

Photocure

Remains in 'show-me' mode

- Q1e: nine new US scope placements and 5% organic product sales growth
- Several imminent catalysts support short-term Buy recommendation
- Reiterating NOK 125 target price and Outperform recommendation

Increasing utilisation and cost control in focus in Q1 report

For Q1, we estimate nine new rigid scope placements, which combined with the erosion of two flexible scopes, would result in the US installed base remaining flat y-o-y. We forecast product sales of NOK 115m, implying 5% organic growth. We do not forecast any milestone revenue in the quarter. We estimate a solid 94% gross margin, and modest 3% organic opex growth y-o-y to support positive EBITDA of NOK 3m, and a margin of 3%. While our new US scope placement and growth estimates are on the softer side, we expect Photocure's initiatives to drive scope upgrades and utilisation with solid cost control to compensate.

Expecting unchanged 2024e guidance and catalysts in Q2e

We expect unchanged 2024 guidance of 6-9% organic product revenue growth, positive adj. EBITDA and 40-70 US scope installations (new and upgrades). We are currently aligned with the guidance, but believe it could be conservative if the large US scope order lands in Q2 and EU scope launches from Olympus and Stryker happen in 2024. Furthermore, we look forward to Photocure introducing its proprietary flexible scope during Q2 2024. US FDA reclassification remains the key catalyst, and recent public [support from Olympus](#) could boost the probability of a positive decision in H2 2024. We also note that Photocure's Chinese partner, Asieris, continues to make solid progress with both [Cevira](#) and Hexvix.

Major upside potential as investors await scalable growth

We leave our estimates largely unchanged as our lower US scope placement expectations are offset by an FX tailwind. We keep our three-year target price of NOK 125 unchanged. 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 2.6-2.1x 2024e-25e sales and ~13x 2025e EBITDA, representing discounts of ~30-60% to peers. We reiterate our long-term Outperform recommendation.

Key figures

NOKm	2021	2022	2023	2024e	2025e
Sales	361	393	501	488	566
Sales growth (%)	40.6	8.9	27.5	-2.4	16.0
EBITDA adj	18	-25	55	34	98
margin (%)	5.1	-6.3	11.1	6.9	17.2
margin (%)	-1.5	-11.0	5.6	0.70	11.7
EBT	-31	-65	10	-12	52
EPS adj (NOK)	-1.14	-2.65	0.01	-0.33	1.51
P/E adj (x)	n.m	n.m	>99	n.m	36.1
P/BV (x)	5.5	6.3	3.8	3.1	2.9
ROE adj (%)	-6.1	-14.9	0.06	-1.9	8.3
EV/EBIT (x)	n.m	n.m	57.2	>99	18.3
EV/EBITDA (x)	>99	n.m	28.7	37.3	12.5
EV/sales (x)	7.0	6.8	3.2	2.6	2.1
FCF adj yield (%)	0.72	-0.19	2.0	0	2.9
Tot DPS	0.00	0.00	0.00	0.00	0.00
Net debt/equity (%)	-50.2	-48.4	-48.9	-47.8	-50.4

Source: Handelsbanken

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

Estimate changes

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

Three-year target return

Target price incl. div (NOK)	125
Expected total return (%)	130

Key data

Share price	
2 May (NOK)	54.40
Market cap (NOKm)	1,475
Bloomberg	PHO NO
Reuters	PHO.OL
Web address	Link
CEO	Daniel Scheider
Next event	15 May 2024: Q1 report

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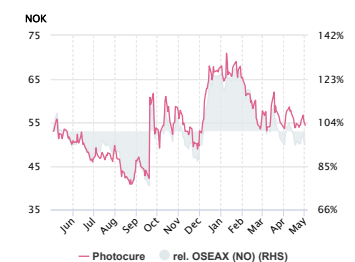
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Estimate changes

%	2024e	2025e
Sales	1	1
EBIT adj	197	-1
EPS adj	n.m	-1

Source: Handelsbanken

Share price – 12m



Source: FactSet

Share perf. (%)	-1m	-3m	-12m
Absolute:	1.5	-15.9	0.74
Rel. OSEAX (NO):	1.5	-19.0	-7.7
52w range (NOK):	70.90 / 40.85		

Source: FactSet

Supporting charts and graphics

Olympus supporting the ongoing Citizen's Petition for FDA reclassification



Division of Dockets Management
U.S. Food and Drug Administration
5630 Fishers Lane, Room 1061
Rockville, MD 20857

Date: April 3, 2024

RE: Comments on Reclassification Petition for Diagnostic Endoscopic Light Source Systems (Product Code OAY), Docket No. FDA-2022-P-2644, from Karl Storz SE & Co KG (Karl Storz)

We are encouraged by Olympus voicing its support for a reclassification of blue light equipment in the US given its 'competing' proprietary technology Narrow Band Imaging

To Whom It May Concern:

This letter is being supplied by Olympus to express support of Karl Storz' pending petition to reclassify medical devices associated with Product Code OAY into Class II subject to 510(k) pre-market notification (special controls). Specifically, this relates to the medical devices that enable Blue Light Cystoscopy (BLC) and Photodynamic Diagnostic D-Light C (PDD).

These devices have demonstrated significant clinical value in diagnosing and treating patients with Non-Muscle Invasive Bladder Cancer (NMIBC) over a multi-decade span. Bladder cancer is the 6th most common cancer in the U.S. with over 82,000 new cases in 2023¹ and early diagnosis is critical because the depth of infiltration can have drastic effects upon the potential treatments of the disease, as well as the long-term ramifications for the patient. Enhancing the visualization of bladder lesions, for example with the PDD fluorescence system, allows for clinicians to identify potentially cancerous areas of the bladder wall more easily and to delineate the margins of healthy vs. malignant tissue more clearly. This in turn benefits both diagnosis and surgical treatment of said lesions due to the extra visual assurance that malignant tissue has been identified. Addressing the lesions before the disease invades the muscle tissue of the bladder can often result in the preservation of the patient's bladder as opposed to cystectomy, offering a vastly improved quality of life for the patient.

PDD is designed for use as an adjunct to White Light Cystoscopy (WLC) and falls into the category of "enhanced cystoscopy" that is recommended for NMIBC treatment within both the AUA Guidelines² and the NCCN Guidelines³. Outside the US, there are other PDD devices from multiple medical device manufacturers (Olympus included) with similar indications that have demonstrated effectiveness for visualization and treatment of bladder cancer. Some manufacturers are beginning to incorporate multiple enhanced visualization modalities within a single endoscopy system to provide clinicians with an array of options to ensure that each patient receives the best possible treatment according to the expert decisions of their clinician. Olympus recognizes that not all patients present with NMIBC in the same way, and even the same patient may not present in the same way during an office diagnosis and in the operating room. Proven visualization technologies can be used in conjunction with one another to give clinicians the best set of tools to address the disease and to support optimal outcomes for patient care.

Source: Handelsbanken, Regulations.gov

Note: Regulations.gov

Potential share price catalysts

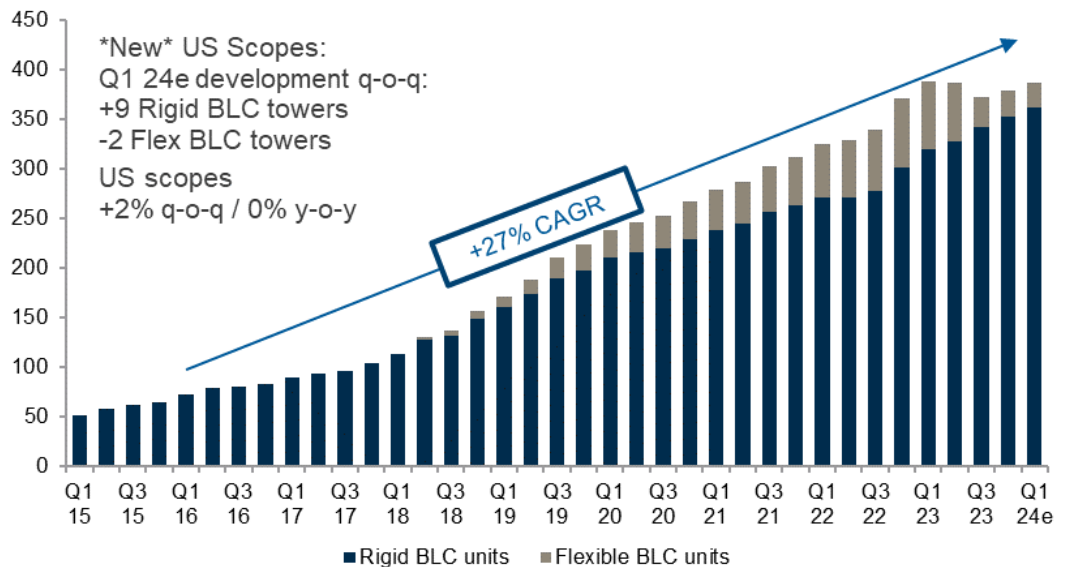
Potential triggers	Timing	Comment
Large US scope order	Q2 2024	We anticipate Photocure will announce a larger US scope order from a lease/rental arrangement (we believe ForTec Medical)
Launch of proprietary flexible scope(s)	Q2 2024	Photocure has announced ambition to launch a proprietary flexible scope with one or several partners (we believe Richard Wolf)
EU launch of upgraded BLC (Olympus)	H2 2024	New rigid scope (Expecting blue light-feature H2 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	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	2024	Downclassification from class 3 to class 2 device, democratizing US market (currently limited to Karl Storz)
Chinese regulatory filing for Cevira	Q2 2024	Filing to Chinese authorities after successful Phase 3 trial
Chinese approval 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
Potential acquisitions	n.a.	Active M&A and in-licensing agenda

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

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

Installed base of BLC scopes in the US

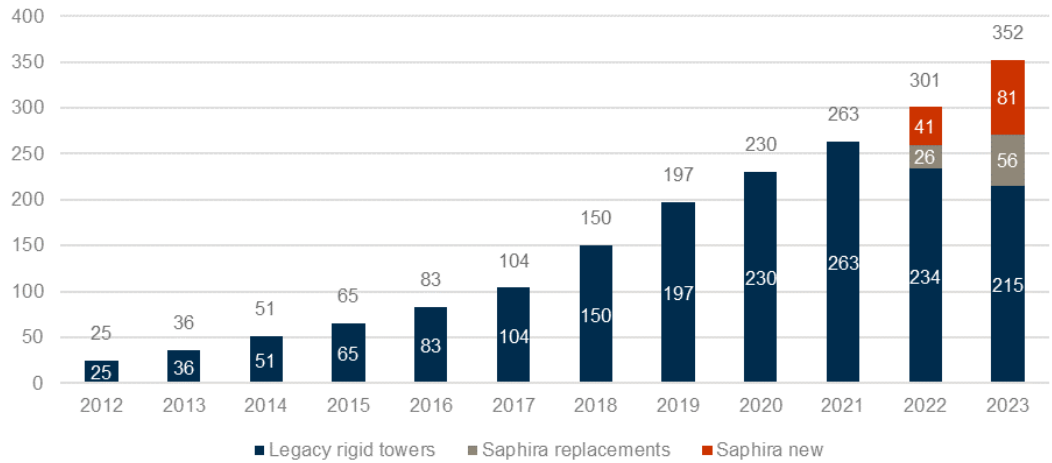


Photocure has indicated that it expects to announce a large US scope order in Q2 2024 (we believe ~15-20 scopes initially)

Source: Handelsbanken, company data

US BLC installed base development

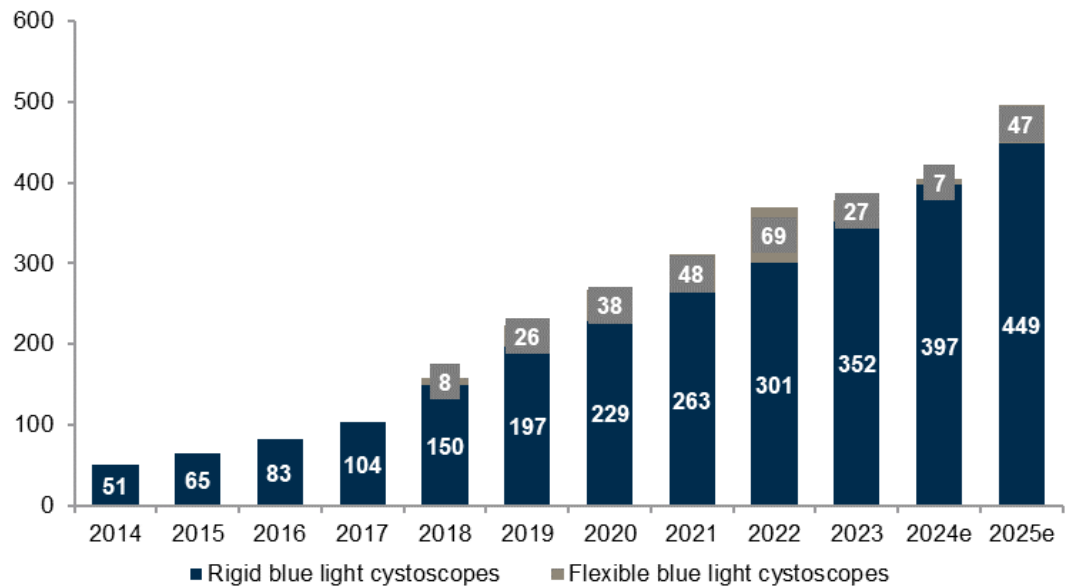
Photocure still has plenty of scope upgrades to execute on as only 39% of the rigid installed base consists of the newer Saphira scopes in the US



Source: Handelsbanken, company data

Installed base of BLC scopes in the US

We trim our new scope placement estimate to 45 from 55 in the US as we expect slightly higher focus on upgrades rather than new placements than we previously anticipated



Source: Handelsbanken, company data

Estimate revisions

NOKm	2024e			2025e			2026e		
	Old	New	% change	Old	New	% change	Old	New	% change
Product revenues	482	488	1%	559	566	1%	638	646	1%
Org. Product rev. Growth, %	8.7%	7.3%	-1.4pp	16.1%	16.0%	-0.1pp	14%	14%	0.0pp
Other revenues	0	0	n.a.	0	0	n.a.	0	0	n.a.
Total revenues	482	488	1%	559	566	1%	638	646	1%
OPEX	-452	-456	-1%	-459	-466	-2%	-487	-493	-1%
Indirect manufacturing expen	-20	-21	-1%	-23	-24	-1%	-26	-26	-1%
R&D expenses	-5	-5	0%	-20	-21	-1%	-32	-32	-1%
Marketing and Sales expens	-356	-359	-1%	-355	-360	-1%	-370	-375	-1%
EBITDA	31	34	7%	98	98	0%	145	147	2%
EBITDA margin	6.5%	6.9%		17.5%	17.2%		22.7%	22.8%	
EBIT	1	3	197%	67	66	-1%	113	115	2%
EBIT margin	0.2%	0.7%		11.9%	11.7%		17.7%	17.8%	
Adj. EBIT	1	3	197%	67	66	-1%	113	115	2%
Adj. EBIT margin	0.2%	0.7%		11.9%	11.7%		17.7%	17.8%	
Net income	-11	-9	-16%	41	41	-1%	87	88	2%

Source: Handelsbanken

Three-year target price build

We leave our three-year target price of NOK 125 unchanged

DCF valuation of Cysview/ Hexvix franchise	NOK 105	50%	36m target price
Stand-alone rNPV valuation of Cevira	NOK 35		
			NOK 125 / share
Photocure 2026e EBITDA- multiple (19x)	NOK 115	50%	

Source: Handelsbanken

Valuation overview

NOKm	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Hex/Cys sales	149	173	214	256	354	374	445	488	566	646
EBITDA adj.	-33	-10	59	-4	18	-25	55	34	98	147
EBIT adj.	-45	-24	43	-23	-6	-49	28	3	66	115
Share price	55									
Shares	27									
Market Cap	1,484									
Net debt		-104	-115	-278	-252	-224	-236	-226	-259	-337
EV		1,379	1,368	1,206	1,231	1,260	1,248	1,258	1,225	1,146
Current valuation			2019	2020	2021	2022	2023	2024e	2025e	2026e
EV/Sales				4.7x	3.5x	3.4x	2.8x	2.6x	2.2x	1.8x
EV/EBITDA adj.				-308.3x	67.1x	-50.7x	22.5x	37.5x	12.6x	7.8x
EV/EBIT adj.				-52.0x	-212.5x	-25.6x	44.9x	368.3x	18.4x	10.0x
Target Price (NOK)		125								
Implied valuation at TP				2020	2021	2022	2023	2024e	2025e	2026e
EV/Sales				12.1x	8.8x	8.4x	7.0x	6.4x	5.5x	4.7x
EV/EBITDA adj.				-791.1x	169.9x	-126.6x	56.6x	93.9x	31.9x	20.6x
EV/EBIT adj.				-133.3x	-538.4x	-63.9x	112.8x	921.3x	46.9x	26.3x

Source: Handelsbanken

Photocure EV/sales FY+2

Photocure is trading at historically low multiples compared to its own long-term history



Source: Handelsbanken, FactSet

Peer group valuation comparison

Nordic Medtech Company	Mcap		EV/Sales (x)				Gross margin (%)		EV/GP (x)		EBITDA-mrg (%)		EV/EBITDA (x)		Sales growth (%)			
	(EURm)	SP	2023	2024e	2025e	2026e	2024e	2025e	2024e	2025e	2025e	2026e	2025e	2026e	2023	2024e	2025e	2026e
Ambu	4,035	113.0	4.2	5.6	4.9	4.3	59.3	60.7	9.5	8.2	20.0	21.6	24.7	19.9	8%	12%	13%	13%
BioGaia	980	113.2	6.7	7.4	6.7	6.1	73.9	74.1	9.7	8.6	36.1	36.0	18.6	17.1	16%	9%	12%	12%
Biotage	1,139	167.4	5.8	6.1	5.3	4.6	64.1	64.2	9.9	8.8	27.4	29.3	19.5	15.7	11%	20%	13%	13%
BONESUPPORT	1,291	229.2	20.5	17.5	12.4	9.4	91.5	89.8	19.5	14.3	28.5	31.8	43.7	29.7	83%	45%	39%	29%
CellaVision	465	227.5	7.7	6.8	5.9	5.1	67.5	69.0	10.1	8.7	35.4	36.0	16.6	14.1	-3%	18%	14%	13%
Coloplast	25,342	841.2	7.4	7.6	7.0	6.4	68.1	68.9	10.9	9.9	33.5	34.2	20.8	18.8	9%	10%	9%	9%
Mentice	80	36.6	4.2	2.3	1.8	1.4	85.6	85.9	2.8	2.2	19.0	21.7	9.3	6.3	21%	21%	23%	20%
Probi	198	203.0	3.3	3.1	2.8	2.6	37.1	41.5	8.3	7.0	21.8	20.8	12.8	12.6	-3%	6%	7%	5%
Revenio Group	686	25.8	7.4	6.4	5.6	4.8	71.0	71.2	9.3	8.2	33.5	34.3	16.6	14.0	-1%	10%	13%	13%
Sedana Medical	189	22.2	13.8	10.5	9.0	5.7	70.6	72.5	13.9	10.6	-9.6	9.8			20%	26%	28%	60%
Vitrolife	1,922	165.6	7.8	6.5	5.8	5.2	57.1	57.5	11.7	10.7	33.6	34.2	17.4	15.3	10%	3%	9%	9%
Xvivo Perfusion	1,000	370.5	16.0	13.9	10.3	7.6	71.9	75.4	19.2	13.5	26.6	30.6	38.6	25.0	52%	33%	35%	32%
Peer average	3,111		8.7	7.8	6.5	5.3	68.2	69.2	11.2	9.2	25.5	28.4	21.7	17.1	19%	18%	18%	19%
Peer median	990		7.4	6.7	5.9	5.1	69.3	70.1	10.0	8.7	27.9	31.2	18.6	15.7	11%	15%	13%	13%
Photocure (HCMe)	125	54	2.5	2.6	2.2	1.8	94.0	94.0	2.8	2.4	17.2	22.8	12.9	8.0	19%	10%	16%	14%
vs peer average			-72%	-66%	-66%	-65%	25.8pp	24.8pp	-75%	-74%	-8.3pp	-5.5pp	-41%	-53%	-8.1pp	-1.7pp	-4.7pp	
vs peer median			-67%	-60%	-62%	-65%	24.7pp	23.9pp	-72%	-73%	-10.7pp	-8.4pp	-31%	-49%	-5.3pp	3.2pp	1.3pp	

Source: Handelsbanken, FactSet

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 24e	Q2 24e	Q3 24e	Q4 24e
Product revenues	82	90	87	95	82	100	98	95	106	117	107	114	115	125	120	128
<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%	20.3%	8.0%	6.7%	12.2%	12.1%
<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%	10.8%	4.8%	5.1%	8.5%	10.8%
Other 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	0.0	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	114.8	125.3	120.4	128.0
COGS	-5	-6	-5	-8	-6	-5	-6	-5	-6	-7	-7	-6	-7	-8	-7	-8
Gross profit	83	84	82	87	76	95	101	99	100	137	101	137	108	118	113	120
<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%	94.9%	94.0%	94.0%	94.0%	94.0%
Indirect manufacturing expenses	-4	-3	-4	-4	-4	-2	-4	-5	-3	-3	-4	-2	-5	-5	-5	-5
<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%	-47.8%	113.4%	9.1%	-3.9%	6.3%
<i>% of product sales</i>	5%	3%	5%	4%	5%	2%	4%	6%	3%	2%	4%	2%	4%	4%	4%	4%
R&D expenses	-1	-1	-1	-1	-1	-1	-1	-1	-1	0	-1	0	-1	-1	-1	-1
<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%	-66.5%	250.8%	0.0%	0.0%	8.9%
<i>% of product sales</i>	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	-87	-89	-91	-92
<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%	16.7%	-3.7%	1.7%	2.3%	1.7%
<i>% of product sales</i>	67%	71%	75%	80%	85%	75%	75%	91%	75%	74%	72%	79%	76%	71%	75%	72%
Net other opex	-12	-16	-17	-18	-21	-22	-24	-30	-24	-31	-22	-21	-19	-18	-18	-17
EBITDA	18	6	0	-14	-14	1	5	-17	-1	23	3	30	3	12	6	12
<i>EBITDA margin</i>	21%	6%	0%	-15%	-17%	1%	4%	-16%	-1%	16%	3%	21%	3%	10%	5%	9%
Depr/amort.	-6	-6	-6	-6	-6	-6	-6	-6	-7	-7	-7	-7	-7	-8	-8	-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	3	12	6	12
<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%	21.0%	2.8%	9.8%	4.9%	9.5%
Adj. EBIT	12	0	-6	-20	-20	-5	-1	-23	-8	17	-4	22	-4	5	-2	5
<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%	19.7%	-3.7%	3.8%	-1.4%	3.5%
Pretax profit	20	-8	-11	-41	-27	-10	-6	-28	-10	12	-9	17	-8	1	-6	2
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	-6.4	0.6	-4.4	1.2
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 24e	Q2 24e	Q3 24e	Q4 24e
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	46.7	46.8	51.1	49.1	52.2
<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%	20.7%	11.0%	10.5%	12.5%	11.8%
<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%	7.0%	0.3%	9.1%	-3.9%	6.3%
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	0.1	0.1	0.1	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.	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.	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	67.9	74.1	71.2	75.7
<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%	5.3%	1.6%	9.1%	-3.9%	6.3%

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	566	646
Signing fees and milestone revenue	35	12	7	2	8	68	0	6	19	56	0	0	0
Total revenues	129	135	144	151	182	282	256	361	393	501	488	566	646
COGS	-7	-8	-9	-12	-17	-23	-19	-24	-22	-26	-29	-34	-38
Gross profit	122	126	134	139	164	259	238	336	370	475	459	533	608
Gross margin	130.3%	103.4%	98.6%	93.1%	94.9%	121.1%	92.8%	95.0%	99.0%	106.6%	94.0%	94.0%	94.1%
Gross margin (ex-milestones)	92.5%	93.3%	93.1%	91.9%	90.1%	89.5%	92.8%	93.2%	94.0%	94.1%	94.0%	94.0%	94.1%
Indirect manufacturing expenses	-9	-10	-10	-11	-10	-11	-13	-15	-15	-13	-21	-24	-26
Growth		13.3%	-0.2%	8.7%	-9.2%	7.0%	16.3%	16.3%	3.1%	-17.5%	62.6%	16.0%	8.6%
% 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	-5	-21	-32
Growth		-3.7%	-26.7%	41.9%	-41.3%	-28.7%	1.4%	-68.8%	-22.7%	-38.1%	121.1%	351.8%	56.2%
% 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	-359	-360	-375
Growth		34.5%	8.9%	20.6%	25.8%	22.6%	26.3%	38.4%	16.8%	10.4%	7.1%	0.3%	4.2%
% of product sales	58%	60%	59%	65%	70%	70%	73%	73%	81%	75%	73%	64%	58%
Net other opex	-31	-33	-37	-44	-37	-43	-47	-63	-97	-97	-72	-62	-60
EBITDA	-4	-18	-8	-33	-25	59	-17	18	-25	55	34	98	147
EBITDA margin	-3.2%	-13.4%	-5.6%	-21.9%	-13.6%	20.9%	-6.5%	5.1%	-6.3%	11.1%	6.9%	17.2%	22.8%
Depr/amort.	-1.5	-3.9	-7.9	-12.1	-13.2	-16.2	-19.3	-24.2	-24.4	-27.6	-30.1	-31.1	-32.1
Adj. EBIT	-6	-22	-16	-45	-24	43	-23	-6	-49	28	3	66	115
Adj. EBIT margin	-4.4%	-16.3%	-11.0%	-30.0%	-13.1%	15.2%	-9.0%	-1.6%	-12.5%	5.6%	0.7%	11.7%	17.8%
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	-2.0
Pretax profit	2	-17	13	-42	-37	46	-33	-32	-71	10	-12	52	113
Net profit	-24.7	-36.2	35.3	-34.7	-36.7	31.8	-22.4	-30.9	-72.1	0.3	-9.0	40.9	88.3
Growth rate													
Product revenues	18%	31%	11%	10%	16%	23%	20%	38%	6%	19%	10%	16%	14%
Product revenues CER	18%	31%	11%	10%	16%	23%	11%	45%	-1%	9%	7%	16%	14%
Total revenues	54%	4%	7%	5%	20%	55%	-9%	41%	9%	28%	-2%	16%	14%

Source: Handelsbanken, company data

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

Opportunities

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

P&L expectation and momentum

NOKm	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24e	Q2 24e
Sales	106.2	144.3	107.5	142.5	114.8	125.3
EBITDA adj	-1.2	23.4	3.3	29.9	3.2	12.2
margin (%)	-1.1	16.2	3.1	21.0	2.8	9.8
EBT	-10.1	12.0	-8.7	16.5	-8.2	0.7
Net income	-11.7	4.4	-4.8	12.5	-8.2	0.7
EPS (NOK)	-0.43	0.16	-0.18	0.46	-0.30	0.03
EPS adj (NOK)	-0.43	0.16	-0.18	0.46	-0.30	0.03
EPS adj 12m MAV (NOK)	-2.27	-1.41	-1.22	0.01	0.14	0.01
Sales y-o-y (%)	30.2	44.2	0.72	36.8	8.0	-13.2
EBITDA adj y-o-y (%)	n.m	>900	-28.8	n.m	n.m	-47.7
EPS adj y-o-y (%)	n.m	n.m	n.m	n.m	n.m	-83.3
EPS adj 12MAV y-o-y (%)	-14.8	-51.9	-59.3	-100	-106	-101

Sources: Handelsbanken and FactSet

Estimate changes

NOKm	SHB	chg	SHB	chg	SHB	chg
	Q1 24e	(%)	2024e	(%)	2025e	(%)
Sales	114.8	-1	488.4	1	566.4	1
EBITA adj	0.1	-75	20.5	12	84.0	0
EBIT adj	-4.2	n.m	3.4	197	66.4	-1
margin (%)	-3.7	n.m	0.7	193	11.7	-2
EBT	-8.2	n.m	-11.6	n.m	52.4	-1
Net income	-8.2	n.m	-9.0	n.m	40.9	-1
EPS (NOK)	-0.30	n.m	-0.33	n.m	1.51	-1
EPS adj (NOK)	-0.30	n.m	-0.33	n.m	1.51	-1

Source: Handelsbanken

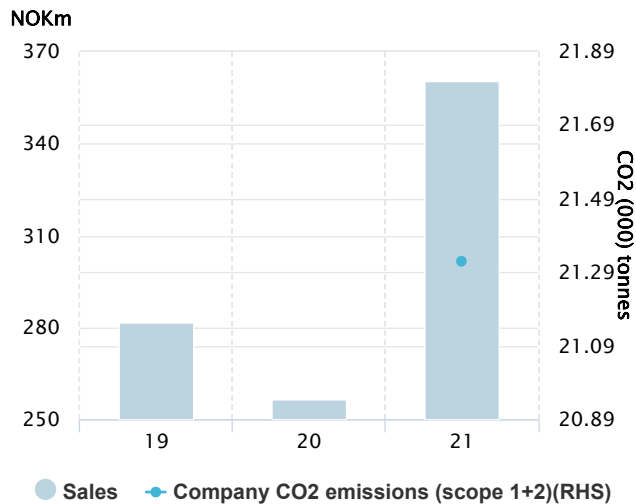
SHB versus consensus

NOKm	Cons	diff	Cons	diff	Cons	diff
	Q1 24e	(%)	2024e	(%)	2025e	(%)
Sales	115.0	0	482.0	1	577.0	-2
EBIT adj	-5.0	16	1.0	241	75.0	-11
margin (%)	-4.3	1	0.2	0	13.0	-1
EBT	-7.8	-5	22.8	n.m	100.0	-48
Net income	-7.0	-17	-10.8	16	50.0	-18
EPS (NOK)	-0.29	-4	-0.40	17	1.84	-18
EPS adj (NOK)	-0.19	-64	-0.40	17	1.84	-18

Sources: Handelsbanken and FactSet

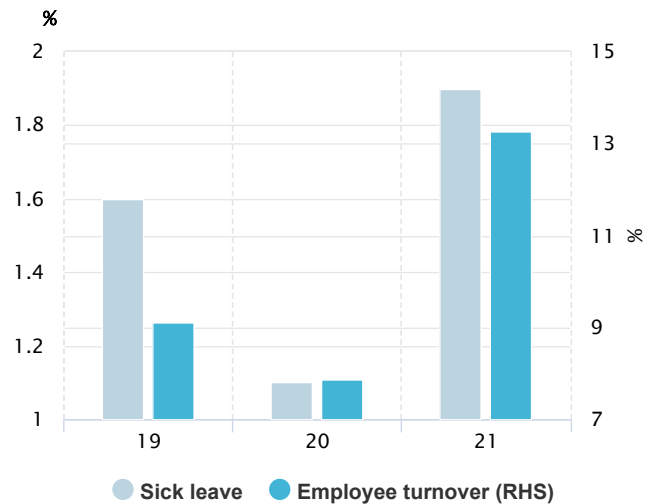
ESG figures

ESG analysis, environmental



Source: Company data, Handelsbanken

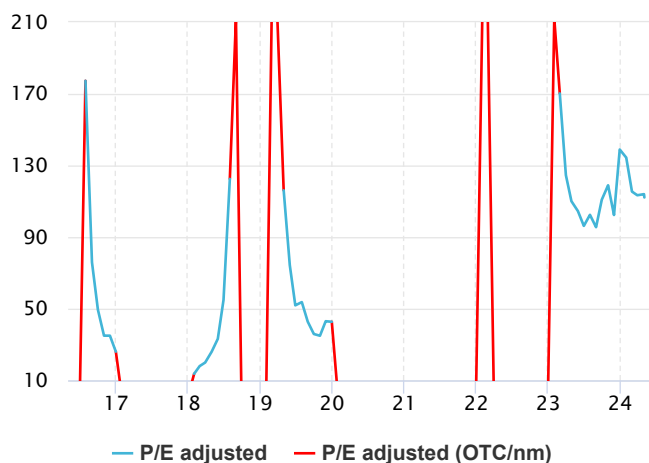
ESG analysis, social



Source: Company data, Handelsbanken

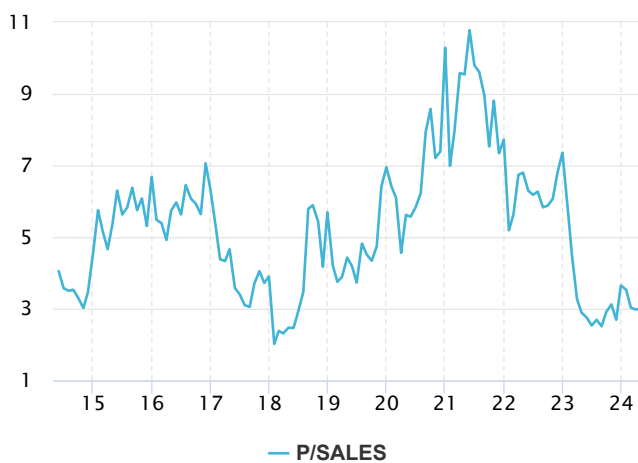
Valuation charts

P/E (x)



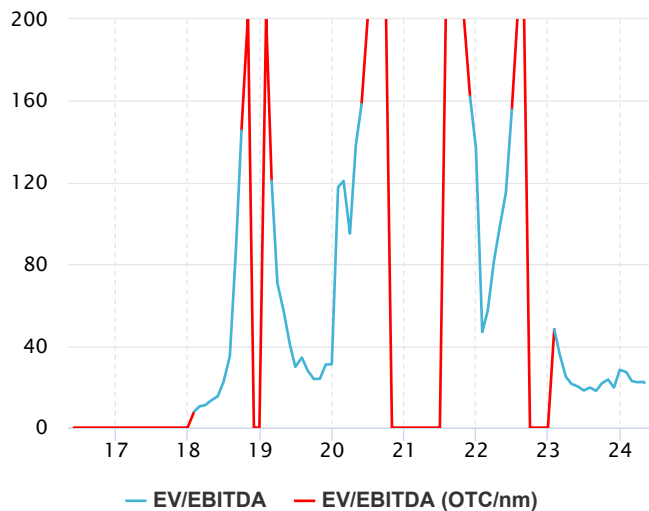
Sources: Handelsbanken and FactSet

P/Sales (x)



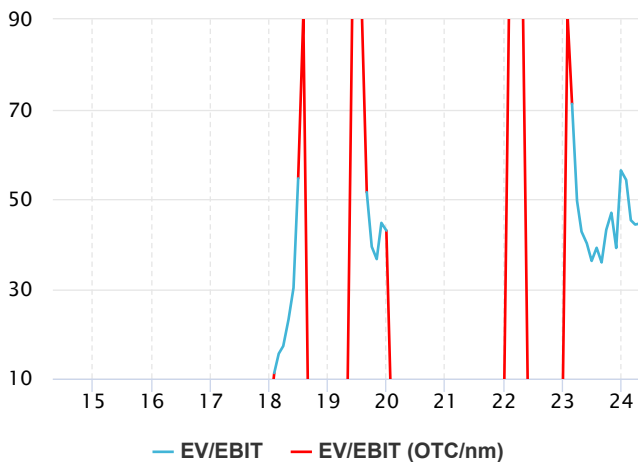
Sources: Handelsbanken and FactSet

EV/EBITDA (x)



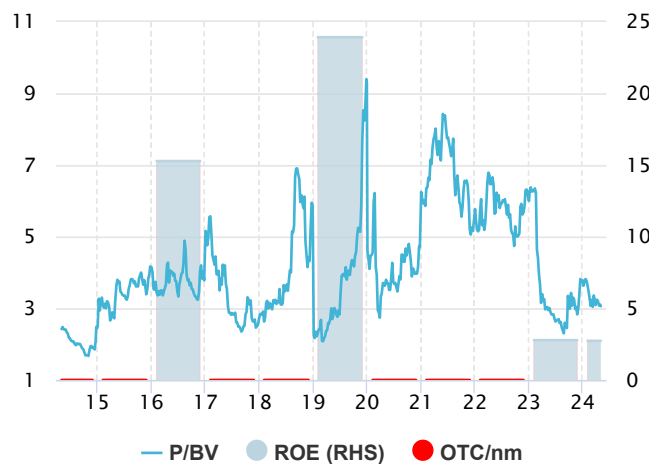
Sources: Handelsbanken and FactSet

EV/EBIT (x)



Sources: Handelsbanken and FactSet

P/BV (x) and ROE (%)



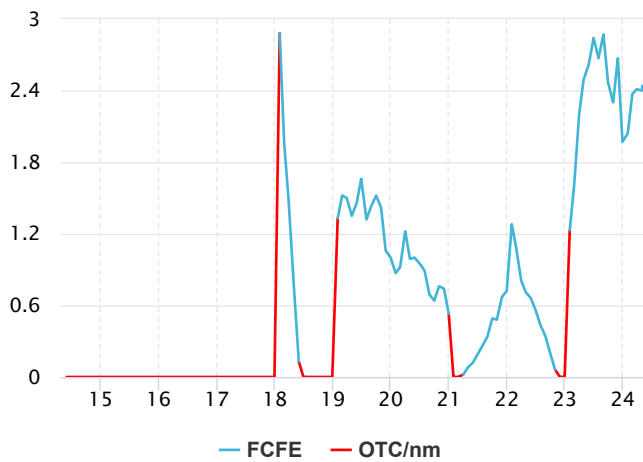
Sources: Handelsbanken and FactSet

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



Sources: Handelsbanken and FactSet

FCFE yield (%)



Sources: Handelsbanken and FactSet

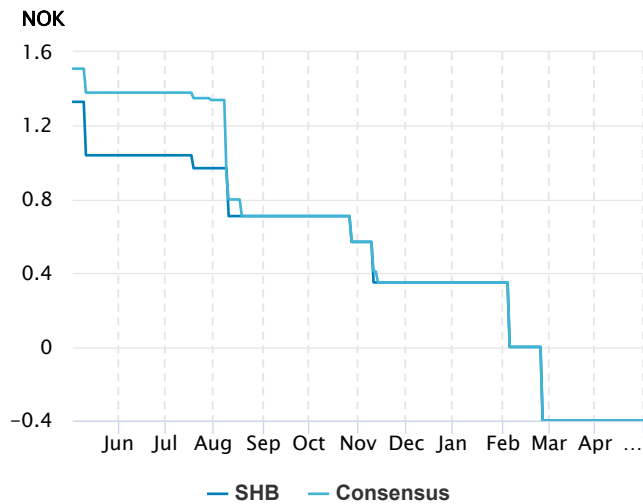
Dividend (ordinary) and 10-year bond yield (%)



Sources: Handelsbanken and FactSet

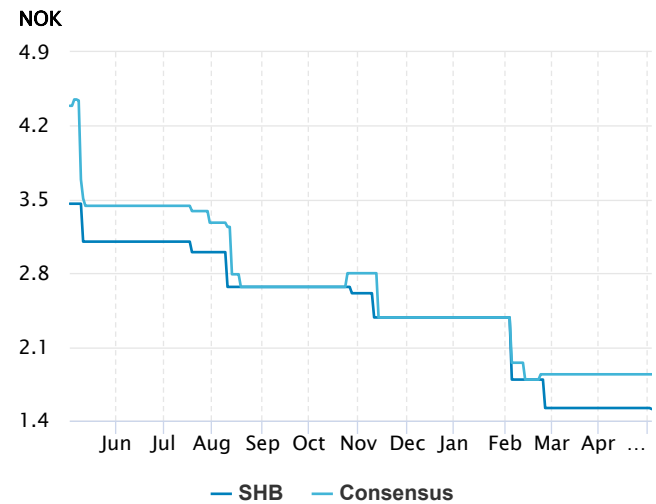
Momentum

Adjusted EPS – 2024 estimate revisions



Sources: Handelsbanken and FactSet

Adjusted EPS – 2025 estimate revisions



Sources: Handelsbanken and FactSet

Valuation data

NOK	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	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	67.4	54.4	54.4	54.4
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	52.0	-	-
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	1,827	1,475	1,475	1,475
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	-235.6	-226.2	-259.0	-337.3
EV (m)	450.1	330.5	382.2	763.8	743.0	464.2	933.1	1,827	2,365	2,532	2,671	1,591	1,249	1,216	1,137
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	>99	n.m	36.1	16.7
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	>99	n.m	36.1	16.7
Pre-tax ROIC (%)	<-200	<-200	-12.8	-40.1	-14.9	-43.5	-32.0	70.5	-14.3	3.8	-10.7	18.6	8.3	33.5	51.3
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	3.2	2.6	2.1	1.8
EV/EBITDA (x)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	31.0	n.m	>99	n.m	28.7	37.3	12.5	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	57.2	>99	18.3	9.9
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	5.6	0.70	11.7	17.8
EBITDA adj margin (%)	-28.1	-84.2	-3.2	-13.4	-5.6	-21.9	-5.8	20.9	-1.5	5.1	-6.3	11.1	6.9	17.2	22.8
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	2.0	0	2.9	6.0

Source: Handelsbanken

DCF model assumptions

NOKm	2023	2024e	2025e	2026e	2027e	2028e	2033e	2038e	2043e
Sales	500.7	488.4	566.4	646.0	714.1	768.9	1,130	1,374	n.m
EBITDA - Reported	55.4	33.5	97.5	147.3	222.5	302.6	485.8	584.2	0.0
EBITA2 - Reported (=EBITA bef gw amort) (use: IS)	27.8	3.4	66.4	115.2	189.4	268.5	474.5	577.3	0.0
Sales CAGR (%)	27.5	-2.4	16.0	14.0	10.5	7.7	8.0	4.0	-7.0
EBITDA growth (%)	n.m	-39.5	191.0	51.0	51.0	36.0	9.9	3.8	n.m
EBITA growth (%)	n.m	-87.7	>900	73.4	64.4	41.8	12.1	4.0	n.m
EBITDA margin (%)	11.1	6.9	17.2	22.8	31.2	39.4	43.0	42.5	n.m
EBITA margin (%)	5.6	0.70	11.7	17.8	26.5	34.9	42.0	42.0	38.5
Capex/sales (%)	2.5	2.8	2.8	2.8	2.8	1.9	1.0	0.50	0.20
Capex/depreciation (x)	0.45	0.45	0.50	0.56	0.60	0.43	1.0	1.0	1.0
Net working cap/sales (%)	7.1	8.8	10.0	10.9	11.5	11.9	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)	1.2
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	2,581
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	2,324
DCF value/share (NOK)	105

Source: Handelsbanken

DCF checkpoints

DCF checkpoints (%)

5y hist sales growth	22.5
5y exp sales growth	9.0
Sustainable growth	-10.0
Sust EBITDA margin	n.m
Sust EBITA margin	38.5
Sust after-tax ROIC	69.6
Terminal value/DCF	10.9
Implicit equity weight	111
Share price potential to DCF value	92.5

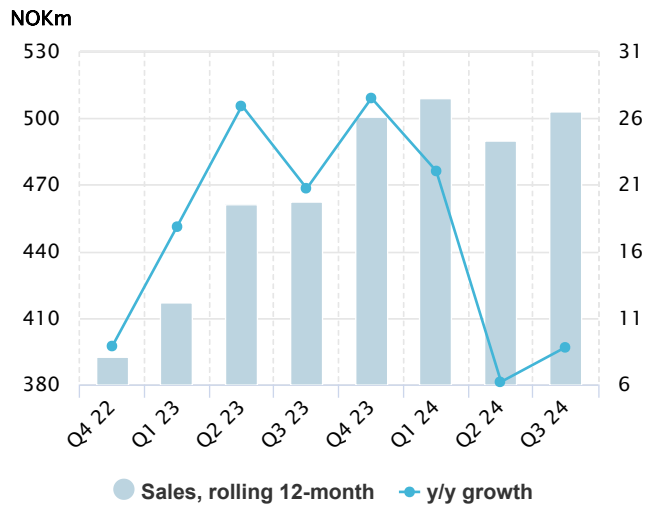
Source: Handelsbanken

P&L accounts – quarterly data

NOKm	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24e	Q2 24e	Q3 24e
Sales	104.2	106.2	144.3	107.5	142.5	114.8	125.3	120.4
Cost of goods sold	-5.4	-6.5	-6.9	-6.9	-5.9	-6.9	-7.5	-7.2
Gross profit	98.8	99.8	137.4	100.7	136.7	107.9	117.8	113.2
Sales and marketing costs	-86.1	-80.0	-86.8	-77.6	-90.5	-87.2	-88.7	-90.7
Admin costs	-5.4	-3.3	-2.7	-4.3	-2.3	-4.8	-5.3	-5.1
SG&A	-91.5	-83.3	-89.6	-81.9	-92.8	-92.0	-93.9	-95.7
R&D costs (NOK)	-542,000	-588,000	-211,000	-952,000	-319,000	-1,119,000	-1,119,000	-1,119,000
OPEX	-92.1	-83.9	-89.8	-82.9	-93.1	-93.1	-95.0	-96.8
Other operating expenses	-23.7	-23.5	-30.8	-21.6	-21.1	-19.0	-18.0	-18.0
EBITDA	-16.4	-1.2	23.4	3.3	29.9	3.2	12.2	5.9
EBIT	-17.0	-7.7	16.9	-3.9	22.5	-4.2	4.7	-1.7
Net interest expenses	-22.1	0.0	0.0	0.0	-17.1	0.0	0.0	0.0
Net financials	-5.5	-2.4	-4.9	-4.8	-5.9	-4.0	-4.0	-4.0
EBT	-22.4	-10.1	12.0	-8.7	16.5	-8.2	0.7	-5.7
Total tax	7.1	-1.6	-7.6	3.9	-4.1	0.0	0.0	0.0
tax rate (%)	31.5	-16.1	63.7	44.7	24.6	0	0	0
EPS rep (NOK)	-0.78	-0.43	0.16	-0.18	0.46	-0.30	0.03	-0.21
Net income	-21.0	-11.7	4.4	-4.8	12.5	-8.2	0.7	-5.7
Growth (%)								
Sales	10.2	30.2	44.2	0.72	36.8	8.0	-13.2	12.0
EBITDA	n.m	n.m	>900	-28.8	n.m	n.m	-47.7	76.5
Net income	n.m	n.m	n.m	n.m	n.m	n.m	-83.3	n.m
of sales (%)								
Gross margin	94.8	93.9	95.2	93.6	95.9	94.0	94.0	94.0
EBITDA margin	-15.7	-1.1	16.2	3.1	21.0	2.8	9.8	4.9
EBT margin	-21.5	-9.5	8.3	-8.1	11.6	-7.1	0.58	-4.7
Net margin	-14.8	-11.0	3.0	-4.5	8.7	-7.1	0.58	-4.7
SG&A	87.8	78.4	62.1	76.2	65.1	80.1	75.0	79.5
OPEX	88.4	79.0	62.2	77.1	65.3	81.1	75.9	80.4
Adjusted values								
EBITDA	-16.4	-1.2	23.4	3.3	29.9	3.2	12.2	5.9
margin (%)	-15.7	-1.1	16.2	3.1	21.0	2.8	9.8	4.9
EBT	-22.4	-10.1	12.0	-8.7	16.5	-8.2	0.7	-5.7
EPS adj (NOK)	-0.78	-0.43	0.16	-0.18	0.46	-0.30	0.03	-0.21
Net income	-21.0	-11.7	4.4	-4.8	12.5	-8.2	0.7	-5.7

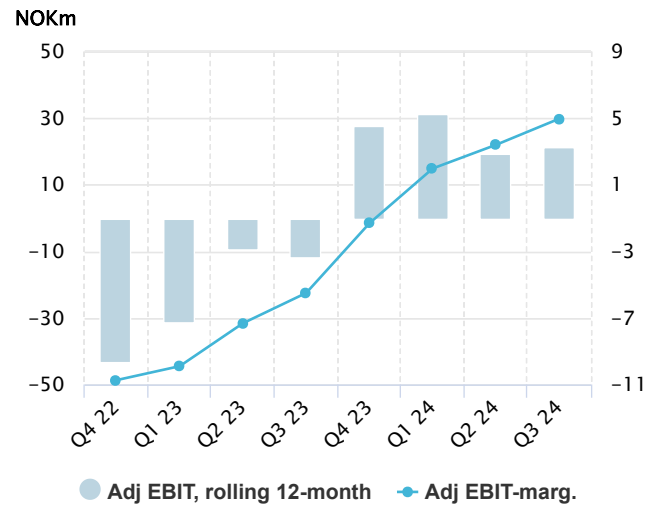
Source: Handelsbanken

Revenue, 12-month rolling



Source: Handelsbanken

EBIT, 12-month rolling



Source: Handelsbanken

Business areas – quarterly data

NOKm	2024	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24e	Q2 24e	Q3 24e
Sales								
Cysview US	38.7	42.1	46.2	43.6	46.7	46.8	51.1	49.1
Hexvix Europe	55.2	64.1	71.2	63.9	64.3	67.9	74.1	71.2
Signing fees and milestone revenues	9.3	0.0	26.9	0.2	28.4	-	-	-
Total	104	106	144	108	143	115	125	120
Y-o-y sales growth (%)								
Cysview US	11.7	38.2	19.3	1.6	20.7	11.0	10.5	12.5
Hexvix Europe	-7.5	26.4	15.4	17.1	16.5	5.9	4.1	11.4
Signing fees and milestone revenues	n.m	n.m	>900	-97.3	206	n.m	n.m	n.m
Total	10.2	30.2	44.2	0.7	36.8	8.0	-13.2	12.0

Source: Handelsbanken

P&L accounts – annual data

NOKm	2019	2020	2021	2022	2023	2024e	2025e	2026e
Income statement								
Sales	281.6	256.5	360.5	392.6	500.7	488.4	566.4	646.0
Cost of goods sold	-22.5	-18.5	-24.1	-22.5	-26.1	-29.3	-33.9	-38.0
Gross profit	259.0	238.0	336.5	370.1	474.5	459.2	532.6	608.0
Sales and marketing costs	-148.7	-187.8	-259.9	-303.4	-334.9	-358.7	-359.7	-374.7
Admin costs	-11.0	-12.8	-14.8	-15.3	-12.6	-20.5	-23.8	-25.8
SG&A	-159.7	-200.6	-274.7	-318.7	-347.6	-379.2	-383.5	-400.5
R&D costs	-13.6	-13.8	-4.3	-3.3	-2.1	-4.6	-20.7	-32.3
OPEX	-173.3	-214.4	-279.0	-322.1	-349.6	-383.8	-404.2	-432.8
Other operating expenses	-43.0	-59.5	-62.8	-91.4	-97.1	-72.0	-62.0	-60.0
EBITDA	59.0	-16.8	18.4	-24.6	55.4	33.5	97.5	147.3
Net interest expenses	3.2	2.8	-25.8	-22.1	-17.1	-14.0	-13.0	-1.0
Net financials	3.2	2.8	-25.8	-22.1	-18.1	-15.0	-14.0	-2.0
Paid tax	-	-	-	-	-9.5	2.5	-11.5	-24.9
Tax	-14.1	10.8	0.8	-0.7	-9.5	2.5	-11.5	-24.9
tax rate (%)	30.7	32.7	2.4	-1.1	96.9	22.0	22.0	22.0
EPS rep (NOK)	1.46	-0.90	-1.14	-2.65	0.01	-0.33	1.51	3.26
Net income	31.8	-22.4	-30.9	-71.8	0.3	-9.0	40.9	88.3
Growth (%)								
Sales	55.1	-8.9	40.6	8.9	27.5	-2.4	16.0	14.0
EBITDA	n.m	n.m	n.m	n.m	n.m	-39.5	191.0	51.0
Net income	n.m	n.m	n.m	n.m	n.m	n.m	n.m	115.9
% of sales (%)								
EBITDA margin	20.9	-6.5	5.1	-6.3	11.1	6.9	17.2	22.8
EBT margin	16.3	-12.9	-8.6	-16.7	2.0	-2.4	9.3	17.5
Net margin	11.3	-8.7	-8.4	-16.9	0.06	-1.9	7.2	13.7
SG&A	56.7	78.2	76.2	81.2	69.4	77.6	67.7	62.0
OPEX	61.6	83.6	77.4	82.0	69.8	78.6	71.4	67.0
Profitability (%)								
ROE reported	16.5	-6.3	-6.1	-14.9	0.06	-1.9	8.3	15.8
ROE adj	16.5	-2.7	-6.1	-14.9	0.06	-1.9	8.3	15.8
ROCE	21.5	n.m	n.m	n.m	5.5	0.68	12.8	19.8
Pre-tax ROIC	70.5	-14.3	3.8	-10.7	18.6	8.3	33.5	51.3
After tax ROIC	70.5	-14.3	3.8	-10.7	0.57	6.5	26.1	40.0
Sales/capital invested (x)	3.7	1.6	1.5	1.6	2.1	2.0	2.3	2.5
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	4.6	4.5	5.2	5.9
Adjusted values								
Total adjustments to net inc	-	-12.9	-	-	-	-	-	-
EBITDA	59.0	-3.9	18.4	-24.6	55.4	33.5	97.5	147.3
margin (%)	20.9	-1.5	5.1	-6.3	11.1	6.9	17.2	22.8
EBT	45.9	-20.2	-31.1	-65.4	9.8	-11.6	52.4	113.2
EPS adj (NOK)	1.46	-0.39	-1.14	-2.65	0.01	-0.33	1.51	3.26
Net income	31.8	-9.5	-30.9	-71.8	0.3	-9.0	40.9	88.3

Source: Handelsbanken

Business areas – annual data

NOKm	2024	2020	2021	2022	2023	2024e	2025e	2026e
Sales								
Cysview US	99	113	125	151	179	199	248	291
Hexvix Europe	115	132	227	222	264	289	319	355
Signing fees and milestone revenues	68	-	6	19	56	-	-	-
Total	281.6	256.5	360.5	392.6	500.7	488.4	566.4	646.0
Sales growth (%)								
Cysview US	55	15	11	20	18	11	24	18
Hexvix Europe	5	15	72	-2	19	10	10	11
Signing fees and milestone revenues	718	n.m	n.m	191	198	n.m	n.m	n.m
Total	55.1	-8.9	40.6	8.9	27.5	-2.4	16.0	14.0

Source: Handelsbanken

Forecast balance sheet – annual data

NOKm	2019	2020	2021	2022	2023	2024e	2025e	2026e
Accounts receivable	24	43	48	47	60	66	76	87
Inventory	16	30	28	27	37	41	47	54
Other current assets	21	5	15	16	16	16	16	16
Cash & other interest-bearing	125	335	323	268	260	250	283	361
Current assets	187	412	413	358	372	372	422	518
Goodwill	-	144	144	144	144	144	144	144
R&D	12	163	146	129	113	104	97	91
Tangible assets	2	2	4	4	5	5	6	7
Oth non-IB fixed assets	38	50	53	55	49	49	49	49
Other financial assets	11	-	-	-	-	-	-	-
Total assets	257	776	790	719	711	704	748	840
Equity	209	508	503	463	482	473	514	602
Shareholder equity	209	508	503	463	482	473	514	602
Pension provisions	3	3	4	5	2	2	2	2
Deferred tax liabilities	-	144	139	135	128	128	128	128
Long-term interest-bearing debt	-	50	13	-	-	-	-	-
Trade payables	5	-	24	21	20	22	25	29
Other current liabilities	34	67	53	55	58	58	58	58
Current liabilities	39	67	102	89	78	79	83	86
Total equity & liabilities	257	776	790	719	711	704	748	840
Net interest bearing debt	-127	-278	-252	-224	-236	-226	-259	-337

Source: Handelsbanken

Forecast cash flow

NOKm	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBIT before associates	42.7	-35.9	-5.3	-43.3	27.8	3.4	66.4	115.2
+ 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	-9.5	2.5	-11.5	-24.9
- Change in NWC	-7.4	17.1	-3.2	-0.2	-11.7	-7.5	-13.5	-13.8
+ Depreciation/impairment	16.2	19.1	23.6	18.5	27.6	30.1	31.1	32.1
+ Other adjustment	-20.0	1.6	33.8	45.8	32.2	n.m	n.m	n.m
Cash flow from operations (CFFO)	20.7	15.6	23.9	-2.0	48.3	13.5	58.5	106.6
- Net recurring capex	-1.1	-1.6	-3.7	-3.6	-12.3	-13.5	-15.7	-17.9
FCF bef Acq. & Div. (FCF)	19.6	14.0	20.2	-5.6	36.0	0.0	42.8	88.7
FCF to equity (FCFE)	19.6	14.0	20.2	-5.6	36.0	0.0	42.8	88.7
+ 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	1.0	-0.9	-0.9	-0.9
NET cash flow/change in NIBD	18.5	209.6	-12.0	-54.8	-5.7	-9.4	32.8	78.3
Funds from operations (FFO)	28.0	-1.5	27.1	-1.8	60.1	21.1	72.0	120.4
Cash flow from operations (CFFO)	20.7	15.6	23.9	-2.0	48.3	13.5	58.5	106.6
FCF bef Acquisitions & Divestments (FCF)	19.6	14.0	20.2	-5.6	36.0	0.0	42.8	88.7
FCF to equity (FCFE)	19.6	14.0	20.2	-5.6	36.0	0.0	42.8	88.7

Source: Handelsbanken

Financial ratios – annual data

%	2019	2020	2021	2022	2023	2024e	2025e	2026e
Equity/total assets	81.1	65.5	63.7	64.4	67.8	67.2	68.7	71.7
Net debt/equity	-60.8	-54.7	-50.2	-48.4	-48.9	-47.8	-50.4	-56.0
Net cash flow/capex	>500	>500	<-200	<-200	-46.2	-69.8	210	438
EBITDA net interest cover (x)	-18.6	n.m	0.7	n.m	3.2	2.4	7.5	146
EBIT net interest cover (x)	-13.5	n.m	n.m	n.m	1.6	0.2	5.1	114
FCFF/total debt	>500	21.0	271	344	86.4	>500	>500	>500
Total debt/capital	1.5	9.5	3.3	1.0	0.39	0.40	0.37	0.32
Long-term debt/capital	0	8.9	2.4	0	0	0	0	0
Inventory/sales	5.8	11.6	7.6	6.8	7.4	8.4	8.4	8.4
Receivables/sales	16.0	18.6	17.4	16.2	15.1	16.7	16.2	15.9
Accounts payable/sales	13.8	26.2	21.4	19.5	15.5	16.3	14.6	13.4
Working capital/sales	8.1	3.9	3.7	3.4	7.1	8.8	10.0	10.9
Current ratio	483	613	405	402	480	469	509	599
Quick ratio	440	569	378	372	432	417	452	537

Source: Handelsbanken

Per share data

m	2019	2020	2021	2022	2023	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	0.01	-0.33	1.51	3.26
Y-o-y growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	115.9
EPS adj (NOK)	1.46	-0.39	-1.14	-2.65	0.01	-0.33	1.51	3.26
Y-o-y growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	115.9
Cash earnings (NOK)	2.20	-0.13	-0.27	-1.96	1.03	0.78	2.66	4.44
DPS - ordinary (NOK)	-	-	-	-	-	-	-	-
Book value (NOK)	9.6	20.5	18.5	17.1	17.8	17.5	19.0	22.2
Y-o-y growth (%)	17.2	114.5	-9.5	-7.9	4.2	-1.9	8.6	17.2
Net debt (NOK)	-6.1	-11.4	-11.3	-9.7	-9.5	-9.2	-10.4	-13.3
NAV (NOK)	9.0	8.1	7.8	7.0	8.3	8.3	10.1	13.5

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%	39%	15%
Market Perform	between 20% and 40%	49%	18%
Underperform	below 20%	11%	25%

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%	33%	20%
Hold	between 0% and 5%	60%	17%
Sell	below 0%	7%	15%

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 3 May 2024

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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.

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Completion date: 3 May 2024 15:37 CET

Company overview

%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
P&L													
Sales (NOKm)	129	135	144	151	182	282	256	361	393	501	488	566	646
growth	54	4	7	5	20	55	-9	41	9	28	-2	16	14
Gross margin	94.6	93.9	93.5	92.0	90.6	92.0	92.8	93.3	94.3	94.8	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	0.41	0.94	3.7	5.0
SG&A to sales	49.4	62.2	62.9	71.4	72.5	56.7	78.2	76.2	81.2	69.4	77.6	67.7	62.0
EBITDA (NOKm)	-4	-18	-8	-33	-25	59	-17	18	-25	55	34	98	147
margin	-3.2	-13.4	-5.6	-21.9	-13.6	20.9	-6.5	5.1	-6.3	11.1	6.9	17.2	22.8
EBITA (NOKm)	-6	-22	-12	-39	-26	54	-22	9	-26	45	21	84	133
margin	-4.4	-16.3	-8.3	-25.9	-14.5	19.2	-8.7	2.5	-6.7	9.0	4.2	14.8	20.6
EBIT (NOKm)	-6	-22	-16	-45	-38	43	-36	-5	-43	28	3	66	115
margin	-4.4	-16.3	-11.0	-30.0	-20.9	15.2	-14.0	-1.5	-11.0	5.6	0.70	11.7	17.8
Net income (NOKm)	-25	-36	35	-35	-37	32	-22	-31	-72	0.3	-9	41	88
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	116
Adj net income (NOKm)	-25	-36	35	-35	-23	32	-10	-31	-72	0.3	-9	41	88
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	116
Balance sheet (NOKm)													
Tangible assets	3	2	2	1	2	2	2	4	4	5	5	6	7
Goodwill	-	-	-	-	-	-	144	144	144	144	144	144	144
Current assets	194	204	212	176	153	187	412	413	358	372	372	422	518
Cash	165	134	169	129	107	125	335	323	268	260	250	283	361
Total assets	271	248	286	263	231	257	776	790	719	711	704	748	840
Equity	240	210	252	218	176	209	508	503	463	482	473	514	602
Long-term int bearing debt	-	-	-	-	-	-	50	13	-	-	-	-	-
Current liab	27	34	31	40	52	39	67	102	89	78	79	83	86
Total liabilities	271	248	286	263	231	257	776	790	719	711	704	748	840
Net int bearing debt	-205	-136	-165	-125	-105	-134	-282	-306	-263	-258	-248	-281	-359
Cash flow (NOKm)													
FFFO	-6	-21	19	-24	-24	21	16	24	-2	48	14	58	107
Capex	-0.7	-15	-22	-19	-2	-1	-2	-4	-4	-12	-14	-16	-18
Free cash flow	-7	-36	-3	-42	-26	20	14	20	-6	36	0.0	43	89
FCF to equity	-7	-36	-3	-42	-26	20	14	20	-6	36	0.0	43	89
Ratios													
Pre-tax ROIC	-12.8	-40.1	-14.9	-43.5	-32.0	70.5	-14.3	3.8	-10.7	18.6	8.3	33.5	51.3
ROE reported	-9.7	-16.1	15.3	-14.8	-18.6	16.5	-6.3	-6.1	-14.9	0.06	-1.9	8.3	15.8
ROCE	n.m	n.m	n.m	n.m	n.m	21.5	n.m	n.m	n.m	5.5	0.68	12.8	19.8
Capex to sales	0.58	11.1	15.1	12.3	1.2	0.39	0.63	1.0	0.92	2.5	2.8	2.8	2.8
NWC to sales	1.1	27.0	8.6	4.0	-3.2	8.1	3.9	3.7	3.4	7.1	8.8	10.0	10.9
Sales/assets (NOKx)	0.45	0.52	0.54	0.55	0.73	1.15	0.50	0.46	0.52	0.70	0.69	0.78	0.81
Sales/IC (x)	2.94	2.46	1.79	1.68	2.21	3.68	1.64	1.50	1.60	2.06	1.98	2.26	2.48
Net debt/equity	-85.2	-64.7	-65.7	-57.1	-59.6	-60.8	-54.7	-50.2	-48.4	-48.9	-47.8	-50.4	-56.0
Equity/total assets	88.7	84.7	88.0	82.9	76.3	81.1	65.5	63.7	64.4	67.8	67.2	68.7	71.7
Share data (NOKm)													
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	67.4	54.4	54.4	54.4
Market cap	587	900	909	589	1,038	1,954	2,643	2,784	2,895	1,827	1,475	1,475	1,475
EV	382	764	743	464	933	1,827	2,365	2,532	2,671	1,591	1,249	1,216	1,137
Net debt/share (NOK)	-9.6	-6.3	-7.7	-5.8	-4.9	-6.1	-11.4	-11.3	-9.7	-9.5	-9.2	-10.4	-13.3
EPS reported (NOK)	-1.16	-1.68	1.63	-1.61	-1.70	1.46	-0.90	-1.14	-2.65	0.01	-0.33	1.51	3.26
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	116
EPS adj (NOK)	-1.16	-1.68	1.63	-1.61	-1.04	1.46	-0.39	-1.14	-2.65	0.01	-0.33	1.51	3.26
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	116
DPS - Ordinary	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Handelsbanken