

## ContextVision

BUY

### Key share data

Sector	Health Care
Reuters	CONTX.OL
Bloomberg	CONTX NO

Market Cap (NOKm)	707
Net debt (NOKm)	-39
EV (NOKm)	668
Net debt / equity	-69%

Issued shares (m)	77
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### Share price\*



— ContextVision — OSEBX (rebased)

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

### Performance

	1m	3m	12m
CONTX	2%	0%	-31%
OSEBX	5%	4%	4%

### Upcoming events

4Q22 report	February 16, 2023
1Q23 report	April 27, 2023
2Q23 report	August 24, 2023
3Q23 report	October 26, 2023
4Q23 report	February 15, 2023

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

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## Estimating growth to be back post weaker 3Q

ContextVision will report 4Q on February 16<sup>th</sup>. 3Q was a weaker quarter and we estimate growth to come back towards the end of the year, as 4Q is a seasonally better quarter. We stick to our Buy recommendation at an unchanged TP of NOK 10.5/sh ahead of the report.

### Estimating getting back to growth in 4Q

ContextVision is scheduled to release its 4Q22 report on February 16<sup>th</sup>. We estimate revenues of SEK 29m (+6% YoY) and EBITDA of 14m (47% margin and in-line QoQ). Inify Laboratories spin-off should now have limited negative impact, while some revenues from co-working agreement with Inify (SEK 1.3m in 3Q22) could still be visible in 4Q. Notably, the FX moves should still work in favour for the company reporting in SEK, which was weaker vs EUR by 8% and by 15% vs USD YoY. This should help the top line at the same time not have a big impact on the cost side. All in all, rather solid 4Q figures expected for the closing quarter of 2022.

We believe ContextVision with its stable and profitable business and post Inify spin-off should consider to start paying dividends, making CONTX an attractive value case. We include SEK 0.35, which is equivalent to about 3.6% yield. Notably, the new CEO has not been in the position for a long time, and it might still be early for the company to start paying out dividends, but we believe there is an opportunity and capacity to do this.

4Q/22 results	4Q/21	3Q/22	4Q/22E
SEKm			Norne
Revenues	27.4	25.6	29.1
EBITDA adj.	16.1	12.0	13.6
EBIT	10.9	11.2	11.6
Net earnings	-4.5	8.8	9.1
EPS reported (SEK)	-0.06	0.11	0.12
EPS adjusted (SEK)	-0.01	0.10	0.12

### Several insider buys, but rather quiet newsflow-wise the past quarter

Since the 3Q report in October, there was no big news announced by the company. Notably, the new CEO Mr. Gerald Pötzsch bought 10k shares in early November and increased ownership to 15k shares. CFO Mr. Markus Hökerberg continued to accumulate shares as well and bought 11.6k shares after 3Q report in October. The CFO now holds 28,162 shares.

We do not make significant changes to our estimates and keep our Buy recommendation at an unchanged TP of NOK 10.50/sh.

Estimate changes (SEKm)	4Q22E		2022E		2023E		2024E	
	New	Old	New	Old	New	Old	New	Old
<b>Operating revenues</b>	<b>29</b>	<b>29</b>	<b>114</b>	<b>114</b>	<b>124</b>	<b>124</b>	<b>134</b>	<b>134</b>
<b>EBITDA adj.</b>	<b>14</b>	<b>14</b>	<b>50</b>	<b>51</b>	<b>62</b>	<b>64</b>	<b>73</b>	<b>74</b>
<i>EBITDA adj. margin</i>	47%	48%	44%	44%	50%	51%	54%	55%
EBIT (adj)	12	12	42	43	53	54	63	65
<i>EBIT adj. margin</i>	40%	41%	37%	37%	43%	44%	47%	48%
Non-recurring items	-	-	1.3	1.3	-	-	-	-
EBIT	12	12	44	44	53	54	63	65
Pre-tax profit	12	12	43	44	53	54	63	65
Tax	-2	-2	-8	-8	-11	-11	-13	-13
Tax rate	21%	21%	19%	19%	21%	21%	21%	21%
Minority int./Disc. Operations	-	-	-4.5	-4.5	-	-	-	-
<b>Profit after tax</b>	<b>9</b>	<b>9</b>	<b>31</b>	<b>31</b>	<b>42</b>	<b>43</b>	<b>50</b>	<b>51</b>
<b>Revenue split by segment</b>								
X-ray	5	5	20	20	22	22	24	24
Ultrasound 2D	20	20	75	75	82	82	90	90
Ultrasound 3D	2	2	9	9	10	10	10	10
Magnetic Resonance Imaging	1	1	6	6	6	6	7	7
Others (iRV, CT, Mammo. One-off)	1	1	6	6	3	3	4	4
<b>Total</b>	<b>29</b>	<b>29</b>	<b>116</b>	<b>116</b>	<b>124</b>	<b>124</b>	<b>134</b>	<b>134</b>

## DCF model

SEKm	4Q 2022E	2023E	2024E	2025E	2026E
<b>Revenues</b>	<b>29</b>	<b>124</b>	<b>134</b>	<b>145</b>	<b>154</b>
EBIT	12	53	63	70	76
Tax on EBIT	-2	-11	-13	-14	-16
NOPLAT (+)	9	42	50	56	60
Depreciation & amortization (+)	1	4	4	4	4
Capital expenditure (-)	-1	-3	-3	-3	-3
Change in working capital (- or +)	1	-3	-3	-3	-2
<b>Free Cash Flow to the Firm</b>	<b>11</b>	<b>40</b>	<b>48</b>	<b>54</b>	<b>59</b>
NPV of FCFE	10	36	40	41	41

WACC calculation	
Debt ratio	0%
Cost of debt (after tax)	nm
Risk free rate	4.0%
Beta	0.9
Market risk premium	6.0%
Cost of equity	9.1%
<b>WACC</b>	<b>9.1%</b>

Valuation, SEKm	
Net debt	-41
Minority interest	0
NPV cash flow	
4Q 2022-2026E	167
2027E-	632
Total NPV cash flow	799
Equity value	840
<b>Value per share, SEK</b>	<b>10.85</b>

**Value per share, NOK 10.53**

Assumptions	
Lt. growth	2.5%
Tax rate	21%
SEK/NOK	0.97
# shares, m	77.4

Profit & Loss (SEKm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
<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>114.3</b>	<b>123.8</b>	<b>134.4</b>
Operating expenses	-78.9	-86.1	-67.1	-69.3	-77.5	-64.0	-61.3	-61.7
<b>EBITDA</b>	<b>1.6</b>	<b>4.8</b>	<b>28.2</b>	<b>25.5</b>	<b>20.6</b>	<b>50.3</b>	<b>62.4</b>	<b>72.7</b>
Depreciation & Amortisation	-4.9	-5.0	-8.2	-9.9	-9.9	-8.1	-9.1	-9.3
<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>42.2</b>	<b>53.3</b>	<b>63.4</b>
Non-recurring items	1.3	-1.1	-10.0	-0.1	-3.8	1.3	-	-
EBIT	-2.0	-1.3	10.1	15.5	6.9	43.6	53.3	63.4
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>43.4</b>	<b>53.2</b>	<b>63.2</b>
Minority int./Discontinued operations	-	-	-	-	-12.6	-4.5	-	-
Taxes	0.3	0.1	-2.4	-3.2	-1.7	-8.3	-11.0	-13.0
<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>30.6</b>	<b>42.2</b>	<b>50.2</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>0.40</b>	<b>0.55</b>	<b>0.65</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>0.39</b>	<b>0.55</b>	<b>0.65</b>
<b>Margins</b>								
Operating margin	-4%	0%	21%	16%	11%	37%	43%	47%
ROE	-4%	0%	25%	17%	-7%	57%	56%	56%
ROCE	-5%	0%	30%	20%	17%	74%	68%	69%
Tax rate	14%	9%	24%	21%	26%	19%	21%	21%
<b>Growth rates (YoY)</b>								
Operating revenues	-2%	13%	5%	-1%	4%	17%	8%	9%
EBIT (adj)	nm	nm	nm	-22%	-32%	>100%	26%	19%
EPS (adj)	nm	nm	nm	-22%	nm	nm	41%	19%

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

Cash flow (SEKm)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Pre-tax profit	-2.0	-1.3	7.9	15.2	-9.2	38.8	53.2	63.2
Depreciation and amortisation	5.0	6.7	18.2	10.0	11.7	8.8	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	-4.3	-11.0	-13.0
Other	-	-	-	-	-0.4	0.5	-	-
Change in working capital	2.6	-1.0	-3.0	-1.8	24.1	-9.5	-2.7	-2.7
<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>33.5</b>	<b>48.6</b>	<b>56.8</b>
Capital expenditures	-4.5	-7.5	-22.8	-8.6	-4.7	6.8	-3.2	-3.2
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>40.5</b>	<b>45.4</b>	<b>53.7</b>
Cash flow from financing activities	-	-	-3.7	-3.6	-3.9	-36.4	-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>4.1</b>	<b>12.9</b>	<b>9.5</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	12.4	12.0	11.3
Other intangible assets	0.4	0.3	10.0	6.3	10.7	7.1	7.1	7.1
<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>19.6</b>	<b>19.1</b>	<b>18.4</b>
Inventory	0.6	0.7	0.9	0.8	1.0	1.2	1.3	1.4
Receivables	23.3	22.8	23.4	26.7	27.4	26.9	29.5	32.1
Other current assets	-	-	-	-	31.8	-	-	-
Cash and cash equivalents	40.3	37.9	36.3	46.4	25.9	51.0	63.9	73.4
<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>79.1</b>	<b>94.7</b>	<b>106.9</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>98.6</b>	<b>113.8</b>	<b>125.3</b>
Shareholders equity	59.3	58.6	66.1	79.8	37.8	68.2	83.4	94.9
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>68.2</b>	<b>83.4</b>	<b>94.9</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	3.1	3.1	3.1
<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>3.2</b>	<b>3.2</b>	<b>3.2</b>
Current interest bearing debt	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	-	-	-
Other current liabilities	18.6	17.3	21.7	21.8	66.7	27.2	27.2	27.2
<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>27.2</b>	<b>27.2</b>	<b>27.2</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>30.4</b>	<b>30.4</b>	<b>30.4</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>98.6</b>	<b>113.8</b>	<b>125.3</b>
Working capital	23.8	23.5	24.3	27.5	28.5	28.1	30.8	33.5
Net IB debt	-40.3	-37.9	-36.3	-46.4	-25.9	-51.0	-63.9	-73.4
Capital employed	60.5	59.5	72.4	84.3	42.8	71.5	86.6	98.1
Net IB debt / equity	-68%	-65%	-55%	-58%	-69%	-75%	-77%	-77%
Equity / total assets	75%	76%	70%	75%	35%	69%	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	9.14	8.95	8.95	8.95
Market cap (NOKm)	445	427	805	1,710	1,277	707	707	707	707
Enterprise value (NOKm)	405	392	770	1,661	1,251	659	645	636	629
EPS rep. (SEK)	-0.02	-0.02	0.10	0.16	-0.10	0.40	0.55	0.65	0.72
EPS adj. (SEK)	-0.03	-0.00	0.20	0.16	-0.06	0.39	0.55	0.65	0.72
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	6.1	5.4	4.9	4.5
EV/EBITDA	>100	87.8	28.8	62.2	61.7	13.8	10.7	9.0	8.2
EV/EBIT (adj)	neg	neg	40.5	>100	>100	16.4	12.5	10.3	9.3
P/E (adj)	neg	neg	54.7	>100	neg	24.8	17.3	14.5	13.2
P/B (excl. goodwill)	7.6	7.8	12.8	20.4	34.3	10.9	8.7	7.7	7.0

Growth (YoY)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Revenues	-2%	13%	5%	-1%	4%	17%	8%	9%	8%
EBITDA	-85%	199%	489%	-10%	-19%	145%	24%	16%	9%
EBIT (adj)	nm	nm	nm	-22%	-32%	297%	26%	19%	10%
Pre-tax profit (rep)	nm	nm	nm	56%	-56%	545%	23%	19%	10%
Net profit (rep)	nm	nm	nm	63%	nm	nm	38%	19%	10%
EPS (rep)	nm	nm	nm	63%	nm	nm	38%	19%	10%
EPS (adj)	nm	nm	nm	-22%	nm	nm	41%	19%	10%

Margins	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
EBITDA	2.0 %	5.3 %	29.6 %	26.9 %	21.0 %	44.0 %	50.4 %	54.1 %	54.9 %
EBIT (adj)	-4.1 %	-0.3 %	21.1 %	16.4 %	10.9 %	36.9 %	43.1 %	47.2 %	48.3 %
Pre-tax profit	-2.5 %	-1.4 %	10.2 %	16.1 %	6.9 %	37.9 %	43.0 %	47.0 %	48.2 %
Net profit	-2.1 %	-1.3 %	7.8 %	12.8 %	-7.8 %	26.7 %	34.1 %	37.4 %	38.3 %

Profitability	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
ROE	-4.2 %	-0.3 %	24.9 %	16.5 %	-7.3 %	56.7 %	55.7 %	56.3 %	55.7 %
ROCE	-5.3 %	-0.4 %	30.4 %	19.9 %	16.8 %	73.9 %	67.5 %	68.7 %	68.1 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	3.6 %	5.3 %	6.4 %	7.4 %

\* 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)
09/02/2023	BUY	10.50
26/10/2022	BUY	10.50
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

### 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 – the company reports in SEK, the share is traded in NOK and revenues are mostly in foreign currency.

### 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

This report has been prepared by Norne Securities AS, which is supervised by The Financial Supervisory Authority of Norway (Finanstilsynet). Industry standards issued by The Norwegian Securities Dealers Association (Verdipapirforetakenes Forbund) ([www.vpff.no](http://www.vpff.no)) have been used in preparing this report.

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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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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, 2022:

	Buy	Hold	Sell
Total	61	46	6
% of total	54%	41%	5%
Corporate clients*	28	31	2
% of corporate clients*	46%	51%	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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