FEATURE Q&A WITH THOMAS FELDTHUS, CFO AT SANIONA

On the road to the Main Market in Stockholm

For this issue of the Nordic Capital Market Insights Report, Daniela Mercado and Emil Jensen from the Copenhagen office sat down with Saniona’s co-founder and CFO, Thomas Feldthus to discuss with him the exciting journey that Saniona has been through, with multiple upgrades starting from its listing on AktieTorget in 2014, First North Premier in 2016 and Nasdaq Main Market in June 2017.

It seems like an exciting ride that Saniona has been on since your first listing on AktieTorget in 2014. Did you plan all along to take the listing onto Nasdaq Main Market in steps?

We were considering various issues at the time of listing in 2014. First, AktieTorget is focused on early stage companies and is a bit less expensive than First North. Their homepage is easy to navigate for investors and it can function as a full IR site for startups. We felt that Nasdaq’s homepage was in some ways designed for large companies in the US and Europe, who have their own communication and IR departments. Second, we thought that we could quickly establish ourselves among the top 5-10 companies on AktieTorget thereby being a leader from the start. If we went to Nasdaq from the start, we could drown in the crowd of companies. However, we acknowledged that AktieTorget in 2014 was completely unknown territory among potential Danish investors, and probably seen as junior to First North among Swedish investors. The first was, of course, an issue. The latter could also be seen as an opportunity, since we in this way could show progress when moving to First North and later the Main Market as you describe.

There is, however, one important thing that companies need to take into consideration if they are aiming for the Main Market. Nasdaq Stockholm requires that the CEO, the CFO, or the person responsible for Investor Relations has at least one year of experience within the last five years from a similar job in a company listed on a regulated market or First North Premier. AktieTorget does not provide this qualification since Nasdaq is not monitoring companies on this list, but First North does.

And, I have to ask, why Sweden?

I am a co-founder of Saniona, and I did not receive any salary in the first years since we did not have much money. Therefore, I took a part time job as CFO for a Swedish company to secure my private obligations. The company was listed on AktieTorget, and here I learned that the Swedish market was completely different from the Danish market and any other financial market for that matter. I think that about 30% of Swedish households are investing directly in listed companies. As opposed to fund managers, who need to focus on large companies, private individuals can easily invest in small companies. In fact, many prefer to do so since the business

Company fact box

Sector
Leading Biotech in the field of ion-channels

Established
2011

Objective
Develop and provide medicine for central nervous systems diseases, autoimmune diseases and metabolic diseases

Listed
Swedish Main Market

YTD-return, as of 13 September 2017
21.95%

Number of employees as of 31 December 2016
26
case is easy to understand and they often get the opportunity to meet the management in person. This results in a lively microcap market with several hundred listed companies.

The company, which I previously worked for in Sweden, experienced a very fast development in the share price and market cap increasing by 20-fold within a very short time. Based on this experience, we decided to list Saniona. Therefore, we became the first Danish company to list on AktieTorget. I think that our success inspired many other Danish companies to list on the various exchanges in the following years.

What steps did you take in preparing for your Main Market listing that you believe were the most challenging? The most valuable?

I think that the process can be divided into the following five steps:

1. Accounting: We started by changing our reporting from Swedish GAAP to IFRS.
2. Gap analysis: We had an IPO readiness analysis performed and received a report. Such report tells you what you are missing and what needs to be revised in order to satisfy the listing requirements.
3. Connecting the dots: Based on the gap analysis, we started to fill in the gaps. I think that there are about 20 procedures and policies, which need to be drafted, revised and implemented before you can start the due diligence with the exchange auditors. Further, the following procedures and policies must be included: “Instruktion och arbetsordning för valberedningen,” Rules of procedure for the board, Rules of procedure for the audit committee, Rules of procedure for the remuneration committee, Instruction for the managing director, Instruction for financial reporting, Information policy, Insider policy, Instruction for insider list, Code of conduct for employees, Remuneration policy for management, Dividend policy, Risk policy, Finance policy, Finance manual, Transfer pricing policy, IT policy, and Crisis management plan. On top of this, you need to be sure that the board and management fulfil the requirements for listing.
4. Formal due diligence: Nasdaq Stockholm appoints an exchange auditor from one of the Big 5. The exchange auditor makes a detailed audit of the company, the financial reports, its corporate governance function, the listing prospectus, etc. We also will need to have legal and tax due diligence reports performed as part of the exchange auditor’s work. The process ends with three due diligence reports, which are forwarded to the Nasdaq listing committee.
5. Prospectus and listing: In parallel to the above, you are preparing a listing prospectus. You may in that context also make a public offering. We did not make any public offering in connection with the listing on the Main Market since we were already listed on a micro exchange. However, we made a small private placement just prior to the listing.

It is a very thorough and time-consuming process with many players involved and many balls up in the air at the same time. What advice would you give to other CFOs contemplating a listing on the Main Market in Sweden?

- Assume at least a year. We were ready after one and a half, but had to wait for another six months before we could list.
- Expect delays. Do not communicate detailed and aggressive timelines to the public.
- Establish an audit committee and include a board member who has detailed knowledge and experience about the process.
- Ensure that you have a good lawyer, who has detailed knowledge about the jurisdiction you are going to list in. Swedish lawyers in Sweden, Danish lawyers in Denmark, US lawyers in the US.
- Perform a gap analysis with one of the Big 5 audit houses.
- Do not reinvent the wheel. Use consultants for drafting and implementing some of the governance procedures.
That is really good on-point advice. I think companies sometimes underestimate the gaps and the time that it takes to fill them in. We also usually advise at least 12-18 months to get ready, as an IPO is a company transformation, and it takes a while to permeate the organization.

What were some of your key challenges in managing investor relations and preparing for an IPO?

We took the first step into the public arena with our listing on AktieTorget. One of our board members has a background within communication and IR in both Sweden and Denmark. Therefore, I quickly got access to a network for homepage development, IR and Swedish translation, etc.

Until now, IR primarily addressed the retail sector due to the micro exchange status. With the new status on the Main Market, we will focus more on the institutional sector, including the US, where we will use specialized IR firms.

How do you think your “life as listed” will change? Do you anticipate any new challenges?

We have been listed for some time now. The Main Market listing means that we will need to communicate at different levels. The institutional sector has different expectations than the retail sector. Generalists have different expectations than specialists, etc.

While most would see an IPO as a destination, we believe that it is just the beginning, as in many ways it accelerates growth and perhaps speeds up the velocity at which a newly-listed company creates value at that certain phase of its lifecycle. Your interim report for the first half of 2017 was just released and you have achieved an important milestone in reaching Phase 3 with your partner in Mexico, which is expected to create value for your investors. Things seem to be moving fast after only five years in operation... How do you see the next five years?

I expect that the next five years will be even faster. Our first product may potentially come on the market within the next three years. We may not be a PE company over night, but it is a major step for a Biotech company to commercialize its first product and thereby secure stable income. I have significant hopes for Tesomet, which will be in late stage development. It can be a game changer for Saniona during the period. Already, we have a broad pipeline, which, to a large extent, is financed by partners. This will, by itself, provide momentum when these programs advance into the clinics. Then we also have potential new things coming up.

There has been a lot of talk about disruptors in different industries. Do you anticipate any disruptors in your business?

Absolutely.

The pharmaceutical industry is very large. The market for each indication is often above US$ 5 billion and may as such be considered an industry on its own. Within each indication, companies are developing ground-breaking therapies which may become blockbusters and essentially take over the market within a few years. This has happened several times in the past and it will happen again. Therefore, the pharmaceutical business is very dynamic. It has inherited elements, which will be considered disruptive in other industries.

On a broader scale, we have over the past 50 years seen the introduction of new technologies, which have changed our industry forever such as gene sequencing and genetic engineering. Most recently, we saw BMS’s introduction of an immune therapeutic in melanoma cancer, where 20 % of the patients were cured from this deadly disease. Following this initial success, the industry has, within a few years, initiated more that 1,000 new pharmaceutical programs based on similar concepts. This is a completely new way of thinking in this field.

You are absolutely right. These are exciting and innovative times for the life sciences industry and biotech in particular. We thank you for your time today and your valuable advice to other CFOs. Best of luck as you continue your journey!