

REAL HEART (HEART)

CLOSING IN ON ANIMAL STUDIES



Scandinavian Realheart AB (publ) ("Realheart" or the "Company") holds the world's first unique and patented four chamber Total Artificial Heart ("TAH"), which mimics the human heart's blood flow. With a, to say the least, strong cash position, the Company is closing in on live animal studies during Q1-22. Expectations of human trials during 2023 still remains solid, as well as expected market launch during 2025. From this point, sales could increase rapidly, with revenues reaching SEK276 M in 2028 in our Base scenario. Based on an applied P/S multiple and a discount rate, this yields a present value per share of SEK 11. Before market launch, we see several key value-driving activities, where steps in right direction could reduce the current valuation discount.

Less Is More – Up to 20 Percent Smaller in Size

Realhearts design team have identified an opportunity to make the heart 10 to 20% smaller in size, which could have a major impact on future patients and on Realheart's future market, since Realheart could address "smaller" patients. Also, this could result in a higher success rate when it comes to the animal studies during 2022, since the thorax of the animals is smaller than a humans.

Safety Is Everything

The agreement that Realheart signed a few months back with Hydrix is very important, where the cooperation aims to further develop the hearts control unit, resulting in increased usability for patients, as well as the security of the product. Considering that the FDA has data showing 53 incidents that indicate that patients have died because of incorrect interactions with control units from competitors, Realheart's aim, via Hydrix, is to develop the safest available solution.

Cash Is King

During December 2021, Realheart's cash amounted to SEK43 M. On top of this, the Company has secured additional capital of SEK+30 M in total, based on several grants. Hence, in total, we estimate Realhearts cash position to approx. SEK66 M today.¹ This corresponds to 66% of the current Market Cap. With this is mind, we consider Realheart to be well-financed, with sufficient funds for the business for +12 months ahead.

Some Change In Our Valuation Range

The economic climate at the beginning of 2022 has, for growth and development companies, been frosty, to say the least. The ongoing sector rotation, where investors choose less risky investments, e.g., companies that have a longer history of already positive cash flows, has resulted in lower valuation multiples for unprofitable growth companies. This also affects Realheart, which impacts our valuation range that has been updated in this analysis.

SHARE PRICE | SEK 3.0

VALUATION RANGE, PRESENT VALUE 2028Y FORECAST

BEAR SEK 2.5	BASE SEK 11.0	BULL SEK 15.0
------------------------	-------------------------	-------------------------

The valuation is derived as a present value of sales forecasted in the year 2028. The potential valuation increase is expected to be gradual, given that assumed events occur.

SCANDINAVIAN REALHEART AB	
Share Price (2022-03-08) (SEK)	3.0
Number of Shares Outstanding	33,837,688
Market Cap (MSEK)	99.6
Net Cash (-)/Debt(+) (MSEK)	-63.4 ¹
Enterprise Value (MSEK)	36.2
W:52 Price Interval (SEK)	2.81 – 15.95
Stock Exchange	Nasdaq First North Growth Market

SHARE PRICE DEVELOPMENT	
1 Month	-19.1 %
3 Months	-34.8 %
1 Year	-59.5 %
YTD	-39.3 %

TOP SHAREHOLDERS (AS OF 2021-12-31)	
Najar Medical & Invention AB	9.8 %
Eskilstuna Hem Fastighets AB	5.0 %
Försäkrings AB Avanza	4.8 %
Nordnet Pensionsförsäkring AB	3.1 %
Ålandsbanken ABP (Finland) Svensk filial	2.6 %

CEO AND CHAIRMAN OF THE BOARD	
CEO	Ina Laura Perkins
Chairman of the Board	Christer Norström

FINANCIAL CALENDER	
Quarterly Report #1 2022	2022-05-20

FORECAST (BASE), SEK M	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	12	42	108	276	480	780
Gross Profit	5	19	53	141	254	429
Gross margin	40%	45%	49%	51%	53%	55%
Total operating costs	-41	-46	-60	-91	-132	-156
EBIT	-36	-27	-7	50	122	273
EBIT margin	neg.	neg.	neg.	18%	25%	35%
P/S	8.3	2.4	0.9	0.4	0.2	0.1
EV/S	3.0	0.9	0.3	0.1	0.1	0.0
EV/EBIT	neg.	neg.	neg.	0.8	0.3	0.1

¹Including a reported cash position of SEK43 M during year-end 2021, as well as several grants of approx. SEK30.9 M in total. Also include assumed burn rate Jan – Feb 2022.

DISCLAIMER

These analyses, documents and any other information originating from AG Equity Research AB (Henceforth "AG") are created for information purposes only, for general dissemination and are not intended to be advisory. The information in the analysis is based on sources, data and persons which AG believes to be reliable. AG can never guarantee the accuracy of the information. The forward-looking information found in this analysis are based on assumptions about the future, and are therefore uncertain by nature and using information found in the analysis should therefore be done with care. Furthermore, AG can never guarantee that the projections and forward-looking statements will be fulfilled to any extent. This means that any investment decisions based on information from AG, any employee or person related to AG are to be regarded to be made independently by the investor. These analyses, documents and any other information derived from AG is intended to be one of several tools involved in investment decisions regarding all forms of investments regardless of the type of investment involved. Investors are urged to supplement with additional relevant data and information, as well as consulting a financial adviser prior to any investment decision. AG disclaims all liability for any loss or damage of any kind that may be based on the use of analyses, documents and any other information derived from AG.

Conflicts of Interest and impartiality

To ensure AG's independence, AG has established compliance rules for analysts. In addition, all analysts have signed an agreement in which they are required to report any and all conflicts of interest. These terms have been designed to ensure that *COMMISSION DELEGATED REGULATION (EU) 2016/958 of 9 March 2016, supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest*. Compliance policy: <https://analystgroup.se/interna-regler-ansvarsbegransning/> (Swedish)

Other

This analysis is a task analysis. This means Analyst Group has received payment for doing the analysis. The Principal, **Scandinavian Realheart AB** (furthermore "the Company") has had no opportunity to influence the parts where Analyst Group has had opinions about the Company's future valuation or anything that could constitute an objective assessment.

The parts that the Company has been able to influence are the parts that are purely factual and objective.

This analysis is copyright protected by law © AG Equity Research AB (2014-2022). Sharing, dissemination or equivalent action to a third party is permitted provided that the analysis is shared unchanged.