

Paxman AB (publ)

Sweden | MedTech | MCAP SEKm 1 247.3

18 January 2026

Buy

Target price: SEK 90.9
Current price: SEK 53.6
Upside: 58.9%

Cold Caps, Hot Returns

Paxman AB ("Paxman" or "the Company") is a practical monopoly in the mechanical scalp cooling market, where the Paxman scalp cooling system ("PSCS") allows chemotherapy patients to keep their hair. Regulatory tailwinds in the United States are expected to significantly improve reimbursement effective January 1, 2026. The analysts therefore estimate an increase in patients per machine from 7 to 18 between 2025-2028. This utilization increase drives higher sales of consumable cold caps with gross margins of approximately 80-90%, which is a key contributor to an EBIT margin expansion of 26pp. The Company is currently expanding its product offering with the Paxman Limb Compression System ("PLCS"), targeting a USD 1.6bn market characterized by limited effective treatments and strong demand. The systems are designed for dual usage, which is expected to drive product synergies, benefiting the existing PSCS. Using an equally weighted DCF and relative valuation, where an EV/EBIT multiple of 12.9x is applied to a forecasted EBIT of SEK 180m, implies a potential upside of 58.9%, making Paxman a compelling buy opportunity.

Key takeaways

- **Regulatory Tailwinds in The United States:** CPT I billing codes effective January 1, 2026, are expected to materially improve reimbursement. The analysts assessed case studies of companies that have received CPT I codes alongside Paxman's internal analysis of the insurance based billing model ("IBBM"). The analysis indicates that transitioning to the IBBM increases utilization by approximately 48%, while the introduction of CPT I codes is expected to drive an additional 40% uplift. Combined, these regulatory tailwinds imply a utilization CAGR of 35% in the U.S. over 2025-2028, corresponding to sales growth of approximately 33%. The U.S. is Paxman's highest margin segment, with revenues almost entirely derived from consumable cold cap sales carrying gross margins of 80-90%, making utilization growth a key driver of the expected EBIT margin expansion of 26pp through 2028.
- **The Market is Overreacting to Temporary Headwinds:** Earnings pressure driven by one off costs, consisting of administrative expenses related to the implementation of CPT I codes, restructuring costs linked to the Dignitana acquisition, and FX headwinds, has depressed the EBIT margin by approximately 16pp. Paxman therefore missed earnings expectations, leading to a decline in the share price. The analysts consider these costs to be non recurring and unrelated to the Company's underlying fundamentals.
- **Paxman Ecosystem a Long Term Value Driver:** The launch of PLCS, with an expected release in April 2026, introduces a new revenue stream with the potential to contribute 15-20% annual growth between 2027 and 2030. This upside is not explicitly modelled but treated as a probable option. In addition, the PLCS enables product synergies through dual usage, increasing utilization across both systems and reinforcing the emerging Paxman ecosystem.

Analysts

Dennis Drevell Smith Equity Analyst
Anna-Brita Hunter Nilsson Equity Analyst

Market Data, SEK

Exchange Nordic Growth Market
Shares (m) 23.3
MCAP (m) 1 247.2
EV (m) 1 267.5

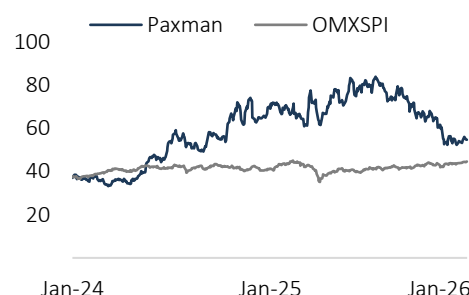
Metrics & Drivers	25E	26E	27E
EV/EBIT	184.5x	13.2x	5.6x
EV/EBITDA	36.3x	9.5x	5.6x
EV/S	3.8x	2.6x	1.9x
EV/ARR	7.3x	3.9x	2.7x
ND/EBITDA	(0.6x)	(0.2x)	(0.1x)

Forecast, SEKm	25E	26E	27E
Total Revenue	344	504	670
Rev. Growth Y/Y	30.5%	46.7%	32.9%
Gross Profit	225	346	473
Gross Margin	59.9%	59.8%	60.6%
EBITDA	35	134	227
EBITDA Margin	10.2%	26.5%	33.9%
EBIT	7	96	180
EBIT Margin	2.0%	19.1%	26.9%

Major Shareholders

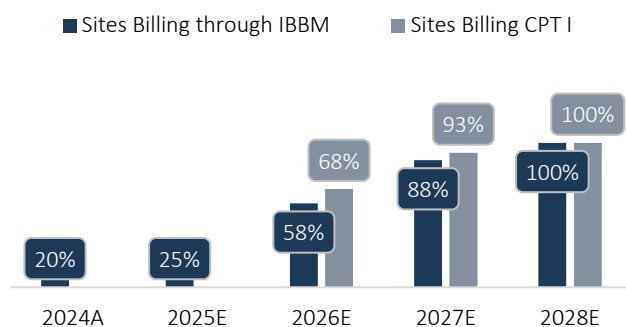
Paxman Glenn Alan 10.8%
Avanza Pension Försäkring 7.4%
Paxman Richard Jeremy 5.5%

2 Year Price Development Chart, SEK



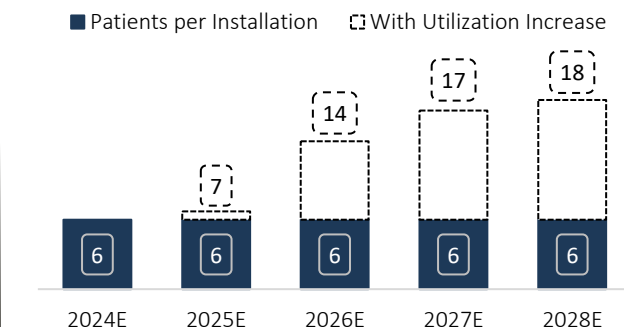
Investment Thesis In Charts

Estimated Adoption Time of IBBM & CPT I Codes



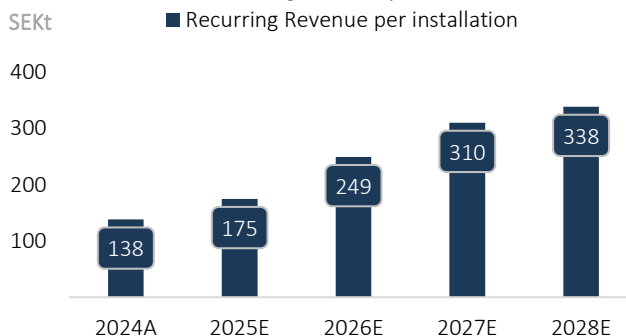
Sources: Paxman head of reimbursement & Case studies

Utilization Increase from Regulatory Tailwinds



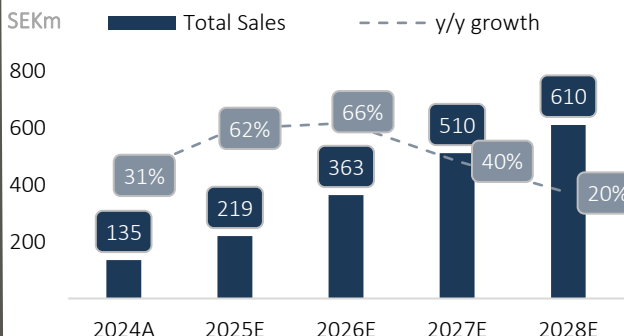
Sources: Paxman head of reimbursement, Paxman & Case studies

Utilization Increases Recurring Revenue per Installation



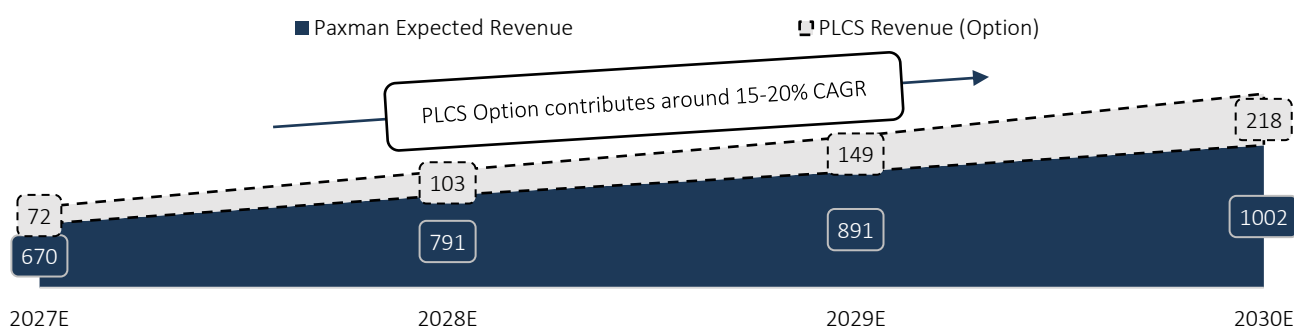
Sources: Paxman Management, Analyst Estimates & Bloomberg

Sales Impact from Regulatory Tailwinds



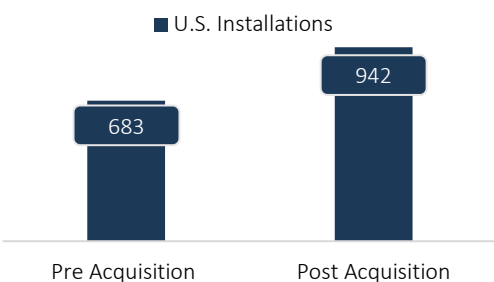
Sources: Paxman Management, Analyst Estimates & Bloomberg

PLCS Contribution to Revenue as a Conservative Growth Option



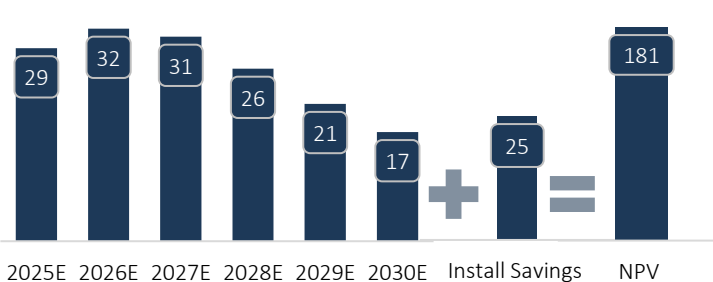
Sources: Paxman Head of International Sales, Hilotherm Sales manager & Analyst Estimates

Acquisition Improves Positioning Ahead of CPT I codes



Sources: Dignitana CEO, Analyst Estimates, the Company

Dignitana US Installations Net Present Value is Larger than Acquisition Price



Sources: Dignitana CEO, Analyst Estimates, The Company

Investment Thesis

Regulatory Tailwinds : CPT I Codes and IBBM Drive Machine Utilization

Regulatory tailwinds in the U.S. in the form of permanent CPT I billing codes take effect on January 1, 2026. These codes are expected to materially improve both the likelihood and magnitude of reimbursement, with the center for Medicare and Medicaid (“CMS”) setting reimbursement levels at approximately USD 1,900. Private insurers are estimated to apply a 20-40% premium to CMS rates. Historically, scalp cooling has been a predominantly self pay treatment, as earlier CPT III codes were designated for emerging technologies and resulted in limited reimbursement, rendering the treatment unaffordable for most patients. This, in turn, created a stigma among healthcare professionals, who were reluctant to recommend the treatment. In parallel, Paxman has simplified and automated the reimbursement process through the Company’s insurance based billing model (“IBBM”), lowering administrative friction for both providers and patients. Together, the introduction of CPT I codes and the rollout of IBBM are expected to increase utilization of installed systems in the United States by approximately 40% and 48%, respectively, driving patients per installation from 7 in 2025 to 18 in 2028. This utilization uplift implies a CAGR of 35%, translating into 33% sales growth in Paxman’s highest margin segment. U.S. revenues are almost entirely derived from consumable cold cap sales with gross margins of 80-90%, positioning utilization growth as a key driver of the expected EBIT margin expansion of 26pp by 2028.

New Revenue Source Unlocks Product Synergies

The Company is expected to launch the PLCS in April 2026. The new system is designed to treat chemotherapy induced peripheral neuropathy (“CIPN”), a common side effect affecting approximately 33-66% of chemotherapy patients. The PLCS addresses a market estimated at USD 1.6bn, characterized by limited effective treatments. Paxman is therefore well positioned to meet significant demand from hospitals and clinics, which the analysts’ research indicates is substantial. The PLCS is expected to generate a new revenue stream for the Company, reflected in the growth option where revenues are estimated to increase with a CAGR of 15-20% between 2027 and 2030. While additionally expected to drive product synergies. Both systems are designed for dual usage, together forming the Paxman ecosystem. Management has also indicated the potential development of additional systems and further enhancements to strengthen these synergies, positioning Paxman as a go to provider in supportive cancer care. This strategy expands the total addressable market, with Paxman benefiting from a first mover advantage.

Acquisition of Dignitana Creates a Monopoly

Paxman acquired Dignitana, its only true competitor, in May 2025 for approximately 153 SEKm, corresponding to a P/S multiple of 1.9x, through a fully equity financed transaction. Post acquisition, Paxman controls around 90% of the U.S. mechanical scalp cooling market, adding approximately 260 installations and thereby increasing Paxman’s installed base to over 940 while significantly increasing the barriers to entry. The market appears to be overlooking the strategic, long term value of the acquisition, instead focusing on near term earnings pressure and the 80% share price premium paid by Paxman. Following discussions with Dignitana’s CEO, the analysts concluded the acquisition was initiated by Dignitana, driven by a large shareholder seeking to exit. The CEO stated “the U.S. customer base alone was worth more than what Paxman paid.” This prompted the analysts to estimate the net present value of Dignitana’s U.S. installed base, which is assessed at 181 SEKm, implying the value of the installed base alone exceeds the acquisition price of 153 SEKm. Post acquisition, Paxman’s market consolidation has created pricing power, leading management to open discussions around charging leasing fees for U.S. systems. If implemented, this could add an additional revenue stream of 10-20 SEKm annually. The acquisition is also expected to create revenue and cost synergies, where Dignitana is expected to implement Paxman’s IBBM to increase utilization. Cost synergies arise from the elimination of overlapping overhead roles and the streamlining of cold cap production to Paxman’s new manufacturing facility in the UK, resulting in estimated synergies of 30 SEKm.

CPT codes levels explained

1

CPT I codes:

Approved treatments with routine reimbursement

2

CPT II codes:

Optional performance and quality tracking codes

3

CPT III codes:

Emerging technologies with limited reimbursement

Company Overview

Paxman the Mission Based Company

Paxman is a UK based MedTech company founded in 1996 after the founder, Glenn Paxman, witnessed the psychological impact of chemotherapy induced hair loss on his wife. This led to the development of the Paxman Scalp Cooling System, which is used during chemotherapy to cool the scalp, compress hair follicles, and reduce the penetration of toxic chemotherapy drugs. The current CEO, Richard Paxman, took over his father's mission with a more business minded approach. Today, Paxman has installations in over 65 countries, with the U.S. segment accounting for 54% of The Companies revenue in 2024 and expected to grow to 79% by 2028, making it the most important segment. Paxman is currently expanding beyond scalp cooling into the broader supportive oncology market with the limb compression system, creating a new business profile for a company that, throughout its history, has been a single product company.

Business Model

Lease the Machines and Generate High Margin Recurring Revenue

Paxman operates a B2B business model in which revenue streams differ by region within its most important segment. In the United States, Paxman leases its systems free of charge to oncology centers, hospitals, and cancer clinics, and subsequently generates recurring revenue from sales of consumable cold caps, which are dependent on system utilization. In other regions, the revenue model comprises two main streams: high-margin recurring revenue from consumable cold caps with 80-90% gross margins, and system sales or leasing with 45-55% gross margins. Given the significantly higher margins associated with consumable sales compared to system installations, Paxman's management has established a strategy to gradually transition more regions toward a business model resembling the U.S. "razor-and-blade" recurring revenue model, which is expected to both increase patient access to treatment and enhance the Company's long-term revenue and profitability.

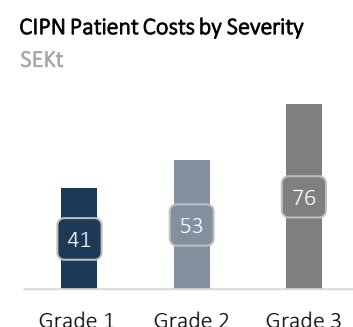
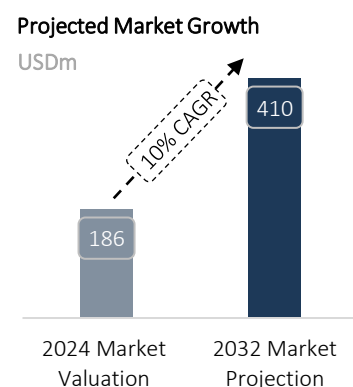
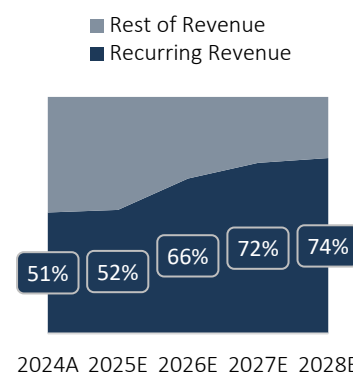
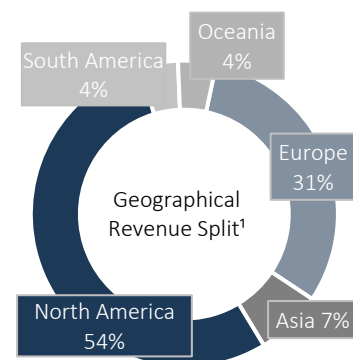
Market Overview

Monopoly in an Unpenetrated Market

The U.S. scalp cooling market remains significantly underpenetrated. Paxman's target patient group, female breast cancer patients receiving chemotherapy and experiencing hair loss, is estimated at a minimum of 165k patients annually, of which Paxman currently penetrates only around 5% by treating approximately 9,000 patients. However, overall penetration remains below 1%, as the treatment is applicable across multiple cancer types and genders. Historically, adoption has been constrained by reimbursement barriers and a small but fragmented competitive landscape. Following the integration of Dignitana, Paxman now controls the only large scale, regulated platform in the U.S. market. Remaining competitors, such as manual cold cap providers, lack automation, robust clinical evidence, and insurance reimbursement. Supported by structural tailwinds from 2026 onward and a growing emphasis on patient quality of life during treatment, Paxman is expected to operate in a market with an estimated CAGR of 10% through 2025 to 2032.

Broadening into the Supportive Cancer Care Market

The market for CIPN represents an even larger untapped opportunity for Paxman. Approximately 1 million patients in the United States receive chemotherapy each year, of whom an estimated 33-66% develop CIPN. The average direct medical cost associated with CIPN is approximately USD 5,000 per affected patient. In addition, CIPN patients spend an average of 26 days in hospital compared to 21 days for patients without CIPN, creating a significant cost burden on the healthcare system. This has created substantial unmet demand in a market with few effective treatment options. With an estimated U.S. total addressable market of USD 1.6bn, Paxman targets a large, untapped opportunity. In the absence of a true competitor in the CIPN prevention device space, where no other devices hold regulatory approval in the United States, This positions Paxman with a clear first mover advantage in the untapped market.



Valuation

DCF Indicates Higher Sensitivity to Profitability Assumptions

		Terminal Growth Rate				
WACC	83	1.0%	1.5%	2.0%	2.5%	3.0%
	9.5%	89	92	96	100	105
	10.0%	83	86	89	92	96
	10.5%	78	80	83	86	89
	11.0%	73	75	77	80	82
	11.5%	69	70	72	74	77

		NOPAT				
WACC	83	50.0%	75.0%	100.0%	125.0%	150.0%
	9.5%	45	71	96	121	147
	10.0%	42	65	89	112	136
	10.5%	39	61	83	105	126
	11.0%	36	57	77	98	118
	11.5%	34	53	72	91	111

The DCF valuation, based on a 10 year explicit forecast period, implies a 53% upside using a discount rate of 10.5% and a terminal growth rate of 2.0%. The valuation is supported by strong and visible cash flow generation, with the terminal value accounting for 52% of enterprise value, while the remaining 48% is derived from the present value of forecast FCFF, resulting in a balanced split and moderate sensitivity to terminal assumptions. This is illustrated in the terminal growth rate sensitivity table, where the stock shows upside across all scenarios. By contrast, the valuation is more sensitive to profitability assumptions, as reflected in the NOPAT sensitivity analysis. The base case assumes a 100.0% NOPAT realization, with deviations from this level driving the majority of valuation upside or downside. This underscores the importance of capturing the regulatory tailwinds expected to increase utilization and support profitability in the short to medium term.

DCF Breakdown		SEKm
PV of FCFF		911
PV of TV		992
Enterprise Value		1,903
Net Debt		(20.2)
Equity Value		1,923
NOSH		23.3
Implied Share Price, SEK	83	
Current Share Price	54	
Implied Upside	53%	

Discounted Despite Superior Growth Outlook

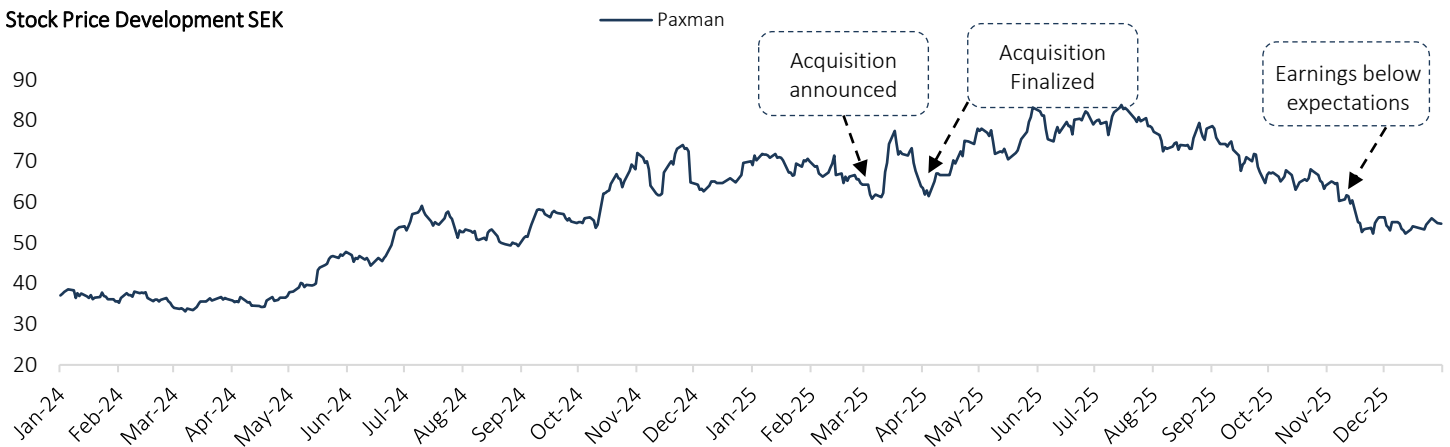
SEKM	MCAP	EV	EBIT-Margin	EBIT-Margin	Sales Growth			EV/EBIT			EV/Sales		
Company	MSEK	MSEK	2024A	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Boule Diagnostics	235	321	3.2%	12.0%	(9.9%)	6.4%	5.2%	14.4x	5.3x	4.7x	0.6x	0.8x	0.7x
CellaVision	4 360	4 235	26.2%	30.1%	4.4%	11.4%	11.6%	20.4x	17.0x	14.4x	5.6x	5.0x	4.5x
Medistim ASA	4 981	4 845	26.9%	29.7%	23.1%	9.8%	7.4%	25.6x	22.2x	19.9x	7.0x	6.4x	5.9x
Bonesupport AB	13 211	12 844	19.2%	33.9%	31.6%	33.0%	31.8%	56.5x	28.3x	17.9x	10.9x	8.2x	6.1x
Median	4 671	4 540	22.7%	29.9%	16.5%	10.6%	9.5%	23.0x	19.6x	16.2x	7.0x	6.4x	5.9x
Average	5 697	5 561	18.9%	26.4%	17.3%	15.1%	14.0%	29.2x	18.2x	14.2x	7.8x	6.5x	5.5x
Paxman	1 247	1 268	12.7%	26.9%	31.6%	47.0%	33.1%	184.5x	13.2x	7.0x	3.8x	2.6x	1.9x

Paxman operates a de facto monopoly and therefore lacks publicly listed peers with an identical product mix. As a result, a peer group of Nordic and European MedTech companies with device focused business models has been selected. Compared to this peer group, Paxman is forecasted to deliver higher sales and EBIT growth, as illustrated in the peer table, where the majority of peers exhibit low double digit growth rates while trading at higher forward EV/Sales multiples. As Paxman continues to scale, profitability is expected to improve rapidly, with an estimated EBIT margin expansion of approximately 25pp through 2027, which is expected to bring Paxman's margins closer to the peer median MedTech EBIT margin. It should be noted that Paxman's near term EV/EBIT multiples are distorted by depressed earnings, which limits the relevance of 2025E multiples. Based on the peer median 2027E EV/EBIT multiple of 16.2x, Paxman's valuation implies a potential upside of 132%. However, despite Paxman's superior growth and strong market position, a 20% discount to the peer median multiple is applied to account for differences in size, liquidity, and execution risk. Consequently, applying an EV/EBIT multiple of 12.9x to a forecasted 2027 EBIT of 180 MSEK implies a potential upside of 85%.

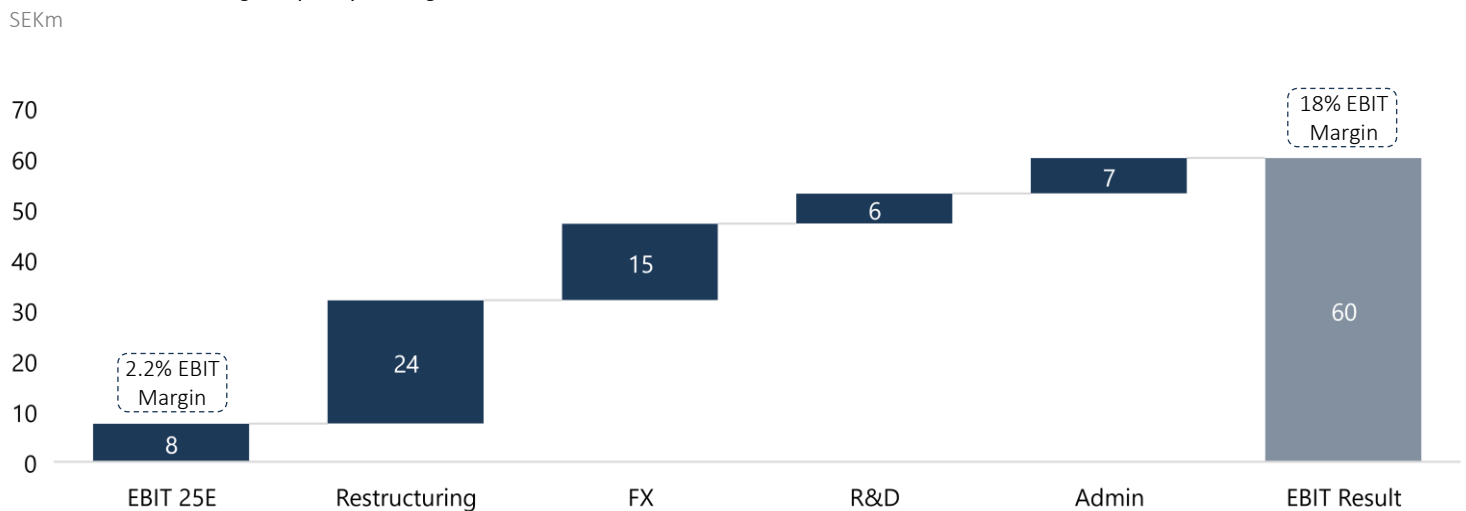
Appendix- Income Statement

Income statement SEKm	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Net Sales	78	96	146	210	253	333	489	651	770	868	978
Other income	7	9	11	10	10	10	15	18	21	22	24
Total revenue	85	105	157	221	263	344	504	670	791	891	1,002
COGS	(32)	(40)	(55)	(74)	(88)	(118)	(158)	(197)	(231)	(261)	(293)
Gross profit	53	65	101	146	175	225	346	473	560	630	708
<i>Gross margin</i>	<i>62.0%</i>	<i>61.6%</i>	<i>64.7%</i>	<i>66.4%</i>	<i>66.7%</i>	<i>65.5%</i>	<i>68.7%</i>	<i>70.6%</i>	<i>70.8%</i>	<i>70.7%</i>	<i>70.7%</i>
Other operating costs	(30)	(29)	(36)	(56)	(58)	(90)	(101)	(126)	(147)	(165)	(186)
Personnel costs	(24)	(33)	(49)	(59)	(68)	(100)	(112)	(120)	(139)	(156)	(176)
EBITDA	(1)	3	16	31	50	35	134	227	274	309	347
<i>EBITDA margin</i>	<i>(1.2%)</i>	<i>2.8%</i>	<i>10.3%</i>	<i>14.2%</i>	<i>18.9%</i>	<i>10.2%</i>	<i>26.5%</i>	<i>33.9%</i>	<i>34.6%</i>	<i>34.7%</i>	<i>34.6%</i>
D&A	(11)	(13)	(17)	(19)	(16)	(28)	(38)	(47)	(54)	(61)	(68)
EBIT	(12)	(11)	(1)	13	34	7	96	180	220	248	278
<i>EBIT margin</i>	<i>(13.7%)</i>	<i>(10.1%)</i>	<i>(0.8%)</i>	<i>5.7%</i>	<i>12.7%</i>	<i>2.0%</i>	<i>19.1%</i>	<i>26.9%</i>	<i>27.8%</i>	<i>27.8%</i>	<i>27.8%</i>

Stock Price Development SEK

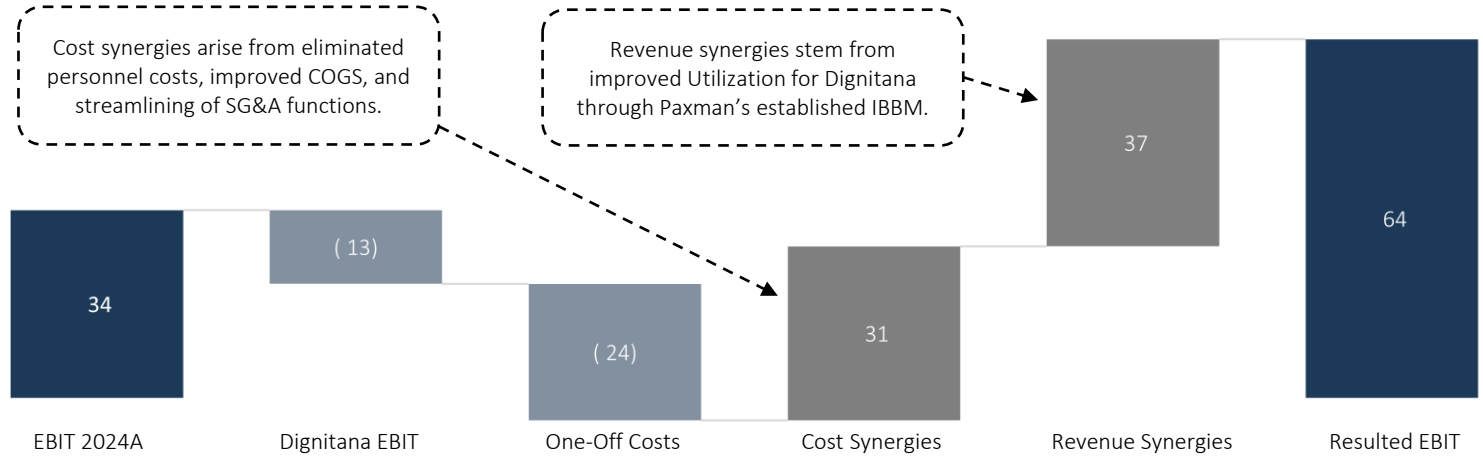


EBIT Waterfall Illustrating Temporary Earning Pressure SEKm

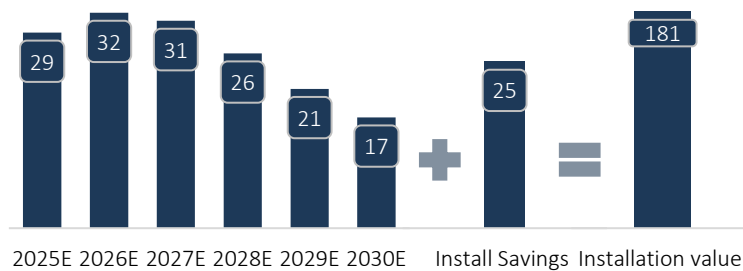


Appendix- Acquisition of Dignitana

Long-term EBIT Synergy Waterfall, SEKm



Net Present Value of Dignitana's Installations SEKm



Intrinsic Value SEKm



The market appears to be missing the strategic and long term value in Paxman's acquisition of Dignitana by focusing too narrowly on near term earnings pressure from restructuring and integration costs. While the transaction is often perceived as expensive, the underlying evidence suggests that Paxman acquired Dignitana at a discount to intrinsic value, particularly given the strength of its U.S. installed base. Based on direct discussions with Dignitana's Management it is clear that the deal was driven by shareholder fatigue rather than weak fundamentals. The CEO explicitly stated that the U.S. customer base alone was worth more than what Paxman paid, yet despite this the acquisition continues to be framed by the market as costly. After the acquisition, Paxman controls around 90% of the U.S. scalp cooling market, a level of consolidation that meaningfully changes how the market functions. Management has indicated that annual service costs per machine are around USD 2,500, and charging USD 2,000 on just half of the installed base would result in approximately 110 SEKm in additional annual revenue, even before factoring in higher utilization. On the cost side, roughly 50% of acquired personnel costs are being removed, with further SG&A and COGS improvements expected over a 12-36 month integration period.

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Disclaimer

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Other

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