

Due Diligence and Valuation Report

Arrowhead Code: 67-05-02
 Coverage initiated: January 25, 2023
 This document: March 15, 2023
 Fair share value bracket: SEK 58.0 - SEK 78.5
 Share price (March 15, 2023): SEK 35.2

Analysts

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Market Data¹

52-Week Range: SEK 33.8 –SEK 60.0
 Average Daily Vol. (3M Avg.): 10,534
 Market Cap (March 15, 2023): SEK 669.2 million

Financial Forecast (in SEK '000) (FY Ending – December)

TSEK	'23E	'24E	'25E	'26E	'27E
High NI	2,940	16,751	33,708	45,321	67,293
High EPS	0.15	0.88	1.77	2.38	3.54
Low NI	(3,357)	4,636	14,281	27,202	37,902
Low EPS	(0.18)	0.24	0.75	1.43	1.99

Company Overview: Headquartered in Sweden, Paxman (PAX) has been developing scalp cooling technologies for over 25 years and is a market leader. The company develops and markets the FDA-cleared Paxman Scalp Cooling System (PSCS), Paxman cooling caps and other scalp treatment products, designed to prevent chemotherapy-induced alopecia (CIA).

Paxman's systems are available in 60+ countries through its strong distribution network. Its key customers are hospitals and cancer centers, and it collaborates with research centers to develop new products.

Paxman received FDA approval in the US for its PSCS system for the prevention of CIA in 2017 with subsequent extension to treat CIA in other solid tumor patients in 2018. Paxman widely leads its nearest competitor in number of installed systems globally.

FY 2022 Results Update: Paxman reported revenue of SEK 145.9 mn for FY 2022, registering year-on-year (YoY) growth of 51.7%. Reported EBITDA came in at SEK 16.2 mn in comparison with SEK 2.9 mn a year ago. Net loss narrowed to SEK 10.3 mn from SEK 12.8 mn in 2021. Cash flow from operations stood at SEK 1.7 mn compared to a cash outflow of SEK 4.8 mn in the previous year. Cash outflow from investing activities reflected an increased cash outflow driven by an increase in investments and stood at SEK 35.7 mn for 2022. Net liquid assets stood at SEK 21.1 mn, with the equity to asset ratio at 65.6%.

Company: Paxman AB
 Ticker: STO: PAX
 Headquarters: Karlshamn, Sweden
 CEO: Richard Paxman
 CFO: Emelie Gustafsson
 Chairman of Board: Per-Anders Johansson
 Website: www.paxman.se

Key Highlights: (1) Paxman recently obtained EU Medical Device Regulation (MDR) certification from British Standards Institution (BSI), thereby reaffirming its commitment to its stakeholders; (2) The 'Buy and Bill' business model, launched in the US in May 2022, should benefit from changes in the reimbursement landscape, following CMS's inclusion of scalp cooling for CIA treatment in Medicare settlements. The new model has generated SEK 4.9 mn in sales to date, including SEK 1.3 mn in Q4 2022.; (3) 5% of customers have transitioned to buy and bill; Paxman targets 40% conversion by 2023 and 100% by end-2024; (4) Paxman has installed 528 systems, with 217 confirmed orders so far in 2023; (5) Paxman has received market clearance for PSCS use in South Korea, with the final approval for commercialization is expected to be granted around May 2024; (6) Paxman and Guangzhou Concord Medical Sci-Tech Innovation Center (a subsidiary of Concord Medical) have signed a letter of intent to develop the market for PSCS; (7) Paxman received orders from different markets like France, Scandinavia, the UK and the USA as well as to Brazil, India, Israel and Singapore, which includes upgrades as well as systems to new customers; (8) In November 2022, Paxman was selected by SWOG Cancer Research Network to conduct a phase 3 efficacy study evaluating the effectiveness of the Paxman limb cryocompression system (PLCS) for the prevention of taxane-induced peripheral neuropathy; (9) Paxman expects to commercialize of PLCS to begin by 2024-25 in Singapore and by 2025 in the US.

Key Risks: (a) Lower 2024 reimbursement rates being confirmed by CMS; (b) Non-assignment of permanent CPT codes for the scalp cooling mechanism after the initial evaluation period of 2022-24; (c) A Covid-19 outbreak could lower cancer detection rate; (d) Rising raw material costs due to supply chain disruptions; (e) Slow conversion of its existing customers to the new business model.

Valuation and Assumptions: Based on its due diligence and valuation estimates, Arrowhead believes that Paxman's fair share value lies in the SEK 58.0 and SEK 78.5, calculated using a blended valuation method: with 50% weighting to a DCF method and 50% weighting to a Relative Valuation method. Our DCF model suggests a fair value of SEK 59.4 to SEK 98.4, while a Relative Valuation provides a fair value bracket of SEK 56.5 and SEK 58.7.

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1. Investment Thesis

Arrowhead is updating its coverage on Paxman AB with a fair share value of SEK 58.0 per share in the low-bracket scenario and SEK 78.5 per share in the high-bracket scenario, derived using DCF and Relative Valuation methodologies.

Paxman is a medical technology company and a global leader in producing scalp cooling devices and solutions for CIA in cancer patients. The company's PSCS is one of only three FDA-cleared treatments for CIA patients in the US, the world's largest cancer treatment market. Paxman has a strong distribution supply chain network and has a presence in more than 60 countries with nearly 5,000 systems. After CMS's announcement in 2021, Paxman looks set to reap the benefits of its new reimbursement model, as the financial burden will shift from patients to the payor. We expect Paxman to record significant growth over the next few years, driven by higher revenue per patient, easy reimbursement, transitioning its customers to the 'Buy and Bill' model and significant scope to expand its distribution network. It should also enjoy multiple key catalysts over the next 12-24 months, including clinical data for their product in CIPN trials and PSCS launch in new markets...

One of only three FDA-cleared treatments for CIA in cancer patients

Paxman's systems for scalp cooling have developed considerably over the years via technological advances and improvements in ease of use. ***The key breakthrough came in 2017, when the FDA cleared the PSCS system for CIA in breast cancer patients, based on positive outcomes in the world's first randomized multicenter study in 2015-17 (Nangia et al., 2017). This allowed the company's entry into the world's largest cancer treatment market.*** In 2018, the FDA further cleared the system's use for preventing CIA in all patients with solid tumors. Since then, Paxman has also received approval for its use in a number of other markets including Taiwan, Argentina, South Korea and Japan.

CMS announcement on reimbursing scalp cooling treatment a game changer for the industry

The market for scalp cooling systems improved in the US in 2021, when the American Medical Association (AMA) issued two separate CPT codes (0662T and 0663T) for mechanical scalp cooling, and the Centers for Medicare & Medicaid Services (CMS) finalized a National Average Payment of USD 1,850.50 for CPT code 0662T, compared to the earlier rate of USD 34.72. The CMS also confirmed the payment rate of USD 1,850.50 for 2023. We believe that higher reimbursement rates, which affect 3,411 hospitals and 5,500 ASCs across the US, should lead to wider adoption of scalp cooling procedures, and propel volume growth across the industry.

Transition to 'Buy and Bill' model should fuel top line in next few years

Paxman, as the market leader, is best positioned to enjoy the benefits of greater adoption. The company introduced a 'Buy and Bill' business model in May 2022 and has transitioned nearly 5% of its US customers to this model. The company is aggressive in its plans: it aims to convert 40% of its US customers by the end of 2023 and 100% by end-2024. The transition to buy and bill transfers the financial burden from customers to payors, while the providers take some financial risk, as Paxman will be paid up front for the cooling cap kits. This transition should lead to higher adoption of the scalp cooling procedures and drive volume growth for the company, in our view.

Limited competition and a large market provide sufficient space for existing players to expand sales

There are currently very few players in the scalp cooling technology market. Paxman's key rivals include Dignitana and Cooler Heads. Compared to Dignitana, Paxman provides more functionality by offering reusable and single-patient cooling cap kits. Its equipment is also much smaller and simpler to operate. Further Paxman has a strong global distribution network, much larger than its competitors, and provides additional advantage. Paxman's distributor in US is McKesson, one of the top 3 distributors of drugs in the US. McKesson's CoverMyMeds solution network includes c. 75% of electronic health care record systems, over 50,000 pharmacies, 750,000 providers and most health plans and Pharmacy benefit managers (PBMs) companies that manage prescription drug benefits on behalf of health insurers. Cooler Heads does not have any clinical data for its products yet, which limits their marketability.

Current installation base is underutilized and can support patient volume growth over the next few years without major capex

Paxman generates a recurring revenue stream per machine as more patients utilize the equipment and pay for the cooling cap kits. Each PSCS can be used by 1-4 patients every single day. The current installed base is underutilized, in our view, implying a long runway for growth even at the same level of installation.

Global leader in scalp cooling technology with a 'head start' advantage in many markets

Paxman is a market leader globally. In the US, the world's largest cancer treatment market, it is far ahead of the competition in terms of installed systems. The company now has nearly 5,000 systems installed or sold in Europe, North America, Central and South America, Asia and Oceania. Paxman is focusing on Asia, especially Japan, the largest regional market, where it received approval for PSCS use in the treatment of patients with solid tumors (like breast cancer) in March 2019. In 2022, the company has received market clearance for PSCS use in South Korea also, with a final approval for commercialization is expected to be granted around May 2024. Paxman is currently finalizing a distribution agreement with Concord Medical for a launch in China's very large market.

...but certain risks could impede growth

Downward revision of CMS reimbursement rates can impact company's margins and result in deacceleration in expected revenue growth

In November 2021, CMS re-assigned CPT code 0662T to allow payment of USD 1,850.50 for scalp cooling treatment reimbursement throughout 2022. In November 2022, CMS confirmed USD 1,850.50 as a reimbursement payment for 2023. CMS reimbursement rates for 2024 are subject to review in Q4 2023. The possibility of lower reimbursement rates for 2024 is a topline risk and it would deaccelerate the topline growth. Further, a lower reimbursement rate could also slow the transition to Buy and Bill model as providers might not be willing to take on the upfront financial risk for a lower reimbursement. Paxman might have to provide the cooling caps to the hospitals at a lower price to accommodate for lower reimbursements, which would negatively impact the recurring revenue stream. In an inflationary environment, Paxman could potentially face a rise in input costs for its machinery. These higher costs would likely be passed on to customers when Paxman sells its cooling systems, but the company would have to absorb higher input costs in the buy and bill model, where the payments it receives would remain fixed until CMS revises the reimbursement rates. This could affect the company's financial performance.

The risk of developing scalp metastases could hold back volume growth

While there is no clinical evidence of scalp metastases due to scalp cooling in the treatment of CIA, this remains one of the key threats to expected volume growth in scalp cooling procedures, as healthcare professionals remain cautious. The natural incidence of scalp metastases in patients with breast cancer is 1 in 4,000, with no recordable difference between patients who do receive scalp cooling and those who do not. A retrospective study followed the scalp cooled and non-scalp cooled patients for an average of 43.14 and 87.4 months. Only 12 (0.61%) of the 1,947 scalp cooled patients and five (0.41%) of the 1,233 non-scalp cooled patients showed incidences of scalp metastases. The retrospective study affirmed the low incidence rate of scalp metastases in general and that scalp cooling does not enhance the risk of scalp metastases. A systematic review by Shin et al (2015) concluded that no serious adverse effects associated with scalp cooling have been reported, so there is no evidence in the literature to support the use of scalp cooling contributing to scalp metastases (Roe 2014). However, there is still some hesitation among physicians since the same mechanisms that restrict the efficacy of the chemotherapeutic agent against scalp hair roots can also restrict the effectiveness of the agent against cancerous tissue in the scalp, which could lead to scalp metastases.

Non-Assignment of Permanent CPT Codes could pose a threat to the company's operations in the U.S.

AMA assigned CPT code 0662T for an initial period of three years for 2022-24. The CPT code assigned to scalp cooling is temporary and it is expected that a permanent CPT code will be assigned after the initial evaluation period of three years. Non-assignment of permanent CPT code is an overhang on the company's future growth prospects in the U.S.

A slowdown in detection of cancer or an improvement in treatment methods could impact the topline

The recent Covid-19 pandemic has created an uncertain macroenvironment globally. Cancer detection could slow if there is an increase in the number Covid cases, which might affect the sales of Paxman scalp cooling systems. Additionally, the development of new-generation drugs poses a threat to Paxman, as the development of advanced targeted cancer treatments could mean less chemotherapy use in treating cancer patients.

Investment thesis conclusion

Paxman's PSCS is one of only three FDA-cleared treatments for CIA patients in the US, the world's largest cancer treatment market. With a strong distribution supply chain network and a market leading presence in more than 60 countries, Paxman is at the forefront to enjoy the benefits of greater adoption of scalp cooling for prevention of CIA around the world. The scalp cooling industry landscape took a pivot in the US in 2021 when CMS brought the procedure within the scope of Medicare reimbursements. Paxman introduced the 'Buy and Bill' business model in May 2022 and has transitioned nearly 5% of its US customers to this model and hopes to transition 100% of its US customers by end-2024. The growing adoption coupled with continued reimbursement support from the CMS should position Paxman ideally to pursue topline growth over the next few years.

2. Business Overviewⁱⁱ

Paxman (PAX), headquartered in Sweden, is a family business that has been developing scalp cooling technology for over 25 years. The company develops and markets the Paxman Scalp Cooling System (PSCS), Paxman cooling caps and other scalp treatment products, all designed to prevent CIA. Paxman introduced its first scalp cooling system in 1996. Over the years, its products have been improved in terms of technological characteristics and sophistication. PSCS is currently the leading scalp cooling technology available for the prevention of CIA. It was cleared by the US FDA for use in breast cancer in 2017 and solid tumor cancer patients in 2018. The company has installed or sold nearly 5,000 systems in Europe, the Americas, Asia and Oceania. It provides services to many hospitals and cancer centers and collaborates with research centers to develop new products.

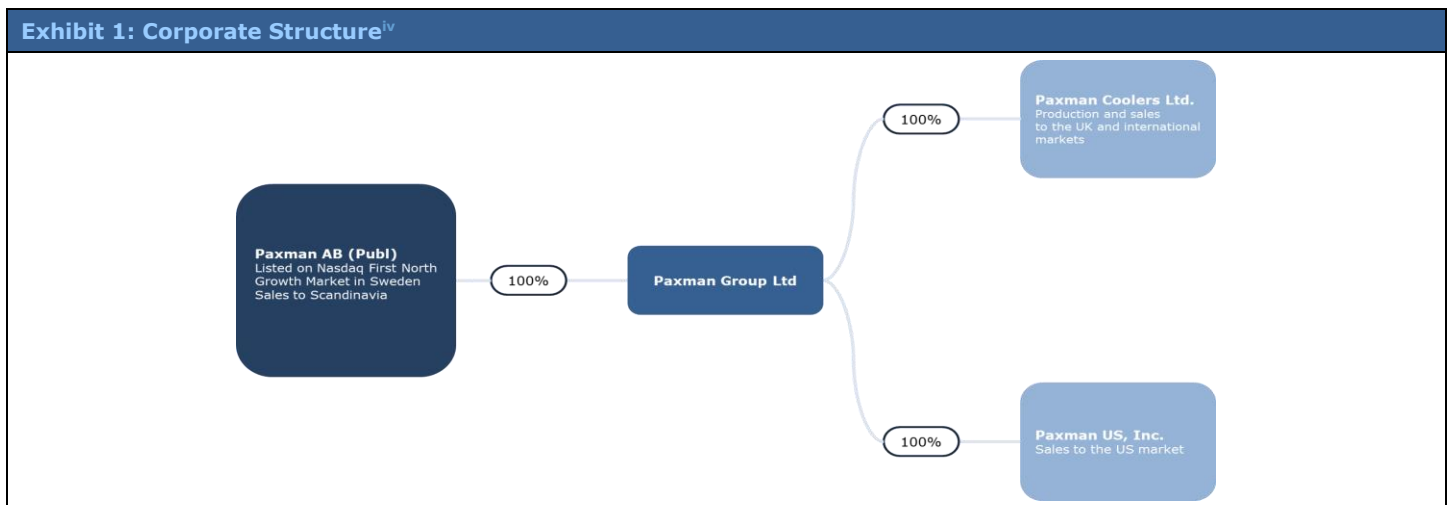
Paxman, when launched, built its business on selling capital equipment globally. The company manufactured and sold its equipment to its distribution partners, who would in turn either sell or rent it to hospitals. The company follows this business model globally, except for the US, Mexico and Japan. In the markets where Paxman sells its equipment, it also offers service contracts, which generate a parallel, though not substantial, revenue stream.

Paxman entered the US market with a self-pay business model to create a recurring revenue stream. Paxman installs scalp-cooling systems at hospitals free of charge. It then generates revenue from patients who pay for cooling cap kits and a certain number of treatments. Over the years, Paxman has worked to bring the treatment within the scope of reimbursements with the aim of shifting the financial burden from patients to payors. In May 2022, the company launched its buy and bill business model in the US (its largest market) and has transitioned nearly 5% of its US customers to that model. The company expects to achieve a 40% transition by end-2023 and a 100% transition by end-2024. The transition to buy and bill model transfers the financial burden to payors, and the providers take on some financial risk, as Paxman is paid up front for the cooling cap kits. We believe this transition should lead to higher adoption of the scalp cooling procedures and drive growth for the company.

Since 2019, Paxman has been working in partnership with National University Cancer Institute, Singapore (NCIS) and the N.1 Institute for Health at the National University of Singapore (NUS) in developing a portable limb cryocompression device that targets the prevention of CIPN in cancer patients. The pilot study started in November 2019 and has entered the expansion phase to recruit a larger patient population. After the study’s completion and with positive efficacy outcomes, Paxman intends to obtain Health Science Authority approval for the PLCS device in Singapore and begin commercialization in 2024-25.

In the US, Paxman has entered into a clinical trial agreement with SWOG Cancer Research Network (SWOG) and the National Cancer Institute to conduct a randomized phase 3 efficacy study, which will evaluate the effectiveness of limb cryocompression, continuous compression and low cyclic compression for the prevention of taxane-induced peripheral neuropathy. The study will use the Paxman limb cryocompression system in over 25 locations and is expected to start enrollment in early 2023.

2.1 Corporate Structureⁱⁱⁱ



2.2 Business Model^v

Paxman built its business on selling capital equipment globally. The company manufactured and sold the equipment to its distribution partners, who in turn either sold or rented the equipment to hospitals. Typically, the cost of the machine to Paxman's distributors is around GBP 10,000-12,000. This business model does not allow for a recurring revenue stream. The company follows this business model globally, except for the US, Canada, Mexico and Japan. In the markets where Paxman sells its equipment, the company also sells service contracts, which, even though not substantial, generate a parallel revenue stream.

Self-Pay Business Model:

Paxman entered the US market with a self-pay business model to create a recurring revenue stream. Paxman installs scalp-cooling systems at hospitals free of charge. The company covers the equipment cost, capitalized on its balance sheet. Paxman owns the cooling systems and has a free-of-charge service and maintenance agreement with the providers. Paxman has been generating revenue from patients who pay for cooling cap kits and a certain number of treatments. Paxman generates an average of USD 1,400-1,500 in revenue per patient in the self-pay business model. It generates a recurring revenue stream per machine as more patients utilize the equipment and pay for the cooling cap kits. A machine can be used by 1-4 patients every single day. Currently, the machines are underutilized, in our assessment, implying a long runway for growth even at the same level of installation.

Transition to 'Buy and Bill' Business Model to Boost Growth:

Paxman has been working in the background to bring the treatment within the scope of reimbursements so that the payment burden shifts from patients to payors. As the self-pay cost barrier is removed, this should unlock considerable growth opportunities in the US market. Paxman has been working with the AMA to get the appropriate scalp-cooling codes, with the National Comprehensive Cancer Network (NCCN) to come up with guidelines, and with CMS to cover the Medicare and Medicaid aspects of reimbursements.

In the new buy and bill model, Paxman still installs scalp-cooling systems at hospitals free of charge. The company sells cooling cap kits to providers through its distributor McKesson Specialty Care Distribution and McKesson Plasma & Biologics and a McKesson GPO. The provider assumes financial risk while making an up-front payment for the cooling caps. Paxman or the provider checks to see if the patients have insurance cover, and if so, the provider provides cooling caps to the patient and bills the payors using CPT codes 0662T and 0663T. Paxman generates revenue from selling the cooling cap kits up front. The provider is reimbursed later to cover the cost of the cooling cap kits and to support the administration and nursing expenses. Paxman generates an average of USD 1,800 in revenue per patient in the buy and bill business model. In the Medicare setting, the provider gets USD 1,850.50 through reimbursement using the CPT code 0662T. The provider is not reimbursed for CPT code 0663T at present, and those costs are bundled with the cost of chemotherapy. In a Commercial setting, it is estimated that CPT code 0662T reimbursements are higher by 30-40%. The provider is also reimbursed for CPT code 0663T from commercial payors, which is estimated at about 1500-300 USD per treatment. Recently, the company has started offering full hub services called 'the Paxman Hub', which will assist providers to bill their patients' insurance company. Providers under this new business model will receive support via the Paxman Hub in verifying patient insurance benefits, identification of information (if required on a Prior Authorization Submission and Appeal), and determining the eligibility of a patient via 'Paxman Patient Assistance Program' (PAP). PAP assists patients who are mainly citizens of US, uninsured or underinsured with an income level below US Federal Poverty Level.

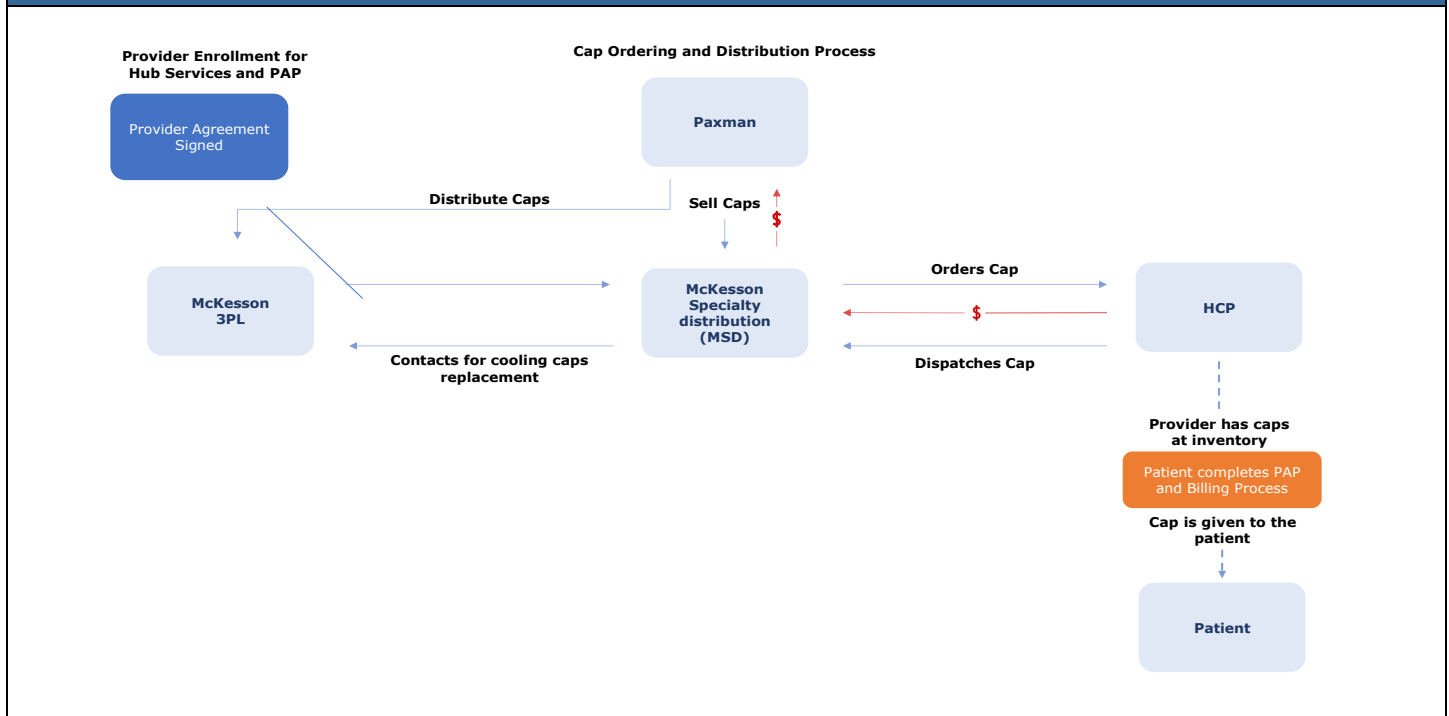
The company has already transitioned c. 5% of its US customers to buy and bill and expects to achieve a 40% transition by end-2023 and a 100% transition by end-2024. The transition does not entail any additional cost to the company. To transition, Paxman signs an addendum to the contract with providers and sets up a new supplier contract with McKesson. The company does not foresee any transition bottleneck at its end. The barrier, however, is acceptance among the providers to take on the new model, as they would have to assume financial risk. As buy and bill gains momentum and more claims are processed, we believe the providers will more readily adapt to the transition. Also, as claims processing volumes grow, the company expects to move to a permanent CPT code, replacing 0622T and 06223T codes over the next two years.

The US is the biggest market for Paxman, offering strong growth potential, on our estimates. Paxman has also entered Canada, Mexico and Japan in order to enhance its recurring revenue stream.

Paxman recently set up a Canadian entity to explore the domestic market. Paxman installs scalp-cooling systems at hospitals free of charge and offers a direct patient support service on behalf of the hospitals. Paxman has a technician or nurse on site who provides the scalp-cooling treatment, and the patients pay on a per-treatment basis. This again

generates a recurring revenue stream for the company, but this business model is different from the one the company is employing in the US.

Exhibit 2: Transitioning to Buy and Bill Model^{vi}



2.2.1 Key Products^{vii}

Paxman Scalp Cooling System (PSCS)

Chemotherapy-Induced Alopecia (CIA) is one of the most common side effects of chemotherapy. Paxman introduced its first scalp cooling system in 1996 for the prevention of CIA in cancer patients. Over the years, the product has seen many technological advances and has increased in sophistication. The patented Paxman Scalp Cooling System (PSCS) is currently the leading scalp cooling technology available for the prevention of CIA. It was approved by the US FDA in 2017 for use in breast cancer and solid tumor patients in the US. Paxman, with its strong supply chain and distributor network, has made the PSCS available in more than 60 countries and has sold or installed nearly 5,000 systems worldwide.

The PSCS machine comprises a compact refrigeration unit, containing a scientifically developed, low-temperature, non-viscous coolant. This coolant is circulated through specially designed cooling caps during chemotherapy, requires a 30-minute pre-infusion cooling time and continues for a post-infusion cycle. The post-infusion cooling time varies with the chemotherapy drug and dosage and might last for 20-90 minutes.

Key features of PSCS:

- PSCS is available in two models to allow either one patient to be treated or two patients to be independently treated at the same time, although it is generally used for one patient at a time.
- It has instant cooling capability once connected to the system, which allows for immediate use.
- It is small and compact in size, easy to operate and move (height 25.2"/64cm x width 12.6"/32cm x depth 16.5"/42cm). The height of PSCS can be increased with an extended support arm to 64.9"/165cm.
- PSCS is one-touch, easy-to-read and comes with a touch-screen visual display with system-status graphics.
- PSCS comes with a scientifically developed, low-temperature, non-viscous coolant with ultra-efficient heat transfer properties.
- PSCS has visual and audible information signals for restricted and no-flow coolant conditions.

Exhibit 3: Paxman Scalp Cooling System^{viii}



The patented Paxman cooling cap is a helmet-like structure which is made up of high medical-grade soft silicone material and consists of cold gel or liquid. These Cooling caps are designed for personal use, are lightweight and single patient use. The caps are specifically designed for each patient to provide a proper fit around the head. PSCS circulates the coolant in constant cycles during the treatment, absorbing the heat from scalp, and returning it to the system to be re-cooled. Key features of the cooling cap are:

- It is available in six different sizes to meet the needs of all patients.
- Coolant passes through the cap to extract heat from the patient’s scalp.
- Temperature sensors ensure an even and consistent temperature at the scalp.
- It is made of neoprene material, which protects it from high room temperatures and absorbs moisture.
- Bungee-cord adjustments ensure a close fit to the patient’s scalp.
- It offers quick release and non-drip plastic couplings while being connected to the PSCS.
- It is available in both single patient use and reusable options.

Advantages

- **FDA Cleared:** The Paxman Scalp Cooling System is an FDA cleared scalp cooling system based on positive data from a randomized multicenter clinical trial.

Limitations and Possible Risks of PSCS

- Scalp or cutaneous metastases have been reported in patients with non-small cell lung cancer (NSCLC), colon cancer, renal cell carcinoma, ovarian cancer, and bladder cancer^x. Patients with advanced forms of these tumors may be more likely to experience scalp metastases with the scalp cooling system.
- In the buy and bill business model, the provider has to take on financial risk when it pays Paxman up front for the cooling caps and is reimbursed later by the payors.

Exhibit 4: Cooling Caps^{ix}



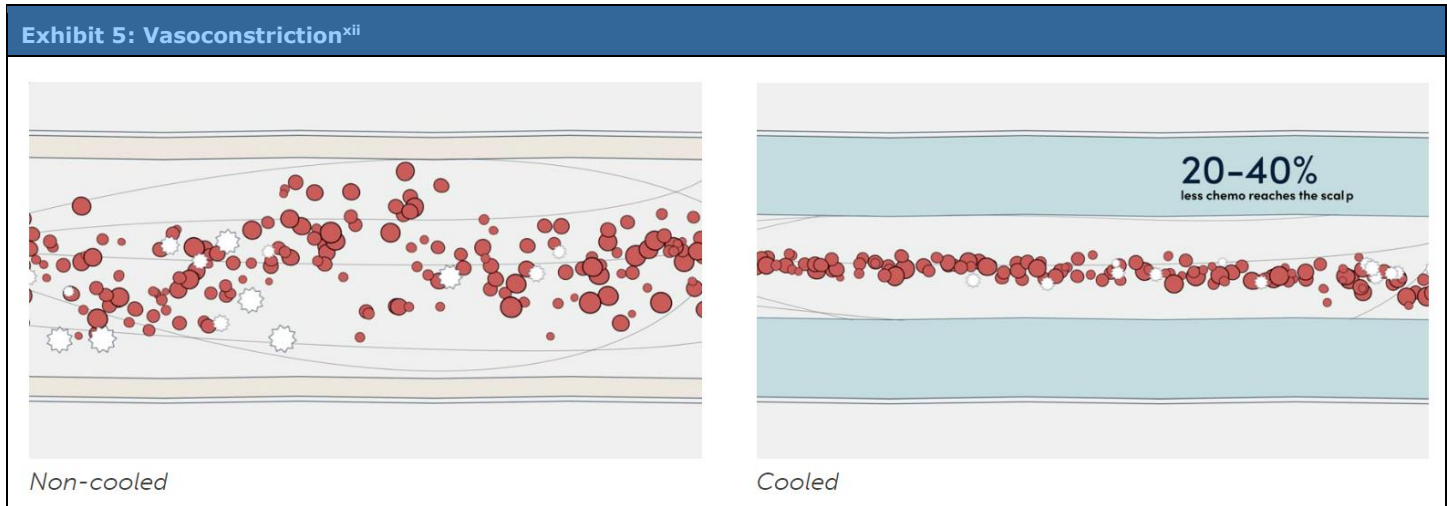
2.2.2 Scalp Cooling Mechanism of Action

As cancer cells multiply rapidly, chemotherapy works by targeting all rapidly dividing cells in the body. Hair is the second-fastest dividing cell, which is why many chemotherapy drugs cause hair loss (by damaging hair follicles at the root of the hair). Scalp cooling technology keeps the scalp temperature low, reducing blood flow to the hair follicle and slowing metabolism. This leads to less exposure and absorption of anticancer medication in the hair, thereby protecting the follicles and reducing hair loss. With scalp cooling treatments, some patients can even retain all of their hair.

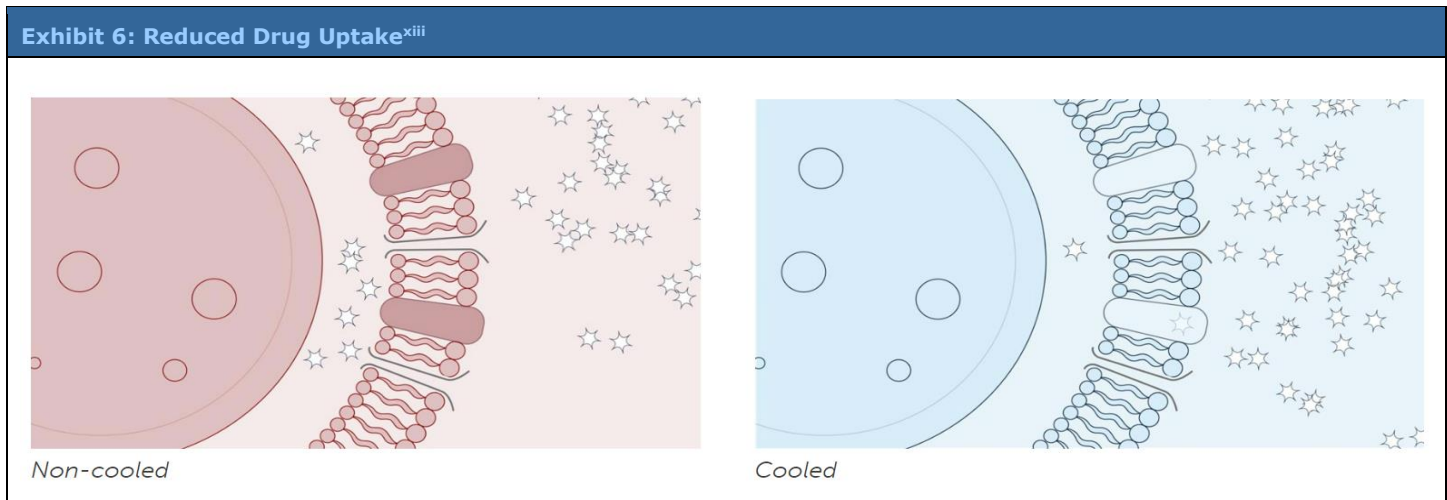
Research conducted by Dunnill et al. found that scalp cooling can reduce the drug uptake by 4-fold to 8-fold^{xi}.

There are four mechanisms of action (MoA) which explain the reduction in cytotoxicity of chemotherapy drugs:

- 1. Vasoconstriction:** When PSCS passes the coolant through the cooling cap, it reduces the temperature of the cooling cap, which is lower than the skin’s normal temperature. The process reduces the blood flow by 20-40%, resulting in reduced drug exposure and less overall hair follicle damage.

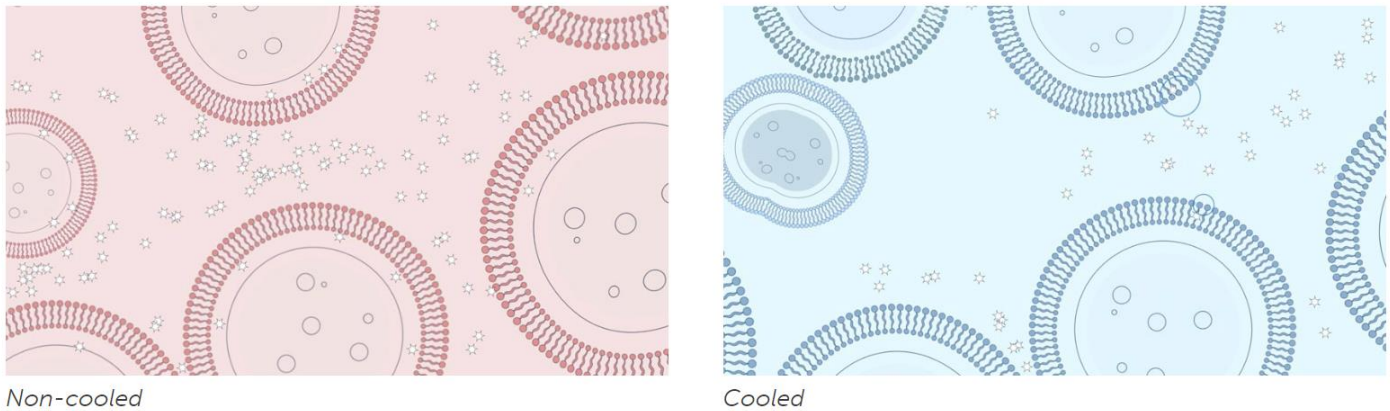


- 2. Reduced Drug Uptake:** Chemotherapy drugs can enter the cells via the cell membrane by passive diffusion or by active transport via membrane proteins. Low temperatures reduce the permeability of chemotherapy drugs, resulting in reduced active transport and membrane fluidity. Due to cooling suppression, there is a reduction in cellular drug uptake.



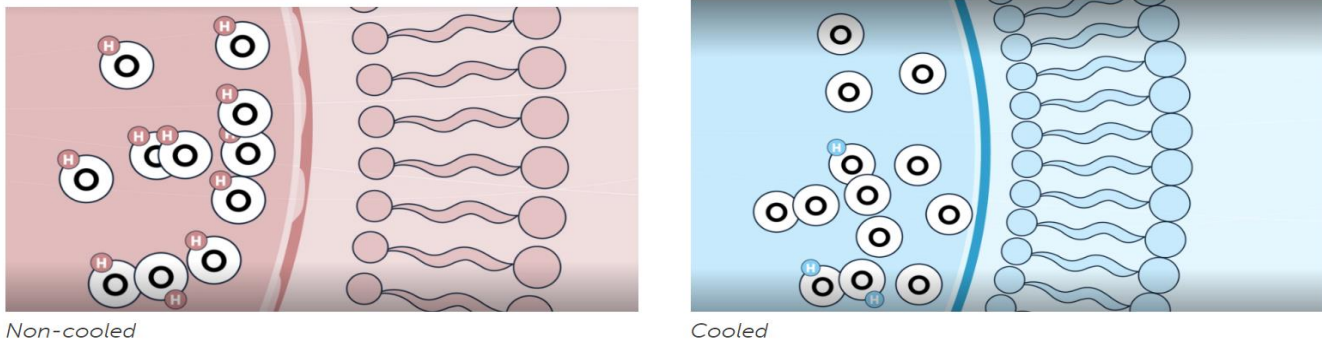
- 3. Reduced Hair Follicle Cell Division:** Cooling slows the activity of cells, which decreases their ability to multiply, making them less vulnerable to attacks by chemotherapy drugs.

Exhibit 7: Reduced Hair Follicle Cell Division^{xiv}



4. Reduced Metabolic Activity: Many reactions such as metabolism, cell growth and cell death are highly temperature dependent. A reduction in temperature by a scalp cooling system slows cell reactions (e.g., oxidation), thereby minimizing toxicity and hair follicle damage.

Exhibit 8: Reduced Metabolic Activity^{xv}



2.2.3 Pivotal US Clinical Trial & Outcome

Several studies have been conducted globally on women with breast cancer to evaluate the efficacy of scalp cooling on hair preservation and hair restoration during and after chemotherapy, respectively. Similarly, the safety of scalp cooling has been studied and documented extensively.

In the US, a multicenter randomized SCALP (Scalp Cooling Alopecia Prevention) trial was conducted from December 2013 to September 2016 for women with stage I or II breast cancer who were planning to receive at least four cycles of taxane or anthracycline-based neoadjuvant or adjuvant chemotherapy. The study was led by Baylor College of Medicine and conducted across seven sites in the US. Patients with CTCAE v4.0 alopecia grade > 0, prior chemotherapy, hepatitis, diabetes, anemia or anorexia were excluded from the study.

Exhibit 9: ITT Population Characteristics^{xvi}

Characteristics	Modified ITT Population		
	Cooling (n=95)	Non-cooling (n=47)	All (n=142)
Major Chemotherapy type, No. (%)			
Anthracycline	32 (33.7)	19 (40.4)	51 (35.9)
Taxane	63 (66.3)	28 (59.6)	91 (64.1)
Study site, No. (%)			
1	19 (20.0)	11 (23.4)	30 (21.1)
2	51 (53.7)	25 (53.2)	76 (53.5)
3	8 (8.4)	3 (6.4)	11 (7.7)
4	11 (11.6)	5 (10.6)	16 (11.3)
5	5 (5.3)	2 (4.3)	7 (4.9)
6	1 (1.1)	1 (2.1)	2 (1.4)

A total of 229 patients were enrolled for the trial. After exclusions and withdrawals, the remaining 182 patients were randomized to either scalp cooling or no scalp cooling (control). In the study, 119 patients received scalp cooling 30 minutes prior to, during and 90 minutes after each chemotherapy infusion, while 63 patients did not receive scalp cooling. Of the 182 total patients, 142 completed at least one chemotherapy cycle and formed the modified intent-to-treat (ITT) population. In the interim analysis, a modified ITT population was evaluated for efficacy endpoints. Among those 142 patients, 95 were in the cooling group and 47 were in the no cooling group. Sixty-four percent of patients received taxane-based chemotherapy, while the remaining 36% received anthracycline-based chemotherapy. The mean age was 52.6 years.

The primary efficacy end point was successful hair preservation after the fourth chemotherapy cycle. Success was defined as CTCAE v4.0 alopecia grade 0 (no hair loss) or grade 1 (<50% hair loss not requiring a wig) after the fourth session.

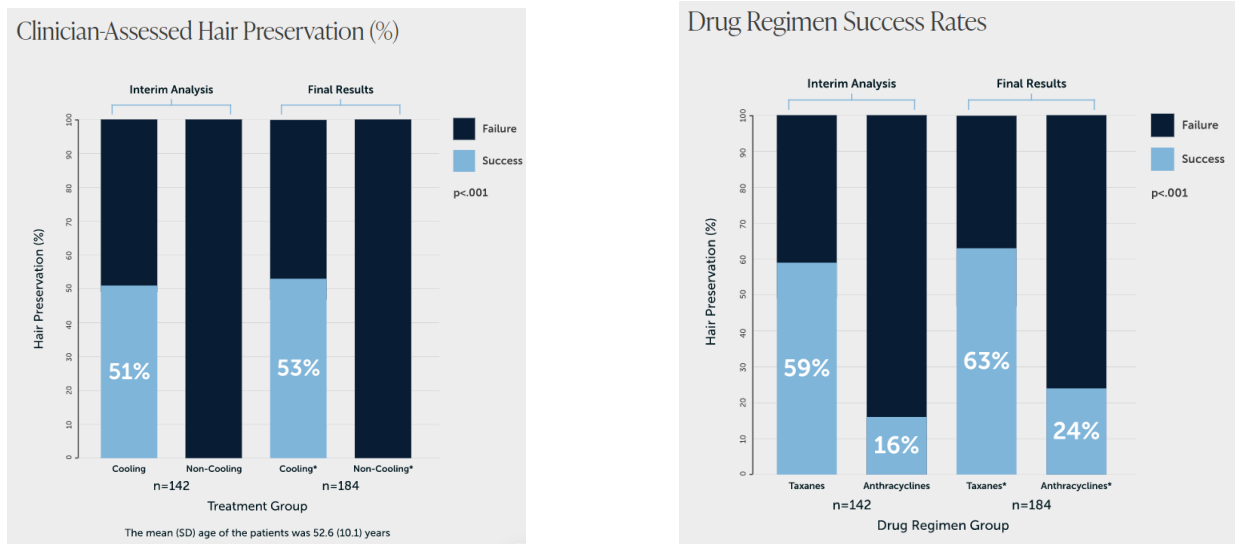
Primary Efficacy Endpoint Was Achieved by 48 of 95 Women in the Cooling Group (50.5%) and 0 of 47 Women in the Control Group (0%).

The success rate difference between the two groups was 50.5%. The success rate was 16% among the anthracycline-based chemotherapy group and 59% among with taxane-based chemotherapy group.

Wigs or head wraps were used by 63% of the patients who received scalp cooling, and 100% of those who were in the control group. Adverse events (AEs) only relevant to the scalp cooling device were collected. Among the 54 reported AEs in the cooling group, only eight were unanticipated AE effects. There were no serious adverse (SAE) device events, while all AEs were either grade 1 (n = 46) or grade 2 (n = 8). Given the superiority of hair retention results, the data and safety monitoring board recommended study termination in September 2016.

The interim analysis was presented at the San Antonio Breast Cancer Symposium (SABCS) in 2016. Later on, a post-hoc analysis update was presented at the American Society of Clinical Oncology (ASCO) meeting in 2017, where the difference in success rates between the cooling and non-cooling groups was shown to have improved to 53.1%. Within the cooling group, the success rates for taxane and anthracycline were shown to have **improved to 63% and 24.1%**.

Exhibit 10: Clinical Trial Results^{xvii}



Netherlands Trial (Dutch Scalp Cooling Registry)^{xviii}

A multi-center study was conducted in the Netherlands between 2006 and 2009, where 1,411 patients from 28 hospitals were registered for the Dutch Scalp Cooling Registry, who opted to use Paxman scalp cooling systems. Most of the study participants were women (96%) with breast cancer (86%), getting treated in an adjuvant setting (69%). The mean age was 53 years. The median scalp cooling session received by the study population was 38 minutes and 90 minutes pre-infusion and post-infusion, respectively. The median number of scalp cooling sessions received by the study population was 4.88.

Hair loss was evaluated by observing if the patients wore a head cover during their last scalp cooling session. Also, the severity of hair loss was noted on the WHO scale, with score 0 for none, 1 for minimal, 2 for severe and 3 for total alopecia.

It was observed that 50% of the patient population opted not to wear a head cover during the last scalp cooling session. This parameter varied from 8% to 94% based on the dosage and type of chemotherapy. Some 94% of patients on a low dose docetaxel (D75) regimen, 81% of patients on a paclitaxel (T70-90) regimen and 56% of patients on a FEC regimen did not require a head cover during the last scalp cooling session. The worst outcome was noted for TAC chemotherapy (8%).

WHO scores for alopecia (WHO 0, 1, 2, 3) for patients wearing head covers were 2%, 2%, 9% and 87%, respectively, and for patients not wearing head covers, they were 26%, 49%, 25% and 0%, respectively. Only 3% of patients stopped scalp cooling due to intolerance. No scalp skin metastases were reported.

Japan Study^{xxi}

A prospective follow-up study was conducted in 117 female breast cancer patients who planned neoadjuvant chemotherapy using the PSCS for CIA prevention, and who did not have previous chemotherapy. Scalp cooling was performed 30 minutes prior to, during, and 90 minutes after each chemotherapy infusion. The study was conducted between September 2015 and September 2019.

Seventy-five patients completed scalp cooling during the chemotherapy cycles (Group A), but 42 patients discontinued it after the first cycle (Group B). Hair recovery was evaluated and compared among the two groups at 1, 4, 7, 10, and 13 months after chemotherapy, using objective and subjective grades. The WHO grading scale (Grade 0: 0% hair loss; Grade 1: 1-25%; Grade 2: 26-50%; and Grade 3: >50%) was used for objective evaluation, while the subjective evaluation was based on patient's preference for head coverings (hats or wigs).

It was observed that the objective grades were significantly better in Group A than in Group B throughout one year after chemotherapy (at 1, 4, 7 and 10 months) and the subjective grades were significantly better in Group A than in Group B at four and seven months after chemotherapy. Also, a significantly less-persistent alopecia was observed in Group A (1.4%) than in Group B (18.4%). When a subset of patients with WHO grade 3 alopecia at one

Exhibit 11: Netherlands Clinical Trial Results^{xlix}

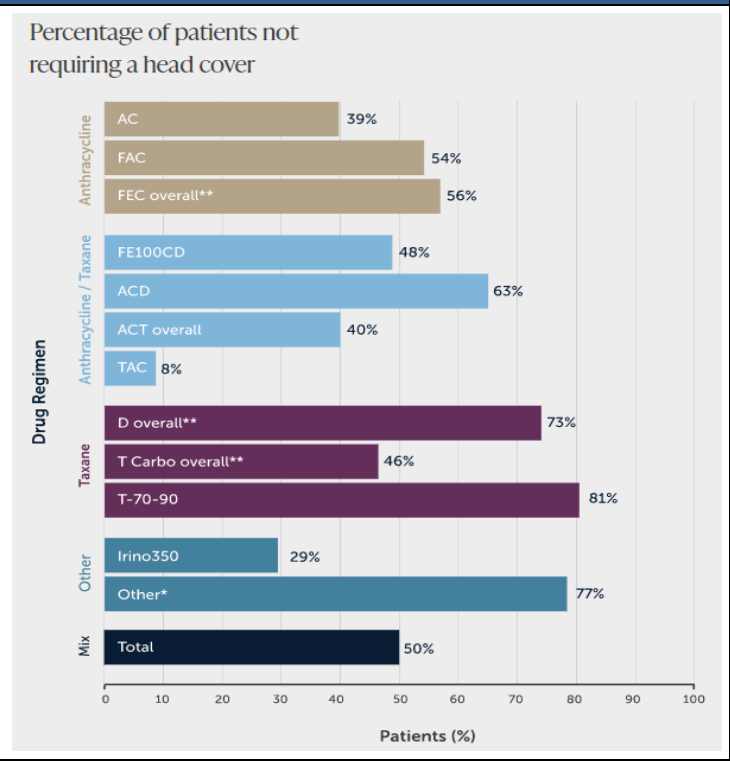
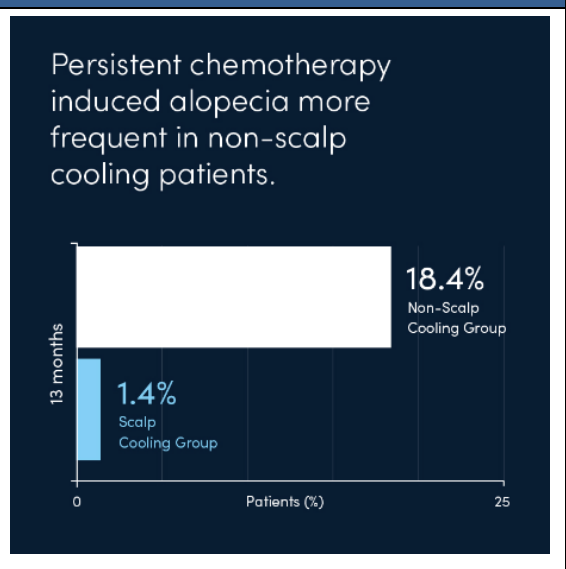


Exhibit 12: Japan Clinical Trial Results^{xx}



month after chemotherapy (n=71) was observed, it was noted that Group A exhibited faster hair recovery at 10 and 13 months after chemotherapy.

Scalp Cooling Does Not Increase the Risk of Scalp Metastases^{xxii}

A systematic review was conducted to evaluate the risk of scalp metastases in breast cancer chemotherapy patients. The retrospective study examined several electronic databases to collect data on 3,197 breast cancer patients treated with chemotherapy, both with and without the use of scalp cooling. Patients who did not have enough follow up information were excluded from the study.

The study followed the scalp cooled and non-scalp cooled patients for an average of 43.14 and 87.4 months. Only 12 (0.61%) of the 1,947 scalp cooled patients and five (0.41%) of the 1,233 non-scalp cooled patients showed incidences of scalp metastases. The retrospective study affirmed the low incidence rate of scalp metastases in general and that scalp cooling does not enhance the risk of scalp metastases.

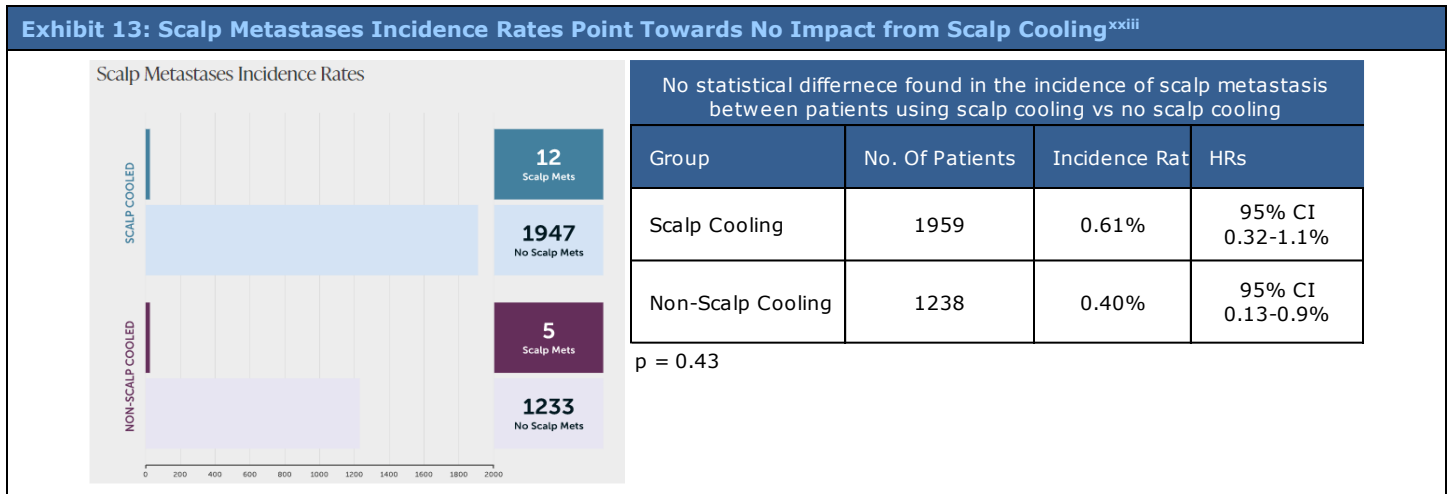


Exhibit 14: Retrospective Study Database^{xxiv}

Study	Scalp Cooling		No Scalp Cooling		Length of Follow-up (months) scalp cooling median	Weighted length of follow-up scalp cooling	Length of Follow-up (months) no scalp cooling median	Weighted Length of Follow-up (months) no scalp cooling median	Characteristics
	Scalp Mets	Total Pts	Scalp Mets	Total Pts					
Lemieux et al.	6	553	1	87	69	19,478	64	4,498	First time breast cancer patients. Study undertaken in Canada. Mainly T1 and T2 tumor size; stage 1 & 2, treated with mainly cyclophosphamides and doxorubicin
Parker	0	6			12	0.037			Stage 4 recurrent disease. Treated with IV CMF (2 cycles)
Protiere et al.	0	77	0	109	44	1.729			First time breast cancer patients. 4 cycles of adjuvant IV chemotherapy with mitoxantrone + cyclophosphamide. Antiemetics also administered. Study undertaken in France
Ridderheim et al.	0	3			15	0.023			Adjuvant treatment breast cancer
Ron et al.	0	19	0	16	14	0.136	14	0.181	Breast cancer patients treated with cyclophosphamide, methotrexate, and 5- fluorouracil [CMF]; unclear as to stage of breast cancer
Rugo	0	101			29.5	1.521			Early-stage breast cancer patients
Spaeth et al.	3	770	0	141	36	14.15	36	4.1	93% breast cancer patients. Treated with IV chemo mainly anthracyclines and/or taxotere. Unclear as to stage of breast cancer
Tollenaar et al.	0	35			46	0.822			Patients treated with cyclophosphamide + doxorubicin ? 5- fluorouracil on first operative day (one course of treatment). Unclear as to stage of cancer
van de Sande		4	885				110	78.365	Stage 4 + lymph nodes
van den Hurk et al.	3	395			26	5.242			Treated with CMF; unclear as to stage of breast cancer
Totals	12	1959	5	1238					
Averages					32.39	43.14	56	87.41	

2.2.4 CIPN Disease^{xxv}

Chemotherapy-induced peripheral neuropathy (CIPN) is a severe dose-limiting toxicity of paclitaxel and docetaxel. Paclitaxel and docetaxel are widely used drugs in chemotherapy. CIPN is extremely prevalent post chemotherapy. It has been determined that the prevalence of Grade 2 or higher neuropathy was 27% in patients with breast cancer who received 12 cycles of weekly paclitaxel, and 20-21% in patients with endometrial or ovarian cancer who received six

cycles of 3-weekly paclitaxel and carboplatin^{xxvi,xxvii,xxviii}. CIPN often limits motor activities, which has a profound impact on quality of life, while the condition can persist for years after treatment^{xxix,xxx}.

At present, dose modification is the most successful approach to prevent worsening CIPN. However, this leads to lower chemotherapy efficacy, and hence poorer survival. In recently published CIPN guidelines, the American Society of Clinical Oncology (ASCO) and the European Society for Medical Oncology (ESMO) highlighted cryotherapy and compression as promising non-pharmacological interventions^{xxxii,xxxiii}. Cryotherapy can be administered with either frozen gloves or socks or with continuous-flow cooling devices. Compared to frozen gloves, continuous-flow cooling devices are safer and easier to implement as they provide a constant low temperature throughout the entire session. However, due to the absence of efficacy studies in large, randomized trials, these devices are not yet recommended for use in clinical practice, although a number of safety and efficacy studies have been conducted on a small patient population.

For instance, a study compared frozen gloves, continuous-flow cooling, and cryocompression in 58 healthy volunteers^{xxxiv}. Frozen gloves were found to be minimally tolerated, while both continuous-flow cooling and cryocompression were found to be safe and tolerable.

Since 2019, Paxman has been working in partnership with the National University Cancer Institute, Singapore (NCIS) at the National University Hospital (NUH) and the N.1 Institute for Health at the National University of Singapore (NUS) in developing a portable limb cryocompression device targeting the prevention of CIPN in cancer patients. Since then, the company has made substantial progress in development of a portable cooling and compression device, to prevent CIPN. As a result, in May 2021, the project received a research grant of SGD 1.57 mn from National Research Foundation (NRF), Singapore. A clinical trial was initiated thereafter with the National University Hospital, Singapore, in collaboration with the N.1 Institute for Health, National University of Singapore to evaluate the Paxman limb cryocompression system with healthy volunteers and cancer patients. The pilot study started in November 2019, has now completed with positive results. Patients have reported efficacy of the Paxman Limb Cryocompression System (PLCS) in prevention of CIPN, and there have been no chemotherapy dose reductions due to the onset of CIPN in any of the 15 cancer patients. The study has now entered the expansion phase to recruit a larger patient population. After the study’s completion and positive efficacy outcomes, Paxman intends to obtain Health Science Authority approval for the PLCS device in Singapore. Management expects commercialization to begin in Singapore in 2024-25.

2.2.5 US Clinical Trial for CIPN^{xxxvi}

The American Society of Clinical Oncology (ASCO) and the European Society for Medical Oncology (ESMO) recently published CIPN guidelines to highlight cryotherapy and compression as promising interventions, but neither is recommended due to the lack of efficacy data. Preliminary evidence suggests that continuous-flow cryotherapy and continuous compression therapy may be safer and more tolerable compared to frozen gloves and socks. It is therefore important to evaluate the efficacies of these modalities in a randomized controlled trial.

In November 2022, Paxman entered into a clinical trial agreement with the SWOG Cancer Research Network (SWOG) and National Cancer Institute (NCI). The trial is part of the National Clinical Trials Network (NCTN) program, which is sponsored and funded by the National Cancer Institute (NCI) and led by SWOG with the participation of Alliance for Clinical Trials in Oncology, ECOG-ACRIN Cancer Research Group and NRG. The randomized phase 3 efficacy study, S2205 ICE COMPRESS, will evaluate the efficacies of limb cryocompression, continuous compression and

Exhibit 15: Mechanism of Action: Limb Cryocompression Device^{xxxv}

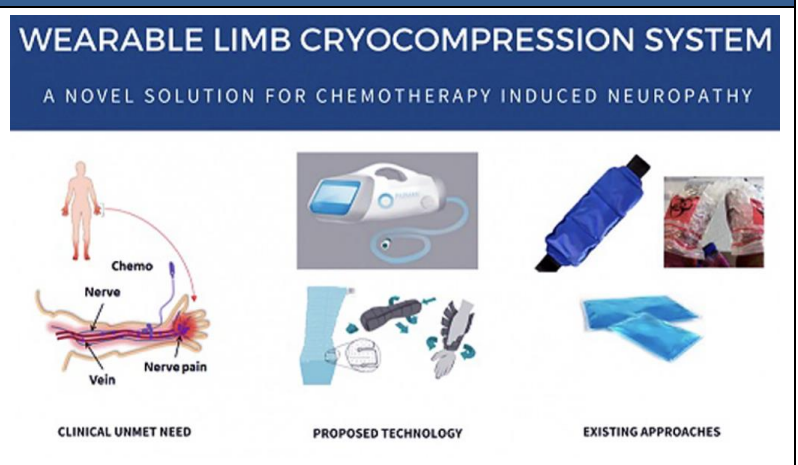


Exhibit 16: Limb Cryocompression Device^{xxxv}



low cyclic compression for the prevention of taxane-induced peripheral neuropathy. The study will use the Paxman limb cryocompression system in over 25 locations and is expected to start enrollment in early 2023.

The study aims to enroll 777 patients scheduled to receive taxane-based therapy, who will then be randomized 1:1:1 to receive cryocompression therapy, continuous compression therapy and low cyclical compression. The therapy will be administered for 30 minutes prior to, during and for 30 minutes after completion of taxane therapy. The study will also assess the safety, tolerability, and satisfaction with cryocompression therapy and compression therapy.

Limb Cryocompression System Competitors^{xxxvii}

Hilotherm and Braincool are other players and Paxman’s competitors for the limb cryocompression system. Hilotherm is a UK-based company that sells a cooling device for a number of indications including CIPN prevention. Braincool is a Swedish company and the main competitor for Paxman’s limb cryocompression system.

2.3 Company Milestones

Exhibit 17: Paxman AB Milestones ^{xxxviii}	
Year	Event
1996	<ul style="list-style-type: none"> Glenn Paxman founded Paxman 1st Paxman cooling system was developed and installed at Huddersfield Royal Infirmary
1999	<ul style="list-style-type: none"> First export installation in Italy CIMON Venture Trust AB based in Karlshamn, Sweden, invests in PAXMAN, validating the product
2000	<ul style="list-style-type: none"> Received CE marking and ISO 9001:2008 quality certification in UK
2003	<ul style="list-style-type: none"> Completed the first clinical trial with Paxman’s system
2006	<ul style="list-style-type: none"> Reaches 500 installed systems
2007	<ul style="list-style-type: none"> Received ISO 13485 certification in UK
2012	<ul style="list-style-type: none"> Reaches 1000 systems
2014	<ul style="list-style-type: none"> Initiates the world’s first randomized multicenter trial in the US Launches its UK healthcare division of business, Paxman at Home
2015	<ul style="list-style-type: none"> Initiates clinical trials with five leading cancer centers in Japan Reaches the milestone of 2000 installed systems
2016	<ul style="list-style-type: none"> Paxman announces positive results from the randomized multicenter study in the US
2017	<ul style="list-style-type: none"> FDA approved Paxman AB’s scalp cooling system for breast cancer Listed at Nasdaq First North as PAXMAN AB (public) Paxman secures marketing approval in Taiwan and Argentina
2018	<ul style="list-style-type: none"> Paxman reached 250 scalp cooling system in the US FDA approves PSCS for patients with solid tumors Obtains manufacturer’s quality management system program, MDSAP (Medical device single audit program) certification
2019	<ul style="list-style-type: none"> Initiated the development of a cooling and compression system to prevent chemotherapy-induced peripheral neuropathy (CIPN) with the National University Hospital in Singapore NCCN includes scalp cooling as a recommended treatment to prevent hair loss in its guidelines for breast cancer patients Secures marketing approval and launches its PSCS system in Japan, the second-largest cancer care market Received market approval for PSCS in Argentina, Brazil and South Africa with 340,000 new cancer cases per year Receives Silver award at the DBA: Design effectiveness award for its design incorporation across all parts of its business
2020	<ul style="list-style-type: none"> Submitted patent applications for CIPN product US AMA decides to create CPT codes for mechanical scalp cooling

	<ul style="list-style-type: none"> European Society for Medical Oncology (ESMO) includes scalp cooling as a category IIB recommendation to prevent CIA in its guidelines
2021	<ul style="list-style-type: none"> AMA issues CPT codes for mechanical scalp cooling CMS decides that Medicare claims for scalp cooling reimbursement shall be subject to a National Average Payment of 1,850.50 USD, effective January 1, 2022 Clinical studies with Paxman Cryocompression System are initiated Texas House committee passes a bill for mandatory insurance coverage of scalp cooling
2022	<ul style="list-style-type: none"> In August 2022, CMS published final Medicare hospital outpatient prospective payment system (OPPS), confirming the 1,850.50 USD rate for CY23 SWOG Cancer Research Network selects Paxman Limb Cryocompression System (PLCS) to be used in studies for prevention of Chemotherapy-Induced Peripheral Neuropathy (CIPN)

2.4 Company Strengths^{xxxix}

- a) **Worldwide Presence:** The market for Paxman’s scalp cooling product is global, as cancer affects people in every country. Paxman now operates in more than 60 countries in Europe, the Americas, Asia, Oceania and Africa. Asia is becoming Paxman’s key region after the US, with Japan an important contributor, while the company expects China and India to become major markets in the future. China and Paxman recently signed a letter of intent to jointly develop the market for its PSCS product.
- b) **Limited Competition:** There are currently very few players in the scalp cooling technology market. Paxman’s key rivals include Dignitana and Cooler Heads. Compared to Dignitana, Paxman provides more functionality by offering reusable and single-patient cooling cap kits. Its equipment is also much smaller and simpler to operate, and the company has a far superior track record of providing satisfactory maintenance service. Cooler Heads does not have any clinical data for its products as yet, which limits their marketability.
- c) **Patent for Current and Upcoming Technology:** Paxman holds patent for its scalp cooling systems and cooling cap kits in Europe and US. Paxman has also filed a patent to treat chemotherapy induced nerve damage in hands and feet (CIPN). Paxman is working with the National University Hospital in Singapore (NUH) to develop PLCS, the Paxman Limb Cryocompression System, a device for prevention of CIPN. The device is undergoing clinical trials, which are expected to be completed in Singapore by September 2023 and initiated in the US by early 2023.
- d) **FDA Approval and Reimbursement in the US:** The US Food and Drug Administration (FDA) has cleared cooling cap systems for multiple companies, including Paxman. The scalp cooling procedure has been assigned a CPT code to enable reimbursements.
- e) **Paxman’s Regional Business Models:** Paxman is developing new channels and business models suited to different economies to enable deeper market penetration. Paxman is using licensing, payment per treatment as well as sale of device models in different geographies.

2.5 Company Risks^{xl}

- a) **CMS to Review Reimbursement Rates Annually:** In August 2021, CMS assigned CPT code 0662T to allow payment of USD 1,850.50 for scalp cooling treatment reimbursement throughout 2022. In November 2022, CMS confirmed USD 1,850.50 as a reimbursement payment for 2023. The reimbursement rate for 2024 should be reviewed in Q4 2023. The possibility of lower reimbursement rates being set for 2024 is a risk for the business, as this would imply lower revenues for that year.
- b) **Non-Assignment of Permanent CPT Codes:** AMA assigned CPT codes 0662T and 0663T for an initial period of three years for 2022-24. The CPT code assigned to scalp cooling is temporary and it is expected that a permanent CPT code will be assigned after the initial evaluation period of three years.
- c) **Uncertain Business Environment Due to Covid-19:** The recent Covid-19 pandemic has created an uncertain macroenvironment globally. Cancer detection could slow if there is an increase in the number Covid cases, which might affect the sales of Paxman scalp cooling systems.
- d) **Risk of Developing Scalp Metastases:** While there is no clinical evidence of scalp metastasis due to scalp cooling in the treatment of CIA, this remains one of the key threats to expected volume growth in scalp cooling procedures, as healthcare professionals remain cautious. This is because the same mechanisms that restrict the efficacy of the chemotherapeutic agent against scalp hair roots can also restrict the effectiveness of the agent against cancerous tissue in the scalp. The natural incidence of scalp metastases in patients with breast cancer is 1 in 4,000, with no recordable difference between patients who do receive scalp cooling and those who do not.

- e) **Inflationary pressures:** Many countries and companies are facing inflation and a cost-of-living crisis. Paxman is no exception, and it could potentially face a rise in input costs for its machinery. These higher costs would likely be passed on to customers when Paxman sells its cooling systems, but the company would have to absorb higher input costs in the buy and bill model, where the payments it receives would remain fixed until CMS revises the reimbursement rates. This could affect the company's financial performance.
- f) **New Generation Drugs:** The development of new-generation drugs poses a threat to Paxman, as the development of advanced targeted cancer treatments could mean less chemotherapy use in treating cancer patients.

2.6 Business Strategy & Outlook^{xli}

Paxman's business strategy is aimed at developing targeted regional business models that allow it to gain and solidify market share and eventually position the company as the global market leader. For example, in the US and Canada, Paxman finances the system and installation costs and receives payment from patients for each treatment and personal cooling cap sold. In Mexico, it uses a similar model with license partner Teva. Paxman hopes to expand its recurring revenue stream via expansion in the US, Canada, Mexico and Japan. The company generates more recurring revenue per machine as more patients use the equipment and pay for cooling cap kits. A machine can be used by 1-4 patients every single day. We believe the machines are currently underutilized, implying a long runway for growth even at the same level of installation.

The market for scalp cooling systems improved in the US in 2021, when the AMA issued two separate CPT codes (0662T and 0663T) for mechanical scalp cooling. CMS later finalized a National Average Payment of USD 1,850.50 for CPT code 0662T for CY 2022 and 2023. Paxman noted this potential market growth opportunity and launched its 'Buy and Bill' business model in May 2022. In this new model, Paxman installs scalp-cooling systems at hospitals free of charge, and generates revenue by selling cooling cap kits up front. The provider is reimbursed later to cover the cost of the cooling cap kits and support administration and nursing expenses. As the payment burden shifts from customers to payors, the transition to buy and bill should lead to greater adoption of scalp cooling procedures and drive volume growth for the company. Paxman has transitioned nearly 5% of its US customers to buy and bill and aims to achieve a 40% transition by end-2023 and a 100% transition by end-2024.

In Japan, the company sells systems to distributors and receives payment for each personal cooling cap sold. On April 12, 2022, Paxman and Guangzhou Concord Medical Sci-Tech Innovation Center signed a letter of intent to collaborate for five years to develop the market for PSCS. Paxman recently announced that it has received market clearance for PSCS use in South Korea, with the final approval for commercialization is expected to be granted around May 2024. The company is also rapidly expanding its distribution network globally. Over the last two years, it has signed distribution agreements with Denta BP Pharm DOO in Serbia, Nelson Arcos S.A. in Uruguay, Sistemplus S.A. in Chile and Medinova LLC in Ukraine. This regional business strategy helps Paxman to expand its presence globally and balance short-term and long-term cash flows.

2.7 Financial Overview^{xliii}

Q4 2022

Another strong quarterly result despite of continued impediments faced in the UK and global economy

Paxman reported another strong quarter with Q4 2022 revenue stood at SEK 40.7 mn, a growth of c. 39% YoY and a degrowth of 1.4% sequentially. The YoY growth in top-line was also favorably impacted by the average exchange rate movement for full-year 2022 which appreciated to 0.0992 SEK/USD from 0.1166 SEK/USD in 2021^{xliii}. The sequential degrowth was primarily attributed due to the holiday period including Thanksgiving and Christmas and without any new buy and bill launches. The company saw an 18.4% YoY increase in its costs and a degrowth of 15.3% sequentially. The sequential decline was majorly due to extremely high forex movement which resulted in a reduction in 'other external costs' and increase of 'financial items' for the quarter. Excluding the impact of foreign exchange movements, the external and personnel costs would have been favorably impacted by SEK 0.5 mn for the quarter. The company has continued its strong investments in the US (where the scalp cooling systems are reported as fixed assets in the Group's balance sheet) of SEK 40.0 mn which resulted in a high depreciation and amortization cost of c. SEK 4.4 mn as compared to SEK 3.9 mn in Q4 2021. EBITDA for the quarter stood at SEK 12.8 mn as compared to SEK 4.2 mn in same quarter last year. An operating profit of SEK 8.3 mn was achieved for the quarter as compared to SEK 0.4 mn in Q4 2021. However, the company has incurred c. SEK 16.0 mn as a non-trade forex expense, thereby resulting in widening of net loss of c. SEK 9.8 mn for the quarter as compared to SEK 1.3 mn in Q4 2021.

Average daily treatment revenue (ADTR) increased 49.6% to SEK 306.1k from SEK 204.6k a year ago. The average patient utilization for the quarter stood at USD 28.5k per day, compared to USD 27.4k per day in Q3 2022 and USD 23.1k per day in Q4 2021. Post adjusting for forex movement, the company reported revenue for its UK and US entity,

which stood at c. GBP 2.5 mn and USD 1.9 mn respectively. Recurring revenue for the company reached SEK 22.6 mn in Q4 2022, compared to SEK 15.4 mn in Q4 2021 and SEK 22.4 mn in Q3 2022.

Buy and bill model is gaining strong momentum in 2023

With no new locations being onboarded, the buy and bill model, which was launched in May 2022, has generated revenue in excess of SEK 4.9 mn till date, including SEK 1.3 mn in Q4 2022. However, since the beginning of 2023, the model has gained momentum with a number of new locations ready to launch or having signed contracts including Sturdy Memorial, MA, Licking Memorial Health, OH, Ohio State University Medical Center, OH, Union Hospital Health Group (UHHG), IN, Holy Redeemer Health System, PA, UTMB Health, TX. The company has actively indulged itself in discussions and framing strategies for increased adoption of the new model with a target of 40% of customers operating under the new model by the end of 2023.

The feedback received from the customers are extremely positive, not only from a claims perspective but also from an administrative and equity perspective. The new model appears to be simpler to operate for the health system and the patient, the level of claims paid is supporting a contribution to the cost burden of scalp cooling for the health system, and the payer coverage success and the Paxman Patient Assistance Program is ensuring a fair and equitable scalp cooling program. As a result, each health system using the new model has seen an increase in utilization level. Paxman had undertaken a Benefits Investigation (BI) for 121 patients by Q4 2022, which revealed that c. 87% of patients had positive coverage while others have been supported by the company's patient assistance program.

FY 2022

Net revenues for the year grew by 51.7% YoY to SEK 145.9 mn, up from SEK 96.2 mn a year ago, while the average exchange rate movement for full-year 2022 stood at 0.0992 SEK/USD as compared to 0.1166 SEK/USD in 2021. The sales mix for the year stood at c. 49.9% for rest of world and 50.1% for the USA. Despite of the increase in operating expense of c. 38.0%, EBITDA for the full-year stood at SEK 16.2 mn, as compared to SEK 2.9 mn a year ago. However, due to high depreciation and amortization expenses of c. SEK 17.4 mn (FY 2021: SEK 13.5 mn), the company has reported an operating loss of c. SEK 1.2 mn, which narrowed during the year, as compared to an operating loss of c. SEK 10.6 mn a year ago. Despite incurring c. SEK 16.0 mn non-trade forex expense during the quarter, the 'net financial items' for the full-year stood at SEK 7.3 mn which resulted in a net loss of c. SEK 10.3 mn, as compared to a net loss of SEK 12.8 mn a year ago. The company had a total of SEK 38.1 mn as cash by the year-end, compared to SEK 72.3 mn for FY 2021. During full-year 2022, a total of 528 scalp cooling systems were installed, while the order book contains an additional 217 systems.

Global Markets and its development

North America

Paxman's largest market is the US, where 41 states with 472 locations are currently using Paxman Scalp Cooling System, where 53 systems were installed in 22 locations in Q4 2022, while 57 new systems are in the pipeline. The focus of the company is to transition from its traditional 'Self Pay' model into 'Buy and Bill' model. As a result, since the launch of 'Buy and Bill' model in May 2022, the company has already started servicing 18 of those location and look to continue transition in 'Buy and Bill' model for further bolstering its recurring revenue stream.

The market in Canada continues to show some momentum and the company is looking to launch its Canadian business in the first quarter of 2023.

Rest of the World

The company's UK and its overseas markets continued its momentum with a total of 156 systems sold and installed in Q4 2022 compared to 132 in Q3 2022.

The company has identified Australia, Brazil, India, The Netherlands and the UK as its key market for development in FY 2023. The company expects significant improvement in markets like Mexico and Japan.

FY 2021

Business starts to recover following the pandemic

Paxman reported revenue of SEK 96.2 mn for FY 2021, registering YoY growth of 23%. Net loss narrowed to SEK 12.8 mn from SEK 19.2 mn in FY 2020.

Cash used in operations stood at SEK 4.1 mn versus SEK 8.8 mn in the previous year. Cash flow from investment activities revealed rising outflows, driven by an increase in investments, which were constrained in FY 2020 due to

Covid-19. In December 2021, the company also issued 1.4 mn shares in a directed shares issue and raised SEK 77 mn (before transaction costs) to fund its commercialization strategy. As a result, the company closed the year with a significantly stronger financial position, having cash and cash equivalents of SEK 72.3 mn, as compared to SEK 3.6 mn in FY 2020.

Japan leads the Asia market

Japan is the company's leading customer in the Asia market with 70 systems delivered so far, followed by India and China, which are expected to become key growth contributors. In April 2022, Paxman and Guangzhou Concord Medical Sci-tech Innovation Center Co. signed a letter of intent to collaborate for five years, with an initial evaluation of 24 months, which would involve treating up to 300 patients at Concord Medical's Guangzhou Concord Cancer Center.

Income to be generated from each personal cooling cap

Paxman generates recurring revenue by selling cooling caps in the US, Canada, Japan and Mexico.

Higher growth expected with CMS ruling and transition to buy and bill model in the US

Paxman expects a positive impact on its business following the CMS's ruling, which should allow consumers to more easily access its PSCS product. CMS's ruling in November 2021 allows a national payment rate of USD 1,850.5 for the scalp cooling CPT code 0662T. Earlier, CMS proposed a national payment rate of just USD 33.48, which was too low to allow physicians and health systems to implement scalp cooling.

Paxman's target is to shift 40% of its US customers to the new buy-and-bill model by the end of 2023. This model should make billing more convenient for patients, as it allows providers to bill insurance companies on behalf of their patients, unlike the previous model where the patients had to pay on their own for scalp cooling.

2.8 Latest Developments^{xliv}

Since the announcement in November that Paxman has been selected by the SWOG Cancer Research Network the company has made significant progress with the development of CIPN cryocompression system, which is under clinical trial in Singapore and on track for the US clinical trial with the National Clinical Trials Network. Paxman aim is to deploy over 150 devices (75 systems) over 25 locations in the USA through April and May 2023. Also, Paxman announced the revised final rule of OPSS and the Medicare ambulatory surgical center (ASC) payment system which confirms the payment rate of USD 1,850.50 for 2023, and that CPT code 0662T will continue to be assigned to Ambulatory Payment Classification (APC) New Technology 1520.

In January, Paxman announced that it has received EU Medical Device Regulation (MDR) certification from British Standards Institution (BSI). The aim of Medical Device Regulations 2017/745 which was introduced in 2021, was to modernize and create a robust and long-term legislative framework, with strict inspection (particularly in clinical and post-market review data) by Notified Bodies to ensure the highest levels of safety. This reaffirms its commitment to the market, its customers and, most importantly, the patients who will continue to benefit from the use of PSCS.

Also, the company recently has signed several contracts and orders in the US, the UK and around the world, including a large order for 25 systems from Sheffield Teaching Hospitals NHS Trust in the north of England.

Besides, with the recent successful launch of the Scalp Cooling Summit and Scalp Cooling Studies website, the company has reconfirmed its position as a leader in cryotherapy and its side effect management. The company also invested in refreshing the brand, thereby elevating the positioning of the company. The company has continued to invest behind clinical trials, develop further understanding about scalp cooling and improve the experience and efficacy of the patients.

2.9 Shareholding Pattern^{xlv}

The company had 19,012,500 shares of common stock issued and outstanding on March 15, 2023.

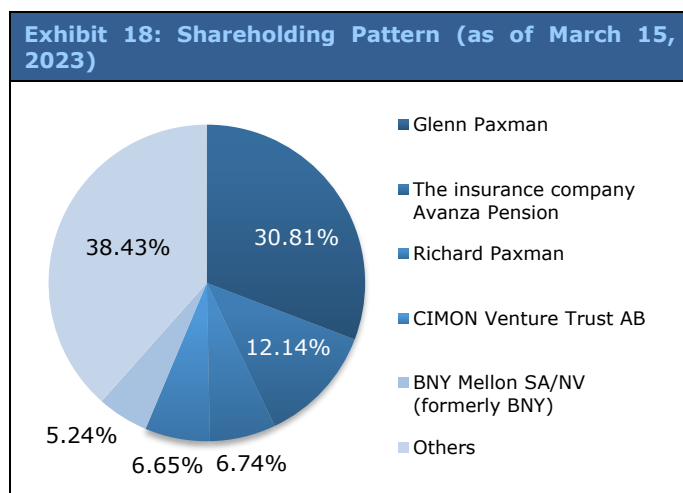


Exhibit 19: Top shareholding pattern (March 15, 2023)

Shareholders	No. of Shares
Glenn Paxman	5,857,395
Avanza Pension (Insurance company)	2,307,636
Richard Paxman	1,281,000
CIMON Venture Trust AB	1,263,992
BNY Mellon SA/NV (formerly BNY)	995,584
Others	7,306,893

2.10 Listing and Contact Details^{xlvi}

Paxman AB is listed on Nasdaq First North Growth Market

PAXMAN US HQ:

Address: 2450 Holcombe Blvd, TMC, Innovation Suite X, Houston TX, 77021

Contact No: 888-572-9626

Email Id: HCP@paxmanUSA.com

PAXMAN UK HQ:

Address: International House, Penistone Road, Fenay Bridge, Huddersfield, West Yorkshire, UK, HD80LE

Contact No: +44(0)1484 349 444

Email Id: info@paxmanscalpcooling.com

3. News^{xlvii}

- **Obtained EU MDR Certification:** On January 26, 2023, Paxman announced that it has obtained EU Medical Device Regulation (MDR) certification from the British Standards Institution (BSI).
- **Market update:** On December 22, 2022, Paxman confirmed that it has received orders to several markets which includes the direct sales markets France, Scandinavia, the UK and the USA as well as to Brazil, India, Israel and Singapore. The orders covered upgrades of earlier equipment at existing customers as well as systems to new customers following successful evaluation of Paxman's equipment.
- **Clinical Trial Agreement with SWOG Cancer Research Network:** In November 2022, Paxman had entered into a clinical trial agreement with SWOG Cancer Research Network (SWOG) to conduct a phase 3 efficacy study evaluating the effectiveness of limb cryocompression for the prevention of taxane-induced peripheral neuropathy. The study, expected to start enrollment in early 2023, is sponsored and funded by the National Cancer Institute (NCI) and will use the Paxman limb cryocompression system (PLCS) in over 25 locations in the US.
- **Market Clearance for Paxman in South Korea:** On November 21, 2022, Paxman announced that it expected to receive final approval for commercialization of the Paxman Scalp Cooling System in South Korea by May 2024. Currently, the scalp cooling system has to complete a number of regulatory requirements, such as verification of an existing or new medical technology by the Health Insurance Review and Assessment Service (HIRA), which is expected to be completed by March 2023. TPC Korea (Nokwon), Paxman's distributor in the region since 2020, is prepared to raise awareness on the benefits of scalp cooling and initiate a pre-marketing plan for the next year.
- **CMS's Final Rule Revises OPSS and ASC:** On November 3, 2022, CMS defined the payment process for scalp cooling, stating that CPT code 0662T should be billed once per chemotherapy session. For CY 2022, CPT code 0662T has been assigned to APC New Technology 1520 with a payment rate of 1850.50 USD. The final rule will affect 3,411 hospitals and 5,500 ASCs. An APC (Ambulatory Payment Classification) is the method by which the US government pays for healthcare facilities of outpatient services for the Medicare program. This provides the facility for reimbursement under the Medicare Hospital Outpatient Prospective Payment System (OPSS).
- **New Program Launched in 2022:** Paxman unveiled the services it will offer along with CoverMyMeds, a healthcare software company and a subsidiary of McKesson. The services include: 1) Providing free goods to qualifying patients with Paxman Patient Assistance Program (PAP), 2) Asking for additional support to use PSCS if denied by the insurance company, 3) A patient foundation service which connects patients and providers to independent assistance groups, 4) Helping patients to gain authorization prior to being treated with PSCS, 5) Offering support to calculate the amount and level of coverage offered by the patient's insurance company.
- **Bill Introduced to Increase Access to Scalp Cooling Therapy:** On April 1, 2022, HB732, a bill which requires all health insurance providers to include scalp cooling treatments to prevent CIA in their coverage, was introduced in the US House of Representatives. The bill requires a vote by the full house committee, and if subsequently passed by the House of Representatives and the Senate, it would then require the president's signature to become law.
- **Paxman Signs a Distribution Agreement in Serbia:** In March 2022, Paxman announced a non-exclusive distribution partnership with Denta BP Pharm DOO, a medical device distributor, in Serbia to serve an annual patient population of approximately 20,000 cancer patients (based on 2020 figures).
- **Clinical Trial Agreement with National University Hospital, Singapore:** In November 2021, Paxman along with National University Hospital, Singapore announced clinical trials to avert chemo-induced nerve damage. They plan to use the newly developed Paxman Limb Cryocompression System (PLCS) for the trials, which are expected to be completed by September 2023. Paxman will have exclusive rights to commercialize the technology, while the parties have signed a collaboration agreement for co-ownership of intellectual rights.
- **Nelson Arcos S.A. Becomes a Paxmans Global Distribution Partner:** In November 2021, Paxman announced that Nelson Arcos S.A., which has over 35 years of experience in the sector, would be its global distribution partner for Paxman equipment in Uruguay.
- **Paxman Extends Its Treatment Option to Avignon:** In October 2021, Paxman installed the 100th system in France at the Onco-Haematology department at Centre Hospitalier d'Avignon. For now, this is the only center in the south of France using PSCS. The installation in southern France can serve patients undergoing treatment in the Vaucluse region and treat two patients simultaneously with its PSCS2 system.
- **Paxman Expands Its Distribution Network:** On May 6, 2021, Paxman announced that Sistemplus S.A. would be its exclusive distribution partner for Paxman equipment in Chile, and Medinova LLC would be its distribution partner in Ukraine. In 2018, 5,393 cases of breast cancer were detected in Chile, while prostate cancer and stomach cancer have become leading causes of death among men. In Ukraine, cancer accounts for nearly 12% of total deaths.

4. Management and Governance^{xlvi}

The management and governance team have considerable experience in managing operations and finance for multiple businesses. They also have an extensive background in investment.

Exhibit 20: Management and Governance		
Name	Position	Experience
Richard Paxman	CEO	<ul style="list-style-type: none"> Richard Paxman has a bachelor's degree in management science from the University of Manchester Previously served at his family business Brewfitt, a drink dispensing solutions company Has extensive experience in global marketing development Joined Paxman in 2009 and was appointed CEO in January 2017
Emelie Gustafsson	CFO	<ul style="list-style-type: none"> Emelie holds a bachelor's degree in Corporate Finance and Tax from Kristianstad University Currently CFO of Paxman, in addition to serving as CFO at CIMON AB (parent of CIMON Trust AB), a principal shareholder of Paxman Gustafsson has been associated with CIMON AB since April 2013
Claire Paxman	Director of Sales & Training	<ul style="list-style-type: none"> Has over 12 years of working experience in sales and training Started at Paxman in 2012 and joined the senior leadership team in 2019 Develops and manages global training programs, and manages Paxman At Home, the UK home healthcare division of the business
Susy Brown	Head of Brand & Marketing	<ul style="list-style-type: none"> Bachelor of Arts in Fashion from Manchester Metropolitan University Served as a director at UK-based company Baia Joined Paxman in June 2018 and is currently Head of Brand & Marketing
Patrick Burke	Technical & Engineering Manager	<ul style="list-style-type: none"> Bachelor's degree in design and applied Mathematics Over 12 years of experience in production and supply chain Joined Paxman in 2015 and has been part of the senior leadership team since 2019
Liza Hirst	Executive Assistant to CEO / Head of HR	<ul style="list-style-type: none"> Liza completed Diploma at the North of England Higher Secretarial College Works closely with the CEO, Head of Finance and VP Working with Paxman since November 1994 and joined the leadership team in 2019
Anna Parker	Head of International Sales	<ul style="list-style-type: none"> Holds a bachelor's degree in marketing from Jagiellonian University, a master's degree in English Language from the University of Finance and Management, Poland, and a master's in international business management from the University of Huddersfield Joined Paxman in 2017 and is responsible for managing the international sales teams in the UK, India, Germany, Scandinavia and France
Karin Buck	VP of Paxman US Inc	<ul style="list-style-type: none"> Graduated with a degree in Broadcast Journalism from Temple University Has worked with multiple companies including WMMR and Infinity Broadcasting Corporation and has served as marketing director at CBS Radio and ERGO Baby Inc. Oversees the growth of operations in the US Has been associated with Paxman since June 2017
Stuart Rowling	Head of UK Sales & Training	<ul style="list-style-type: none"> NVQ2 qualified in Sport, Recreation and Allied Occupations Manages UK training specialists and oversees UK sales He worked for Paxman since April 2015
Alexandra Sheldrake	Head of Quality & Regulatory Affairs	<ul style="list-style-type: none"> Qualified at Level 2 and 3 in Business Administration Ensures compliance with global requirements including MDR and MDSAP, and manages Paxman's third-party service company in the US Has worked for Paxman since November 2009
Emma Thornhill	UK Finance Director	<ul style="list-style-type: none"> Degree in Accountancy from Sheffield Hallam University and is an FCA Qualified Accountant Has worked with Mazars as Audit Senior Manager for over 10 years Has worked with Paxman since November 2017 and manages the finance department.

5. Industry Overview^{xlix}

Paxman operates in the healthcare industry, producing and supplying healthcare equipment to prevent hair loss because of chemotherapy. Its scalp cooling caps are medical devices used to cool the scalp by exposing it to low temperatures in a controlled way during treatment or chemotherapy. Paxman’s cooling caps are essentially part of the Hypothermia cap industry. This industry also includes cooling caps used in other treatments like the prevention of cerebral palsy in newborn babies and the provision of neuroprotection to patients after heart attacks, strokes and migraine attacks.

According to Maximize Market Research, the size of the hypothermia caps market was 454.44 million USD in 2021 and estimated to grow at a CAGR of 5% to 671.42 million USD in 2029ⁱ. However, it is estimated that 80% of demand for cooling caps comes from patients suffering from chemotherapy-induced alopecia. Approximately 48% of the market is concentrated in the US and Europe.

5.1 Introduction

Every year, millions of cancer patients are treated with chemotherapy. Around 28% of patients experience extreme hair loss as a side effect of chemotherapy. There are around 200 types of cancer found in humans. After lung and heart diseases, cancer is the most common disease resulting in the patient’s death. The majority of the patients going for cytostatic treatment also experience severe hair loss problems. Scalp cooling is an effective way to prevent hair loss in cancer patients going through chemotherapy. Although scalp cooling has been in use in Europe and other countries for over two decades to prevent hair loss, it is still not well known. Cold caps have been used over the past decade to reduce hair loss, but FDA approval for the first scalp cooling device came in Dec 2015.

When a person is going through chemotherapy, the chemotherapeutic agents fight the cancer by targeting rapidly growing cancer cells. Unfortunately, this also affects other rapidly growing cells in the body, like hair cells.

5.2 Market definition^{li}

Cancer is a deadly disease with a high mortality rate and 0.6 million reported fatalities in 2020 in the US alone. Chemotherapy is one of the most-used treatment methods. Chemotherapy medications are effective but lead to various side effects, with hair loss being the most prevalent problem, which is very discouraging, especially for women.

A psychological study among women with cancer published in 2008 has shown that 8-10% of female patients refuse chemotherapy due to concerns over hair loss. Another consumer online survey conducted in 2015 on 400 women found that 96% of potential patients are interested in scalp cooling devices to reduce hair loss.

There were approximately 8.8 million women diagnosed with cancer in 2020, which is expected to increase by 50% by 2040.

Scalp cooling is still a relatively little-known treatment method for hair loss due to chemotherapy. However, the total addressable market for scalp cooling is vast as all the female cancer patients going for chemotherapy face the risk of hair loss.

A study by Lacouture et al. (2018) estimated that 65% of U.S. cancer patients receive systemic therapy and according to the Cancer Research Institute, UK, approximately 28% of people diagnosed with cancer undergo chemotherapy as a treatment in the UK and this is expected to grow substantially till 2040.

Recent trends in cancer data show that breast cancer is the most common form of cancer across genders, accounting for around 25% of total new cases in women, followed by colorectal cancer (9.4%) and lung cancer (8.4%).

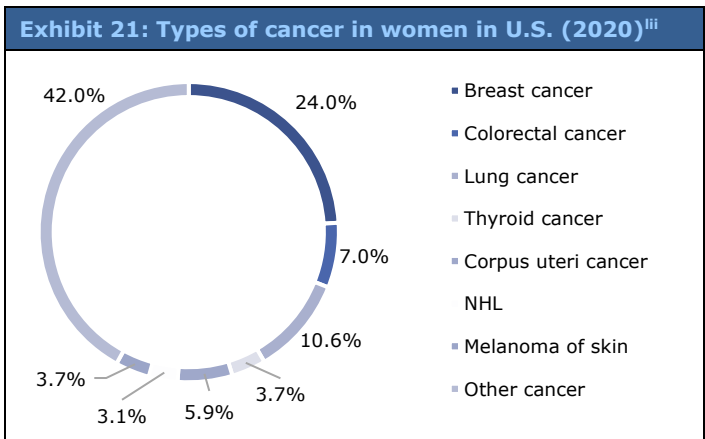
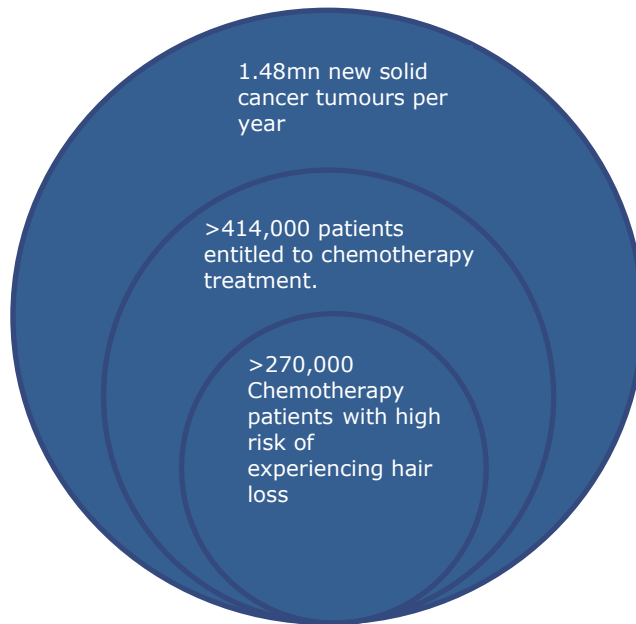


Exhibit 22: Addressable market in the U.S. (2021)^{liii}



As cancer cells multiply rapidly, chemotherapy works by targeting all rapidly dividing cells in the body. Hair is the second fastest dividing cell, which is why many chemotherapy drugs cause hair loss. Chemotherapy damages hair follicles (at the root of the hair), resulting in hair loss. The scalp cooling technology keeps the temperature of the scalp low. This leads to reduced blood flow to the hair follicles and reduced metabolism, which in turn leads to less exposure to and absorption of anticancer medication in the hair, thus protecting the hair follicles and reducing hair loss. Some people even retain all their hair.

Major side effects of chemotherapy^{liv}

Chemotherapy-induced alopecia (CIA) is the most disturbing psychological and emotional side effect of chemotherapy in women. Most patients suffer from CIA due to chemotherapy infusion treatment. It is estimated that 65%-85% of patients undergoing chemotherapy suffer some form of alopecia and 47%-58% of female cancer patients consider hair loss to be the most disturbing side effect of chemotherapy. Other common side effects are nausea, fatigue and damage to the heart and other internal organs. Usually, the CIA condition is reversible and can also be controlled through scalp cooling treatment.

5.3 Alternatives to the Scalp Cooling Treatment Method^{lv}

Early-stage research has shown that chemotherapy induced alopecia can be controlled through medication. Animal studies have suggested that the tumor suppressor protein p53 can play an important role in controlling CIA. Also, inhibition of the protein kinase CDK4/6 could make hair follicles much less susceptible to the damaging effects of taxanes. However, these treatment methods are not yet approved by the FDA. The only approved treatment for CIA is the use of cool caps and the scalp cooling method. Scalp cooling as a method of preventing hair loss during chemotherapy and 2% topical minoxidil as a therapy for accelerating regrowth after chemotherapy are both effective non-camouflage options for treatment.

Exhibit 23: Alternative ways of treating alopecia^{lv}

Drugs & Devices	Positive aspects	Negative aspects	Probable MoA	Recommendations	Not Recommended
Scalp cooling	High patient compliance	Headache, discomfort, nausea during treatment and xerosis may occur	Local vasoconstriction and reduction of drug inflow to the hair follicles	For patients with solid tumors undergoing chemotherapeutic treatment	Not advisable for patients getting platinum derivatives or suffering from hematological tumors, cold agglutinin disease, cryoglobulinemia or posttraumatic cold injury
Topical epinephrine and norepinephrine	Works rapidly and used in patient receiving platinum derivative	More applications per day	Hypoxia signal is induced through local vasoconstriction	For patients with solid tumors undergoing chemotherapeutic treatment	Not advisable for patients with hematological tumors
Topical minoxidil 2% and 5%	Safety and tolerability. Hair regrowth is accelerated	No effect on hair loss	Vasodilation and induction of angiogenesis; stimulation of hair regrowth by activating prostaglandin endoperoxide synthase 1; Shorten telogen phase and extend anagen phase	Recommended only after discontinuation of chemotherapy.	Not recommended for CIA prevention
Topical bimatoprost 0.03%	Safety and tolerability. Hair regrowth is accelerated	No effect on hair loss	Protection of follicles in anagen phase and improving follicular growth in anagen I	Recommended only after discontinuation of chemotherapy	Not recommended for CIA prevention
Topical calcitriol (1,25-dihydroxyvitamin D3)	None with topical application	Contact dermatitis	Action on keratinocytes.	Evaluate systemic administration in post chemotherapy phase.	Not recommended.

5.4 Competitive Landscape

Paxman is the market leader in scalp cooling treatment and showed resilience during the pandemic. Although scalp cooling technology treatment is not that popular, there are few companies in the segment. Dignitana and Cooler Heads are the most prominent competitors for Paxman. Besides them, some private players like Arctic caps, Penguin caps and Wish cap are in the cooling cap manufacturing business, but their caps have to be filled with dry ice in the scalp cooling procedure.

Dignitana: The scalp-cooling equipment is quite similar to Paxman’s. However, Paxman provides more functionality by offering reusable and single-patient cooling cap kits. Dignitana provides single-use cooling cap kits, which limits its growth in certain markets. Paxman’s equipment is much smaller and simpler to operate, and the company has a far superior track record of providing a satisfactory maintenance service. Both Paxman and Dignitana have extensive clinical data available.

Cooler Heads: Cooler Heads has a slightly different business model. Its equipment is more portable than Paxman’s. The patients keep the equipment at home and take it back and forth from the treatment center. This limits its viability. Also, Cooler Heads does not have any clinical data yet, which also limits its marketability.

Exhibit 24: Revenue comparison – Dignitana vs Paxman^{lvii}

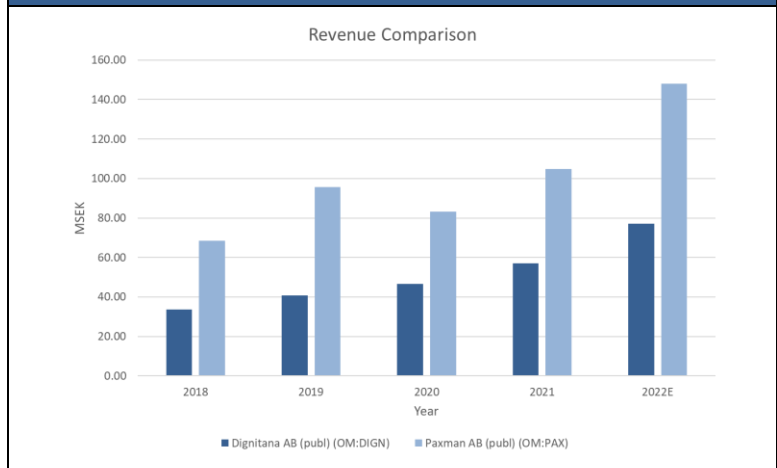


Exhibit 25: Competitors Landscape^{lviii}



Exhibit 26: Dignitana’s Healthcare Equipment^{lix}



Exhibit 27: Product position^{lx}

Features	Penguin cold caps	Paxman cooling system	Dignitana cooling systems
Type	Manual system	Machine based system	Machine based system
Description	Gel cap that goes over a headband	Compact refrigeration system attached to a cooling cap	Silicon cooling cap connected to a cooling unit
Cooling	Cooled using dry ice.	Cooled using cooling unit	Cooled using cooling unit
Mobility while therapy	Yes	Patient can disconnect for up to 10 mins	Patient can disconnect for up to 8 mins
Cost	Varies by manufacturer	Contact manufacturer	Contact manufacturer
Reimbursement	Reimbursement is not available	Available through billing code	Available through billing code

5.5 Key Trends^{lxi}

The United States Food and Drug Administration (FDA) is a federal agency of the Department of Health and Human Services in the United States. The FDA is the governing body overseeing the medical equipment sector in the U.S. It is the government agency responsible for protecting and promoting public health through the control and supervision of food safety, vaccines, over-the-counter pharmaceutical drugs (medications), vaccines, biopharmaceuticals, blood transfusions, and medical devices etc. FDA approval is mandatory for any medical equipment or medicine to be used in the United States. The FDA has the responsibility of overseeing food, medical and tobacco products.

Reimbursement as a trend^{lxii}: The U.S. is the biggest healthcare market and has its own healthcare infrastructure where the majority of people use government healthcare benefits and insurance to meet health care costs. The NCCN guidelines, which are considered as the gold standard for coverage and reimbursement policies in the U.S., have recommended scalp cooling as a category 2A treatment option for patients with invasive breast cancer, ovarian epithelial cancer, fallopian tube cancer, and primary peritoneal cancer. This is a major development towards increasing patient and provider access to scalp cooling, as most public and private payers recognize NCCN guidelines.

The CMS has reassigned Medicare claims payment for scalp cooling using CPT code 0662T to New Technology APC 1520 with a National Average Payment of 1,850.50 USD, effective January 1, 2022. Ambulatory Payment Classification (APC) is the US government's method of paying healthcare facilities for outpatient services for the Medicare program. The new payment assignment enables facility reimbursement under the Medicare Hospital Outpatient Prospective Payment System (OPPS).

Insurance claims for scalp cooling treatment are not yet standardized in the U.S. but there have been some successful claims. In Q2 2021, a bill proposing mandatory insurance coverage for FDA-cleared scalp cooling costs for cancer patients passed the Texas House committee on insurance.

Oral chemotherapy: Oral chemotherapy is a medication provided in pill form or liquid gel form; it has to be ingested orally. Oral chemotherapy is just as effective and strong as intravenous (IV) chemotherapy; hence precautions need to be taken. The growing adoption of oral chemotherapy could act as a limiting factor for scalp cooling market growth.

New-generation cancer drugs

As new research and studies are being undertaken, newer treatment procedures and drugs are being developed. New generation drugs are alternative medication regimes to treat cancer, such as chemotherapy. Researchers are constantly trying to produce drugs which have fewer side effects and are easy to administer like, oral chemotherapy.

Awareness of scalp cooling

Paxman and other stakeholders are focusing on spreading awareness about CIA and its treatment with scalp cooling. With this step, scalp cooling may become a mainstream healthcare product. With growing awareness about the product and its benefits, the market demand is expected to increase, as scalp cooling is still relatively unknown.

6. Valuation

The fair market value for the company's shares stood between SEK 1,102.5 mn and SEK 1,493.3 mn on March 15, 2023. The fair market value for one of the company's publicly traded shares stood between SEK 58.0 and SEK 78.5 on March 15, 2023. The valuation approach followed is the DCF and Relative Valuation methods.

6.1 DCF Method

Valuation	
WACC	
Risk-free rate	2.3% ^{lxiii}
Beta	0.8 ^{lxiv}
Equity Market return	10.9% ^{lxv}
Cost of Equity	9.0%
Cost of Debt	4.7%
Terminal Growth Rate	2.5%
WACC (Discount Rate)	8.4%

Year Ending – December	2023E	2024E	2025E	2026E	2027E	2028E
FCFF (Low)						
Net Cash from Operating Activities	11,519.8	29,899.3	35,259.8	51,640.6	77,284.3	112,077.8
Capital Expenditure	(26,912.5)	(22,707.8)	(24,370.4)	(24,430.6)	(22,638.0)	(22,168.7)
Free Cash Flow to Firm	(15,392.7)	7,191.5	10,889.5	27,210.0	54,646.3	89,909.1
Discount Factor	0.9	0.9	0.8	0.7	0.7	0.6
Present Value of FCF	(14,430.3)	6,217.4	8,682.1	20,006.8	37,054.3	56,222.7
FCFF (High)						
Net Cash from Operating Activities	15,604.9	38,771.0	53,563.2	69,367.2	101,797.0	176,832.7
Capital Expenditure	(28,010.9)	(24,496.6)	(27,195.0)	(28,202.2)	(26,982.9)	(27,439.0)
Free Cash Flow to Firm	(12,406.0)	14,274.4	26,368.3	41,164.9	74,814.1	149,393.7
Discount factor	0.9	0.9	0.8	0.7	0.7	0.6
Present Value of FCF	(11,630.3)	12,340.9	21,023.3	30,267.5	50,729.6	93,420.0

Arrowhead Fair Value Bracket	High	Low
Terminal Value (TV)	2,579,988.4	1,552,705.7
Present Value of TV	1,653,671.9	995,223.8
Present Value of FCF	196,151.1	113,753.1
Net Debt ^{lxvi}	(21,107.0)	(21,107.0)
Equity Value Bracket	1,870,930.0	1,130,083.9
Shares O/S ('000s)	19,012.5	19,012.5
Fair Share Value Bracket (SEK)	98.4	59.4
Current Market Price (SEK) ^{lxvii}	35.2	35.2
Upside/(Downside)	179.6%	68.9%
Current Market Cap. (SEK mn)	669.2	669.2
Target Market Cap. Bracket (SEK mn)	1,870.9	1,130.1

All numbers are stated in SEK '000, unless mentioned otherwise

Sensitivity Analysis

Sensitivity Table - High		WACC (%)				
		7.4%	7.9%	8.4%	8.9%	9.4%
GROWTH RATE (%)	0.0%	81.6	75.3	69.7	64.7	60.3
	2.0%	111.2	100.1	90.9	83.0	76.2
	2.5%	122.3	109.2	98.4	89.3	81.5
	3.0%	135.9	120.2	107.3	96.7	87.8
	3.5%	153.0	133.6	118.1	105.5	95.1

Sensitivity Table - Low		WACC (%)				
		7.4%	7.9%	8.4%	8.9%	9.4%
GROWTH RATE (%)	0.0%	49.4	45.5	42.2	39.2	36.5
	2.0%	67.1	60.5	54.9	50.1	46.0
	2.5%	73.8	66.0	59.4	54.0	49.3
	3.0%	82.0	72.5	64.8	58.4	53.0
	3.5%	92.3	80.6	71.3	63.7	57.4

Approach for DCF Valuation

Time Horizon: The Arrowhead fair valuation for PAXMAN AB is based on the DCF method. The time period chosen for the valuation is 70 months (2023E-2028E).

Terminal Value: This is estimated using a terminal growth rate of 2.5%.

Prudential nature of valuation: It should be noted that Arrowhead's fair value bracket estimate is a relatively prudent estimate, as it discounts the eventuality of any new products being launched in the market or any significant change in the strategy.

6.2 Relative Valuation

Exhibit 28: Peer Set			
Companies	EV (in SEK mn)	Sales – FY 2022 (in SEK mn)	EV/Sales
Dignitana AB	371.8	73.4	5.1x
IRRAS AB	198.5	40.0	5.0x
SensoDetect AB	39.7	5.3	7.5x
Median			5.0x

Particulars	High	Low
Paxman AB' sales (SEK '000)	218,313.1	210,176.7
PEER EV/ Sales	5.0	5.0
Enterprise Value (SEK '000)	1,094,610.5	1,053,815.0
Less: Net Debt (SEK '000)	(21,107.0)	(21,107.0)
Implied Equity Value (SEK '000)	1,115,717.5	1,074,922.0
Shares o/s ('000s)	19,012.5	19,012.5
Intrinsic Value per share (SEK)	58.7	56.5
Current market Price (SEK)	35.2	35.2
Upside / (Downside)	66.7%	60.6%

6.3 Blended Valuation

Blended Valuation		High	Low
DCF (SEK)	Weightage - 50%	98.41	59.44
Relative Valuation (SEK)	Weightage - 50%	58.68	56.54
Blended Value (SEK)		78.54	57.99
Upside/(Downside)		123.1%	64.7%
Target Market Cap. Bracket (SEK '000)		1,493,324	1,102,503

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent depending on the subsectors in which the research is conducted, but all Arrowhead valuation research possesses an underlying set of common principles and a generally common quantitative process.

With Arrowhead Commercial and Technical Due Diligence, Arrowhead extensively researches the fundamentals, assets, and liabilities of a company, and builds solid estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance, such as price/earnings ratios, indicated as applicable, are present mainly for reference purposes. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

Elements of comparison, such as multiple analyses may be to some limited extent integrated in the valuation on a project-by-project or asset-by-asset basis. In the case of this Paxman AB report, there are no multiple analyses integrated in the valuation.

We have presented the Discounted Cash Flow ("DCF") estimate approach for Free Cash Flow to Firm ("FCFF") valuation. We have also presented a Relative Valuation. The fair value bracket is built on the basis of these two methods.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analyses such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a valuation tool.

In principle, an investor comfortable with the high brackets of our key variable analysis will align with the high bracket in the Arrowhead Fair Value Bracket, and, likewise, in terms of low estimates. The investor will also note the Company intangibles to analyze the strengths and weaknesses, and other essential Company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in investor's own analysis.

The bracket should be taken as a tool by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that while on the one hand global capital markets contain inefficiencies, especially in terms of information, on the other, corporations and their commercial and technical positions evolve rapidly. This present edition of the Arrowhead valuation is for a short to medium-term alignment analysis (one to twelve months). The reader should refer to important disclosures on page 33 of this report.

7. Appendix

7.1 Paxman AB's Financial Summary

Exhibit 29: Financial Summary		<i>Low Bracket Estimates</i>				
<i>Year Ending June</i>	2023E	2024E	2025E	2026E	2027E	2028E
Revenue (SEK `000)	199,351.7	275,246.0	336,142.8	407,177.2	481,659.8	554,216.3
Operating Profit (SEK `000)	(2,394.6)	5,533.6	15,117.4	27,846.9	45,374.4	65,683.7
Net Income (SEK `000)	(3,357)	4,636	14,281	27,202	37,902	52,037.6
EPS (cents)	(0.18)	0.24	0.75	1.43	1.99	2.74
Growth rates (%)						
Revenue	36.6%	38.1%	22.1%	21.1%	18.3%	15.1%
Operating Profit	92.6%	(331.1%)	173.2%	84.2%	62.9%	44.8%
Net Income	(67.5%)	(238.1%)	208.0%	90.5%	39.3%	37.3%
EPS	(67.5%)	(238.1%)	208.0%	90.5%	39.3%	37.3%
EBITDA	(8.3%)	64.1%	43.6%	39.2%	37.2%	30.7%
Margins (%)						
Gross Margins (%)	65.7%	66.4%	67.1%	67.7%	68.5%	69.2%
Operating Profit Margin	(1.1%)	1.9%	4.4%	6.7%	9.2%	11.6%
Net Profit Margin	(1.6%)	1.6%	4.1%	6.5%	7.7%	9.2%
EBITDA Margins	7.1%	8.5%	10.1%	11.6%	13.6%	15.4%
Ratios						
ROA	(1.9%)	2.6%	7.1%	12.1%	14.7%	16.9%
ROE	(2.9%)	4.2%	12.4%	21.0%	24.1%	26.7%
Debt/Equity	0.1x	0.1x	0.1x	0.1x	0.1x	0.0x
Interest Coverage	(2.5x)	6.2x	18.1x	43.2x	117.2x	452.4x

Exhibit 30: Financial Summary		<i>High Bracket Estimates</i>				
<i>Year Ending June</i>	2023E	2024E	2025E	2026E	2027E	2028E
Revenue (SEK `000)	207,488.1	296,928.7	375,103.0	470,037.4	574,104.5	685,975.8
Operating Profit (SEK `000)	3,903.1	17,648.4	34,555.7	57,724.4	85,139.5	118,462.6
Net Income (SEK `000)	2,940	16,751	33,708	45,321	67,293	93,944.1
EPS (cents)	0.15	0.88	1.77	2.38	3.54	4.94
Growth rates (%)						
Revenue	42.2%	43.1%	26.3%	25.3%	22.1%	19.5%
Operating Profit	(414.0%)	352.2%	95.8%	67.0%	47.5%	39.1%
Net Income	(128.5%)	469.7%	101.2%	34.5%	48.5%	39.6%
EPS	(128.5%)	469.7%	101.2%	34.5%	48.5%	39.6%
EBITDA	31.4%	73.4%	49.8%	44.7%	35.8%	31.5%
Margins (%)						
Gross Margins (%)	66.5%	67.4%	68.3%	69.2%	69.7%	70.2%
Operating Profit Margin	1.8%	5.7%	9.0%	12.0%	14.6%	17.0%
Net Profit Margin	1.3%	5.4%	8.7%	9.4%	11.5%	13.5%
EBITDA Margins	9.7%	12.0%	14.3%	16.6%	18.5%	20.5%
Ratios						
ROA	1.7%	9.3%	15.8%	17.6%	21.7%	23.9%
ROE	2.6%	14.3%	25.2%	27.0%	31.6%	33.5%
Debt/Equity	0.1x	0.1x	0.1x	0.1x	0.0x	0.0x
Interest Coverage	4.1x	19.7x	41.3x	89.5x	219.9x	816.0x

7.2 Paxman AB's Balance Sheet Forecast

Exhibit 31: Consolidated Balance Sheet		<i>Low Bracket Estimates</i>				
<i>Year Ending-June</i>	2023E	2024E	2025E	2026E	2027E	2028E
Total current assets	92,183	109,722	129,173	158,906	207,388	291,829
Total non-current assets	87,629	91,526	96,060	99,665	100,902	101,478
TOTAL ASSETS	179,812	201,248	225,232	258,571	308,290	393,306
Total current liabilities	65,004	82,075	92,029	99,545	112,188	146,407
Total non-current liabilities	3,967	3,697	3,445	2,067	1,240	-
TOTAL LIABILITIES	68,971	85,771	95,474	101,611	113,428	146,407
Total shareholder's equity	110,841	115,477	129,758	156,960	194,862	246,900
TOTAL LIABILITIES & EQUITY	179,812	201,248	225,232	258,571	308,290	393,306

Exhibit 32: Consolidated Balance Sheet		<i>High Bracket Estimates</i>				
<i>Year Ending-June</i>	2023E	2024E	2025E	2026E	2027E	2028E
Total current assets	91,837	119,921	157,420	203,885	282,145	438,986
Total non-current assets	88,614	93,911	100,480	106,543	110,241	113,602
TOTAL ASSETS	180,451	213,832	257,899	310,429	392,386	552,588
Total current liabilities	59,346	76,246	86,857	95,443	110,934	178,432
Total non-current liabilities	3,967	3,697	3,445	2,067	1,240	-
TOTAL LIABILITIES	63,313	79,943	90,302	97,510	112,174	178,432
Total shareholder's equity	117,138	133,890	167,598	212,919	280,212	374,156
TOTAL LIABILITIES & EQUITY	180,451	213,832	257,899	310,429	392,386	552,588

8. Analyst Certifications

I, Sumit Wadhwa, certify that all the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

I, Ayushi Saraswat, certify that all the views expressed in this research report accurately reflect my personal views about the subject security and the subject Company, based on the collection and analysis of public information and public Company disclosures.

Important disclosures

Arrowhead Business and Investment Decisions, LLC has received fees in 2022 and will receive further fees in 2023 from Paxman AB for researching and drafting this report and for a series of other services to Paxman AB, including distribution of this report and networking services. Neither Arrowhead BID nor any of its principals or employees own any long or short positions in Paxman AB. Arrowhead BID's principals intend to seek a mandate for investment banking services from Paxman AB in 2023 or beyond and intend to receive compensation for investment banking activities from Paxman AB in 2023 or beyond.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of Arrowhead BID's judgment to this date and are subject to change without notice.

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Investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary.

Investors are advised to gather and consult multiple sources of information while preparing their investment decisions. Recipients of this report are strongly advised to read the Information on Arrowhead Methodology section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision-making process.

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9. Notes and References

- ⁱ Source: Bloomberg as on March 15, 2023
- ⁱⁱ Source: Company Website and Company Filings
- ⁱⁱⁱ Source: Company Filings
- ^{iv} Source: Company Filings
- ^{ix} Source: Company Filings
- ^{vi} Source: Company Filings, Arrowhead
- ^{vii} Source: Company Filings, Company Website, <https://paxmanscalpcooling.com/system/>
- ^{viii} Source: Company Filings, Company Website
- ^{ix} Source: Company Filings, Company Website
- ^x Source: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4394421/>
- ^{xi} Source: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5759815/>
- ^{xii} Source: Company Filings, Company Website
- ^{xiii} Source: Company Filings, Company Website
- ^{xiv} Source: Company Filings, Company Website
- ^{xv} Source: Company Filings, Company Website
- ^{xvi} Source: Company Filings
- ^{xvii} Source: Company Filings
- ^{xviii} Source: <https://www.tandfonline.com/doi/full/10.3109/0284186X.2012.658966>
- ^{xix} Source: Company Filings
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- ^{xxi} Source: <https://link.springer.com/article/10.1007/s00520-021-06168-y>
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- ^{xxiv} Source: Company Filings
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xxxiii Source: Jordan B, Margulies A, Cardoso F, et al: Systemic anticancer therapy-induced peripheral and central neurotoxicity: ESMO-EONS-EANO Clinical Practice Guidelines for diagnosis, prevention, treatment and follow-up. Ann Oncol 31:1306-1319, 2020

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xxxvii Source: Company Filings

xxxviii Source: Company Website, Company filings, <https://paxmanscalpcooling.com/wp-content/uploads/2022/09/Paxman-Historical-Timeline-2020psc.pdf>

xxxix Source: Company Website, Company filings, Arrowheadbid, <https://www.persistencemarketresearch.com/market-research/scalp-cooling-systems-market.asp>

xl Source: Company filings, Arrowheadbid

xli Source: Company Website, Company Filings

xlid Source: Company Filings

xlili Source: [Swedish Krona to US Dollar Spot Exchange Rates for 2022](#)

xliiv Source: Company Filings

xliiv Source: Bloomberg as on March 15, 2023

xlivi Source: Company Website

xliiii Source: Company Filings, Company Website and Press releases

xliiii Source: Company Website, LinkedIn

xlix Exchange rate used are the average exchange rate extracted from Bloomberg.

For converting USD values to Euro, the exchange rate for 2015 is 0.901, 2016 is 0.903, 2017 is 0.885 and for 2018 is 0.847 For converting USD values to Euro for 2019 and for forecasted period, the exchange rate used is 0.893 (Year to date average)

¹ Source: <https://www.maximizemarketresearch.com/market-report/global-hypothermia-cap-market/107669/>

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lxii Source: <https://www.paxman.se/wp-content/uploads/2022/05/PAXMAN-AR-2021-ENG.pdf>

lxiii Source: Bloomberg

lxiv Source: Bloomberg

lxv Source: Bloomberg

lxvi Source: Company filing

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