

## ContextVision

BUY

### Key share data

Sector	Health Care
Reuters	CONTX.OL
Bloomberg	CONTX NO

Market Cap (NOKm)	673
Net debt (NOKm)*	-33
EV (NOKm)	640
Net debt / equity	-70%

Issued shares (m)	77
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\* Ex. INIFY spin-off

### Share price\*



\*INIFY spun off with ex-date February 8th

### Performance

	1m	3m	12m
CONTX	-5%	14%	-63%
OSEBX	-7%	-6%	-4%

### 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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## Stable growth and solid profitability in turbulent times

ContextVision will report 3Q on October 20<sup>th</sup> and we are expecting another solid quarter, as the clean-up post INIFY spin-off continues, and FX helps the case a lot. We thus reiterate our Buy recommendation at an unchanged TP of NOK 12/sh.

### Solid figures in a seasonally weaker quarter; massive FX moves help

ContextVision is scheduled to release its 3Q22 report on October 20<sup>th</sup>. We estimate revenues of SEK 29m (+11% YoY) and EBITDA of 15m (48% margin vs 34% in 1Q22). This will be the second quarter that is reported ex INIFY that was spun off in the beginning of the year. Thus, we will be looking closely at the margins and where could those stabilize (we believe 50-60% on EBITDA). Notably, the FX moves were wild in 3Q: EUR was 7% stronger YoY, while USD was a whopping 27% higher YoY vs SEK. This should help the top line at the same time not have a big impact on the cost side. Therefore, we see solid figures in 3Q despite it being a seasonally weaker quarter for the company.

3Q/22 results	3Q/21	2Q/22	3Q/22E
SEKm			Norne
Revenues	26.0	32.5	28.9
EBITDA	5.7	15.5	14.6
EBIT	2.9	13.5	12.6
Net earnings before INIFY	na	10.8	9.9
Net earnings	2.3	9.6	9.9
EPS reported (SEK)	0.03	0.12	0.13
EPS adjusted (SEK)	0.03	0.14	0.13

### No news lately, as new CEO warms up; our Buy and NOK 12/sh TP stays

We saw no news since our last update on the share in August. This is natural in a slow quarter business-wise and the new CEO is just getting started. We also do not make significant changes to our estimates and keep our Buy recommendation at an unchanged TP of NOK 12/sh.

Estimate changes (SEKm)	3Q22E		4Q22E		2022E		2023E		2024E	
	New	Old	New		New	Old	New	Old	New	Old
Operating revenues	29	29	31		119	119	127	127	136	136
EBITDA adj.	15	15	16		55	55	66	66	75	75
EBITDA adj. margin	50%	50%	50%		46%	46%	52%	52%	55%	55%
EBIT (adj)	13	13	14		47	47	57	57	66	66
EBIT adj. margin	43%	43%	44%		39%	39%	45%	45%	48%	48%
Non-recurring items	-	-	-		-	-	-	-	-	-
EBIT	13	13	14		47	47	57	57	66	66
Pre-tax profit	13	13	13		47	47	57	57	66	66
Tax	-3	-3	-3		-9	-9	-12	-12	-14	-14
Tax rate	21%	21%	21%		19%	19%	21%	21%	21%	21%
Minority int./Disc. Operations	-	-	-		-4.5	-4.5	-	-	-	-
<b>Profit after tax</b>	<b>10</b>	<b>10</b>	<b>11</b>		<b>33</b>	<b>33</b>	<b>45</b>	<b>45</b>	<b>52</b>	<b>52</b>
<b>Revenue split by segment</b>										
X-ray	5	5	6		22	22	24	24	26	26
Ultrasound 2D	19	19	20		74	74	81	81	87	87
Ultrasound 3D	3	3	3		12	12	13	13	14	14
Magnetic Resonance Imaging	2	2	2		7	7	6	6	7	7
Others (iRV, CT, Mammo)	1	1	1		5	5	3	3	3	3
<b>Total</b>	<b>29</b>	<b>29</b>	<b>31</b>		<b>119</b>	<b>119</b>	<b>127</b>	<b>127</b>	<b>136</b>	<b>136</b>

## 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
<b>Free Cash Flow to the Firm</b>	<b>19</b>	<b>41</b>	<b>49</b>	<b>53</b>	<b>57</b>
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%
<b>WACC</b>	<b>8.1%</b>

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
<b>Value per share, SEK</b>	<b>12.29</b>
<b>Value per share, NOK</b>	<b>11.67</b>

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

<b>Profit &amp; Loss (SEKm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>Operating revenues</b>	<b>80.5</b>	<b>90.9</b>	<b>95.3</b>	<b>94.7</b>	<b>98.1</b>	<b>119.5</b>	<b>126.8</b>	<b>136.4</b>
Operating expenses	-78.9	-86.1	-67.1	-69.3	-77.5	-64.5	-61.0	-61.2
<b>EBITDA</b>	<b>1.6</b>	<b>4.8</b>	<b>28.2</b>	<b>25.5</b>	<b>20.6</b>	<b>54.9</b>	<b>65.8</b>	<b>75.2</b>
Depreciation & Amortisation	-4.9	-5.0	-8.2	-9.9	-9.9	-8.0	-8.9	-9.1
<b>EBIT (adj)</b>	<b>-3.3</b>	<b>-0.2</b>	<b>20.1</b>	<b>15.6</b>	<b>10.7</b>	<b>46.9</b>	<b>56.9</b>	<b>66.1</b>
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
<b>Pre-tax profit</b>	<b>-2.0</b>	<b>-1.3</b>	<b>9.8</b>	<b>15.2</b>	<b>6.7</b>	<b>46.7</b>	<b>56.7</b>	<b>65.8</b>
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
<b>Profit after tax</b>	<b>-1.7</b>	<b>-1.2</b>	<b>7.4</b>	<b>12.1</b>	<b>-7.7</b>	<b>33.3</b>	<b>45.0</b>	<b>52.3</b>
<b>EPS rep. (SEK)</b>	<b>-0.02</b>	<b>-0.02</b>	<b>0.10</b>	<b>0.16</b>	<b>-0.10</b>	<b>0.43</b>	<b>0.58</b>	<b>0.68</b>
<b>EPS adj. (SEK)</b>	<b>-0.03</b>	<b>-0.00</b>	<b>0.20</b>	<b>0.16</b>	<b>-0.06</b>	<b>0.44</b>	<b>0.58</b>	<b>0.68</b>
<b>Margins</b>								
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%
<b>Growth rates (YoY)</b>								
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

<b>Cash flow (SEKm)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Pre-tax profit	-2.0	-1.3	7.9	15.2	-9.2	42.1	56.7	65.8
Depreciation and amortisation	5.0	6.7	18.2	10.0	11.7	8.8	8.9	9.1
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
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
<b>Operating cash flow (OCF)</b>	<b>1.9</b>	<b>5.1</b>	<b>25.1</b>	<b>22.3</b>	<b>17.7</b>	<b>36.3</b>	<b>51.4</b>	<b>59.0</b>
Capital expenditures	-4.5	-7.5	-22.8	-8.6	-4.7	6.7	-4.8	-5.0
Other cash flow from investments	-	-	-0.2	-0.2	-8.6	0.2	-	-
<b>Free Cash Flow (FCF)</b>	<b>-2.6</b>	<b>-2.4</b>	<b>2.0</b>	<b>13.6</b>	<b>4.4</b>	<b>43.2</b>	<b>46.6</b>	<b>54.0</b>
Cash flow from financing activities	-	-	-3.7	-3.6	-3.9	-36.5	-32.6	-44.2
<b>Change in cash</b>	<b>-2.6</b>	<b>-2.4</b>	<b>-1.6</b>	<b>10.0</b>	<b>0.6</b>	<b>6.7</b>	<b>14.1</b>	<b>9.8</b>

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
<b>Non-current Assets</b>	<b>14.9</b>	<b>15.4</b>	<b>33.5</b>	<b>32.2</b>	<b>23.3</b>	<b>21.1</b>	<b>22.5</b>	<b>23.9</b>
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
<b>Current Assets</b>	<b>64.2</b>	<b>61.5</b>	<b>60.6</b>	<b>73.8</b>	<b>86.1</b>	<b>82.4</b>	<b>99.0</b>	<b>111.2</b>
<b>Total assets</b>	<b>79.1</b>	<b>76.8</b>	<b>94.1</b>	<b>106.0</b>	<b>109.5</b>	<b>103.6</b>	<b>121.5</b>	<b>135.1</b>
Shareholders equity	59.3	58.6	66.1	79.8	37.8	70.6	88.5	102.1
Non-controlling interests	-	-	-	-	-	-	-	-
<b>Total equity</b>	<b>59.3</b>	<b>58.6</b>	<b>66.1</b>	<b>79.8</b>	<b>37.8</b>	<b>70.6</b>	<b>88.5</b>	<b>102.1</b>
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
<b>Non-current liabilities</b>	<b>1.1</b>	<b>1.0</b>	<b>6.3</b>	<b>4.5</b>	<b>5.0</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>
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
<b>Current liabilities</b>	<b>18.6</b>	<b>17.3</b>	<b>21.7</b>	<b>21.8</b>	<b>66.7</b>	<b>29.1</b>	<b>29.1</b>	<b>29.1</b>
<b>Total liabilities</b>	<b>19.7</b>	<b>18.3</b>	<b>28.0</b>	<b>26.2</b>	<b>71.7</b>	<b>33.0</b>	<b>33.0</b>	<b>33.0</b>
<b>Total liabilities and equity</b>	<b>79.1</b>	<b>76.8</b>	<b>94.1</b>	<b>106.0</b>	<b>109.5</b>	<b>103.6</b>	<b>121.5</b>	<b>135.1</b>
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	8.70	8.70	8.70	8.70
Market cap (NOKm)	445	427	805	1,710	1,277	673	673	673	673
Enterprise value (NOKm)	405	392	770	1,661	1,251	622	609	599	593
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	5.5	5.1	4.6	4.3
EV/EBITDA	>100	87.8	28.8	62.2	61.7	11.9	9.7	8.4	7.7
EV/EBIT (adj)	neg	neg	40.5	>100	>100	14.0	11.3	9.6	8.7
P/E (adj)	neg	neg	54.7	>100	neg	21.0	15.7	13.6	12.5
P/B (excl. goodwill)	7.6	7.8	12.8	20.4	34.3	10.0	8.0	6.9	6.3

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 %	3.8 %	5.5 %	6.6 %	7.6 %

\* 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)
12/10/2022	BUY	12.00
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

### 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.

# DISCLOSURES AND DISCLAIMER

## STANDARDS AND SUPERVISORY AUTHORITY

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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.

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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 September 30, 2022:

	Buy	Hold	Sell
Total	69	42	0
% of total	62%	38%	0%
Corporate clients*	31	32	0
% of corporate clients*	49%	51%	0%

\* 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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