

# Photocure

## 2023 guidance within scope

- Q4e: 19 new scope placements in the US and solid growth
- Several imminent catalysts support short-term Buy recommendation
- Trimming target price to NOK 130 (135) – reiterating Outperform

### Solid 14% organic growth, milestone payment and positive EBITDA

For Q4, we estimate 19 new rigid scope placements, equating to 20% growth in the US installed base of rigid scopes, and a more modest 6% growth including flexible scopes. We forecast Q4 product sales of NOK 112m (14% organic growth), as well as a NOK 24m milestone payment from Chinese partner, Asieris. We note an easy comparable with the 7% organic decline in Q4 2022 product sales. Eroding sales from flexible scopes remains a US headwind, but we expect the installed base to remain unchanged at around 30. We estimate a solid 94% gross margin, and an EBITDA of NOK 22m, boosted by the milestone payment.

### Exciting catalysts in H1e

Our 2023 estimates imply that management will meet its 17-20% product revenue growth and NOK 45-50m adjusted EBITDA targets, which could support investor confidence. While our 2023 estimate of 60 new US scope placements remains below guidance of 65-75, we expect a large scope rental order in Q1 to offset this softness. We lower our sales trajectory for 2024e-26e by ~5pp, primarily owing to FX, and forecast 12% organic product sales growth for 2024. We expect several near-term catalysts, such as a large scope order in the US and the launch of one or several proprietary flexible scope solutions. We also expect further positive news from Asieris, which has reported successful Phase 3 trials for both Hexvix and Cevira (currently excluded from our estimates).

### Major upside potential as investors await scalable growth

We trim our three-year target price to NOK 130 (135) on our lower estimates. Bolstered by a solid NOK ~250m cash position, we continue to expect an inflection point in growth and profitability in the coming years. The share is trading at an EV of 3.1x-2.5x 2024e-25e sales and ~13x 2025e EBITDA, representing discounts of ~30-50% to peers. We reiterate our long-term Outperform recommendation.

#### Key figures

NOKm	2021	2022	2023e	2024e	2025e
Sales	361	393	494	493	578
Sales growth (%)	40.6	8.9	25.8	-0.25	17.4
margin (%)	-1.5	-11.0	3.9	3.0	13.2
EBT	-31	-65	1	-0.1	62
EPS adj (NOK)	-1.14	-2.65	-0.21	0.00	1.79
P/E adj (x)	n.m	n.m	n.m	n.m	35.4
P/BV (x)	5.5	6.3	3.8	3.8	3.4
ROE adj (%)	-6.1	-14.9	-1.3	-0.02	10.1
EV/EBIT (x)	n.m	n.m	76.5	>99	18.7
EV/sales (x)	7.0	6.8	3.0	3.0	2.5
FCF adj yield (%)	0.72	-0.19	0.32	0.90	3.4
Tot DPS	0.00	0.00	0.00	0.00	0.00
Net debt/equity (%)	-50.2	-48.4	-49.6	-52.2	-58.1

Source: Handelsbanken Capital Markets

For full disclaimer and definitions, please refer to the end of this report.

#### Target price change

<b>O</b>	Long term 3 years Outperform
<b>B</b>	Short term 3 months Buy

#### Three-year target return

Target price incl. div (NOK)	130
Expected total return (%)	105

#### Key data

Share price	
Feb 05, 17:40 CET (NOK)	63.40
Market cap (NOKm)	1,719
Bloomberg	PHO NO
Reuters	PHO.OL
Web address	<a href="#">Link</a>
CEO	Daniel Scheider
Next event	21/02/2024: Q4 report

#### Rickard Anderkrans

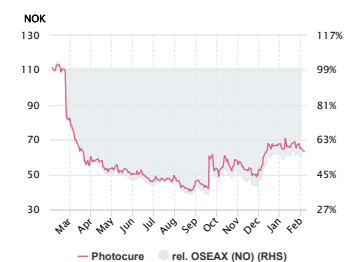
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#### Estimate changes

%	2023e	2024e	2025e
Sales	-1	-5	-5
EBIT adj	0	-45	-21
EPS adj	n.m	n.m	-25

Source: Handelsbanken Capital Markets

#### Share price – 12m



Source: FactSet

Share perf. (%)	-1m	-3m	-12m
Absolute:	-1.7	9.7	-43.1
Rel. OSEAX (NO):	1.9	10.8	-45.8
52w range (NOK):	113.3 / 40.85		

Source: FactSet

# Supporting charts

We view the potential FDA reclassification of BLC scopes in 2024 as the most important share price catalyst

## Potential share price catalysts

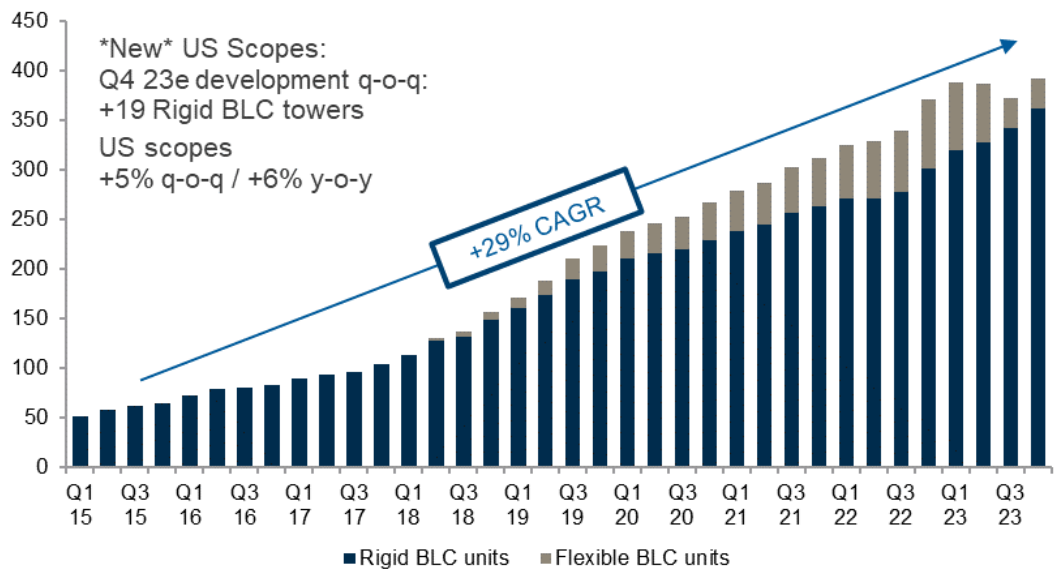
Potential triggers	Timing	Comment
Large US scope order	Q1 2024	We anticipate Photocure will announce a larger US scope order from a lease/rental arrangement
Launch of proprietary flexible scope(s)	Q1 2024	Photocure has announced ambition to launch a proprietary flexible scope with one or several partners (we believe Richard Wolf)
EU launch of upgraded BLC (Olympus)	Mid-2024	New rigid scope (Expecting blue light-feature Q1 2024)
Canadian and EU launch of BLC functionality for Stryker's 1788 endoscopy platform	2024	Stryker has intention to launch BLC functionality for its 1788 platform OUS in 2024, while also supporting the Citizen's Petition
New clinical data from large registry studies / US Veterans Affairs	2023-2025	Danish, US and Nordic flex registry studies (~15K patients in total); data from the VA system
Potential launches from other scope-providers	2023-25	~12 additional scope-providers evaluating BLC
US FDA downclassification decision of BLC scopes	2024	Downclassification from class 3 to class 2 device, democratizing US market (currently limited to Karl Storz)
Chinese regulatory filing for Cevira/Hexvix	H1 2024	Filing to Chinese authorities after successful Phase 3 trials
Chinese approval of Cevira	2025	Local partner Asieris ongoing Phase 3 trial
Chinese launch of Hexvix	2024	Local partner Asieris ongoing Phase 3 trial
Potential acquisitions	n.a.	Active M&A and in-licensing agenda

Key potential negative triggers/risks:	Comment
Hospital capex pressure for new launches	Hospitals downprioritizing BLC investments
Negative commentary from UK PHOTO-trial	Incremental headwinds for BLC penetration from the PHOTO-trial which showed a negative outcome for BLC vs. WLC
Announcement of generic competition	Unlikely for drugs grossing below USD 200m, in our view
Structurally lower TURBT procedures following the recent successful clinical data from Urogen and J&J for non-invasive NMIBC treatments	Still no details on when approvals are due

Source: Handelsbanken Capital Markets

## Installed base of BLC scopes in the US

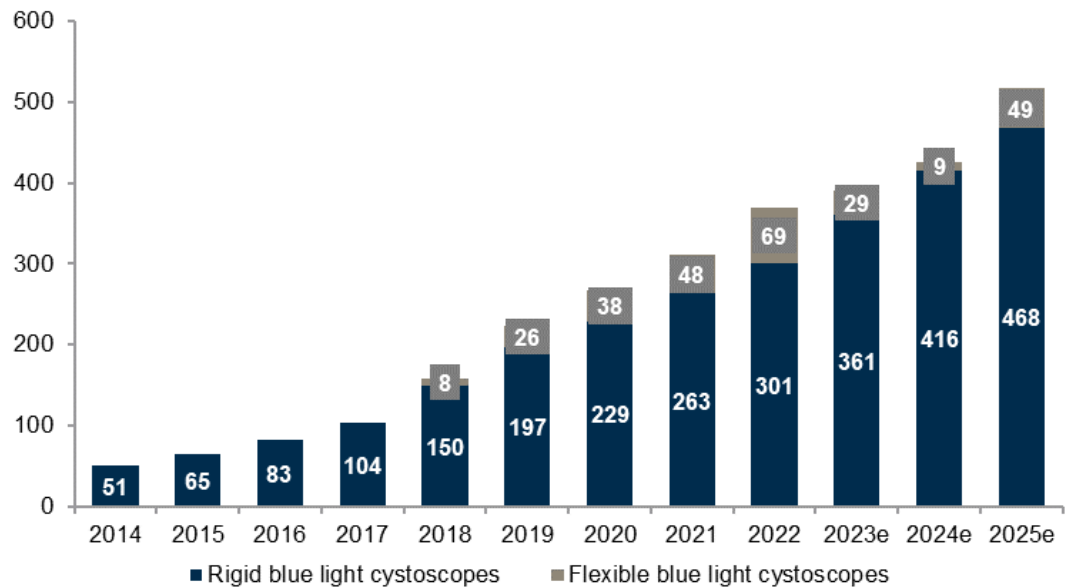


Source: Handelsbanken Capital Markets, company data

Our research suggest Karl Storz maintained its BLC discount through year-end 2023; however, we expect a large scope order to come in Q1 2024

Installed base of BLC scopes in the US

We make no changes to our installed base estimates



Source: Handelsbanken Capital Markets

Estimate revisions

We cut our estimates, primarily owing to FX; while the EPS revisions appear dramatic, they are relatively limited in absolute terms

NOKm	2023e			2024e			2025e		
	Old	New	% change	Old	New	% change	Old	New	% change
<b>Product revenues</b>	443	443	0%	519	493	-5%	612	578	-5%
Org. Product rev. Growth, %	7%	8%	1.0pp	13%	12%	-0.8pp	18%	17%	-0.6pp
Other revenues	54	51	-6%	0	0	n.a.	0	0	n.a.
<b>Total revenues</b>	<b>497</b>	<b>494</b>	<b>-1%</b>	<b>519</b>	<b>493</b>	<b>-5%</b>	<b>612</b>	<b>578</b>	<b>-5%</b>
<b>OPEX</b>	-450	-447	1%	-461	-448	3%	-478	-468	2%
Indirect manufacturing expen	-15	-15	0%	-22	-21	5%	-26	-24	5%
R&D expenses	-4	-4	0%	-15	-15	0%	-22	-21	5%
Marketing and Sales expens	-326	-326	0%	-353	-342	3%	-385	-367	5%
<b>EBITDA</b>	<b>47</b>	<b>47</b>	<b>0%</b>	<b>57</b>	<b>45</b>	<b>-21%</b>	<b>128</b>	<b>107</b>	<b>-16%</b>
<b>EBITDA margin</b>	<b>9.5%</b>	<b>9.5%</b>		<b>11.0%</b>	<b>9.1%</b>		<b>20.9%</b>	<b>18.5%</b>	
<b>EBIT</b>	<b>19</b>	<b>19</b>	<b>n.a.</b>	<b>27</b>	<b>15</b>	<b>-45%</b>	<b>97</b>	<b>76</b>	<b>-21%</b>
<b>EBIT margin</b>	<b>4.4%</b>	<b>4.4%</b>		<b>5.2%</b>	<b>3.0%</b>		<b>15.8%</b>	<b>13.2%</b>	
<b>Adj. EBIT</b>	<b>19</b>	<b>19</b>	<b>n.a.</b>	<b>27</b>	<b>15</b>	<b>-45%</b>	<b>97</b>	<b>76</b>	<b>-21%</b>
<b>Adj. EBIT margin</b>	<b>4.4%</b>	<b>4.4%</b>		<b>5.2%</b>	<b>3.0%</b>		<b>15.8%</b>	<b>13.2%</b>	
<b>Net income</b>	<b>-6</b>	<b>-6</b>	<b>n.a.</b>	<b>9</b>	<b>0</b>	<b>-101%</b>	<b>65</b>	<b>49</b>	<b>-25%</b>

Source: Handelsbanken Capital Markets

36-month target price build

We trim our three-year target price to NOK 130 (135) on our lower estimates

DCF valuation of Cysview/ Hexvix franchise	NOK 110	50%
Stand-alone rNPV valuation of Cevira	NOK 35	
<b>36m target price</b>		
<b>NOK 130 / share</b>		
Photocure 2026e EBITA- multiple (19x)	NOK 115	50%

Source: Handelsbanken Capital Markets

## Valuation overview

NOKm	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Hex/Cys sales	149	173	214	256	354	374	443	493	578	661
EBITDA adj.	-33	-10	59	-4	18	-25	47	45	107	170
EBIT adj.	-45	-24	43	-23	-6	-49	19	15	76	138
Share price	64									
Shares	27									
<b>Market Cap</b>	<b>1,724</b>									
Net debt		-104	-115	-278	-252	-224	-233	-245	-299	-411
<b>EV</b>		<b>1,619</b>	<b>1,609</b>	<b>1,446</b>	<b>1,472</b>	<b>1,500</b>	<b>1,491</b>	<b>1,479</b>	<b>1,424</b>	<b>1,313</b>

Current valuation	2019	2020	2021	2,022	2023e	2024e	2025e	2026e
EV/Sales		5.6x	4.2x	4.0x	3.4x	3.0x	2.5x	2.0x
EV/EBITDA adj.		-369.7x	80.1x	-60.3x	31.7x	33.0x	13.3x	7.7x
EV/EBIT adj.		-62.3x	-253.9x	-30.5x	76.6x	99.3x	18.7x	9.5x

Target Price (NOK) 130

Implied valuation at TP	2020	2021	2022	2023e	2024e	2025e	2026e
EV/Sales	12.6x	9.2x	8.8x	7.4x	6.6x	5.5x	4.7x
EV/EBITDA adj.	-825.6x	177.2x	-132.0x	69.6x	72.8x	29.9x	18.2x
EV/EBIT adj.	-139.2x	-561.6x	-66.7x	168.1x	219.1x	42.1x	22.5x

Source: Handelsbanken Capital Markets

## Photocure EV/sales FY+2

Photocure is now trading at a 40% discount to its three-year average EV/sales FY+2



Source: Handelsbanken Capital Markets, FactSet

## Peer group valuation comparison

Nordic Medtech Company	Mcap (EURm)	SP	EV/Sales (x)				Gross margin (%)		EV/GP (x)		EBITDA-mrg (%)		EV/EBITDA (x)		Sales growth (%)			
			2022	2023e	2024e	2025e	2023e	2024e	2023e	2024e	2024e	2025e	2024e	2025e	2022	2023e	2024e	2025e
Ambu	3,829	107.2	4.0	4.2	5.4	4.7	57.0	59.0	7.0	9.1	17.0	19.5	31.5	24.1	7%	8%	11%	13%
BioGaia	1,006	112.8	6.3	6.7	6.8	5.9	73.0	73.5	9.3	9.5	35.3	35.2	19.1	16.7	45%	16%	11%	12%
Biotage	1,031	146.0	7.5	5.8	5.6	4.8	61.8	62.7	9.7	9.2	25.1	26.7	22.2	18.0	31%	11%	14%	14%
BONESUPPORT	1,160	202.0	15.7	20.5	15.4	11.1	91.6	91.0	22.7	17.3	17.5	29.8	88.1	37.4	49%	83%	44%	36%
CellaVision	424	201.5	8.0	7.7	6.4	5.6	68.5	69.2	11.3	9.5	31.8	33.0	20.2	16.8	20%	-3%	15%	14%
Coloplast	23,693	786.2	8.0	7.4	7.1	6.5	66.7	67.7	10.6	10.0	32.3	33.1	21.9	19.7	17%	9%	10%	8%
Mentice	100	44.5	4.1	4.2	3.0	2.4	85.2	86.6	4.9	3.6	18.6	23.5	16.3	10.2	30%	21%	22%	22%
Probi	207	206.0	3.2	3.3	3.1	2.8	35.7	36.1	9.1	8.7	18.6	21.0	16.6	13.4	-2%	-3%	6%	7%
Revenio Group	660	24.8	10.5	7.4	6.2	5.3	70.9	71.8	10.6	9.0	32.2	33.8	19.3	15.8	26%	-1%	8%	13%
Sedana Medical	175	19.9	9.8	13.8	9.3	6.3	69.7	66.7	17.8	11.4	-17.3	1.5			-15%	20%	32%	50%
Vitrolife	2,100	175.7	8.3	7.8	6.6	5.9	56.2	57.0	13.9	11.9	33.9	34.4	19.5	17.1	97%	10%	7%	9%
Xivro Perfusion	752	270.5	12.7	16.0	10.1	7.4	74.1	77.1	20.5	12.3	21.7	28.3	46.7	26.2	52%	52%	31%	36%
<b>Peer average</b>	<b>2,928</b>		<b>8.2</b>	<b>8.7</b>	<b>7.1</b>	<b>5.7</b>	<b>67.5</b>	<b>68.2</b>	<b>12.3</b>	<b>10.1</b>	<b>22.2</b>	<b>26.7</b>	<b>29.2</b>	<b>19.6</b>	<b>30%</b>	<b>19%</b>	<b>18%</b>	<b>20%</b>
<b>Peer median</b>	<b>879</b>		<b>8.0</b>	<b>7.4</b>	<b>6.5</b>	<b>5.7</b>	<b>69.1</b>	<b>68.4</b>	<b>10.6</b>	<b>9.5</b>	<b>23.4</b>	<b>29.0</b>	<b>20.2</b>	<b>17.1</b>	<b>28%</b>	<b>11%</b>	<b>13%</b>	<b>14%</b>
<b>Photocure (HCMe)</b>	<b>153</b>	<b>65</b>	<b>5.8</b>	<b>3.0</b>	<b>3.0</b>	<b>2.5</b>	<b>93.8</b>	<b>94.0</b>	<b>3.2</b>	<b>3.2</b>	<b>9.1</b>	<b>18.5</b>	<b>33.3</b>	<b>13.4</b>	<b>6%</b>	<b>18%</b>	<b>11%</b>	<b>17%</b>
vs peer average			-29%	-65%	-57%	-57%	26.3pp	25.8pp	-74%	-68%	-13.1pp	-8.1pp	14%	-31%		-0.2pp	-6.3pp	-2.2pp
vs peer median			-27%	-59%	-54%	-57%	24.7pp	25.6pp	-70%	-66%	-14.3pp	-10.5pp	65%	-22%		7.5pp	-1.5pp	3.7pp

Source: Handelsbanken Capital Markets, FactSet

## Quarterly P&amp;L

(NOKm)	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23e
Product revenues	82	90	87	95	82	100	98	95	106	117	107	112
<i>y-o-y growth, %</i>	50.3%	68.5%	75.0%	-3.4%	-0.2%	10.5%	11.6%	0.4%	30.2%	17.5%	10.0%	17.8%
<i>y-o-y growth CER, %</i>	57.3%	79.5%	79.0%	1.6%	-0.2%	7.5%	7.6%	-7.0%	16.7%	2.5%	0.8%	14.3%
Other revenues	6.4	0.0	0.0	0.0	0.0	0.2	9.3	9.3	0.0	26.9	0.2	24.0
<b>Total revenues</b>	<b>88.2</b>	<b>90.4</b>	<b>87.4</b>	<b>94.5</b>	<b>81.6</b>	<b>100.1</b>	<b>106.8</b>	<b>104.2</b>	<b>106.2</b>	<b>144.3</b>	<b>107.5</b>	<b>135.9</b>
COGS	-5	-6	-5	-8	-6	-5	-6	-5	-6	-7	-7	-7
Gross profit	83	84	82	87	76	95	101	99	100	137	101	129
<i>Gross margin (ex-milestones)</i>	93.8%	93.2%	93.9%	92.0%	92.6%	94.7%	94.0%	94.3%	93.9%	94.1%	93.6%	93.7%
Indirect manufacturing expenses	-4	-3	-4	-4	-4	-2	-4	-5	-3	-3	-4	-4
<i>Growth</i>	16.3%	-21.1%	37.9%	1.2%	-10.1%	-43.6%	97.5%	31.4%	-38.9%	-17.4%	58.5%	3.5%
<i>% of product sales</i>	0.045597	0.03252	0.046405	0.04341	0.04522	0.0209	0.0422	0.0569	0.0311	0.023246	0.04031	0.04
R&D expenses	-1	-1	-1	-1	-1	-1	-1	-1	-1	0	-1	-2
<i>Growth</i>	-80.7%	118.2%	-36.0%	31.1%	10.1%	-43.8%	-11.5%	-19.8%	8.5%	-64.1%	351.2%	115.5%
<i>% of product sales</i>	0.008244	0.016266	0.010778	0.01307	0.01667	0.0076	0.0069	0.0057	0.0055	0.001797	0.00887	0.01834
Marketing and Sales expenses	-54	-64	-66	-76	-69	-75	-73	-86	-80	-87	-78	-81
<i>Growth</i>	-12.7%	17.4%	3.3%	14.5%	-8.7%	8.5%	-1.8%	17.2%	-7.1%	8.6%	-10.7%	4.6%
<i>% of product sales</i>	0.665753	0.706455	0.754965	0.79937	0.84536	0.7493	0.7534	0.9071	0.753	0.739755	0.72311	0.72522
Net other opex	-12	-16	-17	-18	-21	-22	-24	-30	-24	-31	-22	-27
<b>EBITDA</b>	<b>18</b>	<b>6</b>	<b>0</b>	<b>-14</b>	<b>-14</b>	<b>1</b>	<b>5</b>	<b>-17</b>	<b>-1</b>	<b>23</b>	<b>3</b>	<b>21</b>
<i>EBITDA margin</i>	20.6%	6.5%	-0.2%	-14.6%	-16.9%	0.9%	4.4%	-16.0%	-1.1%	16.2%	3.1%	15.8%
Depr/amort.	-6	-6	-6	-6	-6	-6	-6	-6	-7	-7	-7	-7
Total non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adj. EBITDA</b>	<b>18</b>	<b>6</b>	<b>0</b>	<b>-14</b>	<b>-14</b>	<b>1</b>	<b>5</b>	<b>-17</b>	<b>-1</b>	<b>23</b>	<b>3</b>	<b>21</b>
<i>Adj. EBITDA margin</i>	20.6%	6.5%	-0.2%	-14.6%	-16.9%	0.9%	4.4%	-16.0%	-1.1%	16.2%	3.1%	15.8%
<b>Adj. EBIT</b>	<b>12</b>	<b>0</b>	<b>-6</b>	<b>-20</b>	<b>-20</b>	<b>-5</b>	<b>-1</b>	<b>-23</b>	<b>-8</b>	<b>17</b>	<b>-4</b>	<b>14</b>
<i>Adj. EBIT margin</i>	15.0%	-0.3%	-7.3%	-20.9%	-24.3%	-5.1%	-1.5%	-24.1%	-7.2%	14.3%	-3.6%	12.6%
<b>Pretax profit</b>	<b>20</b>	<b>-8</b>	<b>-11</b>	<b>-41</b>	<b>-27</b>	<b>-10</b>	<b>-6</b>	<b>-28</b>	<b>-10</b>	<b>12</b>	<b>-9</b>	<b>8</b>
<b>Net profit</b>	<b>15.2</b>	<b>-10.6</b>	<b>-7.3</b>	<b>-36.5</b>	<b>-21.9</b>	<b>-19.0</b>	<b>-9.9</b>	<b>-21.3</b>	<b>-11.7</b>	<b>4.3</b>	<b>-4.8</b>	<b>6.4</b>
<b>Geographical split</b>	<b>Q1 21</b>	<b>Q2 21</b>	<b>Q3 21</b>	<b>Q4 21</b>	<b>Q1 22</b>	<b>Q2 22</b>	<b>Q3 22</b>	<b>Q4 22</b>	<b>Q1 23</b>	<b>Q2 23</b>	<b>Q3 23</b>	<b>Q4 23e</b>
Nordic - Hexvix	9.3	8.7	6.1	7.0								
<i>y-o-y growth, %</i>	-23.8%	-37.4%	-36.8%	-25.5%								
<i>q-o-q growth, %</i>	-1.0%	-6.5%	-29.6%	14.2%								
North America - Cysview	27.3	31.4	32.0	34.6	30.5	38.7	42.9	38.7	42.1	46.2	43.6	45.6
<i>y-o-y growth, %</i>	-3.2%	46.0%	5.7%	4.6%	11.7%	23.4%	34.0%	11.7%	38.2%	19.3%	1.6%	17.9%
<i>q-o-q growth, %</i>	-17.5%	15.0%	2.0%	8.1%	-11.9%	27.0%	10.8%	-9.9%	9.0%	9.7%	-5.6%	4.5%
Partners	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<i>y-o-y growth, %</i>	-100.0%	-100.0%	-100.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>q-o-q growth, %</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Europe (restated 2021) direct	45.0	48.9	48.4	53.4	44.4	55.1	49.0	50.2	63.6	69.7	63.4	66.2
<i>q-o-q growth, %</i>	-4.7%	8.7%	-1.0%	10.2%	-16.8%	24.2%	-11.1%	2.4%	26.6%	9.7%	-9.0%	4.3%

Source: Handelsbanken Capital Markets, company data

## Annual P&amp;L

(NOKm)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Product revenues	94	122	136	149	173	214	256	354	374	443	493	578
Signing fees and milestone revenues	35	12	7	2	8	68	0	6	19	51	0	0
<b>Total revenues</b>	<b>129</b>	<b>135</b>	<b>144</b>	<b>151</b>	<b>182</b>	<b>282</b>	<b>256</b>	<b>361</b>	<b>393</b>	<b>494</b>	<b>493</b>	<b>578</b>
COGS	-7	-8	-9	-12	-17	-23	-19	-24	-22	-27	-30	-34
Gross profit	122	126	134	139	164	259	238	336	370	467	463	544
Gross margin	130.3%	103.4%	98.6%	93.1%	94.9%	121.1%	92.8%	95.0%	99.0%	105.4%	94.0%	94.0%
Gross margin (ex-milestones)	92.5%	93.3%	93.1%	91.9%	90.1%	89.5%	92.8%	93.2%	94.0%	93.8%	94.0%	94.0%
Indirect manufacturing expenses	-9	-10	-10	-11	-10	-11	-13	-15	-15	-15	-21	-24
Growth		13.3%	-0.2%	8.7%	-9.2%	7.0%	16.3%	16.3%	3.1%	-3.0%	39.5%	17.4%
% of product sales	0.09817	0.08511	0.07626	0.0757	0.05918	0.05126	0.049715	0.041872	0.040892	0.033492	0.042	0.042
R&D expenses	-33	-31	-23	-33	-19	-14	-14	-4	-3	-4	-15	-21
Growth		-3.7%	-26.7%	41.9%	-41.3%	-28.7%	1.4%	-68.8%	-22.7%	13.8%	292.0%	41.6%
% of product sales	0.34785	0.25618	0.16861	0.21847	0.11051	0.06378	0.053953	0.012205	0.008937	0.008588	0.030255	0.0365
Marketing and Sales expenses	-55	-73	-80	-96	-121	-149	-188	-260	-303	-326	-342	-367
Growth		34.5%	8.9%	20.6%	25.8%	22.6%	26.3%	38.4%	16.8%	7.3%	5.0%	7.5%
% of product sales	0.583	0.60001	0.58692	0.6464	0.7002	0.69534	0.732258	0.733833	0.811399	0.735216	0.693484	0.635
Net other opex	-31	-33	-37	-44	-37	-43	-47	-63	-97	-103	-71	-55
<b>EBITDA</b>	<b>-4</b>	<b>-18</b>	<b>-8</b>	<b>-33</b>	<b>-25</b>	<b>59</b>	<b>-17</b>	<b>18</b>	<b>-25</b>	<b>47</b>	<b>45</b>	<b>107</b>
EBITDA margin	-3.2%	-13.4%	-5.6%	-21.9%	-13.6%	20.9%	-6.5%	5.1%	-6.3%	9.5%	9.1%	18.5%
Depr/amort.	-1.5	-3.9	-7.9	-12.1	-13.2	-16.2	-19.3	-24.2	-24.4	-27.6	-29.9	-30.9
<b>Adj. EBIT</b>	<b>-6</b>	<b>-22</b>	<b>-16</b>	<b>-45</b>	<b>-24</b>	<b>43</b>	<b>-23</b>	<b>-6</b>	<b>-49</b>	<b>19</b>	<b>15</b>	<b>76</b>
Adj. EBIT margin	-4.4%	-16.3%	-11.0%	-30.0%	-13.1%	15.2%	-9.0%	-1.6%	-12.5%	3.9%	3.0%	13.2%
Net financials	7.2	4.5	28.6	3.6	1.2	3.2	2.8	-25.8	-22.1	-18.1	-15.0	-14.0
<b>Pretax profit</b>	<b>2</b>	<b>-17</b>	<b>13</b>	<b>-42</b>	<b>-37</b>	<b>46</b>	<b>-33</b>	<b>-32</b>	<b>-71</b>	<b>1</b>	<b>0</b>	<b>62</b>
<b>Net profit</b>	<b>-24.7</b>	<b>-36.2</b>	<b>35.3</b>	<b>-34.7</b>	<b>-36.7</b>	<b>31.8</b>	<b>-22.4</b>	<b>-30.9</b>	<b>-72.1</b>	<b>-5.9</b>	<b>-0.1</b>	<b>48.5</b>
<b>Growth rate</b>												
Product revenues	18%	31%	11%	10%	16%	23%	20%	38%	6%	18%	11%	17%
Product revenues CER	18%	31%	11%	10%	16%	23%	11%	45%	-1%	8%	12%	17%
Total revenues	54%	4%	7%	5%	20%	55%	-9%	41%	9%	26%	0%	17%

Source: Handelsbanken Capital Markets, company data



**P&L expectation and momentum**

NOKm	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23e	Q1 24e
Sales	104.2	106.2	144.3	107.5	135.9	115.8
EBT	-22.4	-10.1	12.0	-8.7	8.1	-5.8
Net income	-21.0	-11.7	4.4	-4.8	6.4	-5.8
EPS (NOK)	-0.78	-0.43	0.16	-0.18	0.23	-0.21
EPS adj (NOK)	-0.78	-0.43	0.16	-0.18	0.23	-0.21
EPS adj 12m MAV (NOK)	-2.65	-2.27	-1.41	-1.22	-0.21	0.00
Sales y-o-y (%)	10.2	30.2	44.2	0.72	30.4	9.0
EPS adj 12MAV y-o-y (%)	113	-14.8	-51.9	-59.3	-91.9	-100

Source: Handelsbanken Capital Markets

**Estimate changes**

NOKm	HCM Q4 23e	chg (%)	HCM 2023e	chg (%)	HCM 2024e	chg (%)
Sales	135.9	-2	494.0	-1	492.7	-5
EBITA adj	18.4	0	36.7	0	31.4	-28
EBIT adj	14.1	0	19.5	0	14.9	-45
margin (%)	10.4	2	3.9	1	3.0	-42
EBT	8.1	0	1.4	0	-0.1	n.m
Net income	6.4	0	-5.8	n.m	-0.1	n.m
EPS (NOK)	0.23	-50	-0.21	n.m	0.00	n.m
EPS adj (NOK)	0.23	-50	-0.21	n.m	0.00	n.m

Source: Handelsbanken Capital Markets

**HCM versus consensus**

NOKm	Cons Q4 23e	diff (%)	Cons 2023e	diff (%)	Cons 2024e	diff (%)
Sales	132.8	2	479.0	3	519.1	-5
EBIT adj	7.3	94	12.6	54	27.0	-45
margin (%)	5.5	5	2.6	1	5.2	-2
EBT	5.7	43	-2.8	n.m	21.2	n.m
Net income	5.0	27	-7.9	27	9.4	n.m
EPS (NOK)	0.28	-17	-0.28	23	0.35	n.m
EPS adj (NOK)	0.28	-17	-0.29	27	0.35	n.m

Sources: Handelsbanken Capital Markets and FactSet

**Investment case summary**

**Several structural improvements in the US**

US growth due to accelerate, with improved reimbursement, FDA approval for surveillance procedures (2-3x the original market) and a new CEO having rejuvenated the commercial infrastructure.

**Capturing untapped potential in Europe**

Photocure acquired the European rights for Hexvix from its underperforming partner in Q4 2020. We believe Photocure can replicate 30-40% penetration rates of the Nordics/DACH in other European markets.

**Additional upside from M&A and licensing deals**

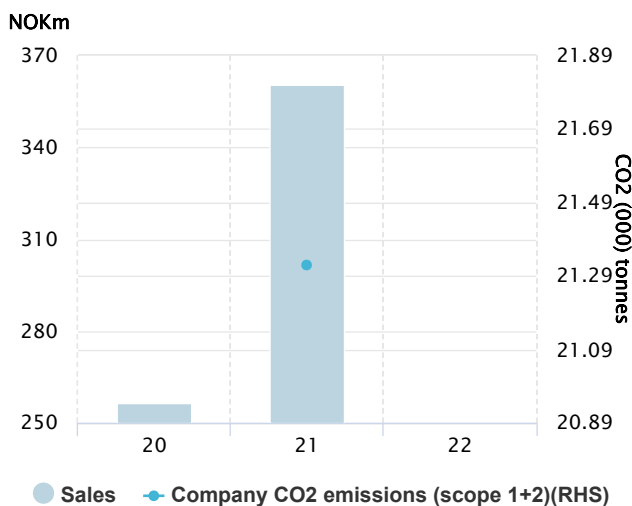
We see underappreciated upside in Photocure's licensing opportunities, such as deals with Chinese partner Asieris. Photocure also aims to add new assets to its own portfolio via licensing or M&A.

**Risks**

- Risks from execution by US partner Karl Storz
- Generic competition
- Unsuccessful geographic expansion
- Losing national reimbursements
- TURBT-procedures replaced by non-invasive alternatives

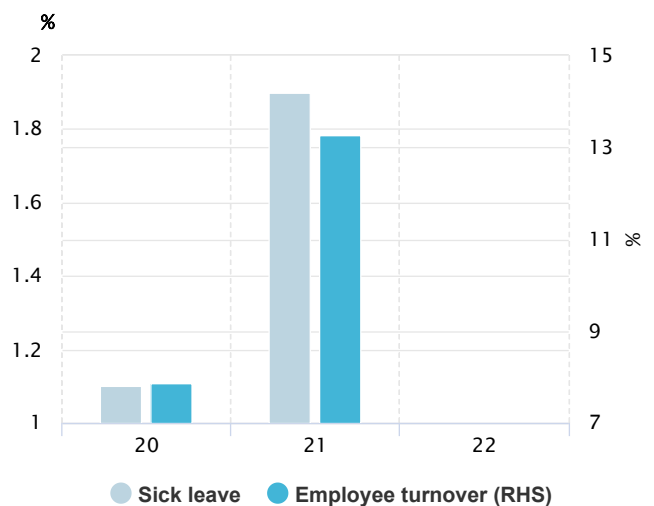
**ESG figures**

**ESG analysis, environmental**



Source: Company data, Handelsbanken Capital Markets

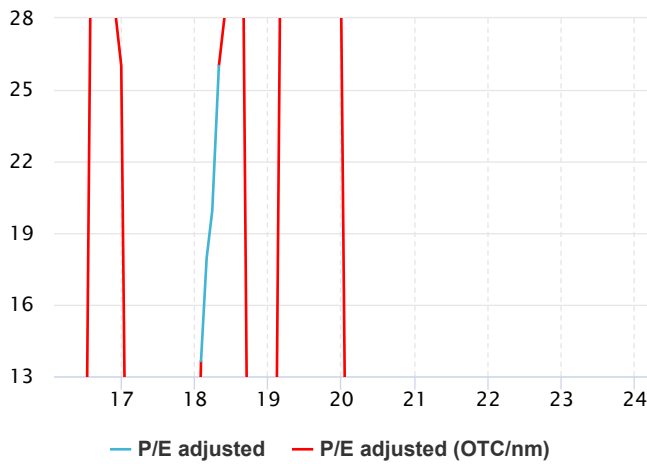
**ESG analysis, social**



Source: Company data, Handelsbanken Capital Markets

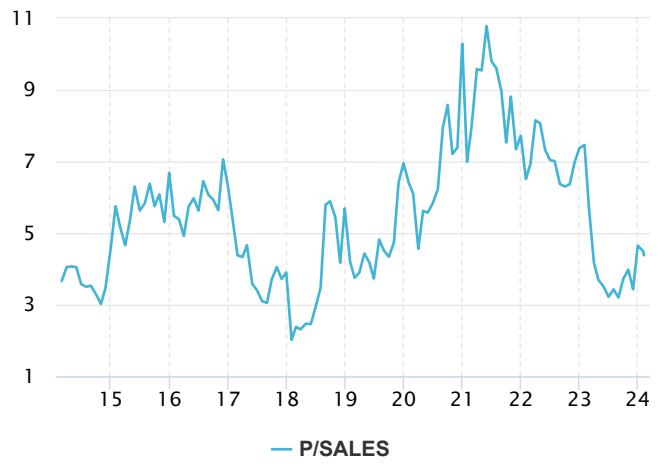
### Valuation charts

P/E (x)



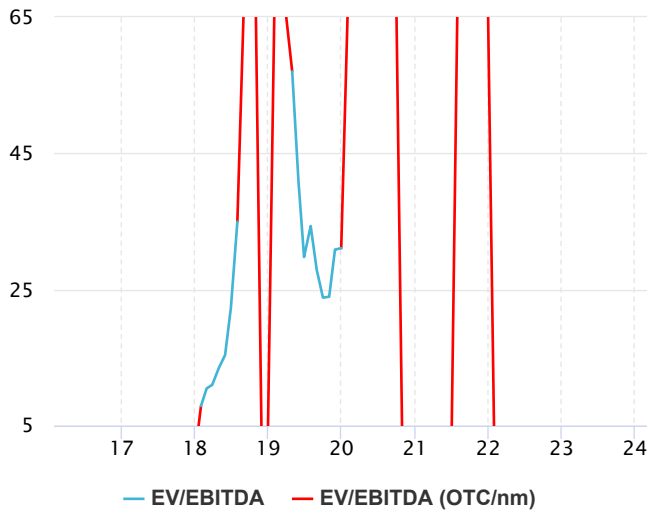
Sources: Handelsbanken Capital Markets and FactSet

P/Sales (x)



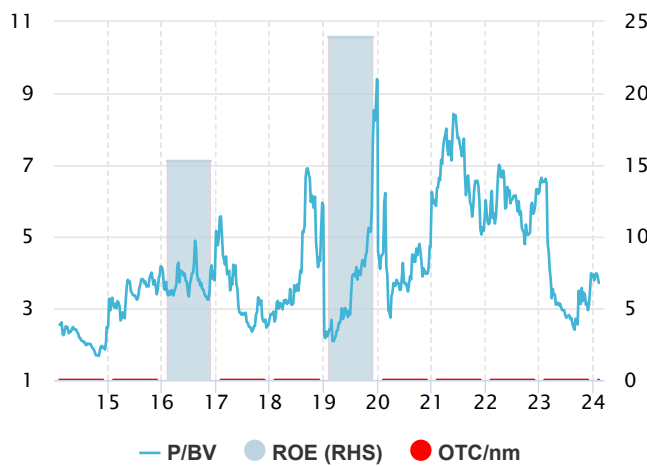
Sources: Handelsbanken Capital Markets and FactSet

EV/EBITDA (x)



Sources: Handelsbanken Capital Markets and FactSet

P/BV (x) and ROE (%)



Sources: Handelsbanken Capital Markets and FactSet

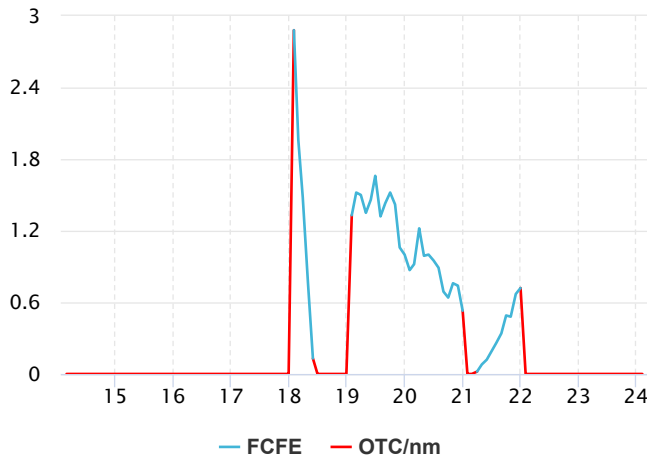
EV/sales (x) and EBIT margin (%)



Sources: Handelsbanken Capital Markets and FactSet

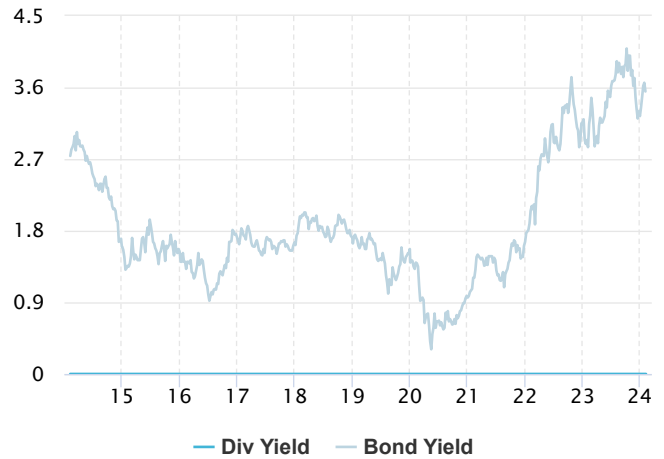


FCFE yield (%)



Sources: Handelsbanken Capital Markets and FactSet

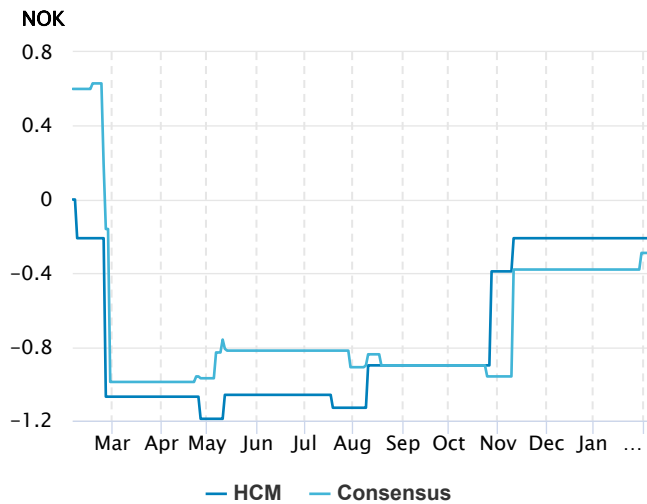
Dividend (ordinary) and 10-year bond yield (%)



Sources: Handelsbanken Capital Markets and FactSet

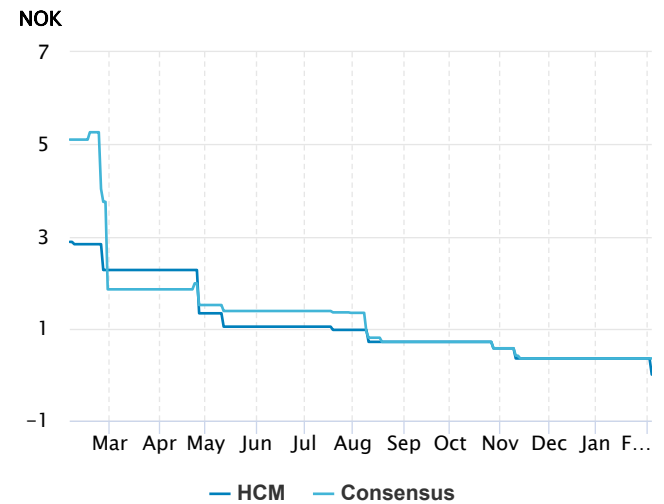
Momentum

Adjusted EPS 2023 estimate revisions



Sources: Handelsbanken Capital Markets and FactSet

Adjusted EPS 2024 estimate revisions



Sources: Handelsbanken Capital Markets and FactSet

Valuation data

NOK	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price year-end/current	38.0	25.7	27.5	41.9	42.0	27.3	48.0	89.5	107	103	107	63.4	63.4	63.4	63.4
Share price high	47.2	46.0	29.0	44.0	56.8	47.5	64.4	102	123	155	123	115	71.9	-	-
Share price low	33.6	21.1	17.7	26.1	33.0	21.5	23.3	37.6	42.5	90.5	79.5	40.7	62.4	-	-
Market cap (m)	811.3	547.5	586.8	899.8	908.5	588.8	1,038	1,954	2,643	2,784	2,895	1,719	1,719	1,719	1,719
Net debt (m)	-361.1	-216.9	-204.5	-136.0	-165.5	-124.6	-105.2	-126.8	-277.9	-252.2	-223.8	-226.7	-238.7	-293.4	-405.1
EV (m)	450.1	330.5	382.2	763.8	743.0	464.2	933.1	1,827	2,365	2,532	2,671	1,492	1,480	1,425	1,314
P/E reported (x)	n.m	n.m	n.m	n.m	25.7	n.m	n.m	61.4	n.m	n.m	n.m	n.m	n.m	35.4	16.2
P/E adj (x)	n.m	n.m	n.m	n.m	25.7	n.m	n.m	61.4	n.m	n.m	n.m	n.m	n.m	35.4	16.2
Pre-tax ROIC (%)	<-200	<-200	-12.8	-40.1	-14.9	-43.5	-32.0	70.5	-14.3	3.8	-10.7	15.6	14.0	43.3	74.3
EV/sales (x)	3.4	4.0	3.0	5.7	5.2	3.1	5.1	6.5	9.2	7.0	6.8	3.0	3.0	2.5	2.0
EV/EBITDA (x)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	31.0	n.m	>99	n.m	31.7	33.0	13.3	7.7
EV/EBIT (x)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	42.8	n.m	n.m	n.m	76.5	>99	18.7	9.5
EBIT adj margin (%)	-29.3	-85.9	-4.4	-16.3	-11.0	-30.0	-13.1	15.2	-9.0	-1.5	-11.0	3.9	3.0	13.2	20.8
FCF adj yield (%)	-6.9	-18.4	-1.2	-4.0	-0.28	-7.2	-2.5	1.0	0.53	0.72	-0.19	0.32	0.90	3.4	6.8

Source: Handelsbanken Capital Markets

## Peer group valuation

	CCY	Price (Sh. curr.)	Mcap (EURm)
<b>Photocure</b>	NOK	63.4	150
<b>Ambu*</b>	DKK	107	3,852
<b>BioGaia</b>	SEK	113	1,006
Bonesupport	SEK	202	1,160
CellaVision	SEK	202	424
<b>Vitrolife</b>	SEK	176	2,101
Össur hf	USD	4.5	1,772
Raysearch	SEK	88.7	268

Split financial year

Source: Handelsbanken Capital Markets

## DCF model assumptions

NOKm	2022	2023e	2024e	2025e	2026e	2027e	2032e	2037e	2042e
Sales	392.6	494.0	492.7	578.4	661.4	730.8	1,074	1,306	n.m
EBITDA - Reported	-24.6	47.1	44.8	107.1	169.6	235.1	461.7	555.3	0.0
EBITA2 - Reported (=EBITA bef gw amort) (use: IS)	-43.3	19.5	14.9	76.2	137.7	202.2	451.0	548.7	0.0
Sales CAGR (%)	8.9	25.8	-0.3	17.4	14.4	10.5	8.0	4.0	-3.0
EBITDA growth (%)	n.m	n.m	-4.8	139.1	58.4	38.6	14.5	3.8	n.m
EBITA growth (%)	n.m	n.m	-23.7	411.9	80.7	46.8	17.4	4.0	n.m
EBITDA margin (%)	-6.3	9.5	9.1	18.5	25.6	32.2	43.0	42.5	n.m
EBITA margin (%)	-11.0	3.9	3.0	13.2	20.8	27.7	42.0	42.0	38.5
Capex/sales (%)	0.92	1.3	1.5	1.5	1.5	1.5	1.0	0.50	0.20
Capex/depreciation (x)	0.19	0.24	0.25	0.28	0.31	0.33	1.0	1.0	1.0
Net working cap/sales (%)	3.4	4.7	6.1	7.3	8.1	8.7	8.0	8.0	8.0

Source: Handelsbanken Capital Markets

## WACC assumptions

WACC assumptions (%)	
Risk-free interest rate	2.0
Equity market risk premium	4.5
Extra risk premium	1.0
Equity beta (x)	1.2
Implicit asset beta (x)	1.1
Cost of equity	8.6
Pre-tax cost of debt	4.0
Equity weight	100
<b>WACC</b>	<b>8.6</b>

Source: Handelsbanken Capital Markets

## Calculation of DCF

Calculation of DCF (NOKm)	
NPV FCFF	2,717
ND inc off-BS & Hybrids	266
Market value Preferred stock	0.0
Market value Associates	0.0
Market value Minorities	0.0
Surplus values	0.0
Other adjustments	0.0
DCF value	2,450
<b>DCF value/share (NOK)</b>	<b>110</b>

Source: Handelsbanken Capital Markets

## DCF checkpoints

DCF checkpoints (%)	
5y hist sales growth	21.1
5y exp sales growth	13.2
Sustainable growth	-7.0
Sust EBITDA margin	n.m
Sust EBITA margin	38.5
Sust after-tax ROIC	100
Terminal value/DCF	15.7
Implicit equity weight	111
<b>Share price potential to DCF value</b>	<b>73.6</b>

Source: Handelsbanken Capital Markets

## P&amp;L accounts – quarterly data

NOKm	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23e	Q1 24e	Q2 24e
Sales	106.8	104.2	106.2	144.3	107.5	135.9	115.8	125.6
Cost of goods sold	-5.8	-5.4	-6.5	-6.9	-6.9	-7.1	-6.9	-7.5
Gross profit	101.0	98.8	99.8	137.4	100.7	128.8	108.9	118.1
Sales and marketing costs	-73.5	-86.1	-80.0	-86.8	-77.6	-81.1	-82.9	-84.4
Admin costs	-4.1	-5.4	-3.3	-2.7	-4.3	-4.5	-4.9	-5.3
SG&A	-77.6	-91.5	-83.3	-89.6	-81.9	-85.6	-87.8	-89.7
R&D costs (NOK)	-676,000	-542,000	-588,000	-211,000	-952,000	-2,052,000	-2,852,000	-3,252,000
OPEX	-78.3	-92.1	-83.9	-89.8	-82.9	-87.7	-90.6	-93.0
Other operating expenses	-24.1	-23.7	-23.5	-30.8	-21.6	-27.0	-20.0	-18.0
<b>EBIT</b>	<b>-1.4</b>	<b>-17.0</b>	<b>-7.7</b>	<b>16.9</b>	<b>-3.9</b>	<b>14.1</b>	<b>-1.8</b>	<b>7.2</b>
Net interest expenses	0.0	-22.1	0.0	0.0	0.0	-16.4	0.0	0.0
Net financials	-4.8	-5.5	-2.4	-4.9	-4.8	-6.0	-4.0	-4.0
<b>EBT</b>	<b>-6.3</b>	<b>-22.4</b>	<b>-10.1</b>	<b>12.0</b>	<b>-8.7</b>	<b>8.1</b>	<b>-5.8</b>	<b>3.2</b>
Total tax	-3.7	7.1	-1.6	-7.6	3.9	-1.8	0.0	0.0
tax rate (%)	-58.6	31.5	-16.1	63.7	44.7	22.0	0	0
EPS rep (NOK)	-0.37	-0.78	-0.43	0.16	-0.18	0.23	-0.21	0.12
<b>Net income</b>	<b>-9.9</b>	<b>-21.0</b>	<b>-11.7</b>	<b>4.4</b>	<b>-4.8</b>	<b>6.4</b>	<b>-5.8</b>	<b>3.2</b>

## Growth (%)

Sales	22.2	10.2	30.2	44.2	0.72	30.4	9.0	-12.9
Net income	n.m	n.m	n.m	n.m	n.m	n.m	n.m	-27.5

## of sales (%)

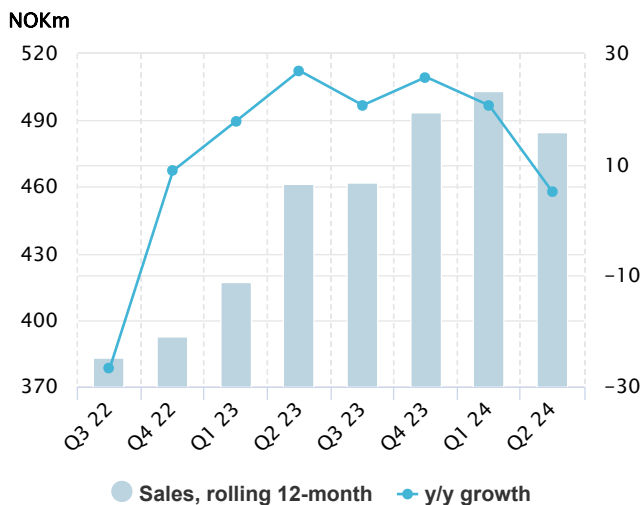
Gross margin	94.6	94.8	93.9	95.2	93.6	94.8	94.0	94.0
EBT margin	-5.9	-21.5	-9.5	8.3	-8.1	6.0	-5.0	2.5
Net margin	-9.3	-14.8	-11.0	3.0	-4.5	4.7	-5.0	2.5
SG&A	72.7	87.8	78.4	62.1	76.2	63.0	75.8	71.4
OPEX	73.3	88.4	79.0	62.2	77.1	64.5	78.3	74.0

## Adjusted values

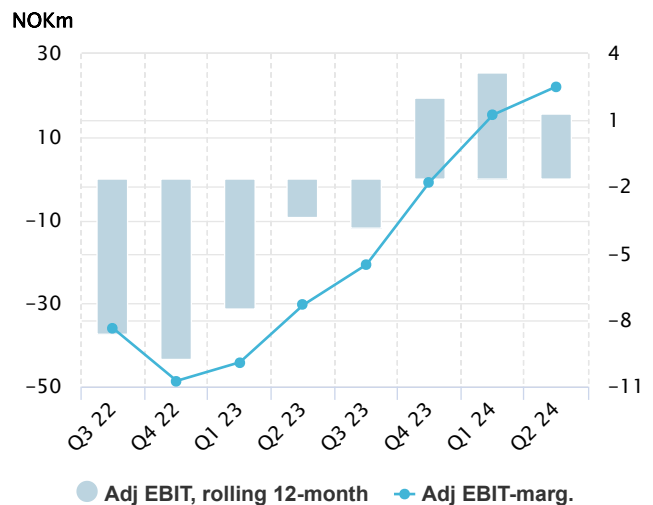
EBT	-6.3	-22.4	-10.1	12.0	-8.7	8.1	-5.8	3.2
EPS adj (NOK)	-0.37	-0.78	-0.43	0.16	-0.18	0.23	-0.21	0.12
Net income	-9.9	-21.0	-11.7	4.4	-4.8	6.4	-5.8	3.2

Source: Handelsbanken Capital Markets

## Revenue, 12-month rolling



## EBIT, 12-month rolling



Source: Handelsbanken Capital Markets

Source: Handelsbanken Capital Markets

## Business areas – quarterly data

NOKm	2024	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23e	Q1 24e	Q2 24e
<b>Sales</b>								
Cysview US	42.9	38.7	42.1	46.2	43.6	47.6	48.8	52.9
Hexvix Europe	54.6	55.2	64.1	71.2	63.9	61.8	66.9	72.6
Signing fees and milestone revenues	9.3	9.3	0.0	26.9	0.2	24.0	-	-
<b>Total</b>	<b>107</b>	<b>104</b>	<b>106</b>	<b>144</b>	<b>108</b>	<b>136</b>	<b>116</b>	<b>126</b>
<b>Y-o-y sales growth (%)</b>								
Cysview US	34.0	11.7	38.2	19.3	1.6	23.0	15.7	14.5
Hexvix Europe	-0.41	-7.5	26.4	15.4	17.1	12.0	4.4	2.0
Signing fees and milestone revenues	n.m	n.m	n.m	>900	-97.3	159	n.m	n.m
<b>Total</b>	<b>22.2</b>	<b>10.2</b>	<b>30.2</b>	<b>44.2</b>	<b>0.7</b>	<b>30.4</b>	<b>9.0</b>	<b>-12.9</b>

Source: Handelsbanken Capital Markets

## P&amp;L accounts – annual data

NOKm	2019	2020	2021	2022	2023e	2024e	2025e	2026e
<b>Income statement</b>								
Sales	281.6	256.5	360.5	392.6	494.0	492.7	578.4	661.4
Cost of goods sold	-22.5	-18.5	-24.1	-22.5	-27.3	-29.5	-34.5	-38.8
Gross profit	259.0	238.0	336.5	370.1	466.6	463.2	543.9	622.7
Sales and marketing costs	-148.7	-187.8	-259.9	-303.4	-325.6	-341.7	-367.3	-370.4
Admin costs	-11.0	-12.8	-14.8	-15.3	-14.8	-20.7	-24.3	-26.5
SG&A	-159.7	-200.6	-274.7	-318.7	-340.4	-362.4	-391.5	-396.9
R&D costs	-13.6	-13.8	-4.3	-3.3	-3.8	-14.9	-21.1	-33.1
OPEX	-173.3	-214.4	-279.0	-322.1	-344.2	-377.3	-412.7	-429.9
Other operating expenses	-43.0	-59.5	-62.8	-91.4	-102.9	-71.0	-55.0	-55.0
Net interest expenses	3.2	2.8	-25.8	-22.1	-16.4	-13.2	-12.2	-0.2
Net financials	3.2	2.8	-25.8	-22.1	-18.1	-15.0	-14.0	-2.0
Paid tax	-	-	-	-	-7.2	0.0	-13.7	-29.9
Tax	-14.1	10.8	0.8	-0.7	-7.2	0.0	-13.7	-29.9
tax rate (%)	30.7	32.7	2.4	-1.1	527	22.0	22.0	22.0
EPS rep (NOK)	1.46	-0.90	-1.14	-2.65	-0.21	0.00	1.79	3.91
<b>Net income</b>	<b>31.8</b>	<b>-22.4</b>	<b>-30.9</b>	<b>-71.8</b>	<b>-5.8</b>	<b>-0.1</b>	<b>48.5</b>	<b>106</b>
<b>Growth (%)</b>								
Sales	55.1	-8.9	40.6	8.9	25.8	-0.3	17.4	14.4
Net income	n.m	n.m	n.m	n.m	n.m	n.m	n.m	118.1
<b>% of sales (%)</b>								
EBT margin	16.3	-12.9	-8.6	-16.7	0.28	-0.02	10.8	20.5
Net margin	11.3	-8.7	-8.4	-16.9	-1.2	-0.02	8.4	16.0
SG&A	56.7	78.2	76.2	81.2	68.9	73.5	67.7	60.0
OPEX	61.6	83.6	77.4	82.0	69.7	76.6	71.3	65.0
<b>Profitability (%)</b>								
ROE reported	16.5	-6.3	-6.1	-14.9	-1.3	-0.02	10.1	19.0
ROE adj	16.5	-2.7	-6.1	-14.9	-1.3	-0.02	10.1	19.0
ROCE	21.5	n.m	n.m	n.m	3.9	3.0	14.5	22.9
Pre-tax ROIC	70.5	-14.3	3.8	-10.7	15.6	14.0	43.3	74.3
After tax ROIC	70.5	-14.3	3.8	-10.7	-66.7	10.9	33.8	57.9
Sales/capital invested (x)	3.7	1.6	1.5	1.6	2.1	2.2	2.7	3.2
Sales/total assets (x)	1.2	0.5	0.5	0.5	0.7	0.7	0.8	0.8
Sales per employee (NOKm)	4.2	2.8	3.6	3.6	4.5	4.5	5.3	6.1
<b>Adjusted values</b>								
Total adjustments to net inc	-	-12.9	-	-	-	-	-	-
EBT	45.9	-20.2	-31.1	-65.4	1.4	-0.1	62.2	135.7
EPS adj (NOK)	1.46	-0.39	-1.14	-2.65	-0.21	0.00	1.79	3.91
Net income	31.8	-9.5	-30.9	-71.8	-5.8	-0.1	48.5	105.9

Source: Handelsbanken Capital Markets

## Business areas – annual data

NOKm	2024	2020	2021	2022	2023e	2024e	2025e	2026e
<b>Sales</b>								
Cysview US	99	113	125	151	180	207	255	297
Hexvix Europe	115	132	227	222	261	285	324	365
Signing fees and milestone revenues	68	-	6	19	51	-	-	-
<b>Total</b>	<b>281.6</b>	<b>256.5</b>	<b>360.5</b>	<b>392.6</b>	<b>494.0</b>	<b>492.7</b>	<b>578.4</b>	<b>661.4</b>
<b>Sales growth (%)</b>								
Cysview US	55	15	11	20	19	16	23	16
Hexvix Europe	5	15	72	-2	17	9	13	13
Signing fees and milestone revenues	718	n.m	n.m	191	174	n.m	n.m	n.m
<b>Total</b>	<b>55.1</b>	<b>-8.9</b>	<b>40.6</b>	<b>8.9</b>	<b>25.8</b>	<b>-0.25</b>	<b>17.4</b>	<b>14.4</b>

Source: Handelsbanken Capital Markets

## Forecast balance sheet – annual data

NOKm	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Accounts receivable	24	43	48	47	56	62	73	83
Inventory	16	30	28	27	31	35	41	47
Other current assets	21	5	15	16	16	16	16	16
Cash & other interest-bearing	125	335	323	268	271	283	338	449
<b>Current assets</b>	<b>187</b>	<b>412</b>	<b>413</b>	<b>358</b>	<b>375</b>	<b>397</b>	<b>468</b>	<b>596</b>
Goodwill	-	144	144	144	144	144	144	144
R&D	12	163	146	129	112	96	79	61
Tangible assets	2	2	4	4	6	7	9	13
Oth non-IB fixed assets	38	50	53	55	55	55	55	55
Other financial assets	11	-	-	-	-	-	-	-
<b>Total assets</b>	<b>257</b>	<b>776</b>	<b>790</b>	<b>719</b>	<b>717</b>	<b>720</b>	<b>773</b>	<b>884</b>
Equity	209	508	503	463	457	457	505	611
Shareholder equity	209	508	503	463	457	457	505	611
Pension provisions	3	3	4	5	5	5	5	5
Deferred tax liabilities	-	144	139	135	135	135	135	135
Long-term interest-bearing debt	-	50	13	-	-	-	-	-
Trade payables	5	-	24	21	25	28	33	38
Other current liabilities	34	67	53	55	55	55	55	55
<b>Current liabilities</b>	<b>39</b>	<b>67</b>	<b>102</b>	<b>89</b>	<b>93</b>	<b>96</b>	<b>101</b>	<b>106</b>
<b>Total equity &amp; liabilities</b>	<b>257</b>	<b>776</b>	<b>790</b>	<b>719</b>	<b>717</b>	<b>720</b>	<b>773</b>	<b>884</b>
Net interest bearing debt	-127	-278	-252	-224	-227	-239	-293	-405

Source: Handelsbanken Capital Markets

## Forecast cash flow

NOKm	2019	2020	2021	2022	2023e	2024e	2025e	2026e
<b>EBIT before associates</b>	<b>42.7</b>	<b>-35.9</b>	<b>-5.3</b>	<b>-43.3</b>	<b>19.5</b>	<b>14.9</b>	<b>76.2</b>	<b>137.7</b>
+ Net financials	3.2	2.8	-25.8	-22.1	-18.1	-15.0	-14.0	-2.0
- Paid tax	-14.1	10.8	0.8	-0.7	-7.2	0.0	-13.7	-29.9
- Change in NWC	-7.4	17.1	-3.2	-0.2	-9.6	-7.0	-12.0	-11.6
+ Depreciation/impairment	16.2	19.1	23.6	18.5	27.6	29.9	30.9	31.9
+ Other adjustment	-20.0	1.6	33.8	45.8	n.m	n.m	n.m	n.m
<b>Cash flow from operations (CFFO)</b>	<b>20.7</b>	<b>15.6</b>	<b>23.9</b>	<b>-2.0</b>	<b>12.1</b>	<b>22.8</b>	<b>67.4</b>	<b>126.1</b>
- Net recurring capex	-1.1	-1.6	-3.7	-3.6	-6.6	-7.4	-8.7	-9.9
<b>FCF bef Acq. &amp; Div. (FCF)</b>	<b>19.6</b>	<b>14.0</b>	<b>20.2</b>	<b>-5.6</b>	<b>5.4</b>	<b>15.4</b>	<b>58.8</b>	<b>116.2</b>
<b>FCF to equity (FCFE)</b>	<b>19.6</b>	<b>14.0</b>	<b>20.2</b>	<b>-5.6</b>	<b>5.4</b>	<b>15.4</b>	<b>58.8</b>	<b>116.2</b>
+ New share issue	0.6	314.7	13.9	7.6	n.m	n.m	n.m	n.m
+ Other adjustments	-1.7	-169.1	-8.6	-44.3	3.8	3.4	3.4	3.4
<b>NET cash flow/change in NIBD</b>	<b>18.5</b>	<b>209.6</b>	<b>-12.0</b>	<b>-54.8</b>	<b>2.9</b>	<b>11.9</b>	<b>54.8</b>	<b>111.7</b>
Funds from operations (FFO)	28.0	-1.5	27.1	-1.8	21.7	29.8	79.4	137.8
Cash flow from operations (CFFO)	20.7	15.6	23.9	-2.0	12.1	22.8	67.4	126.1
FCF bef Acquisitions & Divestments (FCF)	19.6	14.0	20.2	-5.6	5.4	15.4	58.8	116.2
FCF to equity (FCFE)	19.6	14.0	20.2	-5.6	5.4	15.4	58.8	116.2

Source: Handelsbanken Capital Markets

## Financial ratios – annual data

%	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Equity/total assets	81.1	65.5	63.7	64.4	63.7	63.5	65.4	69.2
Net debt/equity	-60.8	-54.7	-50.2	-48.4	-49.6	-52.2	-58.1	-66.3
Net cash flow/capex	>500	>500	<-200	<-200	44.3	161	>500	>500
EBITDA net interest cover (x)	-18.6	n.m	0.7	n.m	2.9	3.4	8.8	762
EBIT net interest cover (x)	-13.5	n.m	n.m	n.m	1.2	1.1	6.2	619
FCFF/total debt	>500	21.0	271	344	<-200	495	>500	>500
Total debt/capital	1.5	9.5	3.3	1.0	1.0	1.0	0.94	0.78
Long-term debt/capital	0	8.9	2.4	0	0	0	0	0
Inventory/sales	5.8	11.6	7.6	6.8	6.4	7.1	7.1	7.1
Receivables/sales	16.0	18.6	17.4	16.2	14.6	16.0	15.5	15.1
Accounts payable/sales	13.8	26.2	21.4	19.5	16.3	16.9	15.3	14.1
Working capital/sales	8.1	3.9	3.7	3.4	4.7	6.1	7.3	8.1
Current ratio	483	613	405	402	403	413	464	565
Quick ratio	440	569	378	372	369	377	424	520

Source: Handelsbanken Capital Markets

## Per share data

m	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Nr of shares, year-end	21.8	24.8	27.1	27.1	27.1	27.1	27.1	27.1
Nr of shares, average	21.8	24.8	27.1	27.1	27.1	27.1	27.1	27.1
EPS reported (NOK)	1.46	-0.90	-1.14	-2.65	-0.21	0.00	1.79	3.91
Y-o-y growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	118.1
EPS adj (NOK)	1.46	-0.39	-1.14	-2.65	-0.21	0.00	1.79	3.91
Y-o-y growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	118.1
Cash earnings (NOK)	2.20	-0.13	-0.27	-1.96	0.80	1.10	2.93	5.1
DPS - ordinary (NOK)	-	-	-	-	-	-	-	-
Book value (NOK)	9.6	20.5	18.5	17.1	16.9	16.9	18.6	22.5
Y-o-y growth (%)	17.2	114.5	-9.5	-7.9	-1.3	0.0	10.6	21.0
Net debt (NOK)	-6.1	-11.4	-11.3	-9.7	-9.8	-10.3	-12.3	-16.4
NAV (NOK)	9.0	8.1	7.8	7.0	7.4	8.0	10.4	15.0

Source: Handelsbanken Capital Markets

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## Recommendation structure

HCM long-term recommendation (3 years)	R <sub>p</sub> is expected to be <sup>1</sup>	HCM universe <sup>2</sup>	IB services <sup>3</sup>
Outperform	above 40%	42%	17%
Market Perform	between 20% and 40%	47%	19%
Underperform	below 20%	11%	16%

<sup>1</sup> R<sub>p</sub> is defined as the expected share price appreciation or depreciation including dividends over the next three years

<sup>2</sup> Percentage of companies under coverage within each recommendation

<sup>3</sup> Percentage of companies within each recommendation for which investment banking services have been provided in the past 12 months

HCM short-term recommendation (3 months)	Return expected to be <sup>4</sup>	HCM universe <sup>5</sup>	IB services <sup>6</sup>
Buy	above 5%	28%	12%
Hold	between 0% and 5%	63%	20%
Sell	below 0%	9%	19%

<sup>4</sup> Return expected to be is defined as the expected share price appreciation or depreciation including dividends over the next three months

<sup>5</sup> Percentage of companies under coverage within each recommendation

<sup>6</sup> Percentage of companies within each recommendation for which investment banking services have been provided in the past 12 months

Source: Handelsbanken Capital Markets, as per 5 February 2024

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Feb 06, 2024: Photocure - Handelsbanken's analyst Rickard Anderkrans has no position in Photocure or a related instrument.

Handelsbanken beneficially owns one percent or more of any class of common equity securities of the company that is the subject of this research report.

The short-term recommendation Buy was set on 2022-03-25 as the first short-term recommendation for the company at the share price of NOK 111.1.

The long-term recommendation Outperform was set on 2022-03-25 as the first long-term recommendation for the company at the share price of NOK 111.1.

For more company-specific disclosure texts, please consult the Handelsbanken Capital Markets website: <https://www.researchonline.se/desc/disclosure>.

Completion date: 2024-02-05 17:43 CET

## Company overview

%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
<b>P&amp;L</b>													
Sales (NOKm)	129	135	144	151	182	282	256	361	393	494	493	578	661
growth	54	4	7	5	20	55	-9	41	9	26	-0.3	17	14
Gross margin	94.6	93.9	93.5	92.0	90.6	92.0	92.8	93.3	94.3	94.5	94.0	94.0	94.1
R&D to sales	25.2	23.3	16.0	21.6	10.5	4.8	5.4	1.2	0.85	0.77	3.0	3.6	5.0
SG&A to sales	49.4	62.2	62.9	71.4	72.5	56.7	78.2	76.2	81.2	68.9	73.5	67.7	60.0
EBITDA (NOKm)	-4	-18	-8	-33	-25	59	-17	18	-25	47	45	107	170
margin	-3.2	-13.4	-5.6	-21.9	-13.6	20.9	-6.5	5.1	-6.3	9.5	9.1	18.5	25.6
EBITA (NOKm)	-6	-22	-12	-39	-26	54	-22	9	-26	37	31	93	155
margin	-4.4	-16.3	-8.3	-25.9	-14.5	19.2	-8.7	2.5	-6.7	7.4	6.4	16.1	23.5
EBIT (NOKm)	-6	-22	-16	-45	-38	43	-36	-5	-43	20	15	76	138
margin	-4.4	-16.3	-11.0	-30.0	-20.9	15.2	-14.0	-1.5	-11.0	3.9	3.0	13.2	20.8
Net income (NOKm)	-25	-36	35	-35	-37	32	-22	-31	-72	-6	-0.1	49	106
growth	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	118
Adj net income (NOKm)	-25	-36	35	-35	-23	32	-10	-31	-72	-6	-0.1	49	106
growth	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	118
<b>Balance sheet (NOKm)</b>													
Tangible assets	3	2	2	1	2	2	2	4	4	6	7	9	13
Goodwill	-	-	-	-	-	-	144	144	144	144	144	144	144
Current assets	194	204	212	176	153	187	412	413	358	375	397	468	596
Cash	165	134	169	129	107	125	335	323	268	271	283	338	449
Total assets	271	248	286	263	231	257	776	790	719	717	720	773	884
Equity	240	210	252	218	176	209	508	503	463	457	457	505	611
Long-term int bearing debt	-	-	-	-	-	-	50	13	-	-	-	-	-
Current liab	27	34	31	40	52	39	67	102	89	93	96	101	106
Total liabilities	271	248	286	263	231	257	776	790	719	717	720	773	884
Net int bearing debt	-205	-136	-165	-125	-105	-134	-282	-306	-263	-266	-278	-333	-445
<b>Cash flow (NOKm)</b>													
FFFO	-6	-21	19	-24	-24	21	16	24	-2	12	23	67	126
Capex	-0.7	-15	-22	-19	-2	-1	-2	-4	-4	-7	-7	-9	-10
Free cash flow	-7	-36	-3	-42	-26	20	14	20	-6	5	15	59	116
FCF to equity	-7	-36	-3	-42	-26	20	14	20	-6	5	15	59	116
<b>Ratios</b>													
Pre-tax ROIC	-12.8	-40.1	-14.9	-43.5	-32.0	70.5	-14.3	3.8	-10.7	15.6	14.0	43.3	74.3
ROE reported	-9.7	-16.1	15.3	-14.8	-18.6	16.5	-6.3	-6.1	-14.9	-1.3	-0.02	10.1	19.0
ROCE	n.m	n.m	n.m	n.m	n.m	21.5	n.m	n.m	n.m	3.9	3.0	14.5	22.9
Capex to sales	0.58	11.1	15.1	12.3	1.2	0.39	0.63	1.0	0.92	1.3	1.5	1.5	1.5
NWC to sales	1.1	27.0	8.6	4.0	-3.2	8.1	3.9	3.7	3.4	4.7	6.1	7.3	8.1
Sales/assets (NOKx)	0.45	0.52	0.54	0.55	0.73	1.15	0.50	0.46	0.52	0.69	0.69	0.77	0.80
Sales/IC (x)	2.94	2.46	1.79	1.68	2.21	3.68	1.64	1.50	1.60	2.11	2.20	2.69	3.16
Net debt/equity	-85.2	-64.7	-65.7	-57.1	-59.6	-60.8	-54.7	-50.2	-48.4	-49.6	-52.2	-58.1	-66.3
Equity/total assets	88.7	84.7	88.0	82.9	76.3	81.1	65.5	63.7	64.4	63.7	63.5	65.4	69.2
<b>Share data (NOKm)</b>													
Avg no shares (m)	21.3	21.5	21.6	21.6	21.6	21.8	24.8	27.1	27.1	27.1	27.1	27.1	27.1
change (%)	0.2	0.6	0.7	-0.3	0.3	0.9	14	9	0.0	0.0	0.0	0.0	0.0
Avg diluted shares (m)	21.3	21.5	21.6	21.6	21.6	21.8	24.8	27.1	27.1	27.1	27.1	27.1	27.1
change (%)	0.2	0.6	0.7	-0.3	0.3	0.9	13.6	9.3	0.0	0.0	0.0	0.0	0.0
Share price YE (NOK)	27.5	41.9	42.0	27.3	48.0	89.5	106.6	102.7	106.8	63.4	63.4	63.4	63.4
Market cap	587	900	909	589	1,038	1,954	2,643	2,784	2,895	1,719	1,719	1,719	1,719
EV	382	764	743	464	933	1,827	2,365	2,532	2,671	1,492	1,480	1,425	1,314
Net debt/share (NOK)	-9.6	-6.3	-7.7	-5.8	-4.9	-6.1	-11.4	-11.3	-9.7	-9.8	-10.3	-12.3	-16.4
EPS reported (NOK)	-1.16	-1.68	1.63	-1.61	-1.70	1.46	-0.90	-1.14	-2.65	-0.21	0.00	1.79	3.91
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	118
EPS adj (NOK)	-1.16	-1.68	1.63	-1.61	-1.04	1.46	-0.39	-1.14	-2.65	-0.21	0.00	1.79	3.91
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	118
DPS - Ordinary	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Handelsbanken Capital Markets