SciBase

Initiation of coverage

Date: 01.02.2024 8:00

Anton Damstén
+46 76 126 5875
anton.damsten@inderes.com

Inderes Corporate customer

Pioneering the future of skin diagnostics

On the back of its innovative skin cancer detection device, Nevisense, SciBase has experienced significant revenue growth in recent years. With the company currently expanding into the US market, we find the potential for even higher revenue growth credible. However, the company has yet to turn a profit and has been, and likely continues to be, reliant on equity offerings to fund its operations. In addition, visibility into the complex US healthcare industry is poor, which makes predicting the timing of cash flow positivity an uncertain prospect. Therefore, while we have a strong positive outlook for the Nevisense device and anticipate high revenue growth, the above factors lead us to consider the share appropriately priced in the near term. As a result, we believe that the risk/reward ratio is currently inadequate, and we initiate our coverage with a Reduce recommendation and a target price of SEK 0.80.

Innovative skin diagnostics medical technology company based in Sweden

SciBase sells the medical device Nevisense, which is primarily used to diagnose skin cancer. The device aids physicians in evaluating lesions, significantly improving diagnostic accuracy compared to the current standard of care. Nevisense has regulatory approval for melanoma detection in the EU, US, and Australia. The business model for the device is based on a one-time sale of the device itself and repeated sales of the consumable electrode, making SciBase's business model highly recurring and scalable due to the high-margin nature of the electrodes. Nevisense is sold in Germany and the US, the two largest markets for skin cancer detection. The device currently has no serious competitor and is the only point-of-care product with FDA approval for melanoma detection available in the US. The stringent regulatory requirements for medical devices act as a key competitive barrier, as they slow down the entry of potential competitors.

Growth is anticipated to continue, with a key focus on US sales progress

Today, most of SciBase's revenues are generated in Germany, where growth has been strong, especially since the device was approved for detecting non-melanoma skin cancer in the EU. We expect the strong growth in Germany to continue, with a gradually increasing sales contribution from the US. US sales have so far been slowed down by the intricate reimbursement system between healthcare providers and insurance companies. The company has and will continue to devote resources and capital to achieve broader reimbursement coverage, as it is the key to unlocking sales in the US. While we believe the company will succeed in doing so, the timeline remains uncertain, introducing substantial uncertainty into all revenue estimates. Overall, our estimates project significant growth (2022-2027e CAGR 49%) and improvement in profitability going forward.

Investment story comes down to timing and dilution

With a credible high-margin revenue growth path, we believe that investment returns primarily hinge on how long it will take SciBase to reach profitability and how much dilution will occur along the way. Utilizing valuation methods that rest on SciBase's potential future cash flow generation, we could justify a per-share fair value range of SEK 0.6 to 1.1. However, given the uncertainty regarding the timing and costs of ramping up US sales, we see insufficient support for the upper part of the range in the coming 12 months. Additionally, with negative cash flow, further equity issues are likely. Therefore, we have set our target price near the middle of the range and see the current valuation as quite neutral.

Recommendation

Reduce
(previous -)

0.80 SEK
(previous -)

Share price:
0.75 SEK

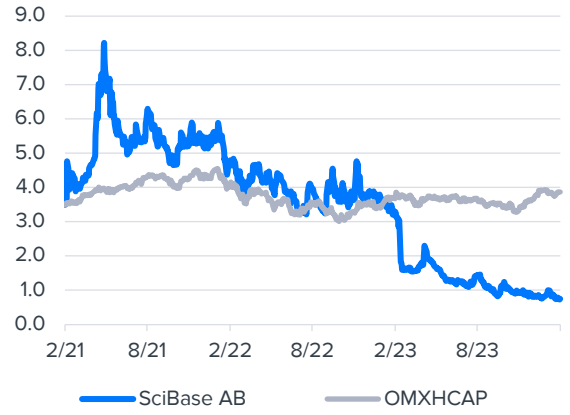
Key indicators

	2022	2023e	2024e	2025e
Revenue	17.9	23.7	33.8	53.1
growth-%	53 %	33 %	43 %	57 %
EBIT adj.	-46.4	-51.3	-51.0	-42.9
EBIT-% adj.	-259.5 %	-216.3 %	-150.8 %	-80.8 %
Net Income	-43.2	-49.1	-51.2	-47.0
EPS (adj.)	-0.63	-0.45	-0.43	-0.39
P/E (adj.)	neg.	neg.	neg.	neg.
P/B	10.4	1.9	neg.	neg.
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
EV/S	13.6	2.2	3.2	3.0

Source: Inderes

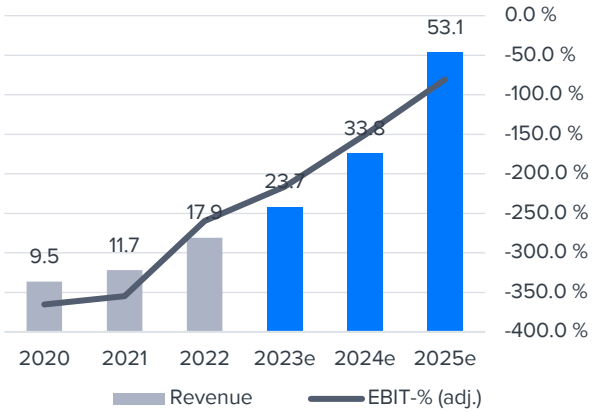
Guidance (SciBase does not provide guidance)

Share price



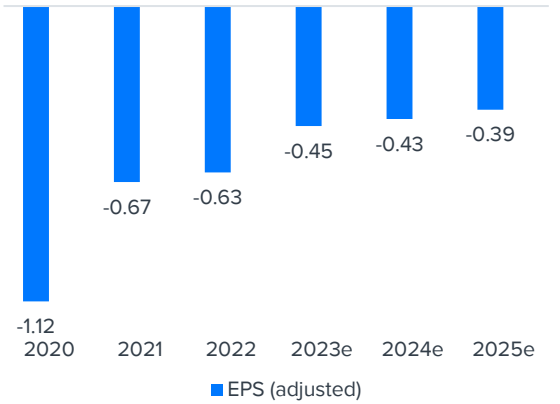
Source: Millistream Market Data AB

Revenue & operating profit-%



Source: Inderes

Earnings per share



Source: Inderes

Value drivers

- The US market provides a large market for the proven Nevisense platform
- Gaining FDA approval to use Nevisense for NMSC detection in the USA would further increase the market size
- Further growth on the German market through on-boarding new clients, increased sales of electrodes, and further price increases of electrodes
- Clinical adoption of Nevisense for assessing the skin's barrier function would give access to a market valued at 6-7 BNSEK

Risk factors

- Unprofitable operations that are funded through equity issues
- Failure or significant delays in growing sales on the US market
- Competition from similar or substitution products
- Any potential new regulatory hurdles leading to delays and additional expenses

Valuation	2023e	2024e	2025e
Share price	0.75	0.75	0.75
Number of shares, millions	119.8	119.8	119.8
Market cap	90	90	90
EV	52	107	160
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	1.9	neg.	neg.
P/S	3.8	2.7	1.7
EV/Sales	2.2	3.2	3.0
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Contents

SciBase in brief

SciBase is a medical technology company developing & marketing devices and AI-based solutions for research and treatment of skin diseases such as melanoma.

1998
Year of establishment

18 MSEK (+53 % vs. 2021)
Revenue 2022

-46 MSEK (MSEK -42 in 2021)
EBIT 2022

86 % / 14 %
Electrodes / Devices revenue split 2022

48 MSEK
Net cash (Q3'23)

23
Employees (Q3'23)

1998-2015

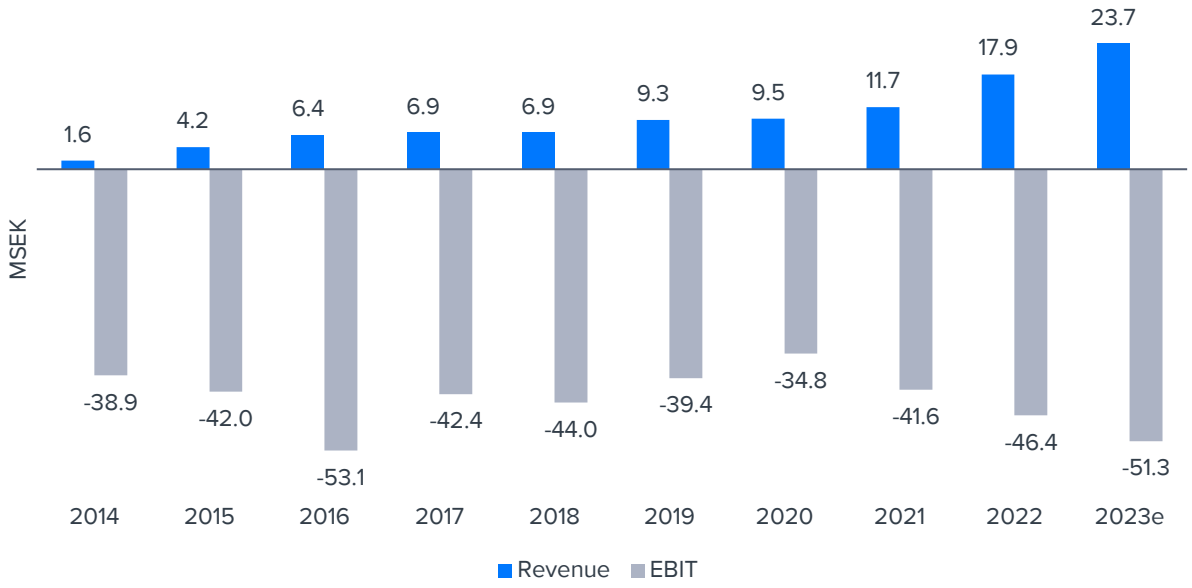
- Research is conducted on using EIS (Electrical Impedance Spectroscopy) at the Karolinska Institutet, which led to the company's founding in 1998
- Extensive preclinical and clinical studies on different skin disease applications using EIS
- Technology productized into the Nevisense platform
- SciBase listed on Nasdaq First North in 2015

2016-2020

- Nevisense receives US PMA approval from the FDA
- Launch of Nevisense 3.0 leads to improved accuracy in both sensitivity & specificity and simplified the customers workflow
- Entered partnership agreement with Advanced Dermatology and Cosmetic Surgery group, the single largest dermatology practice network in the US
- Nevisense Go is released for skin barrier assessment studies

2021-

- Nevisense gets approved for non-melanoma skin cancer detection under MDR in the EU
- Nevisense shows strong potential in the skin barrier assessment role
- Strategic collaboration agreement with Kenvue on screening for atopic dermatitis in infants
- Securing reimbursement through a fee-schedule from two of the eight regional Medicare payers (MACs) in the USA



Source: SciBase, Inderes

Company description and business model 1/5

SciBase is a medical technology company focused on skin disease diagnostics

SciBase is a Swedish pioneer in developing and marketing medical equipment and software for the detection of skin cancer and other skin conditions, such as atopic dermatitis. The company focuses on modernizing skin disease diagnosis. Their products include skin measurement devices, consumable electrodes, and AI-based software for analyzing and interpreting the measurements.

SciBase was founded in 1998 following a series of research innovations from the Karolinska Institute in Sweden. Researchers applied EIS, Electrical Impedance Spectroscopy, to measure skin barrier function. EIS is a non-invasive scan made by holding a measurement device on the surface of the patient's skin. Following a long path of extensive patient studies and subsequent regulatory approvals, SciBase commercialized their technology into the Nevisense platform. After improving the product for clinical use, the company increased sales and marketing efforts starting in the mid-2010s. Nevisense is approved for the detection of melanoma in the USA, EU, and Australia. Additionally, within the EU, Nevisense is also approved for detecting non-melanoma skin cancer (NMSC).

We see SciBase primarily as a commercial scale-up company. The company is still in the earlier stages of their commercial journey and operates with negative cash flow due to still modest revenues. They are also continuously investing in research to add new clinical applications for their devices, which requires medical research and regulatory approvals. However, SciBase has already proven their products' clinical viability and attractiveness through increasing product use, especially in Germany (>400 devices sold) with good momentum shown by their business in the United States. SciBase's products have a healthy gross margin profile, and a vast share of revenues are recurring, which means positive cash flow is mainly a question of successfully onboarding new clinics as customers.

Main products are skin analysis platforms Nevisense and Nevisense Go

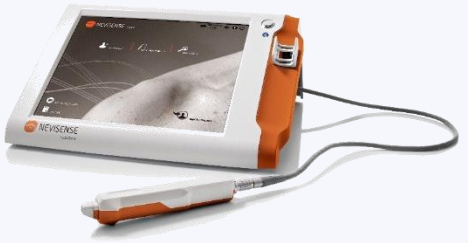
The Nevisense platform is a point-of-care, non-invasive method used primarily to assist physicians in diagnosing melanoma and non-melanoma skin cancer (NMSC). The platform can also be used to assess the skin's barrier function.

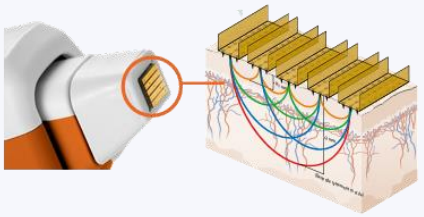
When a patient with a suspicious lesion visits a dermatologist, the physician will conduct a visual inspection using the naked eye and a dermatoscope. Based solely on this visual inspection, the physician would have to decide whether to remove the lesion. Studies have shown that up to 86-97%[1] of all removed or biopsied lesions today are benign. Despite this, melanoma is missed in as many as 13%[1] of all cases.

Nevisense provides the physician with a non-invasive and objective method for detecting melanoma and NMSC and aids in deciding if the lesion needs to be removed. According to over 80 peer-reviewed publications, the Nevisense platform accurately identifies skin cancer. Nevisense's melanoma classifier has a proven accuracy and a sensitivity of 97%. By using Nevisense, the precision of the diagnosis improves, leading to fewer malignancies being missed, earlier detection of malignancies, and fewer benign lesions being removed.

SCIBASE

Nevisense for use at dermatology clinics





Nevisense Go –product for portable and at-home use

Source: SciBase

1) Sources available on page 16

Clinical decision pathway for detecting skin cancer

Traditional method

Visual inspection with dermatoscope		Clinical Decision*
	Benign	Leave
	Unsure	Remove
	Malignant	Remove

With Nevisense

Visual inspection with dermatoscope	Nevisense	Clinical Decision*
	Benign	Leave
	Unsure →  → Score 0 - 3	Leave
	Unsure → → Score 4 - 10	Remove
	Malignant	Remove

Source: Inderes, Scibase. * Remove encompasses both biopsy and the excision of lesion

Company description and business model 2/5

Nevisense uses EIS (Electrical Impedance Spectroscopy) technology to detect malignancies and abnormalities. In simple terms, the technology sends an unnoticeable electrical current through the skin and measures the response. By measuring the human skin's electrical impedance and analyzing it with custom AI-based algorithms, it's possible to detect changes in the skin that can indicate certain diseases, such as melanoma and non-melanoma skin cancer (NMSC).

Nevisense was first introduced in 2014 and consists of three parts: a portable control unit, which includes the screen and electronics for analysis, a handpiece used to perform measurements, and a disposable proprietary electrode, which is pressed against the skin to perform the measurement. The electrode is designed for single-patient use (for up to 20 measurements) and cannot be re-used on other patients or for later measurements.

Each consumable electrode is use-case specific and switching between skin cancer (melanoma/NMSC) and skin barrier assessment requires changing the electrode. However, the same Nevisense unit can be used for all the measurements. Upgrading Nevisense to new clinical applications is done by uploading updated software to the device on-site. SciBase employees typically do this during on-site visits while training clinicians on the new use case.

Nevisense Go is a handheld version that was released at the end of 2020. It is currently used for skin barrier-related testing and research. With Nevisense Go being a simpler device, it is envisioned that it could be used by non-specialized customers such as general practitioners, pharmacies, and potentially even at home by patients themselves.

Currently, Nevisense Go is sold for research purposes to researchers and major pharmaceutical companies to assess the skin's barrier function and is used or planned to be used in over 20 clinical studies. In late 2022, SciBase and Kenvue signed a partnership to develop a screening product to identify infants at increased risk for developing atopic dermatitis in the first year of life.

Revenues are derived from device and electrode sales

The company's business model is based on customers initially purchasing a Nevisense or Nevisense Go device and then buying electrodes on a recurring basis. The devices sell for between EUR 5,000–6,000 in the EU and USD 7,500 in the USA (1/2024 status). We expect the prices to increase over time. However, the device's price is purposely set relatively low to reduce the investment threshold for customers and facilitate adoption.

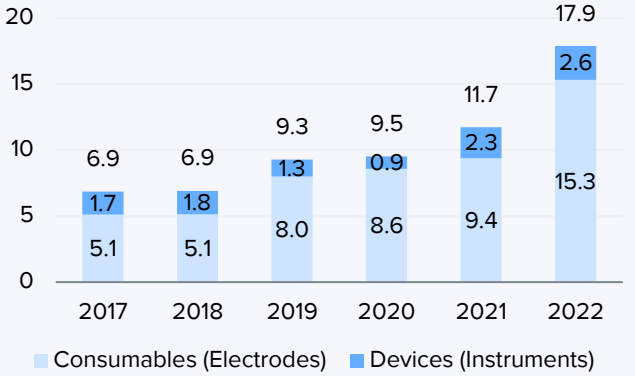
The electrodes sell for approximately EUR 41 in the EU and USD 69 in the USA (1/2024 status). The electrodes constitute the primary revenue source for SciBase and provided 86% of total revenues in 2022. The consumable nature of the electrodes provides SciBase with a stable recurring revenue stream supplemented by device sales. Electrode sales are expected to be the main growth driver going forward. Additionally, the company can improve its overall profitability by improving electrode margins.

Active on the German and US market

SciBase is currently active in Germany and the USA, which it assesses as the two largest markets for melanoma and NMSC detection. SciBase entered

Revenue development

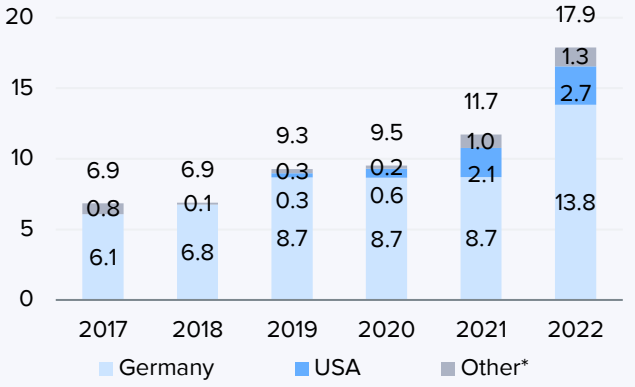
2017-2022, MSEK



Source: SciBase, Inderes

Revenue split by country*

2017-2022, MSEK



*Directional, based on SciBase's subsidiary locations. Other = Swedish subsidiary that sells mostly abroad e.g., to Japan.

Source: SciBase, Inderes

Company description and business model 3/5

the German market in the mid-2010s, and it's by far the company's largest market, with about 77% of 2022 revenues generated there. According to SciBase, Nevisense is installed at approximately 350 private dermatology clinics in Germany, with more than 400 devices delivered (1/2024). In Germany (and the EU), the Nevisense platform is approved for melanoma detection and, since 2021, also for non-melanoma skin cancer detection. According to the company, around 200 customers in Germany use Nevisense on a routine basis and they average about six electrodes a week.

Having obtained FDA approval in 2017, the company entered the US market in 2018. As of 2022, the US market constituted approximately 15% of SciBase's total revenues. The complex US health insurance system for reimbursing physicians and their clinics has slowed the company's US sales efforts. Securing reimbursement usually involves a separate process for each region and insurance type and takes time and resources. SciBase, however, remains determined to continue securing better and broader reimbursement, as this is the key to unlocking US sales growth.

Per our understanding, Nevisense is the only point-of-care product with FDA approval for melanoma detection available in the US today. As of early 2024, Nevisense has yet to receive approval for NMSC detection in the US; however, the company has initiated discussions with the FDA regarding the possibilities and requirements for market approval. With CE marking through MDR received and previous FDA approval for melanoma, we believe reaching approval is mostly a matter of time.

Customers vary by use case

The two main use cases of the Nevisense platform are skin cancer detection and assessing the skin's barrier function. As of 2022, 91% of SciBase's revenues came from the skin cancer detection segment, with the remaining 9% from the skin barrier segment.

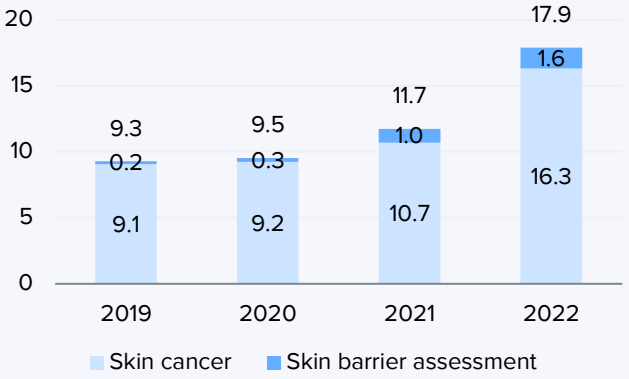
Within skin cancer detection, the primary customers are dermatology clinics in Germany and the USA. In Germany, SciBase primarily targets individual private dermatology clinics. Meanwhile, in the US, they focus on securing larger dermatology groups, encompassing tens or hundreds of clinics.

Within the skin barrier assessment application, the customers are research and industry partners. In the future the company envisions the customer base expanding to general practitioners, pharmacists, and even patients themselves. SciBase has a diversified customer base, with no single customer accounting for more than 10% of sales.

SciBase's primary sales channel is dermatology congresses around the world. These congresses allow SciBase to meet and demonstrate the Nevisense platform to dermatologists. SciBase also utilizes sales personnel to contact dermatologists and clinics in the relevant markets. In addition, word of mouth has proven to be a good source of sales leads. SciBase has also created a network of Key Opinion Leaders (KOLs) in the United States to spread knowledge and experience about Nevisense and help support the process for expanding reimbursement coverage.

Current customer segments and example customers

Revenue split by application area, 2019-2022, MSEK



Source: SciBase, Inderes

Company description and business model 4/5

One of these KOLs is the renowned dermatologist Dr. Darell S. Rigel, who is known as the developer of the ABCDE* method of diagnosing melanoma.

Product development is done in-house and together with research partners

SciBase conducts product development in-house and together with partners. This strategy allows SciBase to control the direction of the development without shouldering the entire cost burden.

A good example of this was the development of Nevisense Go, which is used for skin barrier assessment. SciBase together with KTH Royal Institute of Technology, miniaturized SciBase's Nevisense EIS measurement technology onto a single microchip. This enabled the entire Nevisense platform to fit into a handheld device the size of a large pen. Meanwhile, the AI algorithms used to assess the skin barrier were developed together with their research partner, the Swiss Institute of Allergy and Asthma Research.

A large share of research on SciBase's technology is also driven by academics, where SciBase's role is to support the research. This allows the company to accrue needed evidence for regulatory approvals without running the entire studies themselves.

Nevisense manufacturing split between outsourcing and in-house

Manufacturing of the Nevisense device has historically been outsourced to the electronics manufacturing company Kitron at their facility in Jönköping, Sweden. SciBase is, however, moving this production in-house to allow for higher control in managing regulatory audits and improving gross margins. Electrodes have been manufactured in-house since 2016 at SciBase's facility in Uppsala, Sweden.

The manufacturing of the electrode is rather complex as the electrode needs to be in perfect condition to generate reliable results accurately. The electrode consists of five bars with a total of 225 microscopic pins, which pass the electrical signal to the bars to measure the impedance in the lesion. The electrode manufacturing process consists of 17 steps, and it takes over a week to complete them. The electrode must also pass several quality controls before being delivered to customers. The electrodes are shipped in boxes of 16 in the EU and six in the USA.

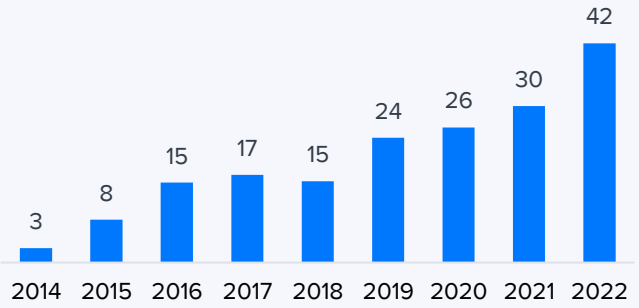
In early 2024, SciBase had an annual manufacturing capacity of 180,000 electrodes. The company has focused on streamlining the manufacturing process of the electrodes to increase production capacity further and to lower the manufacturing costs per electrode.

Cost structure consist mainly of semi-fixed costs

The company divides its operating costs into costs of goods sold (COGS) and operating expenses (OPEX). The COGS consists of costs related to the manufacturing of Nevisense devices and electrodes. As a share of total operating costs (COGS + OPEX), COGS has stayed stable at around 10% for the last three years. These costs are variable by nature, increasing and decreasing in line with sales.

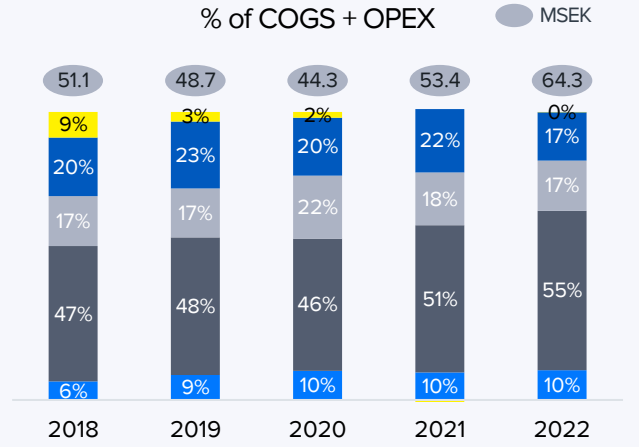
The majority of SciBase's cost structure consists of sales and marketing expenses, administration expenses, development expenses, and other expenses. These costs can be considered as semi-fixed, as they should scale with revenue growth, but the company has some room to adjust their levels.

Number of electrodes sold ,
2014-2022, thousands of units



Source: Inderes, SciBase

Cost structure,
% of COGS + OPEX



Source: Inderes, SciBase

*Asymmetry, Border irregularity, Color variegation, Diameter >6mm, and Evolving

Company description and business model 5/5

With the majority of SciBase's cost structure being semi-fixed, its business model should provide strong scalability if growth is successful. So far, however, SciBase has not generated enough revenue to cover these costs, leading to negative cash flow. In our view, this is characteristic of medical technology companies at earlier stages of their commercial journey.

Outside of lease liabilities, SciBase has no debt and, consequently, next to no financial expenses. The company manufactures its products in Sweden, and most of its sales are derived from Germany and the USA. Hence, a stronger Euro and USD with a weaker SEK would support SciBase's revenues and profitability, and conversely, a stronger SEK would depress revenues and profitability.

Low investment level and negative cash flow

Over the past few years, SciBase's investments have been limited to a modest amount invested in tangible assets related to the manufacturing of electrodes. Total investments in 2022 and 2021 were only 0.4 MSEK and 0.5 MSEK, respectively. However, with the company's loss-making operations, SciBase has a negative free cash flow (FCF) and has been forced to rely on regular equity issues to fund the continuation of the operations. In Q3'23, SciBase had an FCF of -18 MSEK. Based on this burn rate, the company's financing needs are met until around H2/2024.

Heavy regulatory requirements

In the USA, the Food and Drug Administration (FDA) categorizes medical devices into Classes I, II, or III based on the level of control needed to ensure their safety and efficacy. Nevisense has been classed as a Class III device by the FDA due to the risk level of melanoma diagnosis and a lack of similarity to already approved devices. To obtain FDA approval, Nevisense underwent the strict premarket approval (PMA) process and secured approval for melanoma detection in June 2017.

In the European Union, medical devices must bear a CE mark, which is regulated through the Medical Device Regulation (MDR), latest update of which came into effect in May 2022. SciBase is among the few companies certified in the dermatology field under MDR. Nevisense is classified as a Class IIa device in the EU and has been approved for melanoma and NMSC detection under the MDR. In addition, for melanoma Nevisense is also approved for sale and marketing in Australia by the Therapeutic Goods Administration (TGA).

Achieving these regulatory approvals offers a key competitive advantage to SciBase due to the high costs and prolonged timelines associated with the approval processes. Any company that wishes to enter the market and compete with SciBase must first spend the time and capital to secure these approvals.

Nevisense regulatory approval status, 1/2024

Approval	Region	Usage
CE-MDR	EU	Melanoma, non-melanoma skin cancer detection and barrier dysfunction detection
FDA	USA	Melanoma detection
TGA	Australia	Melanoma detection

Source: SciBase

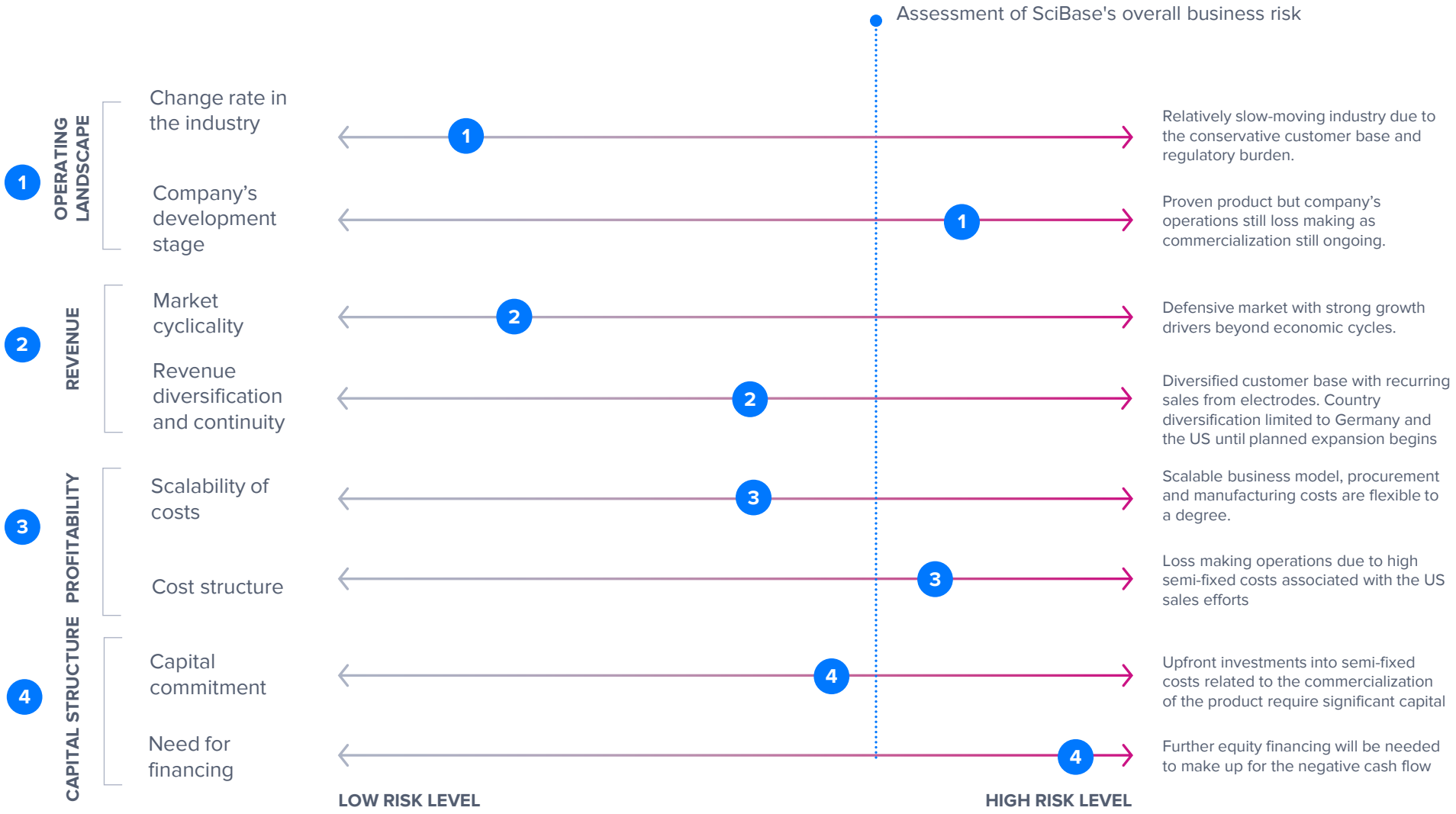
SciBase patent portfolio

SciBase has 72 approved patents divided into eight different families. The company continuously evaluates ongoing projects for possible patentability and whether these can extend the company's patent protection. For each patent, an evaluation is also made of which markets it is important to apply for a patent as each patent application entails costs.

Patent family	Description	Registered patents	Patent applications	Expiration dates
Family 1	Medical apparatus for determination of biological condition using impedance measurements by use of electrodes with spikes.	15 in Australia, Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, France, the UK, Italy, Netherlands, Sweden, Canada and the US.		All patents expired in 2023, with the exception of the US patent which expires in 2029.
Family 2	Medical apparatus for determination of biological condition using impedance measurements by use of reference data.	12 in Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, France, the UK, Italy, Netherlands and Sweden.		All patents expired in 2023.
Family 3	Medical apparatus for determining biological condition using impedance measurements.	16 in Sweden, Japan, China, Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, France, the UK, Italy, Netherlands, South Korea and the US.		All patents expire in 2026 with the exception of the US patent which expires in 2029.
Family 4	Switch probe for multiple-electrode measurements of impedance.	Nine (9) in China, Japan, the US, Taiwan, Australia, France, Germany, the UK and Sweden.		All patents expire in 2029.
Family 5	Method and apparatus for diagnosing a diseased condition in tissue of an object	Six (6) in France, Switzerland, Germany, the UK, Australia and Japan.		All patents and patent applications expire in 2030.
Family 6	Method and device for quality assessment of an electrical impedance measurement tissue.	Nine (9) in Japan, Australia, Germany, Spain, France, the UK, Italy, Sweden and China.		All patents and patent applications expire in 2030.
Family 7	Method and apparatus for extracting tissue properties from impedance measurement to assist in assessing diseased condition.	Three (3) in Sweden, Germany and the UK.	One (1) US application.	All patents expire in 2038.
Family 8	Barrier measurement with EIS.	One (1) in Sweden.	Three (3) ongoing applications US, China and PCT.	The Swedish patent expires in 2038.

Source: SciBase

Risk profile of the business model



Source: Inderes

Investment profile

1. **Clear market potential in improving skin disease diagnostics in the defensive health care market**
2. **Competitive and regulator-approved niche medical product without a clear competitor**
3. **Scalable and sustainable business model once semi-fixed costs are covered with sufficient revenues**
4. **Market entry to a conservative market is a long process, and delays are not out of question**
5. **Operations are currently funded through equity issues, diluting shareholders**

Potential

- The USA provides a large market for the proven Nevisense platform
- Gaining FDA approval to use Nevisense for NMSC detection in the USA would further increase the market size
- Further growth on the German market through on-boarding new clients, increased sales of electrodes, and price increases of electrodes
- Clinical adoption of Nevisense for assessing the skin's barrier function would give access to a market valued at 6-7 BNSEK annually

Risks

- Unprofitable operations that are funded through equity issues
- Failure or significant delays in growing sales on the US market
- Competition from similar or substitution products
- Any potential new regulatory hurdles leading to delays and additional expenses

Source: Inderes

Industry and competitive landscape 1/4

SciBase is aiming to create new markets within skin disease treatment solutions

Nevisense technology is being used and studied within Melanoma, Non-Melanoma Skin Cancers (NMSC), and Skin barrier assessment, which form the main target market verticals for SciBase. These markets are still very young and only starting to form. SciBase has estimated these use cases to have a combined annual market potential of >10 BNSEK (see details on the right). Skin barrier assessment forms the majority of this, although we note that it is also the vertical where the Nevisense technology is currently least mature with first clinical applications test launched in late 2023. Despite the uncertainty in assumptions needed to estimate market potential, it is clear that it won't limit SciBase's growth in the foreseeable future.

According to the World Cancer Research Fund's statistics, the highest age-standardized rates of disease for Melanoma and NMSC are found in Northern America (mainly the USA), Europe, and Australia. According to the American Society of Clinical Oncology (ASCO), Melanoma is 20 times more common in white people than black people, which can explain the geographical differences in these disease rates. On the other hand, the incidence of atopic dermatitis (AD), a key disease behind the Skin barrier assessment use case, has more stable rates of incidences across geographies, according to the International Eczema Council. However, AD is also most common in Northern Europe. Due to its large population and being one of the highest healthcare spends in the world, we believe the US forms the majority of SciBase's target market potential, followed by Europe. SciBase has stated that the US accounts for three-quarters of their addressable market.

Medical technology markets are generally quite attractive for incumbents but slow and expensive to enter as newcomers. Product development, medical research, and achieving regulatory approvals typically take at least years, which increases the barriers for new companies to enter the market. In our view, partially due to this, the customers have adopted a slower rate of change and don't change their methods on a whim. These same factors also make the markets attractive for the companies that manage to enter and secure a position. It is not uncommon for mature medical technology companies to generate operating profits (EBIT-%) above 30% of revenues.

In our view, the demand for medical technology can be generally seen as quite stable as the underlying need for healthcare services is continuous. The Covid-19 pandemic was a rare exception, as in the US, weekly dermatology visit volumes dropped temporarily up to around 75% from pre-pandemic levels before starting to rebound (The Commonwealth Fund). Regardless, we do see that economic cycles and changes in access to capital can influence the timing and volume of medical technology investments.

Key market trends seem generally favourable

Globally, the aging population also drives an increasing incidence of skin cancers. Cancer incidence generally increases with age. For example, the average melanoma diagnosis comes at the age of 65 (ASCO). We expect the aging population to increase dermatology clinic visits and skin cancer diagnosis events due to increasing volumes of cancer suspicions.

SciBase's target market potential

Melanoma	Non-Melanoma Skin Cancers (NMSC)	Skin barrier assessment
Market potential, 2022	Market potential, 2022	Market potential, 2022
>3 BNSEK	~1.4 BNSEK	>6-7 BNSEK

Source: Scibase

Market trends and impact to SciBase growth

Source: Inderes, SciBase

Industry and competitive landscape 2/4

can also support the underlying interest of dermatology clinics to improve their standard of care, as it is a clear competitive factor in a growing market.

According to SciBase and industry news, dermatology clinics are also becoming larger through private equity-driven consolidation, at least in the US. This can speed up the time to market for SciBase as they can access a larger number of clinics by selling to one entity. On the flipside, with higher purchase volume potential, the larger players also have more leverage to negotiate prices. However, we believe this trend is still positive for SciBase.

Regulatory demands for medical technology have also been increasing. One example is the European Union's updated Medical Device Regulation (MDR) that came into force in May 2022. Stricter regulation slows down SciBase's time to market with new applications and products. However, it also increases market entry barriers for competitors as SciBase already has regulatory approvals (CE and FDA) for many of its products. With a regulatory framework for AI-based diagnostic solutions still forming, SciBase can also advocate for stricter regulatory approval processes to increase the market's barriers to entry. We see this as a challenge for SciBase in the short term, but as an advantage in the long term.

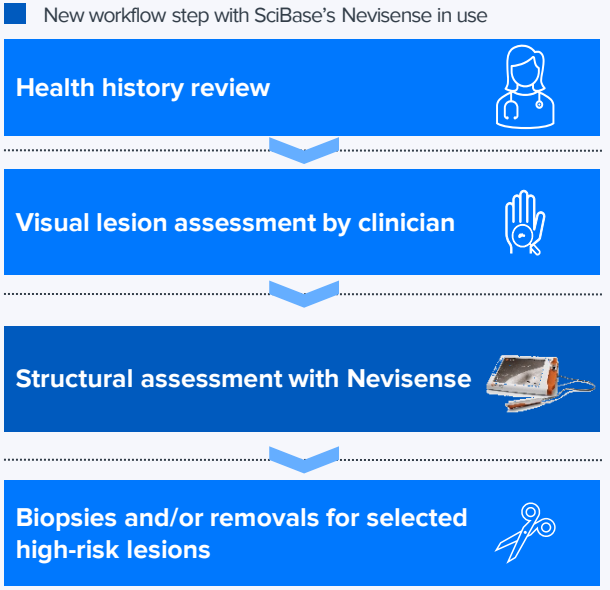
Standard of care is currently the main competitor

Within melanoma and NMSC, the standard of care is still typically based on dermatologists' subjective visual examination. For melanoma, clinicians typically use a dermatoscope, a type of magnifying device, to visually examine patients' lesions. When clinicians identify lesions with high risk for melanoma, they typically take biopsies (a sample from the skin for pathological evaluation) or completely remove the lesion with excision. Biopsies are also typically used for the diagnosis of other skin cancers (NMSC). The samples are then taken for further histopathological analysis by pathologists in laboratories. Further diagnostics and treatments are decided if samples are classified as malignant.

The challenge with the visual examination of lesions is its inaccuracy, combined with the invasive and expensive biopsies. According to the American Cancer Society, melanoma's prognosis is typically very good when found early in the localized stage (Stage 0-II: 5-year relative survival rate >99%) but declines significantly if it spreads and becomes regional (Stage III: 71%) or distant (Stage IV: 32%). This motivates 'rather safe than sorry' decisions for lesion biopsies and removals. Studies[2] indicate that 86-97% of biopsied lesions and removals are done for not malignant lesions, i.e., in vain. Even with the high proportion of excisions, melanoma is missed in as many as 13% of all cases[1,3,4,5].

SciBase's Nevisense gathers data from the structure of the lesion below the surface of the skin. According to SciBase, the ability to look at the structure below the surface of the skin is important, because melanomas mostly spread downwards as they develop. According to the company, their goal with Nevisense is to improve the detection of melanoma compared to visual methods alone, with a focus on lesions with some atypia and on identifying difficult-to-detect early melanomas. We have illustrated the clinical workflow on the right and highlighted how SciBase aims to change it.

Clinical workflow for melanoma-risk lesion diagnosis



Source: SciBase, Inderes

1) Andersen WK, Silvers DN. 'Melanoma? It can't be melanoma': a subset of melanomas that defies clinical recognition. JAMA 1991;266:3463-5.
2) Argenziano et al. Accuracy in melanoma detection: a 10-year multicenter survey. Journal of the American Academy of Dermatology 67, no. 1 (2012): 54-59.
3) Carli, Paolo, Paolo Nardini, Emanuele Crocetti, Vincenzo De Giorgi, och Benvenuto Giannotti. "Frequency and characteristics of melanomas missed at a pigmented lesion clinic: a registry-based study." Melanoma research 14, no. 5 (2004): 403407.
4) DalPozzo V, Podenzani S, Cavicchini S. A clinical contribution to guideline criteria in the excision of pigmentary lesions. G Ital Dermatol Venereol 1990;125:173-7.
5) Argenziano et al., Dermoscopy in General Dermatology, Dermatology 2006;212:7–18.

Industry and competitive landscape 3/4

Competition is to be expected, especially in the long run

So far, in skin cancers (melanoma and NMSC), SciBase has not seen any notable competition besides the standard of care based on visual examinations and lesion biopsies. However, in the long term, we believe there will be competition also between alternative diagnostic technology solutions.

SciBase's Nevisense platform is used in multiple application areas (melanoma, non-melanoma skin cancer NMSC and skin barrier assessments). Each application has different competitors. However, having multiple use cases with a single platform is one competitive edge compared to competitors with mostly point-solutions for narrower use-cases.

The healthcare sector is largely driven by patient safety. In diagnostic technology, we believe solution competitiveness is driven especially by reliable and verified improvements in diagnostic accuracy. This means most importantly a higher sensitivity (e.g., the share of melanomas correctly identified out of all melanomas being investigated), but also higher specificity (e.g., the share of benign lesions correctly identified out of all benign lesions examined) than previously achieved. Naturally, the cost of the solution (investment and cost of use), wait time for result availability, and ease of use are also competitive factors that influence the feasibility of adopting a new diagnostic solution.

Within melanoma SciBase has identified multiple competing solutions. US-based **DermTech** is offering a test based on tape stripping to remove skin samples with lesion RNA. The test is sent to DermTech's laboratory for analysis, and results take 2-5 days. The cost is around 750 USD per test. The test's specificity (69%), and sensitivity (91%) are okay, but still leave many melanomas undetected. The test cannot, however, be used on lesions smaller than 5mm in diameter, which is often the case in early-stage melanomas. With the high cost, slow time to results, and use case limitations, in our view, the test does not currently seem like a viable competitor to Nevisense.

Caliber Imaging & Diagnostics offers a system called Vivascope, which is based on reflective confocal microscopy (RCM). RCM permits high-magnification images of skin lesions at a cellular level, similar to that of histopathology. According to SciBase, similarly to Nevisense, the system can be used to evaluate equivocal lesions where melanoma is suspected. However, according to SciBase Caliber does not have an indication and FDA approval for melanoma in the US. Their US indication is for imaging of the tissue only, not the diagnosis of skin cancers. Caliber's RCM system has shown decent accuracy in studies[1] (84% sensitivity and 56% specificity) and can be used clinically but according to SciBase it is mainly used for research. This may be due to the time taken per lesion investigation, the extensive training and expertise needed to analyze the acquired images to use the device and the high cost of the equipment. With these challenges and quite high share of melanomas missed, in our view, the test does not currently seem like a viable competitor to Nevisense.

The Korean company **Speclipse** brought a laser-based technology for skin cancer detection called Spectrascope to Europe in late 2021. It is approved in the EU under the MDD (Medical Device Directive). There appears to still be limited research published on the technology, although the initial results (with a limited data set) were encouraging (95% sensitivity and 89% specificity)[2]. Spectrascope seems initially like a potential future competitor to SciBase's Nevisense and a player to be followed.

Key competitors by usage area

Melanoma	VIVASCOPE by CALIBER ID, speclipse, DermTech
Non-Melanoma Skin Cancers (NMSC)	VivoSight The Whole Picture ™, NovaScan
Skin barrier assessment	BioX SCIENCE OF PRECISION, Delfin Technologies, +K electronic

Source: Inderes, SciBase

1) Waddell A, Star P, Guitera P. Advances in the use of reflectance confocal microscopy in melanoma. Melanoma Manag. 2018 May 10;5(1):MMT04. doi: 10.2217/mmt-2018-0001. PMID: 30190930; PMCID: PMC6122529.
2) Real-time, in vivo skin cancer triage by laser-induced plasma spectroscopy combined with a deep learning–based diagnostic algorithm. Pyun, Sung Hyun et al. Journal of the American Academy of Dermatology, Volume 89, Issue 1, 99–105.

Industry and competitive landscape 4/4

SciBase's Nevisense is generally well-positioned in the melanoma segment. In SciBase's pivotal study, Nevisense identified melanomas very accurately (sensitivity 97%) and showed clear potential reduction in unnecessary excisions (specificity 38% vs. clinicians at 0 %). We note that Nevisense is used only on harder to diagnose lesions with unclear melanoma status, which means these metrics aren't comparable to solutions applied on all lesions (including clear benign & malignant cases). Nevisense's melanoma test is already approved for sale in the US, Europe, and Australia.

Within Non-Melanoma Skin Cancer (NMSC) SciBase has identified Optical Coherence Tomography (OCT) as a key competing method. OCT is a non-invasive imaging system that uses light waves to take 3D-images of tissues. The company's opinion is that **Michelson Diagnostics' VivoSight** is the leading OCT solution in the market. OCT systems can be used to detect non-melanoma skin cancer, but they are expensive and require extensive training. However, to our understanding, VivoSight does not require the use of consumables. VivoSight currently only competes with SciBase in NMSC but has also been studied for melanoma diagnostics.

NovaScan is a cancer diagnostics company with use cases including NMSC diagnostics. Their technology, similar to SciBase's Nevisense, is a platform based on measuring impedance from the skin. NovaScan announced a collaboration with PHC Group (Panasonic Healthcare) in developing a scan for tissue removed in NMSC removal surgery to assess if a sufficient removal margin has been reached. The company's technology is still in the developmental stage and not in clinical use, but it seems initially like a potential future competitor to SciBase's Nevisense and a player to be followed. SciBase's Nevisense reached 100% sensitivity to basal cell carcinoma and squamous cell carcinoma in the company's pivotal study, giving SciBase a very promising competitive position in this segment. Nevisense has been approved in Europe (CE mark) for NMSC test but not yet in the US.

Skin barrier function measurement (assessment of barrier function), on the other hand, is currently used in research with first clinical applications test launched in Germany. According to SciBase, the golden standard for this is transepidermal water loss (TEWL), which measures water's evaporation rate through the skin. According to SciBase, TEWL is an accepted research method but it is difficult to perform and has not been adopted clinically. Players providing TEWL equipment include Delfine Technologies, Biox Systems, and Courage-Khazaka. In this segment, it appears that SciBase does not yet have clear competitors, although Nevisense has not yet reached clinical & commercial maturity in this use case either.

In our view, SciBase's Nevisense appears competitive in each of its three application areas. However, as the market is still developing, the playing field remains open, and solution competitiveness remains challenging to evaluate with high confidence.

Industrial logic for M&A is relatively clear

SciBase is still at an earlier stage of development and does not yet have an established position in its markets. However, we do believe the company could be an acquisition target in the long run. We think SciBase would be an intriguing acquisition target, especially for other medical technology companies with a broad dermatology practice clientele, which could utilize their existing customer relationships and ramp up SciBase's product adoption faster than an independent company.

SciBase's competitive factors

+ Clear diagnostic accuracy improvement over standard of care
+ Fast results, easy to integrate into existing clinical workflow during patient visits
+ Limited training needs to start using the solution
+ Product supports clinicians in diagnosing, especially the most difficult lesions
+ Multiple skin diagnostic use cases with same Nevisense platform
+ High-profile Key Opinion Leaders (e.g., Dr. Darrell Rigel, the creator of the ABCDE criteria for melanoma diagnosis) add solution credibility
± Cost above standard of care in melanoma, but mostly in line with or below competing diagnostic technologies. Usage expends a consumable electrode.
± Room to improve in specificity (although provides a clear improvement over standard of care in non-obvious lesions)
– Reimbursements are still largely underway in the US, which slows down customer acquisition
– FDA approvals for NMSC and skin barrier assessment not yet achieved
– Limited resources in sales and R&D due to limited funding and cash-flow negative due to development stage

Source: Inderes

Strategy and financial targets (1/2)

Strategy

SciBase's strategy is to "*develop and market clinical tools that meet unmet medical needs in dermatology and allergy and based on a basic technology (EIS) with a consumable (electrode) and disease-specific AI algorithms for each clinical application*". The strategy is focused on the following three areas:

1. Continued expansion in the US through broader reimbursement
2. Sales growth in Europe
3. Developing the skin barrier assessment market

Continued expansion in the US through broader reimbursement – SciBase's initial US expansion strategy is based on a stepwise regional approach aimed at partnering with dermatology groups as the primary customers and securing reimbursement from health insurance companies.

In the US, the trend has been for individual dermatology clinics to consolidate into dermatology groups that consist of tens or hundreds of clinics. So far, SciBase has signed collaboration agreements with at least four such groups: *Advanced Dermatology and Cosmetic Surgery* (150 clinics), *Advanced Dermatology PC* (59 clinics), *Schweiger Dermatology group* (90 clinics), and *The Skin and Cancer Institute* (50 clinics). The collaboration agreements usually cover an initial sale of a few systems for the group to test out with the hope they gradually expand their usage. In addition, SciBase and the groups collaborate on the reimbursement process. Partnering with these groups provides a cost-effective way to expand within the USA.

Another aspect of the US strategy has been to initially focus on serving the Medicare population (insurance for the elderly aged over 65). The Medicare system is divided into eight regional Medicare Administrative Contractors (MACs), and so far, two of these, *First Cost Service Options* and *Novitas Solutions*, regularly reimburse Nevisense tests today. This is important as it enables reimbursement for submitted insurance claims. SciBase is also in discussions with a third MAC, *Noridian,* about them reimbursing the Nevisense test. During 2022, SciBase also began to process and submit applications for reimbursement to private insurance companies. As more and more insurance companies agree to reimburse Nevisense tests, the product becomes easier and easier to sell as clinics do not have to worry about having their claims denied. The US reimbursement system is a complex and time-consuming endeavor; however, it is the key to unlocking significant sales growth in the US.

Europe: Sales growth in Germany and selected new market entries

Measured by revenues, Germany is SciBase's largest market today. Sales growth in Germany has been very strong lately due to securing new customers, increased usage of Nevisense thanks to the new non-melanoma skin cancer (NMSC) application, and electrode price increases.

SciBase's strategy in Germany has been to target private dermatology clinics. The company assesses that there are around 2,500 of these clinics, with 800 of particular interest. According to SciBase, they have around 400 clinics as customers in Germany. The company also notes that there has been an increase in clinics that buy multiple systems.

According to the company, about 50% of the existing customers have installed the software update that enables Nevisense to be used to detect NMSC. As NMSC is vastly more common than melanoma, clinics that also use Nevisense for NMSC detection conduct more tests and consequently buy more electrodes.

As SciBase is the only provider of the Nevisense electrodes, it has significant pricing power and has used this to increase the price of the electrodes twice during the last two years (April 2022 and August 2023).

SciBase also aims to add geographical coverage to Switzerland, Austria and Sweden. The company believes it can address all these markets with existing resources.

Developing the skin barrier assessment market

A core part of SciBase's strategy is to leverage its existing technology and the Nevisense platform for new applications. One of the promising new applications is the skin barrier assessment area. There is currently a lot of scientific interest in the skin barrier function and how a reduced function can predict the development of atopic dermatitis (AD) or eczema. The ability to easily identify a reduced skin barrier can help detect, manage, and treat atopic diseases before AD develops. In this area, Nevisense is currently mostly sold to researchers and industry partners conducting research and testing. However, first clinical application was test launched in Germany in late 2023.

Strategy and financial targets (2/2)

SciBase sees the following three specific clinical applications as particularly promising:

1. Infant atopic dermatitis prediction– strategic collaboration with Kenvue (J&J Consumer Health).
2. Objective atopic dermatitis assessment and management – first clinical application test launched in Germany.
3. In-home atopic dermatitis flare prediction and management – study ongoing in Germany.

Financial targets

The only financial target SciBase communicates is the goal of reaching an overall gross margin of 70% for devices and electrodes combined over the medium term. The company's gross profit margin was 63% in 2022. With SciBase reaching a gross profit margin of 71% in Q2'22 and 69% in Q3'23, we assess the target as reasonable. With the company's pricing power, particularly in the electrodes segment, they can, to a certain extent, pass on costs to customers, safeguarding their gross margin. We assess this pricing power to strengthen as the installed base continues to grow.

SciBase does not provide sales or timing guidance for when the company is expected to be cash flow positive. They have, however, communicated in early 2024 that the company estimates that an installed base of 800–1,000 Nevisense systems, using an average of six to seven electrodes per week, will be required to reach profitability.

Gross profit margin,
2018-2022, % of sales

Source: Inderes, SciBase

Strategy

-2015

Research and product development phase

- Focus on conducting research into EIS and developing the Nevisense platform
- Productizing the technology into the Nevisense platform
- Conducting research to prove the viability of the Nevisense platform for detecting melanoma and NMSC

2015 - 2022

Commercialization of the Nevisense platform

- Focus on a go to market strategy for Nevisense
- Gaining necessary approvals to sell and market Nevisense in the USA and the EU
- Securing a manufacturing agreement for the Nevisense device
- Ramp up in-house manufacturing of the Nevisense electrodes

2023-

Growth acceleration

- Continued expansion in the US through broader reimbursement
- Continue sales growth in Germany by securing new customers and further applications for Nevisense
- Developing the skin barrier assessment market

Must Win Battles in the strategy

Implemented

- Gaining regulatory approval for Nevisense in the EU and the USA
- Proving the clinical viability of Nevisense for the detection of melanoma and NMSC
- Gaining good momentum in using Nevisense for assessing the skin's barrier function
- Securing regular reimbursement from two of the eight Medicare Administrative Contractors (MACs)

Near future, 1-2 years

- Successful ramp-up of the US sales efforts
- Securing broader reimbursement with MACs and private health insurance companies in the USA
- On-board further clients in Germany and continue strong sales growth
- First clinical application regrading atopic dermatitis
- Continue assisting research efforts into the viability of using Nevisense for assessing the skin's barrier function
- Successfully expand to new markets such as Switzerland, Austria, and Sweden

The next 5 years

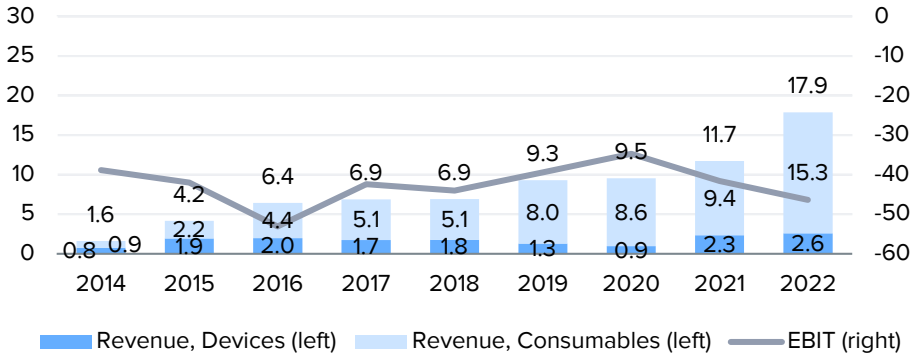
- Securing a sizable number of clients in the USA
- Scale up production of Nevisense electrodes and successfully lower the manufacturing costs per electrode
- More clinical application is the skin barrier assessment area e.g. predicting AD in infants
- Continue improving and adding use cases for the Nevisense platform
- Reaching FDA approval for the NMSC application

Source: Inderes

Financial position 1/2

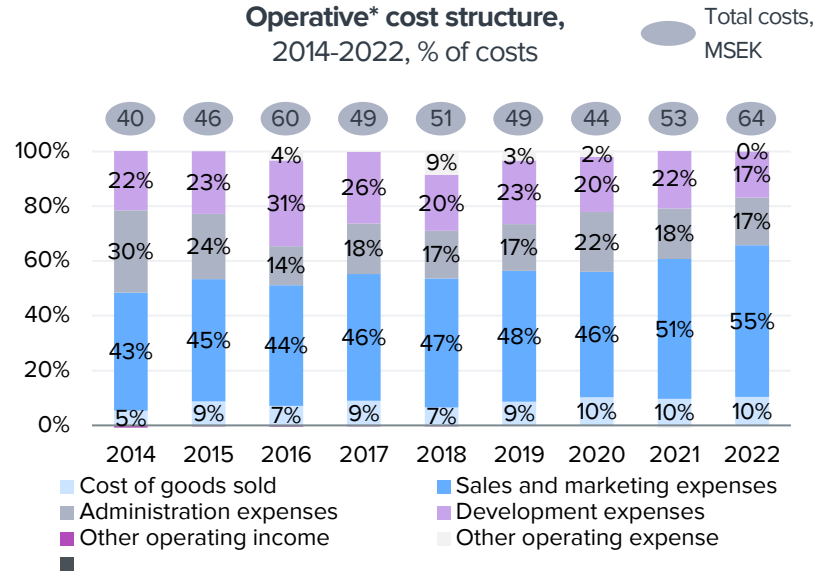
Operations have historically been clearly lossmaking due to upfront investments into technology and its commercialisation

Revenue and EBIT,
2014-2022, MSEK



- SciBase's annual revenue growth (CAGR) has been around 35% during 2014-2022:
  - After starting more active commercial operations in 2014, SciBase has focused on growing customer clinic numbers first in Germany and then in the USA.
  - SciBase's revenue split was initially quite even between devices and consumables, but from 2016, it started shifting heavily towards consumables as the existing device base started growing.
- SciBase's EBIT has so far remained heavily in the red:
  - The company was practically in pure research mode from 1998 until 2013, when commercial operations started with the first product, the Nevisense platform. Before this, SciBase did not generate notable revenues.
  - After 2014, SciBase has continued commercial investments focusing on field sales, especially in Germany and the USA, expanding medical policy coverage in the USA and R&D to expand Nevisense use cases.

Operative* cost structure,
2014-2022, % of costs

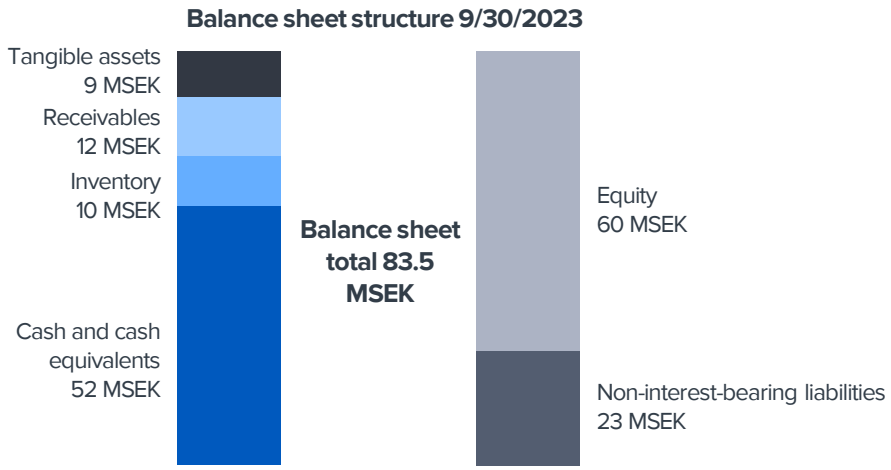


*Costs recognised above EBIT in Profit and Lost statement
Source: Inderes, SciBase

- SciBase's total costs have remained roughly flat during 2014-2022. Most of SciBase's costs are employee-driven and semi-fixed, providing strong scalability if growth is successful. However, US expansion and strategy will require more resources.
- Costs of goods sold (COGS) are variable costs that mostly consist of device and electrode raw material costs, manufacturing personnel expenses and equipment depreciation, and costs paid to outsourced manufacturing partners.
- Sales and marketing (S&M) expenses consist mostly of personnel, marketing, and travel costs. These costs have grown their relative share in line with SciBase's increasing commercial investments. They don't necessarily grow in line with revenues but have and will continue to grow as SciBase is still in an early commercial stage.
- Development expenses consist mainly of SciBase's product development and research personnel costs. This cost item has remained relatively stable and is fixed in nature as SciBase's investments focus on commercialization.
- Administration expenses mainly consist of personnel and service costs in supportive functions like accounting, IT, and HR. This cost item has remained relatively stable and is fixed in nature.
- Other operating income and expenses contain minor miscellaneous items.

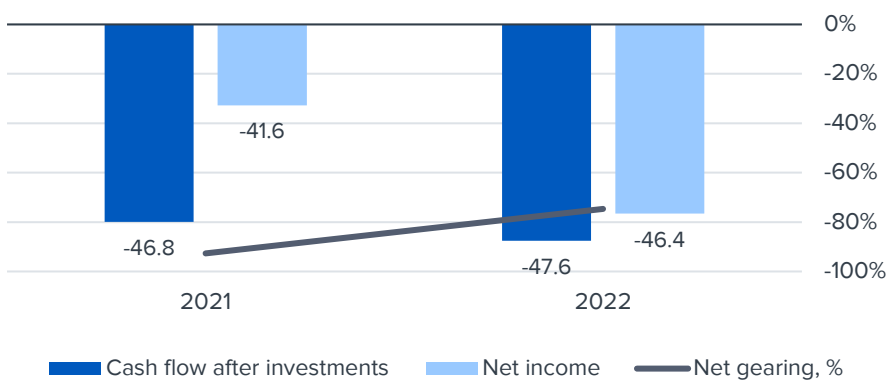
Financial position 2/2

SciBase's debt free balance sheet mostly consists of cash



- SciBase's balance sheet (9/2023) is generally in good condition and meets the company's short-term financing needs.
  - Cash and cash equivalents (52 MSEK) represent a majority of the company's balance sheet. The company does not have interest-bearing debt and hence has negative net gearing (-87%). At an annual cash flow of around -47 MSEK, the company's financing needs are met until around H2/2024.
  - The company's other key assets are inventory (10 MSEK), receivables (12 MSEK), and tangible assets. (9 MSEK). Tangible assets mostly consist of right of use assets (IFRS 16).
- As SciBase is debt-free, it is practically purely equity-financed. However, a part of the non-interest-bearing liabilities also partially help finance the business. This includes mainly vacation pay liability, accrued salary expenses and social contributions, reserved Board fees, consulting fees, and expenses for raw materials. As a result of IFRS 16, the company's non-interest-bearing liabilities also include lease liabilities (future rent due mainly on premises).

Operational cash flow after investments, net result and net gearing, 2021-2022, MSEK and %



- SciBase is making up-front growth investments, which depresses the profitability (2022 net income: -46.4 MSEK). The company's cash flow is likewise clearly negative (2022 operational cash flow after investments: -47.4 MSEK), but so far quite well in line with profitability. SciBase currently finances its losses with existing cash reserves and by raising additional financing, likely meaning the issuance of new shares, which dilute existing shareholders.
- SciBase's business is still small and does not yet tie up considerable amounts of capital in absolute terms. Currently, we see the company's growth requiring it to size the inventory and production capacity according to higher sales volumes ahead of time, which we expect to tie up some additional capital now and in the coming years. We note that SciBase's business model in its foundations is quite asset-light, and we believe that the profitability should remain a rather good proxy for cash flow in the long term.

Source: Inderes, SciBase

Estimates 1/3

We estimate that revenues will primarily be driven by electrode sales in Germany and the US

Electrode sales dominate SciBase's total revenues. This is due to their disposable nature, with routine users in Germany using approximately six to seven electrodes per week. In Germany, SciBase has seen an increase in the number of electrodes sold with the introduction of the new non-melanoma skin cancer (NMSC) application Customers see significantly more patients with NMSC than with melanoma. We expect growth in Germany to continue, with both device and electrode sales growing. Eventually, the German market will be saturated, and growth will have to come from other countries. The primary candidate is the US; however, the pace of growth is harder to predict here due to the complicated reimbursement process. Once reimbursement is unlocked on a sufficient scale, US sales growth could be significant and easily make German sales a minority. Furthermore, if or when Nevisense is approved for NMSC in the US, electrode sales would likely see a further boost.

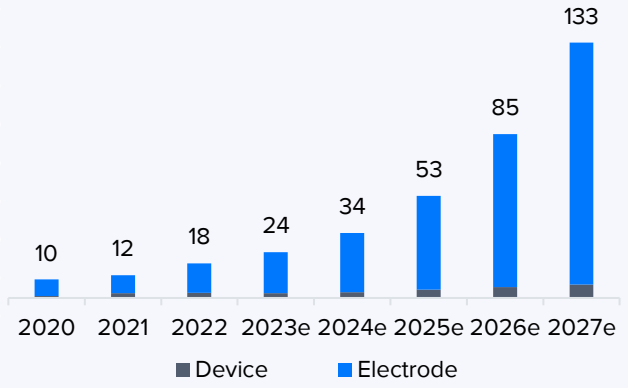
Then, we have the skin barrier assessment application. This application has perhaps the greatest potential as it offers multiple new possible applications and a large number of new customers. For example, one envisioned application would be that people suffering from atopic dermatitis, 223 million globally[1], could use the handheld version, Nevisense Go, to regularly test their skin barrier to predict outbreaks. Of course, with clinical applications for skin barrier assessment in the early stages, estimating the potential of this segment is challenging. Our estimates of future growth are derived by estimating growth in the number of electrodes, devices, and their respective prices. Our assumption is that both the number of electrodes and devices will grow at a high double-digit rate from 2024 to 2029. The number of electrodes sold will, however, increase faster as we assume that in the future, about 6-7 electrodes per week per device will be used. Currently, if we look at the data 51,310 electrodes sold LTM (Q3'23) divided by 440 devices installed (Jan 24) the electrode usage is only 2.2 per week per device.

With SciBase raising the price of the electrodes in both 2022 and 2023, we assume that the price will increase again in 2024 and after that at a steady pace of 2% per year. As for the price of the device, we have decided to keep it flat because the devices are sometimes sold with discounts.

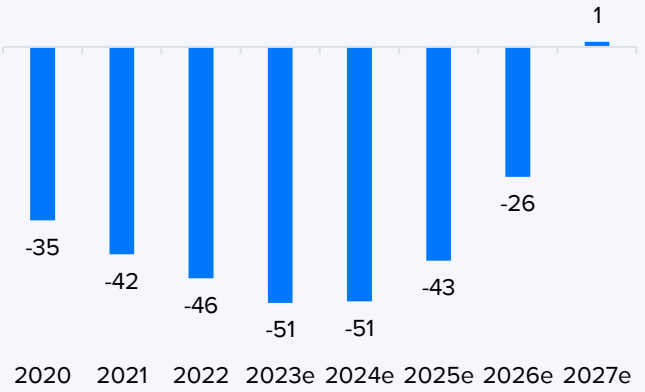
Our long-term profitability estimates mirror more mature medical device companies

When estimating SciBase's future profitability, we have no relevant historical figures to fall back on. The company has never achieved a positive operating profit, and the margin in Q3'23 was -176%. Therefore, we are forced to make assumptions about what level of profitability SciBase's operations can achieve. We assume that SciBase can reach a gross margin of 70%. We also assume that revenues will grow faster than semi-fixed costs, so that SciBase's EBIT margin will gradually improve during our forecast period. At the end of our forecast period, we have assumed an EBIT margin of 25%. This level of profitability is in line with or slightly conservative compared to other more mature medical device companies with similar business models.

Revenue estimates,
2020-2027e, MSEK



EBIT estimates,
2020-2027e, MSEK



Source: Inderes

1) Global Report on Atopic Dermatitis 2022

Estimates 2/3

2023 delivered strong growth in Germany, with US sales lagging

During the first nine months of 2023, SciBase's revenues increased by 35% to 17.5 MSEK. Adjusted for currency effects, sales increased by 23%. According to the company, revenues were mainly generated from electrode sales in Germany. Revenues in Germany increased by 52%, while revenue in the USA decreased by 50%. The decrease in US sales was due to a difficult comparison quarter and reduced usage by some customers due to reimbursement denials by certain insurance companies. New customer wins, the new NMSC application and an electrode price increase in August drove growth in Germany.

The company's operating expenses increased to MSEK 55 in Q1-Q3'23 compared to MSEK 46 in Q1-Q3'22. The increase was mainly due to higher sales and marketing costs in connection with increased sales efforts in the US and currency effects. The company's gross margin for the period increased to 67.5% from 63.3% last year. The EBIT margin improved year-on-year but was still strongly negative at -214%.

The company had net investments of just 0.3 MSEK during the first three quarters. Cash and short-term investments increased to 52 MSEK from 19 MSEK at year-end 2022 due to an 80 MSEK equity issue in Q2.

2023, the year of continued growth

For FY 2023, we expect SciBase revenues to increase by 33% to 24 MSEK (2022: 18 MSEK). Revenues in Q3 were quite strong due to increased sales of electrodes before the price increase in August. Consequently, we expect revenues in the fourth quarter to be somewhat lower at 6.2 MSEK (Q3'23: 7.2 MSEK).

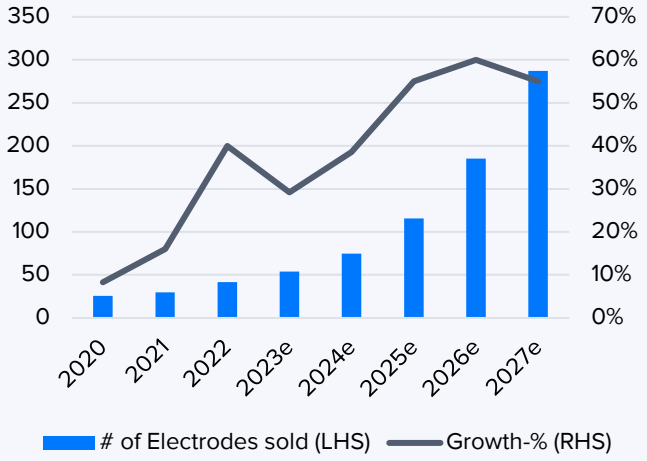
In terms of profitability, we expect the gross margin to be about the same as in the first three quarters. Meanwhile, we expect other operating expenses to increase slightly. Accordingly, our EBIT estimate for 2023 is -51 MSEK. As for EPS, we expect it to be -0.45 SEK. We expect investments for FY'23 to be 3 MSEK, and we expect cash and cash equivalents to decrease to SEK 37 million.

Strong increase in electrode sales driving 2024 estimates

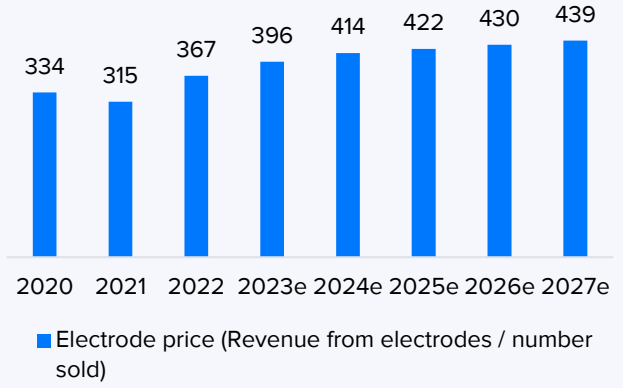
We estimate that revenues for 2024 will increase to 34 MSEK, driven by continued strong growth in Germany and increasing sales in the US. We expect growth to increase gradually during the year, starting slower in Q1 and increasing as the year progresses. We also expect SciBase to increase the price of electrodes in H2'24, which will lead to a slight improvement in gross margins.

Our EBIT estimate for 2024 is SEK -51 million. With the strong revenue growth, we expect operating costs to decline as a percentage of revenue, leading to improved profitability. EPS would improve to SEK -0.43 in 2024. We expect net investments to increase slightly to SEK 3 million in 2024. If the loss-making operations continue, we assume that SciBase will take on debt of 23 MSEK. However, there is no guarantee that the company will be able to secure debt financing. In practice, the company would likely seek to raise capital through an equity issue instead, but we do not include future equity issues in our estimates.

Number of electrodes sold ,
2020-2027e, thousands of units



Average electrode prices,
2020-2027e, SEK per electrode



Source: Inderes

Estimates 3/3

High revenue growth with improving profitability during 2025-2030

In 2025-2030, we expect revenue growth to accelerate up until 2026, after which growth will continue at a high but slowing pace. At this stage, we assume that the company's sales efforts in the US have kicked into high gear, supported by good reimbursement coverage, while the company is also expanding into other European countries such as Austria, Switzerland and Sweden. These growth assumptions are mainly based on the successful progress of the US sales efforts. We acknowledge that any sales projections for the U.S. involve speculation as to timing and growth rate and should be viewed with caution. Should the commercialization of the skin barrier assessment application progress rapidly, we could see a scenario of even higher growth during this period.

As in 2024, we expect operating costs to grow relatively slower than revenues, leading to a gradual improvement in operating profitability. We forecast the EBIT margin to be -81% in 2025, turning positive in 2027 and improving further to 23% in 2030. As in 2024, we expect the company to take on additional debt to cover its loss-making operations, which means that net income and EPS will be burdened by interest costs from 2025 onwards.

Operations stabilizing towards the end of the forecast period

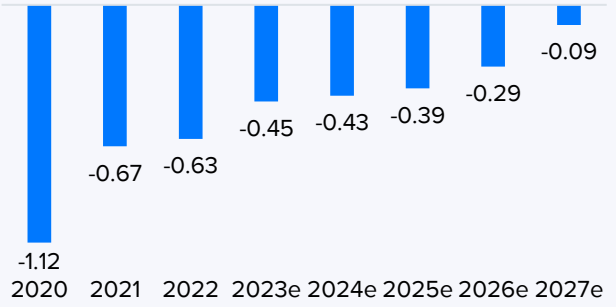
We expect the company's revenue growth to slow towards the end of our forecast period, reaching a terminal growth rate of 2.5% in 2032. In terms of profitability, we expect SciBase's EBIT margin to stabilize at around 25%, which we believe is a reasonable estimate for a medical device company. As for net profit, we expect the margin to be roughly in line with EBIT, as the company has by this point paid off most of the debt it incurred during the unprofitable years. Throughout the forecast period, we expect capital expenditures to grow moderately. However, the amount is modest relative to revenue.

Estimate scenarios

We see a wide range of possibilities as to how SciBase's revenues could develop, depending on matters such as US sales progress, European expansion, US NMSC application, and skin barrier assessment applications. This naturally expands the company's potential future results. Therefore, in the next section on valuation, we will also present a negative and a positive scenario, highlighting a range of possible outcomes for SciBase's business.

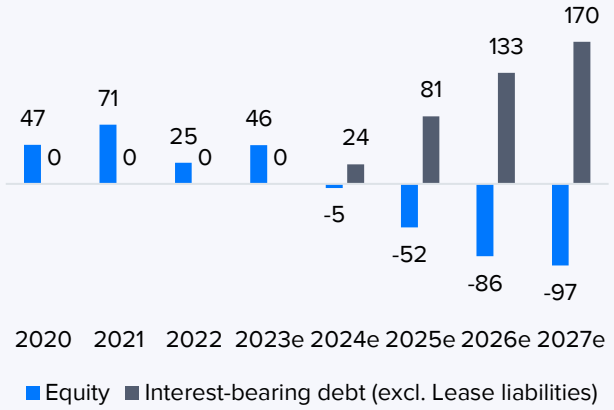
EPS development

2020-2027e, SEK per share



Balance sheet development*,

2020-2027e, MSEK



Source: Inderes

*Estimates do not include future equity raises, which we find quite probable. In that scenario, debt would not grow as much, and equity would not decrease as dramatically.

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**11.7**	**4.3**	**3.7**	**4.9**	**5.0**	**17.9**	**5.1**	**5.1**	**7.2**	**6.2**	**23.7**	**33.8**	**53.1**	**85.3**
EBITDA	**-38.7**	**-9.7**	**-11.7**	**-11.4**	**-10.0**	**-42.8**	**-10.0**	**-12.8**	**-12.0**	**-13.2**	**-48.1**	**-48.2**	**-39.4**	**-22.6**
Depreciation	-3.0	0.0	0.0	0.0	-3.7	-3.7	-0.8	-1.0	-0.7	-0.7	-3.2	-2.9	-3.4	-3.5
EBIT (excl. NRI)	**-41.6**	**-9.7**	**-11.7**	**-11.4**	**-13.6**	**-46.4**	**-10.8**	**-13.8**	**-12.7**	**-14.0**	**-51.3**	**-51.0**	**-42.9**	**-26.1**
EBIT	**-41.6**	**-9.7**	**-11.7**	**-11.4**	**-13.6**	**-46.4**	**-10.8**	**-13.8**	**-12.7**	**-14.0**	**-51.3**	**-51.0**	**-42.9**	**-26.1**
Net financial items	-0.2	0.0	2.5	2.6	-1.8	3.2	-0.1	2.5	-0.1	-0.1	2.2	-0.2	-4.2	-8.5
PTP	**-41.8**	**-9.7**	**-9.2**	**-8.8**	**-15.5**	**-43.2**	**-10.9**	**-11.4**	**-12.8**	**-14.0**	**-49.1**	**-51.2**	**-47.0**	**-34.6**
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**-41.8**	**-9.7**	**-9.2**	**-8.8**	**-15.5**	**-43.2**	**-10.9**	**-11.4**	**-12.8**	**-14.0**	**-49.1**	**-51.2**	**-47.0**	**-34.6**
EPS (adj.)	**-0.61**	**-0.14**	**-0.13**	**-0.13**	**-0.23**	**-0.63**	**-0.15**	**-0.09**	**-0.11**	**-0.13**	**-0.45**	**-0.43**	**-0.39**	**-0.29**
EPS (rep.)	**-0.67**	**-0.14**	**-0.13**	**-0.13**	**-0.23**	**-0.63**	**-0.15**	**-0.09**	**-0.11**	**-0.13**	**-0.45**	**-0.43**	**-0.39**	**-0.29**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	23.2 %	66.3 %	65.0 %	65.7 %	26.4 %	52.6 %	20.9 %	36.5 %	46.7 %	25.8 %	32.6 %	42.6 %	56.9 %	60.6 %
Adjusted EBIT growth-%	19.7 %	19.6 %	5.5 %	32.5 %	-1.3 %	11.6 %	11.2 %	18.0 %	11.9 %	2.4 %	10.5 %	-0.6 %	-16.0 %	-39.1 %
EBITDA-%	-329.6 %	-227.6 %	-314.4 %	-230.2 %	-201.1 %	-239.1 %	-193.8 %	-252.1 %	-165.8 %	-212.2 %	-202.6 %	-142.4 %	-74.3 %	-26.5 %
Adjusted EBIT-%	-354.8 %	-227.6 %	-314.4 %	-230.2 %	-274.7 %	-259.5 %	-209.4 %	-271.9 %	-175.7 %	-223.7 %	-216.3 %	-150.8 %	-80.8 %	-30.6 %
Net earnings-%	-356.3 %	-228.5 %	-247.2 %	-177.4 %	-311.5 %	-241.3 %	-211.8 %	-223.2 %	-176.4 %	-224.6 %	-206.8 %	-151.4 %	-88.6 %	-40.6 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**5.1**	**9.2**	**9.3**	**9.8**	**9.9**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.0	0.0	0.0	0.0	0.0
Tangible assets	5.1	9.2	9.3	9.8	9.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**80.3**	**40.6**	**65.4**	**43.6**	**65.3**
Inventories	6.8	7.3	10.0	14.2	22.3
Other current assets	0.5	0.6	0.6	0.6	0.6
Receivables	7.4	13.9	16.6	22.0	31.8
Cash and equivalents	65.6	18.8	38.2	6.8	10.6
Balance sheet total	**85.5**	**49.9**	**74.7**	**53.4**	**75.2**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**70.8**	**25.2**	**46.5**	**-4.8**	**-51.8**
Share capital	3.4	3.4	6.0	6.0	6.0
Retained earnings	-570.2	-615.2	-664.2	-715.5	-762.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-0.1	-0.7	-0.7	-0.7	-0.7
Other equity	638	638	705	705	705
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**0.4**	**5.2**	**5.2**	**28.7**	**85.8**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	0.0	0.0	0.0	23.5	80.6
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.4	5.2	5.2	5.2	5.2
Current liabilities	**14.3**	**19.4**	**23.0**	**29.4**	**41.2**
Interest bearing debt	0.0	0.0	0.0	0.0	0.0
Payables	10.8	15.4	19.0	25.4	37.2
Other current liabilities	3.5	4.0	4.0	4.0	4.0
Balance sheet total	**85.5**	**49.9**	**74.7**	**53.4**	**75.2**

Valuation 1/4

Basis of the investment story

SciBase's value is in many ways a matter of time and dilution. The company has a proven medical device with a good business model. Success in the German market would indicate that the device is well received by physicians and patients. In addition, the Nevisense device has shown promise in the area of skin barrier assessment, which could significantly expand the total accessible market for SciBase. The company has also been able to achieve and maintain a good gross margin, and we think it is reasonable that SciBase could maintain or even slightly improve its current gross margin. With a gross margin of 70%, the company should have the potential to achieve decent double-digit operating margins once it reaches break-even. In a favorable scenario where revenues and profits grow faster than expected, SciBase's stock price could indeed multiply. In addition, the upside could be even greater if the skin barrier assessment application becomes a viable business.

However, the key challenge for SciBase from a value perspective is how quickly it can achieve positive cash flow. Operating costs have been steadily increasing due to sales and marketing efforts. These costs are expected to increase further as SciBase puts more effort into the US market and begins to expand into other new markets. At the current burn rate of approximately 15 MSEK per quarter, SciBase has its financing needs covered until H2 2024. At this stage, the most likely outcome is an equity issue, which will of course dilute shareholders if they do not participate. The degree of dilution will depend on the amount raised and the issue price. We note that in this higher interest rate environment, the public markets' appetite for unprofitable companies with positive cash flow years in the future has been diminished. If revenue growth and profitability are slower than expected, the value of the stock will likely continue to suffer, and the company would be in an unfavorable position to raise capital.

Summary of valuation

The primary challenge in valuing SciBase is the lack of profitable operations. This forces us to use sales-based multiples in the short term, while relying on our estimates of future profitability in the medium to long term. Without proper historical figures to rely on, all future estimates of profitability are based on broad judgments. This naturally introduces significant uncertainty into the estimates and, consequently, into the valuation based on them. To estimate the fair value of the company, we have chosen to rely on the following methods: sales-based multiples, medium-term earnings-based multiples, and three DCF models representing different potential scenarios.

Given our assumption that SciBase's operations will be loss-making for the next few years, traditional valuation multiples (P/E and EV/EBIT) are difficult to implement and only become viable when the company reaches profitability (2027 onwards). Therefore, we are left with sales-based multiples (P/S and EV/S), of which EV/S is more suitable as it accounts for net debt. With our revenue estimates, the EV/sales multiples for 2024 and 2025 are 3.2x and 3.0x, respectively. These multiples are reasonable if one believes in the company's growth story. However, in our opinion, the company's negative cash flow increases the financing risk, which somewhat lowers the acceptable multiple range. Overall, we consider the current valuation to be neutral.

Based on our valuation we have estimated a per-share fair value range of SEK 0.6 to 1.1. However, given the uncertainty about the timing and cost of ramping up US sales and probable equity issues we see insufficient support for the upper part of the range over the next 12 months. At the current share price, we consider the risk/reward ratio of the stock to be inadequate and initiate our coverage with a Reduce recommendation and a target price of SEK 0.80

Factors supporting the valuation:

- A proven and functional medical device with a recurring revenue model
- Strong growth potential as reimbursement progresses in the US
- New applications for the Nevisense device and new markets

Downside factors to the valuation:

- Financing risk
- Negative cash flow for the next few years
- Risk of profitability taking longer to reach than expected

Valuation 2/4

Multiple based valuation with Low and High multiples

SciBase is still relatively early in the commercialization of the Nevisense device, so the range of potential outcomes is wide. We approach the multiple-based valuation by applying a low and high multiple to our 2025 and 2028 estimates, with the objective of providing a valuation range that reflects different growth outlooks and market environments. To account for likely future equity issues, we have adjusted net debt and the number of shares to reflect a hypothetical shares issue of SEK 75 million in 2024 and 2026, respectively.

The **High** multiple scenarios (see table on the right) are justified, in our view, if the company's outlook exceeds our current forecasts at the time of the review. This could be a scenario where US sales develop faster and stronger and/or the skin barrier assessment application is commercialized. Meanwhile, in the **Low** multiple scenarios, SciBase's growth outlook would fall short of our projections, justifying a lower multiple.

We have used EV/S multiples of 3x and 5x to estimate the per share value. The two multiples brackets the peer groups median EV/S ratio of 4x in 2024. In our view, a multiple range of 3x to 5x is reasonable for a company that has the potential to generate high margins with good growth outlook. If we assume that SciBase can reach a levelized EBIT margin of 25% the EV/S multiples of 3x and 5x would correspond to EV/EBIT multiples of 12x and 20x.

If we look towards 2028 and assume that SciBase is at that moment a profitable company with a defensive business model and a solid (but milder than 2025) growth outlook, an EV/EBIT ratio in the range of 12x to 20x could be justified. The peer groups' median EV/EBIT multiple is 23x for 2023 and 11x for 2024.

By applying the Low (3x) and High (5x) multiple on our revenue estimate for 2025e (MSEK 53), we can calculate a per-share value, discounted to the present, of SEK 0.6-0.9. We adjust this scenario with an assumed[1] equity raise in 2024 as it notably influences the expected return.

Using the same multiples on our revenue estimate for 2028e (MSEK 188), we get a per-share value, discounted to the present, of SEK 0.9-1.5. We adjusted this scenario with two assumed[2] equity raises one in 2024 and one in 2026.

Earnings-based valuation multiples require looking out to 2028

Due to the early stage of the company's growth story, we estimate that, even in a favorable scenario, it will take several years for SciBase's operating profit (EBIT) to stabilize at a reasonable level. According to our estimates, this would not happen until 2028, when the company would reach an EBIT of 33 MSEK. If our 2028 estimates come true, we would argue that evidence of realized growth, sufficient profitability and a favorable outlook could justify a double-digit EV/EBIT multiple for the company, although a discount against more established sector peers would still be reasonable.

We have applied a Low (15x) and High (20x) multiple on our EBIT estimate for 2028e (MSEK 33). Using this method, we can estimate a per-share value, discounted to the present, of SEK 0.8-1.1. This scenario is also adjusted with two assumed[2] equity raises

EV/sales valuation (MSEK)	Low	High
Revenue 2025e	**53**	**53**
EV/sales multiple	3.0x	5.0x
EV	**159**	**265**
Net debt[1]	-4	-4
Market cap	**163**	**270**
Per share[1]	0.7	1.2
Discounted to today	**0.6**	**0.9**
Revenue 2028e	**188**	**188**
EV/sales multiple	3.0x	5.0x
EV	**564**	**941**
Net debt[2]	-3	-3
Market cap	**567**	**944**
Per share[2]	1.8	3.0
Discounted to today	**0.9**	**1.5**

EV/EBIT valuation (MSEK)	Low	High
EBIT 2028e	**33**	**33**
EV/EBIT multiple	15.0x	20.0x
EV	**495**	**660**
Net debt[2]	-3	-3
Market cap	**498**	**663**
Per share[2]	1.6	2.1
Discounted to today	**0.8**	**1.1**

Source: Inderes

1) Adjusted for a hypothetical equity issue of 75 MSEK in 2024 at 0.75 SEK/share

2) Adjusted for hypothetical equity issues of 75 and 75 MSEK in 2024 and 2026 at 0.75 SEK/share

Valuation 3/4

We emphasize that 2028 is still years away, and the assumed revenue growth and profitability improvements cannot be taken for granted. Therefore, we advise investors against placing excessive reliance on estimates or multiple calculations set several years into the future.

Scenario-based DCF-valuation

In valuing SciBase, we use a discounted cash flow (DCF) model to illustrate the long-term potential of the company. To account for the wide range of potential outcomes in revenue growth and profitability, we have run the DCF under three scenarios to provide a broader perspective.

Our **baseline scenario** is in line with our current estimates, which are detailed in the "Estimates" section of the report. With our baseline estimates, we arrive at an equity value for SciBase of 132 MSEK or SEK 1.1 per share. In this scenario we use a long-term operating profit margin of 25%, which we believe is a reasonable estimate for a mature medical device company.

In the **positive scenario**, we have raised SciBase's revenue forecasts based on the assumption of quicker market penetration in the US and commercial applications for skin barrier assessment starting to drive revenue growth. SciBase also reaches profitability quicker (2025) and at a higher rate. In this scenario, revenues are about 71% higher than in the baseline scenario, reaching 488 MSEK. Meanwhile, the EBIT margin rises to 30% by 2032. The per-share value comes in at SEK 3.9.

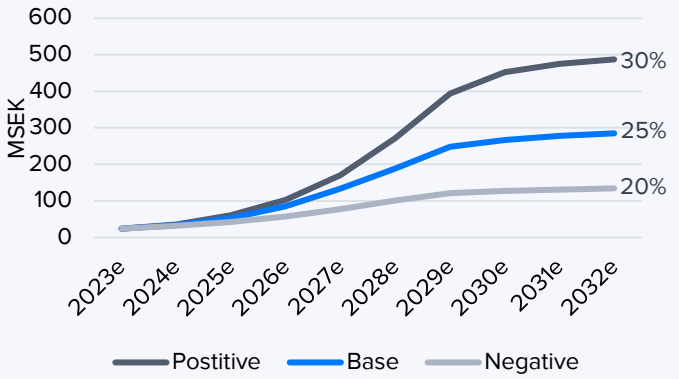
In the **negative scenario**, SciBase's sales develop more slowly than expected and it takes longer to reach profitability. In addition, financing the loss-making operations increases the debt burden and may require significant share issues. In this scenario, sales are about 60% lower than in the baseline scenario, at 134 MSEK. The EBIT margin levels off at a reasonable 20% by 2032. The estimated value per share in this scenario is SEK 0.2. The negative scenario represents a scenario in which sales in the US struggle to gain momentum and the growth rate is more in line with 2023. Note that even this scenario assumes double-digit sales growth.

In our view, the wide range of our scenarios effectively reflects both the potential and the risk of SciBase's promising but early-stage investment story. As the cash flows in all three scenarios are highly concentrated in the terminal period, it's difficult to derive meaningful insights regarding SciBase's near-term valuation from the DCF analysis. In addition, the fact that so much of the cash flow is concentrated at the end of the forecast period increases the margin of forecasting error.

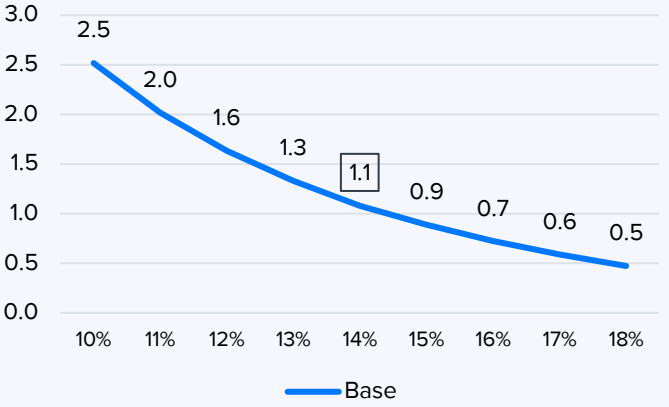
Our discount rate (CoE 14.7% and WACC 14.0%) reflects the risk associated with the early stage of the company's development and the inherent financing risks. We see the potential for a reduction in the discount rate as SciBase makes progress in its US sales efforts and provides stronger evidence of its ability to achieve profitable operations. A reduction in the discount rate would have a strong positive impact on the DCF value (see chart on the right).

As SciBase's target markets are expected to grow robustly well beyond our forecast period, we expect SciBase to continue to outgrow the overall economy beyond our terminal period. Accordingly, we use a terminal growth rate of 2.5% in our DCF models.

DCF-scenarios revenue development and terminal EBIT-%, MSEK and % of revenue



DCF-sensitivity to discount rate
Per-share value SEK and WACC-%



Source: Inderes

Valuation 4/4

Capitalizing on an innovative medical device is appealing, but US sales progress difficult to predict

In our view, SciBase's investment story looks very attractive at first glance. The opportunity to get in on the ground floor of an innovative and potentially lucrative medical device could promise high returns. However, the question mark regarding the speed of sales progress in the US looms large. With unprofitable operations, equity issuances have historically been regular and will continue, at least over the short term. If the US sales effort were to hit a bump in the road, the road to profitability could be even longer, marked by more capital raises. Waiting years for positive cash flow while being diluted could quickly reduce an investor's average annual return to below average.

Considering these risks and utilizing valuation methods that rely on the company's long-term cash flow potential, we estimate the fair value of the company's share to be SEK 0.6-1.1. The range's lower bound is represented by the EV/S multiple of 3x on the 2025e revenues and the upper end by the baseline DCF scenario.

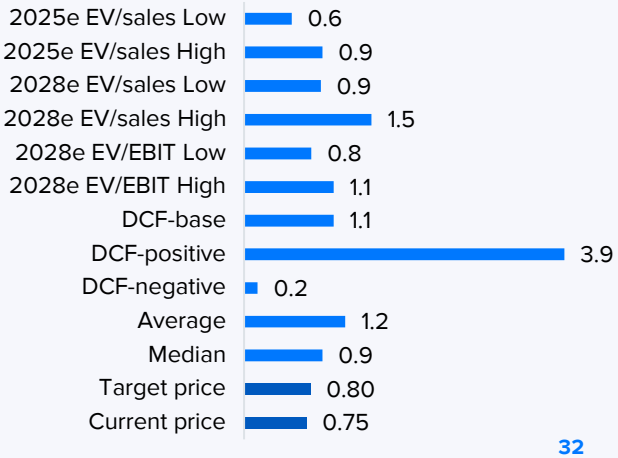
In the short term, the likely capital raise in 2024 provides mixed drivers for the share price. Completion of the rights issue would obviously reduce near-term funding risks, which can be seen as a positive driver. At the same time, we expect the issue to be priced below market, as is typical, which we would expect to put downward pressure on the share price. In our view, it will be a challenge for the company over the next 12 months to overcome the downward pressure from the expected equity issue, the loss-making operations, and the lingering question marks as to when the US sales will be unlocked. Consequently, any investment in SciBase requires investors to have a long investment horizon. In the medium term, the evolution of the company's story relies heavily on US sales, which are expected to grow rapidly in the coming years, outpacing marketing and sales spending. Given the inherent complexities of the US medical industry, this journey is, however, one of uncertainty. Clear signs of US sales picking up would undoubtedly act as a positive driver for the stock. However, given that the expansion of reimbursement coverage is still in progress, we don't anticipate this driver to materialize until 2025-2026.

For the reasons outlined above, we believe that the share price drivers currently justify a valuation towards the midpoint of the fair value range. Consequently, we initiate our coverage with a Reduce recommendation and a target price of SEK 0.80 and view the current valuation as relatively neutral. Our target price reflects a discount of around 15% to the median of our valuation methods (see table on the right). However, as these methods are dependent on long-term potential, we believe the discount is justified.

Valuation	2023e	2024e	2025e
Share price	0.75	0.75	0.75
Number of shares, millions	119.8	119.8	119.8
Market cap	90	90	90
EV	52	107	160
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	1.9	neg.	neg.
P/S	3.8	2.7	1.7
EV/Sales	2.2	3.2	3.0
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Summary of valuation methods,
SEK per share



Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	3.10	4.36	4.62	5.52	3.82	**0.75**	**0.75**	**0.75**	**0.75**
Number of shares, millions	16.6	16.6	54.8	68.5	68.5	**119.8**	**119.8**	**119.8**	**119.8**
Market cap	52	72	253	378	262	**90**	**90**	**90**	**90**
EV	-16.0	46	212	312	243	**52**	**107**	**160**	**205**
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
P/E	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
P/B	0.7	2.3	5.4	5.3	10.4	**1.9**	**neg.**	**neg.**	**neg.**
P/S	7.5	7.8	26.6	32.2	14.6	**3.8**	**2.7**	**1.7**	**1.1**
EV/Sales	neg.	5.0	22.2	26.6	13.6	**2.2**	**3.2**	**3.0**	**2.4**
EV/EBITDA	0.4	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
EV/EBIT (adj.)	0.4	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**

Source: Inderes

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Revenio Group Oyj	715	714	24.2	19.8	21.1	17.7	6.9	6.0	31.4	25.6	1.6	1.9	6.3
Roche Holding AG	215,158	235,504	10.6	9.8	9.5	8.9	3.6	3.5	15.0	13.7	3.9	4.2	6.7
STRATA Skin Sciences Inc	17	23		6.9	5.9	1.9	0.7	0.6		8.6			
CellaVision AB	420	420	23.8	19.7	19.8	16.8	6.3	5.5	30.2	24.8	1.2	1.4	6.0
Sectra AB	3,321	3,279	67.2	53.6	60.6	52.7	13.5	11.8	90.7	78.4	0.7	0.7	21.4
ContextVision	58	53	13.0	11.1	9.6	8.7	4.2	3.9	17.7	15.5	4.7	5.3	
Aiforia Technologies	95	81					13.5	8.1				27.3	4.1
Episurf Medical AB	25	18					6.9	5.0					11.6
Dignitana AB	13	14		6.1	10.6	3.8	1.3	0.9	10.5	4.2			
Senzime AB	72	67				189.4	8.3	3.6					2.7
SciBase AB (Inderes)	**8**	**5**	**-1.0**	**-2.1**	**-1.1**	**-2.2**	**2.2**	**3.2**	**-1.7**	**-1.8**	**0.0**	**0.0**	**1.9**
Average			**27.7**	**18.2**	**19.6**	**37.5**	**6.5**	**4.9**	**32.6**	**24.4**	**2.4**	**6.8**	**8.4**
Median			**23.8**	**11.1**	**10.6**	**12.8**	**6.6**	**4.4**	**23.9**	**15.5**	**1.6**	**3.0**	**6.3**
Diff-% to median			***-104 %***	***-119 %***	***-110 %***	***-117 %***	***-67 %***	***-29 %***	***-107 %***	***-111 %***	***-100 %***	***-100 %***	***-69 %***

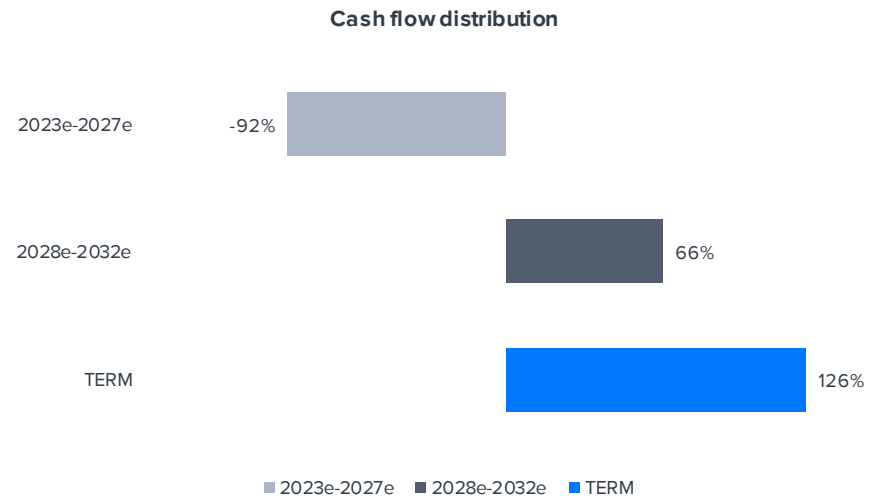
Source: Refinitiv / Inderes

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	52.6 %	32.6 %	42.6 %	56.9 %	60.6 %	55.9 %	41.6 %	31.9 %	7.3 %	4.4 %	2.5 %	2.5 %
EBIT-%	-259.5 %	-216.3 %	-150.8 %	-80.8 %	-30.6 %	0.8 %	17.5 %	21.4 %	22.5 %	23.4 %	25.0 %	25.0 %
EBIT (operating profit)	**-46.4**	**-51.3**	**-51.0**	**-42.9**	**-26.1**	**1.0**	**33.0**	**53.0**	**59.9**	**65.0**	**71.2**	
+ Depreciation	3.7	3.2	2.9	3.4	3.5	3.6	4.1	4.8	5.6	6.4	7.3	
- Paid taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-11.4	-13.3	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	-1.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-2.0	-1.8	-3.2	-6.2	-10.3	-15.2	-17.7	-19.2	-5.8	-3.8	-2.2	
Operating cash flow	**-44.7**	**-49.8**	**-51.4**	**-45.6**	**-32.9**	**-10.6**	**19.4**	**38.6**	**59.7**	**54.3**	**61.7**	
+ Change in other long-term liabilities	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-7.8	-3.3	-3.4	-3.5	-4.0	-5.0	-6.0	-7.0	-8.0	-9.0	-10.0	
Free operating cash flow	**-47.6**	**-53.1**	**-54.8**	**-49.1**	**-36.9**	**-15.6**	**13.4**	**31.6**	**51.7**	**45.3**	**51.7**	
+/- Other	0.0	70.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-47.6	17.1	-54.8	-49.1	-36.9	-15.6	13.4	31.6	51.7	45.3	51.7	459
Discounted FCFF		**17.3**	**-48.6**	**-38.2**	**-25.2**	**-9.3**	**7.0**	**14.5**	**20.8**	**16.0**	**16.0**	**143**
Sum of FCFF present value		113	95.8	144	183	208	217	210	195	175	159	143
Enterprise value DCF		**113**										
- Interest bearing debt		0.0										
+ Cash and cash equivalents		18.8										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**132**										
Equity value DCF per share		**1.1**										

WACC	
Tax-% (WACC)	20.6 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	10.0 %
Equity Beta	2.00
Market risk premium	4.75 %
Liquidity premium	2.70 %
Risk free interest rate	2.5 %
Cost of equity	**14.7 %**
Weighted average cost of capital (WACC)	**14.0 %**

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	9.5	11.7	17.9	**23.7**	**33.8**
EBITDA	-32.2	-38.7	-42.8	**-48.1**	**-48.2**
EBIT	-34.8	-41.6	-46.4	**-51.3**	**-51.0**
PTP	-35.0	-41.8	-43.2	**-49.1**	**-51.2**
Net Income	-35.0	-41.8	-43.2	**-49.1**	**-51.2**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	59.3	85.5	49.9	**74.7**	**53.4**
Equity capital	46.9	70.8	25.2	**46.5**	**-4.8**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-41.4	-65.6	-18.8	**-38.2**	**16.8**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	-32.2	-38.7	-42.8	**-48.1**	**-48.2**
Change in working capital	-1.7	0.3	-2.0	**-1.8**	**-3.2**
Operating cash flow	-33.8	-38.3	-44.7	**-49.8**	**-51.4**
CAPEX	1.0	-1.7	-7.8	**-3.3**	**-3.4**
Free cash flow	-34.6	-41.4	-47.6	**-53.1**	**-54.8**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	22.2	26.6	13.6	**2.2**	**3.2**
EV/EBITDA (adj.)	neg.	neg.	neg.	**neg.**	**neg.**
EV/EBIT (adj.)	neg.	neg.	neg.	**neg.**	**neg.**
P/E (adj.)	neg.	neg.	neg.	**neg.**	**neg.**
P/B	5.4	5.3	10.4	**1.9**	**neg.**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	-1.12	-0.67	-0.63	**-0.45**	**-0.43**
EPS (adj.)	-1.12	-0.67	-0.63	**-0.45**	**-0.43**
OCF / share	-1.08	-0.61	-0.65	**-0.46**	**-0.43**
FCF / share	-1.11	-0.66	-0.70	**-0.49**	**-0.46**
Book value / share	1.50	1.13	0.37	**0.43**	**-0.04**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	3 %	23 %	53 %	**33 %**	**43 %**
EBITDA growth-%	-12 %	20 %	11 %	**12 %**	**0 %**
EBIT (adj.) growth-%	-12 %	20 %	12 %	**11 %**	**-1 %**
EPS (adj.) growth-%	-53 %	-40 %	-5 %	**-28 %**	**-6 %**
EBITDA-%	-337.7 %	-329.6 %	-239.1 %	**-202.6 %**	**-142.4 %**
EBIT (adj.)-%	-365.2 %	-354.8 %	-259.5 %	**-216.3 %**	**-150.8 %**
EBIT-%	-365.2 %	-354.8 %	-259.5 %	**-216.3 %**	**-150.8 %**
ROE-%	-88.7 %	-71.0 %	-89.9 %	**-136.9 %**	**-245.7 %**
ROI-%	-88.2 %	-70.7 %	-96.7 %	**-143.1 %**	**-156.5 %**
Equity ratio	79.1 %	82.8 %	50.6 %	**62.2 %**	**-8.9 %**
Gearing	-88.4 %	-92.7 %	-74.6 %	**-82.3 %**	**-351.7 %**

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
01/02/2024	Reduce	SEK 0.80	SEK 0.75

Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at **inderes.se** & **inderes.fi**

STARMINE ANALYST AWARDS FROM REFINITIV

THOMSON REUTERS ANALYST AWARDS

Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020

Mikael Rautanen
2014, 2016, 2017, 2019

Sauli Vilén
2012, 2016, 2018, 2019, 2020

Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020

Olli Koponen
2020

Joni Grönqvist
2019, 2020

Erkki Vesola
2018, 2020

Petri Gostowski
2020

Atte Riikola
2020

Research belongs
to everyone.