

# BONESUPPORT

Sector: Medtech

## Inconclusive study results, but still a compelling case

Redeye returns with a more in-depth view of the case changes following the inconclusive study results from the FORTIFY trial. We argue that the longer-term prospects of the case remain relatively intact, as we believe BONESUPPORT will recommence its US launch of CERAMENT G for the trauma indication, after anticipated FDA discussions granting a De Novo application. The inconclusive study results are not a "curtains-down" event, which we soon expect the market to realize.

### High drop-out rates in the clinical trial

The 201-patient study had a drop-out rate of 29% (lost to follow-up in treatment group: 18%, control group: 9%, weighted average lost to follow-up 14%), which caused i) failure to reach its primary endpoint, and ii) inability to be used for a PMA filing – the FDA does not accept studies with such high drop-out rates (15% threshold).

### PMA is no longer possible, De Novo pathway likely

We believe that BONESUPPORT will conclude with the FDA on a De Novo filing for taking CERAMENT G to the US. De Novos became available in 2019 and can be filed using already published studies. We hope BONESUPPORT will be able to collect safety data from FORTIFY and efficacy data from both Jahangir et al. 2019 and Aljawadi et al. 2020. At this stage, before conclusions are yet to be presented by the company, we risk-adjust any future CERAMENT G sales for the trauma indication in the US by 60%.

### Thousands of trauma patients already treated in the EU

We once again turn to BONESUPPORT's progress and success in the EU as guidance for the potential we see in the US. CERAMENT G and V make up some 85% of total EU sales (LTM SEK 87m), and we estimate that some 40% of that figure derives from its trauma sales. In short, we estimate that its number of LTM trauma treatments hovers at just shy of 1,700 and that it gives a sense of confidence in its clinical use.

### Updated financial estimates and new Base Case at SEK 75

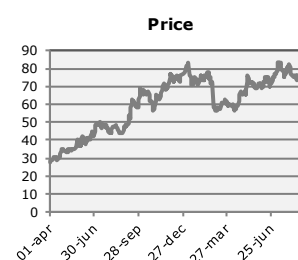
We anticipated a US launch of CERAMENT G for the trauma indication in Q4 2022. Thus, our sales estimates are closely unaffected until then (*though we make some adjustments for 2021 and 2022 due to the pandemic too*). A De Novo filing could potentially open for the same indication in H2 2023. We believed the FORTIFY study would act as an excellent sales and marketing tool, as well, and therefore lower our sales projections in the longer run. Our new Base Case, which considers our risk adjustments, comes in at SEK 75 (94), indicating a potential upside of 90 %.

SEKm	2019	2020	Q1	Q2	Q3	Q4	2021E	2022	2023
<b>Net Sales</b>	<b>155,5</b>	<b>180,9</b>	<b>44,8</b>	<b>51,8</b>	<b>53,5</b>	<b>69,6</b>	<b>219,9</b>	<b>324,3</b>	<b>528,9</b>
<i>Growth y/y</i>	61%	16%	3%	43%	11%	31%	22%	47%	63%
<b>Gross Profit</b>	<b>135,9</b>	<b>161,6</b>	<b>39,7</b>	<b>46,3</b>	<b>46,6</b>	<b>61,9</b>	<b>194,6</b>	<b>291,7</b>	<b>475,2</b>
<i>Margin (%)</i>	87%	89%	89%	89%	87%	89%	88%	90%	90%
<b>EBIT</b>	<b>-158,1</b>	<b>-98,6</b>	<b>-19,7</b>	<b>-25,9</b>	<b>-25,4</b>	<b>-23,2</b>	<b>-94,2</b>	<b>-11,5</b>	<b>83,5</b>
<i>Margin (%)</i>	-102%	-54%	-44%	-50%	-47%	-33%	-43%	-4%	16%

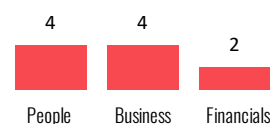
### FAIR VALUE RANGE

BEAR	BASE	BULL
30	75	120

### SHARE PRICE PERFORMANCE



### REDEYE RATING



### KEY STATS

Ticker	BONEX
Market	Small Cap
Share Price (SEK)	38.50
Market Cap (MSEK)	2519
Net Debt 21E (MSEK)	-239
Free Float	82%
Avg. daily volume ('000)	381

### ANALYSTS

Oscar Bergman

[Oscar.bergman@redeve.se](mailto:Oscar.bergman@redeve.se)

Erik Nordström

[erik.nordstrom@redeve.se](mailto:erik.nordstrom@redeve.se)

NOTE: This update follows our [initial note](#) on the matter.

## We argue that there still is potential for CERAMENT G in the trauma indication

We have continuously been positively inclined to the BONESUPPORT case and have long stated that a US launch of CERAMENT G (and subsequent CERAMENT V) is an important part of the case. We continue to have this stance after the clinical trial FORTIFY presented inconclusive results (though somewhat altered, of course). Before explaining why we still see the potential, we briefly go through the study and its inconclusive results below.


### Background to the trial and the results

FORTIFY is an RCT (randomized controlled trial), which aimed to demonstrate the safety and effectiveness of using CERAMENT G (in combination with standard-of-care treatment) compared with standard-of-care (autologous bone). It was designed to be used for BONESUPPORT's intended PMA application.

There were 201 patients in the study with open tibial diaphyseal fractures (Gustilo-Anderson II, IIIA and IIIB) at 30 sites across the US and the EU. The patients were followed up after 12 months, with the first patient enrolment in 2017 and the last patient in mid-2020.

### Gustilo-Anderson II, IIIA and IIIB

	II	IIIA	IIIB
<b>Energy of mechanism</b>	Moderate	High	High
<b>Wound size</b>	>1cm	usually >10cm	usually >10cm
<b>Soft tissue injury</b>	Moderate	Extensive	Extensive
<b>Contamination</b>	Low	Severe	Variable
<b>Comminution/fracture pattern</b>	Some/simple	Severe/complex	Severe/complex
<b>Soft tissue coverage</b>	Yes	Yes	No, requires reconstructive procedure
<b>Vascular injury</b>	No	No	No



Source: *Intechopen.com, Redeye Research*

### The FORTIFY study results were inconclusive with the following data points:

- Drop-out rate of 29% (lost to follow-up in treatment group: 18%, control group: 9%, weighted average lost to follow-up rate of 14%), leaving 143 qualified objects of the 201 enrolled in the study – the FDA seldom accept studies with a drop-out rate higher than 15% for its PMA application (in extreme cases FDA can stretch to 20%)
- The primary endpoint success was 66% in the control group and 64% in the treatment group, with a non-significant difference. The composite primary endpoint had three parameters: i) absence of deep infection at the fracture site, ii) absence of secondary procedures to promote fracture union and iii) improvement in patient-assessed quality of life. Generally, there is high variability in bone healing, infection incidence, and recovery of soft tissue for severe trauma patients (G-A II-III B), requiring high numbers of qualified objectives for meaningful statistical analysis.

While it could be argued that patients with successful outcomes could be less likely to fulfil the follow-ups during a pandemic, we refrain from making any particular conclusions. It could also be argued that they have sought care elsewhere. Lost to follow-up is lost to follow-up.

**CERAMENT G for trauma in the US is still likely to advance**

Its existing market presence in the US with the non-drug eluting synthetic bone graft (CERAMENT BVF) serves an excellent purpose for the extension of its US operations. In addition to its impact on BONESUPPORT's sales (US LTM sales: SEK 109m, y/y growth 29%, 56% of total CERAMENT sales), it paves the way for the future launch of the higher-priced drug-eluting bone graft.

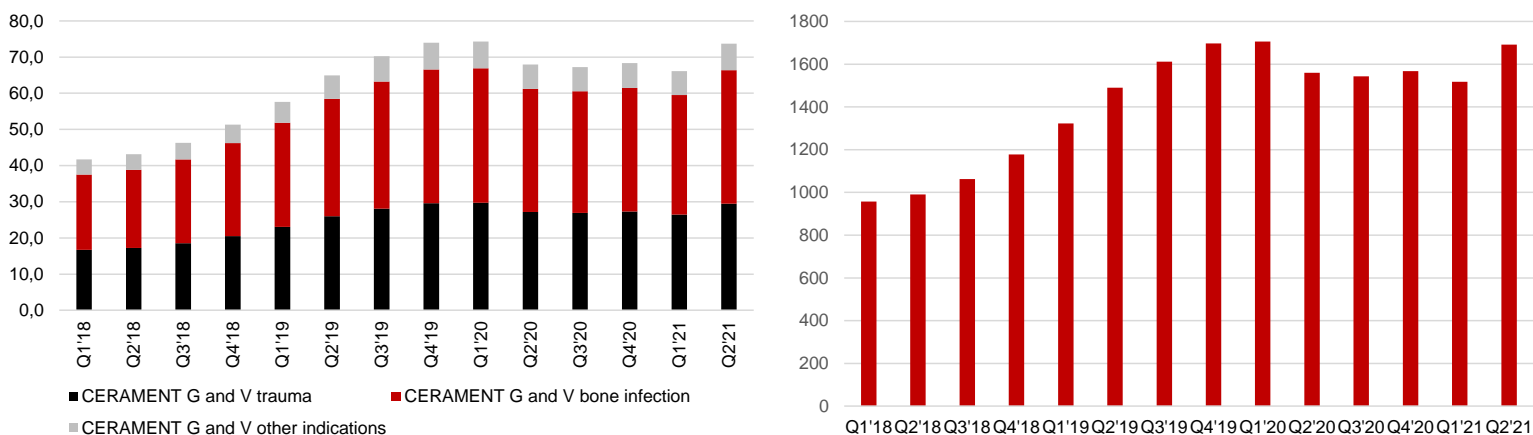
We still anticipate an eventual US launch for the indication of trauma and present the reasons why below.

In short, we do not expect the study to interfere with its EU customer base (also supported by a quick channel check with an orthopaedic surgeon with experience of CERAMENT G). However, we believe that the product's prospects for broader usage across bone defects (both with and without risk for infection) have been negatively affected.

**We estimate that CERAMENT G/V have been used in c.1,700 treatments LTM.**

In the EU, CERAMENT G and V make up 85% of LTM sales (SEK 87m), where we estimate that c.40% of the treatments using the drug-eluting products are for trauma patients, according to discussions with management.

Estimated CERAMENT G and V sales per indication LTM (left), estimated number of trauma treatments LTM (right)



Source: Redeye Research, Company Data

**Conclusion:** There is already a clinical use of CERAMENT G and V for trauma treatment, which these figures underpin. We also argue that the study results do not render any reason to consider that its current users will stop: FORTIFY validated its safety, CERTIFY demonstrated that CERAMENT BVF was non-inferior to autograft, and orthopaedic surgeons are thus not unlikely to favour an option that releases antibiotics 30 days after surgery (many professionals are currently adding antibiotics powder directly into the wound in an effort to fight off the risk for infection).

However, we conclude that the study results have severely negatively impacted BONESUPPORT's prospects of pushing for CERAMENT G treatment for patients with some infection risk but *with no significant need for a synthetic bone graft*, and that it will take longer for surgeons to use CERAMENT G for treatment of *non-infected bone defects* (in the EU it is also being used in bone defects without infection).

### FDA's Breakthrough Designation for CERAMENT G for trauma signifies its need

In mid-June, BONESUPPORT received the [designation by the FDA](#), which provides a prioritization through the regulatory processes with more direct interaction (with the aim of introducing the device quicker) and signifies the need for CERAMENT G in the treatment of trauma patients.

**Conclusion:** FDA is likely to aid BONESUPPORT in its processes going forward, and we expect a De Novo to be initiated in the coming few months. The designation is independent of the FORTIFY study, and we believe it will carry significant importance for the eventual US launch in several ways (see note linked above for further discussion).

### Jahangir et al. (2019) and Aljawadi et al. (2020) showing very low infection rates

Jahangir et al. (2019) showed 0% incidence of deep infection (n=51) after an average follow-up time of 13.9 months (6-45), and Aljawadi et al. (n=80) showed that only one patient had a deep infection (1.25%), with a mean follow-up time of 22 months (9-45).

**Conclusion:** Historically, these types of open fractures have reported high rates of infection upwards of 52% of the patients. At the same time, CERAMENT G demonstrates very low rates of deep infection in the studies.

Study	N	Deep infection
Gustilo 1984	77	52%
Naique 2006	76	9%
Rohde 2007	38	18%
Mohseni 2011	25	16%
Mathew 2015	46	4%
Doshi 2017	21	33%
Jahangir 2019	52	0%

Source: Jahangir 2019

Moreover, we think that it is interesting to dig deeper into the FORTIFY study and Aljawadi et al. (2020) for several reasons. Firstly, the study design of FORTIFY with a composite endpoint with three parameters (absence of infection, fewer surgeries, better quality of life) naturally runs the risk of a skewed result with a negative composite endpoint to be met. Secondly, Aljawadi et al. (2020) excluded all patients who were not in clinical need of a bone graft, whilst FORTIFY injected all study subjects with CERAMENT G regardless of its clinical need (as long as the inclusion criteria were met). Lastly, Aljawadi et al. (2020) stabilized the fixation using metal plates and fixation screws best suited for the patients' condition and fracture; FORTIFY used intramedullary nail. In Aljawadi et al. (2020), the fixation screws and metal plates were then covered by CERAMENT G as the bone defect was filled, while CERAMENT G did not cover the marrow nail in FORTIFY (only 3-7mm of 30cm was covered).

### Closing remarks and summary

Despite the study results last week, we continue to see a compelling case for BONESUPPORT and anticipate that CERAMENT G will eventually be launched on the US market. We summarize:

- The product has been used for trauma treatment quite extensively already in the EU
- FDA's Breakthrough Designation signals a need for the product and should help easing its way into the US
- Peer-reviewed publications on CERAMENT G for trauma carry significant weight, still

Finally, we highlight that underpowered studies are not uncommon to medical professionals, who are aware that results depend on the study design and variability among the patient population. With this said, we change our sales forecast for CERAMENT G in the US (and to a

certain extent in the EU) to reflect FORTIFY's negative effect on its potential to be used in a broader context of bone defects: specifically, in patients with some infection risk *but with no significant need for a synthetic bone graft* and a slower introduction of CERAMENT G in the US for treatment for bone defects with no greater risk for infection.

### **We anticipate a De Novo pathway to be initiated**

Following the inconclusive study results, BONESUPPORT is no longer able to conduct its PMA filing nor make any changes to the study to become eligible. Instead, BONESUPPORT will have to sit down with the FDA and discuss its prospects of how to move forward. We believe that it stands a good chance to initiate a De Novo filing and refer to the points made above.

The timeline for a potential De Novo filing and subsequent potential approval is somewhat difficult to pinpoint at current. Indeed, more information is needed. We believe that an eventual timeline could be:

1. End of 2021: Discussions with the FDA reaching the conclusion of initiating a De Novo pathway
2. FY 2022: Data collection for the trauma indication (possibly using safety data from FORTIFY and efficacy data from both Jahangir et al. (2019) and Aljawadi et al. (2020) – control group needs to be sorted
3. Early 2023: FDA De Novo filing
4. H2 2023: Potential De Novo approval

Data collection could take longer than this, pushing a US launch even further away. The scenario timeline above reflects a 9–12-month delay for taking CERAMENT G for trauma into the US, but we emphasize that it could take longer. Moreover, we adjust by 60% to all future CERAMENT G sales in trauma.

We note that there is a potential risk in how BONESUPPORT will collect the data. Data mining from NHS registries (control group) could be one way and at a lower expense than having to find the control subjects. In sum, we believe the cost related to the De Novo filing (all-in-all) could range between SEK 5m to SEK 15m and does not pose any hefty financial burden on the company.

## Financial estimates

### Changes to our sales estimates

On the back of the clinical trial results and a potential De Novo pathway instead of the PMA, we change our sales estimates for the trauma indication for CERAMENT G (and subsequent V) in the US. In addition to this, we make slighter changes to 2021E and 2022E sales due to corona's continuous impact on elective surgeries. We also make changes to our EBIT estimates and no longer anticipate a positive EBIT in 2022 of SEK 1,4m but in 2023, though at SEK 83,5m.

### Estimate changes 2021-2022

	2021			2022			2023		
	Old	New	%chg	Old	New	%chg	Old	New	%chg
<b>Net Sales</b>	236,6	219,9	-7%	346,1	324,3	-6%	578,9	528,9	-9%
<b>EBIT</b>	-91,2	-94,2	-3%	1,4	-11,5	n.m	104,6	83,5	-20%

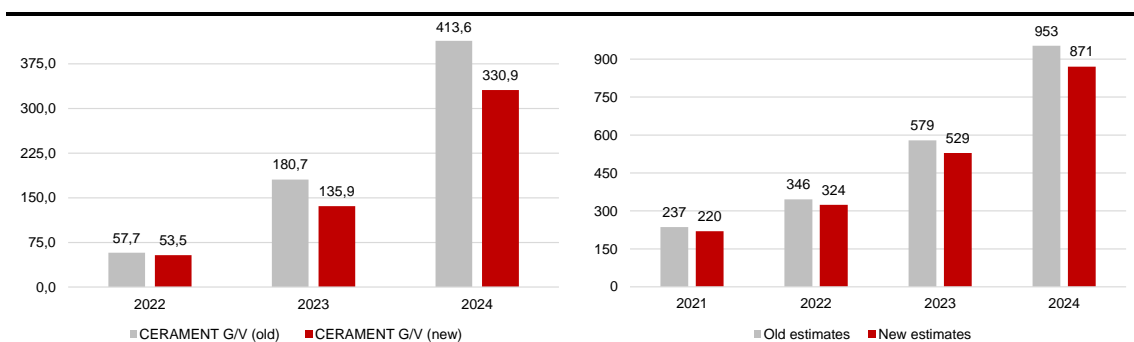
Source: Redeye Research

### Estimate changes 2022-2024

Updated sales estimates, 2022-2024 (non-risk adjusted)									
	CERAMENT G US SALES 2022E			CERAMENT G US SALES 2023E			CERAMENT G US SALES 2024E		
	Old	New	%chg	Old	New	%chg	Old	New	%chg
<b>Net Sales</b>	57,7	53,5	-7%	180,7	135,9	-25%	413,6	330,9	-20%
	US Sales 2022E			US Sales 2023E			US Sales 2024E		
<b>Net Sales</b>	214,9	200,3	-7%	370,1	320,4	-13%	606,6	523,8	-14%
	Group Sales 2022E			Groups Sales 2023E			Groups Sales 2024E		
<b>Net Sales</b>	346,1	324,3	-6%	578,9	528,9	-9%	953,3	870,6	-9%

Source: Redeye research

### CERAMENT G and V US sales, estimate changes



Source: Redeye research

## Valuation of BONESUPPORT

Considering the changes to our financial estimates, our Base Case comes at SEK 74 per share (94) – offering a 90% upside from current levels. In relation to its fundamental value, the stock is greatly underappreciated and will likely endure scepticism and high volatility in the coming several weeks. However, we see that it has a good chance of once again accelerate upwards as the following events are nearing in:

- FDA discussions by year-end could suggest a De Novo for trauma
- De Novo filing for bone infection in October
- Potential De Novo approval for bone infection in Q1 2022
- US launch of CERAMENT G for bone infection
- Continued sales growth (though we believe Q3'21 will be heavily affected by the pandemic)

### 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 75 per share (+90% upside)
- Bull Case = SEK 120 per share (+200% upside) - previously SEK 167 per share
- Bear Case = SEK 30 per share (-20% downside) - previously SEK 36 per share

**Base Case** (SEK 75): slightly slower market uptake but substantial long-term sales growth remains

Our Base Case relies on the continued assumption that BONESUPPORT successfully launches its CERAMENT G (and later V) products to the US market. Now first for the bone infection indication, followed by trauma (though timeliness is relatively unclear and there is uncertainty until the company and FDA concludes a new potential pathway). We estimate a top-line CAGR of some 43% in the coming years with high gross margins allowing for long-term EBIT margins just under 40% in the longer run, climbing aggressively from 2023.

**Bull Case** (SEK 120) – CERAMENT G and V becomes first-choice for orthopaedic surgeons

We still see that BONESUPPORT achieves to position itself as a key player in synthetic bone graft, with its products becoming a top-of-mind choice for orthopaedic surgeons both in the US and the EU. The impacts from the clinical trials SOLARIO and CONVICTION are excluded for now. We want to see its US potential to start materializing before factoring in eventual substantial commercial opportunities coming from any favourable results from these two studies.

**Bear Case** (SEK 30) – 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 (CERAMENT G for trauma to be launched in 2024), 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.

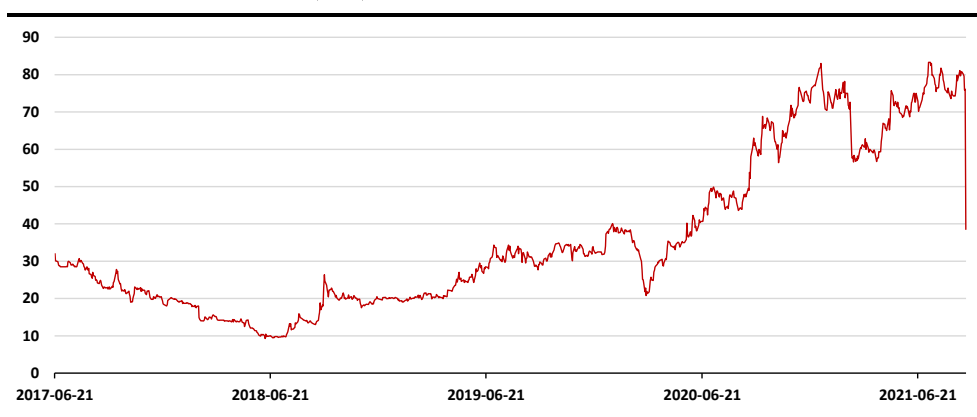
## Share performance

The stock performed exceptionally well through 2020 but ran into trouble in early 2021 as the FDA concluded that more patients for its control group were required for the De Novo application (bone infection). The drop provided an excellent entry to the growth story of BONESUPPORT, we argued and reiterated our past Base Case of SEK 90. The stock soon reclaimed the fall until, once again, negative news hit the wire just last week (the inconclusive study results).

Since then, half of the market capitalization has been wiped off (SEK +2,5bn), which, according to us, is a great overreaction as it remains a vastly underappreciated fundamental value in the case, as our research suggests. Add to that the optionality of being acquired in the coming 12-24 months as CERAMENT G (first for bone infection and likely later for trauma) gains momentum in the US.

While we continue to be firm believers that the stock remains a compelling investment in the longer run, the shorter term is more difficult to predict, given that a wet blanket may very well appear on the share price for some time. Still, we see several catalysts mentioned above in the valuation part of this update that could very well provide an excellent return from these levels in the coming six months. We would not be surprised to see a rerun of the share price development we saw after the FDA news earlier this year.

### BONESUPPORT Share price (SEK) performance IPO – to date



Source: Redeye Research

## 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 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 has been launched on the US market (and likely gained some traction) – putting this eventuality in 2023, the earliest, circa one year after its anticipated launch for bone infection.

## 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 LTM and anticipated future sales.

### A cohort of peer companies

Company name	LTM Sales SEKm	LTM Sales growth	EV/LTM Sales	Market Cap SEKm
Surgical Science	138	24%	64	9050
Sedana Medical	152	32%	58	9149
Mentice	170	12%	23	3839
Bactiguard	178	-21%	31	5186
Xvivo Perfusion	221	14%	55	12349
Cellavision	488	-2%	22	10624
		Highest EV/LTM Sales	64	
		Lowest EV/LTM Sales	22	
		<b>Median EV/LTM Sales</b>	<b>43</b>	
		Average EV/LTM Sales	42	
	LTM Sales SEKm	LTM Sales growth	EV/LTM Sales	Market Cap SEKm
<b>Bonesupport</b>	<b>198</b>	<b>20%</b>	<b>11</b>	<b>2455</b>

Source: Redeye research

The peers' EV/LTM sales multiples range from 22 to 64 with an average of 42 (median of 43). BONESUPPORT is currently trading at EV/LTM Sales at 11.

Based on our sales estimates, its shares trade at 10 for 2021E, 7 for 2022E and 4 for 2023E. The high sales growth is not set to disappear in the coming years due to the inconclusive results, as we have concluded already (we expect a CAGR of 43% in the coming years). These low EV/Sales multiples strengthen the thesis that BONESUPPORT is trading considerably below its value, which the market should begin to realize in the coming six months as several key catalysts are inching in.

Income Statement	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenues</b>	<b>220</b>	<b>324</b>	<b>529</b>	<b>871</b>	<b>1 342</b>	<b>1 830</b>	<b>2 441</b>	<b>2 884</b>	<b>3 130</b>	<b>3 244</b>
Y/Y Growth (%)	21.6%	47.5%	63.1%	64.6%	54.1%	36.4%	33.4%	18.1%	8.5%	3.6%
Cost of Revenues	25	33	54	80	125	144	179	206	197	203
<b>Gross Profit</b>	<b>195</b>	<b>292</b>	<b>475</b>	<b>791</b>	<b>1 217</b>	<b>1 686</b>	<b>2 262</b>	<b>2 678</b>	<b>2 933</b>	<b>3 041</b>
Gross Profit Margin (%)	88.7%	89.9%	89.8%	90.8%	90.7%	92.1%	92.7%	92.9%	93.7%	93.7%
Selling Expenses	158	152	201	305	456	604	781	923	1 002	1 038
Administrative Expenses	55	75	95	122	174	201	269	317	344	357
R & D Expenses	73	75	95	131	174	201	293	346	376	389
Other Op. Expense / (Income)	3	2	0	-	-	-	-	-	-	-
Exchange Rate Differences	-	-	-	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>(92)</b>	<b>(8)</b>	<b>88</b>	<b>240</b>	<b>421</b>	<b>693</b>	<b>939</b>	<b>1 120</b>	<b>1 247</b>	<b>1 302</b>
EBITDA Margin (%)	(41.7%)	(2.6%)	16.6%	27.5%	31.4%	37.9%	38.5%	38.8%	39.9%	40.1%
Depreciation	2	2	2	2	4	6	9	13	18	22
Amortization	1	2	3	4	5	8	10	14	19	23
Amortization of Right-to-Use Assets	-	-	-	-	-	-	-	-	-	-
<b>EBIT</b>	<b>(94)</b>	<b>(12)</b>	<b>84</b>	<b>233</b>	<b>412</b>	<b>680</b>	<b>919</b>	<b>1 092</b>	<b>1 211</b>	<b>1 256</b>
EBIT Margin (%)	(42.8%)	(3.6%)	15.8%	26.8%	30.7%	37.1%	37.7%	37.9%	38.7%	38.7%
Associated Income / (loss)	-	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-	-
Interest Expenses	-	-	-	-	-	-	-	-	-	-
Interest Expenses, Lease Liabilities	0	0	0	0	0	1	2	3	4	6
Exchange Rate Differences	-	-	-	-	-	-	-	-	-	-
Non-recurring Income / (Expenses)	-	-	-	-	-	-	-	-	-	-
<b>EBT</b>	<b>(94)</b>	<b>(12)</b>	<b>83</b>	<b>233</b>	<b>412</b>	<b>679</b>	<b>918</b>	<b>1 089</b>	<b>1 207</b>	<b>1 251</b>
Income Tax Expenses	-	-	-	-	-	77	196	233	258	268
Effective Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	11.3%	21.4%	21.4%	21.4%	21.4%
Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-
<b>Net Income</b>	<b>(94)</b>	<b>(12)</b>	<b>83</b>	<b>233</b>	<b>412</b>	<b>602</b>	<b>721</b>	<b>856</b>	<b>949</b>	<b>983</b>
Non-Recurring Items / (Loss), Post Tax	-	-	-	-	-	-	-	-	-	-
<b>Recurring Net Income</b>	<b>(94)</b>	<b>(12)</b>	<b>83</b>	<b>233</b>	<b>412</b>	<b>602</b>	<b>721</b>	<b>856</b>	<b>949</b>	<b>983</b>
Net Income Margin (%)	(42.9%)	(3.6%)	15.8%	26.8%	30.7%	32.9%	29.5%	29.7%	30.3%	30.3%

Source: Redeye Research, Company Data

Balance Sheet	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Current Assets</b>										
Cash & Equivalents	234	235	312	437	717	1 142	1 629	2 102	2 782	3 433
Inventories	41	54	88	131	154	118	98	112	54	56
Accounts Receivable	84	80	101	143	221	251	334	394	429	444
Other Current Assets	5	6	7	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>365</b>	<b>374</b>	<b>508</b>	<b>711</b>	<b>1 091</b>	<b>1 511</b>	<b>2 061</b>	<b>2 608</b>	<b>3 265</b>	<b>3 933</b>
<b>Non-Current Assets</b>										
Property, Plant & Equipment, Net	16	16	22	37	61	91	131	175	220	263
Goodwill	-	-	-	-	-	-	-	-	-	-
Intangible Assets	17	28	41	54	76	105	143	187	230	272
Right-of-Use Assets	-	-	5	23	50	104	178	264	358	455
Shares in Associates	-	-	-	-	-	-	-	-	-	-
Other Long-Term Assets	2	4	9	35	109	228	411	642	892	1 152
<b>Total Non-Current Assets</b>	<b>35</b>	<b>48</b>	<b>78</b>	<b>150</b>	<b>295</b>	<b>528</b>	<b>863</b>	<b>1 268</b>	<b>1 701</b>	<b>2 143</b>
<b>Total Assets</b>	<b>400</b>	<b>422</b>	<b>586</b>	<b>861</b>	<b>1 386</b>	<b>2 039</b>	<b>2 924</b>	<b>3 876</b>	<b>4 966</b>	<b>6 076</b>
<b>Current Liabilities</b>										
Short-Term Debt	-	-	-	-	-	-	-	-	-	-
Short-Term Lease Liabilities	5	5	5	5	5	5	5	5	5	5
Accounts Payable	41	54	88	131	171	118	147	112	135	153
Advances From Customers	-	-	-	-	-	-	-	-	-	-
Prepaid Income	-	-	-	-	-	-	-	-	-	-
Accrued Expenses	22	32	53	44	67	92	122	144	157	162
Other Current Liabilities	22	32	53	44	67	92	122	144	157	162
<b>Total Current Liabilities</b>	<b>90</b>	<b>123</b>	<b>199</b>	<b>223</b>	<b>310</b>	<b>306</b>	<b>396</b>	<b>406</b>	<b>453</b>	<b>483</b>
<b>Non-Current Liabilities</b>										
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Long-Term Lease Liabilities	6	6	11	28	55	110	183	270	364	461
Other Long-Term Liabilities	-	-	-	-	-	-	-	-	-	-
Other Long-Term Liabilities, % of Rev.	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Total Non-current Liabilities</b>	<b>6</b>	<b>6</b>	<b>11</b>	<b>28</b>	<b>55</b>	<b>110</b>	<b>183</b>	<b>270</b>	<b>364</b>	<b>461</b>
Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-
<b>Shareholder's Equity</b>	<b>305</b>	<b>293</b>	<b>376</b>	<b>609</b>	<b>1 021</b>	<b>1 623</b>	<b>2 344</b>	<b>3 201</b>	<b>4 149</b>	<b>5 133</b>
Book Value Per Share	4,7	4,5	5,7	9,3	15,6	24,8	35,8	48,9	63,4	78,4
<b>Total Liabilities &amp; Equity</b>	<b>400</b>	<b>422</b>	<b>586</b>	<b>861</b>	<b>1 386</b>	<b>2 039</b>	<b>2 924</b>	<b>3 876</b>	<b>4 966</b>	<b>6 076</b>
Net Debt	(234)	(235)	(312)	(437)	(717)	(1 142)	(1 629)	(2 102)	(2 782)	(3 433)
Net Gearing (%)	-77,0%	-80,2%	-82,9%	-71,7%	-70,2%	-70,4%	-69,5%	-65,7%	-67,0%	-66,9%

Source: Redeye Research, Company Data

Cash Flow Statement	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Operating Activities</b>										
Net Income	(94)	(12)	82	223	387	559	664	782	863	894
Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-
Associated Income / (loss)	-	-	-	-	-	-	-	-	-	-
Dividends Received from Associates	-	-	-	-	-	-	-	-	-	-
Depreciation	2	2	2	2	4	6	9	12	16	20
Amortization	1	1	2	3	4	6	9	13	17	21
Amortization of Right-to-Use Assets	-	-	-	-	-	-	-	-	-	-
Net Working Capital Change, Decrease / (Increase)	(14)	25	19	(51)	(12)	2	26	(60)	68	12
Other Long-Term Liabilities, Increase / (Decrease)	(0)	-	-	-	-	-	-	-	-	-
<b>Operating Cash Flow</b>	<b>(106)</b>	<b>16</b>	<b>104</b>	<b>177</b>	<b>383</b>	<b>573</b>	<b>708</b>	<b>747</b>	<b>964</b>	<b>947</b>
Cash EPS	(1,6)	0,2	1,6	2,7	5,9	8,8	10,8	11,4	14,7	14,5
<b>Investing Activities</b>										
Capital Expenditures	(2)	(2)	(8)	(17)	(25)	(34)	(45)	(53)	(57)	(59)
Capital Expenditures, % of Rev.	1,1%	0,5%	1,5%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Investment in Intangible Assets	(4)	(6)	(10)	(17)	(25)	(34)	(45)	(53)	(57)	(59)
Investment in Intangible Assets, % of Rev.	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Other Long Term Assets	(2)	(2)	(5)	(25)	(70)	(111)	(169)	(212)	(229)	(237)
Other Long Term Assets, % of Rev.	(1,0%)	(0,5%)	(1,0%)	(3,0%)	(5,5%)	(6,5%)	(7,5%)	(8,0%)	(8,0%)	(8,0%)
Acquisitions	-	-	-	-	-	-	-	-	-	-
Divestments	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-
<b>Investing Cash Flow</b>	<b>(9)</b>	<b>(10)</b>	<b>(24)</b>	<b>(59)</b>	<b>(121)</b>	<b>(179)</b>	<b>(260)</b>	<b>(318)</b>	<b>(344)</b>	<b>(356)</b>
<b>Financing Activities</b>										
Short-Term Debt, Issuance / (Repayment)	-	-	-	-	-	-	-	-	-	-
Long-Term Debt, Issuance / (Repayment)	-	-	-	-	-	-	-	-	-	-
Share Issuance / (Repurchase)	-	-	-	-	-	-	-	-	-	-
Dividends Paid to Shareholders	-	-	-	-	-	-	-	-	-	-
Dividends Paid to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-
Repayment of Lease Liabilities	-	-	-	-	-	-	-	-	-	-
Other Financing Activities	-	-	-	-	-	-	-	-	-	-
<b>Financing Cash Flow</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cash Flow</b>	<b>(115)</b>	<b>6</b>	<b>81</b>	<b>118</b>	<b>262</b>	<b>394</b>	<b>448</b>	<b>429</b>	<b>620</b>	<b>591</b>
<b>Cash Balance</b>	<b>239</b>	<b>245</b>	<b>326</b>	<b>444</b>	<b>707</b>	<b>1 100</b>	<b>1 548</b>	<b>1 978</b>	<b>2 598</b>	<b>3 189</b>

Source: Redeye Research, Company Data



## 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:** 4

**Financials:** 2

## 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.

## Redeye Equity Research team

### Management

**Björn Fahlén**

bjorn.fahlen@redeye.se

**Tomas Otterbeck**

tomas.otterbeck@redeye.se

### Technology Team

**Jonas Amnesten**

jonas.amnesten@redeye.se

**Henrik Alveskog**

henrik.alveskog@redeye.se

**Fredrik Nilsson**

fredrik.nilsson@redeye.se

**Niklas Sävås**

niklas.savas@redeye.se

**Jesper Henriksson**

jesper.henriksson@redeye.se

**Douglas Forsling**

douglas.forsling@redeye.se

**Forbes Goldman**

forbes.goldman@redeye.se

**Mark Siöstedt**

mark.siostedt@redeye.se

**Danesh Zare**

danesh.zare@redeye.se

**Mattias Ehrenborg**

mattias.ehrenborg@redeye.se

**Jacob Svensson**

jacob.svensson@redeye.se

**Hjalmar Ahlberg**

hjalmar.ahlberg@redeye.se

**Viktor Lindström**

viktor.lindstrom@redeye.se

### Editorial

**Mark Siöstedt**

mark.siostedt@redeye.se

**Joel Karlsson**

joel.karlsson@redeye.se

### Life Science Team

**Gergana Almquist**

gergana.almquist@redeye.se

**Oscar Bergman**

oscar.bergman@redeye.se

**Johan Unnerus**

johan.unnerus@redeye.se

**Niklas Elmhammer**

niklas.elmhammer@redeye.se

**Mats Hyttinge**

mats.hyttinge@redeye.se

**Filip Einarsson**

filip.einarsson@redeye.se

**Fredrik Thor**

fredrik.thor@redeye.se

**Kevin Sule**

kevin.sule@redeye.se

**Christian Binder**

christian.binder@redeye.se

**Erik Nordström**

erik.nordstrom@redeye.se

**Richard Ramanius**

richard.ramanius@redeye.se

**Frank H Andersen**

frank.h.andersen@redeye.se

## 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 redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

Redeye is licensed to; receive and transmit orders in financial instruments, provide investment advice to clients regarding financial instruments, prepare and disseminate financial analyses/recommendations for trading in financial instruments, execute orders in financial instruments on behalf of clients, place financial instruments without position taking, provide corporate advice and services within mergers and acquisition, provide services in conjunction with the provision of guarantees regarding financial instruments and to operate as a Certified Advisory business (ancillary authorization).

### Limitation of liability

This document was prepared for information purposes for general distribution and is not intended to be advisory. The information contained in this analysis is based on sources deemed reliable by Redeye. However, Redeye cannot guarantee the accuracy of the information. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Redeye cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Redeye accepts no liability for any loss or damage resulting from the use of this analysis.

### Potential conflict of interest

Redeye's research department is regulated by operational and administrative rules established to avoid conflicts of interest and to ensure the objectivity and independence of its analysts. The following applies:

- For companies that are the subject of Redeye's research analysis, the applicable rules include those established by the Swedish Financial Supervisory Authority pertaining to investment recommendations and the handling of conflicts of interest. Furthermore, Redeye employees are not allowed to trade in financial instruments of the company in question, from the date Redeye publishes its analysis plus one trading day after this date.
- An analyst may not engage in corporate finance transactions without the express approval of management and may not receive any remuneration directly linked to such transactions.
- Redeye may carry out an analysis upon commission or in exchange for payment from the company that is the subject of the analysis, or from an underwriting institution in conjunction with a merger and acquisition (M&A) deal, new share issue or a public listing. Readers of these reports should assume that Redeye may have received or will receive remuneration from the company/companies cited in the report for the performance of financial advisory services. Such remuneration is of a predetermined amount and is not dependent on the content of the analysis.

### Redeye's research coverage

Redeye's research analyses consist of case-based analyses, which imply that the frequency of the analytical reports may vary over time. Unless otherwise expressly stated in the report, the analysis is updated when considered necessary by the research department, for example in the event of significant changes in market conditions or events related to the issuer/the financial instrument.

### Recommendation structure

Redeye does not issue any investment recommendations for fundamental analysis. However, Redeye has developed a proprietary analysis and rating model, Redeye Rating, in which each company is analyzed and evaluated. This analysis aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

### Redeye Rating (2021-09-13)

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

### Duplication and distribution

This document may not be duplicated, reproduced or copied for purposes other than personal use. The document may not be distributed to physical or legal entities that are citizens of or domiciled in any country in which such distribution is prohibited according to applicable laws or other regulations.

Copyright Redeye AB.

---

### CONFLICT OF INTERESTS

Oscar Bergman owns shares in the Company: Yes

Erik Nordström 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.