

SoftOx Solutions | SOFTX NO

*SpareBank 1 Markets acted as financial advisor to SoftOx Solutions in relation to the private placement and subsequent offering of new shares conducted by the company in March 2024. Sparebank 1 Markets acts as manager in the current rights issue.*

## New Chair and Mgmt. at our morning meeting this morning

### Conclusion

**New Board and Management** – This morning the SoftOx Solutions team presented at our morning meeting, represented by (unofficial) new chairman Ulrik Spork (EGM will commence in September), new CEO Thomas Bjarnsholt (which has been CSO since 2022) and CFO Ingrid Juven. Over the last 25 years, Ulrik has served as chairman or board member in +30 development/early commercialization stage companies in the life science space. Until 2015 he held senior positions in the Novo Group, including Head of Corporate Development in Novo Nordisk, founder and Senior Partner of Novo Ventures, Managing Partner Novo Growth Equity and Principal Investments. We find the appointment of the new chairman an important milestone for the firm, as he has extensive experience relevant to the process Softox is now undertaking.

**Company technology** - Regarding SoftOx' solution, the core technology remains unchanged. The company has developed a technology that stabilizes hypochlorous acid using acetic acid, which can be used to eliminate or inactivate microorganisms. This core technology is patented and is designed to be applicable across several areas. However, SoftOx has now decided to focus on improving the treatment of ventilator-associated pneumonia (VAP). This type of pneumonia poses a critical challenge in intensive care units, affecting ventilated patients with weakened immune systems. The goal is to use SoftOx's technology in aerosol form, allowing patients to inhale stabilized hypochlorous acid to eliminate/inactivate microorganisms and thereby treat pneumonia caused by ventilator use. The company has successfully completed Phase 1, establishing that inhaling a specified concentration of stabilized hypochlorous acid is safe for humans. The next step is to initiate Phase 2, which will assess the effectiveness of the treatment on intensive care patients with VAP, where the funding need is estimated to be between NOK60-80m.

**Current rights issue** - SoftOx is currently undergoing a rights issue subscription period, where the company aims to raise a minimum of NOK22.5m and a maximum of NOK24.75m at a subscription price of NOK0.02 /share. The subscription period began on August 6 and runs until August 23, with the final payment deadline on September 5. Trading in the new shares is expected to start around September 7. By raising between NOK22.5m and NOK24.75m, the company will issue between 1.125bn and 1.238bn new shares. Currently, there are 516.8m outstanding shares in SoftOx Solutions, while cancellation of employment contracts would add approx. 68m new shares. In total the company will have 1.710bn shares outstanding, assuming minimum subscription. The share price at the time of writing is NOK0.035 per share, which implies a market cap of NOK60m post-rights issue and share issue related to cancellation of employment contracts. For each share owned, shareholders have been allocated 2.177 (1.125 billion/516.8 million) subscription rights, which are tradable on Euronext Growth (though with low trading volume).

**Phase 2 probability of success** – The market cap of the company is currently NOK60m, after including shares from rights issue and cancellation of employment contracts. This could be explained by a combination of unfavorable track record and the financing need of NOK60-80m to fund phase 2. However, should the Phase 2 study prove successful, the story would be significantly different. Looking at historical numbers from other phase 2 studies within infectious diseases and respiratory, the probability of success is 38% and 22%, respectively. It

seems reasonable that the probability of a successful phase 2 study for SoftOx Solutions (given met financing need) is higher than these probabilities. The argumentation is based on these arguments: 1) Extensive research has been conducted beyond the Phase 1 study, including evaluations of SoftOx technology's efficacy in treating Influenza A in mice, its broad-spectrum antimicrobial activity against bacteria, fungi, and viruses, and its effectiveness as a post-exposure prophylaxis against the Sendai virus in mice. 2) Furthermore, this study aims to demonstrate the potential for treating VAP by targeting bacterial eradication, which may present a more straightforward approach compared to reacting to other substances. 3) In addition, hypochlorous acid is produced in white blood cells during the body's immune response and acts as a potent oxidizing agent against microbial infections. Thus, the acid that SoftOx is able to stabilize is also produced within the body to kill bacteria.

**Financing going forward** - The company will receive NOK22.5m-NOK24.75m before fee within 5<sup>th</sup> of September from current rights issue. The company will use these proceeds to pay down NOK14m in supplier debt and NOK1.5 in different other obligations. Thus, the company should have around NOK5m-NOK7m in cash to finance operations until the new phase 2 financing round. SoftOx Solutions uses NOK700k in operational expenses per month, in addition to NOK500k in patent protections per month (which the company will work on reducing the next period). Thus, if we assume NOK1.2m in cash burn per month, the company should be able to fund operations from cash in 4-6 months, before any unforeseen costs. In this period, the company aims to attract new investors for the financing of phase 2 study. Note that the company is currently involved in a legal dispute with an external consultant, where the claim against the company amounts to NOK3m plus legal costs. As mentioned, the company is looking for financing of NOK60m-80m to finalize the phase 2 study, and is currently working on a financing solution.

The company will arrange a market update in connection with the ongoing rights issue on Investorweb tomorrow at 14:00 CEST.

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Best regards,

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