Revenio Group

Company Report

10/2019

Inderes corporate client

inderes.

Story's next chapter begins

Revenio's investor story remains interesting, as the strategy's next phase begins after the acquisition of CenterVue. The core business continues to grow very profitably, the underlying market has strong structural growth drivers, and the products have exceptionally strong competitive advantages. Revenio has also shown over the years how capable they are in value creation through investments into product development, structural transitions, and long-term growth development projects.

Course towards establishing presence as a global player in eye disease health technology

After 2012, Revenio has undergone a remarkable structural transition from a small diversified company to a global health technology company focused on eye diseases. The company market capitalization has increased from about 30 MEUR to over 500 MEUR during the transition period, reflecting the exceptional strength in equity allocation in both mergers and acquisitions, as well as in product development. With the CenterVue acquisition completed during the spring of 2019, Revenio grew from a niche glaucoma focused company to a global player in eye disease focused health care technology. The acquisition was completed with a moderate valuation of EV/EBIT 15x, and the move seems to fit Revenio's strategy well.

Markets have strong structural growth drivers

Revenio's strategy relies on markets that have strong structural growth drivers, where the central driver is the rapidly increasing eye diseases of the ageing population. We believe that Revenio has the qualifications for faster than market growth (>10%) in the long-term, due to the competitive advantages of Revenio's technologies. This is supported by the exceptionally high market entry barriers, with the advantages further emphasized by the protection from competition stemming from the technology patents, brand, reputation, and generally slow-moving industry. Due to the defensive nature of the industry and the strong competitive advantages of the company, risk level is moderate.

Strong product portfolio contains multiple growth drivers

From the investor's point of view, Revenio is at an appealing development stage. The company has recently renewed a large portion of the product portfolio, and their technology has been proven to be extremely competitive. This enables the company to focus on organic growth with the current portfolio for the next few years, and investors needn't worry about product development risks. In addition to growth from the core products (Icare tonometer, CenterVue screening equipment), the HOME- product and CenterVue acquisition synergies offer enthralling earnings growth prospects. We estimate that the extensively patented RBT- technology will not gain a direct competitor before 2023, and accounting for the long-term market potential of RBT (100-200 MEUR excluding HOME), Icare is merely at the beginning of the journey.

Strong earnings growth justifies high valuation multiples

The competitiveness of the product portfolio is strongly visible in Revenio's earnings development. The company is extremely profitable (adjusted EBIT-% 2019e 29 %), and paired with the low R&D need, cash flow is both ample and growing. We expect to see revenue growth of 63 %, 34 %, and 22 % in the years 2019-2021e and the adjusted EBIT to increase to about 33 %. The valuation multiples for the share are high (2019e P/E 41), but the expected 30% earnings increase in the coming years will suppress the multiples rapidly, and also supports staying on board with the long-term story.

Analyst

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Recommendation and target price

Accumulate
Previous: Accumulate

21,0 EUR
Previous: 21,0

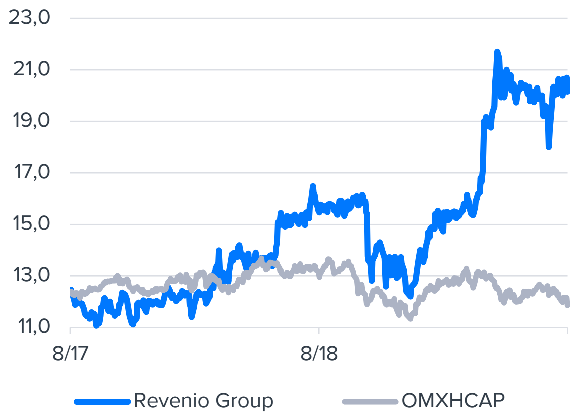
Stock price: 19,22 EUR
Potential: 9,3 %

Avainluvut

	2018	2019e	2020e	2021e
Revenue	31	50	67	82
growth-%	15 %	63 %	34 %	22 %
EBIT adj.	10,2	14,3	21,2	27,2
EBIT-% adj.	33,3 %	28,5 %	31,6 %	33,4 %
Net profit	8,1	8,7	15,5	20,0
EPS (adj.)	0,34	0,47	0,63	0,80
P/E (adj.)	36,9	40,9	30,8	24,2
P/B	16,6	8,3	7,5	6,7
Div. yield-%	2,2 %	1,8 %	2,3 %	2,8 %
EV/EBIT (adj.)	28,5	36,7	24,3	18,6
EV/EBITDA	27,1	41,2	23,1	17,8
EV/Sales	9,5	10,4	7,7	6,2

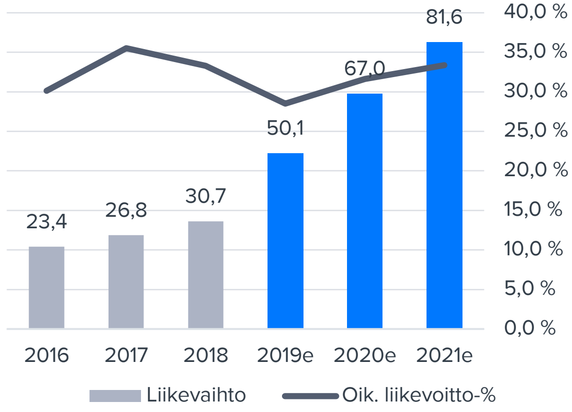
Source: Inderes

Share price development



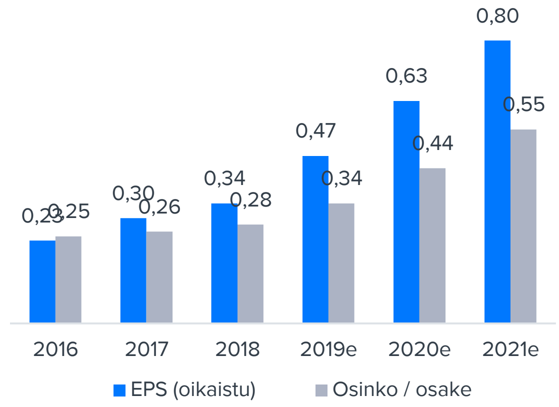
Source: Thomson Reuters

Revenue and EBIT



Source: Inderes

Valuation and dividend yield



Source: Inderes

MCAP
508
MEUR

EV
518
MEUR

P/E
41
2019e

EV/EBIT
37
2019e

Value drivers

- Earnings growth outlook for coming years strong
- Good predictability of earnings and cash flow
- Strong competitive protection supported by growth drivers CenterVue acquisition strengthens investment profile substantially
- New products offer tempting long-term growth potential

Risk factors

- Weakening of Icare's patent protection after 2023
- Ramp-up and success of HOME product
- Success of CenterVue acquisition
- Success of growth investments (new products)

Valuation

- Strong earnings growth and good visibility justify high valuation
- Value appreciation depends on success of new products
- Long-term growth story tempting despite high short-term multiples

Source: Inderes

Contents

Revenio Group in short

Revenio develops and commercializes effective and easy-to-use health care devices, focused especially in screening, diagnosis and treatment of eye diseases.

2012-2015

Structural transition from a diversified company to a health care technology company

2015-2019

Investments into health care technology and strengthening of Icare product portfolio

2019

CenterVue acquisition and strengthening of offering, especially concerning glaucoma

49.3 MEUR **(+18 % vs. 2017)**

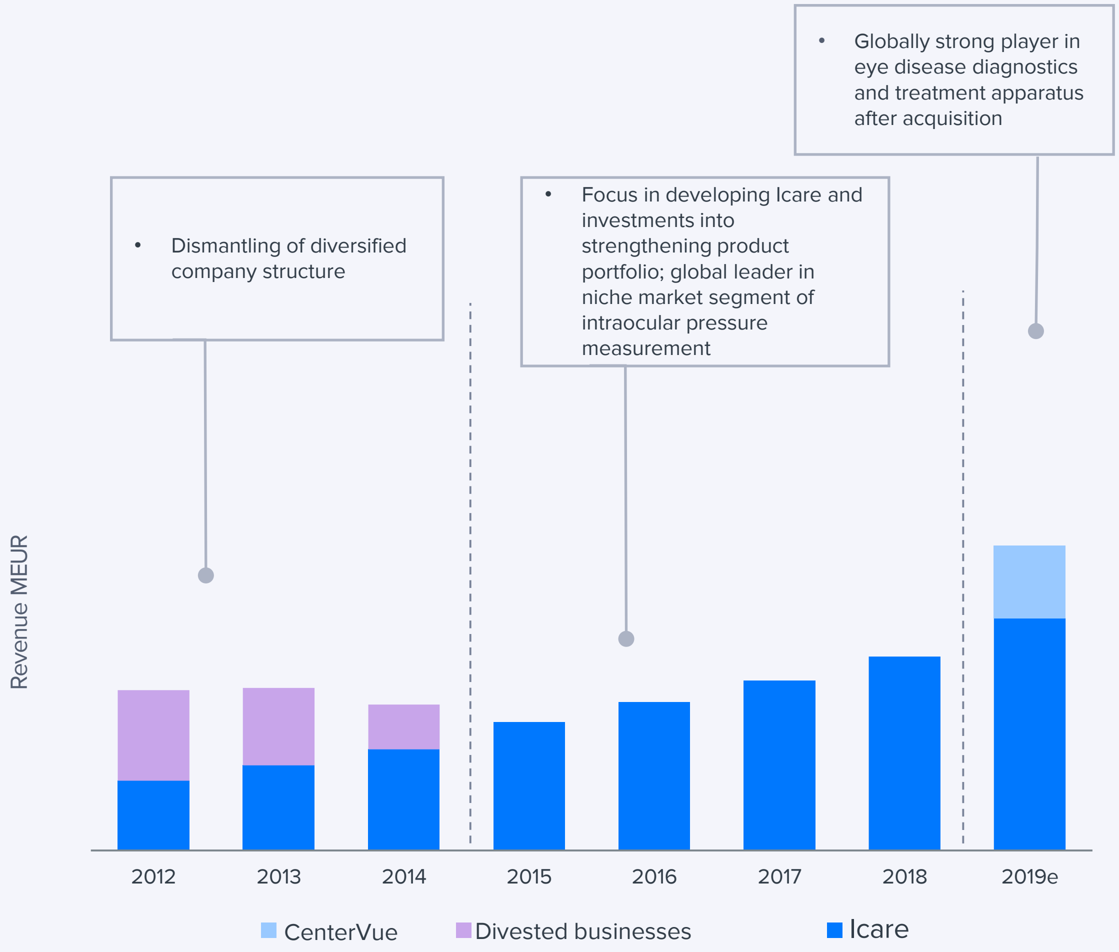
Pro forma revenue 2018 (after CenterVue acquisition)

14.1 MEUR **(29 % of revenue)**

Pro forma operating profit 2018 (after CenterVue acquisition)

112

Employees after CenterVue acquisition



Source: Revenio Group / Inderes

Company description and business model 1/2

Company description

Health care company specialized in eye diseases

Revenio Group is a Finnish company, with core competence in diagnostics, screening, and treatment technologies and devices related to eye diseases. The company's current product portfolio extensively covers everything related to screening and treatment of glaucoma. The company's devices are also used for diabetic retinopathy and macular degeneration detection, diagnosis and treatment. In addition to the eye disease related products, Revenio also has two developmental products related to skin cancer (Cutica) and asthma (Ventica) screening and treatment. Revenio focuses on product development and sales, with all production of devices outsourced.

Revenio has a long history as a diversified company until the early 2010s. In 2012, the company undertook a structural transition from a diversified company to a health technology company. The company divested all of its business outside of health care and started investing heavily into the development of the Icare intraocular pressure measurement portfolio, as well as new development projects in screening asthma and skin cancer. The over five-year structural transition was fruitful, driven by the subsequent success of the Icare product family. In April 2019, a new chapter began, as Revenio grew from a niche company focused in intraocular pressure to a global player with the acquisition of Italian CenterVue.

The extensive structural transition can now be considered to have been successfully implemented, and the company now has a stable platform upon which future growth in the specialized fields of focus can be cultivated. During the transition period, the company's market cap has increased from about 30 MEUR to over 500 MEUR, illustrating both successful allocation of equity, as well as value creation during the transition.

The compound pro forma revenue of Revenio Group and CenterVue in 2018 was 49.3 MEUR and operating profit 14.1 MEUR. The company employs 112 people mostly in Finland, Italy, and the US. The companies have spent about 10% of revenue on product development.

Product portfolio

According to Revenio, they can provide the necessary equipment for both eye disease screening and diagnostics, and are one of the lead players in this field. The products traditionally enjoy strong competitive protection, based on patents, regulatory approvals, recognized brands in the eye disease screening market, as well as on software and algorithms related to the products. The central product categories are the following:

Icare tonometers and their probes are the cash cow for Revenio. Revenio's tonometers are based on an extensively patented rebound tonometer (RBT) technology, which is continuously gaining market share from outdated tonometry. The sensor sales bring solid and increasing income to the company.

- **Icare HOME** is a tonometer meant for intraocular pressure (IOP) measurement by the patient him/herself, creating a wholly new product category and market for Icare. The product is at its early stage, and we expect it to be a key growth driver in the coming years.
- **CenterVue's** product portfolio covers devices required for optical coherence tomography (OCT) and visual field tests, needed for glaucoma, macular degeneration, and diabetic retinopathy diagnosis and treatments. The strengths of the products are especially in retinal imaging technologies and ease of use.
- **Ventica** is a device developed for the monitoring and diagnosis of asthma in children. It is ready, commercialization has commenced, and investments into distribution have also been made. We expect that Revenio could consider divesting Ventica, should it react commercial maturity as planned. Ventica as of now isn't generating material revenue.
- **Hyper-spectral camera Cutica** is Revenio's licensed imaging technology for screening of skin cancer. The first commercial product is ready, and the company is experimenting using AI for the automatic processing of images. We find it feasible that Revenio could also sell this technology, should it succeed in receiving adequate positive clinical evidence. Cutica doesn't generate revenue.

Partners

Device manufacturers and subcontractors

Inventors and universities

Doctors, key opinion leaders (KOL) and hospitals

Operations

Product development

Procurement, logistics, maintenance, customer support, quality assurance

Sales and marketing

Resources

Software and alogrithms

Patents, IP rights, regulatory approvals

Reputation and brand in eye disease field

Core business idea

Development and sales of easy to use eye disease screening and diagnostics equipment

REVENIO

- Thorough product offering for eye diseases
- Proven competitiveness and modern product portfolio
- Fast growing market

Sales in-house (USA)

Country specific distributors

Online shop (Icare)

Customer segments

Ophthalmologists

Opticians and optometrists

First aid stations and health centres

+Paediatricians (Ventica)

+Dermatologists (HSC)

Products

Icare tonometers

HOME meters for home use

Disposable probes

Optical coherence tomography devices

Perimeters

Ventica asthma device

Cutica skin cancer device

Cost structure

>100 ppl (2018)
35 m€ (2018 pro forma)

R&D
~10 % revenue

Material and manufacturing costs
~30 % of revenue

Sales and marketing

Administration

Revenue streams

Revenue 49 m€
EBIT 14 m€
(2018 pro forma)

Icare devices
~42 % (2019e)

CenterVue devices
38 % (2019e)

Icare probes
~20 % (2019e)

Development subsidies

Source: Inderes

Company description and business model 2/2

Strategy

Strong drivers and growing market as strategy's foundation

Revenio's strategy relies on the underlying market, which is founded on long-term growth drivers and competitive advantages of the company, thus Revenio should have good prerequisites to continue growing faster than the market. The most important long-term growth driver is the increasing commonality of eye diseases, driven by the ageing population. The central focus is in glaucoma, diabetic retinopathy, and macular degeneration. The ocular pathologies' diagnostics market is worth about 3.3 billion USD globally, and device sales are expected to increase by about 10 % annually (Market Scope). Ocular pathologies related devices' markets therefore grow at a faster pace than other healthcare device markets.

CenterVue acquisition kick starts new phase

After dismantling the diversified structure, Revenio spent years looking for a suitable company to acquire from the ocular diagnostics field, where the company's core competence and strongest distribution channels are. The CenterVue acquisition, completed in spring of 2019, is therefore well suited as a strategic phase, and finalized at an affordable valuation. With the acquisition, Revenio gained another strong leg to stand on besides the Icare family, as well as a more diversified technology portfolio. Lastly, the company is now able to offer all products from screening, diagnosis, and treatment for glaucoma. The packaging of different products is a competitive advantage, and one which Revenio has been lacking compared to the large players. Revenio also expects synergies of about 5 % on a 1 - 3-year scale in procurement, manufacturing, and sales.

Product portfolio in good form

Revenio is at a favorable developmental stage from an investor's point of view. The company has recently thoroughly revamped its product portfolio, and its technology has already proven to be very competitive. Revenio is therefore able to concentrate on organic growth with its current product portfolio, and investors needn't worry about R&D risks. Thus, we do not expect to see any acquisitions or shifts in strategy from the company or the new CEO in the near future. We expect R&D focused the next generation of the current products, and new solutions for eye disease related problems.

Revenio's Icare line has invested substantially into the next gen product portfolio during the last five years. Still in 2015, Icare sales relied heavily on the decade old Icare TA-01. Today, the new ic100, ic200, and TonoVet Plus devices represent a young portfolio, without pressure for increased development investments. The renewed portfolio and superseding competing tonometry technologies have materialized as continued strong growth. It is likely, that the next generation of Icare products will target a 2023 release, which is subsequently the same year many of the current patents expire. By developing new features, Revenio can extend its competitive advantage. Currently, Icare does not have any direct competition in RBT- technologies. When accounting for the potential markets, we believe Icare could be a strong cash flow product for Revenio for at least the next 5 years. The HOME device as the growth driver will however be emphasized, as more products from the Icare family reach a mature developmental stage.

CenterVue's product portfolio is also on a healthy foundation to the best of our knowledge. This conclusion is supported by the exceptional growth in the past years, as well as 20 patents and 16 patent applications during the same period. In the case of CenterVue however, it must be noted that imaging technology ages at a much faster pace than RBT due to the rapid developmental pace, whereas RBT is expected to have a life span measured in decades instead of years. The market CenterVue operates in is also much more competitive and has more players. Hence, maintaining a competitive edge requires continuous product development expenditure.

Detachment from development projects possible

With the company focus strongly set in eye diseases, we expect to see Revenio divest the Cutica and Ventica development projects, or alternatively find a partner to further the projects on a license-based model. From the investors' point of view, the aforementioned have little weight in the half billion market capitalization. We also point out, that Revenio is in no rush to relinquish the projects, instead they will likely be developed to the point at which the potential value can be realized.

Development stage of Revenio's products

Tuotealue	Installed base (number of devices)	Price range (customer)	Revenue 2019e	Gross margin profile	Development phase	Weight in valuation
Icare tonometers	>80 000	3000-5000€	>20 MEUR	>80%	Mature/growing	Very high
Icare HOME	>1000	2000-2500€	>2 MEUR	>70%	Commercialization/ clinical trials	High
Icare probes	>20 million units/year (volume)	<1€	>10 MEUR	>60 %	Growth	High
CenterVue – imaging devices	>7000	12000-40000€	>20 MEUR	>60 %	Growth	High
Ventica	-	>2000€	<0.5 MEUR	>70 %	Clinical evidence	small
Cutica	-	-	0€	-	Product development	Very small

All figures based on Inderes estimates

Icare ic100

Icare HOME

Icare probes

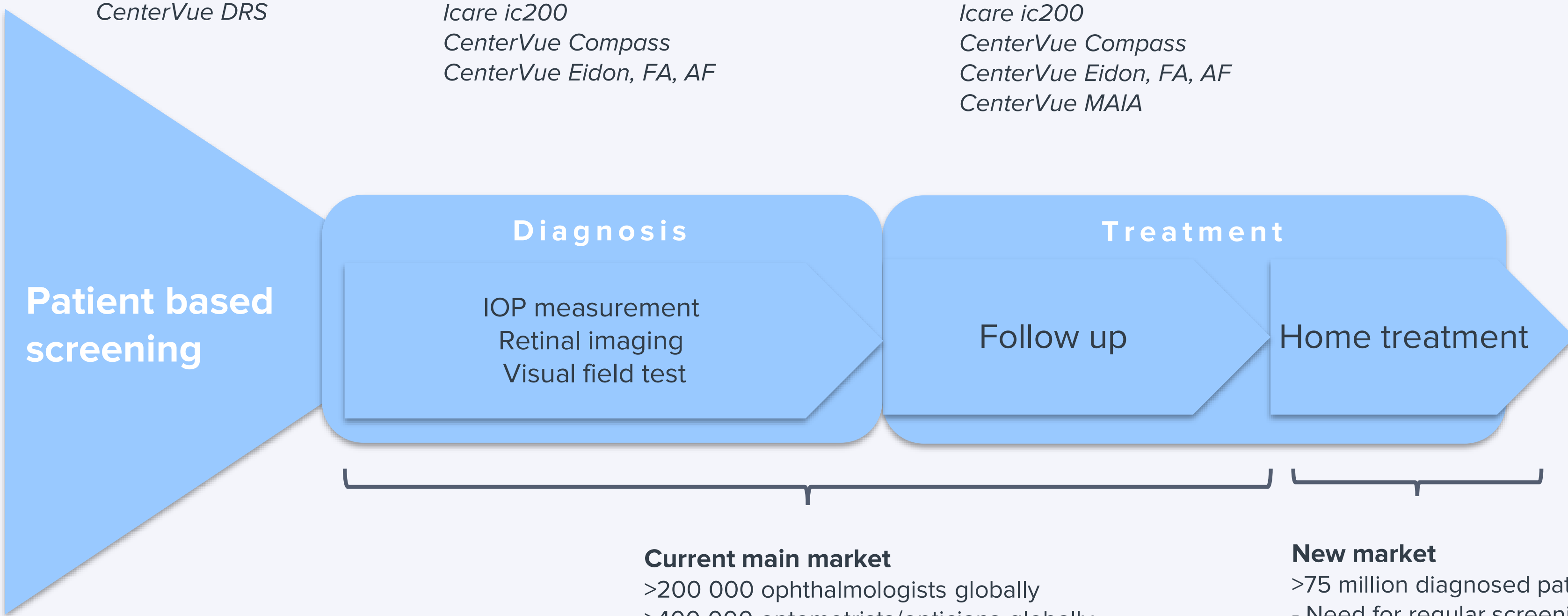
CenterVue DRS

Ventica

Cutica

Revenio's products in eye disease screening and treatment

- *Icare ic100*
  CenterVue DRS
- *Icare ic100*
  Icare ic200
  CenterVue Compass
  CenterVue Eidon, FA, AF
- *Icare ic100*
  Icare ic200
  CenterVue Compass
  CenterVue Eidon, FA, AF
  CenterVue MAIA
- *Icare HOME*



Current main market
>200 000 ophthalmologists globally
>400 000 optometrists/opticians globally
-Thorough offering for eye disease diagnoses and treatment

New market
>75 million diagnosed patients
- Need for regular screening

Developing market
>150 million suffering from glaucoma
>150 million suffering from diabetic retinopathy[2]
>170 million suffering from macular degeneration[3]
- Screening growth drives sales growth
- Users opticians, general practitioners, nurses

Source: Inderes, 1) Opthalmology, volume 121, Nov-14, 2) Pennington K. & DeAngelis M (2016) Epidemology of age- related macular degeneration, 3) IAPB Vision Atlas: Diabetic Retinopathy - silently blinding millions of people world-wide.

Investment profile

Investment profile

Revenio's investment profile is near immaculate. The company is in excellent condition all round, and with the CenterVue acquisition, Revenio has advanced to the next phase of their strategy where they have multiple growth drivers in a more diversified portfolio.

Revenio has an exceptionally strong record in implementing a shareholder value generating growth strategy, as well as in allocation of resources in both R&D and acquisitions. Dismantling of the diversified structure, developing Icare into the gem it is now, and developing an eye disease focused strategy have generated abundant shareholder value in the last seven years.

Long-term, Revenio's markets have strong growth drivers, mostly related to the growth of eye diseases driven by the ageing population. The segment is expected to grow by about 10 % annually (Market Scope). In our view, Revenio has all the prerequisites required for notably faster growth than the market, due to the competitive advantage of the company's technologies. This is supported by the strong historical development of Icare and CenterVue.

Revenio's investment profile is also supported by the exceptionally deep competitive barriers, of which most notable are related to competitive protection of technologies, brand and reputation, slow paced industry, and the general high market entry barrier. Icare's RBT technology has broad patent protection until 2023, and the next generation of products will likely also have many patented features. CenterVue also has patented products, but CenterVue cannot be said to have such a dominating presence in their category as Icare.

The competitive product portfolios are strongly reflected in Revenio's financial development. The company was highly profitable (adjusted EBIT-% 2019e 29 %) and due to the low investment need, cash flow is both ample and growing. The risk level is moderate due to the defensive nature of the industry, as well as the strong competitive advantages of the company. Revenio also invests considerably into R&D to maintain its advantages on long-term (about 10 % of revenue).

In the long-term, we still find Revenio as a feasible acquisition target, as Revenio's product and technology portfolios could also be intriguing to a large health technology company. Probably competitors are also waiting for Revenio's patent shield to weaken in 2023, before investing in competing products.

Risk profile

Revenio's risk profile is exceptionally low for a growth company. The industry's rate of change is relatively slow, demand is defensive, and the product portfolio adequately diverse in the wake of the CenterVue acquisition. Revenue is also diverse, albeit the US accounts for over 40 % of sales. Profitability is at an exceptional level, the cost base is efficient, and the business model's working capital requirement is moderate. The company has also reached a development stage, where investors needn't carry significant risk on the success of new products. We find the central risks involved to be related to the success of the CenterVue acquisition going forward, and the longevity of the company's competitive advantages going forward as the patent shield weakens. The current valuation also reflects quite high expectancies towards HOME, so weaker than expected sales performance of the HOME device poses downside risk for the share value.

Key points to keep an eye on in the strategy

In our view, the key points on implementation of the strategy in the coming years are:

- Short-term growth and profitability are dependent on Revenio's ability to maintain and increase Icare and probe sales, as well as CenterVue's growth.
- Synergies sough from the CenterVue acquisition (5 % of revenue) being successful is central to the coming years earnings development.
- Changing the CEO. Revenio has developed exceptionally well under the leadership of the current CEO, and change is a bump in continuity.
- Success of Icare's HOME ramp-up is key to maintain Icare growth in the medium-term.
- Asthma and skin cancer devices' advancement to clinical trials and thereafter commercialization could result in the products' value realization.

Investment profile

1. **Strong track record in creating shareholder value and competence in equity allocation**

2. **Market growth strong, structural long-term growth drivers**

3. **Competitive products facilitate faster than market growth**

4. **Strong competitive barriers provide long-term protection from competition**

5. **Strong cash flow enables investments into long-term growth**

Potential

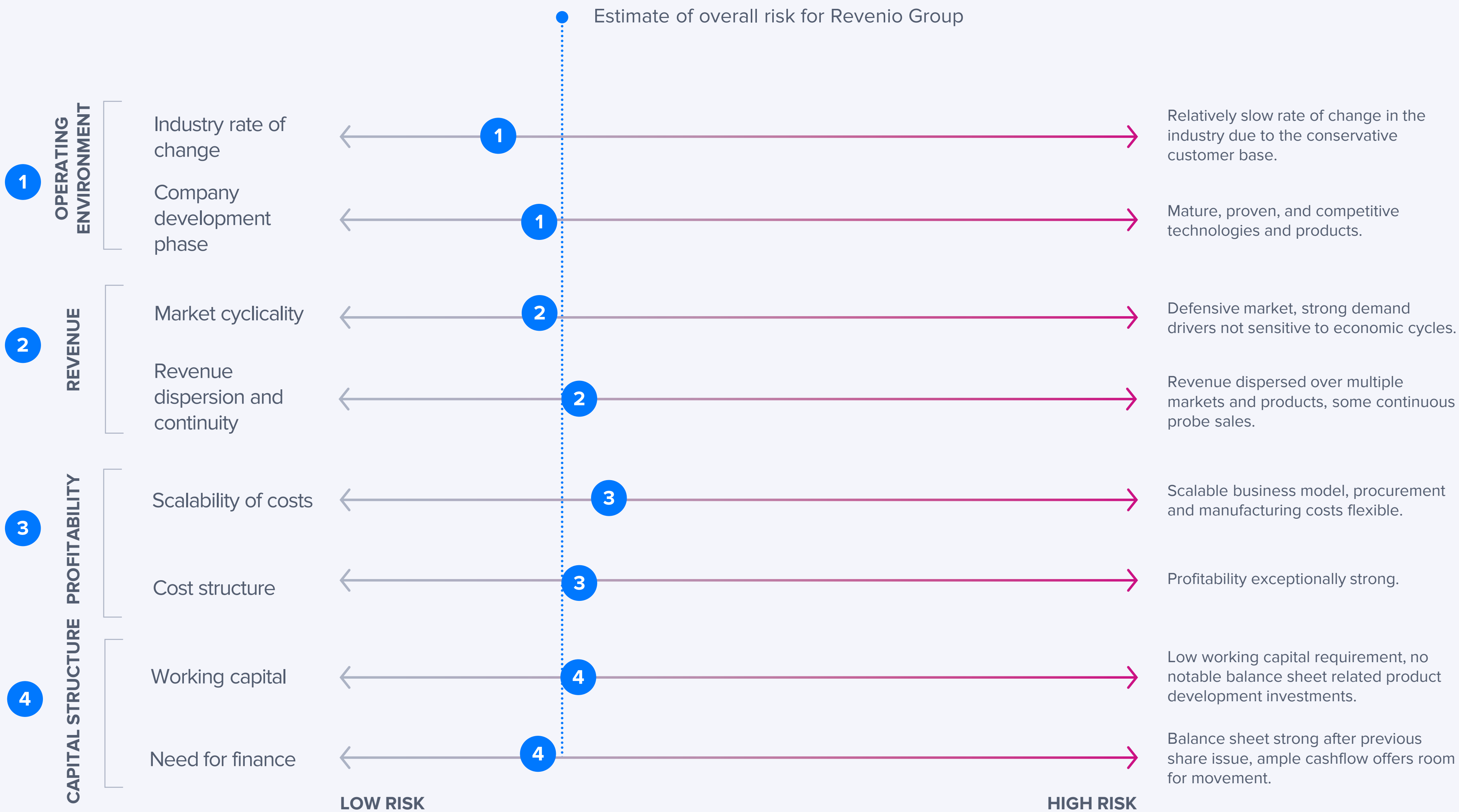
- Icare's devices continue to displace older products, growth potential still remains
- Icare HOME device success
- CenterVue strong development continuing
- Synergies achieved with the new entity
- Progress of development projects' (Cutica, Ventica) clinical evidence

Risks

- CenterVue acquisition integration success
- Patent protection for products weakening
- HOME device sales volumes remain small

Source: Inderes

Business model risk profile



Source: Inderes

Icare's business 1/6

Icare as a company

Company description

Icare Finland Oy, fully owned subsidiary of Revenio Group, sells and markets easy-to-use, handheld tonometers painless to the patient, which utilise the company's extensively patented rebound technology (RBT). The product and the technology are based on MD, general practitioner Antti Kontiola's invention in the 1990s. Tonometers are used for the screening of glaucoma as part of its diagnosis as well as for its follow-up. Illustrative of the industry is the fact that it has taken nearly 30 years for Icare's technology to be recognised and meet the industry standard. The growth of the company has been based on replacing old technologies (air-puff and applanation) in the use of ophthalmologists. In comparison to its competitors, Icare has been overwhelming in terms of accuracy, usability and cost. About two thirds of Revenio's revenue derives from Icare.

Main markets

Icare's end users and customers, in addition to ophthalmologists, are opticians, optometrists, general practitioners, first aid stations, nurses, and vets. The new HOME device extends the potential customers' base to include patients.

Icare's most essential market is the United States, which represents more than 40 % of the company's net sales. Europe's share is slightly under 30 %, and other markets cover over 30 %. The company has attained an established market position in many Western countries, and the growth is steady at about 10 %. The company has, however, also several relatively unexplored markets in developing countries, where growth is only at its early stages.

About 70 % of Icare's revenue is based on device sales, and the rest derives from disposable probe sales. The majority of volume comes from the ic100 device. We estimate that about 10 % of revenue comes from animal and laboratory devices (VET and LAB products). The impact of the HOME device is as of yet quite small, under 10 % in our estimates. On the margin side, device sales have a larger impact than probes, margins being >80 % and >60 % respectively.

Glaucoma and intraocular pressure measurement

Glaucoma is a symptomless eye disease, which in the present day is often detected by accident in an ophthalmologist's examination. Elevated intraocular pressure will unnoticeably damage the optic nerve, eventually also damaging vision. Glaucoma is one of the most imperative preventable causes of blindness. A prerequisite for preventing the disease from progressing to blindness is its early detection, as well as careful treatment and follow-up. According to various estimates, there are some 75 million glaucoma patients worldwide. The number of undiagnosed people and those suffering from glaucoma without knowing is estimated to be equal. The ageing population is the main growth driver, and the commonality of the disease is 4 % in over 65-year-olds. The number of patients is expected to double by the year 2050, which translates to 45 million new patients. The IOP measurement method RBT will have a globally significant role in in glaucoma screening, prevention, and treatment.

Business model

Icare has a very scalable business model, which can be operated with a light organisation. A significant part of the operation is produced by our partners while the company is concentrating on the core functions only. Continuity is brought into the business operating model by the sales of disposable probes.

We estimate the total production cost of Icare tonometers to be a couple of hundred euros in total depending on the model (ic100, ic200, PRO). On the new production lines, the cost of probes is in the range of slightly under 0.2 euros. According to our estimate, the average sales price of a tonometer into a distribution channel is slightly over 2,000 euros and approximately 0.5 euros for probes. This is to say that the gross margin of the whole of Icare is somewhere in the 80 % range. Device sales margins are slightly higher than probes.

Very high distribution channel margins are typical for health care devices. The average sales prices of Icare's devices to end customers have been in the range of 3,000 to 4,000 euros, and so the distributive trade margin is somewhere in the 40 % to 50 % range. There are, however, significant differences between countries and products. The high margin of the distributive trade is based on the distributor's critical role in the sales of the products and on the relatively low device volumes.

Icare's business 2/6

Probe sales offer continuity alongside device sales, and currently account for 30 % of sales. According to our estimate, an average Icare device in customer use uses about 250 probes annually. With an average price of 0.50 euros per probe, every device sold today will bring Icare approximately another 1,200 euros worth of net sales during its life.

Production, distribution, and development

The production of Icare's intraocular pressure measurements has been outsourced to subcontractors, but the company owns part of the production equipment itself.

Icare uses its own personnel for R&D and for managing the outsourced R&D service suppliers. With R&D, the company aims at strengthening its product portfolio and patent new features for its devices, as well as map out new applications for its RBT technology in other eye diseases' diagnosis.

Icare's products typically have their own country-specific distributors for each target group. For tonometers for humans, there is typically one distributor specialised in ophthalmologists and another in opticians. Tonometers for animal patients have their own distributors. In the United States, Icare has built a sales organisation based on independent sales representatives without a distributor, except for VET products. The goal is to achieve synergies between the mutually supplemental distribution channels between CenterVue and Icare.

Technologies and competitors

The generally approved IOP measurement standard is based on Goldmann's applanation method developed in the 1950s. The weaknesses of the method are the need to use anaesthesia for the eye, need of calibration (reliability dependent on the user) and the training required for using the devices. In addition to Goldmann's applanation, TonoPen based on applanation entered the market later on, which owing to its portability and small size, competes with Icare. During its lifetime, Icare has won market share especially from the TonoPen devices.

Out of the other technologies, Icare's main competitor currently is air-puff, an open technology which entered the market in the 1990s. Disadvantages of the air-puff method are its high price and need of maintenance, and the technology seems to be short lived due to failing to meet RBT technology in price, accuracy, size, and user experience.

Icare's tonometers, based on a patented technology and method, are based on the rebound tonometry technology. In practice, with this method a very small and light-weight probe touches the cornea very quickly, during which the device analyses the deceleration of the probe and the speed of its rebounding from the cornea. The central benefits of the technology are 1) painless for the patient (no anaesthesia), 2) quick measurement 3) ease of use and easy to learn to use (no calibration, easy to maintain) and 4) small size and portability of the device. Icare's technology has in several studies been found to achieve or surpass the accuracy of the standard of the field, the Goldmann method. According to some estimates, it is even more reliable than the Goldmann method, since the device doesn't require any calibration or thorough training of the user when sold to other users aside from ophthalmologists. In the development curve of IOP measurement technologies, Icare is now displacing methods based on applanation and air-puff in developed countries, and in many developing countries, Icare is jumping directly over applanation and air-puff.

Icare's most important competitors are large device manufacturers typically with an extensive product offering in the area of eye diseases. One of the players is e.g. the German Reichert (owner Ametek, NYSE: AME), the British Keeler (owner Halma Plc. LSE: HLMA) and the Japanese Topcon (TSE: 7732). These manufacturers are making devices based on both applanation and air-puff. There are also numerous other competitors in the market which manufacture devices based on both applanation or air-puff. When looking at the competing devices, it is important to notice that IOP measurement may often be just one supplement in the device entity delivered to an ophthalmologist, the price of which may rise to tens of thousands of euros. If the ophthalmologist had to use anaesthesia for the eye in the examination in any case, it would be natural to use applanation, Icare's device being obsolete in this case. Despite this, Icare's tonometer may still be used by an ophthalmologist as a parallel device.

Patents and competitive protection

Icare's technology is protected by over 20 patents which are related to method and mechanics. A core patent in the US expired in 2019, one which enables a similar product to the TA-01 to enter the market. We believe that competitors would have already entered the market with a competing product, if they would have decided to use this opportunity.

Intraocular pressure measurement technologies

Evolution of IOP measurement

Icare compared with other technologies

Features	Icare	TonoPen applanation	Topcon air-puff	Reichert air-puff	Goldmann applanation
Price range	€2,200–4,000	€1,800–3,000	€6,000–9,000	€4,500–9,000	€200–1,200
Accuracy*	+/-1.2–2.2	+/-1.8–3.1	+/-4	+/-4	0
Portable	Yes	Yes	No	No	No
Calibration	No	Yes/No	Yes	Yes	Yes
User training	5 to 10 min	<30 min	<20 min	<20 min	> 2 weeks
Patient's experience	Painless	Unpleasant (anaesthesia)	Unpleasant (air-puff)	Unpleasant (air-puff)	Unpleasant (anaesthesia)

*compared to Goldman measurement

Source: Icare, Inderes

Icare’s business 3/6

In other markets, Icare’s patent protection extends to 2023-2025, which we see as the first realistic timeframe for competing RBT devices to enter the markets. Icare has however continuously extended its patent protection by patenting new features, meaning that the upcoming expiry of patents will not allow copying of some features of next generation products (ic100 and ic200). We expect that competition within the RBT technology will lead to weakened growth, but will not lead to price erosion as the customer base is not very price sensitive.

Icare’s central features providing competitive protection besides patents are IPR related to the technology, brand, quality, regulatory approval, distribution channels, and the high threshold for doctors to implement new methods. The method with which Icare devices calculate the result is also an in-house algorithm, meaning that duplication of the device and results is virtually impossible, even after the patents expire. The company has built up a reputation with its high quality and reliability amongst ophthalmologists and within its distribution network, which are also key competitive features. Regulatory approvals are also slow, costly, and painstaking processes. We don’t expect the Rebound technology to have a competing technology generation for the next decade. It is much more likely, that competitors will bring Rebound based products to the markets after the patent protection expires. These players would also have distributions networks set in place as well as strong brands.

HOME product

Self-measurement as a new category

The HOME product, meant for self-measurement by the patient, will be opening a wholly new market for Icare, by utilising existing technology and clientele of the company. The device has been on the market since 2014, after which regulatory approvals have been applied for and recognition has been built for the product. In the United States, the sales permit was granted first in early 2017.

The idea of the HOME product is based on the follow-up of intraocular pressure as a time sequence, which is based on measurements made by the patient at home. The intraocular pressure typically varies throughout the day and is at its highest at night. This way, a more thorough diagnosis can be achieved, and the doctor is able to have better feedback on the effectiveness of given medication.

In the HOME product concept, the doctor will first lend the device to a patient who can then use it for measuring IOP at home. In the future, the results can be sent to the treating doctor through a cloud-based service. With the help of home measurement, the patient's intraocular pressure can be monitored as a time sequence at different times of the day. In addition, in this way the patient can avoid the often expensive hospital visits.

We estimate that the sales volumes of the HOME device have been in the hundreds in the last few years, as the majority of sales has been single unit sales mainly for evaluation purposes. Volume growth is therefore dependent on home measurements gaining popularity, at which point a single clinic could order a batch of the devices. A notable achievement for HOME was reached in 2019, when Medicare approval was granted in the US, meaning that home measurements are now covered by insurance. This will make lending the devices to patients highly profitable for clinics, as the billable potential increases significantly for a given glaucoma patient. Currently the insurance coverage is 20 USD single payment, monitoring 52 USD per month, and rent 64 USD per month (at least 16 days patient usage). These should act as strong incentives for doctors to activate in home measurement.

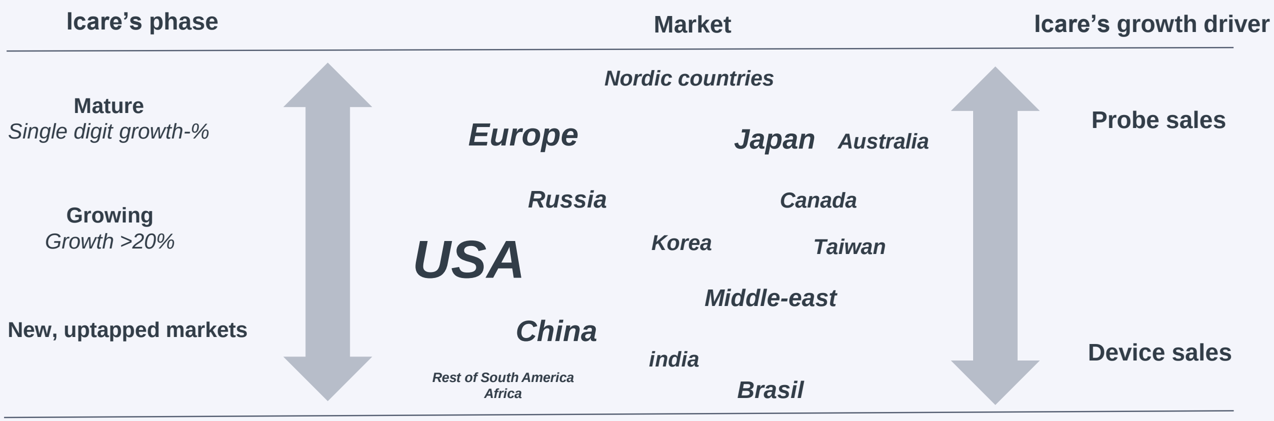
HOME growth drivers

The HOME ramp-up is a multiyear process, where Icare creates a market for its product. HOME has vast long-term potential and it could in the best case surpass the regular devices business. Growth drivers for HOME are:

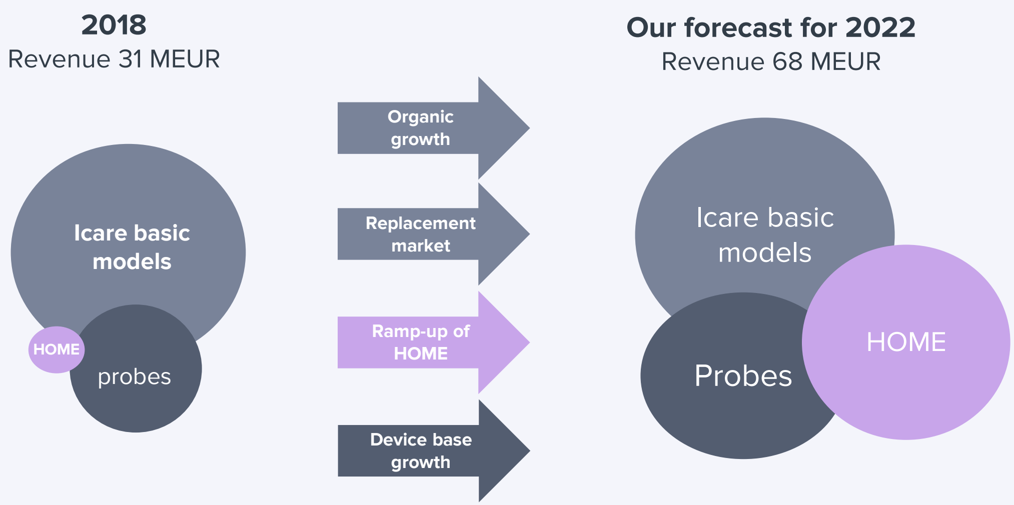
- Sales potential for a single ophthalmologist or clinic is multiplied compared to the regular devices, as they are purchased to be in patient rotation. Instead of a single device, batches of 5-10 devices should be the norm.
- A much larger device base in home usage, meaning larger sales volumes.
- Home use will lead to many more devices breaking, leading to larger volumes.
- Home measurement means more frequent measurements, which means more probe sales.
- Communication between the doctor and patient is through Icare’s Cloud service, which strengthens competitive protection and customer loyalty. The cloud service also gathers the measurement data , which gives Revenio new options in glaucoma treatment and research.
- Patients can also purchase the device for themselves.

Icare's market and growth drivers

Icare's markets and their growth drivers



Icare's growth drivers by product segment



Icare's business 4/6

HOME competitors

Other player have also recognised the market potential in continuous IOP measurement. At least two competing technologies have emerged, which are doing partially the same as Icare HOME. According to our research, neither of these have managed to penetrate the market, despite years of trying.

The main competitor is the Swiss Sensimed, whose tonometer Triggerfish is based on a contact lens, which is constantly monitoring intraocular pressure. In addition to the contact lens, a receiver needs to be attached around the patient's eye and another device placed hanging on the neck. Sensimed's advantage compared to Icare is that it can monitor intraocular pressure as a smooth and frequent sequence of samples and in any posture by the patient. The results are analysed by using Sensimed's own software. The product has an FDA sales permit in the United States (2016).

Sensimed's challenge compared to Icare is that it only measures changes in IOP, but it doesn't determine the pressure in millimetres of mercury, which is the measurement standard. Thus, the results of the device cannot be compared, for example, with Goldmann, which represents the industry standard, posing a challenge for the interpretation of the results. The expense of using the device is also high compared to Icare. Sensimed's benefit to Icare has been that the company has put significant resources in the promotion of research related to IOP monitoring, which has contributed to the creation of market demand among Icare HOME's clientele.

In addition to Sensimed, German Implandata is developing an implant named EyeMate for IOP monitoring. The technology is based on a surgically placed implant in the eye, which makes it a very expensive solution. The product does not have an FDA approval, but they received a CE marking for their newest generation device. Our understanding is that EyeMate has not reached a significant commercial phase.

Market potential

Basic devices' market potential

The market potential for IOP measurement devices is based on the 75 million people known to suffer from glaucoma, with another 75 million estimated to suffer without knowing. The current sales growth is based on ousting older generation competing technologies, especially in ophthalmologists' treatment, monitoring and diagnosis. The screening itself and screening mechanisms gaining more footing in society, open broader and broader user groups for the devices, such as opticians, general practitioners, and nurses. Glaucoma treated at home and IOP monitoring by the patient also opens up a completely new and significant market potential.

In glaucoma treatment, Icare has on some specific markets, such as in the Nordic countries, taken over the entire market. In other key markets, Icare still has a lot of growth potential based on superseding the older generation technologies.

Icare as a pioneer will command a large portion of the market potential in the future, but the current 100 % market share due to the patent protection for Rebound technology will crumble at some point. In the long-term, it is realistic to expect that the market will be shared by competing rebound based devices from other manufacturers.

Icare's markets are divided roughly into three segments, depending on their development phase.

- In the most mature markets, such as Japan and the Nordics, our understanding is that growth is single digit. These markets rely heavily on sales of replacement devices and probes.
- Many of the larger countries (e.g. USA, France, Germany, UK, South Korea, Russia, and Australia) still offer markets to conquer and saturate, growth being double digits.
- Icare also has some quite virgin markets in many developing countries, which offer substantial growth opportunities. These markets include China, Brazil, and India. Especially in China, the company is starting to experience strong growth after late market entry.

In the growing markets, Icare's main growth driver is device sales. On mature and stabilized markets, a growth driver is also probe sales, which follows device sales with delay.

Icare's business 5/6

We estimate Icare's rebound technologies' compound market potential (excluding HOME) to be about 100-200 MEUR in the long-term (2019e revenue 35 MEUR). We estimate that Icare sales on the mature domestic market is about 1000 EUR annually per ophthalmologist. There are about 200 000 ophthalmologists globally, and with a 50 % market penetration rate estimate for RBT technology, the potential would be 100 MEUR. We further estimate that other user groups, such as optometrists/opticians and general practitioners, represent a long-term potential equal to that of ophthalmologists. We estimate that about 22 million measurements with Icare devices will be performed this year (probe usage estimate 2019e). When compared to the number of glaucoma patients (75 million) and need for global screening, we can arrive at the same conclusion that the market is still at an early phase of development. We emphasize that the calculations are rough estimates, aimed mainly at helping grasp the global market, and also illustrate how large a portion of the market Icare has already been able to conquer.

Market potential of devices used at home

When a patient is diagnosed with glaucoma, it is essential to monitor the IOP constantly as part of the treatment, in order to prevent the disease proceeding and getting the medication on point. Icare HOME offers an easy and cost-efficient solution to IOP monitoring.

The business model of the HOME device is the following: the ophthalmologist purchases multiple devices, which are then loaned to the patient. The devices are then rotated amongst the patients. Due to this, the volume potential is a multiple to that of the basic devices. The volume is, however, largely dependent on how universal a method home measurements will become.

HOME's sales potential is therefore quite difficult to estimate at this time. Potential users are all of the 75 million diagnosed patients, which translates to tens of million in potential revenue, from probes alone. Due to the early development stage of HOME, we do not find it feasible to estimate the market size just yet, but note that it is similar in size to that of Icare.

Icare's estimates and valuation

Estimate model

We estimate Icare's sales on three parameters: basic device sales, HOME device sales, and probe sales. Device sales are estimated through median prices (sales price to distributors). Probe sales are estimated through the installed base size, natural attrition, and average probe expenditure. The estimate model is based on individual information relayed by the company which are compiled to form a bigger picture, so many of the underlying assumptions are rough.

Tonometers

In our estimates, we expect device sales growth to be in the 8-9 % region in 2019-2022. Devices sales growth is supported, in addition to the market growth, by replacement of older devices driven by ic100, ic200 device sales, and growing maidenly markets such as China. We expect to see median prices of 2050 EUR remain stable for the coming years, as price erosion is minimal due to the patent protection.

Icare's probe sales are strongly dependent on device sales. Probe sales have for some time now grown faster than device sales, due to historical device sales and higher usage rates. We estimate that currently a single sold device uses about 250 probes annually, which means about 22 million measurements this year. We estimate the median price for a single probe to be about 0.5 EUR (ASP to channel), even though we believe that the company could transfer the margins more towards probes from the devices. We expect to see probe sales increase by 19-26 % in 2019-2022, based on growth of the installed device base, higher usage rates, and the impact of the HOME device base growth.

HOME devices

HOME is the most challenging part of the estimates, as the ramp-up speed of a new product and concept is hard to simulate. Thus far, revenue has been low (estimate 1-2 MEUR annually), but the reception and interest towards the device has been encouraging.

Icare's business 6/6

We expect HOME to sell about 2000 units this year, and increase substantially to about 4500 next year, due to the Medicare coverage approval received this year in the US. In 2024, we expect sales to further increase to 14000 units, which corresponds to about 21 MEUR revenue and about a third of total revenue. We have estimated the median price at 1500 EUR.

Revenue and result

From combining device sales, HOME sales, and probe sales, we estimate Icare revenue to increase by 16 %, 20 %, 27 % and 27 % in 2019-2022. The accelerated growth is based especially on HOME and probe sales, as we expect the basic devices sales' growth to be under 10 %. Therefore without HOME, the growth for the coming years would be a meager 10 %. In our estimate Icare will reach 68 MEUR revenue in 2022, of which basic devices account for 39 % (estimate 2018: 62 %), probes 30 % (2018: 31 %), and HOME 31 % (2018: 6 %).

Icare's profitability (EBIT-%) has risen to near 40 % in recent years. Due to the extremely scalable business model, we expect it to increase further in the coming years, but thereafter normalize to about 30 % when the protection from competition weakens after 2023. Cash flow is very close to the operating profit, due to the low working capital requirement of the business model.

Valuation

Our valuation reflects Icare as a separate entity from Revenio, and Icare's value is that which Revenio would receive, should Icare be sold. We approach the valuation through DCF and peer group analysis. We weight the different valuation methods by DCF 40 %, 2019e multiples 20 %, and 2020e multiples 20 %.

Icare's peer group is currently priced with 27x-25x P/E figures and 23x-21x EV/EBIT multiples for 2019-2020e. Using the earnings estimates as the base, the company value is between 306-381 MEUR, with the mean of the different multiples being 343 MEUR.

The DCF model is a good approach to the valuation of Icare, as the company produces a very steady cash flow, with the income and cash flow going hand-in-hand. The model expects the income to peak in 2023, after which the profitability evens out in the wake of the weakened protection from competition. We have used 6.9 % for WACC, which reflects relatively stable, defensive, and predictable cash flows. The DCF value for Icare is 440 MEUR. The value fluctuates between 359-558 MEUR when WACC is adjusted +/- 1 % percentage points.

With a weighted average, Icare's value is 388 MEUR, which corresponds to about a 34x P/E figure and a 27x EV/EBIT figure in the 2019 estimate.

Icare revenue estimate

Icare tonometers (TA-01, ic100 VET, ic200)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Device sales pcs.	5250,0	6000	6700	7250	7850	8700	9500	10308	11235	12134	13105
Average price	1650,0	1750	1790	2020	2050	2050	2000	2050	2050	2050	2050
Revenue - devices MEUR	8,7	10,5	12,0	14,6	16,1	17,8	19,0	21,1	23,0	24,9	26,9
Installed base / tonometers	30.000	35.100	40.747	46.775	53.221	60.325	68.015	76.282	85.229	94.806	105.066
Natural attrition		3 %	3 %	3 %	3 %	3 %	3 %	3 %	3 %	3 %	3 %
Icare HOME	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019e**	**2020e**	**2021e**	**2022e**
Device sales pcs.			250	400	700	750	1400	1900	4000	8500	14000
Average price			1250	1250	1250	1400	1400	1500	1500	1500	1500
Revenue - devices MEUR			0,3	0,5	0,9	1,1	2,0	2,9	6,0	12,8	21,0
Installed base / HOME			250	648	1335	2004	3244	4885	8494	16314	29009
Natural attrition			0 %	1 %	2 %	6 %	8 %	8 %	8 %	8 %	8 %
Probe sales	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019e**	**2020e**	**2021e**	**2022e**
Installed device base	30.000	35.100	40.997	47.422	54.556	62.329	71.259	81.167	93.723	111.120	134.076
Probe sales per device	167	175	193	205	225	245	260	270	275	280	290
Probe average price EUR	0,5	0,5	0,5	0,5	0,5	0,52	0,52	0,52	0,52	0,52	0,52
Probe sales million pcs.	5,0	6,1	7,9	9,7	12,3	15,3	18,5	21,9	25,8	31,1	38,9
Revenue - probes MEUR	2,4	2,9	3,7	5,0	6,3	7,94	9,6	11,4	13,4	16,2	20,2
Icare combined	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019e**	**2020e**	**2021e**	**2022e**
Revenue - Tonometers	8,7	10,5	12,0	14,6	16,1	17,8	19,0	21,1	23,0	24,9	26,9
Revenue - HOME	0,0	0,0	0,3	0,5	0,9	1,1	2,0	2,9	6,0	12,8	21,0
Revenue - Probes	2,4	2,9	3,7	5,0	6,3	7,9	9,6	11,4	13,4	16,2	20,2
Icare revenue combined	11,0	13,4	16,0	20,2	23,3	26,8	30,6	35,4	42,4	53,8	68,1
	11,0										
Key figures	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019e**	**2020e**	**2021e**	**2022e**
Tonometers volume growth-%	-	14 %	12 %	8 %	9 %	11 %	10 %	9 %	9 %	8 %	8 %
HOME volume growth-%	-	-	-	60 %	75 %	7 %	87 %	36 %	111 %	113 %	65 %
Probe sales volume growth-% (EUR)	-	23 %	29 %	35 %	26 %	26 %	21 %	18 %	18 %	21 %	25 %
Tonometers sales share-%	79 %	78 %	75 %	73 %	69 %	66 %	62 %	60 %	54 %	46 %	39 %
Probes sales share-%	21 %	22 %	23 %	25 %	27 %	30 %	31 %	32 %	32 %	30 %	30 %
HOME sales share-%	0 %	0 %	2 %	2 %	4 %	4 %	6 %	8 %	14 %	24 %	31 %
Revenue growth	22 %	22 %	20 %	26 %	15 %	15 %	14 %	16 %	20 %	27 %	27 %

Source:realized figures are based on assumption by Inderes

Source: Inderes

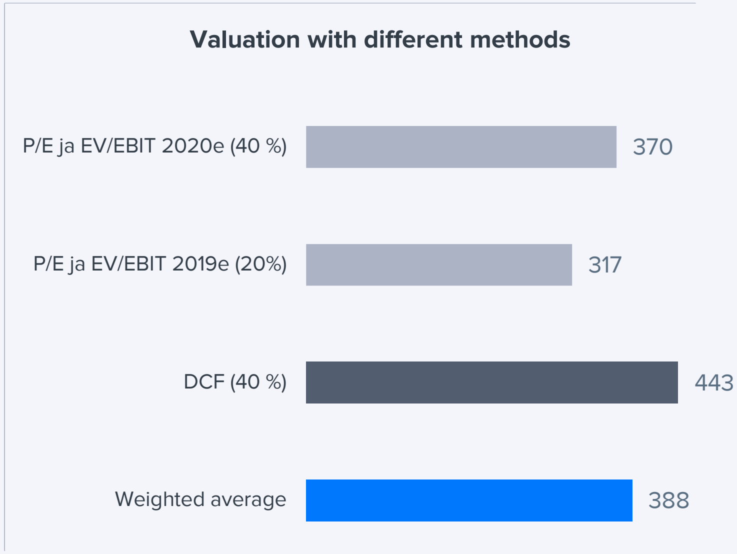
Icare valuation

DCF model	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	TERM
EBIT (operating profit)	**14,2**	**17,8**	**21,5**	**26,6**	**29,8**	**31,9**	**32,1**	**33,7**	**30,0**	**29,8**	
Operating cash flow	**11,9**	**14,5**	**17,3**	**21,3**	**24,5**	**26,6**	**27,2**	**28,7**	**25,9**	**25,9**	
- Gross CAPEX	-0,8	-1,4	-2,0	-2,5	-2,5	-2,6	-2,6	-2,5	-2,6	-2,5	
Free operating cash flow	**11,1**	**13,1**	**15,3**	**18,8**	**22,1**	**24,0**	**24,6**	**26,3**	**23,4**	**23,4**	
Discounted FCFF	**11,0**	**12,1**	**13,2**	**15,2**	**16,7**	**17,0**	**16,3**	**16,3**	**13,6**	**12,7**	**299**
Sum of FCFF present value	443	432	420	407	391	375	358	341	325	311	299
Enterprise value DCF	**443**										
- Interesting bearing debt	0,0										
+ Cash and cash equivalents	0,0										
Equity value DCF	**443**										

Wacc	
Weighted average cost of capital (WACC)	**6,9 %**

Source: Inderes

	EV/EBIT		P/E	
Icare valuation based on peer group	2019e	2020e	2019e	2020e
Variable: Icare	**14,2**	**17,8**	**11,3**	**14,3**
x peer group multiple	23,1	21,4	27,0	25,0
+/-net debt	0,0	0,0	0,0	0,0
Value of equity	327,5	381,0	305,9	358,2



Source: Inderes

CenterVue's business 1/2

Company description

CenterVue, acquired by Revenio in 2019, is a 2008 established Italian company. They are focused in ocular pathologies' diagnosis and treatment, specialized in retinal imaging. The company's devices use the confocal imaging method, where a colored and extremely accurate retinal picture helps with correct diagnosis, treatment, and monitoring of the disease. With retinal imaging, we can diagnose, manage, and prevent many eye diseases, such as diabetic retinopathy, glaucoma, and macular degeneration. The core strengths for the company are the wide product portfolio for the aforementioned ailments, as well as technological capability in this field.

CenterVue's product family covers four segments: 1) glaucoma diagnosis, 2) macular degeneration diagnosis and treatment, 3) diabetic retinopathy (DR) diagnosis and monitoring and 4) cataract diagnosis. Therefore, Revenio's glaucoma-based product portfolio has extended to cover multiple eye diseases.

From the treatment point of view, CenterVue's product family covers everything ranging from patient centric screening to diagnosis and treatment. The DRS devices are mostly to help opticians with screening, whereas the slightly more expensive Eidos and Compass product families help ophthalmologists diagnose and treat patients. The Maia device is advantageous in supporting treatment. When combined with the Icare product portfolio, the broader product family covers everything in age related eye diseases including diagnosis, screening, and treatment. Especially concerning glaucoma, the company can offer a truly one stop solution.

Markets

CenterVue's markets' main growth drivers have to do with glaucoma, macular degeneration, diabetic retinopathy, and to some extent, cataracts commonality. The cohesion amongst these is the ageing population.

For glaucoma, the growth drivers are the same as for Icare. For diabetic retinopathy, growth is driven by the need for diabetics to have their eyes examined regularly, which requires a vast amount of examinations. The driver here is diabetes becoming more common. Currently, there are 415 million people with diabetes, of which 35 % suffer from diabetic retinopathy. The number of diabetics is expected to increase to 642 million by 2040.

Currently, 196 million people suffer from macular degeneration, and the figure is expected to increase to 288 million by 2040. The growth driver here for CenterVue is that the FDA has started to require pharmaceutical companies to validate the effectiveness of treatments, which requires the pharmaceuticals to invest in measuring apparatus.

CenterVue's long-term potential is increased by the fact that retinal imaging can lead to discovery of other diseases as well as the technology advances, but the market is at a very early stage on this part.

The retinal imaging equipment market is globally about 750 MUSD (Market Scope). The US is prominent, with 40 % of CenterVue's revenue derived there. Like Icare, CenterVue has a sales office in the US. Therefore, marketing and sales can be organized mutually beneficially. The retinal imaging devices market is expected to grow by about 10 % annually until 2022 (Market Scope).

CenterVue's key customer segments are ophthalmologists, optometrists, and opticians. Like Icare, the ophthalmologists are the main customer group. CenterVue also has substantial growth potential in sales to pharmaceutical companies, as they need new measuring equipment to comply with the clinical evidence required by the regulatory officials. Due to the company expecting short term revenue to be more cyclical, we believe that they are negotiating a large contract with a pharmaceutical company in regards to the Maia product.

Business model

CenterVue offers its products to opticians for screening purposes (basic products such as DRS), and more demanding and expensive products for ophthalmologists' use. The end user price range is between 12 000 to 40 000 EUR. As part of a larger installation, a service package can also be offered, but recurring revenue is small. The installed device base is over 7 000 units.

CenterVue's business model 2/2

Like Icare, CenterVue's production in outsourced and the companies aim to achieve significant cost synergies. CenterVue's gross margins are in the 62 % region, whereas Icare has gross margins of about 75 %. This reflects the more competitive nature of the retinal imaging market.

CenterVue operates in the US with its own sales organization, and elsewhere through distributors.

Technology and competitors

CenterVue's technological lead in confocal imaging in protected by over 20 patents, and the company has numerous applications pending. Like Revenio, the company has invested about 10 % of revenue into product development.

CenterVue's key competitive strengths are related to ease of use, imaging accuracy, and speed. The customers' purchase decision is often driven by the difficulty to use and inadequate image quality of older devices. Due to the fast development pace in imaging technologies and the competitiveness of the market, maintaining a competitive edge requires increasingly better quality, lower prices, and more efficient manufacturing. Therefore CenterVue's advantages are not as strong and long lasting as Icare's.

CenterVue's largest competitors are for instance Topcon, Heidelberg Engineering, and Carl Zeiss Meditec.

Growth drivers and synergies in the acquisition

From Revenio's point of view, we believe the central benefits of the acquisition are the following:

- CenterVue positions into a growth market. Retinal imaging device sales are expected to grow annually by 10 % until 2022. The Optician chains' market is growing, and large optician chains are investing in screening devices.
- Cross selling with Revenio, as CenterVue and Revenio distribution channels complement each other.
- Revenio and CenterVue can service their clientele with a broader offering. Merging facilitates offering comprehensive solutions and packaging products together.
- Mutually beneficial and complementary product development.
- Revenio offers CenterVue knowhow and competence in component procurement, as well as in increasing manufacturing efficiency.

Estimates and valuation

CenterVue is very profitable and growing fast. Revenue last year was 18.6 MEUR and EBIT 3.9 MEUR (Revenio 30.7 MEUR and 10.2 MEUR). CenterVue's revenue growth has been 26 % on average between 2014-2018, and the operating profit margin last year was 21 %. The company has not activated any R&D expenditure, and we understand that the product portfolio is extensive, as well as recently renewed. Judging by H1'19, CenterVue has continued on the strong growth path after the acquisition as well.

We expect CenterVue's revenue for 2019 to be 21.4 MEUR, with 15.4 MEUR recognized as Revenio's revenue, for the 8 months CenterVue has been a part of Revenio. Our estimates for the coming years are cautious at this point, as visibility into CneterVue's growth is limited. We expect revenue to increase by about 8 % annually and reach 27 MEUR in 2022. We expect the operating profit to be between 21-23 % in the coming years.

We value CenterVue with EBIT multiples. Our 2019 estimate is 4.5 MEUR EBIT, and we use 15 % discount compared to the peer group multiple of 23x. This way, the valuation multiple accounts for the strong growth history and outlook. The potential synergy gains (2.8 MEUR) aimed at the next 1-3 years, we discount by 50 % due to uncertainty. Therefore, CenterVue's synergy gain inclusive value is 122 MEUR. Revenio acquired CenterVue for 59 MEUR, which in our view reflects a very affordable price (2018 EV/EBIT 15x). Our view on the value is clearly higher, as Revenio acquired CenterVue for such a good price, and additionally the synergy gains lead to strong value creation.

CenterVue's products and valuation

Glaucoma

Compass

DRS

Macular degeneration and other retinal diseases

EIDON

EIDON AF

EIDON FA

MAIA

Diabetic retinopathy

DRS

MAIA

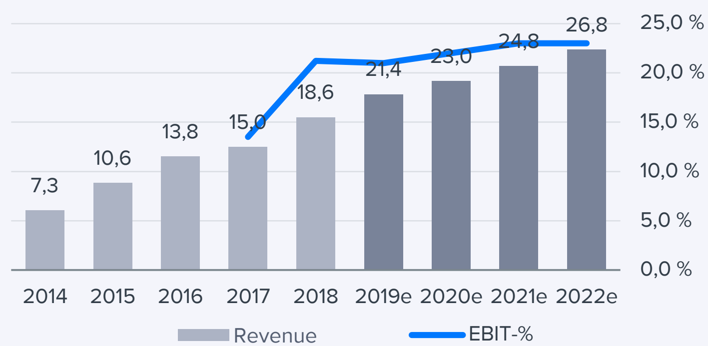
Source: CenterVue

Valuation

CenterVue	
EBIT 2019e	4,5
x Pricing multiple (-15 %)	20
Synergies MEUR	2,8
x Pricing multiple (-50 %)	12
=Enterprise value (EV)	122

Source: Inderes

Revenue and EBIT-%



Asthma device Ventica

Product

Ventica is a 2015 extension by Revenio into its product portfolio for children's asthma diagnosis. Ventica's idea is to introduce an accurate, easy-to-use, and portable device with the help of which the screening, diagnosis and follow-up of asthma in infants and small children will become considerably easier. The current measurement methods used for the evaluation of asthma symptoms, mainly spirometry, is not suitable for small children. With Ventica, chronic obstructive pulmonary disease (COPD) is measured during the child's sleep by measuring the respiratory flow profile. Ventica allows measurement during tidal breathing and sleep which, again, makes it possible to observe the daily fluctuation.

Ventica is based on a wholly new concept, which cannot be directly compared with any existing measurement method. This will make its market entry somewhat challenging. The benefit of the device is, however, that the flow-volume image is a familiar concept to doctors, making it easy to interpret.

Ventica's business operating model is, just as Icare's one, based on the sales of devices and disposable components. The measurement software and algorithm play a central role in the product. According to our estimate, the bulk of product development has already been completed. Ventica's technology and method have extensive patent protection until 2032–2033.

Development phase

Clinical evidence is currently being gathered to build a scientific foundation, as well as sales arguments and reference values on how to interpret measurement data. The product received a European sales permit (CE marking) in early 2017, after which clinical trials have extended.

Ventica is already generating small revenue for Revenio, but relevant revenue is expected in 3-5-years, at the earliest. The company is currently negotiating with potential distributors. Sales ramp-up speed and success are largely dependent on how fast the new concept is accepted by doctors. Commercialization has begun with the CE marking. After this, Ventica will aim to enter the US market, which is a more difficult process.

Competitors

Ventica's technology does not have any direct competitors, since the concept is a wholly new one. Therefore, the company needs to create its own market, which will make commercialisation of the technology more challenging. The current methods in the market for children's diagnosis require a trained personnel and anaesthesia for infants, and are time-consuming and expensive. Ventica's device does not pose any particular requirements for the doctor or the environment.

The closest comparison for Ventica is spirometry, which is generally used for measuring the functioning of the lung. There are plenty of devices in the market for the purpose. There is a growing interest in the field towards new technologies, because the current methods and technologies are very old. Spirometry is not suitable for the measurement of young children or infants. Ventica will therefore start from small children, where there is an instant need for the product.

Markets and market potential

Asthma is the most common chronic disease in children. Approximately 335 million people around the world suffer from asthma. About 20 % of children suffer from asthma-like symptoms, and 8 % of children under school age have asthma (source: Revenio/Ventica). This 20 % means that in Europe and in the US, 3 million children annually need the diagnostics. Similarly, the 8 % of children suffering from asthma corresponds to 3 million patients in need of continuous monitoring of the disease. Therefore, the market potential in Europe and in the US is tens of thousands of devices. Asthma is a global problem, meaning that Ventica's market is also global. The main markets are Europe, North America, Australia and China.

Asthma device Ventica

Estimate and valuation

Making forecasts and evaluation of Ventica is still very difficult at this stage, since we do not know the final sales prices or margin structure. In addition, it is difficult to estimate the ramp-up speed. Therefore, we will still have to lean on rough assumptions.

Ventica is now eventually progressing towards the commercial stage. According to our estimate, it will take at least 5 years from launch to reach a foothold in which the business will begin to generate significant sales in its main markets (EU, Australia, US). We don't know the pricing of the device and nor its disposable components, but a probable comparison would be the EUR 1 000 price range of current spirometers, against which the product will probably be priced with a small premium. Thus, Ventica's sales of one million euros can roughly be assumed to correspond to the sales of 1 000 devices to the distributors.

Due to the limited information and visibility available, we will have to approach Ventica's value with very rough estimates. For the valuation, we estimate what Ventica's sales could be in 5 years in different scenarios, price the company with a sales multiple, and discount the value to the present day with a 15 % return requirement. The sales estimates we have applied are a pessimistic 3 MEUR, a neutral 6 MEUR, and an optimistic 9 MEUR. The corresponding sales multiples are 4x, 6x and 8x. With these parameters, we derive 18 MEUR as Ventica’s current value with a tolerance of 6 to 36 MEUR.

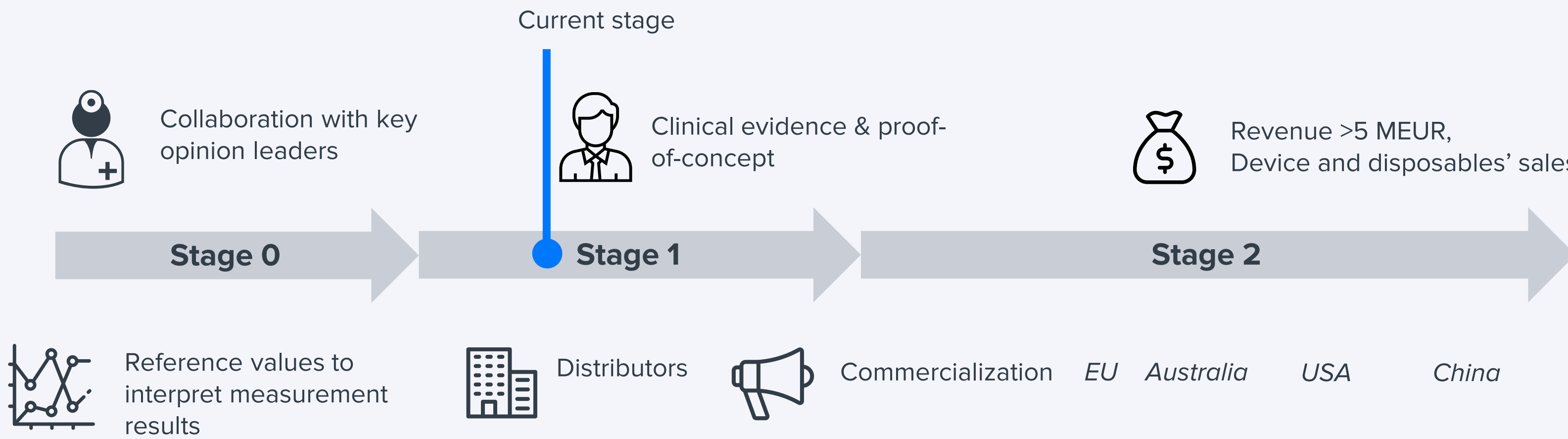
Should Ventica be successful, Ventica's potential (in a 10- to 20-year perspective) would be markedly higher, but in the current development phase, estimates need to be conservative. However, Ventica is markedly more valuable than Cutica, due to its development phase being clearly further.

In addition to the business value, Ventica's value can be approached from the viewpoint of the strategic value of the technology. Asthma medication is approximately a 20 billion dollar business for pharmaceutical companies globally. Ventica is attached to the early stage of the care pathway in diagnostics and small children, which is why it could have a significant strategic value from the viewpoint of pharmaceutical companies. Increasing cooperation in the medical business between pharmaceutical companies and manufacturers of diagnostic equipment (companion diagnostics) could also be the most probable and easiest route from Ventica's point of view for Revenio for the realisation of the technological value. The partnership would be natural, because Ventica as a device would help the pharmaceutical manufacturer receive information on the patient, with which the medication could be optimised and made to function more efficiently.

We consider cooperation with a pharmaceutical company as a more probable scenario than a one in which Revenio would try to build the distribution and sales virtually almost from scratch, as Revenio’s strengths are in eye diseases. The cooperation could be based on licensing or selling the whole technology to a pharmaceutical company. Due to Ventica's strategic role, Revenio could at best receive tens of millions of euros from Ventica, even before the product is generating any significant sales. This would, however, require Ventica to succeed in the forthcoming clinical trials, and be able to verify its value promise. We estimate that Revenio will patiently build up the clinical evidence, as the current development stage might not be optimal for divesting the technology.

Ventica's business

Ventica's development stage



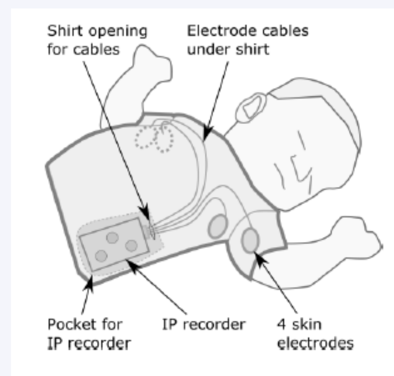
Source: Inderes, Revenio

Valuation

Ventica	Pessimistic	Neutral	Optimistic
Revenue 2024e	3	6	9
x Pricing multiple	4	6	8
Enterprise value 2024e (EV)	12	36	72
Required rate of return	15 %	15 %	15 %
Present value (EV)	6,0	18	36

Source: Inderes

Technology and concept



Source: Revenio

Skin cancer device Cutica

Product

In early 2015, Revenio extended its product portfolio by signing a licence agreement on hyper-spectral camera (HSC) technology for the diagnosis of skin cancer. The technology it uses has been developed by VTT, for which VTT grants licences for various purposes. In other words, Revenio has licensed the technology for the diagnosis of skin cancer. Revenio acts as a project manager in the development of the device, coordinating both its own and outsourced resources developing the product.

Cutica's idea is to bring a quick, easy-to-use, and portable screening device to help detect skin cancers and their premalignant lesions to the market. The methods developed so far do not always provide adequate accuracy for a reliable diagnosis. In addition, the specific location of melanoma cannot be observed with the current methods, which means that the progress of melanoma cannot necessarily be ceased by the first surgery. Early diagnosis is a critical factor in identifying skin cancer, which creates the need for reliable screening devices.

With the help of Cutica, it is possible to identify early cell changes and their edges when not yet visible to the naked eye or dermatoscope. The hyper-spectral camera can see underneath a mole and indicate the depth and extent of skin that needs to be excised in order to fully remove the tumour and avoid repeat surgery. With this device, the cancer and cancerous area can be positioned more accurately, giving security both to the doctor and the patient. In addition, in this way, surgery on healthy skin areas can be avoided.

Development stage

The first commercial version of Cutica has been released and is undergoing test measurements, but a CE marking or other regulatory approvals have not been applied for yet. It is our understanding, that Revenio will develop a newer version before regulatory approvals are sough. The next version will most likely utilize new technologies related to image analysis. After this, the device could advance to more thorough clinical studies. We estimate that it will be at least five years before Cutica will generate any significant sales for Revenio.

Competing technologies

Cutica can be compared with the dermatoscope, which is like a magnifying glass the doctor uses to examine the mole. Cutica offers a more accurate option for the purpose. Other technologies in the market dealing with the same concept include Vivascope, Melafind (disbanded 2017), SIAscope and Scibase, for example. The challenge of new technologies attempting to enter the market is to be capable of making a device which is sufficiently low-cost and accurate, sufficiently quick in providing results, and capable of imaging a sufficiently large area at a time. Revenio believes that its Cutica can achieve better performance than competitors in these competition factors.

Market and market potential

The potential market of skin cancer devices is even markedly larger than that of Icare or Ventica. The market potential is increased by the fact that melanoma is a lethal disease and rapidly becoming more common due to ageing population and increasing exposure to sunlight through an ever thinner ozone layer.

Approximately 2-3 million cases of skin cancer are diagnosed annually, of which 132 000 are melanoma (WHO). The largest markets are Australia, The United States and Europe. In the first target market in Europe, there are about 2,000 dermatological clinics suitable as potential buyers of the device. Dermatologists equal ophthalmologists in number globally (200 000).

Valuation

Cutica's business operating model is based on the device and the related software. Accurate sales prices and profit structure of the product are not known yet, which makes forecasting difficult. We find the product more risky than Ventica, since Cutica is at an earlier development stage and there are more entrepreneurs competing in the market developing similar concepts.

We value Cutica's technology in the range of 2- 10 MEUR, in which case our pessimistic scenario would more or less correspond to Revenio's investment in the technology. One of the technology peer group companies is Swedish Scibase, a listed company which is developing a similar solution. Scibase's net sales are less than a million, and it has an enterprise value of under 5 MEUR.

As with Ventica, a potential route for Revenio to commercialize the technology would be partnering with pharmaceutical companies. It would probably be wisest for Revenio to search for a partner or to sell the technology as a whole at some point.

Revenio estimates and valuation 1/2

Estimates

Earnings estimates

Our estimates for Revenio Group are based on the compilation of the previous estimates in the preceding chapters. The revenue derives mainly from Icare and CenterVue. Ventica and Cutica have little impact on revenue and earnings, as the products will not generate meaningful revenue in the coming years (2022e: 4 MEUR), but on the other hand, they will neither generate significant expenditure in the near future. Revenio has historically been cautious in recognizing salaries in activated R&D expenses, so depreciation will not have a material effect on earnings. The CenterVue acquisition formed a depreciable balance sheet item (PPA depreciation), which will be depreciated at 1.2 MEUR annually. We have revised this in the adjusted EBIT and EPS.

Revenio's current guidance is poor in information value. The company states 2019 net sales is expected to "show strong growth", and adjusted EBITDA is expected to be at "a good level". We estimate Revenio's 2019 revenue to increase 63 % to 50.1 MEUR (2018: 30,7 MEUR). We expect the organic growth (Icare) to be 13,7 % and revenue 34,8 MEUR. CenterVue revenue is estimated at 21.4 MEUR, of which 15.2 MEUR will be recognized (has been owned for 8 months) as Revenio's revenue. We expect the adjusted EBIT to increase to 12.7 MEUR (2018: 10.7 MEUR) and the adjusted earnings per share to be 0.46 EUR (2018: 0.34 EUR). We will also adjust the 2019 result with 3.4 MEUR worth of non-recurring expenses. These include the fees for the acquisition, financial arrangements, and the PPA depreciation for the year.

In 2020, we estimate sales to increase by 34 % to 67.0 MEUR with 22 % growth forecasted for Icare and the rest being CenterVue's full impact. Due to the scalability of both companies, we expect to see 2020 adjusted EBIT reach 21.2 MEUR (2019e: 14.3 MEUR), and the adjusted EPS to be 0.63 EUR (2019e: 0.46 EUR). Our estimates correspond to 39 % and 33 % growth respectively for the 2019 and 2020 earnings per share.

In our 2021 and 2022 estimates, Revenio's revenue growth is 22 % and 21 %, with profitability reaching 33 %. The company will reach 99 MEUR revenue and 33 MEUR adjusted EBIT, with adjusted EPS reaching 0.96 EUR in 2022. As a whole, this translates to about 30 % annual EPS growth for the years 2018-2022e.

In our long-term estimates, we expect revenue growth to even out incrementally in 2023-2025e to a 4 % level, and the operating profit margin to stabilize to about 30%.

Revenio is expecting up to 5 % synergy gains in procurement, manufacturing, and sales on a 1-3-year scope from the CenterVue acquisition. These are not yet reflected in our current estimates, as there are still many uncertainties related to the success of the integration, as well as costs that haven't been identified yet.

Balance sheet and cash flow

Revenio's balance sheet is strong after the share issue this spring. The equity-ratio at the end of Q2'19 was 53 % and gearing 18 %. In the wake of the CenterVue acquisition, about 50 MEUR worth of goodwill was formed, as well as 14 MEUR worth of intangible assets, but apart from those, the balance sheet is clean. The company has not activated noteworthy R&D expenses. Revenio made a share issue of 2.35 million new shares for the price of 18.00 EUR per share, with which the company collected 42.3 MEUR in cash before expenses. The new shares correspond to 8.9 % of shares after the issue. The subscription price offered a 4 % discount on the previous closing price. A positive side of the arrangement was, that it was communicated only after the acquisition had already been made public. The share issue price therefore already included some shareholder value created by the acquisition.

After the share issue, Revenio now boasts a 20.2 MEUR cash position, with the business generating 20 MEUR in operative cash flow annually.

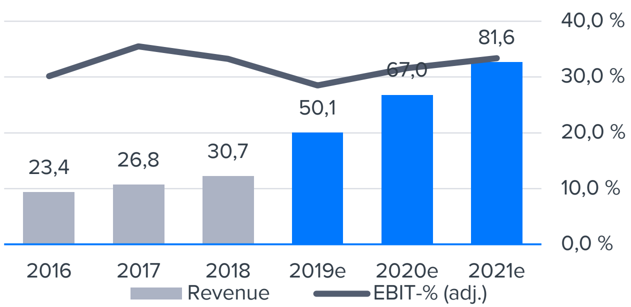
Estimates

Income statement	2016	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19	Q3'19e	Q4'19e	2019e	2020e	2021e	2022e
Revenue	**23,4**	**26,8**	**7,0**	**7,6**	**7,4**	**8,7**	**30,7**	**8,4**	**11,8**	**13,6**	**16,3**	**50,1**	**67,0**	**81,6**	**98,9**
Icare	23,4	26,8	7,0	7,6	7,4	8,7	30,6	8,4	8,0	8,3	10,1	34,8	42,4	53,8	68,1
Muut tuotteet	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,0	0,0	0,1	0,1	0,1	1,6	3,0	4,0
CenterVue	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	3,8	5,2	6,2	15,2	23,0	24,8	26,8
EBITDA	**7,7**	**10,2**	**2,2**	**2,6**	**2,7**	**3,2**	**10,7**	**2,9**	**1,4**	**3,4**	**5,1**	**12,7**	**22,3**	**28,4**	**34,0**
Depreciation	-0,7	-2,1	-0,2	-0,1	-0,1	-0,1	-0,5	-0,3	-0,5	-0,5	-0,5	-1,8	-2,3	-2,4	-2,5
EBIT (excl. NRI)	**7,1**	**9,5**	**2,1**	**2,5**	**2,5**	**3,1**	**10,2**	**2,8**	**2,7**	**3,9**	**4,9**	**14,3**	**21,2**	**27,2**	**32,7**
EBIT	**7,1**	**8,1**	**2,1**	**2,5**	**2,5**	**3,1**	**10,2**	**2,6**	**0,9**	**2,9**	**4,6**	**10,9**	**20,0**	**26,1**	**31,5**
Net financial items	0,1	0,2	0,0	0,1	0,0	0,0	0,1	0,0	-0,2	-0,2	-0,1	-0,5	-0,4	-0,5	-0,5
PTP	**7,1**	**8,3**	**2,1**	**2,6**	**2,5**	**3,1**	**10,3**	**2,6**	**0,7**	**2,7**	**4,5**	**10,4**	**19,6**	**25,6**	**31,1**
Taxes	-1,5	-1,4	-0,5	-0,5	-0,5	-0,7	-2,1	-0,5	-0,2	-0,6	-0,9	-2,2	-4,1	-5,6	-6,8
Minority interest	0,0	-0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net earnings	**5,6**	**6,8**	**1,6**	**2,1**	**2,0**	**2,4**	**8,1**	**2,1**	**0,5**	**2,1**	**3,6**	**8,2**	**15,5**	**20,0**	**24,3**
EPS (adj.)	**0,23**	**0,30**	**0,07**	**0,09**	**0,08**	**0,10**	**0,34**	**0,09**	**0,09**	**0,12**	**0,15**	**0,46**	**0,63**	**0,80**	**0,96**
EPS (rep.)	**0,23**	**0,29**	**0,07**	**0,09**	**0,08**	**0,10**	**0,34**	**0,08**	**0,02**	**0,08**	**0,14**	**0,32**	**0,59**	**0,76**	**0,92**

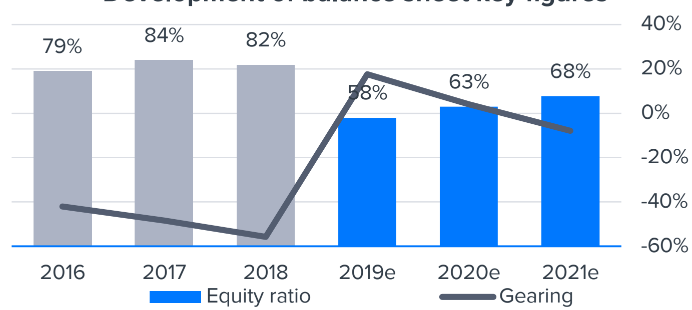
Key figures	2016	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19	Q3'19e	Q4'19e	2019e	2020e	2021e	2022e
Revenue growth-%	15,7 %	14,3 %	15,9 %	13,4 %	14,8 %	14,3 %	14,6 %	20,9 %	55,1 %	84,2 %	86,8 %	63,4 %	33,8 %	21,8 %	21,1 %
Adjusted EBIT growth-%		34,7 %	24,0 %	10,4 %	3,0 %	-0,6 %	7,3 %	35,5 %	7,7 %	52,1 %	59,2 %	39,9 %	48,5 %	28,6 %	20,2 %
EBITDA-%	33,0 %	38,1 %	32,2 %	34,3 %	36,2 %	36,7 %	35,0 %	34,1 %	11,7 %	24,8 %	31,1 %	25,3 %	33,3 %	34,8 %	34,4 %
Adjusted EBIT-%	30,1 %	35,5 %	30,1 %	33,0 %	34,4 %	35,1 %	33,3 %	33,7 %	22,9 %	28,4 %	29,9 %	28,5 %	31,6 %	33,4 %	33,1 %
Net earnings-%	24,0 %	25,6 %	23,6 %	26,9 %	27,5 %	27,8 %	26,6 %	24,6 %	4,1 %	15,6 %	21,8 %	16,4 %	23,0 %	24,5 %	24,5 %

Source: Inderes

Revenue and EBIT-% development



Development of balance sheet key figures



Revenio estimates and valuation 2/2

Valuation

Valuation multiples and peer group

We approach Revenio's value through valuation multiples, the sum of parts method, and the DCF model. The majority of value is still based on Icare, for which a separate valuation has been presented previously in this report. Acceptable valuation is supported by the well-founded core business, and related strong growth drivers. The most prominent long-term value creation potential is in our view with the HOME device, CenterVue synergies, and in the Ventica product.

Sum of parts calculation

In the sum of parts calculation, we estimate the different parts of Revenio as single entities, and then compile them together. The calculation yields a 521 MEUR valuation, which translates to a 19.7 EUR share price. The value is divided between Icare 387 MEUR, CenterVue and synergies 122 MEUR, Ventica 18 MEUR, Cutica 6 MEUR, and net cash -12 MEUR. From this point of view, the current share price doesn´t offer substantial upside for the stock. A significantly higher valuation than the sum of parts calculation could come into play, should Revenio manage to build CenterVue and Icare into a uniform entity, and capitalize on the merging synergies.

Valuation multiples and peer group

For Revenio, we will apply a similar peer group as with previous Icare valuations. The prominent valuation multiples are EV/EBIT and P/E multiples. In light of our estimates, Revenio's EV/EBIT multiples for 2019-2020 are 36x and 24x, which are about 57 % and 13 % above the peer group. The corresponding P/E figures are 41x and 31x, which are about 50 % and 22 % above the peer group. The higher than average multiples are justified by the strong earnings growth. The valuation multiples are high in absolute terms, but the 30 % earnings growth speed for the coming years depresses the multiples as time goes by. At the same time, the lasting of current valuation also requires that earnings growth is on par with our estimates.

Dividend yield is not a meaningful factor for Revenio's shareholders, but due to the strong cash flow, we do expect the company to distribute growing dividends in the range of 70-80 % of the net result. With our current estimates, dividend yield will be in the 2-3 % region for the coming years.

When examining the valuation multiples, expected rate of return in 2018-2022e is over 10 % annually, based on earnings growth (~30 %), valuation multiples normalizing to a more normal level (>20 %) and dividend yield (2-3 %).

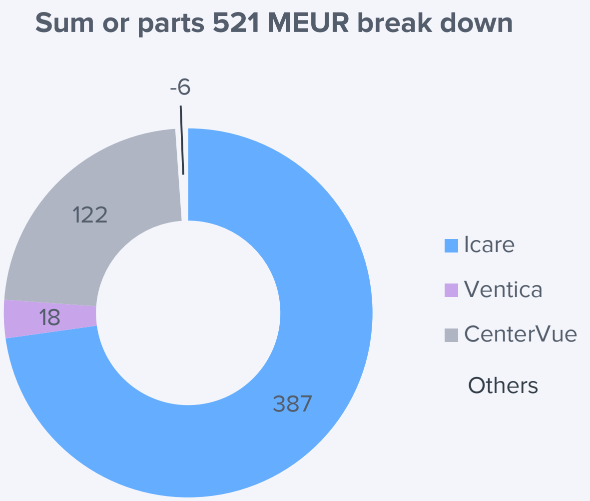
DCF model

In our DCF model, based upon our estimates, Revenio group's value is 21.0 EUR per share. The model assumes organic growth of 20 % until 2023, after which growth incrementally decreases to the 2.5 % terminal value, reached in 2028. The operating profit margin rises to 30 % in the coming years, and the terminal value is 28 %. In our model, the WACC is a quite low 6.9 %, which reflects the Icare derived stable and relatively predictable cash flow. The terminal value of the valuation is high 72 % in the model, which in turn reflects that value creation is very much reliant on long-term growth potential.

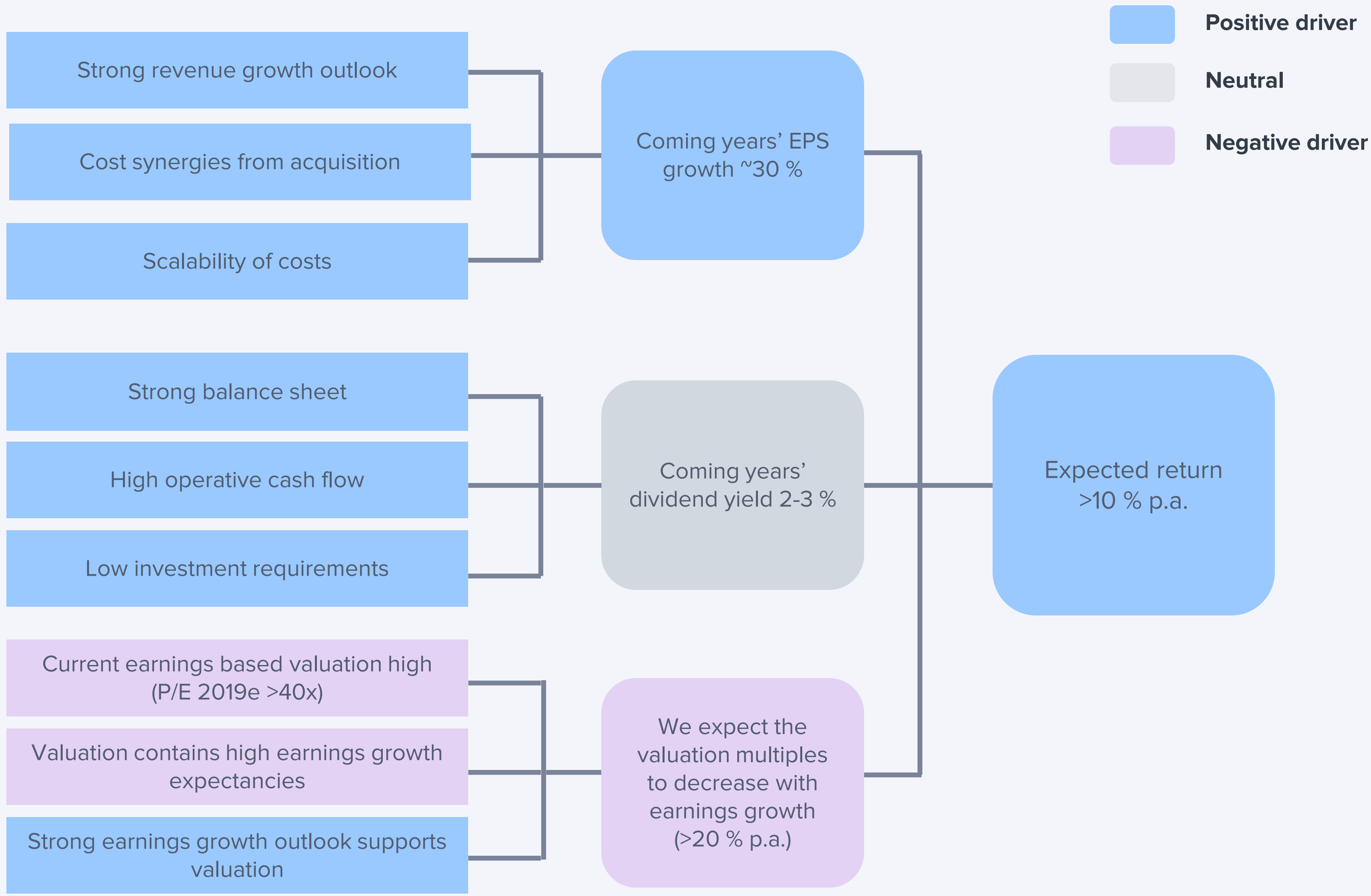
Sum of parts

Sum of parts and its distribution

Icare	
DCF (40 %)	440
Valuation multiples 19e (20 %)	317
Valuation multiples 20e (40 %)	370
Enterprise value	387
Ventica	
Revenue 2024e	6
x pricing multiple	6
Enterprise value 2024e	36
Yield requirement	15 %
Enterprise value	18
CenterVue	
Operating profit 2019e	4,5
x pricing multiple (-15 %)	20
Synergy gains MEUR	2,8
x pricing multiple (-50 %)	12
=Enterprise value	122
Others	
Cutica	6
Net cash Q3'19e	-12
Others value total	-6
Revenio total	
Sum of parts, MEUR	521
Sum of parts per share	19,7



Share's expected returns 2018-2021e



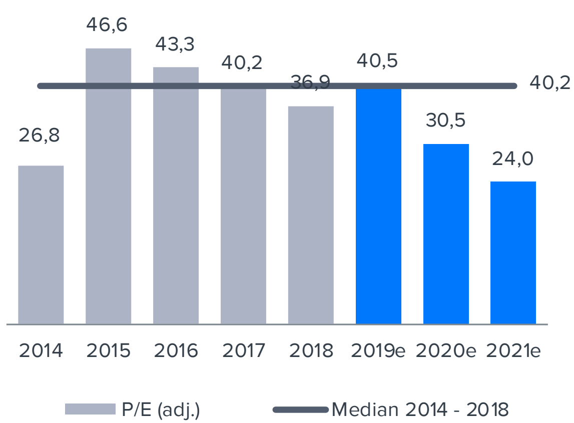
Source: Inderes

Valuation

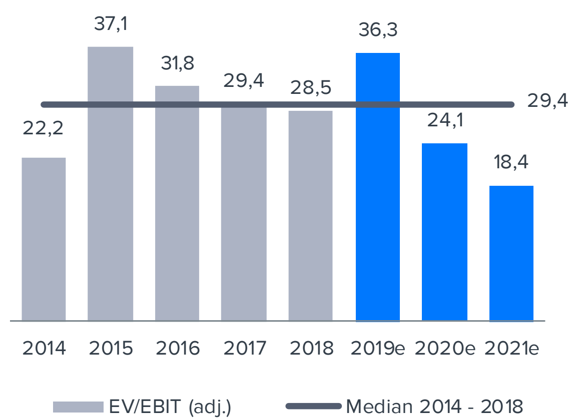
Valuation	2014	2015	2016	2017	2018	2019e	2020e	2021e	2022e
Share price	4,85	9,54	10,2	12,0	12,6	**19,2**	**19,2**	**19,2**	**19,2**
Number of shares, millions	23,9	23,9	23,9	23,9	23,9	**25,4**	**26,4**	**26,4**	**26,4**
Market cap	116	228	243	287	301	**508**	**508**	**508**	**508**
EV	112	214	224	279	290	**518**	**510**	**501**	**493**
P/E (adj.)	26,8	46,6	43,3	40,2	36,9	**40,5**	**30,5**	**24,0**	**20,0**
P/E	26,8	46,6	43,3	42,0	36,9	**56,3**	**32,9**	**25,4**	**20,9**
P/FCF	49,5	27,9	52,7	39,8	36,0	**neg.**	**29,3**	**24,4**	**21,4**
P/B	9,4	14,7	15,4	18,0	16,6	**8,2**	**7,4**	**6,6**	**5,9**
P/S	5,0	11,3	10,4	10,7	9,8	**10,1**	**7,6**	**6,2**	**5,1**
EV/Sales	4,8	10,6	9,6	10,4	9,5	**10,3**	**7,6**	**6,1**	**5,0**
EV/EBITDA	19,7	34,0	29,0	27,4	27,1	**40,9**	**22,9**	**17,6**	**14,5**
EV/EBIT (adj.)	22,2	37,1	31,8	29,4	28,5	**36,3**	**24,1**	**18,4**	**15,1**
Payout ratio (%)	83,0 %	114,0 %	105,1 %	90,9 %	82,3 %	**103,5 %**	**75,2 %**	**72,7 %**	**70,0 %**
Dividend yield-%	3,1 %	2,4 %	2,4 %	2,2 %	2,2 %	**1,8 %**	**2,3 %**	**2,9 %**	**3,3 %**

Source: Inderes

P/E (adj.)



EV/EBIT



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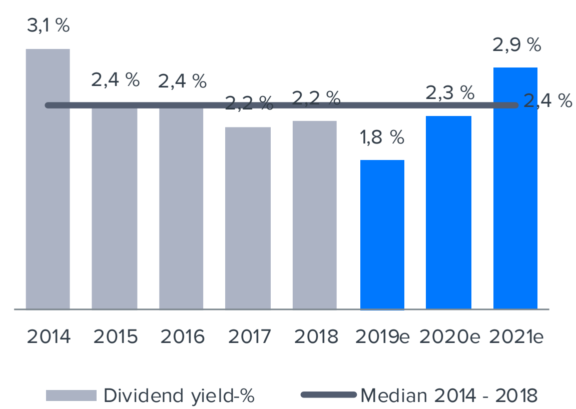


Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company		**MEUR**	**MEUR**	**2019e**	**2020e**	**2019e**	**2020e**	**2019e**	**2020e**	**2019e**	**2020e**	**2019e**	**2020e**
Cooper Cos	292,93	13510	15070	22,4	20,1	19,0	17,0	6,2	5,8	24,1	22,6	0,0	0,0
Ametek	88,95	19239	20982	19,5	18,5	16,4	15,6	4,4	4,2	22,4	21,1	0,6	0,6
Halma	1961,00	8394	8599	30,9	26,9	26,7	23,3	6,3	5,7	36,3	34,0	0,9	0,9
Topcon	1443,00	1325	1633			9,6	8,7	1,3	1,3	23,4	21,0	1,7	1,9
Metronic	108,28	133724	148142	18,4	17,4	16,2	15,9	5,3	5,1	21,1	19,5	1,8	1,9
Essilor International	129,15	57941	62941	23,1	21,4	16,3	15,3	3,7	3,5	29,9	27,4	1,6	1,8
Carl Zeiss Meditec	104,80	9390	9551	36,0	32,7	31,3	28,8	6,7	6,2	55,2	47,1	0,6	0,7
Ambu	111,95	3262	3411	67,8	40,2	50,5	31,9	9,0	7,4	89,9	63,2	0,4	0,5
Revenio Group (Inderes)	**19,22**	**508**	**518**	**36,3**	**24,1**	**40,9**	**22,9**	**10,3**	**7,6**	**40,5**	**30,5**	**1,8**	**2,3**
Average				**31,2**	**25,3**	**23,3**	**19,6**	**5,4**	**4,9**	**37,8**	**32,0**	**1,0**	**1,1**
Median				**23,1**	**21,4**	**17,7**	**16,4**	**5,7**	**5,4**	**27,0**	**25,0**	**0,7**	**0,8**
Diff-% to median				***57 %***	***13 %***	***131 %***	***39 %***	***80 %***	***40 %***	***50 %***	***22 %***	***137 %***	***184 %***

Source: Thomson Reuters / Inderes

Balance sheet

Assets	2017	2018	2019e	2020e	2021e
Non-current assets	**5,9**	**6,7**	**57,5**	**57,5**	**57,2**
Goodwill	1,2	1,2	50,4	50,4	50,4
Intangible assets	3,0	4,2	4,0	3,8	3,7
Tangible assets	0,8	0,9	2,0	2,2	2,0
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	0,0	0,0	0,0	0,0	0,0
Other non-current assets	0,0	0,1	0,1	0,1	0,1
Deferred tax assets	0,9	0,3	1,0	1,0	1,0
Current assets	**13,2**	**15,5**	**34,7**	**37,6**	**44,0**
Inventories	2,0	1,5	4,5	5,4	5,7
Other current assets	0,0	0,0	0,0	0,0	0,0
Receivables	3,2	3,6	10,0	10,1	12,2
Cash and equivalents	8,0	10,4	20,2	22,2	26,1
Balance sheet total	**19,0**	**22,1**	**106**	**108**	**113**

Source: Inderes

Liabilities & equity	2017	2018	2019e	2020e	2021e
Equity	**16,0**	**18,1**	**61,7**	**68,1**	**76,5**
Share capital	5,3	5,3	5,3	5,3	5,3
Retained earnings	3,3	5,4	7,4	13,8	22,2
Hybrid bonds	0,0	0,0	0,0	0,0	0,0
Revaluation reserve	0,0	0,0	0,0	0,0	0,0
Other equity	7,4	7,4	49,0	49,0	49,0
Minorities	0,0	0,0	0,0	0,0	0,0
Non-current liabilities	**0,3**	**0,2**	**30,7**	**24,3**	**18,9**
Deferred tax liabilities	0,0	0,0	4,1	3,7	3,3
Provisions	0,0	0,0	0,6	0,6	0,6
Long term debt	0,3	0,2	26,0	20,0	15,0
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	0,0	0,0	0,0	0,0	0,0
Current liabilities	**2,7**	**3,8**	**14,0**	**15,7**	**17,7**
Short term debt	0,0	0,1	5,0	5,0	5,0
Payables	2,7	3,7	9,0	10,7	12,7
Other current liabilities	0,0	0,0	0,0	0,0	0,0
Balance sheet total	**19,0**	**22,1**	**106**	**108**	**113**

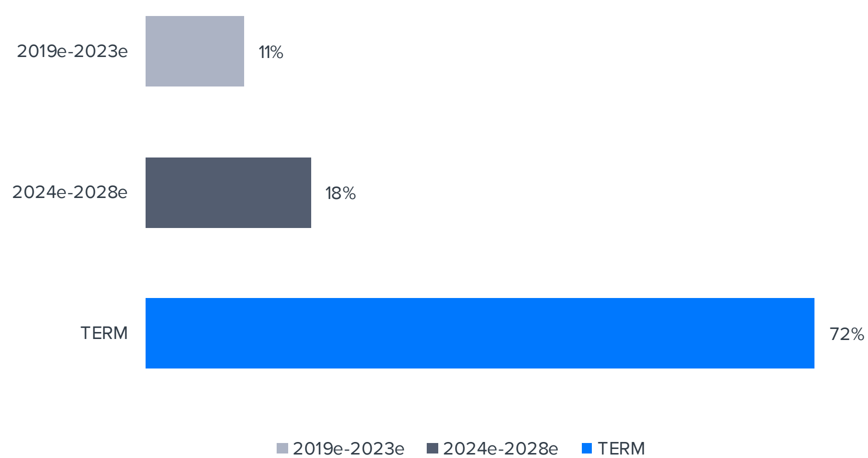
DCF model

DCF model	2018	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	TERM
EBIT (operating profit)	**10,2**	**10,9**	**20,0**	**26,1**	**31,5**	**35,0**	**38,5**	**40,0**	**41,6**	**41,9**	**40,0**	
+ Depreciation	0,5	1,8	2,3	2,4	2,5	2,6	2,8	2,7	2,7	2,6	2,6	
- Paid taxes	-1,5	1,2	-4,5	-6,0	-7,0	-7,6	-8,5	-8,8	-9,1	-9,2	-8,8	
- Tax, financial expenses	0,0	0,0	-0,1	-0,1	-0,1	-0,1	0,0	0,0	0,0	0,0	0,0	
+ Tax, financial income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Change in working capital	1,0	-4,2	0,8	-0,6	-1,6	-2,1	-0,9	-0,4	-0,4	-0,4	-0,3	
Operating cash flow	**10,2**	**9,7**	**18,5**	**21,7**	**25,3**	**27,7**	**31,9**	**33,5**	**34,7**	**34,8**	**33,5**	
+ Change in other long-term liabilities	0,0	0,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
- Gross CAPEX	-1,9	-66,1	-1,2	-0,9	-1,6	-1,6	-1,8	-2,2	-2,0	-2,1	-2,0	
Free operating cash flow	**8,3**	**-55,8**	**17,3**	**20,8**	**23,7**	**26,1**	**30,1**	**31,3**	**32,7**	**32,8**	**31,5**	
+/- Other	0,0	41,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	8,3	-14,6	17,3	20,8	23,7	26,1	30,1	31,3	32,7	32,8	31,5	733
Discounted FCFF		**-14,4**	**16,0**	**18,0**	**19,2**	**19,8**	**21,4**	**20,8**	**20,3**	**19,0**	**17,1**	**398**
Sum of FCFF present value		555	570	554	536	516	497	475	455	434	415	398
Enterprise value DCF		**555**										
- Interesting bearing debt		-0,3										
+ Cash and cash equivalents		10,4										
-Minorities		0,0										
-Dividend/capital return		-6,7										
Equity value DCF		**559**										
Equity value DCF per share		**21,2**										

Wacc	
Tax-% (WACC)	20,0 %
Target debt ratio (D/(D+E)	20,0 %
Cost of debt	6,5 %
Equity Beta	0,90
Market risk premium	4,75 %
Liquidity premium	0,00 %
Risk free interest rate	3,0 %
Cost of equity	**7,3 %**
Weighted average cost of capital (WACC)	**6,9 %**

Source: Inderes

Cash flow distribution



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Accumulate	5 - 15 %
Reduce	-5 - 5 %
Sell	< -5 %

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
17.2.2017	Accumulate	11,67 €	10,52 €
23.3.2017	Accumulate	12,50 €	11,22 €
21.4.2017	Accumulate	13,00 €	12,31 €
18.6.2017	Reduce	12,67 €	13,18 €
8.8.2017	Reduce	12,67 €	12,67 €
18.9.2017	Accumulate	12,33 €	11,58 €
26.10.2017	Accumulate	12,67 €	11,89 €
16.2.2018	Accumulate	13,33 €	12,07 €
23.4.2018	Reduce	14,20 €	14,18 €
7.8.2018	Reduce	15,80 €	16,48 €
26.10.2018	Accumulate	14,50 €	13,76 €
15.2.2019	Accumulate	16,50 €	15,46 €
16.4.2019	Accumulate	21,00 €	18,80 €
26.4.2019	Accumulate	21,00 €	19,10 €
16.8.2019	Accumulate	21,00 €	19,40 €
2.10.2019	Accumulate	21,00 €	19,22 €

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