

NeoDynamics

Sector: Medtech

Exciting times ahead

Redeye takes a closer look at NeoDynamics as several potentially case-altering events are nearing in. Our positive stance is reinforced, and we believe that current share price levels (in all-time-low territory) at roughly SEK 3.0, could offer attractive entries for a hefty potential during the year to our updated Base Case.

A network of breast cancer clinics for commercial launch

Its collaborations with +30 university hospitals in Europe will (hopefully, considering Corona) open up for NeoDynamics to commercially engage with during the year – especially at the clinics currently involved in its clinical trials. We believe that the roll-out of NeoNavia could take-off significantly based on these hospitals in the coming one to two years.

Clinical trials read-outs inching in

Closing in on the end of H1, the PULSE study presents its results while the second study, COMPULSE, is yet recruiting and expected to present interim data by year-end (final data in 2022). The two clinical trials based on +500 breast cancer patients are hugely important to the case where positive data should attract interest from practitioners, potential partners, and investors.

FDA filing and potential approval this year

We expect NeoDynamics to file its FDA application during the summer and eventual approval by late 2021 or early next year. On the back of its European clinical track-record, we judge NeoDynamics should be able to sign with a partner for the US market during 2022 but also see smaller sales before a potential partnership.

+70% potential to Base Case

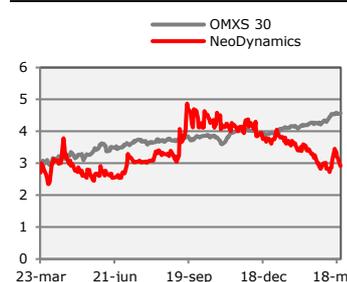
We raise our Base Case to SEK 5.0 (previously SEK 4.0) following a closer take on the outlook for NeoDynamics, lowering our WACC and positively affecting our discounted cash flow model. We see clear catalysts for the share to close its gap during the year, though we anticipate an equity issue in H1 2022 of SEK 70-80m. Considering its expected momentum until then, we believe a directed share issue is not an unlikely solution.

KEY FINANCIALS (SEKm)	2018	2019	2020	2021E	2022E	2023E
Net sales	0	0	0	10	34	81
EBIT	-16	-18	-29	-70	-53	0
EPS	-1.2	-1.2	-0.5	-1.4	-0.9	0

FAIR VALUE RANGE

BEAR	BASE	BULL
2.5	5.0	10

NEOD.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	NEOD.ST
Market	Spotlight
Share Price (SEK)	3.0
Market Cap (MSEK)	175
Net Debt 21E (MSEK)	-50
Free Float	68 %
Avg. daily volume ('000)	183

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Nearing in on exciting times

We see several important activities and events in the short and medium-term perspective (3-18 months), which could significantly elevate NeoDynamics' long-term fundamentals. We argue that these activities and events should have a tremendously positive impact on the share price. We identify the following key catalysts to drive the valuation towards our Base Case of SEK 5.0:

- **Commercialisation at key European breast cancer clinics**
Time frame: Ongoing, likely intensified in H2 2021
Impact: Minor to major
- **Clinical trial results (PULSE) and interim data (COMPULSE)**
Time frame: 3 and 9 months, respectively.
Impact: Moderate to major
- **FDA filing (510k), approval, smaller-scale US launch, and partnership**
Time frame: 3, 8-9, 12 and 12-18 months
Impact: Moderate to major

Commercialisation at key European breast cancer clinics

In November of last year, NeoDynamics received its first commercial order shortly after its participation at the annual senology congresses in Austria and Switzerland. The order came from Buckinghamshire Healthcare NHS Trust in London, a centre well connected to the two London-based hospitals involved in NeoDynamics' COMPULSE trial. We view this as encouraging, demonstrating the interest for NeoNavia amongst tech-savvy practitioners – a critical piece before its wider commercial roll-out.

However, we expect the centres with which NeoDynamics already has established relations, will begin to place some orders during the year – we estimate sales of SEK 10m in 2021. Still, the process of introducing a new device, and get a clearance from the hospital, is usually a lengthy one. Once NeoNavia has gained some traction amongst these universities, we believe a wider roll-out should follow in the coming years and expect a CAGR of 180% until 2023, reaching sales of SEK 81m and EBIT breakeven.

Centers with ongoing studies and other collaborations

Germany	United Kingdom	Sweden and Norway	United States
Ongoing studies	Ongoing studies	Other collaborations	Other collaborations
Agaplesion Markus Krankenhaus, Frankfurt	Manchester The Nightingale Center	Karolinska Sjukhuset, Stockholm	MD Anderson Cancer Center, Houston
Universitätsklinik Esslingen	Addenbrooks NHS, Cambridge	Capio St Görans Sjukhus, Stockholm	Memorial Sloan Kettering, New York
Universitäts-Frauenklinik Tübingen	The Royal Marsden Hospital, London	Södersjukhuset, Stockholm	Emory University Hospital, Atlanta
Kliniken Essen-Mitte	St. James Hospital, Leeds NHS	Radiumhospitalet, Oslo	University of Iowa Hospitals and Clinics, Iowa City
Universitäts-Frauenklinik Rostock	King Edward VII's, Barts Health NHS Trust		University of Kentucky Hospital, Lexington
HJ Erkelenz	University Hospital, Cardiff & Vale NHS		University of Pittsburgh
Other collaborations	Western General Hospital, Lothian NHS		University of Miami
Universitätsklinikum Schleswig-Holstein, Lübeck	Southmed Hospital, North Bristol NHS		
Universitätsklinik TUM r.d. Isar, München	King's College Hospital, London		
Universitätsklinik Greifswald	Other collaborations		
Universitäts-Frauenklinik Heidelberg	Birmingham Women's Hospital		
Universitätsklinik Hamburg Eppendorff	King George Hospital, Essex		
Uniklinik Köln			
Sankt Gertrauden Krankenhaus, Berlin			
Diakoniekrankenhaus Henriettenstiftung, Hannover			
Ruppiner Kliniken GmbH			
St. Barbara Klinik Hamm-Hessen			
Diakonieklinikum Hamburg			

Source: Redeye Research, NeoDynamics

Clinical trial read-outs

NeoDynamics has two ongoing clinical trials for its NeoNavia biopsy instrument – one in Germany (PULSE) and a follow-up trial in the UK (COMPULSE). We expect a clinical trial read-out in H1 for PULSE and interim data for COMPULSE towards the year-change, with a full read-out in 2022. The patient recruitment for COMPULSE is still underway after suffering delays related to Corona in 2020.

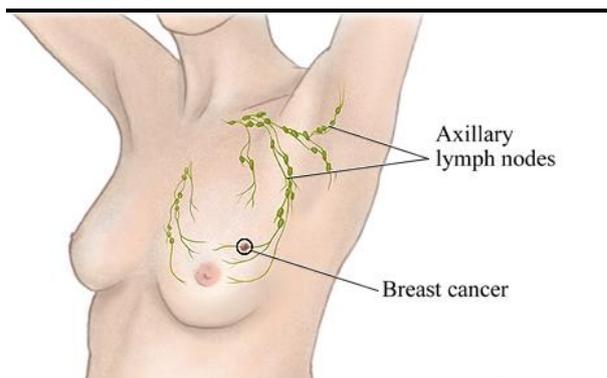
Initial axilla focus opens up for breast biopsies

Both studies have a focus on suspicious axillary lymph nodes, a delicate area to gather tissue samples from with today's gold standard that is based on the "fire-and-forget" technology (spring-loaded biopsy instruments that shoot in the tissue). The studies could show that NeoNavia's pulse technology provides a more precise biopsy, with greater sample volume while at the same time only relying on localised anaesthesia as opposed to general anaesthesia.

By focusing its studies on the axilla lymph nodes (the first to be affected in metastatic breast cancer), NeoDynamics can show its advantages over today's gold standard. The axilla is a difficult area to take biopsy samples from due to its topography (density of nerves and blood vessels). Furthermore, if NeoNavia can demonstrate precision and increased sample size without reduced quality from this delicate area, we believe its usefulness will be proven for regular breast tissue biopsies as well. We think its strategy of initially focusing on the axilla will, over time, convince practitioners to widen its use also for the breast – where the large biopsy volumes reside. Additional clinical trials on breast, rather than axilla, are likely.

The praise already received from KOLs using the device, along with the results from a published study by Schässburger et al. in 2018, as well as several poster presentations at scientific congresses, leads us to believe the results of the study will be positive. Just recently, an abstract was presented at St Gallen International Breast Cancer Conference in Austria, demonstrating that NeoNavia's three probes provided a substantial increase in tissue samples compared to today's instruments.

Axillary lymph nodes



Source: Redeye Research, HealthLinkBC

PULSE

The German study (PULSE) is an open multicentre study with 140 breast cancer patients at the largest university hospitals in the country. The aim of the study is to investigate the performance of NeoNavia for axillary lymph node biopsies. The documentation of the study should provide insights into the complexity of such biopsy procedures, as well as generate hypothesis for comparative, larger trials.

Its study data to be presented in late H1 2021 could generate significant interest in the product amongst radiologists/gynaecologists as well investor interest for the share, we

judge. Depending on the results, we may even consider adjusting our longer-term sales estimates upwards.

COMPULSE

The UK study (COMPULSE) is a randomised, controlled multicentre study with +400 breast cancer patients. The goal of the study is to demonstrate the benefits of NeoNavia (CorePulse needle) compared to today's gold standard (Core Needle Biopsy) for ultrasound-guided biopsies of the axilla lymph nodes.

The study, which consists of several hundred more patients than PULSE and directly compares to the gold standard, could (together with PULSE) strengthen the case significantly for NeoDynamics.

FDA filing and eventual approval during the year

Indeed, one of the most important events during this year for NeoDynamics is its FDA filing and potential subsequent approval. The US market is the largest medtech market in the world, adding substantial potential to its future sales.

Initially set for the fall of 2020, the FDA filing was postponed due to Corona's negative effect on regulatory processes. Should NeoDynamics send in its application at the end of Q2/beginning of Q3, a potential approval could come in late 2021 or early 2022, we judge. Moreover, following the clinical trial data, US partnership discussions could intensify by year-change. However, such negotiations could be extensive and lengthy – we expect NeoDynamics to initiate some sales through its own organisation at key breast cancer clinics in late H1 2022 before signing with a partner.

We believe the data from the PULSE and COMPULSE studies, as well as engagement at US key breast cancers, should be satisfactory for a US partnership to be initiated. Potential US studies or a post market clinical follow-up study (PMCF) could further strengthen the clinical validation of NeoNavia and add to its potential. Moreover, we expect smaller studies to be initiated in the US to receive reimbursement or for US surgeons to investigate the device further.

Corona still haunts

While these events (specifically clinical trial data and FDA approval) should have a positive impact both on the stock in the shorter-term and the fundamental prospects of the company in the longer-term, we emphasise that, despite ongoing vaccines roll-out, we are still in a pandemic. This "new normal" has had a significant negative impact on early-stage medtech firms in introducing new devices, recruiting patients for trials, and getting devices regulatory approved. We argue that this is still a risk and could potentially affect the activities we highlight in this report.

A closer look at NeoNavia and biopsies

To fully understand the case of NeoDynamics, a closer look at NeoNavia and breast/axilla biopsies, in general, could add value. We briefly describe the issue at hand, and the solution NeoDynamics is bringing forth with NeoNavia.

Imaging technologies and biopsies

In order to determine where and how to take a biopsy, imaging guidance on the patient is required during the procedure. Today, roughly 60% of biopsies are carried out using ultrasound. This imaging technology is set to grow in the coming years, further strengthening its role as *the* imaging technology for these procedures. As imaging technology advances, the quality of the images increases, allowing more suspicious tissues to be detected. This, in turn, increases the need for biopsies – and as far smaller suspicious

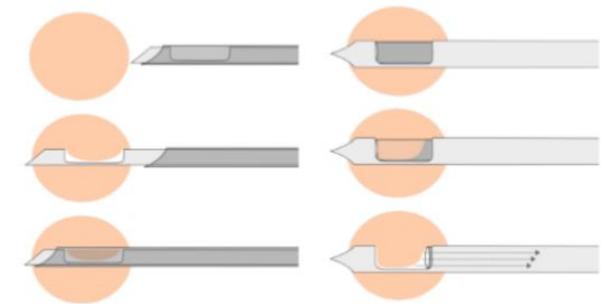
lumps can be seen than before, the technology for biopsy instruments, too, need to advance. On the back of this, NeoDynamics' ongoing clinical trials could carry some heavy clinical importance for breast cancer diagnosis and treatment. This puts NeoDynamics in an attractive position to leverage its university hospital collaborations.

How biopsies are conducted

A biopsy is a standardised medical procedure used to diagnose tumours. It can be performed surgically (a piece of tissue is removed through a small cut or incision) but is mostly performed using a minimally invasive biopsy instrument. The biopsy instrument is a handheld device equipped with a needle that takes a sample from the suspicious tissue. The gold standard is based on a spring-loaded, so-called core needle (CNB), which is shot into the tissue area, guided by imaging technology, but lacks the possibility to halt insertion once initiated – earning the "fire-and-forget" signum.

Before inserting the needle, the patient receives local anaesthesia, and a small incision is required so that the needle can be inserted towards the suspected lesion. The tissue is then forced into a cavity, and the core needle is withdrawn, emptied and is ready for the next insertion. Alternatively, a larger vacuum-assisted needle (VAB) is used, having the benefit of yielding more tissue and several samples in only one insertion. There is also a fine needle (FNA), but this is mainly used only for first-stage analysis of cancer before histological tissue samples are taken.

CNB (left) and VAB (right)



Source: Redeye Research, NeoDynamics

The process of determining if the sample is cancerous or not is undertaken by a team of specialists. However, the actual biopsy procedure of taking a tissue sample is carried out by a radiologist, or in some countries, by a gynaecologist. These are the users of NeoNavia.

Unique pulse technology excellent for axilla

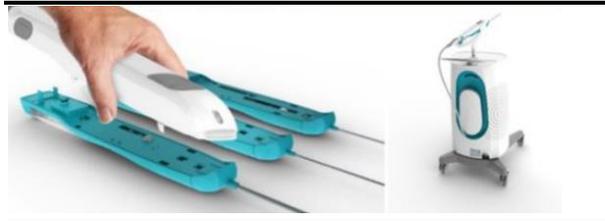
NeoDynamics has developed its unique technology specifically to overcome the disadvantages of today's biopsy instruments. By inserting the needle step-by-step at 1-2 millimetres at a time, it reduces the risk of missing the suspected tumour and damaging surrounding nerves and blood vessels. The most interesting aspect is the pulse technology's advantages over existing biopsy instruments in taking samples from the axilla.

Tissue samples from the axilla are challenging to obtain due to the high density of nerves and blood vessels. Today's spring-loaded core and vacuum needles lack precision and are more invasive for the axilla. Surgical procedures are often carried out instead, requiring general anaesthetic, which raises costs and increases the risks compared with NeoNavia and the novel FlexiPulse needle.

NeoNavia – product and method

NeoNavia is a tethered system of three parts: the mobile base unit, the handheld driver and the sterile disposable needle probe. The mobile base unit provides the system with electricity, vacuum and compressed air, allowing the instrument to function. The driver operates the different needle probes that can be used for the varying biopsy needs, depending on tumour location and the difficulty in obtaining relevant samples.

NeoNavia – driver, probe, and base unit



Source: Redeye Research, NeoDynamics

The procedure is guided via ultrasound, which normally requires an assistant; with NeoNavia, however, the practitioner can operate both the needle and the ultrasound. Thanks to the pulses, NeoNavia can easily pass through sometimes dense or fibrous tissue to the exact position or near the suspicious lump. After any of the three probes available with NeoNavia (CorePulse, VacuPulse, FlexiPulse) has been inserted into the suspicious spot, the sample is taken and extracted for further analysis by the biopsy team.

NeoNavia's advantages

NeoNavia has several benefits over today's gold standard biopsy instruments as it was specifically developed to overcome the issues associated with them. The established biopsy instruments today include Magnum by C.R. Bard, Mammotome Elite from Leica Biosystems, ATEC by Hologic, and Achieve by Care Fusion. The most used CNB is Magnum (C.R. Bard), while the most used VAB is Mammotome Elite (Leica Biosystems). However, in our view, they are not optimal for the following reasons:

1. CNBs are based on a spring-loaded technique, which lacks the possibility to halt the procedure once it has been initiated, resulting in less control
2. This reduced control increases the risk of damage to nerves and blood vessels
3. Neither CNBs nor VABs, which are very invasive, are optimal for axilla lymph node biopsy, meaning surgical biopsies are often performed instead

NeoNavia has the following advantages over today's gold standard:

1. The pulse technology allows for greater procedure control and higher precision
2. Thanks to better control, precision and increased sample volume, NeoNavia can give higher sample quality, and more adequate samples can be taken
3. Complex biopsy procedures in, for example, axilla lymph nodes are more easily obtained using FlexiPulse. Furthermore, this eliminates the need for a time consuming and costly surgical biopsy with general anaesthetics in many cases

Financial estimates 2021-2030

With the continued commercialisation at selected university hospitals in Europe, potentially strong clinical results of NeoNavia's superiority to the gold standard, as well as an FDA filing and potential approval by year-end, we believe its sales could take-off significantly already next year and even more so in 2023. We expect sales this year to come in at SEK 10m.

Though Corona has negatively impacted its shorter-term sales prospects, especially looking at our previous estimates for 2021 in our [initiation report](#), we still view its longer-term sales prospects to remain intact and partly strengthened. Better yet, potential strong clinical results from the two trials could trigger increases in our sales estimates and require a re-take on our market penetration estimates. Our Base Case relies on the assumption of longer-term market penetration of 5-6% across its markets in the US, EU and China.

Update estimates 2021-2024

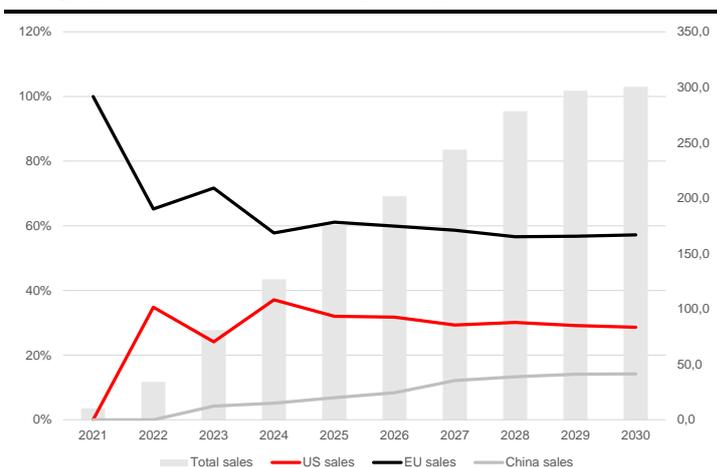
	2021	2022	2023	2024
Updated sales	10	34	81	127
Old sales	33	59	117	164
Difference, %	-69%	-42%	-31%	-23%
Difference, absolute	-23	-25	-36	-37

Source: Redeye Research

Sales estimates

We expect the European market to make up most of the sales in our forecast period, especially in the coming few years, until NeoNavia gets more traction in the US. Volume-wise, we estimate the US market to make up most of the biopsy procedures, though, based on a deal structure with royalties, we model in most of the net sales to stem from its European operations.

Geographical sales 2021-2030 (SEKm)



Source: Redeye Research

We believe that NeoDynamics will be able to attract a US partnership based on its European track-record and expected launches at key US breast cancer centres in 2022. We expect some initial sales towards in H1 2022 on its own accord, before a broader roll-out with a partner.

Moreover, our estimates for China may be relatively modest for the time being. Following continued eventual commercial success in Europe and the US, as well as initiated clinical studies on the Chinese market, could alter our estimates upwards.

Going forward, we argue that the coming events (specifically PULSE results and COMPULSE interim results) and eventual shorter-term commercial success could positively up our fair value range. Therefore, we advise investors to give some extra consideration to our Bull Case of SEK 10 per share.

Main cost drivers and EBIT

In the coming years, we expect NeoDynamics to increase its cost related to RnD, while at the same time, as a result of the commercialisation, increase its selling expenses. While we expect its biopsy instrument to be broadly launched in the US and China with partners, keeping some expenses down as it does not require building a particularly large organisation, we still believe that administrative expansion will follow, particularly following its European progression.

We expect NeoDynamics to breakeven in 2023 and steadily grow until reaching a stable 30% at the end of the forecasting period. Until then, sales growth is a key factor to determine the potential of the case and an important factor for the development of the share.

NeoDynamics will continue to have a substantial loss carry-forward in the coming years, affecting the tax costs in our estimates for the 2021-2030 period.

Cash position and positive cash flow

At the end of 2020, NeoDynamics had SEK 73m in cash, having raised some SEK 90m in a [directed share issue](#) in the fall. We estimate that the current cash position will be sufficient to carry operations until H1 2022, where we expect an additional equity issue. Considering its anticipated positive momentum in the coming 12 months and that it attracted longer-term oriented life science investors in its relatively recent directed share issue, we do not rule out such a solution. We expect roughly SEK 70-80m to be raised.

Income statement forecast 2021-2024

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sales	10	34	81	127	176	202	244	278	297	301
Sales growth		232%	136%	57%	39%	15%	21%	14%	7%	1%
Gross margin	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
EBIT	-70	-53	0	13	28	40	62	78	90	91
EBIT margin	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	10%	16%	20%	26%	28%	30%	30%
Net profit	-70	-53	0	13	28	40	62	78	90	91

Source: Redeye Research

Valuation of NeoDynamics

Despite lower estimated sales figures in the years to come compared to what we previously modelled in, we judge its longer-term sales prospects remain intact and even slightly strengthened. We see thrilling events in the coming 3-18 months that could push our sales estimates and the share price up further. We lower the WACC to some 13% from the previous 15% following a review of the case and better reflect the interest-rate climate – this also positively affects our discounted cash flow model.

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 5.0 per share (+70% upside)
- Bull Case = SEK 10.0 per share (+240% upside)
- Bear Case = SEK 2.5 per share (-14% downside)

Base Case (SEK 5.0): US partnership and widened university hospitals' clinical usage in 2022

Our Base Case for NeoDynamics is built on the assumption that NeoDynamics introduces its biopsy instrument in the US during 2022, scaling up its launch together with a partner. We expect a strengthened commercial infrastructure on the European market this and next year, where university hospitals the company currently has collaborations with, lead to a significant sales increase. We expect a study in China to be initiated in 2022, with the first sales in 2023, though rather modestly modelled in at current. Towards the end of the period, we expect a market penetration of some 5-6%.

We estimate sales of SEK 10m for this year and EBIT breakeven in 2023 with sales of SEK 81m. We expect a positive cash flow in 2024 but anticipate an additional equity issue in H1 2022 of SEK 70-80m to help carry operations until then. In the longer-term, we model in an EBIT margin of some 30%.

Bull Case (SEK 10.0): US and China embrace NeoNavia

In our optimistic Bull Case, we build on the assumption that its launch in the US, and later on in China, have a great positive impact on our sales estimates in the medium and longer-term. Towards the end of the period, we expect a market penetration of some 8-10%.

For this year, we estimate sales of SEK 15m. We forecast a positive EBIT of SEK 22m in 2023, with sales of SEK 121m and a positive cash flow in the same year. In the longer term, we forecast EBIT margins of some 35%.

Bear Case (SEK 2.5): Prolonged US partnership, slower European sales ramp-up, and slow Chinese market introduction

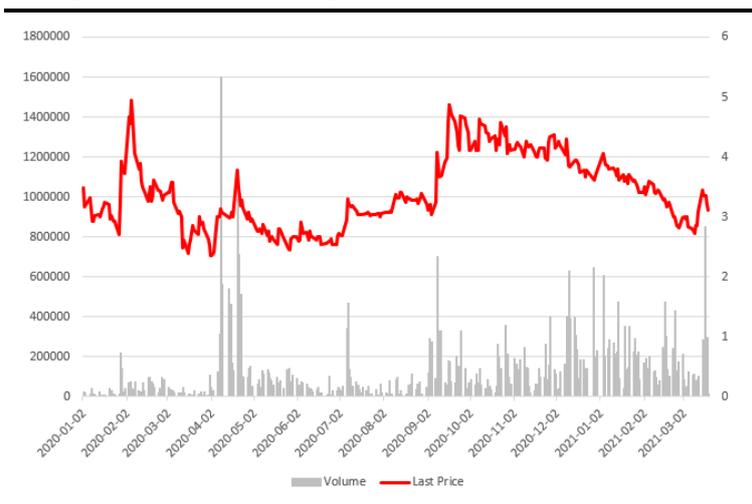
In our pessimistic scenario, we factor in a prolonged US partnership despite an FDA approval by 2022, negatively affecting and limiting its US prospects. We also take a more conservative stance on its success in Europe amongst its university hospitals as well as in China. Towards the end of the period, we expect a market penetration of some 3-4%.

We estimate sales of SEK 7m this year. with an EBIT breakeven in 2024 with sales of SEK 88m and positive cash flow in 2025. We forecast an EBIT margin of some 27.5% in the longer term.

Share price performance

The shares have been trading downwards in the past 5-6 months, currently in its all-time-low territory. We expect a resurface of investor confidence shortly, as the PULSE trial presents data in a few months and an FDA filing during the summer. We believe this upwards momentum could also sustain during the fall, as the FDA decision should be nearing, where interim data from COMPULSE, too, will be presented by year-change. Moreover, on the back of an eventual FDA approval, intensified focus on signing with a partner for the US market should also allure investor interest, we expect.

NeoDynamics' share development since 2020



Source: Redeye Research, Bloomberg

Risks to the case

While we are reasonably confident in positive results from the clinical trials, as pre-clinical studies have, to an extent, already verified NeoNavia's performance, there are risk factors to the case. Specifically, these are related to catalysts of the share:

- **Slower sales ramp up in Europe** – We see exciting longer-term potential, but its shorter-term sales ramp-up is important to the case and the share price. Slower growth could imply a lower interest for NeoNavia than anticipated while also directly affecting its prospects to ignite investor interest and its ability to raise capital
- **Delayed or non-approval by the FDA** – While a delay should only have a minor impact on the longer-term sales prospects, a potential approval is likely to positively affect the share in the shorter term (however, a delay could test investors' patience...). Moreover, a decision by the FDA not to approve the device would be devastating to the case, though we view the chances of this as extremely low given the low-risk product classification (510k) and current data for NeoNavia
- **Prolonged partnership** – Though we expect initial sales already before a US partner, we believe that its chances for broader commercialisation on the US market are dependent on a partnership. As such, a prolonged partner agreement would negatively affect US sales estimates

Should these abovementioned risks materialise, the financial situation we currently see for NeoDynamics would most likely change negatively. As a result, the company may need to issue far more equity than we expect and perhaps on other, less attractive terms for existing and future shareholders.

While we have discussed its nearer-term catalysts, we also believe investors should consider three main longer-term aspects, namely:

- Continued strengthening of its clinical validation through, for example, a PMCF-study and potentially other cancer indications
- Broader US commercialisation with a partner, stretching beyond the coming few years
- Chinese study and market introduction

These carry significant weight to the case and could substantially impact its sales potential on all time horizons. With this in mind, we also push this as a case for longer-term oriented investors who are willing to take a bet on an early stage medtech firm with an increasing clinical validation, targeting the growing biopsy market (though currently relying on old, sub-optimal instruments) with exciting potential global entries.

Investment Case

Innovation needed in biopsy instruments...

Tissue samples are crucial in determining whether a patient has breast cancer. As suspected tumours have become easier to spot thanks to the development of imaging technologies, cancer diagnosis has improved. However, a gap between the imaging technologies' advantages and the effectiveness of today's biopsy instruments leads to a shortfall between what should be sampled and what can be.

Innovation in biopsy instruments is needed to improve breast cancer diagnosis further and allow therapy to be initiated faster. In our view, today's breast biopsy instruments are a bottleneck holding back imaging technologies' full potential – especially as breast cancer treatment is shifting towards more biopsies during treatment and not only in diagnosis.

...and provided by NeoNavia

NeoDynamics' unique patented pulse technology, which pulsates the needle 1-2 millimetres at a time, allows for more controlled, precise and safer tissue samples. Unlike the current gold standard (C.R. Bard's Magnum device, which is based on a spring-loaded mechanism), NeoNavia allows radiologists/gynaecologists to stop, configure and target the needle towards suspicious tissue.

Lower cost and risk

We see NeoNavia's ability to obtain samples from the axilla (under the arm) as a significant proof of quality. The first to be affected in metastatic breast cancer, the axilla lymph nodes are in a difficult area for sampling due to the richness of nerves and blood vessels. Accordingly, axillary lymph node biopsies are often performed surgically on patients under general anaesthesia. With NeoNavia, only local anaesthesia is required as the needle biopsy can be conducted in a more controlled and precise procedure. Not having to apply general anaesthesia and undergo surgery means lower costs and health risks.

Breast cancer – incidence, diagnosis and treatment

Globally, around 2.1 million women are diagnosed with breast cancer, and some 500,000 women die from the disease annually. Although incidence growth varies between countries, especially between those in the developed and developing worlds, the global expected incidence growth is 5% annually. Around 12% of all women globally are diagnosed with breast cancer, making it the most prevalent cancer type among the female population.

Breast cancer is often detected during a screening examination and before any symptoms appear, or after a woman discovers a lump. The disease is generally assessed via a so-called "triple diagnosis": palpation of the breast and axillary lymph nodes, imaging technologies to identify any abnormality, and lastly a biopsy for histopathological analysis.

Treatment of breast cancer has evolved from surgically removing entire breasts and axillary lymph nodes, to more precise surgical procedures where only the tumour or tumours are removed. After surgery, a patient was previously administered radiation and medication to hinder any remaining cancer growth. Today, treatment is shifting towards more focus on radiation and medication, rather than mostly surgery. The new trend also increases the number of biopsies required, as samples are required to analyse how well the cancer treatment is working.

INCOME STATEMENT	2019	2020	2021E	2022E	2023E
Net sales	0	0	10	34	81
Total operating costs	-40	-46	-77	-77	-57
EBIT	-18	-29	-70	-53	0
Net earnings	-18	-31	-70	-53	0

BALANCE SHEET	2019	2020	2021E	2022E	2023E
Assets					
<i>Current assets</i>					
Cash in banks	6	73	15	0	0
Receivables	13	7	3	6	12
Inventories	0	2	4	6	15
Other current assets	1	0	0	0	0
Current assets	20	82	19	12	27
<i>Fixed assets</i>					
Tangible assets	1	1	2	4	8
Intangible assets	71	88	83	79	79
Total fixed assets	72	89	85	83	87
Total (assets)	82	171	104	95	114
Liabilities					
<i>Current liabilities</i>					
Accounts payable	2	1	2	6	10
Other current liabilities	35	5	4	43	57
Current liabilities	37	6	6	49	67
Other long-term liabilities	0	0	1	1	2
Total Liabilities	37	6	7	50	69
Shareholders equity	56	166	97	44	44
Total liab & SE	92	171	104	95	114

FREE CASH FLOW	2021E	2022E	2023E
NOPAT	-70	-53	0
+/- Net Working Capital	3	1	-1
+/- Other Long-Term Liab.	1	1	1
+ Depreciation	0	0	0
+ Amortization	6	8	8
- CAPEX	-1	-2	-6
- Intangible assets	-1	-4	-6
Free cash flow	-62	-49	5

CAPITAL STRUCTURE	2019	2020	2021E	2022E	2023E
Equity ratio	60%	97%	93%	47%	38%
Debt/equity ratio	66%	3%	8%	114%	160%
Net debt	-6	-73	-12	37	41
Capital employed	56	166	98	46	47

GROWTH	2019	2020	2021E	2022E	2023E
Sales growth	n.a	n.a	n.a	232%	136%

DCF VALUATION	WACC (%)	CASH FLOW, MSEK	
	13.0 %	NPV FCF (2021-2023)	-86
		NPV FCF (2024-2030)	112
		NPV FCF (2031-)	182
		Fair value estimate MSEK	281
Assumptions 2021-2023 (%)			
Average sales growth	180 %	Fair value e. per share, SEK	5.0
EBIT margin	-277 %	Share price, SEK	2.9

PROFITABILITY	2019	2020	2021E	2022E	2023E
ROE	n.a	n.a	n.a	n.a	n.a
ROCE	n.a	n.a	n.a	n.a	n.a
ROIC	n.a	n.a	n.a	n.a	n.a
EBITDA margin	n.a	n.a	n.a	n.a	n.a
EBIT margin	n.a	n.a	n.a	n.a	n.a
Net margin	n.a	n.a	n.a	n.a	n.a

DATA PER SHARE	2019	2020	2021E	2022E	2023E
EPS	-1.2	-0.5	-1.1	-0.9	0

VALUATION	2019	2020	2021E	2022E	2023E
EV/Sales	n.a	n.a	10	3	1
EV/EBIT	n.a	n.a	n.a	n.a	n.a

SHARE PERFORMANCE	GROWTH/YEAR	21/23E	
1 month	-3 %	Net sales	184 %
3 month	-21 %	Operating profit adj	-415 %
12 month	4 %		
Since start of the year	-23 %		

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Huasheng Fang	11.3%	11.3%
Boai NKY Medical Holdings Ltd.	8.2%	8.2%
Johan Thorell	6.4%	6.4%
Nordnet Pensionsförsäkring	5.6%	5.6%
Masoud Khayyami	4.7%	4.7%
Avanza Pension	4.3%	4.3%
Rutger Arnhult	3.6%	3.6%
Ingrid Salén	1.6%	1.6%
Humlan Fastighetsutveckling AB	1.4%	1.4%

SHARE INFORMATION	
Reuters code	NEOD.ST
List	Spotlight
Share price	2.9
Total shares, million	60.251
Market Cap, MSEK	175

MANAGEMENT & BOARD	
CEO	Anna Eriksrud
Chairman	Ingrid Salén

FINANCIAL INFORMATION

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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 redeye.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 (2021-03-23)

Rating	People	Business	Financials
5p	22	17	3
3p - 4p	96	78	39
0p - 2p	6	29	82
Company N	124	124	124

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CONFLICT OF INTERESTS

Oscar Bergman owns shares in the company : No

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.