



EPISURF MEDICAL

Covid-19 hit in Q2, as expected

As we expected, Covid-19 had a clear impact on the number of implant procedures in Q2. As these are elective procedures, they can easily be postponed (as seen in Q2). Despite this, we believe the company had a strong quarter with a good cost control. Over the coming quarters, we believe sales should gradually return. Our new fair value is SEK1.3–3.9 (1.4–4.1).

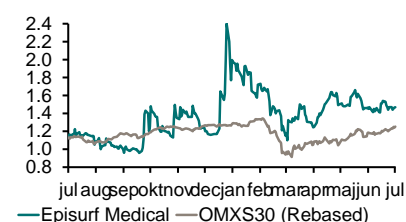
The pandemic affected Q2, as we expected. Sales of cSEK0.6m were clearly below our estimate of cSEK1m. However, as the company is in the early phase of its product introduction, it has few high-volume users and local restrictions can have a disproportionately high impact on a company at its stage of development. The signs are positive that the important European market is starting to come back.

Tight cost control in Q2. Despite lower than expected sales, the company reduced its operating costs, giving an operating loss cSEK4m smaller than we forecast. On the other hand, we expect costs to increase again in H2 as costs for the US IDE trial grow as surgical procedures in the trial commences.

At least two publications should come in H2. We expect clinical documentation to increase in H2, as several important articles highlighting the longer-term outcomes for the Episealer implant system are on their way. Remember that the company has basically come this far with very limited clinical documentation, and from our point of view it is key to strengthening its competitive situation.

Forecasts adjusted for Q2 report. We have lowered our forecasts due to the impact of Covid-19 in Q2 and the impact we expect for H2. At the same time as we have lowered our 2020–2022e top-line and our operating costs, leading to a relatively small bottom-line impact. We still see high demand for its implant system in patients too old for any biological treatment to have an effect and too young for total knee replacements. Our new fair value is SEK1.3–3.9 (previously SEK1.4–4.1).

EPISB versus OMXS30 (12m)



Source: Factset

SUMMARY

Share price (SEK)	1.47
Tickers	EPISB SS, EPISB.ST

CAPITAL STRUCTURE

No. of shares (m)	187.0
No. of shares fully dil. (m)	187.0
Market cap. (SEKm)	274
NIBD adj end-2020e (SEKm)	92
Enterprise value adj (SEKm)	366
Net debt/EBITDA adj (x)	-1.36
Free float (%)	100

Source: Company, DNB Markets (estimates)

NEXT EVENT

Q3 report 2020	23/10/2020
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ESTIMATE CHANGES (SEK)

Year-end Dec	2020e	2021e	2022e
Sales (old)	6.77	12.17	26.31
Sales (new)	6.26	11.21	24.17
Change (%)	-7.6	-7.9	-8.1
EPS (old)	-0.41	-0.42	-0.35
EPS (new)	-0.40	-0.39	-0.32
Change (%)	nm	nm	nm

Source: DNB Markets, SME Direkt

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Year-end Dec	2016	2017	2018	2019	2020e	2021e	2022e
Revenue (SEKm)	3	3	4	5	6	11	24
EBITDA adj (SEKm)	-58	-57	-53	-61	-67	-65	-54
EBIT adj (SEKm)	-62	-61	-58	-69	-75	-73	-61
PTP (SEKm)	-62	-61	-58	-70	-74	-72	-61
EPS rep (SEK)	-3.87	-2.18	-1.87	-1.04	-0.40	-0.39	-0.32
EPS adj (SEK)	-3.87	-2.18	-1.87	-1.04	-0.40	-0.39	-0.32
Revenue growth (%)	-60.0	16.3	39.0	25.6	15.9	79.1	115.6
EV/Sales adj (x)	68.89	60.95	23.38	19.92	58.52	30.47	17.72
P/Book (x)	2.89	1.37	1.55	1.90	2.71	3.49	1.63
FCF yield (%)	-39.9	-52.4	-76.2	-75.8	-25.2	-24.5	-20.2

Source: Company (historical figures), DNB Markets (estimates)

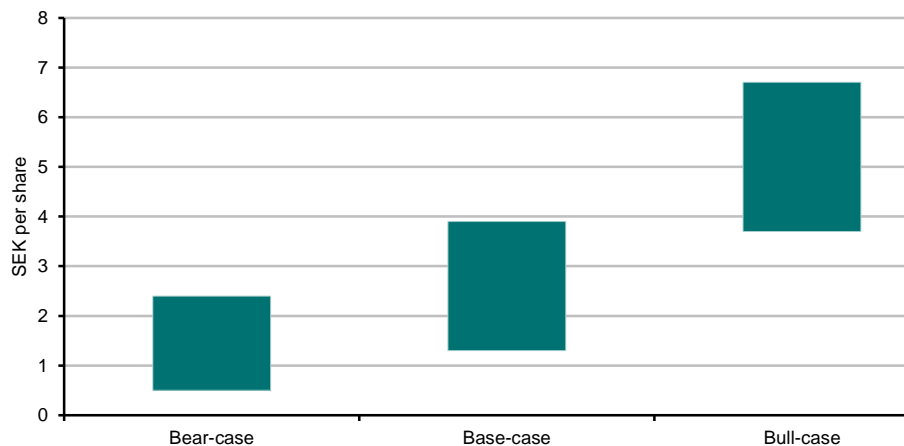
ANALYSTS

Patrik Ling

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Overview

Valuation (SEK)



Source: DNB Markets

Valuation methodology

- We continue to primarily use a DCF, with a base-case long-term growth rate of 1%, a terminal EBIT margin of 45%, and a WACC of 11%.
- In our bull-case scenario we assume 25% higher sales growth than in our base-case scenario.
- In our bear-case scenario we use 25% lower sales growth than in our base-case scenario.

Source: DNB Markets

Downside risks to our fair value

- We believe the largest risk relates to Episealer® sales growth. Hence, our bear-case scenario assumes weaker sales than our base-case scenario. Even weaker sales would be a negative.
- We believe the company will need additional financing to reach our forecasts and this might not be available at acceptable terms.
- The US IDE trial might take longer than expected to complete and be more expensive than estimated.
- The Covid-19 pandemic might negatively affect short-term demand.

Source: DNB Markets

DNB Markets estimates

- We believe our base-case scenario includes reasonable sales growth even though the market has been disappointed by historical sales.
- The company has significantly more clinical data now than at the time of the IPO, which supports the case.
- We assume the company will complete the US IDE trial and out-license the Episealer® system to a US partner. We have not factored in an upfront payment but instead have estimated that the company receives a royalty on sales.

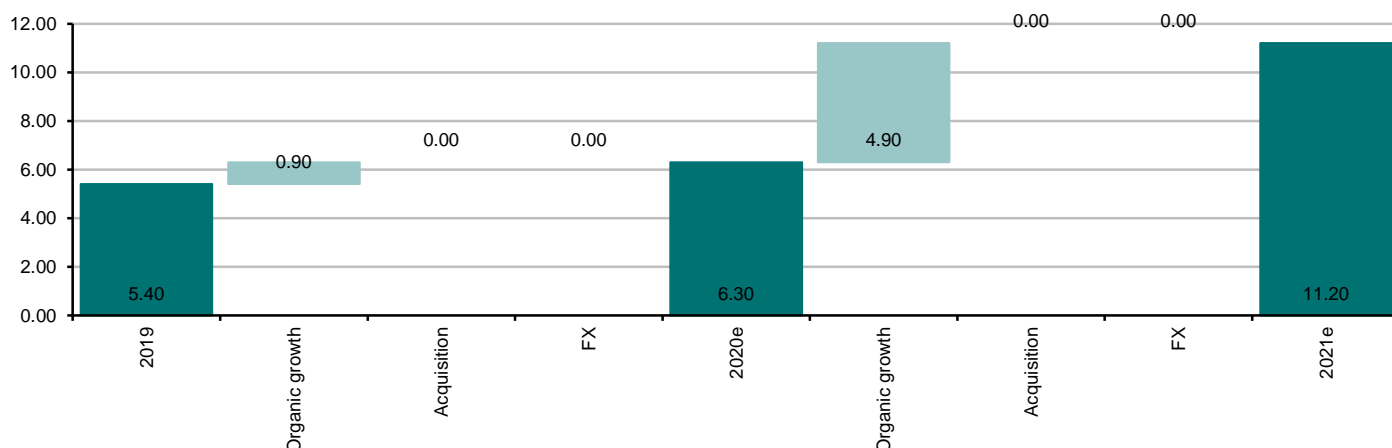
Source: DNB Markets

Upside risks to our fair value

- Sales might be stronger than we forecast, as it has clearly more clinical documentation than in the past.
- A US partnership might include better terms than we expect.
- The company could become a takeover target for a larger orthopaedic implant company.

Source: DNB Markets

Sales growth bridge 2019–2021e (SEKm)



Source: DNB Markets (forecasts), company (historical data)

ESG overview

Sustainability assessment

	Positive	Negative
Conclusions	<ul style="list-style-type: none"> ■ Episurf Medical's products aim to improve knee health in younger patients with well-defined arthritic injuries. The main drivers for the company are the combination of demographic changes and a lack of suitable alternatives for patients deemed too young for a total knee replacement. ■ The implants are individually designed to the patient's anatomy and injury, increasing the likelihood of a successful treatment outcome. ■ We believe that general ESG trends could benefit Episurf Medical over time. 	<ul style="list-style-type: none"> ■ The company is establishing a new treatment paradigm for knee injuries, but this takes time. Despite the poor treatment alternatives for younger patients, it still takes time to educate surgeons about the new treatment. ■ Treatment growth is to a large extent dependent on clinical outcome data, and the company is only now ready with its documentation. This historical lack of data has slowed market uptake.
Actions being taken by company	<ul style="list-style-type: none"> ■ Tailoring implants as well as surgical instruments means a better fit with the patients' needs and a reduced risk of revision surgery. ■ The company mainly addresses the UN sustainability goal number 3 "Good health and well-being". 	<ul style="list-style-type: none"> ■ The individualisation leads to a higher degree of single-use products (especially related to the surgical tools). ■ Although the waste increases due to a high degree of single-use products, the high success rate and the low revision rate should compensate for this.

Key ESG drivers

Short-term

- All the company's products, in one way or the other, are aimed at improving health among patients. Hence they all address the UN's goal 3 of "Good health"
- The Episealer implant system offers treatment to a group of patients who lack suitable alternatives. The documentation of clinical efficacy is rapidly increasing which we believe will make it easier to convince more orthopaedic surgeons to test the products and ultimately offer this solution to more patients.
- These patients are to a large extent treated with painkillers long-term; a successful Episealer treatment can reduce the need and risks associated with long-term painkiller usage.
- There has been a lack of clinical documentation regarding the outcome for the Episealer implant system but over the past year more data has emerged, which looks compelling.
- As this is a completely new way of treating the patients it takes time to educate orthopaedic surgeons in this method of treatment.

Long-term

- Getting younger patients (c35–40 years) back into good knee health also means that more can resume work, benefiting the overall economy as well as for the patients' well-being.
- Access to healthcare differs globally, and patient needs vary from market to market. Episurf Medical's products mainly cater to patients in more developed markets.
- Cost effectiveness of care should increase in the future as growth in total resources for healthcare is likely to be slower than that in demand.
- New drugs or alternative treatments could have a negative impact on certain therapies, making some of Episurf Medical's current equipment obsolete.

Source: DNB Markets

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Sustainability assessment

	Risk	Company's risk mitigation
Transition risks		
Policy and legal	<ul style="list-style-type: none"> Changes in reimbursement systems can have a significant impact on its operations from time to time. Other regulations such as MRD and FDA approvals can take time and affect the company's ability to market its products. 	<ul style="list-style-type: none"> All products have been recently re-certified in Europe, meaning that certification according to the MDR is not critical until 2024.
Technology	<ul style="list-style-type: none"> The Episealer implant system and surgical instruments are difficult for the competition to copy. There are other implant systems available, but they are not patient-specific. 	<ul style="list-style-type: none"> There are no direct technical barriers left; rather the system is now rolled out in the market and also developed for other types of cartilage damage.
Market	<ul style="list-style-type: none"> The company sells direct in Europe, which is a slow process. In the US market the company will most likely enter into an agreement with a partner; this can be difficult to achieve. 	<ul style="list-style-type: none"> The company focuses on certain markets and regions in markets to establish the system as a standard treatment. Discussions with potential partners are ongoing.
Reputation	<ul style="list-style-type: none"> A rising revision rate would be a clear negative. We see a potential risk in new surgeons using the system without sufficient training. 	<ul style="list-style-type: none"> As cases are scanned and sent to the company for manufacture, this makes it easy for it to detect if a potential patient is unsuitable.
Physical risk		
Acute	<ul style="list-style-type: none"> Any manufacturing faults in an implant could have serious implications for a patient. 	<ul style="list-style-type: none"> Quality control is imperative in the entire manufacturing chain.
Chronic	<ul style="list-style-type: none"> The launch of new biological technology that makes the implant solution outdated. 	<ul style="list-style-type: none"> There is the potential for the company to use its technology for other applications.

Source: DNB Markets

Sustainability assessment

	Opportunities	Company's utilisation of opportunity
Resource efficiency	<ul style="list-style-type: none"> By manufacturing patient-specific implants and instruments, there will be only a limited amount of waste. On the other hand, the surgical tools are single-use products and cannot be re-used. 	<ul style="list-style-type: none"> The single-use feature limits the risk of an implant being unsuitable in the surgical situation. This reduces the need for revisions.
Products/Services	<ul style="list-style-type: none"> The individualised products result in a precise fit to the patient's injury. The software planning tools also eliminate the risk of carrying out the procedure on unsuitable patients. 	<ul style="list-style-type: none"> The company sometimes advises against surgery after it receives the patient's images, thereby increasing the likelihood of a positive outcome.
New markets	<ul style="list-style-type: none"> The company is expanding its market presence in Europe and will seek a marketing partner for the US market. 	<ul style="list-style-type: none"> The company is currently conducting a large (c180 patients) IDE trial in the US.
Supply chain resilience	<ul style="list-style-type: none"> The production is still relatively costly but as volumes expand economies of scale should kick in. It has capacity to significantly increase volumes without any major investments. 	<ul style="list-style-type: none"> The company uses CMOs to help with a large part of the manufacturing process.

Source: DNB Markets

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Covid-19 had a clear impact on sales in Q2

Episurf Medical's implant system, the Episealer, is very exposed to the worldwide postponement of elective surgical procedures owing to Covid-19. The company is fully aware of that and has worked diligently to lower costs as much as possible, so the Q2 loss was smaller than we forecast despite sales lower than estimated. However, we believe costs will likely rise again in H2 as the US IDE trial (The EPIC Knee trial) starts to operate on its first patients. Patients have been selected and randomised, but the first surgical procedures have not taken place yet.

Q2 results

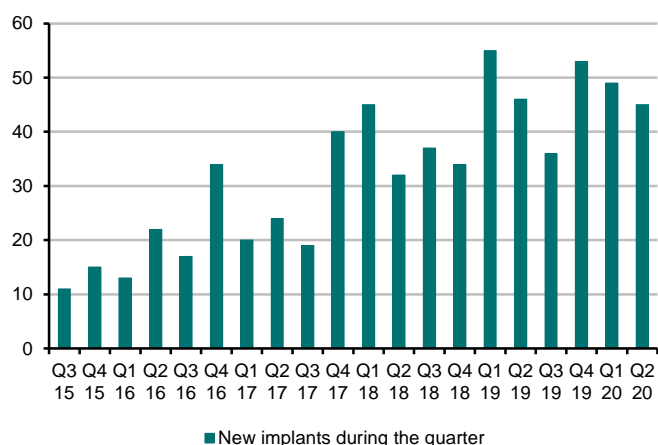
(SEKm, except per share data)	Q2 2020			Deviation (%)		Deviation, Abs		Q2 2019
	Actual	DNB	Cons.	DNB	Cons.	DNB	Cons.	Actual
Sales	0.6	1.0	n.m.	-40%	n.a.	-0.4	n.m.	1.1
EBIT reported	-14.0	-18.0	n.m.	22%	n.a.	4.0	n.m.	-18.8
EBIT margin (%)	-2333%	-1800%	n.m.	n.m.	n.a.			-1709%
Net financial items	-0.4	-0.1	n.m.	n.m.	n.m.	-0.3	n.m.	-0.1
Pre-tax profit	-14.4	-18.1	n.m.	20%	n.a.	3.7	n.m.	-18.9
EPS	-0.08	-0.11	n.m.	27%	n.a.	0.0	n.m.	-0.42
Growth YOY								
Group sales	-45%	-9%	n.m.			-36%	n.m.	
EBIT	26%	4%	n.m.			21%	n.m.	
EPS	81%	74%	n.m.			7%	n.m.	

Source: Company data (historical figures), DNB Markets (estimates), No consensus available.

We believe the company is in good shape and doing the right things. Its financial situation improved significantly in H1, with a directed share issue in Q1 and a rights issue in Q2. At end-Q2, it had cash on its balance sheet of cSEK121m. At the same time, we know that several scientific publications have been submitted to various journals, so we expect new data during Q3. As the company is in the early phase of the market introduction of the Episealer Implant system, it needs more scientific data to the support sales and marketing. We believe such publications will be important in broadening the system's use.

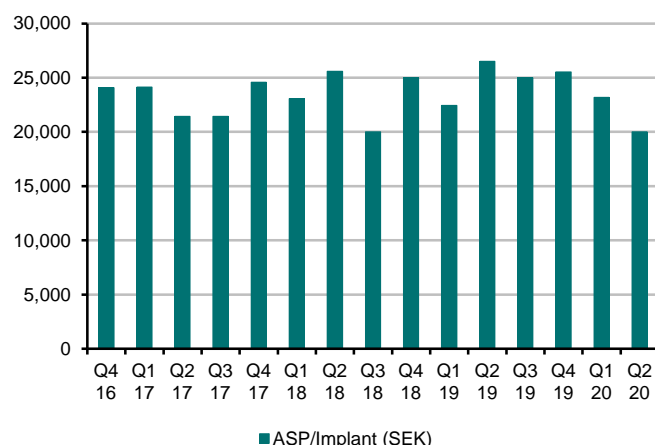
We note that the ASP per sold implant declined slightly in Q2 to cSEK20,000 per implant.

New implants sold in the quarter



Source: Company data

ASP per implant



Source: Company data

The main reason for this is that some of the more experienced users of the system sometimes place more than one implant per knee, and in these cases the company does not charge as much per implant. There is also the fact that new customers get discounts on the first implants.

We believe that Q2 (from a sales perspective) will be the weakest quarter in 2020. Factoring in lower than forecast Q2 sales and a slight flattening of the rebound in H2e has prompted us to lower our 2020e sales slightly. Also, we have slightly adjusted the ASP per implant sold on the back of the lower ASP in Q2. On the cost side, we believe the company was successful in

managing costs in H1 but that costs should start to increase in H2 as the surgical procedures for the US IDE trial kick off in H2 2020. Our new fair value is set SEK1.3–3.9.

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Forecast changes – P&L

(SEKm)	New			Old			Change		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Revenues	6	11	24	7	12	26	-1	-1	-2
Cost of sales	0	-6	-11	0	-6	-12	0	0	1
Gross profit	6	6	13	7	6	14	-1	0	-1
Operating expenses	-81	-79	-75	-84	-85	-80	3	6	5
EBITDA	-67	-65	-54	-70	-71	-58	2	6	4
EBITDA adj	-67	-65	-54	-70	-71	-58	2	6	4
EBITDA margin (%)	nm	nm	nm	-1029.6	-582.7	-218.7	nm	nm	nm
Depreciation	-8	-8	-8	-8	-8	-8	0	0	0
EBITA	-75	-73	-61	-77	-79	-65	2	6	4
EBIT	-75	-73	-61	-77	-79	-65	2	6	4
EBIT adj	-75	-73	-61	-77	-79	-65	2	6	4
Net interest	1	1	1	1	1	1	0	0	0
Net financial items	1	1	1	1	1	1	0	0	0
PBT	-74	-72	-61	-77	-78	-65	2	6	4
Taxes	0	0	0		0	0		0	0
Net profit	-74	-72	-61	-77	-78	-65	2	6	4
Adjustments to net profit	0	0	0	0	0	0	0	0	0
Net profit adj	-74	-72	-61	-77	-78	-65	2	6	4
<i>Per share data (SEK)</i>									
EPS	-0.40	-0.39	-0.32	-0.41	-0.42	-0.35	0.01	0.03	0.02
EPS adj	-0.40	-0.39	-0.32	-0.41	-0.42	-0.35	0.01	0.03	0.02
<i>Other key metrics (%)</i>									
Revenue growth	15.9	79.1	115.6	25.4	79.7	116.2	-9.5	-0.6	-0.5
EBIT adj growth	nm	nm	nm	12.2	1.5	-17.0	nm	nm	nm
EPS adj growth	nm	nm	nm	-60.4	1.5	-17.2	nm	nm	nm
Avg. number of shares (m)	187	187	187	187	187	187	0	0	0
Capex	0	0	0	0	0	0	0	0	0
OpFCF	-67	-65	-54	-70	-71	-58	2	6	4
Working capital	-2	1	3	-2	1	3	0	0	0
NIBD adj	92	67	154	89	59	142	2	8	12

Source: DNB Markets

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Annual P&L

(SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Revenues	2	2	7	3	3	4	5	6	11	24
Cost of sales	0	0	0	0	0	0	0	0	-6	-11
Gross profit	2	2	7	3	3	4	5	6	6	13
Operating expenses	-25	-36	-51	-64	-64	-62	-74	-81	-79	-75
EBITDA	-22	-32	-42	-58	-57	-53	-61	-67	-65	-54
Depreciation	-1	-2	-2	-4	-4	-5	-8	-8	-8	-8
EBITA	-23	-33	-44	-62	-61	-58	-69	-75	-73	-61
EBIT	-23	-33	-44	-62	-61	-58	-69	-75	-73	-61
Net interest	0	0	0	0	0	0	-1	1	1	1
Net financial items	0	0	0	0	0	0	-1	1	1	1
PBT	-23	-33	-44	-62	-61	-58	-70	-74	-72	-61
Taxes	0	0	0	0	0	0	0	0	0	0
Effective tax rate (%)	0	0	0	0	0	0	0	0	0	0
Net profit	-23	-33	-44	-62	-61	-58	-70	-74	-72	-61
Adjustments to net profit	0	0	0	0	0	0	0	0	0	0
Net profit adj	-23	-33	-44	-62	-61	-58	-70	-74	-72	-61
Avg. number of shares	8	8	13	16	28	31	67	187	187	187
<i>Per share data (SEK)</i>										
EPS	-2.91	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.40	-0.39	-0.32
EPS adj	-2.91	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.40	-0.39	-0.32
<i>Growth and margins (%)</i>										
Revenue growth	nm	37.9	184.0	-60.0	16.3	39.0	25.6	15.9	79.1	115.6
EPS adj growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	50.0	55.0
EBITDA margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBITDA adj margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation/revenues	-63.4	-75.3	-33.6	-152.5	-135.3	-111.6	-138.9	-121.4	-67.8	-31.5
EBIT margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBIT adj margin	-1372.7	-1421.7	-662.3	-2319.4	-1978.2	-1337.2	-1275.9	-1195.9	-651.4	-253.7
PBT margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

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Adjustments to annual P&L

(SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA	-22	-32	-42	-58	-57	-53	-61	-67	-65	-54
Gains and losses	0	0	0	0	0	0	0	0	0	0
EBITDA adj	-22	-32	-42	-58	-57	-53	-61	-67	-65	-54
EBITA	-23	-33	-44	-62	-61	-58	-69	-75	-73	-61
Gains and losses	0	0	0	0	0	0	0	0	0	0
Other EBITA adjustments	0	0	0	0	0	0	0	0	0	0
EBITA adj	-23	-33	-44	-62	-61	-58	-69	-75	-73	-61
EBIT	-23	-33	-44	-62	-61	-58	-69	-75	-73	-61
Gains and losses	0	0	0	0	0	0	0	0	0	0
Other EBIT adjustments	0	0	0	0	0	0	0	0	0	0
EBIT adj	-23	-33	-44	-62	-61	-58	-69	-75	-73	-61
Net profit	-23	-33	-44	-62	-61	-58	-70	-74	-72	-61
Gains and losses	0	0	0	0	0	0	0	0	0	0
Other EBIT adjustments	0	0	0	0	0	0	0	0	0	0
Net profit adj	-23	-33	-44	-62	-61	-58	-70	-74	-72	-61
<i>Per share data (SEK)</i>										
EPS	-2.91	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.40	-0.39	-0.32
Recommended adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS adj	-2.91	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.40	-0.39	-0.32

Source: Company (historical figures), DNB Markets (estimates)

Cash flow

(SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Net profit	-23	-33	-44	-62	-61	-58	-70	-74	-72	-61
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Change in net working capital	1	-1	4	1	-5	0	3	-2	-2	-2
Cash flow from operations (CFO)	-21	-32	-38	-56	-61	-53	-60	-69	-67	-56
Capital expenditure	0	0	0	0	0	0	0	0	0	0
Acquisitions/Investments	-3	-3	-7	-5	-7	-10	-6	-7	-7	-8
Divestments	0	0	0	0	0	0	0	0	0	0
Cash flow from investing (CFI)	-4	-3	-7	-6	-7	-10	-6	-7	-7	-8
Free cash flow (FCF)	-24	-35	-45	-62	-69	-63	-65	-76	-74	-63
Net change in debt	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	1	1	2	-1	0
Cash flow from financing (CFF)	70	0	115	0	98	20	62	136	49	150
Total cash flow (CFO+CFI+CFF)	46	-34	69	-62	29	-43	-3	60	-25	87
<i>FCFF calculation</i>										
Free cash flow	-24	-35	-45	-62	-69	-63	-65	-76	-74	-63
Less: net interest	0	0	0	0	0	0	1	-1	-1	-1
Less: acquisitions	3	3	7	5	7	10	6	7	7	8
Less: divestments	0	0	0	0	0	0	0	0	0	0
Growth (%)										
CFO	-37.9	-52.6	-20.2	-47.5	-9.5	13.9	-12.9	-15.7	2.7	17.4
CFI	-143.9	21.2	-157.1	24.6	-34.4	-29.7	43.3	-18.2	-7.7	-7.1
FCF	-47.5	-41.5	-31.5	-35.8	-11.7	9.1	-4.2	-15.9	1.8	15.1
CFF	nm	-99.8	76422.1	-100.0	nm	-80.0	217.3	118.2	-63.6	203.4
FCFF	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

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Balance sheet

(SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Assets	76	43	118	60	93	55	58	122	101	192
Inventories	1	1	1	1	2	2	2	2	3	3
Trade receivables	0	0	0	1	1	1	1	4	8	11
Other receivables	2	1	1	3	3	3	2	2	2	2
Cash and cash equivalents	69	34	104	42	71	28	25	85	61	148
Current assets	71	37	107	47	77	34	30	94	74	164
Property, plant and equipment	1	0	0	0	0	0	6	6	6	6
Other intangible assets	5	6	11	13	16	21	22	22	22	22
Non-current assets	5	6	11	13	16	21	28	28	28	28
Total assets	76	43	118	60	93	55	58	122	101	192
Equity and liabilities	76	43	118	60	93	55	58	122	101	192
Total equity to the parent	72	39	110	49	86	45	41	101	79	168
Total equity	72	39	110	49	86	45	41	101	79	168
Trade payables	2	1	2	6	3	2	6	7	8	9
Other payables and accruals	0	1	2	2	1	2	4	4	4	5
Short-term debt	0	0	0	0	0	3	0	3	3	3
Total current liabilities	2	2	4	8	4	6	10	14	15	16
Long-term debt	0	0	0	0	0	0	4	4	4	4
Other non-current liabilities	2	3	5	4	4	4	3	4	4	4
Total non-current liabilities	2	3	5	4	4	4	7	7	7	8
Total liabilities	5	4	8	12	8	10	16	21	22	24
Total equity and liabilities	76	43	118	60	93	55	58	122	101	192
<i>Key metrics</i>										
Net interest bearing debt	69	34	104	42	71	31	29	92	67	154

Source: Company (historical figures), DNB Markets (estimates)

19 July 2020

Valuation ratios

(SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
<i>Enterprise value</i>										
Share price (SEK)	27.91	15.21	10.35	8.84	4.19	2.25	1.17	1.47	1.47	1.47
Number of shares (m)	7.86	7.96	12.50	15.95	27.99	30.87	67.34	187.0	187.0	187.0
Market capitalisation	219	121	129	141	117	69	79	274	274	274
Net interest bearing debt	69	34	104	42	71	31	29	92	67	154
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	69	34	104	42	71	31	29	92	67	154
EV	288	156	233	183	189	101	108	366	341	428
EV adj	288	156	233	183	189	101	108	366	341	428
<i>Valuation</i>										
EPS	-2.91	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.40	-0.39	-0.32
EPS adj	-2.91	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.40	-0.39	-0.32
P/E	-9.6	-3.7	-2.9	-2.3	-1.9	-1.2	-1.1	-3.7	-3.8	-4.5
P/E adj	-9.6	-3.7	-2.9	-2.3	-1.9	-1.2	-1.1	-3.7	-3.8	-4.5
P/B	3.06	3.11	1.18	2.89	1.37	1.55	1.90	2.71	3.49	1.63
Average ROE	-47.6%	-59.6%	-59.1%	-77.7%	-91.0%	-88.7%	-161.9%	-104.2%	-80.5%	-49.2%
Earnings yield adj	-10.4%	-27.2%	-34.0%	-43.7%	-52.1%	-83.2%	-88.6%	-27.0%	-26.4%	-22.1%
EV/SALES	169.87	66.47	35.12	68.89	60.95	23.38	19.92	58.52	30.47	17.72
EV/SALES adj	169.87	66.47	35.12	68.89	60.95	23.38	19.92	58.52	30.47	17.72
EV/EBITDA	-13.0	-4.9	-5.6	-3.2	-3.3	-1.9	-1.8	-5.4	-5.2	-8.0
EV/EBITDA adj	-13.0	-4.9	-5.6	-3.2	-3.3	-1.9	-1.8	-5.4	-5.2	-8.0
EV/EBIT	-12.4	-4.7	-5.3	-3.0	-3.1	-1.7	-1.6	-4.9	-4.7	-7.0
EV/EBIT adj	-12.4	-4.7	-5.3	-3.0	-3.1	-1.7	-1.6	-4.9	-4.7	-7.0
EV/NOPLAT	-12.4	-4.7	-5.3	-3.0	-3.1	-1.7	-1.6	-4.9	-4.7	-7.0
EV/OpFCF (taxed)	-12.7	-4.9	-5.6	-3.2	-3.3	-1.9	-1.8	-5.4	-5.2	-8.0

Source: Company (historical figures), DNB Markets (estimates)

19 July 2020

Key accounting ratios

	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
<i>Profitability (%)</i>										
ROA	-43.8	-55.0	-54.5	-69.1	-79.6	-78.1	-124.1	-82.7	-65.0	-41.4
<i>Return on invested capital (%)</i>										
Net PPE/revenues	30.6	18.2	6.4	14.4	6.5	2.3	111.1	95.9	53.5	24.8
Working capital/revenues	-2.1	28.1	-11.5	-104.1	58.2	48.8	-87.0	-32.0	6.2	14.1
<i>Cash flow ratios (%)</i>										
FCF/revenues	-1438.4	-1475.9	-683.4	-2317.6	-2227.3	-1455.8	-1207.4	-1207.2	-662.1	-260.8
FCF yield	-9.7	-26.2	-29.5	-39.9	-52.4	-76.2	-75.8	-25.2	-24.5	-20.2
CFO/revenues	-1223.6	-1353.3	-572.4	-2108.4	-1985.6	-1230.2	-1105.6	-1103.3	-599.7	-229.7
CFO/market capitalisation	-9.5	-26.2	-29.4	-39.8	-52.4	-76.2	-75.8	-25.2	-24.5	-20.2
CFO/capex	-4435.2	-81809.4	-29577.0	-35153.6	-187892.4					
CFO/current liabilities	-873.2	-1789.9	-1076.6	-717.5	-1574.9	-881.7	-621.9	-504.0	-448.0	-340.6
Cash conversion ratio	106.7	104.9	103.3	100.0	112.7	108.3	93.4	101.8	102.5	103.8
Capex/revenues	27.6	1.7	1.9	6.0	1.1	0.0	0.0	0.0	0.0	0.0
Capex/depreciation	43.5	2.2	5.8	3.9	0.8	0.0	0.0	0.0	0.0	0.0
OpFCF margin	-1336.8	-1348.1	-630.6	-2172.9	-1843.9	-1225.6	-1137.0	-1074.5	-583.6	-222.3
<i>Leverage and solvency (x)</i>										
Interest cover	nm	nm	nm	nm	nm	-81.57	-45.53	nm	nm	nm
EBIT/interest payable	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBITA adj/interest payable	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Cash coverage	52.49	90.82	1233.82	1396.48	978.12	-175.67	-68.22	112.63	109.54	89.96
Net debt/EBITDA	-3.10	-1.09	-2.49	-0.73	-1.25	-0.59	-0.47	-1.36	-1.02	-2.86
Total debt/total capital (BV)	0.00	0.00	0.00	0.00	0.00	0.05	0.06	0.05	0.06	0.03
LTD / (LTD + equity (MV))	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.01	0.01	0.01
<i>Cash conversion cycle</i>										
Inventory turnover days	nm	nm	nm	nm	nm	nm	nm	nm	182.4	110.8
Receivables turnover days	387.7	148.7	88.7	541.0	472.0	322.6	209.5	384.9	329.0	205.4
Credit period	nm	nm	nm	nm	nm	nm	nm	nm	521.1	302.1
Cash conversion cycle	nm	nm	nm	nm	nm	nm	nm	nm	-9.8	14.1

Source: Company (historical figures), DNB Markets (estimates)

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Important Information

Company: Episurf Medical
 Coverage by Analyst: Patrik Ling
 Date: 19/07/2020

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