



Collaborative Approach to Life Science  
Financing

## Corporate Presentation

June 25, 2020



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# SWK Holdings - Overview

Custom financing solutions for commercial-stage healthcare companies and royalty owners

Underserved, High-Need Market

- SWK targets \$5mm to \$20mm financings, a market niche that is largely ignored by larger market participants and generates attractive full-cycle returns
- Business focus is secured financings and royalty monetizations, but will selectively consider equity-like opportunities and M&A

Demonstrated Success, Attractive Returns

- Targets unlevered, mid-teens return on capital with a portfolio effective yield\* of 13.2% for 4Q19
- 17 exits from inception through May 11, 2020 generating a 20% IRR and 1.2x MOIC
- As of May 11, 2020 completed financings to 36 different parties deploying \$540mm of capital
- Finance segment generated a 11.2% LTM adjusted return on finance segment tangible book value\*\*
- Compounded book value per share at a 11% CAGR from 4Q12 to 1Q20's \$17.96

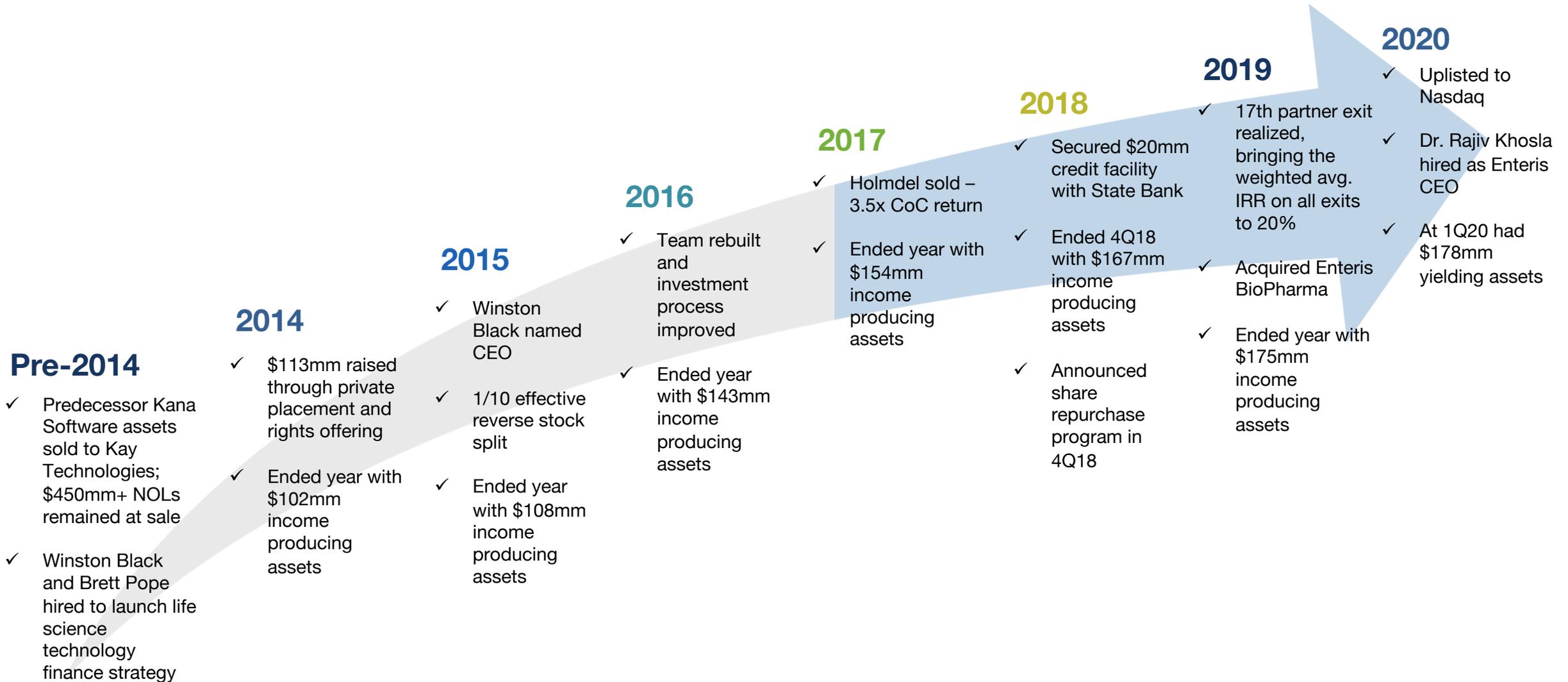
Targeting Multiple Growth Opportunities

- Enteris BioPharma acquisition and NASDAQ uplist demonstrate focus on shareholder value creation
  - Increase book value per share at a 10%+ CAGR
  - Be recognized as partner of choice for life sciences companies and inventors seeking \$20mm or less
  - Generate current income to utilize SWK's substantial NOL asset, \$360mm at December 31, 2019
- COVID-19 has not interrupted business; in fact could provide opportunity given SWK's investment niche

\* Effective yield is the rate at which income is expected to be recognized pursuant to the Company's revenue recognition policies, if all payments are received pursuant to the terms of the finance receivable; excludes warrants

\*\* Numerator is specialty finance division's adjusted non-GAAP net income; Denominator is shareholders equity less the deferred tax asset and net Enteris-related intangibles and goodwill, which adds-back the contingent consideration payable

# Corporate Milestones



# Leadership Team



**Winston Black**  
*Chief Executive Officer*

- Appointed CEO in 2016
- Co-founded PBS Capital Management
- Prior leadership positions at Highland Capital Management, Mallette Capital Management and ATX Communications



**Charles Jacobsen**  
*Chief Financial Officer*

- Appointed CFO in 2012
- Currently serves as Partner of Strategic Growth for CFGI
- Has served in CEO and CFO roles at multiple financing and investment firms



**Jody Staggs**  
*Managing Director*

- Joined in 2015
- Previously VP of Investments at Annandale Capital
- Co-founded PBS Capital Management
- Prior to PBS, served as Senior Portfolio Analyst at Highland Capital Management



**Yvette Heinrichson**  
*Chief Accounting Officer*

- Joined in 2016
- Proficient in technical GAAP accounting, SEC financial reporting, SOX implementation
- Served as financial statement auditor and tax professional with Deloitte for multiple years

# SWK Holdings - Segments

SWK operates through two segments: Life Science Specialty Finance and Enteris BioPharma  
*Centered on SWK's core focus on monetizing revenue streams and intellectual property*

## LIFE SCIENCE SPECIALTY FINANCE

- Senior secured term loans
- Royalties
- Synthetic royalties
- Product acquisitions



## ENTERIS BIOPHARMA

- Peptelligence® dosing technology
- CDMO services
- 505b2 drug development

# Life Science Finance Opportunity

Custom financing solutions for commercial-stage healthcare companies and royalty owners – biopharma, medical devices, diagnostics and tools

Targeting \$5mm to \$20mm financings, a niche that is largely ignored by larger market participants

Focus is secured financings and royalty monetizations, but will selectively consider equity-like opportunities and M&A (Enteris BioPharma)

Since 2012, SWK has completed financings with 36 different parties deploying \$540mm of capital, including partner co-investments

# Current Structured Credit Portfolio



**Acerus Pharmaceuticals**  
10.11.18  
**\$11 million** – Structured Credit



**Aimmune Therapeutics**  
02.12.19  
**\$5 million** – Structured Credit



**B&D Dental**  
12.10.13  
**\$6.5 million** – Structured Credit



**BIOLASE**  
11.09.18  
**\$15 million** – Structured Credit



**CeloNova BioSciences**  
07.31.17  
**\$25 million** – Structured Credit



**DxTernity Diagnostics**  
04.06.15  
**\$9.5 million** – Structured Credit



**Epica International**  
07.25.18  
**\$14 million** – Structured Credit



**Eton Pharmaceuticals**  
11.14.19  
**\$10 million** – Structured Credit



**Harrow Health (f/k/a Imprimis Pharmaceuticals)**  
07.19.17  
**\$21 million** – Structured Credit



**Keystone Dental**  
05.23.16  
**\$20 million** – Structured Credit



**Misonix**  
9.27.19  
**\$30 million** – Structured Credit



**Tenex Health**  
07.01.16  
**\$9 million** – Structured Credit



**Thermedx LLC**  
05.05.16  
**\$0.4 million** – Note Financing



**Veru**  
03.05.18  
**\$12 million** – Synthetic Royalty Financing



**4WEB Medical**  
06.03.19  
**\$20 million** - Structured Credit

# Current Royalty Portfolio



**Beleodaq (Onxeo)**  
06.06.18  
**\$7.5 million** – Royalty Acquisition



**Besivance**  
04.02.13  
**\$16 million** – Royalty Acquisition



**Best ABT**  
11.12.18  
**\$5.8 million** – Royalty Reorganization



**Cambia**  
07.31.14  
**\$9.5 million** – Royalty Acquisition



**ForFivo (IntelGenx)**  
08.05.16  
**\$6 million** – Royalty Acquisition



**Narcan (Opiant)**  
11.07.16  
**\$17.5 million** – Royalty Acquisition



**Tissue Regeneration Therapeutics**  
06.12.13  
**\$3.3 million** – Royalty Acquisition

**Secured Royalty Financing for Pharmaceutical Product**

**Women's Health**  
06.07.13  
**\$3.0 million** – Royalty Financing

# Enteris BioPharma Acquisition – A Transformational Opportunity

## Synergistic & Value Enhancing

- Natural extension to SWK’s existing royalty monetization business, which generates income via royalties on life science products in a mix of structures
- Enteris offers opportunity to create wholly-owned portfolio of milestones and royalties on IP-protected biotherapeutics with substantial upside optionality

## Highly Favorable Deal Economics

- Attractive valuation with SWK buying undervalued portfolio of “call options” of current & future licenses, owned drug candidate assets, and manufacturing operations
- Risk-adjusted economics from existing/expected licenses anticipated to exceed purchase price

## “Game-Changing” Platform Technology

- Peptelligence® enables injectable-to-oral conversion of peptides and difficult to formulate small molecules
- Targets substantial market and serves as cornerstone for “asset-light” licensing revenue model
- Franchise-like model (“multiple shots on goal”) leverages partners’ significant R&D and marketing/commercialization spend
- Existing 505(b)(2) pharmaceutical development candidates plus ability to internally expand owned-product portfolio creates engine for additional future licenses

## Strong Company; Positioned for Success

- Enteris possesses proven technology, clinical experience and in-house manufacturing which is unique compared with peers, some of which sport multi-hundred million dollar market values
- Potential to expand Peptelligence® platform via acquisition of dosing technologies and CDMO assets
- Experienced management team buttressed in 2020 by hiring of CMO and CEO

# Book Value Components

Tangible Finance Book Value / Share = \$14.75

- Excludes value of deferred tax asset, net Enteris intangibles and goodwill\*, and Enteris PP&E
- SWK's targets 10%+ CAGR of tangible finance book value / share

Plus: Enteris Biopharma

- In August 2019, SWK paid \$21.5 million upfront to acquire Enteris
- The seller will also receive a portion of future proceeds from the Cara Therapeutics licensing agreement and if out-licensed, proceeds from certain 505 (b)(2) assets
- At 3/31/20, Enteris book value net of contingent liabilities totaled \$17.0 million

Plus: Deferred Tax Asset / Share = \$1.90

- At 12/30/19 SWK had federal net operating losses of \$360.4 million
- The NOLs will expire by 2032 with the majority expiring by 2021

At 3/31/20 Total Book Value per Share was \$17.96

\* Intangible assets, net plus goodwill less contingent consideration payable

# Historical Financing: Narcan Royalty

*Narcan is the only FDA approved, intranasal Naloxone product for the treatment of opioid overdose*  
*Narcan is appropriately priced with revenue growth from expanded distribution, not price hikes*

## OPPORTUNITY

- Opiant is a publicly traded drug development company that receives a royalty on Narcan for developing the drug's unique formulation
- Novel formulation has a faster time to onset and more convenient and safer administration
- Opiant needed capital to pursue development programs
- At time of monetization, Opiant was a thinly traded OTC stock and management believed the share price did not reflect underlying asset value, thus a share offering was not an attractive option

## SOLUTION

- SWK structured a capped royalty that was smaller than competing proposals, and allowed Opiant to retain tail economics
- In December 2016, SWK funded \$13.8mm in exchange for a royalty that was capped at a 1.5x CoC return
  - On August 8, 2017 upon achieving \$25mm in cumulative sales during two consecutive quarters, SWK funded additional \$3.8mm with a 1.5x CoC return cap
- Narcan sales exceeded forecasts; CoC return cap achieved in February 2018
- SWK retains a residual royalty ranging from 5% to 10% through expiry of Narcan IP

# Historical Financing: Cheetah Medical

*Cheetah is a privately-held medical device company that specializes in non-invasive fluid management technology*

## OPPORTUNITY

- Cheetah Medical was a private company
- Cheetah used the loan proceeds to retire existing debt and to invest in its sales and marketing efforts in the US

## SOLUTION

- In January of 2019, SWK entered into a \$20 million structured credit agreement
- In October of 2019, Baxter International, Inc. (NYSE:BAX), a leading global medical products company agreed to acquire Cheetah Medical for more than \$200 million.
- Transaction included \$190 million upfront cash payment and the potential for an additional \$40 million in clinical and commercial milestone Payments
- This deal was SWK's 10<sup>th</sup> realization to a strategic buyer since 2013

This is a great example of the collateral value we believe underpins our loans

# Royalty Financing Example: Veru Inc.

*Veru (NASDAQ:VERU) is a biopharmaceutical company focused on developing novel medicines for prostate cancer*

## OPPORTUNITY

- Through Veru's Female Health Company division, they market the FC2 "female condom" with sales in 140 countries
- Veru needed to raise capital to advance its biotech development pipeline and any equity raise at the time would have been extremely dilutive given its ~\$73 million market cap and exhausted cash reserves

## SOLUTION

- In 2018, SWK provided a \$10 million "synthetic royalty financing" based on FC2 sales.
- SWK receives a mid-teens percent tiered royalty on FC2 net sales until it achieves a 1.7625x CoC return, and post achieving the CoC threshold, receives a 5% residual royalty on FC2 net sales
- Successful transaction for both Veru and SWK
  - Sales of the FC2 "female condoms" have nearly doubled from \$15.9 million in 2018 to \$35 million LTM as of 3/31/20.
  - Veru stock price has appreciated from \$1.37 per share prior to closing to \$3.90 per share (May 5, 2020), "saving" Veru shareholders significant dilution

# Nasdaq Uplisting

SWK uplisted to NASDAQ on January 23, 2020 as part of broader strategy to provide shareholder value by:

- Increasing visibility within the investment community
- Increasing stock liquidity
- Broadening shareholder base via enhanced retail and institutional exposure



# Growth Opportunity

2020 represents a year of potentially substantial growth for SWK

## LIFE SCIENCE SPECIALTY FINANCE

- Potential to grow SWK's B/V per share at >10% per year
- Deal pipeline remains strong
- Anticipate additional originations during 2020



## ENTERIS BIOPHARMA

- Enhancing management team
- Augmenting BD function
- Completing manufacturing expansion
- Cara license continues to validate the technology

# Why Invest in SWKH -- Attractive Risk Reward Scenario

## “Unearthed Diamond”

- SWK story is not widely known, having uplisted to Nasdaq without benefit of traditional IPO
- Upcoming inclusion in Russell 2000 should help increase SWK’s visibility

## Lower Risk Bio-Basket

- Diverse, non correlated range of life science products with limited downside risk
- Potential for upside via the royalty portfolio and warrants associated with our borrowers

## Stable Earnings Longer-Term Upside Potential

- Current portfolio of debt and royalty investments as of March 31, 2020 has a 13.2% portfolio effective yield; above targeted >10% goal
- Longer term, milestones, royalties and associated potential licensing opportunities could drive significant upside to our numbers

## Strong Management/ Proven Processes

- SWK is run by a concentrated group of experienced financing professionals with decades of knowledge in financing and the healthcare arena
- SKW utilizes proven algorithms and methods of screening potential clients with an eye towards minimizing risk and maximizing returns

## Undervalued

- With a Book Value per share of \$17.96 and a stock price of \$13.42 as of June 23, 2020, we believe we are trading at a discount