

BONESUPPORT

Sector: Medtech

Nearing a break-through in the US

Redeye raises its estimates and valuation for BONESUPPORT considerably following discussions with management and a review of the company's sales prospects. With solid fundamentals and a strong balance sheet, we anticipate impressive long-term market up-take in the US, bringing the company to an entirely new level. We see further upside with clear catalysts around the corner to help the stock continue to outperform.

Increasingly positive on the potential for CERAMENT G and V

Once CERAMENT G receives FDA approval, it will be the first-ever synthetic bone graft substitute with infection management properties on the US market. Considering CERAMENT G's truly unique properties and the company's growing market presence with CERAMENT BVF, the introduction of the drug-eluting product in the US is a game changer, in our view.

Promising strategic changes to in the sales model

We judge that BONESUPPORT's expansion of the direct and hybrid sales models on the European market will help drive its top- and bottom-line, fully capitalizing on its potential. Factoring this in, we see additional upside on the European market, bolstered by coming clinical trial data.

Emerging compounder with near-term catalysts; huge upside potential

Sales this year will most likely set a new record. Contradictory to our previous take in our initiation report, the pandemic has not hit BONESUPPORT with the magnitude we first imagined. In the coming years, we expect sales to continue to grow and accelerate further beyond 2023, reaching an ultimate market penetration of 7-8% in both EU and the US market. On this basis and in our view, the current share price offers an attractive entry point for a long-term growth saga.

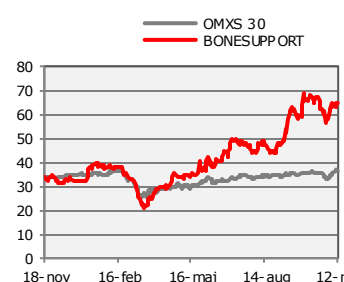
While BONESUPPORT's quarterly progression will be key to closing the 30% gap to our Base Case (SEK 90), the upcoming FDA approval early next year could act as a catalyst. We foresee this gap to be closed within six months. Moreover, the FORTIFY study results and PMA filing in H2 2021 are even more exhilarating for the long-term sales potential. Based on peers' EV/sales multiples, BONESUPPORT's shares could be valued at SEK 130 ± 10% in 2022, i.e. a doubling from current levels – Finally, we believe the company's progression increasingly positions it as a take-over play.

KEY FINANCIALS (SEKm)	2018	2019	2020E	2021E	2022E	2023E
Net sales	97	155	184	266	363	609
EBIT	-174	-158	-103	-84	9	111
EPS	-3.4	-3.1	-1.6	-1.3	0.1	1.7
EV/Sales	8	-10	1.6	-1.3	0.1	1.7
EV/Sales	9	11	22	15	11	7
PE	-6	-11	-42	-52	488	40

FAIR VALUE RANGE

BEAR	BASE	BULL
35	90	162

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	BONEX
Market	Small Cap
Share Price (SEK)	69.20
Market Cap (MSEK)	4444
Net Debt 20E (MSEK)	-328
Free Float	84 %
Avg. daily volume ('000)	166

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Previous CERAMENT G and V estimates were too conservative

We revisit our sales estimates for CERAMENT G and V with a more favourable stance on their long-term sales prospects – previously, we had estimated market penetration of roughly 5% towards the end of our forecasting period (2020 – 2030). In our updated sales projections, we argue that such market penetration is likely too conservative and adjust upwards to roughly 7% and 8% for the European and US markets.

We emphasize that the following factors are essential to understand in our market penetration assumption:

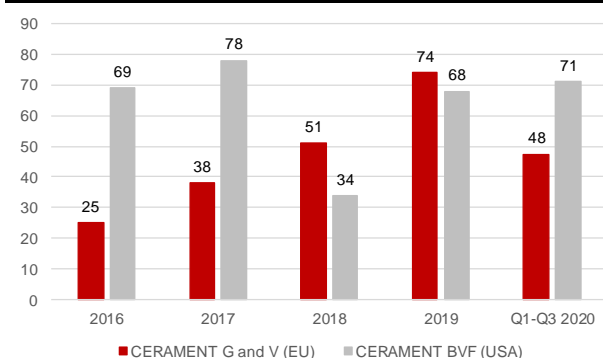
- Continued impressive sales growth despite the ongoing pandemic, demonstrating its position as a high demand product
- Breakthrough device designation for CERAMENT G by the FDA, showing its effective treatment properties
- Extensive clinical validation with potential support from ongoing trials
- First-mover advantage on the US market, potentially changing the treatment of bone defects
- Unique antibiotic release profile positioning CERAMENT G and V perfectly in the fight against antibiotic resistance

Rapid sales ramp-up for CERAMENT G (and V)

We view the unique properties of CERAMENT G and V as key-drivers for BONESUPPORT's sales potential and emphasize that CERAMENT G will be the first-ever synthetic bone graft with infection management properties to be launched in the US.

Moreover, while CERAMENT G will be new on the US market, the non-drug-eluting product, CERAMENT BVF, has been there for some time and continues to generate impressive sales. The historical and current market presence lay the fundamentals for rapid sales ramp-up, particularly as we assume that the US orthopaedic surgeons are well aware of CERAMENT G and V and follow their progression in Europe – BONESUPPORT has an established connection with US orthopaedic surgeons on the basis of CERAMENT BVF, which we, at current, deem as the more innovation-friendly users, more prone to evaluate new devices.

CERAMENT BVF (US) and CERAMENT G and V (EU) (SEKm)



Source: Redeye Research

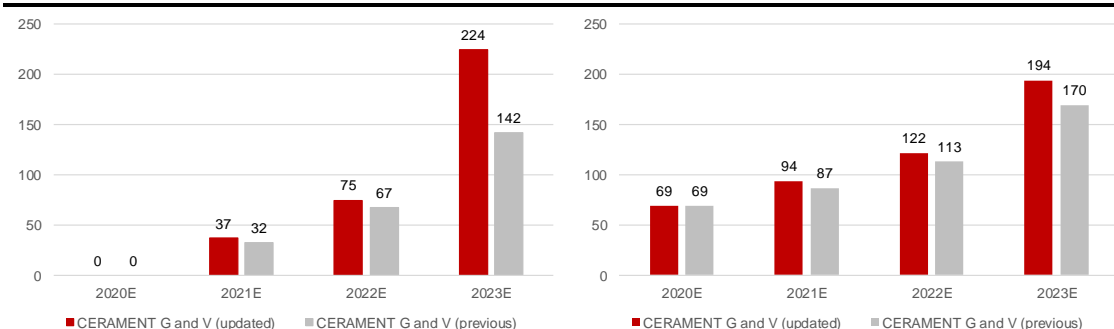
More to come in the long-term

We argue that the ongoing and planned clinical trials will heavily impact the company's sales in the long-term. Thus, the FORTIFY trial serves a significant purpose beyond BONESUPPORT's PMA filing for CERAMENT G (trauma indication) in H2 2021. Moreover, the CONVICTION and, particularly, the SOLARIO trial could opt for a possible **paradigm shift** in the treatment of bone repair. A paradigm shift would dramatically increase the long-term sales prospects, in all likelihood dwarfing our estimates. We refrain from including this assumption in our calculations for the time being. However, the results from FORTIFY could provide insight into what to expect from the other trials, possibly increasing our long-term sales estimates once again.

In light of our review, bolstered by BONESUPPORT's unchanged sales growth target of 40% in the coming years and continued sales growth despite the pandemic, we raise our sales estimates on all horizons, though with a heavy foot on 2023 and beyond. Moreover, since sales are mainly driven by the US market with relatively higher gross margins compared to the EU/RoW segment, we also forecast a higher gross margin throughout our forecast period. Previously, a 90% stable gross margin was forecasted, which we now rise towards 94%.

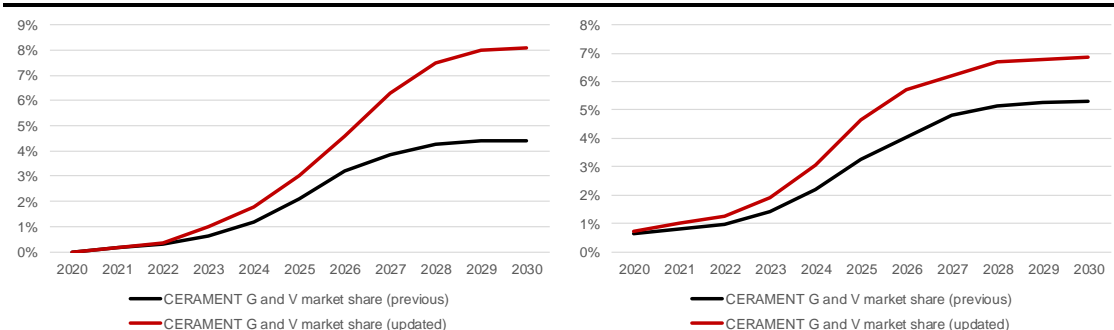
We anticipate that 2023 will be the year where our new sales estimates will begin to materialize most significantly and that sales until then are close to that of our previous projections. Moreover, we emphasize that the updated sales forecast is primarily driven by the review of the potential of CERAMENT G and V. Our take on the sales prospects for CERAMENT BVF is relatively unchanged.

Updated CERAMENT G and V sales, USA (left) and EU/RoW (right) (SEKm)



Source: Redeye Research

Updated CERAMENT G and V market shares, USA (left) and EU/RoW (right)



Source: Redeye Research

Strategic shifts in the sales model

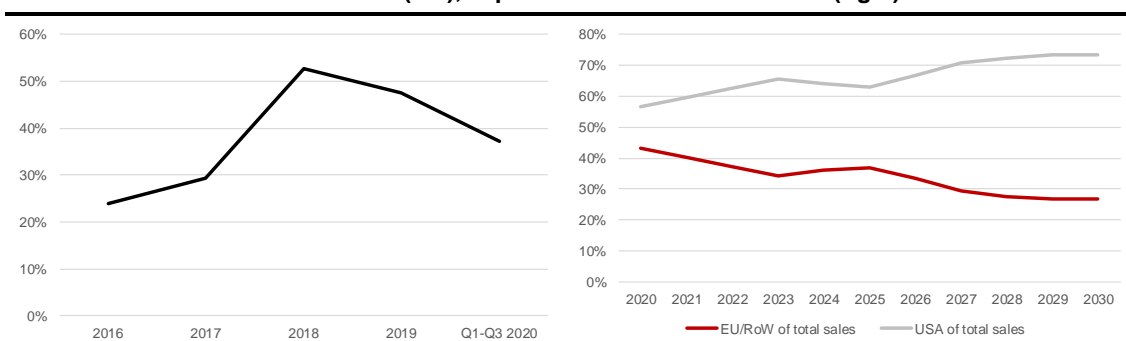
During the summer, BONESUPPORT extended its direct sales model to the Netherlands. Recently, the company also announced that a hybrid structure in Spain and Italy was initiated. We argue that this is a particularly exciting move considering the large volumes expected in these markets.

In the longer term, we believe that positive results from the French CONVICTION study could also unlock huge value for BONESUPPORT. However, as the study results are not expected until 2024, we do not yet factor in a hybrid sales model on the French market in our projections, nor do we take the possibility of positive results into consideration.

Previously, we limited the European market to EU-5, and while we still expect the EU-5 countries to make up the lion's share of European sales, the inclusion of additional European markets provides a more just view on the company's potential going forward. Thus, the total addressable European market increases from some 394,000 synthetic bone graft procedures to some 510,000 procedures. Moreover, additional RoW markets, such as Australia, Colombia and countries in the middle east, could offer an additional 130,000 procedures. However, we do not anticipate a rapid geographical expansion in the short to medium term; rather we expect the company to act with a gradual and focused market expansion on existing geographies – mainly EU-5 and the US.

We believe that potentially positive trial data from the FORTIFY study, as well as focus on improving the EU/RoW sales model, positively impact the likelihood of continuing the successful commercialization of CERAMENT G and V on the European market.

CERAMENT G and V of total sales (left), expected EU/RoW of total sales (right)



Source: Redeye Research

Clinical validation drives long-term sales

We expect more peer-reviewed publications based on CERAMENT in the coming years as the platform gains more traction, although we expect more focus on CERAMENT G and V than on CERAMENT BVF. Moreover, we emphasize that the most important results will stem from the clinical trials as they are based on a larger population and aim to prove hypotheses that have the potential to boost sales.

FORTIFY

This randomized, multi-centre, controlled trial aims to show superiority of CERAMENT G compared to autologous treatment. Specifically, the aim is to show fewer deep infections. The study has a focus on patients with tibial diaphyseal fractures, a complex but common type of trauma. The first patient was recruited in May 2017 and the last patient was enrolled during the summer. According to clinicaltrials.gov, estimated completion of the study is August 2021 with 200 patients across 30 trauma centres in the US and EU, with a small majority in the US. We expect a publication of the FORITFY study in Q4 2021.

The endpoint in the study is superiority and will be measured through a three-factor composite:

- 1) Absence of deep infection at the fracture site (using local antibiotic treatment from CERAMENT G)
- 2) Absence of secondary procedures due to the eradication of infection
- 3) Improvement of a questionnaire of 36 questions related to wellbeing and health after the procedure

Should a patient fail any of these three, the patient is classed as failing to meet the primary endpoint. Naturally, if a patient has a deep infection, a secondary procedure takes place following a low likelihood of an improvement in the questionnaire.

SOLARIO (Systemic or Local Antibiotic Regimes in Orthopaedics)

We consider SOLARIO and FORTIFY to be two clinical trials that will lay the long-term foundations of the business. While FORTIFY aims to show superiority to standard of care, SOLARIO goes one step further, aiming to demonstrate that the local antibiotic treatment of CERAMENT G can limit the use of systemic antibiotics. Should results from the study be positive, it would be ground-breaking news, putting BONESUPPORT at the forefront with a device that can help in the fight against antibiotic resistance. Naturally, we would then expect a great deal of interest.

This clinical trial will be the most extensive study, with 500 planned patients. First recruitment took place in February 2019, and we expect last patient data in late 2022, and publication in H1 2023.

The study is conducted by the Oxford University Hospital's NHS Foundation Trust together with the European Bone and Joint Infection Society. It is formed as a randomized, unblinded European multicentre study addressing osteomyelitis, prosthetic joint infection, and diabetic foot infection. The endpoint will be measured through two control groups, one that will have an abrupted course of oral antibiotics and the other group continuing the course for a minimum of two weeks, in accordance with standard treatment. The main measurement will be the rate at which patients' infections return within a 12-month period after surgery.

Currently, we do not modulate for positive outcomes and a potential paradigm shift in our Base Case. However, positive results from the FORTIFY study may give us more flesh on the bones regarding our take on SOLARIO and its eventual contribution to sales.

The CONVICTION Study

The French Centre of Osteoarticular Infections has initiated a multi-centre, randomized controlled trial for the evaluation of CERAMENT G's efficacy in the treatment of osteomyelitis. That the French healthcare network has initiated this study is a strong signal, in our view, of great interest and appreciation amongst orthopaedists, especially given that the French Ministry of Health is funding the study. In total, 200 patients are intended to be the basis for this study.

We judge that CONVICTION can have a huge impact on the commercial opportunity for BONESUPPORT on the French market, with an improved reimbursement status and increased sales. Given greater interest for CERAMENT G in France, we believe BONESUPPORT may approach this market with a hybrid sales model, rather than via distributors. However, we do not expect publication of the results until 2025.

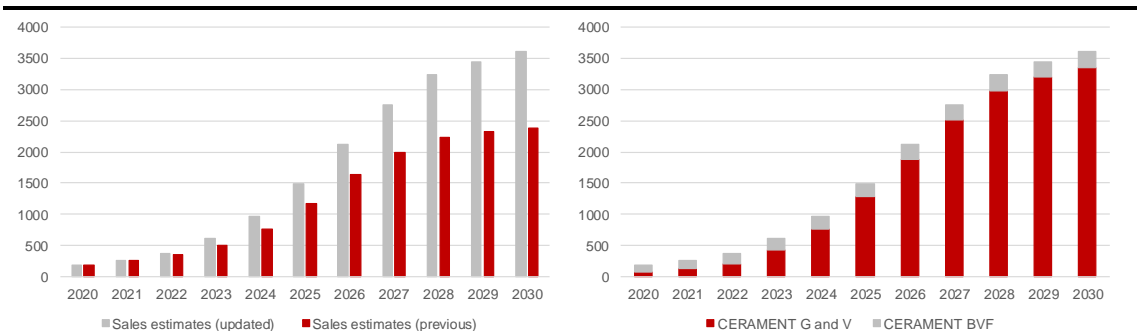
Financial projections

Changes to our sales estimates

Our updated market penetration assumptions for CERAMENT G and V in the US and EU significantly impact our sales estimates. Though we do not foresee any significant convergence in the coming years from our previous prognosis, we anticipate that the change will begin to materialize in 2023 and make a substantial impact on the long-term prospects.

The forthcoming FDA (De Novo) approval for CERAMENT G for the indication of osteomyelitis is a great catalyst for the stock, in our opinion, as well as for the case. However, as we have previously mentioned, the most important indication is trauma (roughly 76% of the total number of procedures), which we expect will be eligible for CERAMENT G in 2022. The osteomyelitis indication, though, will add to 2021 sales and, in a sense, allow for marketing of CERAMENT G ahead of the eventual PMA approval.

Updated total sales (left), product sales (right) (SEKm)



Source: Redeye Research

Income statement forecast

In our [initiation of coverage](#), we estimated sales of SEK 149m for this year. Following impressive quarterly sales, and a further review, we raise this estimate to SEK 184m on the expectation of 2020 Q4 sales reaching SEK 56m.

Based on the 2020 estimates, we expect a CAGR of some 49% piercing through the SEK 600m revenue mark in 2023. We expect US sales to grow with a CAGR of 57% during this period and EU/RoW sales with a CAGR of 38%.

Income statement 2020-2030

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Net Sales	184	266	363	609	964	1498	2116	2751	3233	3451	3559
<i>Gross margin</i>	89%	89%	90%	90%	91%	91%	92%	93%	93%	94%	94%
<i>Sales growth</i>	18%	45%	36%	68%	58%	55%	41%	30%	18%	7%	3%
EBIT	-103	-84	9	111	271	480	790	1036	1222	1332	1373
<i>EBIT margin</i>	-56%	-32%	3%	18%	28%	32%	37%	38%	38%	39%	39%
<i>Taxes</i>	0	0	0	0	0	0	89	221	261	284	293
Net Income	-104	-85	9	111	271	480	700	812	958	1043	1075

Source: Redeye Research

Main cost drivers and EBIT

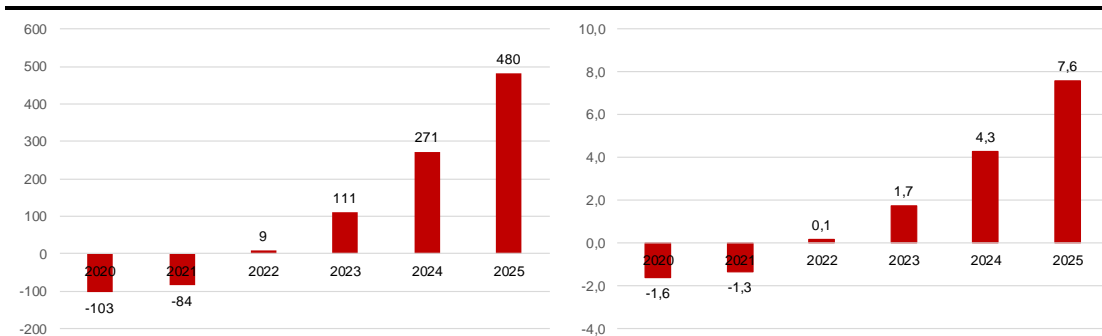
We increase our gross margin estimates from a stable 90% throughout the previous forecasting period towards 94% in our updated period. Higher sales of CERAMENT G and V in the US contribute to this change.

We recognize that selling expenditures remain the largest contributor to the operating expenses, representing an average of 56% of operating costs in our forecast period. We estimate that administration and research & development at an average of 21% and 23%, respectively, of total operating costs.

Selling expenses, we estimate, will reach a steady-state of some 34-32% in relation to sales from 2024 and onwards. Until then, we expect this cost item to make up a significant part of sales. We expect that administration and research & development will be around 15-12% of sales after 2024, and just as selling expenses, making up a relatively large portion in relation to sales until then.

Based on these cost estimates, we expect BONESUPPORT to turn EBIT-positive in 2022 with a margin at around 3%, followed by rapid bottom-line growth in the years thereafter, reaching upwards 39% at the end of our forecast period.

Estimated EBIT (left) and EPS (right) (SEK)



Source: Redeye Research

Healthy and sound financial position

At the end of Q3 2020, BONESUPPORT had some SEK 378m in cash after having raised SEK 370m after transaction costs in Q2 of this year in a [directed share issue](#). Following the equity issue and based on our cash flow estimates, we do not see any financial risk and expect BONESUPPORT to carry itself until positive cash flow in 2023.

Valuation of BONESUPPORT

On the back of our review of BONESUPPORT's long-term sales prospects, and a lowered WACC (as a result of the interest rate climate) we raise our Base Case substantially to SEK 90 per share – offering a 30% upside from current levels. The most important catalysts for the stock to close this gap is the expected FDA De Novo approval in Q1 2021 and continued demonstrated sales growth in the quarterly reports. We expect the gap from current levels to be closed within six months.

Fair value range – a scenario-based approach

At Redeye we approach the valuation of a company's shares through a set of three scenarios. These provide a more dynamic view of the case:

- Base Case = SEK 90 per share (+30% upside)
- Bull Case = SEK 162 per share (+135% upside)
- Bear Case = SEK 35 per share (-49% downside)

Base Case (SEK 90): the USA opens up for substantial long-term sales growth

Our Base Case for BONESUPPORT relies on the company's continued impressive sales growth for CERAMENT G and V (EU), which supports the market uptake of said products in the US, once regulatory approved. We estimate a top-line CAGR of some 49% in the coming years and that its high gross margins allow for long-term EBIT margins reaching upwards of 38-39% at the end of the period, climbing aggressively from low single digits in 2022.

Bull Case (SEK 162): Paradigm shift transforms BONESUPPORT into a market leader

Our Bull Case builds on the assumption of the CERAMENT platform becoming a market leader in its field. Driven by its clinical trials FORTIFY, SOLARIO and CONVICTION, we factor in a paradigm shift which heavily increases its sales, particularly on the EU market, where we factor in a market penetration of some 15%. Naturally, we also see a hefty market penetration in the US of 11% towards the end of the forecast period but judge that its historical market presence in the EU allows for a greater penetration than in the US.

Bear Case (SEK 35): the USA does not take off, lower sales and disappointing bottom-line

In our pessimistic scenario, we factor in a less satisfactory market launch of CERAMENT G and V in the US, disappointing our sales expectations in the coming years. Lower sales, but high costs due to increasing operational activities in an attempt to gain traction, depresses the bottom-line growth.

Peer valuation

How similar MedTech companies are currently valued provides an additional take on the company's valuation. We have identified six peers with sales close to BONESUPPORT's historical and anticipated future sales.

A cohort of peer companies

Company	LTM sales	EV/LTM sales
Vitrolife	1272	18
Cellavision	490	16
Xívo Perfusion	182	44
Bactiguard	192	28
Mentice	152	15
Surgical Science	105	28
Average		25
Highest		44
Lowest		15

Source: Redeye Research

The peers' EV/LTM sales multiples range from 15 to 44 with an average of 25, close to that of BONESUPPORTS EV/LTM sales multiple of 22. Considering its high growth potential in the coming years, we judge a multiple of roughly 20-25 is justified even on 2021 and 2022 sales. EV/Sales multiple of 20-25 on these years' anticipated revenues translate to a value per share of SEK 84-105 in 2021, and SEK 115-143 in 2022.

The multiple-based approach reinforces our case for BONESUPPORT's outstanding value creation potential for its shareholders in the coming years and further supports our DCF valuation with a Base and Bull Case of SEK 90 and 162 per share.

Take-over candidate?

While the orthopaedic market is slowly growing with an overall estimated CAGR of roughly 3.7% in the coming years, the market for synthetic bone graft substitutes is expected to grow by approximately 5%. With the anticipated aggressive growth for BONESUPPORT, already on relatively high sales levels, we once again emphasize on the possibility of the company to be acquired by the larger orthopaedic players.

We argue that the larger players may favour acquiring BONESUPPORT over the extensive process of developing a competitive device. We judge, however, that an eventual bid is not to expect until CERAMENT G and V has been fully launched and gained traction on the US market – putting this eventuality in 2023 the earliest. By then, we expect a greater EV/Sales multiple than the average from the cohort below, considering its likelihood of trading above this.

SMEs acquisitions 2013-2019

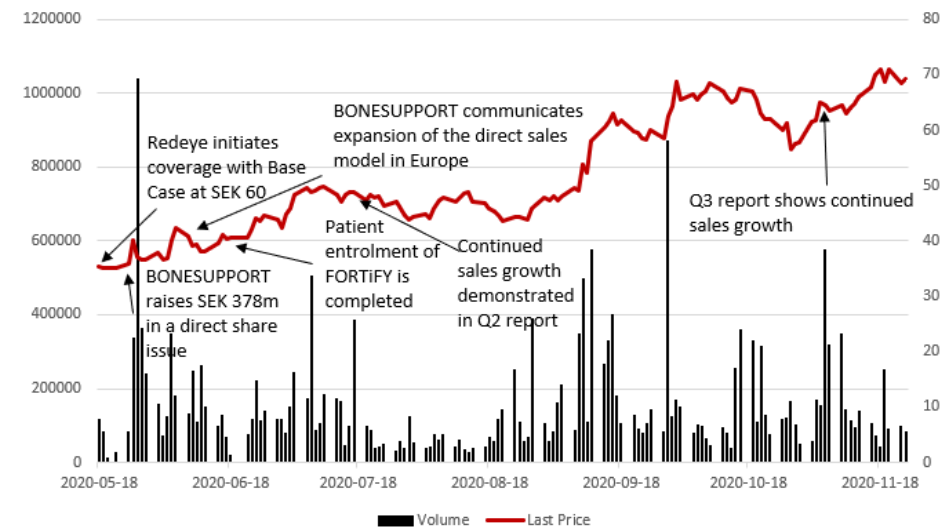
Date	Company	Acquired by	Market	Sales (USD)	EV (USD)	EV/sales
2013	Biotech international	Wright	Extremities	15	80	5,3
	Trauson	Stryker	Spine, hip	60	685	11,4
2014	Small bone innovations	Stryker	Extremities	48	375	7,8
	TYRX	Medtronic	Medical devices	20	160	8,0
2015	TEI Biosciences	Integra LifeSciences	Reconstructive surgery	64	312	4,9
	Xspine	Bacterin	Spinal implant	42	90	2,1
	Medical innovations	Cantel Medical Corp.	Medical devices	24	80	3,3
	SurgiQuest	CONMED Corp.	Medical devices	48	265	5,6
	TriVascular Technologies	Endologix Inc.	Medical devices	32	211	6,6
2018	Cartiva	Wright	Synthetic cartilage implant	35	435	12,4
	Ceterix orthopaedics	Smith & Nephew	Meniscus repairs	5	105	21,0
2019	Vilex	OrthoPediatrics Corp.	Extremities	12	50	4,2
	Vertiflex	Boston Scientific	Spinal implant	60	465	7,8
	Paradigm Spine	RTI Surgical	Spinal implant	40	300	7,5
			Average	36	258	8
			Low	5	50	2,1
			High	64	465	21

Source: Redeye Research

Share performance

Since we released our initiation of coverage on BONESUPPORT on May 18th, the share has performed exceptionally well with a stable positive momentum. Recently, the stock hit its all-time-high of SEK 72 and is currently trading at roughly SEK 69 – up some 100% since we started covering the company. Our Base Case in the initial report was SEK 60, later on adjusted slightly downwards as a result of the directed share issue to SEK 56 per share.

Share development since initial report (SEK)



Source: Redeye Research

We have a positive view on the share also in the shorter term. Continued impressive sales growth and most importantly, the approaching FDA approval for CERAMENT G for the indication of osteomyelitis are key drivers. While the FDA (De Novo) approval is of great importance for the company's ability to take on the US market, its FORTIFY trial results and anticipated PMA filing in H2 next year is of even greater importance, unlocking tremendous value creation potential for the much larger trauma indication.

Investors at current levels should see a rather satisfactory and stable share price performance in the coming six months towards SEK 90. Moreover, while our new Base Case represents a 30% upside, we highlight that an EV/sales multiple-based approach could suggest a value per share above our Base Case and into the Bull Case territory in the years to come.

Investment Thesis

BONESUPPORT's bone void fillers, known as the CERAMENT platform, aid bone healing, lower time in hospital and reduce the risk of infection. We regard BONESUPPORT as a highly attractive long-term case for the following reasons:

- Truly unique products with a first-mover advantage, potentially changing the treatment of bone defects
- Significantly de-risked with clinical validation and market presence
- 2021 and onwards to see significant sales growth, spectacular quarterly development despite ongoing pandemic

The positive outcomes we expect from the ongoing clinical trial (FORTIFY), which should further strengthen extensive clinical evidence, will *continue to increase sales* rather than *initiating* them. The fact that the company is already operational with a clear commercial orientation underscores the case's attractiveness.

Post-corona push

This year, the corona crisis denies the company's sales growth target of 40 percent annually and results in sales not in line with the company's true potential. But with an accelerated US launch of CERAMENT G and a potential back-to-normal scenario next year, we estimate that sales will grow rapidly – well above the 40 percent target - in the coming years as it starts to fulfil its potential. The share has performed exceptionally well since we released our initial report, and we foresee continued positive momentum as the FDA approval for CERAMENT G comes closer, as well as anticipated positive quarterly reports.

Considering the consistently high gross margins, we see great operating leverage opting for an impressive bottom-line growth in the longer term. We expect a positive, though small, EBIT in 2022 and positive cash flow in 2023.

USA – the promised land

Given the historical presence in the US with CERAMENT BVF, and the proven sales ramp-up of CERAMENT G and V in EU, we anticipate a successful US launch in early 2021. The change of approaching the FDA with a De Novo instead of only the PMA, drastically shortens the time to market by at least 12 months, we judge. The PMA is still ongoing and crucial for wider clinical implementation for the trauma indication.

Potential paradigm-shift

Indeed, the future of BONESUPPORT lies with CERAMENT G and V. The drug-eluting products benefit on the trend of the fight against antibiotic resistance. Positive outcomes from the coming clinical trials (FORTIFY, SOLARIO), could alter bone defect treatment altogether, putting BONESUPPORT in a unique position to capitalize on a USD 4bn market.

Great Opportunity as Growth Reaccelerates – Take-over Candidate?

We argue that current levels, despite a strong share price performance, offer an opportunity for this strong growth case with proven product excellence, business model and competitive advantages – including a future first-mover advantage in the biggest MedTech market of them all – the US.

Considering these factors and M&A activity in the sector in recent years, larger players may favour acquiring BONESUPPORT over the extensive process of developing a competitive device. With this in mind, we argue that our Base case valuation of SEK 90 would represent a fair premium over today's levels. The question is, which will come first; the SEK 600m revenue mark or a potential bid?

Key Catalysts

- **US market introduction** of CERAMENT G in early 2021
Time frame: 3-4 months
Positive impact: major
- **Quarterly reports** to show continued sales growth (mainly 2021 onwards)
Time frame: 12 months and onwards
Positive impact: moderate to major
- **Positive results from clinical trials** with the potential for a paradigm shift in the treatment of bone defects
Time frame: 1-4 years
Positive impact: major

Key Risks

- **Further postponement of surgeries involving CERAMENT** – continued reprioritization in hospitals is likely to reduce emphasis on less acute surgeries
Time frame: 0-9 months
Negative impact: moderate
- **Delayed or rejected FDA approval of CERAMENT G (De Novo)** – this would affect our short to medium-term sales forecast
Time frame: 3-4 months
Negative impact: moderate to major
- **Behavioural change amongst surgeons** - Indeed, the CERAMENT technology requires a change in behaviour among the orthopaedic surgeons, which we deem is a particularly conservative group.

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report

People: 4

Business: 3

Financials: 2

INCOME STATEMENT	2018	2019	2020E	2021E	2022E
Net sales	97	155	184	266	363
Total operating costs	-271	-314	-264	-316	-316
EBITDA	-174	-158	-101	-82	12
Depreciation	0	0	0	-2	-1
Amortization	0	0	0	-1	-1
Impairment charges	0	0	0	0	0
EBIT	-174	-158	-103	-84	9
Share in profits	0	0	0	0	0
Net financial items	0	0	-7	0	0
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-175	-158	-104	-85	9
Tax	-2	-3	0	0	0
Net earnings	-176	-161	-104	-85	9

BALANCE SHEET	2018	2019	2020E	2021E	2022E
Assets					
<i>Current assets</i>					
Cash in banks	261	92	328	266	256
Receivables	27	36	65	66	89
Inventories	24	39	49	49	60
Other current assets	5	6	7	7	6
Current assets	316	173	32	-47	-34
<i>Fixed assets</i>					
Tangible assets	4	15	13	15	15
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	6	8	9	19	32
O non-current assets	0	1	1	3	4
Total fixed assets	10	23	23	23	37
Deferred tax assets	0	0	0	0	0
Total (assets)	326	196	472	424	463
Liabilities					
<i>Current liabilities</i>					
Short-term debt	0	0	0	0	0
Accounts payable	12	14	27	49	60
O current liabilities	26	40	9	27	36
Current liabilities	10	12	23	31	41
Long-term debt	0	0	0	0	0
O long-term liabilities	0	6	17	6	6
Convertibles	0	0	0	0	0
Total Liabilities	48	72	76	113	143
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	279	124	396	311	320
Minority interest (BS)	0	0	0	0	0
Minority & equity	279	124	396	311	86
Total liab & SE	326	196	472	424	463

FREE CASH FLOW	2018	2019	2020E	2021E	2022E
Net sales	97	155	184	266	363
Total operating costs	-271	-314	-264	-316	-316
Depreciations total	0	0	0	-3	-2
EBIT	-174	-158	-103	-84	9
Taxes on EBIT	-2	-3	0	0	0
NOPLAT	-176	-161	-103	-84	9
Depreciation	0	0	0	3	2
Gross cash flow	-176	-161	-103	-87	11
Change in WC	0	-7	-6	-24	-21
Gross CAPEX	-1	-13	-46	47	-4
Free cash flow	-177	-182	-142	-56	-6

CAPITAL STRUCTURE	2018	2019	2020E	2021E	2022E
Equity ratio	85%	63%	84%	73%	69%
Debt/equity ratio	17%	58%	19%	36%	45%
Net debt	-261	-92	-328	-266	-256
Capital employed	279	130	412	317	326

GROWTH	2018	2019	2020E	2021E	2022E
Sales growth	-25%	61%	18%	45%	36%
EPS growth (adj)	-9%	47%	18%	-47%	110%

DCF VALUATION	WACC (%)	CASH FLOW, MSEK	NPV FCF (2020-2021)	NPV FCF (2022-2028)	NPV FCF (2029-)
	11.0 %		-198	3595	3306
Fair value estimate MSEK					
5774					
Assumptions 2020-2026 (%)					
Average sales growth	46 %	Fair value e. per share, SEK	90		
EBIT margin	4.3 %	Share price, SEK	69.20		

PROFITABILITY	2018	2019	2020E	2021E	2022E
ROE	neg	neg	neg	neg	2.8%
ROCE	neg	neg	neg	neg	2.8%
ROIC	neg	neg	neg	neg	16.7%
EBITDA margin	neg	neg	neg	neg	3%
EBIT margin	neg	neg	neg	neg	3%
Net margin	neg	neg	neg	neg	3%

DATA PER SHARE	2018	2019	2020E	2021E	2022E
EPS	-3.4	-3.1	-1.6	-1.3	0.14
EPS adj	-3.4	-3.1	-1.6	-1.3	0.14
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-5	-1.8	-5.2	-4.2	-4
Total shares	51.8	52.0	63.2	63.2	63.2

VALUATION	2018	2019	2020E	2021E	2022E
EV	790	1598	4116	4178	4188
P/E	neg	neg	neg	neg	488

P/Sales	11	11	24	16	12
EV/Sales	8	10	22	15	11
EV/EBIT	neg	neg	neg	neg	459

SHARE PERFORMANCE	GROWTH/YEAR	18/20E	
1 month	10.65 %	Net sales	90.2 %
3 month	57.3 %	Operating profit adj	41.5 %
12 month	107.88 %	EPS, just	52%
Since start of the year	111.08 %		

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
HealthCap	10.6 %	10.34 %
Swedbank Robur Fonder	7.47 %	7.60 %
Stiftelsen Industrifonden	7.37 %	7.50 %
Tredje AP-fonden	6.0 %	6.11 %
Avanza Pension	5.0 %	5.09 %
Fjärde AP-fonden	4.76 %	4.84 %
Tellacq AB	4.54 %	4.62 %
La Financière de l'Echiquier	3.56 %	3.62 %
Lancelot Asset Management	3.54 %	3.60 %
OstVäst Capital Management	3.03 %	3.09 %

SHARE INFORMATION	Reuters code	List	Share price	Total shares, million	Market Cap, MSEK
		Small Cap	69.20	63.2	4444

MANAGEMENT & BOARD	CEO	CFO	IR	Chairman
	Emil Bilbäck	Håkan Johansson		Lennart Johansson

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Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Disclaimer

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Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redev.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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Redeye Rating (2020-11-24)

Rating	People	Business	Financials
5p	21	16	3
3p - 4p	106	87	40
0p - 2p	5	29	89
Company N	132	132	132

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Oscar Bergman owns shares in the Company: Yes

Anders Hedlund owns shares in the Company: No

Redeye performs/have performed services for the company and receives/have received compensation from the company in connection with this.