

Acarix

Interim results

Sales consistent in H1

Acarix's H1 results show steady sales with eight systems and 800 disposable patches sold to June. These generated H1 revenues of SEK465k with gross profit of SEK349k, a 75% average margin. We now expect sales of just over SEK1m for the full year 2018 before hoped-for German reimbursement in 2019. A new commercial officer, Per Persson, has joined. We do not expect a US launch before 2022 and we assume a US trial starts in 2019. The indicative value remains SEK448m (SEK19.46/share). Additional clinical studies are ongoing.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/16	0.0	(26.81)	(1.83)	0.0	N/A	N/A
12/17	0.64	(30.74)	(1.29)	0.0	N/A	N/A
12/18e	1.08	(33.70)	(1.46)	0.0	N/A	N/A
12/19e	3.82	(59.80)	(2.60)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. The 2016 IPO increased shares in issue.

CAD-score: A clear indicator of low coronary risk

Acarix's diagnostic device (CADScor) is used to help doctors rule out stable coronary artery disease (CAD). It uses a microphone linked to a self-contained processing module to record a patient's diastolic heart sounds. There is a single-use consumable patch. The CADScor V3 algorithm calculates a CAD-score rating. A negative test result (no CAD) was correct in 96% of tested patients ([Winther et al. 2017](#)). The Dan-NICAD II study ([NCT03481712](#)) is enrolling 2,000 patients with suspected stable CAD to add data and evaluate the test in patients aged 30–39. The observational Seismo study with 200 patients ([NCT03656354](#)) explores the use of CADScor for the early diagnosis of heart failure.

Q2 showed strong margins but lower patch sales

Acarix sells CADScor devices and single-use patches. Acarix now sells its products in Germany, Austria, Denmark and Sweden and aims to expand into other European countries. In Q2 there were four units sold, making eight in H1. Patch sales in Q2 were 320 (vs 420 sold in Q118) making 800 sales in H1. The Q2 margin was higher, with SEK349k gross profit, and a 75% H1 margin. We have fine-tuned our 2018 sales forecast to about SEK1.1m (formerly SEK1.3m) due to our reduced expectations of patch sales in H2. Gross margin is harder to forecast and we nudge down our gross profit estimate from SEK977k to SEK831k. However, it is still only a year into the initial market adoption phase. Higher sales are possible from 2019 if German public reimbursement is gained. A new, experienced chief commercial officer, Per Persson, started in July and we anticipate sales strategy changes.

Valuation: Remains SEK19.46 per share

Our valuation assumes sales develop more strongly from 2019 on German reimbursement; management has not issued any forward guidance. We assume a US trial, needed to support US sales forecasts from 2022, starts in 2019 with 2018 preparatory work. Using a discounted cash flow model, a 12.5% discount rate and a terminal valuation, the indicative value is unchanged at SEK448m as the adjustments net out; this implies a fair value of SEK19.46. The marginal change in 2018 forecast unit sales (Exhibit 1) does not affect this.

Healthcare equipment & services

17 September 2018

Price **SEK7.02**
Market cap **SEK161m**

Cash (SEKm) at 30 June 2018	85.2
Shares in issue	23.0m
Free float	29.7%
Code	ACARIX
Primary exchange	Nasdaq First North Premier
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	17.4	(12.3)	(64.4)
Rel (local)	15.1	(15.2)	(66.4)
52-week high/low	SEK21.0	SEK5.4	

Business description

Acarix, a Swedish company with Danish origins, has developed the CE-marked CADScor to help doctors rule out stable coronary artery disease. About half of patients can be ruled out from further expensive testing. Full EU sales could start from 2019, with US sales possible from 2022.

Next events

Q3 results	14 November 2018
2018 results	20 February 2019

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Exhibit 1: Financial summary

	SEK 000s	2016	2017	2018e	2019e
Year end 31 Dec		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		-	638	1,081	3,816
Cost of Sales		-	(208)	(250)	(1,164)
Gross Profit		-	430	831	2,652
EBITDA		(26,790)	(29,211)	(31,393)	(57,348)
Operating Profit (before amort. and except.)		(26,790)	(30,743)	(33,793)	(59,748)
Intangible Amortisation		-	(1,261)	(2,400)	(2,400)
Exceptionals		-	-	-	-
Operating Profit		(26,790)	(32,004)	(36,193)	(62,148)
Other		(24,250)	-	-	-
Net Interest		(15)	7	114	(50)
Profit Before Tax (norm)		(26,805)	(30,736)	(33,679)	(59,798)
Profit Before Tax (FRS 3)		(51,055)	(30,736)	(33,679)	(59,798)
Tax		2,815	960	-	-
Profit After Tax (norm)		(23,990)	(29,776)	(33,679)	(59,798)
Profit After Tax (FRS 3)		(48,240)	(29,776)	(33,679)	(59,798)
Average Number of Shares Outstanding (m)		13.1	23.0	23.0	23.0
EPS - normalised (ore)		(183.01)	(129.31)	(146.26)	(259.68)
EPS - FRS 3 (ore)		(368.00)	(129.31)	(146.26)	(259.68)
Dividend per share (ore)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	67.4	76.9	69.5
EBITDA Margin (%)		N/A	(4,581)	(2,904)	(1,503)
Operating Margin (before GW and except.) (%)		N/A	(4,822)	(3,127)	(1,566)
BALANCE SHEET					
Fixed Assets		23,123	25,191	22,791	20,391
Intangible Assets		18,179	20,351	17,951	15,551
Tangible Assets		0	0	0	0
Acquired rights		4,944	4,840	4,840	4,840
Current Assets		150,163	108,865	77,585	20,187
Stocks		0	1,945	1,945	1,945
Debtors		1,643	2,468	2,468	2,468
Cash		145,895	103,457	73,172	15,774
Other		2,625	995	0	0
Current Liabilities		(17,771)	(5,118)	(5,118)	(5,118)
Creditors		(4,404)	(1,464)	(1,464)	(1,464)
Short term borrowings		0	0	0	0
Short term leases		0	0	0	0
Other		(13,365)	(3,653)	(3,653)	(3,653)
Long Term Liabilities		0	0	0	0
Long term borrowings		0	0	0	0
Long term leases		0	0	0	0
Other long term liabilities		0	0	0	0
Net Assets		155,515	128,939	95,258	35,460
CASH FLOW					
Operating Cash Flow		(11,856)	(41,506)	(30,398)	(57,348)
Net Interest		(15)	7	114	(50)
Tax		2,815	960	0	0
Capex		(12,201)	(2,984)	0	0
Acquisitions/disposals		0	0	0	0
Financing		176,698	1,203	0	0
Dividends		0	0	0	0
Other		(11,046)	0	0	0
Net Cash Flow		144,395	(42,320)	(30,284)	(57,398)
Opening net debt/(cash)		2,121	(145,895)	(103,457)	(73,173)
HP finance leases initiated		-	-	-	-
Other		(620)	(118)	-	-
Closing net debt/(cash)		(145,895)	(103,457)	(73,173)	(15,775)

Source: Acarix reports, Edison Investment Research

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