Trinity Delta

Nexstim

Outlook

Making an impression in depression

7 January 2020

Nexstim leaves 2019 in a very different shape to how it entered the year, with its strategic focus firmly on fully exploiting the commercial potential of the SmartFocus NBT system in depression, by leveraging its unique navigation capabilities. The strengthened balance sheet means the company is better positioned to deliver on its new year's resolutions for 2020 and build shareholder value. Priorities include continuing the growth momentum of NBT, particularly in the US; further building the clinical evidence base in depression and pain through increased usage; concluding the strategic licencing agreement with the leading US academic institution to expand the market opportunity; and securing funding through 2020-21. With commercial and financial progress made over 2019, we raise our valuation to €31.4m (€0.50/share).

Year-end: December 31	2017	2018	2019E	2020E
Sales (€m)	2.6	2.7	3.4	5.4
Adj. PBT (€m)	(7.4)	(6.2)	(7.1)	(6.4)
Net Income (€m)	(7.3)	(6.2)	(7.1)	(6.3)
EPS (€)	(2.77)	(1.93)	(0.35)	(0.10)
Cash* (€m)	8.5	7.2	3.8	5.6
EBITDA (€m)	(5.3)	(5.9)	(6.1)	(5.3)

Source: Trinity Delta Note: *Our cash forecast assumes that Nexstim raises an additional €10m in FY20

- **Driving growth in NBT** NBT is the only FDA approved TMS (transcranial magnetic stimulation) device with built-in navigation, ensuring accurate, reliable, and reproducible treatment, which should translate into improved patient outcomes and economics. The NBT installed base of c 25 (vs ten at end-2018) covers multiple sites across three continents, spanning renowned academic medical centres to large TMS groups. Investment is directed into activities to gain further US market share.
- **California dreaming…?** Nexstim's existing therapy business is concentrated on treating depression in the outpatient setting (clinics and hospitals). Discussions with a leading California-based academic institution could open a distinct new TMS market, treating hospitalised patients with severe depression who may be suicidal. No TMS system is approved in this indication. A deal would give NBT a first mover advantage, and the need for accurate targeting will likely limit competition.
- **Evaluating options for NBS** Pre-surgical mapping is the cornerstone of Nexstim's established Diagnostics division, with an installed base of 160+ NBS systems across major hospitals in Europe and the US. However, with investment prioritised into NBT commercialisation in MDD (major depressive disorder), various options (partnering, divestment, trade sale) for the NBS unit are under consideration.
- **Valuation update to €0.50/share** Following the direct equity issue and warrant exercise, we update our DCF-based rNPV model, reducing the financial risk adjustment. We now value Nexstim at €31.4m or €0.50/share (formerly €19.0m or €0.41/share diluted). Execution on strategic priorities could materially increase this. For example, the discussions with the major US institution could open a new market opportunity for NBT in hospitalised MDD patients: pending further disclosures, our conservative assessment indicates this could be worth an additional €0.19/share.

Price	€0.11
Market Cap	€7.2m
Enterprise Value	€7.8m
Shares in issue	62.8m
12 month range	€0.07-0.90
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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Investment case

A chequered history but came through against the odds

Nexstim was spun out of Helsinki University of Technology to commercialise its proprietary navigational transcranial magnetic stimulation (nTMS) technology in 2000. In 2003, the NBS (Navigated Brain Stimulation) system was developed as a diagnostic tool for pre-surgical brain mapping. In 2014, the NBT (Navigated Brain Therapy) system received its CE Mark for the treatment of stroke and depression, and in 2016 for treating chronic pain. Following the failure of two Phase III trials in stroke (NICHE in 2016; E-FIT in 2018), the business was re-focused in 2018 to concentrate on the significant opportunities in treating depression (FDA approved in 2017). A 2014 IPO raised €15.3m through a listing on both Nasdaq First North Finland and Nasdaq First North Sweden. In 2019, the company raised equity of €3.5m (April) and €2.9m (November), and has made considerable progress with its commercial plans in depression and continues to explore ways in which it can fully exploit this market opportunity. Further funds are required to achieve near- and mid-term goals in depression, and to secure Nexstim's financial future.

Valuation

We value Nexstim at €31.4m, equivalent to €0.50/share

We value Nexstim using a risk-adjusted DCF-based model for the cash flows for each business area and employ conservative assumptions throughout. This yields a company valuation of €31.4m (€0.50/share). NBS (Diagnostics) is valued at €4m, NBT (Therapy) in depression at €25.4m, and NBT in chronic pain at €5m. Post the November 2019 warrant exercise, there are no outstanding in the money options or warrants. Several near- and medium-term value inflection points, including continued commercial traction, M&A, and new product opportunities, could result in an uplift to our valuation as execution risks subside. Our core valuation could be materially increased should Nexstim secure a deal with the Californian academic partner; this could conservatively be worth an additional €0.19/share.

Financials

On a more secure footing but funding still an issue

Nexstim's revenues are on an upward trajectory reflecting growth in the Therapy business as more NBT systems are installed. Recurring revenues have risen, and the sales mix is improving with a greater contribution of high-margin aftersales. The financial difficulties of the past means cost control remains a focus, albeit balanced with investment in commercial activities connected to the depression business, where we expect more meaningful revenues to accrue from 2020. Our model suggests a cash runway into H220, with a funding requirement of c €10m.

Sensitivities

The hardest part is, arguably, behind them

We detail our main sensitivities later, however, as with all medical technology products, managing regulatory matters, gaining adequate reimbursement, and achieving meaningful market adoption are key factors. To date, Nexstim has successfully transitioned NBT to the MDD indication, where it does appear to have compelling clinical and economic arguments. Nonetheless, these are competitive markets and sustained investment in clinical development and marketing is necessary. The major near-term sensitivity is the successful execution of the commercial strategy, particularly in the key US market, and ensuring sufficient financing is in place to accomplish this.

Nexstim: what a difference a year makes

Nexstim enters 2020 on a materially different footing to a year ago. Following the disappointing failure of the second pivotal Phase III trial for stroke in November 2018, it seemed that its prospects were wrecked. Instead management refocussed the business onto the depression indication and successfully refinanced the ensuing transition in strategy. Now the emphasis is on gaining commercial traction and exploiting the new business opportunities that have arisen. The commendable achievements, combined with the improving outlook, mean that the risk factors employed in our DCF model have reduced and, consequently, our valuation has increased to €31.4m, €0.50/share, from €19.0m (€0.41/share). If certain value-inflection points are attained, we expect further increases in our valuation.

Nexstim has successfully transitioned to a depression-focused business

The past 12 months have not been easy, but management has successfully navigated the change in strategic direction and is poised to exploit the commercial potential of its NBT (Navigated Brain Therapy) system in MDD (major depressive disorder). A stated priority is the raising of market awareness of the NBT system, as it will be the growing appreciation of the proven clinical and economic benefits that will be the main driver of uptake. The investment in marketing infrastructure, particularly in the important North American market, coupled with efforts to build up the body of clinical evidence, is resulting in commercial traction being gained.

… centred on the superior accuracy of the SmartFocus NBT system …

The main differentiator between the NBT platforms and other competing TMS (Transcranial Magnetic Stimulation) systems is the built-in SmartFocus navigation. This highly accurate mapping ensures rapid, reliable, and reproducible treatment. The clinical benefit is seen as improved patient outcomes, with faster treatment times resulting in material cost advantages. It is these properties over alternative TMS systems that have led to a possible tie-up with a renowned Californian academic institution. This would target the treatment of hospitalised patients with severe depression, who may have suicidal ideation. These patients are distinct from the MDD patients currently treated primarily in outpatient clinics.

… with relevance to the outpatient, and potentially also in-patient, treatment settings

TMS as employed in the outpatient MDD setting has a long treatment duration, typically five times/week over six weeks, which makes it unsuitable for suicidal patients. Effective treatment requires shorter, more intensive treatment protocols, which in turn means superior precision is paramount. It is here that Nexstim's SmartFocus stands apart and hence its appeal. If this new opportunity were to materialise, we conservatively estimate the addressable market as being worth $213m. Plugging in these rough assumptions into our model yields an incremental NPV of €25m, with an rNPV of €10m and value per share of €0.19.

Addition funds would help expedite commercialisation plans for NBT in MDD

Funding has obviously been an issue over the last year, but we estimate that the current cash runway extends to H220. Nonetheless, we believe that to properly execute its commercialisation plans for NBT in MDD, and repay the Kreos loan (due December 2021), additional funds would be required. Our forecasts suggest €10m over the next 12 months and, depending on the scale of the infrastructure required and sales potential, we believe more could be advantageous.

Prioritising the therapeutics business

An amazing transformation, as shift of focus completed

Over the past 12 months, Nexstim has made significant progress in securing a solid financial foundation for its commercial future. Management has successfully navigated the transition to a commercially focused strategy centred on depression following the conclusive failure of its lead programme in stroke late in 2018.

NBS is still important but NBT is the commercial driver

Nexstim's highly accurate proprietary nTMS (Navigated Transcranial Magnetic Stimulation) system has several clinical applications, which we have detailed in previous reports (notably our July 2018 Initiation). The business strategy for the TMS platform presently falls into two related, albeit commercially separate, divisions: Diagnostics and Therapeutics (Exhibit 1). The diagnostics division comprises the Navigated Brain Stimulation (NBS) system which is used, and extensively validated, in pre-surgical brain mapping, while the Navigated Brain Therapy (NBT) system has been optimised for therapeutic use.

Exhibit 1: Unique navigated TMS system for diagnostic and therapeutic applications

Use	Application	Europe	US	Commercial status
Diagnostic (NBS)	Pre-surgical mapping	CE Marked	FDA approved	Installed base of over 160 systems
Therapeutics (NBT)	Depression	CE Marked	FDA approved	Multiple systems installed in the EU and US
	Chronic neuropathic pain	CE Marked	Phase II clinical trials evaluated	Multiple systems installed in the EU

Source: Nexstim, Trinity Delta

NBS: proven and trusted diagnostic technology

NBS is a powerful tool in pre-surgical mapping …

The nTMS technology platform is proven and the value of NBS in diagnostic pre-surgical mapping (PSM) of the brain is acknowledged and is showing commercial traction. The NBS system, launched in 2003, is the only nTMS system that is FDA cleared and CE marked for the PSM of the speech and motor cortices of the brain. NBS provides greater mapping precision, allowing surgeons to be more aggressive in tumour resection, thus improving treatment outcomes.

… with an impressive roster of clients

Marketing efforts have been primarily targeted at universities and teaching hospitals with a strong key opinion leader (KOL) presence in neurosurgery and radiology. Nexstim has attracted an impressive client list, which routinely uses the tool in PSM. The global installed base is around 160 NBS systems, including numerous world-renowned cancer centres (for instance: Mayo Clinic, Karolinska, MD Anderson, Charité, Great Ormond Street Hospital, and UCSF)

Future options for the NBS division remain under consideration

NBS system pricing of c €200k-300k (dependent on functionality and support equipment) makes it a capital purchase for most buyers. Thus, the sales cycle is longer, with the clinical decision maker (typically a neurosurgeon) preparing a case that is subject to a thorough budgetary review. Overall, the NBS division is high margin, despite the small volume of consumables used in the diagnostic setting (limited to replacement coils and, somewhat more frequently, trackers). While management's strategy is to prioritise the commercialisation of NBT in depression, it continues to support growth in the diagnostic application (orders for four new NBS systems were received during October and November) as well as evaluating viable options for the NBS unit (eg divestment through a partnership or trade sale), although no details on the latter have been disclosed.

NBT: attractive therapeutic opportunities

Depression is the focus for NBT, but it has utility in several poorly addressed indications

Therapeutic use of TMS is a substantially larger market opportunity, and while it is a commercially distinct market, there is potential to leverage the neurosurgical KOL network. There are several currently poorly addressed indications in which TMS would be applicable; major depression is the current focus for Nexstim, but an opportunity also lies in chronic pain. We have previously published in-depth notes examining the commercial opportunity in major depressive disorder (MDD) for outpatient use (October 2018 Update) and exploring a newer potential opportunity for in-patient treatment of hospitalised MDD patients with suicidal tendencies (October 2019 Update).

It is the only FDA approved TMS device in depression with built-in navigation

Nexstim's nTMS platform has been optimised for therapeutic applications and this is known as the 'SmartFocus' Navigated Brain Therapy (NBT) system, which was FDA approved for MDD in December 2017 and was launched in the US in May 2018. It is the only FDA approved device with built-in navigation, ensuring accurate, reliable, and reproducible treatment.

Poor target localisation is a limitation for other TMS systems but …

The safety benefits and relative efficacy of nTMS, coupled to the simplicity of application, make it an appealing target for therapeutic applications. However, it is also associated with practical limitations such as low precision, high labour intensity, and often also a need for high levels of operator skill, all of which can translate to poor target localisation.

… NBT SmartFocus technology ensures accurate, reliable, and reproducible treatment

NBT circumvents these limitations. The SmartFocus technology can precisely map the motor cortex and uses proprietary e-field modelling to account for distortion caused by bone and brain tissue, accurately visualising the exact location, orientation, and magnitude of the stimulation. The treatment process (Exhibit 2) first involves target localisation (hence Nexstim's record in PSM is highly pertinent), followed by delivery of a precise and consistent magnetic pulse. Accurate navigation and the reproducibility of the process with Nexstim's NBT device should result in improved outcomes, and early indications are that the benefits of accurate navigation are readily understood by clinicians.

Exhibit 2: Nexstim SmartFocus TMS workflow

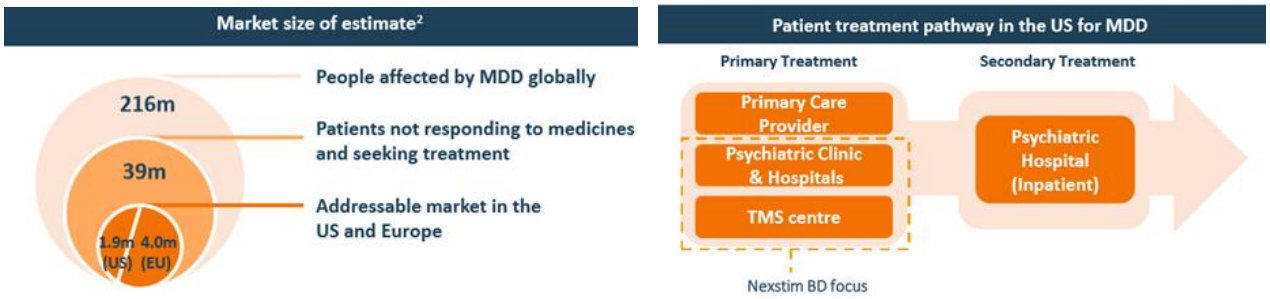
Source: Nexstim

Depression: targeting a clear need in MDD

MDD is a large market, where rTMS is a second-line therapy ...

Nexstim's decision to focus on depression, particularly Major Depressive Disorder (MDD), is driven by several important clinical and commercial considerations. Treatment resistant depression (ie that unresponsive to pharmacological anti-depressant medication) has a current addressable market of c 6m patients (Exhibit 3) but is growing rapidly. Use of rTMS is accepted as a second-line therapy, with the first FDA approval occurring in 2008 (Neuronetics' Neurostar focal iron core coil TMS platform). It is also reimbursed in the US and various European countries.

Exhibit 3: Nexstim business opportunity in major depressive disorder

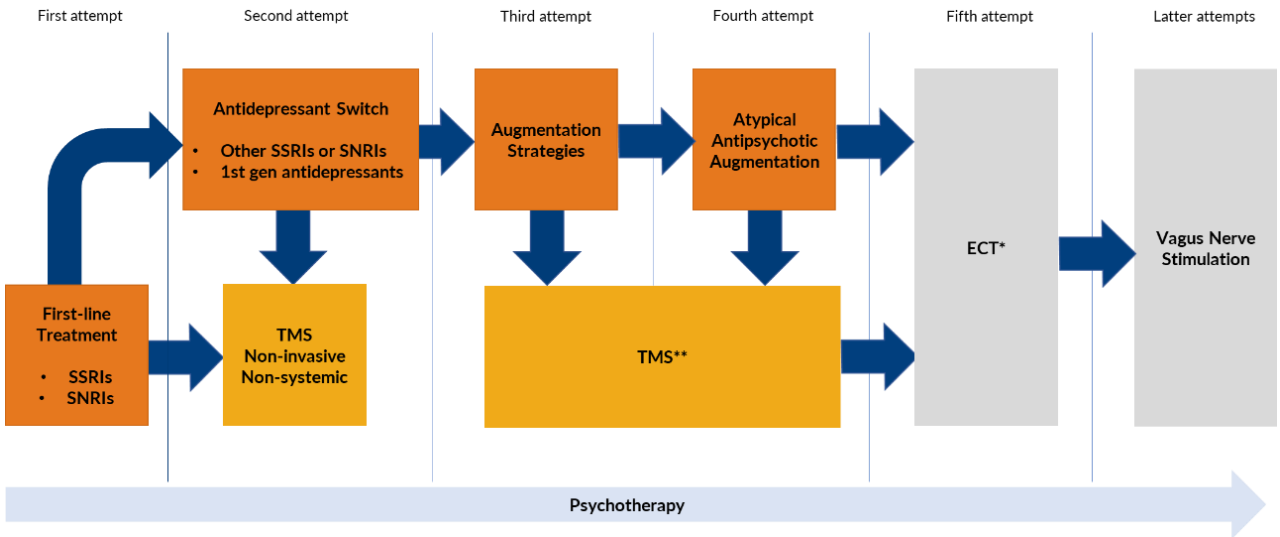


Source: Nexstim Note: 2 = PMSI Consulting analysis, expert interviews and estimates

... which could be used to treat the 15-40% of treatment resistant patients

Depression remains one of the most widespread and debilitating forms of mental illness despite major pharmacological advances. It is characterised by a variety of symptoms (behavioural, affective, cognitive, and somatic) and a high risk of relapse and/or recurrence. First-line therapy is antidepressant medication (typically SSRIs, selective serotonin reuptake inhibitors) prescribed by a primary care physician, with or without psychotherapy. Referral to a psychiatrist occurs after a failed treatment event; it is estimated that 15-40% of all MDD patients are treatment resistant (ie refractory to antidepressants), and periods of remission and relapse are common over a lifetime.

Exhibit 4: MDD patient continuum of care



Source: Trinity Delta, Neuronetics Note: * ECT (electroconvulsive therapy) may be used earlier in the patient continuum of care in patients experiencing catatonia, acute suicidal behaviours, or psychotic symptoms; ** TMS may be used at any point along the continuum of care following one or more failed treatment attempts

Remission rates drop and discontinuation rates increase with successive attempts of anti-depressant drug therapy

Antidepressant drugs have limitations associated with both their efficacy and side effect profiles. Results of the Sequenced Treatment Alternatives to Relieve Depression (STAR*D) study showed that the likelihood of remission drops with each new medication attempt (from 28% remission from first-line therapy to c7% with three prior treatment failures), while discontinuation rates due to side effects increase with each new medication attempt. Consequently, there is a need for alternative treatment modalities along the continuum of patient care (Exhibit 4).

Treatment-resistant depression is acknowledged as a leading cause of disability (with high levels of morbidity and mortality) and the therapeutic strategies, including pharmacological augmentation and brain stimulation techniques (for instance, invasive methods such as Vagus Nerve Stimulation, or VNS), reflect this.

Treatment with rTMS works but targeting issues remain

MDD is a large and underserved market for rTMS

The use of repetitive TMS (rTMS) is usually considered for patients with MDD. The FDA first approved rTMS in 2008 for the treatment of "patients with medication-refractory unipolar depression who have failed one good, but no more than one, pharmacological trial". MDD is a large and underserved market for rTMS; two of Nexstim's competitors, Brainsway and Neuronetics estimate that in the US there are 3.4-3.8m adult MDD patients with commercial insurance or Medicare coverage, representing a total US annual addressable market of $8-9.6bn, based on their pricing models.

rTMS stimulates the DLPFC to increase its activity …

In depression, the activity of the left dorsolateral prefrontal cortex (DLPFC) is abnormally low. The DLPFC is primarily associated with cognitive or executive functions, such as the maintenance and manipulation of working memory, intention formation, goal-directed action, abstract reasoning, attentional control and emotion. The use of rTMS in MDD allows for stimulation of the left DLPFC of the brain without the seizures or risks associated with electroconvulsive therapy (ECT), nor the potential side effects and risks of pharmacological augmentation strategies, such as monoamine oxidase inhibitor (MAOI) therapy.

… generating durable remission rates of 30-40%

rTMS has been validated extensively and is shown to be highly accurate and clinically effective in mapping the cortical motor areas in the real world as well as the more rigorous clinical setting. Remission rates are 30-40% and the effect duration is comparable with other interventions and medications. Importantly, rTMS is a simple and straightforward outpatient treatment so can be used in an office setting, without any need for anaesthesia or fear of serious adverse effects.

Variability in targeting and stimulating the DLPFC is a limitation

While these features mean that rTMS is rapidly gaining traction as a treatment modality for MDD, there are also limitations. These are primarily connected to the variability in targeting and stimulating the DLPFC both between patients and within individual patient treatment sessions. Such variations in targeting underline the need for accurate navigation as part of each patient's treatment protocol, which could materially improve treatment outcomes. This is where Nexstim's technology has a clear competitive edge over other TMS devices.

Nexstim's NBT overcomes the targeting difficulties

NBT targets the DLPFC 100% of the time, vs other systems

NBT can target the DLPFC (dorsolateral prefrontal cortex) 100% of the time vs 30% with other TMS approaches, which typically depend on simplistic anatomical approach - the '5cm rule' - and so are subject to inter-patient variability, and achieving consistently accurate positioning over repeated imaging procedures has been problematic within individual patients treatment regimes.

NBT has FDA approval for three treatment protocols in MDD

The first TMS system to be FDA approved was Neuronetics' Neurostar in 2008, with a standard 37.5-minute treatment protocol. Neurostar provided the predicate device for 510(k) approvals of the subsequent TMS systems. Shorter therapy protocols have since also been FDA approved, including the three-minute ThetaBurst (a patterned form of rTMS that requires less time and lower intensity to administer) and the 19-minute Dash (involving shorter periods between pulse sequences, thus compressing the overall treatment time). During 2019, Nexstim secured FDA approvals for use of these shorter therapy protocols with NBT.

Exhibit 5: Competitive landscape for TMS in MDD

Device (Company)	Regulatory status in MDD	Financial commentary	Notes
Neurostar (Neuronetics; NASDAQ: STIM)	FDA de novo approval (2008); CE Mark (2017); Japan approval (2017)	>1,000 systems placed at end-Q319; on track to generate FY19 global revenues of $62-63m	Focal iron core coil TMS platform with 3D positioning and contact sensing, and electronic medical record systems compatibility. First to receive FDA approval of 19 minute Dash treatment protocol NASDAQ IPO (February 2018) raised $107.5m gross; current market cap of c$84m
Deep TMS H-Coil (Brainsway; TASE and NASDAQ: BWAY)	FDA approval (2013)	Installed based of 488 systems (end-Q319); 9M19 revenues of $16.9m	Penetrates a deeper and broader area of the cortex to other TMS systems. Also FDA de novo approval for OCD (2018). Tel Aviv IPO (2007); NASDAQ ADR listing (April 2019) raised $27.5m gross; current market cap of c$108m
Horizon (Magstim; private)	FDA approval (2015)	Acquired by Telegraph Hill Partners (US private equity group) in 2015	Horizon figure-of-eight coil rTMS system. Approved for standard, Dash and ThetaBurst protocols. StimGuide navigation system FDA approved (2019)
MagVenture TMS (MagVenture; private)	FDA approval (2015); CE Mark (2011)	Sister company of Tonica Electronik	TMS system formerly known as MagVita. Cleared for standard and Dash protocols; first system to be FDA approved for 3-minute ThetaBurst protocol (2018) / CE approval (2019) based on non-inferiority THREE-D trial, the largest rTMS clinical study to date
Cloud TMS (CloudNeuro; private)	FDA approval	Installed customer base of >1,500 devices worldwide	TMS manufactured by Neurosoft. FDA approved for standard and Dash protocols. Additional CloudTMS+ data analytics package
Apollo TMS (MAG&More; private)	FDA approval (2018)		Figure-of-eight coil TMS system with HANS positioning module. Approved for standard and Dash protocols

Source: Trinity Delta, Company websites

The rTMS is the domain of small companies; Neuronetics is the market leader (35-40% share)

The competitive landscape for non-invasive rTMS remains the domain of smaller, and more specialised, players (Exhibit 5), unlike the invasive neuromodulation market which is dominated by large medical device companies. The market leader is Neuronetics with a 35-40% market share, ahead of second-placed Brainsway. Funding and technology setbacks have in the past hampered the progress of some of these smaller companies.

rTMS market to grow strongly, albeit from a low base

Appreciation of the value of accurate navigation likely to be a market growth driver

Compared with other neuromodulation segments, the rTMS market is expected to be relatively high growth, albeit from a low base ($0.2bn). ResearchnReports forecasts rTMS will achieve global sales of $497.8m by 2025, a 13.7% CAGR, with the US being the largest, and most receptive, market. Within Europe, Germany is the largest market (reflecting its strong research base in the field), followed by France, the UK, and Italy. Growing appreciation of the value of accurate navigation is highlighted by the report as one of the key factors that will drive clinical uptake.

Pain is the largest application, but MDD has excellent growth potential

Chronic pain is the largest application segment for rTMS, but MDD provides a major opportunity for medium-term growth as penetration remains relatively low. Emergent technologies and their translation into mainstream use should drive this growth.

Commercial activities are gaining market traction

NBT is gaining traction with raised awareness and better understanding of its benefits

Recent activity suggests that Nexstim is gaining traction in MDD in both raising market awareness of its NBT system and conveying its benefits over alternative TMS systems. A key driver of uptake is the growing understanding of the NBT value proposition especially in terms of improved patient outcomes and economic benefits to clinicians. Growth in patient registry data in MDD (including a comparative element with non-navigated systems) as well as case reports (such as the recent Island Psychiatry white paper, see August 2019 Update) will supplement the body of clinical outcomes evidence and should support a shift from existing treatment practices and increase adoption of NBT.

Global installed base of NBT systems is now 25

At end-September 2019, the NBT system installed base totalled 22 (up from 18 at H119 and ten at FY18) at multiple sites across three continents (North America, Europe, and Asia). 14 systems are in Europe/RoW for use in the treatment of MDD and chronic neuropathic pain, and eight are in the US for MDD therapy. Commercialisation in the US since FDA approval is progressing well and the system's ability to navigate precisely, reliably, and reproducibly is achieving clear differentiation from other technologies. US customers include Achieve TMS, the second largest TMS group in the US, and Island Psychiatry, which was the first US organisation to purchase an NBT system and ordered a second in August. From October 2019 to date, Nexstim has announced three further NBT placings: two in the US (one at Stanford University Medical Center) and one in Australia.

Initial focus targets existing centres of excellence

Commercial strategy includes direct (US) and mixed direct/distributor sales (Europe, Asia)

Nexstim's commercial strategy for NBT centres around direct sales in key markets (including the US), via key account managers supported by application specialists. Here, the initial focus is on regions where TMS is already established and where there are high-volume psychiatric practices. There is also a focus on operational excellence to maintain margins, including logistics with seamless delivery. Further development of the US commercial customer service will contribute to this. In Europe and Asia, the company is deploying a mixed direct and distributor model.

In established TMS markets (Austria, Belgium, Germany, Scandinavia, Switzerland, Russia, and the UK), a targeted customer strategy involves the placement of systems at prominent psychiatric and neuroscience centres to reinforce strong

KOL networks, generate data to feed into patient registries, and generate revenues. The first NBT system for MDD was placed in Germany in May. In these established markets, there is also a cross-selling opportunity for NBS and NBT (Nexstim's TMS systems are CE Marked in three indications).

New distributor deals secured in Hong Kong and Canada

Key new geographies (including France, Italy, the Netherlands and Spain in Europe) are initially being developed with motivated distributors. The Ampere Medical distribution deal for Hong Kong demonstrates progress in developing in new markets. China partners are currently under evaluation. New medical device licences for NBT in MDD have also been granted in Australia (August 2019) and Canada (December 2019). A Canadian distributor, Canadian Health Solutions, was appointed in January 2019.

Scientific Advisory Board established to support further development

In addition to bolstering the commercial infrastructure, Nexstim has embarked on marketing campaigns and increased it presence at major conferences, symposia, and exhibitions to raise visibility. Management has also established of a four-strong expert Scientific Advisory Board to provide specialist support, advice and guidance to Nexstim as it develops its clinical applications (May 2019 Update).

Cost savings and improved patient outcomes a key selling point

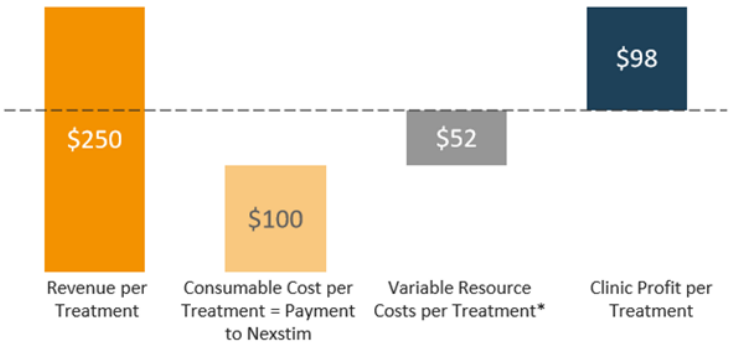
Infrastructure improvements are addressing the supply side of the NBT equation; Nexstim is also concentrating on the demand side by developing its health economic argument. The main selling point for NBT centres on greater cost savings and better outcomes with its use.

Economic arguments are highly convincing

rTMS is widely reimbursed in the US …

Cost effectiveness studies have shown that introduction of rTMS treatment after a single failed antidepressant treatment attempt produces greater cost savings and better outcomes than the current practice of continued successive medication attempts. Consequently, rTMS is widely reimbursed in the US for MDD, with 100% Medicare coverage and coverage by >95 major US commercial payors. Current Procedural Terminology (CPT) codes are available for both therapeutic rTMS treatment, supporting reimbursement of $200-500 per session.

Exhibit 6: Economic benefit to TMS/Psychiatric Centre (pay-per-use lease)



- In a pay-per-use lease, no initial investment is required for clinics so **clinics make profit from first patient**
- A clinic could achieve annual profit of **$147,500**, assuming 30 treatments per patient and 50 patients per year
- Nexstim can make a revenue of **$150,000** for contracted clinic in pay-per-use lease

Source: Nexstim Note: * includes estimated cost of facilities and technician for 45 minutes per treatment, MD costs (3x per patient, 45mins biweekly) and MRI cost of $500/patient divided by amount of treatment. 40% overhead applied.

... a compelling economic case should increase adoption and use at an earlier stage

Treatment with rTMS usually comprises daily outpatient sessions lasting about 30 minutes, typically for two to six weeks. The treatment process first involves localisation of the DLPFC, and then delivery of a magnetic pulse. Accurate navigation and reproducibility of the process, with precise and consistent DLPFC stimulation, should result in improved outcomes with the NBT device. This coupled to a compelling economic case for individual TMS Centres and Psychiatric Clinics/Hospitals (Exhibit 6) should contribute to an increasing rate of adoption and could encourage initiation of rTMS treatment earlier in their adult MDD treatment protocols.

Business model targets high annual revenue per system

Nexstim's NBT business model targets a high annual revenue stream per system (€100k in active established customer sites) with high utilisation rates. In the twelve-month period to end-September 2019, Nexstim had achieved average therapy revenue per NBT system of €81k. Management believe it can achieve its target through its flexible pricing models, which include pay-per-use leasing, monthly unlimited use leasing, or capital sale (with additional fees from head tracker sales and servicing). Interestingly, the company has found that the NBT sales cycle in MDD is more rapid than NBS due to this pricing flexibility.

Core NBT – MDD valuation of €25.4m

Using our risk-adjusted DCF model, our core valuation of NBT in treating MDD at €25.4m (including a financial risk adjustment). This is based on achievement of peak sales of €22.4m in 2028, which should be attainable through the combination of targeted sales in direct markets and motivated distributors in the other territories.

Further initiatives to improve clinical application

Investments in technology and process development to boost the value proposition

There is potential to further improve in patient outcomes and/or economic benefits, and thus the NBT value proposition; Nexstim is also investing in technology or process development with this aim. The goal of these initiatives is to increase the effectiveness or efficiency of the treatment process, and include technology enhancements (automation, advanced user interface, system cost reduction) and seeking broader regulatory approval. For example, NBT is now FDA approved for three treatment protocols (standard, Dash, and ThetaBurst); shorter treatment times enable more patients to be treated over a time period, further increasing the profitability for the outpatient TMS treatment centre.

Exhibit 7: Nexstim business opportunity in MDD

Source: Nexstim

Alternative treatment protocols could expand the market

Incorporation of alternative treatment protocols could expand the addressable patient population, opening additional market opportunities. In our view, the

potential licencing transaction between Nexstim and an unnamed Californian academic institution, to combine NBT TMS technology with their technology, is an example of this. As shown in Exhibit 7, conclusion of such a transaction would expand Nexstim's current business development focus for MDD from the outpatient setting to also include hospital in-patient treatment.

Californian academic institution tie-up could be pivotal

Discussions with the Californian institute could open up the hospital MDD opportunity

Limited information has been disclosed in relation to ongoing discussions with the California-based institution, although we understand that the target patient population is treatment resistant patients with severe depression, who may have suicidal ideation, and have been hospitalised. As this patient group is treated in hospitals (either psychiatric hospitals, or those with inpatient psychiatric units) it is distinct from the subset of MDD patients treated in outpatient clinics where NBT is currently available. Nexstim have indicated in the press release that the US market opportunity would cover c650 hospitals treating an estimated 160k patients annually.

TMS is currently not FDA approved for suicidal MDD patients ...

At present no TMS device has been approved by the FDA for patients with 'suicide plan or recent suicide attempt'. TMS used in the outpatient setting has a long duration of treatment, typically for five days per week over six weeks, which means it is unsuitable for suicidal MDD patients. Hospital in-patients with severe MDD and possibly suicidal ideation are currently treated with either anti-depressant drugs, electroconvulsive therapy (ECT), or ketamine.

... who are typically treated with ECT, which is considered a last resort

ECT has been available for 80 years and while it is still considered to be the most effective method of treating MDD, it is associated with notable cognitive side effects and is the most stigmatized treatment available in psychiatry. Clinically, ECT is considered as a treatment of last resort and is used only for truly therapy-resistant patients; despite this, c 100,000 patients receive ECT annually in the US alone. Treatment consists of six to twelve sessions at a rate of two to three per week, requires a general anaesthetic and the patient cannot work or drive. Direct costs for ECT range between $10,000 to $20,000 per treatment.

Another treatment option is clearly desirable

Ketamine use is becoming more mainstream, but also has side-effects

Ketamine is a more novel treatment modality, although IV ketamine has been used off-label in for many years. FDA approval of an intranasal formulation, esketamine (Spravato, Janssen), in March 2019 has brought use of ketamine for treatment-resistant depression more into the mainstream. Unlike other antidepressant drugs, it does not have a delayed onset of action; a single dose can produce rapid and robust effects on reducing symptoms, including suicidal ideation, but dissociative symptoms are a major side-effect.

rTMS in the hospital setting likely to require a shorter but more intensive protocol ...

... thus, accuracy is key

MDD patients admitted to hospital are commonly refractory to one or more pharmacologic treatments and are often candidates for ECT. For rTMS to become more applicable to this hospital setting, a shorter albeit more intensive treatment protocol is needed. A high intensity TMS protocol would likely require superior precision. The ability of the NBT system to accurately and reproducibly stimulate the DLPFC, is a key differentiator over other TMS systems approved for use in treatment resistant MDD. This is a probable motivator for the interest from the leading California-based academic institution in a collaboration with Nexstim, and

for the same reason, should NBT be approved for the treatment of severe MDD in hospitals, it is likely to face limited competition.

Patient outcome and healthcare economic benefit should go hand in hand

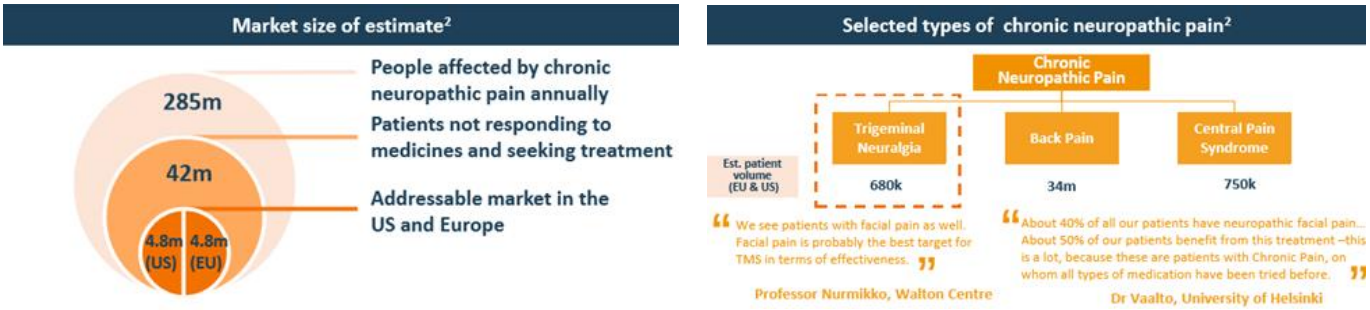
In addition to potential patient benefit (increased remission rate or duration of remission, and better safety/profile), there may be a compelling healthcare economics benefit from TMS therapy in hospitals. Currently, DRG reimbursement for this patient group is 17 hospital days, according to Nexstim. Any therapeutic modality with a shorter treatment period than this would provide a financial incentive to hospitals for adoption, in addition to the economic and patient benefits from enabling more patients to be treated over a specific timeframe.

Chronic pain: an attractive future prospect

Pain is largest neuromodulation segment, and opioid concerns could increase addressable market

Nexstim is prioritising investment into fully exploiting the NBT opportunity in MDD given its current resource limitations. However, the largest segment in the neuromodulation market is the treatment of chronic neuropathic pain, with around 10m addressable patients in the US and Europe. The lack of effective pain relief for a large proportion of patients, coupled with the growing awareness of the issue of opioid misuse and addiction, means new therapeutic modalities are sought. This could be an attractive future opportunity for Nexstim, although we highlight that five Finnish university hospitals are already using NBT to treat depression and pain.

Exhibit 8: Nexstim business opportunity in chronic neuropathic pain



Source: Nexstim Note: 2 = PMSI Consulting analysis, expert interviews and estimates

NBT is CE Marked, but no TMS system is FDA approved in pain

Exhibit 8 summarises the potential addressable market for Nexstim's NBT approach. NBT is CE Marked for chronic neuropathic pain, but the FDA is yet to approve any rTMS device for this indication, which largely reflects the fact that no large, multi-centre, randomised clinical trials have to date been undertaken by any manufacturer. An exploratory 39-patient Phase II study at The Walton Centre, Neuroscience Research Centre, Liverpool (detailed in our Initiation) delivered encouraging results, prompting Nexstim to evaluate potential clinical trials for neuropathic and related chronic pain. Due to ongoing resource constraints, clinical development in neuropathic pain is currently lower priority, despite the potential.

We value NBT - pain at €5.0m, reflecting its early stage

We value the pain indication at €5.0m on an rNPV basis (including a financial risk adjustment), with peak sales of €25.8m by 2033 and a success probability of only 25% (reflecting the early nature of the clinical studies). We should highlight that this indication is the most sensitive to Nexstim's financial position, where limited funds would, rightly in our view, be channelled towards commercialising MDD.

Sensitivities

Usual industry risks apply, especially for a smaller company

In common with most innovative healthcare companies, Nexstim's three main sensitivities relate to clinical and regulatory aspects, commercial execution, and sufficient financial resources to accomplish these. More specifically, the key near- and medium-term sensitivities include execution of the US commercial strategy and the rate of regulatory and sales progress.

Compelling clinical evidence is what will drive adoption

Addressing the important US market requires sizeable investment, notably in robust and compelling clinical data to support registrations and to differentiate the proprietary nTMS platform from alternative treatments. It is the quality of the clinical outcomes and health economic data that underpin competitive differentiation, support attractive reimbursement, and help drive market adoption. The challenge is ensuring adequate investment in generating the data to sustain commercial momentum whilst balancing the near-term financial constraints.

Successful execution in the key US market is essential

With the focus on commercialising the depression indication, the sensitivities shift to successful commercial execution, specifically in the key US market. We believe changing existing diagnostic and treatment practices to enable adoption of Nexstim's products is dependent on effective and motivated distribution partnerships coupled with compelling clinical outcome data. Europe has the same issues of acceptance and reimbursement, but these are more complex due to the underlying fragmentation caused by differing national practices.

A solid core of patents plus technical know-how

Litigation is an ever-present threat and its impact is reduced by solid intellectual property (IP) and other barriers to entry. Nexstim currently has a total of 80 granted and 14 pending patents in 14 patent families. It also holds rights to the software for NBT and NBS, which have been developed in-house. The core algorithms have not been patented to avoid publicity and loss of trade secrets. They are also creating hurdles for competitors: eg by seeking patent protection on different parts of their platform and making it more difficult for potential competitors to create competing products.

Appropriate funding remains a near- and mid-term issue

Funding does remain an issue. Nexstim operates in competitive markets where sustained investment in development and marketing is required to maintain the profile of the applications amongst its target audience. Development and commercialisation of innovative medical products is both time and cash intensive. Our forecasts suggest that Nexstim has a requirement of around €10m to achieve its near-term goals. The actual amounts and timings will depend on the rate of clinical acceptance and reimbursement on the one hand, and the investments in clinical data and marketing effort on the other.

Pricing pressures are set to be an industry concern for a while

Other risks include exchange rate fluctuations, notably the US$ versus the Euro since the majority of Nexstim's cost base is denominated in Euro but the bulk of sales should arise in the US. Additionally, we expect all players in these healthcare markets to face continuing pricing pressures as cost-containment measures remain a primary factor. We believe these factors can be mitigated by positive and meaningful clinical data that can support the cost effectiveness and value of new, premium priced applications.

Valuation

Nexstim company valuation of €31.4m or €0.50/share

In our view, Nexstim is most appropriately valued using a risk-adjusted sum-of-the-parts DCF-based model. We employ conservative assumptions regarding patient populations, market sizes and growth rates, net pricing, adoption curves, and peak market penetration. Additionally, we only value Nexstim's visible assets with possible incremental clinical indications and off-label usage excluded. This results in a base case valuation, including a financial risk adjustment, of €31.4m, equivalent to €0.50/share. Our last published company valuation was €19.0m or €0.54/share or €0.41/share diluted (in the money options and warrants only).

Valuation includes contributions from PSM, MDD, and chronic pain …

Exhibit 9 provides a detailed breakdown of our valuation components. We include risk-adjusted cash flows for the three main components:

- the NBS diagnostic pre-surgery brain mapping indication;
- the FDA approved major depression indication; and
- the earlier Phase II chronic pain indication.

… with MDD representing 80% of total company value

The risk adjustments range from a success probability of 100% for pre-surgical mapping to 25% for the early-stage pain indication. MDD accounts for the largest element of the valuation, comprising 80% of total company value. Potential upsides include a more rapid execution of the US commercial strategy, and better rates of clinical adoption and sales progress for MDD in any sizeable geography.

Key changes include a lower financial risk adjustment reflecting the recent fundraise

The key changes from our last published valuation are an updated net cash position (as at FY19e reflecting warrant exercise, directed share issue, and Kreos loan repayments), a reduction in our financial risk adjustment (from 65% to 75% to reflect the stronger balance sheet), an increased number of shares outstanding (resulting in dilution on a per share basis), and rolling forward our model to reflect the passage of time. We highlight that following the November 2019 warrant exercise, there are no outstanding in the money options or warrants.

Exhibit 9: DCF-based valuation of Nexstim

	Total NPV (€m)	Success probability	rNPV (€m)	rNPV/ share (€)	Financial rNPV (€m)	Financial rNPV / share (€)	Notes
NBS	5.3	100%	5.3	0.08	4.0	0.06	Peak sales: €4.1m. Launch year: N/A
NBT in MDD	33.8	100%	33.8	0.54	25.4	0.40	Peak sales: €22.4m. Launch year: FY18
NBT in Chronic Pain	26.6	25%	6.6	0.11	5.0	0.08	Peak sales: €25.8m. Launch year: FY23
Net cash	(3.0)		(3.0)	(0.05)	(3.0)	(0.05)	Net cash at FY19e
Total (undiluted)	**62.6**		**42.7**	**0.68**	**31.4**	**0.50**	
Discount rate				12.5%			
Tax rate				20%			From 2026
Financial risk adjustment				75%			
Terminal growth rate				2%			From 2035

Source: Trinity Delta; Note: Peak sales achieved after nine years in the US and 10 years in Europe.

We apply a 12.5% discount rate to reflect the fact that Nexstim is a small company operating in a competitive market; using a less conservative discount rate of 10% results in an increased valuation of €36.5m or €0.58/share.

Our modelling assumptions include a financial risk adjustment ...

Nexstim has made considerable progress in strengthening its balance sheet, although a degree of financial uncertainty remains, and continues to weigh on the share price. We continue to base our modelling assumptions on adequate funding being in place to support the commercial operations; however, to this clean operational scenario we apply a further risk probability to present the possibility that the necessary funds will not be available in a timely manner.

... which as Nexstim's funding picture becomes clearer should converge with its 'commercial' valuation

To maintain modelling transparency, we show two valuation figures for each business unit: the first is based on the commercial outcomes we would expect in the absence of funding concerns; with the second introducing a risk adjustment for the current funding uncertainties. As the funding picture becomes clearer, the second valuation figure should converge with the first valuation over time.

NBT MDD is the largest element of our valuation: its "commercial" valuation of €33.8m reduces to €25.4m when we overlay our "financial risk" adjustment. The NBS diagnostic unit is valued at €5.3m, reducing to €4.0m after risk adjustment. Similarly, the NBT Pain indication is valued at €6.6m and €5.0m respectively. Net debt is €3.0m under both scenarios. This results in a company valuation of €31.4m (€0.50/share), compared to €42.7m (€0.68/share) were the financial risk removed.

Potential upside from US hospital MDD opportunity

Potential additional €0.19/share opportunity in treating severe MDD in hospital ...

In addition to our core Nexstim valuation, we also provide an indicative rNPV valuation of the potential NBT opportunity in severe/suicidal MDD patients who are treated in hospital, which could be worth an additional €0.19/share.

... based on conservative assumptions ...

We assume Nexstim ultimately captures 20% of this hospital market (equivalent to annual peak sales of €46m) following launch of the new protocol in 2023 and generates €100,000 per NBT system/year (in line with our underlying assumption for our core valuation model). A higher reimbursement rate would result in larger revenues per system; alternatively, a greater number of sessions per patient could result in more NBT systems being placed. Exhibit 10 details our assumptions, with a valuation summary shown in Exhibit 11.

... only considering primary treatment in hospital (and not maintenance outpatient therapy)

We believe our indicative valuation of the US hospital opportunity is conservative. It is solely based on the placing and use of NBT systems for primary treatment in hospitals; it does not capture any additional revenue that may be generated by maintenance therapy of these same patients in the outpatient setting.

Exhibit 10: Key assumptions in valuation model

Input	Assumption
No. of patients/year	160,000
Current Medicare reimbursement/session	$250
No. sessions/patient	30
No. sessions/day/hospital	10
Revenue per NBT system per annum	€100,000
Peak market penetration by NBT	20%
Likelihood of NBT being approved in severe MDD	40%
Launch year	2023

Source: Trinity Delta, Nexstim Note: in the outpatient setting, patients currently receive TMS once a day (5 sessions per week) for 4-6 weeks. We assume that the clinical trial costs will largely be borne by the academic institution.

Exhibit 11: Valuation summary of potential Nexstim licensing transaction

	Value
Total market opportunity	$1.2bn
Nexstim market opportunity	$213m
NPV of Nexstim opportunity	€25.0m
rNPV of Nexstim opportunity	€10.0m
NPV/share (fully diluted)	€0.47
rNPV/share (fully diluted)	€0.19

Source: Trinity Delta Note: cost of capital of 12.5%; EUR/USD exchange rate of 0.9.

Financials

H119 revenues of €1.2m, half of which came from the Therapy business

Revenues consist of sales of TMS capital equipment and related consumables. For H119, Nexstim posted net sales of €1.2m (+13% on H118: €1.1m). Eight new NBT systems were installed in the US and Europe during H119, boosting Therapy sales by 170% to €0.6m (H118: €0.2m). Diagnostics revenues were lower (H119: €0.3m vs H118: €0.6m) as some NBS system sales were postponed into H219 (four NBS systems were placed in October and November). Overall, an improvement in sales mix was seen, with high-margin aftersales (services, support, spare parts, consumable trackers) representing a growing contribution.

Cash outflow of €3.7m reflects cost control and focused investment

Good cost control was coupled with continued investment, predominantly into the US commercial team with the focus on sales and marketing of NBT in MDD. Operating cash flows showed an H119 outflow of €3.7m vs €3.1m in H118.

Positive Q319 update with Therapy momentum

The Q319 business update indicated the growing NBT installed base continued to increase revenues from the Therapy division. For 9M19, Therapy revenue was up 200% to €1.1m (9M18: €0.4m), and recurring revenue (ie excluding NBT capital system sales) represented 61% of this figure. Total Nexstim revenue (including NBS) for 9M19 grew 37% to €2.0m (9M18: €2.0m).

Q419 fundraise extends cash runway into H220

At end-June 2019, Nexstim's cash of €6.4m (including the €3.5m Kreos Capital loan) vs €7.2m at end December 2018, was sufficient to meet working capital needs into Q120. In Q419, the company raised €2.9m gross (€2.7m net) at a price of €0.115 or SEK1.24 per share, through a combination of warrant exercise associated with the April equity raise (€1.8m) and a directed share issue (€1.1m). Use of proceeds includes marketing and commercialisation of NBT in MDD (particularly in the US), purchases regarding NBT system deliveries, loan repayment, evaluation of new clinical trials (chronic neuropathic pain), R&D, and general working capital. We forecast end-FY19 cash of €3.76m (with >€2m of the Kreos loan outstanding following two voluntary repayments, see September 2019 Lighthouse). These additional funds extend the cash runway into H220 based on conservative revenue and expense estimates.

Funding options remain under evaluation, as well as strategic alternatives for NBS

Management has developed comprehensive commercialisation plans for NBT in North America and Europe; we believe additional funding is needed to achieve near- and mid-term goals in depression, and to secure the company's financial future. Nexstim continues to evaluate funding options and strategic alternatives for its business divisions. The company has a clear therapy-focused strategy and has previously indicated it is exploring potential divestment options for the NBS. In our view, the true market potential of NBS as a standalone product line remains untested as management has rightly focused on the development of NBT rather than the marketing of NBS.

Our forecasts suggest c €10m of new funds would assist execution of commercial plans

Our forecasts suggest that Nexstim has a requirement of €10m over the next 12 months to properly execute its commercialisation plans for NBT in MDD and repay the Kreos loan (due December 2021). Depending on the level of subsequent investment needed in the commercial infrastructure, and sales performance, further funds may be required. The quantum and timings will depend on the rate of clinical acceptance and institutional adoption on the one hand, and investments in clinical data and marketing effort on the other.

Exhibit 12: Summary of financials

Year-end: December 31	€'000s	2015	2016	2017	2018	2019E	2020E
INCOME STATEMENT							
Revenues		**2,528**	**2,483**	**2,645**	**2,672**	**3,411**	**5,401**
Cost of goods sold		(821)	(689)	(552)	(710)	(807)	(988)
Gross Profit		**1,707**	**1,794**	**2,093**	**1,962**	**2,604**	**4,413**
Wages and salaries		(3,292)	(3,602)	(2,903)	(3,353)	(3,838)	(4,274)
Social security expenses		(677)	(651)	(431)	(584)	(714)	(748)
Other expenses		(7,843)	(3,908)	(4,118)	(3,986)	(4,197)	(4,715)
Depreciation & amortisation		(386)	(372)	(341)	(424)	(407)	(609)
Underlying operating profit		**(10,492)**	**(6,739)**	**(5,701)**	**(6,386)**	**(6,551)**	**(5,934)**
Other revenue/expenses		122	43	109	70	66	66
EBITDA		**(9,984)**	**(6,324)**	**(5,251)**	**(5,892)**	**(6,078)**	**(5,258)**
Operating Profit		**(10,370)**	**(6,696)**	**(5,592)**	**(6,316)**	**(6,485)**	**(5,868)**
Financial income		544	(34)	(1,733)	163	(560)	(445)
Profit Before Taxes		**(9,826)**	**(6,730)**	**(7,325)**	**(6,153)**	**(7,046)**	**(6,313)**
Adj. PBT		**(9,948)**	**(6,774)**	**(7,434)**	**(6,223)**	**(7,112)**	**(6,379)**
Current tax income		(1)	(2)	(3)	(2)	(8)	(5)
Net Income		**(9,827)**	**(6,733)**	**(7,328)**	**(6,154)**	**(7,053)**	**(6,318)**
EPS (€)		**(41.20)**	**(16.90)**	**(2.77)**	**(1.93)**	**(0.35)**	**(0.10)**
Adj. EPS (€)		**(41.72)**	**(17.01)**	**(2.81)**	**(1.93)**	**(0.35)**	**(0.10)**
DPS (€)		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Average no. of shares (m)		0.2	0.4	2.6	3.2	31.0	62.8
Gross margin		*68%*	*72%*	*79%*	*73%*	*76%*	*82%*
EBITDA margin		*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Underlying operating margin		*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
BALANCE SHEET							
Current assets		**8,233**	**9,506**	**10,326**	**8,757**	**5,949**	**8,861**
Cash and cash equivalents		6,875	8,156	8,474	7,175	3,759	5,575
Accounts receivable		937	1,057	1,465	1,324	1,682	2,663
Inventories		421	292	387	259	508	623
Other current assets		0	0	0	0	0	0
Non-current assets		**974**	**911**	**718**	**905**	**1,350**	**2,073**
Property, plant & equipment		333	249	167	465	645	1,266
Intangible assets		631	652	541	430	696	797
Current liabilities		**(2,417)**	**(2,137)**	**(1,786)**	**(2,793)**	**(3,120)**	**(3,073)**
Short-term debt		0	0	0	(1,104)	(1,456)	(1,456)
Accounts payable		(1,084)	(397)	(961)	(597)	(995)	(948)
Other current liabilities		(1,332)	(1,740)	(824)	(1,092)	(669)	(669)
Non-current liabilities		**(3,245)**	**(3,802)**	**(3,737)**	**(7,163)**	**(5,337)**	**(5,337)**
Long-term debt		(3,197)	(3,778)	(3,724)	(7,163)	(5,337)	(5,337)
Other non-current liabilities		(47)	(24)	(13)	0	0	0
Equity		**3,545**	**4,478**	**5,521**	**(294)**	**(1,158)**	**2,524**
Share capital		23,662	31,773	38,599	39,561	45,825	55,825
Other		(20,117)	(27,294)	(33,078)	(39,855)	(46,983)	(53,301)
CASH FLOW STATEMENTS							
Operating cash flow		**(9,609)**	**(7,225)**	**(5,403)**	**(6,192)**	**(7,354)**	**(6,851)**
Profit before tax		(9,827)	(6,733)	(7,328)	(6,154)	(7,053)	(6,318)
Non-cash adjustments		432	(106)	3,618	(361)	894	1,055
Change in working capital		330	(411)	(1,555)	721	(526)	(1,137)
Interest paid		(544)	25	(138)	(398)	(665)	(445)
Taxes paid		0	0	0	0	(4)	(5)
Investing cash flow		**(380)**	**(310)**	**(148)**	**(611)**	**(853)**	**(1,333)**
CAPEX		(380)	(310)	(148)	(611)	(853)	(1,333)
Other investing cash flows		0	0	0	0	0	0
Financing cash flow		**5,380**	**8,817**	**5,868**	**5,505**	**4,790**	**10,000**
Proceeds from equity		5,280	7,700	6,765	962	6,264	10,000
Increase in loans		100	1,117	(897)	4,543	(1,474)	0
Other financing cash flow		0	0	0	0	0	0
Net increase in cash		**(4,609)**	**1,282**	**318**	**(1,298)**	**(3,417)**	**1,816**
Exchange rate effects		0	0	0	0	0	0
Cash at start of year		11,484	6,875	8,156	8,474	7,175	3,759
Cash at end of year		**6,875**	**8,156**	**8,474**	**7,176**	**3,759**	**5,575**
Net cash at end of year		**3,677**	**4,378**	**4,750**	**(1,092)**	**(3,035)**	**(1,218)**

Source: Company, Trinity Delta Note: The accounts are produced according to Finnish GAAP. The short-term debt in FY20 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.

Company information

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Top ten shareholdings

	% holding
Nordea Bank ABP*	38.54
Kaikarhenni Oy	13.83
Haapaniemi Ossi	8.16
Danske Bank AS Helsinki Branch*	2.17
Kalksten Properties Koy	1.98
Clearstream Banking SA*	1.64
Syrjänen Eva Annika Elisabeth	1.56
Pyykönen Riku Tapani	1.15
Kivi Esko	0.96
Jokinen Jukka Erkki	0.80
Top ten investors	**70.79**
Other shareholders	29.21
Total shareholders	**100.00**

Source: Nexstim Note: * includes also nominee registered shareholders

Key personnel

Person	Position	Biography
Leena Niemistö	Non-Executive Chair	Chair since November 2019. Extensive experience in healthcare and corporate management, and as a clinician for more than 20 years in physical and rehabiliation medicine. Prior roles include CEO of Dextra, a private healthcare company, and deputy CEO of social and healthcrea company Pihlajalinna. Currently on the boards of three other publicly listed companies in Finland, and an active investor in health-tech growth companies: her investment company is Nexstim's largest shareholder. She holds MD and PhD degrees from University of Helsinki.
Martin Jamieson	CEO	CEO since April 2016. Formerly Chairman (December 2016-November 2019). Previously CEO of Rayner Group, an ophthalmology company which developed the first intraocular lens, and Managing Director Smiths Medical International, part of the FTSE 100 Smiths Group. This followed numerous marketing roles in the pharmaceutical industry with Wyeth (Pfizer) and 3M. Non-Executive Directorships include Light Point Medical Ltd, and C-Major Ltd. Until December 2016 Senior Independent Director at Medway NHS Hospital Foundation Trust (UK).
Mikko Karvinen	CFO	CFO since 2014. Previously CFO and deputy CEO of Innofactor (2012-14), CFO and deputy CEO of Tectia (later known as SSH Communications Security, 2009-12), and CFO of Automaster (2008-9). Prior to Automaster, he was at Vaisala as a controller (2006-8), as treasury manager (2005-6), and as financial analyst (2001-3). He holds a MSc with a major in Management Accounting from Helsinki School of Economics, and an Executive MBA from Aalto University, Helsinki.

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