

ODI Pharma (ODI)



Starting 2024 with Significant Growth and Profitability

The third quarter was a breakthrough quarter for ODI Pharma AB ("ODI Pharma" or the "Company"), with net sales amounting to SEK 13.9m and an EBIT margin of 11%, proving the significance of the collaboration with Synoptis Pharma and the scalable business model. ODI Pharma's unique business model has resulted in the Company being, and expected to remain, one of the very few profitable companies in the cannabis industry. According to Analyst Group, this presents an attractive investment opportunity. With estimated net sales of SEK 127m by 2025/2026, and with an applied P/S multiple of 2.8x, a potential present value per share of SEK 17.4 (10.7) is derived in a Base scenario.

A Breakthrough Quarter

ODI Pharma delivered a breakthrough quarter in Q3-23/24 as net sales amounted to SEK 13.9m (0.0), the first significant sales in the Company's history. The figures is a result of several successful deliveries of medical cannabis products to the partner Synoptis, a market leading pharmaceutical brand, which is also expected to drive continued sales growth.

Proof of the Scalable Business Model

Despite the strong sales during the quarter, the cost base remained stable. ODI Pharma's cost base is largely fixed, with shipping costs expected to be the largest variable cost. Given the remained low cost base during Q3 however, shipping costs are not expected to be significant. As a result of the stable cost base in combination with strong sales, ODI Pharma delivered an EBIT margin of 11% during the quarter, and we expect the Company to deliver strong cash flows going forward.

A Profitable Medical Cannabis Company Creates a Unique Investment Opportunity

The medical cannabis industry is characterized by high investments required both to navigate the heavily regulated market and to invest in cultivation. Consequently, several companies in the industry struggle to demonstrate profitability. Within the applied peer group, only one company is profitable in terms of net results, highlighting the profitability challenges in the industry. ODI Pharma, however, has a different business model that does not involve investments in cultivation, thus creating a unique investment opportunity in medical cannabis as a profitable company.

We Raise our Valuation Range

With the Q3-report presented, we have obtained evidence that the collaboration agreement with Synoptis Pharma is a game changer for ODI Pharma, as demonstrated by the strong sales. Additionally, the cost base remained low even during this scale-up, proving the scalability of the business model, according to Analyst Group. As a result, we believe that a revaluation of ODI Pharma is justified, and we have accordingly raised our valuation range in all scenarios.

VALUATION RANGE

Bear
SEK 3.9

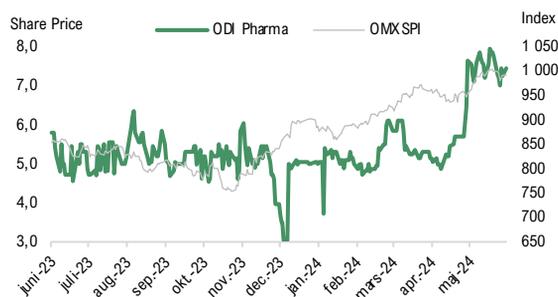
Base
SEK 17.4

Bull
SEK 20.9

KEY INFORMATION

Share Price (2024-06-04)	7.50
Shares Outstanding	15,220,000
Market Cap (SEKm)	114.2
Net cash(-)/debt(+) (SEKm)	-5.9
Enterprise Value (SEKm)	108.2
List	Spotlight Stock Market
Quarterly report 4 2023/2024	29 th of August 2024

SHARE PRICE DEVELOPMENT



OWNERS (SOURCE: HOLDINGS)

Volker Wiederrich	39.8%
Niclas Kappelin	26.1%
Derek Simmross	26%
Kyösti Antero Tuuli	0.3%
Tomi Kalevi Heikkinen	0.3%

Estimates (SEKm) 2023/2024E 2024/2025E 2025/2026E 2026/2027E

Net Sales	21.3	69.1	126.6	172.7
COGS	-17.2	-55.2	-100.0	-135.4
Gross Profit	7.2	13.8	26.6	37.3
Gross Margin ¹	19%	20%	21%	22%
Operating Costs	-5.9	-7.7	-9.8	-11.2
EBITDA	1.2	6.1	16.7	26.1
EBITDA Margin ¹	-8%	9%	13%	15%
P/S	5.4	1.7	0.9	0.7
EV/S	5.1	1.6	0.9	0.6
EV/EBITDA	87.4	17.8	6.5	4.1
EV/EBIT	87.6	17.8	6.5	4.1

¹Adjusted for other operating income

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Other

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The analyst does not own shares in the Company.

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