Healthcare, Sweden

Zenicor

Thumbs up for Zenicor – a healthy growth story

Zenicor is a small manufacturer of a portable thumb EKG with good scientific backing for the product. We expect a combination of market growth and internal sales efforts, accelerated through funds from the recent share issue, to support an acceleration in growth. The key long-term driver for growth is potential national screening of risk groups for stroke, and a geographic expansion of the sales force.

- **Zenicor sells a thumb EKG** with an integrated software backbone enabling screening for atrial fibrillation (AF), a key indicator for stroke. Stroke represents a significant cost burden for the healthcare system and is a source of personal tragedy among the general population. Zenicor's portable EKG device can assist in prevention of stroke among patients with heart arrhythmia, and can be used in broader screening programmes among risk groups to detect and treat AF that could lead to a stroke.
- **Zenicor's products have scientific validation** from large studies and are currently used in stroke prevention. We believe broad, potentially national, screening projects for AF are likely to commence in 2020. Prior to that, we expect additional local or regional screening projects to drive growth. The company has a high market share in Sweden, but also a strong foothold in Finland, Norway, Gemany and the UK. We estimate these markets alone to be worth SEK1.7bn.
- Near term, we expect expansion of a Finnish pilot project with Oulu Heart Centre and screening in conjunction with the flu vaccination in Bradford, UK, to support sales growth.
- **Valuation.** We estimate a value range of SEK42-49 per share, derived using a peer comparison of sales multiples. We also use DCF, but attach less relevance to this given uncertainty over long-term assumptions. We forecast the company's sales CAGR to accelerate from 17% for 2013-17 to 32% for 2017-22, driven by faster market expansion as a result of earlier marketing investment and expansion of market scope. An asset-light business model, scientific validation of the product and growth prospects above peers' justifies a valuation in line with peers on EV/Sales 2020E, in our view. The valuation range of SEK42-49 per share is derived from a cautious and an optimistic scenario for sales growth.

Key data

Price*:	24.0
Country:	Sweden
Bloomberg:	ZENI:SS
Reuters:	ZENI.TE
Free float	70.9%
Market cap (SEKm)	135
Net debt (current Y/E) (SEKm)	-8
No. of shares (m)	5.6
Next event:	Q1: 18 May

** Price as at 13.00 CEST on 8 May 2018*

CEO	Mats Palerius
CFO	Mats Palerius

Company description

Zenicor is a Swedish med tech company offering a complete system, including a thumb EKG and a software backbone, used for spontaneous and systematic screening for atrial fibrillation (AF), the single most significant indicator for stroke. Zenicor's thumb EKG has been validated by several large scientific studies. A key conclusion from the studies is that systematic screening using Zenicor's product is more efficient than using the prevailing method, the Holter EKG. Several countries are considering introducing national screening programmes for AF, but are awaiting additional scientific support. Conclusions from the large Swedish "Strokestop" study could provide such scientific support in the next couple of years.

Ownership structure

Sonny Norström	14.9%
Mats Palerius	14.2%
Ydrehall AS	13.8%
Humle Fonder	8.9%
Handelsbanken Fonder	8.9%

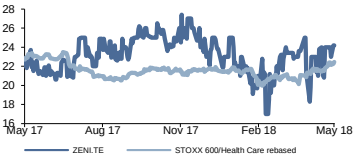
Source: Holdings.se 8 May 2018

Key financials

Year-end Dec (SEK)	2016	2017	2018E	2019E	2020E
Revenues (m)	17	18	22	28	39
Revenues growth	14.2%	7.3%	17.2%	30.0%	40.0%
EBITDA (m)	-2	-3	-2	-2	2
EBIT adj. (m)	-2	-3	-3	-2	2
EBIT growth	66.8%	-69.8%	8.6%	8.3%	n.m.
Pre-tax profit (m)	-2	-2	-3	-2	2
EPS adj.	-0.38	-0.46	-0.50	-0.41	0.36
DPS	0.00	0.00	0.00	0.00	0.12
Dividend yield					0.5%
FCF yield (incl. recurr capex)	-8.3%	-0.5%	-2.9%	-3.7%	-0.7%
EBIT margin (adj.)	-9.5%	-15.1%	-11.8%	-8.3%	5.7%
Net debt/EBITDA (x)	-1.5	-1.8	3.5	1.6	-1.2
ROIC	-31.3%	-37.9%	-30.8%	-22.7%	15.2%
EV/sales (x)	5.0	6.0	5.9	4.7	3.4
EV/EBITDA (adj.) (x)	n.m.	n.m.	n.m.	n.m.	57.8
EV/EBIT (adj.) (x)	n.m.	n.m.	n.m.	n.m.	59.4
P/E (adj.) (x)	n.m.	n.m.	n.m.	n.m.	68.1
P/BV (x)	17.1	37.6	7.6	8.8	7.8

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

Analyst(s)
Oscar Stjerngren

Danske Bank

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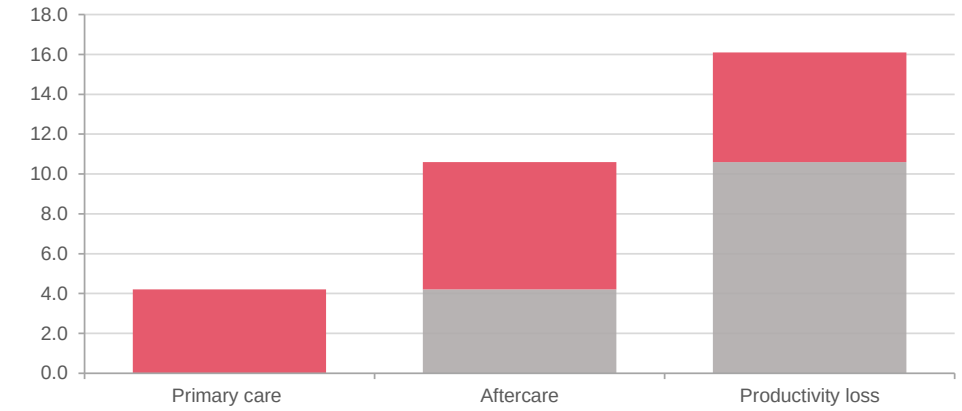
Executive summary

Stroke – a global problem

Every year an average of 15 million people suffer from strokes worldwide. In Sweden alone, around 30,000 of the 10 million inhabitants suffer from strokes every year. The total cost to Swedish society is SEK16.1bn per year for new stroke patients alone. In the US, the American Heart Association estimates the aggregated cost of stroke to be USD40bn per year (as of 2014). The definitions of costs probably differ, but the conclusions are fairly similar, that stroke costs society c.SEK1-1.6 per capita annually.

Costs for new stroke patients (Sweden, 2012, SEKbn)



Source: Hjärt-Lungfonden, Danske Bank Equity Research

There is a high correlation between atrial fibrillation (AF) and increased risk of stroke. Once AF is detected, anticoagulants can be prescribed that reduce the risk of a stroke by up to 70%. The savings for society from early detection of AF are, consequently, significant. The problem is that AF appears with irregular frequency, and can take days, sometimes weeks, to reappear. This is the key reason why regular EKG monitoring at hospital, and so-called Holter monitors that patients bring home for 24 hours, are not sufficient to detect AF. In addition, a high percentage of patients do not feel the arrhythmia. For such patients, the AF can be detected through a longer period of monitoring (normally two weeks).

Zenicor's products provide part of the solution

Zenicor manufactures a handheld EKG device with an integrated GSM transmitter. The key to Zenicor's product is the combination of simplicity, both for the patient and the hospital, and providing a fully integrated system. The system is split into two parts: hardware, the thumb EKG; and software, a web-based backbone support system for the hospital. The strength, and value we argue, lies in the system – the software and how Zenicor's system interacts with the healthcare system. The doctor does not need any software as they can log in directly to Zenicor's system. Each device has an ID that is registered with the patient before they borrow the device.

Zenicor's thumb EKG

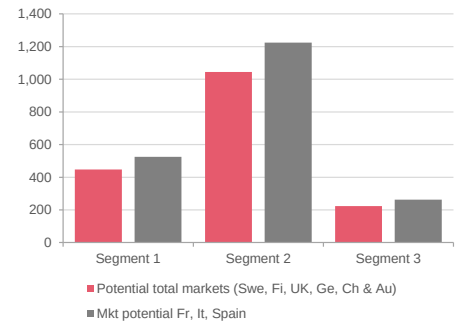
Source: Zenicor

Besides having an innovative product integrated with an easy-to-use software, the key to commercial success, we argue, is scientific support. Zenicor's product and system have been validated by several academic studies, most importantly the world's largest AF study, "Strokestop".

Market expected to expand rapidly in the coming decade

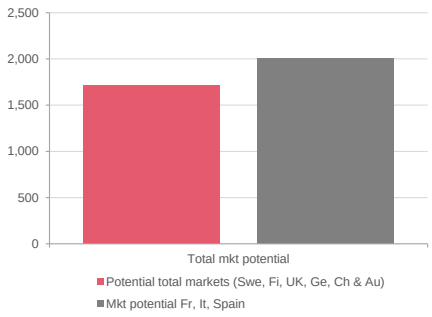
The market is split into three segments, with the bulk of the current revenues derived from the first segment, while the most significant upside lies in the second and third segments, we argue. Segment one is symptomatic screening, i.e. using Zenicor's device as a follow-up for patients seeking care for some form of heart arrhythmia. Segment two is opportunistic screening of asymptomatic risk groups and broader, possibly national, screening of pre-defined risk groups. Segment three is the smallest and relates to opportunistic screening of patients suffering from stroke, i.e. to prevent relapse. An example of segment two could be screening of risk groups in conjunction with other medical events (such as flu vaccination), or national screening of pre-defined risk groups.

Market potential by segment



Source: Danske Bank Equity Research estimates

Total market potential for AF screening



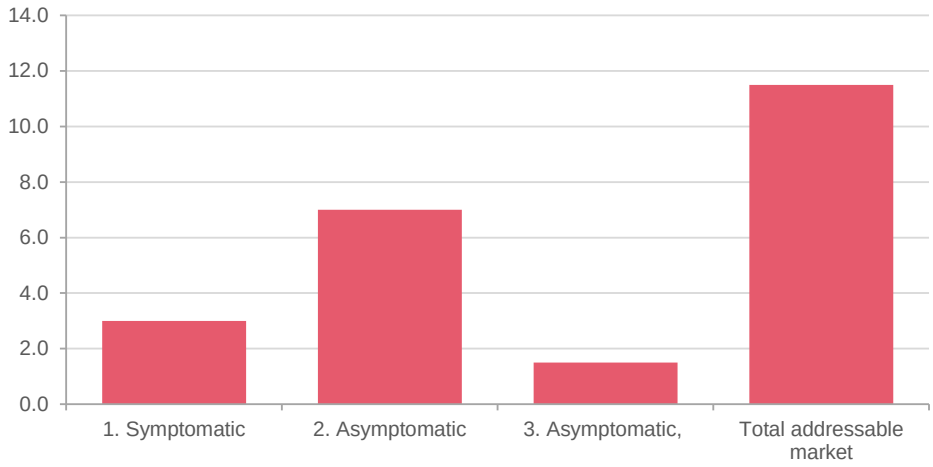
Source: Danske Bank Equity Research estimates

The markets for opportunistic, asymptomatic screening are slowly opening up. For example, in pilot projects in the UK, patients have been screened for AF in conjunction with receiving the flu vaccine (at three vaccination clinics in Bradford). In the short to medium term, we expect this market to continue to expand. The most significant upside would result if national opportunistic

screening programmes for risk groups were introduced, we believe. Our conclusion is that national healthcare authorities, such as the UK's NHS and the Swedish Socialstyrelsen, are awaiting additional scientific evidence before potentially going ahead with national screening. In our view this is more of a formality, but it is understandable that solid academic support would be needed for such important decisions. We believe the final results from the "Strokestop" study could provide such evidence, and that national screening programmes are likely to commence in 2020. We see this is as a significant potential growth driver for Zenicor.

We estimate the market potential per capita from combining segments 1-3 to be SEK11.5. Applying this to Zenicor's current focus markets (Sweden, Finland, Germany, the UK, Switzerland and Austria), we reach a combined market value of SEK1.7bn. Medium term, the company is looking to expand its focus to France, Italy and Spain, which we estimate would roughly double the size of the total addressable market in Europe to SEK3.7bn. Zenicor has a high share of the market in Sweden, at c.30-40% we estimate, which demonstrates in our view that the business model works.

Market potential per capita/year (Sweden, SEK)

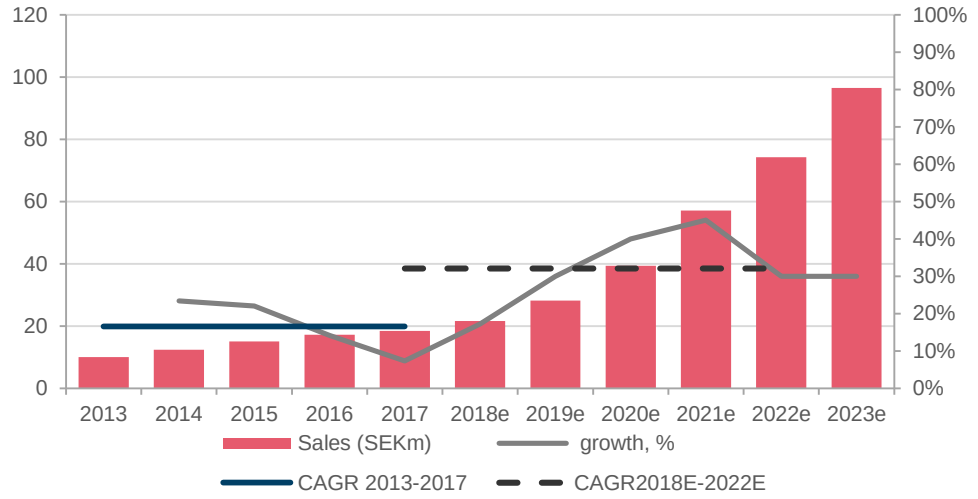


Source: Danske Bank Equity Research estimates

Estimates

The company's sales CAGR over 2013-17 was 17%, and we see several short-term factors to help drive sustained, or slightly increased, growth. The expansion of screening projects in the UK and Finland are examples of such short-term drivers. In the medium term, we expect further similar screening projects to be added, driving growth in asymptomatic screening. Further to a deeper penetration of existing markets, we expect the capital raising will be spent on an accelerated expansion of the company's sales force. For the coming five-year period, we expect an increase in the sales CAGR to 32%. Although this may appear high, we are starting from a low base in terms of absolute sales. The company targets SEK80m in sales in 2021 and in our estimates we have the company reaching this level in 2023. Also, our 32% CAGR compares to the company's long-term growth target of 50%.

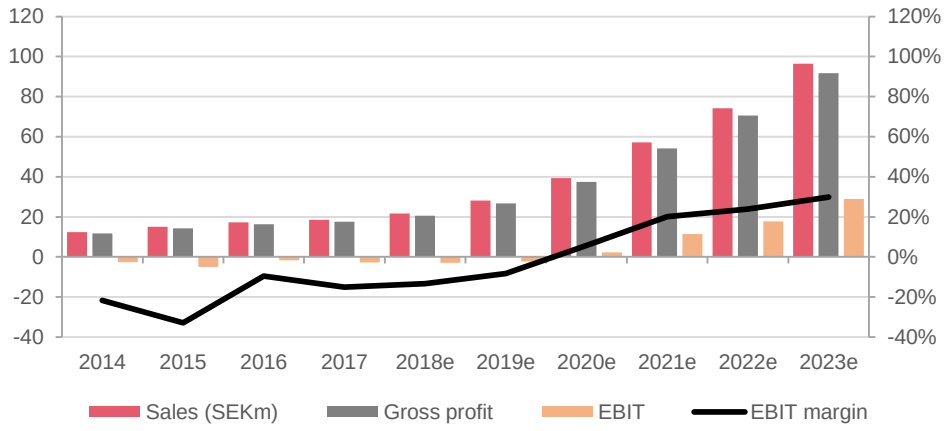
Zenicor – Sales growth forecasts



Source: Company data, Danske Bank Equity Research estimates

We estimate very high gross margins at 94-96% given the low production cost for the device in relation to a subscription-based sales model, whereby we estimate revenues of close to SEK70k to be generated over five years. The cost driver is mainly expansion of the sales force, we argue. We expect Zenicor to turn profitable from 2020.

Profitability development (SEKm)



Source: Company data, Danske Bank Equity Research estimates

Valuation

When valuing a company like Zenicor in an attractive market with good growth prospects, but in the early stages of its development phase, we need to look two to four years out to determine what kind of sales and margins the company could deliver. In this report we have established that we see a high need for the company's products, and that there is a high probability of market growth. In this market, Zenicor has an established position in terms of scientific support from several studies. Also, the company has, and should accelerate, its position in the market and has a proven revenue model.

Healthcare peer table (1 of 2)

Healthcare peers	Ccy	Price (lcl FX)	Ticker (BBG)	Mkt cap (lcl FX)	EV/Sales (x) 2017E	2018E	2019E	2020E	2021E
Biotage AB	SEK	99.4	BIOT SS	6,433	8.4	7.0	6.2	5.7	
Vitrolife AB	SEK	657.5	VITR SS	14,274	13.4	12.0	10.5	9.6	
Sectra AB Class B	SEK	206.5	SECTB SS	7,872	6.2	5.8	5.5	0.0	
Ambu A/S Class B	DKK	182.9	AMBUB DC	39,812	17.7	15.7	13.6	10.7	
CellaVision AB	SEK	159.5	CEVI SS	3,804	11.8	10.6	9.2	8.1	
Boule Diagnostics AB	SEK	291.5	BOUL SS	1,415	3.2	2.9	2.6	2.5	
Xvivo Perfusion AB	SEK	94.1		2,465	15.3	12.3	8.5	6.2	
iRhythm Technologies, Inc.	USD	65.91	IRTC US	1,555	16.0	11.8	8.7	6.6	
Zenicor Medical Systems AB	SEK	24.2	ZENI SS	136	6.0	5.8	4.7	3.4	2.2
Median (excl. iRhythm & Zenicor)					**8.4**	**7.0**	**6.2**	**7.1**	
Average (excl. iRhythm & Zenicor)					**9.2**	**8.2**	**7.2**	**7.1**	

Note: Prices as at 13:00 CEST on 8 May 2018.
Source: Factset (for peers), Danske Bank Equity Research estimates (for Zenicor)

Healthcare peer table (2 of 2)

Healthcare peers	Ccy	Price (lcl FX)	EV/EBIT(x) 2017E	2018E	2019E	2020E	2021E	P/E (x) 2017E	2018E	2019E	2020E	2021E
Biotage AB	SEK	99.4	46.7	35.0	28.6	25.0		46.4	36.1	30.5	29.5	
Vitrolife AB	SEK	657.5	41.1	35.4	30.2	26.3		80.8	47.0	40.9	35.7	
Sectra AB Class B	SEK	206.5	32.7	30.9	28.2	0.0		46.9	41.8	38.4	0.0	
Ambu A/S Class B	DKK	182.9	92.4	70.3	55.4	38.7		142.0	121.3	81.2	54.9	
CellaVision AB	SEK	159.5	38.6	35.3	27.7	23.0		54.6	45.1	37.4	31.4	
Boule Diagnostics AB	SEK	291.5	49.9	18.5	16.5	13.6		37.3	25.9	23.4	18.9	
Xvivo Perfusion AB	SEK	94.1	322.7	95.8	46.5	26.2		229.5	106.2	58.4	33.7	
iRhythm Technologies, Inc.	USD	65.91	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
Zenicor Medical Systems AB	SEK	24.2	-40.0	-49.6	-56.3	58.9	11.1	-49.8	-48.4	-58.0	67.6	13.2
Median (excl. iRhythm & Zenicor)			**41.1**	**35.0**	**28.2**	**23.0**		**46.9**	**41.8**	**37.4**	**29.5**	
Average (excl. iRhythm & Zenicor)			**46.5**	**35.1**	**29.2**	**20.0**		**62.8**	**49.2**	**39.3**	**26.9**	

Note: Prices as at 13:00 CEST on 8 May 2018.
Source: Factset (for peers), Danske Bank Equity Research estimates (for Zenicor)

We have used a combination of several methods in our valuation approach to Zenicor and are working with a relatively high discount rate to reflect the risks for a small player facing intensified competition as the market develops. We have combined a DCF valuation with a peer multiple valuation, but find the sales multiple in relation to peers most relevant. Valuing Zenicor on sales multiples in line with peers (EV/Sales20E of 6.5x), we reach a value of SEK45 per share, and applying cautious and optimistic scenarios we reach a range of SEK42-49. Given the company's asset-light model, scientific validation of the product and growth above peers' over the forecast period, we find a valuation in line with peers justified. Our DCF indicates a value of SEK63, but in light of the strong expected sales growth, and inherent uncertainty in the DCF valuations of high-growth companies, we rely on the sales multiple valuation.

Scenario valuation table

2020E	EV/Sales	Mkt cap (SEKm)	Per share (SEK)	Potential upside
Bull	5.0	277.3	49.2	105%
Base	6.5	256.0	45.4	89%
Bear	7.5	239.2	42.4	77%
Current share price		135.3	24.0	

Source: FactSet, Danske Bank Equity Research estimates

Risks

Zenicor operates in a competitive industry, with several potential competing products and technologies. The technology is proven and superior to most prevailing methods for AF screening, supported by several independent studies. Having said that, there is always a risk of new entrants, or existing players developing stronger propositions. There are several global

players with strong financial resources that could increase their marketing efforts to expand their shares in Zenicor's home markets.

The company needs to continue investing in marketing in order to drive volumes, while trimming costs in order to remain competitive. There is a risk that increased spending would not result in the expected top-line growth, hence requiring additional capital injections.

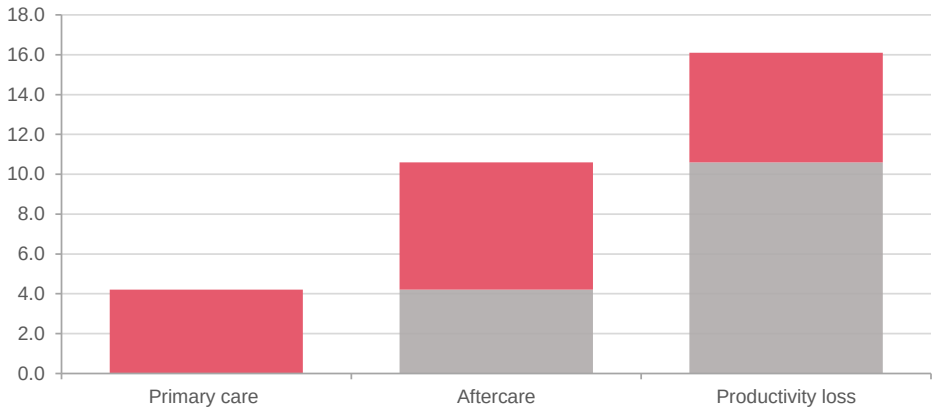
A key demand driver for Zenicor is preventive screening for AF. We see a high likelihood of more broad-based screening, but these decisions lie outside of the company's control. National healthcare systems tend to be slow in adopting new technology, and medical professionals can be slow in implementing new technical solutions.

There is a currency risk as Zenicor reports in Swedish krona but sales, to an increasing extent (30% of total sales but 50% of sales growth), are outside of Sweden. Costs are predominantly in Swedish krona. The 30% of revenues not in SEK are mainly in EUR and GBP (with a minor exposure to NOK and CHF, we believe).

Market overview

Every year, 15 million people suffer from strokes worldwide. In Sweden alone, with 10 million inhabitants, c.30,000 people suffer from strokes every year, of which 22,000 are new patients and 8,000 are recurring. According to a study by the Swedish Hjärt-Lungfonden (in 2012), the cost for a single stroke patient is SEK741,000, bringing the total cost for Swedish society to SEK16.1bn per year for new stroke patients alone. The total cost is split into SEK4.2bn (26%) for primary care, SEK6.4bn (40%) for aftercare, and SEK5.5bn (34%) for lost production in society. This is as much as c.3% of the total bill for health and elderly care in Sweden.

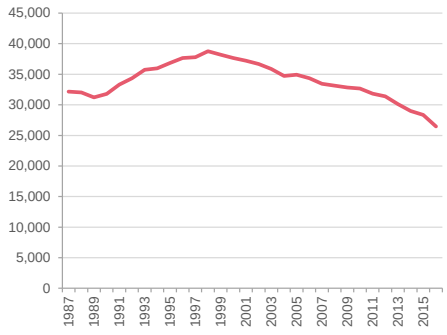
Costs for new stroke patients (Sweden, 2012, SEKbn)



Source: Hjärt-Lungfonden, Danske Bank Equity Research

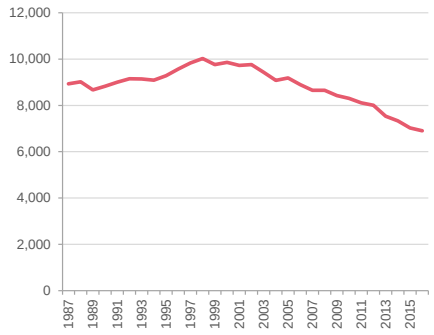
In the US, the American Heart Association estimates the aggregated cost for stroke to be USD40bn per year (as of 2014). The number of strokes per year peaked in the late 1990s, and has decreased since then. There is still much to do in terms of preventing strokes.

Number of stroke patients (Sweden)



Source: Socialstyrelsen, Danske Bank Equity Research

Number of deaths with stroke as the underlying reason (Sweden)



Source: Socialstyrelsen, Danske Bank Equity Research

A key reason for stroke is atrial fibrillation (AF), which is one of the most common forms of heart arrhythmia. In Sweden, c.300,000 people suffer from AF. For a person suffering from AF, the risk of a stroke is five times higher than average. Besides treating the direct effects of AF, doctors regularly prescribe blood thinners such as Varan or NOAC (Novel Oral AntiCoagulants) to reduce the risk of a stroke. The use of blood thinners can reduce the risk of a stroke by up to 70% (Tijn Henrdikx study "Catch Atrial Fibrillation, Prevent Stroke", 2014). Similar data from the American Heart Association (AHA) suggests that up to 80% of strokes suffered by people with AF are preventable with early detection and proper treatment.

What is AF?

When the heart starts to fibrillate, the electrical impulses are not functioning properly. When the atria starts to fibrillate, the upper chambers often quiver at a pace of more than 400bpm and the ability to pump blood in the atria is lost. This leads to an increased and irregular pulse. These irregular heartbeats can cause blood to collect in the heart and increases the risk of blood clots as the blood coagulates. The blood clots can in turn travel to the brain and cause a stroke. This is why blood thinners are so effective in reducing the risk of stroke post AF.

Symptoms of AF vary from none or very mild to sensations resembling a heart attack and there are a number of different types of irregularities, with the symptoms varying for different people. The difference in symptoms depends on age, the cause of the AF, and how much the AF has affected the heart's ability to pump blood.

Symptoms include:

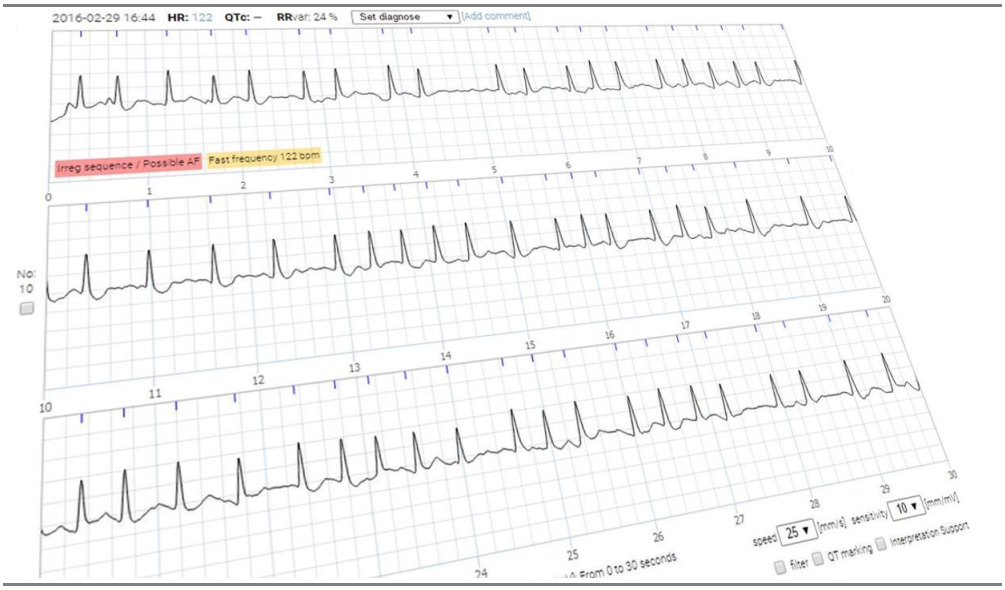
- Feeling overtired, or a lack of energy. This symptom is the most common.
- A pulse that is faster than normal, or changing between fast and slow, and feels irregular.
- Shortness of breath.
- Heart palpitations – feeling like the heart is racing, pounding or fluttering.
- Trouble with everyday exercise or activities.
- Pain, pressure, tightness or discomfort in the chest.
- Dizziness, light-headedness or fainting.
- Increased urination.

The underlying reasons for AF are largely unknown, but there are identified risk factors such as high blood pressure, congestive heart failure, an infection in one of the heart chambers and a hormonal imbalance. There is, however, no clear or proven underlying reason. AF is unusual before the age of 50, but very common above 70 years of age. Some 10% of the population are suffering from AF above the age of 80. Of the total population, 1-2% suffer from AF. With an aging population, the frequency of AF is likely to increase, and in 30-40 years the number of patients could double. Besides age, lifestyle-related diseases such as obesity and diabetes, along with general inactivity, are drivers of a potential increase in AF.

Diagnosing and treating AF

AF can be treated in different ways. One option is to stabilise the rhythm of the heart. This can be done with electrical impulses aimed at stabilising the rhythm. The risk of the AF recurring within one year is 75%, however, but with medication (beta blockers) to cap, or regulate, the heart rhythm the risk of recurrence is reduced to 50%. The treatment method is usually dependent on age, with younger patients typically having higher requirements to reduce the symptoms and have a normal heart rhythm. Another commonly used method is ablation, basically reducing the electrical cords telling the heart's chambers to fibrillate.

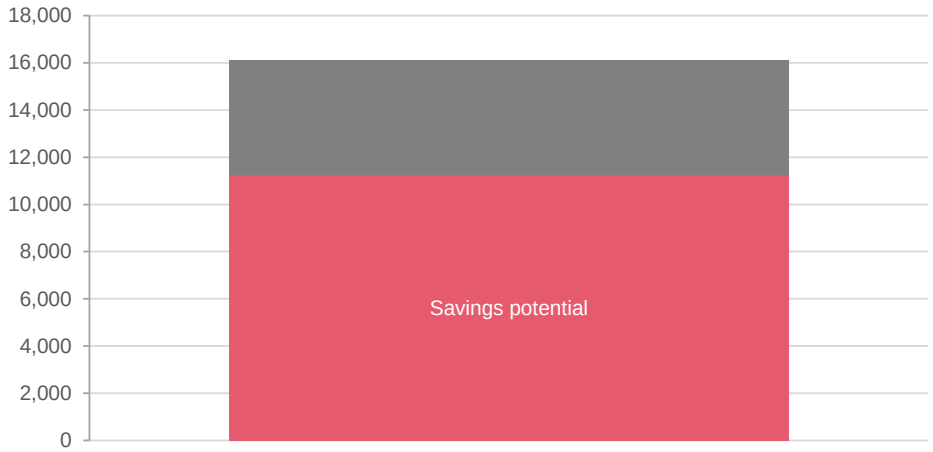
Diagnosing AF



Source: Zenicor

The most common follow-up for AF is the prescription of blood thinners such as Varan or NOAC (Novel Oral AntiCoagulants, now coming to be known as OAC as they are no longer new). The blood thinners do not have an impact on the AF, but they reduce the risk of AF-related stroke by up to 70-80%. This in turn has significant positive implications not only for the wellbeing of the population, but also in terms of reduced costs related to stroke. AF-related strokes constitute 30% of the total number of strokes. If the number of AF-related strokes could be reduced by 70% from opportunistic screening and subsequent treatment with blood thinners, the theoretical saving for society would be SEK3.3bn in Sweden alone, less the costs related to screening and blood thinners. This reasoning assumes that all AF-related strokes can be prevented with opportunistic AF screening. Although this may not be the case, studies have proven that the correlation between stroke and AF is very high, and that the reduction of stroke in patients experiencing AF that are treated with blood thinners is up to 70-80%. The savings for the society from opportunistic screening are consequently significant, we believe.

Total cost of stroke in Sweden and potential savings (SEKm)

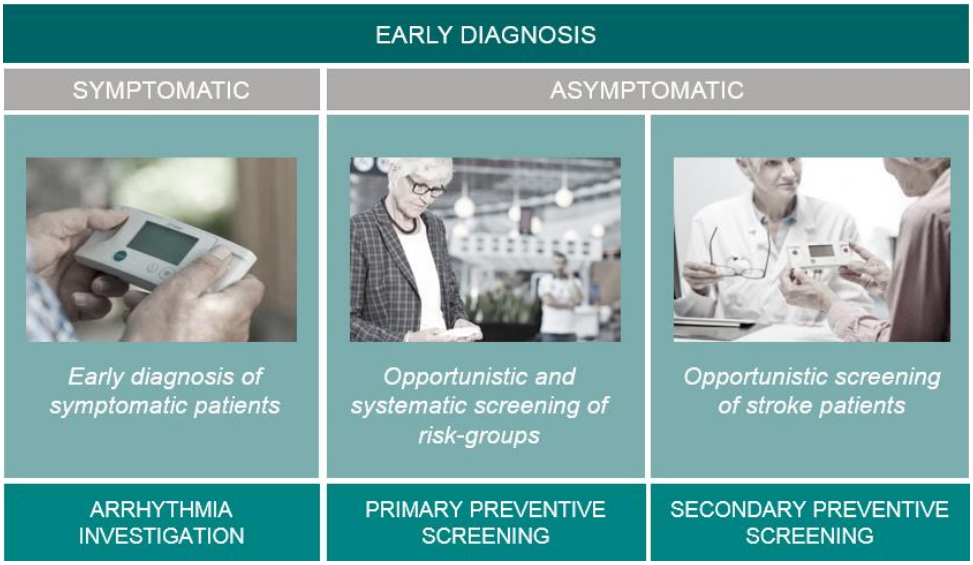


Source: Svenska Hjärt och Lungfonden, Danske Bank Equity Research

Value of potential addressable markets

Zenicor divides the market into three segments, with the bulk of the current revenues derived from segment 1, while the potential is greatest in segment 2, particularly in the near term.

Early diagnosis in three segments



Source: Zenicor

Segment 1 - Symptomatic screening

In this segment Zenicor's device is used for early diagnosis of symptomatic patients. Basically, a patient seeking care for heart arrhythmia is provided with a thumb EKG and can be monitored by a central heart centre. A good example of business in this segment is the pilot project with Oulu Heart Centre that took place H2 17 and was extended and expanded in November 2017. Oulu Heart Centre provides local primary care centres, which do not have the necessary expertise in cardiology, with Zenicor's devices. The devices are in turn prescribed to patients with heart arrhythmia, while monitoring and follow-up is done remotely in Oulu. In this set-up, the physical distance between the heart centre in Oulu and local care units can be significant, up to 400km, hence allowing for remote screening that covers large areas without local cardiologists.

The financials can differ, but in the Finnish case there is a mandated reimbursement per screening, and the reimbursement is split between Zenicor and the heart centre. In total, we estimate that 60-70% of Zenicor's current revenues are derived from symptomatic screening and that an important near-term growth driver is the expansion of the Oulu project.

Segment 2 – Asymptomatic, opportunistic screening

Segment 2 is opportunistic and systematic screening of risk groups. This primary preventive screening is the segment with the highest market potential in the near to medium term. A very important aspect of screening is the combination of pinpointing the risk groups and then reaching them in a way that is both cost efficient for the healthcare system and efficient for the patients. In October 2017, Zenicor was selected to supply the equipment and software for a project in the UK whereby patients were screened in conjunction with receiving the flu vaccine. This is a good example of how to reach a high-risk group at a low cost. The screening project was extended to three clinics in Bradford, in the UK, but we see this as an important reference project for similar projects in the UK, or other countries. The greatest long-term potential, from 2020, we believe, is broader, national screening projects of pre-defined risk groups. Currently, the governing

bodies for healthcare in several countries are awaiting additional scientific evidence that the AF that can be found through screening is actually connected to stroke. In our view, this seems more of a formality, but it is understandable that this decision should be based on scientific evidence. We believe that the "Strokestop" study, discussed in more detail below, will provide such evidence. The study was finalised in 2013, and is being followed up after three, five and eight years. We deem it realistic that another one to two years of follow-up is needed before broader, opportunistic screening could potentially start in 2020. Some doctors we have spoken to believe, however, that it may even be earlier, but we find that unrealistic. We are more likely to see an increase in screening of specific risk groups in the near term.

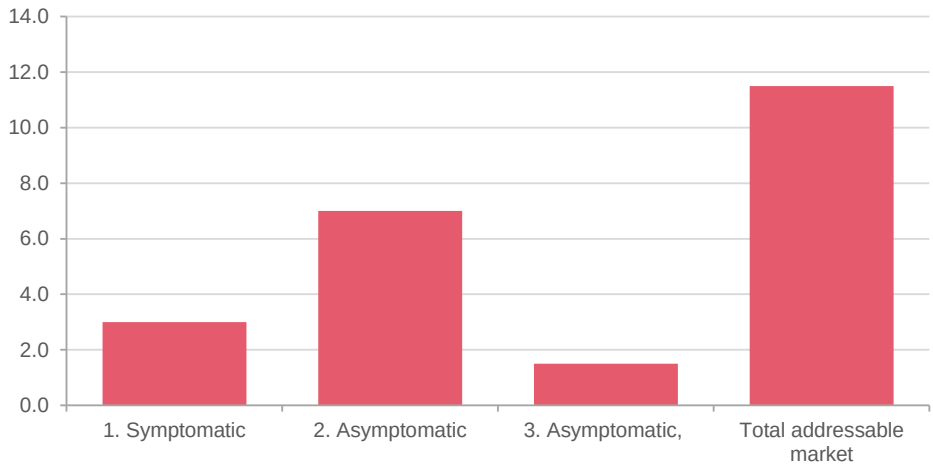
Segment 3 – opportunistic screening of stroke patients

This is a smaller segment to which Zenicor has some sales today. This relates to follow-up of patients who have suffered a stroke in order to avoid a relapse. With a history of stroke, the prescription of anticoagulants is not recommended, hence other means to detect an increased risk of another stroke is used, for example opportunistic screening.

Zenicor's current focus markets are Sweden, Finland, the UK, Germany, Switzerland and Austria. Given its strong position in Sweden and Finland, the likelihood of Zenicor playing a vital role in broader, opportunistic screening is high in our view. Having said that, the short- to medium-term potential for growth is highest in the UK and Germany, in particular in Segment 2, we believe. The key driver for this is the company's proven track record from specific screening projects. The company's growth is currently strongest outside of Sweden (some 70% of sales are domestic but 50% of growth is outside Sweden).

Looking at market potential, we estimate on the back of discussions with the company and looking at current projects in combination with comparisons with the US market, the total potential market value in the Nordics to be SEK11.5 per capita/year. As discussed above, the company has only started to tap the market potential as the opportunistic screening processes for risk groups or broader, asymptomatic groups have just started.

Market potential per capita/year (Sweden, SEK)



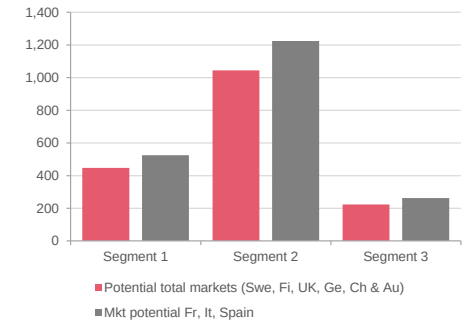
Source: Danske Bank Equity Research estimates

Applying our per capita estimates to Zenicor's focus markets, the total market potential amounts to SEK1.7bn. As we believe price levels to be slightly lower in Germany and the UK, we have assumed 25% lower revenues per capita. The next step for the company, we believe, is to focus on France, Italy and Spain. We estimate these potential markets to be similar in size, i.e. SEK2.0bn, if we assume a potential of SEK11.5 per capita. Zenicor's focus markets are

consequently worth an estimated SEK.3.7bn once developed. Long term, there is obviously scope to expand outside Europe.

On the back of our market estimates, and given that 70% of Zenicor's sales are in Sweden and the market is currently dominated by segment 1, we estimate its market share in Sweden to be around 30-40%. The potential addressable market in Sweden we estimate to be SEK115m, and this is a number that should be compared with the potential savings for society of up to SEK11bn if the number of strokes can be reduced by up to 70%. The total cost for such a reduction in the number of strokes would obviously include subscriptions of blood thinners, the cost for the screening in the healthcare system, etc. We argue, however, that the total cost for the screening equipment is realistic.

Market potential by segment



Source: Danske Bank Equity Research estimates

Total market potential for AF screening

Source: Danske Bank Equity Research estimates

In a competitive and slow moving market, it is difficult to base our sales estimates for Zenicor on market potential and expected market shares. However, if we assume a 10% share of the focus markets, this would equal a sales value of SEK170m for Zenicor. Note that at the time of the company's IPO in late 2014, the target was to reach SEK80m in sales by 2019. This target has now been extended to 2021. Although we believe it would probably take slightly longer to reach this target as national screening is taking longer than expected to implement, it indicates that the potential is significant. With a long-term potential market value of SEK3.7bn for the current and medium-term focus markets, we see reasons to be enthusiastic with regards to the sales potential for Zenicor. This is particularly so given it has clinically tested products that have been instrumental in the most important scientific studies in the field. Also, the company has an optimised workflow to handle large quantities of EKGs.

The US market – different but a relevant comparison

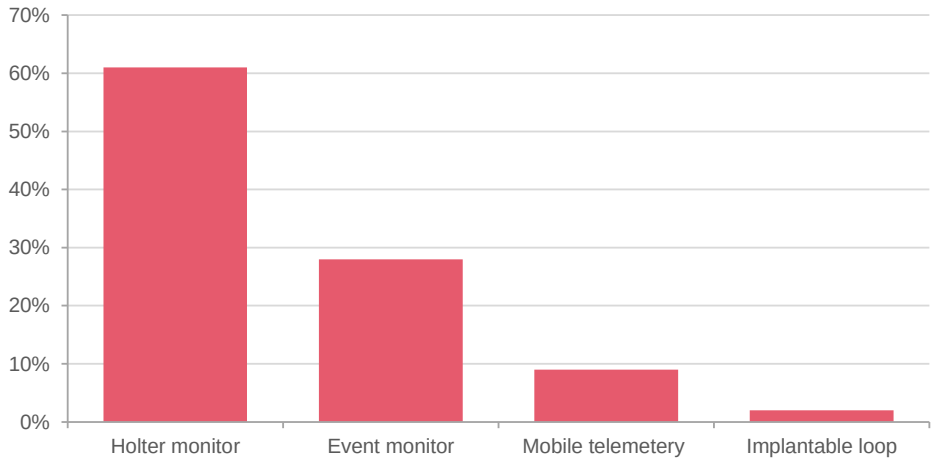
The US is not currently in focus for Zenicor, but we argue it is relevant to look at available US market data as an interesting proxy for Europe. Zenicor's thumb EKG is currently not FDA approved, but there are prior approvals to lean on, hence the process could be relatively easy. We believe a US entry is a more long-term ambition and would require a local partner.

According to the AHA, in the US some 6 million people suffer from AF, and 11 million suffer from arrhythmia. According to Zenicor's US peer, iRhythm Technologies, an estimated 4.6 million diagnostic tests are performed annually, and the company estimates the addressable market at USD1.4bn, including software and diagnostics, in the US. The US market is driven by insurance companies, hence is more focused on the total cost of care. We believe this is why the existing market for symptomatic screening is significantly larger than in Europe. If we look at the estimated market value, the cost per capita/year is SEK35. This is more than 3x the value we estimate for Zenicor's key markets in Europe. Also, if we assume the US market is mainly symptomatic screening, the value is more than 10x higher. The reason for this is twofold. First, according to Zenicor, there are 3-4x more diagnostic tests performed per capita, and second;

the cost per diagnostic test is more than 3x higher in the US. The estimated market value includes diagnostics, while we are only looking at hardware and software related to the tests.

On the other hand, the high focus on, and cost of symptomatic screening, reduces the potential size of the asymptomatic screening market, which is where we see the greatest market potential. As discussed above, we estimate the potential asymptomatic market to be close to 3x the size of the existing symptomatic screening market.

Ambulatory heart monitoring market (% of diagnoses, market value USD1.4bn)

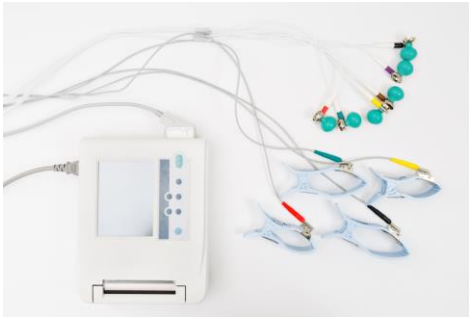


Source: Frost & Sullivan, iRhythm estimates, Danske Bank Equity Research

Of the 4.6 million diagnostics tests performed annually, the bulk, or 61%, are still performed by traditional Holter monitors. The Holter monitor records the EKG for 24 hours and is a mobile device that is hooked up to the patient by the hospital, and the patient need to return to the hospital in 24 hours for analysis. This is obviously better than a stationary EKG in the hospital, but compared to other more modern mobile cardiac event monitors, it requires more manual interaction by the healthcare system, is more obtrusive and, most importantly, discovers a lower proportion of the AF. Many physicians report non-diagnostics rates of AF of up to 85% when using a Holter monitor. The total cost is, however, lower than for Mobile Cardiac Telemetry.

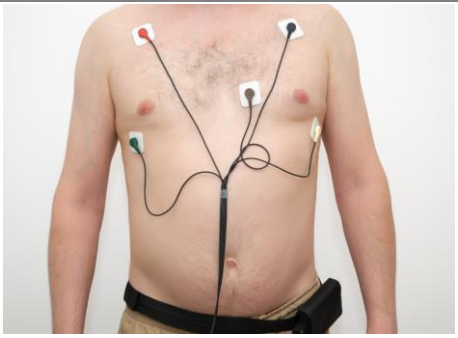
The pictures below show the traditional Holter monitor in order to illustrate the more complex way of measuring the patient's EKG

Traditional Holter monitor



Source: Colourbox

Connected Holter monitor



Source: Colourbox

The Cardiac event monitors are devices that the patient hooks up to the body by him/herself. The disadvantage is that it uses the same kind of electrodes that a regular EKG uses, which is not simple or comfortable, and hence reduces the frequency of the scans. Not only is the process

time consuming and uncomfortable, but the electrodes must be placed correctly for the device to function properly. Also, many of the devices have outdated methods of transmitting data, which has to be done by the patient itself.

The latest technology is mobile cardiac telemetry (MCT). This is a group of devices that automatically transmit data to manned monitoring centres via the mobile network. The products typically measure the EKG via other means than electrodes, i.e. bracelets, thumbs, etc. The common denominator is that these devices transmit data through the cellular network.

We would define Zenicor's thumb EKG as an MCT. Note that the market data above relates to the US.

Scientific, independent studies supporting Zenicor's thumb EKG

Key for acceptance, and sales growth, of cutting-edge medical technology is participation in, and validation by, important independent studies that support the medical and/or financial benefits of the products. There are two important studies, mentioned below, that come to the same conclusion, basically that Zenicor's thumb EKG works, and that it is more efficient in finding AF than the existing dominant method of an out-of-hospital EKG, the Holter EKG. These studies show that the thumb EKG is an efficient way to perform a longer-term monitoring of the patient to detect arrhythmia. The problem with AF is that the occurrence may be infrequent, and hence is difficult to detect in the hospital or even outside with a Holter EKF that typically monitors the patient for 24 hours. The thumb EKG can extend the monitoring period to three to four weeks.

Zenicor's device has been used in the largest AF study in the world, the "Strokestop" study, and its follow-up, "Strokestop 2". In addition, there are several smaller but important studies performed using the company's equipment. Key studies are discussed below, and together with 25 ongoing international studies, we believe Zenicor will be able to capture a material share of this rapidly growing market.

Studies - Strokestop and Strokestop 2

The key to opening up a mass market for Zenicor's products and systems, however, is a broader form of screening. The single most important study, as we see it, for this to happen is the "Strokestop" and the follow-up, "Strokestop 2".

Strokestop study

In the Strokestop study, half of the 75/76-year-old population in two Swedish regions was invited to a screening programme for AF. During the 28 months of the study, 13,331 inhabitants were invited, and 7,173 (54%) participated. Of the participants, 3% were found to have previously unknown AF and of these 0.5% were found on their first EKG. Consequently, the use of intermittent EKG (Zenicor) increased new AF detection fourfold. A prior diagnosis of AF was known in 9.3% of the population, hence total AF prevalence in the screened population was 12.3%. Further to identifying participants with unknown AF, the study also convinced patients with previously known AF that did not take OAC (anti-coagulants) to start taking the medicine.

The European Society of Cardiologists (ESC) added after the Strokestop study that they recommended systematic screening of people of 75 years and older with a high stroke risk. This is an addition to the previous recommendation of opportunistic screening, i.e. screening of patients that seek care for other reasons.

A national programme of systematic screening for AF has been evaluated in, among others, the UK, Ireland, the USA and Sweden between 2014 and 2018. All countries concluded that there was not sufficient scientific evidence to support a national screening programme. What is lacking is evidence that the AF discovered in screenings has the same correlation with stroke as the AF

discovered during routine checks. If such evidence can be produced, all nations appear to look favourably on re-opening the discussion, however.

The Swedish authorities (Socialstyrelsen) concluded in a report in March 2017 that there is not sufficient scientific evidence that a national screening programme for AF would actually lead to a reduction in the number of stroke cases. At the same time, Socialstyrelsen acknowledges that AF is a clear risk factor for stroke, hence in our view this is a matter of awaiting additional scientific evidence.

Strokestop 2 study - Biomarkets can reduce the scope and cost of screenings

The follow-up study, Strokestop 2, will use biomarkers to narrow down the population, and thereby the cost, of the screening. Studies, including Strokestop, have shown that there are few relatively reliable biomarkers, and in the Strokestop 2 study, the biomarker N-terminal pro b-type natriuretic peptide (NT-proBNP) will be used to narrow down the population for the screening. The stated primary end-point is incidents of stroke during a five-year follow-up period. As we understand it, the hope is that preliminary findings from the study will increase the correlation between screenings and fewer incidents of stroke, i.e. present the scientific evidence that the authorities lacked in order to recommend systematic screening as opposed to opportunistic screening.

Findings from attending the "2018 State of the heart conference" in Uppsala

According to Doctor Tord Juhlin's comments at the "State of the heart conference" in Uppsala, Sweden, in 2018, the use of biomarkers in the screening process could reduce the number of people in the population that should use the EKG screening by as much as 35%. His view on screening is that we are likely to see systematic screening in the near future. There are several question marks regarding systematic screening, for example when should we screen, how often, and how should an AF be defined? These questions appear as formalities in our view, with the key question being if the Strokestop 2 study can present enough scientific evidence to defend systematic screening.

Dr Juhlin was mildly positive on the possibility of using smartphones with specific apps and measurement devices as an alternative to the thumb EKG or the Holter EKG. For example, a study in Hong Kong demonstrated promising results with regard to the ability to detect AF. As the sample and age group differed to the studies performed with Zenicor's equipment, we find it difficult to compare the outcome.

There are several consumer products on the market performing similar tasks as Zenicor's products. The key difference, we believe, is that Zenicor can provide substantial scientific backing in terms of the independent studies that have been performed.

Study – "Catch atrial fibrillation, prevent stroke"

In Tijn Hendrikx's study "Catch Atrial Fibrillation, Prevent Stroke" (2014) he studied the use of thumb EKGs in a population of 989. The conclusion was that out of this population, with no previous problems of AF, but with one identified risk factor, an arrhythmia was detected among 4%. Also, the study compared the use of a thumb EKG (Zenicor) with a 24-hour Holter EKG. In the study, 108 patients with symptoms of elevated heart rate or dizziness/light-headedness but no prior known AF, were subjected to the 24h Holter EKG and 28-day thumb EKG. The 24-hour Holter EKG discovered heart arrhythmia in 3.2% of patients, while the corresponding number for the thumb EKG was 13.7%.

Study - Skövde

Interestingly, the "Skövde" study ("Screening of Paroxysmal Atrial Fibrillation after Ischemic Stroke: 48–hour Holter Monitoring vs Prolonged Intermittent ECG Recording") from 2014 came

to similar conclusions. In this study, some 351 patients that had suffered a minor stroke, a sk TIA (Transient Ischemic Attack), were screened after the incident, using the Holter monitor or Zenicor's thumb EKG. 114 patients used Zenicor's device and 246 the Holter monitor. In the Holter group, seven (2.8%) arrhythmias were detected while in the hand-held Zenicor EKG group, 13 (11.4%) incidents were discovered. The results very much resemble those of Tijn Hendrikx.

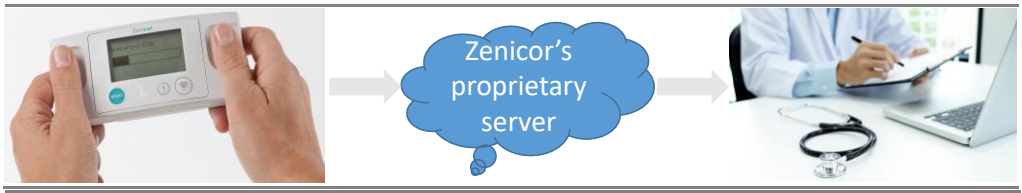
The results of this study are very interesting in our view as not only do they stress the relevance of broader screening for AF, but they also indicate that Zenicor's thumb EKG is more efficient than the traditional Holter EKG.

Zenicor's thumb EKG

The key to Zenicor's product is the combination of simplicity, both for the patient and the hospital, and providing a fully integrated system. The system is split into two parts: hardware, the thumb EKG; and software, a web-based backbone support system for the hospital. The strength, and value we argue, lies in the system – the software and how Zenicor's system interacts with the healthcare system. The doctor does not need any software as they can log in directly to Zenicor's system. Each device has an ID that is registered with the patient before they borrow the device. The product does not have patent protection, which could be considered a risk. Given that the healthcare industry relies to a very high degree on scientific studies to support products, we argue that the combination of support from several long-term studies and the software platform constitutes the value, not the hardware itself.

Products and technology

GSM based transmission of data from device to server and user interface at the hospital



Source: Colourbox, Zenicor, Danske Bank Equity Research,

The hardware is a handheld EKG device, a so-called thumb EKG. The patient puts their thumbs on two electrodes for 30 seconds and at the press of a button the results from the thumb EKG are automatically transmitted to the central EKG database. The ease of used is, in our view, the key differentiator between Zenicor's and competing products. Other products, such as the Holter EKG, require electrodes to be attached the patient's chest. To accurately measure and detect AF, the patients typically take two to four EKGs per day over a period of two weeks. Measurements can be made at regular times, and also when the patient experiences symptoms of arrhythmia. The device has a GSM card, hence data is transmitted via the cellular network. The size and weight of the device is similar to a modern smartphone. The manufacturing of the product is completely outsourced to the Swedish (certified) med tech manufacturing company Orbit One. Orbit One assembles the products in Sweden.

Zenicor's thumb EKG in use

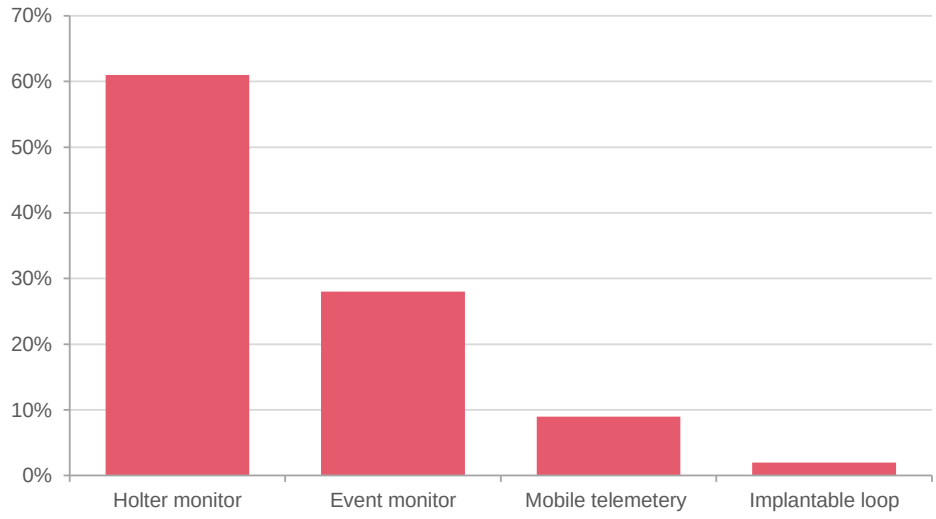
Source: Zenicor

The software part of the system is web-based, installed on an encrypted, central server. The software consist of a system for storage and sorting of the EKGs received. Furthermore, there is a research tool for analysis of the results, along with a diagnostics support tool for medical professionals. All of this is presented with a user-friendly interface for the doctors and other employees in the healthcare system.

Competing products and techniques

There are several competing technologies that have been used in studies. The general conclusion is that longer periods of monitoring, irrespective of technology, result in a higher discovery rate of AF than the short-term Holter EKG. The key advantage of the Zenicor system, particularly in Sweden, is that there is an infrastructure for data storage and analysis in the Swedish healthcare system. The key competitor is the 'incumbent', i.e. the Holter monitor. According to data provided by iRhythm Technologies, the Holter monitor accounts for >60% of the number of diagnostics tests performed per year in the US (4.6m)

Ambulatory heart monitoring market (USD1.4bn)



Source: Frost & Sullivan, iRhythm estimates, Danske Bank Equity Research

Zio Patch is an interesting product from San Francisco-based iRhythm Technologies. It is a patch worn on the chest for two consecutive weeks. This technology seems to offer a good combination of a cost-effective solution that is convenient for the patient and has a good backbone in terms of stored data and analytics capabilities. The product has the disadvantage that the patch must be removed and data is uploaded to iRhythm's cloud services. The technical advantage versus Zenicor that we see is the continuous monitoring as the patch is attached to the body, hence measuring the heart rate during exercise, sleep, etc. The product is manufactured and sold in the US currently, but iRhythm has CE approval for the Zio Patch. We have looked at iRhythm Technologies as a good peer in being a larger competitor in the US that is providing detailed market data.

Omron Heart Scan 801 is a similar product with a handheld device that allows for the user to make a longer period of scanning, and to proactively take an EKG when experiencing symptoms of arrhythmia. The disadvantage of the product is that the device has to be placed on the naked chest. Also, data is stored on an SD card, and has to be manually downloaded to a PC for interpretation and analysis. The product is described as targeting both the professional and the consumer market. We found one study from 2014 concluding that the product is superior to the Holter EKG in discovering AF, but additional studies would be needed to confirm these findings. Also the study was funded by research grants from Omron. Omron healthcare group is headquartered in Kyoto, Japan.

Similar to Omron, there are a number of consumer products that offer services to monitor the heart. We leave these products aside for now, as they compete in a slightly different segment, although they strive to connect the products to the healthcare system. One such Swedish company is Coala.

Smartphone-based apps: Alivecor and ECG Check. These options do not have a functioning backbone infrastructure (data storage and analysis) in the Swedish healthcare system. Alivecor is, however, considered a key competitor by Zenicor's management as the company has gained good traction in Europe.

Zenicor's business model

Zenicor's thumb EKG is sold using one of two payment models, with sales gradually moving towards a pay-per-patient model. Short term, this risks hampering growth somewhat, but we do

not believe this effect will be significant. Also, over the longer term, it is positive as the percentage of recurring revenues is increasing, adding to stability in sales and earnings.

Payment model 1: Initial payment for the EKG equipment plus a flat rate licence fee per month. This pricing model is used in Sweden and licence agreements are signed for 12 or 36 months for the software service. The pricing is increasingly moving towards a subscription-based model without an initial payment. This would likely have a minor hampering effect on growth. As we estimate the initial payment to be a minor part of the revenue for a device over its lifecycle (less than 15%, we estimate), we expect the effects would be relatively low.

Payment model 2: The other option, used in larger screening processes, the customer pays per screened patient. We anticipate this business model to experience the strongest growth. Zenicor has a revenue-sharing model in which the revenue mandated for AF screening is split between the treatment centre and Zenicor. This revenue-sharing model is being used in the Finnish pilot project, which was extended and expanded in November 2017. In the project, the privately owned Oulu Heart Centre placed Zenicor's devices in local healthcare units without AF expertise. The only effort by the local healthcare units is that they prescribe devices to patients and register the right patient with the right thumb EKG. Subsequently, the monitoring is performed by the centralised heart centre in Oulu. This has enabled local healthcare units, which are located far from the healthcare centre, to treat patients without local knowledge.

We see this project as very interesting given that the pilot project performed in 2017 was extended and expanded on the back of positive results. It leads the way in opening up a market for opportunistic screening performed in a structured manner and independent of local heart expertise.

In the UK, Zenicor has been involved in two projects, the first a pilot project for AF screening in an elderly care centre. In October 2017, the project was followed up with AF screening in conjunction with vaccination for the common flu. The project is an important reference project and although relatively minor in size we expect it to support revenues in 2018. Zenicor's system to handle and analyse large amounts of a data in a screening process was used.

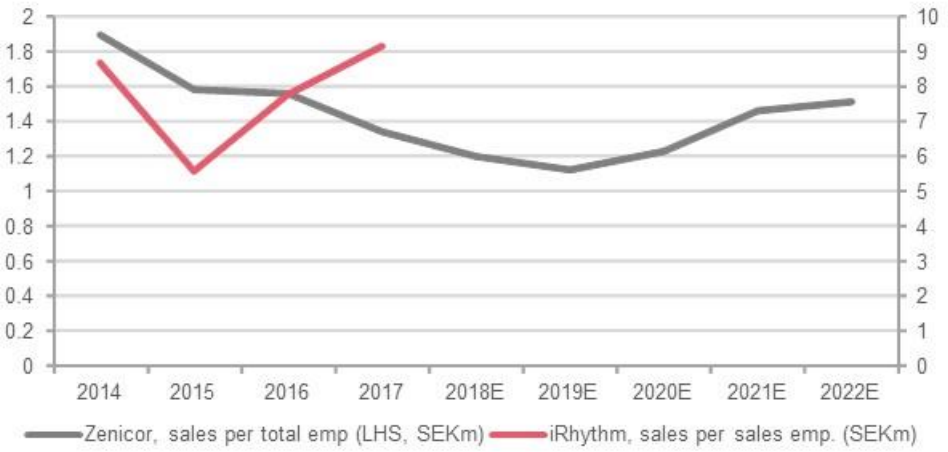
Estimates and assumptions

Sales forecasts

The sales CAGR for 2013-17 was 17%, and we see several short-term factors to drive a sustained or slightly increased growth rate. The expansion of the screening projects in the UK and Finland are examples of such short-term drivers. In the medium term, we expect additional similar screening projects to be added, driving growth in asymptomatic screening. Further to a deeper penetration of existing markets, we expect the capital raising will be spent on accelerated expansion of the company's sales force.

Zenicor has been in the process of building out the company and sales force, while at the same time educating the market on its products, and HAS participated in several studies to validate the product. Although the company has showed good growth, we believe this investment in market presence has temporarily depressed sales per employee. Going forward, we expect a more rapid growth in sales employees. We have looked at Zenicor's US peer, which provides a more detailed breakdown of number of sales employees, and we can see that the expansion of the sales force has been an important growth driver for the company.

Sales per employee, Zenicor vs iRhythm

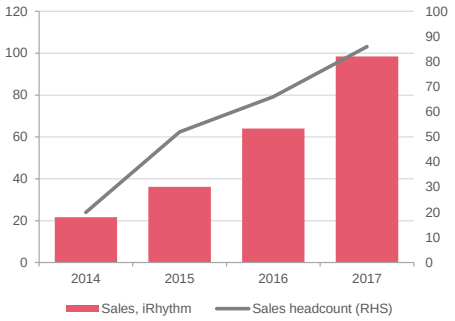


Source: Company data, Danske Bank Equity Research estimates

The chart above shows that after a certain point, iRhythm not only added more sales employees, but started to get leverage on the existing sales force. The sales number per employee is significantly higher for iRhythm, but that is because it splits out pure sales employees, while for Zenicor we have used the total number of staff. If we divide iRhythm's sales by the total number of employees in the company (575 YE17), the sales per employee is close to that of Zenicor in 2017.

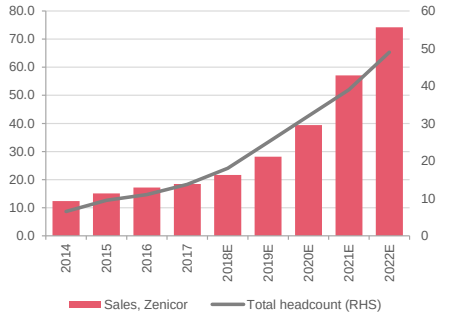
Our point is that we believe the additional sales resources that Zenicor can add on the back of the capital raising would be material in driving growth.

iRhythm - Sales vs sales employees (USDm)



Source: Colourbox

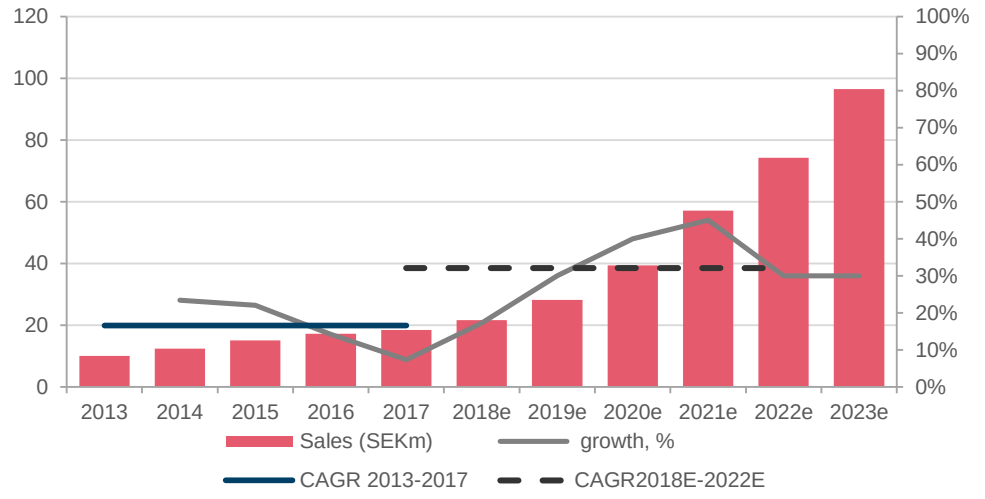
Zenicor - Sales vs total headcount (SEKm)



Source: Colourbox

An increased headcount, driving a geographic expansion and a higher penetration of the existing customer base, is key to our expectation of an increased growth rate. We also expect an increase in asymptomatic screening, both systematic screening of risk groups, and slightly longer term, an opportunistic, broader screening.

Zenicor - Sales growth forecasts



Source: Company data, Danske Bank Equity Research estimates

We expect the sales CAGR to accelerate from 17% (2013-17) to 32% (2017-22). Although this may appear high, we are starting from a low base in terms of absolute sales. The company targets SEK80m in sales in 2021 and we estimate the company would reach this level in 2023. Also, our 32% CAGR compares to the company's long-term growth target of 50%. Zenicor's long-term sales target is SEK500m by 2025. The SEK80m sales target was set for 2019 at the time of the IPO (2014) but has been pushed out further. The key reason for the sales target being pushed out is slower-than-expected decisions on asymptomatic screening.

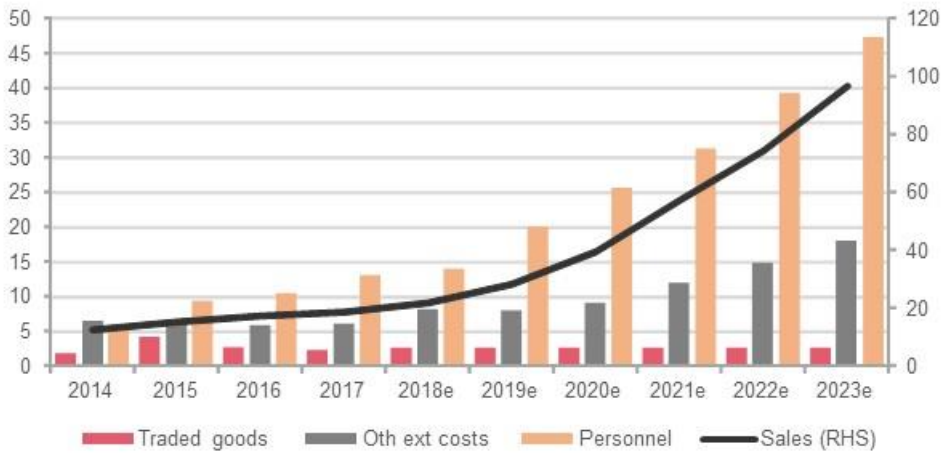
In conjunction with the IPO, Zenicor said it expected the installed base of devices to go from 1,200 in 2014 to 6,000 and thereby deriving sales of SEK80m in 2019. This sales target has subsequently been pushed out to 2021. If we assume all sales are subscription-based, and the economic life of a device is five years, the target would equal sales of SEK13.3k per device/year, or a total of SEK66.7k over five years. Using the same maths, the long-term sales target of SEK500m would imply an installed base of 37.6k units.

Cost and earnings development

We estimate the gross margin of Zenicor's products to be very high. As discussed above, we estimate the income over the economic life of five years to be around SEK70k. A high percentage of this revenue is tied to the software part of the offering, and should of course cover selling costs. If we assume a production cost of SEK3,000-4,000 per unit, and an income of SEK70k, the gross margin would be 94-96%, which is not unrealistic in our view given that the hardware is such a small proportion of the cost.

As the manufacturing is outsourced, we have assumed a steady gross margin of 95%. The cost of goods sold is included in other external costs, and besides the volume-driven increase in COGS, we are also increasing the cost base by SEK5m through 2022 to reflect the expanded premises, etc., as the company grows. We also expect the number of employees to grow from 14 in 2017 to 46 in 2022. This would be mainly driven by sales staff to support the top-line growth.

Zenicor - Expansion of the cost base (SEKm)



Source: Company data, Danske Bank Equity Research estimates

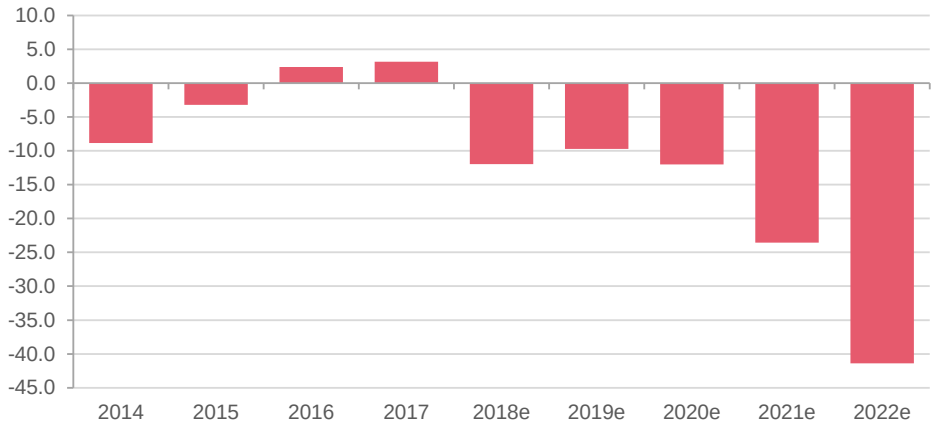
As outlined in the chart above, we expect Zenicor to turn profitable in 2020. We expect top-line growth to be key, however; hence if there are measures that require increased spending, we would expect management to prioritise those rather than profitability in the short term.

Balance sheet and cashflow

Post the recent capital raising, we estimate the net cash position (YE17 proforma), to be c.SEK15m.

Although we anticipate cashflow to remain negative in 2018-19, we do not foresee another capital raising unless costs for growth increase more materially than we anticipate, or top-line growth disappoints.

Net debt (cash) position (SEKm)



Source: Company data, Danske Bank Equity Research estimates

Valuation

When valuing a company like Zenicor in an attractive market with good growth prospects, but in the early stages of its development phase, we need to look two to four years out to determine what kind of sales and margins the company could deliver. In this report we have established that we see a high need for the company's products, and that there is high probability of market growth. In this market, Zenicor has an established position in terms of scientific support from

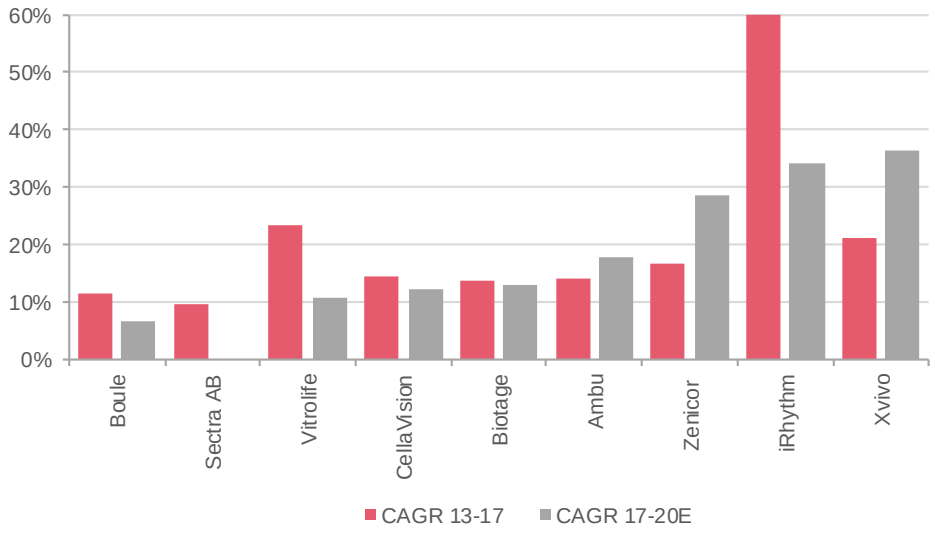
several studies. Also, the company has, and should accelerate, its position in the market and has a proven revenue model.

We have used a combination of several methods in our valuation approach to Zenicor and are working with a relatively high discount rate to reflect the risks for a small player facing intensified competition as the market develops. We have combined a DCF valuation with a peer multiple valuation, but find the sales multiple in relation to peers most relevant. When valuing Zenicor on sales multiples versus peers, we reach a value of SEK45 per share, and when applying cautious and optimistic scenarios, a range of SEK42-49. Our DCF indicates a value of SEK63, but in light of the strong expected sales growth, and inherent uncertainty in DCF valuations of high growth companies, we rely on the sales multiple valuation.

Multiple valuation

We believe that the most relevant method to value Zenicor is to look at historical and projected growth versus peers and apply a 2020E EV/Sales multiple in line with peers. We forecast a CAGR for 2017-20 of 29% for Zenicor, which is a touch below the closest US peer (34%), and twice the average of our Swedish peer group's 15%.

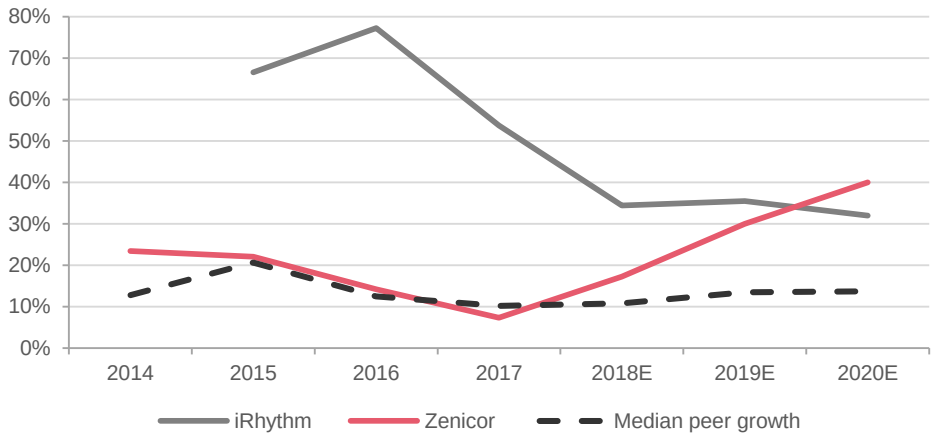
Peer group CAGR



Source: Factset (for peers), Danske Bank Equity Research estimates (for Zenicor)

Looking at historic growth, Zenicor had a sales CAGR of 17% over 2013-17, which is slightly ahead of the Swedish peers' 14%. iRhythm has a high historic CAGR of 60% that is projected, according to Bloomberg consensus, to come down in line with our estimate for Zenicor over the forecast period. We argue that Zenicor is entering a growth period similar to what iRhythm has experienced in the past four years. Also, if growth takes off, it is easier to deliver growth from a low base. Zenicor's sales in 2017 were just a fraction of iRhythm's (2%).

Sales growth, Zenicor vs peers and iRhythm



Source: Factset (for peers), Danske Bank Equity Research estimates (for Zenicor)

The average sales multiple for 2020E is 7.1x for the Nordic peer group and 6.6x for iRhythm. If we remove Ambu, which has a very high sales multiple, from the peer group, the average EV/Sales 2020E is 6.4x. On our sales forecasts, Zenicor trades at 3.4x for 2020E. Given the growth prospects and the scalable asset-light business model with very high gross margins, we expect Zenicor to report high EBIT margins once breakeven is reached. We consequently see a valuation in line with peers as realistic. Applying 6.5x EV/Sales for 2020E to Zenicor, we reach a share price of SEK45. As we expect the company to become profitable in 2020E, earnings multiples are high. More relevant, we believe, is to look at 2021E when we expect an EBIT margin of 20%, implying an EV/EBIT multiple of 21x at a share price of SEK45.

Healthcare peer table (1 of 2)

		Price	Ticker	Mkt cap	EV/Sales (x)				
Healthcare peers	**Ccy**	**(lcl FX)**	**(BBG)**	**(lcl FX)**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
Biotage AB	SEK	99.4	BIOT SS	6,433	8.4	7.0	6.2	5.7	
Vitrolife AB	SEK	657.5	VITR SS	14,274	13.4	12.0	10.5	9.6	
Sectra AB Class B	SEK	206.5	SECTB SS	7,872	6.2	5.8	5.5	0.0	
Ambu A/S Class B	DKK	182.9	AMBUB DC	39,812	17.7	15.7	13.6	10.7	
CellaVision AB	SEK	159.5	CEVI SS	3,804	11.8	10.6	9.2	8.1	
Boule Diagnostics AB	SEK	291.5	BOUL SS	1,415	3.2	2.9	2.6	2.5	
Xvivo Perfusion AB	SEK	94.1		2,465	15.3	12.3	8.5	6.2	
iRhythm Technologies, Inc.	USD	65.91	IRTC US	1,555	16.0	11.8	8.7	6.6	
Zenicor Medical Systems AB	SEK	24.2	ZENI SS	136	6.0	5.8	4.7	3.4	2.2
Median (excl. iRhythm & Zenicor)					**8.4**	**7.0**	**6.2**	**7.1**	
Average (excl. iRhythm & Zenicor)					**9.2**	**8.2**	**7.2**	**7.1**	

Note: Prices as at 13.00 CEST on 8 May 2018.
Source: Factset (for peers), Danske Bank Equity Research estimates (for Zenicor)

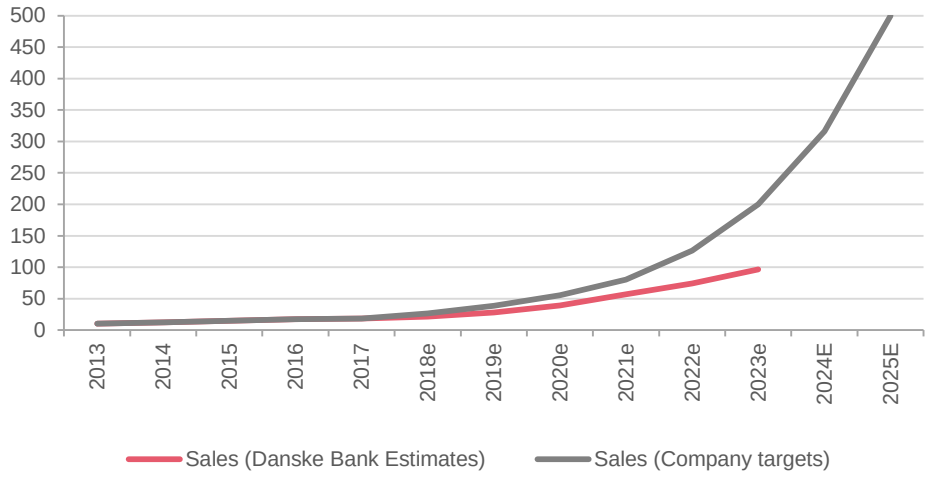
Healthcare peer table (2 of 2)

		Price	EV/EBIT(x)					P/E (x)				
Healthcare peers	**Ccy**	**(lcl FX)**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
Biotage AB	SEK	99.4	46.7	35.0	28.6	25.0		46.4	36.1	30.5	29.5	
Vitrolife AB	SEK	657.5	41.1	35.4	30.2	26.3		80.8	47.0	40.9	35.7	
Sectra AB Class B	SEK	206.5	32.7	30.9	28.2	0.0		46.9	41.8	38.4	0.0	
Ambu A/S Class B	DKK	182.9	92.4	70.3	55.4	38.7		142.0	121.3	81.2	54.9	
CellaVision AB	SEK	159.5	38.6	35.3	27.7	23.0		54.6	45.1	37.4	31.4	
Boule Diagnostics AB	SEK	291.5	49.9	18.5	16.5	13.6		37.3	25.9	23.4	18.9	
Xvivo Perfusion AB	SEK	94.1	322.7	95.8	46.5	26.2		229.5	106.2	58.4	33.7	
iRhythm Technologies, Inc.	USD	65.91	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
Zenicor Medical Systems AB	SEK	24.2	-40.0	-49.6	-56.3	58.9	11.1	-49.8	-48.4	-58.0	67.6	13.2
Median (excl. iRhythm & Zenicor)			**41.1**	**35.0**	**28.2**	**23.0**		**46.9**	**41.8**	**37.4**	**29.5**	
Average (excl. iRhythm & Zenicor)			**46.5**	**35.1**	**29.2**	**20.0**		**62.8**	**49.2**	**39.3**	**26.9**	

Note: Prices as at 13.00 CEST on 8 May 2018.
Source: Factset (for peers), Danske Bank Equity Research estimates (for Zenicor)

Our sales projections are below the company's targets as although we are convinced that the market potential is there, our experience tells us that adoption rates for medical devices risk being slower than expected given the inherently slowness in adapting to new technologies. In the chart below we have assumed a linear sales growth to reach the company's target of SEK80m in 2021 and SEK500m in 2025.

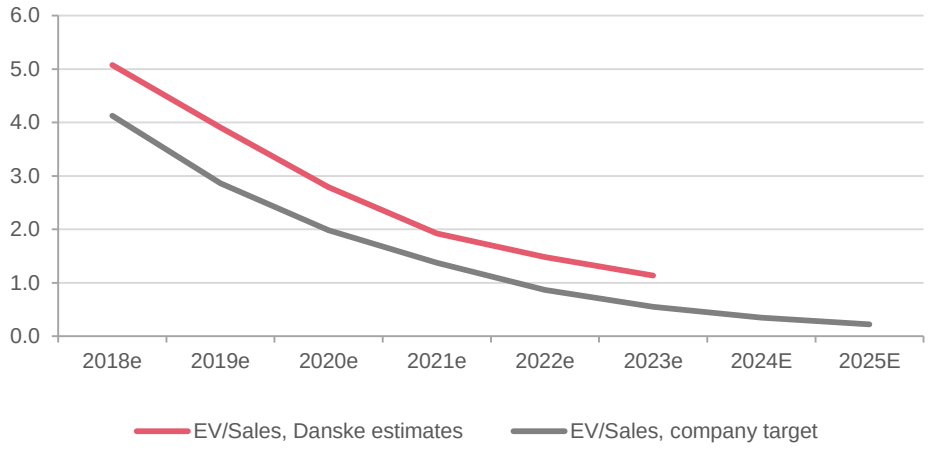
Sales growth projections - Danske vs company targets



Source: Company estimates, Danske Bank Equity Research estimates

For illustrative purposes we have used current EV and applied our sales projections and the company's sales targets in order to show how that impacts the EV/Sales multiple. At SEK500m in sales, Zenicor's sales target for 2025, the company is valued at EV/Sales 0.22x – again, at current EV, i.e. not counting ongoing cashflow. Applying an EV/Sales multiple of 3.75x, equal to an EV/EBIT 2025E of 15x if we assume 25% EBIT margins, this gives an EV of SEK1.9bn. Again, these assumptions are very aggressive, and are not based on our projections, but rather a mathematical exercise based on the long-term sales ambition of Zenicor.

EV/Sales development on Danske's estimates vs company targets



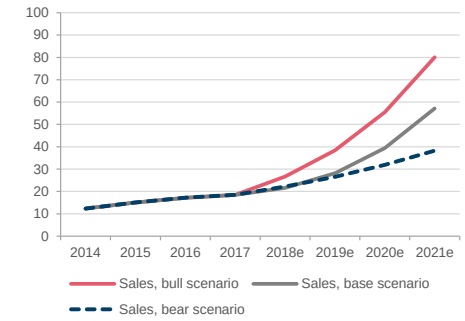
Source: Company estimates, Danske Bank Equity Research estimates

Valuation - Scenario analysis

We have applied three scenarios and valued Zenicor on EV/Sales for 2020E, as discussed above. In our bull scenario we have assumed a linear sales growth from 2018 to 2021 in order to reach the company's sales target of SEK80m. This would imply a sales level of SEK55m in 2020E. In this scenario we have also applied a slightly more aggressive cost increase (for employees) to cope with the higher growth.

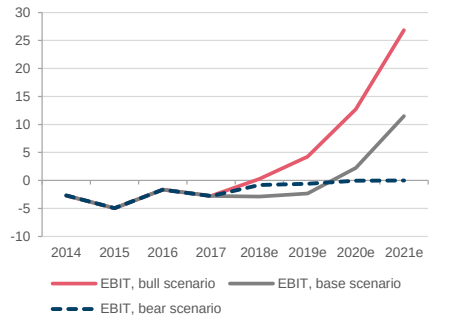
In our bear scenario we have assumed a sales growth of 20%, a touch above the historic (2014-17) CAGR of 17%. In this scenario we have reduced the cost increase slightly.

Scenario analysis - Sales development



Source: Company data, Danske Bank Equity Research estimates

Scenario analysis - EBIT development



Source: Company data, Danske Bank Equity Research estimates

In our bull scenario we have applied a slightly lower sales multiple as we believe equity market focus will start to shift to earnings multiples if the company achieves a more critical mass and thereby profitability, as this scenario assumes. The 5x sales multiple we have used in the bull scenario equals an EV/EBIT for 2021E of 20x. In the bear scenario we have assumed a slightly higher sales multiple as we believe the market potential to be unchanged, but that a key reason for slower-than-expected sales growth would be slow customer adoption.

If we were to use the same sales multiple (6.5x) for all three scenarios, the valuation range would widen to SEK37-64. We are, however, not using this range as a basis for our valuation target range.

Table 1. Scenario valuation table

2020E	EV/Sales	Mkt cap (SEKm)	Per share (SEK)	Potential upside
Bull	5.0	277.3	49.2	105%
Base	6.5	256.0	45.4	89%
Bear	7.5	239.2	42.4	77%
Current share price		135.3	24.0	

Source: Factset, Danske Bank Equity Research estimates

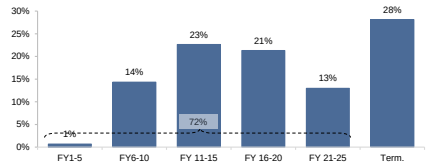
DCF valuation

In our DCF model we assume growth in the explicit forecast period (2018-22) of 32% and then we have a gradual fade, as outlined in the table below, with a sustainable growth of 2%. We assume EBIT margins of 25% in growth period 1, gradually falling to 15%. To reflect the high risk in the growth assumptions, we are using a high WACC of 9%. Our DCF value using these assumptions is SEK63. Valuing companies without earnings and a potentially high growth using a DCF model is inherently difficult, but is a good support tool in our view. Note that in the DCF we do not reach the company's long-term growth target during its explicit forecast period (25 years ahead). Consequently, there is significant upside should the company meet its long-term sales target.

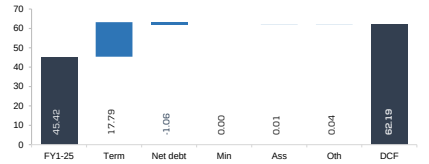
DCF Summary - Zenicor

CALCULATION OF DCF	SEKm	Per share
Firm value:		
Explicit forecast period	1.91	0.41
Growth period 1	41.9	9.04
Growth period 2	66.3	14.3
Growth period 3	62.4	13.5
Fade period	38.0	8.20
Sustainable period	82.5	17.8
Firm value	**293**	**63.2**
Equity value adjustments:		
ND inc off-BS & Hybrids	-4.91	-1.06
Mkt value Pref stock	0	0
Mkt value Associates	0.05	0.01
Mkt value Minorities	0	0
Surpl val & def tax	0.17	0.04
Other adjustments	0	0
Total adjustments	**-4.69**	**-1.01**
Equity value according to DCF:		
DCF equity value	**288**	**62.2**
DCF Value 12-mths	314	67.8
Mkt Cap / share price	97.4	21.0
Number shares (m):		4.64
12-month potential (%):		223

Firm Value Composition

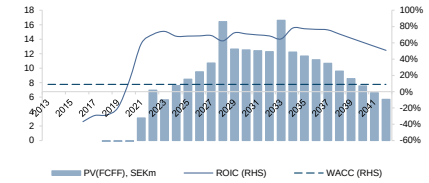


DCF per share composition, SEK



WACC COMPONENTS, %	
Cost of equity:	
Risk-free interest rate	1.14
Market risk premium	4.50
Equity risk adjustment factor	1.20
Implicit asset beta	1.22
Small cap premium	2.50
Cost of equity	**9.04**
Cost of debt:	
Cost of debt	3.50
Tax-rate	25.0
Weighted average cost of capital:	
Equity weight	100
WACC	**9.04**

ROIC & Present value FCFF



5-YEAR DRIVERS, %

	Historical	Explicit	Growth period 1	Growth period 2	Growth period 3	Fade period	Sustainable period
Sales growth, CAGR	0	32.1	20.0	10.00	5.00	3.20	2.00
EBIT-margin (estimates are end-of-period)	-19.1	11.9	25.0	23.0	22.0	15.0	15.0
Capex/depreciation, x	0.47	4.41	1.50	1.30	1.10	1.00	1.00
Capex/sales	0.48	0.70	1.00	1.00	1.00	1.00	1.00
NWC/sales	0	34.8	30.0	25.0	20.0	20.0	20.0
RONIC	38.0	89.6	71.7	24.6	38.9	-73.9	57.4
ROIC	-33.1	19.1	69.6	68.8	74.6	60.8	50.9

SENSITIVITY TO CHANGES IN ASSUMPTIONS, % CHG IN DCF/SHARE	*+100bp:*	*-100bp:*
WACC	-17.9	24.1
Sales growth	14.4	-12.3
EBIT-margin	-0.95	-8.27

IMPLICIT VALUES, %	*Assuming DCF=SEK 21:*
WACC	15.6
Sales growth	9.16
EBIT-margin	4.20

Source: Company data, Danske Bank Equity Research estimates

Risks

Zenicor operates in a competitive industry, with several potential competing products and technologies. The technology is proven and superior to most prevailing methods of AF screening, supported by several independent studies. Having said that, there is always a risk of new entrants, or existing players developing stronger propositions. There are several global players with strong financial resources that could increase marketing efforts in order to gain shares in Zenicor's home markets.

The company needs to continue investing in marketing in order to drive volumes, while trimming costs to remain competitive. There is a risk that increased sales costs would not translate into the expected top-line growth, hence requiring additional capital injections.

A key demand driver for Zenicor is preventive screening for AF. We see a high likelihood of more broad-based screening, but these decisions lie outside of the company's control. National healthcare systems tend to be slow in adopting new technology, and medical professionals can be slow in implementing new technical solutions. A slower-than-expected implementation of national screening programmes, and less-than-expected screening of specific risk groups in the company's core markets, could result in slower-than-expected sales growth in the forecast period.

There is a currency risk as Zenicor reports in Swedish krona and sales to an increasing extent (30% of total sales but 50% of sales growth) are outside of Sweden. Costs are predominantly in Swedish krona. The 30% of revenues not in SEK are mainly in EUR and GBP (with a minor exposure to NOK and CHF, we believe).

Quarterly financials breakdown

SEKm	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18E	Q3 18E	Q4 18E	2018E	2019E	2020E	2021E
Sales	17.2	5.0	5.2	3.4	4.8	18.5	5.9	3.9	6.2	10.0	21.6	28.1	39.4	57.1
Sales growth	14%	19%	58%	110%	45%	7%	16%	100%	90%	70%	17%	30%	40%	45%
EBITDA	-1.6	-0.2	-0.5	-1.2	0.2	-2.7	-0.9	0.2	-1.9	0.1	-2.5	-2.3	2.3	11.5
EBIT	**-1.6**	**0.2**	**0.1**	**-1.8**	**-1.2**	**11.1**	**-0.9**	**0.2**	**-1.9**	**0.1**	**-2.5**	**-2.3**	**2.2**	**11.5**
EBIT-margin	-9.5%	3.4%	2.1%	-54.1%	-25.6%	60.2%	-14.7%	5.1%	-31.0%	0.6%	-11.8%	-8.3%	5.7%	20.1%
PTP	-1.7	0.2	0.1	-1.1	-1.3	-2.1	-0.9	0.2	-1.9	0.1	-2.5	-2.3	2.2	11.5
Net profit	-1.7	0.2	0.1	-1.1	-1.3	-2.1	-0.9	0.2	-1.9	0.1	-2.5	-2.3	2.0	10.2
EPS, SEK	-0.37	0.04	0.02	-0.24	-0.28	-0.45	-0.18	0.04	-0.34	0.01	-0.47	-0.41	0.36	1.81
Net debt (cash)	2.4	2.1	2.6	1.3	4.9	4.9	-11.5	-11.3	-9.1	-8.8	-8.8	-3.7	-2.8	-8.0

Source: Company data, Danske Bank Equity Research estimates

Board of directors and ownership

Board of directors

Marie Öberg Lindevall - Board Member

Professional background

Chairman since 2017. Partner and co-founder of Helseplan Consulting Group AB. Strong industry knowledge of the healthcare sector in Sweden and internationally. Leading management positions with Capio and Unilabs.

Other assignments

Board member of Seedoo Diagnostics AB

Lena Kajland Wilén - Board Member

Professional background

Board member since 2014. Business area manager for Contextvision AB. Background as head of marketing at Aerocrine AB. Global head of marketing for Zalatan and Healon with Pharmacia and for MicroDose at Sectra/Philips. CEO of Aprovix AB.

Other assignments

Board member of PExA AB

Sonny Norström - Board Member

Professional background

Board member since 2003. Co-founder of Zenicor

Other assignments

Board member of Onocor SL (Spain) and Zenicor Atrial AB

Shareholding in Zenicor

838,450 shares (Nordström SI + Sonny Nordström)

Mats Palerius - Board Member

Professional background

CEO and board member since 2003. Co-founder of Zenicor. Background with leading positions in marketing and development at Ericsson. General manager of Ericsson Business Innovation.

Other assignments

Board member of Swedish Medtech Service AB and Zenicor Atrial AB

Shareholding in Zenicor

802,450 shares

Gundars Rasmanis - Board Member

Professional background

Board member since 2004. Chief physician of Cardiology, Karolinska University Hospital, Huddinge.

Other assignments

None

Marie Rudberg - Board Member

Professional background

Board member since 2014. Administrative director of Svenskt Näringsliv. Background with KPMG, The Swedish Riksbank and experienced in complex corporate change processes.

Other assignments

Board member of AMF Pension and Fora AB and chairman of the board in Ratio (Independent research institute)

SWOT analysis

Strengths	Weaknesses
• Strong scientific evidence of the product's proven ability to detect AF. • Established relationships with influencers and purchasers in the public healthcare system in core markets. • Strong revenue model with gradually increasing recurring revenues.	• Small size limiting the capacity to effectively sell to a broader market. • Single-product company. • Slow build-up of sales and marketing organisation – which is being addressed.
Opportunities	**Threats**
• Opportunistic screening of risk patient groups in conjunction with other events, such as flu vaccination, to target risk groups. • Opportunistic screening of risk patient groups at a national level in Sweden and other EU countries. • Geographic market expansion. Medium to long term France, Italy, Spain and the US.	• Intensified competitive pressure from large international players with similar solutions, for example Alivecore and iRhythm. • More simple, and low price, solutions gaining traction as clients have a high cost focus. • Company size hampers possibility of rapid expansion in the addressable markets

Source: Danske Bank Equity Research

Company summary

Sales breakdown, geographical areas

n.a.

Sales breakdown, divisions

n.a.

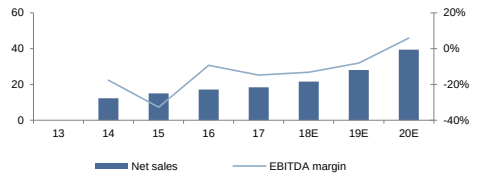
Company information

Zenicor
Saltmätargatan 8, 113 59 STOCKHOLM
Sweden
www.zenicor.se

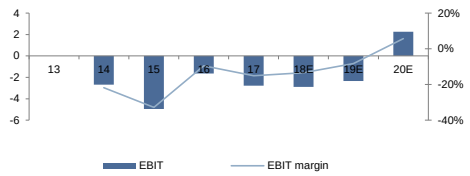
Main shareholders

Name	Votes (%)	Capital (%)
Sonny Norström and companies (co-founder	14.9%	14.9%
Mats Palerius (CEO and co-founder)	14.2%	14.2%
Ydrehall AS	13.8%	13.8%
Humle Fonder	8.9%	8.9%

Net sales and EBITDA margin (SEKm)



EBIT and EBIT-margin (SEKm)



P/E NTM

n.a.

EV/Sales NTM

n.a.

Source: FactSet, Company data, Danske Bank Equity Research estimates

Not for US distribution.

Danske Bank

Summary tables

INCOME STATEMENT										
Year end Dec, SEKm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Net sales				12	15	17	18	22	28	39
Cost of sales & operating costs				-15	-20	-19	-21	-24	-30	-37
EBITDA				**-2**	**-5**	**-2**	**-3**	**-2**	**-2**	**2**
EBITDA, adj.				-2	-5	-2	-3	-2	-2	2
Depreciation				-1	-0	-0	-0	-0	-0	-0
EBITA				**-3**	**-5**	**-2**	**-3**	**-3**	**-2**	**2**
EBIT incl. EO, bef. ass.				**-3**	**-5**	**-2**	**-3**	**-3**	**-2**	**2**
EBIT, adj.				-3	-5	-2	-3	-3	-2	2
Financial items, net	0	0	0	-0	-0	-0	1	0	0	0
Pre-tax profit				**-3**	**-5**	**-2**	**-2**	**-3**	**-2**	**2**
Taxes										-0
Net profit, rep.				**-3**	**-5**	**-2**	**-2**	**-3**	**-2**	**2**
Net profit, adj.				-3	-5	-2	-2	-3	-2	2

CASH FLOW										
SEKm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
EBITDA				-2	-5	-2	-3	-2	-2	2
Change in working capital				1	-1	-5	2	-1	-3	-3
Net interest paid				-0	-0	-0	1			
Taxes paid				-0	-0					-0
Other operating cash items										
Cash flow from operations				**-2**	**-6**	**-7**	**-0**	**-4**	**-5**	**-1**
Capex				-0	-0	-0	-0	-0	-0	-0
Div to min										
Free cash flow				**-2**	**-6**	**-7**	**-1**	**-4**	**-5**	**-1**
Disposals/(acquisitions)										
Free cash flow to equity				**-2**	**-6**	**-7**	**-1**	**-4**	**-5**	**-1**
Dividend paid										
Share buybacks										
New issue common stock				11				18		
Incr./(decr.) in debt										
Minorities & other financing CF				-10	-0	4	-0			
Cash flow from financing				**11**	**-0**	**4**	**-0**	**18**	**0**	**0**
Disc. ops & other										
Incr./(decr.) in cash				**10**	**-6**	**-3**	**-1**	**14**	**-5**	**-1**

BALANCE SHEET										
SEKm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Cash & cash equivalents				10	4	1	0	14	9	8
Inventory				2	1	3	4	4	6	7
Trade receivables				2	3	4	4	5	7	9
Other current assets				1	1	2	3	4	5	6
Goodwill				1						
Other intangible assets										
Fixed tangible assets					0	0	0	0	0	1
Associated companies				0	0	0	0	0	0	0
Other non-current assets				0	0	0	0	0	0	0
Total assets				**15**	**9**	**11**	**12**	**28**	**27**	**31**
Shareholders' equity				**12**	**7**	**5**	**3**	**18**	**16**	**18**
Of which minority interests										
Current liabilities				3	2	3	4	5	6	8
Interest-bearing debt				1	0	3	5	5	5	5
Pension liabilities										
Oth non-curr. liabilities										
Total liabilities				**4**	**3**	**6**	**9**	**10**	**11**	**13**
Total liabilities and equity				**15**	**9**	**11**	**12**	**28**	**27**	**31**
Net debt				-9	-3	2	5	-9	-4	-3
Working capital				2	3	7	7	9	11	14

Source: Company data, Danske Bank Equity Research estimates

Danske Bank

Summary tables

PER SHARE DATA	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
No. of shares, fully diluted (y.e.) (m)					4.5	4.5	4.6	5.6	5.6	5.6
No. of shares, fully diluted (avg.) (m)					4.5	4.5	4.5	5.1	5.6	5.6
EPS (SEK)					-1.12	-0.38	-0.46	-0.50	-0.41	0.36
EPS adj. (SEK)					-1.12	-0.38	-0.46	-0.50	-0.41	0.36
DPS (SEK)					0.00	0.00	0.00	0.00	0.00	0.12
CFFO/share (SEK)					-1.4	-1.6	-0.1	-0.7	-0.9	-0.1
Book value/share (SEK)					1.51	1.11	0.61	3.18	2.76	3.12

MARGINS AND GROWTH	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EBITDA margin				-17.6%	-32.7%	-9.3%	-14.8%	-11.5%	-8.1%	5.9%
EBITA margin				-21.8%	-32.9%	-9.5%	-15.1%	-11.8%	-8.3%	5.7%
EBIT margin				-21.8%	-32.9%	-9.5%	-15.1%	-11.8%	-8.3%	5.7%
EBIT adj margin				-21.8%	-32.9%	-9.5%	-15.1%	-11.8%	-8.3%	5.7%
Sales growth					22.0%	14.2%	7.3%	17.2%	30.0%	40.0%
EBITDA growth					n.m.	67.6%	-71.6%	8.8%	8.7%	n.m.
EBITA growth					-84.4%	66.8%	-69.8%	8.6%	8.3%	n.m.
EPS adj growth						65.9%	-21.1%	-7.2%	16.5%	n.m.

PROFITABILITY	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
ROIC (after tax, incl. GW, adj.)				-199.8%	-164.2%	-31.3%	-37.9%	-30.8%	-22.7%	15.2%
ROIC (after tax, excl. GW, adj.)				-246.1%	-179.2%	-31.3%	-37.9%	-30.8%	-22.7%	15.2%
ROE (adj.)				-47.9%	-54.2%	-29.2%	-54.1%	-24.6%	-13.9%	12.1%
ROIC (adj.) - WACC				-208.8%	-173.2%	-40.4%	-46.9%	-39.9%	-31.7%	6.2%

MARKET VALUE	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Share price (SEK)				10.2	9.20	18.9	23.0	24.2	24.2	24.2
No. shares reduced by buybacks (m)					4.5	4.5	4.6	5.6	5.6	5.6
Mkt cap used in EV (m)					**41**	**84**	**107**	**136**	**136**	**136**
Net debt, year-end (m)				-9	-3	2	5	-9	-4	-3
MV of min/ass and oth (m)				-0	-0	-0	-0	-0	-0	-0
Enterprise value (m)					**38**	**86**	**111**	**128**	**133**	**134**

VALUATION	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EV/sales (x)					2.5	5.0	6.0	5.9	4.7	3.4
EV/EBITDA (x)					n.m.	n.m.	n.m.	n.m.	n.m.	57.8
EV/EBITA (x)					n.m.	n.m.	n.m.	n.m.	n.m.	59.4
EV/EBIT (x)					n.m.	n.m.	n.m.	n.m.	n.m.	59.4
P/E (reported) (x)					n.m.	n.m.	n.m.	n.m.	n.m.	68.1
P/E (adj.) (x)					n.m.	n.m.	n.m.	n.m.	n.m.	68.1
P/BV (x)					6.10	17.1	37.6	7.61	8.76	7.76
EV/invested capital (x)										
Dividend yield										0.48%
Total yield (incl. buybacks)										0.48%
FCFE-yield					-15.04%	-8.27%	-0.50%	-2.87%	-3.71%	-0.70%

FINANCIAL RATIOS	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net debt/EBITDA (x)				4.1	0.6	-1.5	-1.8	3.5	1.6	-1.2
Net debt/equity (x), year-end				-0.8	-0.5	0.5	1.7	-0.5	-0.2	-0.2
Dividend payout ratio					0.0%	0.0%	0.0%	0.0%	0.0%	33.0%
Interest coverage (x)				-22.7	n.m.	-28.0	-6.0			
Cash conversion (FCF/net profit)				n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-47.4%
Capex/sales				0.4%	0.5%	0.3%	0.7%	0.7%	0.7%	0.7%
NWC/sales				17.3%	21.4%	40.6%	39.8%	39.8%	39.8%	35.4%

QUARTERLY P&L	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18E	Q2 18E	Q3 18E	Q4 18E
Sales (m)	5	5	3	5	6	6	4	6
EBITDA (m)	0	0	-2	-1	-1	0	-2	0
EBIT before non-recurring items (m)	0	0	-2	-1	-1	0	-2	0
Net profit (adj.) (m)	0	0	-1	-1	-1	0	-2	0
EPS (adj.) (SEK)	0.00	0.00	0.00	-7.07	-4.80	1.09	-10.53	0.08
EBITDA margin	3.4%	2.1%	-54.1%	-24.5%	-15.8%	3.4%	-49.1%	1.8%
EBIT margin (adj.)	3.4%	2.1%	-54.1%	-25.6%	-15.8%	3.4%	-49.1%	0.9%

Source: Company data, Danske Bank Equity Research estimates

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