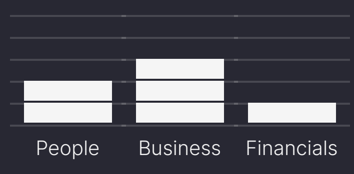
REDEYE

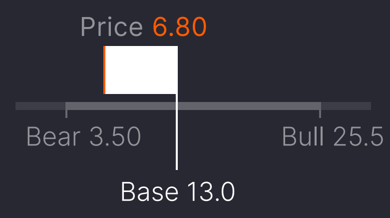
Clinical Laserthermia Systems

Research Update

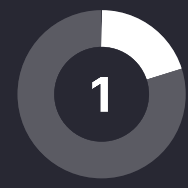
QUALITY RATING



FAIR VALUE RANGE



MOMENTUM



CLS Q2: Strong report that reinforces confidence in outlook

Redeye provides an update following CLS's Q2 2025 report. We view the report as strong, providing confidence in our forecasts and the company's objectives. Based on the results, we have made positive adjustments to our estimates, which lead to an updated fair value range.

Q2 2025

CLS reported record Q2 sales of SEK9.4m, up 67% y/y and 38% above our estimate of SEK6.8m. We view the quarterly sales as very strong, reflecting the anticipated ramp-up that we have been waiting for. The company also maintains solid cost control, which we see positively. Following this report, we are more confident that CLS is on track to achieve its 2025e–2027e targets, including high double-digit y/y growth, a 30% cost reduction in FY2025, and positive cash flow by late 2026.

New members of the board

CLS held its AGM in late June, appointing four new board members: Lena Höglund, Veronica Byfield Sköld, Thomas Binzer, and Jerker Nygren, while Sandy Brandmeier, Marika Crohns, and Peter Mantas stepped down. The new members bring extensive experience in medtech, life sciences, R&D, and operational management, and are all based in the Nordics, compared with the primarily North America–based outgoing members. Overall, we view the board changes as a positive step that better reflects CLS's current strategy and growth focus.

Updated base case of SEK13 (12)

Our valuation is based on a DCF model covering 2025e–2036e, with a WACC of 17% derived from the Redeye quality rating model. The strong Q2 report reinforces confidence in our estimates. In this update, we have made positive adjustments to our forecasts, resulting in an updated fair value range: base case SEK13 (12), bull case SEK25.5 (24), and an unchanged bear case of SEK3.5. We see potential for continued share momentum in the second half of 2025, with key triggers including FDA clearance for the 1.5T application, a fully subscribed warrants program, and continued strong sales in upcoming reports.

Key Financials

SEKm	2023	2024	2025e	2026e	2027e
Net Sales	8.3	18.8	37.1	63.8	117.1
Sales Growth	32.0%	127%	97.4%	72.1%	83.6%
EBITDA	-63.2	-51.6	-17.2	-10.4	18.7
EBIT	-65.9	-54.3	-19.9	-17.5	7.0
EBIT Margin	-797%	-289%	-53.6%	-27.4%	6.0%

Source: Redeye research (estimates)

Performance VS OMXS30

Share Information

Share Price SEK	6.8
Number of shares (M)	25.7
Marketplace	First North Stockholm
CEO	Dan Mogren
Chairman	Peter Max

Key Stats

Market Cap	174.5m SEK
Entprs. Value (EV)	158.3m SEK
Net Debt (2025Q2)	-16.2m SEK
30 Day Avg Vol	204 K
Dividend Yield	N/A

Top Holders

Name	Ownership
Avanza Pension	6.82%
Ulla Håkanson	4.35%
Nordnet Pensionsförsäkring	3.88%
Handelsbanken Liv Försäkring AB	3.72%
Arne Håkanson	3%
Anders Håkan Axne	2.02%
Sven Lennartsson	1.48%
Mathias Hagelberg	1.37%
Anders Berthag	1.29%
Bertil Furberg	1.24%

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Investment Thesis

Case

Focus on neurosurgery offers solid growth potential

CLS has developed a system for treating cancer tumours using laser ablation. While the company initially focused on the neurosurgery and urology segments, strong demand for its neurosurgery offering—supported by a solid partnership with ClearPoint Neuro—has led CLS to refine its strategy, now concentrating exclusively on neurosurgery. We anticipate a substantial increase in sales over the coming years, driven by the demand for advanced cancer treatment technologies and ClearPoint Neuro's high prioritising of the Prism system, which we believe is not currently reflected in the company's valuation. As revenues begin to climb, we expect the market's perception of CLS to shift, potentially leading to a revaluation of the company.

Evidence

ClearPoint Neuro partnership

In September 2022, FDA 510(k) clearance for its MRI-guided laser ablation system (2nd-generation TRANBERG Thermal Therapy System with Thermoguide Workstation) for neurosurgery through its partnership with ClearPoint Neuro. ClearPoint Neuro markets the system as the ClearPoint Prism Neuro Laser Therapy System and fully launched it in early summer 2024. In 2024, CLS more than doubled its FY2023 sales, with ClearPoint Neuro emphasising the system's strategic importance for its future growth.
ClearPoint Neuro's optimism suggests a steady order flow in the coming years, underpinned by the demand for minimally invasive treatment alternatives, reducing hospital stays and improving patient outcomes, which we project will drive CLS to profitability by 2027e. As sales grow, we anticipate the market's view of CLS will shift, narrowing the gap to our base case.

Challenge

Partner dependency

We positively view CLS's partnership with ClearPoint Neuro and consider it a material part of the investment case. However, the collaboration is crucial for CLS's future growth, and any reduction in ClearPoint Neuro's interest could have severe implications for the company. In the long term, we believe it will be essential for CLS to reduce its reliance on a single partner, potentially by expanding its business model to include an additional segment.

Raising capital

In recent years, CLS has needed to raise cash several times through loans and rights issues, creating a lack of trust among investors and contributing to why the share is traded under our base case. Raising further capital should be considered a challenge for the company, and we argue that the risk of a new capital injection is dependent on CLS's warrants program this fall.

Valuation

Rising sales should change the market's view of CLS's valuation

Our fair value range derives from a DCF model covering 2025e–2036e, using a WACC of 17%, a terminal growth rate of 2%, and a terminal EBIT margin of 25% (base case). Based on this model, we arrive at a valuation for CLS with a base case of SEK13, a bull case of SEK25.5, and a bear case of SEK3.5. We believe rising sales and keeping costs at low levels will be the primary drivers in narrowing the valuation gap to our base case.

Q2 2025 review

Activities during Q2

We highlight the following events during Q2:

CLS announced updated clinical guidelines from CNS (Congress of Neurological Surgeons) regarding the use of LITT (Laser Interstitial Thermal Therapy) in patients with metastatic brain tumours and radiation necrosis.

Moreover, CLS announced that, together with its partner ClearPoint Neuro, it has submitted an FDA application to expand the labelling of the Prism system to include use with 1.5 Tesla MRI scanners. The system is currently approved only for 3.0 Tesla MRI guidance. Since 1.5 Tesla scanners make up the majority of the installed MRI base in the US, an approval would more than double the Prism system's addressable market.

Furthermore, CLS held its Annual General Meeting in late June, during which several changes were made to the board of directors. Peter Max remains as Chairman. Four new members were elected: Lena Höglund, Veronica Byfield Sköld, Thomas Binzer and Jerker Nygren. The new board brings strong collective expertise in medical technology, life science in general, and operational management. Höglund spent over 35 years in senior roles at Elekta and currently serves on the boards of XVIVO Perfusion and Bergvik Group. Byfield Sköld has held leadership positions at Elekta, Permobil and BioLamina, and brings valuable experience from The Boston Consulting Group, Gambro, and private equity firm Impilo. Binzer offers a deep background in R&D and commercialisation from companies such as Thermo Fisher, Agilent and Sophion, while Nygren contributes extensive operational know-how, especially in logistics and supply chain management.

At the same time, Sandy Brandmeier, Marika Crohns and Peter Mantas stepped down from the board. The departure of Mantas is somewhat surprising, given that he only joined last year and brought a strong international network and strategic outlook to CLS.

No official reason has been provided for the departures. However, we note that the new board members are all based in the Nordics, while the outgoing members were primarily located in North America—suggesting that geographic distance may have posed challenges. In addition, the new members bring even deeper expertise in medtech and the neuro field, which we see as a better strategic fit with CLS's current focus on neurosurgery and commercial expansion.

Overall, we believe the board changes are reasonable and better aligned with where CLS is today and the company's path toward broader market adoption.

Q2 results

- Sales during the quarter amounted to SEK9.4m (SEK5.6m), a 67% increase y/y and a 108% increase q/q. The sales figure can be compared to our estimate of SEK6.8m.
- Operating expenses amounted to SEK-12.0m (SEK-17.4m), down 31% y/y and down 2% q/q. Our estimate was SEK-11.5m, which was fairly in line. We view the reported decline in costs positively. As previously highlighted, demonstrating progress towards the targeted 30% cost reduction in FY2025 versus FY2024 is a key milestone for CLS. The disclosed figures confirm meaningful progress, aligning well with this objective.
- EBIT amounted to SEK-2.9m (SEK-12.9m), compared to our projection of SEK-9.0m, with the deviation primarily driven by stronger-than-expected sales in the quarter. The line item “changes in inventory” was also positive, though it did not impact the gross margin, which was strong at 70%. We believe it would be preferable for the company to disclose COGS going forward, as this would improve transparency and make it easier for the market to follow gross margin development.
- Cash flow from operating activities was SEK-10.9m, with cash and cash equivalents at SEK16.2m at quarter-end. Costs remain well controlled, which we view positively. Moreover, given the strong share price momentum in recent months and on the reporting day, the upcoming warrant programme is now in-the-money (subscription price of SEK3.8, subscription period 15–27 September 2025), which we see as reassuring. Assuming full subscription of the warrants, an outcome we consider highly likely and have included in our valuation, the company should be sufficiently financed to reach break-even.

CLS: Deviation table

SEKm	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025a	Q2 2025e	*dev. %*	dev. abs
Net sales	5.6	5.4	4.6	4.5	9.4	6.8	*38%*	2.6
Sales growth y/y	*349%*	*173%*	*4%*	*43%*	*67%*	*21%*		
Sales growth q/q	*79%*	*-4%*	*-15%*	*-3%*	*108%*	*51%*		
Gross profit	5.2	5.6	5.2	5.0	9.7	3.9	*147%*	5.8
OPEX	-17.4	-14.7	-19.1	-12.3	-12.0	-11.5	*5%*	-0.6
Merchandise	-2.3	-1.0	-1.6	-2.2	-3.2	-1.8	*76%*	-1.4
Personnel expenses	-6.1	-4.4	-4.2	-4.4	-4.5	-4.8	*-5%*	0.3
Other external expenses	-9.1	-8.9	-13.5	-5.9	-4.3	-5.5	*-21%*	1.2
Other expense/income	0.1	-0.4	0.3	0.1	0.0	0.6	*-108%*	-0.6
EBITDA	-12.3	-9.1	-13.8	-7.3	-2.3	-7.5	*-69%*	5.2
EBITDA margin	*neg*	*neg*	*neg*	*neg*	*neg*	*neg*		
EBIT	-12.9	-9.7	-14.7	-7.9	-2.9	-9.0	*-68%*	6.1
EBIT margin	*neg*	*neg*	*neg*	*neg*	*neg*	*neg*		

Source: Redeye research (estimates), CLS (historical data)

Summary of Q2 and our thoughts

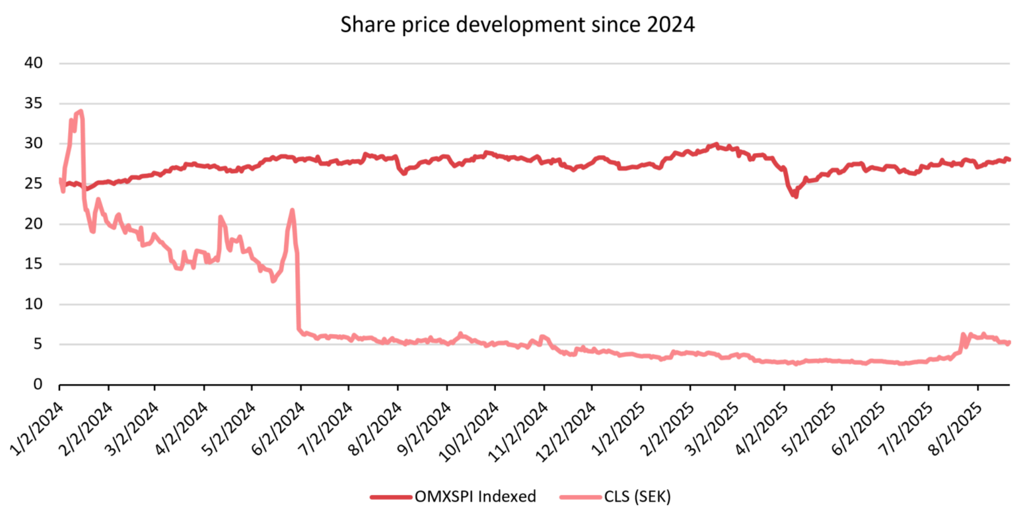
Based on the report and our chat with management, we highlight the following:

- We view the quarterly sales of SEK9.4m as significantly strong and is the type of sales that we and the market have been waiting for. We also note that the gross margin during Q2 2025 was 70%, higher than our projection of 58%. First of all, this is substantially over CLS target of reaching a gross margin of 60% this year, and even if it is not disclosed in the report, the strong gross margin means that a clear majority of the sales comes from consumables, which we are much positive about as it can be seen as recurring revenue. This also creates better confidence of sales being at similar levels in the upcoming quarters (even if some quarterly volatility could appear).
- During the company's Live Q at Redeye, CLS indicated that it expects additional system sales in Q3 and Q4, which could temporarily impact the gross margin.
- We also learned from the Live Q that the company does not anticipate further cost reductions. Instead, we expect costs to remain at similar levels as in Q2 throughout the rest of 2025e.
- In the report, CEO Dan Mogren stated that US tariffs have had a minimal impact on the business to date, which we view positively.
- We once again highlight the company's significant progress in reducing costs, which we regard as a key step forward. In our view, achieving its cost-efficiency targets could also act as a potential share price catalyst.
- The report did not provide a clearer timeline for the 1.5T FDA clearance, as the company only notes that it is currently under review. We learned that the FDA has issued additional questions, all of which have been answered by the company. We consider it reasonable to assume FDA clearance in Q3 2025 or early Q4 2025. The label expansion, including 1.5T scanners, would substantially increase patient access to MRI-guided LITT treatment.
- We note that the CEO's message in the report is conveyed with considerable confidence, which we view positively and find reasonable given the strong quarter.
- Overall, we view the report very positively, highlighting strong sales and effective cost control. It indicates that the company is well on track to achieve its targets—30% cost reduction in FY2025, double-digit sales growth for the full year, and positive cash flow by late 2026. While the market has previously been sceptical about CLS's ability to meet these goals, this report should significantly increase confidence. We have remained optimistic about the company's development, maintaining our positive outlook even during softer quarters. The strong performance in this report further supports our estimates and reinforces our positive view of CLS.

Share price development

The CLS share has risen approximately 90% in 2025 and around 20% over the past 12 months. While sales growth has been evident over the past year, the market response has been relatively muted until the past few months, during which the share experienced a strong rally despite limited news flow. The share also gained notable momentum on the reporting day, rising roughly 25%, which we consider justified.

We see two primary factors that could support further share price appreciation: achieving the sales outlook and delivering the targeted cost reduction of at least 30% in FY2025 versus FY2024. Successful execution on these fronts could sustain upward momentum through this year and into the next. Additionally, CLS's planned capital raise via the warrants program this fall is likely to provide investor reassurance. We estimate that proceeds from a fully subscribed program would be sufficient to fund the business until break-even. Given CLS's history of heavily discounted rights issues (with the exception of the directed issue earlier this year), a fully subscribed warrants program is likely to be viewed positively by the market, reducing perceived risk and potentially attracting new investors. With the current share price well above the subscription price, we would be surprised if the program is not fully subscribed.



Source: Millistream, Redeye research

Financials

Estimate changes

The report came in better than expected, which we view very positively. We believe the Q2 figures reinforce confidence in the company's solid outlook and potential. Over the past year, the market has been sceptical about CLS's ability to achieve its targets. Even though most quarterly reports have not materially exceeded our expectations, we have maintained our view that the company's outlook is strong and that significant sales growth is achievable.

The Q2 report delivers the performance we have been anticipating, further supporting our positive view of the company. As a result, we have chosen not to make major adjustments to our estimates; instead, we see the report as confirmation that the company is on track to deliver in line with our projections. We raise our sales estimate for FY2025e by 9%, now expecting full-year sales of SEK37.1m (previously SEK34.0m). In addition, we make minor fine-tuning adjustments to our OPEX estimates between 2025e-2027e; however, these changes do not have a material impact. Our base case sales assumptions remain aligned with CLS's targets, anticipating high double-digit sales growth in both FY2025 and FY2026 (we estimate 97% and 72%, respectively).

Estimate changes	Updated			Previous			Chg. %	Chg. %	Chg. %
SEKm	**2025e**	**2026e**	**2027e**	**2025e**	**2026e**	**2027e**	**2025e**	**2026e**	**2027e**
Net sales	37.1	63.8	117.1	34.0	63.8	117.1	*9%*	*0%*	*0%*
Sales growth - YoY	*97%*	*72%*	*84%*	*81%*	*88%*	*84%*			
EBITDA	-17.2	-10.4	18.7	-22.4	-9.5	17.9	*-23%*	*8%*	*4%*
EBITDA margin	*neg*	*neg*	*16%*	*neg*	*neg*	*15%*			
EBIT	-19.9	-17.5	7.0	-28.2	-16.7	6.3	*-30%*	*5%*	*12%*
EBIT margin	*neg*	*neg*	*6%*	*neg*	*neg*	*5%*			

Source: Redeye research (estimates)

Q3 2025e preview

In Q3 2025e, we estimate sales to increase by 85% y/y to SEK10.0m. We emphasise the importance of CLS demonstrating that the strong Q2 sales were not a one-off and that this level can be maintained (even if some quarterly volatility could appear). Given that the majority of Q2 sales came from disposables, we are more confident that this sales level can be sustained in Q3. On the cost side, we estimate OPEX at SEK-11.2m (versus SEK-12.0m in Q2 2025), reflecting our expectation that CLS will remain on track to achieve its FY2025e target of at least 30% cost reduction versus FY2024. This results in an estimated EBIT of SEK-5.5m (note that the company does not disclose COGS in the income statement; however, we expect this to change in the future, creating a better overview of the gross margin).

Income statements 2024-2028e (SEKm)

SEKm	FY 2024	Q1 25	Q2 25	Q3 25e	Q4 25e	FY 2025e	FY 2026e	FY 2027e	FY 2028e
Net Sales	18.8	4.5	9.4	10.0	13.2	37.1	63.8	117.1	209.7
Growth y/y	*127%*	*43%*	*67%*	*85%*	*187%*	*97%*	*72%*	*84%*	*79%*
Merchandise	-7.6	-2.2	-3.2	-2.7	-2.7	-10.8	-10.2	-11.5	-13.8
Personnel expenses	-20.6	-4.4	-4.5	-4.5	-4.4	-17.7	-22.5	-26.4	-31.7
Other external expenses	-41.4	-5.9	-4.3	-4.6	-4.8	-19.5	-20.4	-18.7	-21.6
Other operating inc/exp	0.0	0.1	0.0	0.6	0.6	1.2	2.5	2.8	3.1
OPEX	-69.6	-12.3	-12.0	-11.2	-11.3	-46.8	-50.6	-53.9	-64.0
EBIT	-54.3	-7.9	-2.9	-5.5	-3.6	-19.9	-17.5	7.0	51.5
EBIT margin	*-389%*	*-275%*	*-131%*	*-155%*	*-127%*	*-54%*	*-27%*	*6%*	*25%*

Source: Redeye research (estimates), CLS (historical data)

Key growth drivers

We highlight three key drivers that we argue will be the keys to CLS's future growth:

- Partnership with ClearPoint Neuro.
- Approval to use the Prism system with 1.5T scanners.
- Expansion of the Prism system

Partnership with ClearPoint Neuro

CLS's neurosurgery partner, ClearPoint Neuro, fully launched the Prism system in mid-2024. When a smaller company like CLS relies heavily on a larger partner, there is always a risk that the product may not be a priority. However, we believe ClearPoint has demonstrated strong commitment to the Prism system, as reflected in its reports and conference calls. Sustained focus from ClearPoint will be critical for the system's commercial success and, in turn, CLS's future growth.

Approval to use the Prism system with 1.5T scanners

The Prism system is currently approved only for use with 3.0 Tesla MRI scanners. However, CLS recently submitted an FDA application for compatibility with 1.5 Tesla scanners, which represent the majority of MRI systems in the U.S. The plan is to receive an approval during 2025 (we estimate during Q3 or early Q4). Expanding compatibility to 1.5T scanners would significantly increase the system's addressable market, improving commercial prospects for Prism and driving higher sales for CLS.

Expansion of the Prism system

The Prism system is currently available only in the U.S, but ClearPoint Neuro plans to seek regulatory approval in the EU as well. In our model, we assume approval in the latter part of 2026e, with ClearPoint leading the international expansion, given its global rights to the system.

Valuation

Our valuation is based on a DCF model for our 2025e-2036e forecast period, with a WACC of 17% derived from the Redeye quality rating model. We use three scenarios at Redeye to value a company's stock. These provide a more dynamic view of the case.

In this research update, we have only made minor adjustments to our 2025e sales estimate and some fine-tuning of our OPEX estimates between 2025e-2027e.

However, these changes have a positive impact on our valuation of CLS. Our updated fair value range includes a base case of SEK13 (12), a bull case of 25.5 (24), and an untouched bear case of SEK3.5.

Base case: SEK13 (12)

In our base case of SEK13, we anticipate neurosurgery sales to reach SEK37m in 2025e, increasing to SEK290m by 2030e, with 65% of the sales coming from the US and 35% from European markets. In this scenario, we project sales of SEK117m for 2027e, resulting in an EBIT of SEK7m. CLS has set an objective of becoming cash flow positive in Q4 2026e, which we argue is reasonable from our estimates, where we expect a solid sales growth as well as costs to decrease.

Moreover, we have factored in modest urology sales estimates starting in 2027e, reflecting the uncertainty surrounding the company's forthcoming plans, timeline, and strategy. Additionally, imILT sales are not included in our forecasts in this scenario due to the high degree of uncertainty in our projections. In this context, we expect CLS to attain EBIT positivity by 2027e, with EBIT margins potentially reaching up to c30% in our long-term estimates. We have set the terminal growth rate at 2% and the terminal EBIT margin at 25%.

DCF valuation - Base case

Assumptions		**DCF**	**SEKm**	**Per share**
Tax rate	*21%*	2025 - 2030	103.7	3.3
WACC	*17%*	2031 - 2036	155.1	5.0
Shares outstanding (diluted)	31.2	Terminal	106.8	3.4
Sales CAGR 2024 - 2030	62%	Net debt (incl capital injection)	-34.0	-1.1
Sales CAGR 2031 - 2036	7%			
Terminal value assumptions		**Base case**		**13**
Group sales	585			
Terminal growth	*2%*			
EBIT margin	*25%*			

Source: Redeye research (estimates)

Bull case: SEK25.5 (24)

In our more optimistic bull case scenario of SEK25.5, we project sales of SEK48m in 2025e, rising to SEK559m by 2030e, with 66% of the sales driven by the neurosurgery segment. Similar to our base case, we anticipate urology segment sales commencing in 2027e; however, we also factor in risk-adjusted imILT sales (set at 25%) beginning in 2028e.

In this bull case, we forecast that CLS will achieve EBIT positivity by 2027e, with an EBIT of SEK48m, and that EBIT margins could reach up to 40%. Our analysis employs a WACC of 17%, a terminal growth rate of 2%, and a terminal EBIT margin of 30%.

DCF valuation - Bull case

Assumptions		**DCF**	**SEKm**	**Per share**
Tax rate	*21%*	2025 - 2030	253.5	8.1
WACC	*17%*	2031 - 2036	304.3	9.8
Shares outstanding (diluted)	*31.2*	Terminal	208.8	6.7
Sales CAGR 2024 - 2030	76%	Net debt (incl capital injection)	-34.0	-1.1
Sales CAGR 2031 - 2036	6%			
Terminal value assumptions		**Bull case**		**25.5**
Group sales	871			
Terminal growth	*2%*			
EBIT margin	*30%*			

Source: Redeye research (estimates)

Bear case: SEK3.5

In our more pessimistic bear case scenario of SEK3.5, we anticipate sales of SEK29m in 2025e, increasing to SEK202m by 2030e, with 100% of the sales attributed to the neurosurgery segment. In this scenario, we do not include any sales from the urology segment.

In this bear case, we project that CLS will become EBIT-positive by 2028e, with EBIT expected to be SEK1m. Our analysis applies a WACC of 17%, sets the terminal growth rate at 2%, and uses a terminal EBIT margin of 22%.

DCF valuation - Bear case

Assumptions		**DCF**	**SEKm**	**Per share**
Tax rate	*21%*	2025 - 2030	0.9	0.0
WACC	*17%*	2031 - 2036	43.3	1.4
Shares outstanding (diluted)	*31.2*	Terminal	35.8	1.1
Sales CAGR 2024 - 2030	49%	Net debt (incl capital injection)	-34.0	-1.1
Sales CAGR 2031 - 2036	6%			
Terminal value assumptions		**Bear case**		**3.5**
Group sales	315			
Terminal growth	*2%*			
EBIT margin	*22%*			

Source: Redeye research (estimates)

Appendix

ClearPoint partnership and the Prism system

CLS has a partnership agreement with the US-based ClearPoint Neuro, jointly developing and commercialising the Prism system. ClearPoint is responsible for sales. The neurosurgery segment targets minimally invasive procedures across two key areas:

- **Glioblastoma**, an aggressive form of brain cancer with a poor prognosis. Due to the brain's sensitivity, traditional surgery can be challenging for deep-seated tumours. In contrast, focal laser ablation enables precise targeting of hard-to-reach tumours while minimising damage to critical nerve centres. This approach offers a potential treatment option for glioblastoma patients who are not candidates for open surgery.
- **Epilepsy (drug-resistant)**, a severe neurological disorder characterised by recurrent seizures. While most patients respond to medication, some are diagnosed with drug-resistant epilepsy, typically after failing two or more treatments. In such cases, surgical removal of the epileptic focus may be necessary. However, if the affected area is deep in the brain or near critical structures, traditional surgery may be unfeasible or carry significant risks. Focal laser therapy offers a minimally invasive alternative, enabling precise treatment while reducing the risk of complications.

Source: ClearPoint Neuro

The **Prism system** is **FDA-approved**, with ClearPoint Neuro initiating its full launch in mid-2024. The system features a **mobile laser unit** that generates and controls laser energy delivered to the patient. It also includes **disposable, non-cooled laser applicators**, a key differentiator from competitors, as other systems rely on cooled disposables, making procedures more costly, complex, and less precise in monitoring.

Additionally, the Prism system offers **real-time monitoring**, allowing operators to track and control the ablation process with a response time of approximately **three seconds,** significantly faster than competitors' **eight to twelve seconds.** The system is **compatible** with MRI scanners from **Siemens, IMRIS, and GE,** broadening its potential adoption in clinical settings.

ClearPoint Neuro has a broad US customer base, but the Prism system is currently limited to 3.0 Tesla MRI scanners. CLS and ClearPoint have submitted an FDA application for the usage of 1.5 Tesla scanners, and approval is expected in 2025, which would significantly expand the addressable market, as these scanners represent the majority in the US. We have previously highlighted ClearPoint's focus on Prism as a key growth driver and view its commitment positively, particularly given CLS's strong reliance on its partner.

Redeye Quality Rating

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive longterm earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People 2

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character. character.

The People rating is based on quantitative scores in seven categories: categories:

1. Passion 2. Execution 3. Capital Allocation 4. Communication 5. Compensation 6. Ownership 7. Board

Positives

- Strong founder mentality: CEO demonstrates long-term vision, challenges conventional practices, and has deep industry knowledge, focusing on innovative cancer treatments.
- Lean organization: CLS encourages self-direction and accountability, vital for its early commercialization phase and adaptability in the medical technology sector.
- Commitment to innovation: Management shows dedication to advancing laser technology in neurosurgery, driving the company's potential to lead in medical technology.
- Board diversity and expertise: The board has strong female representation and directors with relevant experience in the medical device industry, aligning well with CLS's strategy.

Negatives

- Inconsistent management tenure: While the CEO has been with CLS since 2014, the overall management team's tenure does not consistently exceed five years, potentially impacting stability.
- Lack of attractive returns: Given its early commercialization stage, CLS has not yet demonstrated attractive returns on capital, reflecting challenges in achieving growth and market success.
- Weak sustainability reporting: CLS shows limited commitment to comprehensive ESG disclosures, potentially missing opportunities to address stakeholder demands and mitigate risks.
- Low insider ownership: Management and insiders do not own significant stakes in the company, which may indicate a misalignment with shareholder interests.

Business 3

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is ased on quantitative scores in seven categories:

1. Business Scalability 2. Market Structure 3. Value Proposition 4. Economic Moat 5. Operational Risks

Positives

- Meaningful reinvestment opportunities in laser technology and neurosurgery, with potential for significant growth and market expansion.
- Benefits from secular tailwinds in healthcare, particularly the growing demand for innovative, minimally invasive medical technologies.
- Unique competitive advantage with the Prism system, offering simplified procedures for hard-to-reach tumors without external cooling requirements.
- Close collaboration with customers (healthcare professionals) for product innovation and improvement, enhancing effectiveness of solutions.
- Products contribute to the greater good by improving precision and effectiveness of treatments for patients.

Negatives

- Still unprofitable with negative cash flow, indicating financial instability and potential need for additional funding.
- Lacks a diversified revenue base, heavily reliant on partnership with ClearPoint Neuro, making it vulnerable to changes in this relationship.
- Operates in a heavily regulated industry (medical devices), facing significant oversight and potential interference from regulatory bodies like the FDA.
- Not positioned to capture the greatest market value in the short term, facing competition from larger, established players like Medtronic and Stryker.
- Limited proactive approach to environmental sustainability, with minimal information on specific initiatives or commitments in this area.

Redeye Quality Rating

Financials

1

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

1. Earnings Power 2. Profit Margin 3. Growth Rate 4. Financial Health 5. Earnings Quality

Positives

- Strong gross profit margin exceeding 40%, indicating profitable product mix and pricing power.
- Current assets 1.5 times greater than current liabilities, demonstrating robust short-term liquidity.

Negatives

- Lack of profitability with operating margin (EBIT) below 20% and no consistent growth over three years.
- Weak financial health, including high net debt relative to cash flows and likely need for additional capital within 12 months.
- Absence of dividend payments or growth, indicating limited shareholder returns and potential cash flow challenges.

Rating Distribution

Redeye Covered Companies

Rating	People	Business	Financials
5	6	7	0
3-4	128	117	46
0-2	15	25	103
Companies	149	149	149

Disclaimer

Redeye does not issue any investment recommendations for fundamental research. However, Redeye has developed a proprietary research and rating model, Redeye Rating, in which each company is analyzed and evaluated. This research aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Financials

Income Statement			
SEKm	**2024**	**2025e**	**2026e**
Net Sales	18.8	37.1	63.8
Other Income	0.0	0.0	0.0
Total Revenue	18.8	37.1	63.8
Cost of Sales	0.81	7.5	23.6
Gross Profit	18.0	29.6	40.2
Operating Expenses	69.6	46.8	50.6
EBITDA	-51.6	-17.2	-10.4
Depreciation and Amortization	2.7	2.7	7.1
EBIT	-54.3	-19.9	-17.5
Net Financial Items	6.4	-10.8	0.0
EBT	-47.9	-30.7	-17.5
Income Tax Expenses	0.0	0.0	0.0
Net Income	-47.5	-31.3	-17.5
Balance Sheet			
SEKm	**2024**	**2025e**	**2026e**
Assets			
Non-current assets			
Property, Plant and Equipment (Net)	4.6	4.0	6.5
Goodwill	0.0	0.0	0.0
Intangible Assets	21.8	23.1	19.1
Right-of-Use Assets	0.20	0.20	0.20
Other Non-Current Assets	13.5	13.5	13.5
Total Non-Current Assets	40.2	40.8	39.4
Current assets			
Inventories	8.2	1.7	2.9
Accounts Receivable	4.6	5.2	8.6
Other Current Assets	3.2	0.0	0.0
Cash Equivalents	22.5	30.2	14.7
Total Current Assets	38.4	37.0	26.2
Total Assets	78.6	77.8	65.6
Equity and Liabilities			
Non-current liabilities			
Long Term Debt	0.0	0.0	0.0
Long Term Lease Liabilities	0.01	0.01	0.01
Other Non-Current Lease Liabilities	0.0	0.0	0.0
Total Non-Current Liabilities	0.01	0.01	0.01
Current liabilities			
Short Term Debt	0.0	0.0	0.0
Short Term Lease Liabilities	0.22	0.22	0.22
Accounts Payable	6.3	5.6	10.8
Other Current Liabilities	6.4	4.8	4.8
Total Current Liabilities	12.9	10.6	15.9
Equity	65.7	67.2	49.7
Total Liabilities and Equity	78.6	77.8	65.6
Cash Flow			
SEKm	**2024**	**2025e**	**2026e**
Operating Cash Flow	-56.5	-21.8	-9.7
Investing Cash Flow	-7.5	-3.3	-5.7
Financing Cash Flow	71.1	32.8	0.0
Cash Flow For The Period	7.2	7.7	-15.4

Source: Redeye research (estimates)

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Disclaimer

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