

Equity Research | SIMRIS ALG: Ready to execute on a three-pronged roadmap to capture the most high-value opportunities

Following the successful acquisition of Cyano Biotech GmbH in Q3, Simris is now moving forward with a three-pronged approach to value creation. First in line is the relaunch of food supplements in the US and Sweden starting in Q4'22. Second, over the winter, Simris will conduct further trials to optimize production of Fucoxanthin and advance its B2B offering, which we expect to produce results by summer 2023. Finally, for Simris' entry into the high-value biopharma space, we see a good chance for a first evaluation agreement based on Cyano' platform for ADC payloads within our forecast horizon. All in all, we continue to find support for a fair value of SEK 170-230m in 12-24 months.

Relaunch of food supplements in Q4'22

With the structural foundation in place, Simris is now on track to exploit the three most promising verticals in the microalgae and cyanobacteria space. In December, Simris will relaunch its microalgae-based Food Supplement products. This time, however, the capsules will contain twice the EPA and DHA compared to previous products, and even so they will be half the size – which makes them easier to swallow, an important factor for consumers when making a purchase decision. They will also have more efficient packaging and a more competitive price. The launch will begin with Amazon in the USA and Simris' own web shop in Sweden before rolling out to new markets through e-commerce and pharmacies.

Three drivers for revenue growth in 2023

Over the past two years, the recently acquired Cyano Biotech had an average turnover of over EUR 0.5m and is expected to deliver an EBITDA in the region of EUR 100k in 2022. Combined with the relaunch of food supplements starting Q4 this year and a refined and expanded B2B offering in 2023, this lends support to our expectation of a sharp rise in revenues in 2023.

However, the relaunch of food supplements is likely to increase costs during launch phase Q4/Q1, while the optimized production of Fucoxanthin and new B2B business will impact revenues in Q2' 23 at the earliest. Along with the lower-than-expected revenue in Q3'22, we've made a downwards revision of our sales forecast for FY 2022 and FY 2023 to SEK 6m (11) and 20m (30) respectively. In addition to the cash position at SEK 3.4m, Simris has access to a loan facility from Simris' Chairman's company Brand Laboratories of EUR 1m (SEK ~11m) and an additional SEK 1m overdraft facility with the bank.

Significant revaluation potential

One of the challenges for Simris historically has been how to allocate its limited resources to best capitalize on all the various and highly dispersed business opportunities that come with owning a



world class microalgae production facility. But now we're getting a clearer view on how management plans to capture the best opportunities, with a clear plan and roadmap for each vertical, focusing on the most high-value opportunities in each field. This is also the strategy likely to produce the most value for shareholders in the long-term.

All in all, we continue to see a significant revaluation potential in Simris. With only a fraction of listed peer multiples, we find support for a fair value of SEK 170-230m in 12-24 months. This translates to 0.94 SEK and 1.28 SEK per share in 2023-2024. However, should Simris produce an ADC platform license deal this will boost potential even further.

Read the full report on Simris Alg here https://www.emergers.se/simris_o/

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