

Acarix

Sales update

First German sales

Acarix has made its first sale in the crucial German market to a private cardiology clinic in Berlin. This follows the first sale in Denmark. Germany has a strong private healthcare insurance sector (about 10% of people covered), which might adopt quickly given that there are stated to be over one million hospital cardiac assessments each year, mostly unnecessary. Major German and EU sales will, however, have to wait for public reimbursement probably from 2019 onwards. US marketing will probably require a US clinical study, with sales from 2021 possible. The unchanged indicative value remains at SEK728m, equal to SEK31.62/share.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/15	-	(15.4)	(1.1)	0.0	N/A	N/A
12/16	-	(26.8)	(1.8)	0.0	N/A	N/A
12/17e	3.0	(51.4)	(2.1)	0.0	N/A	N/A
12/18e	3.8	(49.5)	(2.0)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. The 2016 IPO increased shares in issue.

Selling to the heart of Germany

The German first sale was to a private clinic cardiology based in Berlin headed by [Dr. med. Niels Jacobsohn](#). Dr Jacobsohn commented "New innovative technologies, such as the Acarix CADScor System, help to avoid invasive procedures in patients without Coronary Artery Disease [CAD] and additionally to reduce costs". Germany has many private medical insurance providers who may reimburse the CADScore test and there can also be private patient sales. Acarix has made a sale in Denmark to Herring Hospital, involved in clinical trials. Acarix has employed three German account managers plus one in Scandinavia. However, 90%+ of sales into Germany will require public reimbursement, possible from 2019.

CADScore – 97% of non CAD patients identified

The Acarix test uses a highly sensitive microphone linked to a minimalist self-contained processing module to record the patient's heart sounds. Algorithms then help doctors to identify the patients who probably require no further risky invasive clinical testing. In a published clinical study, CADScor identified 97% of patients (negative predictive value) who did not have CAD. CADScor will sell for over €3,000. A disposable, single-use patch has a price of at least €30 per unit.

Valuation: Indicative value of SEK728m

Management plans direct sales starting this year. Initial customers are likely to be patients with private insurance in Germany, as in the first sale, plus some Scandinavian sales to specialists (one Danish sale to date). Full German reimbursement is assumed from 2019. A US *de novo* 510(k) application might be filed in 2020, allowing US launch and reimbursement from 2021. The US has over 3.8 million tests for coronary artery disease per year. In Edison's view, Acarix could achieve profitability from 2022. Using a discounted cash flow model, a 12.5% discount rate and a terminal valuation based on a 1% growth rate, we calculate an unchanged indicative value of about SEK728m. This equates to SEK31.62/share.

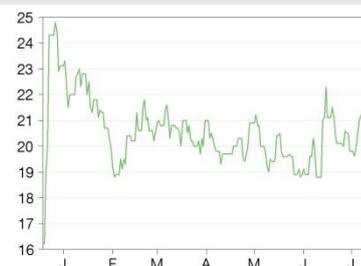
Healthcare equipment & services

13 July 2017

Price **SEK20.8**
Market cap **SEK479m**

Net cash (SEKm) at 31 March 2017	127.4
Shares in issue	23.0m
Free float	29.7%
Code	ACARIX
Primary exchange	Nasdaq First North Premier
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	10.6	5.6	N/A
Rel (local)	10.6	1.0	N/A
52-week high/low	SEK24.8	SEK16.2	

Business description

Acarix, a Swedish company with Danish origins, has developed the CE-marked CADScor to enable about half of the patients to be ruled out from further, expensive testing. Full EU sales may start from 2019. US sales might start from 2021.

Next events

H117 results Q317

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Exhibit 1: Financial summary

SEK000s	2015	2016	2017e	2018e
Year end 31 Dec	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS				
Revenue	-	-	3,023	3,847
Cost of Sales	-	-	(983)	(1,038)
Gross Profit	-	-	2,040	2,809
EBITDA	(15,248)	(26,790)	(51,800)	(49,563)
Operating Profit (before GW and except)	(15,377)	(26,790)	(51,957)	(49,721)
Intangible Amortisation	-	-	-	-
Exceptionals	-	-	-	-
Operating Profit	(15,377)	(26,790)	(51,957)	(49,721)
Convertible loan and warrants	-	(24,250)	-	-
Net Interest	(23)	(15)	526	197
Profit Before Tax (norm)	(15,400)	(26,805)	(51,431)	(49,523)
Profit Before Tax (FRS 3)	(15,400)	(51,055)	(51,431)	(49,523)
Tax	3,007	2,815	2,815	2,815
Profit After Tax (norm)	(12,393)	(23,975)	(48,616)	(46,708)
Profit After Tax (FRS 3)	(12,393)	(48,240)	(48,616)	(46,708)
Average Number of Shares Outstanding (m)	11	13	23	23
EPS - normalised (ore)	(114)	(183)	(211)	(203)
EPS - FRS 3	(114)	(368)	(211)	(203)
Dividend per share (ore)	-	-	-	-
Gross Margin (%)	N/A	N/A	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A
BALANCE SHEET				
Fixed Assets	8,670	23,123	47,215	71,306
Intangible Assets	5,971	18,179	42,271	66,362
Tangible Assets	-	-	-	-
Acquired rights	2,699	4,944	3,760	3,760
Current Assets	6,912	150,163	66,326	22,095
Stocks	-	-	-	-
Debtors	1,771	1,488	2,893	5,260
Cash	2,121	145,895	60,618	14,020
Other	3,020	2,780	2,815	2,815
Current Liabilities	(3,443)	(17,770)	(17,433)	(17,433)
Creditors	(2,315)	(4,404)	(4,404)	(4,404)
Short term borrowings	-	-	-	-
Short term leases	-	-	-	-
Other	(1,128)	(13,365)	(13,029)	(13,029)
Long Term Liabilities	-	-	-	(26,300)
Long term borrowings	-	-	-	(26,300)
Long term leases	-	-	-	-
Other long term liabilities	-	-	-	-
Net Assets	12,139	155,516	96,107	49,668
CASH FLOW				
Operating Cash Flow	(13,570)	(12,042)	(64,527)	(51,818)
Net Interest	(4)	(15)	526	197
Tax	4,943	3,001	2,815	2,815
Capex	(6,520)	(12,201)	(24,092)	(24,092)
Acquisitions/disposals	-	-	-	-
Financing	8,840	176,698	-	26,300
Dividends	-	-	-	-
Other	(273)	(11,666)	-	-
Net Cash Flow	(6,584)	143,774	(85,277)	(46,598)
Opening net debt/(cash)	(8,705)	(2,121)	(145,895)	(60,618)
HP finance leases initiated	-	-	-	-
Other	-	-	-	(26,300)
Closing net debt/(cash)	(2,121)	(145,895)	(60,618)	12,280

Source: Acarix reports, Edison Investment Research forecasts

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