

## Nexstim

### Consolidating both shares and strategy

**Nexstim started 2021 on a positive footing with its Q121 business and clinical update highlighting incremental operational progress and a growing body of evidence in depression. The successful €6.4m (net) spring rights issue provides additional funds to support execution on the company's 2020-24 corporate strategy, including funding further development of new accelerated iTBS treatment protocols. Resolutions at this week's AGM authorised a 100 to 1 reverse share split to facilitate trading, positioning the company to continue to deliver on its goal of revenue growth and improved profitability, catalysed longer-term by a disruptive shift in depression treatment (and its delivery) with its accurately navigated SmartFocus transcranial magnetic stimulation (TMS) NBT technology. Updating our model for the raise and share consolidation results in a valuation of €49.4m or €7.44 per share (€6.84 fully diluted).**

Year-end: December 31	2019	2020	2021E	2022E
Revenues (€m)	3.3	4.1	6.2	9.6
Adj. PBT (€m)	(6.8)	(4.2)	(3.8)	(1.4)
Net Income (€m)	(6.8)	(4.1)	(3.8)	(1.4)
EPS (€)	(0.25)	(0.02)	(0.69)	(0.21)
Cash* (€m)	4.3	3.5	6.2	7.3
EBITDA (€m)	(6.0)	(3.0)	(3.3)	(1.1)

Source: Trinity Delta. Note: \*Our cash forecast assumes receipt of €10m in cumulative funding in FY21 and FY22

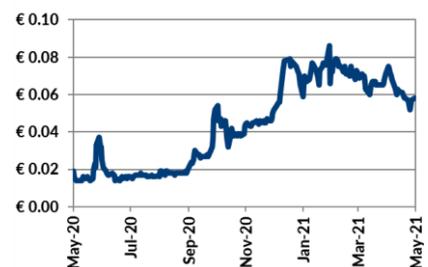
- Best foot forward with new strategy** Nexstim's Q1 operational update confirmed the hire of two new sales personnel in the US, a record level of utilisation in the existing NBS (diagnostic) and NBT (therapeutic) system installed base, and several new system placements (four NBS, two NBT) in the US and Europe despite ongoing COVID-19 impacts. Increased utilisation should translate into growing high margin recurring revenues, a key element of the profitable growth strategy. At end-March 2021, 33 NBT systems had been placed worldwide (18 US; 15 Europe/RoW).
- Progressing existing and new applications** Increasing utilisation of the installed base should drive near-term organic growth, supported by wider NBS applications (including motor and language mapping as published in [Cancers](#), January 2021), US reimbursement codes for presurgical mapping, and the growing patient registry evidence base for NBT in major depressive disorder (MDD). Over 200 completed NBT therapy sessions are targeted in 2021; latest data covering 159 US MDD patients shows 47.2% in remission and 76.1% achieving a clinical response, comparing favourably with historic TMS data. Further data is anticipated from pilot studies of accelerated iTBS protocols in pain and depression during 2021. Promising initial results from the severe depression pilot at Kuopio University Hospital support expansion into a broader trial programme ([March 2021 Lighthouse](#)).
- Core valuation of €7.44/share** Updating our model for the rights issue and 100-1 share consolidation (effective May 14 with a May 17-19 trading date dependent on their stock exchanges) results in an rNPV valuation of €49.4m (equivalent to €7.44 per share or €6.84 fully diluted). Ahead of further pilot study data, we conservatively assess that the iTBS protocol MDD opportunity could add €8.7m (€1.21/share) to our core valuation.

## Update

12 May 2021

Price	€0.05
Market Cap	€36.0m
Enterprise Value	€26.1m
Shares in issue	663.6m
12 month range	€0.05-0.10
Free float	55%
Primary exchange	Helsinki
Other exchanges	Stockholm
Sector	Healthcare
Company Codes	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 its commercial roll out in the US, Europe and Asia.

### Analysts

#### Lala Gregorek

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

#### Franco Gregori

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

**Exhibit 1: Summary of financials**

Year-end: December 31	€'000s	2018	2019	2020	2021E	2022E
<b>INCOME STATEMENT</b>						
<b>Revenues</b>		<b>2,672</b>	<b>3,348</b>	<b>4,114</b>	<b>6,168</b>	<b>9,634</b>
Cost of goods sold		(710)	(1,043)	(975)	(1,516)	(2,120)
<b>Gross Profit</b>		<b>1,962</b>	<b>2,305</b>	<b>3,139</b>	<b>4,652</b>	<b>7,514</b>
Wages and salaries		(3,353)	(3,998)	(3,122)	(4,121)	(4,616)
Social security expenses		(584)	(715)	(610)	(701)	(785)
Other expenses		(3,986)	(3,648)	(2,429)	(3,207)	(3,303)
Depreciation & amortisation		(424)	(525)	(367)	(346)	(249)
<b>Underlying operating profit</b>		<b>(6,386)</b>	<b>(6,580)</b>	<b>(3,389)</b>	<b>(3,723)</b>	<b>(1,438)</b>
Other revenue/expenses		70	63	56	56	56
<b>EBITDA</b>		<b>(5,892)</b>	<b>(5,993)</b>	<b>(2,966)</b>	<b>(3,321)</b>	<b>(1,133)</b>
<b>Operating Profit</b>		<b>(6,316)</b>	<b>(6,517)</b>	<b>(3,333)</b>	<b>(3,667)</b>	<b>(1,382)</b>
Financial income		163	(259)	(784)	(101)	28
<b>Profit Before Taxes</b>		<b>(6,153)</b>	<b>(6,777)</b>	<b>(4,117)</b>	<b>(3,768)</b>	<b>(1,354)</b>
<b>Adj. PBT</b>		<b>(6,223)</b>	<b>(6,840)</b>	<b>(4,173)</b>	<b>(3,824)</b>	<b>(1,410)</b>
Current tax income		(2)	(6)	(5)	(12)	(19)
<b>Net Income</b>		<b>(6,154)</b>	<b>(6,783)</b>	<b>(4,122)</b>	<b>(3,780)</b>	<b>(1,374)</b>
<b>EPS (€)</b>		<b>(1.93)</b>	<b>(0.25)</b>	<b>(0.02)</b>	<b>(0.69)</b>	<b>(0.21)</b>
<b>Adj. EPS (€)</b>		<b>(1.93)</b>	<b>(0.25)</b>	<b>(0.02)</b>	<b>(0.69)</b>	<b>(0.21)</b>
<b>DPS (€)</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)		3.2	0.3	2.7	5.5	6.7
<i>Gross margin</i>		73%	69%	76%	75%	78%
<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
<b>BALANCE SHEET</b>						
<b>Current assets</b>		<b>8,757</b>	<b>6,431</b>	<b>5,384</b>	<b>8,186</b>	<b>9,889</b>
Cash and cash equivalents		7,175	4,266	3,456	5,704	6,817
Accounts receivable		1,324	1,680	1,482	1,859	2,375
Inventories		259	485	446	623	697
Other current assets		0	0	0	0	0
<b>Non-current assets</b>		<b>905</b>	<b>1,223</b>	<b>847</b>	<b>726</b>	<b>1,857</b>
Property, plant & equipment		465	859	515	569	1,789
Intangible assets		430	364	332	156	68
<b>Current liabilities</b>		<b>(2,793)</b>	<b>(3,106)</b>	<b>(3,809)</b>	<b>(4,859)</b>	<b>(9,066)</b>
Short-term debt		(1,104)	(989)	(1,153)	(1,153)	(5,153)
Accounts payable		(597)	(740)	(198)	(1,246)	(1,452)
Other current liabilities		(1,092)	(1,378)	(2,458)	(2,460)	(2,462)
<b>Non-current liabilities</b>		<b>(7,163)</b>	<b>(5,288)</b>	<b>(3,892)</b>	<b>(2,902)</b>	<b>(2,902)</b>
Long-term debt		(7,163)	(5,288)	(3,892)	(2,902)	(2,902)
Other non-current liabilities		0	0	0	0	0
<b>Equity</b>		<b>(294)</b>	<b>(740)</b>	<b>(1,469)</b>	<b>1,151</b>	<b>(223)</b>
Share capital		39,561	46,167	48,391	54,791	54,791
Other		(39,855)	(46,907)	(49,860)	(53,640)	(55,013)
<b>CASH FLOW STATEMENTS</b>						
<b>Operating cash flow</b>		<b>(6,192)</b>	<b>(6,681)</b>	<b>(2,725)</b>	<b>(2,937)</b>	<b>(1,507)</b>
Profit before tax		(6,154)	(6,783)	(4,122)	(3,780)	(1,374)
Non-cash adjustments		(361)	515	1,406	447	221
Change in working capital		721	268	129	507	(365)
Interest paid		(398)	(682)	(138)	(101)	28
Taxes paid		0	0	0	(11)	(18)
<b>Investing cash flow</b>		<b>(611)</b>	<b>(843)</b>	<b>10</b>	<b>(225)</b>	<b>(1,380)</b>
CAPEX		(611)	(843)	10	(225)	(1,380)
Other investing cash flows		0	0	0	0	0
<b>Financing cash flow</b>		<b>5,505</b>	<b>4,616</b>	<b>1,905</b>	<b>5,410</b>	<b>4,000</b>
Proceeds from equity		962	6,606	2,224	6,400	0
Increase in loans		4,543	(1,990)	(319)	0	4,000
Other financing cash flow		0	0	0	(990)	0
<b>Net increase in cash</b>		<b>(1,298)</b>	<b>(2,909)</b>	<b>(810)</b>	<b>2,248</b>	<b>1,112</b>
Exchange rate effects		0	0	0	0	0
Cash at start of year		8,474	7,176	4,267	3,457	5,704
<b>Cash at end of year</b>		<b>7,176</b>	<b>4,267</b>	<b>3,457</b>	<b>5,704</b>	<b>6,817</b>
<b>Net cash at end of year</b>		<b>(1,092)</b>	<b>(2,011)</b>	<b>(1,589)</b>	<b>1,650</b>	<b>(1,238)</b>

Source: Nexstim, Trinity Delta Note: Accounts produced according to Finnish GAAP. Short-term debt in FY22e is indicative of our view of the company's funding requirement. Sales forecasts do not include any contribution from indications yet to be approved. Historic EPS, DPS and Average no. of shares have been adjusted to reflect the 100:1 share consolidation in May 2021.

Lala Gregorek

[lgregorek@trinitydelta.org](mailto:lgregorek@trinitydelta.org)  
+44 20 3637 5043

Franc Gregori

[fgregori@trinitydelta.org](mailto:fgregori@trinitydelta.org)  
+44 20 3637 5041

### Disclaimer

Trinity Delta Research Limited ("TDRL"; firm reference number: 725161), which trades as Trinity Delta, is an appointed representative of Equity Development Limited ("ED"). The contents of this report, which has been prepared by and is the sole responsibility of TDRL, have been reviewed, but not independently verified, by ED which is authorised and regulated by the FCA, and whose reference number is 185325.

ED is acting for TDRL and not for any other person and will not be responsible for providing the protections provided to clients of TDRL nor for advising any other person in connection with the contents of this report and, except to the extent required by applicable law, including the rules of the FCA, owes no duty of care to any other such person. No reliance may be placed on ED for advice or recommendations with respect to the contents of this report and, to the extent it may do so under applicable law, ED makes no representation or warranty to the persons reading this report with regards to the information contained in it.

In the preparation of this report TDRL has used publically available sources and taken reasonable efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee or warranty as to the accuracy or completeness of the information or opinions contained herein, nor to provide updates should fresh information become available or opinions change.

Any person who is not a relevant person under section of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom should not act or rely on this document or any of its contents. Research on its client companies produced by TDRL is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. The report should be considered a marketing communication for purposes of the FCA rules. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. TDRL does not hold any positions in any of the companies mentioned in the report, although directors, employees or consultants of TDRL may hold positions in the companies mentioned. TDRL does impose restrictions on personal dealings. TDRL might also provide services to companies mentioned or solicit business from them.

This report is being provided to relevant persons to provide background information about the subject matter of the note. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information that we provide is not intended to be, and should not in any manner whatsoever be, construed as personalised advice. Self-certification by investors can be completed free of charge at [www.fisma.org](http://www.fisma.org). TDRL, its affiliates, officers, directors and employees, and ED will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

Copyright 2021 Trinity Delta Research Limited. All rights reserved.

More information is available on our website: [www.trinitydelta.org](http://www.trinitydelta.org)