

## Nexstim

Update

### E-FIT stroke trial results disappoint

4 September 2018

Nexstim has reported that the pivotal E-FIT stroke trial did not show a clinically significant difference between active and sham treatment groups. The disappointment is particularly marked as the approach was technically so promising. A positive outcome would have led to the FDA approving Nexstim's proven proprietary rTMS platform for the rehabilitation of stroke patients. Management intends to focus resources on commercialising the depression indication in the US and Europe. Whilst the strategic options are evaluated we are suspending our forecasts and valuation.

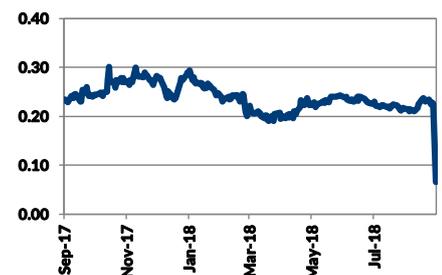
Year-end: December 31	2017	2018E	2019E	2020E
Sales (€m)	2.6	-	-	-
PBT (€m)	(7.4)	-	-	-
Net Income (€m)	(7.3)	-	-	-
EPS (€)	(0.09)	-	-	-
Cash (€m)	8.5	-	-	-
EBITDA (€m)	(5.3)	-	-	-

Source: Trinity Delta.

- No material difference in stroke indication** The top-line results of the E-FIT study showed no statistical difference in clinical improvement between the active and sham groups, with 60% and 50% positive responses respectively ( $p=0.62$ ). Clearly, combining the results of this 60-patient trial with the existing results from the active arm of the NICHE study, as requested by the FDA for approval, also results in no statistical difference. The results are disappointing as the approach is technically elegant and the NBT platform was particularly well suited to this application.
- Stroke was a major indication for the NBT platform** The efficacy and safety of the NBT platform has been validated by its FDA approval in pre-surgery brain mapping and its therapeutic use in Major Depressive Disease (MDD). The US MDD launch took place in May and commercialisation is progressing well, with the system's ability to navigate precisely, reliably, and reproducibly achieving clear differentiation from other technologies. However, we viewed the FDA approval for stroke as a key inflection point that could, in our view, transform Nexstim's outlook.
- Focus shifts to commercialising MDD indication** Management intends to maximise the commercial opportunity of the depression indication, a sizeable market in both the US and Europe (detailed in our Initiation note in June 2018). Nexstim had cash of €10.3m in June, which we estimate is sufficient for c 12 months at current burn rates. The trial failure means funding requirements are lower (the majority of the expected fund raise was directed to exploiting the stroke indication) but we believe additional funding is still needed to achieve these more modest near-term goals.
- There is still inherent value present** Nexstim's rTMS platform has demonstrated its worth in several indications but today's set back impacts Nexstim's valuation materially. Until there is greater visibility on the possible strategic options, and their funding needs, we have to suspend our forecasts and valuation.

Price (€)	0.07
Market Cap (€m)	6.4
Enterprise Value (€m)	3.6
Shares in issue (m)	97.5
12 month range (€)	0.06-0.40
Free float	85.8%
Primary exchange	Helsinki
Other exchanges	Stockholm
Sector	Healthcare
Company Codes	NXTMH/NXTMS

Corporate client Yes



#### Company description

Nexstim has developed a proprietary navigated rTMS platform that is used in planning brain surgery (NBS) and has therapeutic uses (NBT) in stroke, depression, and chronic pain. FDA approval for depression was given in 2017; the stroke indication has suffered from disappointing results in the pivotal E-FIT Phase III study.

#### Analysts

##### Mick Cooper PhD

mcooper@trinitydelta.org  
+44 (0) 20 3637 5042

##### Lala Gregorek

lgregorek@trinitydelta.org  
+44 (0) 20 3637 5043

Mick Cooper PhD CFA

[mcooper@trinitydelta.org](mailto:mcooper@trinitydelta.org)  
+44 20 3637 5042

Lala Gregorek

[lgregorek@trinitydelta.org](mailto:lgregorek@trinitydelta.org)  
+44 20 3637 5043

Franc Gregori

[fgregori@trinitydelta.org](mailto:fgregori@trinitydelta.org)  
+44 20 3637 5041

### Disclaimer

Trinity Delta Research Limited ("TDRL"; firm reference number: 725161), which trades as Trinity Delta, is an appointed representative of Equity Development Limited ("ED"). The contents of this report, which has been prepared by and is the sole responsibility of TDRL, have been reviewed, but not independently verified, by ED which is authorised and regulated by the FCA, and whose reference number is 185325.

ED is acting for TDRL and not for any other person and will not be responsible for providing the protections provided to clients of TDRL nor for advising any other person in connection with the contents of this report and, except to the extent required by applicable law, including the rules of the FCA, owes no duty of care to any other such person. No reliance may be placed on ED for advice or recommendations with respect to the contents of this report and, to the extent it may do so under applicable law, ED makes no representation or warranty to the persons reading this report with regards to the information contained in it.

In the preparation of this report TDRL has used publically available sources and taken reasonable efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee or warranty as to the accuracy or completeness of the information or opinions contained herein, nor to provide updates should fresh information become available or opinions change.

Any person who is not a relevant person under section of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom should not act or rely on this document or any of its contents. Research on its client companies produced by TDRL is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. The report should be considered a marketing communication for purposes of the FCA rules. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. TDRL does not hold any positions in any of the companies mentioned in the report, although directors, employees or consultants of TDRL may hold positions in the companies mentioned. TDRL does impose restrictions on personal dealings. TDRL might also provide services to companies mentioned or solicit business from them.

This report is being provided to relevant persons to provide background information about the subject matter of the note. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information that we provide is not intended to be, and should not in any manner whatsoever be, construed as personalised advice. Self-certification by investors can be completed free of charge at [www.fisma.org](http://www.fisma.org). TDRL, its affiliates, officers, directors and employees, and ED will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

Copyright 2018 Trinity Delta Research Limited. All rights reserved.

More information is available on our website: [www.trinitydelta.org](http://www.trinitydelta.org)