NEXSTIM

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EXTENSIVE REPORT

Earnings turnaround at hand

Nexstim is a medical technology company whose transcranial magnetic stimulation systems are used in pre-operative brain mapping and to treat neurological diseases and disorders. Following successful growth in recent years, the company is on track to generate a profit this year. With the earnings turnaround, the investment profile has evolved to a slightly more mature stage, even though Nexstim is still positioned as an early-stage profitable growth company. We expect strong growth from the company in the coming years, supported by new partnership agreements, the realization of which also involves uncertainties. We raise the target price to EUR 10.0 (was EUR 9.0) on the back of our forecast revisions and lower our recommendation to Reduce (was Buy) as the strong share price rally has lowered the risk/reward ratio.

Value creation with systems, licensing income and clinic network model

Nexstim develops and sells systems for therapy applications for the treatment of major depressive disorder and pain, and diagnostics applications for pre-operative brain mapping. System sales have returned to growth after a weaker year in 2023, and the launch of the new NBS6 system with diagnostics capabilities is expected at the end of 2025. Over the past year, the company has signed cooperation agreements that open new growth opportunities. The Brainlab collaboration brings distribution power to diagnostics products, and the collaboration with Sinaptica Therapeutics opens opportunities in the treatment of Alzheimer's disease. Nexstim has also licensed its technology for the treatment of depression, but the agreement has run into a dispute. Nexstim has built a network of partner clinics and thereby seeks a share of the value creation of the clinics. The company's business model has scalable features and potential for high profitability. At the moment, the company is still clearly profiled as a growth company, whose profile is becoming somewhat more mature as it achieves an earnings turnaround.

Profitability expected from 2025 onwards

Nexstim has successfully grown in recent years and reduced its losses. We expect a more permanent earnings turnaround from 2025 onwards, supported by the Brainlab collaboration and the associated 4 MEUR guarantee margin. We deem the formalization of the letter of intent signed with Sinaptica likely, which would also lead to significant growth for Nexstim in the coming years and contribute to strengthening the earnings turnaround. We expect strong growth in the coming years, the achievement of which requires success in the Brainlab collaboration, realization of the Sinaptica agreement in line with preliminary data, realization of licensing income, and success in organic growth. The forecast risk is quite high, as growth relies heavily on the realization of contracts and new business initiatives with limited visibility. In the long term, we see potential for an EBIT of up to 20% driven by a high gross margin and licensing income if the company succeeds in its growth strategy in the long term. Nexstim's financial position has improved significantly over the past year due to debt instruments, Brainlab's capital investment, and the prospect of an earnings turnaround.

The price tag is highish considering future uncertainties

We base our valuation on EV/S multiples and the DCF model, as the earnings level for the coming years is still on a rather uncertain footing. Nexstim's 2025e EV/S is 6.1x and decreases to 4.7x in 2026e, with our estimates that expect strong growth. The share is priced neutrally relative to its history and at a high multiple compared to listed peers. Our DCF model values the share at EUR 10.4. We find the share slightly overvalued, and a positive recommendation would require lower valuation multiples to offset uncertain growth.

Recommendation
Reduce
(was Accumulate)

Target price:
EUR 10.00
(was EUR 9.00)

Share price:
EUR 12.30

Business risk

Valuation risk

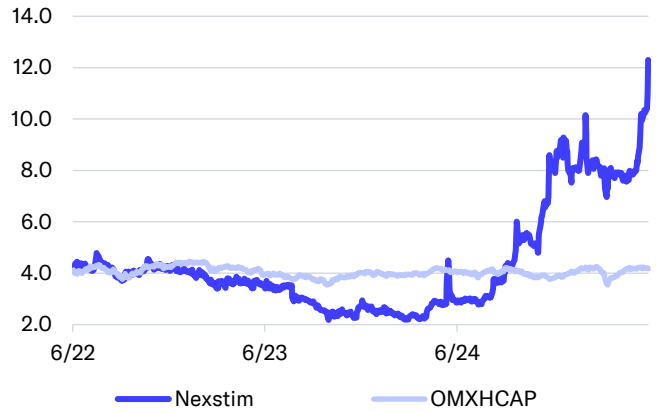
	2024	2025e	2026e	2027e
Revenue	8.7	14.9	18.5	20.7
growth-%	21%	70%	25%	11%
EBIT adj.	-0.5	2.7	4.2	5.4
EBIT-% adj.	-6.1 %	18.4 %	22.9 %	26.1 %
Net Income	-0.9	2.5	4.0	5.3
EPS (adj.)	-0.12	0.35	0.57	0.74
P/E (adj.)	neg.	34.8	21.8	16.7
P/B	15.0	13.9	8.5	5.6
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	33.3	20.4	15.1
EV/EBITDA	>100	24.5	15.6	12.7
EV/S	7.0	6.1	4.7	4.0

Source: Inderes

Guidance

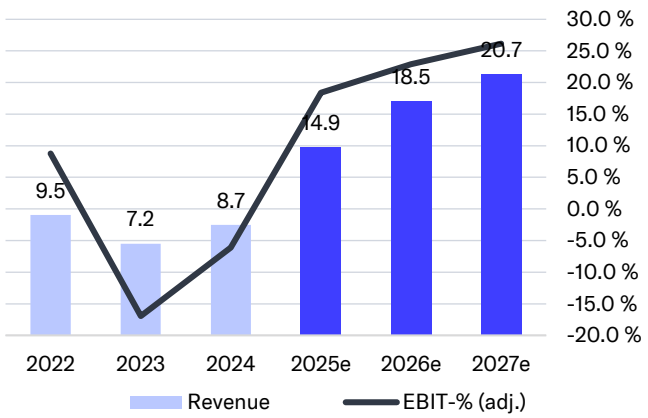
The company estimates an improvement in revenue and EBIT in 2025.

Share price



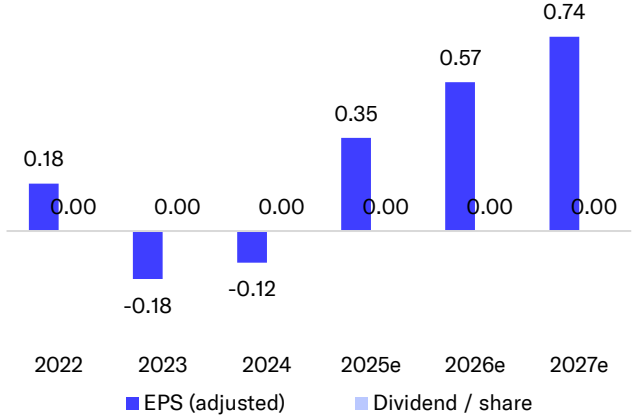
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Large target market supported by megatrends.
- The popularity and use of TMS treatments are on a growing trend.
- Licensing income can generate significant cash flow.
- Strong position in diagnostic business.
- Potential to expand in new indications such as Alzheimer's disease.
- Opportunities in new markets such as India and Japan.

Risk factors

- The competitive situation in the therapy market is partly challenging.
- Competition in diagnostics has increased.
- The company's resources are limited compared to its competitors.
- Limited visibility going forward.
- Binary risk related to Sinaptica and Magnus Medical agreements.

Valuation	2025e	2026e	2027e
Share price	12.3	12.3	12.3
Number of shares, millions	7.16	7.16	7.16
Market cap	88	88	88
EV	91	87	82
P/E (adj.)	34.8	21.8	16.7
P/E	34.8	21.8	16.7
P/B	13.9	8.5	5.6
P/S	5.9	4.7	4.3
EV/Sales	6.1	4.7	4.0
EV/EBITDA	24.5	15.6	12.7
EV/EBIT (adj.)	33.3	20.4	15.1
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

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Nexstim in brief

Nexstim is a health technology company in the field of brain disease diagnostics and treatment. The company's systems are used for pre-operative mapping of brain surgeries and treatment of major depressive disorder and chronic pain.

2000

Year of establishment

2014

Listing on the First North marketplace

8.7 MEUR (+20.5% vs. 2023)

Revenue 2024

MEUR -0.5

EBIT 2024 (-6% of revenue)

52% / 48% of revenue

Share of diagnostics and therapy businesses.

40

Personnel at the end of 2024

2000-2020
Building the base

- 2000 Nexstim is established
- 2009 FDA approval for mapping of the motor cortex
- 2012 FDA approval for mapping of the speech cortex
- 2014 IPO
- 2016-2018 Study results do not support commercialization of the therapy system for rehabilitating stroke patients
- 2017 FDA approval for therapy system to treat major depressive disorder
- 2018 Sale of therapy system begins. The company focuses on major depressive disorder and chronic pain

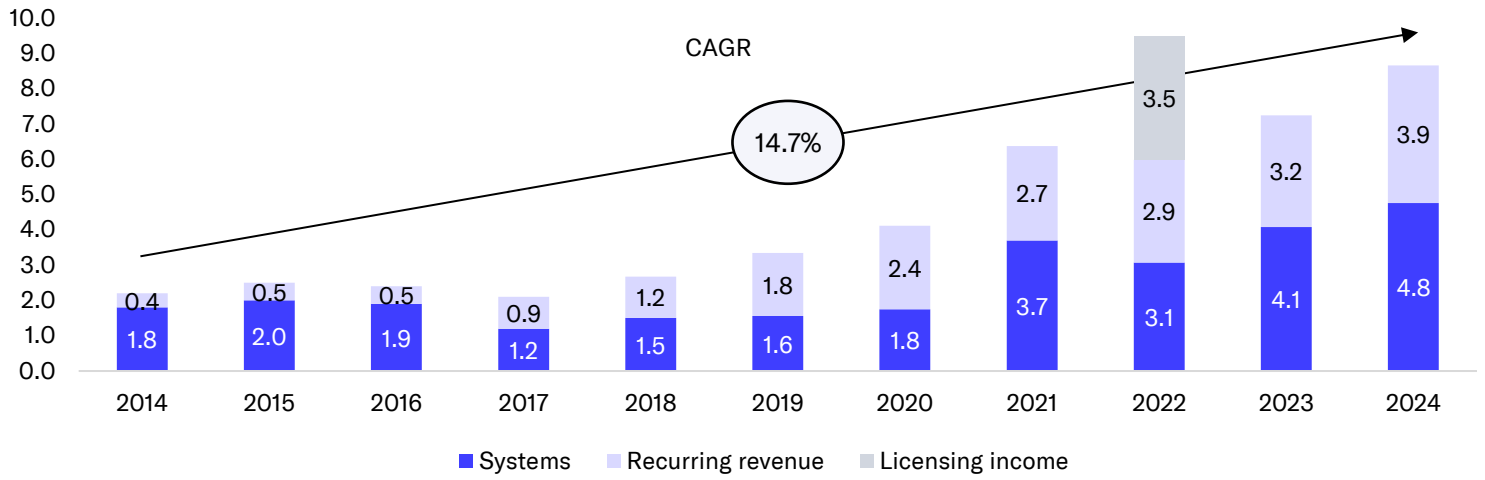
2021-2023
Growth and new openings

- 2021 Balance sheet is strengthened with a share issue of 6.6 MEUR
- 2021 Launching the partner clinic network and establishing a venture capital company related to network investments
- 2022 Technology licensed in the US therapy market to Magnus Medical
- 2023: FDA approval for the new NBS6 device for the treatment of major depressive disorder and CE marking for the treatment of depression and chronic pain

2024 →
Outlook on profitability

- 2024 Letter of intent on the use of the technology in the treatment of Alzheimer's disease
- 2024 Licensing agreement with Magnus Medical is under dispute
- 2024 Extensive distribution and development agreement for diagnostic equipment with Brainlab.
- 2025 New strategy for 2025-28
- 2025 Regulatory approval is expected for NBS6 diagnostics applications
- 2025 Potential binding agreement to develop a treatment for Alzheimer's disease

Revenue, MEUR



Source: Nexstim / Inderes

Company description

Turnaround health technology company building growth through systems, licensing and services

Nexstim is a Finnish medical technology company operating in the international market, whose products enable mapping of functional areas of the cerebral cortex and precise stimulation of a spot in the brain using an E-field. The company was founded in 2000 and was listed on Nasdaq First North in 2014. Nexstim's mission is to enable personalized and effective therapies and diagnostics for challenging brain diseases and disorders.

Nexstim's business is divided into the diagnostics and therapy businesses. Diagnostics systems received marketing authorization in Europe (CE marking) and the US (FDA approval) in the late 2000s and early 2010s for mapping speech and motor cortices. The therapy system was launched in 2018 and has CE marking and FDA approval for the treatment of severe treatment-resistant depression, as well as CE marking for the treatment of chronic neuropathic pain. Previously, different system models were sold for diagnostics and therapy applications. The company's latest model, NBS6, launched in spring 2023 for therapy applications, enables different applications to be carried out and updated with the same modular system platform. We believe that NBS6 will, in the long term, become the company's key and possibly only system once it receives regulatory approval for diagnostics applications as well. The company expects these approvals during 2025. Nexstim ranks in the highest price and quality category on the market, based on the accuracy of the system and integrated combination systems of diagnostics and therapy.

The company's sales consist of one-off system sales, recurring service-type invoicing, revenue from the network of partner clinics, and technology licensing revenue. At the time of writing, as of 6/2025, the majority of revenue consists of system sales and recurring revenue related to system usage. The licensing business is potentially significant, but currently, Nexstim does not record revenue from it. We also believe the revenue generated through the clinic network is still small.

Historically, the company's business operations have been loss-making, except for 2022 that was supported by non-recurring licensing income. However, according to our forecasts, the company is expected to generate a profit in 2025, particularly supported by the Brainlab distribution partnership. We believe Nexstim is a growth and turnaround company. As is typical for the industry, the business is also defensive. Revenue is high-margin and a large portion of costs are fixed, which provides good scalability potential for earnings if the company succeeds in growing its revenue over time. We believe the clinic network model has the potential to produce defensive and cash flow positive but less scalable business with lower margins. The potential licensing income would naturally have very high margins.

In terms of risks, the company's cost structure is so far high compared to the revenue level and resources are small compared to key competitors. Visibility into future development is also at a relatively low level despite the defensiveness, and the development carries binary risk depending on whether individual contracts materialize and on what timelines and terms.

Nexstim in a nutshell

Company	**Nexstim** Founded in 2000; IPO on Nasdaq First North in 2014			
	Systems	Re-curring revenue	Licensing	Clinic partners
Diagnostics business	**Diagnostics** Preoperative mapping of the motor and speech areas of the cerebral cortex			
	NBS5+ The current system is at the end of its lifecycle	**NBS6** Regulatory approvals 2025[1]		
Therapy business	**Therapy** Treatment of severe treatment-resistant depression and chronic neuropathic pain			
	NBS6 FDA approval for depression; CE marking for depression and pain			
Partnerships	**Brainlab** Distribution of diagnostics system and system development cooperation			
	Sinaptica Therapeutics Letter of intent in the field of Alzheimer's disease			
	Magnus Medical Technology licensing agreement (in dispute)			
	Clinic network Three[2] partnerhsip clinics in the US			

1) Nexstim's assessment on obtaining marketing authorizations for diagnostics applications
2) Situation 6/2025. Nexstim's strategic goal is to grow the network

Source: Nexstim / Inderes

Business model in brief

	Customers	Operating model	Monetization	Growth opportunities
Systems and recurring revenue	Hospitals, research institutes and private clinics globally. Main markets in the US and the EU area.	System sales using a combination model of the own organization and distributors. The partner Brainlab plays a key role in diagnostics systems. Recurring revenue from maintenance contracts, operating licenses and consumables.	Non-recurring revenue from system sales. Recurring revenue from leasing and maintenance contracts and consumables.	Increasing the system base. Increasing recurring revenue by increasing utilization rates and a bigger system base.
Partnerships and licensing	Sinaptica Therapeutics: Phase III multicenter study is being planned. Later, hospitals and clinics treating Alzheimer's disease. Magnus Medical: Hospitals and clinics treating major depressive disorder with accelerated TMS protocol. Geographical focus on the US.	A letter of intent for the treatment of Alzheimer's disease with Sinaptica. Partnership with Magnus Medical, for the treatment of depression. The companies are in dispute over licensing fees.	Nexstim has received a licensing signing fee of 3.5 MEUR in 2022. Potentially sales-related license fees going forward.	Nexstim has also alluded to opportunities of new technology licensing contracts.
Network of partner clinics	Private clinics, especially in the US and Europe.	Nexstim is an owner or shareholder in a service company that supports the clinic’s daily operations and expert services. Direct investments in a clinic may also be possible in Europe. We find this to be a defensive and quickly cash-flow positive operating model after the initial stage.	The service company charges the clinic for the services.	Investments in new service companies and growing existing clinics.

Source: Inderes

Technology and products 1/3

Transcranial Magnetic Simulation (TMS)

Transcranial Magnetic Simulation (TMS) is a method developed in the 1980s, in which the E-field produced by a magnetic coil outside the skull causes a change in the electrical function of the brain. Nexstim has further developed the TMS method, in particular to improve its targetability, accuracy and repeatability. The technology has proven useful in several indications for some patients, such as in the treatment of severe treatment-resistant depression. TMS treatment restores the electrical activity of the brain and reduces the symptoms of depression. The effect typically lasts for some weeks or months. There is also strong evidence of the benefits of the method in the treatment of, e.g., chronic neuropathic pain. The advantages of TMS compared to other treatments are that it is drug-free, non-invasive (no surgery required), has minimal side effects, and is easy on the patient. The disadvantage, in our view, is a long and expensive treatment period that can reduce the use of the treatment and the number of potential patients. The effect of treatment also typically fades over time.

To use of Nexstim's systems first requires an accurate 3D image of the patient's brain using magnetic resonance imaging (MRI). The cost of imaging is typically a few hundered euros. After imaging, the cerebral cortex can be activated with TMS. Some TMS manufacturers do not require MRI imaging, which makes TMS less accurate, but also faster and cheaper to implement.

The strength of Nexstim’s technology is the navigability of the E-field. The company's system allows you to determine the position, direction and intensity of the electrical field in real time. By combining a 3D MRI image of the brain with E-field measurement data, the treating personnel can direct the treatment accurately and stimulate or inhibit the intended brain area. Nexstim's equipment also enables real-time visualization of TMS and E-field changes as the treating person changes the position of the magnetic coil. Accurate information about the location and direction of the E-field also helps to repeat treatment as exactly the same from one treatment to the next. High accuracy supports the effectiveness of therapy applications and good surgical results in diagnostic applications.

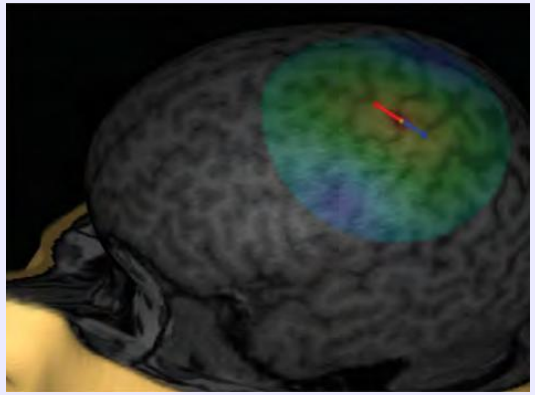
Nexstim’s system is approved for treatment of major depressive disorder and chronic pain

Nexstim has authorizations for the treatment of major depressive disorder in Europe and the US and for the treatment of chronic pain in Europe with the NBS6 system. TMS technology is also used for other indications, such as treatment of obsessive-compulsive disorder or addictions (see pages 21-22). Nexstim has also hinted at possible future extensions of the indications. The obvious possibility is related to the treatment of Alzheimer's disease (see pages 13-14).

In the treatment of depression, severely depressed patients typically have an electrically less active left prefrontal cortex. In TMS treatment, this region is activated once a day for 4-6 weeks. Treatment is proven to reduce depression symptoms. In addition, treatment can be combined with psychotherapy and/or pharmacological therapies to potentially achieve better results. In addition, TMS also achieves results in chronic pain treatment in certain patient groups. So far, we estimate that pain treatment is a small business for Nexstim compared to depression treatment.

System in treatment use

Visualized E-field on a 3D model of the brain



Images: Nexstim

Technology and products 2/3

Diagnostic applications are based on mapping speech and motor cortices

Nexstim's diagnostic applications are based on the company's Navigated Brain Stimulation (NBS) technology. NBS enables accurate mapping of the speech and motor cortices, which can be utilized in planning brain surgery or radiotherapy. Mapping will primarily be used in hospitals for pre-operative mapping of demanding brain surgeries, where the operating surgeon or radiotherapy physician receive important information about the relationship between these cortices and the brain tumor or, e.g., key regions in terms of epilepsy in case of surgery. The technology is proven to lead to better treatment results. The system is also used for research purposes at universities and research institutes, where we believe Nexstim has a strong position based on the high accuracy of the system. The company has sold over 245 of its diagnostic systems globally since 2010 (as of Q1'25). Currently, the most popular system is NBS5+, but we expect NBS6, which is still awaiting the final regulatory approvals, to replace it in the future.

Pure therapy systems are being phased out of sales

In 2017, Nexstim received FDA authorization for its Navigated Brain Therapy (NBT) for treatment of major depressive disorder and started selling it in 2018. In addition, the company has CE marking for the system in Europe for the treatment of major depressive disorder and chronic neuropathic pain. The key customers of the system are private clinics in the US and hospitals in the EU providing TMS treatment. The NBS5+ and NBS6 combination systems have already largely replaced NBT systems for therapy use.

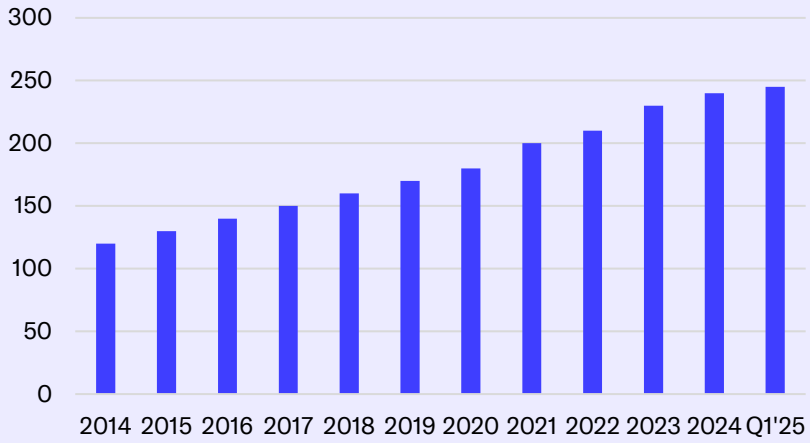
NBS6 – Modular combined system

Nexstim's newest product, NBS6, is a modular system suited for both diagnostic and therapeutic applications. Different applications can be added to the system as software updates, for which the customer pays licensing fees to Nexstim. Thus, the system provides flexibility to customers and scalability to Nexstim's business through recurring high-margin revenue. NBS6 differs from previous system versions, especially in terms of ease of use.

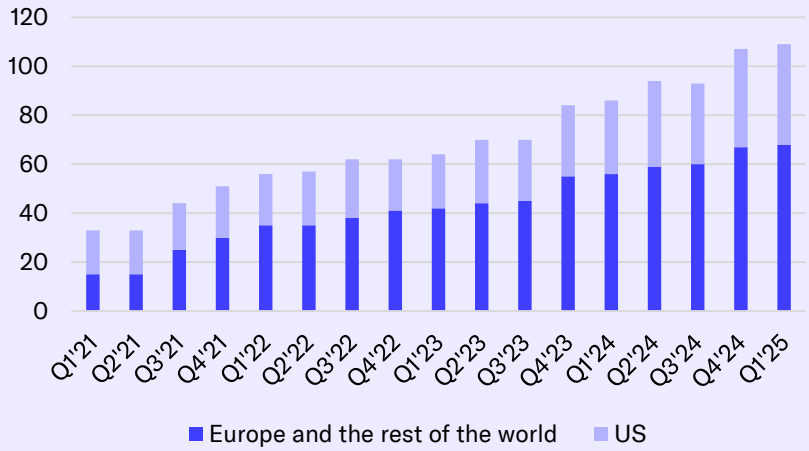
Nexstim received CE marking and FDA authorization for NBS6 for therapy use in 2023. The company has announced it is expecting authorization for diagnostics applications during 2025. Customers who want both functionalities in the same system before these authorizations must choose the older generation NBS5+ combination system for the time being. On the other hand, diagnostics applications can be added to the NBS6 device later if the customer does not need them immediately. We believe the combination systems are used in hospitals and research institutes jointly between several units, which could lower the threshold for purchasing the system and increase the utilization rate. Combined systems can also be used in clinics to diagnose and treat patients.

System base suited for therapy use (incl, NBT, NBS5 and NBS6). Has increased to 109 (Q1'25). Of the systems, 41 were located in the US and 68 in Europe and the rest of the world.

Sold diagnostics systems, cumulatively



Therapy system base, units



Technology and products 3/3 – Applications

	Need/problem	Nexstim's solution	Nexstim's strengths	Other
Diagnostics applications	Demanding brain tumor surgery or radiotherapy can damage important speech and motor cortices of the brain. Conventional mapping during surgery increases the risk of complications. Pre-screening suitable for children not available.	Technology enables the functional mapping of brain areas, ensuring that important areas are not damaged. Mapping is done outside the skull using a magnetic field without incisions. This method is also suitable for pediatric patients.	The only provider of this technology with both FDA and CE approval. The solution delivers better clinical outcomes. The non-invasive method improves the results of surgery or radiotherapy and is safer for the patient, as well as more pleasant compared to surgical mapping. TMS is also more accurate than functional MRI (fMRI).	Authorities have granted both FDA approval (US) and CE marking (Europe) for speech and motor cortices. Around 250 systems have been sold. We estimate the system base is over 100 units. The sale price of the system is approximately EUR 300,000.
Therapy applications	A significant share of patients suffering from major depressive disorder or chronic pain do not benefit from other existing treatments. Pharmacological therapies can cause harmful side effect.	The technology allows symptoms to be mitigated by changing the functions of the brain regions associated with the disease. TMS is drug-free, safe and has minor drawbacks.	High precision in treatment targeting supports good treatment outcomes and improves treatment reproducibility.	FDA approval and CE marking for treatment. CE marking for chronic neuropathic pain treatment. System base of approximately 110 systems, including combination systems capable of therapeutic applications. List price approximately EUR 200,000.

Source: Nexstim / Inderes

Examples of diagnostics and therapy applications

Pre-operative mapping with diagnostics system

1. A 3D model is built from the patient's brain using magnetic resonance imaging and Nexstim software.

2. The person providing the treatment aligns the E-field created with the diagnostics system to the desired speech and motor cortices of the brain. As a result, the cortex in question is activated.

3. The region of the cerebral cortex that controls movement can be mapped by measuring muscle activity, e.g., in the hands .

   In speech cortex mapping, the patient names the images they see while the speech cortices of the brain are stimulated. The speech cortex can be identified when the patient has difficulty naming the images they see due to stimulation.

4. After the mapping, surgery can be performed or radiation treatment provided. Mapping with the diagnostics system is proven to lead to better clinical outcomes.

Treatment of depression and pain with therapy system

1. A 3D model is built from the patient's brain using magnetic resonance imaging and Nexstim software. Treatment is adapted to the patient's brain structure.

2. The person providing the treatment uses the 3D model to direct the E-field generated by the therapy system to the correct region.

3. The treatment is repeated according to the treatment protocol. For example, major depressive disorder is treated once a day every weekday for 4-6 weeks.

Implementation of treatment

- The patient is conscious and can move
- Treatment is almost painless and side effects rare
- The mapping of the motor cortices lasts approximately 1 hour
- Mapping of speech cortices several hours
- Treatment of depression and pain 15-45 minutes per treatment, depending on the treatment protocol

Source: Nexstim / Inderes

Business model 1/4

System customers are hospitals, clinics and research institutes

Diagnostics business' customers are typically hospitals and private clinics that perform demanding brain surgeries and provide radiotherapy. The system is also used for research purposes, e.g., in universities and psychiatric units at hospitals. The potential customer base for diagnostics systems is limited and relatively easily defined: according to Nexstim, it comprises some 1,200 hospital units or clinics in the EU and the US. We believe the company is well aware of and familiar with this potential customer base.

The main customers for the therapy business are psychiatric hospitals and private TMS clinics. The insurance coverability of TMS treatment in the US makes the price of treatment more attractive and makes the US the most important market for the industry and the company. In Europe, the customer landscape is more fragmented due to varying national practices and differences in insurance coverability.

We believe the list price for diagnostics systems is approximately EUR 300,000 and for therapy systems approximately EUR 200,000. We believe systems constitute a significant investment for customers that includes discretion. The change in the operating environment due to inflation and interest rates seems to have slowed down customers' decision-making to some extent during 2022-2023. However, we believe this impact was temporary, and overall, we consider the business to be defensive.

Manufacturing is outsourced to a long-term partner

Nexstim does not manufacture its systems itself but uses a Finnish subcontractor for manufacturing. This is a long-term cooperation that we believe has worked well. We suspect contract manufacturing could also be transferred relatively easily to another manufacturer if a need arises. Therefore, we do not believe contract manufacturing involves any significant risk.

Diagnostics system distribution relies on the Brainalab collaboration

For diagnostics systems, the distribution of Nexstim's systems will rely heavily on collaboration with the German Brainlab. In late 2024, the companies announced a distribution and development agreement. According to the agreement, Brainlab will be the main distributor of diagnostics systems. Nexstim continues direct sales of its system through its own organization, e.g., diagnostics systems for research use. A transition period applies to previous distributors. As part of the agreement, Nexstim will receive a guaranteed margin of 4 MEUR in 2024, which serves as bridge financing as old distributors are phased out and its own sales organization is refocused. The agreement also includes a maximum equity investment of 5.1 MEUR in Nexstim. An immediate investment of 1.15 MEUR was realized upon the signing of the agreement. Regarding therapy systems and research-use systems, Nexstim continues with a combination of existing distributors and its own sales organization.

In early 2023, Nexstim upgraded its organization to a global process organization centrally responsible for, e.g., global sales and marketing of therapy systems. Previously, Nexstim's subsidiaries were responsible for sales on the German-speaking markets in Europe and in the US more independently. The sales, marketing and customer support organization enables a close contact with customers in key markets and an excellent gross margin. On the other hand, the own organization means higher fixed costs.

Nexstim has customers in some 30 countries

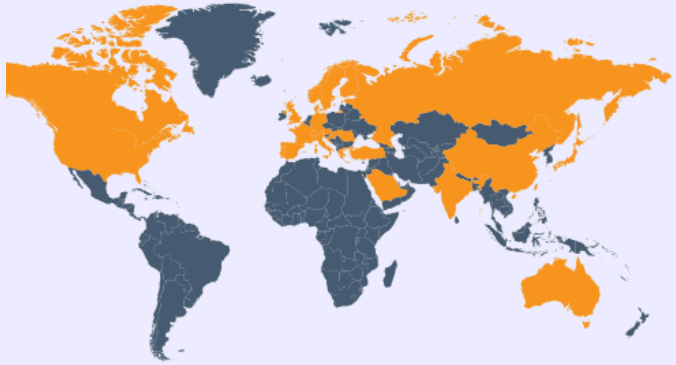
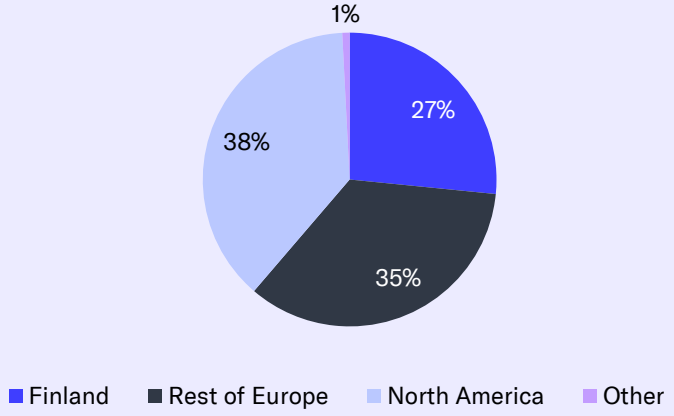


Image: Nexstim

Geographical distribution of revenue 2024



Source: Nexstim

Business model 2/4

Outside the key markets, Nexstim's therapy systems are sold through distributors. We estimate that sales through distributors have lower margins than own sales as the margin for the distributors is an estimated 40%. On the other hand, the use of distributors enables Nexstim to have a global sales network with relatively low fixed costs. Nexstim's systems are used in some 30 countries around the world. We also believe the company has good preconditions to carry out sales and training virtually from Finland.

System sales and recurring revenue

Nexstim's revenue in both diagnostics and therapy businesses consists of system sales and recurring revenue. Recurring revenue is generated, e.g., from system leasing agreements, consumables, maintenance and support agreements, and training and support services. System sales are subject to seasonality, with sales weighted towards the year-end due to hospitals utilizing their budgets. Both system sales and recurring revenue are defensive and high-margin operations.

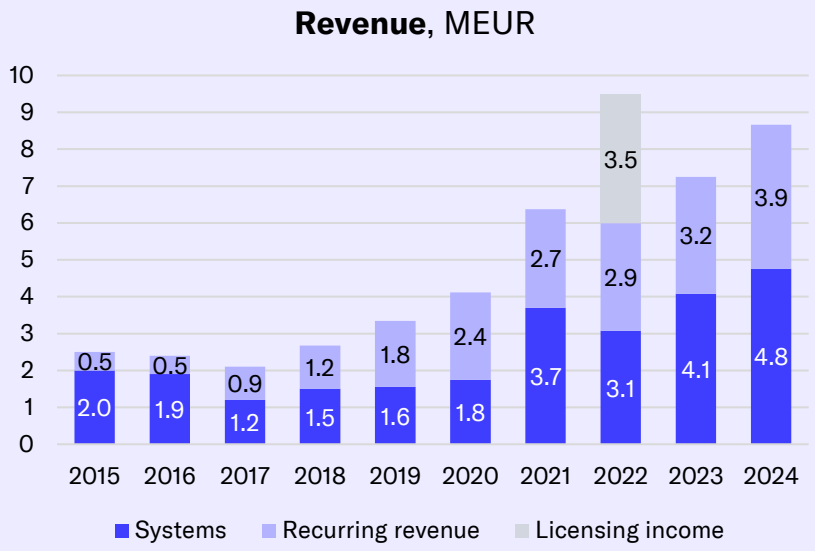
System sales in diagnostics (2024: 3.1 MEUR) is clearly more important to the company than recurring revenue (1.4 MEUR). This is due to a relatively smaller need for consumables compared to therapy use. The opposite is true in the therapy area where system sales (2024: 1.6 MEUR) is clearly below recurring revenue (2.5 MEUR). For recurring revenue, we believe the use of maintenance contracts is increasing. This is likely to bring more recurring revenue from the diagnostics businesses in the future. On the other hand, there has been competition-driven price pressure on consumables, which slightly reduces the role of recurring revenue in the therapy business.

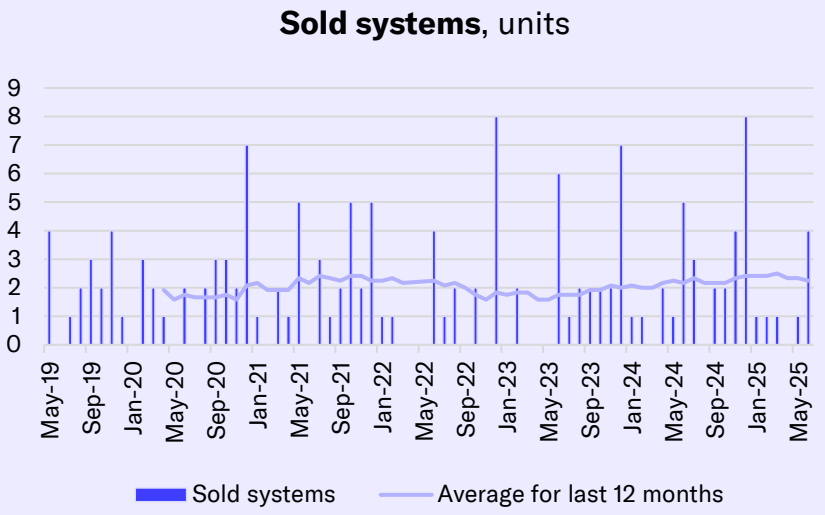
Nexstim has also occasionally had project-like business through tailored system sales. For example, in H2'21, the company delivered two tailored prototype systems to its customers whose combined revenue was 0.9 MEUR. We believe tailored products are profitable for the company, but rare business.

Technology licensing will generate high-margin revenue in the coming years

In recent years, technology licensing and related fees have emerged as a new element in Nexstim's business, alongside system sales and recurring revenue. To date, license fees have only materialized to the value of one signing fee, but the potential appears to be growing in the future.

The first step in the licensing business came in early 2022, when Nexstim announced it had licensed its technology to US-based Magnus Medical for the treatment of depression. Nexstim received a signing fee of 3.5 MEUR for the contract that was recognized that same year. The remainder of the agreement is expected to be realized during a five-year licensing period, which commences upon the commercialization of Magnus Medical's system. The company estimates that the value of the entire license agreement was 17 MUSD, based on Magnus Medical's business plan and its implementation. The commercialization of Magnus Medical's system began in spring 2024. Shortly thereafter, Nexstim announced disputes related to licensing, so the realization of royalty payments is uncertain at the time of writing. Nexstim naturally cannot comment on an ongoing matter, and little information has been given regarding the development of the situation. In our forecasts, we have estimated royalty income to be lower than what the companies estimated in connection with the agreement.





Source: Nexstim

Business model 3/4

Another opening for licensing is a letter of intent with Sinaptica Therapeutics in the summer of 2024 regarding the treatment of Alzheimer's disease. The letter of intent initially covers the development of a system for Sinaptica's needs and the delivery of approximately 20 systems for Sinaptica's pivotal Phase III trial. The purpose of this study is to investigate the functionality of the system in treating Alzheimer's disease/relieving symptoms. The value of system deliveries and other possible payments to Nexstim in this first phase would be 6 MEUR according to the letter of intent. If the study results are good enough, Sinaptica plans to commercialize the system for treating Alzheimer's disease. In the commercialization phase, Nexstim would have an exclusive right to supply the system. The total duration of the exclusive right is 10 years and may be extended by mutual agreement between the companies.

At the time of writing, the letter of intent has not yet been converted into a final agreement. In our view, Sinaptica still lacks funding to implement Phase III, which may be the reason why the final agreement has not been signed. However, Nexstim has delivered systems to Sinaptica in 2025 to conduct a second (Phase II) study, meaning that the cooperation between the companies has progressed on a concrete level. According to the latest information, the companies are negotiating a phased agreement.

With Sinaptica's financing secured, we roughly estimate that it could take about six months to start the study, and the study itself will take about 2 years. Subsequently, the study results are analyzed and submitted to the authority for evaluation for marketing authorization, should Sinaptica deem the results sufficiently good. The regulatory process is likely to last approximately one year, after which the launch could take place following a preparation period. The commercialization of new medical devices and technologies is typically characterized by sales progressing gradually and relatively slowly in conservative markets. The commercial value of the new initiative is very difficult to assess in advance, as it depends crucially on future research results. The development of the broader therapeutic environment, such as existing and potential future drugs, affects the commercial potential. Rough guidelines can be outlined regarding the development of the TMS technology market, e.g., in the largest indication, treatment of major depressive disorder (see Markets and Competition section).

Growth through a network of partner clinics

Alongside its system business and licensing, Nexstim has a third business: a network of partner clinics. Typically, this means that Nexstim and the clinic offering TMS treatment establish a joint venture to provide services to the clinic. Alternatively, Nexstim may also make direct investments in clinic companies.

We believe this is a typical approach in the US market, where the clinic personnel are freed up to focus on treating patients with the help of a partner, as administrative tasks move to the service company. The service company is responsible for the clinic's activities that are not related to patient care, such as admitting and billing patients, and receives a corresponding share of the value creation of the clinic. In our opinion, a service company can also perform more demanding expert tasks, e.g., related to the insurance coverage of treatments. This is a new operating model for the company to seek closer strategic cooperation with its customers. Nexstim also gains access to anonymized

Partnerships and collaboration

Brainlab	Development and distribution agreement in the field of diagnostics. Brainlab takes over most of the market. Guaranteed margin of 4 MEUR in 2025. Partnership for the further development of technology. 1.15 MEUR equity investment in Nexstim. Option for an additional investment of 3.95 MEUR through warrants. Nexstim plans to commercialize its products in Japan in the coming years.
Sinaptica Therapeutics	Global, exclusive, 10-year partnership Option for 3-year extension periods In the initial phase, at least 20 systems will be delivered for the Phase III clinical study. Initial estimated value of 6 MEUR Significant potential in the commercial phase, the realization of which is still uncertain.
Magnus Medical	Nexstim'a technology was licensed for Magnus' system development in 2022. 3.5 MUSD advance payment Five-year licensing period starting from the commercialization of the system Estimated total value of the agreement is 17 MUSD Commercialization of the system began in 2024 Companies disagree on the use of the technology and license fees
Clinic partners	Investments in clinic service companies in the US or directly in clinics in Europe. First opening in California in 2021 Second in new Jersey in 2024 Third in North Carolina in 2024

Source: Nexstim, Inderes

Business model 4/4

patient treatment data from the model, which can help the company further develop its products and services. We estimate that this business model is clearly less important for the company compared to the system business for the time being.

In 2021, Nexstim made the first strategic investment (0.5 MEUR) in the service company of a TMS clinic operating in San Francisco. In 2022, Nexstim announced it had established a venture capital company in the US. In our opinion, the purpose of the venture capital company is to accelerate the establishment of new partner clinics, especially in the US, but possibly also in Europe. Nexstim has partnered in a private equity firm with the founder of the same clinic, into whose service company it invested in 2021. Since then, the company has announced two investments in 2024: in clinic service companies operating in New Jersey and North Carolina. Currently, there are three investments and the company has communicated in its strategy that it will continue these investments if possible.

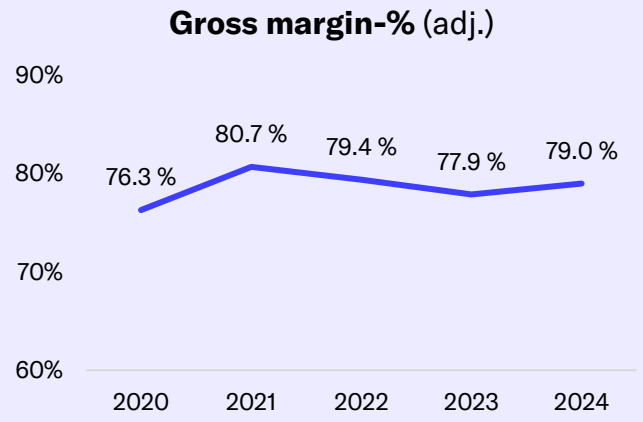
The earnings have scalability potential

Nexstim's fixed costs are relatively high as sales, R&D investments and administrative work (including applying for marketing authorizations) require resources. We believe these costs should scale well if the company succeeds in increasing its recurring revenue. The excellent, approximately 80% gross margin of the system business also provides scalability potential, although this may face downward pressure in the future as Brainlab distribution increases its share of sales. We note that potential future growth in clinics' service business will be clearly less scalable, as growth requires investments. This part of the business also has clearly lower profitability potential. Overall, Nexstim's profitability potential is high as is typical in the sector, but achieving it requires an increase in revenue to reduce the relative share of fixed costs. Potential license income is naturally almost pure EBIT, so license income will have a material impact on the company's future earnings performance.

We estimate that the system business does not significantly commit capital, although R&D costs are necessary to maintain long-term competitiveness. Nexstim's R&D expenses have been around 1-2 MEUR in recent years. At this stage, the capital intensity of the clinics' service network business is still unclear. If the model means acquiring existing service companies, we expect it will commit significant capital relative to Nexstim's size.

The financial risk has decreased clearly

Nexstim undertook several financing solutions in 2024, which have strengthened its financial position and improved operational performance. The company collected 0.65 MEUR with a convertible bond. The loan partly enabled the drawing of a 1.5 MEUR digitalization and innovation loan from Finnvera. As part of the collaboration agreement, Brainlab made a 1.15 MEUR equity investment in Nexstim and paid an advance payment of 1 MEUR. As part of the agreement, Brainlab subscribed for warrants that entitle but do not oblige it to subscribe for Nexstim shares for 3.95 MEUR by the end of March 2027. The subscription consists of 790,000 shares at a subscription price of EUR 5.00. We comment on the financial situation in more detail in the Financial position section.



Source: Nexstim, the 2022 figure has been adjusted for a 3.5 MUSD license fee for comparability.

Industry and competitive field 1/4

Market for Diagnostics business

Nexstim has previously estimated (2021 annual review) that the total market for diagnostics systems in the US and the EU is approximately 1,200 devices. This would correspond to a market of around 300 MEUR, assuming an average price of EUR 250,000 per system. We estimate that the average economic life of a diagnostics system is 6-8 years, so the annual market value would be 38-50 MEUR. In addition, the company has estimated earlier that the potential of system-related consumables and services is 24 MEUR annually. Adjusted for the average market growth, this would correspond to a market of some 34 MEUR in 2025.

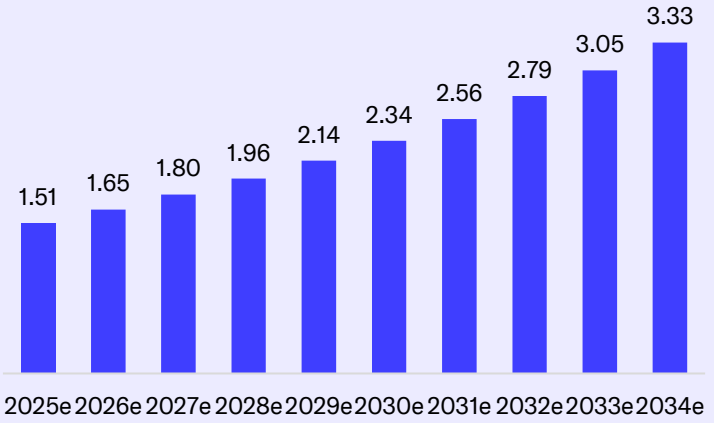
Based on the above, we estimate the total market for the diagnostics business to be approximately 72-84 MEUR per year. We apply the forecasted growth rate of the TMS market of 9% (CAGR), which would mean a market of 115 MEUR in 2030. The revenue of the diagnostics business was 4.5 MEUR in 2024, representing 5.4-6.2% of the total potential market. We estimate the annual growth of the diagnostics market is in line with the overall estimated growth of the TMS market. This would mean an annual increase of around 9% in the current decade (Precedence Research). The estimate is based on the increase in the popularity of TMS mapping compared to other methods, new indications for TMS technology, and an increase in sales prices. In our view, awareness of the benefits of pre-operative mapping is growing among the user base, which also supports market growth. Increased awareness is supported by constant publication of new studies and key opinion leaders, such as doctors at top hospitals using the systems.

Competitive factors of the diagnostics market

We believe that Nexstim is currently the leading supplier of TMS technology suitable for mapping of speech and motor cortices. Mapping can also be performed during or before surgery using fMRI (functional magnetic resonance imaging). We believe the popularity of TMS compared to other methods is currently stable or slightly favors TMS at the expense of other methods. The benefits of TMS are based on the method's accuracy, safety, non-invasiveness (no surgery required), and ease from the patient's viewpoint. Diagnostics systems are used to assess patients with severe illnesses who undergo demanding surgery. Our understanding is that the customer base primarily seeks high-end features like accuracy and reliability of targeting. We feel that Nexstim meets these requirements well.

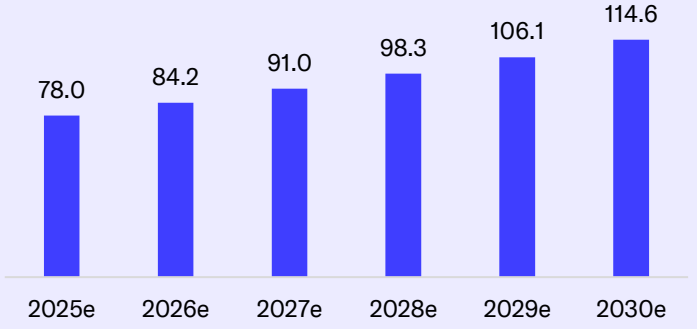
In our understanding, the list price of Nexstim's diagnostics systems is roughly EUR 300,000-350,000, depending on features and market. The actual prices with discounts may be lower. In our view, after quality and reliability factors, the price of the system is a smaller factor in customer decisions, especially in hospitals performing demanding surgeries. In our opinion, Nexstim has managed to increase its prices in recent years, but further significant price increases may be difficult. We believe that in its customer field, Nexstim has found the right balance between the price of the system and recurring revenue during the relatively long sales history of diagnostics systems.

TMS equipment market, BNUSD



Source: Precedence Research– Transcranial Magnetic Stimulation System Market Size, Share and Trends 2025 to 2034

Diagnostics market, MEUR



Source: Nexstim Annual Report 2021, Inderes' estimate

Industry and competitive field 2/4

Nexstim's new equipment allows customers to use diagnostics systems also for therapy applications. This occurs through new system sales or by activating the therapy software of a sold NBS5+ system. We believe this has increased the attractiveness of the system, as hospitals and research institutes are better placed to gain more internal users from their organizations. A larger user base will lower the threshold for purchase because the cost burden is distributed to several units that use the system.

We believe Nexstim's position in the diagnostics market is strong. We feel that maintaining a technological advantage over competitors determines success in this business.

Therapy business – major depressive disorder

In the therapy business, Nexstim focuses especially on treatment for major depressive disorder and chronic neuropathic pain. In our view, depression treatment is currently a significantly more important area for Nexstim, even though the company does not report these figures separately. New potential for the company could emerge in the medium/long term in the treatment of Alzheimer's disease and possibly other neurological diseases.

Nexstim estimates that 5.9 million people suffer from major depressive disorder in the US and the EU who would be entitled to TMS treatment. The company estimates the market to be 40 BNEUR. Inderes estimates that the share of TMS systems and services currently account for some 1-2% of the total market. Based on this assumption, the TMS market for major depressive disorder treatment is worth 400-800 MEUR. The annual growth of the TMS system market (CAGR) is estimated to be 9-10 % during the ongoing decade (Biospace). There is strong evidence for the benefits of TMS in the treatment of depression.

Therapy business – chronic pain

In the US and the EU, some 9.6 million people suffer from chronic neuropathic pain. More than half of the patients do not receive satisfactory relief from available treatments. We estimate that TMS technology is still marginal in chronic pain treatment. In the long term, we believe that relatively strong clinical evidence will support this treatment becoming more widespread. Globally, we believe pain is treated relatively rarely with TMS systems. Finland is a pioneer in this area and Nexstim's system is used to treat pain in all the university hospitals in the country. The company currently only has CE marking for the application, so the system cannot yet be marketed for pain treatment in the US. We follow the market development but believe that the importance of pain treatment for Nexstim is still limited in the next few years.

Alzheimer's disease - future potential

At this stage, the possible future role of TMS in the treatment of Alzheimer's disease cannot be assessed with satisfactory accuracy. This is because the realization and extent of commercialization depend critically on the upcoming Phase III Sinaptica study results, which will indicate whether the device is sufficiently effective relative to the cost of treatment, available medication, and other treatments. Alzheimer’s disease affects more than 7 million patients in the key market in the US, and the number is increasing as the population ages (Alzheimer’s Association). Thus, the potential treatment market is very significant. In our view, upon successful commercialization, the market development could resemble the first and still largest indication for TMS technology: the treatment of depression.

NBS market potential

1,200 potential hospitals and clinics in the EU and the US.

One system per customer at an average price of EUR 250,000.

The system's economic life is 8-10 years

Consumables and services 24 MEUR p.a.

Total market potential is 45-55 MEUR p.a.

Growth 6-10%

Chronic pain treatment market

Some 6-7 million patients in the US and Europe do not receive sufficient help from current treatments.

The share of TMS treatments in the total market is still marginal.

Source: Nexstim and Inderes

Industry and competitive field 3/4

In depression, TMS is used in a specific group of patients (severe treatment-resistant depression) as part of the overall treatment. Key studies on the application of TMS for treating depression were conducted in the 1990s. The TMS market for depression began to form in 2009, when Neuronetics launched its Neurostar system. So far, the market has grown gradually to the above-mentioned range of a few hundred million euros. As the market gradually forms, a growing number of TMS companies have also appeared to get their slice of the cake.

Competitors on the TMS market

We believe that the first commercial TMS system was launched in the early 1990s by MagStim, which is still operational. Among the key competitors, the best information is available from the publicly listed US-based Neuronetics and the US-Israeli Brainsway. In addition, there are several unlisted companies on the market, the number of which has been steadily increasing in recent years. Based on our analysis, we have identified 15 companies developing and commercializing TMS systems, in addition to Nexstim (see table on pages 21-22). In addition, a few operators sell systems developed by others, in some cases under their own brand. New solutions have also been developed for research use, such as portable TMS systems. Over time, these solutions can be introduced into the commercial TMS market. Those interested can find more information in this report.

Both listed competitors have long been loss-making, but Brainsway has recently made a profit turnaround. The loss-making has partly stemmed from significant sales and marketing expenditure, as we suspect competitors have pursued market shares at the expense of profitability, especially in the treatment of depression. Most of the unlisted competitors have also received FDA approval for depression treatment, which has likely contributed to tightening the competitive situation. Less reliable information is available on unlisted companies, but we estimate that most of the operators are loss-making for the time being. In the longer term, the growing number of companies is likely to cause consolidation in the industry and the exit of uncompetitive companies from the market. So far, the only acquisition known to us in the industry is EBNeuro, acquired by the Chinese Yingchi in 2024.

Some of the unlisted competitors, such as MagStim, Magventure and Yingchi can target treatment accurately with MRI technology. These companies also have the technology to map brain areas. In addition, Ant Neuro's visor2 neuronavigation product enables adding a neuronavigation feature to other manufacturers' TMS systems. The product is compatible with most coils and stimulation systems. Visor2 also enables mapping of speech cortices, enabling TMS companies to expand the capabilities of their systems. We believe Nexstim still has an advantage over its competitors, as its system is integrated with therapy and mapping applications in one package. The modular design of the NBS6 system also enables flexible updating of different applications to one system. However, we estimate that competition is tight, especially in the most common therapeutic indications, such as depression. There also seems to be more competing supply in neuronavigation.

Magnus Medical has entered the TMS market for depression treatment as a new player. The company has recently licensed an accelerated protocol for depression treatment developed by Stanford University. According to our preliminary information, sales of Magnus Medical's system have not started particularly favorably, even though we do not have concrete figures available. Progress in Magnus Medical's sales impacts Nexstim's potential royalty income, though the companies' dispute over license fees overshadows the future of royalty payments. The competition restrictions related to the contract do not apply to the partner clinic network through which Nexstim can still create value on the depression treatment market in the US and elsewhere in the world.

In addition to the treatment of major depressive disorder, TMS technology is used in several other indications (see figure on pages 21-22), the most common being obsessive-compulsive disorder (OCD). Nexstim's second authorized (CE marking) therapeutic indication, chronic pain, distinguishes the company from most of its competitors at the moment. We estimate that pain management is still a small part of Nexstim's whole, but we believe that it offers the company a less competitive niche for growth. Nexstim has also recently signaled an expansion into new indications, and information on new initiatives is expected to become available during the ongoing strategy period.

Industry and competitive field 4/4

Competitive factors of the therapy business

We feel Nexstim is profiled among the premium players in the market in terms of quality and pricing. Among the competitors, Nexstim is profiled with excellent targetability, accuracy, ability to visualize treatment delivery, and treatment results. The new NBS6 system also brings flexibility to customers through ease of use and feature extensibility, thanks to its modular design. Competitors are, of course, constantly developing their equipment and technology. We believe several competitors are also capable of high accuracy. Brainsway's technology differs to some extent from other TMS companies by enabling stimulation of deeper parts of the cerebral cortex. Nexstim's competitive position relative to Brainsway is, in our opinion, less direct.

In our view, the treatment market for major depressive disorder and other common TMS indications has several players, and price competition is relatively tough. Some of the competitors emphasize low-cost and fast technology, which helps keep the treatment clinic's investment and per-treatment costs lower. Some customers probably prefer lower-priced systems that do not, e.g., require time-consuming and expensive MRI imaging. Some of them want more technologically advanced systems. We believe that Nexstim will invest in customers demanding top quality and is positioned in the upper segment. In our view, competition in pain treatment is currently more limited. In contrast, the role of TMS in pain treatment is still small. Among competitors, e.g., MagVenture has FDA approval for pain treatment.

We feel Nexstim's competitive factors are most prominent in a hospital environment, where there is a greater willingness to invest in the best technologies, and price plays a smaller role. This is reflected in Nexstim's sales increasingly focusing on hospitals, including children's hospitals. The Brainlab collaboration, crucial for the company's future, in our view, also largely focuses on demanding hospital environments. In sales targeting TMS clinics, the company appears to be focusing on partner clinics and their expansion, while giving less attention to the most competitive TMS clinic accounts.

Industry and competitive field 4/4 – Key players in the TMS market

Company	System	Indications[1]	Navigability	Mapping
Nexstim	NBS5+ & NBS6	Diagnostics: mapping speech and motor cortices (CE&FDA); therapy: MDD[1] (CE&FDA), neuropathic pain (CE)	MRI & E-field	Speech and motor cortices
ant neuro	Visor2™ .	mapping speech and motor cortices (CE&FDA) Can be combined with the systems of most other manufacturers.	MRI & E-field	Speech and motor cortices module
BrainsWay	Deep TMS™ system	MDD, anxiety associated with depression, obsessive-compulsive disorder, tobacco dependence (FDA); bipolar disorder, trauma-induced stress reaction, schizophrenia, Alzheimer's, autism (CE)	No	No
CLOUDTMS	CloudTMS Machine	MDD, obsessive-compulsive disorder.	No	No
MAG & more	Apollo TMS, PowerMag	MDD	MRI	No
magnusmedical	SAINT System	MDD, accelerated protocol	MRI & E-field	
magstim	. Horizon 3.0 clinical TMS	MDD, obsessive-compulsive disorder, anxiety associated with depression.	MRI	Motor cortices
MagVenture	MagPro	MDD, obsessive-compulsive disorder (FDA&CE); substance dependence, anxiety associated with depression; diagnostics	MRI	Motor cortices
Neuronetics	Neurostar	MDD, obsessive-compulsive disorder, anxiety associated with depression (FDA).	No	No
SEBERS Medical Because we care	Blossom TMS	MDD (FDA).	No	No

1) MDD = Major Depressive Disorder
Source: Company websites, Gutierrez-Muno et al: The complex landscape of TMS devices: A brief overview, Inderes

Industry and competitive field 4/4 – Key players in the TMS market

Company	System	Indications[1]	Navigability	Mapping
Neurosoft	Neura-MSD NA		No	Motor cortices
REMED	ALTMS	FDA: MDD	NA	NA
BRAINBOX	DuoMag TMS	NA	MRI	NA
YINGCHI	E- ja M-series	FDA: MDD	MRI	Motor and speech cortices
Medical Revolution	MagRex	CE	No	No
eNeura	sTMS Mini	FDA: migrane	No	No
Deymed Diagnostic	DuoMAG XT	NA	NA	NA
Soterix Medical	SPRY TMS; MEGA TMS	FDA: MDD	No	Motor cortices
Axilum Robotics	Robot-TMS; Cobot-TMS	Cobot: Approved for Magventure's magnetic coil positioning; Robot: for research use	MRI	Motor and speech cortices

1) MDD = Major Depressive Disorder
Source: Company websites, Gutierrez-Muno et al: The complex landscape of TMS devices: A brief overview, Inderes

Strategy 2025-2028

The strategy period is geared toward profitable growth

Nexstim published its revised 2025-2028 strategy in early 2025. It is based on four business areas: 1) diagnostics business, 2) therapy business, 3) research and neuroscience, and 4) clinic collaboration. The company has not set financial targets covering the entire period, but it will publish annual targets as before.

In the diagnostics business, the company aims to increase the volume of system and service sales, especially through the Brainlab collaboration. The key to successful collaboration is combining solutions in neurosurgery, neurophysiology, and neuroscience together with Brainalab.

In the therapy business, the strategy is based on the continuous development of a competitive system and service offering in approved indications (depression and chronic pain). Business growth is also sought through new potential applications and market opportunities.

In the field of **research and neuroscience,** the strategy is based on sales to leading research hospitals and clinics. Customers are supported in achieving the forefront of technological and clinical development and in maintaining their leading position.

In **clinic partnerships,** Nexstim aims to expand its operations and achieve operational excellence at its current partner clinics. At the same time, the company utilizes clinic partnerships to identify possible new treatments.

2025 objectives

Nexstim's first strategic goal for 2025 is to continue profitable revenue growth and improve the EBIT for the year while minimizing future capital needs. Another key strategic objective is to support the long-term collaboration initiated with Brainlab, as well as expand the network of other partners and clinics, primarily in the US. The third strategic priority is the launch of the new NBS 6 diagnostic product to the main markets.

Inderes' comments on the strategy

For the diagnostics business, the strategy has undergone a significant change compared to the previous one, as equipment sales are expected to occur primarily through the Brainlab collaboration. The collaboration will give Nexstim more distribution power, as Brainlab already serves a large customer base in the field of neurosurgery. Through the collaboration, new markets are also opening up for Nexstim’s products, e.g., in Japan. In the short term, the guaranteed margin makes the transition financially advantageous for Nexstim. In the longer term, sales should increase due to distribution power. Nexstim’s gross margin is likely to decrease due to the distributor’s share. The collaboration may also result in a takeover bid for Brainlab in the longer term.

In the therapy business, the strategy largely continues on the previous line. TMS technology is used for various indications, and Nexstim has announced it is considering expanding its current indications. The key here is the analysis of the competitive situation, as we believe that the competitive situation is tight in some indications.

Research and neuroscience is a new strategic area that falls outside the scope of the Brainlab collaboration. We believe research is a commercially limited area, where Nexstim is relatively strong, however, and where new growth opportunities are also likely to be found.

The expansion of the clinic network has so progressed gradually, and the number of clinics is now three. We do not expect Nexstim to aggressively invest in the network, but it has reasonably good financial capacity to make investments when suitable partner candidates are found.

Inderes' comments on 2025 targets

Achieving the first goal of increasing revenue and improving EBIT seems clear to us. The Brainlab collaboration provides Nexstim with a guaranteed margin of 4 MEUR in 2025, which we believe has a clear positive impact on both revenue and, in particular, on earnings. Further support for achieving the target comes from defensive recurring revenue and a strong outlook for system sales.

The second goal is more qualitative and there are already signs of the Brainlab collaboration starting during H1’25. There is no external visibility into the growth in the number of partner clinics or other cooperation initiatives, but we believe the company is in regular discussions with potential partners.

The third goal of a launch this year depends on a regulatory process into which there is also no external visibility. Originally, the launch was planned for 2024, but we suspect the regulatory process for obtaining sales permits is still ongoing at the time of writing (6/2025).

Financial position 1/2

Earnings turnaround progresses

Since its inception, Nexstim's business has been loss-making, with the exception of 2022 supported by the 3.5 MUSD signing fee from licensing. However, the company has reduced its losses and we expect a positive result in 2025. The company's profile is thus changing, and financial performance materially supports the company's financial position and financial flexibility in the future.

Cost structure

In 2024, 17% of the company's operating costs were materials and services related to the manufacturing of products. Nexstim does not manufacture its systems itself but uses a Finnish subcontractor in manufacturing. In recent years, gross margins have fluctuated around 80%. We expect the relative share of these costs to increase in the future as more sales are transferred to the distributor (Brainlab).

The largest expense item in the company's operational business in recent years has been personnel costs (2019-2024 approximately 44-50% of revenue). We suspect personnel costs should grow somewhat slower than revenue. If the growth is realized, we estimate the company will invest somewhat more in its personnel. In our view, there is no need for a significant increase in R&D personnel in the foreseeable future.

Good 30% of operating expenses have been other operating expenses, whose share has decreased slightly in relative terms in recent years. This item includes sales and marketing related expenses, costs arising from external product development communities and normal administrative expenses. We estimate that these expenses are mainly fixed and therefore have scaled well with revenue. Depreciation accounted for about 8%. The share of depreciation has been increasing, as more R&D costs have been capitalized than depreciation. Over time, we expect depreciation to reach the level of capitalization.

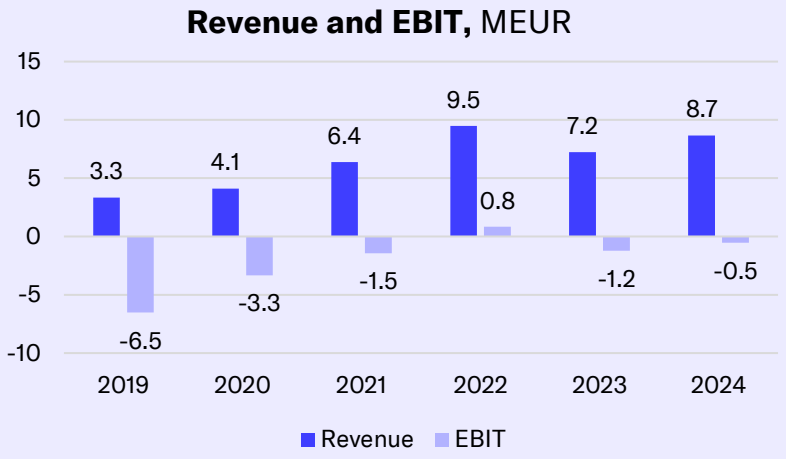
Cash flow fluctuates with license fees

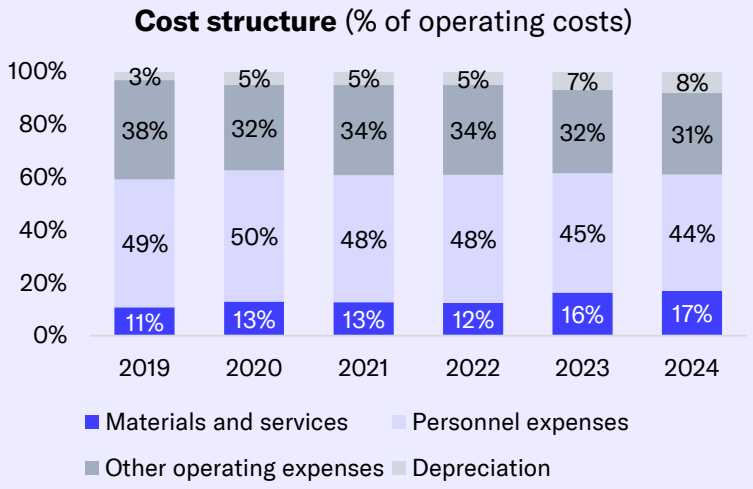
Nexstim's combined cash flow from operating and investing activities has gradually improved (see chart on the next page). In 2022, cash flow was improved by a one-off 3.5 MEUR signing fee. In 2024, the cash flow was roughly at the break-even, although a significant reduction in working capital had a one-off positive impact on cash flow. However, the cash flow trend has been clearly improving in line with the performance. In recent years, cash flow has on average been weaker than reported earnings, as the capitalization of R&D expenses has exceeded depreciation. However, the situation will stabilize in the future. We expect cash flow to turn profitable in 2025, supported by increasing revenue and especially by Brainlab's guarateed margin.

The balance sheet has strengthened

Nexstim's balance sheet at the end of 2024 included 3.8 MEUR of intangible assets, consisting of capitalized development costs and intangible rights. Capitalized development costs have increased in recent years and are, in our opinion, related to the development of the new NBS6 system and other projects.

The amount of tangible assets is limited by the nature of the business (0.4 MEUR) and consist mainly of the therapy systems used by the business. The company's balance sheet had 1.0 MEUR in investments in associates, consisting of investments in a service company of partner clinics.





Financial position 2/2

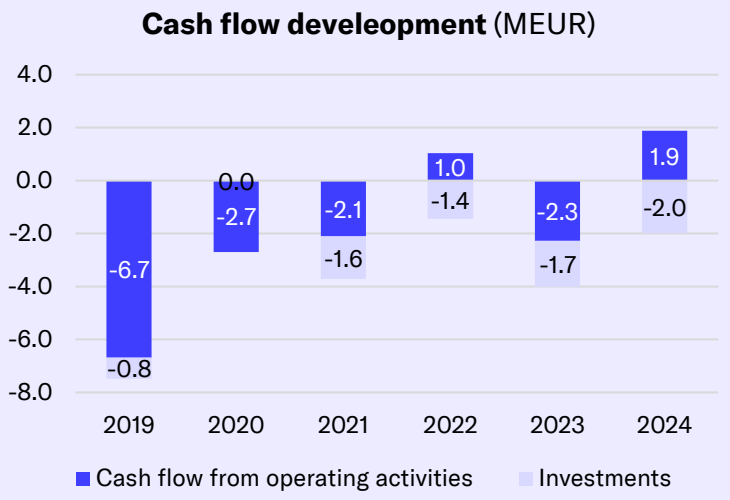
Inventories amounted to some 0.8 MEUR, trade receivables to 3.9 MEUR. The large trade receivables are explained by the numerous system deliveries made at the end of the year, the cash flow of which will only materialize in the early part of the year. In our view, no significant risk is associated with these receivables, as the customers are primarily from the public sector. Cash and cash equivalents amounted to 3.9 MEUR.

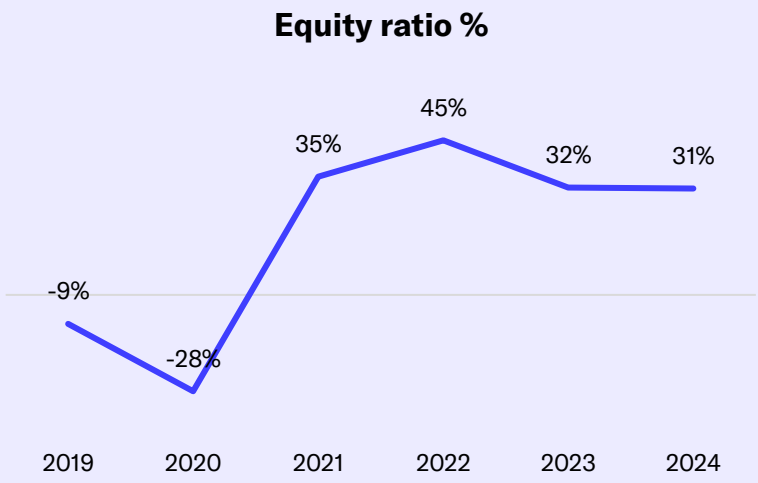
On the opposite side of the balance sheet, equity amounted to 3.7 MEUR. Long-term debt amounted to 4.2 MEUR, of which 2 MEUR is a product development loan from Business Finland. Short-term debt from financial institutions amounted 1.1 MEUR. Interest-bearing debt totaled 4.2 MEUR and the equity ratio was 31.2%.

The financial position has improved and is relatively good

Due to the company's loss-making history and frontloaded product development investments, Nexstim has carried out several financing rounds, the latest of which in 2021. Cash flows have been largely negative even since then, but are expected to turn positive in the future. This will naturally support the financial position significantly.

The company still has net debt, so we do not consider it possible for Nexstim to pay dividends in the coming years or make significant acquisitions next to growing its clinic network. Uncertainty regarding financing still persists, but we believe the current outlook is clearly better than in previous years.





Investment profile

Nexstim is a growth seeking medical technology company

For investors, Nexstim is clearly profiled as a growth company in the defensive medical technology sector, where it is positioned in the segment of challenging brain diseases. The industry is supported by attractive longer-term fundamentals and trends, and the company has high market potential. Commercially, Nexstim is still at a relatively early stage, as revenue is still low in absolute terms and the result and cash flow have been negative in the past. However, the company's result is turning profitable. Despite the turnaround, the company is still a relatively high-risk investment due to the low predictability of different business areas. However, the risk profile has declined, and we believe the decline may continue, if the growth of defensive and scalable businesses continues and profitability improves. However, the company will not mature into a lower-risk phase until several years have passed.

As typical for a growth company, Nexstim needs capital to generate growth (incl. investments in expense structure and intangible assets), so no dividend is expected from the company in the coming years. Thus, the potential return for investors will be generated by changes in Nexstim's share price. In addition, historically, the company has also needed external capital from its owners to finance its growth. At present, however, no need for external financing is in sight.

Positive value drivers and opportunities

Nexstim's target business is considerable compared to the company's revenue and includes significant growth opportunities. In addition, TMS treatments are expected to slowly take over from other treatments, which supports the company's growth potential.

Nexstim's system base is growing, especially supported by the sales of combined systems. This will pave the way for future growth in highly scalable and profitable recurring revenue. The Brainlab collaboration creates special potential for the company, opening up growth opportunities and potential new market-expanding indications. Nexstim has also demonstrated that licensing of its technology involves business opportunities that can generate additional cash flow in the future.

Nexstim is building a new business model in the US, based on a share of value creation in partner clinics. The new model offers opportunities, but its functionality as a value creator has not yet been fully proven.

In the long term, the company can expand to new indications, e.g., severely depressed hospitalized patients, Alzheimer's disease, or other neurological diseases.

Risks and threats

Competition in therapy systems is fierce in some areas and the company's growth may be below expectations. This would result in weaker recurring revenue growth than expected and slow down the company's profitability turnaround. Nexstim also has small resources relative to its competitors, especially in terms of sales and marketing. We feel there are some challenging aspects in the market situation as larger competitors seek growth at the expense of profitability in the therapy business. The risk associated with the forecasts is also relatively high.

Nexstim may fail in building the profitability of the new business model based on partner clinics. In our view, expanding the clinic network, even if successful, requires relatively large investments given the company's size, which can consume the company's limited resources.

Research into new indications is key to the long-term success of Nexstim, but these require long-term and uncertain research. A possible failure would undermine the long-term potential of the therapy business. It is possible to apply for marketing authorizations for existing indications with a relatively light process, however, this exposes the company to fierce competition in many areas.

Estimates 1/3

Background of the model

Our revenue estimate for 2025-2027 is based on modeling system sales, recurring revenue, and the growth of the clinic network. In addition, we model revenue related to the Sinaptica agreement and licensing income related to the agreement with Magnus Medical. These last two sources of revenue involve a binary element, as their realization is subject to uncertainties regarding the final outcome, timelines, and financial details. We model this binary risk by estimating the probability of contracts materializing, with which we multiply our forecasts. Our probability assessments can naturally change over time, which will correspondingly affect forecasts. In the longer term, our estimate is based on expected market growth, market drivers, and Nexstim's competitive factors.

In our opinion, the visibility of system sales and recurring revenue is moderate, even though the company does not provide guidance on expected sales development. Predictability is made difficult in the coming years by the significant impact of the Sinaptica agreement on forecasts (at least 20 system deliveries according to the letter of intent), considering the aforementioned uncertainties. Crucial for system sales is the upcoming launch schedule for the diagnostics features of the new NBS6 system and its impact on demand. The Brainlab collaboration brings increased distribution power for Nexstim's diagnostics systems, which should be reflected in growth in the medium term.

In terms of recurring revenue, predictability is at a fairly good level and reflects the growth in the system base. In our view, a large portion of recurring revenue comes from system leasing agreements, which we estimate typically last about three years. Thus, we believe the sold system generates more recurring revenue during the first few years. Due to leasing agreements, we assume that the growth rate of recurring revenue will remain lower than the growth of the system base, as has historically been the case.

Visibility of clinic network growth is low as it essentially depends on inorganic growth. We expect growth in this category to remain moderate, based on the company's limited resources and the rather slow pace of investment in recent years. In assessing licensing income, we rely heavily on the joint estimates of Nexstim and Sinaptica (initial contract value 6 MEUR) and Magnus Medical (total contract value 17 MUSD), which are difficult to assess from the outside due to a lack of data.

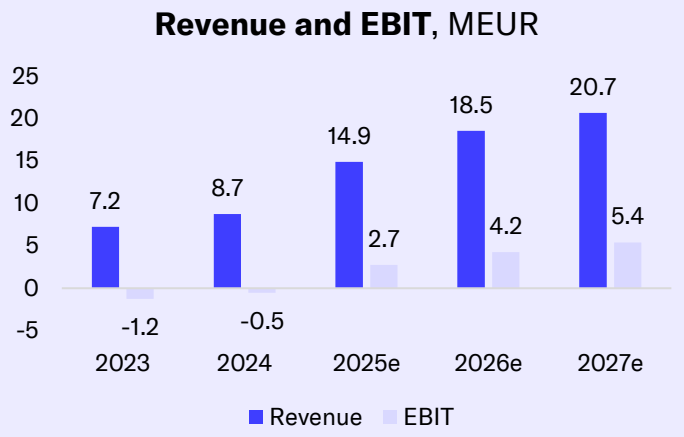
Revenue growth from various sources

We expect revenue to be 14.9 MEUR in 2025. Significant growth is partly based on the guaranteed margin (4 MEUR) from the Brainlab cooperation, which is already on a very solid footing and is estimated to significantly increase revenue from the comparison period. Another important part of growth is the Sinaptica agreement, from which we expect revenue of 1 MEUR. Growth is also supported by expectations of system sales outside the Brainlab agreement and recurring revenue, as well as, to a small extent, our expectation of expanding the clinic network. Nexstim's own guidance for the year is that revenue and EBIT will grow compared to 2024. We consider the achievement of the guidance virtually certain, supported by the guaranteed margin of the Brainlab agreement.

Background to forecasts

	Opportunity	Risk
Systems and recurring revenue	Growing distribution power through Brainlab collaboration; NBS6 launch; new markets (Japan, India); growing installed system base	Competition, especially in therapy applications; NBS6 delay; missing targets in Brainlab distribution
Partnerships and licensing	Research project and commercialization in Alzheimer's disease; Magnus Medical licensing income	Contract failures; value falling short of expectations; schedule delays
Clinic partnerships	Defensive, cash-flow positive growth; Identifying new treatment opportunities	Growth requires investments, whose return on capital is still unclear; realizing the benefits would require a larger scale; resources are also needed for other growth

Source: Inderes



Estimates 2/3

In the coming years, we expect revenue to grow further. Key drivers of growth are market expansion through the Brainlab collaboration, both into new hospitals in existing target markets and the opening of new markets, especially in Japan. The launch of the NBS6 system with diagnostics features could lead to unusually high demand for a time, if customers have postponed their investments while awaiting the new product. Our forecast includes clear growth from the Sinaptica and Magnus Medical agreements, which, as noted, involve binary risk. For the therapy system market, we expect the competitive situation to remain rather tight. On the other hand, the growth of the target market and increasing use of TMS technology also bring opportunities. Sales of Nexstim's systems for research purposes are relatively small, but the position in this market is strong, so we expect it to achieve market growth.

In terms of recurring revenue, we expect stable and moderately growing revenue based on the growth of the system base. For recurring revenue, Nexstim's therapy business is more important, although the competitive situation has lowered the prices of consumables. However, the growing prevalence of service agreements supports recurring revenue in both the therapy and diagnostics areas.

In terms of licensing income, we expect total revenues of approximately 5 MEUR, which is clearly below the some 14 MUSD in licensing period revenues based on the original agreement. Our estimate includes a margin of safety, as there is a dispute between the companies regarding the application of the agreement. According to the companies, the licensing period is five years from the commercialization of the equipment. In our estimates, licensing will materialize from H2'26 onwards, even though system sales started already in H1'24. We anticipate a gradual increase in licensing income over the five-year period .

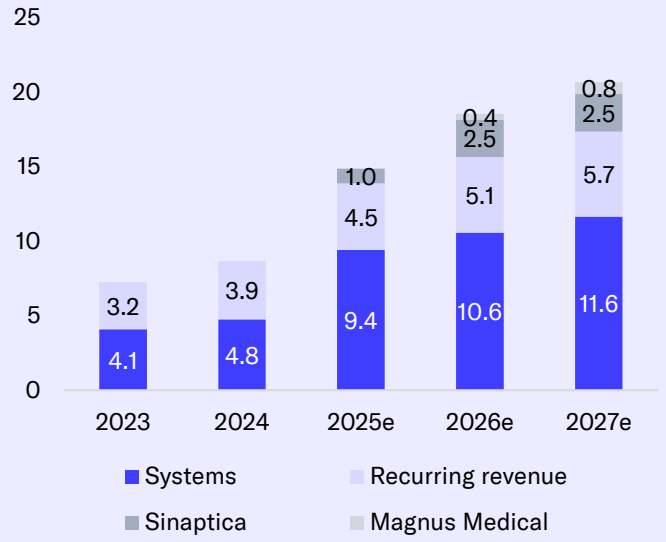
Our expectations for the growth of the clinic network are moderate, based on the network's fairly modest realized growth rate and the company's comments. However, network development is one of the key priorities for the strategy period, and therefore, we expect the company to continue making moderate investments as opportunities arise. Visibility on clinic network growth is limited, as it is mainly based on inorganic growth.

We expect a turn in 2025

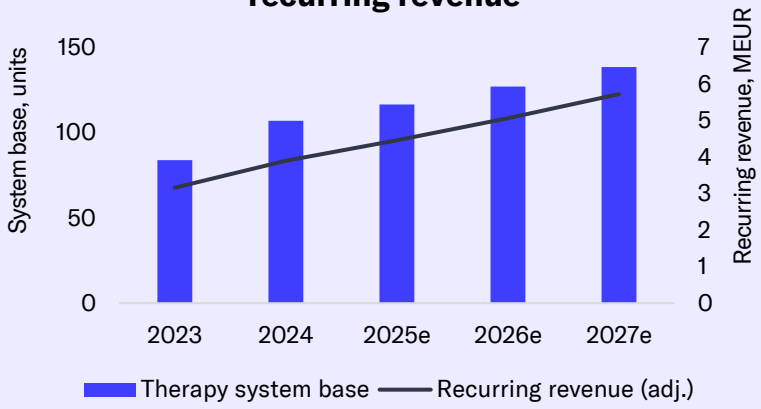
The guaranteed EBITDA of 4 MEUR from the Brainlab agreement will, next to revenue, particularly boost earnings as we expect a significant portion of the guaranteed margin to be realized as cash payments in the early stages of the collaboration, while system sales are still clearly below the level required to achieve the guaranteed margin. This strongly supports the earnings lines and, in our view, helps Nexstim achieve the first profitable financial year in the company's history, excluding 2022, which was supported by a 3.5 MEUR license fee (EBIT: +0.8 MEUR). The earnings forecast for 2025 is also positively impacted by the assumption that the Sinaptica agreement will be finalized, with related revenue of 1 MEUR at high profitability. Exceeding or not meeting expectations would naturally impact the earnings forecast.

Starting in 2026, earnings are supported by the assumption that Magnus Medical's license fees will start. As stated, this forecast involves significant risk if fees fall below forecasts or fail to materialize completely. Regarding the Brainlab distribution, we expect the role of guaranteed EBITDA to decrease and the share of actual system sales to increase over time. This reduces our gross margin forecast moderately as Brainlab receives a share of sales. However, the earnings level improves in our forecasts, following revenue growth.

Revenue distribution, MEUR



Therapy system base and recurring revenue



Estimates 3/3

We expect costs to develop moderately

Nexstim has successfully defended its gross margin in the inflationary environment of recent years. The gross margin has remained at an excellent level of around 80%. In the future, we expect a moderate decrease in the gross margin to around 78% by 2027. The reason for the decrease is the increasing relative share of the system sales distribution channel, as Brainlab accounts for a larger share of Nexstim's sales. The gross margin is supported by high-margin recurring revenue and possible license fees.

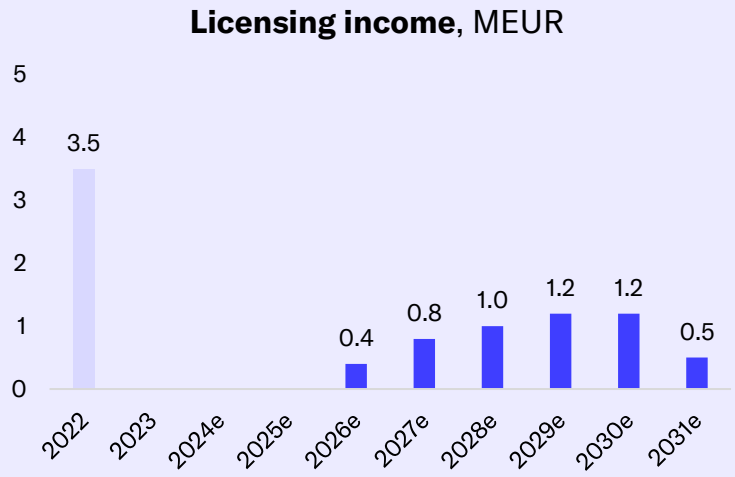
We expect the number of employees to grow moderately from the current level, at a slower pace than revenue growth. This is also based on the Brainlab collaboration, whereby the partner is responsible for a larger share of sales, and Nexstim's personnel resources are freed up for other uses, which in turn reduces recruitment needs. The company had 40 employees at the end of 2024, and we expect the number of employees to grow to 45 by the end of 2027. We expect average wages to grow slightly faster than inflation, by 4% a year. In our forecast, other operating expenses grow with the expansion of the business, but at a slower pace than revenue in the coming years. This will help earnings scale in the short term. We estimate that depreciation will be higher than in previous years due to capitalization of R&D costs on the balance sheet and their growing depreciation once the commercialization of the NBS6 system progresses. In the next few years, we expect depreciation to rise to the level of investments, so the reported earnings and cash flows start to be close to each other. In recent years, cash flow has been slightly weaker than earnings, as R&D capitalization exceeds the level of depreciation.

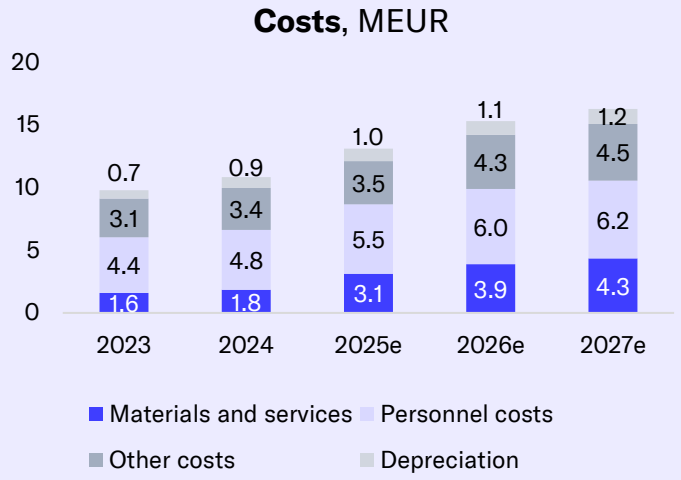
We do not expect the company to pay taxes in the next few years due to the deductibility of historical losses. Financial expenses will continue at a stable level of EUR -021 million in our estimates.

The cash position appears sufficient at the moment

In 2024, Nexstim's combined cash flow from operating and investing activities was slightly in the red (-0.1 MEUR). However, cash flow was improved by a significant decrease in working capital, so adjusted cash flow remained clearly negative. From 2025 onwards, however, we expect cash flow to turn positive due to revenue and earnings drivers. The above-mentioned uncertainties also apply to cash flows. The magnitude of Nexstim's investments in its clinic network will naturally have a significant impact on the cash flow from investing activities.

At the end of 2024, Nexstim's cash and cash equivalents amounted to 3.9 MEUR. In addition, due to the busy end-of-year sales season, the company had trade receivables of 3.7 MEUR. The company's cash position was therefore quite strong. This was based on a convertible bond agreement signed in 2024 and a 2 MEUR product development loan from Business Finland enabled by it. In addition, the cash position was strengthened by Brainlab's 1.15 MEUR capital investment and a 1 MEUR advance payment, which Nexstim will credit in future transactions. Nexstim still has net debt, but the combination of a good current cash position and a turnaround in earnings puts the company in a better financial position than before. Nexstim will likely have to continue to practice strict cash management to ensure sufficient investments in growth in the future.





Valuation 1/4

Value creation from system sales, clinic network and licensing

We believe Nexstim's value creation is based on three factors: 1) system sales and recurring business, 2) growing the clinic network, and 3) licensing income. System sales have developed positively after a subdued 2023 and will, in the future, be driven by increasing distribution power through the Brainlab cooperation and the launch of the NBS6 system with diagnostics features. Increasing system sales is crucial for the company so that economies of scale can be realized through the high gross margin and scaling of fixed costs. Recurring revenue generates a defensive and high-margin revenue stream. Its growth is closely linked to the volume of system sales and, through this, to the growth of the installed base, which requires servicing and maintenance.

Growing the clinic network remains a strategic focus area for Nexstim in the new strategy period 2025-2028. Clinic partnerships have been a smaller-scale business than we previously expected, and we believe their role in future value creation is clearly smaller than that of the system business. Clinic partnerships have the potential to make the overall business more defensive and generate low-risk positive cash flow. Visibility into this business is limited, as growth is mainly inorganic, although there are likely opportunities for organic growth also in existing clinics.

Licensing income could bring significant cash flow to the company in the future, but there is little visibility regarding the magnitude and timing of its realization. According to Nexstim, there are also opportunities for new licensing agreements in the future.

Our valuation is based on sales-based multiples and DCF calculation

Nexstim is undergoing an earnings turnaround, so the use of earnings multiples in valuation is becoming more applicable than before. Due to uncertainties in forecasts, earnings estimates are, however, still on very shaky ground. Therefore, we believe for the time being that revenue multiples are a more justified approach to valuation due to the stability of the multiples. On a sales basis, we can mirror the EV/S multiple to future growth prospects, profitability potential and the valuation of peers and the industry. The DCF calculation, describing the present value of expected cash flows, is also a useful valuation method. However, the estimate risk of cash flows is naturally also high.

The EV/S ratio is neutral relative to the company's history

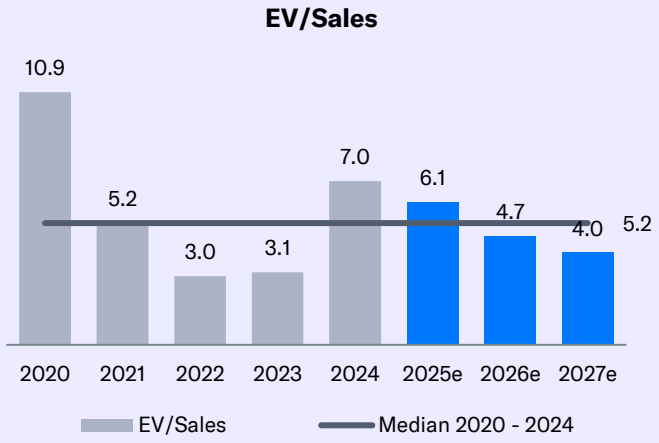
Nexstim's 2025 EV/S ratio, with our estimates expecting heavy growth, is 6.1x. Next year, the ratio falls to 4.7x and will fall further in the future if the growth we forecast materializes. The median EV/S ratio for 2020-2024 has been 5.2x (range 3x-11x). The current multiple is thus a tad above the historical value. However, we find this justified based on the progress of the earnings turnaround.

Compared to peers, the EV/S ratio is high

Nexstim has two clear listed industry peers, Neuronetics and Brainsway, that we believe are among the largest TMS system manufacturers. The EV/S ratios for these peers for 2025-2026 are Neuronetics 3.8x and 3.8x, and Brainsway 4.6x and 3.7x.

Valuation	2025e	2026e	2027e
Share price	12.3	12.3	12.3
Number of shares, millions	7.16	7.16	7.16
Market cap	88	88	88
EV	91	87	82
P/E (adj.)	34.8	21.8	16.7
P/E	34.8	21.8	16.7
P/B	13.9	8.5	5.6
P/S	5.9	4.7	4.3
EV/Sales	6.1	4.7	4.0
EV/EBITDA	24.5	15.6	12.7
EV/EBIT (adj.)	33.3	20.4	15.1
Dividend/earnings (%)	0.0%	0.0%	0.0%
Dividend yield-%	0.0%	0.0%	0.0%

Source: Inderes



Income statement

Income statement	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	H1'26e	H2'26e	2026e	2027e	2028e
Revenue	**3.2**	**5.6**	**8.7**	**5.7**	**9.2**	**14.9**	**7.9**	**10.7**	**18.5**	**20.7**	**24.4**
EBITDA	**-0.5**	**0.8**	**0.3**	**0.6**	**3.1**	**3.7**	**1.6**	**3.7**	**5.6**	**6.4**	**7.9**
Depreciation	-0.4	-0.5	-0.9	-0.5	-0.5	-1.0	-0.5	-0.6	-1.3	-1.0	-1.0
EBIT	**-0.9**	**0.3**	**-0.5**	**0.1**	**2.6**	**2.7**	**1.1**	**3.1**	**4.2**	**5.4**	**6.8**
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-0.1	-0.3	-0.3	-0.1	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1	-0.1
PTP	**-0.9**	**0.1**	**-0.9**	**0.0**	**2.5**	**2.5**	**1.0**	**3.0**	**4.0**	**5.3**	**6.7**
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**-0.9**	**0.1**	**-0.9**	**0.0**	**2.5**	**2.5**	**1.0**	**3.0**	**4.0**	**5.3**	**6.1**
EPS (adj.)	**-0.13**	**0.01**	**-0.12**	**0.00**	**0.35**	**0.35**	**0.14**	**0.42**	**0.57**	**0.74**	**0.85**
EPS (rep.)	**-0.13**	**0.01**	**-0.12**	**0.00**	**0.35**	**0.35**	**0.14**	**0.42**	**0.57**	**0.74**	**0.85**

Key figures	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	H1'26e	H2'26e	2026e	2027e	2028e
Revenue growth-%	26.9 %	17.2 %	20.5 %	78.0 %	65.7 %	70.2 %	39.4 %	15.7 %	24.7 %	11.4 %	18.0 %
Adjusted EBIT growth-%	-37.7 %	107.2 %	-56.5 %	-114.8 %	690.9 %	-611.2 %	774.6 %	20.1 %	55.4 %	27.2 %	26.4 %
EBITDA-%	-14.7 %	14.2 %	3.7 %	10.8 %	33.6 %	24.9 %	20.9 %	34.6 %	30.0 %	31.0 %	32.3 %
Adjusted EBIT-%	-27.2 %	5.9 %	-6.1 %	2.3 %	28.3 %	18.4 %	14.2 %	29.3 %	22.9 %	26.1 %	28.0 %
Net earnings-%	-28.8 %	1.0 %	-9.8 %	0.5 %	27.2 %	17.0 %	12.9 %	28.4 %	21.8 %	25.6 %	24.8 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**3.9**	**5.2**	**5.2**	**5.0**	**5.1**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	2.9	3.8	3.6	3.2	3.2
Tangible assets	0.3	0.4	0.6	0.7	0.8
Associated companies	0.7	1.0	1.0	1.0	1.0
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	**5.9**	**9.0**	**10.6**	**11.3**	**16.1**
Inventories	1.0	0.8	1.3	1.7	1.9
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3.4	4.4	5.2	5.6	5.8
Cash and equivalents	1.5	3.9	4.0	4.1	8.4
Balance sheet total	**9.9**	**14.2**	**15.8**	**16.3**	**21.2**

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**2.8**	**3.8**	**6.3**	**10.4**	**15.6**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-52.3	-53.2	-50.6	-46.6	-41.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	55.0	56.9	56.9	56.9	56.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**3.6**	**4.2**	**3.9**	**2.0**	**1.5**
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	3.6	4.2	3.9	2.0	1.5
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**3.4**	**6.3**	**5.6**	**4.0**	**4.0**
Interest bearing debt	0.8	4.6	2.9	0.7	0.5
Payables	2.6	1.7	2.7	3.3	3.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**9.9**	**14.2**	**15.8**	**16.3**	**21.2**

Valuation 2/4

The multiples of peer companies have historically fluctuated widely, so we feel a comparison to these companies does not provide a particularly solid basis. We consider Brainsway a better peer, as the company has grown steadily organically and has recently achieved an earnings turnaround. In this sense, the company is close to Nexstim in terms of its development stage and growth, although Brainsway's revenue is clearly higher than Nexstim's (2024: 41 MUSD; +29% vs. 2023). We estimate Nexstim's growth potential to be somewhat better than the peers', so we accept a slightly higher EV/S multiple for Nexstim than for its peers. On the other hand, Nexstim's small size supports a premium compared to peers with larger resources. As a whole, we consider Nexstim's EV/S-based valuation high compared to the peers, especially Brainsway.

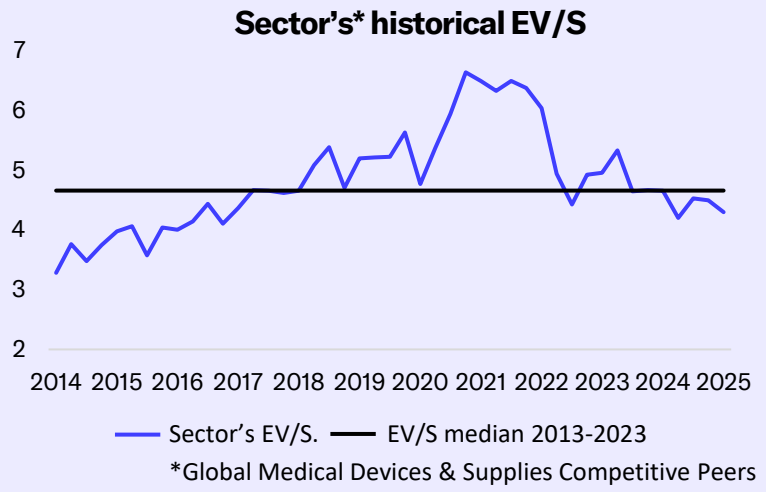
In addition, when examining the relative valuation, we use the general valuation of the sector. The long-term (2014-2024) median trailing EV/S multiple for the Global Medical Devices & Supplies Competitive Peers index has been 4.7x, and the most recent figure (Q1'25) was 4.3x. Nexstim's EV/S multiple of 6.1x, which relies on strong future growth, is about 30% above the sector's historical trailing median multiple.

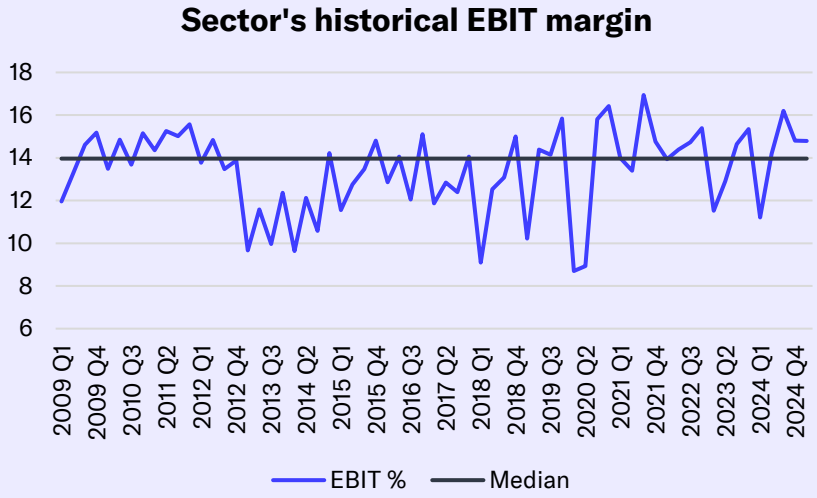
The sector index consists of large, global, high-quality, mainly US-based health technology companies. The risk level of the companies in the peer index is clearly lower than Nexstim's. On the other hand, Nexstim's growth potential is higher than the peers' . The companies in the sector are very profitable and the average EBIT has been 14%. We feel that Nexstim is neutrally or slightly highly priced relative to the current sector level and the historical average valuation of the sector.

The acceptable EV/S ratios are highly dependent on expected revenue growth. We expect strong growth from Nexstim in 2025, thanks to Brainlab's guaranteed margin and the Sinaptica agreement, which we consider likely, in the medium term. In the longer term, we expect growth to stabilize close to average market growth. We estimate that the acceptable range for Nexstim's EV/S ratio is 4x-6x based on the growth outlook and profitability potential. High forecast risk adds moderate downward pressure to the determination of the range. Conversely, the decrease in the financial risk boosts acceptable valuation multiples compared to the company's previous situation. The current valuation based on this year's forecast is at the upper end of the range, and we believe that strong short-term growth is priced into the stock. In our view, the EV/S ratio turns clearly attractive only in 2027 with our estimates, when it reaches a level of around 4x.

Earnings-based valuation looks far into the future

Utilizing earnings-based multiples is still difficult, as there is significant uncertainty regarding the earnings level depending on the materialization of contracts. With our estimates, the P/E ratio will decrease to an inexpensive level of 17x in 2027, considering the company's profile. The estimates involve high uncertainty, so we do not think there is any meaningful earnings-based support available for the share valuation at this stage.





Source: Bloomberg, Inderes

Valuation 3/4

DCF model also indicates a moderate upside in the share

The discounted DCF calculation gives a current share value of EUR 10.4. We consider the DCF model useful in Nexstim's valuation but due to the sensitivity of the model, we encourage investors to compare the assumptions used in the model with their own estimates and required return.

In the model, we use 10.1% as the cost of equity and 9.5% as the weighted average cost of capital (WACC) (was 10%). The decreased WACC reflects our updated view of the progress of the stock's earnings turnaround and the decreased financial risk. WACC is slightly above the median of Inderes' coverage, but the difference is small. Due to the earnings turnaround, the WACC is at a lower level than that of other loss-making medical device manufacturers in roughly the same development stage, such as Optomed (10.8%), Bioretec (12%) and Modulight (11.5%).

We have set the terminal growth rate at 2.5%, reflecting the generally good growth outlook of the TMS market and the growing care needs of the aging population. We use 20% as the EBIT level, which is very high compared to the company's history. We justify the high terminal profitability with the company's potential for scalable profitability, high gross margins, and historical good profitability of the medical technology sector. The larger profitable companies in the sector typically reach an EBIT margin of 20-30% and we believe Nexstim can achieve very high profitability in a positive scenario.

Of the share's current value, 53% is based on the terminal value of the calculation, i.e. free cash flows after 2034. This figure is relatively modest and is partly explained by licensing income that is fully realized in the estimates before the start of the terminal period.

Valuation summary

Considering Nexstim's development stage, the valuation methods are limited, and forecasts involve significant risk. As a result, valuation is relatively imprecise, even when considering the EV/S ratio relative to the growth outlook, profitability potential, and peers. A review of EV/S ratios from various perspectives and the DCF model suggests that the stock's risk/reward ratio remains unsatisfactory.

Due to the cash position and cash flow estimates, we do not expect the company to pay dividends in the next few years, and we believe share return is based purely on changes in the share price.

In a positive scenario, system sales would trend higher, driven by the Brainlab collaboration and the new NBS6 system, which would bring one-off system sales revenue and recurring revenue to a new level. Cash flow would turn clearly positive as a result of licensing income and successful investments in the clinic network. Advancing Alzheimer's disease treatment to the commercial phase would still offer future potential. In this scenario, we estimate that the share return could still be very good at the current share price level.

In a more pessimistic scenario, the Brainlab collaboration will fall short of targets, the NBS6 system will not bring a significant boost to sales, the potential of Alzheimer's disease will not materialize, and license fees from Magnus Medical will not materialize. In this scenario, we believe that the expected return may be very weak.

Total shareholder return drivers 2025-2027

Positive | Neutral | Negative

Profit drivers

- Success in the system business.
- Investments in the clinic network.
- Licensing income from H2'26 onwards.

→ Growing earnings in the coming years.

Dividend yield drivers

- The company has no risk of becoming indebted.
- Resources are needed for growth.

→ Dividend yield 0% p.a.

Valuation multiple drivers

- EV/S ratios are slightly elevated.
- The DCF model suggests that the stock is fully priced
- Valuation levels accepted by the market have decreased

→ No upside in multipliers

The share's expected return is on par with or slightly below the required return

Source: Inderes

Valuation 4/4

Our view of the fair value of Nexstim's share is EUR 8-12 based on a number of methods. Given the high uncertainty surrounding estimates and the pricing environment, we consider a fairly broad range justified. We believe the 12-month expected return on the stock will at most be at the level of the required return or slightly below it. Nexstim also has strengths and potential to exceed estimates. However, currently, we do not feel investors receive sufficient expected return to offset the risks.

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	0.10	4.78	4.00	2.69	7.90	**12.3**	**12.3**	**12.3**	**12.3**
Number of shares, millions	439.6	7.27	7.27	7.27	7.16	**7.16**	**7.16**	**7.16**	**7.16**
Market cap	43	35	29	20	57	**88**	**88**	**88**	**88**
EV	45	33	28	23	61	**91**	**87**	**82**	**76**
P/E (adj.)	neg.	neg.	22.2	neg.	neg.	**34.8**	**21.8**	**16.7**	**14.6**
P/E	neg.	neg.	22.2	neg.	neg.	**34.8**	**21.8**	**16.7**	**14.6**
P/B	neg.	10.9	7.1	6.9	15.0	**13.9**	**8.5**	**5.6**	**4.1**
P/S	10.5	5.4	3.1	2.7	6.5	**5.9**	**4.7**	**4.3**	**3.6**
EV/Sales	10.9	5.2	3.0	3.1	7.0	**6.1**	**4.7**	**4.0**	**3.1**
EV/EBITDA	neg.	neg.	21.4	neg.	>100	**24.5**	**15.6**	**12.7**	**9.6**
EV/EBIT (adj.)	neg.	neg.	33.6	neg.	neg.	**33.3**	**20.4**	**15.1**	**11.1**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**25.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**1.7 %**

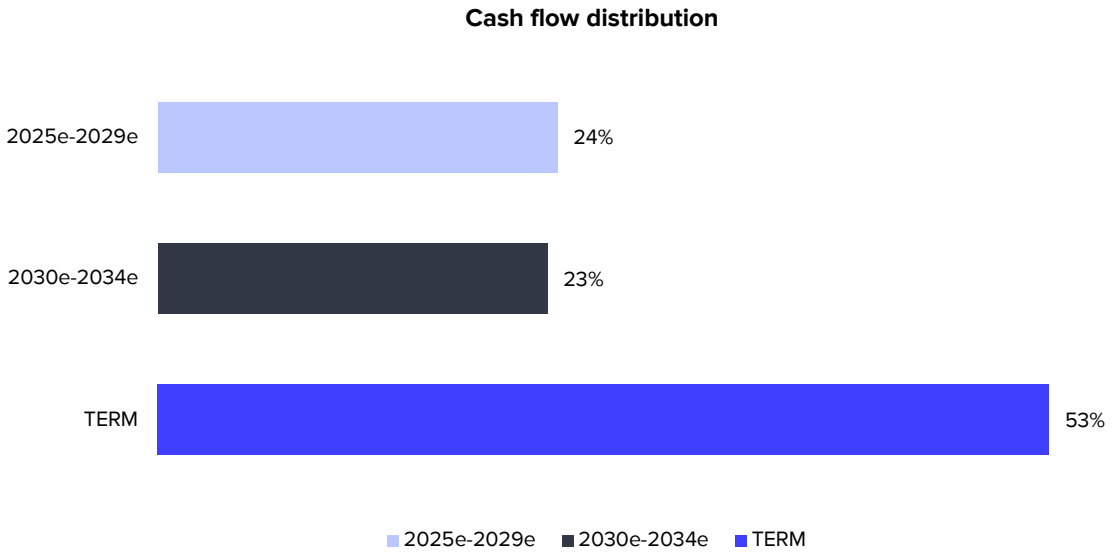
Source: Inderes

The market cap and EV in the table consider the forecast change in the number of shares and net debt for the forecast years.

DCF-calculation

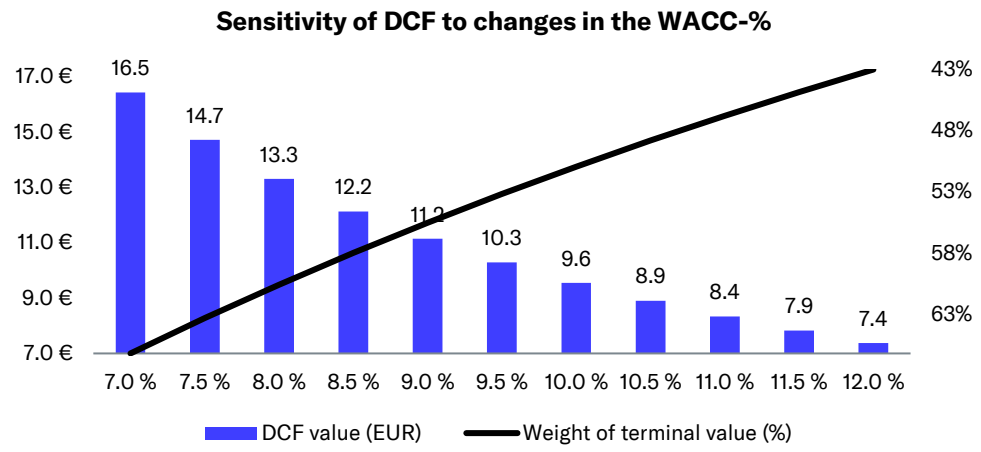
DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	20.5 %	70.2 %	24.7 %	11.4 %	18.0 %	16.0 %	14.0 %	12.0 %	10.0 %	5.0 %	2.5 %	2.5 %
EBIT-%	-6.1 %	18.4 %	22.9 %	26.1 %	28.0 %	28.0 %	28.0 %	28.0 %	20.0 %	20.0 %	20.0 %	20.0 %
EBIT (operating profit)	**-0.5**	**2.7**	**4.2**	**5.4**	**6.8**	**7.9**	**9.0**	**10.1**	**7.9**	**8.3**	**8.5**	
+ Depreciation	0.9	1.0	1.3	1.0	1.0	1.1	1.0	1.0	1.1	1.1	1.1	
- Paid taxes	0.0	0.0	0.0	0.0	-0.7	-1.6	-1.8	-2.0	-1.6	-1.6	-1.7	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ 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	-1.6	-0.4	0.0	-0.2	0.0	0.2	-2.8	3.9	0.1	-0.1	-0.1	
Operating cash flow	**-1.2**	**3.3**	**5.5**	**6.2**	**7.2**	**7.6**	**5.4**	**13.0**	**7.5**	**7.6**	**7.9**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-1.7	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.2	-1.2	
Free operating cash flow	**-2.9**	**2.2**	**4.5**	**5.1**	**6.1**	**6.5**	**4.3**	**11.9**	**6.4**	**6.4**	**6.7**	
+/- Other	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-1.9	2.2	4.5	5.1	6.1	6.5	4.3	11.9	6.4	6.4	6.7	98.8
Discounted FCFF		**2.1**	**3.9**	**4.0**	**4.4**	**4.3**	**2.6**	**6.6**	**3.3**	**3.0**	**2.8**	**41.7**
Sum of FCFF present value		78.7	76.6	72.7	68.7	64.3	60.0	57.4	50.8	47.5	44.6	41.7
Enterprise value DCF		**78.7**										
- Interest bearing debt		-8.7										
+ Cash and cash equivalents		3.9										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**73.9**										
Equity value DCF per share		**10.4**										

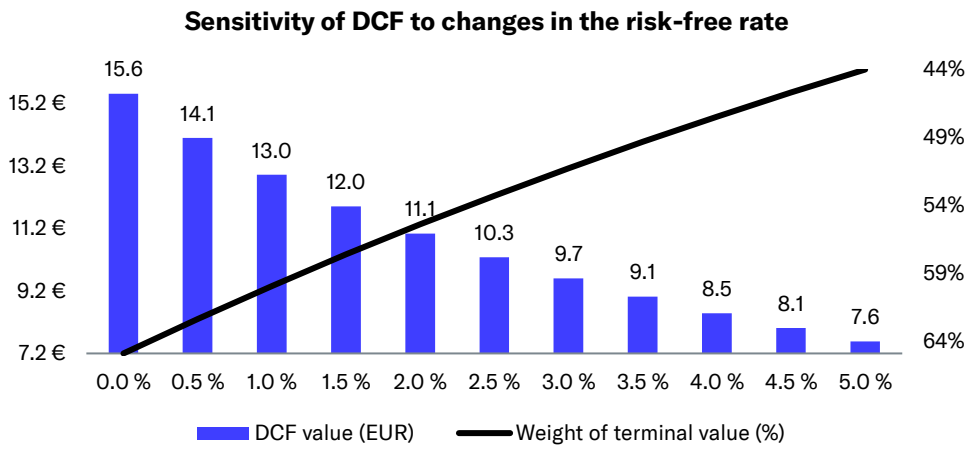
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	5.0 %
Equity Beta	1.28
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	**10.1 %**
Weighted average cost of capital (WACC)	**9.5 %**

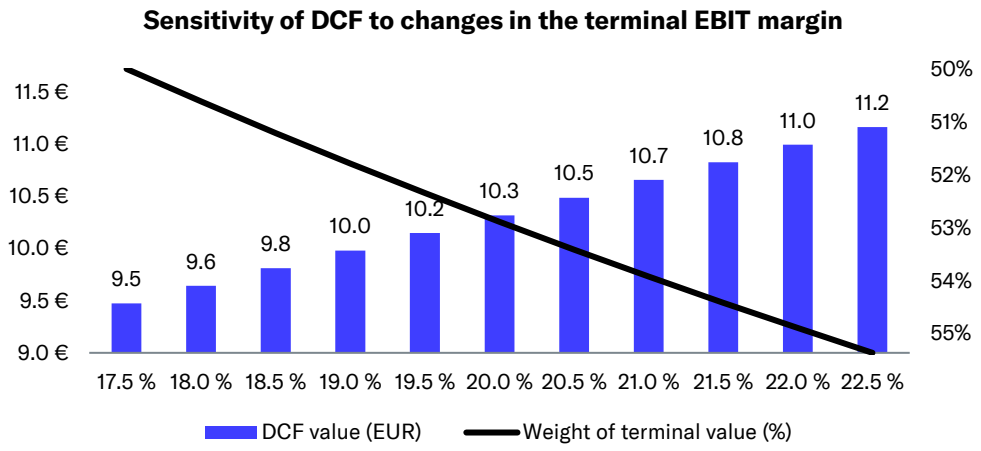


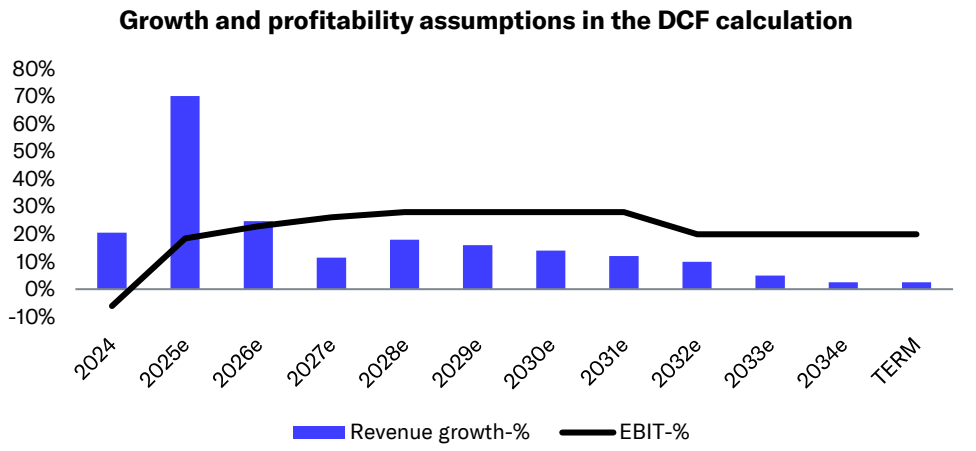
Source: Inderes

DCF sensitivity calculations and key assumptions in graphs









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Summary

Income statement	2022	2023	2024	2025e	2026e
Revenue	9.5	7.2	8.7	**14.9**	**18.5**
EBITDA	1.3	-0.5	0.3	**3.7**	**5.6**
EBIT	0.8	-1.2	-0.5	**2.7**	**4.2**
PTP	1.3	-1.3	-0.9	**2.5**	**4.0**
Net Income	1.3	-1.3	-0.9	**2.5**	**4.0**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	10.2	9.9	14.2	**15.8**	**16.3**
Equity capital	4.1	2.8	3.8	**6.3**	**10.4**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-1.0	3.0	4.8	**2.8**	**-1.5**

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	1.3	-0.5	0.3	**3.7**	**5.6**
Change in working capital	-0.3	-1.7	-1.6	**-0.4**	**0.0**
Operating cash flow	1.0	-2.2	-1.2	**3.3**	**5.5**
CAPEX	-1.4	-1.5	-1.7	**-1.1**	**-1.1**
Free cash flow	-0.4	-3.7	-1.9	**2.2**	**4.5**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	3.0	3.1	7.0	**6.1**	**4.7**
EV/EBITDA	21.4	neg.	>100	**24.5**	**15.6**
EV/EBIT (adj.)	33.6	neg.	neg.	**33.3**	**20.4**
P/E (adj.)	22.2	neg.	neg.	**34.8**	**21.8**
P/B	7.1	6.9	15.0	**13.9**	**8.5**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)	0.18	-0.18	-0.12	**0.35**	**0.57**
EPS (adj.)	0.18	-0.18	-0.12	**0.35**	**0.57**
OCF / share	0.14	-0.31	-0.17	**0.46**	**0.77**
FCF / share	-0.05	-0.51	-0.27	**0.31**	**0.62**
Book value / share	0.56	0.39	0.53	**0.88**	**1.45**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	49%	-24%	21%	**70%**	**25%**
EBITDA growth-%	-230%	-140%	-161%	**1046%**	**50%**
EBIT (adj.) growth-%	-158%	-247%	-56%	**-611%**	**55%**
EPS (adj.) growth-%	-257%	-201%	-34%	**-395%**	**60%**
EBITDA-%	13.8 %	-7.3 %	3.7 %	**24.9 %**	**30.0 %**
EBIT (adj.)-%	8.8 %	-16.9 %	-6.1 %	**18.4 %**	**22.9 %**
EBIT-%	8.8 %	-16.9 %	-6.1 %	**18.4 %**	**22.9 %**
ROE-%	36.0 %	-38.5 %	-26.0 %	**50.2 %**	**48.5 %**
ROI-%	11.4 %	-16.6 %	-5.4 %	**21.3 %**	**32.5 %**
Equity ratio	39.8 %	28.6 %	26.7 %	**40.0 %**	**63.5 %**
Gearing	-23.4 %	105.6 %	127.9 %	**44.3 %**	**-14.1 %**

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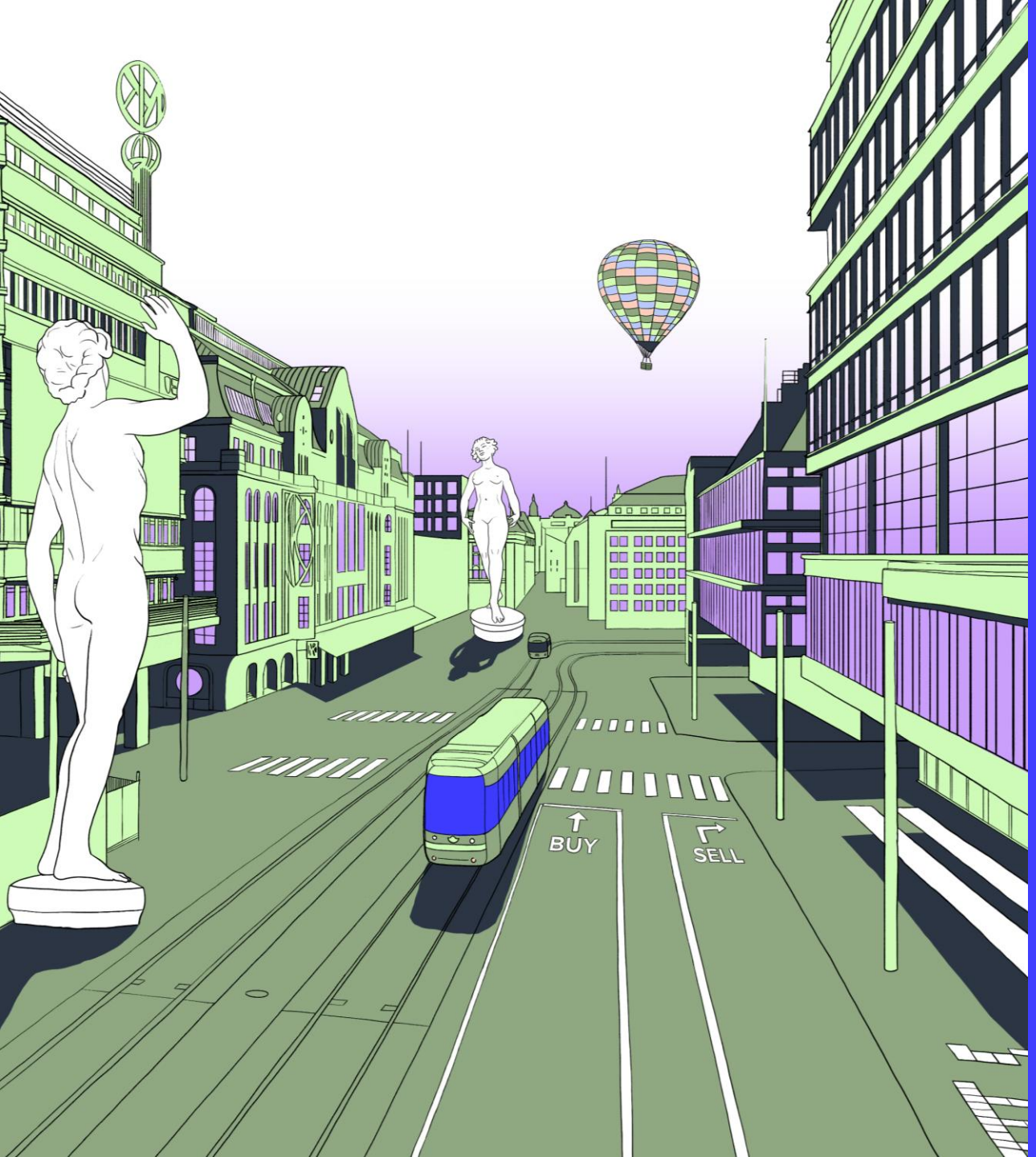
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/30/2022	Reduce	4.60 €	4.85 €
8/15/2022	Reduce	4.40 €	4.73 €
9/8/2022	Reduce	4.40 €	4.06 €
1/10/2023	Reduce	4.30 €	4.25 €
2/28/2023	Accumulate	4.50 €	3.96 €
7/5/2023	Accumulate	4.20 €	3.51 €
8/21/2023	Accumulate	3.60 €	3.05 €
9/26/2023	Accumulate	3.00 €	2.89 €
1/3/2024	Accumulate	3.00 €	2.69 €
2/28/2024	Accumulate	3.00 €	2.40 €
4/28/2024	Accumulate	3.00 €	2.26 €
6/10/2024	Accumulate	4.00 €	3.64 €
6/12/2024	Reduce	3.40 €	3.38 €
8/19/2024	Accumulate	3.40 €	2.95 €
10/21/2024	Sell	4.00 €	6.00 €
12/2/2024	Accumulate	6.20 €	5.52 €
1/3/2024	Reduce	7.00 €	8.76 €
1/16/2024	Reduce	8.50 €	9.28 €
2/28/2025	Reduce	9.00 €	9.54 €
3/4/2025	Accumulate	9.00 €	7.90 €
6/26/2025	Reduce	10.00 €	12.30 €



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