

Nexstim

€2.3m rights issue is 273% subscribed

Nexstim's €2.3m rights issue was materially oversubscribed, with bids for 273% of the offered shares. A total of 376.7m new shares, at €0.006, will be issued. The new funds provide the resources to continue to support its existing NBS and NBT businesses, and, importantly, invest in studies to explore attractive opportunities in severe depression and chronic neuropathic pain. Nexstim is carving out a promising, and sizeable, niche in depression; where the accuracy, reliability, and reproducibility of its navigated transcranial magnetic stimulation (TMS) technology is clearly differentiated versus the competition. Our updated Nexstim valuation, reflecting the fund raise and share dilution, is €32.2m (€0.07/share).

Year-end: December 31	2018	2019	2020E	2021E
Sales (€m)	2.7	3.3	3.7	6.6
Adj. PBT (€m)	(6.2)	(6.8)	(4.8)	(5.2)
Net Income (€m)	(6.2)	(6.8)	(4.7)	(5.2)
EPS (€)	(1.93)	(0.25)	(0.04)	(0.01)
Cash* (€m)	7.2	4.3	8.6	2.9
EBITDA (€m)	(5.9)	(6.0)	(3.8)	(4.0)

Source: Trinity Delta Note: *Our cash forecast assumes additional raises of €7.5m in FY20 and €5m in FY21

- €2.3m rights issue is well oversubscribed** The €2.3m gross (€2.2m net) rights issue was an impressive 273% subscribed. The maximum of 376.7m new offer shares at €0.006 (or SEK0.06) will be issued in mid-June, pending Board approval. The funds will help develop the NBS pre-surgical mapping business by improved support of the existing installed NBS system base; increase NBT revenue growth through better utilisation of the existing NBT base; repay existing loans; and, importantly, start new pilot clinical trials. The pilot studies should explore novel accelerated treatment protocols in severe (suicidal) depression and chronic neuropathic pain.
- NBS provides stability, NBT the growth driver** The NBS pre-surgical brain mapping business provides a stable, and rising, revenue stream, but it is NBT's highly accurate navigation that is expected to drive future growth. The treatment of depression is evolving, for instance with FDA approval of the three-minute Thetaburst protocol in 2019. NBT's accuracy, reliability, and reproducibility means it is well-suited for use in such intensive treatment protocols. Clinical evidence of improved patient outcomes should increase the market opportunity and provide clear differentiation over competing TMS systems.
- Prudent cost control with targeted investment** Tight cost control, coupled with the cancellation of €0.9m in Business Finland R&D loans and the fund raise, means the cash runway extends comfortably into 2021. Nexstim is now able to invest in its operations, with the marketing and clinical programmes set to add most value.
- Updated valuation is €0.07/share** We have updated our rNPV model to reflect the fund raise, which increases our company valuation from €31.2m to €32.2m. The sizable dilution means that the per share value drops from €0.50/share to €0.07. We intend to revisit the valuation as commercial execution visibility rises.

Update

2 June 2020

Price	€0.02
Market Cap	€1.62m
Enterprise Value	€3.62m
Shares in issue	62.8m
12 month range	€0.02-0.22
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.

Analysts

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org
+44 (0) 20 3637 5041

Exhibit 1: Summary of financials

Year-end: December 31	€'000s	2017	2018	2019	2020E	2021E
INCOME STATEMENT						
Revenues		2,645	2,672	3,348	3,689	6,571
Cost of goods sold		(552)	(710)	(1,043)	(702)	(1,141)
Gross Profit		2,093	1,962	2,305	2,988	5,429
Wages and salaries		(2,903)	(3,353)	(3,998)	(2,999)	(4,798)
Social security expenses		(431)	(584)	(715)	(525)	(816)
Other expenses		(4,118)	(3,986)	(3,648)	(3,283)	(3,939)
Depreciation & amortisation		(341)	(424)	(525)	(569)	(827)
Underlying operating profit		(5,701)	(6,386)	(6,580)	(4,388)	(4,951)
Other revenue/expenses		109	70	63	63	63
EBITDA		(5,251)	(5,892)	(5,993)	(3,756)	(4,061)
Operating Profit		(5,592)	(6,316)	(6,517)	(4,325)	(4,888)
Financial income		(1,733)	163	(259)	(346)	(228)
Profit Before Taxes		(7,325)	(6,153)	(6,777)	(4,671)	(5,116)
Adj. PBT		(7,434)	(6,223)	(6,840)	(4,734)	(5,179)
Current tax income		(3)	(2)	(6)	(4)	(13)
Net Income		(7,328)	(6,154)	(6,783)	(4,674)	(5,129)
EPS (€)		(2.77)	(1.93)	(0.25)	(0.04)	(0.01)
Adj. EPS (€)		(2.81)	(1.93)	(0.25)	(0.04)	(0.01)
DPS (€)		0.00	0.00	0.00	0.00	0.00
Average no. of shares (m)		2.6	3.2	27.6	251.1	439.5
<i>Gross margin</i>		79%	73%	69%	81%	83%
<i>EBITDA margin</i>		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
BALANCE SHEET						
Current assets		10,326	8,757	6,431	10,518	5,324
Cash and cash equivalents		8,474	7,175	4,266	8,560	2,874
Accounts receivable		1,465	1,324	1,680	1,516	1,980
Inventories		387	259	485	442	469
Other current assets		0	0	0	0	0
Non-current assets		718	905	1,223	2,097	3,430
Property, plant & equipment		167	465	859	1,107	2,014
Intangible assets		541	430	364	990	1,416
Current liabilities		(1,786)	(2,793)	(3,106)	(3,041)	(3,308)
Short-term debt		0	(1,104)	(989)	(989)	(989)
Accounts payable		(961)	(597)	(740)	(673)	(938)
Other current liabilities		(824)	(1,092)	(1,378)	(1,379)	(1,382)
Non-current liabilities		(3,737)	(7,163)	(5,288)	(5,288)	(1,288)
Long-term debt		(3,724)	(7,163)	(5,288)	(5,288)	(1,288)
Other non-current liabilities		(13)	0	0	0	0
Equity		5,521	(294)	(740)	4,285	4,157
Share capital		38,599	39,561	46,167	55,867	60,867
Other		(33,078)	(39,855)	(46,907)	(51,581)	(56,710)
CASH FLOW STATEMENTS						
Operating cash flow		(5,403)	(6,192)	(6,681)	(3,964)	(4,525)
Profit before tax		(7,328)	(6,154)	(6,783)	(4,674)	(5,129)
Non-cash adjustments		3,618	(361)	515	915	1,055
Change in working capital		(1,555)	721	268	144	(213)
Interest paid		(138)	(398)	(682)	(346)	(228)
Taxes paid		0	0	0	(3)	(11)
Investing cash flow		(148)	(611)	(843)	(1,442)	(2,161)
CAPEX		(148)	(611)	(843)	(1,442)	(2,161)
Other investing cash flows		0	0	0	0	0
Financing cash flow		5,868	5,505	4,616	9,700	1,000
Proceeds from equity		6,765	962	6,606	9,700	5,000
Increase in loans		(897)	4,543	(1,990)	0	(4,000)
Other financing cash flow		0	0	0	0	0
Net increase in cash		318	(1,298)	(2,909)	4,293	(5,686)
Exchange rate effects		0	0	0	0	0
Cash at start of year		8,156	8,474	7,176	4,267	8,560
Cash at end of year		8,474	7,176	4,267	8,560	2,874
Net cash at end of year		4,750	(1,092)	(2,011)	2,283	597

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

Lala Gregorek

lgregorek@trinitydelta.org
+44 (0) 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org
+44 (0) 20 3637 5041

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