

Nexstim

First steps on path towards longer-term profitability

Nexstim delivered its first ever profitable period in H221 and is guiding towards continued revenue growth and a positive operating result for FY22. Profitability and partnerships are central to FY22 strategic objectives. The recent Magnus Medical and PNC Management Services deals are trailblazers for a new technology licencing revenue stream and a deeper partnership business model for the US NBT therapy business respectively. The former deal includes a \$4m upfront payment which addresses Nexstim's prior funding shortfall, and its structure means that in the near-term, the company is able to direct its internal resources towards supporting global growth in diagnostics, US NBT partner clinics, and ex-US opportunities for the therapy business. Our updated model values Nexstim at €58.1m (€8.69 per share).

Year-end: December 31	2020	2021	2022E	2023E
Revenues (€m)	4.1	6.4	11.9	11.7
Adj. PBT (€m)	(4.2)	(1.9)	1.4	0.1
Net Income (€m)	(4.1)	(0.8)	1.5	0.2
EPS (€)	(0.02)	(0.00)	0.22	0.03
Cash (€m)	3.5	5.2	6.9	6.6
EBITDA (€m)	(3.0)	(1.0)	2.2	0.8

Source: Trinity Delta

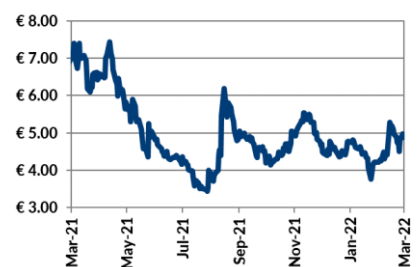
- Operational execution in FY22** The first FY22 strategic objective is financial: profitable net sales growth, operating profitability, and minimising future capital needs. The second focuses on building and expanding the network of partner clinics, especially in the US. Growth is anticipated in both NBS (diagnostics) and NBT (therapy) businesses, with rising system utilisation likely to boost recurring revenue. To date 200+ institutions have NBS systems, while 51 systems with therapy capabilities have been placed (21 US, 30 Europe/RoW) including both NBT and NBS5+ systems. There is growing interest in the latter which combines diagnostic and therapeutic applications on one platform.
- A new licencing revenue stream** The Magnus Medical deal brings in welcome funds, provides Nexstim with a share in the economics of the US opportunity for accelerated therapy protocols in neuropsychiatry, and is the first licence granted by Nexstim for commercial use of its NBT technology and patents. Deal terms include a \$4m (€3.5m) upfront plus up to c \$15m (€13m) in sales royalties over five years. While Nexstim has some restrictions on NBT sales in the US, this deal does not impinge on existing US therapy customers or impact the US diagnostic opportunity.
- Solid revenue performance** FY21 net sales of €6.4m (FY20: €4.1m, +55%), include €3.7m in system sales (FY20: €1.7m, +113%) and recurring revenues of €2.7m (FY20: €2.4m, +13%). NBS sales performed strongly rising 71% to €3.7m, with NBT growth of 38% (€2.7m). End-FY21 cash of €5.2m was subsequently boosted by the €3.5m Magnus Medical upfront, funding Nexstim to sustainable profitability.
- Valuation of €8.69/share** Updating our DCF-based rNPV model for FY21 results and recent deals generates a valuation of €58.1m (equivalent to €8.69/share or €7.99 fully diluted), which should rise with execution on strategic priorities.

Update

2 March 2022

Price	€4.88
Market Cap	€32.6m
Enterprise Value	€27.4m
Shares in issue	6.69m
12 month range	€3.41-7.77
Free float	73.6%
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	2019	2020	2021	2022E	2023E
INCOME STATEMENT						
Revenues		3,348	4,114	6,398	11,886	11,713
Cost of goods sold		(1,043)	(975)	(1,136)	(1,835)	(2,602)
Gross Profit		2,305	3,139	5,262	10,051	9,111
Wages and salaries		(3,998)	(3,122)	(3,663)	(4,102)	(4,430)
Social security expenses		(715)	(610)	(685)	(697)	(753)
Other expenses		(3,648)	(2,429)	(3,083)	(3,176)	(3,233)
Depreciation & amortisation		(525)	(367)	(444)	(692)	(618)
Underlying operating profit		(6,580)	(3,389)	(2,613)	1,384	77
Other revenue/expenses		63	56	1,160	81	81
EBITDA		(5,993)	(2,966)	(1,009)	2,157	776
Operating Profit		(6,517)	(3,333)	(1,452)	1,465	158
Financial income		(259)	(784)	719	19	36
Profit Before Taxes		(6,777)	(4,117)	(733)	1,484	194
Adj. PBT		(6,840)	(4,173)	(1,894)	1,403	113
Current tax income		(6)	(5)	(99)	(24)	(23)
Net Income		(6,783)	(4,122)	(832)	1,461	171
EPS (€)		(0.25)	(0.02)	(0.00)	0.22	0.03
Adj. EPS (€)		(0.25)	(0.02)	(0.00)	0.22	0.03
DPS (€)		0.00	0.00	0.00	0.00	0.00
Average no. of shares (m)		0.3	2.7	6.1	6.7	6.7
<i>Gross margin</i>		69%	76%	82%	85%	78%
<i>EBITDA margin</i>		N/A	N/A	N/A	18%	7%
<i>Underlying operating margin</i>		N/A	N/A	N/A	12%	1%
BALANCE SHEET						
Current assets		6,431	5,384	8,028	10,417	10,337
Cash and cash equivalents		4,266	3,456	5,195	6,883	6,593
Accounts receivable		1,680	1,482	1,848	2,931	2,888
Inventories		485	446	985	603	855
Other current assets		0	0	0	0	0
Non-current assets		1,223	847	2,012	2,067	2,487
Property, plant & equipment		859	515	435	939	1,580
Intangible assets		364	332	1,122	674	452
Current liabilities		(3,106)	(3,809)	(3,563)	(4,546)	(4,715)
Short-term debt		(989)	(1,153)	(619)	(619)	(619)
Accounts payable		(740)	(198)	(255)	(1,257)	(1,426)
Other current liabilities		(1,378)	(2,458)	(2,688)	(2,670)	(2,669)
Non-current liabilities		(5,288)	(3,892)	(3,274)	(3,274)	(3,274)
Long-term debt		(5,288)	(3,892)	(3,274)	(3,274)	(3,274)
Other non-current liabilities		0	0	0	0	0
Equity		(740)	(1,469)	3,203	4,663	4,834
Share capital		46,167	48,391	54,998	54,998	54,998
Other		(46,907)	(49,860)	(51,795)	(50,334)	(50,164)
CASH FLOW STATEMENTS						
Operating cash flow		(6,681)	(2,725)	(2,109)	2,435	748
Profit before tax		(6,783)	(4,122)	(832)	1,461	171
Non-cash adjustments		515	1,406	(1,566)	672	582
Change in working capital		268	129	589	325	(17)
Interest paid		(682)	(138)	(300)	19	36
Taxes paid		0	0	0	(43)	(24)
Investing cash flow		(843)	10	(1,609)	(747)	(1,038)
CAPEX		(843)	10	(1,609)	(747)	(1,038)
Other investing cash flows		0	0	0	0	0
Financing cash flow		4,616	1,905	5,456	0	0
Proceeds from equity		6,606	2,224	6,607	0	0
Increase in loans		(1,990)	(319)	(1,151)	0	0
Other financing cash flow		0	0	0	0	0
Net increase in cash		(2,909)	(810)	1,739	1,688	(290)
Exchange rate effects		0	0	0	0	0
Cash at start of year		7,176	4,267	3,457	5,195	6,883
Cash at end of year		4,267	3,457	5,195	6,883	6,593
Net cash at end of year		(2,011)	(1,589)	1,301	2,990	2,699

Source: Nexstim, Trinity Delta Note: Accounts produced according to Finnish GAAP. 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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