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SynAct Pharma AB carries out a directed issue of shares and warrants raising initial gross proceeds of SEK 60.5 million

The board of directors of SynAct Pharma AB ("SynAct" or the "Company") has, based on the authorization granted by the annual general meeting on 25 May 2023, resolved on a directed issue to an entity managed by Heights Capital Management, Inc. ("HCM") including a total of 3,750,000 new shares and 3,375,000 warrants (the "Directed Issue"). The shares in the Directed Issue are issued at a subscription price of SEK 16.14 per share. The warrants are issued free of charge and each warrant entitles to subscription of one share and can be exercised until 13 October 2025 at a subscription price of SEK 17.75 per share. Through the Directed Issue, the Company will receive initial proceeds of approximately SEK 60.5 million before transaction costs and, following the exercise of all warrants, will receive additional proceeds of up to approximately SEK 59.9 million.

"We are very happy to announce this deal, providing funds to continue development of our pipeline with the focus on resomelagon. In addition, the funds will secure our efforts in business development aiming at finding the right partner for resomelagon," says Torbjørn Bjerke, CEO of SynAct Pharma.

The Directed Issue

The board of directors of SynAct has, based on the authorization granted by the annual general meeting on 25 May 2023, resolved on a directed issue of 3,750,000 shares and 3,375,000 warrants to HCM. The shares are issued at a subscription price of SEK 16.14 per share. The warrants are issued free of charge. Each warrant entitles to subscription of one (1) new share in the Company against cash payment amounting to SEK 17.75 per share (corresponding to 110 per cent of the subscription price for the shares in the Directed Issue). The warrants may be exercised for subscription of new shares until 13 October 2025, on a maximum of four (4) occasions during the subscription period.

Through the Directed Issue, the Company will receive initial proceeds of approximately SEK 60.5 million before transaction costs. If the warrants issued in the Directed Issue are exercised in full for subscription of new shares, the Company will receive additional proceeds of approximately SEK 59.9 million.

The settlement of the Directed Issue is expected to occur on or about 13 October 2023. The completion of the Directed Issue is subject to the satisfaction of certain conditions precedent under a subscription agreement entered into between the Company with HCM in connection with the Directed Issue.

Purpose and use of proceeds

SynAct intends to use the proceeds of approximately SEK 60.5 million before transactions costs from the Directed Issue for continued development of the Company's primary drug candidate resomelagon (AP1189) through proof-of-concept Phase 2 clinical studies, development of the TXP portfolio which was acquired in January 2023 and to finance general corporate purposes. If the warrants are exercised in full, the Company will receive additional proceeds of approximately SEK 59.9 million which will be used for additional study initiation for the Company's drug candidates and to further advance the Company's development plan.

The proceeds from the Directed Issue will create increased financial flexibility for the Company and the initial proceeds are expected to, together with the Company's current cash balance, meet the Company's working capital needs up to and including the third quarter of 2024, based on the Company's business model and current business plan.

The reasons for deviation from the shareholders' preferential rights and the grounds for the subscription price

Prior to the resolution on the Directed Issue, the board of directors has carefully considered alternative financing options, including the possibilities of carrying out a rights issue. After an overall assessment and careful consideration, the board of directors considers that an issue carried out with deviation from the shareholders' preferential rights is a more beneficial alternative for the Company and the Company's shareholders than a rights issue and that it is objectively in the Company's as well as its shareholders' interests to carry out the Directed Issue. In reaching this conclusion, the board of directors has, among other things, considered the following.

- In September this year, SynAct announced top line data from the 12-week EXPAND Phase 2b clinical trial in severely active newly diagnosed rheumatoid arthritis patients which showed that the primary endpoint for the trial was not met. SynAct is expecting to report the results from the RESOLVE Part 2a clinical study in DMARD-IR patients later in October. In view of the current status of the clinical programs, the board of directors has concluded that the Company is in need of a swift financing securing the Company's short-term needs.
- A rights issue would be significantly more time- and resource-consuming compared to the Directed Issue, while there are no guarantees that a rights issue would be fully subscribed. In view of what is outlined above, it is a high priority for the Company to secure a financing in the near term and therefore the Directed Issue is a better alternative compared to a rights issue from the timing perspective. The Directed Issue also contributes to reduced exposure to share price fluctuations on the stock market, as well as allows for the opportunity to benefit from current interest in the Company's shares. Moreover, the costs of the Directed Issue are considered to be lower than those of a rights issue where, among other things, an eventual guarantee consortium would have to be procured.

- Unlike a rights issue, the Directed Issue will provide the Company with a new reputable owner, which the board of directors considers to be of benefit to SynAct and the liquidity of the share.
- An additional aspect that speaks in favor of the choice of a directed share issue is that a rights issue, most probably, would have had to be conducted at a not inconsiderable discount, which would lead to larger dilution effects for the Company's existing shareholders. From a shareholder perspective, a rights issue at a discount also entails a risk of a negative effect on the share price in connection with the execution of the rights issue.

Considering the above, the board of directors' overall assessment is that the reasons for the Directed Issue outweigh the reasons for a rights issue according to the main rule and the Directed Issue is thus considered to be in the interest of both the Company and all shareholders.

The subscription price in the Directed Issue has been determined through extensive negotiations at arm's length with HCM. In these negotiations, the parties have agreed to apply a subscription price for the shares equal to 85 per cent of the arithmetic average of the daily volume weighted-average price ("**VWAP**") for the Company's shares on the two trading days with the lowest daily VWAPs out of the five trading days immediately preceding the issue resolution. The parties have furthermore agreed to apply a subscription price upon exercise of the warrants corresponding to 110 per cent of the subscription price for the initial shares. It is thus the board of directors' assessment that the subscription price has been set at market terms.

Shares, share capital and dilution

Through the Directed Issue, the number of shares and votes in the Company will increase by 3,750,000 from 31,820,980 to 35,570,980 shares. The share capital increases with SEK 468,750 from SEK 3,977,622.50 to SEK 4,446,372.50. The Directed Issue entails a dilution of approximately 10.5 per cent based on the number of shares and votes in the Company after the Directed Issue. In case all warrants issued in connection with the Directed Issue are exercised for subscription of new shares in the Company, the number of shares and votes will increase additionally with 3,375,000 to 38,945,980 shares and the share capital will increase additionally with SEK 421,875 to SEK 4,868,247.50. This corresponds to an additional dilution effect from the warrants of a maximum of approximately 8.7 per cent. The aggregate maximum dilution from the Directed Issue corresponds to approximately 18.3 per cent.

Prospectus

In connection with the admission to trading of the new shares issued in the Directed Issue on Nasdaq Stockholm, the Company has prepared a prospectus which is expected to be approved and published around 12 October 2023. Once the prospectus has been approved and registered by the Swedish Financial Supervisory Authority, the prospectus will be available on the Company's website, www.synactpharma.com, and on the Swedish Financial Supervisory Authority's website, www.fi.se.

Advisors

In connection with the Directed Issue, Van Lanschot Kempen N.V. has acted as financial advisor to the Company and Setterwalls Advokatbyrå AB has acted as legal advisor to the Company.

Lund on 11 October 2023

SynAct Pharma AB (publ)

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SynAct Pharma AB (Nasdaq Stockholm: SYNACT) is a clinical stage biotechnology company focused on the resolution of inflammation through the selective activation of the melanocortin system. The company has a broad portfolio of oral and injectable selective melanocortin agonists aimed at inducing anti-inflammatory and inflammation resolution activity in autoimmune and inflammatory diseases to help patients achieve immune balance and overcome their inflammation. For more information: www.synactpharma.com.

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This press release is not a prospectus for the purposes of the Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) and has not been approved by any regulatory authority in any jurisdiction. The Company has not authorised any offer to the public of shares or rights in any member state of the EEA. In any EEA Member State and in the United Kingdom, this communication is only addressed to and is only directed at qualified investors in that Member State or in the United Kingdom within the meaning of the Prospectus Regulation.

Forward-looking statements

This press release contains forward-looking statements that reflect the Company's intentions, assessments, or current expectations about and targets for the Company's future results of operations, financial condition, development, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Company operates. Forward-looking statements are statements that are not historical facts and may be identified by the fact that they contain words such as “believe”, “expect”, “anticipate”, “intend”, “may”, “plan”, “estimate”, “will”, “should”, “could”, “aim” or “might”, or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Even if the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements, which are a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors nor does it accept any responsibility for the future accuracy of the opinions expressed in this press release or any obligation to update or revise the statements in this press release to reflect subsequent events. Readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements contained in this press release speak only as of its date and are subject to change without notice. Neither the Company nor anyone else does undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release, unless required by law or Nasdaq Stockholm's rule book for issuers.

This information is information that SynAct Pharma is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2023-10-11 21:39 CEST.

Attachments

[SynAct Pharma AB carries out a directed issue of shares and warrants raising initial gross proceeds of SEK 60.5 million](#)