

## Nexstim

### Focussing on strategic priorities

**Nexstim's strategic focus is firmly on fully exploiting the commercial potential of its SmartFocus NBT system in major depressive disorder (MDD), by leveraging its unique navigation capabilities and the positive impact on patient outcomes and health economics. Significant strides were made in 2019, the first year of strategic implementation: FY19 revenue grew 25% to €3.3m, with continued sales momentum in the NBT Therapy business (+131% to €1.5m). Alongside a stronger balance sheet and board and management changes, Nexstim is now undergoing a strategic review and update. This aims to refine its long-term outlook and financial objectives across the Therapy (NBT) and Diagnostics (NBS) businesses and includes evaluating various funding options and strategic alternatives. The review is expected to conclude in the spring; ahead of this, we maintain our €31.4m (€0.50/share) valuation.**

Year-end: December 31	2018	2019	2020E	2021E
Sales (€m)	2.7	3.3	5.4	8.7
Adj. PBT (€m)	(6.2)	(6.8)	(5.8)	(3.8)
Net Income (€m)	(6.2)	(6.8)	(5.7)	(3.7)
EPS (€)	(1.93)	(0.25)	(0.09)	(0.06)
Cash* (€m)	7.2	4.3	6.9	2.3
EBITDA (€m)	(5.9)	(6.0)	(4.7)	(2.5)

Source: Trinity Delta Note: \*Our cash forecast assumes additional raises of €10m in FY20 and €5 in FY21

- Commercial strategy delivering** Investment into NBT commercialisation has translated into increased traction, with operational leverage (especially in the US) expected to come through in FY20. During 2019, 17 new NBT systems were sold (nine new systems in the US and eight new placements in Europe), with an active installed base of 23 at end-2019. 66% of Therapy revenues were recurring (related to high margin after sales services/consumables not capital system sales). Average revenue is already €85k/system vs a €100k longer-term target for established sites.
- Increasing adoption and expanding horizons** Core NBT use in MDD is in out-patient psychiatric clinics/TMS centres. Growing usage is increasing patient registry data and this clinical evidence, to be published in white papers and journals during 2020, will support marketing efforts and could further drive adoption. Collaboration discussions are ongoing in connection with potentially entering a distinct new in-patient TMS market: treating hospitalised severe MDD patients who may have suicidal ideation. No TMS system is approved for this indication, and NBT is well suited given intensive treatment protocols and the need for accurate targeting.
- Securing the future** Nexstim raised €6.6m in new funds in 2019. End-FY19 cash of €4.3m (including c €2m Kreos loan) provides working capital through Q220. FY20 will be loss making, despite higher revenue expectation, as investment is needed to support growth. Objectives of the strategic review include securing funding through 2020-21 and evaluating options for the NBS Diagnostic division.
- Valuation maintained at €0.50/share** Our DCF-based rNPV model ascribes a value of €31.4m or €0.50/share to Nexstim, with material room for upside from strategic execution such as growth or expansion of the MDD market opportunity for NBT.

## Update

2 March 2020

Price	€0.08
Market Cap	€4.8m
Enterprise Value	€0.5m
Shares in issue	62.8m
12 month range	€0.08-0.50
Free float	39.5%
Primary exchange	Helsinki
Other exchanges	Stockholm
Sector	Healthcare
Company Code	NXTMH/NXTMS

Corporate client Yes



### Company description

Nexstim is a targeted neuro-modulation company that has developed a proprietary navigated rTMS platform for use in diagnostics (NBS) and therapeutics (NBT). NBS is used in planning brain surgery while NBT is focused on depression and chronic pain. FDA approval for depression was given in 2017, and the focus is on commercial roll out in the US, Europe and Asia.

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**Exhibit 1: Summary of financials**

Year-end: December 31	€'000s	2015	2016	2017	2018	2019	2020E	2021E
<b>INCOME STATEMENT</b>								
Revenues		2,528	2,483	2,645	2,672	3,348	5,401	8,722
Cost of goods sold		(821)	(689)	(552)	(710)	(1,043)	(988)	(1,495)
<b>Gross Profit</b>		<b>1,707</b>	<b>1,794</b>	<b>2,093</b>	<b>1,962</b>	<b>2,305</b>	<b>4,413</b>	<b>7,227</b>
Wages and salaries		(3,292)	(3,602)	(2,903)	(3,353)	(3,998)	(4,397)	(4,837)
Social security expenses		(677)	(651)	(431)	(584)	(715)	(770)	(822)
Other expenses		(7,843)	(3,908)	(4,118)	(3,986)	(3,648)	(4,012)	(4,173)
Depreciation & amortisation		(386)	(372)	(341)	(424)	(525)	(624)	(921)
<b>Underlying operating profit</b>		<b>(10,492)</b>	<b>(6,739)</b>	<b>(5,701)</b>	<b>(6,386)</b>	<b>(6,580)</b>	<b>(5,391)</b>	<b>(3,527)</b>
Other revenue/expenses		122	43	109	70	63	63	63
<b>EBITDA</b>		<b>(9,984)</b>	<b>(6,324)</b>	<b>(5,251)</b>	<b>(5,892)</b>	<b>(5,993)</b>	<b>(4,704)</b>	<b>(2,542)</b>
<b>Operating Profit</b>		<b>(10,370)</b>	<b>(6,696)</b>	<b>(5,592)</b>	<b>(6,316)</b>	<b>(6,517)</b>	<b>(5,328)</b>	<b>(3,464)</b>
Financial income		544	(34)	(1,733)	163	(259)	(363)	(245)
<b>Profit Before Taxes</b>		<b>(9,826)</b>	<b>(6,730)</b>	<b>(7,325)</b>	<b>(6,153)</b>	<b>(6,777)</b>	<b>(5,691)</b>	<b>(3,708)</b>
<b>Adj. PBT</b>		<b>(9,948)</b>	<b>(6,774)</b>	<b>(7,434)</b>	<b>(6,223)</b>	<b>(6,840)</b>	<b>(5,754)</b>	<b>(3,771)</b>
Current tax income		(1)	(2)	(3)	(2)	(6)	(5)	(17)
<b>Net Income</b>		<b>(9,827)</b>	<b>(6,733)</b>	<b>(7,328)</b>	<b>(6,154)</b>	<b>(6,783)</b>	<b>(5,697)</b>	<b>(3,726)</b>
<b>EPS (€)</b>		<b>(41.20)</b>	<b>(16.90)</b>	<b>(2.77)</b>	<b>(1.93)</b>	<b>(0.25)</b>	<b>(0.09)</b>	<b>(0.06)</b>
<b>Adj. EPS (€)</b>		<b>(41.72)</b>	<b>(17.01)</b>	<b>(2.81)</b>	<b>(1.93)</b>	<b>(0.25)</b>	<b>(0.09)</b>	<b>(0.06)</b>
<b>DPS (€)</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Average no. of shares (m)		0.2	0.4	2.6	3.2	27.6	62.8	62.8
<i>Gross margin</i>		68%	72%	79%	73%	69%	82%	83%
<i>EBITDA margin</i>		N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Underlying operating margin</i>		N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>								
<b>Current assets</b>		<b>8,233</b>	<b>9,506</b>	<b>10,326</b>	<b>8,757</b>	<b>6,431</b>	<b>9,757</b>	<b>5,509</b>
Cash and cash equivalents		6,875	8,156	8,474	7,175	4,266	6,915	2,266
Accounts receivable		937	1,057	1,465	1,324	1,680	2,219	2,629
Inventories		421	292	387	259	485	623	614
Other current assets		0	0	0	0	0	0	0
<b>Non-current assets</b>		<b>974</b>	<b>911</b>	<b>718</b>	<b>905</b>	<b>1,223</b>	<b>2,411</b>	<b>4,218</b>
Property, plant & equipment		333	249	167	465	859	1,421	2,802
Intangible assets		631	652	541	430	364	990	1,416
<b>Current liabilities</b>		<b>(2,417)</b>	<b>(2,137)</b>	<b>(1,786)</b>	<b>(2,793)</b>	<b>(3,106)</b>	<b>(3,316)</b>	<b>(3,600)</b>
Short-term debt		0	0	0	(1,104)	(989)	(989)	(989)
Accounts payable		(1,084)	(397)	(961)	(597)	(740)	(948)	(1,229)
Other current liabilities		(1,332)	(1,740)	(824)	(1,092)	(1,378)	(1,380)	(1,383)
<b>Non-current liabilities</b>		<b>(3,245)</b>	<b>(3,802)</b>	<b>(3,737)</b>	<b>(7,163)</b>	<b>(5,288)</b>	<b>(5,288)</b>	<b>(1,288)</b>
Long-term debt		(3,197)	(3,778)	(3,724)	(7,163)	(5,288)	(5,288)	(1,288)
Other non-current liabilities		(47)	(24)	(13)	0	0	0	0
<b>Equity</b>		<b>3,545</b>	<b>4,478</b>	<b>5,521</b>	<b>(294)</b>	<b>(740)</b>	<b>3,563</b>	<b>4,838</b>
Share capital		23,662	31,773	38,599	39,561	46,167	56,167	61,167
Other		(20,117)	(27,294)	(33,078)	(39,855)	(46,907)	(52,603)	(56,329)
<b>CASH FLOW STATEMENTS</b>								
<b>Operating cash flow</b>		<b>(9,609)</b>	<b>(7,225)</b>	<b>(5,403)</b>	<b>(6,192)</b>	<b>(6,681)</b>	<b>(5,540)</b>	<b>(2,921)</b>
Profit before tax		(9,827)	(6,733)	(7,328)	(6,154)	(6,783)	(5,697)	(3,726)
Non-cash adjustments		432	(106)	3,618	(361)	515	988	1,166
Change in working capital		330	(411)	(1,555)	721	268	(464)	(102)
Interest paid		(544)	25	(138)	(398)	(682)	(363)	(245)
Taxes paid		0	0	0	0	0	(4)	(14)
<b>Investing cash flow</b>		<b>(380)</b>	<b>(310)</b>	<b>(148)</b>	<b>(611)</b>	<b>(843)</b>	<b>(1,812)</b>	<b>(2,728)</b>
CAPEX		(380)	(310)	(148)	(611)	(843)	(1,812)	(2,728)
Other investing cash flows		0	0	0	0	0	0	0
<b>Financing cash flow</b>		<b>5,380</b>	<b>8,817</b>	<b>5,868</b>	<b>5,505</b>	<b>4,616</b>	<b>10,000</b>	<b>1,000</b>
Proceeds from equity		5,280	7,700	6,765	962	6,606	10,000	5,000
Increase in loans		100	1,117	(897)	4,543	(1,990)	0	(4,000)
Other financing cash flow		0	0	0	0	0	0	0
<b>Net increase in cash</b>		<b>(4,609)</b>	<b>1,282</b>	<b>318</b>	<b>(1,298)</b>	<b>(2,909)</b>	<b>2,648</b>	<b>(4,649)</b>
Exchange rate effects		0	0	0	0	0	0	0
Cash at start of year		11,484	6,875	8,156	8,474	7,176	4,267	6,915
<b>Cash at end of year</b>		<b>6,875</b>	<b>8,156</b>	<b>8,474</b>	<b>7,176</b>	<b>4,267</b>	<b>6,915</b>	<b>2,266</b>
<b>Net cash at end of year</b>		<b>3,677</b>	<b>4,378</b>	<b>4,750</b>	<b>(1,092)</b>	<b>(2,011)</b>	<b>638</b>	<b>(11)</b>

Source: Company, Trinity Delta Note: The accounts are produced according to Finnish GAAP. The short-term debt in FY20 and FY21 is indicative of our view of the company's funding requirement. Our sales forecasts do not include any contribution from indications that are yet to be approved. Historic EPS, DPS and Average no. of shares have been adjusted to reflect the 30:1 share consolidation in December 2018

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