

2cureX

Sector: Diagnostics

2cureX: IndiTreat market launch imminent

Redeye returns with an updated take on 2cureX following TICC trial result publication. Following this successful proof-of-concept, the company is now ready for IndiTreat commercialization in metastatic colorectal cancer. Reassessing its commercial outlook and our financial estimates, we have updated our fair value range.

IndiTreat launch in metastatic colorectal cancer imminent

Following successful TICC trial completion, the company is executing the commercial launch of Inditreat in metastatic colorectal cancer. Our Base Case projects IndiTreat mCRC revenues of around SEK 22m and SEK 44m accruing to 2cureX in 2022 and 2023, respectively. Further, we project EBIT and free cash flow turning positive in 2024.

Strengthened management

Since our initiation report in August 2020, the company has hired Fernando Andreu as CEO and Kenneth Graabek Johansen as CFO, both possessing extensive industry experience. We are encouraged by this strengthening of its organization, which is key for a successful launch of IndiTreat, signifying an increased commercial focus.

Valuation revisited

Implementing our revised financial estimates, we raise our Base Case to SEK 31 (23) per share, implying potential upside of some 60% from today's SEK ~19. Further, we raise our Bull Case and Bear Case to SEK 50 (32) and SEK 12 (11) per share, respectively.

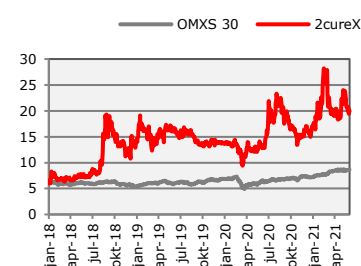
We believe the stock will re-rate once 2cureX can show solid IndiTreat sales acceleration starting in H2 2021. As such, the valuation gap hinges on successful commercialization, where quarterly reports should carry significant weight going forward. We therefore believe the stock could trade up to our Base Case toward H1 2022, in line with sales acceleration.

| SEKm | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------|-----------|-----------|------------|------------|-----------|
| Revenues | 0 | 0 | 4 | 22 | 44 |
| % Growth (y/y) | NA | NA | NA | 407% | 103% |
| EBIT | -9 | -7 | -20 | -16 | -7 |
| EBIT Margin | NA | NA | -473% | -74% | -16% |
| EV/Sales | | | 74.1 | 15.4 | 7.8 |

FAIR VALUE RANGE

| BEAR | BASE | BULL |
|------|------|------|
| 12 | 31 | 50 |

2cureX VERSUS OMXS30



REDEYE RATING



KEY STATS

| | |
|----------------------------|---------------------------|
| Ticker | 2CUREX.ST |
| Market | Nasdaq First North Growth |
| Share Price (SEK) | 19.3 |
| Market Cap (SEKm) | 333 |
| Net debt (SEKm) | -50 |
| Free Float | 66.9% |
| Avg. daily volume ('000) | 83.2 |
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Investment thesis

IndiTreat: Successful proof-of-concept

2cureX's TICC trial, assessing IndiTreat's predictive value in metastatic colorectal cancer (mCRC), reached its primary endpoint. Notably, 50% of patients that received IndiTreat-guided therapy achieved progression-free survival eight weeks after treatment started (primary endpoint $\geq 40\%$).

Patients included in TICC received third-line mCRC treatment. However, we assume that the commercially addressable patient population for IndiTreat covers all mCRC patients, including those receiving first- and second-line therapy. We estimate that the addressable patient population in relevant European markets is approximately 270,000 patients today and will grow to 310,000 in 2030, growing at a modest 1.5% CAGR.

European market launch imminent

The company first launched IndiTreat at ESMO in September 2020 and communicated that first sales are expected in H2 2021. Distribution agreements have been signed for the Nordics, Portugal, and Bulgaria. Negotiations with prospective distributors in EU5, Switzerland, Austria, and Poland will likely result in further agreements during 2021-2023, we judge.

Our Base Case projects 2cureX taking in IndiTreat mCRC revenues of around SEK 22m in 2022 and SEK 44m in 2023. Further, we project EBIT and free cash flow turning positive in 2024, with sales reaching some SEK 90m. In our Base Case scenario, the company holds enough cash & equivalents to finance operations until free cash flow turns positive. Nevertheless, another capital raise could be conducted for strategic reasons.

Strengthened management

With clinical proof-of-concept in hand, everything hinges on successful IndiTreat commercialization by the management team. 2cureX has hired a new CEO and CFO, both possessing extensive IVD industry experience. We believe these new recruitments will facilitate successful IndiTreat commercialization. Ole Thastrup, co-founder, majority shareholder, former CEO, and current board member, remains as CSO.

Increased fair value

We revisited the investment case following IndiTreat launch and TICC results publication. As a result, we raise our Base Case fair value to SEK 31 (23) per share. our Bull Case to SEK 50 (32), and our Bear Case to SEK 12 (11).

Share price development has been weak recently despite successful study results. We see potential for the stock price to re-rate starting in H2 2021, as IndiTreat sales start ramping up.

Upcoming catalysts

Distribution deals in Europe

Impact: Minor to moderate

Time frame: 0-24 months

2cureX leads ongoing negotiations with potential distributors throughout Europe for IndiTreat distribution. During 2021-2023, we anticipate continual recruitment of local distributors to facilitate sales potential.

Sales acceleration

Impact: Moderate to high

Time frame: 0-24 months

With IndiTreat commercial launch ongoing, we believe 2cureX will start reporting increasing sales during the coming years. Functional testing in precision oncology is a relatively novel concept, and we think that the market may be skeptical towards its commercial potential. Showing first sales in H2 2021 and sales growth throughout 2022-2023, more importantly, will prove IndiTreat's commercial potential.

Successful trials and launch in other cancer types

Impact: High

Time frame: 24 months and onwards

2cureX has ongoing clinical studies for validation of IndiTreat in ovarian and pancreatic cancer. Successfully showing that IndiTreat-guided cancer treatment improves clinical outcomes in these cancer forms would significantly grow 2cureX's target market, adding substantial sales potential.

Counter thesis

Conservative healthcare systems

European healthcare systems traditionally adopt new technologies relatively slowly. Further, healthcare providers have strict requirements for turnaround time and test result format. In TICC, mean time between study inclusion and starting IndiTreat-guided therapy was 51 days. TICC involved a challenging patient population that likely resulted in low biopsy quality and associated delays. We estimate a turnaround time of at most three weeks longer term. Still, some healthcare providers may consider this too long. If 2cureX cannot convince them to use IndiTreat, sales may be lower than we project currently.

Operational execution now critical

Proof-of-concept in hand, operational execution is critical now. Facing several different regulatory regimes and distribution partners, the company needs to show strong execution to succeed.

Management will need to strike fair distribution agreements for multiple countries with prospective distribution partners likely in strong negotiating positions. Additionally, they need to successfully navigate different regulatory environments and convince healthcare providers to pay/reimburse for IndiTreat testing. Failure to do so may limit IndiTreat's geographical distribution and thus decrease addressable patient population.

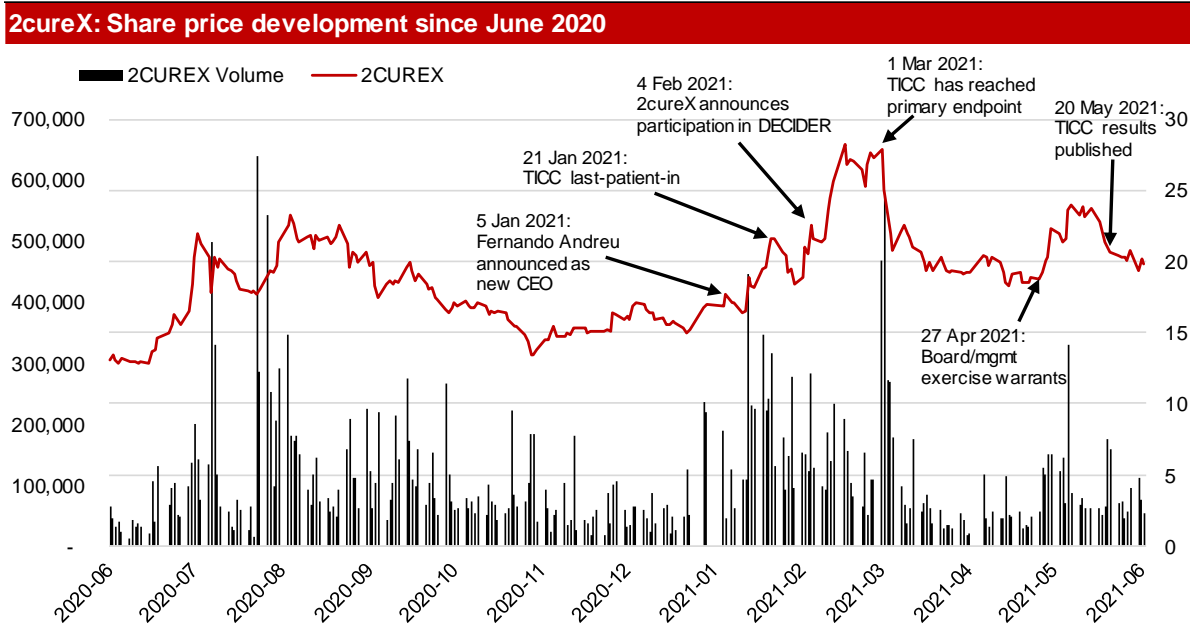
Share price development

Share price development has been volatile during the past year. Following Fernando Andreu's appointment as CEO, TICC last-patient-in, and 2cureX announcing its participation in DECIDER, shares rallied to some SEK 28 in February.

On March 1st, the company announced that TICC had reached its primary endpoint. However, share price development has been volatile since then, and shares traded back to their current level around SEK 20. Short-term share price movements are difficult to predict and often do not have a clear reason, but we can guess what the most likely reasons were.

The recent warrant exercise and associated share count increase likely exerted negative share price pressure. We suspect that investors taking home gains following the warrant exercise (subscription price SEK 13.22) resulted in increased selling pressure. Further, TICC trial results leaving the market uncertain about IndiTreat's commercial potential could have been another reason for share price volatility.

We believe there is potential for share price re-rating to our Base Case once 2cureX can show first sales in H2 2021 and sales acceleration materializes.



Source: Redeye Research

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Product portfolio and market opportunity

IndiTreat, a CE-marked *in vitro* diagnostic (IVD) assay, tests chemosensitivity of patient-derived 3D microtumors using a panel of cancer drugs and cancer drug combinations. 3D microtumors culture seems to closely resemble *in vivo* tumor conditions and thus represents a relatively accurate picture of the patient's cancer's chemosensitivity (Jeppesen et al. 2017, PLOS ONE).

In the short to medium term, 2cureX will focus on IndiTreat commercialization for treatment guidance in metastatic colorectal cancer (mCRC) patients. In line with successful commercialization in mCRC, commercial focus will include currently ongoing clinical programs in ovarian cancer and pancreatic cancer.

IndiTreat colorectal cancer

University Hospital Vejle, 2cureX's clinical collaborator, will present TICC trial (NCT03251612) results at ASCO Annual Meeting 2021 on June 4-8. On May 20th, ASCO published [the abstract](#) (Abstract #: e15567), revealing some important data points. Liver biopsies from 82 patients with mCRC were sent for IndiTreat testing, with tumoroid formation successful for 44 samples (54% of samples). Thirty-four patients received treatment based on IndiTreat results starting some 51 days after inclusion in the trial. Progression-free survival at two months for this cohort amounted to 50% relative to historical controls with 20% PFS at two months.

We consider the increase in PFS at two months as impressive, even with the caveat of historical controls. However, we believe successful tumoroid establishment rate and turnaround time will have to improve for optimal commercial success.

CE-marked IndiTreat mCRC 3L targets mCRC patients in stages III and IV. In EU5 (Germany, France, Italy, Spain, and the UK), an estimated 210,000 patients fit these criteria in 2021, growing to around 235,000 in 2030 (Datamonitor). Notably, patients included in TICC received third-line mCRC treatment. However, we judge the commercially addressable patient population for IndiTreat includes all mCRC patients, including those receiving first- and second-line therapy.

With successful TICC trial data in hand, the company is ready to address this population starting now. Additionally, IndiTreat distribution will occur in the Nordics, Portugal, Bulgaria, and other EU countries. We estimate the addressable patient population for all relevant European markets, amounting to some 270,000 patients in 2021, increasing to 310,000 in 2030 (1.5% CAGR).

IndiTreat ovarian cancer

Currently, multi-center clinical validation trials (DECIDER project) evaluate IndiTreat's predictive value in ovarian cancer therapy response. DECIDER is a collaboration project to improve clinical decisions via integrating multiple data levels to overcome chemotherapy resistance in high-grade serous ovarian cancer.

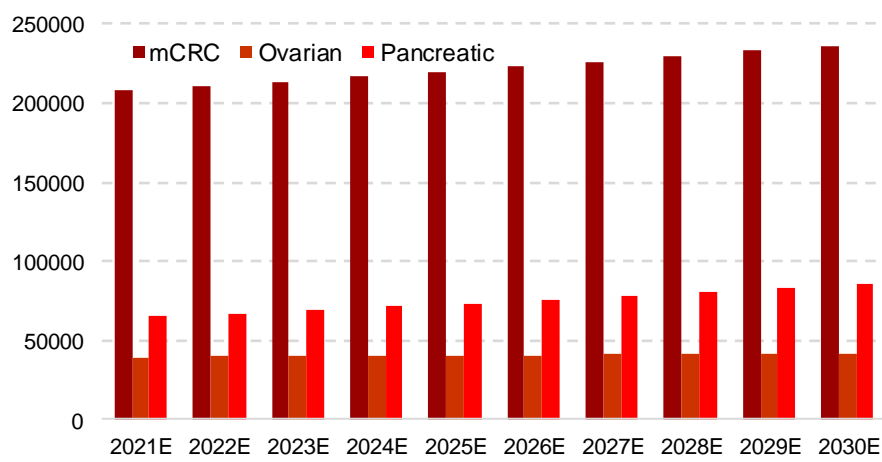
In early 2021, the collaborators (incl. 2cureX) received some EUR 15m (grant no. 965193) to drive the project forward until 2026. In 2021, an estimated 40,000 receive drug therapy for ovarian cancer in EU5, set to grow at 0.6% CAGR to some 42,000 in 2030 (Datamonitor). Screening options and early diagnostic techniques are often unavailable, leading 60%% of ovarian cancer diagnoses to occur in stages III and IV. Consequently, the five-year survival rate is 46% (European Institute of Women's Health).

IndiTreat pancreatic cancer

2cureX investigates IndiTreat's predictive value in metastatic pancreatic cancer patients (NCT03821870). An estimated 65,000 pancreatic cancer diagnoses will occur in EU5 during 2021, growing at approximately 3% CAGR to 86,000 in 2030 (UEG public affairs). A lack of early symptoms causes pancreatic cancer diagnoses mainly occurring in stages III and IV. Patients face dire odds with one-year survival at 24% and 5-year survival at 9% (Rawla et al. 2019, WJO; World Cancer Report 2020, WHO).

There is undoubtedly a considerable need for effective drug treatments in pancreatic cancer. IndiTreat could contribute to finding the therapeutic regimen most likely to induce a clinical response, improving survival prospects of pancreatic cancer patients. Pancreatic cancer is a notoriously hard nut to crack. Nonetheless, if 2cureX can prove predictive value in this indication, IndiTreat's addressable market would grow considerably.

IndiTreat: Estimated addressable patient populations EU5



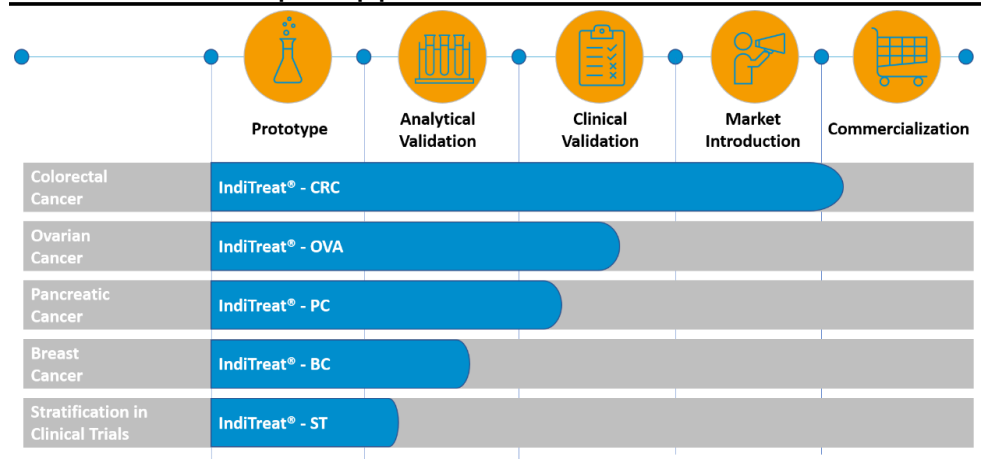
Source: Datamonitor, UEG public affairs, Redeye Research

Other portfolio assets

2cureX's early-stage assets include IndiTreat for predicting therapy response in breast cancer (analytical validation) and patient stratification in clinical trials (early analytical validation). While these projects could further increase addressable patient population for IndiTreat, they are currently in very early-stage development, and we do not yet consider them for the investment case.

IndiTreat system

Besides offering IndiTreat as a service, 2cureX plans to sell IndiTreat as a system to hospitals for local testing. While this would partly remove the company's internal testing capacity as a bottleneck for IndiTreat market penetration, we believe system sales are multiple years away. In our opinion, 2cureX will first need to achieve solid market uptake of IndiTreat as a service before convincing hospitals to dedicate facilities, staff, and money to in-house testing. If successful, this would positively transform the company into a service and instrument provider.

2cureX: Product development pipeline

Source: 2cureX

Sales model 2021-2030

Indication/target population

For now, we only consider mCRC in our IndiTreat sales model. Once clinical validations for ovarian and pancreatic cancer successfully conclude, we'll consider incorporating these indications into our model.

2cureX describes IndiTreat mCRC 3L's target population as stage III and IV CRC patients undergoing first or second-line therapy, among other treatment types. Therefore, we model target population using the number of drug-treated stage III/IV CRC patients receiving first-, second-, or third-line therapy. Datamonitor provides this data for EU5, and we estimate prevalence in remaining countries based on population size relative to EU5.

Geographies

The company has already signed distribution agreements for the Nordics (Denmark operations are handled in-house), Portugal, and Bulgaria. Further, discussions are ongoing with potential distributors in EU5, Switzerland, Austria, and Poland.

A potential US launch is still some time away as local infrastructure would be needed. Furthermore, considerably more competition exists in the US with companies like SEngine Precision Medicine, Farcast Biosciences, Notable Labs, and Helomics. Therefore, we refrain from factoring the US into our model until 2cureX announces concrete plans for IndiTreat launch in this region. Management has pointed out Asia as another large market that could become relevant in the future.

Pricing

On the one hand, few European competitors and the high cost of cancer drugs gives IndiTreat pricing power. Successful treatment guidance using IndiTreat could lead to substantial savings for the healthcare system as purchase of ineffective drugs could be avoided. On the other hand, potential reluctance by healthcare providers to adopt IndiTreat may hurt pricing power. TherapySelect (Heidelberg, Germany), in our opinion 2cureX's most relevant European competitor, charges EUR 2,000-2,800 per test to assess chemosensitivity using a 7-14 drug panel. We expect the number of screened drugs in IndiTreat to be at the higher end of this range. Therefore, we model a retail price of EUR 3,000 per test and estimate distributors receiving at 30% cut. When converting EUR to SEK sales, we apply an exchange rate of EUR/SEK 10.

Sales ramp and market uptake

As distribution agreements for the big European markets (EU5) are not yet signed, we model relatively low initial sales during H2 2021. Starting in 2022-2023, sales accelerate and we forecast IndiTreat reaching 7.5% market penetration in 2030. Our Base Case assumptions result in sales of SEK 22m and SEK 44m in 2022 and 2023, respectively. We model EBIT and free cash flow turning positive in 2024. In our Base Case scenario, 2cureX holds enough cash & equivalents to finance operations until free cash flow turns positive in 2024. Nevertheless, the company could very well raise another round of capital until 2024, e.g. to accelerate IndiTreat commercialization or to finance geographic expansion.

We model a slightly conservative market share of 7.5% due to turnaround time (estimated to be around three weeks), limited test success rate, logistical complexity, and limited hospital resources to individualize treatment. Therefore, we judge that specialized cancer clinics will make up the most significant part of the company's customer base. However, 2cureX has an ambition to eventually market IndiTreat to regional and more generalized hospitals, too.

Moreover, if the company succeeds in getting IndiTreat testing implement into national treatment guidelines and reimbursement schemes, market share could become higher than we currently project. However, healthcare systems are notoriously slow-moving, meaning that this process will likely take time. If we see considerably higher market uptake than our model projects, we will readily increase our sales estimates in the future.

IndiTreat mCRC sales model

| CRC sales model | Country | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Est. CRC prevalence (drug-treated, stage III/IV, 1st/2nd/3rd line therapy; Source: Datamonitor) | EU5 | 207,617 | 210,714 | 213,828 | 216,942 | 220,030 | 223,196 | 226,447 | 229,735 | 233,003 | 236,254 |
| | Nordics | 17,530 | 17,792 | 18,055 | 18,318 | 18,579 | 18,846 | 19,120 | 19,398 | 19,674 | 19,949 |
| | Rest | 46,556 | 47,250 | 47,948 | 48,647 | 49,339 | 50,049 | 50,778 | 51,515 | 52,248 | 52,977 |
| | Total | 271,703 | 275,756 | 279,831 | 283,906 | 287,947 | 292,091 | 296,346 | 300,648 | 304,925 | 309,180 |
| Market share | | 0.1% | 0.4% | 0.8% | 1.5% | 2.6% | 4.5% | 6.0% | 6.8% | 7.1% | 7.5% |
| Tests performed | | 204 | 1,034 | 2,099 | 4,259 | 7,559 | 13,144 | 17,781 | 20,294 | 21,726 | 23,189 |
| Price per test (EUR) | | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Revenues total (EURm) | | 0.6 | 3.1 | 6.3 | 12.8 | 22.7 | 39.4 | 53.3 | 60.9 | 65.2 | 69.6 |
| Distributor's cut (30%) | | 0.2 | 0.9 | 1.9 | 3.8 | 6.8 | 11.8 | 16.0 | 18.3 | 19.6 | 20.9 |
| Revenues 2cureX (EURm) | | 0.4 | 2.2 | 4.4 | 8.9 | 15.9 | 27.6 | 37.3 | 42.6 | 45.6 | 48.7 |
| | | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| Revenues 2cureX (SEKm) | | 4.3 | 21.7 | 44.1 | 89.4 | 158.7 | 276.0 | 373.4 | 426.2 | 456.2 | 487.0 |

Source: Datamonitor, Redeye Research

Main cost drivers

We estimate 2021 gross margin around 50%, increasing to 70% in 2023 and onwards. As 2cureX has not yet reported first sales, these estimates should be considered uncertain and we will closely track their development as sales ramp up.

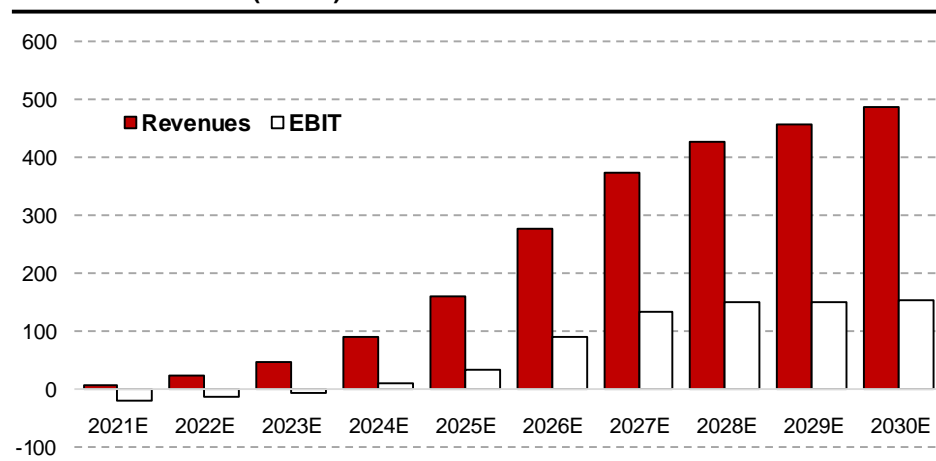
Historically, administrative expenses and R&D costs made up the majority of costs. In line with commercialization, we expect substantial selling expenses, stabilizing at some 15% of sales from 2024 onwards. Selling expenses constitute on average 33% of operating expenses during our forecast period. Once again, selling expenses are uncertain as IndiTreat commercialization has just begun. We will get a clearer picture going into 2022 as sales accelerate. We estimate administrative and R&D expenses being on average 44% and 23% of operating costs during 2021-2030, respectively.

Financial model

| Income Statement | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|-------------------------|------|----------|---------|---------|-------|-------|-------|-------|-------|-------|-------|
| Revenues | - | 4 | 22 | 44 | 89 | 159 | 276 | 373 | 426 | 456 | 487 |
| Gross Profit | - | 2 | 13 | 31 | 63 | 111 | 193 | 261 | 298 | 319 | 341 |
| Gross Profit Margin (%) | NA | 50.0% | 60.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% |
| Operating expenses | 7 | 22 | 29 | 38 | 52 | 77 | 103 | 128 | 148 | 165 | 185 |
| EBIT | (7) | (20) | (16) | (7) | 10 | 34 | 89 | 132 | 148 | 150 | 151 |
| EBIT Margin (%) | NA | (473.2%) | (74.2%) | (16.0%) | 11.3% | 21.2% | 32.2% | 35.3% | 34.8% | 33.0% | 31.1% |
| Net Income | (7) | (20) | (16) | (7) | 10 | 34 | 83 | 103 | 116 | 117 | 118 |

Source: Redeye Research

Revenue and EBIT (SEKm)



Source: Redeye Research

Valuation

We use a discounted cash flow model based on projected free cash flow to firm (FCFF) for our valuation. We estimate FCFF based on our sales and expense estimates for 2021 to 2030, followed by terminal-value calculation. Estimated future FCFF and terminal value are discounted to their net present value at a weighted-average cost of capital (WACC) of 13%.

Base Case – SEK 31 per share, ~60% upside

In our Base Case, IndiTreat is launched successfully for treatment guidance in mCRC patients as laid out in our sales model. We model:

- Solid market penetration, 7.5% of target population in 2030 (drug-treated, first-, second-, third-line therapy, stage III/IV CRC patients in relevant markets)
- Sales of around SEK 22m and SEK 44m accruing to the company in 2022 and 2023, respectively
- Terminal revenue growth of 2%
- Positive FCFF in 2024

| Base Case assumptions | | | |
|-----------------------|-------|--------------------------|------------|
| WACC | 13.0% | PV(FCFF) 21-30 | 172 |
| Terminal growth | 2.0% | PV(Terminal value) | 306 |
| Terminal EBIT margin | 25.0% | NPV Sum | 478 |
| | | +Cash & equivalents | 54 |
| Market share 2030 | 7.5% | -Debt | 4 |
| Sales 2030 (SEKm) | 487 | Fair value (SEKm) | 528 |
| Price per test (EUR) | 3000 | SEK/share | 31 |

Source: Redeye Research

Bull Case – SEK 50 per share, ~160% upside

In our Bull Case, we assume high interest in IndiTreat and model the following:

- More substantial market penetration, 10% of target population in 2030
- Sales of around SEK 29m and SEK 59m accruing to the company in 2022 and 2023, respectively
- Terminal revenue growth of 3%
- Positive FCFF in 2023

Bear Case – SEK 12 per share, ~40% downside

In our Bear Case, we assume lower market uptake for IndiTreat and project the following:

- Weaker market penetration, 5% of target population in 2030
- Sales of around SEK 15m and SEK 29m accruing to the company in 2022 and 2023, respectively
- Terminal revenue growth of 1%
- Positive FCFF in 2026

Solid cash position, additional capital raise possible

The company held SEK 54m cash on its balance sheet at the end of Q1 2021, putting it in a solid financial position. IndiTreat market launch will have substantial scaling and marketing costs. However, our model projects current cash holdings to fund operations until FCFF becomes positive in 2024. The company may nevertheless choose to raise additional capital in the meantime, e.g. to accelerate IndiTreat commercialization or for expansion into new markets.

In our Bull Case, no additional capital raise would be needed until FCFF turns positive in 2023. In our Bear Case, we model currently held cash not sufficing to fund operations until FCFF becomes positive in 2026. According to our Bear Case model, another capital raise of at least some SEK 20m in 2023 would be needed.

| Income Statement (SEKm) | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|------------------------------|------------|-------------|-------------|------------|-----------|-----------|-----------|------------|------------|------------|------------|
| Revenues | - | 4 | 22 | 44 | 89 | 159 | 276 | 373 | 426 | 456 | 487 |
| Y/Y Growth (%) | NA | NA | 407.5% | 103.0% | 102.9% | 77.5% | 73.9% | 35.3% | 14.1% | 7.1% | 6.7% |
| Cost of Revenues | - | 2 | 9 | 13 | 27 | 48 | 83 | 112 | 128 | 137 | 146 |
| Gross Profit | - | 2 | 13 | 31 | 63 | 111 | 193 | 261 | 298 | 319 | 341 |
| Gross Profit Margin (%) | NA | 50.0% | 60.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% | 70.0% |
| Selling Expenses | - | 10 | 10 | 10 | 13 | 24 | 41 | 56 | 64 | 68 | 73 |
| Administrative Expenses | 12 | 16 | 21 | 27 | 35 | 46 | 53 | 61 | 70 | 80 | 92 |
| R & D Expenses | 10 | 12 | 14 | 17 | 21 | 25 | 28 | 30 | 33 | 37 | 40 |
| Other Op. Expense / (Income) | (15) | (16) | (16) | (17) | (17) | (18) | (18) | (19) | (19) | (20) | (21) |
| Exchange Rate Differences | - | - | - | - | - | - | - | - | - | - | - |
| EBITDA | (7) | (20) | (16) | (7) | 10 | 34 | 90 | 133 | 151 | 154 | 156 |
| EBITDA Margin (%) | NA | (470.9%) | (73.8%) | (15.6%) | 11.6% | 21.6% | 32.6% | 35.7% | 35.4% | 33.8% | 32.0% |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 3 | 4 | 5 |
| EBIT | (7) | (20) | (16) | (7) | 10 | 34 | 89 | 132 | 148 | 150 | 151 |
| EBIT Margin (%) | NA | (473.2%) | (74.2%) | (16.0%) | 11.3% | 21.2% | 32.2% | 35.3% | 34.8% | 33.0% | 31.1% |
| Interest Expenses | 1 | - | - | - | - | - | - | - | - | - | - |
| EBT | (9) | (20) | (16) | (7) | 10 | 34 | 89 | 132 | 148 | 150 | 151 |
| Income Tax Expenses | (1) | - | - | - | - | - | 6 | 29 | 33 | 33 | 33 |
| Effective Tax Rate (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 6.8% | 22.0% | 22.0% | 22.0% | 22.0% |
| Net Income | (7) | (20) | (16) | (7) | 10 | 34 | 83 | 103 | 116 | 117 | 118 |
| Net Income Margin (%) | NA | (473.2%) | (74.2%) | (16.0%) | 11.3% | 21.2% | 30.0% | 27.5% | 27.1% | 25.7% | 24.2% |

Source: Redeye Research

| Balance Sheet (SEKm) | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|
| Current Assets | | | | | | | | | | | |
| Cash & Equivalents | 59 | 38 | 20 | 11 | 16 | 43 | 113 | 202 | 305 | 411 | 517 |
| Accounts Receivable | 2 | 0 | 2 | 4 | 7 | 13 | 23 | 31 | 35 | 37 | 40 |
| Other Current Assets | 1 | - | - | - | - | - | - | - | - | - | - |
| Total Current Assets | 62 | 38 | 22 | 14 | 24 | 56 | 136 | 232 | 340 | 448 | 557 |
| Non-Current Assets | | | | | | | | | | | |
| Property, Plant & Equipment, Net | 1 | 1 | 2 | 3 | 5 | 9 | 17 | 26 | 36 | 46 | 56 |
| Goodwill | - | - | - | - | - | - | - | - | - | - | - |
| Intangible Assets | - | - | - | - | - | - | - | - | - | - | - |
| Total Non-Current Assets | 1 | 1 | 2 | 3 | 5 | 9 | 17 | 26 | 36 | 46 | 56 |
| Total Assets | 63 | 39 | 24 | 17 | 29 | 65 | 152 | 259 | 376 | 495 | 614 |
| Current Liabilities | | | | | | | | | | | |
| Short-Term Debt | - | - | - | - | - | - | - | - | - | - | - |
| Accounts Payable | 1 | 0 | 1 | 2 | 3 | 6 | 10 | 14 | 16 | 17 | 18 |
| Accrued Expenses | 2 | - | - | - | - | - | - | - | - | - | - |
| Other Current Liabilities | 1 | - | - | - | - | - | - | - | - | - | - |
| Total Current Liabilities | 4 | 0 | 1 | 2 | 3 | 6 | 10 | 14 | 16 | 17 | 18 |
| Non-Current Liabilities | | | | | | | | | | | |
| Long-Term Debt | - | - | - | - | - | - | - | - | - | - | - |
| Long-Term Lease Liabilities | - | - | - | - | - | - | - | - | - | - | - |
| Total Non-current Liabilities | - | - | - | - | - | - | - | - | - | - | - |
| Shareholder's Equity | 59 | 39 | 22 | 15 | 26 | 59 | 142 | 245 | 360 | 478 | 596 |
| Book Value Per Share | 4.0 | 2.2 | 1.3 | 0.9 | 1.5 | 3.4 | 8.2 | 14.1 | 20.8 | 27.6 | 34.4 |
| Total Liabilities & Equity | 63 | 39 | 24 | 17 | 29 | 65 | 152 | 259 | 376 | 495 | 614 |

Source: Redeye Research

| Cash Flow Statement (SEKm) | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|-------------|-------------|-------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| Operating Activities | | | | | | | | | | | |
| Net Income | (7) | (20) | (16) | (7) | 10 | 34 | 83 | 103 | 116 | 117 | 118 |
| Depreciation | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 3 | 4 | 5 |
| Net Working Capital Change, Decrease / (Increase) | (6) | (1) | (1) | (1) | (2) | (3) | (5) | (4) | (2) | (1) | (1) |
| Operating Cash Flow | (12) | (21) | (17) | (8) | 8 | 31 | 79 | 100 | 116 | 120 | 121 |
| Cash EPS | (0.8) | (1.2) | (1.0) | (0.5) | 0.5 | 1.8 | 4.5 | 5.8 | 6.7 | 6.9 | 7.0 |
| Investing Activities | | | | | | | | | | | |
| Capital Expenditures | (0) | (0) | (1) | (1) | (3) | (5) | (8) | (11) | (13) | (14) | (15) |
| Acquisitions | - | - | - | - | - | - | - | - | - | - | - |
| Divestments | - | - | - | - | - | - | - | - | - | - | - |
| Goodwill | - | - | - | - | - | - | - | - | - | - | - |
| Investing Cash Flow | (0) | (0) | (1) | (1) | (3) | (5) | (8) | (11) | (13) | (14) | (15) |
| Financing Activities | | | | | | | | | | | |
| Short-Term Debt, Issuance / (Repayment) | - | - | - | - | - | - | - | - | - | - | - |
| Long-Term Debt, Issuance / (Repayment) | - | - | - | - | - | - | - | - | - | - | - |
| Share Issuance / (Repurchase) | 38 | - | - | - | - | - | - | - | - | - | - |
| Dividends Paid to Shareholders | - | - | - | - | - | - | - | - | - | - | - |
| Financing Cash Flow | - | - | - | - | - | - | - | - | - | - | - |
| Net Cash Flow | (12) | (21) | (17) | (9) | 6 | 26 | 70 | 89 | 103 | 106 | 107 |
| Cash Balance | 59 | 38 | 20 | 11 | 16 | 43 | 113 | 202 | 305 | 411 | 517 |

Source: Redeye Research

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: 3 (Unchanged)

Business: 3 (Unchanged)

Financials: 1 (Unchanged)

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

Important information

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 (2021-06-04)

| Rating | People | Business | Financials |
|-----------|--------|----------|------------|
| 5p | 27 | 16 | 4 |
| 3p - 4p | 125 | 104 | 39 |
| 0p - 2p | 5 | 37 | 114 |
| Company N | 157 | 157 | 157 |

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CONFLICT OF INTERESTS

Christian Binder 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.