

ContextVision

HOLD

Key share data

Sector	Health Care
Reuters	CONTX.OL
Bloomberg	CONTX NO
Market Cap (NOKm)	718
Net debt (NOKm)	-41
EV (NOKm)	677
Net debt / equity	-63%
Issued shares (m)	77

Share price*



Performance

	1m	3m	12m
CONTX	7%	2%	-14%
OSEBX	4%	4%	5%

Upcoming events

1Q23 report	April 27, 2023
2Q23 report	August 24, 2023
3Q23 report	October 26, 2023
4Q23 report	February 15, 2024

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

Analyst

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Turning neutral post mixed 4Q; looking for more visibility

ContextVision's 4Q report was marked by strong revenues, but costs were much higher as well and EBITDA came in below expectations. We have revised our estimates mostly downwards to be on the conservative side and before we see more visibility especially on the cost side. Therefore, our TP is marginally down to NOK 10/sh (10.5/sh previously) and we downgrade the recommendation to Hold.

Very strong revenues, but other P&L lines affected by recent changes

ContextVision released its 4Q22 report last week. Very strong revenues of SEK 32.6m were reported, which is about 12% above our SEK 29.1m projection and record-high. Costs, however, were much higher than we estimated, and EBITDA landed at SEK 11.0m vs SEK 13.6m in our model. This represents EBITDA margin of just 34% vs 47% estimated. It was indicated by the company that the costs were still affected by the spin-off of Inify Laboratories in February 2022, as the companies continued to manage the separation process. Notably, the effects now seem to be over, as the report states that: *ContextVision has during the year been managing the effect of previously shared costs and believes that the current cost structure represents the full effect from the spin-off.* Other items that affected the EBITDA negatively were post pandemic recovery and strategic outsourcing for operational IT.

4Q/22 results	4Q/21	3Q/22	4Q/22	4Q/22E	Deviation
SEKm			Reported	Norne	
Revenues*	27.4	25.6	32.6	29.1	12%
Other income	0.0	1.3	0.4	0.0	nm
EBITDA adj.	16.1	12.0	10.6	13.6	-22%
EBITDA adj. margin	59%	47%	33%	47%	-14%p
EBITDA	12.3	13.3	11.0	13.6	-19%
EBIT	10.9	11.2	9.1	11.6	-21%
Net earnings	-4.5	8.8	7.4	9.1	-19%
EPS reported (SEK)	-0.06	0.11	0.10	0.12	-19%
EPS adjusted (SEK)	-0.01	0.10	0.09	0.12	-23%

* We exclude 'Capitalized work for own account' from top line.

Solid but weaker-than-expected cash position and still no dividends

Cash position remained solid at SEK 42m, up a bit QoQ (not to the extent we estimated). There was a strong increase in receivables in the closed quarter following the high top line, which in addition to weaker figures resulted in cash position at the end of the year being below our projection. Our hope for some dividends was also not met, but we continue to believe there is room for CONTX to become a solid dividend case. We also acknowledge the need for the new management to spend some longer time for this to be realized.

Turning neutral after 4Q at new TP of NOK 10/sh (10.5)

All in all, the very strong sales in 4Q are encouraging and we have increased our top line estimates slightly. However, the visibility into cost side post separation with INIFY is still not that high and we are conservative with our estimates. We will see it more clearly in the coming quarter. We also eagerly await the effect of the new CEO and maybe some more clear growth/profitability targets at some point. In the meantime, we downgrade our recommendation to Hold at a bit lower TP of NOK 10/sh (10.5 previously).

Estimate changes (SEKm)	4Q22		1Q23E		2023E		2024E		2025E	
	Act.	Est.	New	Old	New	Old	New	Old	New	Old
Operating revenues	33	29	30	29	126	124	136	134	146	145
EBITDA adj.	11	14	12	14	54	62	61	73	69	79
<i>EBITDA adj. margin</i>	33%	47%	39%	47%	43%	50%	45%	54%	47%	55%
EBIT (adj)	9	12	10	11	45	53	52	63	59	70
<i>EBIT adj. margin</i>	27%	40%	32%	39%	36%	43%	38%	47%	41%	48%
Non-recurring items	0	-	-	-	-	-	-	-	-	-
EBIT	9	12	10	11	45	53	52	63	59	70
Pre-tax profit	9	12	10	11	45	53	52	63	59	70
Tax	-2	-2	-2	-2	-9	-11	-11	-13	-12	-14
Tax rate	20%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Minority int./Disc. Operations	-	-	-	-	-	-	-	-	-	-
Profit after tax	7	9	8	9	36	42	41	50	47	55
Revenue split by segment										
X-ray	8	5	6	7	25	22	27	24	28	26
Ultrasound 2D	20	20	19	17	82	82	90	90	97	97
Ultrasound 3D	2	2	2	3	9	10	9	10	10	11
Magnetic Resonance Imaging	2	1	2	2	7	6	7	7	7	7
Others (iRV, CT, Mammo. One-off)	1	1	1	1	3	3	3	4	3	4
Total	32	29	30	29	126	124	136	134	146	145

DCF model

SEKm	2023E	2024E	2025E	2026E	2027E
Revenues	126	136	146	155	163
EBIT	45	52	59	66	72
Tax on EBIT	-9	-11	-12	-14	-15
NOPLAT (+)	36	42	47	53	58
Depreciation & amortization (+)	3	4	4	4	4
Capital expenditure (-)	-5	-5	-5	-5	-5
Change in working capital (- or +)	5	-3	-2	-2	-2
Free Cash Flow to the Firm	39	38	44	50	55
NPV of FCF	36	32	34	35	36

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%
WACC	9.1%

Valuation, SEKm	
Net debt	-42
Minority interest	0
NPV cash flow	
2023-2027E	172
2028E-	552
Total NPV cash flow	724
Equity value	766
Value per share, SEK	9.90
Value per share, NOK	9.80

Assumptions	
L.t. growth	2.5%
Tax rate	21%
SEK/NOK	0.99
# shares, m	77.4

Profit & Loss (SEKm)	2018	2019	2020	2021	2022	2023E	2024E	2025E
Operating revenues	90.9	95.3	94.7	98.1	117.8	126.1	136.3	146.0
Operating expenses	-86.1	-67.1	-69.3	-77.5	-70.5	-71.9	-74.9	-77.2
EBITDA	4.8	28.2	25.5	20.6	47.4	54.2	61.5	68.8
Depreciation & Amortisation	-5.0	-8.2	-9.9	-9.9	-7.9	-8.9	-9.1	-9.3
EBIT (adj)	-0.2	20.1	15.6	10.7	39.4	45.2	52.4	59.5
Non-recurring items	-1.1	-10.0	-0.1	-3.8	1.7	-	-	-
EBIT	-1.3	10.1	15.5	6.9	41.1	45.2	52.4	59.5
Net interest & other financial effects	0.0	-0.3	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2
Pre-tax profit	-1.3	9.8	15.2	6.7	41.0	45.1	52.2	59.3
Minority int./Discontinued operations	-	-	-	-12.6	-4.5	-	-	-
Taxes	0.1	-2.4	-3.2	-1.7	-7.7	-9.3	-10.8	-12.2
Profit after tax	-1.2	7.4	12.1	-7.7	28.8	35.8	41.4	47.1
EPS rep. (SEK)	-0.02	0.10	0.16	-0.10	0.37	0.46	0.54	0.61
EPS adj. (SEK)	-0.00	0.20	0.16	-0.06	0.36	0.46	0.54	0.61
Margins								
Operating margin	0%	21%	16%	11%	33%	36%	38%	41%
ROE	0%	25%	17%	-7%	53%	42%	37%	35%
ROCE	0%	30%	20%	17%	71%	52%	45%	44%
Tax rate	9%	24%	21%	26%	19%	21%	21%	21%
Growth rates (YoY)								
Operating revenues	13%	5%	-1%	4%	20%	7%	8%	7%
EBIT (adj)	nm	nm	-22%	-32%	>100%	15%	16%	14%
EPS (adj)	nm	nm	-22%	nm	nm	28%	16%	14%

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

Cash flow (SEKm)	2018	2019	2020	2021	2022	2023E	2024E	2025E
Pre-tax profit	-1.3	7.9	15.2	-9.2	36.4	45.1	52.2	59.3
Depreciation and amortisation	6.7	18.2	10.0	11.7	8.7	8.9	9.1	9.3
Unrealized g/l on current investments	0.3	0.1	1.7	-2.7	-0.8	-	-	-
Paid taxes	0.4	1.8	-2.8	-5.7	-0.6	-9.3	-10.8	-12.2
Other	-	-	-	-0.4	1.2	-	-	-
Change in working capital	-1.0	-3.0	-1.8	24.1	-19.4	4.8	-2.5	-2.4
Operating cash flow (OCF)	5.1	25.1	22.3	17.7	25.5	49.5	48.0	54.0
Capital expenditures	-7.5	-22.8	-8.6	-4.7	5.9	-4.8	-4.8	-4.8
Other cash flow from investments	-	-0.2	-0.2	-8.6	-0.1	-	-	-
Free Cash Flow (FCF)	-2.4	2.0	13.6	4.4	31.3	44.8	43.2	49.2
Cash flow from financing activities	-	-3.7	-3.6	-3.9	-36.4	-5.5	-24.8	-32.6
Change in cash	-2.4	-1.6	10.0	0.6	-5.1	39.3	18.4	16.6

Balance sheet (SEKm)	2018	2019	2020	2021	2022	2023E	2024E	2025E
Goodwill	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-	-
Licences, property, plant & equipment	15.0	23.5	25.9	12.6	13.2	14.6	15.7	16.7
Other intangible assets	0.3	10.0	6.3	10.7	6.4	6.4	6.4	6.4
Non-current Assets	15.4	33.5	32.2	23.3	19.7	21.0	22.1	23.1
Inventory	0.7	0.9	0.8	1.0	1.3	1.2	1.3	1.4
Receivables	22.8	23.4	26.7	27.4	35.0	30.2	32.6	34.9
Other current assets	-	-	-	31.8	-	-	-	-
Cash and cash equivalents	37.9	36.3	46.4	25.9	41.9	81.2	99.6	116.2
Current Assets	61.5	60.6	73.8	86.1	78.1	112.6	133.5	152.6
Total assets	76.8	94.1	106.0	109.5	97.7	133.5	155.6	175.7
Shareholders equity	58.6	66.1	79.8	37.8	66.5	102.3	124.4	144.5
Non-controlling interests	-	-	-	-	-	-	-	-
Total equity	58.6	66.1	79.8	37.8	66.5	102.3	124.4	144.5
Deferred tax liability	1.0	1.6	2.9	0.1	0.1	0.1	0.1	0.1
Long-term interest bearing debt	-	-	-	-	-	-	-	-
Other long-term liabilities	-	4.7	1.6	4.9	1.9	1.9	1.9	1.9
Non-current liabilities	1.0	6.3	4.5	5.0	2.0	2.0	2.0	2.0
Current interest bearing debt	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	-	-	-
Other current liabilities	17.3	21.7	21.8	66.7	29.2	29.2	29.2	29.2
Current liabilities	17.3	21.7	21.8	66.7	29.2	29.2	29.2	29.2
Total liabilities	18.3	28.0	26.2	71.7	31.2	31.2	31.2	31.2
Total liabilities and equity	76.8	94.1	106.0	109.5	97.7	133.5	155.6	175.7
Working capital	23.5	24.3	27.5	28.5	36.2	31.4	33.9	36.4
Net IB debt	-37.9	-36.3	-46.4	-25.9	-41.9	-81.2	-99.6	-116.2
Capital employed	59.5	72.4	84.3	42.8	68.6	104.4	126.5	146.5
Net IB debt / equity	-65%	-55%	-58%	-69%	-63%	-79%	-80%	-80%
Equity / total assets	76%	70%	75%	35%	68%	77%	80%	82%

Share data	2018	2019	2020	2021	2022	2023E	2024E	2025E
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)	5.52	10.40	22.10	16.50	9.14	9.28	9.28	9.28
Market cap (NOKm)	427	805	1,710	1,277	707	718	718	718
Enterprise value (NOKm)	392	770	1,661	1,251	667	638	619	603
EPS rep. (SEK)	-0.02	0.10	0.16	-0.10	0.37	0.46	0.54	0.61
EPS adj. (SEK)	-0.00	0.20	0.16	-0.06	0.36	0.46	0.54	0.61
DPS. (SEK)	-	-	-	-	-	0.25	0.35	0.40

Valuation	2018	2019	2020	2021	2022	2023E	2024E	2025E
EV/Sales	4.6	8.5	16.7	12.9	6.0	5.1	4.6	4.2
EV/EBITDA	87.8	28.8	62.2	61.7	14.8	11.9	10.2	8.9
EV/EBIT (adj)	neg	40.5	>100	>100	17.8	14.2	11.9	10.2
P/E (adj)	neg	54.7	>100	neg	26.7	20.3	17.5	15.4
P/B (excl. goodwill)	7.8	12.8	20.4	34.3	11.2	7.1	5.8	5.0

Growth (YoY)	2018	2019	2020	2021	2022	2023E	2024E	2025E
Revenues	13%	5%	-1%	4%	20%	7%	8%	7%
EBITDA	199%	489%	-10%	-19%	130%	14%	13%	12%
EBIT (adj)	nm	nm	-22%	-32%	270%	15%	16%	14%
Pre-tax profit (rep)	nm	nm	56%	-56%	511%	10%	16%	14%
Net profit (rep)	nm	nm	63%	nm	nm	24%	16%	14%
EPS (rep)	nm	nm	63%	nm	nm	24%	16%	14%
EPS (adj)	nm	nm	-22%	nm	nm	28%	16%	14%

Margins	2018	2019	2020	2021	2022	2023E	2024E	2025E
EBITDA	5.3 %	29.6 %	26.9 %	21.0 %	40.2 %	43.0 %	45.1 %	47.1 %
EBIT (adj)	-0.3 %	21.1 %	16.4 %	10.9 %	33.5 %	35.9 %	38.4 %	40.8 %
Pre-tax profit	-1.4 %	10.2 %	16.1 %	6.9 %	34.8 %	35.8 %	38.3 %	40.6 %
Net profit	-1.3 %	7.8 %	12.8 %	-7.8 %	24.4 %	28.4 %	30.4 %	32.3 %

Profitability	2018	2019	2020	2021	2022	2023E	2024E	2025E
ROE	-0.3 %	24.9 %	16.5 %	-7.3 %	53.5 %	42.4 %	36.6 %	35.0 %
ROCE	-0.4 %	30.4 %	19.9 %	16.8 %	70.8 %	52.3 %	45.4 %	43.6 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	2.7 %	3.7 %	4.3 %

* 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)
24/02/2023	HOLD	10.00
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

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.

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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 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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