

NeoDynamics

Market: First North Sweden

Ticker: NEOD

Share price (SEK): 0.466

Market cap (SEKm): 56.2

Net cash (SEKm): 37.6 (Q3 22)

Enterprise value (SEKm): 18.6

Share information



YTD: -73.0% 1 year: -73.8%
1 month: -20.8% Since IPO*: -90.8%

Note: Closing prices from 1 December 2022. *IPO date was on 7 December 2018.
Source: Refinitiv

Financials

(SEKm)	2020	2021	2022E*
Revenue	0	1.2	N/A
Other external costs	34.6	36.4	N/A
EBITDA	-29.0**	-50.8	N/A
Depr. & Amort.	0.5	17.8	N/A
EBIT	-29.0	-67.7	N/A
Cash flow from operations	-36.5	-46.8	N/A
Cash position (end year)	73.3	24.7	N/A

*No guidance or estimates available
**Includes capitalized work

Pipeline

Product	Indication	Area	Status
NeoNavia®	Breast-Biopsy	US	FDA-Approved
NeoNavia®	Breast-Biopsy	EU	CE-Marketed
NeoNavia®	Breast-Biopsy	CN	No approval
Needles			
FlexiPulse®	Breast-Biopsy		
CorePulse®	Breast-Biopsy		
VacuPulse®	Breast-Biopsy		

Key investment reasons

NeoDynamics' ultrasound-guided biopsy technology NeoNavia® addresses an unmet need in the diagnosis of breast cancer, the most prevalent female cancer type. The breast cancer diagnostic market is expected to be a USD 1.7bn market worldwide by 2025. **NeoDynamics has exposure to solid underlying growth driven by population trends in markets estimated to grow high single digits annually.**

Following an FDA approval of NeoNavia®, **the primary value driver and focus for NeoDynamics is successful commercialization in the US market**, where NeoDynamics is launching NeoNavia® with the FlexiPulse® during 2023. The objective is to offer reliable tissue sampling of higher quality, better patient comfort, and enable axillary lymph node biopsies using a needle, as opposed to invasive open surgery.

As a needle ultrasound-guided biopsy, **NeoNavia® competes in the premium segment** of the breast biopsy market, which **allows NeoDynamics to price and compete based on clinical added benefits as opposed to cost competition**. Also, the sales model rewards high quality patient and physician experience and aftercare which leads to returning sales and demand for aftercare and replacement components. Combined, **NeoDynamics could potentially obtain profitability at or above industry levels.**

Based on NeoDynamics' expectations and assuming different levels of US market share and pricing etc. (see assumptions p. 8-9) our DCF-model indicates that **the current market valuation of NeoDynamics implicitly reflects less than 10% of the value potential of a US launch in 2023** and a successful commercialization in the following years (medium market share scenario). **Peer group and transaction-based multiples are also much higher than NeoDynamics' estimated multiples.** Additionally, continued growth in Europe and expansion into China and other needle biopsy indications represent further upside.

Key investment risks

NeoDynamics has no experience in launching products and services in the US market, and the likelihood of a successful commercialization of newly developed medical products like NeoNavia® and FlexiPulse® is by definition uncertain and could take longer time and be more expensive than anticipated.

Investing in small cap med tech companies like NeoDynamics which are about to launch new products, requires patience. As NeoDynamics is still a loss-making and cash-burning company, **investing requires a willingness to participate in potential future capital raises to avoid being diluted.**

In our valuation section, it is assumed that NeoDynamics will reach a certain minimum level of market penetration and will be able to raise sufficient capital to finance the commercialization process in the US. **This way, it is not considered a scenario that NeoDynamics will fail its US launch and not be able to raise capital. However, in this case, the value of the company could approach zero.**

NeoDynamics: Overview (1/3)

Company description

NeoDynamics is a Swedish medical device company listed on the NASDAQ First North Growth Market since May 2022. The company has previously been listed on the Spotlight Stock Market since 2018. NeoDynamics' core product is a newly developed biopsy system, NeoNavia[®]. The biopsy system is based on patented ultrasound pulse technology, developed from research carried out at the Karolinska Institute in Sweden.

NeoNavia[®] has gained FDA marketing approval in the US (September 2022) and holds a CE mark in Europe. NeoNavia[®]'s target lead indication is ultrasound-assisted breast biopsies and axillary lymph node biopsies, and the company is positioned to introduce needle biopsies to the axillary market, which is currently dominated by invasive surgical procedures. In addition, NeoDynamics looks to expand into biopsies in the prostate, thyroid, liver and other hard to reach areas (these potential markets are not included in the valuation scenarios later in the report). In Europe, NeoDynamics is currently in use in 30+ clinics.

NeoDynamics is involved in two development project: one with Szafran Biopsy AB for skin biopsies, and one fully in-house biomarker project as an add-on to the NeoNavia[®] system.

Market description and dynamics

The breast cancer diagnostics market is dominated by multinational medical devices players such as Siemens Healthineers, GE Healthcare and Hologic. These companies offer end-to-end solutions to hospitals with mammography systems, image analytics software, reading workstations, ultrasound imaging, minimally invasive breast biopsy guidance systems, breast biopsy site markers, localization, specimen radiology, connectivity solutions and breast-conserving surgery products.

Main product categories marketed for breast biopsies include:

- Core Needle Biopsy (CNB)
- Vacuum-Assisted Biopsy (VAB)
- Fine Needle Aspiration Biopsy (FNAB)

Core Needle Biopsy has emerged as a growth segment due to its relatively low invasiveness, ease of administration and low demand on physician time and hospital resources. Breast biopsies are administered in hospitals and cancer clinics and are usually guided by ultrasound, mammogram or MRI scans. Therefore, the marketing of breast biopsy systems relies on building relationships with specialists and radiologists in hospitals, demonstrating how innovative devices can address unmet patient needs or improve hospital workflows.

Core needle biopsy is the most common type of biopsy, where a sample tissue is taken from a lump in the breast using a large needle. A local anesthetic is applied, and the needle may be guided by ultrasound, x-ray or MRI. The breast biopsy devices market is further segmented into:

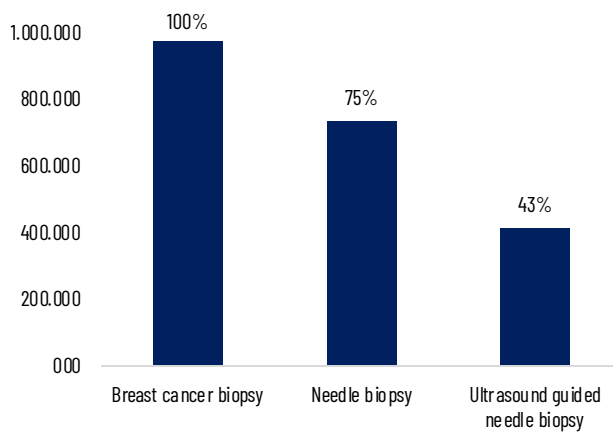
- Mammography-guided stereotactic
- MRI guided
- Ultrasound guided

NeoDynamics: Overview (2/3)

Market description and dynamics - continued

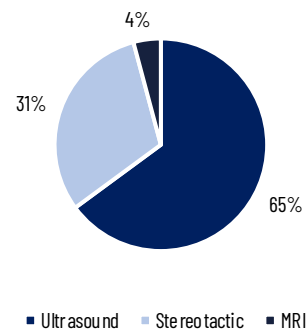
NeoDynamics operate in the ultrasound-guided core needle biopsy segment. An ultrasound-guided breast biopsy uses sound waves to help locate a lump or abnormality and remove a tissue sample for examination under a microscope. Compared with stereotactic breast biopsy, the ultrasound method is faster and avoids the need for ionizing radiation exposure. Ultrasound is also the most popular guidance system for needle biopsies, constituting 65% of the annual volume of US needle biopsies.

Market (volume) for NeoNavia® biopsies in the US by segmentation



Source: 2020 Definitive Healthcare, Medicare Standard Analytic Files

Annual volume of US needle breast biopsies by guidance system (2021)



At the end of 2020, there were 7.8 million women alive who were diagnosed with breast cancer in the past 5 years, making it the world's most prevalent cancer¹. Breast cancer represents about 30% of all cancer diagnosed in women and mainly occurs in middle-aged and older women. There is an average 1/8 risk for women to develop breast cancer at some point in her life, and the incidence rate is on the rise by about 0.5% per year².

Breast cancer is most commonly diagnosed after the discovery of a painless lump in the breast. If not treated in a timely and adequate manner, the cancer can spread to other parts of the body, including the surrounding lymph nodes. A biopsy is the only definitive way to make a diagnosis of breast cancer, and is often used in conjunction with ultrasounds, mammograms, and MRIs. A biopsy is performed by cutting a sample of cells from the breast for lab tests to assess whether the cells are cancerous. NeoNavia's® value proposition is likely to make a substantial change for the patient experience of an ultrasound biopsy by:

- Leveraging pulse technology that gives control and precision of the needle
- Collecting a larger tissue sample to ensure a successful biopsy can be performed with only one sample collection
- Minimizes physician time and hospital resource expenditure

Notes: ¹ World Health Organization (<https://www.who.int/news-room/fact-sheets/detail/breast-cancer>) ² American Cancer Society

NeoDynamics: Overview (3/3)

New needle biopsy segment in the axillary lymph node

Axillary lymph node biopsies using needles offers huge potential. One of the first places breast cancer spreads is the axillary lymph nodes under the armpit. Lymph nodes are small, bean-shaped clusters of cells that form an important part of the body's immune system. When cancer cells shed into circulation, they also accumulate in these nodes.

Traditionally, due to the difficulty of accessing these with needle biopsies, open biopsies are typically performed. This is akin to an open surgery where the lymph nodes are cut out from the patient's arm pit area to be lab tested. It is a highly invasive procedure. The removal of nodes completely can also lead to lymphedema, which is when lymph liquid causes swelling. In 2020, 195,000 of the approximately 290,000 axillary biopsies recorded by Medicare in the US were open biopsies (67%).³

The pulse technology allows the biopsy needle to access the lymph node without destroying the blood vessels or the nerves, of which there are plenty in the armpit. This is the reason why today few biopsies are taken with present core needles in the axilla. NeoDynamics believes NeoNavia[®] has the potential to capture a significant share of this lucrative 'blue ocean' market. Furthermore, the needle biopsy system can be used in performing biopsies for cancers in the prostate, thyroid, liver, and other hard-to-reach areas, including indications currently dominated by stereotactic biopsies.

Sales model for biopsy devices generates cash-flow by component and service sales

When evaluating medical device revenues, it's important to consider the potential for the core device to generate a stream of revenues over time. The sale of a NeoNavia[®] machine could earn revenues of USD 200,000 (based on company guidance), but there will be sales of ancillary services and components for the lifecycle of every machine. When analyzing the long-term business model, it's important to take into consideration both revenue streams to account for the full commercial potential of the machine.

An example of how revenues can play out can be seen in Hologic's Breast Health unit, which generated USD 543.3m in sales in the 9 months ended June 2022. In the same period, Hologic reported "Service and Other Revenues" of USD 500.9m. The company reported that "the majority of these revenues are generated within the Breast Health segment," and primarily consisted of revenue generated from our field service organization to provide ongoing service, installation, and repair of products. Therefore, it is not unrealistic to assume that the sale of follow-on services can be expected to double the revenue from the sale of primary devices.

When evaluating the commercial strategy of medical devices companies, investors and analysts should take note that often significant discounts are made to the device's report list price. It is industry practice for the manufacturer to provide confidential discounts to hospitals in sales contracts, as well as rebates to insurers and pharmaceutical benefit managers. Thus, the list price should not be used directly to estimate the sales generated by the manufacturer.

Notes: ³. American Cancer Society

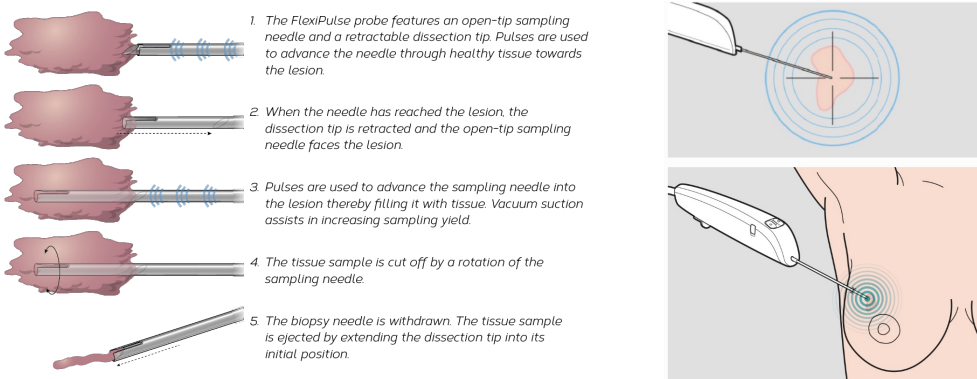
NeoDynamics: Go-to-market strategy (1/3)

Go-to-market strategy: NeoDynamics expects to co-exist with major players

The primary segment of the breast biopsy market NeoDynamics aims to enter, is the ultrasound guided needle biopsy segment. Currently, more than 400,000 such biopsies are performed annually in the US. Unlike MRI or stereotactic biopsies, the ultrasound guided segment is relatively open to new entrants such as NeoDynamics because it is less susceptible to system 'lock-ins' by larger players.

NeoNavia® with the FlexiPulse™ is uniquely positioned to address the axillary lymph node biopsy which has evaded most needle biopsies due to the density of local blood vessels and nerves¹. Unlike the CNB, with the help of pulses from the base unit, the FlexiPulse™ allows a distinct, stepwise needle insertion into the tissue and a precise placement of the needle in the suspected lesion. The open front-loaded needle has been developed for maximum tissue yield with the least possible damage to surrounding tissue.² In pre-clinical studies, the FlexiPulse™ needle has provided larger samples than current core needles.³

NeoNavia® sampling technique with FlexiPulse™

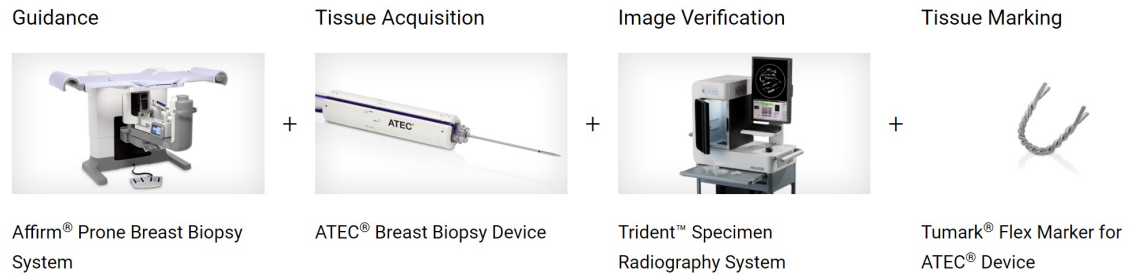


The cost of hiring sales reps in the US is expected to roughly double that of Europe. As described on the next page, larger medical device players, like Hologic, typically aim to offer end-to-end solutions to radiologist departments in hospitals, in order to achieve economies of scale and customer loyalty. Importantly, the NeoNavia® and FlexiPulse™ system can operate independently with generic ultrasound scanners. Therefore, hospitals are not faced with a prohibitive choice of switching entire guidance systems in order to introduce NeoNavia® into its treatment offering. NeoNavia® can co-exist with established breast biopsy systems.

Notes: 1. Lee, J. (2017) NeoNavia biopsy system: Our experience of a new device for more precise ultrasound-guided percutaneous core biopsy of axillary. Poster presented at British Society of Breast Radiology 2017. 2. Schässburger, K.-U. (2018). Minimally-invasive breast interventions: methods for high yield, low risk, precision biopsy and curative thermal ablation. (Doctoral Dissertation, Karolinska Institutet, Stockholm, Sweden). Retrieved from <http://hdl.handle.net/10616/46529> 3. Schässburger, K.-U., Paepke, S., Saracco, A., Azavedo, E., Ekström, C., & Wiksell, H. (2018). High velocity pulse biopsy device enables controllable and precise needle insertion and high yield tissue acquisition. *Physica Medica*, 46, 25-31. doi:10.1016/j.ejmp.2017.12.014

NeoDynamics: Go-to-market strategy (2/3)

Example of breast biopsy end-to-end system offered by Hologic



Source: Hologic webpage

NeoDynamics has ongoing US research collaborations

NeoDynamics plans to initially market only the FlexiPulse®, its most innovative needle, in the US.

NeoDynamics' go-to-market strategy in the US focuses on co-existing with the bigger players such as Hologic, Siemens and GE. With the premium priced FlexiPulse® needle, it is focusing its US launch strategy on the leading breast cancer treatment centers in research hospitals in the US. Here, it aims to win the market via superior patient experience and recommendation from influential key opinion leaders. With its clinical program, NeoDynamics has already established relationships with major cancer research centers across the US, and these centers will also become the bedrock for its commercial launch in 2023.



Source: 2020 Definitive Healthcare, Medicare Standard Analytic Files

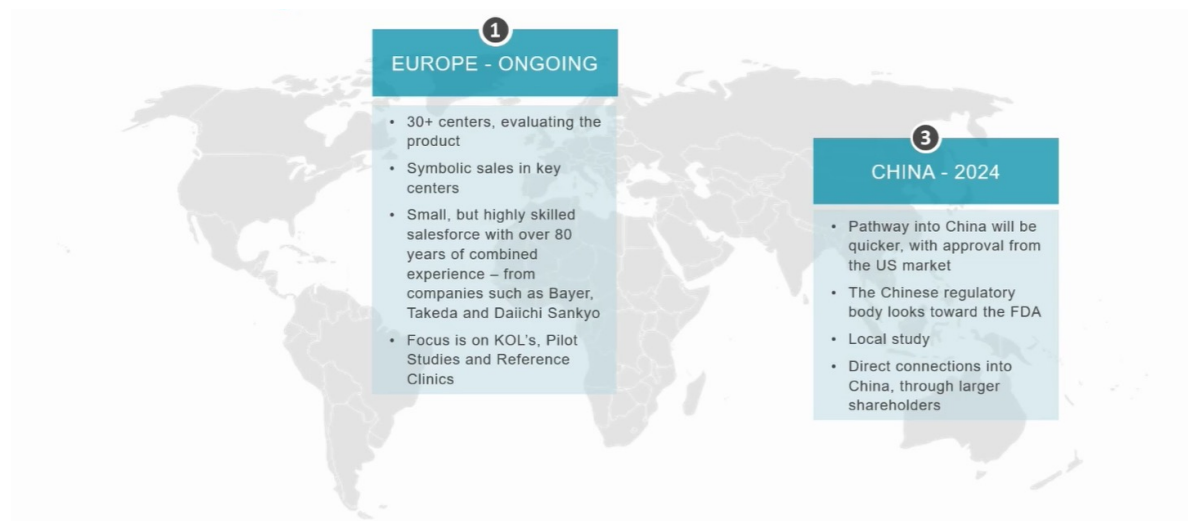
NeoDynamics: Go-to-market strategy (3/3)

Go-to market strategy for EU and China

In Europe, NeoDynamics generated NeoNavia® related sales of SEK 0.5m in the first 9 months of 2022. NeoDynamics has research collaborations with more than 30 cancer research centers in Germany, the UK, Sweden and Norway, where it conducted the pivotal studies for NeoNavia®. Since obtaining the CE mark in Europe in October 2019, it has been marketed three types of needles: the FlexiPulse®, the CorePulse® and the VacuPulse®.

NeoDynamics aims to seek market approval in the Chinese market from 2025 onwards. It expects that achieving Chinese FDA approval will be aided by existing approvals in the US and EU. The company enjoys close ties with its second largest shareholder, Fang HuaSheng, who is last reported to hold 11.3% stake in the company as of 30 September 2022, as well as board members Jessie Bao and Xu XiaoJun.

Go-to market strategy outside US



Source: NeoDynamics

Notes: 1. 2022 July Hologic 10-Q; 2. 2020 Definitive Healthcare, Medicare Standard Analytic Files

NeoDynamics: Valuation perspectives overview

Valuation perspectives

NeoDynamics is currently a lossmaking company that are about to enter its product launch and commercialization phase in the US. This will require investments and further capital spending before revenue, positive income and cash flow start to emerge.

As long as NeoDynamics is in its investment and loss-making phase, it can be a challenging task for an investor to try and evaluate the NeoDynamics stock relying on commonly used valuation multiples as these are difficult to calculate. In this section the following three valuation approaches are used instead:

- DCF-model (discounted cash flow model)
- EV/Sales, EV/EBITDA and Price/Book multiple comparison
- Transaction multiples

DCF-model

The purpose of using a DCF-model is twofold.

Firstly, as the different assumptions are translated into detailed cash flow estimates, the objective is to get a sense of the fundamental and true value of NeoDynamics as these detailed estimates ideally reflect the most realistic scenario to unfold for NeoDynamics from a long-term perspective. In practice, however, although DCF-modelling is the theoretically correct framework for evaluating companies, the approach still relies on the assumptions and cash flow inputs to be correct and relevant. For a full description and discussion of these, see below.

Secondly, the often more relevant use of the DCF-model is to do sensitivity analysis by changing one or more assumptions positively or negatively, thereby getting a sense of what are the primary drivers of the valuation of the NeoDynamics. The focus is not on the actual value but what changes it. Below, we have included three scenarios to reflect the effects of changed assumptions.

The key assumptions to consider before using the DCF-model and calculating the multiples are the following which will be discussed below:

- Market size and growth rate
- Pricing structure
- Market share
- Penetration curve
- Gross margin
- Opex and reinvestment rate requirements
- Capital raises and share count
- Discount rate

NeoDynamics: Valuation assumptions (1/2)

Market size and growth rate

The sales estimates have been made with conservative assumptions with offset in the company's own estimates regarding the market size and analysts estimates. The model assumes a CAGR of 8% until 2026 in the US, as the company has communicated an expected high single digit growth rate in the US, with a total addressable market of USD 8-900m in 2025. For the following period a CAGR of 4% has been assumed.

NeoDynamics expects that one third of breast tumours need evaluation for metastatic cancer, which leads to a market size of approximately USD 300m for NeoDynamics to target. In addition, the expected market size of EU + UK and China is estimated to reach approximately USD 650m and 270m in 2025 with a growth rate of 6%. The lower market size is primarily based on the significantly higher price point in the US and not the volume. In all markets, negative growth rates of 2% have been used in the terminal value, as the market is not expected to grow at the same pace after the 10-year period, and to calibrate the model not to compound.

Pricing structure

As previously mentioned, significant discounts are often made to the device's report list price. Also, there are other costs to be shared with clinicians etc. Based on these considerations, the model would use a conservative assumption of USD 400 per needle in its base case scenario.

Market share

The above-mentioned market size of approximately USD 300m is before rebates and discounts etc.. The model assumes that the FlexiPulse® needle for breast biopsies is expected to obtain a peak market share of 5%, but more importantly, the model assumes that the FlexiPulse® needle will obtain a peak market share of 30% in the axillary breast cancer biopsy market which is expected to be worth approximately USD 170m in 2032.

Market penetration curve

The company gained its FDA-approval for NeoNavia® in the US in September 2022 and has announced an expected US launch in Q1 2023, after which the model assumes the first sales will commence during 2023. The model assumes sales will gradually pick up and accelerate in a S-curve slope path in the following 3-5 years after which the growth rate will slow again.

Although NeoDynamics is expected to focus on the opportunities in the US market, the model has not reduced its revenue expectations in EU + UK, as the management expects that they can focus on both areas with their already established salesforces in Germany etc. In addition, it is assumed that the company enters the Chinese market in 2025. With NeoNavia® already being FDA approved in the US combined with an experienced board that has a strong network in China, the market penetration is expected to be relatively fast.

Gross margin

Due to the high level of product innovation and the objective for NeoDynamics to focus on the premium market segment and not compete on cost, it is assumed that NeoDynamics - longer term - will be able to obtain high gross margins at or above industry levels. However, to be conservative, the model assumes a gross margin of 60% in the short to medium term.

NeoDynamics: Valuation assumptions (2/2)

Opex and reinvestment rate requirements

Generally, the model has used a conservative approach when extrapolating the current level of different lines of costs. It is not assumed however, that the development cost of additional FlexiPulse® based indications will be of the same magnitude as the original costs of development.

Capital raises and share count

To be conservative, it is assumed that NeoDynamics will have to raise capital in 2023 through a rights issue, either internally or externally. NeoDynamics raised SEK 65m in March 2022 to finance the ongoing development of their product. As the company enters the US, we assume higher penetration costs, which is why a SEK 80m capital raise is more likely. From a scenario sensitivity analysis perspective, three different scenarios of SEK 60m, 80m, or 100m potential capital raises are included. Depending on the scenarios and with a discount of 40% of the current share price, the share count increases by an estimated approximately 215m, 285m, or 360m new shares. The current number of shares is approximately 120m.

Discount rate

The discount rate used in the model is 15%, reflecting the inherently high market and company risk premium for investing in biotech and med tech companies. Theoretically, the capital asset pricing model (CAPM) can be used to calculate the discount rate using a risk-free rate of 3% and 5-year monthly beta of 0.9 (according to Yahoo Finance). This equates to a discount rate of approximately 13%, but to be conservative, 15% is considered appropriate, taking market and company risk into account.

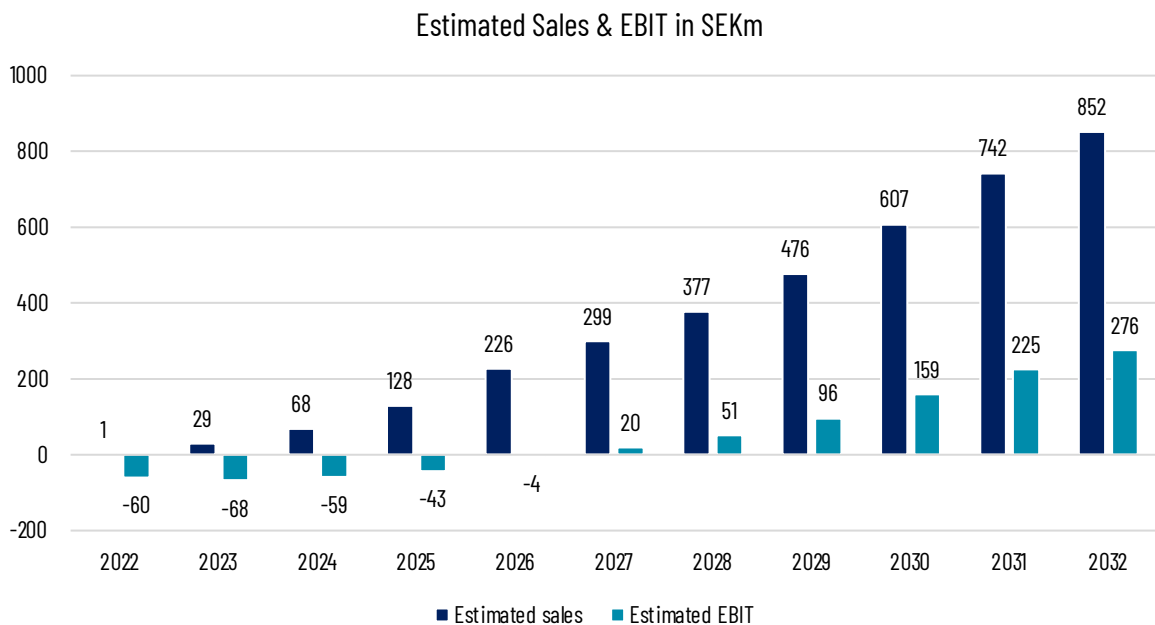
NeoDynamics: DCF-model estimates (1/2)

Description of model and inputs

Below, the table illustrates the financial development according to the DCF-model in order to give perspective on the sales development, future cash flow, and its net present value. As mentioned, the model contains estimates on future sales from EU, UK, US and China for the period from 2022 to 2032.

Estimated sales & adjusted EBIT

We have estimated peak-sales in 2032 for the period, with an estimated sales of approximately SEK 852m. The sales is mainly generated in the US, accounting of approximately 80% of the sales in peak year. EU + UK will account for 14% and China 7%. Based on our assumptions and the model used, NeoDynamics is expected to be profitable in 2027 with an EBIT of SEK 29.6m for the full year before adjustment of capitalized development cost of 10m leading to an adjusted EBIT of SEK 20m.



The EBIT will gradually increase and reach a peak in 2032, where the adjusted EBIT is estimated to constitute of approximately 30% of total sales, which will be the future baseline percentage for the adjusted EBIT relative to revenue as sales grows.

NeoDynamics: DCF-model estimates (2/2)

The US: The main part of the revenue generated in the future is expected to come from the US. NeoDynamics has gained FDA approval in September 2022 for NeoNavia® and is expected to start sales in Q1 2023. With relatively conservative assumptions, NeoDynamics is expected to ramp up its sales in the US, with peak sales of appr. SEK 680m in 2032.

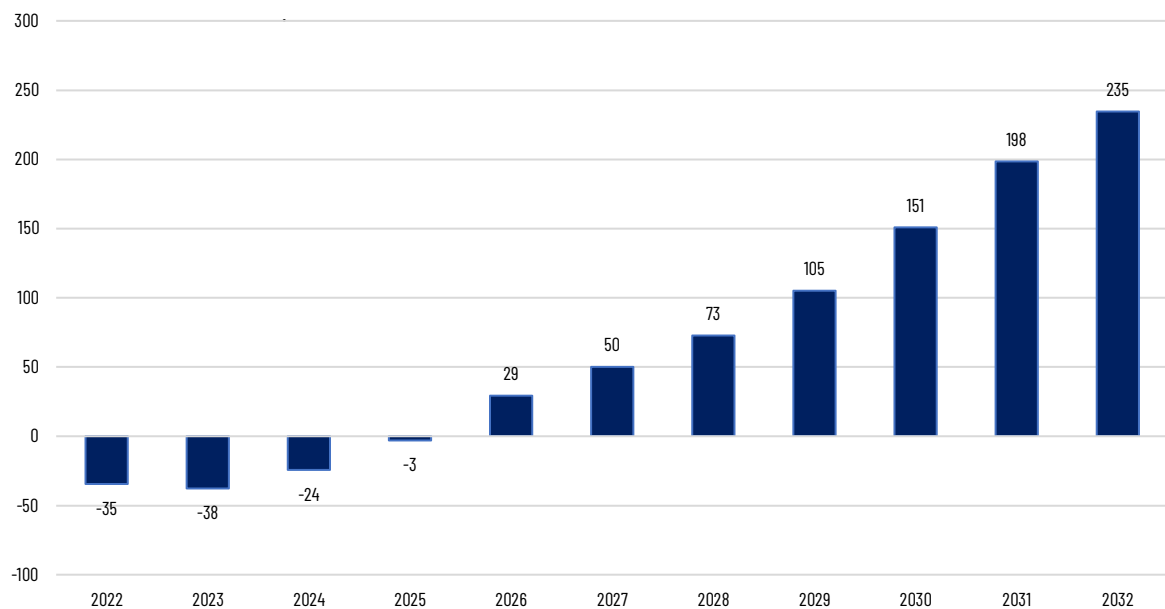
EU + UK: NeoDynamics generated revenue for the first time in 2021. The revenue was generated from the EU. Even though the company has gained approval for the US and is expected to focus on sales there, we have not reduced our expectations for the sales in EU + UK, which is expected to constitute 14% of the total sales in 2032.

China: Sales in China is expected to account of approximately 8% of total sales in the peak period, with a growing share throughout the period following the launch in 2025. As NeoNavia® is approved in both EU and UK as well as US, it will most likely be easier for NeoDynamics to get approval in China. The relatively small distribution of sales to China reflects the expected lower price of the needles.

Cash flow development

NeoDynamics is expected to have a negative cash flow until 2026. In the period from 2022 until 2025, the company is expected to have high costs related to market penetration in both the US and EU + UK. In addition, NeoDynamics are expected to prepare a potential launch in China in 2025, which also affects the cash flow negatively. But, when NeoDynamics launch in China and is established in other markets, the company is expected to reap the benefits from their early investments and generate positive cash flows in the following years. The cash flow is expected to have high growth rates in the early positive years, and then slowly flatten out.

Free Cash Flow in SEKm



NeoDynamics: DCF-model scenarios

Valuation scenarios (Low, Medium and High market share)

As an important premise for the DCF-model, it is assumed that NeoDynamics will reach a certain minimum level of market penetration and will be able to raise sufficient capital to finance their commercialization process in the US. This way, it is not considered a scenario that NeoDynamics will fail and not be able to raise capital.

Low market share scenario: (SEK 1.5)

In this scenario we have held the cost stable, as in the medium market share scenario. The difference is due to the penetration of the axillary market in the US. In 2032, we have assumed 10% peak market share and a slower penetration growth rate. In this scenario a capital raise of SEK 100m has been assumed in 2023.

Medium market share scenario (SEK 4.6)

Based on the before mentioned assumptions and with the expectation of a successful penetration rate of NeoNavia® of 30%, the estimate for NeoDynamics is SEK 4.6. Both sales, in China and EU+ UK are also the same as in the low market share scenario. In the medium market share scenario a capital raise of SEK 80m has been assumed in 2023.

High market share scenario: (SEK 7.5)

In the this scenario we have he also held cost and sales equal to the two previous scenarios, besides the axillary market in the US. We have used a peak market share of 40% in 2032, with a higher penetration rate. In the high market share scenario a capital raise of SEK 60m has been assumed in 2023.

NeoDynamics: Multiple comparison (1/3)

Large Cap companies

The second valuation approach is an EV/Sales, EV/EBITDA and Price/Book multiple comparison approach. Contrary to DCF-modelling that is based on a series of estimates with the ambition to reflect the best possible and most likely picture of the long-term development, the multiple comparison approach typically relies on estimates from one particular year. This increases the likelihood of using estimates that are not representative of the underlying long-term ability of NeoDynamics to generate revenue and income, especially as NeoDynamics currently only generates very low revenue and big income deficits.

Bearing these shortcomings in mind, the tables below still indicate how stocks with similar business areas, business models, or company size characteristics as NeoDynamics currently trade in the market.

The table below shows large cap companies, that are active within breast health and biopsy markets, on average trade on an EV/Sales multiple of 4.6 and EV/EBITDA of 15,4.

It is important to stress that the listed large cap companies are conglomerates that have many – and different – areas of businesses outside the breast health and biopsy industry that are not comparable from a business area perspective. However, they do share the business model and dynamics of selling med-tech products, so it is considered relevant for comparison.

As NeoDynamics currently has little revenue and no positive income or cash flow generation, we use the 2028 estimate for revenue and EBITDA from the NeoDynamics DCF-model as a reference. This is five years after the US launch in 2023, which should constitute a relevant and well-established level of revenue and income.

For the EV/Sales or EV/EBITDA multiple of NeoDynamics to be 4.6 and 15,4, respectively, based on NeoDynamics revenue and EBITDA estimates for 2028 of SEK 377m and SEK 110m, the EV of NeoDynamics today of approximately SEK 20m should in theory increase by a factor of 30-40 (after discounting by 15% annually from 2028 to 2023). As these numbers make little practical sense, they still indicate that NeoDynamics trade at very low EV/Sales and EV/EBITDA multiples when compared to the multiples of selected large caps med tech companies.

Large MedTech Companies	Market Cap*	Enterprise Value*	EV/Sales	EV/EBITDA	Return YTD
Becton, Dickinson And Co. (US)	70,5	83,4	4,4	18,9	1,6%
Danaher (US)	195,7	205,9	6,6	19,4	-18,2%
Hologic (US)	18,8	19,0	3,9	9,0	-0,7%
Medtronic (US)	104,9	116,9	3,8	13,2	-23,5%
Abbott (US)	185,5	193,0	4,3	16,4	-24,3%
Median	104,9	116,9	4,3	16,4	-18,2%
Average	115,1	123,6	4,6	15,4	-13,0%
Max	195,7	205,9	6,6	19,4	1,6%
Min	18,8	19,0	3,8	9,0	-24,3%

NeoDynamics: Multiple comparison (2/3)

Small-Cap companies

From a multiple comparison perspective, NeoDynamics can also be compared with small developing companies within life-science and biotech that share the characteristics of having little or no revenue and positive income. Price/Book can be used to compare in such circumstances.

The table below shows that small developing companies, on average trade on an approximately 3.5 Price/Book multiple. As NeoDynamics trades at a 0.5 Price/Book multiple, companies with similar size and income statement characteristics on average trade 7 times higher.

Small-Cap Med-Tech Companies	Market Cap*	Equity	Market Cap / Equity	Cash position	Cash position / Equity	Return YTD
BiBB Instruments (SE)	128,0	35,0	3,7	17,1	0,5	-28,7%
MedField (SE)	197,0	75,2	2,6	15,3	0,2	-29,2%
Phase Holographic (SE)	49,0	21,1	2,3	26,6	1,3	-88,3%
Calmark Sweden (SE)	63,0	49,4	1,3	2,3	0,0	-80,2%
Vibrosense (SE)	149,0	7,7	19,4	8,0	1,0	-49,4%
Invent Medic (SE)	21,0	9,4	2,2	6,7	0,7	-32,9%
Acarix (SE)	78,0	49,6	1,6	29,4	0,6	-62,8%
NeoDynamics (SE)	56,2	108,3	0,5	37,6	0,3	-73,0%
Median	70,5	42,2	2,3	16,2	0,5	-56,1%
Average	92,7	44,5	4,2	17,9	0,6	-55,6%
Max	197,0	108,3	19,4	37,6	1,3	-28,7%
Min	21,0	7,7	0,5	2,3	0,0	-88,3%
* In SEKm						

NeoDynamics: Multiple comparison (3/3)

Transactions related multiples

Lastly, a multiple of EV/Sales based on acquisition-prices within the breast health and biopsy industry can be used to put some additional valuation perspective on the NeoDynamics stock. On average acquisitions have been done at a EV/Sales of 4.8. Again, as NeoDynamics currently has little revenue and huge deficits, a multiple has to be calculated on the basis of future estimated revenue and discounted back to 2023. As the multiple is approximately the same as with the large cap group, the conclusion that NeoDynamics is trading far below comparable EV/Sales multiples (based on 2028 estimates).

Acquirer	Target	Year	Acquisition price	EV/Sales
Hologic	BioTheranostics	2021	USD 230m	7x
Hologic	Somatex	2021	USD 64m	4,9x
Hologic	SuperSonic	2019	USD 85m	2,9x
IZI Medical	Cook Medical	2019	Undisclosed	
Merit Medical	Cianna Medical	2018	USD 200m*	6,9x
Merit Medical	BD's soft tissue core needle biopsy line	2018	USD 100m	2,2x
Average			135,8	4,8x

In conclusion, the different comparison approaches as described above, generally suggests that the NeoDynamics stock is trading at very low multiples. The reasons can be many, but the combination that NeoDynamics will probably need to raise capital during 2023 and that the company currently has no revenue or income, likely affects the sentiment towards the stock in a significantly negative way.

*Up to 200m (USD 135m in upfront payment)

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