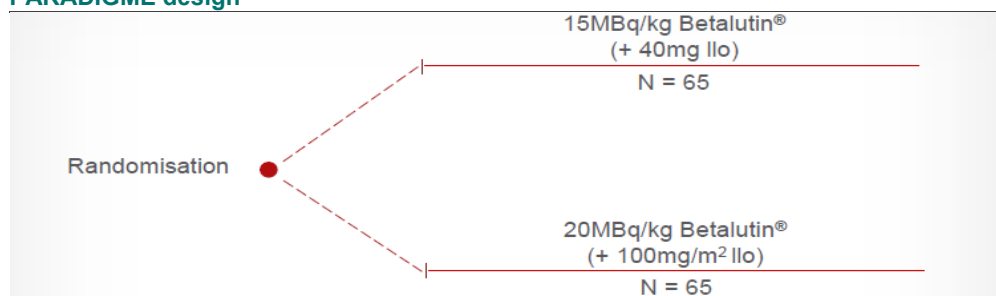
(NOKm)	Q2 2018			Deviation (%)		Deviation (abs)		Actual
	Actual	DNB	Cons.	DNB	Cons.	DNB	Cons.	
Sales	0	0	n.a.	n.m.	n.m.	0	n.m.	0
EBIT reported	-85	-87	n.a.	3%	n.m.	2	n.m.	-76
EBIT margin (%)	n.m.	n.m.	n.m.					n.m.
Net financial items	2	-1	n.a.	488%	n.m.	2	n.m.	10
Pre-tax profit	-93	-86	n.a.	-7%	n.m.	-6	n.m.	-66
EPS	-1.69	-1.76	n.a.	4%	n.a.	n.a.	n.m.	-1.36
<b>Growth YOY</b>								
Group sales	-100%	86%	n.m.			-186%	n.m.	
EBITA Adj.	-11%	-14%	n.m.			3%	n.m.	
EPS	-24%	-29%	n.m.			5%	n.m.	
Cash position	570	555	n.a.	3%	n.m.	15	n.m.	881

Source: Company data (historical figures), DNB Markets (estimates)

## PARADIGME trial on track

The company said on 21 June the first patient in the pivotal phase IIb trial PARADIGME had been dosed. As a reminder, PARADIGME is planned to include c130 patients in two dose groups (15MBq/kg with pre-dosing of 40mg cold antibody; 20MBq/kg with pre-dosing of 100mg/m<sup>2</sup> cold antibody). The plan is to open c80–85 clinical centres across c20 countries globally. As of 21 August it had approval for, and opened enrolment in, 40 clinics in 13 countries.

### PARADIGME design



Source: Company data

## New CEO in place

During the summer, the company said it had hired a new CEO, Mr Eduardo Bravo. The Q2 report was his first public appearance as CEO and in our view he gave a solid first impression (despite being only six weeks in to the job). Mr Bravo seems to have a very relevant track record for the company's current phase. Our impression is that he would like to develop more of the assets in the pipeline (including Humalutin). The company does not have financial resources for this now, but if the opportunity arises and it can – at a favourable share price – raise more capital we believe it would like to beef up the balance sheet to develop the pipeline further.

## BUY and NOK110 target price reiterated

No new data was released yesterday (neither did we expect it to be) and the company's comments did not change our view of the stock or the company. We still see significant upside potential as it nears completion of the PARADIGME trial and files for approval of Betalutin.

Forecast changes – P&L

(NOKm)	New			Old			Change		
	2018e	2019e	2020e	2018e	2019e	2020e	2018e	2019e	2020e
Revenues	0	0	0	1	1	1	-1	-1	-1
Cost of sales	0	0	0	0	0	0	0	0	0
Gross profit	0	0	0	1	1	1	-1	-1	-1
Operating expenses	-341	-361	-301	-341	-361	-301	0	0	0
EBITDA	-341	-361	-301	-340	-361	-300	-1	-1	-1
EBITDA adj	-341	-361	-301	-340	-361	-300	-1	-1	-1
EBITDA margin (%)	nm	nm	nm	nm	-60132.0	-30008.2	nm	nm	nm
Depreciation	-2	-3	-5		-3	-5		0	0
EBITA	-343	-364	-306	-342	-364	-305	-1	-1	-1
EBIT	-343	-364	-306	-342	-364	-305	-1	-1	-1
EBIT adj	-343	-364	-306	-342	-364	-305	-1	-1	-1
Net interest	2	2	1		2	1		0	0
Net financial items	2	2	1		2	1		0	0
PBT	-341	-362	-305	-340	-362	-304	-1	-1	-1
Taxes	0	0	0		0	0		0	0
Net profit	-341	-362	-305	-340	-362	-304	-1	-1	-1
Adjustments to net profit	0	0	0	0	0	0	0	0	0
Net profit adj	-341	-362	-305	-340	-362	-304	-1	-1	-1
<i>Per share data (NOK)</i>									
EPS	-6.98	-7.43	-6.25	-6.97	-7.42	-6.23	-0.01	-0.01	-0.02
EPS adj	-6.98	-7.43	-6.25	-6.97	-7.42	-6.23	-0.01	-0.01	-0.02
DPS ordinary	0.00	0.00	0.00		0.00	0.00		0.00	0.00
DPS extraordinary	0.00	0.00	0.00		0.00	0.00		0.00	0.00
DPS	0.00	0.00	0.00		0.00	0.00		0.00	0.00
<i>Other key metrics (%)</i>									
Revenue growth	nm	nm	nm	nm	nm	66.7	nm	nm	nm
EBIT adj growth	nm	nm	nm	8.1	6.3	-16.1	nm	nm	nm
EPS adj growth	nm	nm	nm	15.8	6.4	-16.0	nm	nm	nm
Avg. number of shares (m)	51	51	51	51	51	51	0	0	0
Capex	-4	-5	-5		-10	-10		5	5
OpFCF	-345	-366	-306	-348	-371	-310	4	4	4
Working capital	-78	-78	-78	-78	-78	-78	0	0	0
NIBD adj	-414	-550	-244	-410	-542	-233	-4	-8	-12

Source: DNB Markets

### Quarterly numbers

(NOKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018e	Q4 2018e	Q1 2019e	Q2 2019e	Q3 2019e
<b>Revenues</b>	0	0	0	0	0	0	0	0	0	0	0
Cost of sales	0	0	0	0	0	0	0	0	0	0	0
<b>Gross profit</b>	0	0	0	0	0	0	0	0	0	0	0
Operating expenses	-65	-76	-72	-101	-82	-84	-87	-87	-90	-90	-90
<b>EBITDA</b>	<b>-65</b>	<b>-76</b>	<b>-72</b>	<b>-101</b>	<b>-82</b>	<b>-84</b>	<b>-87</b>	<b>-87</b>	<b>-90</b>	<b>-90</b>	<b>-90</b>
Depreciation	0	0	0	-1	-1	-1	0	0	-1	-1	-1
<b>EBITA</b>	<b>-66</b>	<b>-76</b>	<b>-73</b>	<b>-102</b>	<b>-82</b>	<b>-85</b>	<b>-88</b>	<b>-88</b>	<b>-91</b>	<b>-91</b>	<b>-91</b>
<b>EBIT</b>	<b>-66</b>	<b>-76</b>	<b>-73</b>	<b>-102</b>	<b>-82</b>	<b>-85</b>	<b>-88</b>	<b>-88</b>	<b>-91</b>	<b>-91</b>	<b>-91</b>
Net interest	10	10	-13	16	-8	2	1	1	1	1	1
Net financial items	10	10	-13	16	-8	2	1	1	1	1	1
<b>PBT</b>	<b>-56</b>	<b>-66</b>	<b>-86</b>	<b>-86</b>	<b>-91</b>	<b>-83</b>	<b>-87</b>	<b>-87</b>	<b>-91</b>	<b>-91</b>	<b>-91</b>
Taxes	0	0	0	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>-56</b>	<b>-66</b>	<b>-86</b>	<b>-86</b>	<b>-91</b>	<b>-83</b>	<b>-87</b>	<b>-87</b>	<b>-91</b>	<b>-91</b>	<b>-91</b>
Adjustments to net profit	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-56	-66	-86	-86	-91	-83	-87	-87	-91	-91	-91
<i>Per share data (NOK)</i>											
<i>Growth and margins (%)</i>											
Revenues, QOQ growth	-1.3	-15.4	63.6	-53.7	nm	nm	nm	nm	nm	nm	nm
Revenues, YOY growth	0.0	-16.5	38.5	-36.7	nm	nm	nm	nm	nm	nm	nm
EPS adj, YOY growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	100.0	100.0	100.0	100.0	nm	nm	nm	nm	nm	nm	nm
EBITDA adj margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation/revenues	-357.7	-454.5	-334.3	-1086.0	nm	nm	nm	nm	nm	nm	nm
EBIT adj margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

### Adjustments to quarterly numbers

(NOKm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018e	Q4 2018e	Q1 2019e	Q2 2019e	Q3 2019e
<b>EBITDA</b>	<b>-65</b>	<b>-76</b>	<b>-72</b>	<b>-101</b>	<b>-82</b>	<b>-84</b>	<b>-87</b>	<b>-87</b>	<b>-90</b>	<b>-90</b>	<b>-90</b>
EBITDA adj	-65	-76	-72	-101	-82	-84	-87	-87	-90	-90	-90
<b>EBITA</b>	<b>-66</b>	<b>-76</b>	<b>-73</b>	<b>-102</b>	<b>-82</b>	<b>-85</b>	<b>-88</b>	<b>-88</b>	<b>-91</b>	<b>-91</b>	<b>-91</b>
EBITA adj	-66	-76	-73	-102	-82	-85	-88	-88	-91	-91	-91
<b>EBIT</b>	<b>-66</b>	<b>-76</b>	<b>-73</b>	<b>-102</b>	<b>-82</b>	<b>-85</b>	<b>-88</b>	<b>-88</b>	<b>-91</b>	<b>-91</b>	<b>-91</b>
EBIT adj	-66	-76	-73	-102	-82	-85	-88	-88	-91	-91	-91
<b>Net profit</b>	<b>-56</b>	<b>-66</b>	<b>-86</b>	<b>-86</b>	<b>-91</b>	<b>-83</b>	<b>-87</b>	<b>-87</b>	<b>-91</b>	<b>-91</b>	<b>-91</b>
Net profit adj	-56	-66	-86	-86	-91	-83	-87	-87	-91	-91	-91

Source: Company (historical figures), DNB Markets (estimates)

23 August 2018

Annual P&L

(NOKm)	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
<b>Revenues</b>	0	0	0	0	0	0	0	0	0	0
Cost of sales	0	0	0	0	0	0	0	0	0	0
<b>Gross profit</b>	0	0	0	0	0	0	0	0	0	0
Operating expenses	-7	-13	-18	-69	-183	-216	-315	-341	-361	-301
<b>EBITDA</b>	-7	-13	-18	-68	-182	-215	-315	-341	-361	-301
Depreciation	-1	-1	0	0	-1	-1	-1	-2	-3	-5
<b>EBITA</b>	-7	-14	-18	-69	-183	-216	-317	-343	-364	-306
<b>EBIT</b>	-7	-14	-18	-69	-183	-216	-317	-343	-364	-306
Net interest	0	0	1	5	10	-19	23	2	2	1
Net financial items	0	0	1	5	10	-19	23	2	2	1
<b>PBT</b>	-7	-13	-17	-64	-173	-235	-293	-341	-362	-305
Taxes	0	0	0	0	0	0	0	0	0	0
Effective tax rate (%)	0	0	0	0	0	0	0	0	0	0
<b>Net profit</b>	-7	-13	-17	-64	-173	-235	-293	-341	-362	-305
Adjustments to net profit	0	0	0	0	0	0	0	0	0	0
Net profit adj	-7	-13	-17	-64	-173	-235	-293	-341	-362	-305
Avg. number of shares	0	6	9	20	42	49	51	51	51	51
<i>Per share data (NOK)</i>										
EPS	-21.42	-2.11	-1.92	-3.54	-4.32	-5.05	-6.02	-6.98	-7.43	-6.25
<b>EPS adj</b>	<b>-21.42</b>	<b>-2.11</b>	<b>-1.92</b>	<b>-3.54</b>	<b>-4.32</b>	<b>-5.05</b>	<b>-6.02</b>	<b>-6.98</b>	<b>-7.43</b>	<b>-6.25</b>
DPS ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Growth and margins (%)</i>										
Revenue growth	nm	135.1	106.6	43.6	-0.6	-28.1	-3.8	nm	nm	nm
EPS adj growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	100.0	100.0	100.0	100.0	100.0	100.0	100.0	nm	nm	nm
EBITDA margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBITDA adj margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation/revenues	-898.9	-526.2	-77.4	-78.6	-227.5	-369.4	-491.1	nm	nm	nm
EBIT margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBIT adj margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
PBT margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

### Adjustments to annual P&L

(NOKm)	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
<b>EBITDA</b>	-7	-13	-18	-68	-182	-215	-315	-341	-361	-301
EBITDA adj	-7	-13	-18	-68	-182	-215	-315	-341	-361	-301
<b>EBITA</b>	-7	-14	-18	-69	-183	-216	-317	-343	-364	-306
EBITA adj	-7	-14	-18	-69	-183	-216	-317	-343	-364	-306
<b>EBIT</b>	-7	-14	-18	-69	-183	-216	-317	-343	-364	-306
EBIT adj	-7	-14	-18	-69	-183	-216	-317	-343	-364	-306
<b>Net profit</b>	-7	-13	-17	-64	-173	-235	-293	-341	-362	-305
Net profit adj	-7	-13	-17	-64	-173	-235	-293	-341	-362	-305
<i>Per share data (NOK)</i>										
EPS	-21.42	-2.11	-1.92	-3.54	-4.32	-5.05	-6.02	-6.98	-7.43	-6.25
Recommended adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS adj	-21.42	-2.11	-1.92	-3.54	-4.32	-5.05	-6.02	-6.98	-7.43	-6.25

Source: Company (historical figures), DNB Markets (estimates)

### Cash flow

(NOKm)	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
Net profit	-7	-13	-17	-64	-173	-235	-293	-341	-362	-305
Change in net working capital	0	0	0	0	0	0	0	0	0	0
<b>Cash flow from operations (CFO)</b>	-6	-13	-17	-63	-172	-234	-292	-339	-359	-300
Capital expenditure	-1	0	0	3	-2	-1	-3	-4	-5	-5
Acquisitions/Investments	0	0	0	0	0	0	0	0	0	0
<b>Cash flow from investing (CFI)</b>	-1	0	0	3	-2	-1	-3	-4	-5	-5
<b>Free cash flow (FCF)</b>	-7	-13	-17	-61	-174	-236	-294	-343	-364	-305
Net change in debt	0	0	0	0	0	0	0	0	0	0
Other	-2	2	3	5	34	45	65	0	0	0
<b>Cash flow from financing (CFF)</b>	12	2	90	318	580	510	33	0	500	0
<b>Total cash flow (CFO+CFI+CFF)</b>	4	-11	73	257	406	275	-262	-343	136	-305
<i>FCFF calculation</i>										
Free cash flow	-7	-13	-17	-61	-174	-236	-294	-343	-364	-305
Less: net interest	0	0	-1	-5	-10	19	-23	-2	-2	-1
Less: acquisitions	0	0	0	0	0	0	0	0	0	0
<b>Growth (%)</b>										
CFO	-293.1	-102.7	-32.4	-277.3	-171.3	-36.3	-24.8	-16.0	-6.1	16.5
CFI	nm	108.7	-479.6	1031.8	-180.7	32.8	-67.8	-59.2	-25.0	0.0
FCF	-349.7	-76.1	-35.6	-254.5	-187.3	-35.4	-25.0	-16.4	-6.3	16.3
CFF	-13.9	-84.0	4759.6	253.4	82.5	-12.0	-93.6	-100.0	nm	-100.0
FCFF	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

**Balance sheet**

<b>(NOKm)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018e</b>	<b>2019e</b>	<b>2020e</b>
<b>Assets</b>	<b>22</b>	<b>11</b>	<b>86</b>	<b>346</b>	<b>760</b>	<b>1,045</b>	<b>780</b>	<b>440</b>	<b>577</b>	<b>272</b>
Inventories	0	0	0	0	0	0	0	0	0	0
Trade receivables	4	4	6	7	14	23	20	20	20	20
Other receivables	0	0	0	0	0	0	0	0	0	0
Current financial assets	0	0	0	0	0	0	0	0	0	0
Cash and cash equivalents	17	7	80	337	743	1,018	757	414	550	244
<b>Current assets</b>	<b>21</b>	<b>11</b>	<b>86</b>	<b>344</b>	<b>758</b>	<b>1,042</b>	<b>776</b>	<b>434</b>	<b>569</b>	<b>264</b>
Property, plant and equipment	1	0	0	2	3	3	4	6	8	8
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangible assets	0	0	0	0	0	0	0	0	0	0
Deffered tax assets	0	0	0	0	0	0	0	0	0	0
Non-current financial assets	0	0	0	0	0	0	0	0	0	0
<b>Non-current assets</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>8</b>
<b>Total assets</b>	<b>22</b>	<b>11</b>	<b>86</b>	<b>346</b>	<b>760</b>	<b>1,045</b>	<b>780</b>	<b>440</b>	<b>577</b>	<b>272</b>
<b>Equity and liabilities</b>	<b>22</b>	<b>11</b>	<b>86</b>	<b>346</b>	<b>760</b>	<b>1,045</b>	<b>780</b>	<b>440</b>	<b>577</b>	<b>272</b>
Total equity to the parent	20	8	79	330	713	949	680	339	477	171
<b>Total equity</b>	<b>20</b>	<b>8</b>	<b>79</b>	<b>330</b>	<b>713</b>	<b>949</b>	<b>680</b>	<b>339</b>	<b>477</b>	<b>171</b>
Trade payables	1	2	4	6	20	53	29	29	29	29
Other payables and accruals	1	1	3	9	27	42	68	68	68	68
Short-term debt	0	0	0	0	0	0	0	0	0	0
<b>Total current liabilities</b>	<b>1</b>	<b>3</b>	<b>7</b>	<b>16</b>	<b>48</b>	<b>95</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>
Long-term debt	0	0	0	0	0	0	0	0	0	0
Pension liabilities	0	0	0	0	0	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0	0	4	4	4	4
<b>Total non-current liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Total liabilities</b>	<b>1</b>	<b>3</b>	<b>7</b>	<b>16</b>	<b>48</b>	<b>95</b>	<b>101</b>	<b>101</b>	<b>101</b>	<b>101</b>
<b>Total equity and liabilities</b>	<b>22</b>	<b>11</b>	<b>86</b>	<b>346</b>	<b>760</b>	<b>1,045</b>	<b>780</b>	<b>440</b>	<b>577</b>	<b>272</b>
<i>Key metrics</i>										
Net interest bearing debt	-17	-7	-80	-337	-743	-1,018	-757	-414	-550	-244

Source: Company (historical figures), DNB Markets (estimates)



23 August 2018

Valuation ratios

(NOKm)	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
<i>Enterprise value</i>										
Share price (NOK)				28.00	14.10	96.75	81.00	63.60	63.60	63.60
Number of shares (m)	0.32	6.37	8.84	26.55	44.52	48.78	48.78	48.78	48.78	48.78
Market capitalisation				743	628	4,720	3,952	3,103	3,103	3,103
Net interest bearing debt	-17	-7	-80	-337	-743	-1,018	-757	-414	-550	-244
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	-17	-7	-80	-337	-743	-1,018	-757	-414	-550	-244
EV				406	-116	3,702	3,195	2,689	2,553	2,858
EV adj				406	-116	3,702	3,195	2,689	2,553	2,858
<i>Valuation</i>										
EPS	-21.42	-2.11	-1.92	-3.54	-4.32	-5.05	-6.02	-6.98	-7.43	-6.25
<b>EPS adj</b>	<b>-21.42</b>	<b>-2.11</b>	<b>-1.92</b>	<b>-3.54</b>	<b>-4.32</b>	<b>-5.05</b>	<b>-6.02</b>	<b>-6.98</b>	<b>-7.43</b>	<b>-6.25</b>
DPS ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E				-7.9	-3.3	-19.2	-13.4	-9.1	-8.6	-10.2
P/E adj				-7.9	-3.3	-19.2	-13.4	-9.1	-8.6	-10.2
P/B				1.52	0.79	4.75	5.81	9.15	6.51	18.10
Average ROE	-40.7%	-95.5%	-39.3%	-31.1%	-33.1%	-28.3%	-36.0%	-66.9%	-88.9%	-94.2%
Dividend yield				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/SALES				924.74	-264.64	11788.65	10579.25			
EV/SALES adj				924.74	-264.64	11788.65	10579.25			
EV/EBITDA				-5.9	0.6	-17.2	-10.1	-7.9	-7.1	-9.5
EV/EBITDA adj				-5.9	0.6	-17.2	-10.1	-7.9	-7.1	-9.5
EV/EBIT				-5.9	0.6	-17.1	-10.1	-7.8	-7.0	-9.3
EV/EBIT adj				-5.9	0.6	-17.1	-10.1	-7.8	-7.0	-9.3
EV/NOPLAT				-5.9	0.6	-17.1	-10.1	-7.8	-7.0	-9.3
EV/OpFCF (taxed)				-6.2	0.6	-17.1	-10.1	-7.8	-7.0	-9.3

Source: Company (historical figures), DNB Markets (estimates)

**Key accounting ratios**

	2011	2012	2013	2014	2015	2016	2017	2018e	2019e	2020e
<i>Profitability (%)</i>										
ROA	-37.4	-81.7	-35.1	-29.5	-31.2	-26.1	-32.2	-55.8	-71.3	-71.8
<i>Return on invested capital (%)</i>										
Net PPE/revenues	1456.3	186.6	109.8	357.9	642.3	1001.6	1382.1			
Working capital/revenues	3425.1	498.8	-380.5	-1917.2	-7651.3	-22953.2	-25666.2			
<i>Cash flow ratios (%)</i>										
FCF/revenues	-11350.2	-8500.0	-5577.5	-13772.2	-39796.6	-75002.9	-97504.3			
FCF/market capitalisation				-8.1	-27.7	-5.0	-7.5	-11.0	-11.7	-9.8
CFO/revenues	-9921.9	-8552.6	-5480.7	-14400.5	-39286.7	-74525.8	-96672.2			
CFO/market capitalisation				-8.5	-27.4	-5.0	-7.4	-10.9	-11.6	-9.7
CFO/capex	-694.7	16235.5	-5661.6	2292.3	-7705.7	-15621.6	-11617.6	-8467.0	-7187.8	-6001.6
CFO/current liabilities	-432.0	-385.1	-231.8	-408.2	-360.5	-245.2	-300.2	-348.3	-369.6	-308.6
Cash conversion ratio	104.9	93.6	100.3	95.1	100.7	100.1	100.4	100.6	100.6	100.0
Capex/revenues	1428.3	-52.7	96.8	-628.2	509.8	477.1	832.1			
Capex/depreciation	158.9	-10.0	125.1	-799.3	224.1	129.1	169.5	200.0	166.7	100.0
OpFCF margin	-11771.7	-8699.5	-5936.9	-14919.3	-42180.5	-69012.7	-105149.7			
Total payout ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Leverage and solvency (x)</i>										
Interest cover	-3048.33	-32252.69	-158.41	-28816.44	-95.15	-7.09	nm	nm	nm	nm
EBIT/interest payable	-3168.13	-32962.60	-169.72	-31100.36	-101.95	-7.45				
EBITA adj/interest payable	-3168.13	-32962.60	-169.72	-31100.36	-101.95	-7.45				
Cash coverage	24.54	43.86	16.25	13.55	17.48	-11.44	13.64	170.34	180.70	301.08
Net debt/EBITDA	2.67	0.51	4.45	4.93	4.08	4.73	2.40	1.21	1.52	0.81
Total debt/total capital (BV)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LTD / (LTD + equity (MV))				0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Cash conversion cycle</i>										
Receivables turnover days	20883.9	9927.3	7242.4	5877.1	11854.6	27173.9	23841.0	nm	nm	nm
Credit period	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

## Important Information

Company: Nordic Nanovector  
 Coverage by Analyst: Patrik Ling  
 Date: 22/08/2018

This report has been prepared by DNB Markets, a division of DNB Bank ASA. DNB Bank ASA is a part of the DNB Group. This report is based on information obtained from public sources that DNB Markets believes to be reliable but which DNB Markets has not independently verified, and DNB Markets makes no guarantee, representation or warranty as to its accuracy or completeness. This report does not, and does not attempt to, contain everything material which there is to be said about the Company. Any opinions expressed herein reflect DNB Markets' judgement at the time the report was prepared and are subject to change without notice. The report is planned updated minimum every quarter.

Any use of non-DNB logos in this report is solely for the purpose of assisting in identifying the relevant issuer. DNB is not affiliated with any such issuer.

This report is for clients only, and not for publication, and has been prepared for information purposes only by DNB Markets, a division of DNB Bank ASA.

This report is the property of DNB Markets. DNB Markets retains all intellectual property rights (including, but not limited to, copyright) relating to the report. Sell-side investment firms are not allowed any commercial use (including, but not limited to, reproduction and redistribution) of the report contents, either partially or in full, without DNB Markets' explicit and prior written consent. However, buy-side investment firms may use the report when making investment decisions, and may also base investment advice given to clients on the report. Such use is dependent on the buy-side investment firm citing DNB Markets as the source.

### Recommendation structure and risk classification

DNB Markets recommendations are based on absolute performance:

Buy - indicates an expected return greater than 10% within 12 months  
 Hold - indicates an expected return between 0 and 10% within 12 months  
 Sell - indicates an expected negative return within 12 months

The return-requirement bands above may be applied with some degree of flexibility depending on the liquidity and volatility characteristics of the individual share.

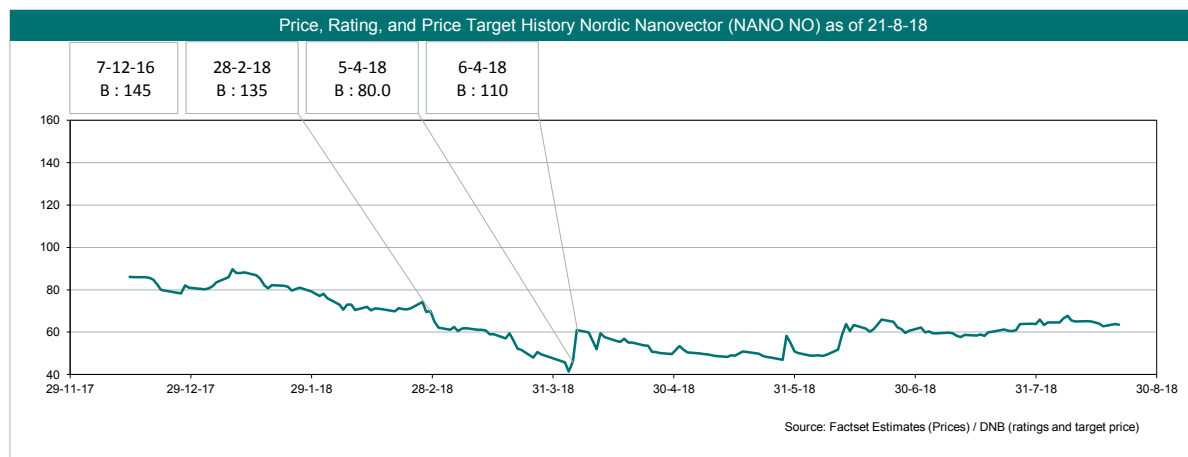
High risk - Volatility over 40 percent.  
 Medium risk - Volatility from 25 percent to 40 percent.  
 Low risk - Volatility under 25 percent.

Current 6 months volatility rates this security as HIGH risk.

Investing in any security is subject to substantial risk. Return on investment may vary greatly. Careful consideration for possible financial distress should be accounted for before investing in any security.

Price targets are based on a combination of several valuation methods such as discounted cash flow, pricing based on earnings multiples, multiple on book value, net asset value and peer comparison. Substantial material sources for coverage of this company include historical financial figures and communication with the company, and relevant third party information. If you would like further information on the valuation, methodology or underlying assumptions used in this note, please contact the analyst (contact details on front page).

Recommendations and historical target prices below may not compile all recommendations by DNB Markets, for further information please contact DNB Markets.



### Conflict of interest

Readers should assume that DNB Markets may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking services or other services to the company/companies

Share positions in the company:	Analyst*	Employees**	DNB***	Update
Number of shares	0	100	0	22/08/2018

\*The analyst or any close associates. \*\*Share positions include people involved in the production of credit and equity research, including people that could reasonably be expected to have access to it before distribution.

\*\*\*Share positions as part of DNB Group. Holdings as part of DNB Markets investment services activity are not included.

Recommendation distribution and corporate clients for the last 12 months

	Buy	Hold	Sell	No rec	Total
Number	120	79	26	13	238
% of total	50%	33%	11%	5%	
DNB Markets client	19%	13%	2%	3%	86

23 August 2018

**Legal statement**

These materials constitute research as defined in section 9-27 (1) of the Norwegian Securities Trading Regulations (Norwegian: verdipapirforskriften), and are not investment advice as defined in section 2-4(1) of the Norwegian securities trading act (Norwegian: verdipapirhandelloven).

The analyst hereby certifies that (i) the views expressed in this report accurately reflect that research analyst's personal views about the company and the securities that are the subject of this report, and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report. DNB Markets employees, including research analysts, may receive compensation that is generated by overall firm profitability. Confidentiality rules and internal rules restricting the exchange of information between different parts of DNB Markets/DNB Bank ASA or the DNB Group are in place to prevent employees of DNB Markets who are preparing this report from utilizing or being aware of information available in the DNB Group that may be relevant to the recipients' decisions. DNB Markets and the DNB Group have incorporated internal rules and regulations in order to avoid any potential conflicts of interest.

The Report has been prepared by DNB Markets, a division of DNB Bank ASA, a Norwegian bank organized under the laws of the Kingdom of Norway and under supervision by the Norwegian Financial Supervisory Authority, The Monetary Authority of Singapore, and on a limited basis by the Financial Conduct Authority and the Prudential Regulation Authority of the UK, and the Financial Supervisory Authority of Sweden. Details about the extent of our regulation by local authorities outside Norway are available from us on request.

It is issued subject to the General Business Terms for DNB Markets and information about the terms is available at [www.dnb.no](http://www.dnb.no). For requests regarding the General Business Terms of the Singapore Branch of DNB Bank ASA, please contact +65 6212 6144. Information about the DNB Group can be found at [www.dnb.com](http://www.dnb.com). DNB Markets is a member of The Norwegian Securities Dealers Association, which has issued recommendations and market standards for securities companies. The Association's Internet address where the recommendations and market standards can be found is: [www.vpff.no](http://www.vpff.no). This report is not an offer to buy or sell any security or other financial instrument or to participate in any investment strategy. No liability whatsoever is accepted for any direct or indirect (including consequential) loss or expense arising from the use of this report. Distribution of research reports is in certain jurisdictions restricted by law. Persons in possession of this report should seek further guidance regarding such restrictions before distributing this report. Please contact DNB Markets at 08940 (+47 915 08940) for further information and inquiries regarding this report, including an overview on all recommendations from DNB Markets over the last 12 Months according to Market Abuse Regulations.

**Additional information for clients in Singapore**

The report has been distributed by the Singapore Branch of DNB Bank ASA. It is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. You should seek advice from a financial adviser regarding the suitability of any product referred to in the report, taking into account your specific financial objectives, financial situation or particular needs before making a commitment to purchase any such product. You have received a copy of the report because you have been classified either as an accredited investor, an expert investor or as an institutional investor, as these terms have been defined under Singapore's Financial Advisers Act (Cap. 110) ("FAA") and/or the Financial Advisers Regulations ("FAR"). The Singapore Branch of DNB Bank ASA is a financial adviser exempt from licensing under the FAA but is otherwise subject to the legal requirements of the FAA and of the FAR. By virtue of your status as an accredited investor or as an expert investor, the Singapore Branch of DNB Bank ASA is, in respect of certain of its dealings with you or services rendered to you, exempt from having to comply with certain regulatory requirements of the FAA and FAR, including without limitation, sections 25, 27 and 36 of the FAA. Section 25 of the FAA requires a financial adviser to disclose material information concerning designated investment products which are recommended by the financial adviser to you as the client. Section 27 of the FAA requires a financial adviser to have a reasonable basis for making investment recommendations to you as the client. Section 36 of the FAA requires a financial adviser to include, within any circular or written communications in which he makes recommendations concerning securities, a statement of the nature of any interest which the financial adviser (and any person connected or associated with the financial adviser) might have in the securities. Please contact the Singapore branch of DNB Bank ASA at +65 6212 6144 in respect of any matters arising from, or in connection with, the report. The report is intended for and is to be circulated only to persons who are classified as an accredited investor, an expert investor or an institutional investor. If you are not an accredited investor, an expert investor or an institutional investor, please contact the Singapore Branch of DNB Bank ASA at +65 6212 6144. We, the DNB group, our associates, officers and/or employees may have interests in any products referred to in the report by acting in various roles including as distributor, holder of principal positions, adviser or lender. We, the DNB group, our associates, officers and/or employees may receive fees, brokerage or commissions for acting in those capacities. In addition, we, the DNB group, our associates, officers and/or employees may buy or sell products as principal or agent and may effect transactions which are not consistent with the information set out in the report.

**In the United States**

Each research analyst named on the front page of this research report, or at the beginning of any subsection hereof, hereby certifies that (i) the views expressed in this report accurately reflect that research analyst's personal views about the company and the securities that are the subject of this report; and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in this report.

The research analyst(s) named on this report are foreign research analysts as defined by FINRA Rule 1050. The only affiliate contributing to this research report is DNB Bank through its DNB Markets division ("DNB Markets/DNB Bank"); the foreign research analysts employed by DNB Markets/DNB Bank are named on the first page; the foreign research analysts are not registered/qualified as research analysts with FINRA; foreign research analysts are not associated persons of DNB Markets, Inc. and therefore are not subject to the restrictions set forth in FINRA Rules 2241 and 2242 regarding restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

This is a Third Party Research Report as defined by FINRA Rules 2241 and 2242. Any material conflict of interest that can reasonably be expected to have influenced the choice of DNB Markets/DNB Bank as a research provider or the subject company of a DNB Markets/DNB Bank research report, including the disclosures required by FINRA Rules 2241 and 2242 can be found above.

This report is being furnished solely to Major U.S. Institutional Investors within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934 and to such other U.S. Institutional Investors as DNB Markets, Inc. may determine. Distribution to non-Major U.S. Institutional Investors will be made only by DNB Markets, Inc., a separately incorporated subsidiary of DNB Bank that is a U.S. broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

Any U.S. recipient of this report seeking to obtain additional information or to effect any transaction in any security discussed herein or any related instrument or investment should contact DNB Markets, Inc., 200 Park Avenue, New York, NY 10166-0396, telephone number +1 212-551-9800.

**In Canada**

The Report has been distributed in reliance on the International Dealer Exemption pursuant to NI 31-103 subsection 8.18(2) and subsection 8.18(4)(b). Please be advised that: 1. DNB Bank ASA (DNB Markets) and DNB Markets, Inc. are not registered as a dealer in the local jurisdiction to make the trade. We provide our services in Canada as an exempt international dealer. 2. The jurisdiction of DNB Bank ASA (DNB Markets) and DNB Markets, Inc.'s head office is Norway. 3. There may be difficulty enforcing legal rights against DNB Bank ASA (DNB Markets) and DNB Markets, Inc. because all or substantially all of their assets may be situated outside of Canada. 4. The name and address of the agent for service of process for DNB Bank ASA (DNB Markets) and DNB Markets, Inc. in the local jurisdiction is:

Alberta: Blake, Cassels & Graydon LLP, 855 - 2nd Street S.W., Suite 3500, Bankers Hall East Tower, Calgary, AB T2P 4J8. British Columbia: Blakes Vancouver Services Inc., 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, BC V7X 1L3. Manitoba: Aikins, MacAulay & Thorvaldson LLP, 30th Floor, Commodity Exchange Tower, 360 Main Street, Winnipeg, MB R3C 4G1. New Brunswick: Stewart McKelvey, Suite 1000, Brunswick House, 44 Chipman Hill, PO Box 7289, Station A, Saint John, NB E2L 2A9. Newfoundland and Labrador: Stewart McKelvey, Suite 1100, Cabot Place, 100 New Gower Street, P.O. Box 5038, St. John's, NL A1C 5V3. Nova Scotia: Stewart McKelvey, Purdy's Wharf Tower One, 1959 Upper Water Street, Suite 900, P.O. Box 997, Halifax, NS B3J 2X2. Northwest Territories: Gerald Stang, Suite 201, 5120-49 Street, Yellowknife, NT X1A 1P8. Nunavut: Field LLP, P.O. Box 1779, Building 1088C, Iqaluit, NU X0A 0H0. Ontario: Blakes Extra-Provincial Services Inc., Suite 4000, 199 Bay Street, Toronto, ON M5L 1A9. Prince Edward Island: Stewart McKelvey, 65 Grafton Street, Charlottetown, PE C1A 1K8. Québec: Services Blakes Québec Inc., 600 de Maisonneuve Boulevard Ouest, Suite 2200, Tour KPMG, Montréal, QC H3A 3J2. Saskatchewan: MacPherson, Leslie & Tyerman LLP, 1500 Continental Bank Building, 1874 Scarth Street, Regina, SK S4P 4E9. Yukon: Grant Macdonald, Macdonald & Company, Suite 200, Financial Plaza, 204 Lambert Street, Whitehorse, YK Y1A 3T2.

**In Brazil**

The analyst or any close associates do not hold nor do they have any direct/indirect involvement in the acquisition, sale, or intermediation of the securities discussed herein. Any financial interests, not disclosed above, that the analyst or any close associates holds in the issuer discussed in the report is limited to investment funds that do not mainly invest in the issuer or industry discussed in the report and the management of which these persons cannot influence.