

Photocure

Waiting for accelerating growth to kick in

- 6% product sales growth and 59% commercial EBITDA growth in Q2
- Growth should accelerate in H2 – keeping short-term Buy
- Target price down to NOK 120 (125) – reiterating Outperform

In-line Q2 with many moving parts but operating leverage intact

The Q2 ~6% organic growth tracking was in line with the unchanged 6-9% growth guidance, despite order phasing headwinds in Germany and a continued >40% decline in US 'flex' sales. While the quarter included some moving parts in terms of milestone revenue, business development expenses and weak volume sales, underlying operating leverage remains solid. While opex came in above our estimates, the commercial franchise (excluding development and milestones) saw 59% y-o-y EBITDA growth on the basis of 6% revenue growth, illustrating the scalability of Photocure's business model.

Still scope for a 2024 revenue guidance upgrade in H2

After delivering 7% organic sales growth in H1, we see several drivers for accelerating growth and a potential upgrade of the 6-9% 2024 growth guidance. With an easy comparable, H2 should also benefit from a rebound in European volumes, ForTec Medical ramping up to a national US sales coverage and the Olympus European scope launch. We prudently stick with our current 8% product sales growth estimate for 2024. With opex running above our expectations in Q2, we cut our EBITDA estimates for our forecast period by 6-10% (NOK ~6-9m), mainly owing to higher opex. We reiterate our short-term Buy, with several share price catalysts in play for H2 2024, bolstered by the outlook for accelerating growth.

Plenty of ingredients for 2024 to be the turning point

An FDA reclassification of BLC scopes remains the most important trigger for Photocure to unlock the US market. While timing remains uncertain, we believe a decision could land some time in H2 2024 to H1 2025. Until then, we expect several positive catalysts. The shares are trading at 50-70% discounts to Nordic medtech peers, and the company has a solid NOK 267m cash position. We trim our three-year target price to NOK 120 (125), owing to lower estimates, but keep our long-term Outperform recommendation.

Key figures

NOKm	2022	2023	2024e	2025e	2026e
Sales	393	501	510	560	635
Sales growth (%)	8.9	27.5	1.8	9.8	13.4
EBITDA adj	-25	55	54	85	137
margin (%)	-6.3	11.1	10.6	15.3	21.5
EBT	-65	10	8	41	103
EPS adj (NOK)	-2.65	0.01	0.04	1.18	2.97
Y-o-y growth (%)	n.m	n.m	269	>900	152
P/E adj (x)	n.m	>99	>99	42.9	17.0
P/BV (x)	6.3	3.8	2.8	2.7	2.3
ROE adj (%)	-14.9	0.06	0.23	6.4	14.5
EV/EBITDA (x)	n.m	28.7	21.0	13.0	7.6
EV/sales (x)	6.8	3.2	2.2	2.0	1.6
FCF adj yield (%)	-0.19	2.0	0.72	2.5	5.9
Tot DPS	0.00	0.00	0.00	0.00	0.00
Net debt/equity (%)	-48.4	-48.9	-48.8	-50.5	-55.5

Source: Handelsbanken

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

Target price change

O	Long term 3 years Outperform
B	Short term 3 months Buy

Three-year target return

Target price incl. div (NOK)	120
Expected total return (%)	138

Key data

Share price	7 Aug, 18:42 CET (NOK)	50.50
Market cap (NOKm)		1,369
Bloomberg		PHO NO
Reuters		PHO.OL
Web address		Link
CEO		Daniel Scheider
Next event		13 Nov 2024: Q3 report

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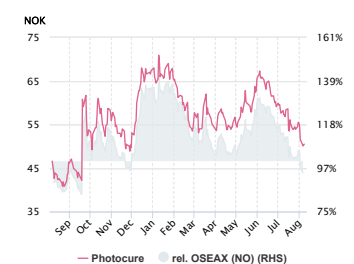
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Estimate changes

%	2024e	2025e	2026e
Sales	0	-1	-1
EBIT adj	-19	-14	-8
EPS adj	-83	-18	-8

Source: Handelsbanken

Share price – 12 months



Source: FactSet

Share perf. (%)	-1m	-3m	-12m
Absolute:	-12.3	-11.2	8.4
Rel. OSEAX (NO):	-12.3	-11.2	1.4
52w range (NOK):	70.90 / 40.85		

Source: FactSet

Supporting charts and tables

Limited USD 1m-1.5m investment to address large commercial opportunity

Photocure – Richard Wolf agreement: Next generation Flexible BLC equipment to unlock the surveillance market globally



Photocure provided additional details on the flexible cystoscope agreement with Richard Wolf - the expected costs of NOK ~10-15m were below our NOK ~15-30m estimate

Terms of the Agreement

- Strategic agreement to **develop and commercialize 4K LED HD reusable flexible blue light cystoscope**; executed and announced 15 July 2024
- Future equipment based on Richard Wolf's *System blue* technology
- Photocure and Richard Wolf are co-investing in the development of the new flexible BLC system
- **Photocure investment between 1.0M – 1.5M USD, Specific financial terms undisclosed**
- 24-30 months estimated development period

Responsibilities

- Intellectual property owned by Richard Wolf
- Richard Wolf will develop, manufacture, obtain regulatory clearances, and be market authorization holder globally
- Photocure will provide guidance to Richard Wolf based on extensive knowledge of surveillance procedures and urology customers' needs
- Photocure and Richard Wolf will co-promote globally
- Governance through Joint Development and Joint Commercialization Committees

A Global Opportunity

1.65M Surveillance Procedures in U.S. & EU5 Countries

▼

Estimated Total Addressable Market (TAM) 1.3B USD

Photocure – Presentation of Q2 2024 Results

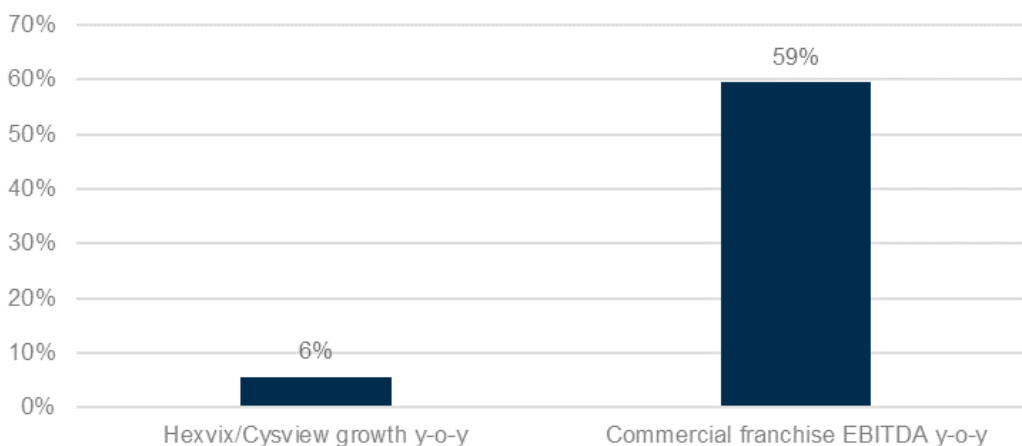
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Source: Photocure – Presentation of Q2 2024 Results

The commercial franchise continues to show signs of scalable growth in Q2 2024

Impressive earnings improvement in commercial franchise (ex milestones)

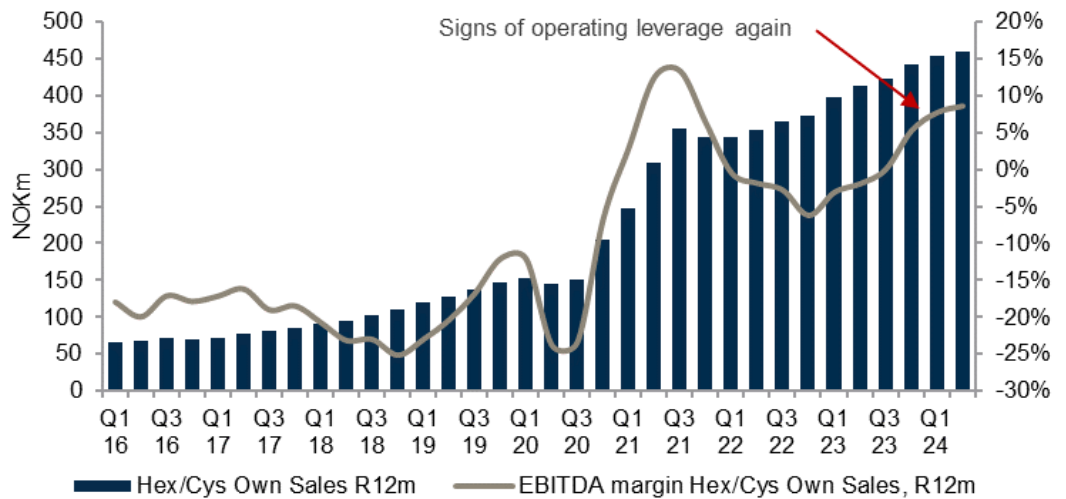
With a 1% y-o-y opex increase in the commercial franchise, Photocure delivered solid operating leverage in Q2



Source: Handelsbanken, company data

Photocure's Hexvix/Cysview commercial franchise

We are encouraged by Photocure's return to operating leverage



Source: Handelsbanken, company data

Potential share price catalysts

An FDA reclassification remains the single most important catalyst for Photocure, although its timeline remains uncertain

Potential triggers	Est. Timing	Comment
EU launch of upgraded BLC (Olympus)	Q4 2024	New rigid scope (Expecting blue light-feature Q4 2024)
Canadian and EU launch of BLC functionality for Stryker's 1788 endoscopy platform	H2 24 / H1 25	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	2024-2025	Danish, US and Nordic flex registry studies (~15K patients in total); data from the VA system
Potential launches from other scope-providers	2024-26	~12 additional scope-providers evaluating BLC
US FDA downclassification decision of BLC scopes	H2 24 / H1 25	Downclassification from class 3 to class 2 device, democratizing US market (currently limited to Karl Storz)
Chinese approval of Cevira	H2 2025	Chinese regulatory approval of Cevira
Chinese launch of Cevira	2026	Local partner Asieris completed Phase 3 trial
Chinese launch of Hexvix	2025	Local partner Asieris completed Phase 3 trial and filing in China
Market launch of R. Wolf flexible scope	2026-27	Launching partnered Blue Light Flexible Scope with Richard Wolf
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

Recent interview in Chinese media illustrates focus on Cevira (APL-1702)

"The company is very optimistic about the **market potential** of the above products, **especially APL-1702**. Every year, 600,000 to 700,000 women are diagnosed with high-grade cervical cancer, and 90% of these patients undergo cervical resection. **The launch of APL-1702 is expected to save hundreds of thousands of women from cervical resection each year**. While preserving the intact cervix, it can eliminate lesions or clear HPV viruses, reverse the disease process, protect women's fertility, and meet unmet clinical needs. We believe that after the product is launched on the market, it will not only benefit more patients, but also contribute to the company's performance." said Yahong Pharmaceuticals.

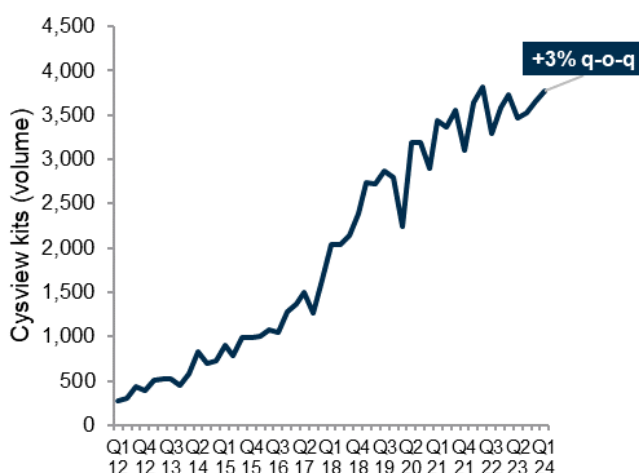
Photocure's partner seems highly committed to the commercial success of Cevira (APL-1702), where Photocure is entitled to 10-20% royalties on global sales and up to USD 250m in milestones

According to the company, in terms of operations, it has done a good job in reducing costs and increasing efficiency, focusing on overall input-output and ensuring investment in key projects; in terms of commercialization, the company has quickly established a marketing team of initial scale and complete functions through product introduction, and is **fully committed to promoting the smooth launch of APL-1702 in China, so as to achieve commercial success as soon as possible**.

In addition, Asieris Pharmaceuticals is also promoting overseas development and cooperation opportunities for APL-1702, APL-1202/APL-1501, in order to reduce overseas development costs and increase the company's cash income through **external licensing**.

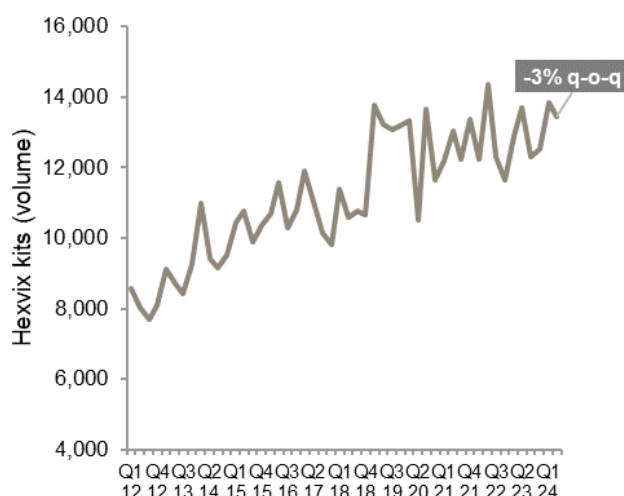
Source: Handelsbanken, Sina Finance
 Note: https://finance.sina.cn/2024-07-22/detail-inceypac9051679.d.html?oid=3816000917538956&vt=4&cid=76524&node_id=76524

Quarterly volumes, North America



Source: Handelsbanken, company data

Quarterly volumes, Europe



Source: Handelsbanken, company data

Opex in relation to product sales

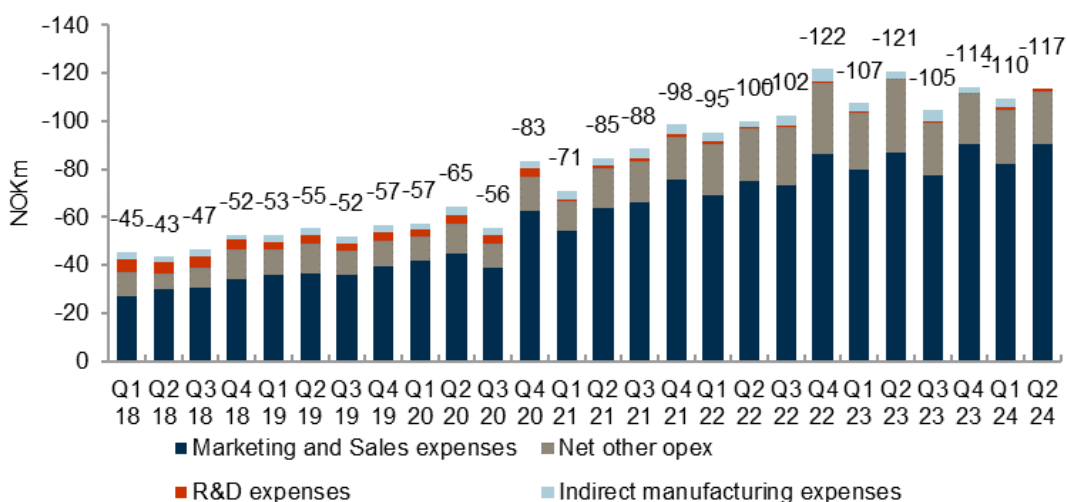
Opex in relation to product sales ticked up in the quarter



Source: Handelsbanken, company data

Total opex development

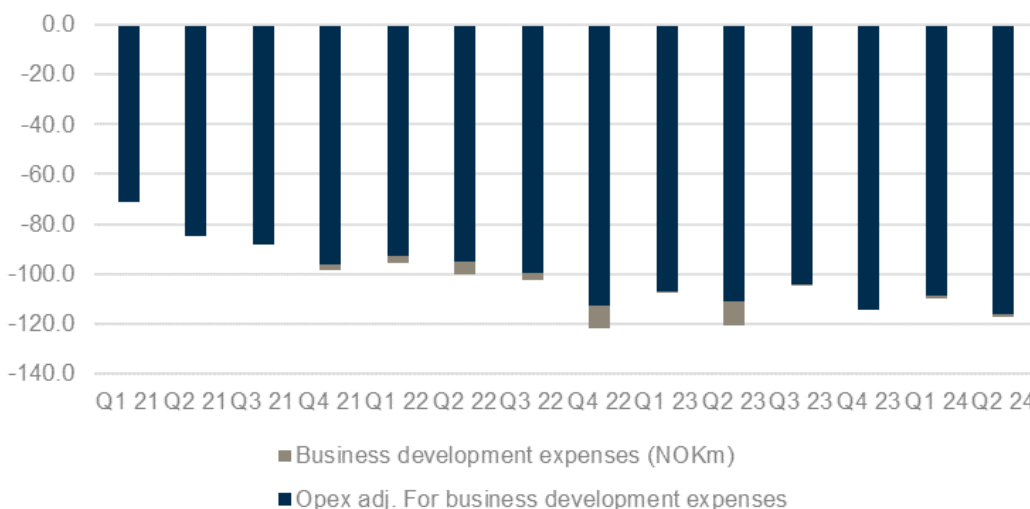
Opex development remains relatively flat in recent quarters



Source: Handelsbanken, company data

Business development expense in relation to opex

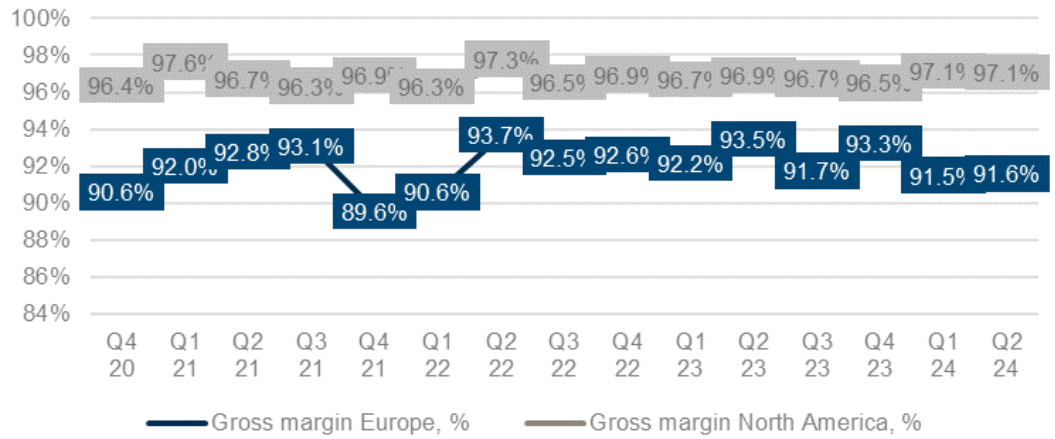
Business development expenses were a moderate NOK 1.3m in Q2



Source: Handelsbanken, company data

Gross margin contribution by region

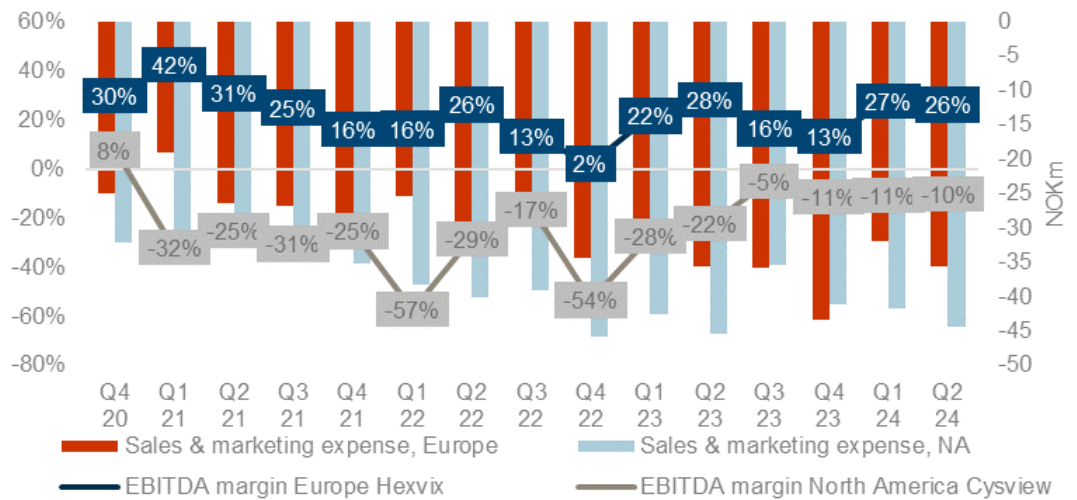
We are encouraged by the continued solid gross margin contribution...



Source: Handelsbanken, company data

EBITDA contribution by region

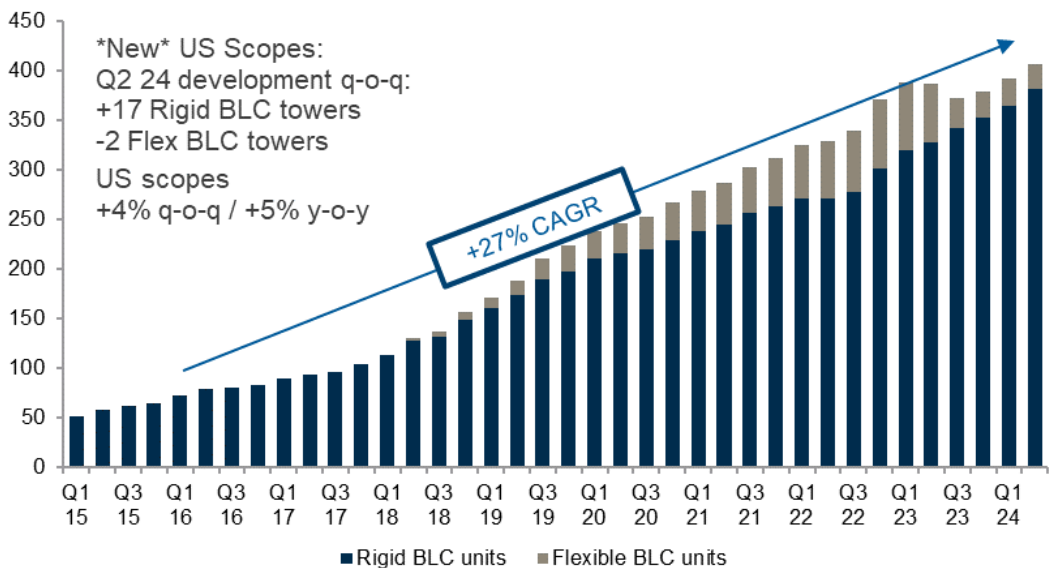
... with contribution margins remaining stable q-o-q



Source: Handelsbanken, company data

17 new and 3 upgraded US scope placements in Q2

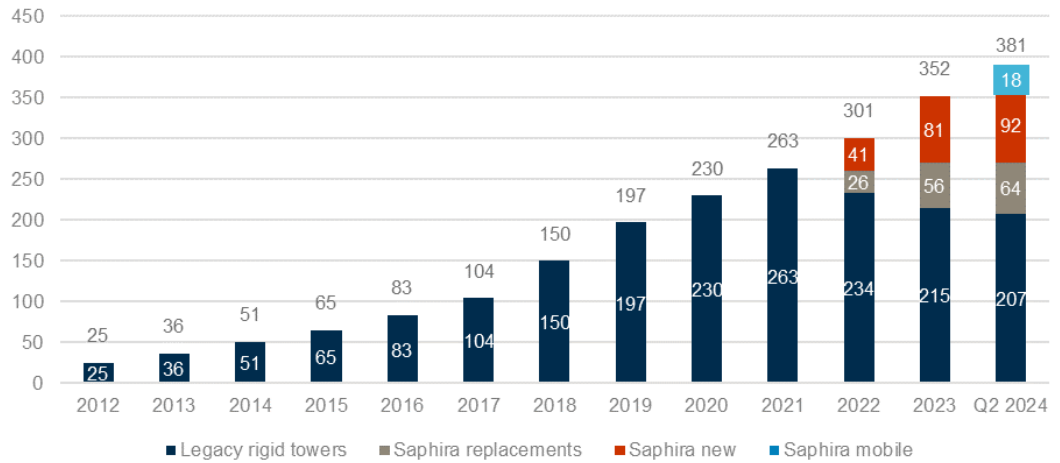
Karl Storz has the capacity to continue serving the remaining base of flex scopes, but the number of flex scopes declined to 25 in Q2 (versus 27 in Q1)



Source: Handelsbanken, company data

Share of US new Saphira scopes and legacy blue light rigid scopes

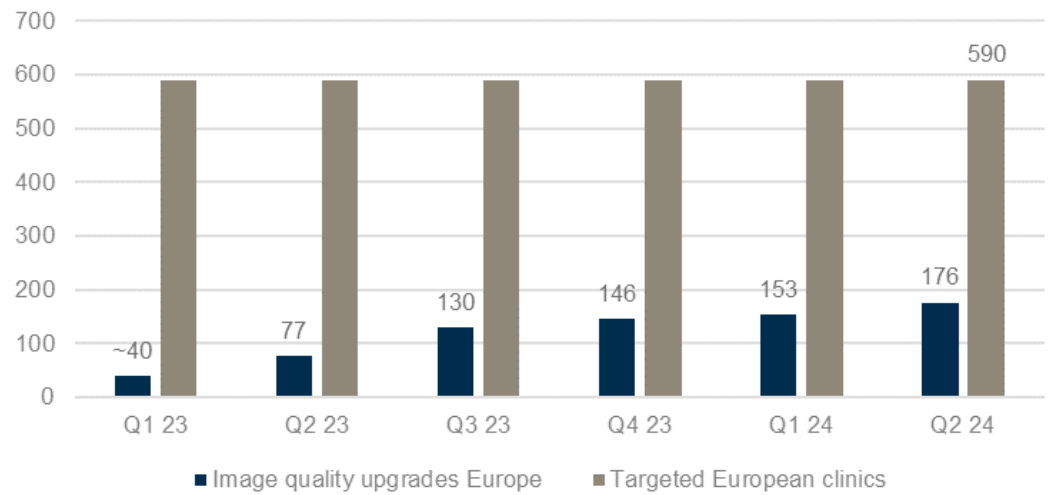
46% of the US installed base of rigid scopes now consists of upgraded Saphira scopes; we note that Karl Storz started a US promotion for Saphira scopes on 5 August to increase sales



Source: Handelsbanken, company data

Image quality upgrades in Europe

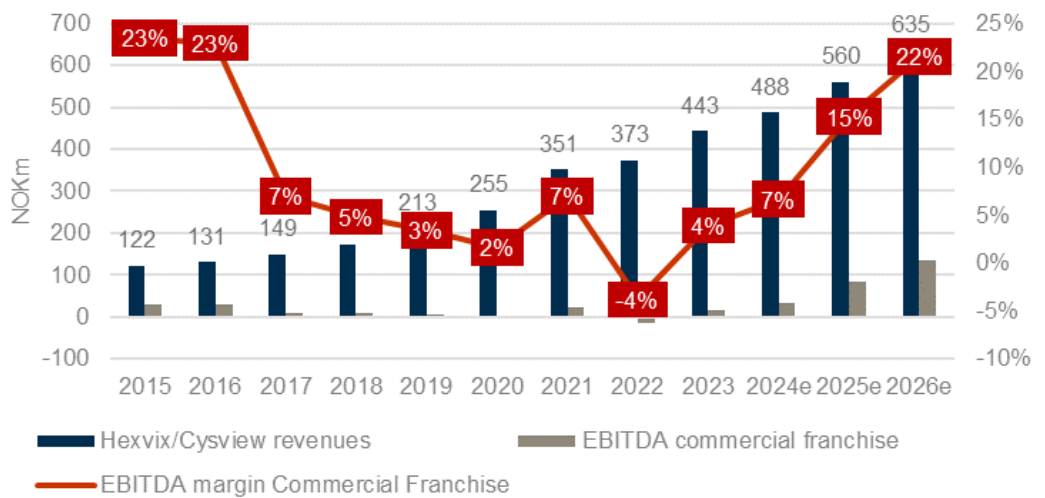
Photocure continues to work with image quality upgrades across Europe



Source: Handelsbanken, company data

Total sales and EBITDA development

We expect continued operating leverage



Source: Handelsbanken, company data

Estimate revisions

NOKm	2024e			2025e			2026e		
	Old	New	% change	Old	New	% change	Old	New	% change
Product revenues	488	488	0%	564	560	-1%	643	635	-1%
Org. Product rev. Growth, %	8.1%	8.2%	0.1pp	14.9%	13.9%	-0.9pp	14.0%	13.4%	-0.6pp
Other revenues	22	22	0%	0	0	n.a.	0	0	n.a.
Total revenues	509	510	0%	564	560	-1%	643	635	-1%
OPEX	-449	-455	-1%	-466	-471	-1%	-491	-492	0%
Indirect manufacturing expen	-19	-18	9%	-24	-24	1%	-26	-25	1%
R&D expenses	-3	-4	-30%	-21	-21	0%	-32	-32	1%
Marketing and Sales expens	-346	-347	0%	-360	-365	-1%	-373	-375	0%
EBITDA	60	54	-10%	95	85	-10%	146	137	-6%
EBITDA margin	11.8%	10.6%		16.8%	15.3%		22.6%	21.5%	
EBIT	30	25	-19%	64	55	-14%	114	105	-8%
EBIT margin	6.2%	5.0%		11.4%	9.8%		17.7%	16.6%	
Adj. EBIT	30	25	-19%	64	55	-14%	114	105	-8%
Adj. EBIT margin	6.2%	5.0%		11.4%	9.8%		17.7%	16.6%	
Net income	7	1	-77%	39	32	-18%	87	81	-8%

Source: Handelsbanken

Peer valuation table

Nordic Medtech Company	Mcap (EURm)	SP	EV/Sales (x)				Gross margin (%)		EV/GP (x)		EBITDA-mrg (%)		EV/EBITDA (x)		Sales growth (%)			
			2023	2024e	2025e	2026e	2024e	2025e	2024e	2025e	2025e	2026e	2025e	2026e	2023	2024e	2025e	2026e
Ambu	4,771	133.7	4.2	6.7	5.9	5.1	59.5	60.5	11.2	9.8	20.7	22.4	28.4	22.8	8%	13%	13%	13%
BioGaia	1,068	121.8	6.7	7.9	7.1	6.5	73.4	73.9	10.9	9.6	35.3	35.5	20.1	18.2	16%	12%	13%	13%
Biotage	1,309	189.9	5.8	7.1	6.2	5.3	64.9	65.4	11.3	9.9	27.8	30.5	22.3	17.5	11%	21%	14%	13%
BONESUPPORT	1,510	264.6	20.5	20.0	13.9	10.4	92.8	91.9	22.0	15.6	25.7	32.0	54.1	32.4	83%	52%	42%	31%
CellaVision	510	246.0	7.7	7.5	6.5	5.6	67.3	68.4	11.3	9.7	34.4	35.3	18.8	15.9	-3%	17%	15%	13%
Coloplast	27,013	895.8	7.4	8.1	7.4	6.9	68.1	68.6	12.0	11.0	33.4	34.1	22.3	20.1	9%	9%	8%	8%
Mentice	67	30.1	4.2	2.3	1.9	1.5	86.3	85.4	2.7	2.3	14.7	17.6	12.6	8.5	21%	14%	21%	18%
Probi	240	243.0	3.3	4.0	3.7	3.5	35.5	38.7	11.4	9.8	20.2	21.8	18.1	15.9	-3%	5%	6%	5%
Revenio Group	754	28.3	7.4	7.0	6.1	5.3	70.6	70.6	10.1	9.0	33.0	34.4	18.5	15.4	-1%	10%	13%	12%
Sedana Medical	190	22.0	13.8	13.0	9.1	5.7	53.2	72.7	22.8	11.3	-9.3	10.3			20%	8%	48%	60%
Vitrolife	2,580	219.4	7.8	8.4	7.6	6.8	58.7	58.2	14.6	13.5	34.2	34.6	22.1	19.5	10%	4%	9%	9%
Xvivo Perfusion	1,360	497	16.0	18.7	13.9	10.3	72.7	76.1	25.7	18.4	27.1	32.2	51.4	32.0	52%	37%	34%	34%
Peer average	3,448		8.7	9.2	7.4	6.1	66.9	69.2	13.8	10.8	24.8	28.4	26.3	19.8	19%	17%	20%	19%
Peer median	1,188		7.4	7.7	6.8	5.7	67.7	69.6	11.3	9.9	27.5	32.1	22.1	18.2	11%	12%	13%	13%
Photocure (HCMe)	114	50	2.5	2.2	2.0	1.6	93.9	94.0	2.4	2.1	10.6	15.3	13.0	7.6	19%	10%	15%	13%
vs peer average			-72%	-76%	-73%	-73%	26.9pp	24.8pp	-83%	-80%	-14.2pp	-13.1pp	-50%	-62%		-7.1pp	-4.9pp	-5.8pp
vs peer median			-67%	-71%	-71%	-71%	26.2pp	24.4pp	-79%	-79%	-16.9pp	-16.8pp	-41%	-58%		-2.8pp	1.4pp	0.3pp

Source: Handelsbanken, FactSet

Photocure EV/sales FY+2



Source: Handelsbanken, FactSet

Valuation overview

NOKm	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Hex/Cys sales	149	173	214	256	354	374	445	488	560	635
EBITDA adj.	-33	-10	59	-4	18	-25	55	54	85	137
EBIT adj.	-45	-24	43	-23	-6	-49	28	25	55	105
Share price	51									
Shares	27									
Market Cap	1,368									
Net debt		-104	-115	-278	-252	-224	-236	-236	-260	-331
EV		1,263	1,252	1,090	1,115	1,144	1,132	1,132	1,108	1,037
Current valuation			2019	2020	2021	2022	2023	2024e	2025e	2026e
EV/Sales				4.2x	3.1x	3.1x	2.5x	2.3x	2.0x	1.6x
EV/EBITDA adj.				-278.6x	60.7x	-46.0x	20.4x	21.0x	13.0x	7.6x
EV/EBIT adj.				-47.0x	-192.5x	-23.2x	40.7x	46.0x	20.2x	9.9x
Target Price (NOK)										
										120
Implied valuation at TP				2020	2021	2022	2023	2024e	2025e	2026e
EV/Sales				11.5x	8.4x	8.1x	6.7x	6.1x	5.3x	4.6x
EV/EBITDA adj.				-756.7x	162.5x	-121.2x	54.1x	55.6x	34.8x	21.3x
EV/EBIT adj.				-127.5x	-515.1x	-61.2x	108.0x	121.9x	54.2x	27.6x

Source: Handelsbanken

Three-year target price build

We trim our three-year target price to NOK 120 (125) owing to lower estimates

DCF valuation of Cysview/ Hexvix franchise	NOK 100	50%	36m target price NOK 120 / share
Stand-alone rNPV valuation of Cevira	NOK 35		
Photocure 2026e EBITDA- multiple (18x)	NOK 105	50%	

Source: Handelsbanken

Quarterly P&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 23	Q1 24	Q2 24	Q3 24e	Q4 24e
Product revenues	82	90	87	95	82	100	98	95	106	117	107	114	118	124	120	127
y-o-y growth, %	50.3%	68.5%	75.0%	-3.4%	-0.2%	10.5%	11.6%	0.4%	30.2%	17.5%	10.0%	20.3%	11.1%	5.5%	11.5%	10.8%
y-o-y growth CER, %	57.3%	79.5%	79.0%	1.6%	-0.2%	7.5%	7.6%	-7.0%	16.7%	2.5%	0.8%	10.8%	7.7%	5.7%	8.9%	10.5%
Milestone revenues	6.4	0.0	0.0	0.0	0.0	0.2	9.3	9.3	0.0	26.9	0.2	28.4	0.0	21.6	0.0	0.0
Total revenues	88.2	90.4	87.4	94.5	81.6	100.1	106.8	104.2	106.2	144.3	107.5	142.5	118.0	145.4	119.7	126.6
COGS	-5	-6	-5	-8	-6	-5	-6	-5	-6	-7	-7	-6	-8	-8	-7	-8
Gross profit	83	84	82	87	76	95	101	99	100	137	101	137	110	138	112	119
Gross margin (ex-milestones)	93.8%	93.2%	93.9%	92.0%	92.6%	94.7%	94.0%	94.3%	93.9%	94.1%	93.6%	94.9%	93.4%	93.8%	94.0%	94.0%
Indirect manufacturing expenses	-4	-3	-4	-4	-4	-2	-4	-5	-3	-3	-4	-2	-4	-3	-5	-5
Growth	16.3%	-21.1%	37.9%	1.2%	-10.1%	-43.6%	97.5%	31.4%	-38.9%	-17.4%	58.5%	-47.8%	72.0%	-10.2%	44.0%	5.8%
% of product sales	5%	3%	5%	4%	5%	2%	4%	6%	3%	2%	4%	2%	3%	3%	4%	4%
R&D expenses	-1	-1	-1	-1	-1	-1	-1	-1	-1	0	-1	0	-1	-1	-1	-1
Growth	-80.7%	118.2%	-36.0%	31.1%	10.1%	-43.8%	-11.5%	-19.8%	8.5%	-64.1%	351.2%	-66.5%	145.5%	40.6%	0.0%	9.1%
% of product sales	1%	2%	1%	1%	2%	1%	1%	1%	1%	0%	1%	0%	1%	1%	1%	1%
Marketing and Sales expenses	-54	-64	-66	-76	-69	-75	-73	-86	-80	-87	-78	-91	-82	-91	-86	-88
Growth	-12.7%	17.4%	3.3%	14.5%	-8.7%	8.5%	-1.8%	17.2%	-7.1%	8.6%	-10.7%	16.7%	-9.0%	10.2%	-5.1%	1.7%
% of product sales	67%	71%	75%	80%	85%	75%	75%	91%	75%	74%	72%	79%	70%	73%	72%	69%
Net other opex	-12	-16	-17	-18	-21	-22	-24	-30	-24	-31	-22	-21	-23	-22	-21	-21
EBITDA	18	6	0	-14	-14	1	5	-17	-1	23	3	30	8	28	7	11
EBITDA margin	21%	6%	0%	-15%	-17%	1%	4%	-16%	-1%	16%	3%	21%	7%	19%	6%	9%
Depr/amort.	-6	-6	-6	-6	-6	-6	-6	-6	-7	-7	-7	-7	-7	-7	-7	-8
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	0.0	0.0	0.0	0.0
Adj. EBITDA	18	6	0	-14	-14	1	5	-17	-1	23	3	30	8	28	7	11
Adj. EBITDA margin	20.6%	6.5%	-0.2%	-14.6%	-16.9%	0.9%	4.4%	-16.0%	-1.1%	16.2%	3.1%	21.0%	6.7%	19.2%	5.7%	9.0%
Adj. EBIT	12	0	-6	-20	-20	-5	-1	-23	-8	17	-4	22	1	21	-1	4
Adj. EBIT margin	15.0%	-0.3%	-7.3%	-20.9%	-24.3%	-5.1%	-1.5%	-24.1%	-7.2%	14.3%	-3.6%	19.7%	0.6%	16.7%	-0.6%	3.1%
Pretax profit	20	-8	-11	-41	-27	-10	-6	-28	-10	12	-9	17	-4	16	-5	1
Net profit	15.2	-10.6	-7.3	-36.5	-21.9	-19.0	-9.9	-21.3	-11.7	4.3	-4.8	12.5	-7.9	12.3	-3.7	0.7
Geographical split	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24e	Q4 24e
Nordic - Hexvix	9.3	8.7	6.1	7.0												
y-o-y growth, %	-23.8%	-37.4%	-36.8%	-25.5%												
q-o-q growth, %	-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	46.7	47.5	50.4	48.6	51.4
y-o-y growth, %	-3.2%	46.0%	5.7%	4.6%	11.7%	23.4%	34.0%	11.7%	38.2%	19.3%	1.6%	20.7%	12.6%	9.1%	11.4%	10.1%
q-o-q growth, %	-17.5%	15.0%	2.0%	8.1%	-11.9%	27.0%	10.8%	-9.9%	9.0%	9.7%	-5.6%	7.0%	1.7%	6.3%	-3.6%	5.8%
Partners	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
y-o-y growth, %	-100.0%	-100.0%	-100.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
q-o-q growth, %	n.a.	n.a.	n.a.	n.a.	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	66.8	69.3	72.0	71.0	75.1
q-o-q growth, %	-4.7%	8.7%	-1.0%	10.2%	-16.8%	24.2%	-11.1%	2.4%	26.6%	9.7%	-9.0%	5.3%	3.7%	3.9%	-1.5%	5.8%
y-o-y growth, %				13.0%	-1.3%	12.8%	1.3%	-5.9%	43.2%	26.4%	29.4%	33.1%	9.0%	3.3%	11.8%	12.3%

Source: Handelsbanken, company data

Annual P&L

(NOKm)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Product revenues	94	122	136	149	173	214	256	354	374	445	488	560	635
Signing fees and milestone revenu	35	12	7	2	8	68	0	6	19	56	22	0	0
Total revenues	129	135	144	151	182	282	256	361	393	501	510	560	635
COGS	-7	-8	-9	-12	-17	-23	-19	-24	-22	-26	-30	-34	-38
Gross profit	122	126	134	139	164	259	238	336	370	475	480	526	597
Gross margin	130.3%	103.4%	98.6%	93.1%	94.9%	121.1%	92.8%	95.0%	99.0%	106.6%	98.3%	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%	94.1%	93.9%	94.0%	94.0%
Indirect manufacturing expenses	-9	-10	-10	-11	-10	-11	-13	-15	-15	-13	-18	-24	-25
Growth		13.3%	-0.2%	8.7%	-9.2%	7.0%	16.3%	16.3%	3.1%	-17.5%	40.4%	32.7%	8.0%
% of product sales	10%	9%	8%	8%	6%	5%	5%	4%	4%	3%	4%	4%	4%
R&D expenses	-33	-31	-23	-33	-19	-14	-14	-4	-3	-2	-4	-21	-32
Growth		-3.7%	-26.7%	41.9%	-41.3%	-28.7%	1.4%	-68.8%	-22.7%	-38.1%	102.2%	394.5%	53.4%
% of product sales	35%	26%	17%	22%	11%	6%	5%	1%	1%	0%	1%	4%	5%
Marketing and Sales expenses	-55	-73	-80	-96	-121	-149	-188	-260	-303	-335	-347	-365	-375
Growth		34.5%	8.9%	20.6%	25.8%	22.6%	26.3%	38.4%	16.8%	10.4%	3.5%	5.3%	2.6%
% of product sales	58%	60%	59%	65%	70%	70%	73%	73%	81%	75%	71%	65%	59%
Net other opex	-31	-33	-37	-44	-37	-43	-47	-63	-97	-97	-86	-62	-60
EBITDA	-4	-18	-8	-33	-25	59	-17	18	-25	55	54	85	137
EBITDA margin	-3.2%	-13.4%	-5.6%	-21.9%	-13.6%	20.9%	-6.5%	5.1%	-6.3%	11.1%	10.6%	15.3%	21.5%
Depr/amort.	-1.5	-3.9	-7.9	-12.1	-13.2	-16.2	-19.3	-24.2	-24.4	-27.6	-29.4	-30.5	-31.5
Adj. EBIT	-6	-22	-16	-45	-24	43	-23	-6	-49	28	25	55	105
Adj. EBIT margin	-4.4%	-16.3%	-11.0%	-30.0%	-13.1%	15.2%	-9.0%	-1.6%	-12.5%	5.6%	4.8%	9.8%	16.6%
Net financials	7.2	4.5	28.6	3.6	1.2	3.2	2.8	-25.8	-22.1	-18.1	-16.2	-14.0	-2.0
Pretax profit	2	-17	13	-42	-37	46	-33	-32	-71	10	8	41	103
Net profit	-24.7	-36.2	35.3	-34.7	-36.7	31.8	-22.4	-30.9	-72.1	0.3	1.5	31.9	80.5
Growth rate													
Product revenues	18%	31%	11%	10%	16%	23%	20%	38%	6%	19%	10%	15%	13%
Product revenues CER	18%	31%	11%	10%	16%	23%	11%	45%	-1%	9%	8%	14%	13%

Source: Handelsbanken, company data

Investment case summary

Several structural improvements in the US

US growth is 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 the 30-40% penetration rates of the Nordics/DACH in other European markets.

Additional upside from acquisitions 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 in execution by US partner Karl Storz
- Generic competition
- Unsuccessful geographical expansion
- Losing national reimbursements
- TURBT procedures replaced by non-invasive alternatives

Opportunities

- New blue light scope launches from OEMs in Europe and the US
- Down-classification of BLC technology to democratise US market
- Leveraging years of investment in US sales force
- Entering unpenetrated European markets
- Potential royalties and milestones from licensing agreements

P&L outcome

NOKm	Actual	Growth %		Deviation %	
		Y-o-y	Q-o-q	SHB	Cons
Sales	145.4	0.78	23.2	1.3	1.3
Gross profit	137.8	0.28	25.0	1.2	n.m
Gross margin (%)	94.8				
EBIT adj	20.5	21.1	>900	-7.5	-8.7
margin (%)	14.1				
EBT	16.0	33.0	n.m	-11.9	-5.5
Net income	12.1	178	n.m	-14.1	-14.0
EPS reported (NOK)	0.45	178	n.m	-14.1	-13.9
EPS adj (NOK)	0.45	178	n.m	-14.1	-2.2

Sources: Handelsbanken and FactSet

Trend analysis

%	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24e
Sales y-o-y	44.2	0.72	36.8	11.1	0.78	11.3
EBITDA adj y-o-y	>900	-28.8	n.m	n.m	19.1	103
EBITDA adj margin	16.2	3.1	21.0	6.7	19.2	5.7
EBIT adj y-o-y	n.m	n.m	n.m	n.m	21.1	n.m
EBIT adj margin	11.7	-3.6	15.8	0.46	14.1	-0.57
EPS adj (NOK)	0.16	-0.18	0.46	-0.30	0.45	-0.13
EPS adj y-o-y	n.m	n.m	n.m	n.m	178	n.m

Source: Handelsbanken

Business areas – quarterly data

NOKm	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24e	Q4 24e	Q1 25e
Sales								
Cysview US	46.2	43.6	46.7	47.5	50.4	48.6	50.6	58.3
Hexvix Europe	71.2	63.9	64.3	70.6	73.4	71.0	73.4	76.3
Signing fees and milestone revenues	26.9	0.2	28.4	0.0	21.6	0.0	-0.1	-
Total	144	108	143	118	145	120	127	135

Y-o-y sales growth (%)

Cysview US	19.3	1.6	20.7	12.6	9.1	11.4	8.5	22.8
Hexvix Europe	15.4	17.1	16.5	10.1	3.1	11.0	14.1	8.1
Signing fees and milestone revenues	>900	-97.3	206	n.m	-19.6	n.m	-100	n.m
Total	44.2	0.7	36.8	11.1	0.8	11.3	-11.2	14.1

Source: Handelsbanken

Estimate changes

NOKm	SHB		SHB		SHB	
	Q3 24e	chg (%)	2024e	chg (%)	2025e	chg (%)
Sales	119.7	0	509.7	0	559.9	-1
EBITA adj	3.7	-27	41.7	-12	71.7	-11
EBIT adj	-0.7	n.m	24.2	-19	55.0	-14
margin (%)	-0.6	n.m	4.8	-19	9.8	-14
EBT	-4.7	n.m	8.0	-44	41.0	-18
Net income	-3.7	n.m	1.1	-83	31.9	-18
EPS (NOK)	-0.13	n.m	0.04	-83	1.18	-18
EPS adj (NOK)	-0.13	n.m	0.04	-83	1.18	-18

Source: Handelsbanken

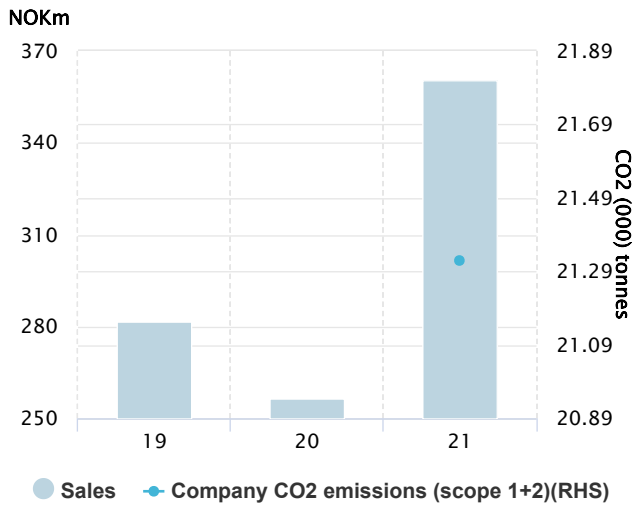
SHB versus consensus

NOKm	Cons		Cons		Cons	
	Q3 24e	diff (%)	2024e	diff (%)	2025e	diff (%)
Sales	118.6	1	508.0	0	580.0	-3
EBIT adj	-3.0	77	17.2	41	74.0	-26
margin (%)	-2.5	2	3.4	1	12.8	-3
EBT	-7.2	35	6.7	19	61.6	-34
Net income	-5.7	36	6.0	-82	46.0	-31
EPS (NOK)	-0.21	35	0.23	-82	1.68	-30
EPS adj (NOK)	-0.21	35	-0.19	n.m	1.68	-30

Sources: Handelsbanken and FactSet

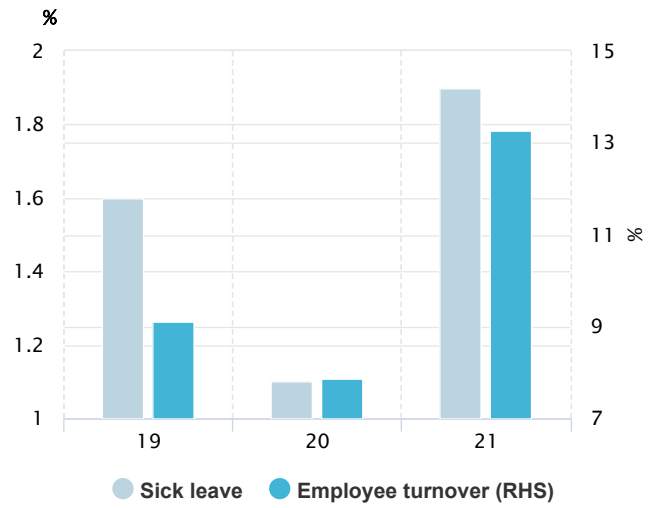
ESG figures

ESG analysis, environmental



Source: Company data, Handelsbanken

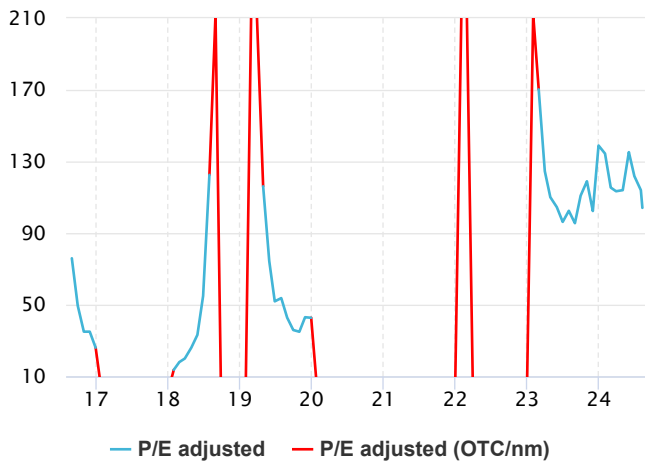
ESG analysis, social



Source: Company data, Handelsbanken

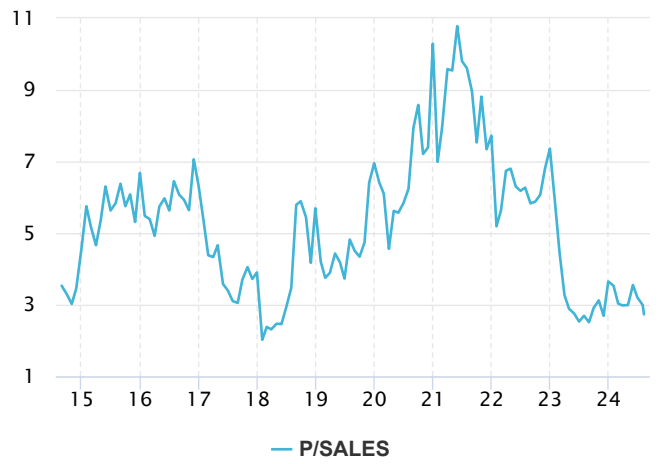
Valuation charts

P/E (x)



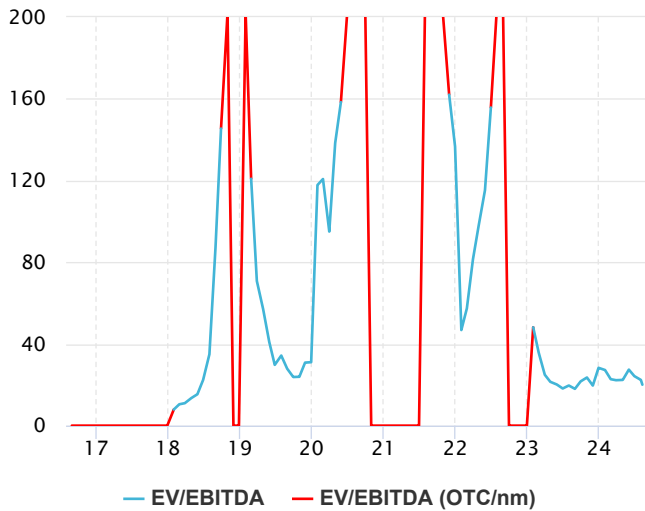
Sources: Handelsbanken and FactSet

P/Sales (x)



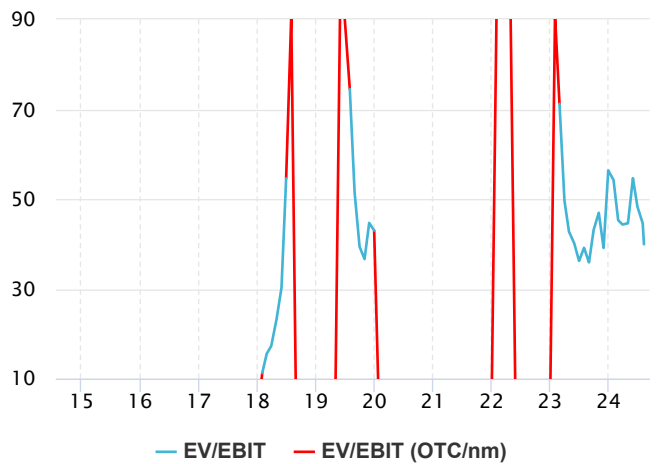
Sources: Handelsbanken and FactSet

EV/EBITDA (x)



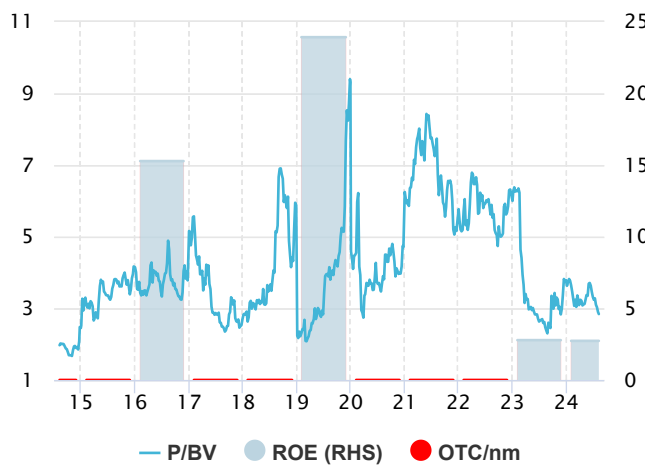
Sources: Handelsbanken and FactSet

EV/EBIT (x)



Sources: Handelsbanken and FactSet

P/BV (x) and ROE (%)



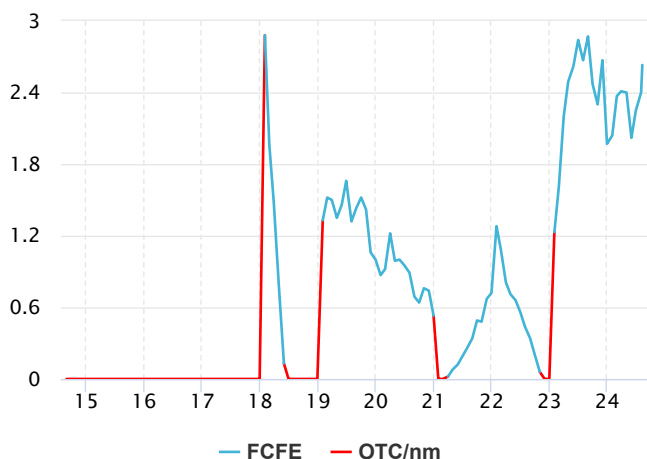
Sources: Handelsbanken and FactSet

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



Sources: Handelsbanken and FactSet

FCFE yield (%)



Sources: Handelsbanken and FactSet

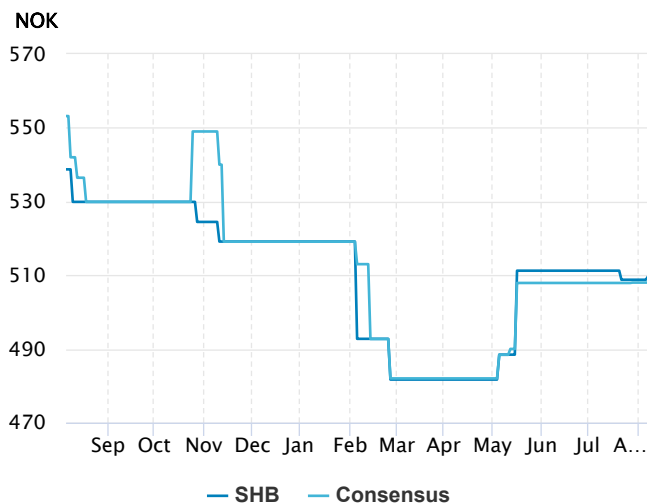
Dividend (ordinary) and 10-year bond yield (%)



Sources: Handelsbanken and FactSet

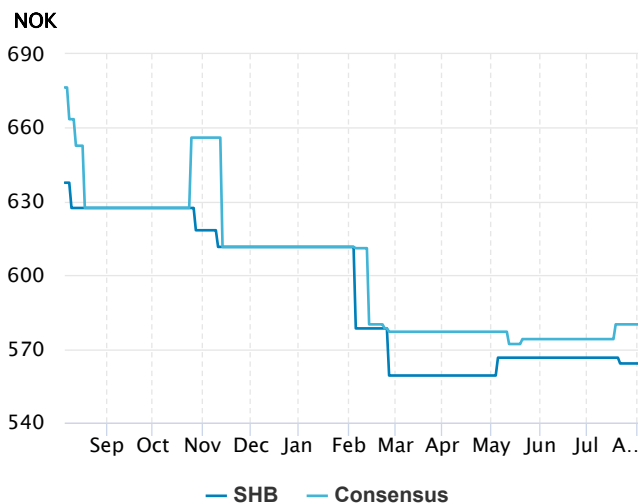
Momentum

Revenue – 2024 estimate revisions



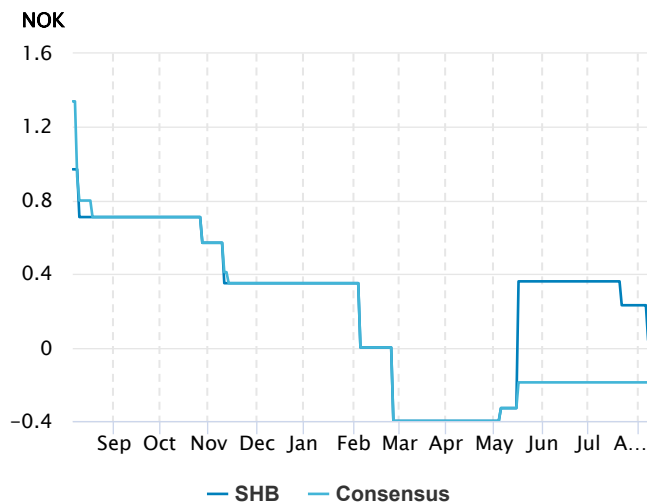
Source: Handelsbanken

Revenue – 2025 estimate revisions



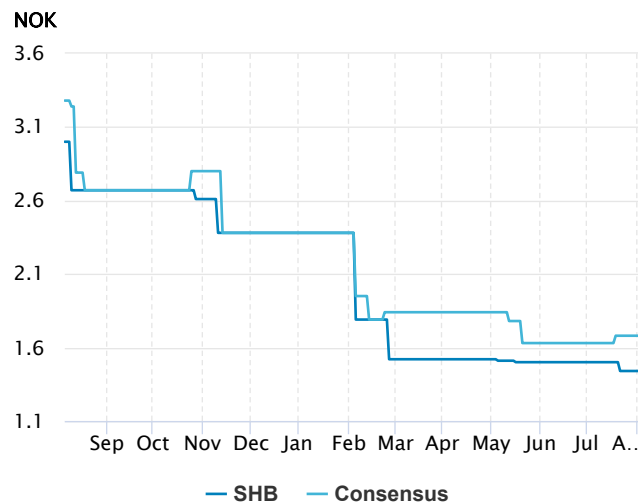
Source: Handelsbanken

Adjusted EPS – 2024 estimate revisions



Sources: Handelsbanken and FactSet

Adjusted EPS – 2025 estimate revisions



Sources: Handelsbanken and FactSet

Valuation data

NOK	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price year-end/current	25.7	27.5	41.9	42.0	27.3	48.0	89.5	107	103	107	67.4	50.5	50.5	50.5	50.5
Share price high	46.0	29.0	44.0	56.8	47.5	64.4	102	123	155	123	115	71.9	-	-	-
Share price low	21.1	17.7	26.1	33.0	21.5	23.3	37.6	42.5	90.5	79.5	40.7	49.8	-	-	-
Market cap (m)	547.5	586.8	899.8	908.5	588.8	1,038	1,954	2,643	2,784	2,895	1,827	1,369	1,369	1,369	1,369
Net debt (m)	-216.9	-204.5	-136.0	-165.5	-124.6	-105.2	-126.8	-277.9	-252.2	-223.8	-235.6	-236.0	-260.1	-330.5	-463.4
EV (m)	330.5	382.2	763.8	743.0	464.2	933.1	1,827	2,365	2,532	2,671	1,591	1,133	1,109	1,038	905.5
P/E reported (x)	n.m	n.m	n.m	25.7	n.m	n.m	61.4	n.m	n.m	n.m	>99	>99	42.9	17.0	9.7
P/E adj (x)	n.m	n.m	n.m	25.7	n.m	n.m	61.4	n.m	n.m	n.m	>99	>99	42.9	17.0	9.7
Pre-tax ROIC (%)	<-200	-12.8	-40.1	-14.9	-43.5	-32.0	70.5	-14.3	3.8	-10.7	18.6	16.9	28.5	47.1	74.7
EV/sales (x)	4.0	3.0	5.7	5.2	3.1	5.1	6.5	9.2	7.0	6.8	3.2	2.2	2.0	1.6	1.3
EV/EBITDA (x)	n.m	n.m	n.m	n.m	n.m	n.m	31.0	n.m	>99	n.m	28.7	21.0	13.0	7.6	4.2
EV/EBIT (x)	n.m	n.m	n.m	n.m	n.m	n.m	42.8	n.m	n.m	n.m	57.2	46.8	20.2	9.9	4.9
EBIT adj margin (%)	-85.9	-4.4	-16.3	-11.0	-30.0	-13.1	15.2	-9.0	-1.5	-11.0	5.6	4.8	9.8	16.6	26.3
EBITDA adj margin (%)	-84.2	-3.2	-13.4	-5.6	-21.9	-5.8	20.9	-1.5	5.1	-6.3	11.1	10.6	15.3	21.5	30.9
FCF adj yield (%)	-18.4	-1.2	-4.0	-0.28	-7.2	-2.5	1.0	0.53	0.72	-0.19	2.0	0.72	2.5	5.9	10.5

Source: Handelsbanken

Peer group valuation

	CCY	Price (Sh. curr.)	Mcap (EURm)
Photocure	NOK	50.5	115
Ambu*	DKK	134	4,799
BioGaia	SEK	122	1,068
Bonesupport	SEK	265	1,510
CellaVision	SEK	246	510
Vitrolife	SEK	219	2,581
Össur hf	USD	4.5	1,753
Raysearch	SEK	126	374

Split financial year

Sources: Handelsbanken and FactSet

DCF model assumptions

NOKm	2023	2024e	2025e	2026e	2027e	2028e	2033e	2038e	2043e
Sales	500.7	509.7	559.9	635.1	698.0	747.4	1,098	1,336	n.m
EBITDA - Reported	55.4	54.0	85.5	136.8	216.0	292.6	472.2	567.8	0.0
EBITA2 - Reported (=EBITA bef gw amort) (use: IS)	27.8	24.2	55.0	105.3	183.5	259.1	461.2	561.1	0.0
Sales CAGR (%)	27.5	1.8	9.8	13.4	9.9	7.1	8.0	4.0	-8.0
EBITDA growth (%)	n.m	-2.6	58.3	60.0	58.0	35.5	10.0	3.8	n.m
EBITA growth (%)	n.m	-13.0	126.8	91.5	74.4	41.2	12.2	4.0	n.m
EBITDA margin (%)	11.1	10.6	15.3	21.5	30.9	39.2	43.0	42.5	n.m
EBITA margin (%)	5.6	4.8	9.8	16.6	26.3	34.7	42.0	42.0	35.0
Capex/sales (%)	2.5	2.6	2.8	2.8	2.8	1.9	1.0	0.50	0.20
Capex/depreciation (x)	0.45	0.45	0.51	0.56	0.59	0.43	1.0	1.0	1.0
Net working cap/sales (%)	7.1	8.4	9.9	10.8	11.4	11.8	8.0	8.0	8.0

Source: Handelsbanken

WACC assumptions

WACC assumptions (%)	
Risk-free interest rate	2.0
Equity market risk premium	4.5
Extra risk premium	1.0
Equity beta (x)	1.3
Implicit asset beta (x)	1.1
Cost of equity	8.6
Pre-tax cost of debt	4.0
Equity weight	100
WACC	8.6

Source: Handelsbanken

Calculation of DCF

Calculation of DCF (NOKm)	
NPV FCFF	2,457
Net debt incl Hybrid capital	258
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	2,199
DCF value/share (NOK)	100

Source: Handelsbanken

DCF checkpoints

DCF checkpoints (%)	
5y hist sales growth	22.5
5y exp sales growth	8.3
Sustainable growth	-11.0
Sust EBITDA margin	n.m
Sust EBITA margin	35.0
Sust after-tax ROIC	58.4
Terminal value/DCF	9.1
Implicit equity weight	112
Share price potential to DCF value	98.3

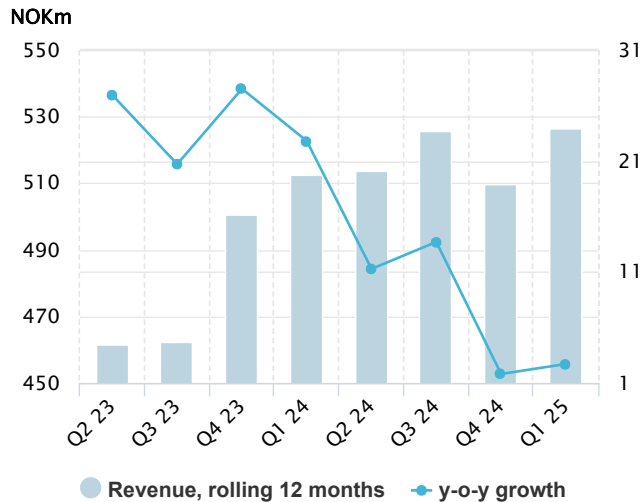
Source: Handelsbanken

P&L accounts – quarterly data

NOKm	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24e	Q4 24e	Q1 25e
Sales	144.3	107.5	142.5	118.0	145.4	119.7	126.6	134.7
Cost of goods sold	-6.9	-6.9	-5.9	-7.7	-7.6	-7.2	-7.6	-8.1
Gross profit	137.4	100.7	136.7	110.3	137.8	112.5	119.0	126.6
Sales and marketing costs	-86.8	-77.6	-90.5	-82.3	-90.7	-86.0	-87.5	-91.0
Admin costs	-2.7	-4.3	-2.3	-3.9	-3.5	-5.0	-5.3	-5.7
SG&A	-89.6	-81.9	-92.8	-86.2	-94.2	-91.1	-92.9	-96.7
R&D costs (NOK)	-211,000	-952,000	-319,000	-783,000	-1,101,000	-1,101,000	-1,201,000	-5,175,000
OPEX	-89.8	-82.9	-93.1	-87.0	-95.3	-92.2	-94.1	-101.9
Other operating expenses	-30.8	-21.6	-21.1	-22.7	-22.1	-21.0	-21.0	-15.5
EBITDA	23.4	3.3	29.9	7.9	27.9	6.8	11.4	16.8
EBIT	16.9	-3.9	22.5	0.5	20.5	-0.7	3.9	9.2
Net interest expenses	0.0	0.0	-17.1	0.0	0.0	0.0	-15.3	0.0
Net financials	-4.9	-4.8	-5.9	-4.8	-4.5	-4.0	-3.0	-3.5
EBT	12.0	-8.7	16.5	-4.2	16.0	-4.7	0.9	5.7
Total tax	-7.6	3.9	-4.1	-3.9	-3.8	1.0	-0.2	-1.3
tax rate (%)	63.7	44.7	24.6	-92.3	24.0	22.0	22.0	22.0
EPS rep (NOK)	0.16	-0.18	0.46	-0.30	0.45	-0.13	0.03	0.16
Net income	4.4	-4.8	12.5	-8.1	12.1	-3.7	0.7	4.5
Growth (%)								
Sales	44.2	0.72	36.8	11.1	0.78	11.3	-11.2	14.1
EBITDA	>900	-28.8	n.m	n.m	19.1	103	-61.8	111
Net income	n.m	n.m	n.m	n.m	178	n.m	-94.3	n.m
of sales (%)								
Gross margin	95.2	93.6	95.9	93.4	94.8	94.0	94.0	94.0
EBITDA margin	16.2	3.1	21.0	6.7	19.2	5.7	9.0	12.5
EBT margin	8.3	-8.1	11.6	-3.6	11.0	-3.9	0.72	4.3
Net margin	3.0	-4.5	8.7	-6.9	8.3	-3.1	0.56	3.3
SG&A	62.1	76.2	65.1	73.1	64.8	76.1	73.4	71.8
OPEX	62.2	77.1	65.3	73.7	65.5	77.0	74.3	75.6
Adjusted values								
EBITDA	23.4	3.3	29.9	7.9	27.9	6.8	11.4	16.8
margin (%)	16.2	3.1	21.0	6.7	19.2	5.7	9.0	12.5
EBT	12.0	-8.7	16.5	-4.2	16.0	-4.7	0.9	5.7
EPS adj (NOK)	0.16	-0.18	0.46	-0.30	0.45	-0.13	0.03	0.16
Net income	4.4	-4.8	12.5	-8.1	12.1	-3.7	0.7	4.5

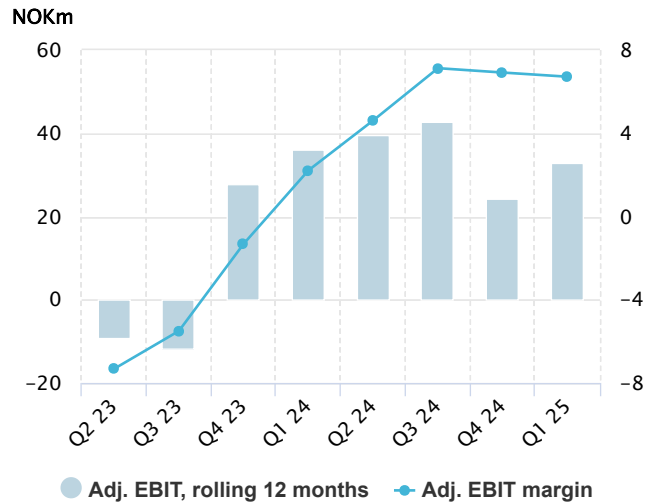
Source: Handelsbanken

Revenue, 12-month rolling



Source: Handelsbanken

Adjusted EBIT, 12-month rolling



Source: Handelsbanken

P&L accounts – annual data

NOKm	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Income statement								
Sales	256.5	360.5	392.6	500.7	509.7	559.9	635.1	698.0
Cost of goods sold	-18.5	-24.1	-22.5	-26.1	-30.1	-33.6	-38.0	-41.7
Gross profit	238.0	336.5	370.1	474.5	479.6	526.3	597.1	656.3
Sales and marketing costs	-187.8	-259.9	-303.4	-334.9	-346.6	-365.2	-374.7	-370.0
Admin costs	-12.8	-14.8	-15.3	-12.6	-17.7	-23.5	-25.4	-27.9
SG&A	-200.6	-274.7	-318.7	-347.6	-364.3	-388.7	-400.1	-397.9
R&D costs	-13.8	-4.3	-3.3	-2.1	-4.2	-20.7	-31.8	-34.9
OPEX	-214.4	-279.0	-322.1	-349.6	-368.5	-409.4	-431.8	-432.8
Other operating expenses	-59.5	-62.8	-91.4	-97.1	-86.8	-62.0	-60.0	-40.0
EBITDA	-16.8	18.4	-24.6	55.4	54.0	85.5	136.8	216.0
Net interest expenses	2.8	-25.8	-22.1	-17.1	-15.3	-13.0	-1.0	-1.0
Net financials	2.8	-25.8	-22.1	-18.1	-16.2	-14.0	-2.0	-2.0
Paid tax	-	-	-	-9.5	-6.9	-9.0	-22.7	-39.9
Tax	10.8	0.8	-0.7	-9.5	-6.9	-9.0	-22.7	-39.9
tax rate (%)	32.7	2.4	-1.1	96.9	86.2	22.0	22.0	22.0
EPS rep (NOK)	-0.90	-1.14	-2.65	0.01	0.04	1.18	2.97	5.2
Net income	-22.4	-30.9	-71.8	0.3	1.1	31.9	80.5	142
Growth (%)								
Sales	-8.9	40.6	8.9	27.5	1.8	9.8	13.4	9.9
EBITDA	n.m	n.m	n.m	n.m	-2.6	58.3	60.0	58.0
Net income	n.m	n.m	n.m	n.m	268.8	>900	152.1	75.8
% of sales (%)								
EBITDA margin	-6.5	5.1	-6.3	11.1	10.6	15.3	21.5	30.9
EBT margin	-12.9	-8.6	-16.7	2.0	1.6	7.3	16.3	26.0
Net margin	-8.7	-8.4	-16.9	0.06	0.22	5.7	12.7	20.3
SG&A	78.2	76.2	81.2	69.4	71.5	69.4	63.0	57.0
OPEX	83.6	77.4	82.0	69.8	72.3	73.1	68.0	62.0
Profitability (%)								
ROE reported	-6.3	-6.1	-14.9	0.06	0.23	6.4	14.5	21.2
ROE adj	-2.7	-6.1	-14.9	0.06	0.23	6.4	14.5	21.2
ROCE	n.m	n.m	n.m	5.5	4.8	10.5	18.2	26.6
Pre-tax ROIC	-14.3	3.8	-10.7	18.6	16.9	28.5	47.1	74.7
After tax ROIC	-14.3	3.8	-10.7	0.57	2.3	22.3	36.7	58.2
Sales/capital invested (x)	1.6	1.5	1.6	2.1	2.1	2.2	2.4	2.6
Sales/total assets (x)	0.5	0.5	0.5	0.7	0.7	0.8	0.8	0.8
Sales per employee (NOKm)	2.8	3.6	3.6	4.6	4.7	5.1	5.8	6.4
Adjusted values								
Total adjustments to net inc	-12.9	-	-	-	-	-	-	-
EBITDA	-3.9	18.4	-24.6	55.4	54.0	85.5	136.8	216.0
margin (%)	-1.5	5.1	-6.3	11.1	10.6	15.3	21.5	30.9
EBT	-20.2	-31.1	-65.4	9.8	8.0	41.0	103.3	181.5
EPS adj (NOK)	-0.39	-1.14	-2.65	0.01	0.04	1.18	2.97	5.2
Net income	-9.5	-30.9	-71.8	0.3	1.1	31.9	80.5	141.6

Source: Handelsbanken

Business areas – annual data

NOKm	2024	2021	2022	2023	2024e	2025e	2026e	2027e
Sales								
Cysview US	113	125	151	179	197	242	282	320
Hexvix Europe	132	227	222	264	288	318	353	378
Signing fees and milestone revenues	-	6	19	56	22	-	-	-
Total	256.5	360.5	392.6	500.7	509.7	559.9	635.1	698.0
Sales growth (%)								
Cysview US	15	11	20	18	10	23	16	14
Hexvix Europe	15	72	-2	19	9	10	11	7
Signing fees and milestone revenues	n.m	n.m	191	198	-61	n.m	n.m	n.m
Total	-8.9	40.6	8.9	27.5	1.8	9.8	13.4	9.9

Source: Handelsbanken

Forecast balance sheet – annual data

NOKm	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Accounts receivable	43	48	47	60	65	75	85	94
Inventory	30	28	27	37	41	47	53	58
Other current assets	5	15	16	16	16	16	16	16
Cash & other interest-bearing	335	323	268	260	260	284	354	487
Current assets	412	413	358	372	382	422	509	655
Goodwill	144	144	144	144	144	144	144	144
R&D	163	146	129	113	104	98	92	88
Tangible assets	2	4	4	5	3	2	0.9	0.8
Oth non-IB fixed assets	50	53	55	49	49	49	49	49
Total assets	776	790	719	711	714	749	833	978
Equity	508	503	463	482	483	515	596	737
Shareholder equity	508	503	463	482	483	515	596	737
Pension provisions	3	4	5	2	2	2	2	2
Deferred tax liabilities	144	139	135	128	128	128	128	128
Long-term interest-bearing debt	50	13	-	-	-	-	-	-
Trade payables	-	24	21	20	22	25	28	31
Other current liabilities	67	53	55	58	58	58	58	58
Current liabilities	67	102	89	78	79	83	86	89
Total equity & liabilities	776	790	719	711	714	749	833	978
Net interest bearing debt	-278	-252	-224	-236	-236	-260	-331	-463

Source: Handelsbanken

Forecast cash flow

NOKm	2020	2021	2022	2023	2024e	2025e	2026e	2027e
EBIT before associates	-35.9	-5.3	-43.3	27.8	24.2	55.0	105.3	183.5
+ Net financials	2.8	-25.8	-22.1	-18.1	-16.2	-14.0	-2.0	-2.0
- Paid tax	10.8	0.8	-0.7	-9.5	-6.9	-9.0	-22.7	-39.9
- Change in NWC	17.1	-3.2	-0.2	-11.7	-7.4	-12.5	-13.0	-10.9
+ Depreciation/impairment	19.1	23.6	18.5	27.6	29.8	30.5	31.5	32.5
+ Other adjustment	1.6	33.8	45.8	32.2	n.m	n.m	n.m	n.m
Cash flow from operations (CFFO)	15.6	23.9	-2.0	48.3	23.4	50.0	99.0	163.2
- Net recurring capex	-1.6	-3.7	-3.6	-12.3	-13.5	-15.5	-17.6	-19.3
FCF bef Acq. & Div. (FCF)	14.0	20.2	-5.6	36.0	9.9	34.5	81.4	143.9
FCF to equity (FCFE)	14.0	20.2	-5.6	36.0	9.9	34.5	81.4	143.9
+ New share issue	314.7	13.9	7.6	n.m	n.m	n.m	n.m	n.m
+ Other adjustments	-169.1	-8.6	-44.3	1.0	-3.5	-3.1	-3.1	-2.6
NET cash flow/change in NIBD	209.6	-12.0	-54.8	-5.7	0.4	24.0	70.5	132.9
Funds from operations (FFO)	-1.5	27.1	-1.8	60.1	30.8	62.4	112.0	174.1
Cash flow from operations (CFFO)	15.6	23.9	-2.0	48.3	23.4	50.0	99.0	163.2
FCF bef Acquisitions & Divestments (FCF)	14.0	20.2	-5.6	36.0	9.9	34.5	81.4	143.9
FCF to equity (FCFE)	14.0	20.2	-5.6	36.0	9.9	34.5	81.4	143.9

Source: Handelsbanken

Financial ratios – annual data

%	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Equity/total assets	65.5	63.7	64.4	67.8	67.7	68.7	71.5	75.4
Net debt/equity	-54.7	-50.2	-48.4	-48.9	-48.8	-50.5	-55.5	-62.9
Net cash flow/capex	>500	<-200	<-200	-46.2	3.2	155	401	>500
EBITDA net interest cover (x)	n.m	0.7	n.m	3.2	3.5	6.6	135	214
EBIT net interest cover (x)	n.m	n.m	n.m	1.6	1.6	4.2	104	182
FCFF/total debt	21.0	271	344	86.4	189	>500	>500	>500
Total debt/capital	9.5	3.3	1.0	0.39	0.39	0.37	0.32	0.26
Long-term debt/capital	8.9	2.4	0	0	0	0	0	0
Inventory/sales	11.6	7.6	6.8	7.4	8.0	8.4	8.4	8.4
Receivables/sales	18.6	17.4	16.2	15.1	16.0	16.3	15.9	15.7
Accounts payable/sales	26.2	21.4	19.5	15.5	15.6	14.8	13.5	12.7
Working capital/sales	3.9	3.7	3.4	7.1	8.4	9.9	10.8	11.4
Current ratio	613	405	402	480	481	511	592	739
Quick ratio	569	378	372	432	430	454	530	673

Source: Handelsbanken

Per share data

m	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Nr of shares, year-end	24.8	27.1	27.1	27.1	27.1	27.1	27.1	27.1
Nr of shares, average	24.8	27.1	27.1	27.1	27.1	27.1	27.1	27.1
EPS reported (NOK)	-0.90	-1.14	-2.65	0.01	0.04	1.18	2.97	5.2
Y-o-y growth (%)	n.m	n.m	n.m	n.m	268.8	>900	152.1	75.8
EPS adj (NOK)	-0.39	-1.14	-2.65	0.01	0.04	1.18	2.97	5.2
Y-o-y growth (%)	n.m	n.m	n.m	n.m	268.8	>900	152.1	75.8
Cash earnings (NOK)	-0.13	-0.27	-1.96	1.03	1.14	2.30	4.13	6.4
DPS - ordinary (NOK)	-	-	-	-	-	-	-	-
Book value (NOK)	20.5	18.5	17.1	17.8	17.8	19.0	22.0	27.2
Y-o-y growth (%)	114.5	-9.5	-7.9	4.2	0.2	6.6	15.6	23.8
Net debt (NOK)	-11.4	-11.3	-9.7	-9.5	-9.5	-10.4	-13.0	-17.9
NAV (NOK)	8.1	7.8	7.0	8.3	8.7	10.1	13.3	18.7

Source: Handelsbanken

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Recommendation structure

SHB long-term recommendation (3 years)	R _p is expected to be ¹	SHB universe ²	IB services ³
Outperform	above 40%	41%	8%
Market Perform	between 20% and 40%	47%	20%
Underperform	below 20%	12%	14%

¹ R_p is defined as the expected share price appreciation or depreciation including dividends over the next three years

² Percentage of companies under coverage within each recommendation

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

SHB short-term recommendation (3 months)	Return expected to be ⁴	SHB universe ⁵	IB services ⁶
Buy	above 5%	30%	15%
Hold	between 0% and 5%	65%	14%
Sell	below 0%	5%	22%

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

⁵ Percentage of companies under coverage within each recommendation

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

Source: Handelsbanken, as per 7 August 2024

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Photocure

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8 Aug 2024: Photocure - Handelsbanken's analysts Rickard Anderkrans and Mattias Häggblom have no positions 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 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.

For more company-specific disclosure texts, please consult Handelsbanken's Research website: <https://www.researchonline.se/desc/disclosure>.

Completion date: 7 Aug 2024 18:49 CET

Company overview

%	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
P&L													
Sales (NOKm)	135	144	151	182	282	256	361	393	501	510	560	635	698
growth	4	7	5	20	55	-9	41	9	28	2	10	13	10
Gross margin	93.9	93.5	92.0	90.6	92.0	92.8	93.3	94.3	94.8	94.1	94.0	94.0	94.0
R&D to sales	23.3	16.0	21.6	10.5	4.8	5.4	1.2	0.85	0.41	0.82	3.7	5.0	5.0
SG&A to sales	62.2	62.9	71.4	72.5	56.7	78.2	76.2	81.2	69.4	71.5	69.4	63.0	57.0
EBITDA (NOKm)	-18	-8	-33	-25	59	-17	18	-25	55	54	85	137	216
margin	-13.4	-5.6	-21.9	-13.6	20.9	-6.5	5.1	-6.3	11.1	10.6	15.3	21.5	30.9
EBITA (NOKm)	-22	-12	-39	-26	54	-22	9	-26	45	42	72	122	201
margin	-16.3	-8.3	-25.9	-14.5	19.2	-8.7	2.5	-6.7	9.0	8.2	12.8	19.3	28.8
EBIT (NOKm)	-22	-16	-45	-38	43	-36	-5	-43	28	24	55	105	184
margin	-16.3	-11.0	-30.0	-20.9	15.2	-14.0	-1.5	-11.0	5.6	4.8	9.8	16.6	26.3
Net income (NOKm)	-36	35	-35	-37	32	-22	-31	-72	0.3	1	32	81	142
growth	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	269	>900	152	75.8
Adj net income (NOKm)	-36	35	-35	-23	32	-10	-31	-72	0.3	1	32	81	142
growth	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	269	>900%	152	75.8
Balance sheet (NOKm)													
Tangible assets	2	2	1	2	2	2	4	4	5	3	2	0.9	0.8
Goodwill	-	-	-	-	-	144	144	144	144	144	144	144	144
Current assets	204	212	176	153	187	412	413	358	372	382	422	509	655
Cash	134	169	129	107	125	335	323	268	260	260	284	354	487
Total assets	248	286	263	231	257	776	790	719	711	714	749	833	978
Equity	210	252	218	176	209	508	503	463	482	483	515	596	737
Long-term int bearing debt	-	-	-	-	-	50	13	-	-	-	-	-	-
Current liab	34	31	40	52	39	67	102	89	78	79	83	86	89
Total liabilities	248	286	263	231	257	776	790	719	711	714	749	833	978
Net int bearing debt	-136	-165	-125	-105	-134	-282	-306	-263	-258	-258	-282	-353	-485
Cash flow (NOKm)													
FFFO	-21	19	-24	-24	21	16	24	-2	48	23	50	99	163
Capex	-15	-22	-19	-2	-1	-2	-4	-4	-12	-13	-15	-18	-19
Free cash flow	-36	-3	-42	-26	20	14	20	-6	36	10	34	81	144
FCF to equity	-36	-3	-42	-26	20	14	20	-6	36	10	34	81	144
Ratios													
Pre-tax ROIC	-40.1	-14.9	-43.5	-32.0	70.5	-14.3	3.8	-10.7	18.6	16.9	28.5	47.1	74.7
ROE reported	-16.1	15.3	-14.8	-18.6	16.5	-6.3	-6.1	-14.9	0.06	0.23	6.4	14.5	21.2
ROCE	n.m	n.m	n.m	n.m	21.5	n.m	n.m	n.m	5.5	4.8	10.5	18.2	26.6
Capex to sales	11.1	15.1	12.3	1.2	0.39	0.63	1.0	0.92	2.5	2.6	2.8	2.8	2.8
NWC to sales	27.0	8.6	4.0	-3.2	8.1	3.9	3.7	3.4	7.1	8.4	9.9	10.8	11.4
Sales/assets (NOKx)	0.52	0.54	0.55	0.73	1.15	0.50	0.46	0.52	0.70	0.72	0.77	0.80	0.77
Sales/IC (x)	2.46	1.79	1.68	2.21	3.68	1.64	1.50	1.60	2.06	2.06	2.23	2.44	2.59
Net debt/equity	-64.7	-65.7	-57.1	-59.6	-60.8	-54.7	-50.2	-48.4	-48.9	-48.8	-50.5	-55.5	-62.9
Equity/total assets	84.7	88.0	82.9	76.3	81.1	65.5	63.7	64.4	67.8	67.7	68.7	71.5	75.4
Share data (NOKm)													
Avg no shares (m)	21.5	21.6	21.6	21.6	21.8	24.8	27.1	27.1	27.1	27.1	27.1	27.1	27.1
change (%)	0.6	0.7	-0.3	0.3	0.9	14	9	0.0	0.0	0.0	0.0	0.0	0.0
Avg diluted shares (m)	21.5	21.6	21.6	21.6	21.8	24.8	27.1	27.1	27.1	27.1	27.1	27.1	27.1
change (%)	0.6	0.7	-0.3	0.3	0.9	13.6	9.3	0.0	0.0	0.0	0.0	0.0	0.0
Share price YE (NOK)	41.9	42.0	27.3	48.0	89.5	106.6	102.7	106.8	67.4	50.5	50.5	50.5	50.5
Market cap	900	909	589	1,038	1,954	2,643	2,784	2,895	1,827	1,369	1,369	1,369	1,369
EV	764	743	464	933	1,827	2,365	2,532	2,671	1,591	1,133	1,109	1,038	906
Net debt/share (NOK)	-6.3	-7.7	-5.8	-4.9	-6.1	-11.4	-11.3	-9.7	-9.5	-9.5	-10.4	-13.0	-17.9
EPS reported (NOK)	-1.68	1.63	-1.61	-1.70	1.46	-0.90	-1.14	-2.65	0.01	0.04	1.18	2.97	5.2
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	269	>900	152	76
EPS adj (NOK)	-1.68	1.63	-1.61	-1.04	1.46	-0.39	-1.14	-2.65	0.01	0.04	1.18	2.97	5.2
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	269	>900	152	76
DPS - Ordinary	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Handelsbanken