



targovax

# ACM Convertible Bond Agreement Q & A

28 February 2023

# Important notice and disclaimer

This report contains certain forward-looking statements based on uncertainty, since they relate to events and depend on circumstances that will occur in the future and which, by their nature, will have an impact on the results of operations and the financial condition of Targovax and the Targovax Group. Such forward-looking statements reflect the current views of Targovax and are based on the information currently available to the company. Targovax cannot give any assurance as to the correctness of such statements.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied in these forward-looking statements. These factors include, among other things, risks or uncertainties associated with the success of future clinical trials; risks relating to personal injury or death in connection with clinical trials or following commercialization of the company's products, and liability in connection therewith; risks relating to the company's freedom to operate (competitors patents) in respect of the products it develops; risks of non-approval of patents not yet granted and the company's ability to adequately protect its intellectual property and know-how; risks relating to obtaining regulatory approval and other regulatory risks relating to the development and future commercialization of the company's products; risks that research and development will not yield new products that achieve commercial success; risks relating to the company's ability to successfully commercialize and gain market acceptance for Targovax's products; risks relating to the future development of the pricing environment and/or regulations for pharmaceutical products; risks relating to the company's ability to secure additional financing in the future, which may not be available on favorable terms or at all; risks relating to currency fluctuations; risks associated with technological development, growth management, general economic and business conditions; risks relating to the company's ability to retain key personnel; and risks relating to the impact of competition.



ATLAS CAPITAL MARKETS

*“Our strategy is to provide growth capital for undervalued companies with robust science and strong management teams. In Targovax we see significant upside potential in the diversified pipeline led by ONCOS-102 and complemented by a platform opportunity in the cutting edge circRNA program”*

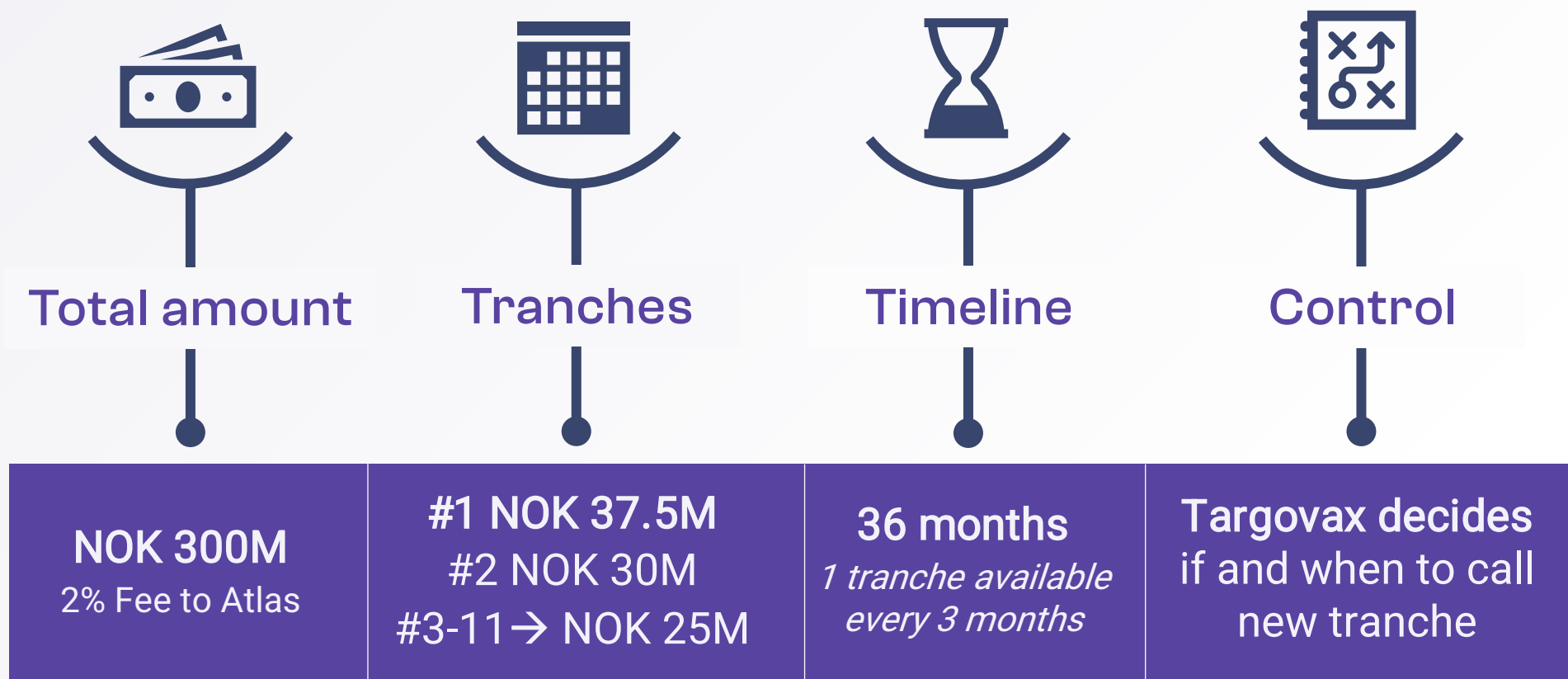
*Mustapha Raddi  
Managing Partner ACM*

## Experienced investor providing financing solutions for European biotechs

- Headquarters: London
- JV with US-based Arena Investors
- Assets under management: \$3.6B
- 17 active convertible investments in USA & Europe



# In difficult market conditions, Targovax has secured access to NOK 300M in financing



# Convertible bond (CB) financing - mechanics

## 1. Calling a Tranche

### Targovax to request payment of tranche

First tranche: NOK 37.5M  
2<sup>nd</sup> tranche: NOK 30M  
Subsequently: NOK 25M

### Targovax in control

Timing and total amount drawn at full discretion of Targovax

## 2. Receiving Cash

### Atlas sends cash to Targovax

92% of nominal value  
NOK 2.3M in cash for NOK 2.5M CB

## 3. Issuing CBs

### Targovax issues CBs to Atlas

Each CB = NOK 2.5M,  
25M tranche = 10 CBs

Atlas will hold CBs until conversion to shares

**No warrants**, interest, or collateral

## 4. Conversion to shares

### Atlas requests CB conversion to shares

Price: 100% of VWAP average of 3 in 15 preceding trading days

### Trading limitations

**Maximum 25%** of total trading volume in any given week

**No short selling** (short-term hedging exception)

*Can be repeated every three months*



# Questions from Shareholders

*What is the transaction fee?*

- NOK 6m (2% fee for 300m NOK facility)
- Paid from the proceeds of first 37.5 m NOK tranche

*When will Targovax call the first tranche?*

- **Mid-March**, following shareholder approval of the Atlas agreement

*Will you make an announcement when you draw a tranche?*

- **Yes**, each time we request a tranche from Atlas we will issue a stock exchange notice
- A notice will also be issued for each CB conversion

*What will be the net proceeds from the first tranche?*

- Gross: NOK 37.5 m (15 CBs of 2.5 m nominal value)
- Subscription fee: NOK 37.5 m x 8% = NOK 3m
- Transaction fee: NOK 300m x 2% = NOK 6m
- **Net proceeds = NOK 28.5 m**

*What happens when Atlas receives the convertible bonds?*

- Atlas is expected to **convert CBs into shares over time**
- Atlas is not expected to be a long-term shareholder



# Questions from Shareholders

*How are the bonds converted into shares?*

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- Atlas sends a **Conversion Notice to Targovax**
- **Targovax issues a stock exchange notice and initiates share transfer process**

*What is a Conversion Notice?*

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- **A letter from Atlas specifying (1) Number of CBs to be converted, (2) Conversion Price and (3) number of shares for each CB**

*What is the Conversion Price and how is it calculated?*

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- The share price determining the number of shares to be issued for each CB
- The arithmetic **VWAP average of 3 out of the 15 preceding trading days** selected by Atlas
- **VWAP = Volume Weighted Average Price**

*Will Atlas get a discount on the share price?*

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- **No, the price is 100% of the VWAP average**
- If the share price increases during or after the 15 days prior to Atlas converting a CB, **the Conversion Price may be lower than the current trading price**



# Questions from Shareholders

*Are there trading limitations for Atlas?*

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- **Yes, Atlas can trade a maximum of 25% of the total trading volume in that same week**

*What happens if Atlas exceeds the 25% trading limit?*

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- **Atlas will need to buy back the excess number of shares to meet the 25% trading limit**

*Is Atlas allowed to short sell shares?*

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- **No, the agreement specifically prevents short selling by Atlas (incl. its associates)**
- **One exception for short term hedging**

*What is the hedging exception?*

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- **Hedging allowed only during the period from a conversion notice is sent until shares are received (up to 3 trading days)**
- **Allowed because shares cannot be issued instantly**

*What if Atlas short sells anyway?*

- **It would be a violation of the contract**
- **Any day of hedging during a conversion period is excluded from determining the conversion price of future CBs**





# No Short Selling – exception for short term hedging

## 1. Atlas holds Convertible Bonds

### Atlas holds convertible bonds (CBs)

Atlas receives CBs from Targovax in exchange for a cash investment

**No short selling allowed**

## 2. Atlas sends Conversion Notice

### Targovax issues stock exchange notice and initiates share conversion process

Atlas committed to receive shares, but not yet in their account

**Short selling possible**  
25% trading limit applies

Applies also to affiliates and subsidiaries

## 3. Targovax transfers Conversion Shares

### Agents need to register and transfer new shares

Atlas do not yet have tradeable shares, process to take 2-3 business days

**Short selling possible**  
25% trading limit applies

Applies also to affiliates and subsidiaries

## 4. Atlas receives Conversion Shares

### Conversion shares are deposited in Atlas' account

Atlas can trade newly issued shares

**No short selling allowed**

*To be repeated every Conversion Notice*

# Questions from Shareholders

*Why has the investment agreement not been disclosed?*

- It is not standard to publish full agreements
- May contain certain business-sensitive information

*Will you share the Investment Agreement?*

- Atlas has agreed to **share all commercial sections**
- **Will be made available** on our website later today

*Are the bonds tradeable?*

- Atlas is the principal holder but **can transfer CBs to Affiliates**
- Any other transfer **would need consent from Targovax**

*Should I be concerned about the potential short term hedging by Atlas?*

- Any days where such hedging took place will be **excluded from determining future CB conversion price**
- The wording in the bond agreement has been strengthened, updated version will be made available on our website later today

*Why Atlas, and why a convertible bond structure?*

- **We have evaluated a number of options** and investors during the past six months, Atlas CB offer considered clearly best option
- **Atlas provided best combination of size and flexibility** with simple fee structure and no strings attached





# QUESTIONS FROM THE AUDIENCE