

## Unlocking US reimbursement – *the* share price catalyst during 2021

SciBase is delivering as we expected, and the share price is closing in on our target price. Recent news flow confirms the Nevisense EIS-technology's potential for skin barrier assessment applications – an upside to both our and the market's valuation of the company. The apparent tangible driver of the share price for the coming 12 months, however, is unlocking US reimbursement (Medicare) where the US company DermTech offers a clear blueprint.

DermTech (DMTK: Nasdaq US) is a close peer to SciBase, commercializing a molecular assay for melanoma detection in the US. DermTech generated merely USD 5.9m in sales 2020 but enjoys a market cap of USD 1.2bn, contrasting with SciBase's USD 1m in sales 2020 and market cap of USD 46m. DermTech's share price has developed in a steep trajectory over the past 1.5 year, from USD 0.2bn, driven primarily by reimbursement unlocking in the US (Medicare and private insurance coverage). Unlocking broad reimbursement is a license for medtechs to print money – reimbursement is a prerequisite that precedes wider market adoption and sales growth. We believe qualified investors are confidently betting on DermTech to show significant market penetration and sales growth and in anticipation of this coming true they are investing heavily in the company. The same investment idea can be applied to SciBase's case, where the current valuation of the company offers the investor very limited downside and substantial upside potential as the company unlocks US reimbursement (Medicare) during 2021.

By studying DermTech's commercial journey to date, we see several rationales positioning SciBase's solution for a more rapid and greater commercial uptake upon Medicare coverage in selected states from 2021 onwards. First, DermTech has primarily progressed reimbursement for the laboratory side doing the test analyses, with very limited coverage so far to dermatologists and clinics meaning that they lose revenue on using DermTech's test instead of performing biopsies. In contrast, SciBase secures coverage for clinicians and add as such a revenue stream, stimulating uptake. Second, DermTech's price is about USD 700/ test whereas SciBase can be estimated at USD 50-70/ test. The 10x price difference is a significant argument for payers in the US to grant Nevisense broad coverage. Combined with coverage for clinics using the device, it is positioned for a more rapid uptake compared to DermTech's solution. As such, we can assume that the volume DermTech is recording (approx. 24,000 tests) is the minimum volume to achieve post Medicare coverage in selected states. This would at price level of USD 50/test add another USD 1.2m to SciBase's revenues shortly post reimbursement unlocking in selected states, in line with our forecast. SciBase already produces these volumes, primarily derived from the German market. The total US market, estimated at USD 200m/year, is the potential.

We maintain the Outperform rating and target price of SEK 7.5 per share, referring to our *initiation report* (Nov 2020) for further financial details. On the back of Medicare coverage in selected states, expected from 2021 onwards, we see a solid rationale to adjust the risk factors in our DCF model, which would result in a WACC of 11.2% (12.3%) and target price of SEK 10 per share, equal to an equity value of approx. SEK 550m non diluted.



### OUTPERFORM

#### Update Report

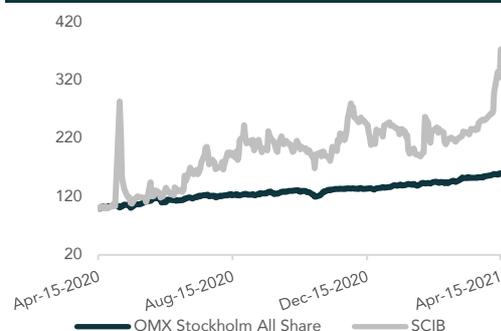
Target price: SEK 7.5

Current price (close 15/04): SEK 7.1

#### SciBase at a glance

SciBase develops unique point-of-care devices for the evaluation of skin disorders such as skin cancer and atopic dermatitis, based on Electrical Impedance Spectroscopy combined with Artificial Intelligence. The first product, Nevisense, helps clinicians detect melanoma. Further development has led to Nevisense also being used to assess the skin barrier and non-melanoma skin cancer. Nevisense is CE marked in Europe, has TGA approval in Australia and FDA approval (PMA) in the US for melanoma detection.

#### Share price development (index= Apr 15, 2020)



#### Key Data

As per 2021-04-15

Ticker	SCIB
Share price (close)	SEK 7.1
Free float	85.7%
Market cap	SEK 389m
Website	www.scibase.com
Average daily volume	SEK 2.8m

#### Felicia Rittemar

Healthcare Analyst  
felicia@vatorsec.se  
+46 76 014 45 55

## Key Personnel

**Simon Grant, CEO.** Simon Grant holds an BSc (hons) in Electrical Engineering. He has vast experience in the medical device industry, especially with diagnostic devices where he has focused on commercialization of new technologies. Throughout the years, Simon has held senior managerial, sales, and marketing positions in medtech startups, such as Neoventa and Synectics Medical. He has also worked in established multinational companies such as Medtronic. Simon's scope has always been on international focus and he has been based in Scandinavia, the US, and Asia.

**Michael Colerus, CFO.** Michael Colerus holds an MBA from Uppsala University. He was the CFO for Aerocrine AB and took them public in 2007 on Nasdaq OMX Stockholm. He was also active in building Aerocrine's US company and sales force. Prior to his CFO positions, he was the Business Controller for various business areas within Pharmacia & Upjohn.

**Per Svedenhag, VP Business Development and Marketing.** Per holds an MSc in Electrical Engineering from KTH Royal Institute of Technology, Stockholm. Per has more than 20 years of experience working with product management, marketing and business development in the medtech industry and has previously worked at, inter alia, Gambro Engström, Racal-redac Ltd., Siemens-Elema AB, XCounter AB (publ) and Innoventus Project AB.

**Tobias Bergenblad, Global Sales Director.** Holds a two-year degree in Finance from the Edinburgh Business School Marketing. Joined in 2015 after 12 years in international MedTech and LifeScience industry working with product launches and business development. He held several positions in sales and marketing with companies Hudson RCI, Maquet Critical Care and Aerocrine AB. Previous job was International Sales Director for Aerocrine AB where he successfully ran the ASIAPAC region.

**David Melin, Director Product Development.** David holds a degree of MSc in Mechanical Engineering focusing on Mechatronics from the Royal Institute of Technology, Stockholm, and has previous experience of product development and test automation as a consultant.

**Niklas Jakobsson, Director Quality Assurance & Regulatory Affairs.** Holds a MSc in technical physics and electronics from Linköping University. He has 20 years of experience from the medtech industry, including positions within R&D, Production and Quality management for a number of different medtech companies; many of which have been active on the US market. Niklas previously held the position of Quality manager at Ginolis AB in Uppsala where the electrode was manufactured before it was transferred to SciBase.

**Linn Olsen, Production & Supply Chain Manager.** MSc in Industrial Engineering. Has more than 15 years of experience from both the medical technology and high-tech industry areas, where she has focused on production, quality, and supply chain. Her background includes several roles at cardiac pacemaker manufacturer St Jude Medical where she worked as Quality Engineer, Production and Development Engineer and as Manager for Leads Manufacturing. Her most recent role has been as the Operations

Project Manager and Operational Excellence Manager at the positioning technology company Trimble.

## Board of Directors

**Tord Lendau**, Chairman of the Board. Tord holds an upper-secondary education in engineering from Linköping University. He has extensive experience as a CEO in different medtech companies and from board assignments in both Swedish and international listed companies and owner-managed companies. Among other things, Tord has been the CEO of Synectics Medical Inc, Synectics Medical AB, Dantec AS, Artimplant AB, VP of Medtronic and Division Manager for Sandvik MedTech. Tord has an upper-secondary education in engineering and unfinished studies in industrial engineering from Linköping University. In addition to his board work, Tord Lendau has been on multiple boards in the US, Holland, South Africa Korea etc.

**Diana Ferro**, Board Member. Diana holds an MBA from the University of Hamburg and various follow-on educations among them an exam in medical marketing from UCLA (the University of California Los Angeles). Diana is today the CEO of Medskin Solutions Dr Suwelack AG with over 130 employees in Europe, the US and Japan. She has an extensive experience from various senior positions within the Pharmaceutical industry in both the US and Europe.

**Thomas Taapken**, Board Member. Holds a PhD in organic chemistry from the Technical University of Berlin and has also studied economics, chemistry and physics at the University of Göttingen. He is an independent adviser and has over 20 years of experience from senior management positions within the life sciences sector and as a venture investor. He has held positions as CFO of Medigene AG (publicly listed in Germany) as CEO and CFO of Epigenomics AG (publicly listed in Germany) where he led the company's efforts in gaining regulatory approval for the company's lead product with the FDA and oversaw its subsequent introduction into the US market and formerly as CFO at Biotie Therapies (formerly listed on Nasdaq Nordic) and its predecessor company Elbion AG.

**Barbro Fridén**, Board Member. Barbro is a licensed physician from Umeå University and a MD from the University of Gothenburg. She has extensive experience as a hospital director and is a specialist in obstetrics and gynecology with a subspecialty within reproductive medicine. Barbro Fridén has among other things been CEO of Sheikh Khalifa Medical City, United Arab Emirates, CEO of Sahlgrenska University Hospital, Division Director of Astrid Lindgren Children's Hospital and Medical Director of Fertilitetscentrum AB in Stockholm and Göteborg, Sweden.

# Disclaimer

## ANALYST CERTIFICATION

I, Felicia Rittemar, the author of this report, certify that notwithstanding the existence of any such potential conflicts of interests referred to below, the views expressed in this report accurately reflect my personal view about the companies and securities covered in this report.

### Meaning of Vator Securities Research Ratings

Vator Securities publishes investment recommendations, which reflect the analyst's assessment of a stock's potential relative return. Our research offers 4 recommendations or 'ratings':

**OUTPERFORM** - Describes stocks that we expect to provide a relative return (price appreciation plus yield) of 15% or more within a 12-month period.

**NEUTRAL** - Describes stocks that we expect to provide a relative return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

**UNDERPERFORM** - Describes stocks that we expect to provide a relative negative return (price appreciation plus yield) of 10% or more within a 12-month period.

**NON-RATED** – Describes stocks on which we provide general discussion and analysis of both up and downside risks but on which we do not give an investment recommendation.

## IMPORTANT INFORMATION ABOUT CONFLICTS OF INTERESTS

**This report is marketing material and has been commissioned and paid for by [Company name]. It is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined by MiFID II.**

This report has been prepared by Vator Securities AB's research department ("Vator Securities") on behalf of SciBase Holding AB. Vator Securities has received compensation from SciBase Holding AB to prepare this report.

This report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. The compensation is fixed and agreed upon on beforehand and is in no way connected to the content, the conclusions or judgements expressed in the report. The content of the report is based on generally known information available to the public and has been compiled based on sources deemed reliable.

SciBase Holding AB may have had the opportunity to go through and review the material before publishing, however only to ensure that the factual information contained in the research report is correct. The review may have resulted in changes in the factual information, however not in conclusions or judgements made by Vator Securities.

Vator Securities has adopted internal rules that, inter alia, prohibits its employees from trading securities in companies that Vator Securities produces marketing material for, such as this report.

Vator Securities, its owners, staff or affiliates, may also perform services for, solicit from, hold long or short positions or have other interests in any company mentioned.

Vator Securities acted as financial advisor in connection with SciBase Holding AB's rights issue in Q2 2020.

**DISTRIBUTION RESTRICTIONS**

This report is for distribution only under such circumstances as may be permitted by applicable law.

This report does not address U.S Persons (as defined in Regulation S in United States Securities Act and interpreted in United States Investment Companies Act 1940) and may not be distributed to those persons. Nor does this report address any natural or legal persons in jurisdictions where the distribution of this report may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions.

**NO INVESTMENT ADVICE**

This report has been prepared by Vator Securities only as general information. The information contained in this report has no regard to the specific investment objectives, the financial situation or needs of any recipient. It is not intended to be a personal recommendation to buy or sell any financial instrument or to adopt any investment strategy. The investments referred to in this report may not be suitable for all investors, and if in doubt, an investor should seek advice from a qualified investment adviser.

Opinions or suggestions from Vator Securities' research department may deviate from one another or from opinions from other departments in Vator Securities. Different opinions are a result from different time horizons, contexts or other factors.

Regardless of source, all opinions and estimates in this report are given in good faith and may only be valid as of the stated date of this report and are subject to change without notice. This report is based on generally known and published information and is compiled from sources that is evaluated as reliable.

**Limitation of liability**

Vator Securities assumes no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this report. In no event will Vator Securities be liable for direct, indirect or incidental, special or consequential damages (regardless of being considered as foreseeable or not) resulting from the information in this report.

**Risk information**

The risk of investing in certain financial instruments, including those mentioned in this report, is generally high, as their market value is exposed to a lot of different factors, such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchanges rates, shifts in markets sentiments etc.

Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.