

O Outperform • Long term (3 years)**B** Buy • Short term (3 months)

Photocure

North America shines to end the year with undramatic 2025 guidance

- Q4: ~11% organic product sales growth and 3 placements of new US scopes – below our estimate of 7
- 2025 guidance of 7-11% organic product sales growth and EBITDA improvement y-o-y
- Many moving parts, but we view the report and outlook as solid but consensus revisions to be limited

Q4: Impressive growth in North America but poor operating leverage

Product sales amounted to NOK 129m, with +11% y-o-y volume development and 11% organic sales growth, 4% above our estimates. North America sales was NOK 56m, up 17% y-o-y organically (12% above our estimate of NOK 50m), where we note an 16% unit decline in sales of flex scope accounts offset by growth in TURBT-kits up 17% y-o-y. Europe showed unit growth of 11% with sales of NOK 73m (1% below our estimate of NOK 74m). The topline was boosted by a NOK 12m milestone, in-line with our estimates. The commercial franchise gross margin was solid at 95%, above our estimate of 94%. EBITDA of NOK 8.5m came in below consensus estimates of NOK 14m, held back by higher business development expenses of NOK 5m. EBITDA for the commercial franchise was NOK 3.9m. There were 3 new US rigid scope placements in the quarter, below our estimate of 7. Including the "upgrade accounts", 6 new scopes were placed in the quarter and 49% of the rigid tower installed base in the US now consists of the new Saphira towers (compared to 48% in Q3). There were 25 remaining flexible scopes in the US ending Q4, unchanged versus Q3. FCF came in at NOK 11m for an ending cash position of NOK 293m (versus NOK 291m in Q3 24).

2025 growth guidance slightly above our cautious expectations

Photocure issued financial guidance for 2025. Organic product sales growth is expected 7-11%, which captures our estimate of 11%. This was above our anticipation of a guidance of "high single digit growth", since we believe management wants to guide conservatively. EBITDA guidance was an "improvement y-o-y" versus the NOK 49m EBITDA in 2024. This compares to FactSet consensus excluding milestones of NOK 53m and our estimates of NOK 80m. While the Company is not providing a specific EBITDA guidance range, Photocure expects continued operating leverage flow-through in its core commercial business. Management introduced a new KPI called "Active US accounts" which saw 11% growth y-o-y in 2024. The German healthcare reform that went into effect as of 1 January was highlighted as a potential risk, but that volumes had continued at a healthy growth clip through mid-February.

Should be enough to support the shares, we believe

Photocure shares are up ~8% in three months. At first glance, we expect relatively limited consensus estimate revisions following the report. There is a webcast at 14.00 CET today where we expect focus on 1) Drivers of strength in North American growth and contribution from ForTec medical, 2) current trading dynamics in Q1 and details behind the guidance, 3) update on the Olympus and Richard Wolf European scope launch initiatives; 4) Reason behind slow conversion of US Saphira scope installed base particularly given Karl Storz promotional activities in H2 and 5) drivers behind the elevated opex in Q4. Link: https://channel.royalcast.com/landingpage/hegnarmedia/20250219_4/

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Company data

NOKm	2022	2023	2024e	2025e	2026e
Sales	393	501	519	551	627
Sales growth (%)	8.9	27.5	3.7	6.2	13.7
Gross margin (%)	94.3	94.8	94.1	94.0	94.0
EBIT adj margin (%)	-43	28	27	50	103
EBT	-11.0	5.6	5.2	9.1	16.5
EBT	-65.4	9.8	12.2	36.3	101.1
EPS rep (NOK)	-2.65	0.01	0.18	1.04	2.91
EPS adj (NOK)	-2.65	0.01	0.18	1.04	2.91
Y-o-y growth (%)	n.m	n.m	>900	491	179
P/E adj (x)	n.m	>99	>99	53.8	19.3
P/BV (x)	6.3	3.8	3.1	3.0	2.6
ROE adj (%)	-14.9	0.06	0.99	5.6	14.2
EV/EBIT (x)	n.m	57.2	47.2	25.1	11.6
EV/EBITDA (x)	n.m	28.7	22.7	15.8	8.9
EV/sales (x)	6.8	3.2	2.5	2.3	1.9
FCF adj yield (%)	-0.19	2.0	0.89	2.0	5.2
Tot DPS	0.00	0.00	0.00	0.00	0.00
Net debt/equity (%)	-48.4	-48.9	-49.2	-50.5	-55.3
Target price (NOK)	120				

Source: Handelsbanken

Q4 deviations

NOKm	Q4 23	Q4 24		Deviation SHB		FactSet Cons	Deviation Cons %
		Actual	SHB	%	#		
Product revenues	114.2	128.6	123.5	4%	5.1		n.a.
<i>y-o-y growth %</i>	<i>20.3%</i>	<i>12.6%</i>	<i>8.2%</i>				
Signing fees/Other revenues	28.4	13.1	12.0	9%	1.1	0.0	9%
Total revenues	142.5	141.7	135.5	5%	6.2	131.9	7%
Geographic sales							
Europe - Hexvix	66.8	73.1	73.7	-1%	-0.6	n.a.	
<i>y-o-y growth %</i>	<i>18.9%</i>	<i>9.4%</i>	<i>10.2%</i>				
North America - Cysview	46.7	55.5	49.8	12%	5.7	n.a.	
<i>y-o-y growth %</i>	<i>20.8%</i>	<i>18.9%</i>	<i>6.6%</i>				
Other sales	1.5	1.3	0.1	1126%	1.2	n.a.	
<i>y-o-y growth %</i>		<i>-15.6%</i>	<i>-93.1%</i>				
Gross profit, adj. for milestones	136.7	122.0	116.1	5%	5.9	130.1	-6%
<i>Gross margin, adj.</i>	<i>94.9%</i>	<i>94.9%</i>	<i>94.0%</i>	<i>0.9 pp</i>		<i>98.6%</i>	<i>-3.8 pp</i>
R&D expenses	-0.3	-0.1	-1.7	94%	1.6		n.a.
Marketing and Sales expenses	-90.5	-98.1	-86.8	-13%	-11.3		n.a.
EBITDA	29.9	8.5	15.6	-46%	-7.1	13.8	-38%
<i>EBITDA Margin</i>	<i>21.0%</i>	<i>6.0%</i>	<i>11.5%</i>			<i>10.5%</i>	
Adj. EBITDA	29.9	8.5	15.6	-46%	-7.1	13.8	-38%
<i>Adj. EBITDA Margin</i>	<i>21.0%</i>	<i>6.0%</i>	<i>11.5%</i>			<i>10.5%</i>	
EBIT	22.5	1.2	8.4	-86%	-7.2	10.6	-89%
<i>EBIT Margin</i>	<i>15.8%</i>	<i>1.6%</i>	<i>6.2%</i>			<i>8.0%</i>	
Net profit	12.5	-5.8	4.2	-237%	-10.0	5.4	-207%

Source: Handelsbanken

Photocure

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

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

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