

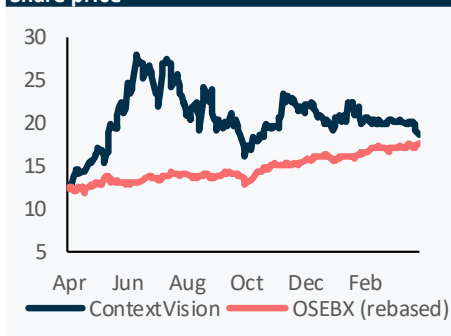
ContextVision

BUY

Key share data

Sector	Health Care
Reuters	COVI.OL
Bloomberg	COV NO
Market Cap (NOKm)	1,479
Net debt (NOKm)	-47
EV (NOKm)	1,432
Net debt / equity	-64%
Issued shares (m)	77.4

Share price



Performance

	1m	3m	12m
CONTX	-6%	-3%	56%
OSEBX	4%	13%	44%

Upcoming events

AGM	May 5, 2021
2Q21 report	August 12, 2021
3Q21 report	October 21, 2021

Norne Securities AS is a market maker in the shares of ContextVision

Analyst

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Sales should pick up into 2021, while DP commercialization moving forward

ContextVision reported weaker figures last week affected by the pandemic, but also due to increased commercialization efforts for Digital Pathology, which we view as positive. Solid sales are expected for 2021 from Medical Imaging due to pent up demand. Therefore, we stay positive on the stock but trim our estimates a bit that resulted in a tad lower TP of NOK 24/sh (25 previously).

Welcome increase in DP costs during seasonally weaker 1Q for Medical Imaging

ContextVision released its 1Q21 report last week. The figures were below expectations due to the pandemic effect on the existing business and seasonality – revenues were SEK 1.5m (7%) lower than estimated. Still, the existing Medical Imaging business remains highly profitable with 41% EBIT margin (EBITDA margin of ca 55%). OPEX came in about SEK 4m higher than we expected (employee count increased by 3 QoQ), but we view it as a good sign that Digital Pathology commercialization efforts are increasing despite the pandemic-related restrictions on traveling and new business development in general. Notably, a significant reduction in working capital resulted in positive overall cash flow and cash position was strengthened to SEK 48m (+1m).

1Q/21 results	1Q/20*	4Q/20	1Q/21	1Q/21E	Deviation
SEKm			Reported	Norne	
Revenues	29.2	23.5	20.3	21.8	-7%
EBITDA	13.8	3.0	-1.1	3.9	nm
EBITDA margin	47%	13%	-6%	18%	nm
EBIT	11.8	0.1	-4.0	1.0	nm
Pre-tax profit	11.8	0.1	-4.0	0.9	nm
Net earnings	9.1	0.3	-3.1	0.7	nm
EPS reported (SEK)*	0.12	0.00	-0.04	0.01	nm
EPS adjusted (SEK)*	0.12	0.00	-0.04	0.01	-533%

* Adj. for share split of 10 for 1 effective August 19th, 2020

Another reference center for INIFY Prostate

INIFY Prostate (first commercial product in Digital Pathology field) was installed at another reference center, this time in Paris. The company also indicates that preliminary results from the first evaluations confirm the intended added values of implementing their decision support tool.

Optimistic about solid revenues for 2021 due to pent-up demand

The company is optimistic about maintaining solid revenue levels for 2021 despite weaker 1Q. This is due to an indicated large pent-up demand from customers. As the pandemic fades, sales should also pick up speed. The company stressed that despite weaker revenues they have not lost a single client and interest for upgrades and new products is high.

Positive stance maintained at a bit lower TP

We continue to see ContextVision benefiting long term from the endeavour into the very exciting Digital Pathology field. Thus, we keep our positive stance at a bit lower TP of NOK 24/sh (25 previously).

Estimate changes (SEKm)	1Q21		2Q21E		2021E		2022E		2023E	
	Act.	Est.	New	New	Old	New	Old	New	Old	
Operating revenues	20.3	21.8	23.0	95.3	99.0	131.1	133.9	224.5	227.8	
EBITDA adj.	-1.1	3.9	1.9	8.0	19.7	34.8	44.8	117.2	128.2	
EBITDA adj. margin	-6%	18%	8%	8%	20%	27%	33%	52%	56%	
EBIT (adj)	-4.0	1.0	-1.0	-3.8	7.8	21.2	31.1	100.7	111.6	
EBIT adj. margin	-20%	5%	-4%	-4%	8%	16%	23%	45%	49%	
Non-recurring items	-	-	-	-	-	-	-	-	-	
EBIT	-4.0	1.0	-1.0	-3.8	7.8	21.2	31.1	100.7	111.6	
Pre-tax profit	-4.0	0.9	-1.0	-4.0	7.6	21.0	30.8	100.5	111.3	
Tax	0.9	-0.2	0.2	0.9	-1.6	-4.3	-6.4	-20.7	-22.9	
Tax rate	23%	21%	21%	23%	21%	21%	21%	21%	21%	
Profit after tax	-3.1	0.7	-0.8	-3.1	6.0	16.7	24.5	79.8	88.4	
Revenue split by segment										
Medical Imaging	20.3	21.8	24.8	95.1	98.5	104.9	107.4	110.3	112.2	
X-ray	3.5	5.1	5.4	19.5	25.1	23.4	28.6	25.2	30.1	
Ultrasound 2D	12.9	12.5	14.8	57.4	55.2	60.9	58.0	63.9	60.9	
Ultrasound 3D	2.7	2.0	2.9	11.4	9.8	13.3	12.4	13.9	12.9	
Magnetic Resonance Imaging	0.8	1.6	1.3	4.8	6.3	5.2	6.2	5.2	6.2	
Others (iRV, CT, Mammo)	0.5	0.5	0.5	1.9	2.1	2.0	2.2	2.1	2.2	
Digital Pathology	-	-	-	0.4	0.5	26.3	26.6	114.2	115.6	
Total	20.3	21.8	24.8	95.3	99.0	131.1	133.9	224.5	227.8	

DCF model

SEKm	2Q-4Q2021E	2022E	2023E	2024E	2025E
Revenues	75	131	224	397	441
EBIT*	-1	21	101	259	290
Tax on EBIT	0	-4	-21	-53	-60
NOPLAT (+)	-1	17	80	206	231
Depreciation & amortization (+)	9	14	16	20	25
Capital expenditure (-)	-5	-21	-30	-33	-35
Change in working capital (- or +)	0	-10	-23	-35	-7
Free Cash Flow to the Firm	3	0	43	157	212
NPV of FCFE	3	0	32	106	129

* Includes office leasing agreements

WACC calculation	
Debt ratio	0%
Cost of debt (after tax)	nm
Risk free rate	2.0%
Beta	1.5
Market risk premium	6.0%
Cost of equity	11.0%
WACC	11.0%

Valuation, SEKm	
Net debt	-48
Minority interest	0
NPV cash flow	
2Q-4Q 2021-2025E	271
2026E-	1,560
Total NPV cash flow	1,831
Equity value	1,879
Value per share, SEK	24.28

Value per share, NOK 24.04

Assumptions	
Lt. growth	2.5%
Tax rate	20.6%
SEK/NOK	0.99
# shares, m	77.4

Sensitivity analysis						
		Lt. growth				
		1.5%	2.0%	2.5%	3.5%	4.0%
WACC	9%	28.8	30.6	32.8	38.3	41.9
	10%	24.8	26.2	27.8	31.7	34.2
	11%	21.8	22.8	24.0	26.9	28.7
	12%	19.3	20.1	21.1	23.3	24.6
	13%	17.3	17.9	18.7	20.4	21.4

Profit & Loss (SEKm)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Operating revenues	81.9	80.5	90.9	95.3	94.7	95.3	131.1	224.5
Operating expenses	-71.3	-78.9	-86.1	-67.1	-69.3	-87.3	-96.4	-107.2
EBITDA	10.6	1.6	4.8	28.2	25.5	8.0	34.8	117.2
Depreciation & Amortisation	-4.8	-4.9	-5.0	-8.2	-9.9	-11.8	-13.6	-16.5
EBIT (adj)	5.8	-3.3	-0.2	20.1	15.6	-3.8	21.2	100.7
Non-recurring items	-	1.3	-1.1	-10.0	-0.1	-	-	-
EBIT	5.8	-2.0	-1.3	10.1	15.5	-3.8	21.2	100.7
Net interest & other financial effects	-0.0	-0.0	0.0	-0.3	-0.2	-0.2	-0.2	-0.2
Pre-tax profit	5.8	-2.0	-1.3	9.8	15.2	-4.0	21.0	100.5
Minority interests	-	-	-	-	-	-	-	-
Taxes	-1.5	0.3	0.1	-2.4	-3.2	0.9	-4.3	-20.7
Profit after tax	4.3	-1.7	-1.2	7.4	12.1	-3.1	16.7	79.8
EPS rep. (SEK)	0.05	-0.02	-0.02	0.10	0.16	-0.04	0.22	1.03
EPS adj. (SEK)	0.06	-0.03	-0.00	0.20	0.16	-0.04	0.22	1.03
Margins								
Operating margin	7%	-4%	0%	21%	16%	-4%	16%	45%
ROE	8%	-4%	0%	25%	17%	-4%	20%	61%
ROCE	10%	-5%	0%	30%	20%	-5%	25%	75%
Tax rate	26%	14%	9%	24%	21%	23%	21%	21%
Growth rates (YoY)								
Operating revenues	13%	-2%	13%	5%	-1%	1%	38%	71%
EBIT (adj)	-8%	nm	nm	nm	-22%	-125%	-655%	>100%
EPS (adj)	-8%	nm	nm	nm	-22%	-127%	-622%	>100%

* Adj. for share split effective August 19th, 2020

Cash flow (SEKm)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Pre-tax profit	5.8	-2.0	-1.3	7.9	15.2	-4.0	21.0	100.5
Depreciation and amortisation	6.2	5.0	6.7	18.2	10.0	11.8	13.6	16.5
Unrealized g/l on current investments	-0.0	-0.2	0.3	0.1	1.7	-2.0	-	-
Paid taxes	-3.5	-3.4	0.4	1.8	-2.8	-3.3	-4.3	-20.7
Other	-	-	-	-	-	-	-	-
Change in working capital	1.1	2.6	-1.0	-3.0	-1.8	9.4	-10.0	-23.3
Operating cash flow (OCF)	9.5	1.9	5.1	25.1	22.3	11.9	20.3	73.0
Capital expenditures	-2.2	-4.5	-7.5	-22.8	-8.6	-5.2	-20.9	-30.2
Other cash flow from investments	-0.1	-	-	-0.2	-0.2	-0.1	-	-
Free Cash Flow (FCF)	7.3	-2.6	-2.4	2.0	13.6	6.6	-0.6	42.9
Cash flow from financing activities	-	-	-	-3.7	-3.6	-2.1	-	-
Change in cash	7.3	-2.6	-2.4	-1.6	10.0	4.5	-0.6	42.9

Balance sheet (SEKm)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Goodwill	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-
Licences, property, plant & equipment	15.2	14.5	15.0	23.5	25.9	20.3	27.6	41.3
Other intangible assets	0.3	0.4	0.3	10.0	6.3	5.4	5.4	5.4
Non-current Assets	15.5	14.9	15.4	33.5	32.2	25.7	33.0	46.7
Inventory	0.3	0.6	0.7	0.9	0.8	1.0	1.5	2.4
Receivables	20.6	23.3	22.8	23.4	26.7	23.3	32.9	55.2
Other current assets	-	-	-	-	-	-	-	-
Cash and cash equivalents	42.9	40.3	37.9	36.3	46.4	50.9	50.3	93.1
Current Assets	63.8	64.2	61.5	60.6	73.8	75.2	84.6	150.7
Total assets	79.3	79.1	76.8	94.1	106.0	100.9	117.6	197.4
Shareholders equity	61.4	59.3	58.6	66.1	79.8	74.7	91.4	171.2
Non-controlling interests	-	-	-	-	-	-	-	-
Total equity	61.4	59.3	58.6	66.1	79.8	74.7	91.4	171.2
Deferred tax liability	-	-	1.0	1.6	2.9	2.2	2.2	2.2
Long-term interest bearing debt	-	-	-	-	-	-	-	-
Other long-term liabilities	1.5	1.1	-	4.7	1.6	-	-	-
Non-current liabilities	1.5	1.1	1.0	6.3	4.5	2.2	2.2	2.2
Current interest bearing debt	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	-	-	-
Other current liabilities	16.4	18.6	17.3	21.7	21.8	24.0	24.0	24.0
Current liabilities	16.4	18.6	17.3	21.7	21.8	24.0	24.0	24.0
Total liabilities	17.9	19.7	18.3	28.0	26.2	26.2	26.2	26.2
Total liabilities and equity	79.3	79.1	76.8	94.1	106.0	100.9	117.6	197.4
Working capital	20.9	23.8	23.5	24.3	27.5	24.3	34.3	57.6
Net IB debt	-42.9	-40.3	-37.9	-36.3	-46.4	-50.9	-50.3	-93.1
Capital employed	62.9	60.5	59.5	72.4	84.3	77.0	93.6	173.4
Net IB debt / equity	-70%	-68%	-65%	-55%	-58%	-68%	-55%	-54%
Equity / total assets	77%	75%	76%	70%	75%	74%	78%	87%

Share data	2016	2017	2018	2019	2020	2021E	2022E	2023E
Shares outstanding, year end (mill.)	77.368	77.368	77.368	77.368	77.368	77.368	77.368	77.368
Share price, year end (NOK)	4.95	5.75	5.52	10.40	22.10	19.12	19.12	19.12
Market cap (NOKm)	383	445	427	805	1,710	1,479	1,479	1,479
Enterprise value (NOKm)	343	405	392	770	1,661	1,429	1,430	1,387
EPS rep. (SEK)	0.05	-0.02	-0.02	0.10	0.16	-0.04	0.22	1.03
EPS adj. (SEK)	0.06	-0.03	-0.00	0.20	0.16	-0.04	0.22	1.03
DPS. (SEK)	-	-	-	-	-	-	-	-

Valuation	2016	2017	2018	2019	2020	2021E	2022E	2023E
EV/Sales	4.5	5.1	4.6	8.5	16.7	15.1	11.0	6.2
EV/EBITDA	34.8	>100	87.8	28.8	62.2	>100	41.5	12.0
EV/EBIT (adj)	63.9	neg	neg	40.5	>100	neg	68.1	13.9
P/E (adj)	91.5	neg	neg	54.7	>100	neg	89.6	18.7
P/B (excl. goodwill)	6.7	7.6	7.8	12.8	20.4	20.0	16.3	8.7

Growth (YoY)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Revenues	13%	-2%	13%	5%	-1%	1%	38%	71%
EBITDA	1%	-85%	199%	489%	-10%	-69%	337%	237%
EBIT (adj)	-8%	nm	nm	nm	-22%	nm	nm	375%
Pre-tax profit (rep)	-17%	nm	nm	nm	56%	nm	nm	379%
Net profit (rep)	-20%	nm	nm	nm	63%	nm	nm	379%
EPS (rep)	-20%	nm	nm	nm	63%	nm	nm	379%
EPS (adj)	-8%	nm	nm	nm	-22%	nm	nm	379%

Margins	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA	12.9 %	2.0 %	5.3 %	29.6 %	26.9 %	8.4 %	26.5 %	52.2 %
EBIT (adj)	7.0 %	-4.1 %	-0.3 %	21.1 %	16.4 %	-4.0 %	16.2 %	44.9 %
Pre-tax profit	7.0 %	-2.5 %	-1.4 %	10.2 %	16.1 %	-4.2 %	16.0 %	44.8 %
Net profit	5.2 %	-2.1 %	-1.3 %	7.8 %	12.8 %	-3.3 %	12.7 %	35.6 %

Profitability	2016	2017	2018	2019	2020	2021E	2022E	2023E
ROE	7.6 %	-4.2 %	-0.3 %	24.9 %	16.5 %	-4.1 %	20.1 %	60.8 %
ROCE	9.5 %	-5.3 %	-0.4 %	30.4 %	19.9 %	-4.7 %	24.9 %	75.4 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

* Adj. for share split effective August 19th, 2020

Recommendation, valuation, risk and sources

Recommendation and target price

Recommendation history for ContextVision's share during the last 12 months:

Date	Recommendation	Target price (NOK)*
29/04/2021	BUY	24.00
16/04/2021	BUY	25.00
24/02/2021	BUY	25.00
09/02/2021	BUY	25.00
23/10/2020	BUY	27.00
12/10/2020	BUY	26.00
19/08/2020	HOLD	26.00
31/07/2020	HOLD	25.00
29/04/2020	HOLD	13.00

* Adj. for share 10:1 share split effective August 19th, 2020

Valuation

To arrive at our share price target, we have used a rounded result from our DCF valuation.

Risks

The main risks to our target price on ContextVision are the following:

- Slower sales growth in the operating areas of the existing Medical Imaging business, particularly in the Ultrasound/X-Ray segments;
- Failure to successfully complete R&D and market the new products in the portfolio, i.e. within Digital Pathology field;
- The company invests heavily in R&D and being able to capitalize on these investments, not to incur significant cost overruns etc. in the future is the key for the company's long-term growth;
- Digital Pathology is a rapidly developing field and relevant market for ContextVision is expected to grow from USD 20m in 2020 to USD 700m by 2024 (company's estimates). Our estimates are based on company achieving certain market share of the Digital Pathology market and failure for the market to develop according to expectations would impact estimates and valuation negatively.
- Currency risk – our long-term estimates for the Digital Pathology market are based on USD, the company reports in SEK and the share is traded in NOK.

Sources

The sources used in the preparation of this report were: ContextVision, Oslo Stock Exchange, Bloomberg and Infront.

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Norne Securities' general recommendations – Buy, Hold and Sell – are based on the expected absolute return on the financial instrument within the next 12 months, which equals to an upside to the target price, in combination with a risk profile. The target price represents the price level which the analyst expects the financial instrument to trade at within the coming 12 months. The table below shows the ranges of returns under different risk levels, based on which the recommendation is being determined:

Risk	Total return next 12 months (upside to target price)		
	Buy	Hold	Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 25%	5% - 25%	< 5%

Our risk assessments range from “high risk” to “medium risk” and “low risk” and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in the share, 3) strength of the balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Share prices used in the report are as of market close on the last trading day if the report is being published before the stock market opening, or market price within 15 min. before the publication if the report is published during the trading hours of the Oslo Stock Exchange.

TARGET PRICE AND UPDATES

Target prices may be based on one or several valuation methods, for instance, the discounted cash flow (DCF) analysis or applying “fair” pricing multiple(s) based on historical valuation or peer pricing level. Target price may not necessarily equal to the “fair value” of the financial instrument – certain discount or premium is possible due to various reasons, depending on the analyst’s view of what the price may be within the 12 months period. Norne Securities AS plans to update the recommendation based on the following events: the target price is achieved; new accounting figures are released; any significant news on the company or its industry is announced.

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POTENTIAL CONFLICTS OF INTEREST

Norne Securities AS is a market maker in the shares of ContextVision.

This report has been presented to the issuer before dissemination for a check of factual information. Amendments of factual information have not been made following this.

Share holdings of Norne employees in ContextVision:

Responsible analyst(s)	0
All Norne analysts	0
Other Norne employees	0
Norne Securities AS	0

The overview of share holdings is updated continuously. A list of total share holdings of the Norne Securities' employees and the date of last overview can be found on <https://www.norne.no/compliance/>. Shareholdings that Norne Securities AS owns as a result of own-account trading that is part of its investment services operations (such as market making) are not included in the table above.

Distribution of Norne Securities' recommendations during three months up till March 31, 2021:

	Buy	Hold	Sell
Total	60	37	3
% of total	60%	37%	3%
Corporate clients*	26	11	1
% of corporate clients*	68%	29%	3%

* Includes publicly disclosed not immaterial investment banking services or issues of financial instruments where Norne Securities AS has been lead manager or co-lead manager, and market making clients during the 12 months prior to the overview date.

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