

ContextVision

BUY

Key share data

Sector	Health Care
Reuters	CONTX.OL
Bloomberg	CONTX NO

Market Cap (NOKm)	750
Net debt (NOKm)*	-33
EV (NOKm)	717
Net debt / equity	-70%

Issued shares (m) 77

*Ex. INIFY spin-off

Share price*



*INIFY spun off with ex-date February 8th

Performance

	1m	3m	12m
CONTX	28%	30%	-52%
OSEBX	7%	7%	10%

Upcoming events

3Q22 report	October 20, 2022
4Q22 report	February 16, 2023

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

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Impressive new chapter start with record figures

ContextVision presented an impressive 2Q report yesterday with record figures being 20-40% better than our projections. This supports our view of the company to become a solid value case with good dividends in the future. Therefore, we keep our Buy recommendation at a bit higher TP of NOK 12/sh (11).

Record-high 2Q figures

ContextVision released its 2Q22 report yesterday. The figures were very strong with record revenues of SEK 32.5m, which was 25% better than we estimated (SEK 25.9m). EBITDA of SEK 15.5m was close to 40% above our SEK 11.3m projection. EBITDA margin ended up at 48% vs 44% in our model. The bottom line was still a bit affected by INIFY spin-off (SEK -1.2m) but was close to 30% above our estimate. Adj. for INIFY net profit came in at SEK 10.8m vs SEK 7.6m in our model.

Amazing P&L figures led to SEK 16m increase in cash position QoQ to SEK 35m, which strengthens our case for ContextVision to become a good dividend case hopefully already for 2022.

2Q/22 results	2Q/21	1Q/22	2Q/22	2Q/22E	Deviation
SEKm			Reported	Norne	
Revenues	24.4	27.2	32.5	25.9	25%
EBITDA	-0.1	9.2	15.5	11.3	38%
EBIT	-3.0	7.3	13.5	9.6	41%
Net earnings before INIFY	na	6.3	10.8	7.6	43%
Net earnings	-2.3	3.0	9.6	7.6	27%
EPS reported (SEK)	-0.03	0.04	0.12	0.10	27%
EPS adjusted (SEK)	-0.03	0.03	0.14	0.10	41%

The new CEO's comments were also very positive about the 1H but even more importantly about the bright prospects in the future. We share this view and are impressed. We would also like for the management to at some point start giving guidance, as we also are a bit cautious on how sustainable the strong start of the year is. Whether there are any one-offs in the revenue figure and whether the usual mid-single digit market growth is relevant when looking at long term prospects of the company.

Estimates upped and Buy reiterated at a higher TP of NOK 12/sh (11)

All in all, ContextVision started a new chapter in its history with record figures for 2Q. This should pave the way for the company to become an attractive value case with solid cash flows and growing dividends over the coming years. We raised our estimates following the report and this led to a higher TP of NOK 12/sh (11). Therefore, despite the strong share price reaction to the report, we keep our Buy recommendation, as we see further upside in the stock. Notably, CFO also shares this view, as indicated by his insider purchase yesterday of 7,000 shares at NOK 9.8/sh price.

Estimate changes (SEKm)	2Q22		3Q22E		2022E		2023E		2024E	
	Act.	Est.	New	Old	New	Old	New	Old	New	Old
Operating revenues	32	26	29	28	119	111	127	119	136	128
EBITDA adj.	16	11	15	14	55	49	66	60	75	68
<i>EBITDA adj. margin</i>	48%	44%	50%	49%	46%	44%	52%	50%	55%	53%
EBIT (adj)	14	10	13	12	47	42	57	53	66	62
<i>EBIT adj. margin</i>	42%	37%	43%	43%	39%	38%	45%	44%	48%	48%
Non-recurring items	-	-	-	-	-	-	-	-	-	-
EBIT	14	10	13	12	47	42	57	53	66	62
Pre-tax profit	13	10	13	12	47	41	57	53	66	61
Tax	-3	-2	-3	-3	-9	-8	-12	-11	-14	-13
Tax rate	19%	21%	21%	21%	19%	19%	21%	21%	21%	21%
Minority int./Disc. Operations	-1.2	-	-	-	-4.5	-3.3	-	-	-	-
Profit after tax	10	8	10	10	33	30	45	42	52	49
Revenue split by segment										
X-ray	5	5	5	5	22	22	24	24	26	25
Ultrasound 2D	21	16	19	19	74	70	81	76	87	82
Ultrasound 3D	3	3	3	2	12	11	13	11	14	12
Magnetic Resonance Imaging	1	2	2	2	7	7	6	7	7	7
Others (iRV, CT, Mammo)	3	0	1	0	5	2	3	2	3	2
Total	33	26	29	28	119	111	127	119	136	128

DCF model

SEKm	3Q-4Q 2022E	2023E	2024E	2025E	2026E
Revenues	60	127	136	145	153
EBIT	26	57	66	72	76
Tax on EBIT	-5	-12	-14	-15	-16
NOPLAT (+)	21	45	52	57	61
Depreciation & amortization (+)	2	3	4	4	4
Capital expenditure (-)	-2	-5	-5	-5	-5
Change in working capital (- or +)	-1	-2	-2	-2	-2
Free Cash Flow to the Firm	19	41	49	53	57
NPV of FCF	18	37	40	41	40

WACC calculation	
Debt ratio	0%
Cost of debt (after tax)	nm
Risk free rate	3.0%
Beta	0.9
Market risk premium	6.0%
Cost of equity	8.1%
WACC	8.1%

Valuation, SEKm	
Net debt	-35
Minority interest	0
NPV cash flow	
3Q-4Q 2022-2026E	176
2027E-	740
Total NPV cash flow	916
Equity value	951
Value per share, SEK	12.29
Value per share, NOK	11.67

Assumptions	
L.t. growth	2.5%
Tax rate	21%
SEK/NOK	0.95
# shares, m	77.4

Profit & Loss (SEKm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Operating revenues	80.5	90.9	95.3	94.7	98.1	119.5	126.8	136.4
Operating expenses	-78.9	-86.1	-67.1	-69.3	-77.5	-64.5	-61.0	-61.2
EBITDA	1.6	4.8	28.2	25.5	20.6	54.9	65.8	75.2
Depreciation & Amortisation	-4.9	-5.0	-8.2	-9.9	-9.9	-8.0	-8.9	-9.1
EBIT (adj)	-3.3	-0.2	20.1	15.6	10.7	46.9	56.9	66.1
Non-recurring items	1.3	-1.1	-10.0	-0.1	-3.8	-	-	-
EBIT	-2.0	-1.3	10.1	15.5	6.9	46.9	56.9	66.1
Net interest & other financial effects	-0.0	0.0	-0.3	-0.2	-0.1	-0.2	-0.2	-0.2
Pre-tax profit	-2.0	-1.3	9.8	15.2	6.7	46.7	56.7	65.8
Minority int./Discontinued operations	-	-	-	-	-12.6	-4.5	-	-
Taxes	0.3	0.1	-2.4	-3.2	-1.7	-8.9	-11.7	-13.6
Profit after tax	-1.7	-1.2	7.4	12.1	-7.7	33.3	45.0	52.3
EPS rep. (SEK)	-0.02	-0.02	0.10	0.16	-0.10	0.43	0.58	0.68
EPS adj. (SEK)	-0.03	-0.00	0.20	0.16	-0.06	0.44	0.58	0.68
Margins								
Operating margin	-4%	0%	21%	16%	11%	39%	45%	48%
ROE	-4%	0%	25%	17%	-7%	62%	57%	55%
ROCE	-5%	0%	30%	20%	17%	80%	68%	67%
Tax rate	14%	9%	24%	21%	26%	19%	21%	21%
Growth rates (YoY)								
Operating revenues	-2%	13%	5%	-1%	4%	22%	6%	8%
EBIT (adj)	nm	nm	nm	-22%	-32%	>100%	21%	16%
EPS (adj)	nm	nm	nm	-22%	nm	nm	33%	16%

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

Cash flow (SEKm)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Pre-tax profit	-2.0	-1.3	7.9	15.2	-9.2	42.1	56.7	65.8	71.4
Depreciation and amortisation	5.0	6.7	18.2	10.0	11.7	8.8	8.9	9.1	9.3
Unrealized g/l on current investments	-0.2	0.3	0.1	1.7	-2.7	-0.9	-	-	-
Paid taxes	-3.4	0.4	1.8	-2.8	-5.7	-8.7	-11.7	-13.6	-14.7
Other	-	-	-	-	-0.4	0.5	-	-	-
Change in working capital	2.6	-1.0	-3.0	-1.8	24.1	-5.5	-2.5	-2.4	-2.2
Operating cash flow (OCF)	1.9	5.1	25.1	22.3	17.7	36.3	51.4	59.0	63.7
Capital expenditures	-4.5	-7.5	-22.8	-8.6	-4.7	6.7	-4.8	-5.0	-5.2
Other cash flow from investments	-	-	-0.2	-0.2	-8.6	0.2	-	-	-
Free Cash Flow (FCF)	-2.6	-2.4	2.0	13.6	4.4	43.2	46.6	54.0	58.6
Cash flow from financing activities	-	-	-3.7	-3.6	-3.9	-36.5	-32.6	-44.2	-51.9
Change in cash	-2.6	-2.4	-1.6	10.0	0.6	6.7	14.1	9.8	6.7

Balance sheet (SEKm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Goodwill	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-
Licences, property, plant & equipment	14.5	15.0	23.5	25.9	12.6	12.7	14.1	15.5
Other intangible assets	0.4	0.3	10.0	6.3	10.7	8.5	8.5	8.5
Non-current Assets	14.9	15.4	33.5	32.2	23.3	21.1	22.5	23.9
Inventory	0.6	0.7	0.9	0.8	1.0	1.1	1.2	1.3
Receivables	23.3	22.8	23.4	26.7	27.4	27.7	30.1	32.4
Other current assets	-	-	-	-	31.8	-	-	-
Cash and cash equivalents	40.3	37.9	36.3	46.4	25.9	53.6	67.7	77.5
Current Assets	64.2	61.5	60.6	73.8	86.1	82.4	99.0	111.2
Total assets	79.1	76.8	94.1	106.0	109.5	103.6	121.5	135.1
Shareholders equity	59.3	58.6	66.1	79.8	37.8	70.6	88.5	102.1
Non-controlling interests	-	-	-	-	-	-	-	-
Total equity	59.3	58.6	66.1	79.8	37.8	70.6	88.5	102.1
Deferred tax liability	-	1.0	1.6	2.9	0.1	0.1	0.1	0.1
Long-term interest bearing debt	-	-	-	-	-	-	-	-
Other long-term liabilities	1.1	-	4.7	1.6	4.9	3.7	3.7	3.7
Non-current liabilities	1.1	1.0	6.3	4.5	5.0	3.8	3.8	3.8
Current interest bearing debt	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	-	-	-
Other current liabilities	18.6	17.3	21.7	21.8	66.7	29.1	29.1	29.1
Current liabilities	18.6	17.3	21.7	21.8	66.7	29.1	29.1	29.1
Total liabilities	19.7	18.3	28.0	26.2	71.7	33.0	33.0	33.0
Total liabilities and equity	79.1	76.8	94.1	106.0	109.5	103.6	121.5	135.1
Working capital	23.8	23.5	24.3	27.5	28.5	28.8	31.3	33.7
Net IB debt	-40.3	-37.9	-36.3	-46.4	-25.9	-53.6	-67.7	-77.5
Capital employed	60.5	59.5	72.4	84.3	42.8	74.4	92.3	105.9
Net IB debt / equity	-68%	-65%	-55%	-58%	-69%	-76%	-76%	-76%
Equity / total assets	75%	76%	70%	75%	35%	68%	73%	76%

Share data	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Shares outstanding, year end (mill.)	77.368	77.368	77.368	77.368	77.368	77.368	77.368	77.368	77.368
Share price, year end (NOK)	5.75	5.52	10.40	22.10	16.50	9.70	9.70	9.70	9.70
Market cap (NOKm)	445	427	805	1,710	1,277	750	750	750	750
Enterprise value (NOKm)	405	392	770	1,661	1,251	700	686	677	670
EPS rep. (SEK)	-0.02	-0.02	0.10	0.16	-0.10	0.43	0.58	0.68	0.73
EPS adj. (SEK)	-0.03	-0.00	0.20	0.16	-0.06	0.44	0.58	0.68	0.73
DPS. (SEK)	-	-	-	-	-	0.35	0.50	0.60	0.70

Valuation	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
EV/Sales	5.1	4.6	8.5	16.7	12.9	6.2	5.7	5.2	4.9
EV/EBITDA	>100	87.8	28.8	62.2	61.7	13.4	11.0	9.5	8.7
EV/EBIT (adj)	neg	neg	40.5	>100	>100	15.7	12.7	10.8	9.9
P/E (adj)	neg	neg	54.7	>100	neg	23.4	17.6	15.1	13.9
P/B (excl. goodwill)	7.6	7.8	12.8	20.4	34.3	11.2	8.9	7.7	7.0

Growth (YoY)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Revenues	-2%	13%	5%	-1%	4%	22%	6%	8%	7%
EBITDA	-85%	199%	489%	-10%	-19%	167%	20%	14%	8%
EBIT (adj)	nm	nm	nm	-22%	-32%	340%	21%	16%	8%
Pre-tax profit (rep)	nm	nm	nm	56%	-56%	594%	21%	16%	8%
Net profit (rep)	nm	nm	nm	63%	nm	nm	35%	16%	8%
EPS (rep)	nm	nm	nm	63%	nm	nm	35%	16%	8%
EPS (adj)	nm	nm	nm	-22%	nm	nm	33%	16%	8%

Margins	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
EBITDA	2.0 %	5.3 %	29.6 %	26.9 %	21.0 %	46.0 %	51.9 %	55.1 %	55.7 %
EBIT (adj)	-4.1 %	-0.3 %	21.1 %	16.4 %	10.9 %	39.3 %	44.9 %	48.4 %	49.3 %
Pre-tax profit	-2.5 %	-1.4 %	10.2 %	16.1 %	6.9 %	39.1 %	44.7 %	48.3 %	49.1 %
Net profit	-2.1 %	-1.3 %	7.8 %	12.8 %	-7.8 %	27.8 %	35.5 %	38.3 %	39.0 %

Profitability	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
ROE	-4.2 %	-0.3 %	24.9 %	16.5 %	-7.3 %	62.2 %	56.6 %	54.9 %	52.9 %
ROCE	-5.3 %	-0.4 %	30.4 %	19.9 %	16.8 %	80.0 %	68.3 %	66.7 %	64.5 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	3.4 %	4.9 %	5.9 %	6.9 %

* 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)
12/08/2022	BUY	12.00
04/08/2022	BUY	11.00
27/04/2022	BUY	12.00
23/02/2022	BUY	13.00
15/02/2022	HOLD	14.00
27/10/2021	BUY	25.00
20/08/2021	BUY	25.00
06/08/2021	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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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 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 [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 June 30, 2022:

	Buy	Hold	Sell
Total	62	24	2
% of total	70%	27%	2%
Corporate clients*	29	18	1
% of corporate clients*	60%	38%	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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