

# Nexstim

## Initiation of coverage

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This report is a summary translation of the report “Tuloskäännettä stimuloimassa” published on 5/30/2022 at 8:14 pm

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res.**

# Stimulating earnings turnaround

We re-initiate coverage of Nexstim with a Reduce recommendation and a target price of EUR 4.6. Nexstim is a medical technology company whose magnetic stimulation technology is used in pre-operative brain mapping and to treat neurological diseases and disorders. The company is a technologically advanced niche player in large markets supported by megatrends. Nexstim's commercialization is still in relatively early stages, but major losses are becoming a thing of the past. Share valuation relies strongly on future expectations, especially on growth in recurring net sales. Thus, the investor has to bear the risk of expectations materializing. We find the valuation reasonable but it does not provide investors sufficient expected return relative to the still high risk profile at the current level. We feel that the share is suitable for a patient growth investor who tolerates high risk.

## Recurring net sales at the core of value creation

Nexstim develops and sells systems in two business areas: 1) diagnostic systems are used mainly in hospitals for pre-operative mapping of demanding brain surgeries, and 2) therapy systems are used in private clinics and hospitals, e.g., in treatment of severe depressive disorder and pain. Nexstim's net sales consist of three sources, of which recurring net sales comprising consumables and services is key for the company due to its scalability and profitability. In addition, the company sells its systems and receives revenue from technology licensing. Nexstim is also building a service network of exclusive partner clinics in the US and is seeking a share of their value creation. The company's value creation relies on highly profitable and scalable net sales growth, which requires an increase in the base of therapy and combined systems. Net sales and especially cash flow is significantly affected by license fees, which will accumulate EUR 3.5 million in licensing agreement signing fees in 2022 and according to our estimate EUR 10 million in total in 2024-2029.

## Very uneven growth and a sustained profitability turnaround expected

The company has been loss-making throughout its history, however, its balance sheet is healthy thanks to the 2021 share issue, net sales growth and cost control. We expect the result to turn profitable this year, supported by a non-recurring license fee. We expect sustained portability starting from 2024 especially supported by growth in recurring net sales and excellent over 80% sales margin. Our CAGR growth estimate for 2022-2025 is 20%, while annual growth rates fluctuate significantly with license income. The company's profitability is efficiently scaled with growth. If the company succeeds in its growth strategy, Nexstim has preconditions in the long term to reach over 20% EBIT driven by highly profitable recurring net sales.

## The share price includes more successes than risks

We base our valuation on EV/S multiples, peer group analysis and DCF. Nexstim's 2022e EV/S is 3.1x (excl. license income 4.7x) and rises to 3.8x in 2023e when no licenses fees are recognized. Based on Nexstim's historical valuation, peer valuation and general sector valuation we believe that a neutral EV/S multiple is currently around 3-4x (2022e). Based on our DCF model the share's value is EUR 4.75. Uncertain license incomes account for most of the expected cash flows for this decade and explain 27% of the share's current value. Although the share is not unreasonably priced considering the growth and profitability expectations, we do not feel investors will be adequately compensated in the form of expected return for carrying a high risk.

## Recommendation

**Reduce**  
(previous -)  
**EUR 4.60**  
(previous -)  
**Share price:**  
4.85



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	6.4	10.4	8.6	10.4
<b>growth-%</b>	56%	63%	-17%	21%
<b>EBIT adj.</b>	-1.5	2.3	-0.1	1.2
<b>EBIT-% adj.</b>	-22.7 %	21.6 %	-1.3 %	11.0 %
<b>Net Income</b>	-0.8	2.2	-0.2	1.1
<b>EPS (adj.)</b>	-0.11	0.30	-0.03	0.14

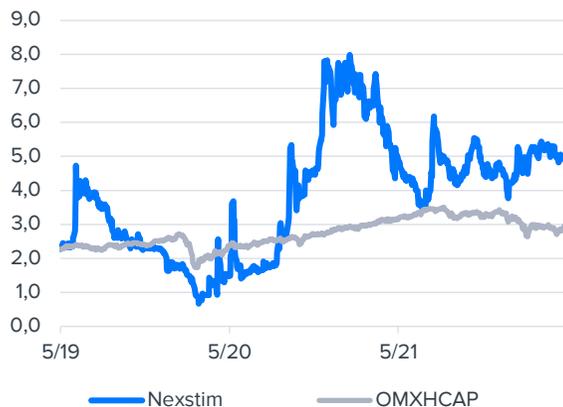
<b>P/E (adj.)</b>	neg.	16.4	neg.	33.5
<b>P/B</b>	10.9	6.6	6.9	5.7
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	neg.	14.3	neg.	27.6
<b>EV/EBITDA</b>	neg.	11.9	97.9	20.1
<b>EV/S</b>	5.2	3.1	3.8	3.0

Source: Inderes

## Guidance

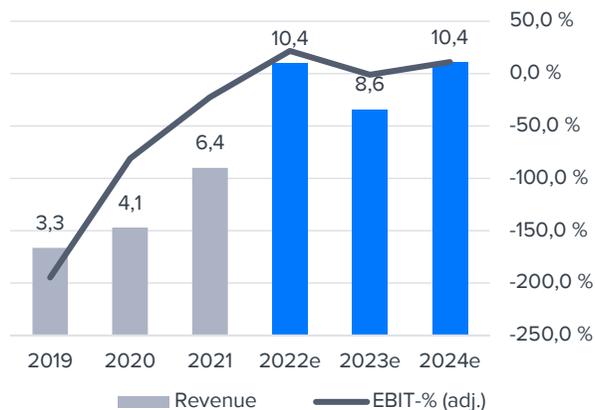
The company says its 2022 strategic objectives are continued profitable net sales growth, leading to the first operating profit-making financial year while minimizing future capital needs and expansion of the network of exclusive partner clinics, especially in the US.

## Share price



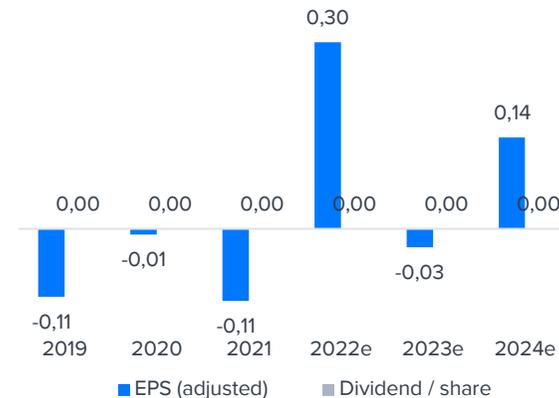
Source: Thomson Reuters

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- Growing markets and underlying megatrends
- Growth in system base drives profitable and scalable recurring net sales
- Licensing agreement generates strong cash flow in the ongoing decade
- Opportunities for value creation from expanding the network of exclusive partner clinics



## Risk factors

- Tough competition in the therapy business can chip away at growth and margins
- Considerable uncertainty about the timing and level of license fees
- The company may fall behind the competition if the development of accelerated treatment protocols fails
- The company's resources are small compared to its competitors
- Possibility of new share issues cannot be excluded

Valuation	2022e	2023e	2024e
Share price	4.85	4.85	4.85
Number of shares, millions	7.27	7.27	7.27
Market cap	35	35	35
EV	32	33	32
P/E (adj.)	16.4	neg.	33.5
P/E	16.4	neg.	33.5
P/FCF	17.7	neg.	27.8
P/B	6.6	6.9	5.7
P/S	3.4	4.1	3.4
EV/Sales	3.1	3.8	3.0
EV/EBITDA	11.9	97.9	20.1
EV/EBIT (adj.)	14.3	neg.	27.6
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

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# Nexstim in brief

Nexstim is a medical technology company that aims to enable personalized and effective therapies and diagnostics for challenging brain diseases and disorders. The company's systems are used for pre-operative mapping of brain surgeries and treatment of severe depressive disorder and chronic pain.

## 2000

Year of establishment

## 2014

Listing on the First North marketplace

## 6.4 MEUR (+56% vs. 2020)

Net sales 2021

## +34 % 2018-2021

Average net sales growth

## 58% / 42%

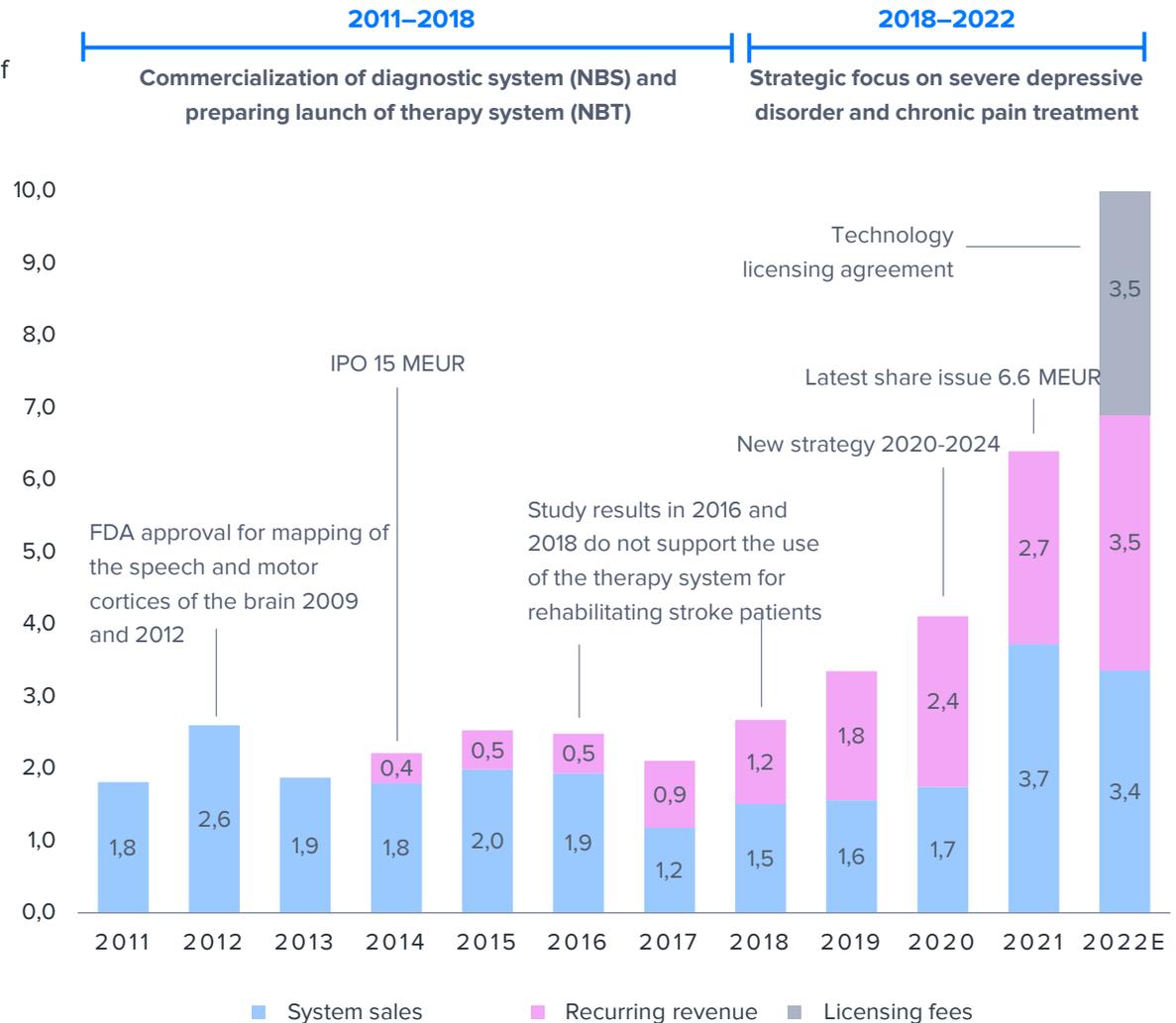
Net sales distribution systems / recurring business 2021

## -1.45 MEUR (-23 % of net sales)

EBIT 2021

## 34

Personnel at the end of 2021



# Company description

## Short company description

Nexstim is a Finnish medical technology company operating in the international market, whose products enable mapping of functional areas of the cerebral cortex and precise stimulation of a spot in the brain using an E-field. The company was founded in 2000 and was listed on Nasdaq First North in 2014. Nexstim's mission is to enable personalized and effective therapies and diagnostics for challenging brain diseases and disorders.

The business of Nexstim is divided into the diagnostics (Navigated Brain Stimulation NBS) and therapy (Navigated Brain Therapy NBT) businesses. The company has recently started to offer its customers combined systems that include both NBS and NBT functionalities. Nexstim has customers in some 30 countries. In the longer term, Nexstim aims to extend the scope of its system applications through research.

The company's value creation is generated by one-off system sales, recurring service-type invoicing and technology licensing income. On the market, the company is placed in the highest price and quality category based partly on unique technological features. The company's main market is the EU and the US. In the US, Nexstim is moving to a new business model based on close cooperation with clinics that provide treatment for brain diseases.

## NBS diagnostics business

Mapping with Nexstim's NBS system is used, e.g., before demanding brain surgeries, when the tumor is estimated to be close to functional areas of the brain, such as areas responsible for limb movement or speech generation. The information generated by the

NBS system helps the surgeon to avoid damaging these important areas. The company has sold its NBS diagnostic system since 2010 and has sold more than 210 units globally to date. Our estimate is that the unit's sales price is around EUR 200,000, so it is a relatively significant investment and the customer base is limited. Typical NBS system customers are research institutes and hospitals performing brain surgeries. Nexstim is the only player in this highly specialized market.

## NBT therapy business

The NBT system can be used to treat, e.g., severe depressive disorder or chronic neuropathic pain. NBT therapy systems have been sold for therapeutic use since 2018, and according to our estimate 35-40 units. The price of the system is approximately EUR 120,000, but the customer can also rent the system without an initial investment.

Typical customers are the clinics that treat brain diseases, especially in the US and university hospitals in Europe. NBT therapy systems are used to treat severe depressive disorder and chronic pain by activating brain regions vital to the disease. Previously, Nexstim aimed to commercialize the NBT therapy system for the rehabilitation of stroke patients, but the development failed due to unfavorable study results in 2018, after which the company focused on existing therapy areas.

## Key events

2000

Company established to commercialize navigated transcranial magnetic stimulation technology

2009

FDA approval for mapping motor cortices of the brain

2012

Nexstim receives FDA approval for mapping speech cortices of the brain

2014

The company collects EUR 15 million in the IPO

2017

FDA approval granted to the NBT system for treatment of severe depressive disorder  
Commercialization of the NBT system for the rehabilitation of stroke patients fails

2018

Commercial sale of the NBT system begins. The company focuses on severe depressive disorder and chronic pain

2020

Nexstim revises its strategy for 2020-2024

2021

Strengthening of the balance sheet with a share issue of EUR 6.6 million and the first profitable six-month period

2022

The company licenses its technology on the US therapy market

# Basis of the company's business

	 <b>Need/problem</b>	<b>Nexstim's solution</b> 	<b>Nexstim's strengths</b> 	<b>Other</b> 
NBS Diagnostics business and systems	Demanding brain tumor surgery or radiotherapy can damage important speech and motor cortices of the brain.	The technology allows mapping areas of the cerebral cortex so that important areas are not damaged.	Only technology provider with both FDA and CE approval. The solution delivers better clinical outcomes.	Authorities have granted both FDA approval (US) and CE marking (Europe) for speech and motor cortices.
	Conventional mapping during surgery increases the risk of complications.	Mapping is done outside the skull using a magnetic field without incisions.	The non-invasive method improves the results of surgery or radiotherapy and is safer for the patient, as well as more pleasant compared to surgical mapping.	Over 210 systems sold. We estimate the system base to be some 100 units.
	Pre-screening suitable for children not available.	This method is also suitable for pediatric patients.		
NBT Therapy business and systems	A significant share of patients suffering from severe depressive disorder or chronic pain do not benefit from existing treatments.	The technology allows symptoms to be mitigated by changing the functions of the brain regions associated with the disease.	Better accuracy than competitors in treatment targeting.	FDA approval and CE marking for treatment. CE marking for chronic neuropathic pain treatment.
	Pharmacological therapies can cause harmful side effect.	NBT is drug-free, safe and has minor drawbacks.	Accuracy and repeatability of the treatment.	Some 35-40 units in the system base.
Combined systems	Some customers require both diagnostic and therapy features in their system.	Nexstim offers new hardware with both features and the ability to upgrade your old diagnostic system with therapy functionality.	Nexstim is the only company offering combined systems.	FDA approval for NBS5+ combined system. CE marking is currently not required separately for combined systems. Some 20 units in the system base.

# Treatment pathways with Nexstim systems

## Pre-operative mapping with NBS diagnostic system

1



A 3D model is built from the patient's brain using magnetic resonance imaging and Nexstim software.

2



The person providing the treatment aligns the E-field to the desired speech and motor cortices of the brain using the 3D model. As a result, the cortex in question is activated. Activation of the motor cortex produces a measurable response, e.g. in the hand muscle. Activation of the speech cortex makes it difficult to produce speech normally.

3



The region of the cerebral cortex that controls movement can be mapped by measuring the muscle activity generated by NBS activation, e.g., in the hand or feet.



In speech cortex mapping, the patient names the images they see while speech cortices of the brain are activated. The speech cortex can be identified when the patient has difficulty naming the images they see due to NBS activation.

4



After the mapping, surgery can be performed or radiation treatment provided. Mapping with the NBS system is proven to lead to better clinical outcomes.

## Treatment of depression and pain with NBT therapy system

1



A 3D model is built from the patient's brain using magnetic resonance imaging and Nexstim software. Treatment is adapted to the patient's brain structure.

2



The person providing the treatment uses the 3D model to direct the E-field generated by the NBT system to the correct region.

3



The treatment is repeated according to the treatment protocol. For example, severe depressive disorder is treated once a day every weekday for 4-6 weeks.

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## During treatment

- The patient is conscious and can move
- Treatment is almost painless and side effects rare
- Duration
  - Mapping of motor cortices around 1 hour
  - Mapping of speech cortices several hours
  - Treatment of depression and pain 20-60 minutes per treatment

# Technology and products (1/2)

## Transcranial Magnetic Simulation (TMS)

Transcranial Magnetic Simulation (TMS) is a method developed in the 1980s, in which the E-field produced by a magnetic coil outside the skull causes a change in the electrical function of the brain. The technology is proven to be useful in, e.g., treatment of severe depressive disorder, where the typically inactive left prefrontal cortex of depressed patients is stimulated. The treatment restores the electrical activity of the brain to normal levels and reduces the symptoms of depression. There is also strong evidence of the benefits of the method in the treatment of chronic neuropathic pain. Nexstim has further developed the TMS method, in particular to improve its targetability, accuracy and repeatability.

## Nexstim's technology

To use of Nexstim technology first requires an accurate 3D image of the patient's brain using magnetic resonance imaging (MRI). Imaging typically costs around EUR 500, which partly weakens the company's price competitiveness compared to competitors whose technology does not require imaging. On the other hand, the targetability and accuracy of these competitors' technology is not at Nexstim's level. After imaging, the cerebral cortex can be activated with TMS.

The distinctive feature of Nexstim's technology and the difference to competitors is the navigability of the electric field. The company's system allows you to determine the position, direction and intensity of the electrical field in real time. By combining a 3D MRI image of the brain with E-field measurement data, the treating personnel can stimulate the intended spot with accuracy in the millimeter range.

Nexstim's equipment also enables real-time visualization of treatment and E-field changes as the treating person changes the position of the magnetic coil. Accurate information about the location and direction of the E-field also helps to repeat treatment as exactly the same from one treatment to the next. These features can lead to better clinical outcomes and increase customer demand.

## Systems

### NBS diagnostic hardware

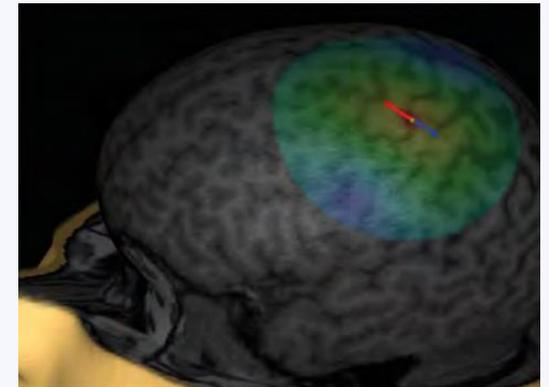
Nexstim's diagnostic business is based on the company's Navigated Brain Stimulation (NBS) technology. NBS allows accurate mapping of speech and motor cortices. The system is approved by US (FDA) and European (CE) regulatory authorities for these indications as the only TMS hardware supplier. Mapping will primarily be used in hospitals for pre-operative mapping of demanding brain surgeries, where the operating surgeon or radiotherapy physician receive important information about the relationship between these cortices and the brain tumor or key regions in terms of epilepsy in case of surgery. NBS technology is proven to lead to better clinical outcomes, giving the company's customers an incentive to use the system.

The company has sold NBS systems since 2010 and so far, the company says it has sold more than 210 systems worldwide. Typical customers are hospitals performing demanding brain tumor and epilepsy surgeries and providing radiotherapy.

The coil is controlled next to the head and changes in the E-field are seen on the screen



Position, intensity and direction of the E-field on the 3D model of the brain



Images: Nexstim

# Technology and products (2/2)

NBS systems are also used for research purposes in universities and research institutes. We believe that Nexstim is the only company producing TMS technology in this application area, which has both FDA and CE approval. Thus, the company has a very strong position in this narrow segment.

## **NBT therapy system**

In 2017, Nexstim received FDA approval for the use of its system for severe depressive disorder treatment and started sales in 2018. In Europe, the company also has a CE marking for the system to treat severe depressive disorder and chronic neuropathic pain. We currently believe that the company's system base is 35-40 units. The most important customers in the NBT area are private clinics in the US and hospitals in the EU that provide TMS treatment.

Severely depressed patients typically have an electrically less active left prefrontal cortex. In TMS treatment, this region is activated once a day for 4-6 weeks. Treatment is proven to reduce depression symptoms. In addition, treatment can be combined with psychotherapy and/or pharmacological therapies possibly to achieve better results.

The advantages of NBT compared to other treatments is that it is drug-free, non-invasive (no surgery required), has minimal side effects and is easy on the patient. The disadvantage, in our view, is a long and expensive treatment period that reduces the use of the treatment and the number of potential patients.

## **Combined systems**

Nexstim has recently started to offer customers the opportunity to add a therapy functionality to NBS systems through a software update. In the US, the sale of these combined systems requires a new FDA approval. After obtaining the approval, the company launched a combined system in the US called NBS5+ in October 2021.

We believe the combined system is used in hospitals and research institutes jointly between several units, thereby lowering the threshold for purchasing the system and increasing utilization rates. Combined systems can also be used in clinics to diagnose and treat patients.

The sale of combined systems in the US and system updates in other parts of the world have kicked-off rapidly. We believe that combined systems will largely replace the sale of pure NBS systems in the future. The growing base of combined systems increases therapy use and the related recurring net sales that are important to the company.

## **Accelerated treatment protocols are the future of the therapy business**

According to a recently published [study](#), an accelerated treatment protocol for severe depressive disorder that provides several treatments per day over one week produces results similar to the current 4-6-week treatment period. This SAINT protocol developed by Stanford University is licensed by Magnus Medical. We believe accelerated protocols can be

used to increase the number of TMS treatments, as it is easier for patients to commit to more intensive treatment for a week instead of a month. Productivity also increases as the system can be efficiently used to treat 1-2 patients throughout the day at a high utilization rate.

Nexstim licenses its technology to Magnus Medical and, gets its share of the value creation of accelerated protocols through license fees. The company also aims to develop its own accelerated protocol in collaboration with Kuopio University Hospital. Results of the study are expected in summer 2022. However, protocol development will take time, as after any positive results, further extensive and expensive studies will be required before protocol approval is possible. We estimate that Nexstim will receive approval to use the accelerated protocol on its systems in 2024 at the earliest if the results of the study are positive. Successful development of the protocol would improve Nexstim's position compared to competitors and could increase system sales.

# Business model (1/2)

## Customers

NBS business' customers are typically hospitals and private clinics that perform demanding brain surgeries and provide radiotherapy. The system is also used for research purposes, e.g., in universities and psychiatric units at hospitals. The potential customer base for NBS systems is limited and relatively easily defined: It comprises some 1,200 hospital units or clinics in the EU and the US. The company is well aware of and familiar with this potential customer base.

The main customers of NBT systems are psychiatric hospitals and private clinics. The insurance coverability of TMS treatment in the US makes the price of treatment more attractive and makes the US the most important market. In Europe, the customer landscape is more fragmented due to varying national practices and differences in insurance coverability. In treatment of depression and pain, customers can select between several companies that provide TMS technology.

## Manufacturing, sales and distribution

Nexstim does not manufacture its systems itself but uses a Finnish subcontractor in manufacturing. We believe the company is relatively dependent on its partner, because it would be relatively difficult to replace the subcontractor. On the other hand, it is a long-term cooperation that has worked well.

Nexstim has two regional subsidiaries in its sales organization. The German subsidiary manages the sales of the company's products and customer

service in German-speaking Europe. The other subsidiary operates in the US. The own sales organization enables a close contact with customers in key markets and an excellent sales margin. On the other hand, the own organization raises the company's fixed costs.

Outside German-speaking Europe and the US, Nexstim is sold through distributors. We estimate that sales through distributors have lower margins than own sales as the margin for the distributors is an estimated 40%. On the other hand, the use of distributors enables Nexstim to have a global sales network with relatively low fixed costs. We also believe the company has good preconditions to carry out sales and training virtually from Finland.

## Net sales consist of system sales and recurring business

The company's net sales in both NBS and NBT business areas consist of system sales and recurring net sales. Recurring net sales are more important for Nexstim's long-term success, and comprises, e.g., equipment rental, consumables, repair and maintenance agreements, as well as training and support services. We believe system sales is slightly seasonal as sales focuses on the end of reporting periods.

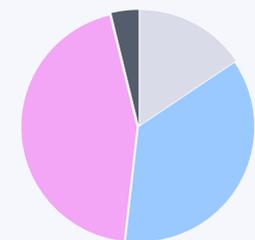
system sales in NBS area (2021: 2.8 MEUR) is clearly more important to the company than recurring business (2021: 0.9 MEUR). This is due to the relatively small need for consumables. The opposite is true in the NBT area where system sales (2021: 0.9 MEUR) is clearly below net sales of recurring

## Nexstim has customers in some 30 countries (orange countries)



Image: Nexstim

## Net sales distribution by country



■ Finland ■ Rest of Europe  
■ North America ■ Others

## Business model (2/2)

business (2021: 0.9 MEUR). This is due to the relatively small need for consumables. The opposite is true in the NBT area where system sales (2021: 0.9 MEUR) is clearly below net sales of recurring business (1.8 MEUR). This is explained by the high consumption of consumables associated with patient visits. The recurring business of the NBT area are expected to be the company's key driver for growth and value in the future.

The company also occasionally has project-like business through tailored system sales. For example, in H2'21, the company delivered two tailored proto systems to its customers whose combined net sales were EUR 0.9 million. We believe tailored products are profitable for the company, but rare business. It is difficult to build long-term growth on tailored systems.

Geographically, 44% of the company's net sales in 2021 came from the US, 36% from Europe, 16% from Finland and 4% from the rest of the world. We believe that the US will continue to be the company's main market in the future, both because of its very large size and its insurance coverability.

### Third net sales source from technology licensing

In early 2022, Nexstim announced it had licensed its technology to a new industry player Magnus Medical. In 2021, Magnus Medical licensed an accelerated treatment protocol for severe depressive disorder from Stanford University and is currently developing its own TMS system for which they licensed NBT system technology developed by Nexstim. Considering the size of the company, Nexstim received a significant signing fee of EUR 3.5 million, which will be recognized

in 2022. The company estimates that the value of the entire license agreement is EUR 17 million, based on Magnus Medical's business plan and its implementation. Thus the actual license fee may exceed or fall below the Nexstim's estimate. We expect net sales based income to materialize in 2024-2029. The cash flow associated with the agreement is significant for Nexstim. The flip side of the agreement is the restrictions on competition in the US market for treatment of severe depressive disorder, where we believe Nexstim will focus on other indications than depression, selling combined systems and building a network of exclusive partner clinics when the sales of Magnus Medical's system and the agreement's licensing period start.

### Growth through partner clinic network

At the end of 2021, Nexstim made the first strategic investment (0.5 MEUR) in the service company of a clinic operating in San Francisco. We feel that this is a typical approach in the US market, where the clinic personnel is freed up to focus on treating patients with the help of a partner. Through the service company, Nexstim is responsible for operations not related to patient care at the clinic and correspondingly receives a share of the value creation of the entire clinic. This is a new operating model for the company to seek closer strategic cooperation with its customers. We expect this to be the main growth model for the company in the therapy business in the US going forward.

In early 2022, Nexstim announced it had established a venture capital company in the US. We believe the aim of the venture capital company is to accelerate the

establishment of new partner clinics in California starting from 2022 and later elsewhere in the US. Nexstim has partnered in the venture capital company with the same clinic, in whose service company it invested in 2021.

### Limited investments are used for product development and partnering

Nexstim's financial situation has improved through the 2021 share issue (6.6 MEUR), the licensing agreement signed in early 2022 (3.5 MEUR) and the reduction in operating losses. However, due to its small size, the company has limited investment resources.

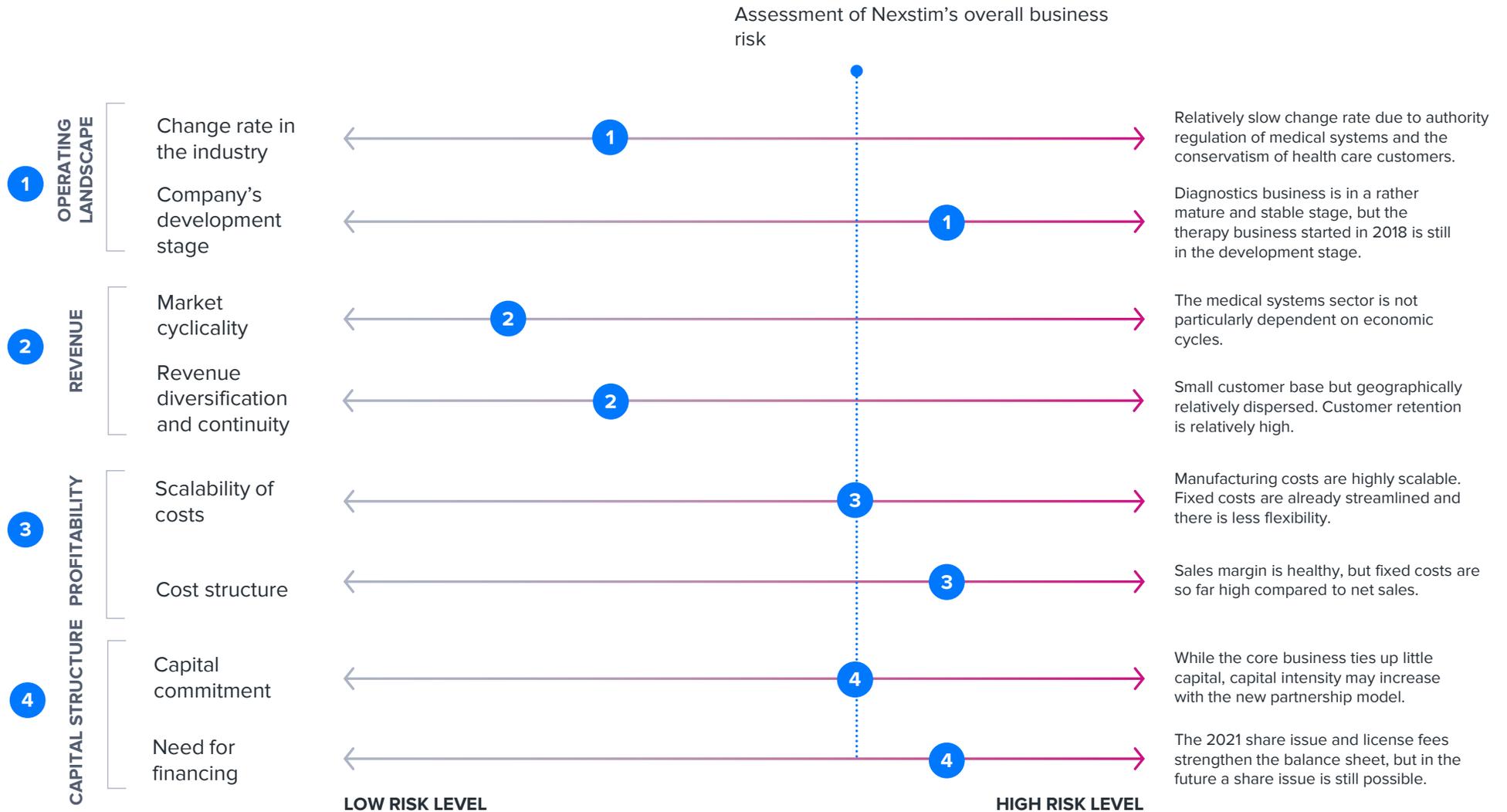
We estimate that the company has spent EUR 1-2 million annually on product development. Costs vary somewhat depending on, e.g., the development stages of projects and development of possible tailored products.

The company mainly invests in product development and, according to our estimates, increasingly in building a partner clinic network in the US. We expect the investments to primarily be directed at growing the network in California and later elsewhere in the US during the current strategic period that ends in 2024.

# Business model in brief

	<b>Customers</b> 	<b>Sales and distribution</b> 	<b>Monetization</b> 	<b>Growth opportunities</b> 
<b>NBS Diagnostics business and systems</b>	<p>Hospitals and research institutions globally. Main market in the US and the EU.</p> <p>Market size around EUR 45-55 million p.a.</p>	<p>Direct sales through the parent company and the subsidiaries in Germany and the US. Sales in the rest of the world through a distributor network.</p>	<p>Non-recurring net sales primarily from systems.</p> <p>Recurring net sales from consumables and service contracts</p>	<p>Over 90% of potential hospitals and research institutes do not yet use NBS systems.</p> <p>Increase the utilization rate of the system base.</p>
<b>NBT Therapy business and systems</b>	<p>Primary health care, psychiatric hospitals and clinics, mainly in the US and the EU.</p> <p>Market size around EUR 800-1,200 million p.a.</p>	<p>Direct sales through the parent company and subsidiaries. Sales in the rest of the world through a distributor network.</p> <p>A network of partner clinics is being built in the US.</p>	<p>Non-recurring net sales from systems.</p> <p>Recurring net sales from system rentals, consumables and service contracts.</p> <p>Share of partner clinic network's added value through service companies.</p>	<p>Increasing the system base.</p> <p>Increasing recurring net sales by increasing utilization rates and a bigger system base.</p> <p>Increasing the partner clinic network in the US.</p>
<b>Combined systems</b>	<p>Hospitals, research institutes and TMS centers, especially in the US and the EU.</p>	<p>Direct sales through the parent company and subsidiaries. Sales in the rest of the world through a distributor network.</p>	<p>Non-recurring net sales from systems.</p> <p>Recurring net sales from system rentals, consumables and service contracts.</p>	<p>Combined systems increase total system sales.</p> <p>Growing system base suitable for therapeutic use results in higher recurring net sales.</p>

# Risk profile of the business model



# Industry and competitive landscape (1/3)

## Market for Diagnostics business

The company estimates that the total market potential of NBS systems in the US and the EU is about 1,200 units corresponding to sales of EUR 240 million. We estimate that the average economic life of an NBS unit is 8-10 years, so the annual market value would be EUR 24-30 million. In addition, the company estimates the potential of equipment-related consumables and services to be EUR 24 million annually.

Inderes estimates that the total potential of the diagnostics business is EUR 45-55 million p.a. based on the 8-10-year economic life and the annual potential of consumables and services. The net sales of the NBS business were EUR 3.7 million in 2021, representing 6.7-8.2% of the total potential market. Investors should, however, note that in 2021, Nexstim's net sales included two tailored systems whose net sales was EUR 0.9 million. We estimate that Nexstim's normalized NBS net sales is currently 4-6% of the total potential market.

We expect the annual growth rate of the NBS market to be 6-10%. The estimate is based on the increase in the popularity of TMS mapping compared to other methods and a slight increase in sales prices. We estimate that awareness of the benefits of the NBS system is increasing among users, which supports system sales. Increased awareness is supported by constant publication of new studies with NBS systems and key opinion leaders such as doctors at top hospitals using the systems.

## Competitive factors of the diagnostic market

We believe that Nexstim is currently the leading supplier of TMS technology suitable for mapping of speech and motor cortices. Competitors do not have equivalent regulatory approval and technology-enabled accuracy. We believe that the use of NBS diagnostics is increasing compared to alternative methods such as mapping during surgery. The increase in popularity is based on the method's accuracy, safety, non-invasiveness (no surgery required) and ease from the patient's viewpoint.

NBS systems are used to diagnose patients with severe illnesses who are subjected to demanding surgery. Our understanding is that the customer base primarily seeks high-end features like accuracy and reliability of targeting. We feel that Nexstim meets these requirements well.

In our view, after quality and reliability factors, the price of the system is a smaller factor in customer decisions. However, we do not believe that Nexstim has the potential to make significant price increases. We believe that in its customer field, Nexstim has found the right balance between the price of the system and recurring net sales during the relatively long sales history of NBS systems.

Nexstim has recently started to offer its customers the possibility to use NBS systems for therapy applications as well. This is done through new system sales or with a therapy software update for already sold NBS systems. We believe this has increased the attractiveness of the system, as hospitals and research institutes are better placed to gain more internal users from their organizations.

## NBS market potential



1,200 potential hospitals and clinics in the EU and the US.



One system per customer at an average price of EUR 200,000.  
system's economic life 8-10 years



Consumables and services EUR 24 million p.a.



Total market potential is EUR 45-55 million p.a.  
Growth 6-10%

Source: Nexstim and Inderes

# Industry and competitive landscape (2/3)

A larger user base will lower the threshold for purchase because the cost burden is more widely distributed.

Nexstim's position in the diagnostic market is strong. We believe that success in this business depends on the company's ability to increase the attractiveness of TMS technology compared to other solutions. We estimate that the attractiveness of the technology is increasing, thus offering the company good conditions for growth in coming years.

## Therapy business – severe depressive disorder

In the therapy business, Nexstim focuses especially on treatment applications for severe depressive disorder and chronic neuropathic pain. The key to long-term growth on the TMS therapy market is the implementation of possible accelerated protocols that would increase the relative attractiveness of TMS technology.

The company estimates that there are 5.9 million people suffering from severe depressive disorder in the US and the EU who would be entitled to TMS treatment. The company estimates the market to be EUR 40 billion. Inderes estimates that the share of TMS treatments currently account for some 2-3% of the total market. Based on this assumption, the TMS market for severe depressive disorder treatment is worth EUR 800-1,200 million. We expect the TMS treatment market to grow by 10-15% in the next few years, so clearly faster than other severe depressive disorder treatment market.

## Therapy business – chronic pain

In the US and the EU, some 9.6 million people suffer from chronic neuropathic pain. More than half of the patients do not receive satisfactory relief from available treatments. We estimate that TMS technology is still marginal in chronic pain treatment. In the long term, we believe that relatively strong clinical evidence will support this treatment becoming more widespread. Globally, pain is treated relatively rarely with TMS systems. Finland is a pioneer in this area and Nexstim's system is used to treat pain in all university hospitals. The company currently only has CE marking for the application, so the system cannot yet be marketed for pain treatment in the US. We follow the market development but believe that the importance of pain treatment for Nexstim is still limited in the next few years.

## Competitive factors of the therapy business

Nexstim's aim to become the leader TMS rehabilitation of stroke patients broken down with unfavorable study results in 2018. The company then turned the focus of the therapy business to depression where clinical evidence of TMS' effect is strong, but where, on the other hand, there are several competitors.

Among the competitors, Nexstim is profiled with the best targetability, accuracy, ability to visualize treatment delivery and treatment results. As a result of these competitive factors, we feel Nexstim is among the top players in the market in terms of quality and pricing.

## Treatment market for severe depressive disorder



Total patient care market EUR 40 billion.



TMS treatments account for 2-3% of the total market.



Total market potential is EUR 800-1,200 million.

Growth 10-15%

## Chronic pain treatment market



Some 6-7 million patients in the US and Europe do not receive sufficient help from current treatments.



The share of TMS treatments in the total market is still marginal.

Source: Nexstim and Inderes

## Industry and competitive landscape (3/3)

We believe there are several players in the treatment market for severe depressive disorder and price competition is relatively tight. We expect some TMS clinics choose less expensive and simpler competitors than Nexstim's system, which enable faster treatment of large patient volumes at lower costs, but potentially reduces the quality of care. We believe that Nexstim will invest in customers demanding top quality and is positioned in the upper segment.

### Competitors on the depression TMS market

The main competitors are the listed US-based Neuronetics and US-Israeli-based Brainsway. In addition there is a number of smaller unlisted companies. Next to unlisted Cloud TMS, we believe Neuronetics is the largest player in the market. The technologies of listed competitors do not allow precise treatment targeting, but on the other hand they are simpler and potentially cheaper than Nexstim's systems. Brainsway's technology differs to some extent from other competitors by enabling stimulation of deeper parts of the cerebral cortex. Some of the unlisted competitors are technologically capable of targeting treatment. The technology of these competitors is, however, in our opinion, less accurate than that of Nexstim.

The business of both listed competitors is highly loss-making. The loss is partly due to large marketing investments, where Nexstim's resources are significantly smaller than those of competitors.

The recently established Magnus Medical is entering the market as a new player and we believe it has the preconditions to become a strong player in the TMS market of depression treatment in the US within a few years. Magnus Medical has recently licensed an accelerated protocol for depression treatment developed by Stanford University. The company is also developing its own system and licensed technology from Nexstim in early 2022 for this. Nexstim estimates that the licensing agreement between the two companies amounts to EUR 17 million, of which a EUR 3.5 million signing fee will materialize in 2022. Remaining license income depends on the future development of Magnus Medical.

The agreement also contains restrictions on competition that restrict direct competition between the companies in the US TMS market in treatment of depression. The agreement restricts Nexstim's own business in the depression treatment market in the US. However, the competition restrictions do not apply to the partner clinic network through which Nexstim can still create value on the depression treatment market.

### Financial position compared to competitors

Of the listed competitors, the 2021 net sales of Neuronetics were USD 55.3 million and EBIT was USD -27.6 million and Brainsway's corresponding figures were USD 29.7 million and USD -5 million. Magnus Medical has raised USD 25 million from private equity investors. Magnus Medical is only now

developing its own system, so we do not expect the company to generate net sales before 2024.

For other unlisted competitors, access to information is difficult, but we believe that almost everyone's business is currently loss-making.

Competitor	Treatment targeting
Apollo TMS	MRI targeting
Brainsway	-
Cloud TMS	-
Magnus Medical	Yes – technology not known
MagStim	Line targeting
MagVenture	Line and MRI targeting
Neuronetics	-
Nexstim	MRI and electrical field

# Strategy and financial objectives (1/2)

## Main objectives of 2020-2024 strategy

Nexstim's aim is to increase recurring net sales through the existing system base and new sales based on strategic partnerships. In the therapy business, the company's aim is profitable growth in treatment of severe depressive disorder and chronic pain. Nexstim also aims to enable accelerated treatment protocol for depression. At the heart of the strategy is focus on profitable growth and increasing recurring business.

## The strategy relies on increasing net sales and profitable growth

Nexstim's strategy is based on using its navigated TMS technology in a number of new applications. The company focuses on diagnostic and therapy areas where its technology has measurable benefits for patients and customers' businesses. In its strategy, the company positions itself as a premium player in the TMS market, based on technology leadership and system usage as a technology platform for multiple applications. Geographically, the company focuses in particular on the US and the EU.

We consider the better accuracy than among its competitors enabled by Nexstim's technology and its strong position as a diagnostics area TMS supplier to be Nexstim's strengths. The lack of resources associated with the small size of the company, visible, e.g., in the smaller sales and marketing resources than among competitors, will in our opinion slow down strategy implementation.

## Strategy of the diagnostics business

Nexstim's strategy in the diagnostic area is to increase the recurring net sales from using NBS systems. Growth is promoted by increasing the utilization rates of installed systems and by increasing the system base through new sales.

The company aims to further develop its technology in mapping of speech and motor cortices. The company focuses in particular on developing solutions in pre-operative mapping for difficult brain tumor and epilepsy patients. In addition, the company aims to enable the planning and targeting of radiotherapy related to brain tumor treatment. In terms of future research, Nexstim tries to partner with leading hospitals and universities.

## Strategy of the therapy business

Nexstim focuses in particular on treatment of severe depressive disorder and chronic neuropathic (or nerve damage) pain. The company's objective is to optimize the high-margin recurring net sales associated with the use of NBT systems.

Nexstim also aims to promote the use of accelerated TMS protocol for severe depressive disorder treatment. Our understanding is that the company is seeking to extend the scope of application to the treatment of hospitalized patients. We believe the realization of this objective is possible at the earliest in 2024 and, if successful, can increase system sales and recurring net sales.

The company also aims at new applications in treatment of chronic pain by supporting research in the field. We believe that these projects are important for the long-term success of the company, but we may have to wait years for concrete results.

## Objective of strategy implementation is expanding clinic network and increasing recurring net sales

Nexstim's growth strategy in the US has previously been based on direct sales through a subsidiary. However, growth has been subdued in the competed severe depressive disorder market (2020-2021 eight sold NBT units per year). The company has therefore focused its US business model on the partner model.

In the next few years, Nexstim aims to build its network of partner clinics. However, building the network is still in its infancy. In early 2022, the company announced it had established a venture capital company with the aim of expanding the network. In addition, to date, Nexstim has invested EUR 0.5 million in a service company in a psychiatric clinic in California in late 2021. We expect the company to progress in building a clinic network primarily in California, and then in the next few years in other priority areas like Texas, as well as north-east and south-east US.

Another short-term goal for Nexstim is to increase recurring net sales and minimize capital needs. We consider this focus sensible on the road towards

## Strategy and financial objectives (2/2)

more sustained profitability and creating shareholder value. Recurring business is very profitable for the company but requires a larger system and user base to reach profitability.

### Financial objectives

Nexstim does not provide numeric financial targets or guidance. The company says it is aiming to increase recurring business and continue growing profitably in the 2020-2024 strategy period. The company also says its target for 2022 is a profitable period (at EBIT level).

In the current strategy period, we expect Nexstim to significantly increase its high-margin recurring net sales and expand its network of partner clinics in California and elsewhere in the US. Financially, the company can achieve profitability even without license income.

### Increasing recurring business

We estimate that the NBS system base will rise during the strategy period supported by increasing customer demand. In addition, the company can promote the average utilization rate of the system base. Both factors contribute to the increase of high-margin recurring net sales in the diagnostics business. However, recurring net sales plays a relatively small role in diagnostics, because system use involves fewer lease agreements and consumables.

In the therapy business, growth of recurring business is particularly supported by combined systems becoming more common while the

demand for pure NBT systems plays a smaller part. Combined systems also enable the use of therapy applications with NBS systems, thereby increasing the system portfolio suitable for therapeutic use. We estimate that combined systems also enable increasing recurring net sales in the therapy business and play an important role in the implementation of the company's strategy.

The limiting factor in increasing recurring business is the restrictions on competition arising from the licensing agreement with Magnus Medical. We expect Nexstim's activity in the US market for severe depressive disorder to decline over a few years and its activities will focus on Europe and, to a lesser extent, the rest of the world.

### Profitability is still temporary

Nexstim has announced that the technology licensing agreement with Magnus Medical includes a signing fee of some EUR 3.5 million, which will be recognized in 2022. Due to the signing fee and the positive development of the business, we consider the objective of achieving a profitable financial year to be almost certain. A more essential question, in our opinion, is whether the company will be able to achieve sustainable profitability in the next few years without significant license fees. We estimate that the result will fall back to red in 2023 due to the lack of license fees and a more lasting profitability will be achieved starting from 2024.

# Summary of the strategy



## Key elements for strategy implementation

### Implemented

- Successful rapid transition to depression treatment
- Net sales turned to growth path and operating loss decreased clearly
- Recurring business growing as system base grows
- Launch of combined systems

### Near future, 1-2 years

- Continuing profitable growth by increasing the system base and recurring business by investing in therapy in particular
- Launch of exclusive partner clinic network in California and later in the rest of the US and the world

### The next 5 years

- Expansion of the partner clinic network to the rest of the US and the rest of the world
- Promoting accelerated treatment protocols for severe depressive disorder treatment
- A new treatment application for treating hospitalized patients

# Financial position (1/3)

## Business has been loss-making due to the development stage

Since its establishment, Nexstim's business has been loss-making. The company's stock market journey has demanded patience from shareholders, as the company has had to carry out several financing rounds to finance its business. We do not feel that the historical figures reflect the company's future particularly well due to its growth in recent years and technology licensing.

## Cost structure

Nexstim's business is still in the development stage and this is reflected in the company's cost structure. In recent years, some 13% of the company's operating costs have been materials and services related to product manufacturing and are naturally variable with volume. Nexstim does not manufacture its products itself but uses a Finnish subcontractor in manufacturing.

The largest expense item in the company's operational business has in recent years been personnel expenses (2018-2021 some 47%), which we expect to scale relatively well with net sales growth. As growth materializes, the company must invest some additional resources in sales which will slow down scalability. We do not believe the company needs significant additional R&D personnel even if volumes would grow.

On average, about 37% of operating expenses have been other operating expenses, whose share has decreased slightly in relative terms in recent years.

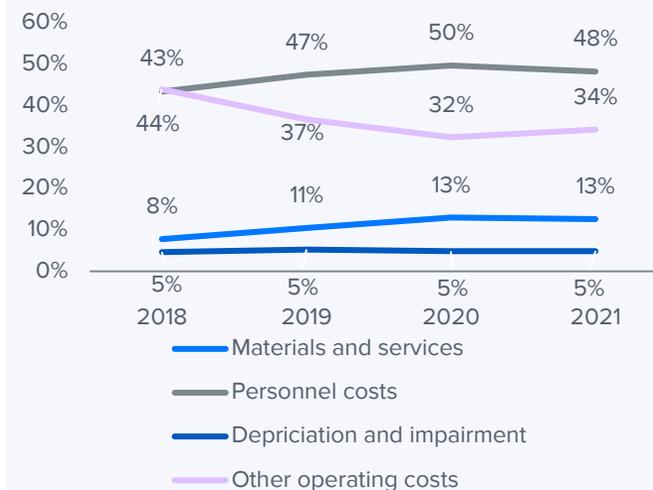
This item includes sales and marketing related expenses, costs arising from external product development communities and normal administrative expenses. We estimate that these expenses are mainly fixed and therefore scale well with net sales. Depreciation and impairment comprise about 5% of expenses, reflecting low tangible assets and the business profile.

## Cash flow is developing in a better direction

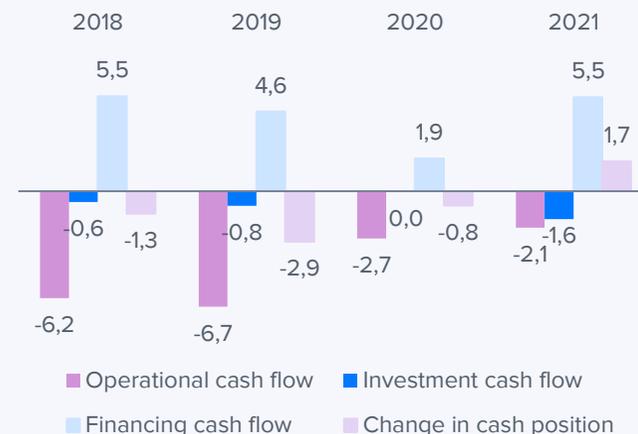
Nexstim's operational cash flow has been heavily negative (some -6 MEUR) in 2018-2019. Due to investments, the free cash flow has been even more negative. In the last couple of years, improved performance has also contributed to improving operational cash flow, although it was still over EUR 2 million negative in 2020-2021. The company has had to offset its operational cash flow through various financing solutions (subscription rights issues, product development loans). Cash flow is improved by the licensing signing fee in 2022 and our expectation of licensing income from Magnus Medical in 2024-2029.

Nexstim has temporarily increased its inventory levels due to global logistics challenges. We assume this will result in a temporary increase in working capital and that working capital will increase in future in line with net sales.

## Cost structure (of operating costs)



## Cash flow development (MEUR)



# Financial position (2/3)

## Balance sheet suits the company's profile

The balance sheet structure of Nexstim at the end of the financial year 2021 is as expected considering the company profile (balance sheet structure on the next page). Intangible assets, consisting of capitalized development costs and intangible rights, amounted to EUR 1.12 million. Development costs are mainly related to further development of the company's commercialized products. Intangible rights also include patents.

Similarly, the amount of tangible assets is limited by the nature of the business (0.44 MEUR) and consist mainly of the NBT systems used by the business. The company's balance sheet had EUR 0.45 million in investments in associates, consisting of a strategic investment in a service company of a partner clinic in California.

The company had EUR 2.17 million in working capital, of which inventories amounted to some EUR 1 million, accounts receivable EUR 1.44 million and accounts payable were EUR 0.26 million on the other side of the balance sheet. Accounts receivable was raised by the systems sold at the end of the year, which will be delivered in 2022. In recent history, the company's working capital has been positive.

In the figures for the financial year 2021, inventories are estimated to be higher than usual after the company prepared for logistical challenges related to the COVID 19 pandemic by temporarily increasing inventories. Other receivables amounted to about EUR 0.41 million and cash in hand and in banks to some EUR 5.2 million.

## No urgent need to strengthen cash position

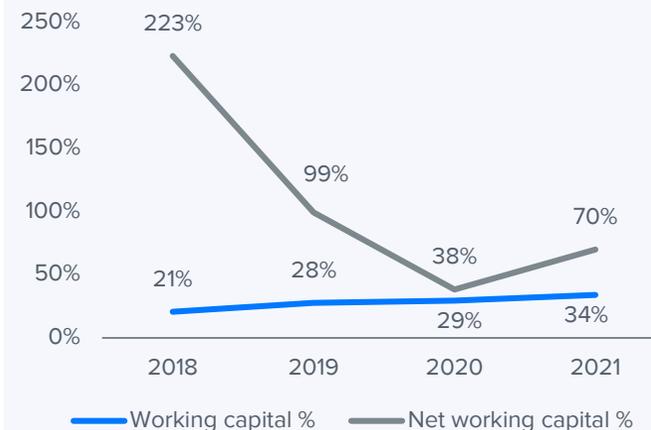
Historically the company's business was heavily loss-making due to low net sales relative to the cost structure and frontloaded R&D investments. The business has been cash flow consuming rather than profitable, and the company's financial situation has been difficult at times.

However, in the light of the financial statement data at the end of 2021, there is no significant cash crisis, as the ratio of short-term receivables to short-term liabilities or the quick ratio is around 2. This figure can be considered good when assessing the company's liquidity. With the EUR 6.6 million subscription rights issue in spring 2021, the static cash position of the 2021 balance sheet is good and the company can meet its short-term obligations. We note, however, that a share issue is possible in the future if the company increases its investments strongly, for example to increase the partner clinic network in the US.

## Loss-making years are visible in the balance sheet

Equity in the balance sheet stood at EUR 3.2 million at the end of 2021. The equity ratio of the company rose to 34.7% (2020: -28.3%). The company's equity ratio has been negative in recent years due to the highly loss-making business. The increase in equity in the financial year 2021 and, thus, the strengthening of the equity ratio was mainly due to the subscription rights issue of EUR 6.6 million organized in spring 2021.

## Capital commitment relative to net sales



## Liquidity and solvency



Working capital: inventories + accounts receivable - accounts payable  
 Net working capital: current assets - current liabilities

## Financial position (3/3)

This is reflected in an increase in the reserve for invested unrestricted equity, which stood at some EUR 55 million at the end of the financial year 2021.

In the past, when Nexstim and its products were mainly at the development stage, the company's business required significant frontloaded investments. As a result, the business has for a long time been loss-making, which is reflected as negative equity in previous financial years (retained earnings: -51 MEUR). As a result, the company has had to raise new financing several times during its lifetime.

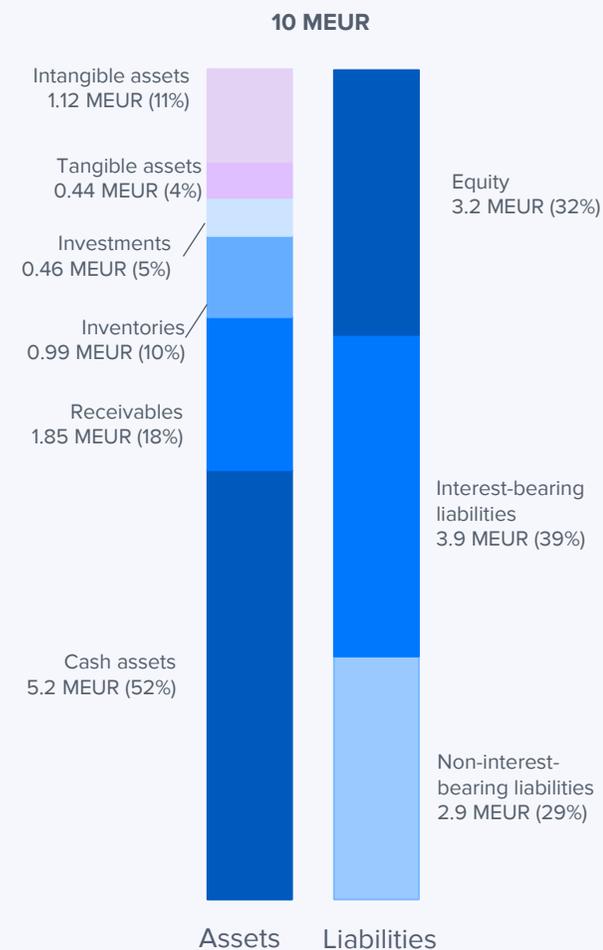
At the end of the financial year 2021, the company had some EUR 3.3 million in long-term interest-bearing debt, consisting of product development loans from Business Finland. It should be noted that Business Finland did not collect part of the capital and interest on a previous comparable loan. The reason was that the loan was targeted at a failed development project related to developing the rehabilitation application for stroke patients. Short-term liabilities amounted to some EUR 3.6 million in the balance sheet.

### Shareholding driven financing solutions

The holdings of Nexstim's shareholders have been diluted in history due to several shareholding-based financing solutions. Investors should be aware of the possibility that their holding may be diluted if the company decides to finance the business with a share issue.

In addition to a possible issue, the share capital may be diluted to some extent through stock option plans. If the option schemes currently approved by the company fully dilute the share capital it will according to our estimate grow by some 8% by 2029.

### Balance sheet structure at the end of 2021



# Investment profile (1/2)

## Nexstim is a high-risk growth company in a sector favored by investors

For investors, Nexstim is clearly profiled as a growth company in the defensive medical technology sector, where it is positioned in the segment of challenging brain diseases. The industry is supported by attractive longer-term fundamentals and trends, and the company has very high market potential. Nexstim is still at a relatively early stage, as net sales have been limited thus far and the result and cash flow have been negative in the past. Although Nexstim's growth is accelerating and the company's result is also turning positive, the company is still a high-risk investment target from the investor's perspective. Later, the company's risk profile can decrease, as Nexstim's business is partly based on low-risk and scalable recurring income. However, the company will not mature into a lower-risk phase until some years have passed.

As typical for a growth company, Nexstim needs capital to generate growth (incl. investments in expense structure and intangible assets), so no dividend is expected from the company in the coming years. Thus, the potential return for investors will be generated by changes in Nexstim's share price. In addition, historically, the company has also needed external capital from its owners to finance growth and we still feel that the need for additional funding cannot be completely ruled out. Thus, we feel investors should be prepared to continue to finance the company or accept the risk of share series dilution.

## Positive value drivers and opportunities

Nexstim's target business is considerable compared to the company's net sales and includes significant growth opportunities. In addition, TMS treatments are expected to slowly take over from other treatments, which supports the company's growth potential.

Nexstim's system base is growing, especially supported by the sales of combined systems. This will pave the way for future growth in highly scalable and profitable recurring net sales. The company's specific potential is created by growth in recurring net sales related to the therapy business. Nexstim has also demonstrated that licensing of its technology involves business opportunities that can generate additional cash flow in the future.

Nexstim is building a new business model in the US, based on a share of value creation in partner clinics. The new model offers opportunities, but its functionality has not yet been proven.

In the long term, the company can expand to new applications, e.g., severely depressed hospitalized patients. In addition to expanding applications, success in developing accelerated protocols can clearly increase the target market available to Nexstim.

## Risks and threats

Competition in therapy systems is fierce and the company's growth may be below expectations. This would result in weaker recurring net sales growth than expected and slow down the

company's profitability turnaround. Nexstim also has small resources relative to its competitors, especially in terms of sales and marketing.

Nexstim can fail to create a new business model based on partner clinics. We estimate that growing the clinic network also requires relatively large investments compared to the company size if successful. Investments in turn increase the likelihood of a new share issue.

Research into new applications is key to the long-term success of Nexstim, but these require long-term and uncertain research. A possible failure would undermine the long-term potential of the therapy business.

# Investment profile (2/2)

- 1.** Growth company in a defensive industry
- 2.** Business model relies on system sales, recurring net sales and licensing income
- 3.** Focus on challenging brain diseases and disorders, and their treatment and therapy
- 4.** Large, defensive industry supported by a number of strong trends
- 5.** Some uncertainty related to financing of growth

## Potential



- Large target market supported by megatrends.
- Growing popularity of TMS treatments compared to pharmacological treatments.
- Combined systems increase profitable recurring business.
- Strong position in diagnostic business.
- Net sales and profitability have developed in the right direction since 2019.
- If successful, the partner model can generate growth in the therapy business.

## Risks



- In the medium term, the competitive situation of the therapy market is challenging.
- The company is small compared to the cost structure and investment needs.
- Development of new applications requires long-term and uncertain research. A possible failure would undermine the long-term potential of the therapy business.
- Potential issues weaken the investor's expected return.

# Estimates (1/4)

## Background of estimates

Nexstim's long-term financial success depends most on net sales growth. The company's cost structure is heavy compared to the current net sales level, which means that, despite the high sales margin, EBIT has remained clearly in red thus far. Our net sales estimate for 2022-2025 is based on modeling system sales, recurring net sales and licensing income. In the longer term, the estimate is based on expected market growth, market drivers and Nexstim's competitive factors.

In estimating net sales, it is crucial to increase the growth of high-margin and scalable recurring net sales in the therapy business. To succeed the company must be able to increase its system base clearly and promote a high utilization rate of the systems.

Nexstim does not disclose the size of the NBS system base, which presents challenges in predicting recurring business in diagnostics. We have estimated the size of the system base to be some 100 units. In the case of the therapy business, the company reports the combined base of NBT systems and combined systems. Combined systems have only recently entered the market and their utilization rate in therapy applications is still difficult to estimate at this stage. It is therefore important for the company that combined systems are used as much as possible for therapy applications. In our estimates, combined systems are used for therapy for some 40% of the system's operating time.

In our estimates, net sales from system sales clearly plays a smaller part than recurring net sales. This is because we expect the system base and the recurring net sales it generates to grow faster than system sales.

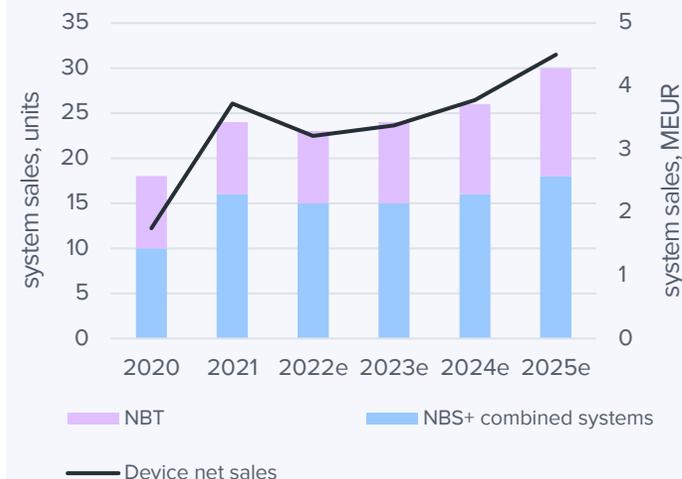
The sales of NBS and combined systems are expected to continue at the good level seen in 2021 and to grow slightly over it. In turn, NBT system sales have been relatively subdued since the initial stage in 2018-2019, with sales remaining at eight units per year in 2020-2021. At this stage we feel one should take a conservative approach to the demand for NBT systems due to the competitive situation and future restrictions on sales due to the license agreement.

The third factor in estimating net sales, next to system sales and recurring net sales, is license income. Our estimate is based on a verified EUR 3.5 million signing fee, which will be recognized in H1'22, and license fees paid based on the development of Magnus Medical's business. Nexstim has estimated that future license fees (excluding the signing fee) will start within some three years, that the license period will last five years and that license fees amount to EUR 13.5 million. In our license fee estimates, we use a ~25% safety margin compared to the company's own estimate. We believe that caution is justified, as Magnus Medical is only developing its system and has no sales yet. We expect license income to start to a small extent in 2024 and grow gradually to a peak of EUR 2.5 million in 2028-2029.

Net sales distribution (EUR)



system sales



## Estimates (2/4)

The fourth source of income for the company may in future be a share of the value creation of the partner clinic network. Because it is impossible to estimate the size or timing of related investments, we do not include them in our estimates before they materialize.

We feel Nexstim is operating in a defensive industry and the company is not heavily dependent on macroeconomic development. Therefore we have assumed in our estimates that the impact of overall economic development will only come from slightly higher inflation in the coming years.

### Current year 2022

We expect Nexstim's net sales to be EUR 10.4 million (2021: 6.4 MEUR), of which EUR 6.9 million comes from system sales and recurring net sales. If realized, growth from the previous year would be 62.6%. 2022 estimates are strongly influenced by the EUR 3.5 million signing fee for technology licensing, which we expect to be recognized in H1'22. We expect the signing fee to increase EBIT in full. In our estimate EBIT rises to EUR 2.3 million supported by the signing fee and is 22.5% of net sales (2021: - 22.7%). We expect cash flow to be broadly in line with the income statement. Positive cash flow also strengthens the company's balance sheet.

We do not expect the company to pay taxes in the next few years due to the deductibility of historical losses. Financial expenses will continue at a stable level of EUR -0.1 million in our estimates. Our EPS estimate is EUR 0.30. We do not consider hard-to-predict financial income in our estimate. Financial

income depends on the EUR/USD ratio and may be significant due to large intra-group loans to the US subsidiary. However, this item has no cash flow effect so it is not significant to investors.

Nexstim's guidance is that in 2022 the company's net sales will continue to grow and that the EBIT for the financial year will be in black. The company has not provided detailed numeric guidance. In addition, Nexstim has reported increasing the partner clinic network especially in the US as its strategic objective for 2022. Building of the network began in 2021 with an investment in a clinic's service company (0.5 MEUR). We do not include these potential new investments in our estimates, because their timing and size are difficult to predict. In this sense, our estimates are updated with the company's new investments.

### system sales are at 2021 level in our estimates

In terms of system sales, the year has started out relatively slowly, as in the first four months the company has reported three sold units. system sales typically focuses on the end of reporting periods, so the slow start to the year has not had a significant impact on our full year estimates.

For the whole year, we expect the system unit sales to be at 2021 level, when 16 NBS and 8 NBT systems were sold. We estimate that the majority of NBS systems are combined systems, which also include the possibility of therapy applications.



### License income (Inderes' estimate)

License fee	MEUR
2022	3.5
2023	0
2024	0.5
2025	1.25
2026	1.75
2027	2.25
2028	2.5
2029	2.5

## Estimates (3/4)

Recurring net sales are expected to develop steadily, based on growth in the system base and a moderate rise in the invoicing rate. The sales margin remains high in our estimates, especially supported by net sales growth.

### Moderate growth in 2023-2025

We expect net sales to grow to EUR 13.2 million by 2025, which would mean an average annual growth of 8.3% (2023-2025 CAGR-%). However, recurring net sales adjusted for license fees grows by 19.9% p.a. (CAGR). The main growth driver is recurring net sales from therapy business, based on the growing NBT system and combined system base. Our net sales estimate is also essentially affected by the license income from Magnus Medical, which is based on the assumption that the business will take off. We do not expect any license income in 2023, which is why we expect a clear drop in net sales.

We expect the already high sales margin to improve slightly (2025: 84%) driven by high-margin recurring business. In terms of expenses we expect the company to continue focusing on strict cost control, which is reflected in the expectations of a slow increase in personnel and precise cost control.

We estimate that Nexstim's EBIT will slip slightly into red again in 2023, when no license income is expected. After that, we expect positive development. We estimate that EBIT in 2025 is EUR 3.3 million, or 25.3% of net sales. EBIT adjusted for license income is estimated to be EUR 2.1 million. In terms of taxes, we expect the tax rate to be 0% due deductible losses and financing costs to be EUR -0.1

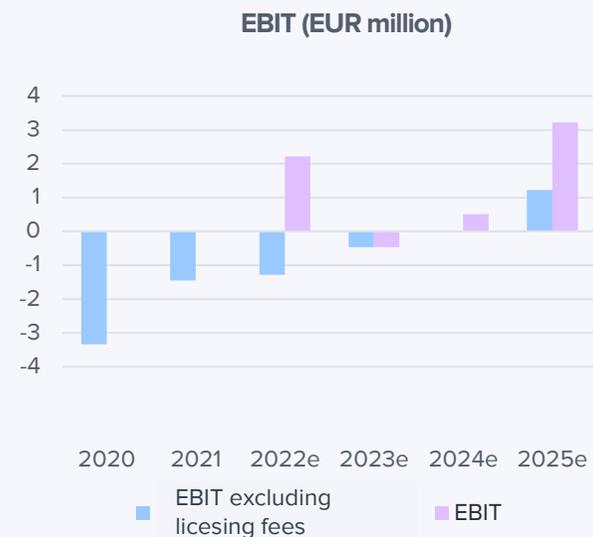
million. As a result, the EPS for 2025 will rise to EUR 0.44 partly supported by licensing income.

The driver of net sales and EBIT growth is in particular recurring net sales, supported by the growth of the total system base and moderate price increases in systems and services. In terms of recurring net sales combined systems play a key role, as they substantially increase the base of systems capable of therapy applications. Therapy applications generate higher recurring net sales compared to diagnostic applications as treatments require higher use of consumables.

### We expect moderate growth in system sales

In 2021 a total of 16 NBS systems were sold, but in recent years around ten systems have been sold per year. We believe demand is supported by the growing awareness and popularity of NBS technology among customers and the chance to purchase combined systems. We expect NBS system demand to remain at the strong 2021 level and to grow slightly over it by 2025.

NBT systems have been sold since 2018, with peak sales of 17 units in 2019. For the past two years, eight units have been sold per year. We expect annual system sales to grow moderately to 12 units sold by 2025. Growth is to some extent limited by the competition restrictions attached to the license agreement, which restrict the sale of NBT systems in the depression treatment market in the US.



# Estimates (4/4)

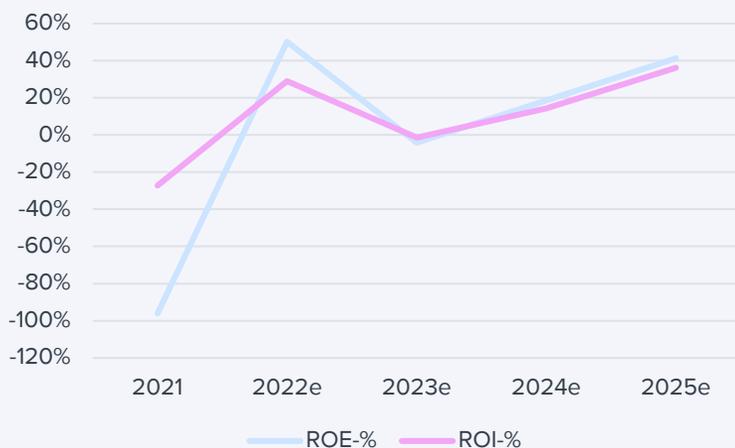
## Long-term estimate 2026-2030

It is clear that visibility for 2026-2030 is currently very low. Our long-term estimate provides a base for our cash flow model, which is why we explain the basis of our estimates briefly. In addition, assumptions about license fees that are significant for Nexstim and are expected far in the future are also important.

We expect Nexstim's net sales growth in 2026-2030 to be 6-14% and terminal growth to be 3%. The company's long-term growth drivers are license fees, overall growth of the TMS market, the company's investments in developing accelerated treatment protocols, and its possible success in a new application related to the treatment of hospitalized patients with challenging brain diseases and disorders.

In terms of profitability, we expect the EBIT margin to reach its peak of 28% in 2027-2028, supported by license fees. The net sales percentage will decrease slightly with the end of the license period and fees expected in 2030. We assume the terminal value of EBIT to be 20% based on the company's net sales growth, strong gross margin and cost scalability. However, uncertainty surrounding this is very high.

ROE and ROI



Equity ratio and net gearing



# Income statement

Income statement	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	H1'23e	H2'23e	2023e	2024e	2025e
<b>Revenue</b>	<b>3.0</b>	<b>3.4</b>	<b>6.4</b>	<b>7.0</b>	<b>3.4</b>	<b>10.4</b>	<b>4.3</b>	<b>4.3</b>	<b>8.6</b>	<b>10.4</b>	<b>13.2</b>
Nexstim	3.0	3.4	6.4	7.0	3.4	10.4	4.3	4.3	8.6	10.4	13.2
<b>EBITDA</b>	<b>-0.7</b>	<b>-0.3</b>	<b>-1.0</b>	<b>3.3</b>	<b>-0.6</b>	<b>2.7</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>1.6</b>	<b>3.8</b>
Depreciation	-0.2	-0.3	-0.4	-0.2	-0.2	-0.5	-0.2	-0.2	-0.5	-0.4	-0.5
<b>EBIT (excl. NRI)</b>	<b>-0.9</b>	<b>-0.5</b>	<b>-1.5</b>	<b>3.1</b>	<b>-0.8</b>	<b>2.3</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>1.2</b>	<b>3.3</b>
<b>EBIT</b>	<b>-0.9</b>	<b>-0.5</b>	<b>-1.5</b>	<b>3.1</b>	<b>-0.8</b>	<b>2.3</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>1.2</b>	<b>3.3</b>
Nexstim	-0.9	-0.5	-1.5	3.1	-0.8	2.3	-0.1	-0.1	-0.1	1.2	3.3
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	0.1	0.7	0.7	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
<b>PTP</b>	<b>-0.8</b>	<b>0.1</b>	<b>-0.7</b>	<b>3.0</b>	<b>-0.9</b>	<b>2.2</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.2</b>	<b>1.1</b>	<b>3.2</b>
Taxes	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>-0.9</b>	<b>0.1</b>	<b>-0.8</b>	<b>3.0</b>	<b>-0.9</b>	<b>2.2</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.2</b>	<b>1.1</b>	<b>3.2</b>
<b>EPS (adj.)</b>	<b>-0.13</b>	<b>0.02</b>	<b>-0.11</b>	<b>0.42</b>	<b>-0.12</b>	<b>0.30</b>	<b>-0.01</b>	<b>-0.01</b>	<b>-0.03</b>	<b>0.14</b>	<b>0.44</b>
<b>EPS (rep.)</b>	<b>-0.13</b>	<b>0.02</b>	<b>-0.11</b>	<b>0.42</b>	<b>-0.12</b>	<b>0.30</b>	<b>-0.01</b>	<b>-0.01</b>	<b>-0.03</b>	<b>0.14</b>	<b>0.44</b>

Key figures	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	H1'23e	H2'23e	2023e	2024e	2025e
<b>Revenue growth-%</b>	83.3 %	37.6 %	55.5 %	136.5 %	-0.9 %	62.6 %	-38.3 %	26.6 %	-17.1 %	21.0 %	25.9 %
<b>Adjusted EBIT growth-%</b>	-50.8 %	-63.3 %	-56.4 %	-440.2 %	49.1 %	-255.1 %	-101.8 %	-93.1 %	-105.0 %	-119.9 %	188.7 %
<b>EBITDA-%</b>	-24.7 %	-8.1 %	-15.8 %	47.1 %	-17.4 %	26.0 %	3.9 %	3.9 %	3.9 %	15.1 %	28.8 %
<b>Adjusted EBIT-%</b>	-30.5 %	-16.0 %	-22.7 %	43.9 %	-24.0 %	21.6 %	-1.3 %	-1.3 %	-1.3 %	11.0 %	25.3 %
<b>Net earnings-%</b>	-32.0 %	3.3 %	-13.0 %	43.2 %	-25.5 %	20.7 %	-2.5 %	-2.5 %	-2.5 %	10.1 %	24.5 %

Source: Inderes

# Valuation (1/5)

## Value creation from recurring net sales

In the medium term, Nexstim's value creation is based in particular on recurring net sales from the therapy business. Realizing this potential requires a strong increase in the current small system base. A larger system base enables growth in high-margin and scalable recurring business, which, if realized, enables continued profitability. Essential for growth in recurring net sales from the therapy business is combined systems, which have quickly increased the base of systems suitable for therapeutic use. The utilization rate of combined systems in therapy applications is still unclear and will have a strong impact on the materialization of estimates. system sales and the diagnostics business complement value creation, but in the long term their relative importance to the company reduces.

Recognition of licenses agreements bring added color to the equity story, which, considering the current outlook, form a significant share of the company's cash flow in the next few years. We also look forward to seeing how successful the company will be in building the partner clinic network and how the competition restrictions associated with the licensing agreement will affect the sale of therapy systems, and thus the development of the system base and recurring net sales.

Our valuation is based on a neutral estimate scenario with a cumulative annual growth (CAGR) of 20% in 2022-2025. EBIT turns permanently profitable in our estimates in 2024, driven by recurring business and license income.

## Valuation multiples are tight for the next few years, but will become moderate in a few years

Nexstim's result varies considerably over the next few years with licensing fees, so we focus on the net sales based EV/S ratio in our valuation. We also review key figures based on recurring business adjusted for license income. Valuation multiples rely heavily on expected future growth and materialization of license income, which are subject to significant uncertainties.

## EV/S: historical comparison

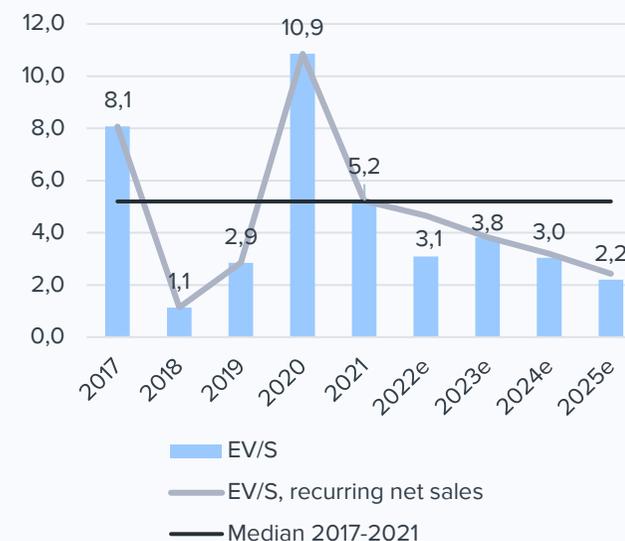
Nexstim's historical EV/S ratio has fluctuated strongly due to the volatility of the market value and fluctuations in the cash position. Losses have weakened the balance sheet and, on the other hand, share issues have strengthened it from time to time. The median EV/S ratio for 2017-2021 was high in absolute terms at 5.2x. With 2022 estimates the EV/S falls to 3.1x. The more comparable ratio adjusted for license income is 4.7x and 2023e EV/S is 3.8x when we do not expect license income. Nexstim's valuation is supported by the net sales growth outlook and the high profitability potential enabled by good sales margins. However, we consider the current EV/S ratio highish considering that Nexstim still lacks a track record of sustainable profitable growth. Based on the company's risk profile and earnings outlook, we consider an EV/S level of 3-4x to be justified for Nexstim.

Risk premiums, especially for growth companies with high valuation multiples, have increased strongly over the past year, so returning to historical EV/S 5x would

Valuation	2022e	2023e	2024e
Share price	4.85	4.85	4.85
Number of shares, millions	7.27	7.27	7.27
Market cap	35	35	35
EV	32	33	32
P/E (adj.)	16.4	neg.	33.5
P/E	16.4	neg.	33.5
P/FCF	17.7	neg.	27.8
P/B	6.6	6.9	5.7
P/S	3.4	4.1	3.4
EV/Sales	3.1	3.8	3.0
EV/EBITDA	11.9	97.9	20.1
EV/EBIT (adj.)	14.3	neg.	27.6
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

EV/S time series



## Valuation (2/5)

in principle require a radical change in the interest rate environment and investor sentiment. The company will achieve our estimate of a neutral EV/S ratio as the business grows in 2023 (EV/S 3.8x).

### EV/S: relative examination

We have also looked at a sensible EV/S ratio relative to the peer group and the sector that we find relevant. The peer group we use consists of two TMS players and direct competitors to Nexstim listed in the US (Neuronetics and Brainsway), as well as Nordic medical technology companies. Neuronetics and Brainsway are currently heavily in red and presumably also in the years ahead. Some of the Nordic peers are more stably profitable and some are just now reaching profitability. Different profitability and growth profiles are reflected in the valuation level acceptable to the companies, but we believe the peer group has a reasonably similar risk profile to Nexstim. Therefore, with a relative examination we can also outline a reference framework for Nexstim's valuation.

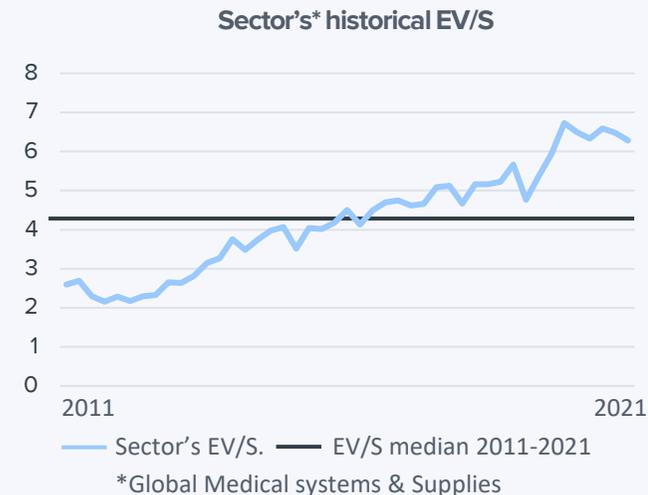
Based on 2022e EV/S, Nexstim's valuation is roughly in line with the peers, but adjusted for license fees the company is valued at a premium. We believe that for 2022 in particular, the adjustment is relevant due to the high signing fee. With 2023 ratios Nexstim (3.8x) is in turn valued at a premium of about 10% compared to the peer group (3.5x).

Compared to Neuronetics and Brainsway, Nexstim is clearly more expensive measured by EV/S than the

peers (both EV/S some 0.5x). The difference is explained by the peers' balance sheets bolstered by large share issues, continued heavy loss and, in particular, Neuronetics' dramatic share price decline, all of which have lowered the EV component. In 2022-2023, Brainsway's annual CARG is estimated to be 22% and Neuronetics is expected to grow by 15%. The financial situation of the companies and the poor profitability outlook make comparison difficult. We believe that Nexstim deserves a higher EV/S ratio than these peers thanks to a better profitability outlook.

The acceptable EV/S ratios depend on expected net sales growth. Nexstim's expected 2022 growth is 62.6% and CAGR 2022-2023 is 15.9%. With the exceptional growth in 2022, Nexstim is in the highest quadrant and based on CAGR growth (2022-2023 CAGR 16.6%) at par with its peers. Compared to the peer group we feel Nexstim's valuation is fairly neutral.

In addition, when examining the relative valuation, we use the general valuation of the sector. Global Medical systems & Supplies Index's long-term (2011-2021) median EV/S ratio has been 4.2x. The sector index consists of large, high-quality, mainly US-based medical technology companies who we believe deserve a valuation premium compared to Nexstim. Nexstim's 2022e EV/S ratio is 26% below the sector's historical median, but the EV/S 4.7x calculated from recurring business is well above the benchmark.



Source: Inderes/Bloomberg

# Valuation (3/5)

We feel that Nexstim is neutrally or slightly highly priced relative to the current sector level and overvalued relative to the historical valuation of the sector. This premium is partly explained by the trend-like decline in the risk premiums in the sector over the last decade, which made a sharp turn last year.

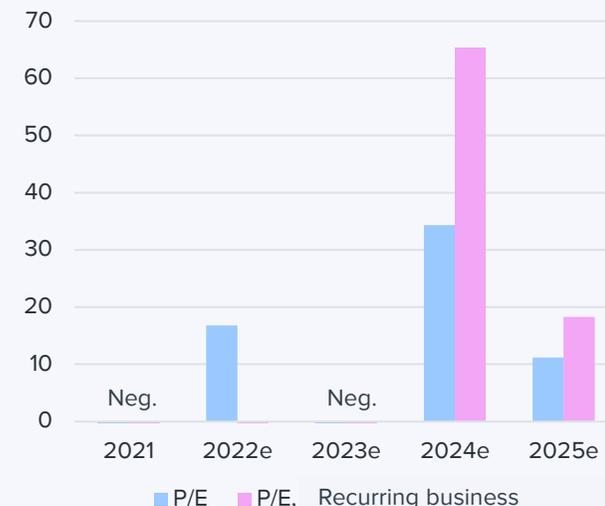
## Earnings-based valuation looks far into the future

It is still difficult to utilize earnings-based multiples, as Nexstim's result fluctuates heavily over the next few years based on the progress of license income and the earnings turnaround. In terms of earnings-based valuation, eyes should be cast far into 2025 estimates. P/E based on recurring business will turn positive in 2024 and be around 11x in 2025. If the estimates materialize, a P/E ratio of around 20-25x could be accepted for Nexstim. The valuation range we accept is based on Nexstim's good profitability potential and the historical valuation level of the sector (2017-2021 median forward-looking P/E 22.5x). In this scenario, Nexstim's share price could increase by 82-127% by 2025, which would mean an annual return of about 16-23% (CAGR). However, the high figures are confusing, as license income is unlikely to continue after the contract period. The P/E ratio for recurring business alone would be 18x with our 2025 estimates, so the potential upside to the P/E ratio of 20-25x would be only 10-37% (CAGR of 2-8%). Thus, purely on earnings basis, Nexstim is not attractively priced without clearly stronger earnings growth than we expect. We do not see any support from dividend yield for the share.

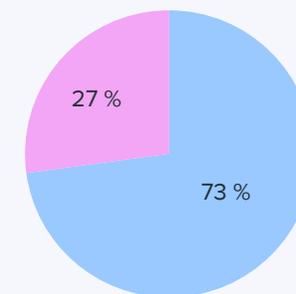
## Value of the license income in the whole

The license agreement consists of a confirmed EUR 3.5 signing fee and fees based on Magnus Medical's business plan, which we expect to be EUR 10 million and recognized in 2024-2029 focusing on the end of the period. The discounted current value of the estimated license income is EUR 9.8 million, representing 27% of the company's current market value. The basis of the applied discount rate is explained in more detail in the DFC model. Thus, the market value of the core business adjusted for licenses income is EUR 25.5 million. The 2025 EV/S ratio calculated based on the EV of recurring business is 1.8x and the P/E ratio is 18x. Thus we expect estimated license income to generate a significant part of Nexstim's result and value.

Evolution of the P/E ratio



Share of recurring business and licensing of Nexstim's current value



■ Recurring business ■ Licensing income

# Valuation (4/5)

## DCF

The DCF calculation gives a share value of EUR 4.75 in our estimate. We consider the DCF model useful in Nexstim's valuation but due to the sensitivity of the model, we encourage investors to compare the assumptions used in the model with their own estimates and required return.

Our growth and profitability estimates underlying the calculation are explained in the estimates section. According to our estimate, in Nexstim's case most of the company's free cash flows will be achieved after 2025, which increases the sensitivity of the model to the assumptions used. In addition, 2025-2029 cash flows also rely heavily on license fees from Magnus Medical, which are difficult to predict and can clearly exceed or fall short of our expectations.

In the model, we have used 10.6% as the cost of equity and WACC is 10.0% with a moderate 10% gearing. The cost of capital we use reflects our view of Nexstim's higher than average risk level, which is based on the company's relatively early development phase (first profitable result in 2022), despite its long history. On the other hand, expectations of achieving sustainable profitability and positive cash flows from license income limit the risk level to a degree.

We have determined 3% as the terminal period growth reflecting the generally good growth outlook of the TMS market. We use 20% as the EBIT level, which is very high compared to the company's history. We justify the high terminal profitability with the company's potential for scalable profitability, high sales margins and historical profitability of the medical

technology sector. While the median EBIT of the sector remains at 13.4%, larger profitable companies typically reach a 20-30% margin and, in our opinion, Nexstim can achieve very high profitability in a positive scenario. In our estimates, Nexstim reaches 28% EBIT margin at highest supported by license income.

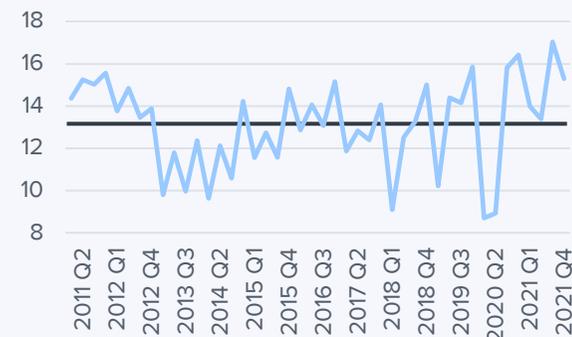
Of Nexstim's share's current value 55% is based on the terminal value of the calculation, i.e. free cash flows after 2031. This figure is relatively modest and is explained by license income that is fully realized before the start of the terminal period. However, cash flows based on license income are not permanent, which is important to consider. In addition, their realization is subject to a lot of uncertainty which the company cannot influence itself.

Cash flows in 2022-2026 explain 20% of the current value. A significant share of these cash flows come from the signing fee of EUR 3.5 million recognized in 2022 and the share of recurring business in free cash flow is low.

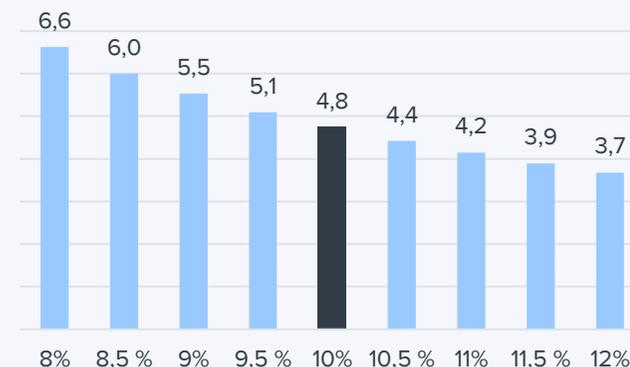
## Valuation summary

Nexstim's key TSR driver in the coming years is net sales growth, improved profitability and realized license income. We do not expect the company to pay dividends in the next few years. We believe valuation multiples are quite tight especially considering the significant increase in risk premiums for growth companies over the past year. The pricing of growth companies such as Nexstim has changed dramatically as investor's return requirements have risen sharply when market interest rates have been

Sector's historical EBIT %



Sensitivity of the share price to the WACC used in the DCF model



# Valuation (5/5)

raised by sustained inflation. This has put a lot of pressure on companies, especially those whose value is based on cash flows far in the future.

Our view of the fair value of Nexstim's share is EUR 4-5 based on a number of methods. Given the high uncertainty surrounding estimates and the pricing environment, we consider a fairly broad range justified. Key to our view is the valuation level relative to the historical valuation of the company, Nordic peers and the medical technology sector.

Due to the loss-making and instability of the result, we especially on the EV/S ratio, which we estimate to be 3-4x. Based on the peer group analysis, the share is slightly overvalued and we get fair value of some EUR 4.2-5. The DCF calculation gives the share a value of EUR 4.75. We believe a significantly higher share valuation would require higher recognition of license fees than the company expects (17 MEUR), as well as a faster increase in recurring net sales and EBIT than we anticipate. We feel the 12-month expected return of the share is at or slightly below the return requirement.

## Growth in recurring net sales is decisive in the future

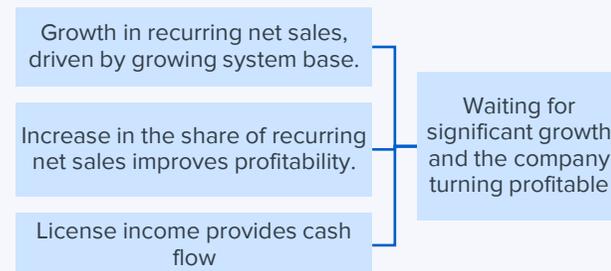
The company's 2022 net sales growth and profitability will be strong. Cash flows are also at a good level due to the signing fee recognition. However, our valuation looks at future years, when license fees will be paused for 1-2 years and the profitability of recurring business will still be low. Uncertainty about the realization of long-term estimates increases the investor's risk.

We follow Nexstim's development particularly in terms of the growth of the therapeutic system base (NBT and combined systems) and building of the partner clinic network. Due to the volume and profitability of its net sales, the recurring net sales related to the therapy business is key to Nexstim's medium- and long-term success. Success in building the clinic network can create a new defensive business pillar for Nexstim. Nexstim also has strengths and potential to exceed estimates. However, currently, we do not feel investors receive sufficient expected return to offset the risks.

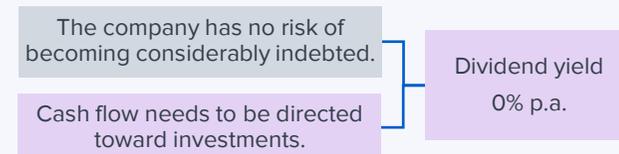
## TSR drivers 2022-2025

■ Positive    ■ Neutral    ■ Negative

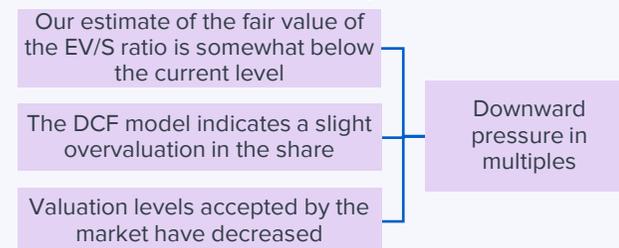
### Profit drivers



### Dividend yield drivers



### Valuation multiple drivers

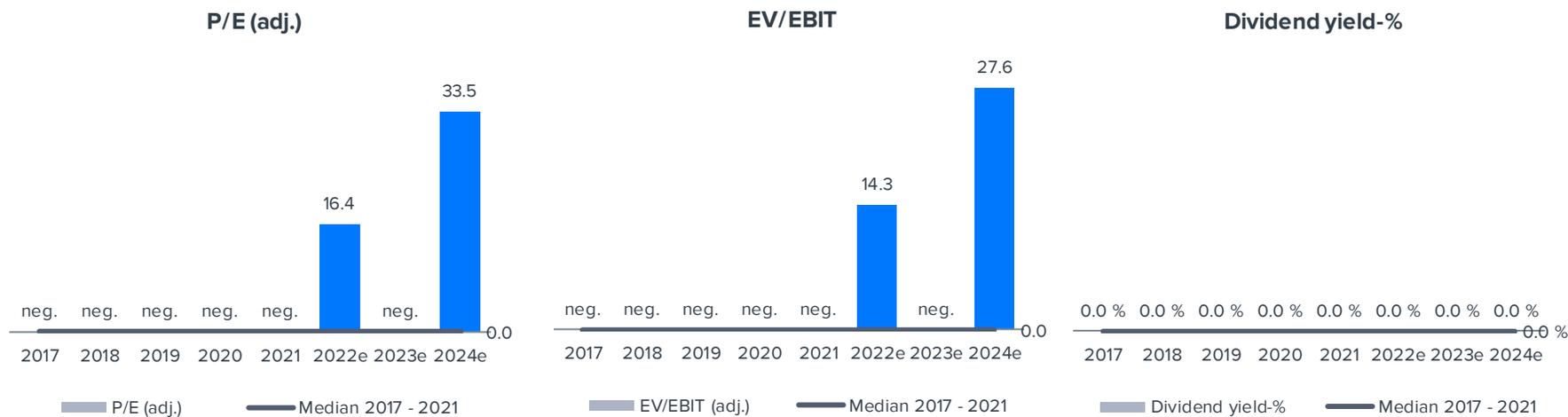


The share's expected return is on par with the 10% p.a. return requirement or slightly below it

# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	0.28	0.60	0.12	0.10	4.78	<b>4.85</b>	<b>4.85</b>	<b>4.85</b>	<b>4.85</b>
Number of shares, millions	93.2	3.25	62.8	439.6	7.27	<b>7.27</b>	<b>7.27</b>	<b>7.27</b>	<b>7.27</b>
Market cap	26	2.0	7.5	43	35	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>
EV	21	3.0	9.5	45	33	<b>32</b>	<b>33</b>	<b>32</b>	<b>29</b>
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	<b>16.4</b>	neg.	<b>33.5</b>	<b>10.9</b>
P/E	neg.	neg.	neg.	neg.	neg.	<b>16.4</b>	neg.	<b>33.5</b>	<b>10.9</b>
P/FCF	neg.	neg.	neg.	neg.	neg.	<b>17.7</b>	neg.	<b>27.8</b>	<b>11.7</b>
P/B	4.7	neg.	neg.	neg.	10.9	<b>6.6</b>	<b>6.9</b>	<b>5.7</b>	<b>3.7</b>
P/S	9.9	0.7	2.3	10.5	5.4	<b>3.4</b>	<b>4.1</b>	<b>3.4</b>	<b>2.7</b>
EV/Sales	8.1	1.1	2.9	10.9	5.2	<b>3.1</b>	<b>3.8</b>	<b>3.0</b>	<b>2.2</b>
EV/EBITDA	neg.	neg.	neg.	neg.	neg.	<b>11.9</b>	<b>97.9</b>	<b>20.1</b>	<b>7.6</b>
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.	<b>14.3</b>	neg.	<b>27.6</b>	<b>8.7</b>
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

Source: Inderes



# Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Brainsway Ltd	1117.00	103	52	49.6				0.5	0.4					
Neuronetics Inc	2.42	72	29					0.5	0.4					
Ambu A/S	95.36	2664	2854	74.5	38.6	37.7	24.5	4.5	3.8	91.6	55.8	0.3	0.5	5.8
C Rad AB	45.20	132	121	38.7	19.0	29.3	16.4		3.6	56.8	26.7			5.6
Elekta AB (publ)	76.70	2604	2853	18.0	14.8	10.9	9.5	2.1	1.9	24.9	20.3	2.9	3.4	3.3
Getinge AB	284.40	6738	6806	13.7	12.2	10.2	9.3	2.4	2.3	20.5	18.2	1.7	1.9	2.8
Irras AB	1.30	10	5					1.0	0.4					
Medistim ASA	241.50	438	432	32.2	23.8	27.5	21.0	8.6	7.4	36.0	31.0	1.8	2.0	10.4
Optomed Plc	4.04	62	64					4.1	3.4					3.7
Vitrolife AB	281.40	3555	3750	59.6	44.4	38.9	31.9	12.6	10.8	84.9	60.5	0.4	0.5	2.5
Xvivo Perfusion AB	243.00	680	651	297.8	119.3	111.6	65.0	17.5	13.0	211.7	130.6			5.5
	281.40	3555	3750	59.6	44.4	38.9	31.9	12.6	10.8	84.9	60.5	0.4	0.5	2.5
<b>Nexstim (Inderes)</b>	<b>4.85</b>	<b>35</b>	<b>32</b>	<b>14.3</b>	<b>-292.1</b>	<b>11.9</b>	<b>97.9</b>	<b>3.1</b>	<b>3.8</b>	<b>16.4</b>	<b>-165.6</b>	<b>0.0</b>	<b>0.0</b>	<b>6.6</b>
<b>Average</b>				<b>74.3</b>	<b>40.7</b>	<b>38.1</b>	<b>26.2</b>	<b>6.0</b>	<b>4.8</b>	<b>76.4</b>	<b>50.5</b>	<b>1.2</b>	<b>1.4</b>	<b>4.7</b>
<b>Median</b>				<b>49.1</b>	<b>38.6</b>	<b>33.5</b>	<b>22.8</b>	<b>4.1</b>	<b>3.5</b>	<b>70.8</b>	<b>43.4</b>	<b>1.0</b>	<b>1.2</b>	<b>3.7</b>
<b>Diff-% to median</b>				<b>-71%</b>	<b>-856%</b>	<b>-65%</b>	<b>330%</b>	<b>-24%</b>	<b>10%</b>	<b>-77%</b>	<b>-481%</b>	<b>-100%</b>	<b>-100%</b>	<b>76%</b>

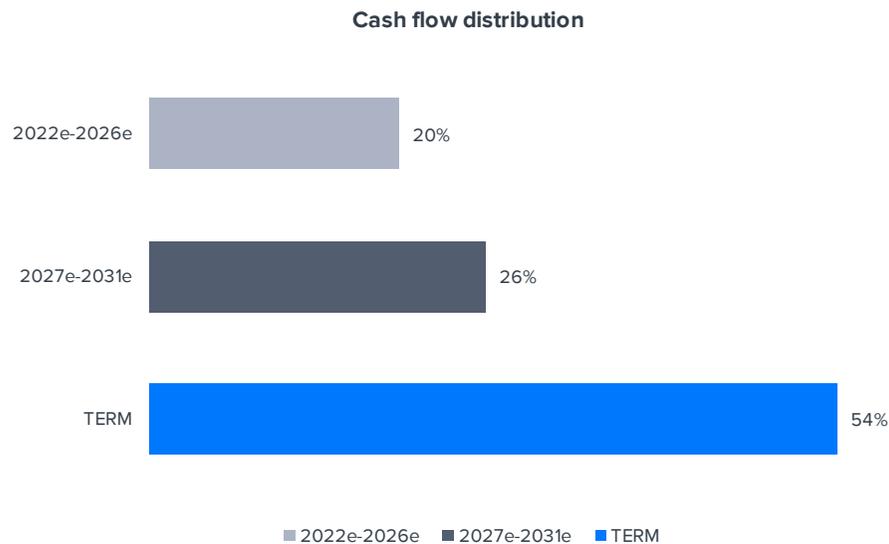
Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company

# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
<b>EBIT (operating profit)</b>	<b>-1.5</b>	<b>2.3</b>	<b>-0.1</b>	<b>1.2</b>	<b>3.3</b>	<b>3.9</b>	<b>4.7</b>	<b>5.2</b>	<b>5.5</b>	<b>4.2</b>	<b>4.3</b>	
+ Depreciation	0.4	0.5	0.5	0.4	0.5	0.4	0.5	0.5	0.6	0.5	0.6	
- Paid taxes	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	-1.1	-0.8	-0.9	
- Tax, financial expenses	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-0.6	-0.2	-0.5	0.3	-0.1	-0.2	0.0	-0.4	-0.3	-0.3	-0.1	
<b>Operating cash flow</b>	<b>-1.8</b>	<b>2.5</b>	<b>-0.2</b>	<b>1.9</b>	<b>3.7</b>	<b>4.1</b>	<b>5.1</b>	<b>4.7</b>	<b>4.7</b>	<b>3.6</b>	<b>4.0</b>	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-1.2	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8	-0.9	-0.9	-1.2	-1.0	
<b>Free operating cash flow</b>	<b>-3.0</b>	<b>2.0</b>	<b>-0.8</b>	<b>1.3</b>	<b>3.0</b>	<b>3.4</b>	<b>4.4</b>	<b>3.9</b>	<b>3.9</b>	<b>2.4</b>	<b>3.0</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-3.0	2.0	-0.8	1.3	3.0	3.4	4.4	3.9	3.9	2.4	3.0	45.0
<b>Discounted FCFF</b>		<b>1.9</b>	<b>-0.7</b>	<b>1.0</b>	<b>2.1</b>	<b>2.2</b>	<b>2.6</b>	<b>2.1</b>	<b>1.9</b>	<b>1.0</b>	<b>1.2</b>	<b>18.0</b>
Sum of FCFF present value		33.2	31.4	32.0	31.1	28.9	26.7	24.2	22.1	20.2	19.2	18.0
<b>Enterprise value DCF</b>		<b>33.2</b>										
- Interesting bearing debt		-3.9										
+ Cash and cash equivalents		5.2										
- Minorities		0.0										
- Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>34.5</b>										
<b>Equity value DCF per share</b>		<b>4.8</b>										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	5.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>10.6 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>10.0 %</b>

Source: Ideres



# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>0.9</b>	<b>2.0</b>	<b>2.1</b>	<b>2.3</b>	<b>2.4</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.3	1.1	1.2	1.4	1.5
Tangible assets	0.5	0.4	0.4	0.4	0.4
Associated companies	0.0	0.5	0.5	0.5	0.5
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>	<b>5.4</b>	<b>8.0</b>	<b>9.7</b>	<b>8.8</b>	<b>9.2</b>
Inventories	0.4	1.0	1.0	1.0	0.8
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	1.5	1.8	2.5	2.6	3.1
Cash and equivalents	3.5	5.2	6.2	5.2	5.2
<b>Balance sheet total</b>	<b>6.2</b>	<b>10.0</b>	<b>11.8</b>	<b>11.1</b>	<b>11.6</b>

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>-1.5</b>	<b>3.2</b>	<b>5.4</b>	<b>5.1</b>	<b>6.2</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-49.9	-51.8	-49.6	-49.9	-48.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	48.3	54.9	54.9	54.9	54.9
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>3.9</b>	<b>3.3</b>	<b>2.2</b>	<b>2.1</b>	<b>1.2</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	3.9	3.3	2.2	2.1	1.2
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>3.8</b>	<b>3.6</b>	<b>4.2</b>	<b>3.8</b>	<b>4.2</b>
Short term debt	1.2	0.6	0.8	0.8	0.6
Payables	2.7	2.9	3.4	3.0	3.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>6.2</b>	<b>10.0</b>	<b>11.8</b>	<b>11.1</b>	<b>11.6</b>

# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	3.3	4.1	6.4	10.4	8.6	EPS (reported)	-0.11	-0.01	-0.11	0.30	-0.03
EBITDA	-6.2	-3.0	-1.0	2.7	0.3	EPS (adj.)	-0.11	-0.01	-0.11	0.30	-0.03
EBIT	-6.5	-3.3	-1.5	2.3	-0.1	OCF / share	-0.10	0.00	-0.25	0.34	-0.03
PTP	-6.8	-4.1	-0.7	2.2	-0.2	FCF / share	-0.11	0.00	-0.41	0.27	-0.11
Net Income	-6.8	-4.1	-0.8	2.2	-0.2	Book value / share	-0.01	0.00	0.44	0.74	0.71
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	7.7	6.2	10.0	11.8	11.1	Revenue growth-%	25%	23%	56%	63%	-17%
Equity capital	-0.7	-1.5	3.2	5.4	5.1	EBITDA growth-%	4%	-52%	-66%	-368%	-88%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	3%	-49%	-56%	-255%	-105%
Net debt	2.0	1.6	-1.3	-3.1	-2.3	EPS (adj.) growth-%	-94%	-91%	1121%	-359%	-110%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	-185.7 %	-72.1 %	-15.8 %	26.0 %	3.9 %
EBITDA	-6.2	-3.0	-1.0	2.7	0.3	EBIT (adj.)-%	-194.7 %	-81.0 %	-22.7 %	21.6 %	-1.3 %
Change in working capital	-0.2	0.8	-0.6	-0.2	-0.5	EBIT-%	-194.7 %	-81.0 %	-22.7 %	21.6 %	-1.3 %
Operating cash flow	-6.4	-2.2	-1.8	2.5	-0.2	ROE-%	1312.0 %	373.1 %	-96.0 %	50.3 %	-4.1 %
CAPEX	-0.6	0.0	-1.2	-0.5	-0.6	ROI-%	-96.5 %	-73.1 %	-27.2 %	29.0 %	-1.4 %
Free cash flow	-7.0	-2.2	-3.0	2.0	-0.8	Equity ratio	-9.7 %	-23.5 %	31.9 %	45.2 %	46.4 %
						Gearing	-271.7 %	-108.1 %	-40.6 %	-58.7 %	-44.0 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	2.9	10.9	5.2	3.1	3.8						
EV/EBITDA (adj.)	neg.	neg.	neg.	11.9	97.9						
EV/EBIT (adj.)	neg.	neg.	neg.	14.3	neg.						
P/E (adj.)	neg.	neg.	neg.	16.4	neg.						
P/B	neg.	neg.	10.9	6.6	6.9						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Date	Recommendation	Target price	Share price
30-05-22	Reduce	4.60 €	4.85 €



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