2023-06-28

STENOCARE

Entering the Largest Market in Europe

With the Q1-report presented, it is clear that STENOCARE A/S ("STENOCARE" or the "Company"), has laid the groundwork for future scale-up, for instance through entering a new market, launching an IT-platform for online clinics as well as selecting a partner to produce the Company's premium products. Sales is expected to fluctuate from quarter to quarter due to products being shipped in large quantities, why we expect stronger revenues in the coming quarters than the DKK 0.8m presented in Q1-23. With estimated net sales of DKK 60.4m by 2024, and with an applied P/S multiple of 5.5x, a potential present value per share of DKK 13.9 (21.4) is derived in a Base scenario.

Entering the German Market

STENOCARE has obtained approval for a new product in Germany, which is by far the largest market for medical cannabis in Europe, with estimated sales of EUR 1bn by 2027, compared to EUR 2.2bn for Europe in total. Given the German markets size, this also entails more competition, where STENOCARE's competitive advantage is expected to be that the Company's product will be reimbursed by insurance companies, which is not the case for all products.

Decrease in Sales – Improvement Expected Ahead

STENOCARE's net sales during Q1-23 amounted to DKK 0.8m (0.9), a decrease of 10% compared to Q1-22. Given that sales is expected to fluctuate from quarter to quarter due to bulk deliveries and that STENOCARE delivered products to five markets in Q4-22, we do not attach great importance to this and estimates stronger sales in the coming quarters.

Capital Injection Intensifies the Growth Focus

During June 2023, STENOCARE raised DKK 10.7m in gross proceeds through a unit rights issue which was oversubscribed. The funds will be used to further scale the core business and complete the indoor cultivation facility, something that we expected the Company to complete without further capital injections, hence, the investments needed for this appears to be higher than we estimated. However, we believe that the capital injection puts STENOCARE in a greater position to scale up sales by obtaining approvals in new markets and increase commercial efforts in current markets as well as strengthening the balance sheet, why we believe the Company is in a good position to deliver strong revenue growth going forward.

Updated Valuation Range

With the Q1-report presented, we are repeating our forecasts in a Base and a Bull scenario, however slightly more conservative estimates are made in a Bear scenario. Moreover, we have seen a multiple contraction among peers since our latest update, which results in a lower valuation multiple for STENOCARE in all scenarios. This, together with the capital injection from the unit rights issue and directed issue for debt conversion, which entailed an increase in outstanding shares, results in an updated valuation range in all scenarios.

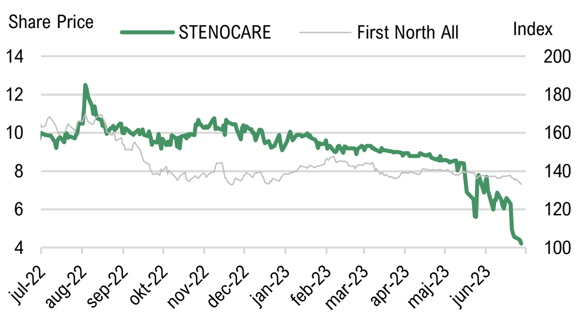
Valuation Range

Bear	Base	Bull
DKK 3.7	DKK 13.9	DKK 16.3

STENOCARE

Share Price (2023-06-27)	4.21
Shares Outstanding	15,102,124[1]
Market Cap (DKKm)	63.6
Net cash(-)/debt(+) (DKKm)	9.3[2]
Enterprise Value (DKKm)	72.9
List	Nasdaq First North Growth Market
Interim Report Q2 2023	2023-08-17

Stock Development



Top Shareholders

Steno Group IVS (Rolf Steno, CCO)	11.1%
MS Kjær Holding ApS (Søren Kjær, COO)	10.8%
Prana Holding ApS (Thomas S. Schnegelsberg, CEO)	10.4%
Others	67.7%

Estimates (DKKm)	2022A	2023E	2024E	2025E
Revenue	4.5	20.8	60.4	113.1
Net sales growth	*138%*	*363%*	*190%*	*87%*
Other external expenses	-10.9	-15.8	-34.0	-60.5
Share of revenue (%)	*-243%*	*-76%*	*-56%*	*-53%*
Personnel expenses	-6.8	-9.0	-15.6	-24.6
EBITDA	**-13.2**	**-4.0**	**10.9**	**28.0**
EBITDA margin	*-294%*	*-19%*	*18%*	*25%*
P/S	14.2	3.1	1.1	0.6
EV/S	16.2	3.5	1.2	0.6
EV/EBITDA	-5.5	-18.1	6.7	2.6
EV/EBIT	-4.4	-9.7	10.1	3.0

[1]After the initial rights issue and conversion of debt of DKK 5m from a directed issue in June 2023

[2]At the end of Q1-23

Introduction

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About the Company

STENOCARE, founded in 2017, is a Danish pharmaceutical company who became the first company to receive permission to import, distribute as well as to cultivate and produce medical cannabis in Denmark in 2018. Today, STENOCARE sources its products from several international suppliers and distribute these to a growing number of international markets. The Company also has their own indoor cultivation facility in Denmark, which is strategically focused on meeting pharmaceutical standards. STENOCARE was listed on Spotlight Stock Market on October 26th, 2018 and is today listed on Nasdaq First North Growth Market Denmark since May 15th, 2020.

CEO and Chairman

CEO	Thomas Skovlund Schnegelsberg
Chairman	Marianne Wier

Analyst

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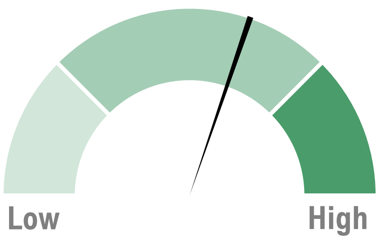
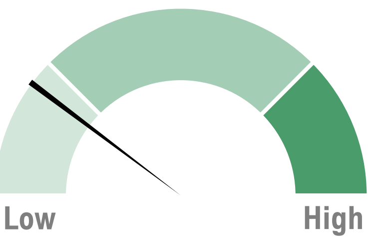
Value Drivers



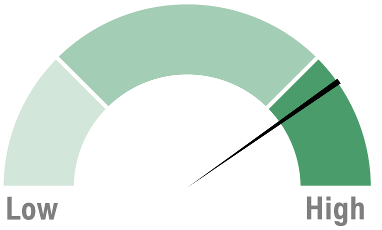
Medical cannabis is getting more accepted by the health care industry and legalized as a pharmaceutical medicine by authorities, which STENOCARE is expected to capitalize on. Furthermore, the Company is expected to launch its own premium products within the next 6-18 months, which are expected to have several benefits compared to competing generic products. This is expected to drive the Company's revenue, with a strong margin. STENOCARE has ambitions to expand globally which we see as a strong value driver.

Historical Profitability



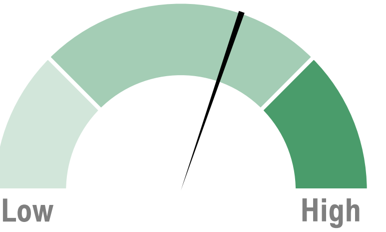
STENOCARE has not been profitable since Q1-19, which was right before the issues with their former supplier CannTrust. Since then, the Company has worked to build up a new supply chain, for this reason, profitability has not been prioritized. However, STENOCARE is currently in a similar situation as late 2018, i.e., ready to start delivering products to the market, which led the Company to profitability in Q1-19. The rating is based on historical results and is not forward-looking.

Management & Board



The management and board of STENOCARE have a broad experience within leadership, business innovation, rules and regulations as well as commercialization. Thomas Skovlund Schnegelsberg (CEO), Rolf Steno (CCO) and Søren Kjær (COO) are the co-founders who are still in the management team and are the three largest shareholders in STENOCARE, where each of the three holds over 10 % of the share capital. This provides incentives to create shareholder value.

Risk Profile



STENOCARE is still a relatively young company in a new industry and has a business model that to some extent is still unproven. However, the business model has previously worked on the Danish market back in 2019. Today, STENOCARE has several suppliers in different geographical markets, reducing the dependency of one single supplier and the operating risk. However, for STENOCARE, there will always be a regulatory risk as the Company is dependent on their products being approved by authorities, as well as accepted by the health care industry.

Comment on Q1-Report 2023

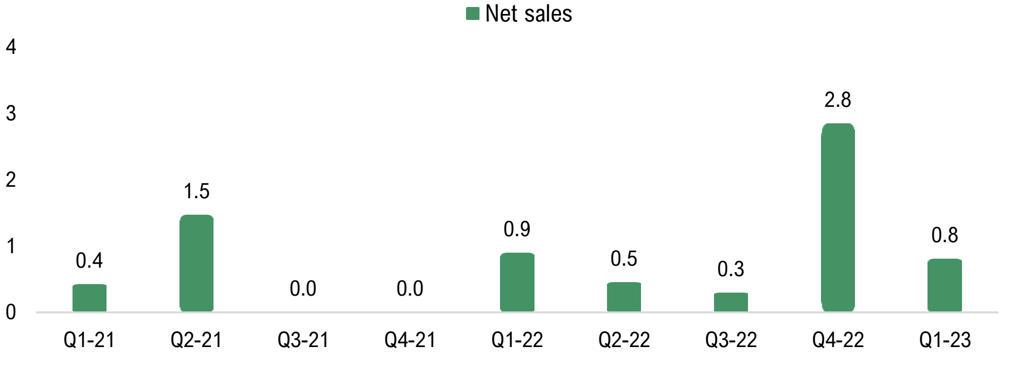
Financial Development During the Period

DKK 0.8m
Net sales in Q1-23

STENOCARE's net sales during Q1-23 amounted to DKK 0.8m, compared to DKK 0.9m during Q1-22 and DKK 2.8m during the last quarter (Q4-22). The sales during Q1-23 consists of products sold in Denmark, which is one of STENOCARE's now six markets. As we have emphasized in previously, sales are expected to fluctuate from quarter to quarter as a result of orders being shipped in large quantities, because of distribution partners wanting to reduce their logistical costs. This is expected to be a competitive advantage going forward but can, as earlier mentioned, result in a fluctuation in sales from quarter to quarter. Hence, as STENOCARE delivered products to five countries during Q4-22 and the first shipment to Norway was completed at the end of December 2022, a lower activity regarding delivering products could be expected during Q1-23. However, we expect stronger quarters ahead regarding sales, as products are delivered to several markets and the Company is entering Germany, where products are expected to be available for patients in August 2023.

In Q1-23, STENOCARE's net sales decreased slightly compared to the same period last year, but stronger quarters are expected going forward as shipments to several markets is expected.

Net sales Q1-21-Q1-23
DKKm



Source: Historical results

Stable cost development

The cost development was stable during Q1-23, as external expenses amounted to DKK 2.5m compared to DKK 2.7m during Q1-22 and personnel expenses amounted to DKK 1.5m, compared to DKK 1.6m during Q1-22. The decrease in costs shows that STENOCARE is still running a slim organization towards the expected break-even by Q4-23. The lower costs resulted in a slightly better EBITDA-result, amounting to DKK -3.2m, compared to DKK -3.4m during Q1-22. Regarding cash flow, the cash flow from operating activities amounted to DKK -2.3m and the cash position amounted to DKK 1.9m. However, STENOCARE has received DKK 10.7m in gross proceeds from a Unit Rights Issue during June 2023, with warrants of series TO 1 and TO 2 that can add gross proceeds of DKK 3.7-7.8m and DKK 3.7-11.2m in December 2023 and June 2024 respectively.

STENOCARE's Rights Issue was Subscribed to Approximately 127%

Capital injection entails further scale up of sales

The Unit Rights Issue during May and June 2023 was subscribed to approximately 127%, which implies a big interest in STENOCARE as an investment. The gross proceeds from the Issue will be used to further scale the core business, which includes obtaining approval for new products as well as commercial efforts in current and new markets, investment in the completion and commercialization of STENOCARE's own indoor cultivation facility, and repayment of short-term debt. The Rights Issue is expected to allow STENOCARE to accelerate commercial activities, hence scale up sales and strengthen the Company's financial position. For more information on our view on the Rights Issue, we refer to our previous comment here.

Moreover, a conversion of short-term debt of DKK 5.0m into shares in a separate parallel directed issue on identical terms with the Initial Rights Issue has been exercised, which further strengthens STENOCARE's financial position. In connection with the announcement of the Unit Rights Issue, STENOCARE communicated that the Company had received commitments to conversion of debt of DKK 3.1m, which means that an additional DKK 1.9m has now been converted. The fact that loan givers have committed to a conversion of debt to shares shows that loan givers believe in STENOCARE's strategy and ability to create shareholder value going forward.

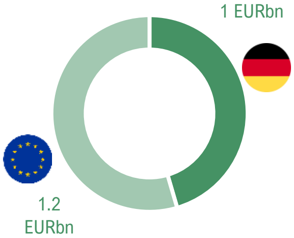
Denmark’s Largest Cannabis Factory is Closing – Proof of STENOCARE’s Strategy

Indoor cultivation for compliance with regulatory authorities

Canadian cannabis supplier Aurora Cannabis started Aurora Nordic in 2018, with the aim to cultivate and sell medical cannabis to Danish as well as European patients. Since the start, Aurora Nordic have made investments amounting to approx. DKK 500m in their cultivation facility and is currently the largest exporter of medical cannabis in Denmark. However, Aurora have met challenges regarding getting products approved, especially under the Danish pilot program, as only one product has been approved in Denmark since 2018, proving the difficulty to manage the regulation. A possible explanation to this according to Analyst Group, as we have stated in our previous equity research reports, could be that Aurora grows its medical cannabis in greenhouses, unlike STENOCARE’s indoor cultivation, a method that may complicate compliance with regulatory agencies, particularly those concerning the use of pesticides. The Canadian owner Aurora Cannabis have now decided to close its cultivation facility as the profitability of the cultivation facility has not reached expectations, as a result of the facilities large capacity compared to what has actually been sold. This proves, according to Analyst Group, that STENOCARE’s strategy with indoor cultivation and have a supply chain that can grow volume when demand increases, is better for a sustainable business model.

Several Highlights After the Period – STENOCARE Enters Germany

Market share, Germany and rest of Europe, 2027E



On May 25th, STENOCARE announced that a new medical cannabis oil product has received approval for sales in Germany, which is the 6th country with products approved from STENOCARE. The German market for medical cannabis is by far the largest in Europe, with over 200,000 patients being treated with projected sales of EUR 1bn by 2027. This can be compared to the entire European market, where the total sales are expected to reach sales of EUR 2.2bn by 2027, thus the German market is expected to stand for almost half of the total sales on the European market, showcasing the potential of the market. To read more about our view of STENOCARE entering Germany, read our comment here.

Moreover, STENOCARE announced on May 30th that the Company has developed an IT-platform that enables doctors to launch and operate Online Clinics, which is expected to increase a doctor’s reach to patients across their geography and facilitates patients’ access to trained and experienced doctors and specialists. Read our comment on the news here. Lastly, STENOCARE has also announced that the Company has selected a partner to produce its premium products, which are based on patented oil technology. The oil technology enables, according to studies, better uptake of cannabinoids, regardless of meal consumption and inter-individual biological differences, as well as a faster effect. A common challenge for doctors within medical cannabis is the accuracy of the dosage uptake for the patients, as this varies depending on whether the drug is taken before or after intake of food and individual biological differences, why a more predictable product like STENOCARE’s premium products is expected to be appreciated by doctors. The Company announced that the products are likely to become commercially available during 2024, which is in line with what we have expected in our financial forecasts in previous equity research report updates.

To summarize, STENOCARE delivered a slight decrease in net sales during Q1-23 but where a slower quarter regarding net sales could be expected as large quantities of products were delivered at the end of Q4-22 and sales are expected to fluctuate from quarter to quarter depending on which period a large delivery is made. Hence, we expect stronger sales growth in the coming quarters, together with a continued stable cost base. Furthermore, we see proof on the market that STENOCARE’s strategy is working, as competitor Aurora Nordic have had troubles getting products approved and are closing the factory in Denmark at the same time as STENOCARE is entering new markets, showing that the Company’s pharma mindset is paying off.

Investment Thesis

Legalization are Expected to Drive Market Growth

43%
CAGR until 2025

The legal medical cannabis market in Europe has grown strongly over the last years, with several large and influential countries legalizing, such as Germany and the UK. The largest target group for medical cannabis are patients who suffer from chronic pain, but also cancer, multiple sclerosis, and epilepsy. Today, many patients with these diseases are treated with opiates, which could be considered more harmful than cannabis, as it is more addictive and possible to overdose[1], why medical cannabis, which is seen as a supplement that can reduce patient use of opiates, is expected to increase its market share in terms of treating more patients. In Europe, the legal cannabis sales are expected to grow with a CAGR of 43% until 2027, amounting to EUR 2.2bn.[2] The market growth is expected to be driven by continued legalization of both medical and adult use[3], where STENOCARE is expected to capitalize on the medical use through increased patient prescriptions, contributing to increased sales.

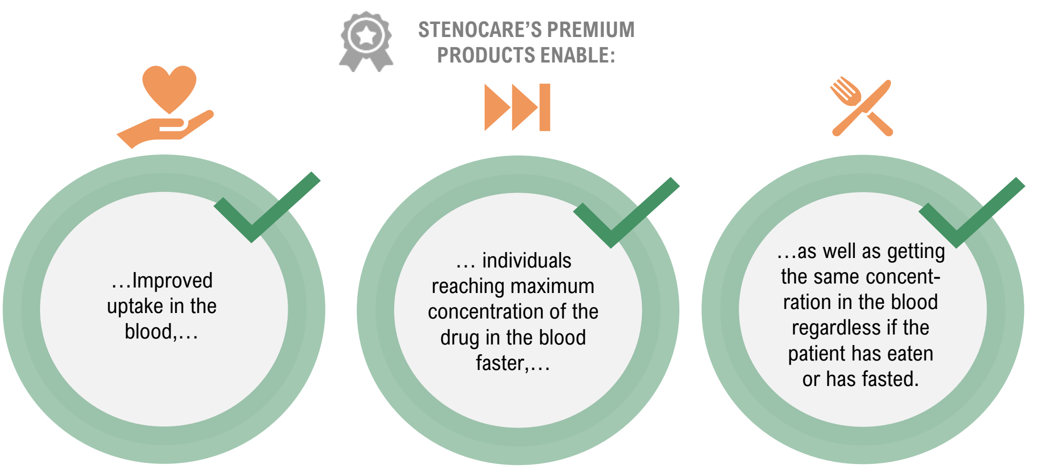
Pharma Case on a Fast Track

The medical cannabis market in Europe is highly regulated, which makes it difficult to get products approved, both for STENOCARE and competitors. According to the Danish Ministry of Health, 70 product applications have been reviewed since the Danish Pilot Program started in 2018, including non-oil products, where only 12 products have been approved, showing the difficulty to obtain approval.[4] Six of the products approved are medical cannabis oil products from STENOCARE, which are also the only oil products that have been approved, proving that the Company has good knowledge regarding the regulatory framework and can deliver products accordingly. Hence, STENOCARE should be seen as a sort of pharma case who operates on a highly regulated market, where product approvals are difficult to reach, just like for a pharma company with a drug candidate. However, STENOCARE do not need to go through different clinical phases, i.e., phase 1, 2, and 3, like traditional pharmaceutical companies, for which it can take 5-10 years to get an approved product to market, compared to 12-14 months for STENOCARE. Hence, the Company should be seen as a pharma case on a *fast track* who relatively quickly can access new markets.

Launch of Premium Products Ahead

Launch of premium products in 2024

Today, doctors face challenges when prescribing medical cannabis to patients since the metabolism will reduce the uptake of cannabinoids in the body to a significantly level of approx. 15% which means that a variable, and often a small part of the cannabinoids, are actively delivered to the body with therapeutic effect. Furthermore, the body's absorption will be different depending on whether the drug is taken before or after intake of food. This causes unpredictable effects and difficulties for doctors to prescribe the right dosage. In collaboration with Solural Pharma, STENOCARE has introduced a new, patented, oil to address these challenges, which STENOCARE has global exclusivity to use for medical cannabis. A study from September 2022 showed positive results on dogs, indicating that the Company's LTT-oil substantially enhances the uptake of cannabinoids, regardless of meal consumption and inter-individual biological differences. STENOCARE has now selected a partner to produce the new products, which proves that a commercialization of the products is getting nearer, something that is expected during 2024, given that the Company obtains approval by authorities. Considering the obvious advantage from using such a product, this is expected to drive strong revenue growth thereafter.



[1]Source: Harvard Health, 2020

[2]Source: Prohibition Partners, 2021

[3]Adult use refers to usage other than medical

[4]Source: STENOCARE Q3-22 Interim Report

Investment Thesis

Strong position in the Scandinavian markets

DKK 60.4m
Revenues 2024E

First Mover Advantage in Several Markets

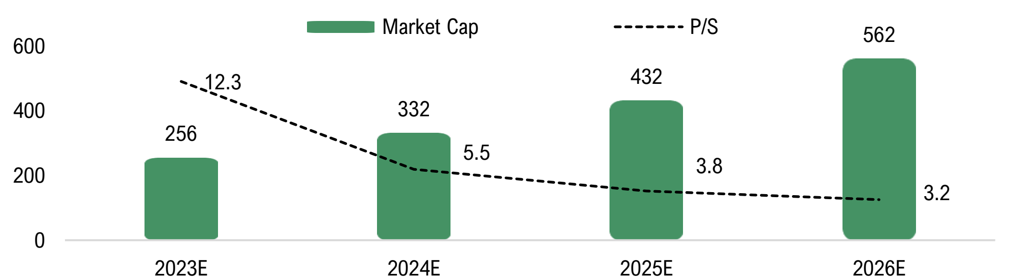
As a first mover on the Danish, Swedish and Norwegian market, STENOCARE has gained valuable market insights and had doctors prescribe the Company's products, as they are the only medical cannabis oil products available on these markets. If both doctors and patients find the results satisfying, doctors are likely to keep prescribing STENOCARE's products, which is expected to lead to a strong brand recognition and product loyalty, as well as increased sales, before more competitors enter these markets. Analyst Group estimates that the first mover advantage will provide STENOCARE with a strong position in the Scandinavian market. Furthermore, the fact that STENOCARE is the only approved supplier of medical cannabis oil products in these countries, proves that the Company has the product quality and knowledge of regulations needed for entering different markets. Also, STENOCARE has proven that different kinds of markets can be entered; fully legalized (UK, Australia, Germany), pilot programs (Denmark) as well as not legalized markets (Sweden, Norway), which implies that any market is a potential market for STENOCARE. The Company is expected to continue to enter new markets, which STENOCARE did in Germany in Q2-23, something that is expected to be an important value driver going forward, executing on STENOCARE's strategy of being represented in 8-10 markets by 2025.

Forecast and Valuation: a Summary

STENOCARE is expected to grow sales from DKK 4.5m in 2022 to 178.1m in 2026, corresponding to a CAGR of 151%, based on strong market growth driven by deregulations, a pharma mindset that doctors and authorities appreciate and expected launch of premium products in 2024. Based on a target multiple of P/S 5,5x applied on estimated sales of DKK 60.4m in 2024, and an internal rate of return of 30%, which accounts for the time specific risk of events that are far away and have not yet occurred, as well as the likely high demand for return that an investor have when investing in STENOCARE, this yields, in a Base scenario, a net present value per share of DKK 13.9.

STENOCARE's Market cap Will Increase Over Time, but Slower Than Sales, Meaning a Lower P/S Multiple According to Analyst Groups Valuation and a Required Rate of Return of 30%.

Illustration of STENOCARE's market cap and P/S multiple in the coming years, given Analyst Groups valuation
DKKm



Source: Analyst Groups Forecast and Valuation

Experienced Management Team

STENOCARE's management team consists of the three co-founders of STENOCARE, Thomas Skovlund Schnegelsberg (CEO), Rolf Steno (CCO) and Søren Kjær (COO) as well as CFO Peter Bugge Johansen. The three co-founders have different backgrounds within project management, business development and strategy, that complements each other well. They are still the three largest shareholders in STENOCARE, where each of the three own over 10% of the capital, which provides incentives to create shareholder value.

Highly Regulated Market

The European medical cannabis market is highly regulated, STENOCARE is thereby required to obtain and maintain appropriate licenses to manufacture, import and sell its products. Although the Company has a strong track record of getting approvals in different markets, there is a risk that STENOCARE will not receive the necessary permits from authorities in new potential markets, or for their own premium products. Another potential risk factor is the general market competition where for example some competitors are multinational companies with strong financial resources, and thus strong R&D, that could enter STENOCARE's markets. This could lead to a more intense fight for market share which could result in price wars and decreasing margins as a result.

Company Description

STENOCARE operates within the medical cannabis industry and entered the Danish market in connection to the legalization of medical cannabis in Denmark through the *Danish Pilot Program,* launched January 1st, 2018. The program, which was a four year "trial-program", enabled doctors in Denmark to prescribe cannabis for medical use and for companies to cultivate, produce, import and distribute medical cannabis. STENOCARE was the first company in Denmark to receive approval from the Danish Medicines Agency for both cultivation, production as well as distribution and import during 2018. In 2019, the Company's supplier CannTrust faced problems with delivering according to EU regulations, leading to STENOCARE deciding to terminate the contract. Today, STENOCARE has a partnership with several suppliers, and has entered a total of six markets with products approved.

Pharma mindset

STENOCARE is to be considered as a sort of a pharma company, rather than a "cannabis company", meaning the Company carefully evaluates local regulations and produces products with that in mind, rather than the other way around. As STENOCARE is convinced that EU regulations require indoor cultivation, rather than green houses, the Company has invested in its own indoor cultivation facility, ensuring high product quality, and at the same time working with high quality suppliers who offers indoor cultivation.

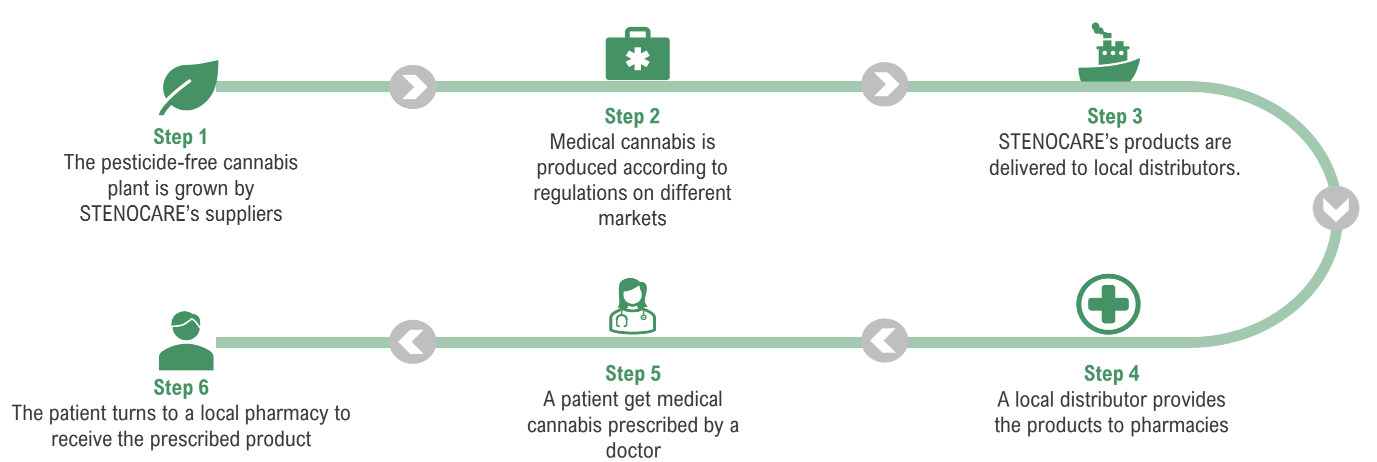
Revenue Model

STENOCARE's revenues in a given year are based on the number of patients being treated, how many treatments each patient get, and income per product sold. The Company imports white label products from its suppliers, from where the products are delivered in large bulks to STENOCARE's central distributors in different countries. Products are being shipped in large quantities to optimize distribution handling and reduction of handling costs, which means that revenues can fluctuate between quarters, depending on which quarter a delivery is made. The Company has contracts with leading distributors in each country, as medical suppliers are not allowed to sell and deliver directly to for example pharmacies. Instead, local distributors are providing STENOCARE's products in each country. Once STENOCARE's own indoor cultivation facility obtains the necessary licenses and approvals, the Company can, in addition to the imported products, supplement these with their own locally produced products.

- 50 % SUBSIDY FROM THE GOVERNMENT
- 100 % SUBSIDY FROM THE GOVERNMENT
- 100 % SUBSIDY FROM THE GOVERNMENT[1]
- 0 % SUBSIDY FROM THE GOVERNMENT
- 0 % SUBSIDY FROM THE GOVERNMENT
- 100 % REIMBURSEMENT FROM INSURANCE COMPANIES

When a patient suffers from a condition that medical cannabis can mitigate, a doctor decides whether to prescribe medical cannabis from STENOCARE, which is later retrieved at the pharmacy by the patient. Hence, the Company's revenue is dependent on doctors' prescriptions, as well as if the patient wish to be treated with medical cannabis. Whether the patient pay for STENOCARE's medical cannabis products themselves or could obtain subsidies from the local government or insurance companies differs from market to market, as per the table to the left. The fact that the subsidies differ is expected to lead to various prescription rates as patients in countries with a higher subsidy is expected to be more likely to "buy" STENOCARE's products. Regarding the number of treatments per patient, one bottle of STENOCARE's medical cannabis oil is expected to be enough for one month of medication for the average patient. As some diseases are chronic, such as chronic pain and multiple sclerosis, STENOCARE is expected to deliver twelve product units per year to these patients. However, other diseases, such as nausea caused from cancer treatment, is expected to need fewer product units per year.

Illustration of STENOCARE's Supply Chain From Cultivation to Patient.



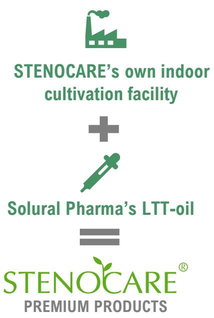
Source: STENOCARE and Analyst Groups Illustration

[1]100% subsidy via hospitals or 0% subsidy via private clinics

Company Description

The Products

STENOCARE's product portfolio consists of three different products, a *CBD oil*, a *THC oil*, and a *balanced oil*, which is a mix of CBD and THC, where each product needs to be approved in each individual country. The key difference between CBD and THC oil is that THC has psychoactive effects while CBD does not. Whether a patient should be treated with a CBD oil, THC oil or a balanced oil is up to the doctor and depends on the symptoms of the patient. Medical cannabis can be used for several different conditions where chronic pain, multiple sclerosis, cancer and epilepsy are among the most common. THC has properties that can reduce nausea, which can arise in cancer treatment, while CBD has a dampening effect on cramps, and a combination can provide efficacy to patients suffering from pain.



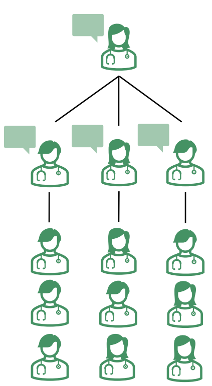
The Company has also constructed their own indoor cultivation facility for medical cannabis which, together with their partner Solural Pharma's patented LTT-oil, will enable the creation of STENOCARE's own premium products. The goal is to make a product that enhances the uptake of cannabinoids, regardless of meal consumption and individual biological differences. With other oil-types, each patient's body reacts in their own individual way, causing troubles for doctors to predict the impact. The human body absorbs a large part of the cannabinoid, up to 85%, which means just a small part are actively reaching the patient's blood for therapeutic effect. Furthermore, the uptake is affected by the patient's intake of food, further causing problems for doctors to determine the right dosage. The goal with STENOCARE's premium products is to reduce the effect of individual uptake due to biological differences, as well as food intake, when using medical cannabis, making the product more predictable.

Cost Drivers

STENOCARE reports two main costs in their P&L, "other external expenses" and "personnel expenses". The Cost of Goods Sold (COGS) are included in the external expenses and consist of what STENOCARE is paying their suppliers. Furthermore, STENOCARE has costs related to the production of their own products at their cultivation facility, where, for instance, rent and electricity is included, which is included in external expenses. The Company's personnel expenses have increased over the years, as a result of the Company having hired more staff to expand the business, going from six to ten employees during 2018-2022. As STENOCARE progresses, reaching new markets and launching more products, the Company is expected to hire more staff to support an increasing sales level.

Strategic Outlook

"Recruitment" of doctors is a critical factor



STENOCARE has implemented a strategy, *The STENOCARE strategy 2.0*, which involves investments in building four assets that supplement each other and are important for the success of the company. The four assets are 1) *Regulatory Assets*, 2) *Commercial Assets*, 3) *Partnership Assets* and 4) *Supply Chain Assets*. One important factor for STENOCARE to be able to scale up sales is to ensure the health care industry's interest and thus that doctors are willing to prescribe medical cannabis to patients. STENOCARE is expected to address *Key Opinion Leaders* (KOL) in new markets who sees medical cannabis as a positive supplement to existing treatments. In that way, STENOCARE can identify which product that is best suited for a particular market. Doctors are more used to oil products than for example dried cannabis, which is used for smoking, and thus in general are perceived more harmful, why doctors are more likely to prescribe oil products. Moreover, STENOCARE has launched an IT-platform for online clinics, in order to increase a doctor's reach to patients across their geographical area and patients access to trained and experienced doctors. The launch of the IT-platform is a step to further educate doctors and the industry about the benefits of medical cannabis, as they get access to supervision from a medical consultant and specialist, that can help doctors make informed decisions regarding how to treat patients. Furthermore, given that doctors appreciate the effect of the products, a word-of-mouth effect could be possible where doctors recommend STENOCARE's medical cannabis oil products. All this is the *Commercial Assets* that the Company is building.

The *Partnership assets* is about working with pharma-grade partners to develop future medical cannabis products, for example the partnership with Solural Pharma to develop premium products. Future sales also rely on STENOCARE's supply situation and since the Company has several suppliers today, this is assumed to be enough to meet the estimated demand for the coming years, the *Supply Chain Assets*. Furthermore, market access will be of great importance for STENOCARE's future development. Being on six markets today, with the goal of being on ten markets by 2025, STENOCARE has proven their ability to access new markets and adapt to different markets regulations. Each country has their own regulations which poses a challenge, why STENOCARE need to adjust their products slightly in each market to get them approved, which the Company have done successfully so far. This is the *Regulatory Assets*.

Market Analysis

Untouched Market With a Huge Market Growth Potential

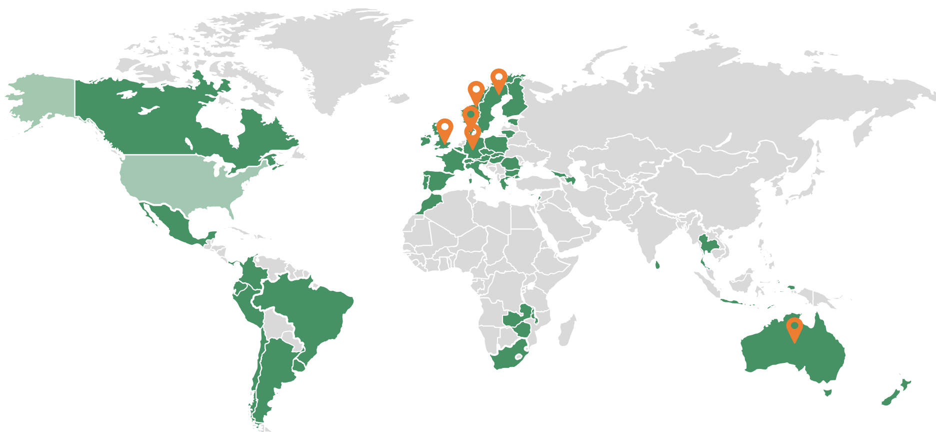
100 MILION PAIN PATIENTS IN EUROPE

The most common symptom where medical cannabis is used for treatment is chronic pain. The European Pain Society currently estimates that there are 203 million people with legal access to medical cannabis in Europe, of whom around 100 million are pain patients. Other diseases where medical cannabis can be useful as a treatment to relieve symptoms is cancer, multiple sclerosis and epilepsy. According to WHO, the estimated number of new cancer treatments in Europe was 4.4 million in 2020 and it has been estimated that over 6 million people suffer from epilepsy.[1] Hence, one could argue that it is likely that a rise in demand for medical cannabis products is expected throughout a large number of countries. Since Canada introduced the medical cannabis program in 2016, several forms of legalizations have occurred in the European market. Several large and influential countries, such as Germany and the UK, have legalized and introduced the medical cannabis market, and more countries are expected to follow. Furthermore, Germany has legalized adult use in 2023 under a pilot program, which is expected to be a driver for more countries to ease regulations and a step towards greater acceptance of medical cannabis as well. However, the European market for cannabis-based products is still young, and there are significant variations in the legislative frameworks of different European countries. The different rules and regulations according to the European Pharmacopeia, such as no pesticides, quality and uniformity, makes it very difficult for medical cannabis companies to navigate the European market. Despite this, STENOCARE has managed to enter the Danish market, twice, along with the UK, Swedish, German, Norwegian and Australian market.

~50 Countries Worldwide are in Favour of Cannabis for Medical use.

Countries where cannabis for medical use is approved and countries accessed by STENOCARE

- Approved medical use
- Approved medical use in 39 of 50 states
- Nonapproved for medical use
- Countries already accessed by STENOCARE



Cannabis has Benefits Compared to Opiates

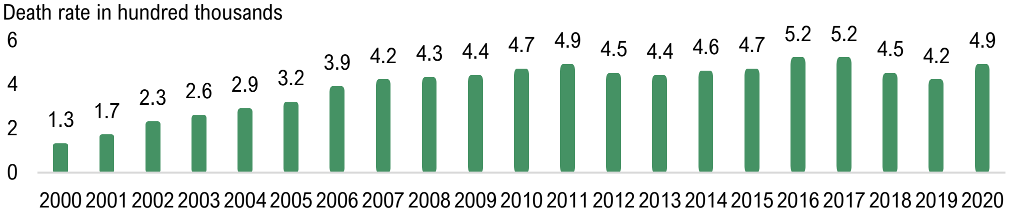
The most common use of medical cannabis worldwide is for pain control. Cannabis has shown to be effective for treating chronic pain that troubles millions of individuals.[2] Medical cannabis can supplement and reduce the use of opiates as a safer option as it is less addictive and more difficult to overdose. Furthermore, it can also supplement NSAIDs (Non-Steroidal Anti-Inflammatory Drugs), commonly used to relieve pain and bring down high temperatures, like Advil (ibuprofen) or Aleve, which is a problem for patients with kidney problems, ulcers or GERD (Geothermal Resource Exploration and Development).[3]

During the Last two Decades There has Been a Sharp Increase in Deaths Related to Opioid Overdose.

490,000 DEATHS RELATED TO OPIOID OVERDOSE IN 2020

Death by prescription opioid overdose in U.S. 2000-2020

Death rate in hundred thousands



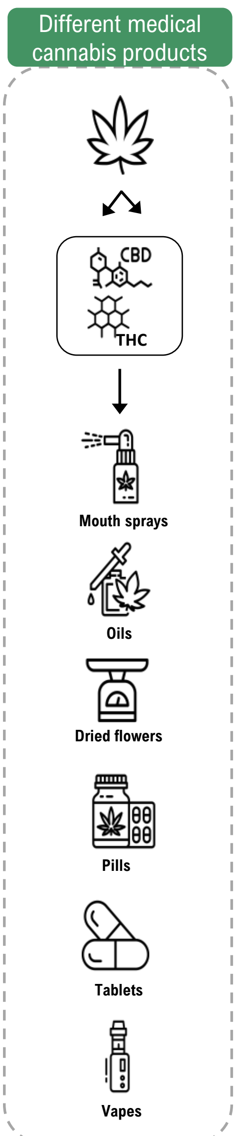
Source: Statista, US 2020

Furthermore, the illegal market for cannabis can also be considered a sort of competitor for STENOCARE in terms of treating chronic pain. For instance, 1.4 million people in the UK buy cannabis illegally on the "street", as it does not require a prescription from a doctor and is also cheaper than buying from a pharmacy.

[1] Source: Epilepsy Alliance Europe, 2011

[2, 3] Source: Harvard Health, 2020

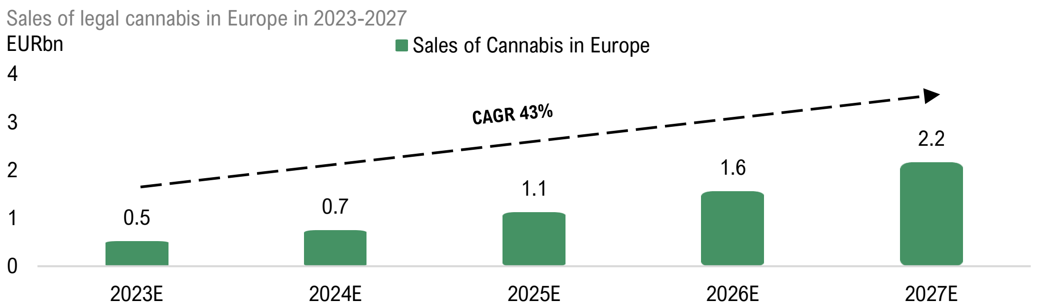
Market Analysis



Strong Expected Market Growth

Legal cannabis sales in Europe are expected to grow with a CAGR of 43% from 2023-2027 and amount to EUR 2.2bn at the end of the forecast period, according to market analyst Prohibition Partners. The market growth is expected to be driven by a continued legalization of medical use, but also adult use. Today, Germany is the largest market in Europe regarding medical cannabis and constitutes over 50% of the European market. However, Prohibition Partners estimates, given that regulations progress as they expect, the UK to show the most impressive growth over the forecast period and become the second largest market in Europe in 2023. Generally speaking, larger countries, like France and the UK for instance, are expected to grow at a faster pace owing to the progress of legislation and the large potential patient populations in these countries.

Legal Cannabis Sales in Europe are Expected to Grow With a CAGR of 43%, According to Prohibition Partners.



Source: Prohibition Partners 2023

STENOCARE is the Sole Supplier of Medical Cannabis oil in Scandinavia

Denmark legalized medical cannabis during 2018 by the introduction of its four-year pilot programme where more than 70 applications have been investigated by the Danish Medicines Agency. Of those 70 application, only twelve products have been approved, where six is STENOCARE´s, being the sole oil provider. Furthermore, STENOCARE is the only company to offer oil-products approved in Denmark, Sweden, and Norway. The main competitors of production and import of medical cannabis in Denmark are *Little Green Pharma,* and *CannGros*, however, no competitor has a medical cannabis oil product approved in Denmark, Sweden or Norway. Little Green Pharma grows its medical cannabis in greenhouses, a method that may complicate compliance with regulatory agencies, particularly those concerning the use of pesticides.

Canadian cannabis supplier Aurora Cannabis started Aurora Nordic in 2018, with the aim to cultivate in Denmark and sell medical cannabis to Danish as well as European patients. However, Aurora have met challenges regarding getting products approved, especially under the Danish pilot program, as only one product has been approved in Denmark since 2018, proving the difficulty to manage the regulation. After five years with large investments in the cultivation facility Aurora has decided to close the facility as a result of profitability not reaching expectations.

Why Doctors Start to Appreciate oil Based Cannabis Products

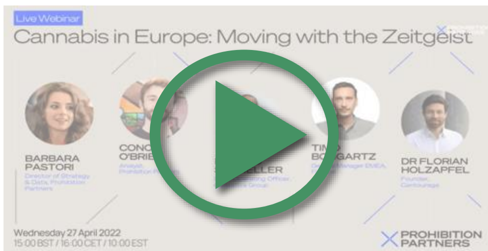
The evolution of cannabis products can be categorized into the following; 1st generation products, such as dried flowers for smoking, and 2nd generation products, containing oil, tablets, and pills. The medical cannabis industry first had dried cannabis products, and this is still a significant part of prescribed products in the global market. However, doctors are more familiar and comfortable with medicine that is delivered to patients with traditional dosage methods like an oral syringe or capsules. There is a growing demand for these methods, and especially for oil products that are dosed with an oral syringe. The benefit of this is that dosage delivery and titration, i.e., scaling the dosage volume to each patient, is easier and well known.

However, to stay relevant in the competitive and innovative field of cannabis for medical use, it is essential to have a proactive strategy, which STENOCARE is addressing with the aim to introduce their own premium products (3rd generation), a new patented oil-product. Nevertheless, in terms of competing products, such as 1st generation products, the illegal market, and traditional drugs, the healthcare industry is showing more interest in using cannabis in the form of oil and pills rather than prescribing their patients with dry flowers for self-inhalation.

An Insight Into the Cannabis Market

Due to the fact that the cannabis market is in its early days, Analyst Group has gathered a selection of both videos and articles below to help investors to gain an even deeper understanding of how the market has developed, as well as the expected future development. In addition to two presentations by Prohibition Partners, one is be presented by Nick Parters, and a podcast is accessible by Curtin University.

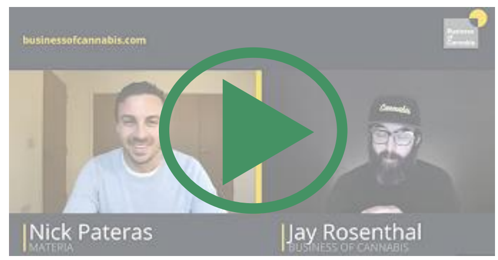
PROHIBITION PARTNERS



THE CANNABIS CONVERSATION

PROHIBITION PARTNERS

BUSINESS OF CANNABIS



In addition to the videos above, below is a selection of articles and publications by Prohibition Partners, EPR (European Pharmaceutical Review), Iris Group and Business of Cannabis. This is merely a small portion of the available research online, and we encourage investors to search for even more information about the industry as a whole.

EPR

PROHIBITION PARTNERS

BUSINESS OF CANNABIS

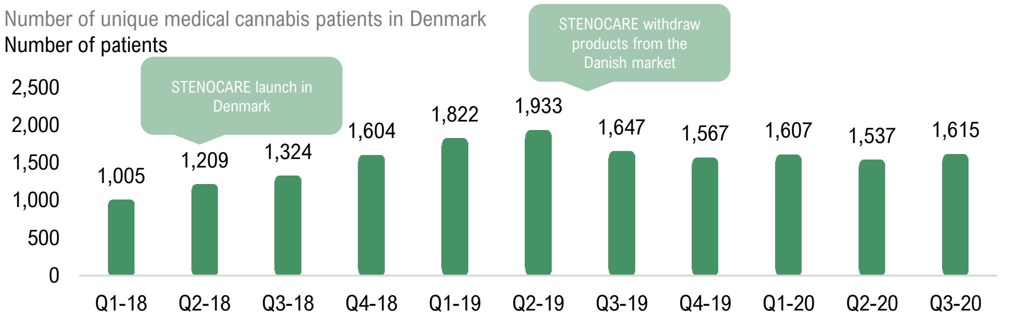
IRIS GROUP

Financial Forecast

Revenue Forecast 2022-2026

According to the Danish Health Department, the number of unique medical cannabis patients increased from around 1,200 to 1,900 between Q2-18 and Q2-19, i.e., when STENOCARE's products were available on the market, and when withdrawn from the market, decreased to around 1,500 patients, where the number have been stable since. In Q1-19, when STENOCARE had operated on the Danish market for approx. a year, the Company had revenues of DKK 4.3m, corresponding to an annual sales run rate of DKK 17.2m.

Number of Patients Grew Quickly in Denmark After STENOCARE Launched its Products During 2018.



Source: Danish Health Department

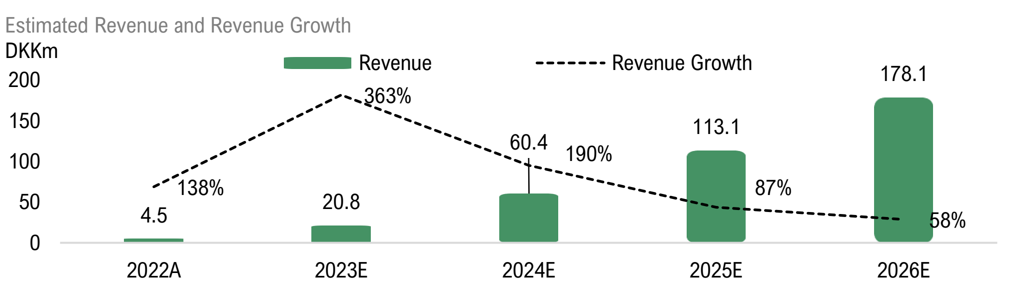
Strong patient growth in Scandinavia in 2023

On the one hand, STENOCARE is in a similar situation today as in 2018/2019, with two products approved for sales in Denmark and waiting for approval for the third product, and, on the other hand, STENOCARE has products approved in five additional markets, with intentions of adding more markets. As STENOCARE still is the sole supplier of medical cannabis oil products in Denmark, Analyst Group expects a strong revenue growth from the Danish market during 2023. Furthermore, the Company is also the sole supplier in Norway and Sweden, and we expect STENOCARE to prioritize these countries to create brand recognition among the health care industry. Furthermore, subsidies from the government further supports the incentives for patients to use medical cannabis oils in Denmark, Norway and Sweden, which is expected to lead to a large part of revenue growth coming from these countries, compared to Australia and the UK where there is zero subsidiary and competition is a bigger factor. Regarding Germany, STENOCARE's product will be reimbursed by insurance companies, which is expected to constitute a clear competitive advantage in a market with high competition.

DKK 20.8m net sales 2023

In 2023, Analyst Group estimates the Company's net sales to DKK 20.8m, by launching products in Denmark, as well as Norway and Australia, while capitalizing on steady patient growth in Sweden and the UK. Moreover, sales is expected to start in Germany in Q3-23, which is expected to contribute with revenues from that point. In 2024, a strong patient growth is expected in Germany as well as a launch of STENOCARE's premium products with the patented LTT-oil from Solural Pharma which, in addition to the already existing revenue drivers in 2023, is expected to result in a strong revenue growth of 190%. This results in an estimated revenue of DKK 60.4m in 2024. Further, in 2025 and 2026, Analyst Group expects continued strong revenue growth of 87% and 58%, resulting in a revenue of DKK 113.1m and 178.1m, respectively. Market growth is expected to be driven by legalizations and since larger, and more influential countries, for example like the UK and Germany, have legalized medical cannabis, it is expected to be considered more accepted as a treatment by doctors, why we estimate more doctors will prescribe medical cannabis in 2025 and 2026 compared to today, leading to increased sales for STENOCARE.

Revenue is Expected to Grow at a Rapid Pace, Based on Product Launches on New Markets, as well as the Launch of STENOCARE's Premium Products During 2024.



Source: Analyst Group estimates

Financial Forecast

Operating Expenses 2022-2026

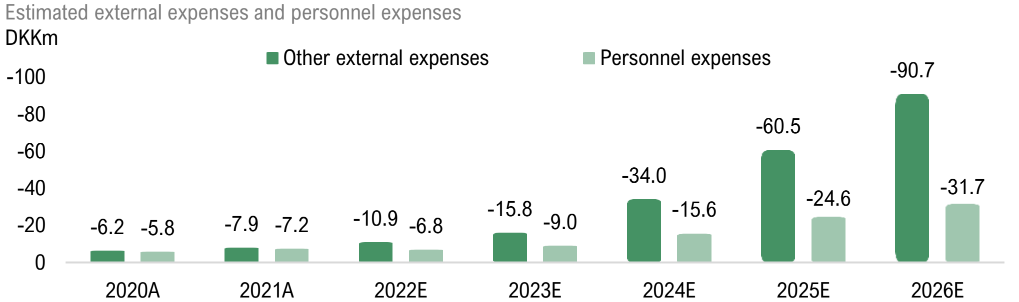
STENOCARE has aggregated several cost items into one post, external expenses, which, together with personnel expenses and depreciation, are the only expenses reported on an operational level. External expenses have been the largest costs historically, where expenses for STENOCARE's own cultivation facility is assumed to be the largest driver. Since Q1-19, when STENOCARE was profitable, this cost has increased, despite having limited sales. This is likely due to increasing costs for the cultivation facility, such as rent and electricity. Personnel expenses have increased over the years due to an increased number of employees as the Company has expanded their operations within their own cultivation facility. Going forward, Analyst Group estimates that sales need to grow to higher levels than in Q1-19, for STENOCARE to be profitable on an EBITDA-level. Hence, the estimated revenues of DKK 20.8m in 2023 is not expected to be enough to show positive EBITDA in the full year of 2023, why we estimate an EBITDA of DKK -4.0m. However, we estimate a positive EBITDA during Q4-23 due to strong revenue growth throughout the year, and the Company is expected to start showing positive cash flow from that point.

Naturally, STENOCARE's COGS are expected to increase as revenues are growing, hence, increasing external expenses. Analyst Group estimates STENOCARE's cost per product based on more mature, North American companies in the medical cannabis industry, such as Cresco Labs and Green Thumb Industries, where the gross margin amounts to approx. 50-60%. Analyst Group estimates a gross margin in the higher part of the interval, due to higher margins from STENOCARE's premium products, since they are expected to have a higher degree of uniqueness, leading to a higher pricing power.

All in all, external costs are estimated to increase year-on-year and reach DKK 90.7m in 2026. Regarding personnel, STENOCARE is expected to increase the number of employees in the coming years as the Company scale up the business. During 2021, the average number of employees amounted to nine, and Analyst Group estimates this number to grow to +40 until 2026, as the Company starts producing at their own cultivation facility and more personnel is needed for the harvesting process. This causes personnel expenses to grow from DKK 6.8m in 2022 to 31.7m in 2026. However, the increased cost levels do not match the estimated revenue growth, making way for higher margins.

External Expenses are Expected to Grow With Increased Sales, Albeit at a Lower Pace.

Estimated external expenses and personnel expenses



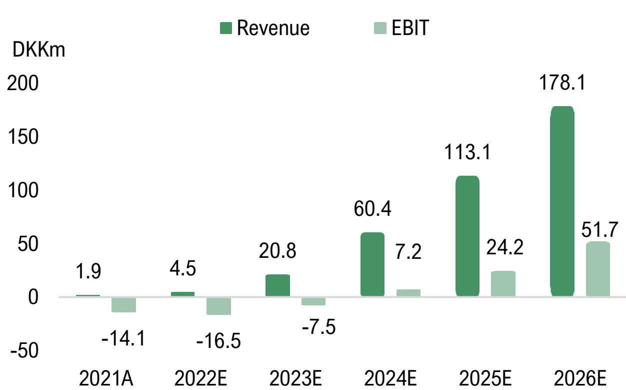
Source: Analyst Group estimates

A Summary of Analyst Group's Financial Forecasts for STENOCARE.

Financial forecasts, 2022-2026E, Base scenario

Base scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	4.5	20.8	60.4	113.1	178.1
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Total income	**1.9**	**4.5**	**20.8**	**60.4**	**113.1**	**178.1**
Other external expenses	-7.9	-10.9	-15.8	-34.0	-60.5	-90.7
Personnel expenses	-7.2	-6.8	-9.0	-15.6	-24.6	-31.7
EBITDA	**-13.2**	**-13.2**	**-4.0**	**10.9**	**28.0**	**55.7**
EBITDA margin	*-701%*	*-294%*	*-19%*	*18%*	*25%*	*31%*
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
EBIT	**-14.1**	**-16.5**	**-7.5**	**7.2**	**24.2**	**51.7**
EBIT margin	*-745%*	*-368%*	*-36%*	*12%*	*21%*	*29%*

Source: Analyst Group estimates



Valuation

Comparison Between 2019 and now

STENOCARE's products were first offered to patients during Q2-18, and in Q1-19, the Company reported sales of DKK 4.3m with an EBIT of DKK 1.5m. We see this as a proof that when products get approved, STENOCARE has the capability to quickly scale up sales and be profitable. At this point in time STENOCARE was valued to DKK 235m (Market Cap), or based at sales LTM, a P/S multiple of 27.8x. In relation to the annual sales run rate of Q1-19, the multiple was 13.6x. Furthermore, following the weeks after the Q1-19 report, the valuation increased to DKK 462m. However, during the summer of 2019, STENOCARE had to terminate the partnership with their then only supplier, CannTrust, and start to look for a new partner and again getting products approved by authorities.

STENOCARE are now in a similar position as 2019

Both STENOCARE as a company, and the market sentiment as a whole, has arguably changed since 2019. Starting with STENOCARE, the Company now has a roster of products approved and is launching in five countries. Furthermore, the supply chain is more stable today, having several suppliers from different parts of the world, as well as their own cultivation facility which can enable the launch of premium products during 2024. The first step for the Company is to reach sales levels equal to Q1-19, which we believe could be possible during H1-23, based on the approval of two medical cannabis oils in Denmark, entering Norway and Australia during the autumn/winter of 2022 as well as continued sales in the UK and Sweden.

Regarding the market's development since May 2019, the sentiment has changed in terms of a soaring inflation, rising interest rates and a general cool down of the global economic growth, causing a contraction in valuation multiples, especially for smaller growth companies. Also, looking at the cannabis industry as a whole, it can be argued that there was somewhat of an investor hype during 2018/2019, partly driven by the legalization of cannabis in Canada and certain states in the US.

Valuation: Base Scenario

The derived fair value per share is based on a relative methodology where STENOCARE is compared to other companies within the medical cannabis industry on the European market. As the market still is in its early days, the peer group, as well as STENOCARE, are to be considered as young, and in some cases small companies facing a potential rapid growth. Also, in general, these companies are currently unprofitable, why the valuation will be derived from a P/S multiple applied on 2024's estimated sales for STENOCARE. In addition to the peer group of European smaller companies, a comparison with larger, more mature companies on the Canadian and US market is also made, to investigate sector valuations in a more mature stage of a company's life cycle. Note that the companies differ in terms of which part of the market that they address and whether they offer cannabis for adult or medical use. Nevertheless, Analyst Group sees similarities with STENOCARE regarding the business model, growth prospects, and profitability potential.

	Market cap (DKKm)	Revenue (LTM, DKKm)	Revenue growth Y-Y	Gross Margin	EBIT (LTM, DKKm)	P/S (x)
KANABO+	90.9	5.2	726%	33%	-58.7	17.4
DanCann Pharma	19.6	5.1	68%	28%	-17.8	3.9
CANNOVUM AG	10.2	6.1	1,982%	34%	-4.0	1.7
SYNBIOTIC	152.5	0.5	-37%	n/a	-23.4	293.3
Medel	**68.3**	**4.2**	**685%**	**32%**	**-25.9**	**79.1**
Median	**55.3**	**5.1**	**397%**	**33%**	**-20.6**	**10.7**
STENOCARE®	63.6	1.6	-18%	n/a	-18.8	38.7

STENOCARE and the above companies are similar in relation to that they all operate within the European medical cannabis market, which is expected to show strong growth in the coming years. Furthermore, they all show low revenues as they are in early stages, leading to high P/S multiples. The median P/S multiple for the above companies is 10.7x. P/S multiples for companies in early development or a high-growth phase are generally high, due to initially low, or zero sales. Over time, as sales increases, multiples tend to normalize in line with the company reaching a larger market share and a higher degree of maturity. Hence, Analyst Group consider a P/S multiple of 10.7x too high regarding how to value STENOCARE based on 2024's sales.

Valuation

	Market cap (DKKm)	Revenue (LTM, DKKm)	Revenue growth Y-Y	Gross Margin	EBIT (LTM, DKKm)	P/S (x)
AURORA	1,280	2,147	0%	11%	-2,006	0.6
CANOPY GROWTH	1,825	2,201	-19%	n/a	-14,279	0.8
CRESCOLABS	3,167	5,585	-4%	47%	-679	0.6
Jushi	690	1,985	27%	36%	-1,390	0.3
ORGANIGRAM	829	857	55%	31%	-140	1.0
curaleaf	12,789	9,269	8%	41%	-206	1.4
Green Thumb	10,729	6,948	9%	49%	752	1.5

When looking at the larger, more mature North American companies, the revenue growth is a bit more modest with a median of 8% Y-Y. Furthermore, the North American companies also shows a slightly higher gross margin than the European companies. The peer group is valued to a median multiple of P/S 0.8x. However, there are differences between these companies and STENOCARE that should be taken into consideration. First and foremost, STENOCARE is expected to show a stronger revenue growth during our forecast period, which implies a higher multiple. STENOCARE is also expected to reach a positive EBIT during Q4-23, compared to the peer group where most companies are still unprofitable, which also should justify a higher valuation. On the other hand, the peer group are larger companies who have proven that they can generate sales, which motivates a valuation discount to the applied multiple for STENOCARE. However, all in all, Analyst Group believes that a higher multiple than the North American Industry group is justified for STENOCARE, due to higher growth expectations and profitability.

Taking both the median multiple of the younger, more immature companies on the European market, and the more mature, larger companies on the North American market into consideration, as well as the sales multiple that STENOCARE was trading at shortly after the Q1 report 2019, Analyst Group believes a target multiple of P/S 5.5x on estimated sales during 2024 is reasonable. Hence, we consider that a multiple somewhere in between the younger European and the more mature North American companies is justified, given the stage that STENOCARE is expected to be in during 2024. This implies a multiple discount of ~60% compared to what STENOCARE was valued at after Q1-19 (run rate), based on a worse macro environment today, with higher inflation and interest rates, as well as a somewhat more neutral investor attitude towards “cannabis stocks”, even though STENOCARE is, as mentioned earlier, to be considered as a sort of pharmaceutical company. A target multiple of 5,5x on 2024’s estimated revenues of DKK 60.4m corresponds to a Market Cap of DKK 332m. To make up for uncertainties in the forecasts, given that STENOCARE is yet to scale up sales, investors are likely to demand a high required rate of return. According to a compilation from PwC, different levels of required returns can be applied based on which stage a company is in.

Different Stages Requires Different Rate of Returns.

Required rate of return, per stage

Stage	Seed/Idea	Seed/Start-up	Early growth	Expansion
Plummer	50 - 70 %	40 - 60 %	35 - 50 %	25 - 35 %
Scherlis & Sahlman	50 - 70 %	40 - 60 %	30 - 50 %	20 - 35 %
Sahlman, Stevenson, & Bhide	50 - 100 %	40 - 60 %	30 - 40 %	20 - 30 %
VC guide in BE	50 - 100 %	50 - 60 %	40 - 50 %	30 - 40 %
Damodaran	50 - 70 %	40 - 60 %	35 - 50 %	25 - 35 %
Selected discount rate	**50 - 85 %**	**40 - 60 %**	**35 - 50 %**	**25 - 35 %**

Source: PWC

DKK 13.9
per share in a base scenario

Analyst Group argue that STENOCARE is somewhere between *Early growth* and *Expansion*, given the situation the Company is in right now, ready to scale up sales. Since STENOCARE is a public company who have proven in the past that they can generate sales and a positive EBIT, we apply a required rate of return of 30%, hence in the lower part of the interval. Based on a company value of DKK 332m in 2024, and the conservative discount rate of 30%, a present value per share of DKK 13.9 is derived in a Base scenario.

Bull & Bear

Bull Scenario

The following is a selection of potential value drivers in a Bull scenario:

- More doctors prescribe medical cannabis oil products as the advantages against opiates becomes more obvious for the health care industry operating within STENOCARE's markets. Moreover, the Company's IT-platform for online clinics is expected to be a driver of increased prescriptions, as doctors can reach patients more easily.
- STENOCARE's premium products gets approved by authorities earlier than in a Base scenario, making an earlier launch possible. The benefits with the products, including improved uptake in the blood, reduced food effect and faster reach of maximum concentration in the blood, are assumed to be appreciated by doctors, leading to more prescriptions, generating increased sales for STENOCARE. Furthermore, the premium products get approved for export, i.e., the Company can sell the products to additional markets, and partnering with big pharma companies for sales of STENOCARE's products.
- STENOCARE experience a longer time of being the sole supplier of medical cannabis oil products in the Swedish, Danish, and Norwegian markets, as competitors, with outdoor cultivation in green houses, continues to have difficulties to get products approved by authorities, proving STENOCARE's indoor cultivation strategy successful. Further, this means that the Company can maintain a strong position on these markets when, eventually, competitors are entering, as doctors are familiar with STENOCARE's brand and products.
- Given a conservative discount rate of 30% and a target multiple of P/S 5.5x on estimated sales of DKK 70.7m in 2024 in a Bull scenario, a potential present value per share of DKK 16.3 is derived.

DKK 16.3
per share in a Bull scenario

Bear Scenario

The following is a selection of potential factors in a Bear scenario:

- STENOCARE is still in the early stages of their "business re-launch", which comes with uncertainties. In a Bear scenario, doctors' skepticism against medical cannabis turns out to be persistent, regardless if it is an oil product or not, resulting in fewer patients being prescribed with the products, hence, lower revenue growth for STENOCARE.
- As the medical cannabis market in Europe is highly regulated STENOCARE is, in a Bear scenario, expected to be required to make adjustment to their own premium products to obtain the necessary permits from authorities. This results in a later launch of the premium products, which is expected to slow down the Company's growth and prolong the time for reaching higher profitability.
- Several competitors to STENOCARE are multinational companies with significant financial resources, where widespread investments and product development could result in competitors developing products that outperform STENOCARE's in terms of quality. This is expected to lead to competitors stealing market shares from STENOCARE.
- In a Bear scenario, a lower target multiple is justified, as lower revenue growth and profitability is expected, why a target multiple of P/S 4x is applied on 2024 sales of DKK 23.7m. This, in combination with a conversative discount rate of 30%, results in a potential present value per share of DKK 3.7.

DKK 3.7
per share in a Bear scenario

Illustration of Potential Valuation in a Bull and Bear Scenario.

Source: Analyst Group estimates

CEO Interview, Thomas Skovlund Schnegelsberg

As you recently published the Q1-report for 2023, could you provide a summary of the quarter for STENOCARE?

The first quarter had sales of 808 mDKK, which is at a similar level compared to Q1 2022. The quarter followed a very busy Q4, during which we managed to complete our first shipments and sales in new markets.

Our constant focus on cost management resulted in lower expenses of 300 kDKK compared to Q1 2022. This reduction is primarily driven by cost savings at the cultivation site, where, for example, a better negotiated price on energy is contributing to the improved results.

The Unit Rights Issue announced in May 2023 was subscribed to 127% and STENOCARE received DKK 10.7m in gross proceeds. Could you elaborate on how the capital injection will strengthen STENOCARE and how the net proceeds will be used?

The Unit Rights Issue was part of a 12-month plan that we have announced. Over three transactions, we plan to raise approximately 30 mDKK. The first transaction was successfully closed with a subscription rate of 127%. We divided the capital raising into three transactions because the funds are not immediately required, but they will be valuable for executing our strategy at the time of each transaction.

The raised capital will be utilized in four ways:

1) Accelerating our sales growth in existing and new markets.

2) Investing in our Danish cultivation facility to meet regulatory requirements in the markets we serve.

3) Developing the next generation of innovative medical cannabis oil products to give Stenocare a competitive position.

4) Repaying short-term loans to strengthen our balance sheet.

As an additional bonus resulting from the Unit Rights Issue, several holders of our short-term loans have committed to converting their loans of 5.0 mDKK into Stenocare shares. We view this as a vote of confidence in our strategy and it further enhances our liquidity.

On May 25th, you announced that a STENOCARE product has been approved for sales in Germany, what possibilities do you see for STENOCARE on the German market and when can investors expect to see a financial impact from the new market?

Entering the largest medical cannabis market in Europe presents both opportunities and challenges for Stenocare. The opportunity lies in the number of patients and analyst projections indicating market growth from 390 million EUR to 1 billion EUR by 2027. However, this also attracts competition with numerous suppliers, requiring Stenocare to compete for market share.

In August, we will introduce one medical cannabis oil product. As we have experienced in all our markets, there is a learning curve, and it takes time to establish a solid foundation for sales. Our product will have approval for reimbursement by health insurances, which we believe is a competitive advantage. Our goal in the German market is to become a significant supplier in the coming years, and we possess strategic assets to support this objective. For competitive reasons, we do not provide specific comments on individual markets.

CEO Interview, Thomas Skovlund Schnegelsberg

Could you give three reasons as to why STENOCARE is a good investment today?

The management team and Board of Directors have recently invested 2 mDKK of their personal funds in Stenocare. We are deeply committed to the company's success and have demonstrated our dedication by putting our "skin in the game."

There are three compelling reasons for our investment in Stenocare:

1) The medical cannabis market is highly promising. The European market is still in its early stages, and there are enormous growth expectations for the next five years. By joining this growth journey from its inception, we have the opportunity to capitalize on market expansion.

2) Stenocare has been a trailblazer in multiple areas and has developed robust strategic assets, including regulatory expertise, a solid supply chain, strong commercial capabilities, and valuable partnerships. These assets enable us to operate in most markets worldwide. With regulatory-approved products already being sold in five countries and plans to enter the sixth market soon, we are well-positioned to become a leader in the European medical cannabis industry.

3) Investment driven by a purpose of making a positive impact. Medical cannabis has the potential to significantly improve the quality of life for millions of patients, which aligns perfectly with Stenocare's core mission.

JUNE 26TH 2023

Management & Board

Thomas Skovlund Schnegelsberg, CEO and Co-founder

Thomas has been CEO since STENOCARE was founded in 2017 and was also a co-founder of the Company. He holds a Master of Science in Economics and Business Administration from Copenhagen Business School. Previous experiences consist of senior leadership roles at Microsoft in Denmark, Nordic, the UK, and Europe. Thomas has also been a board member at Lauritz.com. *Thomas owns 1,569,222 shares (10.4%) through Prana Holding ApS.*

Rolf Steno, CCO and Co-founder

Rolf has been CCO since STENOCARE was founded in 2017 and was also a co-founder of the Company. He has been CEO at LFP Scandinavia for 14 years as well as a Business Deve-lopment manager at Techsage, where Rolf was the inventor and partial patent holder of the IP to the Spinjet (spinjet.com). *Rolf owns 1,671,697 shares (11.1%) through STENO Group ApS.*

Søren Kjær, COO, Co-founder and Member of the Board

Søren has been COO since STENOCARE was founded in 2017 and was also a co-founder of the Company. He holds a Master of Science in Horticulture from University of Copenhagen and has 20 years of experience from consultancy within project management, innovation processes and biotechnology from the horticultural industry. *Søren owns 1,630,103 shares (10.8%) through MS Kjær Holding ApS.*

Peter Bugge Johansen, CFO

Peter has been CFO since 2018 and holds a Master of Science in Economics and Auditing from Copenhagen Business School. Previous experience includes 20 years at Interdan Holding A/S as first CFO and later CEO, 3 years as Tax Manager at A.P. Møller-Mærsk and 14 years as auditor at Deloitte. Though his career, Peter has acquired knowledge in financial and strategic issues such as financing, internal and external reporting, asset management, group structure and mergers and acquisitions. *Peter owns 97,356 shares (0.6%) and have 13,600 remaining of a 5-year options program to receive up to 34,000 shares.*

Marianne Wier, Chairman of the Board

Marianne has been chairman of the board since 2018, holds a law degree from University of Copenhagen and has a background as a lawyer. Today, Marianne is CEO at Taksatorringen, and previous experiences include COO at Topdanmark, President and Attorney at Johan Schlutter Law Firm, Group Public Affairs Manager at Danske Bank, and Corporate & Government Affairs Manager at Microsoft Denmark. *Marianne owns 57,976 shares (0.4%).*

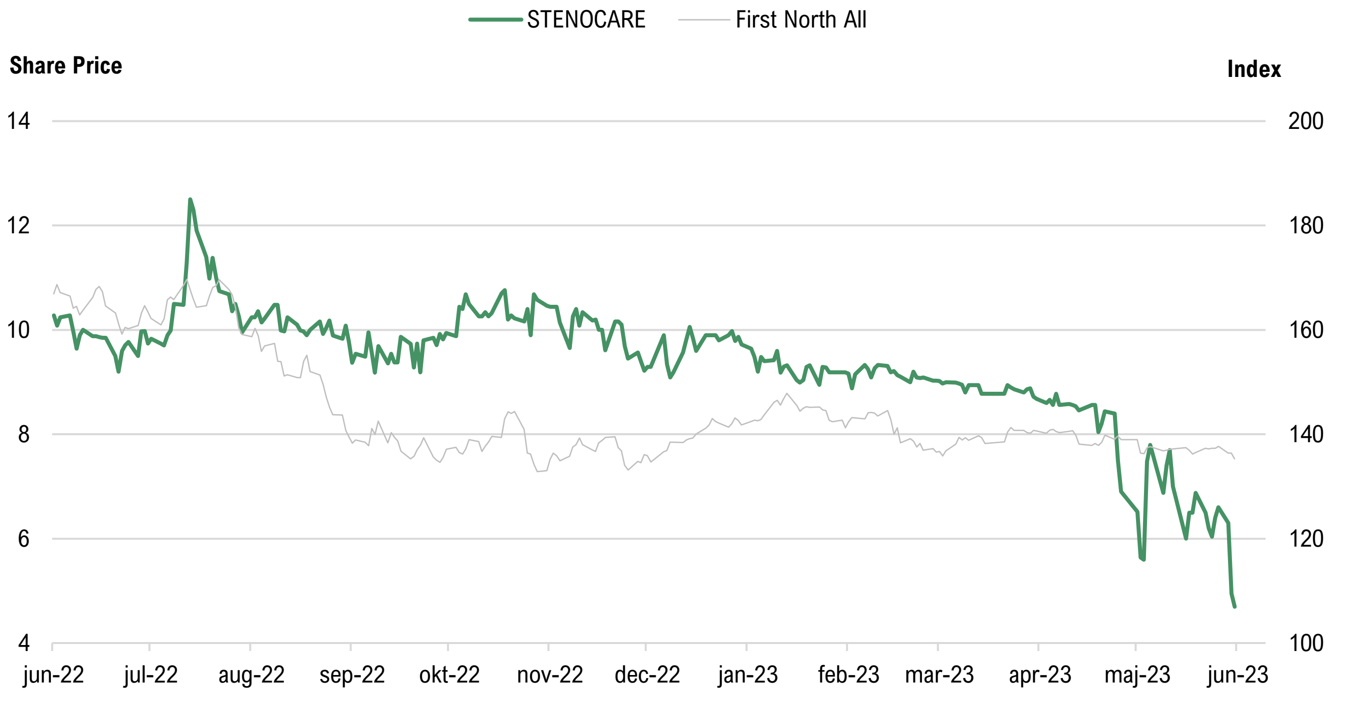
Søren Melsing Frederiksen, Member of the Board

Søren has been a member of the board since 2018 and holds a chemical engineering bachelor and a Master of Industrial Drug Development (MIND) from University of Copenhagen. Today, Søren is Vice President, Commercial Rx and Product Development at Orifarm Healthcare A/S and previous experience ranges from R&D, project management, sales management, and product launch. *Søren owns 107,839 shares (0.7%) through SML Holding ApS.*

Jeppe Bo Petersen, Member of the Board

Jeppe has been a member of the board since 2018 and is currently CEO at Olivia Danmark A/S and Focus People A/S. Previous roles include CFO at, for instance, Valad Europe A/S and Nordicom A/S. He has 30 years of experience in the field of economics. *Jeppe owns 1,667 shares (0.0%)*

Appendix

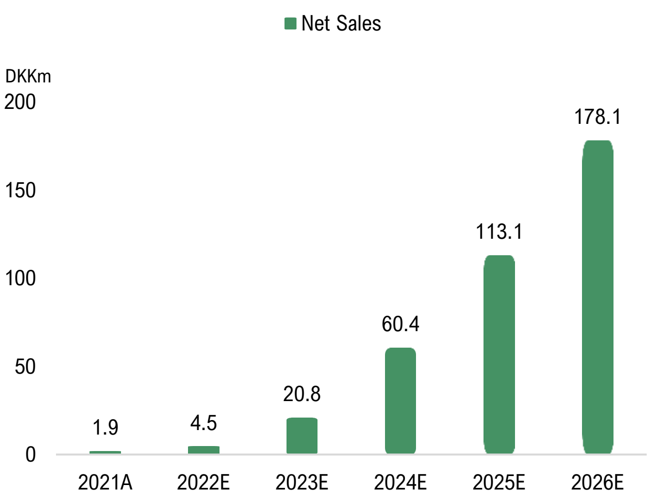


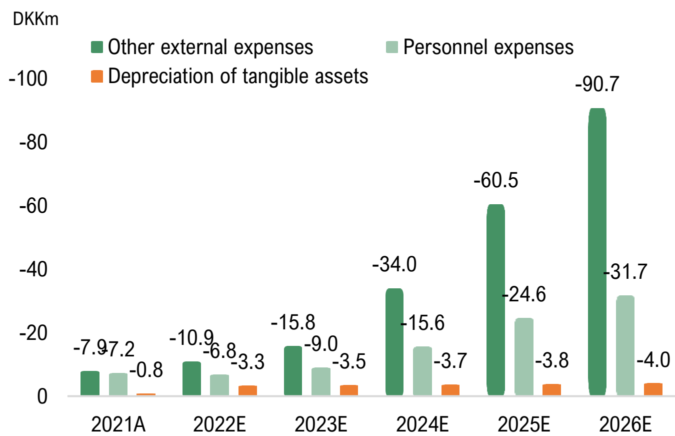
DKKm	2018[1]	2019	2020	2021	2022
Net Sales	4.1	4.9	0.2	1.9	4.5
Other income	0.0	11.3	0.0	0.0	0.0
Total income	**4.1**	**16.2**	**0.2**	**1.9**	**4.5**
Other external expenses	-5.3	-7.4	-6.2	-7.9	-10.9
Personnel expenses	-2.5	-4.4	-5.8	-7.2	-6.8
EBITDA	**-3.6**	**4.4**	**-11.8**	**-13.2**	**-13.2**
EBITDA margin	*-87%*	*89%*	*-5962%*	*-701%*	*-294%*
Depreciation of tangible assets	0.0	-0.1	-0.2	-1.1	-3.3
EBIT	**-3.6**	**4.4**	**-12.1**	**-14.1**	**-16.5**
EBIT margin	*-87%*	*27%*	*-6083%*	*-745%*	*-368%*

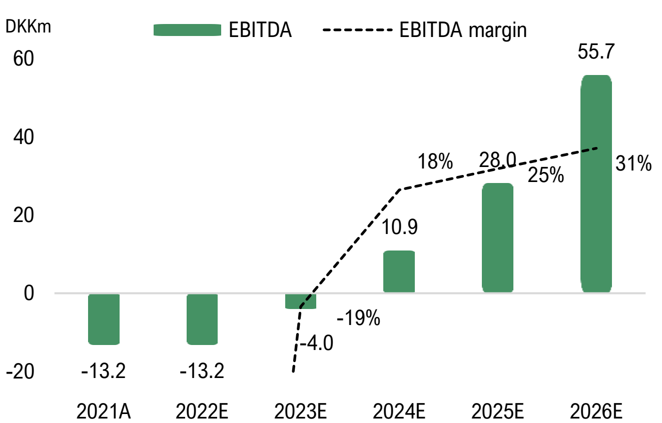
[1] 14 months, November 2017- December 2018

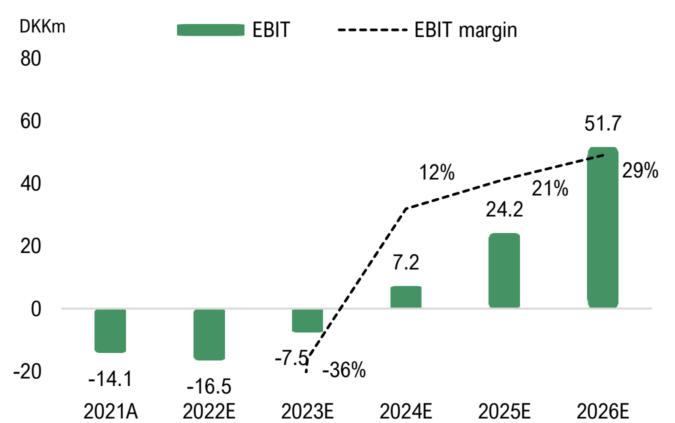
Appendix

Base scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	4.5	20.8	60.4	113.1	178.1
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Total income	**1.9**	**4.5**	**20.8**	**60.4**	**113.1**	**178.1**
Other external expenses	-7.9	-10.9	-15.8	-34.0	-60.5	-90.7
Personnel expenses	-7.2	-6.8	-9.0	-15.6	-24.6	-31.7
EBITDA	**-13.2**	**-13.2**	**-4.0**	**10.9**	**28.0**	**55.7**
EBITDA margin	*-701%*	*-294%*	*-19%*	*18%*	*25%*	*31%*
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
EBIT	**-14.1**	**-16.5**	**-7.5**	**7.2**	**24.2**	**51.7**
EBIT margin	*-745%*	*-368%*	*-36%*	*12%*	*21%*	*29%*



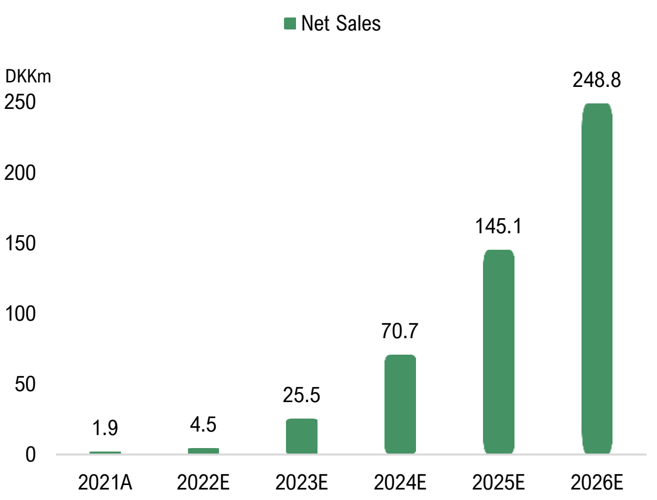


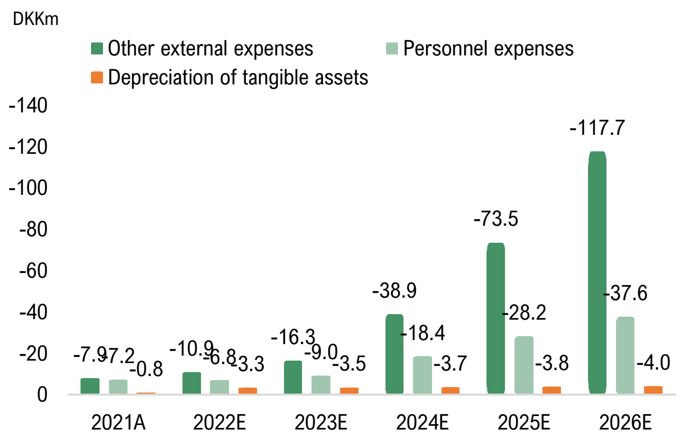


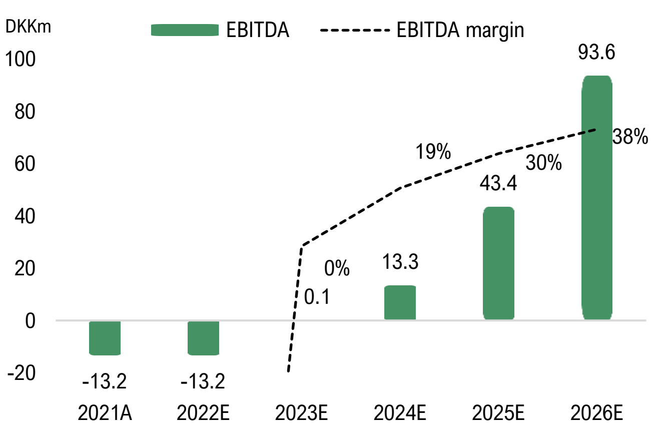


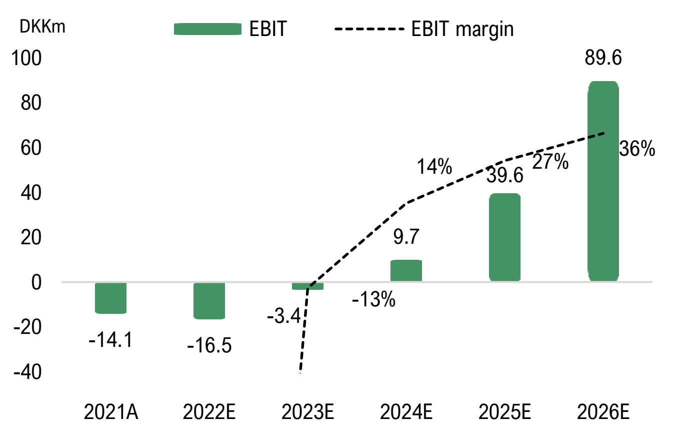
Appendix

Bull scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	4.5	25.5	70.7	145.1	248.8
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Total income	**1.9**	**4.5**	**25.5**	**70.7**	**145.1**	**248.8**
Other external expenses	-7.9	-10.9	-16.3	-38.9	-73.5	-117.7
Personnel expenses	-7.2	-6.8	-9.0	-18.4	-28.2	-37.6
EBITDA	**-13.2**	**-13.2**	**0.1**	**13.3**	**43.4**	**93.6**
EBITDA margin	*-701%*	*-294%*	*0%*	*19%*	*30%*	*38%*
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
EBIT	**-14.1**	**-16.5**	**-3.4**	**9.7**	**39.6**	**89.6**
EBIT margin	*-745%*	*-368%*	*-13%*	*14%*	*27%*	*36%*



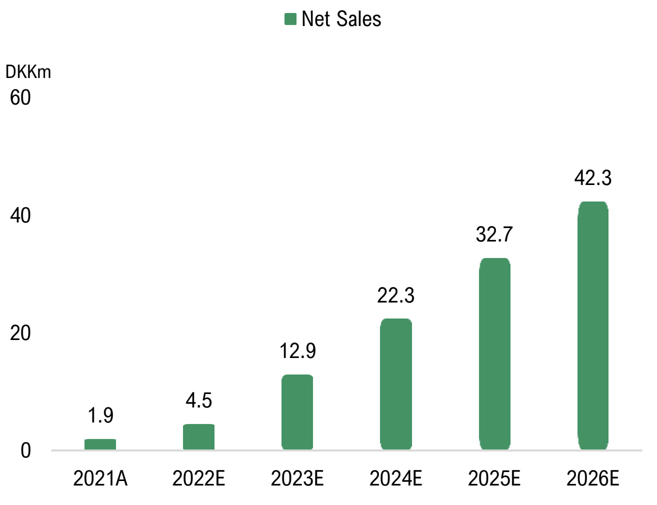


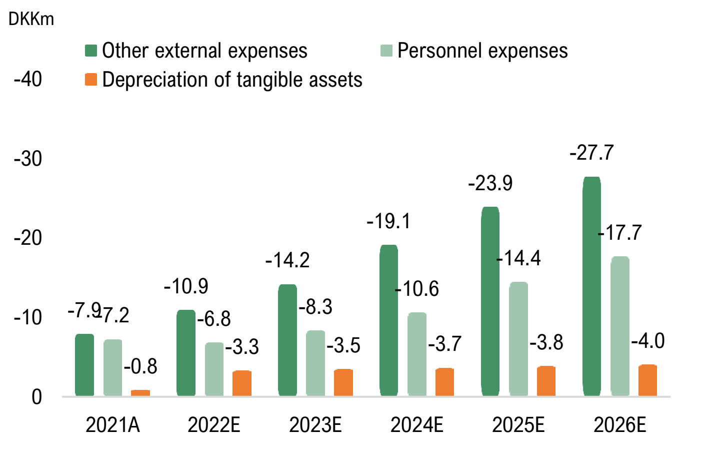


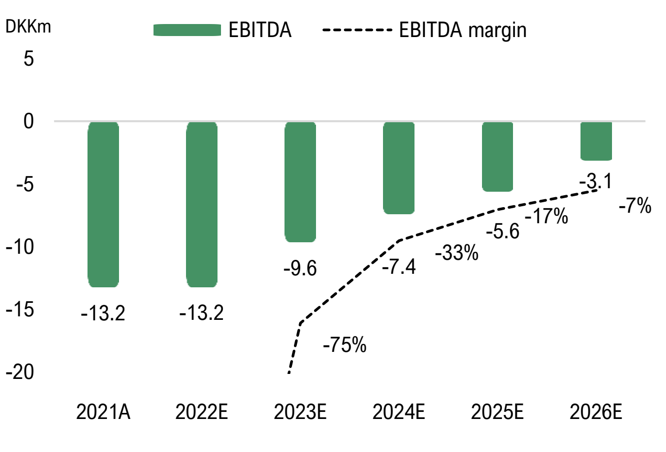


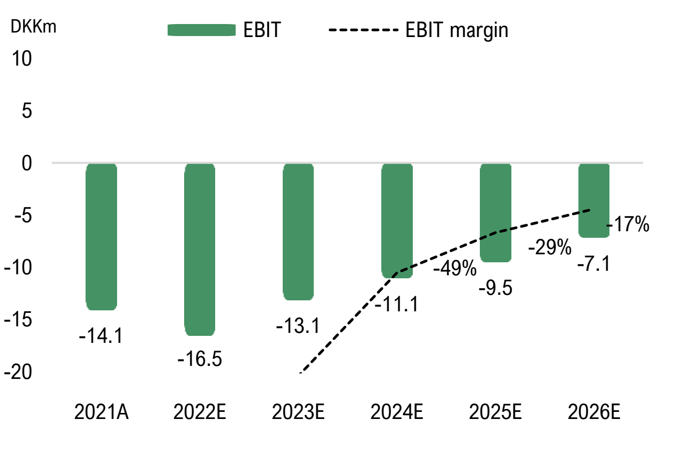
Appendix

Bear scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	4.5	12.9	22.3	32.7	42.3
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Total income	**1.9**	**4.5**	**12.9**	**22.3**	**32.7**	**42.3**
Other external expenses	-7.9	-10.9	-14.2	-19.1	-23.9	-27.7
Personnel expenses	-7.2	-6.8	-8.3	-10.6	-14.4	-17.7
EBITDA	**-13.2**	**-13.2**	**-9.6**	**-7.4**	**-5.6**	**-3.1**
EBITDA margin	*-701%*	*-294%*	*-75%*	*-33%*	*-17%*	*-7%*
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
EBIT	**-14.1**	**-16.5**	**-13.1**	**-11.1**	**-9.5**	**-7.1**
EBIT margin	*-745%*	*-368%*	*-102%*	*-49%*	*-29%*	*-17%*









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Other

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The analyst does not own shares in the Company.