

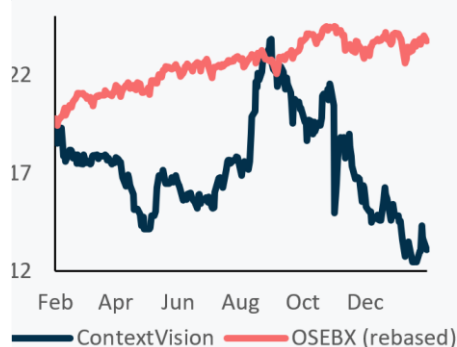
ContextVision

HOLD

Key share data

Sector	Health Care
Reuters	CONTX.OL
Bloomberg	CONTX NO
Market Cap (NOKm)	1,012
Net debt (NOKm)	-46
EV (NOKm)	966
Net debt / equity	-65%
Issued shares (m)	77.4

Share price



Performance

	1m	3m	12m
CONTX	-23%	-46%	-42%
OSEBX	-1%	-3%	21%

Upcoming events

4Q21 report	February 17, 2022
1Q22 report	April 21, 2022
2Q22 report	August 11, 2022
3Q22 report	October 20, 2022
4Q22 report	February 16, 2023

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

Analyst

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Back to pure leading Medical Imaging company

ContextVision will release its 4Q21 report on February 17th with the last quarter including Digital Pathology. Going forward ContextVision will be pure Medical Imaging company and we see it as a good value case, but close to fairly valued. Therefore, we downgrade the stock to Hold at a new TP of NOK 14/sh (25).

Strong finish of the year expected revenue-wise

ContextVision will release 4Q21 report on Friday. We expect revenues of SEK26m and EBITDA of SEK 1.6m. 4Q is the last full quarter when both companies - the legacy part of Context Vision (Medical Imaging) and Digital Pathology (INIFY Laboratories) will be reported together. Since there were some decisions made on the spin-off during 4Q, we would not be surprised to see some one-offs and different treatment of Digital Pathology business than we are used to. Notably, 4Q is seasonally stronger quarter and we might be proven to be too conservative on revenues after relatively strong 3Q.

4Q/21 results	4Q/20	3Q/21	4Q/21E
SEKm			Norne
Revenues	23.5	26.0	26.2
EBITDA	3.0	5.7	1.6
EBITDA margin	13%	22%	6%
EBIT	0.1	2.9	-1.1
Pre-tax profit	0.1	2.9	-1.2
Net earnings	0.3	2.3	-0.9
EPS reported (SEK)	0.00	0.03	-0.01
EPS adjusted (SEK)	0.00	0.03	-0.01

ContextVision is back to pure Medical Imaging business

The extraordinary general meeting held on December 10th decided on a spin-off of ContextVision's Digital Pathology part. The new company is called INIFY Laboratories and will establish a modern laboratory service. The spin-off was carried out in a way of distribution of INIFY Laboratories shares to existing ContextVision shareholders (1 for 1) with ex-date of February 8th. Therefore, current ContextVision is back to solely being a leading Medical Imaging company. Interestingly, the key management of ContextVision (CEO and CFO) moved to INIFY Laboratories and new management of ContextVision is now in place. The CEO will now be Ola Lindblad, who led the Medical Imaging arm of ContextVision before the spin-off. The new interim CFO is Markus Hökerberg: previously a CFO at Stockholm International Water institute and prior to that he held diverse roles in finance and accounting at IFL, Teracom, Eltel and Aleris. Several other key management positions were announced yesterday.

Value part of ContextVision seems fairly priced at this point

We have now excluded Digital Pathology from our ContextVision model. We believe INIFY Laboratories will prove to be an exciting company and are puzzled by the market's unwillingness to assign significant value to that part. Looking at pure ContextVision, we are yet to adjust our model as it goes, but it seems like a nice value case with mid- to high-single digit revenue growth and 60% EBITDA margin. We believe that eventually (likely from 2022) the case has a potential to offer a good dividend yield of 5-6% initially. However, at current share price, it seems that the Medical Imaging business is close to fairly valued and we downgrade the stock from Buy to Hold at a new TP of NOK 14/sh.

DCF model

SEKm	4Q2021E	2022E	2023E	2024E	2025E	2026E
Revenues	26	110	119	129	137	143
EBIT	-1	77	68	73	78	82
Tax on EBIT	0	-16	-14	-15	-16	-17
NOPLAT (+)	-1	61	54	58	62	65
Depreciation & amortization (+)	3	5	4	4	4	4
Capital expenditure (-)	-1	-4	-4	-4	-4	-4
Change in working capital (- or +)	-3	-3	-3	-3	-2	-2
Free Cash Flow to the Firm	-2	59	51	55	59	63
NPV of FCF	-2	54	43	44	44	43

WACC calculation	
Debt ratio	0%
Cost of debt (after tax)	nm
Risk free rate	2.0%
Beta	0.9
Market risk premium	6.0%
Cost of equity	7.4%
WACC	7.4%

Valuation, SEKm	
Net debt*	-27
Minority interest	0
NPV cash flow	
4Q 2021-2025E	226
2026E-	904
Total NPV cash flow	1,131
Equity value	1,157
Value per share, SEK	14.96

Assumptions	
L.t. growth	2.5%
Tax rate	20.6%
SEK/NOK	0.95
# shares, m	77.4

Value per share, NOK **14.21**

* Ex INIFY funding

Sensitivity analysis						
		L.t. growth				
		1.5%	2.0%	2.5%	3.5%	4.0%
WACC	9%	9.6	10.1	10.7	12.2	13.2
	10%	8.5	8.9	9.3	10.4	11.0
	7%	12.2	13.1	14.2	17.2	19.3
	12%	6.9	7.1	7.4	7.9	8.3
	13%	6.3	6.5	6.7	7.1	7.4

Profit & Loss (SEKm)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Operating revenues	81.9	80.5	90.9	95.3	94.7	96.8	109.5	119.4
Operating expenses	-71.3	-78.9	-86.1	-67.1	-69.3	-90.8	-44.0	-47.9
EBITDA	10.6	1.6	4.8	28.2	25.5	6.0	65.5	71.4
Depreciation & Amortisation	-4.8	-4.9	-5.0	-8.2	-9.9	-11.3	-4.6	-3.8
EBIT (adj)	5.8	-3.3	-0.2	20.1	15.6	-5.2	61.0	67.7
Non-recurring items	-	1.3	-1.1	-10.0	-0.1	-	-5.0	-
EBIT	5.8	-2.0	-1.3	10.1	15.5	-5.2	56.0	67.7
Net interest & other financial effects	-0.0	-0.0	0.0	-0.3	-0.2	-0.1	-0.2	-0.2
Pre-tax profit	5.8	-2.0	-1.3	9.8	15.2	-5.4	55.8	67.5
Minority interests	-	-	-	-	-	-	-	-
Taxes	-1.5	0.3	0.1	-2.4	-3.2	1.3	-11.5	-13.9
Profit after tax	4.3	-1.7	-1.2	7.4	12.1	-4.1	44.3	53.6
EPS rep. (SEK)	0.05	-0.02	-0.02	0.10	0.16	-0.05	0.48	0.69
EPS adj. (SEK)	0.06	-0.03	-0.00	0.20	0.16	-0.05	0.62	0.69
Margins								
Operating margin	7%	-4%	0%	21%	16%	-5%	56%	57%
ROE	8%	-4%	0%	25%	17%	-6%	64%	51%
ROCE	10%	-5%	0%	30%	20%	-7%	78%	63%
Tax rate	26%	14%	9%	24%	21%	23%	21%	21%
Growth rates (YoY)								
Operating revenues	13%	-2%	13%	5%	-1%	2%	13%	9%
EBIT (adj)	-8%	nm	nm	nm	-22%	-133%	-1270%	11%
EPS (adj)	-8%	nm	nm	nm	-22%	-135%	-1235%	11%

* 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	-5.4	55.8	67.5
Depreciation and amortisation	6.2	5.0	6.7	18.2	10.0	11.3	4.6	3.8
Unrealized g/l on current investments	-0.0	-0.2	0.3	0.1	1.7	-2.5	-	-
Paid taxes	-3.5	-3.4	0.4	1.8	-2.8	-4.6	-11.5	-13.9
Other	-	-	-	-	-	1.1	-7.5	-
Change in working capital	1.1	2.6	-1.0	-3.0	-1.8	5.1	-2.8	-2.7
Operating cash flow (OCF)	9.5	1.9	5.1	25.1	22.3	4.9	38.5	54.6
Capital expenditures	-2.2	-4.5	-7.5	-22.8	-8.6	-2.2	-3.9	-4.0
Other cash flow from investments	-0.1	-	-	-0.2	-0.2	-0.5	-	-
Free Cash Flow (FCF)	7.3	-2.6	-2.4	2.0	13.6	2.2	34.6	50.6
Cash flow from financing activities	-	-	-	-3.7	-3.6	-3.4	-24.2	-2.9
Change in cash	7.3	-2.6	-2.4	-1.6	10.0	-1.2	10.5	47.7

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	19.9	9.2	9.5
Other intangible assets	0.3	0.4	0.3	10.0	6.3	3.8	3.8	3.8
Non-current Assets	15.5	14.9	15.4	33.5	32.2	23.7	13.0	13.3
Inventory	0.3	0.6	0.7	0.9	0.8	0.9	1.0	1.1
Receivables	20.6	23.3	22.8	23.4	26.7	26.6	29.3	32.0
Other current assets	-	-	-	-	-	-	-	-
Cash and cash equivalents	42.9	40.3	37.9	36.3	46.4	45.1	55.6	103.3
Current Assets	63.8	64.2	61.5	60.6	73.8	72.6	85.9	136.3
Total assets	79.3	79.1	76.8	94.1	106.0	96.3	98.9	149.6
Shareholders equity	61.4	59.3	58.6	66.1	79.8	73.2	78.8	132.4
Non-controlling interests	-	-	-	-	-	-	-	-
Total equity	61.4	59.3	58.6	66.1	79.8	73.2	78.8	132.4
Deferred tax liability	-	-	1.0	1.6	2.9	2.1	2.1	2.1
Long-term interest bearing debt	-	-	-	-	-	-	-	-
Other long-term liabilities	1.5	1.1	-	4.7	1.6	0.2	0.2	0.2
Non-current liabilities	1.5	1.1	1.0	6.3	4.5	2.3	2.3	2.3
Current interest bearing debt	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	-	-	-
Other current liabilities	16.4	18.6	17.3	21.7	21.8	20.8	17.9	15.0
Current liabilities	16.4	18.6	17.3	21.7	21.8	20.8	17.9	15.0
Total liabilities	17.9	19.7	18.3	28.0	26.2	23.1	20.2	17.3
Total liabilities and equity	79.3	79.1	76.8	94.1	106.0	96.3	98.9	149.6
Working capital	20.9	23.8	23.5	24.3	27.5	27.5	30.3	33.1
Net IB debt	-42.9	-40.3	-37.9	-36.3	-46.4	-45.1	-55.6	-103.3
Capital employed	62.9	60.5	59.5	72.4	84.3	75.5	81.0	134.6
Net IB debt / equity	-70%	-68%	-65%	-55%	-58%	-62%	-71%	-78%
Equity / total assets	77%	75%	76%	70%	75%	76%	80%	88%

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	16.50	13.07	13.07
Market cap (NOKm)	383	445	427	805	1,710	1,277	1,012	1,012
Enterprise value (NOKm)	343	405	392	770	1,661	1,232	959	913
EPS rep. (SEK)	0.05	-0.02	-0.02	0.10	0.16	-0.05	0.48	0.69
EPS adj. (SEK)	0.06	-0.03	-0.00	0.20	0.16	-0.05	0.62	0.69
DPS. (SEK)	-	-	-	-	-	-	-	-

Valuation	2016	2017	2018	2019	2020	2021E	2022E	2023E
EV/Sales	4.5	5.1	4.6	8.5	16.7	12.9	9.2	8.1
EV/EBITDA	34.8	>100	87.8	28.8	62.2	>100	15.4	13.5
EV/EBIT (adj)	63.9	neg	neg	40.5	>100	neg	16.6	14.2
P/E (adj)	91.5	neg	neg	54.7	>100	neg	22.0	19.9
P/B (excl. goodwill)	6.7	7.6	7.8	12.8	20.4	17.7	13.5	8.0

Growth (YoY)	2016	2017	2018	2019	2020	2021E	2022E	2023E
Revenues	13%	-2%	13%	5%	-1%	2%	13%	9%
EBITDA	1%	-85%	199%	489%	-10%	-76%	985%	9%
EBIT (adj)	-8%	nm	nm	nm	-22%	nm	nm	11%
Pre-tax profit (rep)	-17%	nm	nm	nm	56%	nm	nm	21%
Net profit (rep)	-20%	nm	nm	nm	63%	nm	nm	21%
EPS (rep)	-20%	nm	nm	nm	63%	nm	nm	46%
EPS (adj)	-8%	nm	nm	nm	-22%	nm	nm	11%

Margins	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA	12.9 %	2.0 %	5.3 %	29.6 %	26.9 %	6.2 %	59.8 %	59.8 %
EBIT (adj)	7.0 %	-4.1 %	-0.3 %	21.1 %	16.4 %	-5.4 %	55.7 %	56.7 %
Pre-tax profit	7.0 %	-2.5 %	-1.4 %	10.2 %	16.1 %	-5.5 %	51.0 %	56.6 %
Net profit	5.2 %	-2.1 %	-1.3 %	7.8 %	12.8 %	-4.2 %	40.5 %	44.9 %

Profitability	2016	2017	2018	2019	2020	2021E	2022E	2023E
ROE	7.6 %	-4.2 %	-0.3 %	24.9 %	16.5 %	-5.6 %	63.5 %	50.8 %
ROCE	9.5 %	-5.3 %	-0.4 %	30.4 %	19.9 %	-6.5 %	77.9 %	62.7 %
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)
15/02/2022	HOLD	14.00
27/10/2021	BUY	25.00
20/08/2021	BUY	25.00
06/08/2021	BUY	25.00
29/04/2021	BUY	24.00
16/04/2021	BUY	25.00
24/02/2021	BUY	25.00
09/02/2021	BUY	25.00

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;
- Keeping the edge of being the leading Medical Imaging software company with needed R&D investments and their materialization in better products;
- 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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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.

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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 [Compliance | Norne Securities](#). 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 December 31, 2021:

	Buy	Hold	Sell
Total	69	27	1
% of total	71%	28%	1%
Corporate clients*	36	13	1
% of corporate clients*	72%	26%	2%

* 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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