

Nexstim

Update

Admirable execution on 2021 strategic goals

12 January 2022

2021 was an operationally successful year, with Nexstim achieving several strategic objectives as it works towards delivering higher revenues and improved profitability. Key 2021 goals met include reaching a MDD (major depressive disorder) patient data registry of >200 completed treatment sessions and securing the first partners, in Finland and the US, under plans to develop a deeper partnership business model for its NBT therapy business. 2022 should see further demonstration of strategic execution, with FY21 results (February 28) revealing the extent of financial progress, and results in H222 from the pilot study of accelerated treatment protocols in major depression could open a new inpatient market for Nexstim. Ahead of FY21 results and this pilot data we maintain our €59.1m (€8.84 per share) valuation.

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)	(3.9)	(1.3)
Net Income (€m)	(6.8)	(4.1)	(3.8)	(1.3)
EPS (€)	(0.25)	(0.02)	(0.71)	(0.19)
Cash* (€m)	4.3	3.5	5.1	6.2
EBITDA (€m)	(6.0)	(3.0)	(3.4)	(1.1)

Source: Trinity Delta. Note: *Our cash forecast assumes receipt of €4m in additional funding in FY22.

- Maintaining growth momentum** Despite ongoing COVID impact, sales of new NBS (diagnostic) and NBT (therapy) systems remain healthy, with six NBS and eight NBT delivered during 9M21. At end-Q321, 44 NBT systems have been placed (19 US; 25 Europe/RoW); 190+ institutions have NBS systems. Existing customer demand for system upgrades and rising utilisation should boost recurring revenues, contributing to profitable growth. More customers seeking to use Nexstim's TMS system in both diagnostic and therapeutic applications create a platform opportunity.
- Positioning NBT as the TMS system of choice** Latest registry data on the first 208 US MDD patients continue to outperform historic TMS data, with remission of 50.2% and 76.0% achieving a clinical response. Further accelerated iTBS protocol data building on initial results from the Kuopio University Hospital pilot study in depression is expected in H222. This data will be central to positioning NBT in the delivery of emerging accelerated therapy protocols in severe depression, which require highly accurate navigation, and enabling access to a new in-patient market.
- Embarking on deeper relationships** First NBT partnerships have been secured with private Finnish psychiatry centre Recuror and California-based PNC Management Services, a support services provider to Piedmont Neuroscience Center. The former will broaden availability of personalised TMS therapy in Finland's private sector. The latter includes a c €0.5m investment in a minority ownership stake, sale of one NBT system, and access to anonymised data that will contribute to the patient registry.
- Core valuation of €8.84/share** Ahead of FY21 results and further pilot study data in depression we continue to value Nexstim at €59.1m (equivalent to €8.84/share or €8.13 fully diluted) using a DCF-based rNPV model. Continued successful execution on strategic priorities could materially increase this.

Price	€4.58
Market Cap	€30.6m
Enterprise Value	€28.3m
Shares in issue	6.69m
12 month range	€3.41-9.63
Free float	65.6%
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.

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Exhibit 1: Summary of financials

Year-end: December 31	€'000s	2018	2019	2020	2021E	2022E
INCOME STATEMENT						
Revenues		2,672	3,348	4,114	6,172	9,580
Cost of goods sold		(710)	(1,043)	(975)	(1,583)	(2,055)
Gross Profit		1,962	2,305	3,139	4,589	7,525
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)	(175)
Underlying operating profit		(6,386)	(6,580)	(3,389)	(3,786)	(1,353)
Other revenue/expenses		70	63	56	56	56
EBITDA		(5,892)	(5,993)	(2,966)	(3,384)	(1,122)
Operating Profit		(6,316)	(6,517)	(3,333)	(3,730)	(1,297)
Financial income		163	(259)	(784)	(101)	22
Profit Before Taxes		(6,153)	(6,777)	(4,117)	(3,831)	(1,275)
Adj. PBT		(6,223)	(6,840)	(4,173)	(3,887)	(1,332)
Current tax income		(2)	(6)	(5)	(12)	(19)
Net Income		(6,154)	(6,783)	(4,122)	(3,843)	(1,295)
EPS (€)		(1.93)	(0.25)	(0.02)	(0.71)	(0.19)
Adj. EPS (€)		(1.93)	(0.25)	(0.02)	(0.71)	(0.19)
DPS (€)		0.00	0.00	0.00	0.00	0.00
Average no. of shares (m)		3.2	0.3	2.7	5.4	6.7
<i>Gross margin</i>		73%	69%	76%	74%	79%
<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		8,757	6,431	5,384	7,597	9,241
Cash and cash equivalents		7,175	4,266	3,456	5,086	6,204
Accounts receivable		1,324	1,680	1,482	1,860	2,362
Inventories		259	485	446	651	676
Other current assets		0	0	0	0	0
Non-current assets		905	1,223	847	479	1,648
Property, plant & equipment		465	859	515	322	1,579
Intangible assets		430	364	332	156	68
Current liabilities		(2,793)	(3,106)	(3,809)	(4,277)	(8,385)
Short-term debt		(1,104)	(989)	(1,153)	(515)	(4,515)
Accounts payable		(597)	(740)	(198)	(1,301)	(1,408)
Other current liabilities		(1,092)	(1,378)	(2,458)	(2,460)	(2,462)
Non-current liabilities		(7,163)	(5,288)	(3,892)	(2,902)	(2,902)
Long-term debt		(7,163)	(5,288)	(3,892)	(2,902)	(2,902)
Other non-current liabilities		0	0	0	0	0
Equity		(294)	(740)	(1,469)	897	(398)
Share capital		39,561	46,167	48,391	54,708	54,708
Other		(39,855)	(46,907)	(49,860)	(53,811)	(55,106)
CASH FLOW STATEMENTS						
Operating cash flow		(6,192)	(6,681)	(2,725)	(3,082)	(1,539)
Profit before tax		(6,154)	(6,783)	(4,122)	(3,843)	(1,295)
Non-cash adjustments		(361)	515	1,406	339	153
Change in working capital		721	268	129	534	(402)
Interest paid		(398)	(682)	(138)	(101)	22
Taxes paid		0	0	0	(11)	(17)
Investing cash flow		(611)	(843)	10	22	(1,344)
CAPEX		(611)	(843)	10	22	(1,344)
Other investing cash flows		0	0	0	0	0
Financing cash flow		5,505	4,616	1,905	4,690	4,000
Proceeds from equity		962	6,606	2,224	6,317	0
Increase in loans		4,543	(1,990)	(319)	(637)	4,000
Other financing cash flow		0	0	0	(990)	0
Net increase in cash		(1,298)	(2,909)	(810)	1,630	1,117
Exchange rate effects		0	0	0	0	0
Cash at start of year		8,474	7,176	4,267	3,457	5,086
Cash at end of year		7,176	4,267	3,457	5,086	6,204
Net cash at end of year		(1,092)	(2,011)	(1,589)	1,669	(1,214)

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.

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