

Equity Research | POLARCOOL: PolarCap® soon next to every defibrillator in the world of sports

With strong clinical evidence to treat the growing problem of Sports Related Concussions (SRCs), PolarCool offers the PolarCap® that is proven to reduce long term absence by up to 80%. With 38 systems installed on a subscription basis, including a league-wide agreement with the SHL, PolarCool targets 100 new deals in 2023, to be doubled annually in the following years supporting a target Market Cap of SEK 80m in 12-24 months. Adjusted for a further capital requirement this translates to SEK 2.3 per share. Long term, management is confident to reach 1500 systems installed by 2026, supporting close to a half billion SEK valuation.

One of a kind-solution on a growing market

The numbers of sports-related concussions are increasing in all contact sports, and the associated short- and long-term problems with it. SRCs are unique, as physical activity can increase body and brain temperature up to 40 degrees. If a concussion is sustained when an athlete has elevated brain temperature and thus energy demand, it can lead to an exacerbated brain injury. In recent years, the awareness regarding sports related concussions has increased markedly, and the need for improved treatments along with it. PolarCool has developed the PolarCap® System, to deliver an acute treatment to improve recovery and reduce the risk of long-term absence. In October 2022, significant positive data from a 5-year long clinical study was presented which has given PolarCool the clinical evidence necessary to propel their scale-up in Europe, as well as an expansion across the Atlantic once MDR and FDA approvals are in place. The clinical data alongside with the far along processes of MDR and FDA approvals, makes the PolarCap® unique on a market that is growing rapidly, where the company's ultimate aim is for the PolarCap® to be positioned alongside the defibrillator as a necessity in the sports environment.

Financial gains in addition to health benefits

The main purpose of PolarCap® is to reduce the medical trauma and suffering caused by a head injury. But from an economic point of view, considering that major league sports teams invest heavily into their players, PolarCool also offers meaningful financial benefits. In ice hockey for example, an average player in the NHL makes 3,5 MUSD per year which equals about 20,000 USD per active day. While the clinical study showed that the return to play could be shortened from 13 to 9 days, this equals a 80,000 USD saving for the team.

MDR and FDA approval unlocks full potential

PolarCool already have ongoing 24-36 months subscription contracts with European teams within ice hockey, rugby, football and handball which provides steady recurring revenues with an assumed minimal churn. To ramp up even further, clinical evidence alongside with MDR and FDA approvals are the key factors. Management is confident to deliver 100 new systems in 2023, and reach about 700 systems installed in 2025 and 1500 in 2026. The nature of the business model makes PolarCool rather capital intense, before reaching a state where the installed base supplies



big enough cash flows to finance further rollout, something we expect to happen in 2026. Should management reach its growth goals target multiples of 2x Sales'25 and 15x EBIT'26 support a target Market Cap of SEK 80m in 12-24 months. Adjusted for both the upcoming rights issue of SEK 7.4m and further capital requirement this translates to SEK 2.3 per share.

Read the full report here https://www.emergers.se/polarcool_a/

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