

# 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.<sup>1</sup> 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

<b>BEAR</b> SEK 2.5	<b>BASE</b> SEK 11.0	<b>BULL</b> SEK 15.0
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*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 <sup>1</sup>
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
<b>Gross Profit</b>	<b>5</b>	<b>19</b>	<b>53</b>	<b>141</b>	<b>254</b>	<b>429</b>
Gross margin	40%	45%	49%	51%	53%	55%
Total operating costs	-41	-46	-60	-91	-132	-156
<b>EBIT</b>	<b>-36</b>	<b>-27</b>	<b>-7</b>	<b>50</b>	<b>122</b>	<b>273</b>
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

<sup>1</sup>Including 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.

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