SpareBank 1 Markets acted as financial advisor to SoftOx Solutions in relation to the private placement of new shares conducted by the company in March 2024 and in relation to the subsequent offering of new shares announced in connection with the private placement. Sparebank 1 Markets acts as financial advisor in the planned contemplated right issue expected executed by the 24th of August 2024.

SOFTX (COMMISSIONED RESEARCH)

Comments on announcement of NOK22.5m rights issue and new board and management

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Announcement of rights issue and new board and management

Comments on announcement of rights issue and new board and management

2 July, SOFTX announced a planned rights issue of NOK22.5m, with a subscription price of NOK0.02/share, compared to yesterday's closing price of NOK 0.1645. The proposed rights issue of NOK22.5m aims to provide the company with sufficient funding to plan, prepare, and execute a process to attract further investment for their Phase 2 study. This study will evaluate the efficacy of SoftOx's stabilized hypochlorous acid in treating Ventilator-Associated Pneumonia (VAP). Additionally, it was revealed that the founder and current Chairman of the Board, Geir Almås, will be stepping down. Ulrik Spork has accepted the position of Chairman of the Board, while Thomas Bjørnsholt, Chief Scientific Officer since 2022, will assume the role of CEO.

Following the announcement of the planned rights issue and the appointment of Ulrik Spork as the new Chairman of the Board, we believe the risk associated with securing the approximately NOK50m needed for the Phase 2 study has decreased. Ulrik Spork brings extensive experience, having served as chairman or board member for over 30 development and early commercialization stage companies in the life sciences sector. He is also active in several emerging life-science companies and two funds-of-funds, providing him with a relevant network and expertise to support the company in raising the additional NOK50m required for the Phase 2 study. Additionally, his extensive experience with Novo Nordisk makes him well-suited to facilitate a potential sale of SoftOx to a big pharma company following a potential successful completion of Phase 2.

Based on our estimates, the company should have sufficient cash runway until the middle of Q1 2025, given a quarterly cash burn of NOK7.5m. This includes a constant total of NOK15m in other current liabilities and accounts payables and no other liabilities on the balance sheet in the period.

Ulrik Spork new chairman of the board

Thomas Bjarnsholt (earlier CSO) new CEO of the company

 Source: SOFTX, SB1M

Thoughts on valuation post-rights issue (1/2)

Thoughts on valuation post-rights issue

In our initial research report on SOFTX from April (attached for reference), we identified that Ventilator-Associated Pneumonia (VAP) results in an additional NOK54bn in hospital costs across Europe and the US. Assuming SoftOx could achieve a market potential equal to one-third of these cost reductions, the market opportunity would be approximately NOK18bn.

We project that, if SoftOx's technology is approved for commercial use, a 10% market share by 2030 is feasible. Assuming 20% of the largest hospitals account for 80% of the market, penetrating a fraction of these hospitals could establish a substantial market presence for SoftOx. We anticipate cash earnings margins to be around 40% (please see report for details), translating to a net income potential of NOK540m to NOK900m, assuming a market share between 7.5% and 12.5%. Applying a 12.5x P/E ratio for 2030, we estimate a potential company valuation of NOK6.75bn to NOK11.25bn under these assumptions.

Furthermore, if we adjust for risks at various stages post-Phase 2, we estimate a potential value of approximately NOK2.2bn to NOK3.8bn by 2026, contingent on the success of the Phase 2 study. We also find an implied present value of between NOK503m-NOK863m when employing a 15% discount rate from 2026 back to 2024 and adjusting for 30% probability of phase 2 study success based on historical phase 2 study success rates in the field (see illustration below).

Implied value in 2026 (after successful phase 2 study) and implied value today given assumptions below

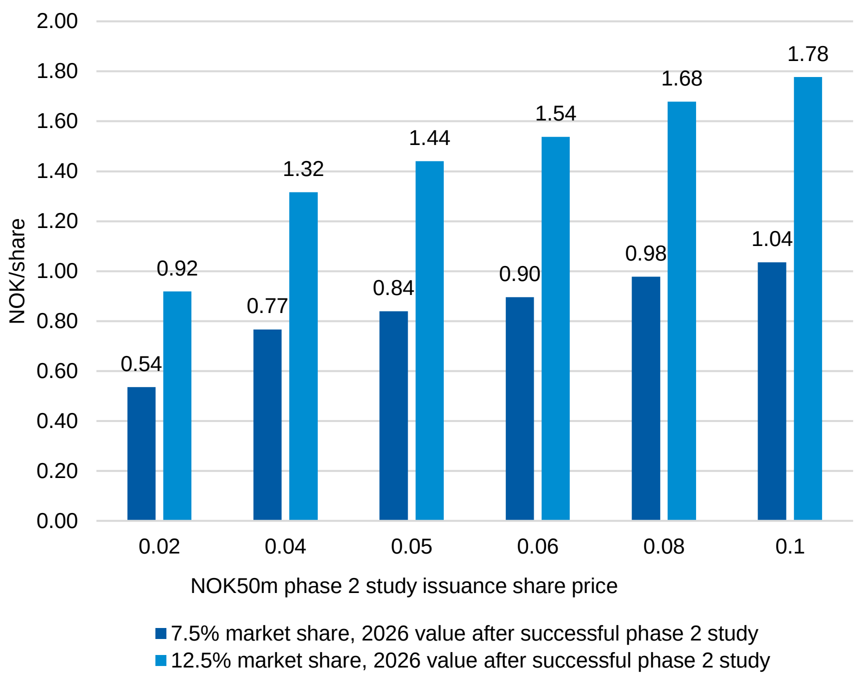
Calculations	NOKm
Additional hosptial costs caused by VAP in Europe and US	54 000
Estimated market potential	18 000
2030 revenue at between 7.5% and 12.5%	1 350-2 250
Cash earnings (assuming 40% margin)	540-900
Value in 2030 given P/E of 12.5x and assumptions above	6 750-11 250
Implied 2026 value given 1) phase 2 success, 2) 15% discount rate from 2030 to 2026 and 3) 61.75% probability of success from phase 3 to market approval, 4) NOK130m phase 3 funding and NOK100m commercialization funding	2 218-3 806
Implied value today after accounting for 1) 15% discount rate from 2026 to 2024 and 2) 30% probability of phase 2 study success	503-863

Source: SOFTX, SB1M

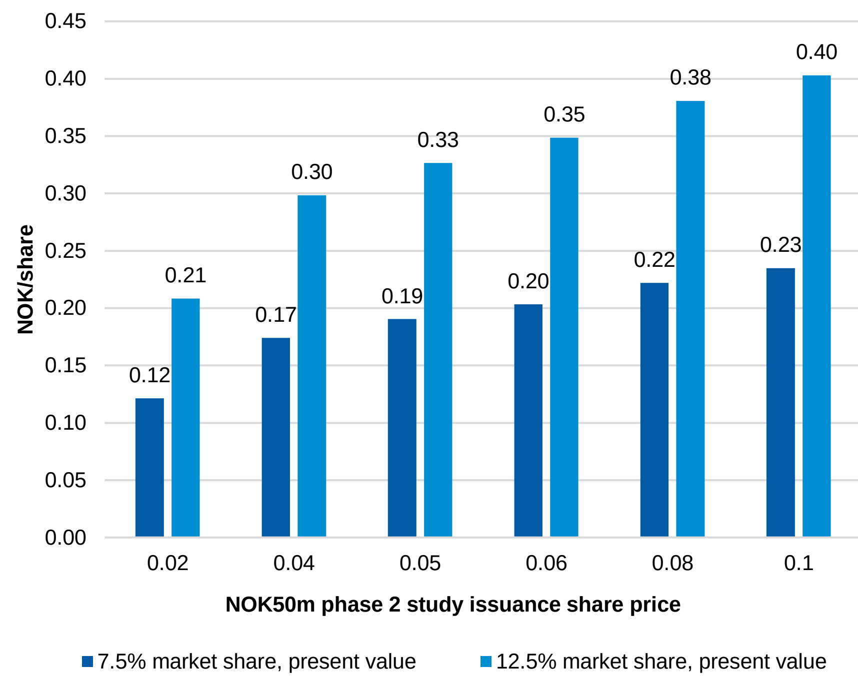
Thoughts on valuation post-rights issue (2/2)

The company will need an additional ~NOK50m to finance the Phase 2 study, following the announced NOK22.5m from the contemplated rights issue. Assuming the NOK50m is raised at between NOK0.02-NOK0.1/share, the total number of shares outstanding would differ greatly of between 2.142bn-4.142bn. Thus, the value per share is highly dependent on the issuance price in the mentioned NOK50m equity raise. We have included share price charts for both fair potential share price in 2026 given a successful phase 2 study and fair share price today given our assumptions stated in the table above.

Potential value per share if phase 2 is successful (given different phase 2 equity issuance prices)



Implied value per share today given our assumptions (given different phase 2 equity issuance prices)



 Source: SOFTX, SB1M

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