

# STENOCARE (STENO)



## Strong Patient Growth in Denmark

The number of patients continued to grow strongly during Q3-23 for STENOCARE A/S ("STENOCARE" or "the Company") which resulted in actual sales of DKK 2.3m. The reported net sales amounted to DKK 0.2m but included a large product return from Norway of DKK 2.1m, which we consider as a one-of occasion. Adjusted for the product return, EBITDA amounted to DKK -1.7m, the best in a quarter since Q1-19 and we estimate STENOCARE to reach break-even by the end of 2024. With estimated net sales of DKK 66.6m by 2026, and with an applied P/S multiple of 5x, a potential present value per share of DKK 9.4 (10.2) is derived in a Base scenario.

### Actual Sales Amounted to DKK 2.3m in Q3-23

The reported net sales of DKK 0.2m was affected by a return of products from Norway amounting to DKK 2.1m, which was delivered in Q4-22. Excluding the product return, sales in Q3-23 amounted to DKK 2.3m (0.3), corresponding to a growth of 686% Y-Y, albeit from low levels. The large product return is not desirable, but we expect returns of this size to be a one-off occasion. Excluding the large return from Norway, STENOCARE continues to grow through strong patient growth in Denmark.

### Continues to Operate With a Stable Cost Base

Operating costs amounted to DKK 4.9m in Q3-23, compared to DKK 5.2m in the preceding quarter, why we believe STENOCARE continues to develop with a stable cost base. The EBITDA amounted to DKK -1.7m, adjusted for the returned products, which is the best result since Q1-19 and a step towards the estimated break-even by the end of 2024.

### TO 1 is Important for the Liquidity

STENOCARE's cash positions amounted to DKK 5m at the end of Q3-23 and based on an estimated burn rate of DKK -0.7m per month, STENOCARE would be financed until early Q2-24, everything else equal. However, the cash position could be strengthened by DKK 3.7-7.8m in gross proceeds through exercise of warrants of series TO 1 in December, with an exercise price between DKK 3.21-6.70. It should also be noted that the Company has convertible bonds maturing on January 1st, 2024, of DKK 7m. However, these can be refinanced or extended, which would delay the maturity, or converted to equity at a share price between DKK 10.89 to 12.13.

### Updated Valuation Range

With figures for Q3-23 presented and an updated guidance from STENOCARE, we have updated our financial forecasts. We have lowered our expectations in international markets as the ramp-up in sales has been slower than estimated. However, we still see continued strong growth in Denmark, break-even at the end of 2024 and a big potential in the Company's international markets. In this update, we have also switched target year for our valuation to 2026, as STENOCARE is expected to have reached a larger part of the Company's potential, which, in combination with the updated forecasts results in an updated valuation range in all scenarios.

### VALUATION RANGE

**Bear**  
DKK 2.3

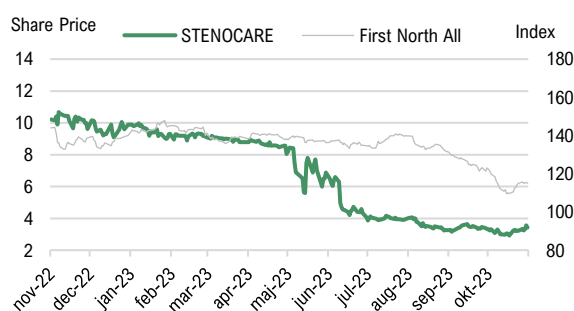
**Base**  
DKK 9.4

**Bull**  
DKK 13.2

### STENOCARE

Share Price (2023-11-13)	3.39
Shares Outstanding	15,102,124
Market Cap (DKKm)	51.2
Net cash(-)/debt(+) (DKKm)	3.3
Enterprise Value (DKKm)	54.5
List	Nasdaq First North Growth Market
Year End Report	2024-02-22

### STOCK DEVELOPMENT



### TOP SHAREHOLDERS (SOURCE: INTERIM REPORT)

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)	2023E	2024E	2025E	2026E
Revenue	6.5	16.5	37.6	66.6
Net sales growth	176%	154%	128%	77%
Other external expenses	-10.4	-14.0	-23.8	-36.8
Share of revenue (%)	-160%	-85%	-63%	-55%
Personnel expenses	-6.4	-6.8	-9.1	-13.5
<b>EBITDA</b>	<b>-10.3</b>	<b>-4.3</b>	<b>4.8</b>	<b>16.2</b>
EBITDA margin	-158%	-26%	13%	24%
P/S	7.9	3.1	1.4	0.8
EV/S	8.4	3.3	1.4	0.8
EV/EBITDA	-5.3	-12.8	11.5	3.4
EV/EBIT	-4.0	-6.9	59.1	4.5

# 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 15<sup>th</sup>, 2020.

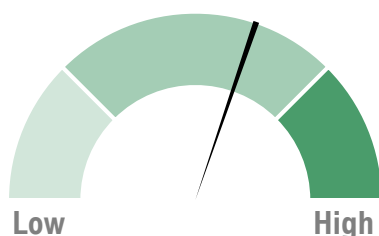
### CEO AND CHAIRMAN

CEO	Thomas Skovlund Schnegelsberg
Chairman	Marianne Wier

### ANALYST

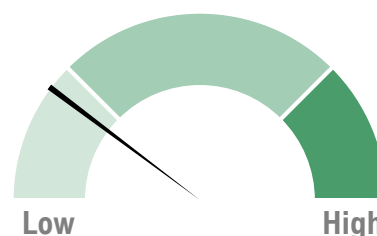
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## Value Drivers



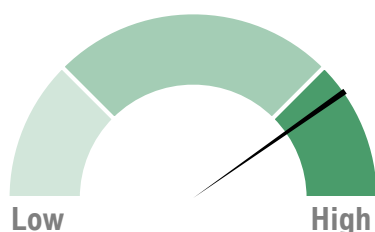
Medical cannabis is getting more accepted by the health care industry and legalized as a pharmaceutical medicine by authorities, which STENOCARE is expected to capitalize on. Furthermore, the Company is expected to launch its own premium products in 2024, which are expected to have several benefits compared 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 value driver.

## Historical Profitability



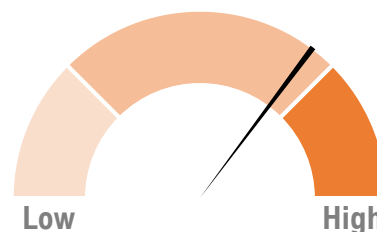
STENOCARE has not been profitable since Q1-19, which was right before the issues with their former supplier CannTrust. Since then, the Company has worked to build up a new supply chain, for this reason, profitability has not been prioritized. However, STENOCARE now has two products approved on the Danish 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 5m at the end of Q3-23 and with an estimated burn rate of DKK -0.7m per month, the Company is funded until early Q2-24, 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 Q3-Report 2023

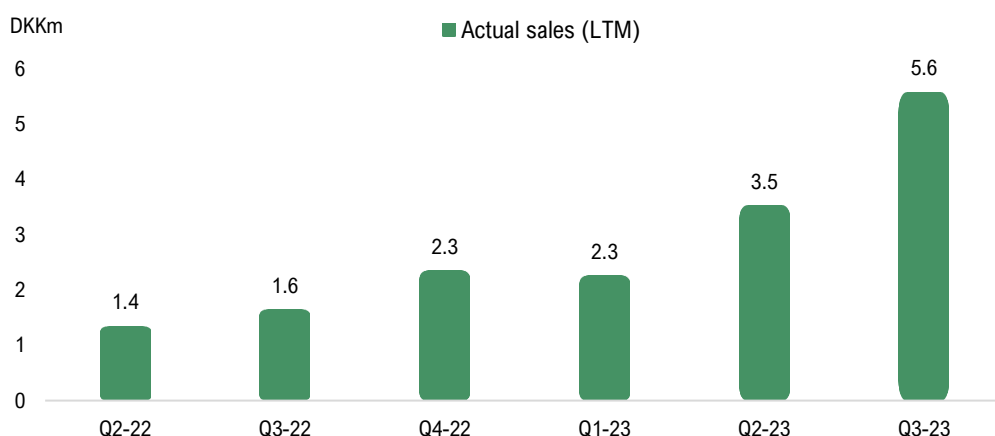
## Financial Development During the Period

**DKK 2.3m**  
Actual sales in  
Q3-23

The reported net sales in Q3-23 amounted to DKK 0.2m. However, sales were negatively affected by a return of products from Norway amounting to DKK 2.1m, which was delivered in Q4-22. The pro forma adjustment consequently impacts the sales in Q4-22, but the technical adjustment is accounted for in Q3-23. Excluding the product return, sales in Q3-23 amounted to DKK 2.3m (0.3), corresponding to a growth of 686% Y-Y, albeit from low levels. The sales growth is attributable to a strong patient growth in Denmark, which data from the Danish Health Data Authority has suggested. However, the ramp-up in sales in international markets has been slower than we initially anticipated, which demonstrates the market's inertia. However, we still believe that STENOCARE is moving in the right direction in regards to market strategy. After the quarter's end, the Company delivered its first products to Europe's largest market, Germany, which has over 230,000 patients and projected sales of EUR 1bn in 2027.

**STENOCARE is showing a positive trend in sales, primarily driven by patient growth in Denmark.**

Actual sales, Last twelve months (LTM)



Source: Historical results

**Decrease in costs  
Y-Y**

During the third quarter, STENOCARE continued to evolve with a stable cost base, where operating costs amounted to DKK 4.9m, compared to DKK 4.6m during the same period the previous year or DKK 5.2m in the preceding quarter. EBITDA amounted to DKK -3.8m (-3.5), which was negatively affected by the return of products from Norway. Adjusted for the returned products, EBITDA amounted to DKK -1.7m, which is the best operating result since Q1-19. Based on this, we believe that STENOCARE's costs continue to evolve as planned, moving towards the estimated break-even point by the end of 2024.

The cash flow from operating activities amounted to DKK -1.6m (-3.6), which was positively affected by a favorable development in working capital. The cash position at the end of the period amounted to DKK 5m and based on an estimated burn rate of DKK -0.7m per month, STENOCARE would be financed until early Q2-24, based on the cash position at the end of September, everything else equal. However, STENOCARE could strengthen the Company's cash position through exercise of warrants of series TO 1 in December. The exercise price of Warrants of series TO 1 will be a minimum price of DKK 3.21 per share and a maximum price of DKK 6.70 per share, which would strengthen STENOCARE's cash position with between DKK 3.7-7.8m in gross proceeds. Accordingly, we see it as important that STENOCARE can strengthen the Company's cash position through TO 1 to monitor the liquidity towards the estimated break even at the end of 2024 without further external capital injections.

# Comment on Q3-Report 2023

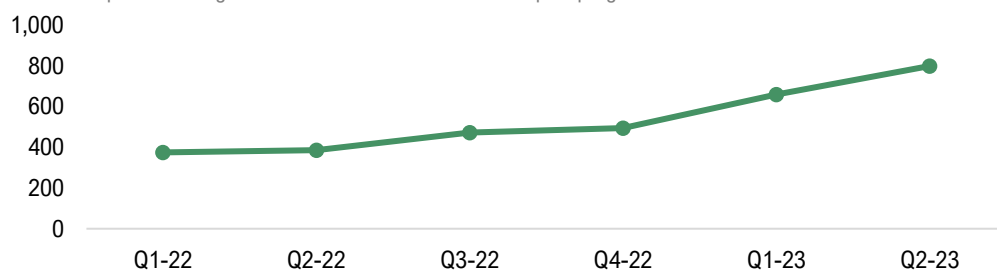
## Continued Patient Growth in Denmark

Accelerated growth expected

The Danish Health Data Authority has published new data on the number of Danish patients treated with medical cannabis under the Danish pilot program, which showed continued growth during Q2-23 as the number of patients grew to 798, corresponding to a growth of 90% from the same period last year. The number of patients has been growing steadily since STENOCARE introduced the Company's THC-oil and later the CBD-oil, as per the graph below. Moreover, the growth is expected to accelerate further with an approval of STENOCARE balanced oil, which is expected in Q2-24.

**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

## Development on the Market Promotes Investments from Big Pharma

In a notable development, the U.S. Department of Health and Human Services (HHS) has proposed a reclassification of cannabis to categorize it as a drug with reduced risks. This proposal sets the stage for the re-evaluation of the drug's legal status, which could potentially expand its availability for medical and therapeutic purposes nationwide in the United States. This represents a substantial reduction in the regulatory obstacles associated with cannabis, rendering it a more attractive field for investment and scientific exploration. Furthermore, reclassification would also create opportunities for federal funding to support cannabis research, thereby reducing certain financial uncertainties.

In addition, market analyst Prohibition Partners recently published its Pharmaceutical Cannabis Report, which presents mounting evidence that addresses the effectiveness of cannabis in addressing various conditions, spanning from chronic pain to epilepsy and specific forms of cancer. The report also underscores the increasing worldwide research and development initiatives focused on uncovering the complete array of therapeutic attributes associated with cannabis.

The view of medical cannabis as a lower-risk drug, in combination with the heightened recognition of medical cannabis as a proven treatment for several symptoms, such as chronic pain and epilepsy, is expected to lead to a growing interest from big pharma companies and increase investments in the market. This is also something that has evolved in the last years as we have seen when, for instance, Pfizer acquired Arena Pharmaceuticals, a biotech Company with one pipeline dedicated to cannabinoid-type therapeutics, for USD 6.7bn and Jazz Pharmaceutical acquiring GW Pharmaceuticals, the developer of Epidiolex, the first FDA-authorized CBD medicine for treating children with Lennox-Gastaut and Dravet syndromes. Continued large investments from big pharma is proof of extended interest in the market and these companies may also gain advantages from more lenient regulations governing clinical trials, potentially expediting the process of introducing cannabis-derived medications to the market, hence accelerating market growth, something that is expected to favor STENOCARE.

Investment from big pharma is expected to accelerate market growth

**To summarize**, STENOCARE delivered sales relatively in line with our expectations (excluding returned products) and a stable cost-base. The product return from Norway is not desirable but something that we consider as a one-off occasion. Excluding the product return STENOCARE continues to deliver sales growth, driven by strong patient growth in Denmark, which is expected to continue and accelerate if STENOCARE's balanced oil obtains approval, now expected during Q2-24. However, sales in international markets have been slower than first anticipated, which holds the growth back somewhat. We still see significant potential in these markets in the long run and expect STENOCARE to enter more markets in the coming years. A continued patient growth in Denmark, as well as on international markets, where STENOCARE now have entered Germany, Europe's largest market, in combination with a stable cost base will be important factors to reach the estimated break even at the end of 2024.



# Investment Thesis

## Legalization are Expected to Drive Market Growth

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<sup>1</sup>, 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.<sup>2</sup> The market growth is expected to be driven by continued legalization of both medical and adult use<sup>3</sup>, where STENOCARE is expected to capitalize on the medical use through increased patient prescriptions, contributing to increased sales.

**43%**  
CAGR until 2025

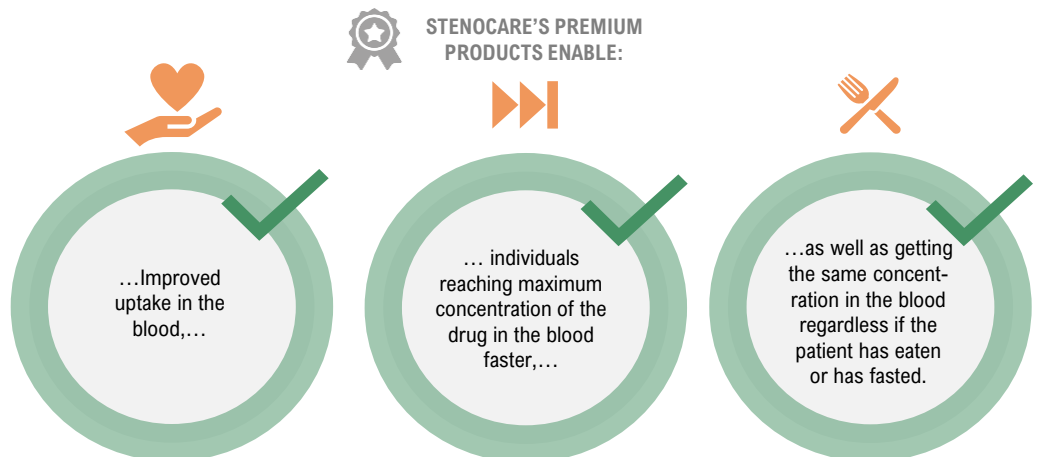
## Pharma Case on a Fast Track

The medical cannabis market in Europe is highly regulated, which makes it difficult to get products approved, both for STENOCARE and competitors. Six of the 12 products approved in the Danish Pilot Program 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

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. STENOCARE has introduced a new patented oil to address these challenges - ASTRUM OIL - which the Company 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 H2-24, given that the Company obtains approval by authorities. Considering the obvious advantage from using such a product, as well as the fact that the premium products are expected to address a global market, this is expected to drive strong revenue growth thereafter.

Launch of premium products in 2024



<sup>1</sup>Source: Harvard Health, 2020

<sup>2</sup>Source: Prohibition Partners, 2023

<sup>3</sup>Adult use refers to usage other than medical

# 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

STENOCARE is expected to grow sales from DKK 2.3m in 2022 to 66.6m in 2026, corresponding to a CAGR of 131%, 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 66.6m in 2026, 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 9.4.

## Highly Regulated and Slow-moving 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. Additionally, STENOCARE is dependent on doctors prescribing medical cannabis to patients, where historically there has been a stigma surrounding cannabis as medicine, making the market slow-moving. The Company addresses this issue by educating doctors on medical cannabis and having consultants available to answer doctors' questions.

Furthermore, the cash balance amounted to DKK 5m at the end of Q3-23, and with an estimated burn rate of -0.7 million per month, the Company is funded until early Q2-24, all else being equal. However, STENOCARE could receive in between DKK 3.7-7.8m in December through the exercise of Warrants of Series TO 1, where the exercise price will be in between DKK 3.21 and DKK 6.70 per share, which would strengthen the cash position. It should also be noted that the company has convertible bonds maturing on January 1st, 2024, of DKK 7m. However, these can be refinanced or extended, which would delay the maturity, hence the payment for STENOCARE. The convertible bonds can also be converted to equity at any time at a share price between DKK 10.89 to 12.13 per share.

**DKK 66.6m**  
**Revenues 2026E**





# 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 1<sup>st</sup>, 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.

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.

## Pharma mindset

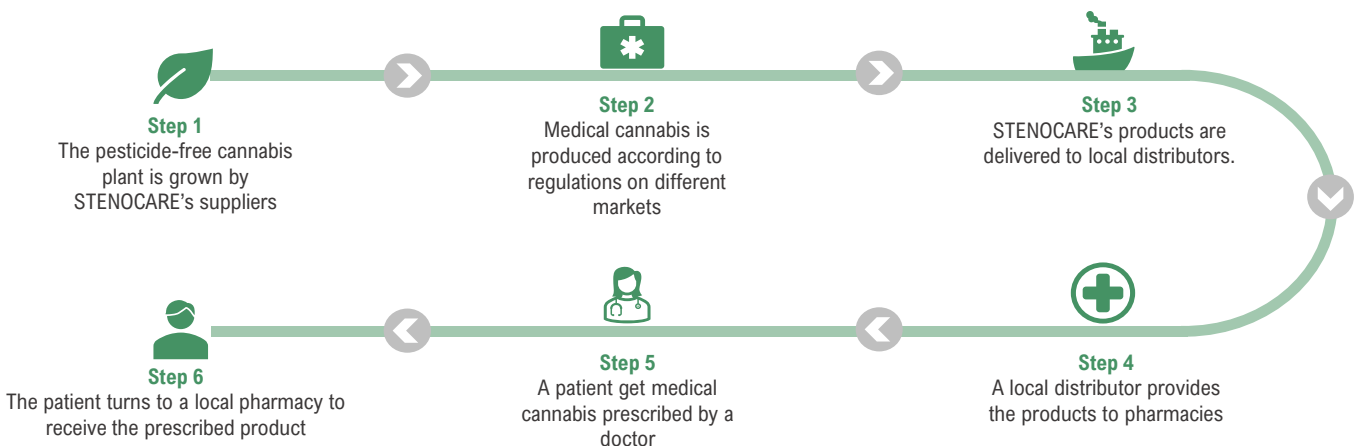
## Revenue Model

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.

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.

	50 % SUBSIDY FROM THE GOVERNMENT
	100 % SUBSIDY FROM THE GOVERNMENT
	100 % SUBSIDY FROM THE GOVERNMENT <sup>1</sup>
	0 % SUBSIDY FROM THE GOVERNMENT
	0 % SUBSIDY FROM THE GOVERNMENT
	100 % REIMBURSEMENT FROM INSURANCE COMPANIES

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



Source: STENOCARE and Analyst Groups Illustration

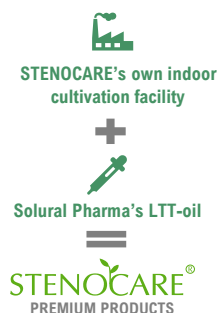
<sup>1</sup>100% subsidy via hospitals or 0% subsidy via private clinics

# 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.



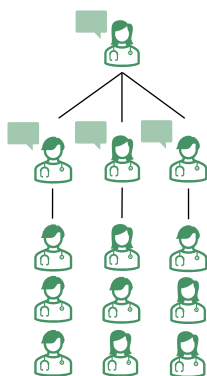
## Cost Drivers

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

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.

"Recruitment" of doctors is a critical factor



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

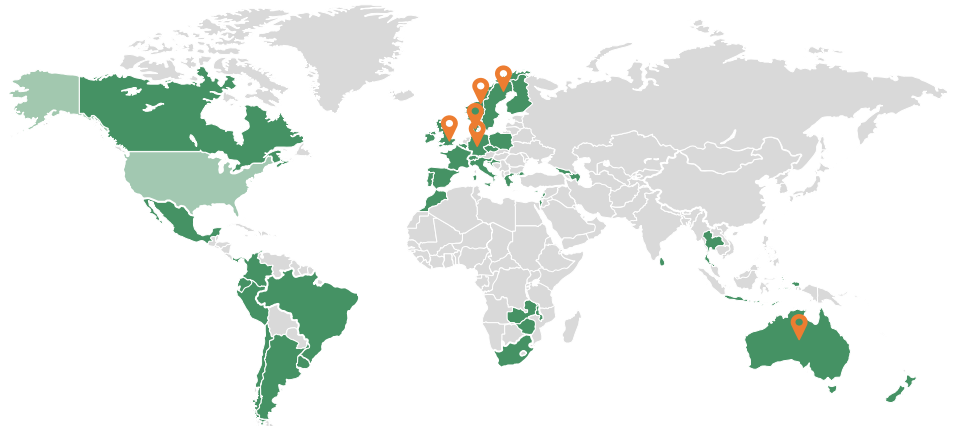
**100 MILLION PAIN PATIENTS IN EUROPE**

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.<sup>1</sup> 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



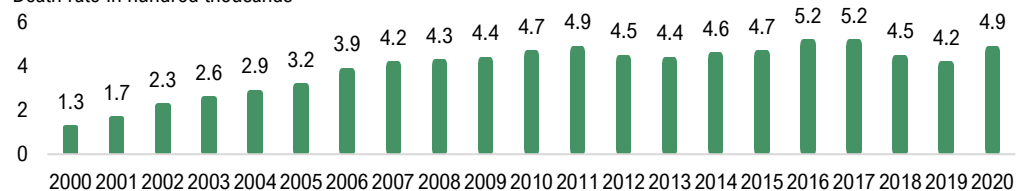
## Cannabis has Benefits Compared to Opiates

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.<sup>2</sup> 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).<sup>3</sup>

### 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

<sup>1</sup> Source: Epilepsy Alliance Europe, 2011

<sup>2,3</sup> Source: Harvard Health, 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.

Please read our disclaimer at the end of the report

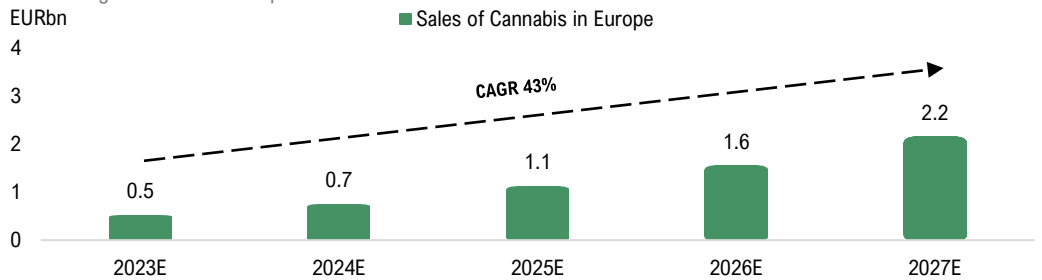
# Market Analysis

## 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.

Sales of legal cannabis in Europe in 2023-2027



Source: Prohibition Partners 2023

## STENOCARE is the Sole Supplier of Medical Cannabis oil in Scandinavia

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.

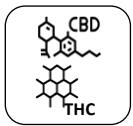
## Why Doctors Start to Appreciate oil Based Cannabis Products

The evolution of cannabis products can be categorized into the following; 1<sup>st</sup> generation products, such as dried flowers for smoking, and 2<sup>nd</sup> generation products, containing oil, tablets, and pills. The 1<sup>st</sup> generation products are 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.

## Reclassification of Cannabis in the US Paves the way for Further Investment in the Market

The U.S. Department of Health and Human Services (HHS) has proposed a reclassification of cannabis to categorize it as a drug with reduced risks. Cannabis is currently listed as a Schedule I controlled substance under the Controlled Substances Act (CSA) but the recommendation from HHS proposes a reclassification to Schedule III, which would mean, among other things, new avenues for research and medical uses as well as lighter criminal penalties for cannabis-related violations of the CSA. Moreover, a reclassification is expected to attract more investors, researchers and entrepreneurs to the market as well as reduce stigma and increase the general acceptance for cannabis for medical use. Even though the development initially is in the American market, the effects are thought to spill over on the European market, which benefits STENOCARE through wider acceptance of medical cannabis, hence increased prescriptions.

### Different medical cannabis products



Mouth sprays



Oils



Dried flowers



Pills



Tablets

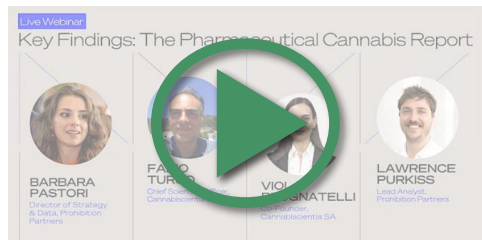


Vapes

# 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 presented by Nick Parters, and a podcast is accessible by Curtin University.

## PROHIBITION PARTNERS



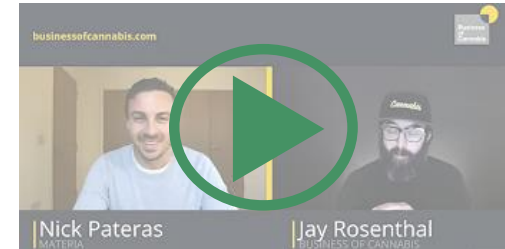
## THE CANNABIS CONVERSATION



## 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



## PROHIBITION PARTNERS



## 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. As STENOCARE now once again has two products approved for sales, waiting for approval for a third product, patient numbers under the pilot program has almost doubled, which proves that STENOCARE has a strong position on the Danish market.

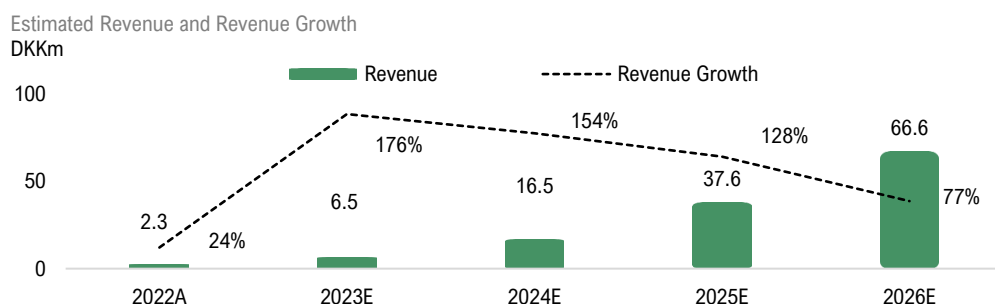
On the one hand, STENOCARE is in a similar situation today as in 2018/2019, with two products approved for sales in Denmark (THC and CBD oil) and waiting for approval for the third product (balanced oil), and, on the other hand, STENOCARE has products approved in five additional markets, with intentions 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 Q2-24, 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 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. Moreover, the management of the pain centers (hospitals) in Norway has decided to hold back the budget for treatment with all cannabis-based products, which has slowed down STENOCARE's sales in the country, as well as caused a return of products worth DKK 2.1m that expired. Also, the sales development has been slower than first anticipated on the UK and Australian markets, which STENOCARE entered in 2022, as a result of a more sluggish market. Accordingly, Analyst Group has lowered expectations regarding revenue growth in international markets during the forecast period. However, we still see significant potential in these markets in the long term and believe that the Company is taking the right steps to operate in these markets. Moreover, the Company is expected to enter new markets, where STENOCARE has delivered the first products to Germany, Europe's largest market, in Q4-23. Additionally, sales in the Danish market are progressing as planned, where we see continued growth opportunities, especially considering the expected approval of the balanced oil.

In 2023, Analyst Group estimates the Company's net sales to DKK 6.5m, mainly by continued sales of the THC and CBD-oil in Denmark, but also on the Company's additional existing markets, Australia, Norway, Sweden and the UK. Going forward, we see several strong sales drivers in 2024, including a successful 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 154%. This results in an estimated revenue of DKK 16.5m in 2024. Further, in 2025 and 2026, Analyst Group expects continued strong revenue growth of 128% and 77%, resulting in a revenue of DKK 37.6m and 66.6m, 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.

**DKK 16.5m**  
net sales 2024

**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

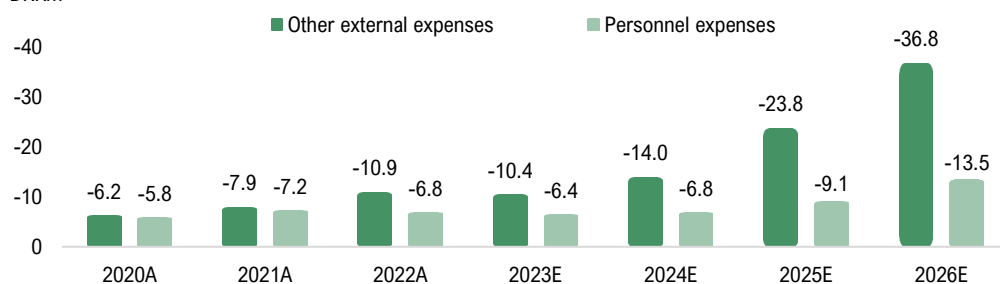
STENOCARE has aggregated several cost items into one post, external expenses, which, together with personnel expenses and depreciation, are the only expenses reported on an operational level. External expenses have been the largest costs historically, where expenses for STENOCARE's own cultivation facility 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 36.8m 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 2022, the average number of employees amounted to nine, and Analyst Group estimates this number to grow to ~20 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 13.5m 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 at the end of 2024.

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

Estimated external expenses and personnel expenses  
DKKm



Source: Analyst Group estimates

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

Financial forecasts, 2022-2026E, Base scenario

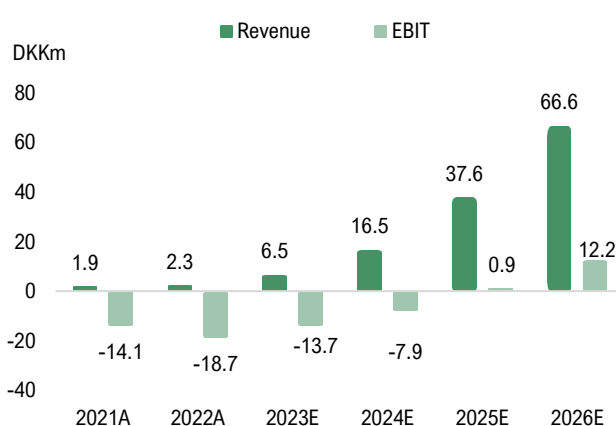
Base scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	2.3	6.5	16.5	37.6	66.6
Other income	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>1.9</b>	<b>2.3</b>	<b>6.5</b>	<b>16.5</b>	<b>37.6</b>	<b>66.6</b>

Other external expenses	-7.9	-10.9	-10.4	-14.0	-23.8	-36.8
Personnel expenses	-7.2	-6.8	-6.4	-6.8	-9.1	-13.5
<b>EBITDA</b>	<b>-13.2</b>	<b>-15.4</b>	<b>-10.3</b>	<b>-4.3</b>	<b>4.8</b>	<b>16.2</b>
<b>EBITDA margin</b>	<b>-701%</b>	<b>-654%</b>	<b>-158%</b>	<b>-26%</b>	<b>13%</b>	<b>24%</b>

Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
<b>EBIT</b>	<b>-14.1</b>	<b>-18.7</b>	<b>-13.7</b>	<b>-7.9</b>	<b>0.9</b>	<b>12.2</b>

<b>EBIT margin</b>	<b>-745%</b>	<b>-795%</b>	<b>-212%</b>	<b>-48%</b>	<b>2%</b>	<b>18%</b>
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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 in H1-24, 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 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, like 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 2026'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 <sup>+</sup>	64.9	7.0	174%	23%	-36.8	9.3
 DanCann Pharma	4.9	6.6	74%	41%	-15.4	0.7
 CANNOVUM AG	10.2	7.6	199%	33%	-9.9	1.3
 SYNBIOTIC	127.9	0.5	-6%	n/a	-11.4	260.9
 CELADON PHARMACEUTICALS PLC	480.7	0.2	n/a	n/a	-56.3	366.6
<b>Average</b>	<b>52.0</b>	<b>5.4</b>	<b>110%</b>	<b>32%</b>	<b>-18.4</b>	<b>127.8</b>
<b>Median</b>	<b>37.6</b>	<b>6.8</b>	<b>124%</b>	<b>33%</b>	<b>-13.4</b>	<b>9.3</b>
 STENOCARE <sup>®</sup>	51.2	5.6	240%	n/a	-15.3	9.2

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 9.3x. 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 9.3x too high regarding how to value STENOCARE based on 2026's sales.



# Valuation





	Market cap (DKKm)	Revenue (LTM, DKKm)	Revenue growth Y-Y	Gross Margin	EBIT (LTM, DKKm)	P/S (x)
 <b>AURORA</b>	1,534	1,369	18%	18%	-882	1.1
 <b>CANOPY GROWTH</b>	3,104	1,911	-16%	n/a	-4,335	1.6
 <b>CRESCOLABS</b>	3,523	5,583	-7%	45%	-929	0.6
 <b>Jushi</b>	1,199	1,990	12%	39%	-1,317	0.6
 <b>ORGANIGRAM</b>	653	815	29%	24%	-1,189	0.8
 <b>curaleaf</b>	14,528	9,462	6%	39%	-396	1.5
 <b>Green Thumb</b>	15,144	7,208	3%	49%	625	2.1

When looking at the larger, more mature North American companies, the revenue growth is a bit more modest with a median of 6% 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 1.1x. 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 at the end of 2024, 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 2026 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 2026. 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 2026’s estimated revenues of DKK 66.6m corresponds to a Market Cap of DKK 333m. 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 %
<b>Selected discount rate</b>	<b>50 - 85 %</b>	<b>40 - 60 %</b>	<b>35 - 50 %</b>	<b>25 - 35 %</b>

Source: PWC

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 333m in 2026, and the conservative discount rate of 30%, a present value per share of DKK 9.4 is derived in a Base scenario.

**DKK 9.4**  
per share 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 5x on estimated sales of DKK 93.3m in 2026 in a Bull scenario, a potential present value per share of DKK 13.2 is derived.

**DKK 13.2**  
per share in a Bull  
scenario

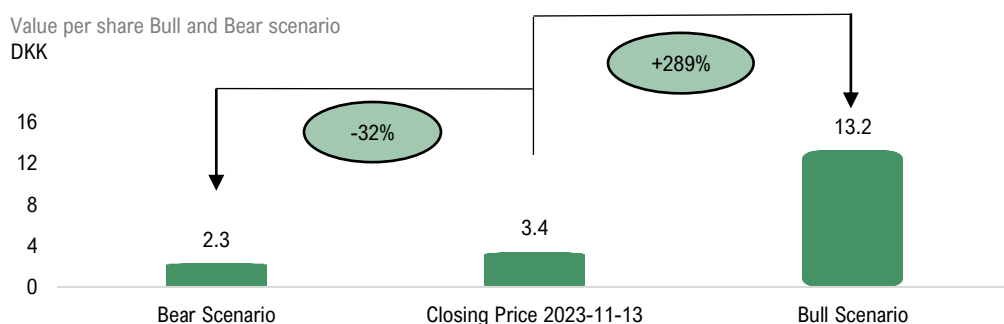
## Bear Scenario

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

- STENOCARE is still in the early stages of the Company's "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.
- Due to lower revenue growth, positive cash flow is expected only at a later stage, at which point the current cash is not estimated to be sufficient. Hence, additional external capital raising cannot be ruled out, even though exercise of Warrants of series TO 1 in December 2023 and TO 2 in June 2024 can strengthen the Company's cash position.
- In a Bear scenario, a lower target multiple is justified, as lower growth and profitability is expected, why a target multiple of P/S 2.8x is applied on 2025 sales of DKK 29.1m. This, in combination with a conversative discount rate of 30%, results in a potential present value per share of DKK 2.3.

**DKK 2.3**  
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 Q3-report for 2023, could you provide a summary of the quarter for STENOCARE?**

During 2023 we have managed to grow sales to patients and win market share in our home market (Denmark). If we focus on actual sales to patients in 2023 (excl product returns), it has grown as planned quarter after quarter, and Q3 had gross sales of 2.3 mDKK. In the Report the Net sales is 200 kDKK due to a one-off product return. Our direct products expenses have increased with this return, but other external expenses have been stable or even lower compared to previous quarters.

**Net sales in Q3-23 were negatively affected by a return of products from the Norwegian market amounting to DKK 2.1m. Could you elaborate on what caused this and what you will do to avoid similar large returns in the future?**

We leverage a common distribution model for medicine in all our markets, where we work with a partner that has warehousing and logistical reach to all local pharmacies. We deliver in few and large bulk shipments to these partners to minimize costs per product. We need to balance volume with demand, which can be challenging when entering a new market with no historic data for treatment with our products. We generally do not see significant product returns from our various markets. For Norway there has been a one-off situation, where the initial shipment into a new market during Q4 2022 did not sell-through according to plan. This was caused by local management at the pain centers holding back on budget for treatment with all types of medical cannabis products (i.e., not only Stenocare products). A fact that has also been covered in local news media. Stenocare has a logistical process that seek to limit risk of product returns, and the Norwegian one-off experience has been added as potential scenario to mitigate for future new markets.

**In the last quarters we have seen a strong growth in Danish patients being treated with medical cannabis from the pilot program since STENOCARE introduced the THC oil product and later the CBD oil product. What are the factors behind that you are winning market share in Denmark in your opinion?**

The Danish Pilot programme has grown as expected quarter after quarter since Stenocare introduced our two oil products. We see two key reasons for this positive growth: 1) The products are produced with “full spectrum” cannabis, that enable the so called “Entourage effect” that has the potential to improve effect of the patient’s treatment. 2) The products are delivered as an oral medicine using a dosing method, that both doctors and patients find easy and familiar.

**You recently released an outlook for 2024 where you state that sales are expected to reach DKK 15m (+/- 20%), with projected break-even by the end of 2024. What factors will be important for the expected growth in the coming year?**

We are active in several markets and expect that our sales run rate will continue growing during 2024. We have several milestones for 2024, that will also be part of reaching our ambitions. 1) We are in the final phase of having new products approved for sales in Denmark and Sweden. 2) Our Online Clinic in the UK will improve patient’s ease of access to treatment. 3) Our entry into Germany in Q4 2023 will position us to leverage our strong product pipeline to grow share. 4) We will have more products approved for sales – including our patented innovative ASTRUM oil.

NOVEMBER 14<sup>th</sup> 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 Development 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

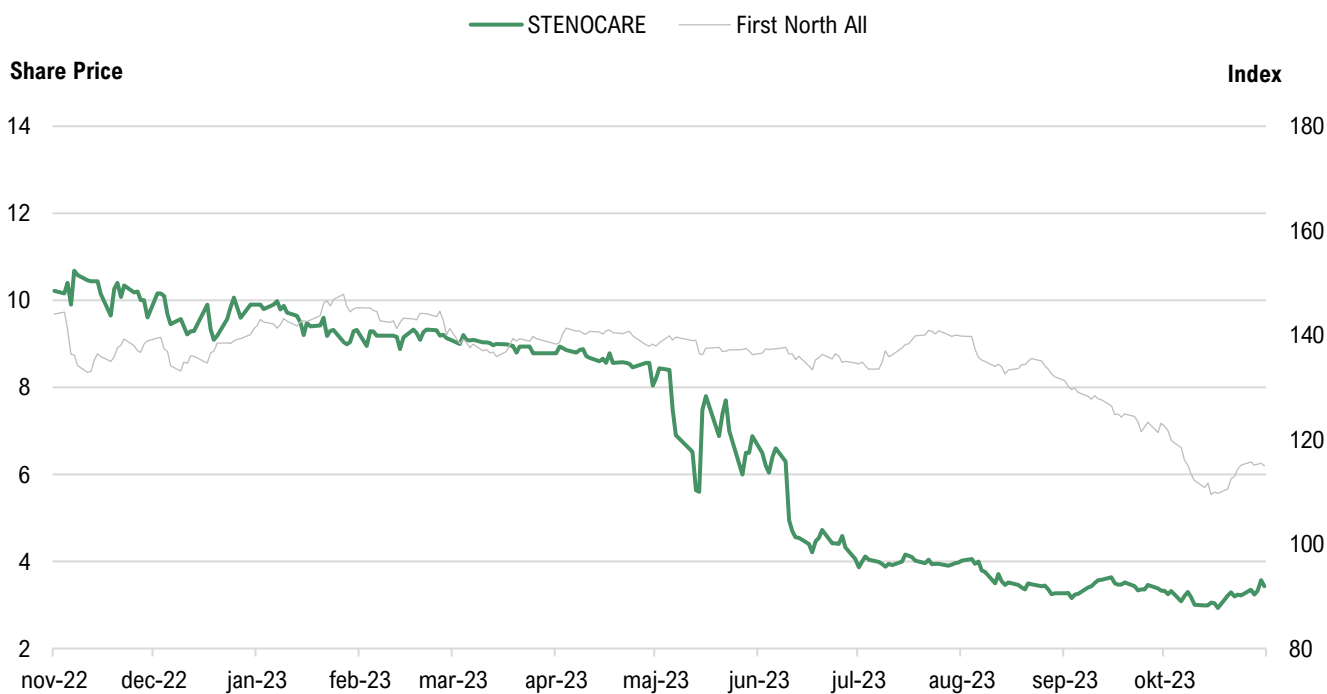
Søren has been a member of the board since 2018 and holds a chemical engineering bachelor and a Master of Industrial Drug Development (MIND) from University of Copenhagen. Today, Søren is Vice President, Commercial Rx and Product Development at Orifarm Healthcare A/S and previous experience ranges from 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



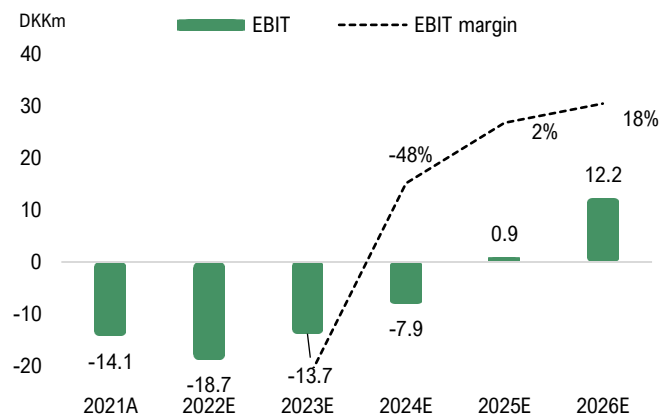
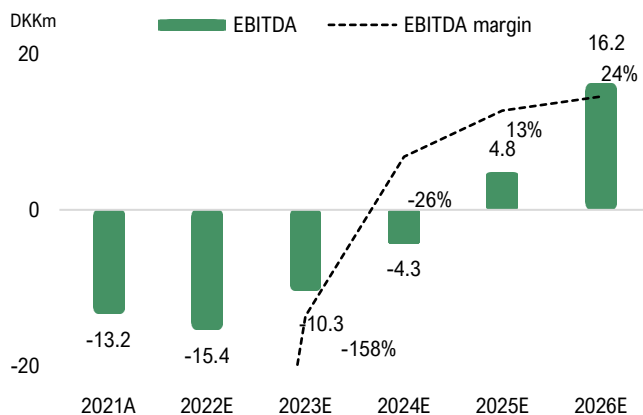
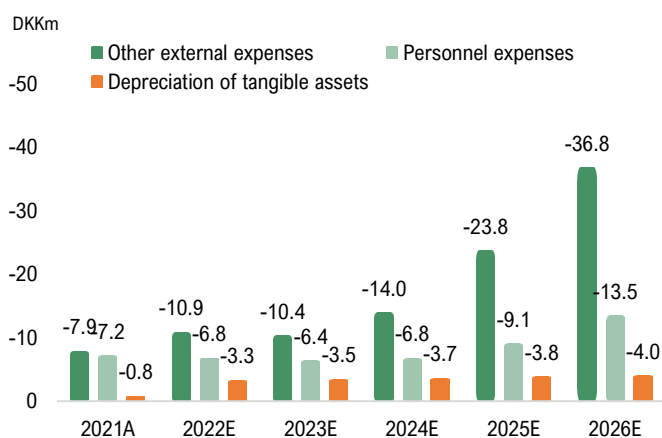
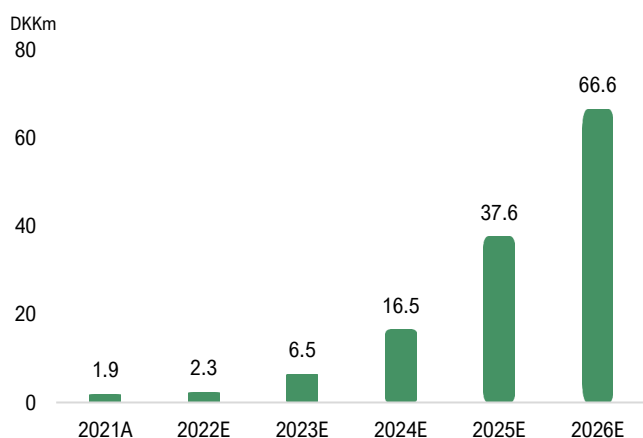
DKKm	2018 <sup>1</sup>	2019	2020	2021	2022
Net Sales	4.1	4.9	0.2	1.9	4.5
Other income	0.0	11.3	0.0	0.0	0.0
<b>Total income</b>	<b>4.1</b>	<b>16.2</b>	<b>0.2</b>	<b>1.9</b>	<b>4.5</b>
Other external expenses	-5.3	-7.4	-6.2	-7.9	-10.9
Personnel expenses	-2.5	-4.4	-5.8	-7.2	-6.8
<b>EBITDA</b>	<b>-3.6</b>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

<sup>1</sup>14 months, November 2017- December 2018

## Appendix

Base scenario (DKKkm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	2.3	6.5	16.5	37.6	66.6
Other income	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>1.9</b>	<b>2.3</b>	<b>6.5</b>	<b>16.5</b>	<b>37.6</b>	<b>66.6</b>
Other external expenses	-7.9	-10.9	-10.4	-14.0	-23.8	-36.8
Personnel expenses	-7.2	-6.8	-6.4	-6.8	-9.1	-13.5
<b>EBITDA</b>	<b>-13.2</b>	<b>-15.4</b>	<b>-10.3</b>	<b>-4.3</b>	<b>4.8</b>	<b>16.2</b>
<i>EBITDA margin</i>	<i>-701%</i>	<i>-654%</i>	<i>-158%</i>	<i>-26%</i>	<i>13%</i>	<i>24%</i>
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
<b>EBIT</b>	<b>-14.1</b>	<b>-18.7</b>	<b>-13.7</b>	<b>-7.9</b>	<b>0.9</b>	<b>12.2</b>
<i>EBIT margin</i>	<i>-745%</i>	<i>-795%</i>	<i>-212%</i>	<i>-48%</i>	<i>2%</i>	<i>18%</i>

■ Net Sales

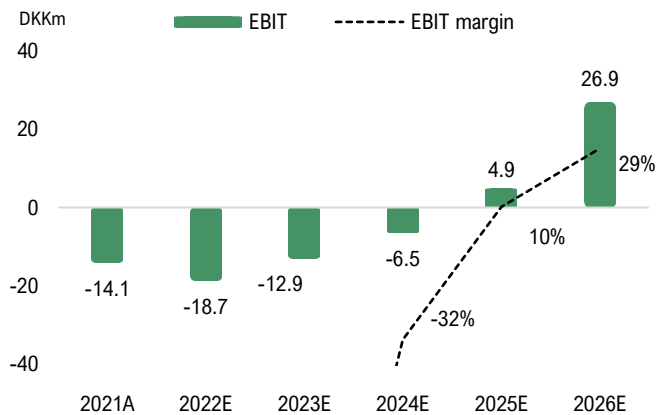
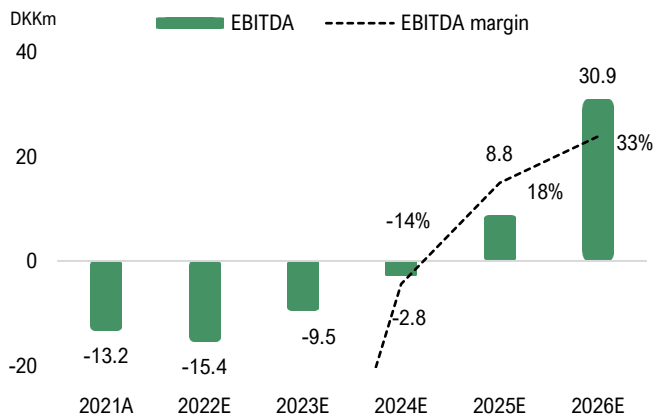
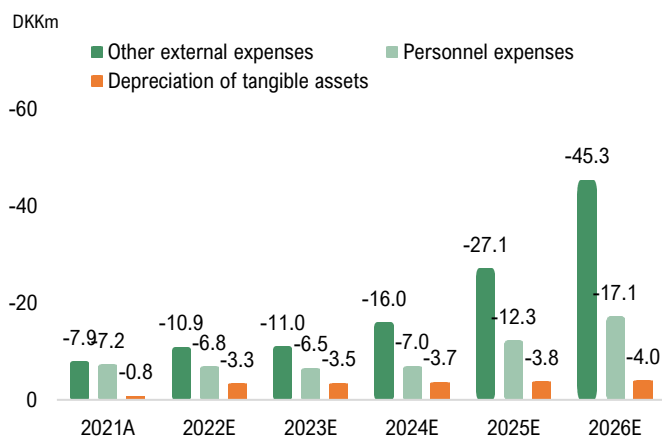
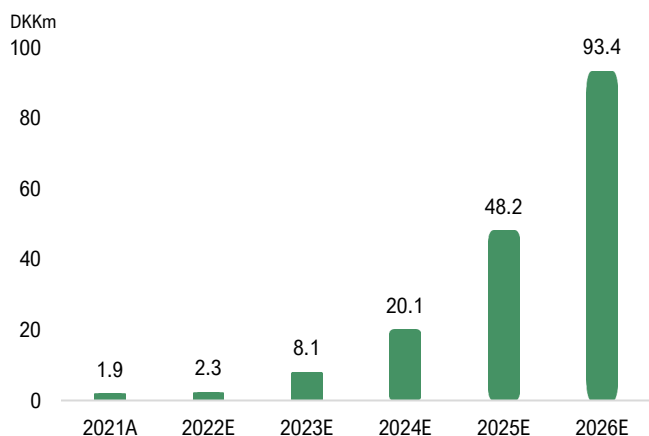




# Appendix

Bull scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	2.3	8.1	20.1	48.2	93.4
Other income	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>1.9</b>	<b>2.3</b>	<b>8.1</b>	<b>20.1</b>	<b>48.2</b>	<b>93.4</b>
Other external expenses	-7.9	-10.9	-11.0	-16.0	-27.1	-45.3
Personnel expenses	-7.2	-6.8	-6.5	-7.0	-12.3	-17.1
<b>EBITDA</b>	<b>-13.2</b>	<b>-15.4</b>	<b>-9.5</b>	<b>-2.8</b>	<b>8.8</b>	<b>30.9</b>
<i>EBITDA margin</i>	<i>-701%</i>	<i>-654%</i>	<i>-117%</i>	<i>-14%</i>	<i>18%</i>	<i>33%</i>
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
<b>EBIT</b>	<b>-14.1</b>	<b>-18.7</b>	<b>-12.9</b>	<b>-6.5</b>	<b>4.9</b>	<b>26.9</b>
<i>EBIT margin</i>	<i>-745%</i>	<i>-795%</i>	<i>-160%</i>	<i>-32%</i>	<i>10%</i>	<i>29%</i>

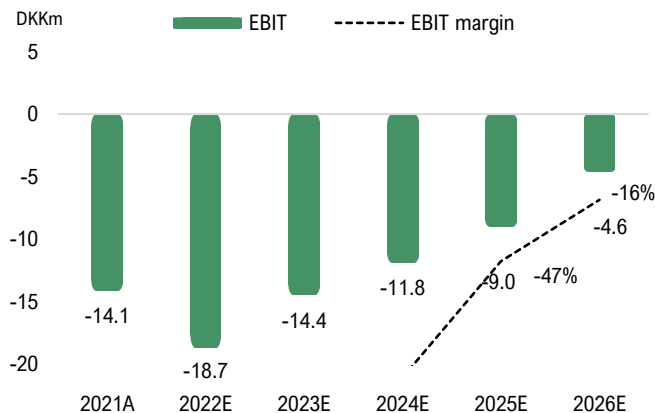
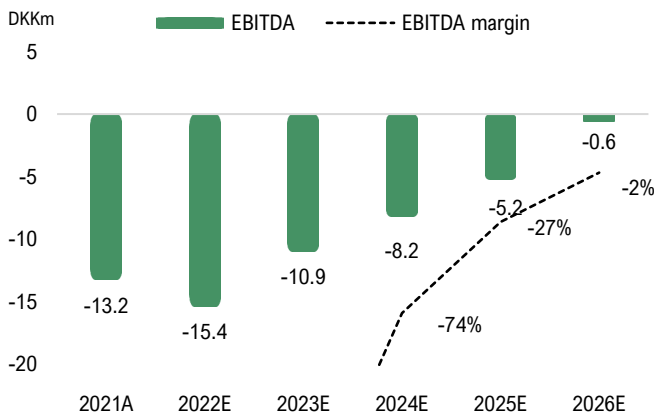
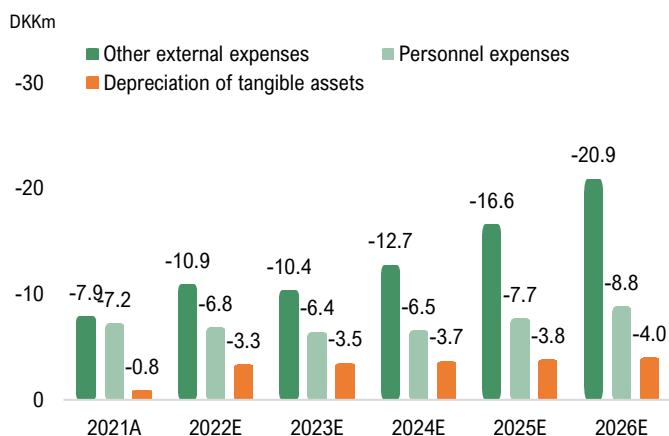
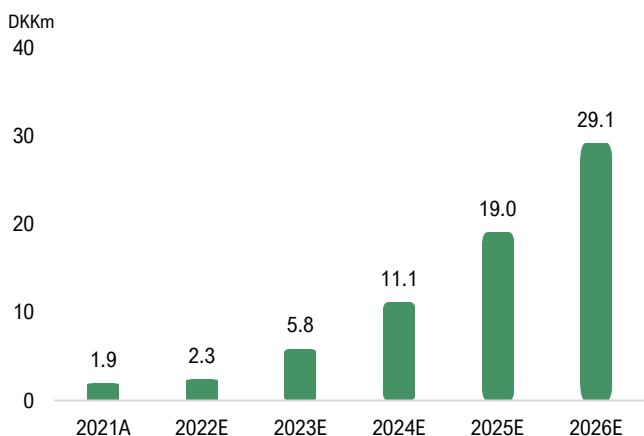
■ Net Sales



# Appendix

Bear scenario (DKKm)	2021A	2022A	2023E	2024E	2025E	2026E
Net Sales	1.9	2.3	5.8	11.1	19.0	29.1
Other income	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>1.9</b>	<b>2.3</b>	<b>5.8</b>	<b>11.1</b>	<b>19.0</b>	<b>29.1</b>
Other external expenses	-7.9	-10.9	-10.4	-12.7	-16.6	-20.9
Personnel expenses	-7.2	-6.8	-6.4	-6.5	-7.7	-8.8
<b>EBITDA</b>	<b>-13.2</b>	<b>-15.4</b>	<b>-10.9</b>	<b>-8.2</b>	<b>-5.2</b>	<b>-0.6</b>
<i>EBITDA margin</i>	<i>-701%</i>	<i>-654%</i>	<i>-188%</i>	<i>-74%</i>	<i>-27%</i>	<i>-2%</i>
Depreciation of tangible assets	-0.8	-3.3	-3.5	-3.7	-3.8	-4.0
<b>EBIT</b>	<b>-14.1</b>	<b>-18.7</b>	<b>-14.4</b>	<b>-11.8</b>	<b>-9.0</b>	<b>-4.6</b>
<i>EBIT margin</i>	<i>-745%</i>	<i>-795%</i>	<i>-248%</i>	<i>-107%</i>	<i>-47%</i>	<i>-16%</i>

■ Net Sales



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