

# EPISURF MEDICAL

## New long-term data strengthens the story

The company announced on 2 September that the 5–7-year follow-up data for the first trial with the Episealer system has been accepted for publication. We view this as important (even though it is a small trial) as it should validate the long-term outcome of Episealer treatment. We understand there have been no revisions for five years and the patients feel as well as after the 2-year follow-up. We reiterate our fair value of SEK2.7–8.2.

**Long-term follow-up data of first Episealer patients to be published.** The company announced on 2 September that the long-term follow-up data for the first trial with 10 patients treated with the Episealer implant system has been approved for publication. As of now, we do not know the full outcome, but the company mentioned in the press release that the data shows no revisions for the 5–7 years of follow-up. This looks to be a very good result and to confirm the data seen after two years of follow-up.

**Long-term follow-ups needed for market success.** Even though the trial is small, it confirms the outcomes of larger, but shorter trials of the implant system, and we believe this data should be supportive of the company's sales efforts. The 2-year follow-up data for these patients presented in 2017 showed (besides no implant revisions) a clear improvement in the patients' knee and pain (measured by the KOOS and VAS scales). We are hopeful that the KOOS and VAS results will be in line with the data presented previously. In general terms, this type of documentation is needed to secure a strong market position in this patient group in our view, with several other implant systems and alternative treatments launched historically that indicated short-term beneficial outcomes but failed to provide the patients with a long-term solution to their knee injuries.

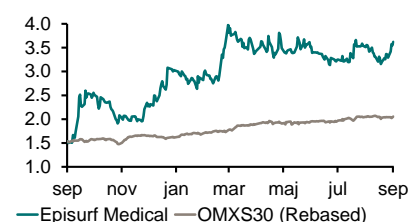
**Launch of Talus implant progressing as planned.** The new implant solution for injuries in the ankle – the Talus implant – is being rolled out gradually. The company was clear that the first step of the launch would take place in a controlled fashion, with only selected clients being approached. However, it has already reported the first planned and conducted procedures in, among others, Hong Kong, Spain and Estonia.

**Fair value of SEK2.7–8.2 reiterated.** We believe the company is moving in the right direction, with growth in its clinical documentation set to continue into 2022. The new patella implant product could add revenues earlier than previously forecast and allow entry into the US market sooner than with the Episealer implant system. We believe its financial position is stable, and its cash should take it into 2023.

Year-end Dec	2017	2018	2019	2020	2021e	2022e	2023e
Revenue (SEKm)	3	4	5	7	9	18	34
EBITDA adj (SEKm)	-57	-53	-61	-56	-65	-65	-51
EBIT adj (SEKm)	-61	-58	-69	-63	-72	-72	-58
PTP (SEKm)	-61	-58	-70	-64	-72	-72	-58
EPS rep (SEK)	-2.18	-1.87	-1.04	-0.32	-0.33	-0.32	-0.26
EPS adj (SEK)	-2.18	-1.87	-1.04	-0.32	-0.33	-0.32	-0.26
Revenue growth (%)	16.3	39.0	25.6	29.6	28.6	97.2	91.0
EV/Sales adj (x)	60.95	23.38	19.92	107.72	99.05	54.50	26.76
P/Book (x)	1.37	1.55	1.90	3.52	8.26	4.58	6.82
FCF yield (%)	-52.4	-76.2	-75.8	-9.2	-8.4	-8.4	-6.6

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

EPISB versus OMXS30 (12m)



Source: Factset

### SUMMARY

Share price (SEK)	3.62
Tickers	EPISB SS

### CAPITAL STRUCTURE

No. of shares (m)	222.0
No. of shares fully dil. (m)	222.0
Market cap. (SEKm)	804
NIBD adj end-2021e (SEKm)	88
Enterprise value adj (SEKm)	892
Net debt/EBITDA adj (x)	-1.35
Free float (%)	100

Source: Company, DNB Markets (estimates)

Note: Unless otherwise stated, the share prices in this note are the last closing price.

### NEXT EVENT

Q3 report 2021	29/10/2021
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### ESTIMATE CHANGES (SEK)

Year-end Dec	2021e	2022e	2023e
Sales (old)	9.00	17.75	33.91
Sales (new)	9.00	17.75	33.91
Change (%)	0.0	0.0	0.0
EPS (old)	-0.33	-0.32	-0.26
EPS (new)	-0.33	-0.32	-0.26
Change (%)	nm	nm	nm

Source: DNB Markets, SME Direkt

This report has been commissioned and paid for by the company, and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

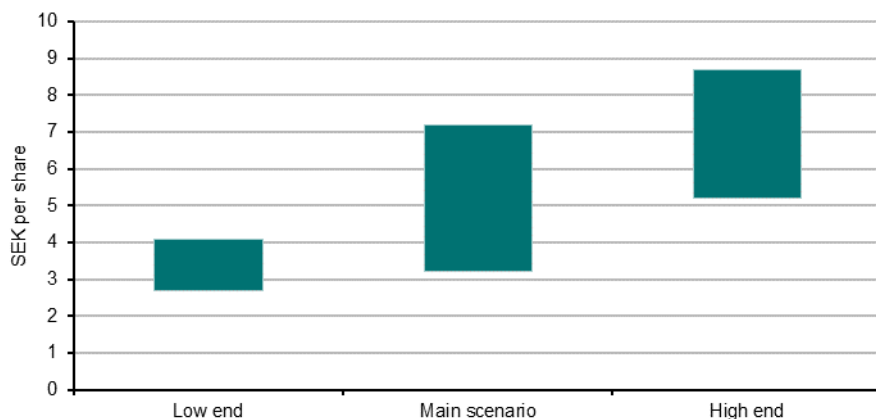
### ANALYSTS

Patrik Ling

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## Overview

### Valuation (SEK)



Source: DNB Markets

### Downside risks to our fair value

- We believe the largest risk relates to sales growth. At the low end of our fair value range, we assume weaker sales than in our main 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 main 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 c30% royalty on sales.

Source: DNB Markets

### Valuation methodology

- We continue to primarily use a DCF, with a long-term growth rate of 1%, a terminal EBIT margin of 50%, and a WACC of 10%.
- At the high end of our fair value range, we assume 25% higher sales growth than in our main scenario.
- At the low end of our fair value range, we use 25% lower sales growth than in our main scenario.

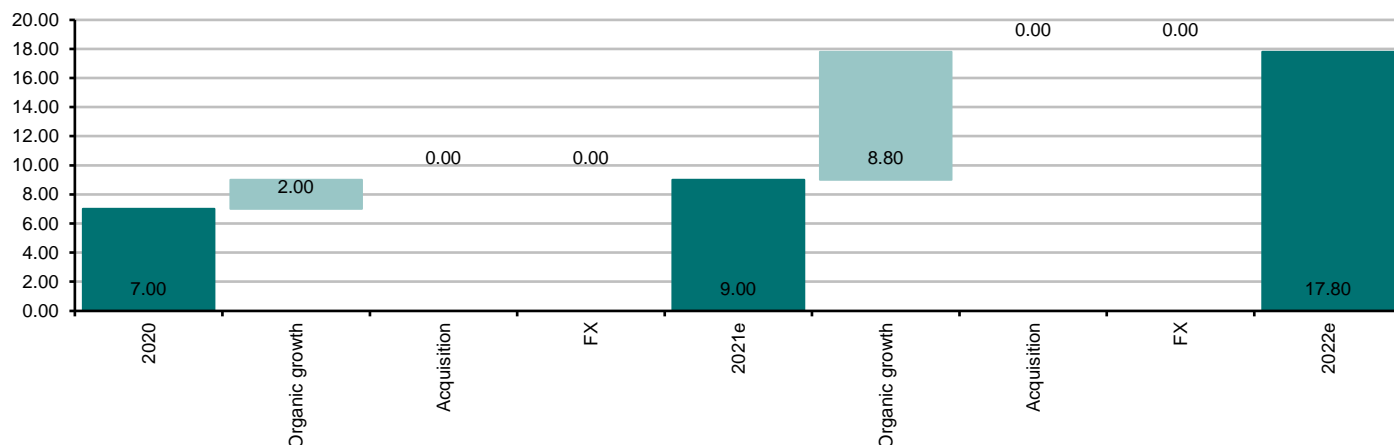
Source: DNB Markets

### Upside risks to our fair value

- Sales might be stronger than we forecast, as the company 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 2020–2022e (SEKm)



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

# ESG overview

## Sustainability assessment

	Positive	Negative
Conclusions	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ The implants are individually designed to the patient's anatomy and injury, increasing the likelihood of a successful treatment outcome.</li> <li>■ We believe that general ESG trends could benefit Episurf Medical over time.</li> </ul>	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> </ul>
Actions being taken by company	<ul style="list-style-type: none"> <li>■ Tailoring implants as well as surgical instruments means a better fit with the patients' needs and a reduced risk of revision surgery.</li> <li>■ The company mainly addresses the UN sustainability goal number 3 "Good health and well-being".</li> </ul>	<ul style="list-style-type: none"> <li>■ The individualisation leads to a higher degree of single-use products (especially related to the surgical tools).</li> <li>■ 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.</li> </ul>

## Key ESG drivers

### Short-term

- All the company's products, in one way or the other, are aimed at improving health among patients. Thus, 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 on 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 patients, it takes time to educate orthopaedic surgeons in this method of treatment.

### Long-term

- Getting younger patients (c35–40 years) back to good knee health also means that more can resume work, benefiting the overall economy as well as the patients' well-being.
- 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.
- 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.
- New drugs or alternative treatments could have a negative impact on certain therapies, making some of Episurf Medical's current equipment obsolete.

## Sustainability assessment

	Risk	Company's risk mitigation
<b>Transition risks</b>		
Policy and legal	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>All products have been recently re-certified in Europe, meaning that certification according to the MDR is not critical until 2024.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
Market	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The company focuses on certain markets and regions in markets to establish the system as a standard treatment. Discussions with potential partners are ongoing.</li> </ul>
Reputation	<ul style="list-style-type: none"> <li>A rising revision rate would be a clear negative. We see a potential risk in new surgeons using the system without sufficient training.</li> </ul>	<ul style="list-style-type: none"> <li>As cases are scanned and sent to the company for manufacture, this makes it easy for it to detect whether a potential patient is unsuitable.</li> </ul>
<b>Physical risk</b>		
Acute	<ul style="list-style-type: none"> <li>Any manufacturing faults in an implant could have serious implications for a patient.</li> </ul>	<ul style="list-style-type: none"> <li>Quality control is imperative in the entire manufacturing chain.</li> </ul>
Chronic	<ul style="list-style-type: none"> <li>The launch of new biological technology that makes the implant solution outdated.</li> </ul>	<ul style="list-style-type: none"> <li>There is the potential for the company to use its technology for other applications.</li> </ul>

Source: DNB Markets

## Sustainability assessment

	Opportunities	Company's utilisation of opportunity
Resource efficiency	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The single-use feature limits the risk of an implant being unsuitable in the surgical situation. This reduces the need for revisions.</li> </ul>
Products/Services	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The company sometimes advises against surgery after it receives the patient's images, thereby increasing the likelihood of a positive outcome.</li> </ul>
New markets	<ul style="list-style-type: none"> <li>The company is expanding its market presence in Europe and will seek a marketing partner for the US market.</li> </ul>	<ul style="list-style-type: none"> <li>The company is currently conducting a large (c180 patients) IDE trial in the US.</li> </ul>
Supply chain resilience	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The company uses CMOs to help with a large part of the manufacturing process.</li> </ul>

Source: DNB Markets

3 September 2021

## Forecast changes – P&amp;L

(SEKm)	2021e	New 2022e	2023e	2021e	Old 2022e	2023e	2021e	Change 2022e	2023e
Revenues	9	18	34	9	18	34	0	0	0
Cost of sales	-5	-8	-13	-5	-8	-13	0	0	0
Gross profit	5	10	21	5	10	21	0	0	0
Operating expenses	-77	-82	-79	-77	-82	-79	0	0	0
EBITDA	-65	-65	-51	-65	-65	-51	0	0	0
EBITDA adj	-65	-65	-51	-65	-65	-51	0	0	0
EBITDA margin (%)	nm	nm	nm	-727.5	-366.6	-150.2	nm	nm	nm
Depreciation	-7	-7	-7	-7	-7	-7	0	0	0
EBITA	-72	-72	-58	-72	-72	-58	0	0	0
EBIT	-72	-72	-58	-72	-72	-58	0	0	0
EBIT adj	-72	-72	-58	-72	-72	-58	0	0	0
Net interest	0	0	0	0	0	0	0	0	0
Net financial items	0	0	0	0	0	0	0	0	0
PBT	-72	-72	-58	-72	-72	-58	0	0	0
Taxes	0	0	0			0			0
Net profit	-72	-72	-58	-72	-72	-58	0	0	0
Adjustments to net profit	0	0	0	0	0	0	0	0	0
Net profit adj	-72	-72	-58	-72	-72	-58	0	0	0
<i>Per share data (SEK)</i>									
EPS	-0.33	-0.32	-0.26	-0.33	-0.32	-0.26	0.00	0.00	0.00
EPS adj	-0.33	-0.32	-0.26	-0.33	-0.32	-0.26	0.00	0.00	0.00
<i>Other key metrics (%)</i>									
Revenue growth	28.6	97.2	91.0	28.6	97.2	91.0	0.0	0.0	0.0
EBIT adj growth	nm	nm	nm	14.4	-0.6	-19.6	nm	nm	nm
EPS adj growth	nm	nm	nm	0.3	-0.6	-19.7	nm	nm	nm
Avg. number of shares (m)	222	222	222	222	222	222	0	0	0
Capex	0	0	0			0			0
OpFCF	-65	-65	-51	-65	-65	-51	0	0	0
Working capital	-2	1	3	-2	1	3	0	0	0
NIBD adj	88	164	104	88	164	104	0	0	0

Source: DNB Markets

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## Annual P&L

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<b>Revenues</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>9</b>	<b>18</b>	<b>34</b>
Cost of sales	0	0	0	0	0	0	0	-5	-8	-13
<b>Gross profit</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>10</b>	<b>21</b>
Operating expenses	-36	-51	-64	-64	-62	-74	-70	-77	-82	-79
<b>EBITDA</b>	<b>-32</b>	<b>-42</b>	<b>-58</b>	<b>-57</b>	<b>-53</b>	<b>-61</b>	<b>-56</b>	<b>-65</b>	<b>-65</b>	<b>-51</b>
Depreciation	-2	-2	-4	-4	-5	-8	-8	-7	-7	-7
<b>EBITA</b>	<b>-33</b>	<b>-44</b>	<b>-62</b>	<b>-61</b>	<b>-58</b>	<b>-69</b>	<b>-63</b>	<b>-72</b>	<b>-72</b>	<b>-58</b>
<b>EBIT</b>	<b>-33</b>	<b>-44</b>	<b>-62</b>	<b>-61</b>	<b>-58</b>	<b>-69</b>	<b>-63</b>	<b>-72</b>	<b>-72</b>	<b>-58</b>
Net interest	0	0	0	0	0	-1	-1	0	0	0
Net financial items	0	0	0	0	0	-1	-1	0	0	0
<b>PBT</b>	<b>-33</b>	<b>-44</b>	<b>-62</b>	<b>-61</b>	<b>-58</b>	<b>-70</b>	<b>-64</b>	<b>-72</b>	<b>-72</b>	<b>-58</b>
Taxes	0	0	0	0	0	0	0	0	0	0
Effective tax rate (%)	0	0	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>-33</b>	<b>-44</b>	<b>-62</b>	<b>-61</b>	<b>-58</b>	<b>-70</b>	<b>-64</b>	<b>-72</b>	<b>-72</b>	<b>-58</b>
Adjustments to net profit	0	0	0	0	0	0	0	0	0	0
Net profit adj	-33	-44	-62	-61	-58	-70	-64	-72	-72	-58
Avg. number of shares	8	13	16	28	31	67	197	222	222	222
<i>Per share data (SEK)</i>										
EPS	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.32	-0.33	-0.32	-0.26
<b>EPS adj</b>	<b>-4.14</b>	<b>-3.52</b>	<b>-3.87</b>	<b>-2.18</b>	<b>-1.87</b>	<b>-1.04</b>	<b>-0.32</b>	<b>-0.33</b>	<b>-0.32</b>	<b>-0.26</b>
<i>Growth and margins (%)</i>										
Revenue growth	37.9	184.0	-60.0	16.3	39.0	25.6	29.6	28.6	97.2	91.0
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	50.0	55.9	62.1
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	-75.3	-33.6	-152.5	-135.3	-111.6	-138.9	-108.6	-77.8	-39.4	-20.6
EBIT margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBIT adj margin	-1421.7	-662.3	-2319.4	-1978.2	-1337.2	-1275.9	-905.7	-805.3	-406.0	-170.8
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&amp;L

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<b>EBITDA</b>	<b>-32</b>	<b>-42</b>	<b>-58</b>	<b>-57</b>	<b>-53</b>	<b>-61</b>	<b>-56</b>	<b>-65</b>	<b>-65</b>	<b>-51</b>
Gains and losses	0	0	0	0	0	0	0	0	0	0
EBITDA adj	-32	-42	-58	-57	-53	-61	-56	-65	-65	-51
<b>EBITA</b>	<b>-33</b>	<b>-44</b>	<b>-62</b>	<b>-61</b>	<b>-58</b>	<b>-69</b>	<b>-63</b>	<b>-72</b>	<b>-72</b>	<b>-58</b>
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	-33	-44	-62	-61	-58	-69	-63	-72	-72	-58
<b>EBIT</b>	<b>-33</b>	<b>-44</b>	<b>-62</b>	<b>-61</b>	<b>-58</b>	<b>-69</b>	<b>-63</b>	<b>-72</b>	<b>-72</b>	<b>-58</b>
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	-33	-44	-62	-61	-58	-69	-63	-72	-72	-58
<b>Net profit</b>	<b>-33</b>	<b>-44</b>	<b>-62</b>	<b>-61</b>	<b>-58</b>	<b>-70</b>	<b>-64</b>	<b>-72</b>	<b>-72</b>	<b>-58</b>
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	-33	-44	-62	-61	-58	-70	-64	-72	-72	-58
<i>Per share data (SEK)</i>										
EPS	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.32	-0.33	-0.32	-0.26
Recommended adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS adj	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.32	-0.33	-0.32	-0.26

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

## Cash flow

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Net profit	-33	-44	-62	-61	-58	-70	-64	-72	-72	-58
Other non-cash adjustments	0	0	0	0	0	0	1	0	0	0
Change in net working capital	-1	4	1	-5	0	3	0	-2	-2	-2
<b>Cash flow from operations (CFO)</b>	<b>-32</b>	<b>-38</b>	<b>-56</b>	<b>-61</b>	<b>-53</b>	<b>-60</b>	<b>-55</b>	<b>-68</b>	<b>-67</b>	<b>-53</b>
Capital expenditure	0	0	0	0	0	0	-1	0	0	0
Acquisitions/Investments	-3	-7	-5	-7	-10	-6	-5	-7	-8	-8
Divestments	0	0	0	0	0	0	0	0	0	0
<b>Cash flow from investing (CFI)</b>	<b>-3</b>	<b>-7</b>	<b>-6</b>	<b>-7</b>	<b>-10</b>	<b>-6</b>	<b>-5</b>	<b>-7</b>	<b>-8</b>	<b>-8</b>
<b>Free cash flow (FCF)</b>	<b>-35</b>	<b>-45</b>	<b>-62</b>	<b>-69</b>	<b>-63</b>	<b>-65</b>	<b>-60</b>	<b>-75</b>	<b>-75</b>	<b>-61</b>
Net change in debt	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	1	1	1	3	1	1
<b>Cash flow from financing (CFF)</b>	<b>0</b>	<b>115</b>	<b>0</b>	<b>98</b>	<b>20</b>	<b>62</b>	<b>190</b>	<b>3</b>	<b>151</b>	<b>1</b>
<b>Total cash flow (CFO+CFI+CFF)</b>	<b>-34</b>	<b>69</b>	<b>-62</b>	<b>29</b>	<b>-43</b>	<b>-3</b>	<b>130</b>	<b>-72</b>	<b>76</b>	<b>-60</b>
<i>FCFF calculation</i>										
Free cash flow	-35	-45	-62	-69	-63	-65	-60	-75	-75	-61
Less: net interest	0	0	0	0	0	1	1	0	0	0
Less: acquisitions	3	7	5	7	10	6	5	7	8	8
Less: divestments	0	0	0	0	0	0	0	0	0	0
<b>Growth (%)</b>										
CFO	-52.6	-20.2	-47.5	-9.5	13.9	-12.9	8.4	-23.6	0.6	21.1
CFI	21.2	-157.1	24.6	-34.4	-29.7	43.3	7.3	-37.3	-7.1	-6.7
FCF	-41.5	-31.5	-35.8	-11.7	9.1	-4.2	8.3	-24.8	-0.1	18.3
CFF	-99.8	76422.1	-100.0	nm	-80.0	217.3	204.7	-98.5	5275.0	-99.3
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)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<b>Assets</b>	<b>43</b>	<b>118</b>	<b>60</b>	<b>93</b>	<b>55</b>	<b>58</b>	<b>186</b>	<b>118</b>	<b>198</b>	<b>141</b>
Inventories	1	1	1	2	2	2	2	3	3	4
Trade receivables	0	0	1	1	1	1	1	4	8	11
Other receivables	1	1	3	3	3	2	3	3	3	3
Cash and cash equivalents	34	104	42	71	28	25	155	83	159	99
<b>Current assets</b>	<b>37</b>	<b>107</b>	<b>47</b>	<b>77</b>	<b>34</b>	<b>30</b>	<b>160</b>	<b>93</b>	<b>172</b>	<b>116</b>
Property, plant and equipment	0	0	0	0	0	6	4	4	4	4
Other intangible assets	6	11	13	16	21	22	21	21	21	21
<b>Non-current assets</b>	<b>6</b>	<b>11</b>	<b>13</b>	<b>16</b>	<b>21</b>	<b>28</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Total assets</b>	<b>43</b>	<b>118</b>	<b>60</b>	<b>93</b>	<b>55</b>	<b>58</b>	<b>186</b>	<b>118</b>	<b>198</b>	<b>141</b>
<b>Equity and liabilities</b>	<b>43</b>	<b>118</b>	<b>60</b>	<b>93</b>	<b>55</b>	<b>58</b>	<b>186</b>	<b>118</b>	<b>198</b>	<b>141</b>
Total equity to the parent	39	110	49	86	45	41	170	97	176	118
<b>Total equity</b>	<b>39</b>	<b>110</b>	<b>49</b>	<b>86</b>	<b>45</b>	<b>41</b>	<b>170</b>	<b>97</b>	<b>176</b>	<b>118</b>
Trade payables	1	2	6	3	2	6	5	6	7	8
Other payables and accruals	1	2	2	1	2	4	5	5	5	6
Short-term debt	0	0	0	0	3	0	0	3	3	3
<b>Total current liabilities</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>6</b>	<b>10</b>	<b>10</b>	<b>14</b>	<b>16</b>	<b>17</b>
Long-term debt	0	0	0	0	0	4	2	2	2	2
Other non-current liabilities	3	5	4	4	4	3	4	4	4	5
<b>Total non-current liabilities</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>
<b>Total liabilities</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>8</b>	<b>10</b>	<b>16</b>	<b>16</b>	<b>20</b>	<b>22</b>	<b>24</b>
<b>Total equity and liabilities</b>	<b>43</b>	<b>118</b>	<b>60</b>	<b>93</b>	<b>55</b>	<b>58</b>	<b>186</b>	<b>118</b>	<b>198</b>	<b>141</b>
<i>Key metrics</i>										
Net interest bearing debt	34	104	42	71	31	29	157	88	164	104

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

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## Valuation ratios

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<i>Enterprise value</i>										
Share price (SEK)	15.21	10.35	8.84	4.19	2.25	1.17	3.03	3.62	3.62	3.62
Number of shares (m)	7.96	12.50	15.95	27.99	30.87	67.34	197.0	222.0	222.0	222.0
Market capitalisation	121	129	141	117	69	79	597	804	804	804
Net interest bearing debt	34	104	42	71	31	29	157	88	164	104
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	34	104	42	71	31	29	157	88	164	104
EV	156	233	183	189	101	108	754	892	968	908
EV adj	156	233	183	189	101	108	754	892	968	908
<i>Valuation</i>										
EPS	-4.14	-3.52	-3.87	-2.18	-1.87	-1.04	-0.32	-0.33	-0.32	-0.26
<b>EPS adj</b>	<b>-4.14</b>	<b>-3.52</b>	<b>-3.87</b>	<b>-2.18</b>	<b>-1.87</b>	<b>-1.04</b>	<b>-0.32</b>	<b>-0.33</b>	<b>-0.32</b>	<b>-0.26</b>
P/E	-3.7	-2.9	-2.3	-1.9	-1.2	-1.1	-9.3	-11.1	-11.2	-13.9
P/E adj	-3.7	-2.9	-2.3	-1.9	-1.2	-1.1	-9.3	-11.1	-11.2	-13.9
P/B	3.11	1.18	2.89	1.37	1.55	1.90	3.52	8.26	4.58	6.82
Average ROE	-59.6%	-59.1%	-77.7%	-91.0%	-88.7%	-161.9%	-60.6%	-54.1%	-52.6%	-39.3%
Earnings yield adj	-27.2%	-34.0%	-43.7%	-52.1%	-83.2%	-88.6%	-10.7%	-9.0%	-8.9%	-7.2%
EV/SALES	66.47	35.12	68.89	60.95	23.38	19.92	107.72	99.05	54.50	26.76
EV/SALES adj	66.47	35.12	68.89	60.95	23.38	19.92	107.72	99.05	54.50	26.76
EV/EBITDA	-4.9	-5.6	-3.2	-3.3	-1.9	-1.8	-13.5	-13.6	-14.9	-17.8
EV/EBITDA adj	-4.9	-5.6	-3.2	-3.3	-1.9	-1.8	-13.5	-13.6	-14.9	-17.8
EV/EBIT	-4.7	-5.3	-3.0	-3.1	-1.7	-1.6	-11.9	-12.3	-13.4	-15.7
EV/EBIT adj	-4.7	-5.3	-3.0	-3.1	-1.7	-1.6	-11.9	-12.3	-13.4	-15.7
EV/NOPLAT	-4.7	-5.3	-3.0	-3.1	-1.7	-1.6	-11.9	-12.3	-13.4	-15.7
EV/OpFCF (taxed)	-4.9	-5.6	-3.2	-3.3	-1.9	-1.8	-13.4	-13.6	-14.9	-17.8

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

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### Key accounting ratios

	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<i>Profitability (%)</i>										
ROA	-55.0	-54.5	-69.1	-79.6	-78.1	-124.1	-52.5	-47.6	-45.5	-34.0
<i>Return on invested capital (%)</i>										
Net PPE/revenues	18.2	6.4	14.4	6.5	2.3	111.1	61.4	47.8	24.2	12.7
Working capital/revenues	28.1	-11.5	-104.1	58.2	48.8	-87.0	-67.1	-22.2	3.9	10.0
<i>Cash flow ratios (%)</i>										
FCF/revenues	-1475.9	-683.4	-2317.6	-2227.3	-1455.8	-1207.4	-854.3	-828.6	-420.7	-180.0
FCF yield (%)	-26.2	-29.5	-39.9	-52.4	-76.2	-75.8	-9.2	-8.4	-8.4	-6.6
CFO/revenues	-1353.3	-572.4	-2108.4	-1985.6	-1230.2	-1105.6	-781.4	-750.9	-378.5	-156.4
CFO/market capitalisation	-26.2	-29.4	-39.8	-52.4	-76.2	-75.8	-9.2	-8.4	-8.4	-6.6
CFO/capex	-81809.4	-29577.0	-35153.6	-187892.4			-10940.0			
CFO/current liabilities	-1789.9	-1076.6	-717.5	-1574.9	-881.7	-621.9	-541.6	-476.1	-433.4	-315.7
Cash conversion ratio	104.9	103.3	100.0	112.7	108.3	93.4	93.6	103.3	104.0	105.9
Capex/revenues	1.7	1.9	6.0	1.1	0.0	0.0	7.1	0.0	0.0	0.0
Capex/depreciation	2.2	5.8	3.9	0.8	0.0	0.0	6.6	0.0	0.0	0.0
OpFCF margin	-1348.1	-630.6	-2172.9	-1843.9	-1225.6	-1137.0	-804.3	-727.5	-366.6	-150.2
<i>Leverage and solvency (x)</i>										
Interest cover	nm	nm	nm	nm	-81.57	-45.53	nm	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	90.82	1233.82	1396.48	978.12	-175.67	-68.22	-111.60	220.51	219.10	171.45
Net debt/EBITDA	-1.09	-2.49	-0.73	-1.25	-0.59	-0.47	-2.82	-1.35	-2.52	-2.04
Total debt/total capital (BV)	0.00	0.00	0.00	0.00	0.05	0.06	0.01	0.04	0.02	0.03
LTD / (LTD + equity (MV))	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00
<i>Cash conversion cycle</i>										
Inventory turnover days	nm	nm	nm	nm	nm	nm	nm	202.7	139.8	99.5
Receivables turnover days	148.7	88.7	541.0	472.0	322.6	209.5	177.3	279.7	213.8	149.6
Credit period	nm	nm	nm	nm	nm	nm	nm	518.9	344.9	238.8
Cash conversion cycle	nm	nm	nm	nm	nm	nm	nm	-36.5	8.8	10.3

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

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## Important Information

Company: Episurf Medical  
 Coverage by Analyst: Patrik Ling  
 Date: 03-9-2021

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