REDEYE

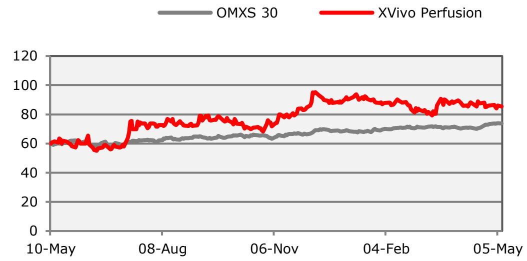
Summary

XVivo Perfusion (XVIVO.ST)

Patience is a virtue

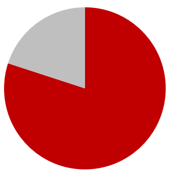
- Sales in Q1 fell short of our high expectations, but compared to last year sales related to warm perfusion (excl. durable goods) continued to witness strong growth. Two XPS were delivered during the quarter, becoming the first machines to be sold to the Netherlands and Australia.
- Going forward, we believe that the ramp-up of sales related to warm perfusion will be more gradual than what we previously accounted for. We also believe that the increased investments in sales will continue, resulting in an increasing cost base. The investments are, however, expected to generate a significant increase in sales, resulting in a significant margin expansion in the upcoming years.
- Our fair value range remains unchanged at SEK 105 per share, offering an attractive upside from current levels.

List:	Mid Cap
Market Cap:	2,239 MSEK
Industry:	Life Science
CEO:	Magnus Nilsson
Chairman:	Fredrik Mattson



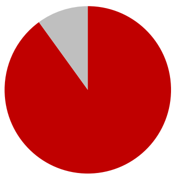
Redeye Rating (0 – 10 points)

Management



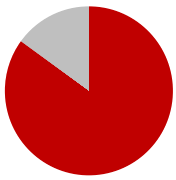
8.0 points

Ownership



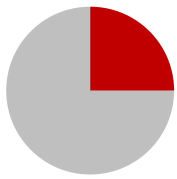
9.0 points

Profit outlook



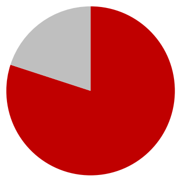
8.5 points

Profitability



2.5 points

Financial strength



8.0 points

Key Financials

	2015	2016	2017E	2018E	2019E
Revenue, MSEK	120	138	166	195	231
Growth	*42%*	*15%*	*20%*	*18%*	*19%*
EBITDA	19	16	18	29	53
EBITDA margin	*16%*	*12%*	*11%*	*15%*	*23%*
EBIT	7	3	2	6	25
EBIT margin	*6%*	*2%*	*1%*	*3%*	*11%*
Pre-tax earnings	7	3	2	7	25
Net earnings	5	2	2	5	19
Net margin	*4%*	*1%*	*1%*	*3%*	*8%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	0.24	0.07	0.07	0.19	0.72
P/E adj.	245.2	0.0	1299.6	447.4	119.0
EV/S	10.1	-0.8	12.7	11.1	9.5
EV/EBITDA	64.7	-6.6	115.4	74.7	41.1

Share information	
Share price (SEK)	85.5
Number of shares (m)	26.2
Market Cap (MSEK)	2,239
Net debt (MSEK)	-123
Free float (%)	79 %
Daily turnover ('000)	20

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Redeye Rating: Background and definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicality, and 8 – Forthcoming binary events.

Modest start of the year

Sales in Q1 fell short of high expectations

Sales in the first quarter of the year did not live up to our high expectations, but warm perfusion sales (excl. durable goods) continued to witness strong growth. The gross margin beat our forecast, but a higher cost base resulted in a lower EBIT than expected. Overall, we have a neutral view of the report, but keep a positive view of the company's future growth potential.

Sales related to warm perfusion were lower than forecasted

Net sales in Q1 totalled SEK 37.5 (33.5) million, corresponding to an increase of 12 (5.4) percent. The acquisition of Vivoline affected the quarter positively with SEK 0.6 million. Although growth continued for all product categories, our forecast was expecting a stronger start of the year, with sales projected to reach SEK 40.2 million. Our estimates differed to the outcome of both sales of consumables and durable goods, but the largest discrepancy could be seen in the sales of warm perfusion (excluding durable goods). Compared to last year, however, the product category witnessed strong growth, increasing by approximately 34 (20) percent. Two XPS were sold during the quarter, adding the Netherlands and Australia to countries with access to XPS.

Higher operating expenses than expected resulted in a lower EBIT than in our forecast

The gross margin came in at 72.3 (72.3) percent, compared to the forecasted 70.7 percent. The discrepancy was mainly a result of lower than expected sales of durable goods. The operating expenses were higher than expected, however, resulting in a lower EBIT than in our forecast. The outcome was mainly a result of the selling expenses, which amounted to SEK 11.4 (7.5) million, compared to the SEK 8.1 million in our forecast. We were expecting to see a significant increase in selling expenses during the year but had accounted for a more gradual ramp-up.

We expect to see a slightly flatter growth curve than previously forecasted

Summarizing the results of the first quarter, our view of the report is neutral. We still believe that soaring sales growth will come in the second half of the year, but recognise that the start of the new fiscal was below expectations. Going forward, we predict that the growth curve will be slightly flatter in the short-term horizon compared to what we previously have forecasted, but our conviction of the company's long-term growth potential remains intact.

Research program progressing according to plan

The NOVEL study is only 6 patients away from being fully enrolled

The ongoing NOVEL study has now reached a late stage of development with only 6 patients remaining to be enrolled. The company also announced that upgrades to the XPS-system have been launched, making it more user-friendly and adding new features. We believe that continuous development is of high importance for continued growth through the forecast period, seeing that competition likely will increase at a later stage.

Proof of concept study for heart transplantation expected to start in Q2

Xvivo Perfusion communicated a heart transplant team now is established in Lund and that they are still awaiting regulatory approval for the initiation of clinical studies. The company expects to start a proof of concept study in Q2, but it should be noted that regulatory processes often take longer than expected. The study is expected to be followed by a regulatory study that will be performed in both the United States and Europe.

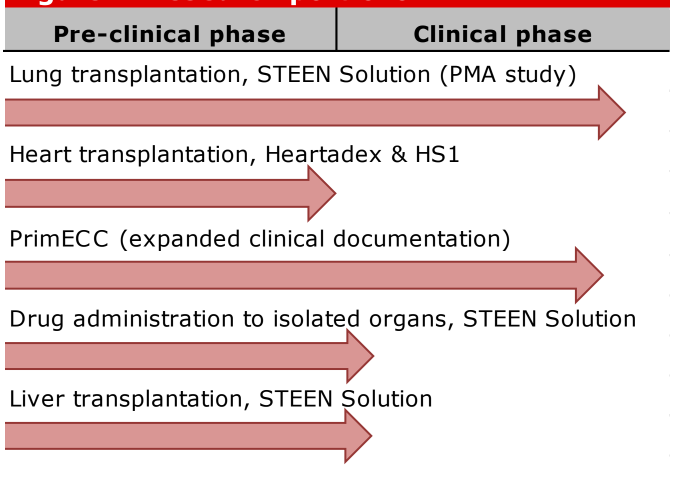
Results from ongoing study with PrimECC expected in Q4

Results from the ongoing study with PrimECC are expected to be presented in Q4 2017. The company has announced that no broad commercial roll-out of the product will take place before the study is completed. We believe that one more study will be necessary in the United States to gain FDA approval and that a potential roll-out in 2018 only will apply to the European market.

DCD liver study expected to start in Q2 – Q3

The ongoing proof of concept study for liver transplantation, where DBD livers are perfused with STEEN Solution, has reportedly showed good results. Since the share of DBD (donation after brain death) livers that are used for transplants is estimated to be about 75 -80 percent, the only way of significantly increasing the donor pool would be to use DCD (donation after cardiac death) organs. The company plans to start a study in Canada where DCD livers are used in Q2 - Q3 2017.

Figure 1. Research portfolio



Source: Xvivo Perfusion

Financial forecasts

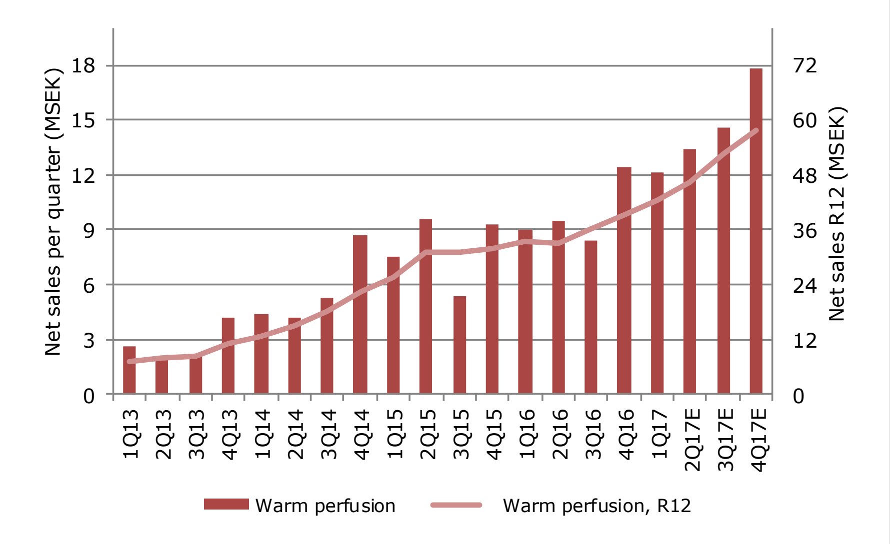
Sales growth H1 predicted to be weaker than previously forecasted

With the modest start of the year and previous quarters not being able to live up to our high expectations, we believe that the sales growth for STEEN Solution will be somewhat weaker in H1 than previously forecasted. The delay of a surge in sales is largely thought to be the result of a slower reimbursement process than expected, but also to some extent the ongoing NOVEL study where organ evaluations are performed without charge.

We expect to see gradual ramp up of sales related to warm perfusion going forward

Going forward, we believe that the ramp-up of sales will be more gradual than what we previously accounted for. We expect to see steadily increasing sales related to warm perfusion as the list of insurance companies that reimburse the products successively grows. We expect to see a significant increase of sales in Q4, however, when the NOVEL study is assumed to not hold back the sales anymore. Although we lower the estimates in the short-term horizon, most of the effect is offset by a prolonged growth phase. Our view of the long-term potential remains intact and is strengthened by the continuous improvements that are made to the XPS.

Figure 2. Expected up-tick in H2 for STEEN Solution



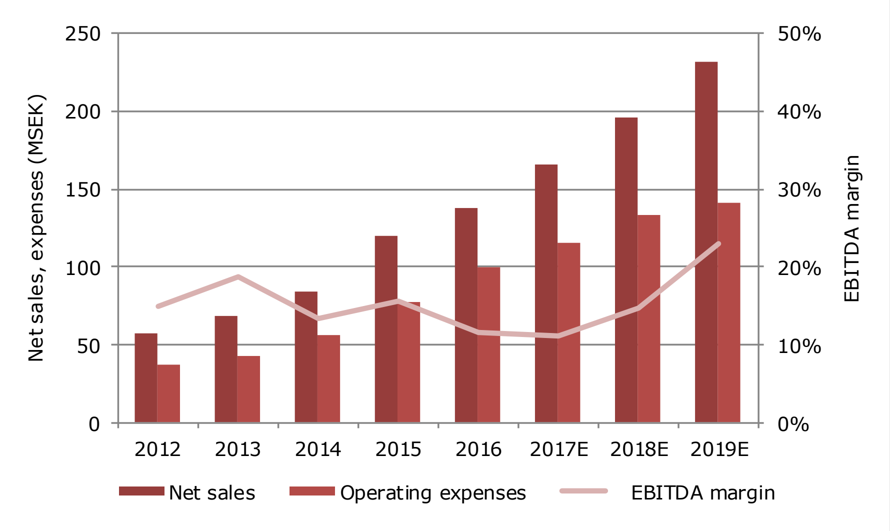
Source: Redeye Research

Xvivo Perfusion has entered a margin inflection point

Increased selling expenses are believed to indicate a shift in sales strategy

The higher than expected selling expenses in Q1 are believed to indicate a shift to a more aggressive sales strategy. With more cash at hand and no direct competitors in the lung transplant market, we see the strategy as sound, enabling the company to leverage on its strong position and increase the customer focus. We therefore believe that the cost base will steadily increase going forward.

Figure 3. Margin expansion expected



Source: Redeye Research

Margin expansion expected going forward

The investment in sales are expected to generate significant growth of sales related to warm perfusion, resulting in a significant margin expansion in the upcoming years. It should, however, be noted that soaring margins could be delayed if the company decides to increase investments in the research projects that are less prioritized today. Given the company's focus on the thorax region, we believe that the heart project and PrimECC will remain in priority for a foreseeable future.

Forecast, Xvivo Perfusion								
(SEKm)	**2016**				**2017**			
Net sales	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**
Warm perfusion (estimated)	9,0	9,5	8,5	12,4	12,1	13,4	14,5	17,8
Cold preservation (estimated)	20,0	20,3	20,7	22,1	21,5	21,9	22,2	24,1
Consumables	**29,1**	**29,8**	**29,1**	**34,6**	**33,6**	**35,3**	**36,8**	**41,9**
Durable goods	4,5	4,7	2,6	3,9	3,9	4,2	4,2	6,1
Net sales, total	**33,5**	**34,5**	**31,7**	**38,4**	**37,5**	**39,5**	**41,0**	**48,0**
COGS, consumables	-5,9	-6,2	-5,7	-6,9	-6,7	-8,1	-8,8	-9,8
COGS, durable goods	-3,4	-3,4	-1,8	-2,6	-3,7	-3,2	-3,2	-4,7
COGS	**-9,3**	**-9,6**	**-7,5**	**-9,5**	**-10,4**	**-11,3**	**-12,0**	**-14,5**
Gross profit, consumables	23,1	23,6	23,4	27,6	26,9	27,2	28,0	32,1
Gross profit, durable goods	1,1	1,3	0,8	1,3	0,2	1,0	1,0	1,4
Gross profit	**24,3**	**24,9**	**24,2**	**28,9**	**27,1**	**28,2**	**29,0**	**33,6**
Selling expenses	-7,5	-8,1	-9,8	-10,3	-11,4	-11,9	-12,0	-12,8
Administrative expenses	-6,4	-5,9	-5,4	-6,8	-5,1	-5,7	-5,7	-6,3
R&D costs	-8,0	-8,7	-9,0	-11,0	-9,9	-10,1	-10,4	-11,6
Other	-0,6	-0,6	-0,7	-0,8	-0,7	-0,7	-0,7	-0,7
EBIT	1,8	1,7	-0,7	0,0	0,0	-0,2	0,1	2,1
Net financial items	-0,1	0,4	0,1	-0,1	-0,1	0,1	0,1	0,1
Pre-tax profit	**1,7**	**2,0**	**-0,6**	**-0,1**	**0,0**	**-0,1**	**0,2**	**2,2**
Taxes	-0,6	-0,5	0,1	-0,5	0,0	0,0	-0,1	-0,6
Net income	**1,1**	**1,5**	**-0,6**	**-0,6**	**0,0**	**0,0**	**0,2**	**1,6**
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net income after minorities	**1,1**	**1,5**	**-0,6**	**-0,6**	**0,0**	**0,0**	**0,2**	**1,6**
Earnings per share	0,1	0,1	0,0	0,1	0,0	0,0	0,0	0,1
EBITDA	**4,9**	**4,8**	**2,7**	**3,6**	**3,7**	**3,9**	**4,3**	**6,5**
Amortization	-2,6	-2,6	-2,6	-2,6	-2,6	-2,9	-3,0	-3,1
Depreciation	-0,5	-0,5	-0,8	-0,9	-1,0	-1,1	-1,2	-1,2
EBIT	**1,8**	**1,7**	**-0,7**	**0,0**	**0,0**	**-0,2**	**0,1**	**2,1**
Growth								
Warm perfusion	19,5%	-0,7%	58,1%	33,4%	34,2%	40,6%	72,0%	43,2%
Cold preservation	14,0%	13,6%	9,2%	11,6%	7,2%	8,2%	7,5%	9,0%
Durable goods	-33,2%	176,3%	11,5%	9,2%	-12,9%	-10,6%	62,8%	57,7%
Total	**5,4%**	**18,4%**	**19,2%**	**17,6%**	**11,8%**	**14,6%**	**29,2%**	**25,0%**
Gross margin								
Consumables	79,6%	79,2%	80,3%	79,9%	80,1%	77,0%	76,0%	76,6%
Durable goods	24,9%	27,3%	32,2%	32,9%	4,6%	24,5%	24,0%	23,5%
Total	**72,3%**	**72,1%**	**76,4%**	**75,2%**	**72,3%**	**71,4%**	**70,7%**	**69,9%**
EBIT margin	5,3%	4,8%	-2,3%	0,1%	0,0%	-0,4%	0,4%	4,4%
EBITDA margin	14,5%	13,8%	8,6%	9,3%	9,8%	9,8%	10,6%	13,5%

Source: Redeye Research

Forecast, Xvivo Perfusion							
(SEKm)							
Net sales	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**
Warm perfusion (estimated)	11,1	22,6	31,8	39,4	57,8	78,5	104,2
Cold preservation (estimated)	57,9	60,7	74,2	83,1	89,8	96,5	103,3
Consumables	**68,9**	**83,2**	**106,0**	**122,5**	**147,6**	**176,8**	**213,4**
Durable goods	0,0	1,5	14,3	15,7	18,4	18,7	18,7
Net sales, total	**68,9**	**84,7**	**120,2**	**138,2**	**166,0**	**195,5**	**232,1**
COGS, consumables	-14,8	-19,2	-23,8	-24,8	-33,4	-41,8	-51,6
COGS, durable goods	0,0	-1,5	-11,5	-11,1	-14,8	-14,3	-14,4
COGS	**-14,8**	**-20,7**	**-35,3**	**-35,9**	**-48,2**	**-56,2**	**-66,0**
Gross profit, consumables	54,1	64,0	82,2	97,7	114,2	135,0	161,8
Gross profit, durable goods	0,0	0,0	2,8	4,5	3,7	4,4	4,3
Gross profit	**54,1**	**64,0**	**85,0**	**102,2**	**117,8**	**139,3**	**166,1**
Selling expenses	-17,1	-22,7	-32,1	-35,7	-48,0	-55,0	-60,3
Administrative expenses	-12,0	-11,1	-13,2	-24,5	-22,8	-24,5	-27,1
R&D costs	-15,2	-23,1	-31,1	-36,7	-42,0	-50,5	-50,7
Other	0,9	0,3	-1,5	-2,6	-2,9	-2,9	-2,9
EBIT	**10,8**	**7,5**	**7,2**	**2,7**	**2,1**	**6,5**	**25,2**
Net financial items	-0,1	0,0	0,2	0,3	0,2	0,3	0,4
Pre-tax profit	**10,7**	**7,5**	**7,4**	**3,0**	**2,4**	**6,8**	**25,6**
Taxes	-2,7	-2,3	-2,3	-1,5	-0,6	-1,8	-6,6
Net income	**8,1**	**5,2**	**5,1**	**1,5**	**1,7**	**5,0**	**18,9**
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net income after minorities	**8,1**	**5,2**	**5,1**	**1,5**	**1,7**	**5,0**	**18,9**
Earnings per share	0,4	0,2	0,2	0,1	0,1	0,2	0,7
EBITDA	**13,0**	**11,4**	**18,8**	**16,0**	**18,5**	**28,9**	**53,3**
Amortization	-2,0	-3,7	-10,2	-10,4	-11,9	-16,1	-20,3
Depreciation	-0,2	-0,3	-1,4	-2,9	-4,5	-6,4	-7,9
EBIT	**10,8**	**7,5**	**7,2**	**2,7**	**2,1**	**6,5**	**25,2**
Growth							
Warm perfusion	89,3%	104,1%	41,0%	24,0%	46,7%	35,7%	32,8%
Cold preservation	13,3%	4,8%	22,2%	12,0%	8,0%	7,5%	7,1%
Durable goods	n.m.	n.m.	>200%	9,7%	17,8%	1,4%	0,1%
Total	**21,1%**	**22,9%**	**42,0%**	**14,9%**	**20,2%**	**17,7%**	**18,7%**
Gross margin							
Consumables	78,5%	76,9%	77,5%	79,8%	77,4%	76,3%	75,8%
Durable goods	n.m.	0,3%	19,7%	28,8%	19,9%	23,3%	23,1%
Total	**78,5%**	**75,6%**	**70,7%**	**74,0%**	**71,0%**	**71,3%**	**71,6%**
EBIT margin	15,6%	8,8%	6,0%	2,0%	1,3%	3,3%	10,8%
EBITDA margin	18,8%	13,5%	15,6%	11,5%	11,2%	14,8%	23,0%

Source: Redeye Research

Valuation and the share

We maintain our fair value of SEK 105 per share. We have accounted for the dilution of the employee stock option plan 2015/2017, where the options have a strike price of SEK 60.92 and expire in June 2017.

DCF valuation

Our discounted cash flow model (DCF) gives a value of about SEK 103 per share. We use a discount rate of 8.1 percent to discount the cash flows during the explicit forecast period, together with the terminal value in the subsequent years.

DCF summary

	SEKm	Per share
DCF value	2 582	98,6
Interest bearing debt	-100	-3,8
Cash & cash equivalents	206	7,8
Other	0	0,0
Sum	**2 687**	**102,6**

Source: Redeye Research

Scenario analysis

In the remainder of this research report we argue in favour of a scenario that we find to be well-balanced based on assumptions which, in our view, appear reasonable. However, there are several factors which, in various ways, will affect the outcome and it is therefore relevant to attempt to quantify how the share could be affected by different perceivable scenarios.

Base case – SEK 105 per share

In our base case scenario we expect average annual growth of 18.9 percent until 2019, when the EBITDA margin improves to 23 percent. This gives a fair value of about SEK 105 per share.

Bear case – SEK 66 per share

In our bear case scenario we model in a slowdown in growth, amounting to 15 percent per year until 2019. This means that STEEN Solution will have a more sluggish sales development than we expect in our base case scenario. In this scenario, we also account for a higher cost base, resulting in an EBITDA margin of 15 percent. Under these circumstances, our model indicates a value of SEK 66 per share.

Bull case – SEK 129 per share

In our bull case scenario, the company grows 25 percent to 2019, which is higher than the assumptions in our base case, yet fully plausible if the company succeeds slightly better with the sales of XPS and STEEN Solution than we expect in our base case scenario. The higher sales lifts the EBITDA margin which, in this case, is expected to increase to 22.5 percent. Under these circumstances, our model indicates a value of SEK 129 per share.

Scenario analysis

	Bear	Base	Bull
Annual growth to 2019	15,0%	18,7%	25,0%
EBITDA margin	15,0%	23,0%	22,5%
Value per share	66	105	129
Upside from SEK 85,5	-23%	23%	51%

Source: Redeye Research

Investment thesis

Xvivo Perfusion has a strong position in the market for lung transplantation. The company's product Perfadex has a market share of about 90 percent in the market for preservation solutions used prior to lung transplants. With comprehensive documentation of the product and a steadily growing demand for lung transplants, the product is predicted to be a value driver for a foreseeable future.

The company has also launched the products XPS and STEEN Solution, which are used for warm perfusion of lungs. Warm perfusion is a method that has the potential to significantly increase the supply of organs available for transplantation. The supply of lungs is today significantly lower than the demand, causing many patients to die while waiting for an organ. Furthermore, the demand is believed to be even higher than what can be observed on the waiting lists due to the patients that are never signed up.

Leveraging its experience from the development current products, the company has also built up a strong research portfolio. The project that is closest to market launch is PrimECC, a priming solution used in heart-lung machines during open heart surgery. The number of open heart surgeries that are performed per year is estimated to be more than 500,000 in the United States and Europe alone. The company also is also developing HS1 and Heartadex, which are used for warm heart perfusion. Similarly to lungs, the demand for heart transplants far exceeds the current donor list. Given the company's focus on the thorax region, the heart project is projected to be of high priority going forward.

We expect to see strong sales growth in the upcoming years, from what we see as low levels relative to the potential. The maintained low cost base and high scalability points to a continued margin expansion and high value creation for the shareholders, both from a short and long-term perspective.

Counter thesis

- Perfadex holds a dominant position in the market for solutions for cold preservation of lungs, but the market share will likely decrease with time. A surge in competition could result in both lower revenue growth and margins than expected.

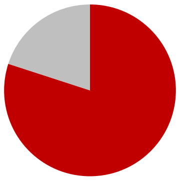
- The commercialisation process for new medical devices varies significantly. Soaring sales are usually held back by the time it takes for the products to become reimbursed, a process that usually takes longer than expected.

- TransMedics product for warm heart perfusion is market approved in Europe and Australia and is currently under review by the FDA. Xvivo Perfusion is further behind in development and could be faced with a situation where TransMedics already has an installed base at the larger clinics by the time they receive market approval.

Summary Redeye Rating

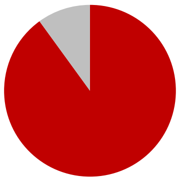
The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

Management 8.0p



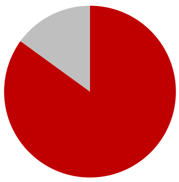
Management has extensive experience and is highly familiar with the industry. Xvivo's track record as a listed company is relatively short, but the CEO held an equivalent position at Vitrolife, which conducted the operations prior to the spin-off into Xvivo. The board has relevant industry experience from the commercialisation of medtech products internationally.

Ownership 9.0p



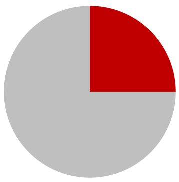
The CEO has a substantial shareholding. We are positive on the fact that Bure is a major shareholder, with two representatives on the board. Three out of six board members have no direct ownership at all, which pulls down the rating slightly.

Profit outlook 8.5p



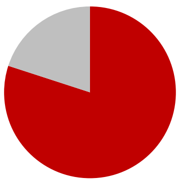
The company has the potential to grow faster than 20 percent annually in the foreseeable future if the company's method becomes more established in lung transplants. Strong development pipeline further strengthens the growth potential in a long-term perspective.

Profitability 2.5p



The company is profitable and the earnings trend is headed in the right direction, but in the past few years focus has been more on growth and on bringing products to the market. This has put a lid on margins and profitability measures. We anticipate improved profitability in the next few years, but this measure places great emphasis on the reported history, and we therefore expect to adjust the rating upwards in the next few years.

Financial strength 8.0p



Xvivo had a cash position of just short of SEK25 million at the end of 2016. An additional SEK181 million were raised in March 2017 through a rights offering aimed at institutional investors. We do not expect that the company will need to carry out additional share issues with the current strategy. The business is not particularly cyclical and the binary risk has declined substantially after the market launch of XPS and Steen Solution on all important markets including the US. A strong research pipeline strengthens the probability of a maintained high sales growth in the long-term perspective. Like for many other growth companies, the rating is brought down slightly by the fact that the company is inherently less stable and reliant on a narrow product portfolio and customer group.

REDEYE

XVivo Perfusion

Income statement	2015	2016	2017E	2018E	2019E
Net sales	120	138	166	195	231
Total operating costs	-101	-122	-148	-166	-178
EBITDA	**19**	**16**	**18**	**29**	**53**
Depreciation	-1	-3	-5	-6	-8
Amortization	-10	-10	-12	-16	-20
Impairment charges	0	0	0	0	0
EBIT	**7**	**3**	**2**	**6**	**25**
Share in profits	0	0	0	0	0
Net financial items	0	0	0	0	0
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	**7**	**3**	**2**	**7**	**25**
Tax	-2	-1	-1	-2	-7
Net earnings	**5**	**2**	**2**	**5**	**19**

Balance	2015	2016	2017E	2018E	2019E
Assets					
Current assets					
Cash in banks	41	206	235	262	295
Receivables	20	27	41	45	50
Inventories	29	35	39	44	50
Other current assets	6	9	0	0	0
Current assets	**96**	**276**	**315**	**351**	**394**
Fixed assets					
Tangible assets	7	15	20	28	39
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	4	66	66	66	66
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	93	158	199	234	266
O non-current assets	0	0	0	0	0
Total fixed assets	**104**	**239**	**285**	**328**	**370**
Deferred tax assets	4	15	12	11	11
Total (assets)	**204**	**530**	**612**	**690**	**775**
Liabilities					
Current liabilities					
Short-term debt	0	100	112	182	243
Accounts payable	15	30	32	34	36
O current liabilities	1	30	32	34	36
Current liabilities	**16**	**160**	**176**	**250**	**316**
Long-term debt	0	0	0	0	0
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	**16**	**160**	**176**	**250**	**316**
Deferred tax liab	0	0	0	0	0
Provisions	4	3	3	3	3
Shareholders' equity	185	186	432	437	456
Minority interest (BS)	0	0	0	0	0
Minority & equity	**185**	**186**	**432**	**437**	**456**
Total liab & SE	**204**	**349**	**612**	**690**	**775**

Free cash flow	2015	2016	2017E	2018E	2019E
Net sales	120	138	166	195	231
Total operating costs	-101	-122	-148	-166	-178
Depreciations total	-12	-13	-16	-22	-28
EBIT	**7**	**3**	**2**	**6**	**25**
Taxes on EBIT	0	0	0	0	0
NOPLAT	**7**	**3**	**2**	**6**	**25**
Depreciation	12	13	16	22	28
Gross cash flow	**19**	**16**	**18**	**29**	**53**
Change in WC	-12	28	-5	-5	-6
Gross CAPEX	-14	-148	-62	-66	-70
Free cash flow	**-7**	**-104**	**-49**	**-42**	**-23**

Capital structure	2015	2016	2017E	2018E	2019E
Equity ratio	91%	53%	71%	63%	59%
Debt/equity ratio	0%	54%	26%	42%	53%
Net debt	-41	-105	-123	-80	-52
Capital employed	144	81	309	357	404
Capital turnover rate	0.6	0.3	0.3	0.3	0.3

Growth	2015	2016	2017E	2018E	2019E
Sales growth	42%	15%	20%	18%	19%
EPS growth (adj)	-1%	-72%	-1%	190%	276%

DCF valuation	
WACC (%)	8.1 %
Assumptions 2017-2023 (%)	
Average sales growth	20.2 %
EBIT margin	13.7 %

Cash flow, MSEK	
NPV FCF (2017-2019)	-105
NPV FCF (2020-2026)	330
NPV FCF (2027-)	2356
Non-operating assets	206
Interest-bearing debt	-100
Fair value estimate MSEK	2686
Fair value e. per share, SEK	**102.6**
Share price, SEK	85.5

Profitability	2015	2016	2017E	2018E	2019E
ROE	3%	1%	1%	1%	4%
ROCE	4%	1%	1%	1%	4%
ROIC	6%	2%	3%	2%	7%
EBITDA margin	16%	12%	11%	15%	23%
EBIT margin	6%	2%	1%	3%	11%
Net margin	4%	1%	1%	3%	8%

Data per share	2015	2016	2017E	2018E	2019E
EPS	0.24	0.07	0.07	0.19	0.72
EPS adj	0.24	0.07	0.07	0.19	0.72
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-1.92	-4.67	-4.69	-3.06	-1.97
Total shares	21.51	22.57	26.19	26.19	26.19

Valuation	2015	2016	2017E	2018E	2019E
EV	1,217.3	-105.3	2,116.5	2,159.1	2,187.6
P/E	245.2	0.0	1,299.6	447.4	119.0
P/E diluted	245.2	0.0	1,299.6	447.4	119.0
P/Sales	10.5	0.0	13.5	11.5	9.7
EV/Sales	10.1	-0.8	12.7	11.1	9.5
EV/EBITDA	64.7	-6.6	115.4	74.7	41.1
EV/EBIT	168.8	-38.5	992.2	335.0	87.4
P/BV	6.8	0.0	5.2	5.1	4.9

Share performance		Growth/year	15/17e
1 month	-0.6 %	Net sales	17.5 %
3 month	-1.4 %	Operating profit adj	-45.6 %
12 month	42.5 %	EPS, just	-47.5 %
Since start of the year	-2.8 %	Equity	52.9 %

Shareholder structure %	Capital	Votes
Bure Equity	20.7 %	20.7 %
Eccenovo AB	6.1 %	6.1 %
Thomas Olausson	5.5 %	5.5 %
Handelsbanken Liv Försäkring AB	4.4 %	4.4 %
Avanza Pension	2.5 %	2.5 %
Nordnet Pensionsförsäkring	2.3 %	2.3 %
Carl Westin Limited	1.8 %	1.8 %
Leif Bergwall	1.3 %	1.3 %
Ingvar Andersson	1.3 %	1.3 %
LähiTapiola Varainhoito Oy	1.2 %	1.2 %

Share information	
Reuters code	XVIVO.ST
List	Mid Cap
Share price	85.5
Total shares, million	26.2
Market Cap, MSEK	2239.3

Management & board	
CEO	Magnus Nilsson
CFO	Christoffer Rosenblad
IR	
Chairman	Fredrik Mattson

Financial information

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Arvid Necander	Mäster Samuelsgatan 42, 10tr
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Andreas Kvist
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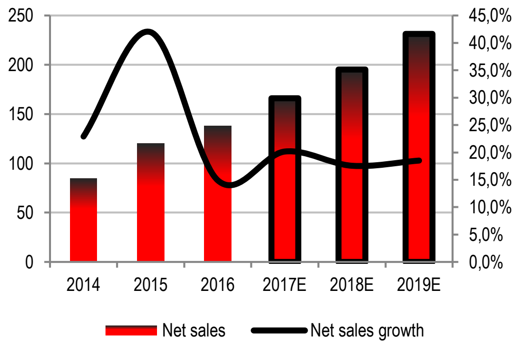
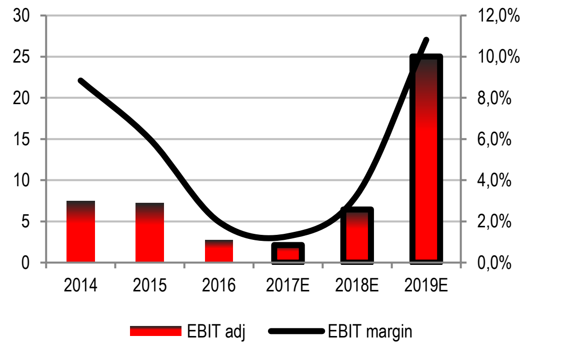
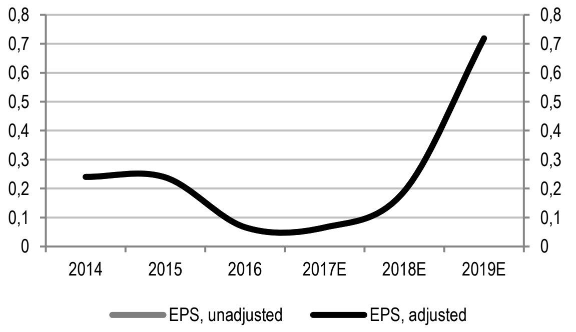
Revenue & Growth (%)



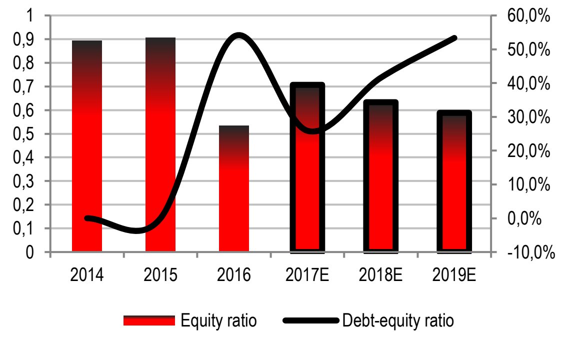
EBIT (adjusted) & Margin (%)



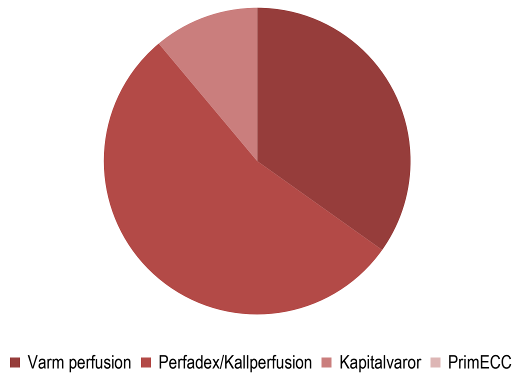
Earnings per share



Equity & debt-equity ratio (%)



Sales division



Geographical areas

Conflict of interests

Arvid Necander owns shares in the company : Yes
Andreas Kvist owns shares in the company : No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Company description

Xvivo Perfusion AB var ett helägt dotterbolag till Vitrolife AB som delades ut till aktieägarna och handlas sedan 8 oktober 2012 på First North. Xvivo är fokuserat på transplantationsområdet och i första hand framtagandet av näringslösningar och metoder för förvaring och utvärdering av större organ, t.ex. lunga, lever, njure och hjärta. Bolagets initiala fokus ligger på lungor där bolagets produkt Perfadex har c:a 90% av världsmarknaden för kall perfusion av lungor. Xvivo har också tagit fram en metod tillsammans med Prof. Stig Steen i Lund för att på ett objektivt sätt kunna utvärdera lungor innan de transplanteras. Metoden har potential att revolutionera tillgången på organ och eliminera de väntelistor som finns idag. Metoden är lanserad i Europa och Australien och erhöll godkännande i USA under 2014.

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Redeye Rating (2017-05-10)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	43	44	17	11	21
3,5p - 7,0p	70	61	97	33	43
0,0p - 3,0p	13	22	13	83	63
Company N	126	127	127	127	127

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