2023-08-24

STENOCARE

Long-term Sales Drivers are Intact

In Q2-23, STENOCARE delivered a sales growth of 279% Y-Y, amounting to DKK 1.7m with a stable cost development. However, sales growth was under our expectations due to a delay from agencies regarding approval of new products as well as slower sales than expected in international markets. The delay is expected to affect sales growth for the rest of 2023 as STENOCARE's balanced oil is expected to obtain approval in the end of 2023. This, in combination with other sales drivers such as entering the German market in Q2-23 and a potential launch of the Company's premium products, is expected to accelerate sales growth from 2024. With estimated net sales of DKK 59.2m by 2025, and with an applied P/S multiple of 5x, a potential present value per share of DKK 10.2 (13.9) is derived in a Base scenario.

▪ Slower Sales Growth due to Delays from Agencies

STENOCARE's net sales amounted to DKK 1.7m (0.5) in Q2-23, corresponding to a growth of 279% Y-Y. The development in sales is below our expectations and is, among other things, attributable to a delay from medicinal agencies regarding approving the Company's products, for instance a balanced oil on the Danish market, which needs approval again as STENOCARE has a new supplier compared to when it was commercially active in 2018/2019. This product has historically represented +50% of the sales volume, why we expect sales growth to accelerate once the new balanced oil is approved, expected in the end of 2023.

▪ Growth in Prescriptions in Denmark

Despite the balanced oil being delayed, data from the Danish Medicines Agency shows that there has been a growth in the number of patients using medical cannabis since the Company obtained approval for their THC oil (early 2022) and CBD oil (early 2023) respectively. No other oil product has been approved in this period, why we assume that the patient growth is primarily attributable to STENOCARE's products entering the market, something that is expected to accelerate further when the balanced oil obtains approval.

▪ Updated Valuation Range

As the figures for the first half-year of 2023 is now presented, STENOCARE's net sales have developed below our expectations. This, in combination with a delay in approval for the balanced oil, which will affect the Company for the rest of 2023, has resulted in an update of our financial forecasts and valuation range in all scenarios. However, we see several growth drivers that are expected to materialize during 2024, including a ramp up in sales in the newly entered German market and a potential launch of the Company's own premium products, why we still estimate strong revenue growth going forward. In connection with this, we have switched target year for our valuation, why a P/S multiple is applied on 2025 years estimated sales, as STENOCARE is expected to have reached a larger part of the Company's potential. However, we still see, given today's share price, that an investment in STENOCARE invites to an attractive risk reward.

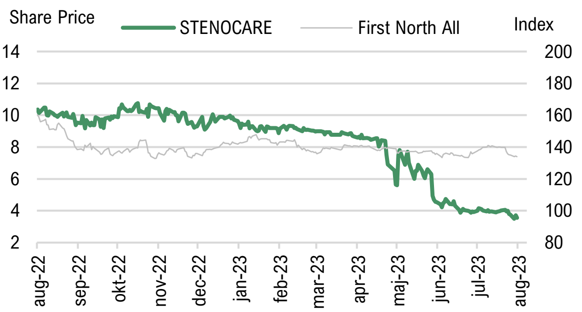
VALUATION RANGE

Bear	Base	Bull
DKK 2.4	DKK 10.2	DKK 14.1

STENOCARE

Share Price (2023-08-23)	3.55
Shares Outstanding	15,102,124
Market Cap (DKKm)	53.6
Net cash(-)/debt(+) (DKKm)	1.5
Enterprise Value (DKKm)	55.1
List	Nasdaq First North Growth Market
Interim Report Q3 2023	2023-11-09

STOCK DEVELOPMENT



TOP SHAREHOLDERS

Steno Group ApS (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	7.8	24.1	59.2
Net sales growth	*138%*	*73%*	*210%*	*146%*
Other external expenses	-10.9	-11.4	-19.1	-32.5
Share of revenue (%)	*-243%*	*-147%*	*-79%*	*-55%*
Personnel expenses	-6.8	-7.0	-8.6	-14.4
EBITDA	**-13.2**	**-10.7**	**-3.7**	**12.3**
EBITDA margin	*-294%*	*-138%*	*-15%*	*21%*
P/S	11.9	6.9	2.2	0.9
EV/S	12.3	7.1	2.3	0.9
EV/EBITDA	-4.2	-5.1	-15.0	4.5
EV/EBIT	-3.3	-3.9	-7.5	6.5

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

Name	Axel Ljunghammer
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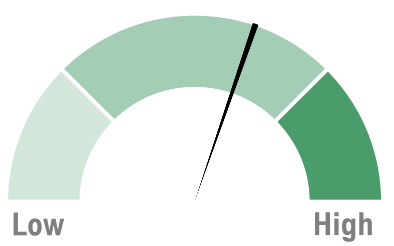
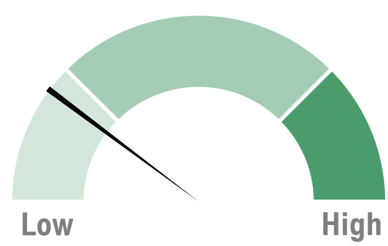
Value Drivers



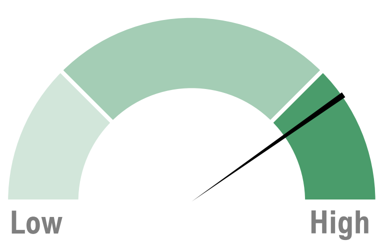
Medical cannabis is getting more accepted by the health care industry and legalized as a pharmaceutical medicine by authorities, which STENOCARE is expected to capitalize on. Furthermore, the Company is expected to launch its own premium products in 2024, which are expected to have several benefits compared to competing generic products. This is estimated to drive the Company's revenue, with a strong margin. STENOCARE has ambitions to expand geographically which we see as a strong value driver.

Historical Profitability



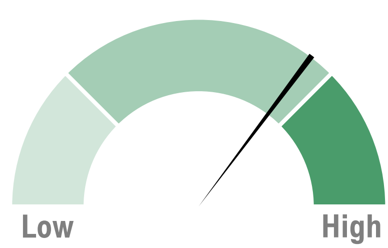
STENOCARE has not been profitable since Q1-19, which was right before the issues with their former supplier CannTrust. Since then, the Company has worked to build up a new supply chain, for this reason, profitability has not been prioritized. However, STENOCARE now has two products approved on the Danish market, waiting for approval for a third to become in a similar situation as Q1-19, but with products approved in several countries. 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 dependent on products being approved by authorities, as well as accepted by the health care industry, which implies a regulatory risk. Cash at bank amounted to DKK 7m at the end of Q2-23 and with an estimated burn rate of DKK 1.1m per month, the Company is funded until December 2023, all else equal. However, the Company could receive an additional DKK 3.7-7.8m in December through exercise of Warrants of Series TO 1, as a part of the announced 12 months capital plan for STENOCARE, which would strengthen the cash position.

Comment on Q2-Report 2023

DKK **1.7m**
Net sales in Q2-23

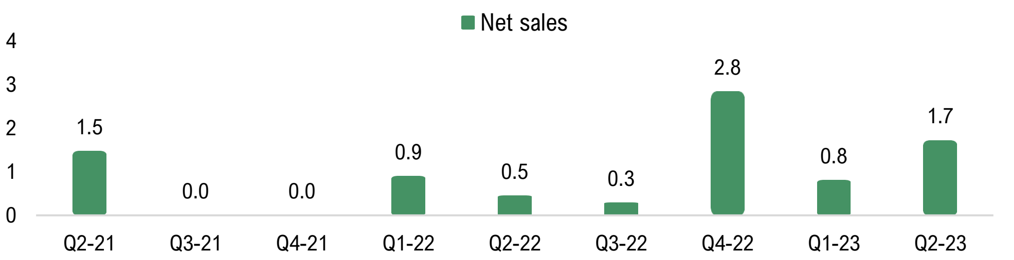
Financial Development During the Period

Net sales in Q2-23 amounted to DKK 1.7m (0.5), which corresponds to a sales growth of 279%, however, lower than expected. The revenue during the quarter is attributable to products on the Danish market where STENOCARE has two products approved for sales, a THC and a CBD oil, and are waiting for approval for a third product, a balanced oil combining CBD and THC. This product has been delayed due to a longer than expected approval process from the Danish Medicinal Agency, caused by pressure on its resources. The approval of the balanced oil is expected to be an important sales driver, as this product has represented +50% of sales volume historically. This, in combination with a delay of a new Swedish product for the same reason, lowered the expected sales for 2023 to DKK 7.5-10m, corresponding to a growth of 167% - 222% Y-Y, from previous DKK 15-20m. However, STENOCARE are still expected to reach an annual sales run rate of DKK 15-20m at the end of 2023, which would put the Company in a good position for continued sales growth in 2024.

The lower-than-expected sales is also attributable to a slower development in international markets, as STENOCARE only delivered products to the Danish market in H1-23, which according to Analyst Group is a result of a slow-moving market with a general skepticism towards medical cannabis from the health care industry. This is expected to ease with time as, for instance, more studies like the one Celadon Pharmaceuticals is conducting on 5,000 pain patients are completed, as well as with STENOCARE's IT-platform for online clinics that enables doctors to increase their reach to patients. Given this, in combination with several other sales drivers like the balanced oil getting approved on the Danish market, STENOCARE entering Germany in Q2-23 and a potential launch of the Company's premium products, is expected to accelerate the sales growth from 2024 and going forward.

Net sales grew in Q2-23 but was lower than expected, among other things due to delay at medicinal agencies regarding approval of new products.

Net sales Q2-21-Q2-23
DKKm



Source: Historical results

Decrease in costs
Y-Y

Regarding costs, both external expenses and personnel expenses are developing in a stable manner. External expenses excluding COGS are estimated to have amounted to approximately DKK 2m during Q2-23, compared to approximately DKK 2.5m in the same period last year, which proves that STENOCARE are still running a slim organization towards anticipated break-even, which is now expected during 2024. The personnel expenses amounted to DKK 1.6m (1.6) during Q2-23, which also proves a stable cost development.

The cash flow from operations amounted to DKK -4.3m (-3.6), where the decrease is attributable to a less favourable development in working capital. During Q2-23, STENOCARE raised capital through a Unit Rights Issue, where the initial rights issue was subscribed to approximately 127%, raising DKK 10.7m before deduction of transaction related costs. The capital raise has strengthened the Company's financial position and as a result, the cash position amounted to DKK 7m at the end of Q2-23. Moreover, STENOCARE exercised a parallel directed issue where DKK 5m of loans were converted into equity of the same terms as the Unit Rights Issue, which further strengthened the Company's balance sheet. Based on a burn rate of DKK -1.1m per month and the cash position of DKK 7m at the end of Q2-23, STENOCARE are estimated to be funded until the end of the year. However, as part of the announced 12 months capital plan for STENOCARE, that will raise up to DKK 29.7m across three transactions from June 2023 to June 2024, the Company could receive an additional DKK 3.7-7.8m in December through exercise of Warrants of Series TO 1, where the exercise price will be between 3.21-6.70 per share. Furthermore, STENOCARE are expected to deliver higher revenues during H2-23 compared to H1-23, for instance through products being available for patients in Germany, which is estimated to have a positive impact on the burn rate.

Comment on Q2-Report 2023

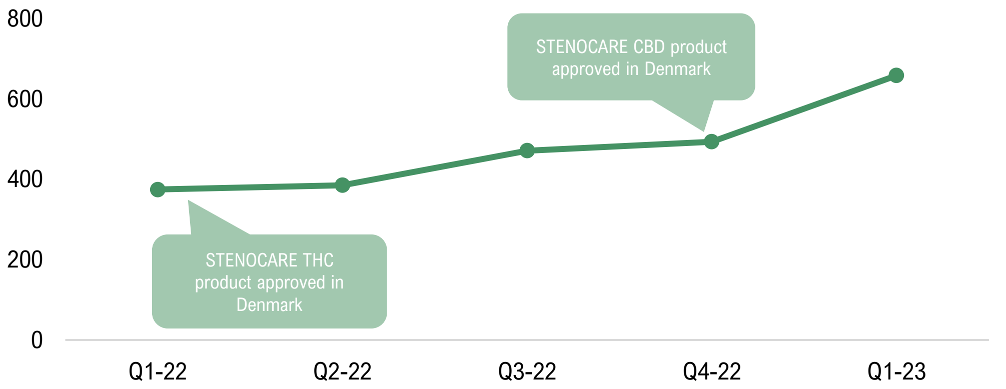
New Data from the Danish Medicinal Agency

In previous equity research reports for STENOCARE we have expressed the development in number of unique medical cannabis patients, which steadily grew between Q2-18 to Q2-19 as STENOCARE delivered products to the market but later declined as the products were withdrawn from the market. As STENOCARE now has had its THC product approved since early 2022 and CBD product since early 2023, it is now of importance to see the development in number of prescriptions since the Company once again has entered the market. During this period STENOCARE's products have been the only oil products approved under the Danish Pilot Program, why it is assumed that the patient growth is attributable to the Company's products approval on the market. The growth in number of patients is expected to further accelerate as STENOCARE's balanced oil (combined THC and CBD) obtains approval from the Danish Medicinal Agency, as this product historically has been prescribed with the highest volume, but the current data proves that STENOCARE has a strong position on the Danish market according to Analyst Group.

Strong position on the Danish market

There has been a growth in number of patients using medical cannabis in Denmark after STENOCARE's launch.

Number of patients using medical cannabis under the Danish pilot program



Source: Danish Medicinal Agency

The Market is Moving in the Right Direction

The NHS Research Ethics Committee in the UK has approved a clinical trial on medical cannabis and chronic pain, which will include up to 5,000 patients. Celadon Pharmaceuticals, a licensed producer of cannabis-based medicines in the UK, are in charge of the trial. Celadon previously conducted a three-month feasibility study with 100 patients, which indicated positive outcomes in terms of quality of life, pain, sleep as well as reduction of opioid usage. Up to 28 million people are thought to be living with some sort of chronic pain, which is the most common symptom where medical cannabis is used for treatment, but regulators and policymakers have repeatedly called for more robust data before an ease in regulation can occur, which this study can provide.

New study can support a wider prescription of medical cannabis

The results of the study can, according to Analyst Group, support a wider prescription of medical cannabis for patients suffering from chronic pain, and enable potential reimbursements from the government in the UK, one of STENOCARE's markets. As chronic pain is the most common symptom where medical cannabis is used as treatment and 1.4 million people in the UK are thought to buy cannabis illegally for self-medication of chronic pain, the potential market for medical cannabis in the country is expected to be large, where positive results in Celadons study can enable wider prescription of medical cannabis, hence taking market shares from the illegal market, which STENOCARE can capitalize on. Moreover, STENOCARE has also announced the Company's plan to launch an Online Clinic for pain management in the UK, expected to be launched during H2-23, which has the potential to position the Company within the area of treatment.

Comment on Q2-Report 2023

Update on the Danish Product Pipeline

On July 27, STENOCARE provided an update on the Company's Danish product pipeline, where the products can be divided into four different stages, as per the table below.

STENOCARE pipeline stages

Stage 1	Stage 2	Stage 3	Stage 4
Concept stage: Defining product standards, specifications and manufacturing and release protocols.	Validation process and stability testing. Establishing proof of concept, data collection to document regulatory compliance.	Submission of application and approval process by Danish Medicinal Agency • Complete product documentation package that is compliance with Danish Drug Standards (DLS)Validation for completeness • Circular review process concerning regulatory and pharma-chemical topics	Commercial stage: Prescription based products availability for patients.

STENOCARE product pipeline

Stage 1	Stage 2	Stage 3	Stage 4
New innovative product category based on a patented Lymphatic Targeting oil Technology to create rapid uptake, greater absorption and thus efficacy.	Very high potency CBD OIL formulation, Ready for review for regulatory compliance by the by Danish Medicinal Agency.	BALANCED OIL STENOCARE, currently due for review by the Danish Medicinal Agency	THC OIL STENOCARE, since April 2022 CBD OIL STENOCARE, since January 2023

Important product waiting for approval

Currently, STENOCARE's balanced oil (a mix of CBD and THC) is due for review by the Danish Medicinal Agency (Stage 3), which should be seen as an important factor for sales growth going forward, as this product historically has represented over 50% of sales volume. STENOCARE's premium products, which are expected to enhance the uptake of cannabinoids, as well as a faster effect, are in stage 1 which is expected to become commercially available during 2024, given that the Company obtains approval. Considering the competitive advantages with the premium products, this is expected to drive strong revenue growth thereafter.

To summarize, STENOCARE delivered lower sales than expected during Q2-23, where product approvals have been delayed due to a longer than expected approval process from medicinal agencies. Costs are developing in a stable manner, also lower than our expectations, which proves that the Company are running a slim organization on the way to anticipated break-even. Despite a slower sales growth than expected in 2023, we remain confident that STENOCARE are making the right moves to deliver sales growth going forward, for example through entering new markets, working together with agencies to secure approval for new products and enabling doctors to reach more patients through online clinics.

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, 2023

[3]Adult use refers to usage other than medical

[4]Source: STENOCARE Q3-22 Interim Report

Investment Thesis

First Mover Advantage in Several Markets

Strong position in the Scandinavian 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.

Launch of an IT-platform to Inform and Help the Industry

STENOCARE has developed an IT-platform that enable doctors to launch and operate online clinics, wherever they are. This is expected to increase a doctor's reach to patients and facilitates patients' access to trained and experienced doctors. The platform will support doctors through easier administration, for instance patient booking, video consultation and patient journal, training, supervision by, and ongoing access to the STENOCARE medical consultant and specialists as well as cost efficiency. The European Pain Society currently estimates that there are 100 million pain patients with legal access to medical cannabis in Europe, yet, for instance, 1.4 million people are thought to buy cannabis illegally for self medication instead of getting a prescription. A threshold that holds the market growth back is that patients have limited access to prescribing doctors. Analyst Group believes that STENOCARE's online platform can enable doctors to increase their geographical reach and thus increase patients access to medical cannabis, which can drive the growth of the medical cannabis market as well as STENOCARE's sales growth and the first online clinic is expected to be launched during H2-23 in the UK.

Forecast and Valuation: a Summary

DKK 59.2m
Revenues 2025E

STENOCARE is expected to grow sales from DKK 4.5m in 2022 to 97.6m in 2026, corresponding to a CAGR of 116%, 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 5x applied on estimated sales of DKK 59.2m in 2025, 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 10.2.

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.

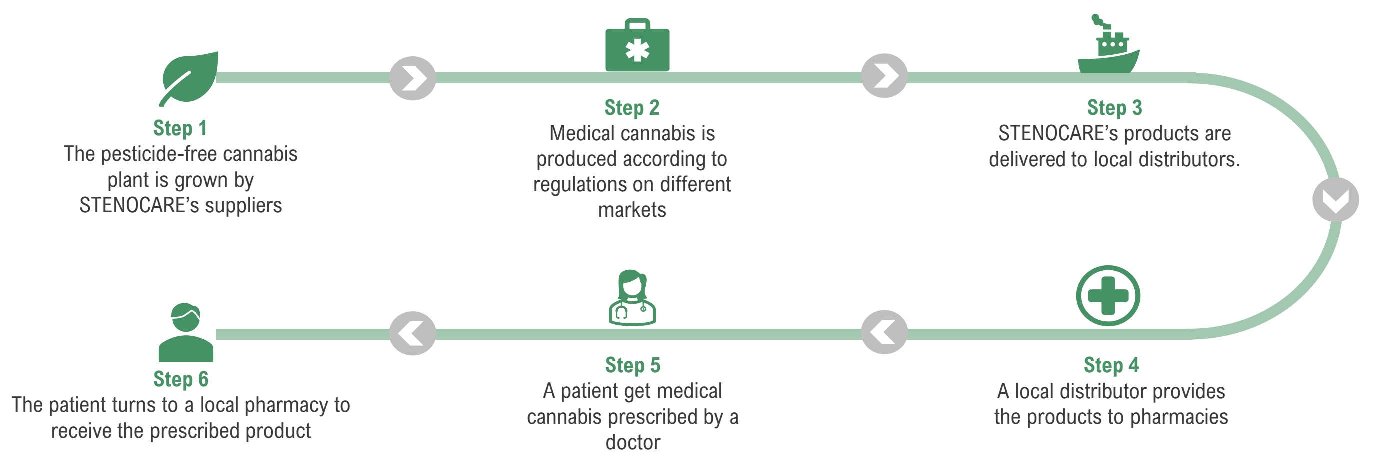
Revenue Model

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.



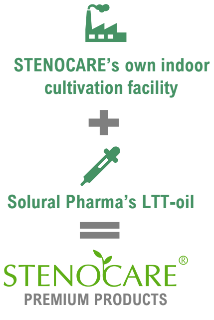
Source: STENOCARE and Analyst Groups Illustration

[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.

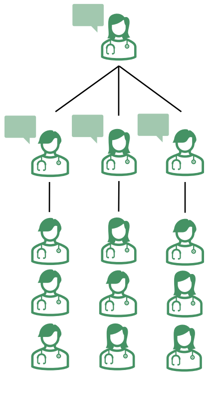
Cost Drivers

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

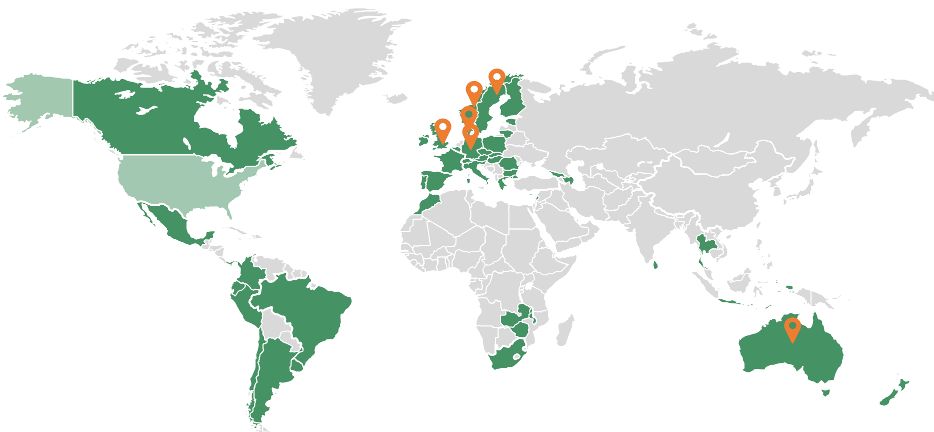
100 MILION PAIN PATIENTS IN EUROPE

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 40 of 50 states
- Nonapproved for medical use
- Countries already accessed by STENOCARE



Cannabis has Benefits Compared to Opiates

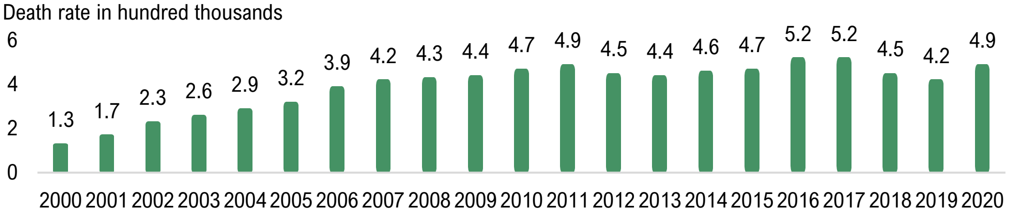
The most common use of medical cannabis worldwide is for pain control. Cannabis has shown to be effective for treating chronic pain that troubles millions of individuals.[2] Medical cannabis can supplement and reduce the use of opiates as a safer option as it is less addictive and more difficult to overdose. 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

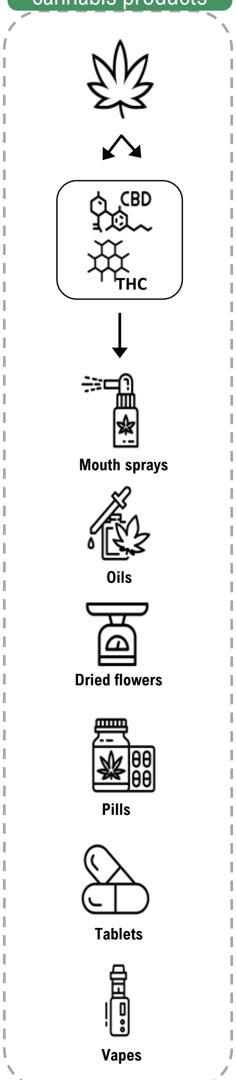
Furthermore, the illegal market for cannabis can also be considered a sort of competitor for STENOCARE in terms of treating chronic pain. For instance, 1.4 million people in the UK are thought to buy cannabis illegally on the "street", as it does not require a prescription from a doctor and is also cheaper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

[1] Source: Epilepsy Alliance Europe, 2011

[2, 3] Source: Harvard Health, 2020

Market Analysis

Different medical cannabis products

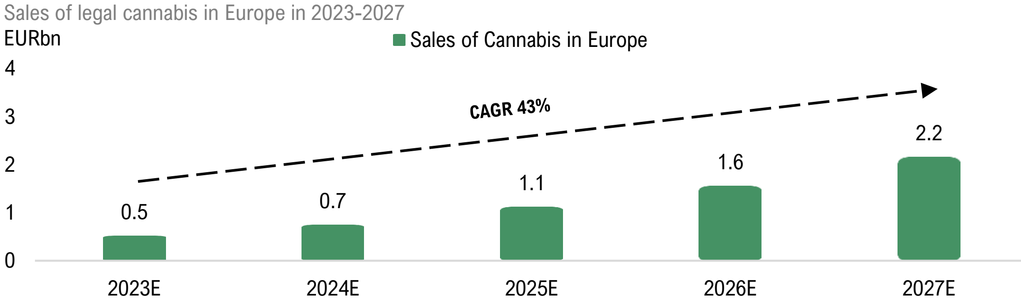


Strong Expected Market Growth

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.

Sales of legal cannabis in Europe in 2023-2027



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

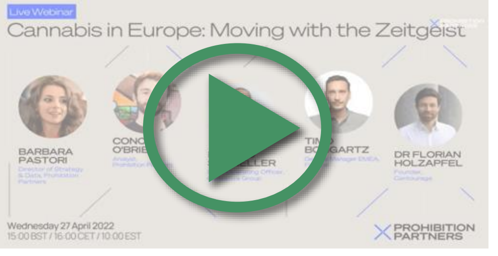
The evolution of cannabis products can be categorized into the following; 1st generation products, such as dried flowers for smoking, and 2nd generation products, containing oil, tablets, and pills. The medical cannabis industry first had dried cannabis products, and this is still a significant part 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.

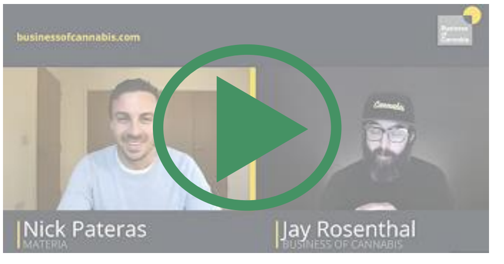
PROHIBITION PARTNERS



THE CANNABIS CONVERSATION

PROHIBITION PARTNERS

BUSINESS OF CANNABIS

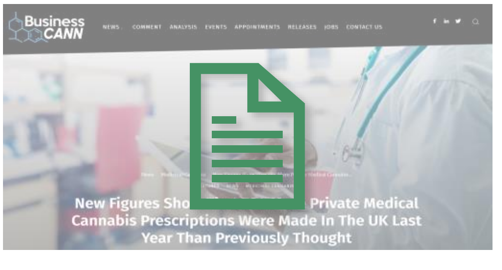


In addition to the videos above, below is a selection of articles and publications by Prohibition Partners, EPR (European Pharmaceutical Review), Iris Group and Business of Cannabis. This is merely a small portion of the available research online, and we encourage investors to search for even more information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

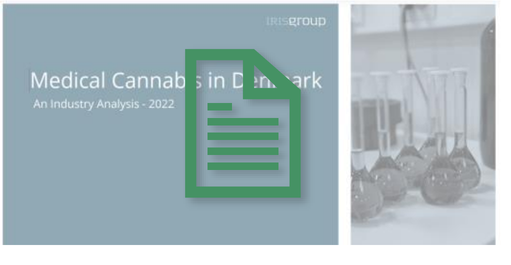
EPR

PROHIBITION PARTNERS

BUSINESS OF CANNABIS



IRIS GROUP



Financial Forecast

Patient growth in Denmark after introduction of STENOCARE's products

Revenue Forecast 2023-2026

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. 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. As STENOCARE now once again has two products approved for sales, waiting for approval for a third product, there has been a growth in patient numbers, which proves that STENOCARE has a strong position on the Danish market.

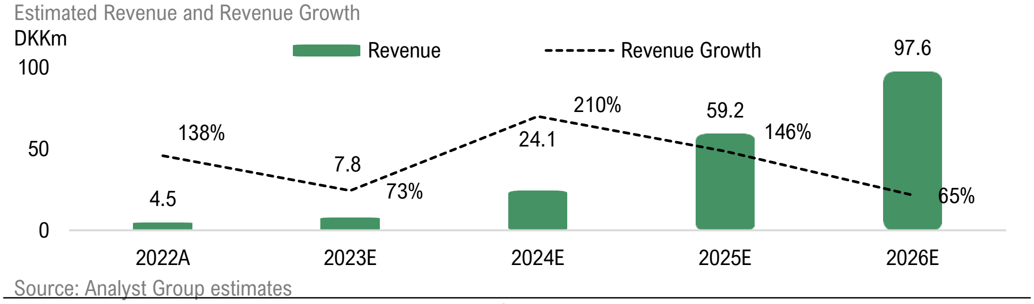
On the one hand, STENOCARE is in a similar situation today as in 2018/2019, with two products approved for sales in Denmark (THC and CBD oil) and waiting for approval for the third product (balanced oil), and, on the other hand, STENOCARE has products approved in five additional markets, with intentions of adding more markets. As STENOCARE still is the sole supplier of medical cannabis oil products in Denmark, we expect a large part of the estimated revenue growth in 2023 from the Danish market. STENOCARE's balanced oil, which historically has represented +50% of the Company's sales on the Danish market, has been delayed due to a longer than expected approval process from the Danish Medicines Agency, which is expected to affect sales growth in 2023. The balanced oil needs to be approved again as STENOCARE has a new supplier compared to when the product was on the market during 2018/2019. However, as approval is expected in late 2023, this is estimated to be an important driver of sales from 2024 and going forward.

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. Like in Denmark, a Swedish product has also been delayed due to the medicines agency, which is expected to affect sales growth negatively during 2023. However, 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. In 2023, Analyst Group estimates the Company's net sales to DKK 7.8m, by continued sales of the THC and CBD-oil in Denmark, as well as products on the Company's additional existing markets, Australia, Norway, Sweden and the UK. Moreover, sales is expected to start in Germany in Q3-23, which is estimated to contribute with revenues from that point. In H1-23 products were only delivered to the Danish market, something that we expect to change during the remainder of 2023. As previously mentioned, STENOCARE's products are delivered in large bulks which results in fluctuations in sales, where the Company delivered products to all five existing markets in Q4-22, why we estimate new deliveries in H2-23, contributing to sales on several markets.

DKK 24.1m
net sales 2024

We see several strong sales drivers in 2024, including a launch in Germany, an obtained approval of the balanced oil on the Danish market, 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 210%. This results in an estimated revenue of DKK 24.1m in 2024. Further, in 2025 and 2026, Analyst Group expects continued strong revenue growth of 146% and 65%, resulting in a revenue of DKK 59.2m and 97.6m, 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 2023-2026

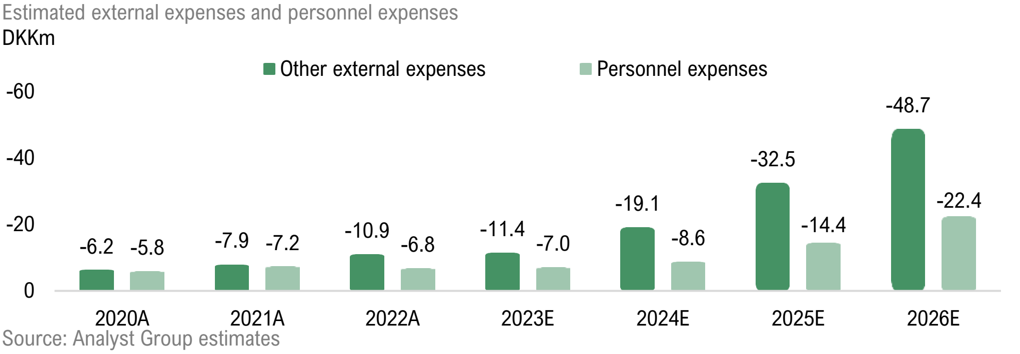
STENOCARE has aggregated several cost items into one post, external expenses, which, together with personnel expenses and depreciation, are the only expenses reported on an operational level. External expenses have been the largest costs historically, where expenses for STENOCARE's own cultivation facility 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.

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 as the revenues grow and reach DKK 48.7m 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 +30 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 22.4m in 2026. However, the increased cost levels do not match the estimated revenue growth, making way for higher margins. As a result of a strong estimated revenue growth in 2024, at the same time as keeping the cost base stable like it has been in 2023, STENOCARE is expected to show profitability on an EBITDA-level in H2-24.

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

Estimated external expenses and personnel expenses



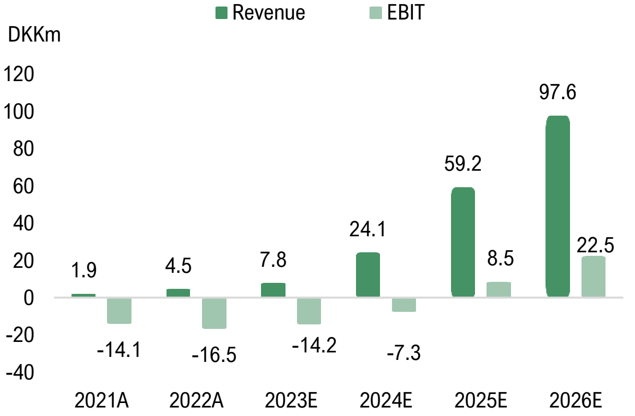
Source: Analyst Group estimates

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	7.8	24.1	59.2	97.6
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Total income	**1.9**	**4.5**	**7.8**	**24.1**	**59.2**	**97.6**
Other external expenses	-7.9	-10.9	-11.4	-19.1	-32.5	-48.7
Personnel expenses	-7.2	-6.8	-7.0	-8.6	-14.4	-22.4
EBITDA	**-13.2**	**-13.2**	**-10.7**	**-3.7**	**12.3**	**26.5**
EBITDA margin	*-701%*	*-294%*	*-138%*	*-15%*	*21%*	*27%*
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
EBIT	**-14.1**	**-16.5**	**-14.2**	**-7.3**	**8.5**	**22.5**
EBIT margin	*-745%*	*-368%*	*-183%*	*-30%*	*14%*	*23%*

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 six 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 late 2023 or early 2024, based on the approval of two medical cannabis oils in Denmark, with a third on the way, continued sales in existing market and expansion to a new market in Germany.

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+	104.4	5.3	726%	33%	-59.1	19.9
DanCann Pharma	19.6	5.1	68%	28%	-17.8	3.9
CANNOVUM AG	18.3	7.6	199%	33%	-9.9	2.4
SYNBIOTIC	165.0	0.5	-37%	n/a	-23.4	317.2
Average	**76.8**	**4.6**	**239%**	**31%**	**-27.5**	**85.8**
Median	**62.0**	**5.2**	**133%**	**33%**	**-20.6**	**11.9**
STENOCARE®	55.6	5.7	320%	n/a	-15.0	9.8

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 11.9x. 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 11.9x too high regarding how to value STENOCARE based on 2025's sales.

Valuation

	Market cap (DKKm)	Revenue (LTM, DKKm)	Revenue growth Y-Y	Gross Margin	EBIT (LTM, DKKm)	P/S (x)
AURORA	1,258	1,369	18%	18%	-882	0.9
CANOPY GROWTH	1,793	2,155	-14%	n/a	-5,190	0.8
CRESCOLABS	3,111	5,495	-7%	45%	-914	0.6
Jushi	678	1,959	12%	39%	-1,296	0.3
ORGANIGRAM	815	815	29%	24%	-1,189	1.0
curaleaf	12,563	9,358	7%	39%	-416	1.3
Green Thumb	9,893	6,997	5%	49%	613	1.4

When looking at the larger, more mature North American companies, the revenue growth is a bit more modest with a median of 7% 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 0.9x. 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 H2-24, 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 both regarding Market Cap and revenue, 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 5x on estimated sales during 2025 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 2025. 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 5x on 2025’s estimated revenues of DKK 59.2m corresponds to a Market Cap of DKK 296m. 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 10.2
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 296m in 2025, and the conservative discount rate of 30%, a present value per share of DKK 10.2 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.

DKK 14.1
per share in a Bull scenario

- Given a conservative discount rate of 30% and a target multiple of P/S 5x on estimated sales of DKK 81.9m in 2025 in a Bull scenario, a potential present value per share of DKK 14.1 is derived.

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.

DKK 2.4
per share in a Bear scenario

- 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 3x is applied on 2025 sales of DKK 23.4m. This, in combination with a conversative discount rate of 30%, results in a potential present value per share of DKK 2.4.

Illustration of Potential Valuation in a Bull and Bear Scenario.

Source: Analyst Group estimates

CEO Interview, Thomas Skovlund Schnegelsberg

You recently published the Q2-report for 2023 and the first half of 2023 has passed. What are you extra satisfied with so far this year and is there something that you think you could have done better?

Looking back on 1H 2023, we successfully achieved several important milestones in our strategy. We had a new product approved for Germany and is now ready to enter the largest European market in 2H, we announced our IT-platform for Online Clinics where we expect the first to launch in the UK during 2H, we advanced our product innovation of the next generation medical cannabis oil products – and we introduced our 12 months capital plan and were humbled to receive investor subscription of 127% in the first transaction. We now have +7.000 shareholders in our Stenocare owner community.

We always try to “do better”. It is our nature to be ambitious. Two things we would have liked to have “done better” is higher sales and having new products approved in Denmark and Sweden. Sales is based on doctors prescribing our product to their patients, and product approval are controlled by the medicines agencies. We therefore need more trained doctors, and the medicines agencies needs more resources to manage their huge backlog of work.

You expect to launch the first Online Clinic with your own IT-platform in the UK during H2-23. How will this support doctors, and ultimately lead to more prescriptions of medical cannabis in the country?

Patients access to treatment with medical cannabis is centered around the large cities and there is a limited number of clinics with skilled doctors available. With the Online Clinic platform, we will address accessibility for patients across the UK, and provide a ready-to-go clinic for doctors. Actually, it will be pain specialists and not General Practitioners that will offer treatment from the Online Clinic. The aim of the clinic is to reach all corners of the UK, which will both target a larger number of potential patients and also offer the doctor a more lean operation of the clinic.

Excluding COGS, your external expenses decreased in Q2-23 compared to the same period last year, which are the underlying factors for this development?

Besides COGS other external expenses includes indirect production costs, sales and marketing costs and administrative costs. Across the Stenocare organization, there is ongoing efforts to optimize use of resources and monitor/manage each expense. Some administrative costs such as licenses to the medicines agencies and professional fees for securing the best setup for the online clinic platform have increased compared to last year. Production cost have been reduced due to optimization and reduced energy prices which now have been partly secured with a maximum price.

What would you highlight as the most important factors for an investor in STENOCARE to look out for during the rest of 2023?

First, I would follow information about the medical cannabis market in Europe to understand the market opportunity ahead. There are several sources of information, and I personally track news via https://businessofcannabis.com/ and https://prohibitionpartners.com/international-cannabis-weekly/.

Secondly, I would follow the news flow from Stenocare during 2H 2023 to track progress as the company is executing the strategy and delivering on the ambitious plans.

Finally, as we announced the twelve month capital plan in June - there will be an opportunity to join a “Unit warrant” Stenocare stock transaction in December.

AUGUST 23RD 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%).*

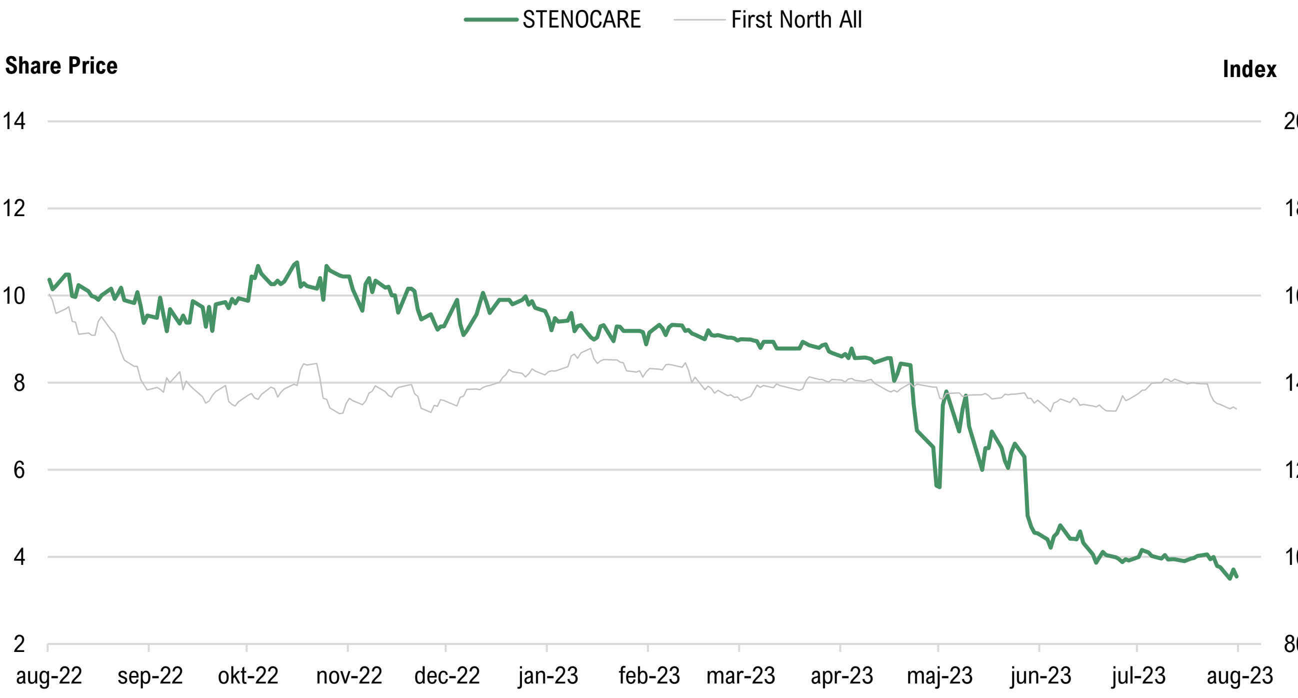
Søren Melsing Frederiksen, Member of the Board

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

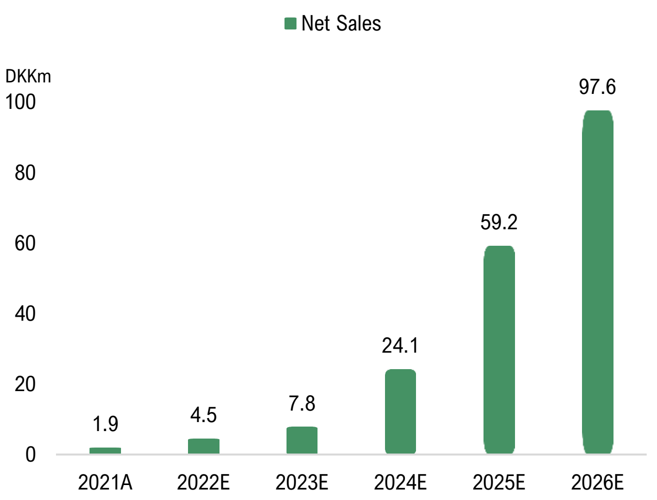


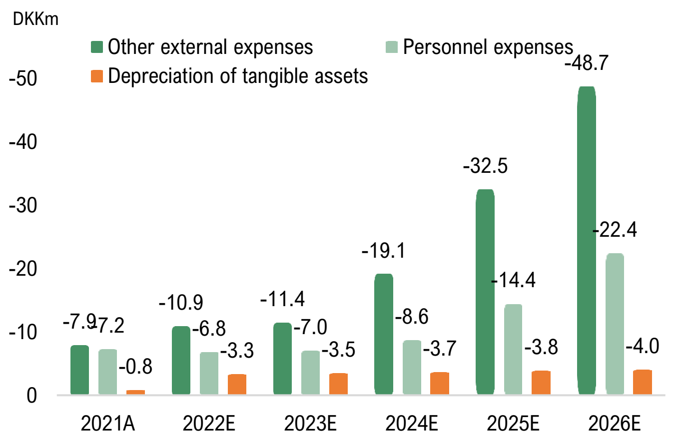
DKKm	2018[1]	2019	2020	2021	2022
Net Sales	4.1	4.9	0.2	1.9	4.5
Other income	0.0	11.3	0.0	0.0	0.0
Total income	**4.1**	**16.2**	**0.2**	**1.9**	**4.5**
Other external expenses	-5.3	-7.4	-6.2	-7.9	-10.9
Personnel expenses	-2.5	-4.4	-5.8	-7.2	-6.8
EBITDA	**-3.6**	**4.4**	**-11.8**	**-13.2**	**-13.2**
EBITDA 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%*

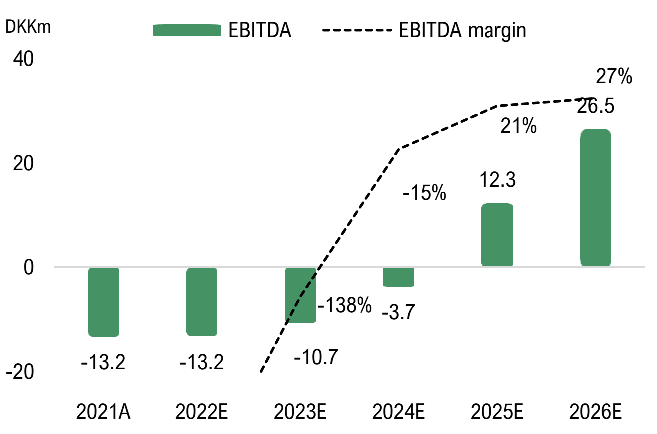
[1]14 months, November 2017- December 2018

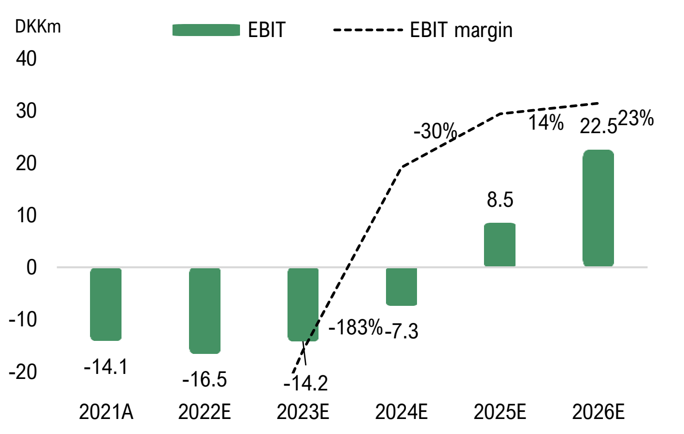
Appendix

Base scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	4.5	7.8	24.1	59.2	97.6
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Total income	**1.9**	**4.5**	**7.8**	**24.1**	**59.2**	**97.6**
Other external expenses	-7.9	-10.9	-11.4	-19.1	-32.5	-48.7
Personnel expenses	-7.2	-6.8	-7.0	-8.6	-14.4	-22.4
EBITDA	**-13.2**	**-13.2**	**-10.7**	**-3.7**	**12.3**	**26.5**
EBITDA margin	*-701%*	*-294%*	*-138%*	*-15%*	*21%*	*27%*
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
EBIT	**-14.1**	**-16.5**	**-14.2**	**-7.3**	**8.5**	**22.5**
EBIT margin	*-745%*	*-368%*	*-183%*	*-30%*	*14%*	*23%*



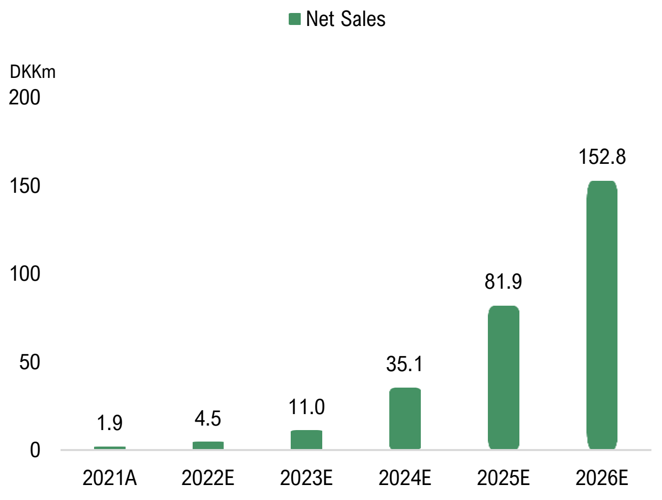


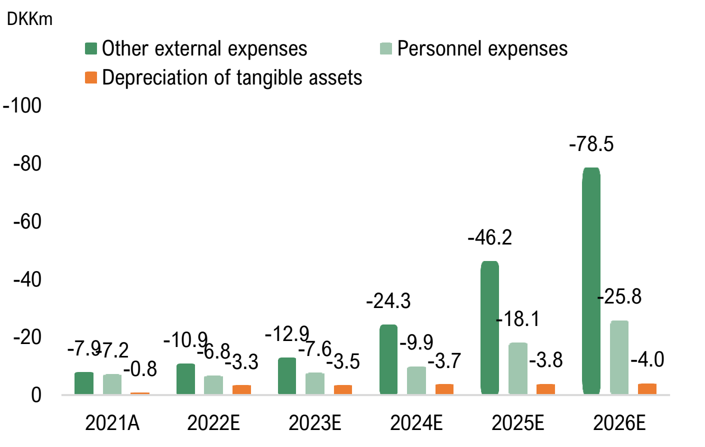


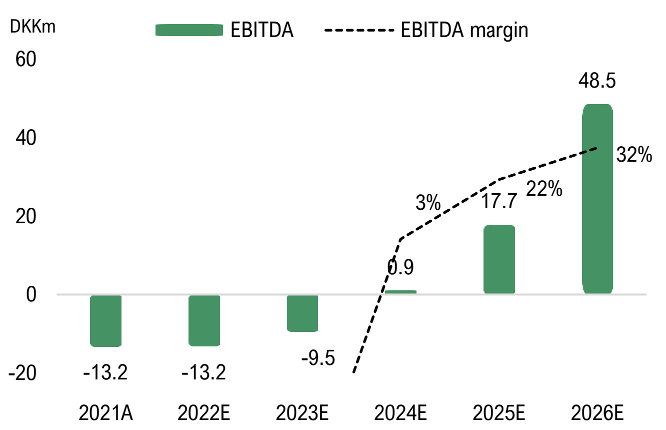


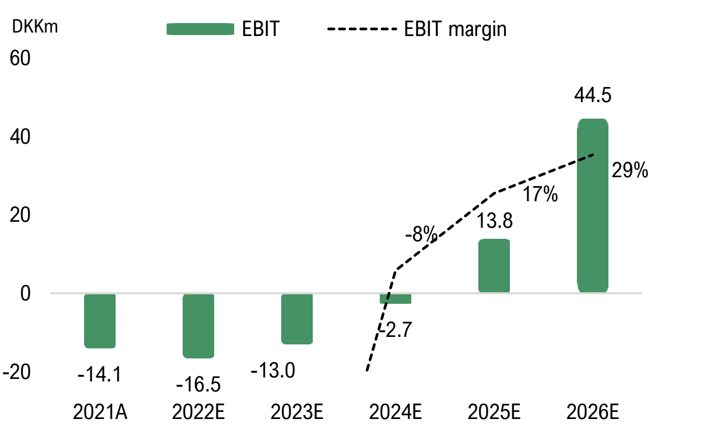
Appendix

Bull scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	4.5	11.0	35.1	81.9	152.8
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Total income	**1.9**	**4.5**	**11.0**	**35.1**	**81.9**	**152.8**
Other external expenses	-7.9	-10.9	-12.9	-24.3	-46.2	-78.5
Personnel expenses	-7.2	-6.8	-7.6	-9.9	-18.1	-25.8
EBITDA	**-13.2**	**-13.2**	**-9.5**	**0.9**	**17.7**	**48.5**
EBITDA margin	*-701%*	*-294%*	*-86%*	*3%*	*22%*	*32%*
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
EBIT	**-14.1**	**-16.5**	**-13.0**	**-2.7**	**13.8**	**44.5**
EBIT margin	*-745%*	*-368%*	*-118%*	*-8%*	*17%*	*29%*



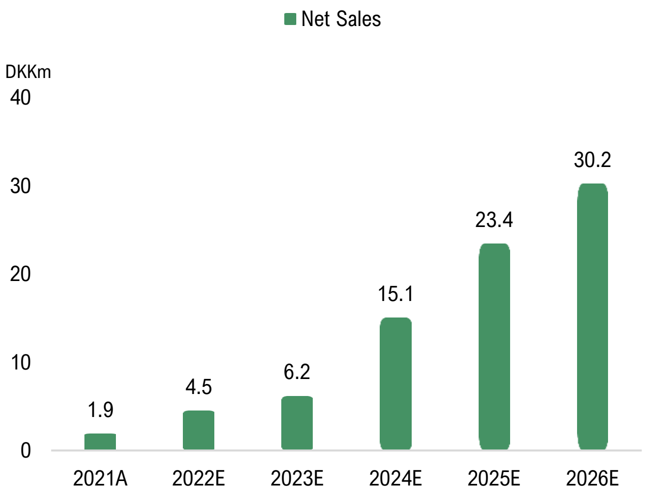


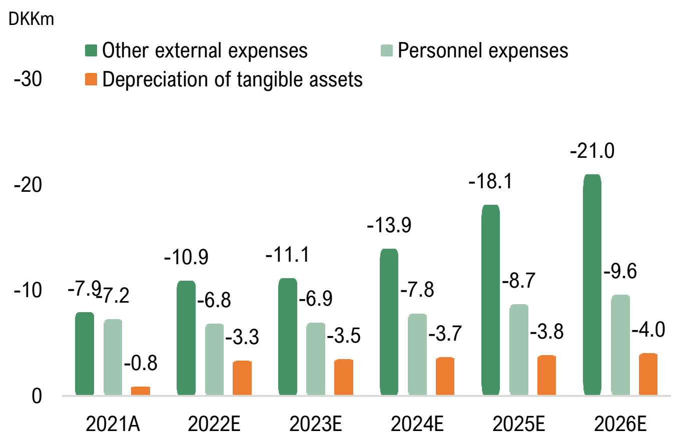


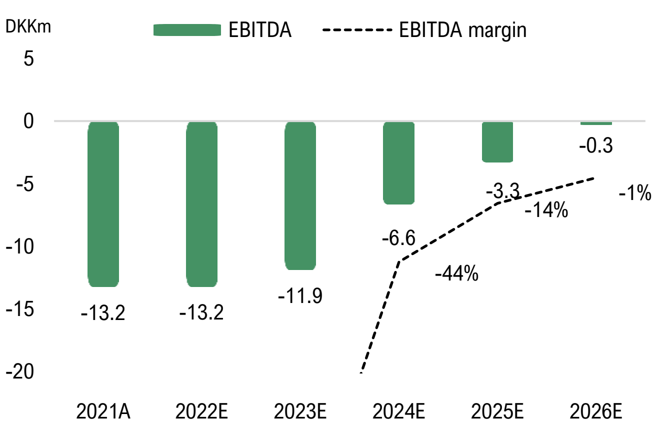


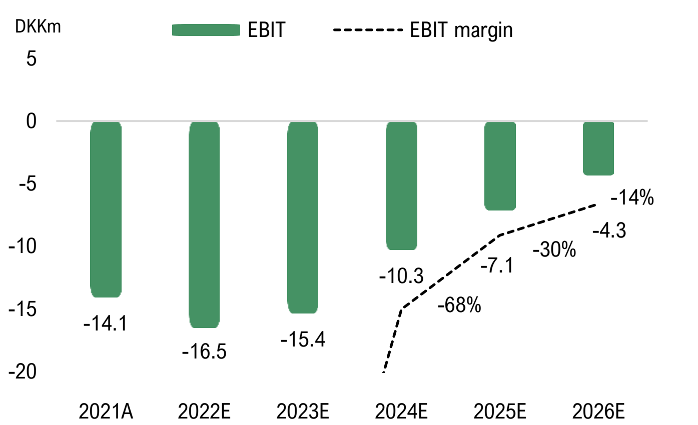
Appendix

Bear scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	4.5	6.2	15.1	23.4	30.2
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Total income	**1.9**	**4.5**	**6.2**	**15.1**	**23.4**	**30.2**
Other external expenses	-7.9	-10.9	-11.1	-13.9	-18.1	-21.0
Personnel expenses	-7.2	-6.8	-6.9	-7.8	-8.7	-9.6
EBITDA	**-13.2**	**-13.2**	**-11.9**	**-6.6**	**-3.3**	**-0.3**
EBITDA margin	*-701%*	*-294%*	*-192%*	*-44%*	*-14%*	*-1%*
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
EBIT	**-14.1**	**-16.5**	**-15.4**	**-10.3**	**-7.1**	**-4.3**
EBIT margin	*-745%*	*-368%*	*-248%*	*-68%*	*-30%*	*-14%*









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