

Revenio Group

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “xxx” published on xx.xx.xxx at xx:xx

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Valuation-related risk causes concern

We reiterate our EUR 48.0 target price for Revenio but lower our recommendation to Reduce (previously Accumulate). The share has recovered to our target price level, but we have not detected positive signs in the operating environment. Revenio's valuation level (2023e EV/EBIT over 34x) is deservedly high, but with interest rates rising, we consider the valuation risk to be significant. The long-term story has not changed, but in this situation, we do not recommend additional purchases as we find the risk/return ratio to be unsatisfactory.

Risk associated with high valuation is elevated

Revenio's share price has been under pressure since the pricing environment of growth companies changed significantly in summer 2021 and our earnings growth estimates proved too optimistic. The underlying reason for the valuation level pressure is increasing interest rates that are reflected in investors' required returns especially in growth companies with high valuations like Revenio. In recent months, the share has recovered clearly, but now interest rates have been on the rise again as inflation expectations increase as the war between Russia and Ukraine continues to escalate. Revenio's valuation is extremely high with all indicators but for the star of Nasdaq Helsinki and a strong value creator this is justified. Nevertheless, we consider the risk associated with the current valuation (2022e P/E 57x and EV/EBIT 45x) to be significant, especially as investors' horizon often decreases as uncertainty increases (2023e P/E 45x and EV/EBIT 32x). As a result of this and the increase in the share price, we now find the risk/return ratio unsatisfactory, and will step to the sidelines to watch the situation.

Operating environment is challenging, but we do not see this as a major problem

We have not made any estimate changes and we expect very strong earnings growth from Revenio in the coming years (EPS growth around 22% 2022-2024e CAGR). However, we see that Revenio's operating environment has developed slightly negatively recently. The effects of the war between Russia and Ukraine on the company's business are, in our opinion, very small, but the component situation may have deteriorated further, e.g., as a result of China's COVID lockdowns. High inflation also creates challenges, even though the effects on the company are small in principle: The gross margins for equipment sold by Revenio are very high (share of materials is small) and the company generally has strong pricing power. The effects of wage inflation are also limited and the company should be able to pass on the increased costs relatively painlessly to prices. The business is also defensive, so we are not particularly concerned about the company's performance in the near-term.

Long-term story remains unchanged

Revenio has renewed itself successfully from a niche player with one technology to a global supplier of ophthalmic devices and software solutions (Oculo acquisition). iCare tonometers have become the market leaders in their segment thanks to their superior features, and the RBT technology patented by the company is becoming the industry standard superseding old technologies. The HOME2 product received FDA approval early in the year, and soon we can expect first information about the reception in the United States. With an excellent CenterVue acquisition, Revenio grew into a global player with a broad product portfolio in ophthalmic health technology, and the portfolio includes, e.g., the new cash cow DRSplus. In the long term, we expect the company will continue trying to strengthen its product portfolio within ophthalmopathy through own product development and acquisitions.

Recommendation

Vähennä

(aik. Lisää)

48,00 EUR

(aik. 48,00 EUR)

Osakekurssi:

47,96



Key indicators

	2021	2022e	2023e	2024e
Revenue	79	96	116	141
growth-%	29%	22%	21%	21%
EBIT adj.	24.5	28.4	36.5	45.6
EBIT-% adj.	31.1 %	29.6 %	31.5 %	32.5 %
Net Income	17.3	21.4	26.9	33.6
EPS (adj.)	0.74	0.85	1.06	1.32

P/E (adj.)	75.1	56.7	45.3	36.3
P/B	18.9	14.1	12.1	10.3
Dividend yield-%	0.6 %	0.9 %	1.2 %	1.4 %
EV/EBIT (adj.)	60.4	44.7	34.4	27.1
EV/EBITDA	57.7	42.0	32.8	25.9
EV/S	18.8	13.3	10.9	8.8

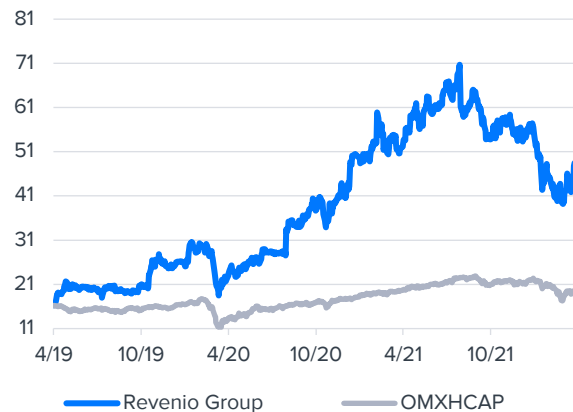
Source: Inderes

Guidance

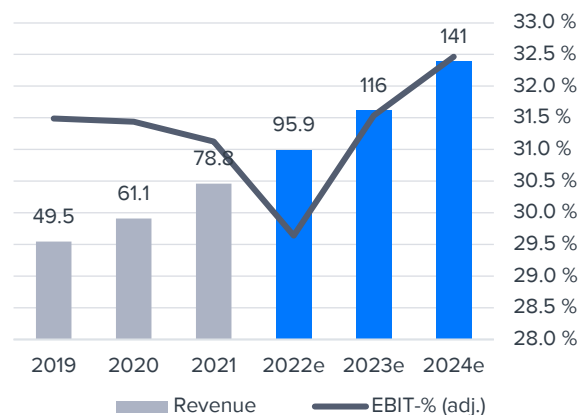
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Revenio Group's exchange rate-adjusted net sales are estimated to grow strongly from the previous year and profitability is to remain at a good level without nonrecurring items.

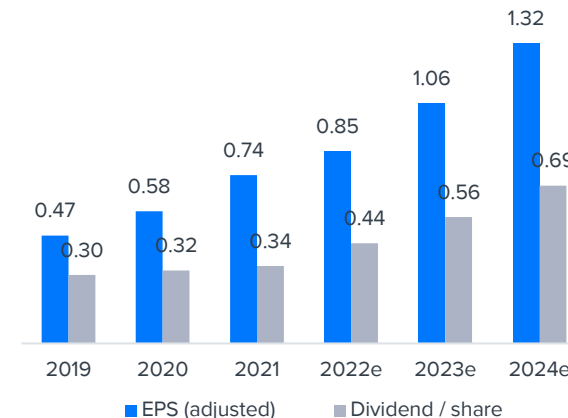
Share price



Revenue and EBIT-%



EPS and dividend



Value drivers

- Strong earnings growth outlook in next few years
- Good predictability of the result and cash flow
- Strong competitive protection and growth drivers give support •
- Attractive long-term growth potential in new products
- Excellent track record of value creation •
- Potential acquisitions



Risk factors

- Weakening of iCare's patent protection after 2023
- Speed and success of the HOME product's ramp-up
- Success in strong growth of imaging devices
- Success of growth investments (new products)
- Extremely high valuation level of the share is a significant risk for investors
- Cost inflation and possible further deterioration of component shortage

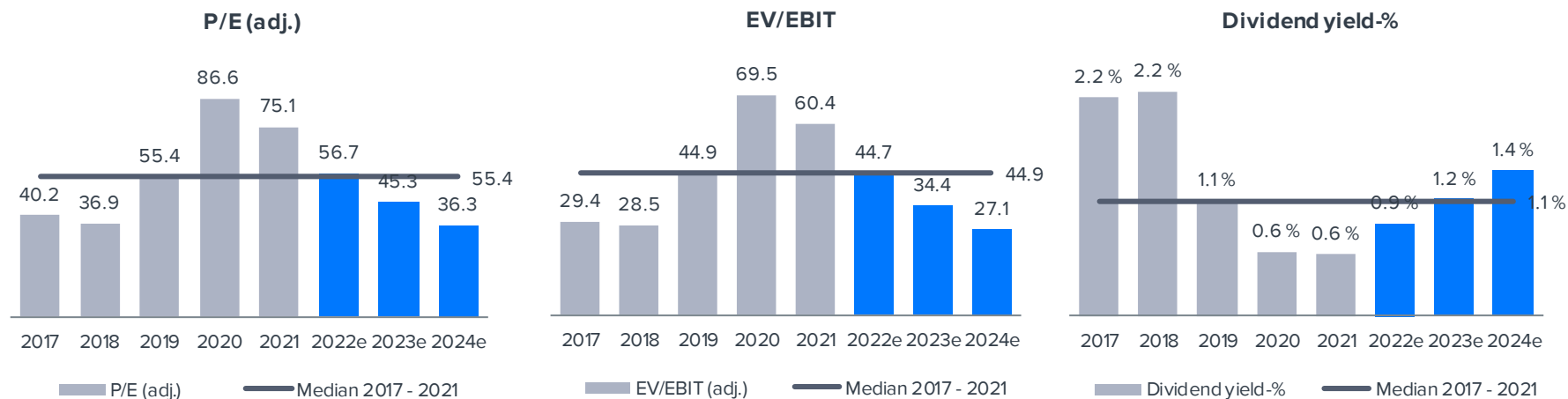
Valuation	2022e	2023e	2024e
Share price	48.0	48.0	48.0
Number of shares, millions	26.7	26.7	26.7
Market cap	1280	1280	1280
EV	1272	1257	1237
P/E (adj.)	56.7	45.3	36.3
P/E	59.9	47.5	38.1
P/FCF	74.8	48.1	35.5
P/B	14.1	12.1	10.3
P/S	13.3	11.0	9.1
EV/Sales	13.3	10.9	8.8
EV/EBITDA	42.0	32.8	25.9
EV/EBIT (adj.)	44.7	34.4	27.1
Payout ratio (%)	55.0 %	55.0 %	55.0 %
Dividend yield-%	0.9 %	1.2 %	1.4 %

Source: Inderes

Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	12.0	12.6	26.3	50.3	55.6	48.0	48.0	48.0	48.0
Number of shares, millions	23.9	23.9	26.0	26.6	26.7	26.7	26.7	26.7	26.7
Market cap	287	301	697	1337	1482	1280	1280	1280	1280
EV	279	290	700	1335	1482	1272	1257	1237	1214
P/E (adj.)	40.2	36.9	55.4	86.6	75.1	56.7	45.3	36.3	31.0
P/E	42.0	36.9	73.0	>100	85.7	59.9	47.5	38.1	31.0
P/FCF	39.8	36.0	neg.	>100	>100	74.8	48.1	35.5	30.3
P/B	18.0	16.6	10.8	19.2	18.9	14.1	12.1	10.3	8.7
P/S	10.7	9.8	14.1	21.9	18.8	13.3	11.0	9.1	7.6
EV/Sales	10.4	9.5	14.1	21.9	18.8	13.3	10.9	8.8	7.2
EV/EBITDA	27.9	27.1	47.9	61.5	57.7	42.0	32.8	25.9	21.1
EV/EBIT (adj.)	29.4	28.5	44.9	69.5	60.4	44.7	34.4	27.1	22.5
Payout ratio (%)	90.9 %	82.3 %	85.1 %	63.7 %	52.4 %	55.0 %	55.0 %	55.0 %	60.0 %
Dividend yield-%	2.2 %	2.2 %	1.1 %	0.6 %	0.6 %	0.9 %	1.2 %	1.4 %	1.9 %

Source: Inderes



Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%	
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e
Revenio (consensus)	47.96	1306	1298	48.1	37.4	42.8	33.7	13.9	12.0	61.1	47.7	0.8	1.0
Cooper Companies	416.41	19015	21747	27.6	24.3	21.8	19.1	7.1	6.6	29.8	26.4		
Ametek	131.25	27943	29958	22.2	20.4	18.7	17.4	5.3	5.0	24.3	22.3	0.6	0.8
Halma	2545.00	11771	12067	32.0	29.0	27.1	24.8	6.7	6.3	40.0	36.3	0.8	0.8
Topcon	1584.00	1272	1480			9.0	8.1	1.2	1.2	22.3	18.6	1.3	1.5
Medtronic	110.58	135963	148900	17.9	17.5	16.2	15.8	5.1	4.9	19.5	19.0	2.3	2.4
EssilorLuxottica SA	163.20	75579	86113	23.1	21.0	15.0	13.5	3.7	3.5	28.0	24.8	1.8	2.1
Carl Zeiss Meditec	143.25	13620	13746	35.9	32.6	30.8	28.0	7.6	7.0	52.9	47.3	0.6	0.7
Ambu	113.40	3484	3632	80.0	43.2	44.0	28.7	5.7	4.8	123.5	63.7	0.2	0.4
Demand	302.40	10206	11512	23.6	21.4	18.2	16.7	4.2	3.9	27.0	23.8		
Optomed	5.90	86	87					5.3	4.5				
Revenio Group (Inderes)	47.96	1280	1272	44.7	34.4	42.0	32.8	13.3	10.9	56.7	45.3	0.9	1.2
Average				34.5	27.4	24.4	20.6	6.0	5.4	42.8	33.0	1.1	1.2
Median				27.6	24.3	20.2	18.2	5.3	4.9	28.9	25.6	0.8	0.9
Diff-% to median				62%	42%	107%	80%	148%	123%	96%	77%	17%	29%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	49.5	61.1	16.7	18.9	19.4	23.8	78.8	20.4	22.5	24.4	28.7	95.9	116	141	169
Tonometers (estimate)	34.5	41.8	11.8	13.0	10.8	13.7	49.2	13.2	14.9	13.3	15.6	57.0	69.1	83.6	100
Imaging devices (estimate)	14.8	19.1	4.9	5.5	8.2	9.7	28.3	6.6	6.9	10.3	12.1	35.8	42.3	49.9	59.9
Oculo (estimate)	0.0	0.0	0.0	0.3	0.3	0.3	0.9	0.4	0.6	0.7	0.8	2.5	4.5	7.0	8.4
Other products (estimate)	0.1	0.2	0.1	0.1	0.2	0.1	0.4	0.2	0.2	0.2	0.2	0.6	0.0	0.0	0.0
EBITDA	14.6	21.7	5.3	5.1	6.8	8.6	25.7	6.0	6.3	8.4	9.7	30.3	38.3	47.7	57.6
Depreciation	-2.0	-4.6	-0.7	-0.7	-0.8	-1.4	-3.6	-0.8	-0.8	-0.8	-0.8	-3.1	-3.1	-3.7	-3.7
EBIT (excl. NRI)	15.6	19.2	5.5	4.7	6.2	8.1	24.5	5.6	5.8	7.9	9.2	28.4	36.5	45.6	54.0
EBIT	12.6	17.1	4.6	4.4	5.9	7.2	22.1	5.3	5.5	7.6	8.9	27.2	35.3	44.0	54.0
Net financial items	-0.3	-0.4	0.1	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.7	-0.9	-1.1
PTP	12.3	16.7	4.7	4.3	5.9	7.2	22.1	5.2	5.5	7.5	8.8	27.0	34.5	43.1	52.9
Taxes	-2.9	-3.4	-1.0	-0.9	-1.2	-1.8	-4.8	-1.1	-1.1	-1.6	-1.9	-5.7	-7.6	-9.5	-11.6
Minority interest	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
Net earnings	9.4	13.3	3.7	3.4	4.7	5.4	17.3	4.1	4.3	5.9	7.0	21.4	26.9	33.6	41.2
EPS (adj.)	0.47	0.58	0.17	0.14	0.19	0.24	0.74	0.17	0.17	0.23	0.27	0.85	1.06	1.32	1.55
EPS (rep.)	0.36	0.50	0.14	0.13	0.18	0.20	0.65	0.15	0.16	0.22	0.26	0.80	1.01	1.26	1.55

Key figures	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	61.4 %	23.4 %	40.8 %	37.9 %	23.2 %	20.6 %	29.1 %	21.7 %	19.5 %	25.4 %	20.5 %	21.7 %	20.8 %	21.3 %	20.0 %
Adjusted EBIT growth-%		23.2 %	102.2 %	26.1 %	7.6 %	16.4 %	27.8 %	0.9 %	23.4 %	26.3 %	13.7 %	15.9 %	28.5 %	24.9 %	18.3 %
EBITDA-%	29.5 %	35.5 %	31.5 %	27.0 %	34.9 %	36.0 %	32.6 %	29.6 %	27.9 %	34.3 %	33.7 %	31.6 %	33.1 %	34.0 %	34.2 %
Adjusted EBIT-%	31.5 %	31.4 %	32.9 %	25.0 %	32.1 %	34.0 %	31.1 %	27.3 %	25.8 %	32.3 %	32.0 %	29.6 %	31.5 %	32.5 %	32.0 %
Net earnings-%	18.9 %	21.9 %	22.1 %	18.3 %	24.3 %	22.8 %	22.0 %	20.2 %	19.2 %	24.4 %	24.3 %	22.3 %	23.2 %	23.9 %	24.5 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	58.3	69.8	71.2	72.8	73.3
Goodwill	50.4	59.8	59.8	59.8	59.8
Intangible assets	3.9	4.2	6.1	7.2	7.1
Tangible assets	2.0	2.6	2.4	2.9	3.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.0	1.9	1.9	1.9	1.9
Deferred tax assets	1.0	1.3	1.0	1.0	1.0
Current assets	43.1	40.8	47.0	65.7	90.2
Inventories	4.9	6.4	7.7	9.3	9.8
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	9.3	9.2	13.4	16.2	19.7
Cash and equivalents	28.9	25.2	25.9	40.2	60.7
Balance sheet total	114	125	131	150	173

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	69.7	78.4	90.7	106	125
Share capital	5.3	5.3	5.3	5.3	5.3
Retained earnings	14.0	22.1	34.4	49.6	68.4
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	50.4	51.0	51.0	51.0	51.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	27.0	5.8	19.1	19.1	19.1
Deferred tax liabilities	3.9	3.6	3.6	3.6	3.6
Provisions	0.3	0.5	0.5	0.5	0.5
Long term debt	22.4	1.7	15.0	15.0	15.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.4	0.0	0.0	0.0	0.0
Current liabilities	17.7	40.4	21.2	25.0	29.7
Short term debt	4.6	23.5	3.0	3.0	3.0
Payables	13.1	16.9	18.2	22.0	26.7
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	114	125	131	150	173

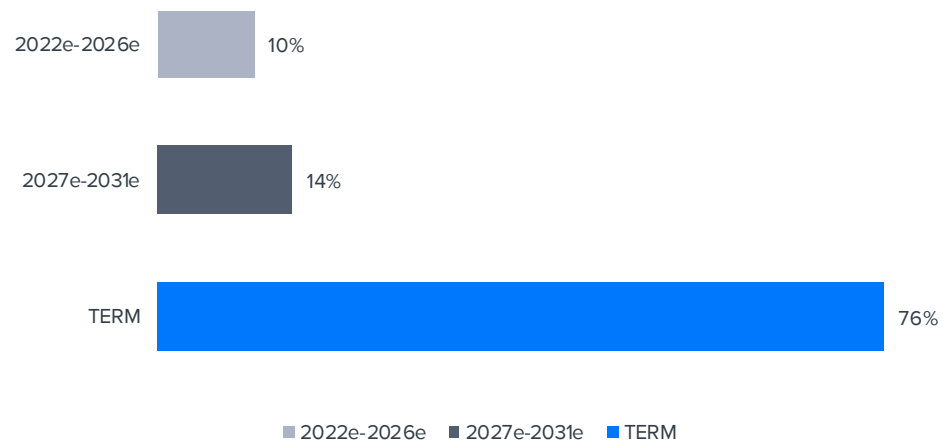
DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	22.1	27.2	35.3	44.0	54.0	62.6	70.1	75.7	81.8	88.3	88.1	
+ Depreciation	3.6	3.1	3.1	3.7	3.7	3.7	4.2	4.4	4.4	4.2	4.3	
- Paid taxes	-5.4	-5.4	-7.6	-9.5	-11.6	-13.5	-15.2	-16.4	-17.8	-19.2	-19.1	
- Tax, financial expenses	0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	2.4	-4.2	-0.6	0.7	-0.6	-0.5	-0.5	-0.4	-0.4	-0.4	-0.2	
Operating cash flow	22.7	20.7	30.0	38.7	45.2	52.0	58.4	63.1	67.8	72.6	72.9	
+ Change in other long-term liabilities	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-15.8	-3.6	-3.4	-2.7	-2.9	-5.9	-4.9	-3.7	-2.9	-4.8	-4.3	
Free operating cash flow	6.7	17.1	26.6	36.1	42.3	46.1	53.5	59.5	64.9	67.9	68.6	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	6.7	17.1	26.6	36.1	42.3	46.1	53.5	59.5	64.9	67.9	68.6	1929
Discounted FCFF		16.3	23.8	30.2	33.2	34.0	36.9	38.5	39.4	38.6	36.6	1030
Sum of FCFF present value		1357	1341	1317	1287	1254	1220	1183	1144	1105	1066	1030
Enterprise value DCF		1357										
- Interesting bearing debt		-25.2										
+ Cash and cash equivalents		25.2										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		1358										
Equity value DCF per share		50.9										

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	2.0 %
Cost of debt	3.0 %
Equity Beta	1.00
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	6.8 %
Weighted average cost of capital (WACC)	6.7 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	49.5	61.1	78.8	95.9	115.9	EPS (reported)	0.36	0.50	0.65	0.80	1.01
EBITDA	14.6	21.7	25.7	30.3	38.3	EPS (adj.)	0.47	0.58	0.74	0.85	1.06
EBIT	12.6	17.1	22.1	27.2	35.3	OCF / share	0.67	0.59	0.85	0.78	1.12
PTP	12.3	16.7	22.1	27.0	34.5	FCF / share	-0.33	0.50	0.25	0.64	1.00
Net Income	9.4	13.3	17.3	21.4	26.9	Book value / share	2.47	2.62	2.94	3.40	3.97
Extraordinary items	-3.0	-2.1	-2.4	-1.2	-1.3	Dividend / share	0.30	0.32	0.34	0.44	0.56
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	109.8	114.4	124.6	131.0	150.0	Revenue growth-%	61%	23%	29%	22%	21%
Equity capital	64.3	69.7	78.4	90.7	105.9	EBITDA growth-%	36%	49%	18%	18%	26%
Goodwill	50.4	50.4	59.8	59.8	59.8	EBIT (adj.) growth-%	53%	23%	28%	16%	29%
Net debt	3.0	-1.9	0.0	-7.9	-22.2	EPS (adj.) growth-%	39%	23%	27%	14%	25%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	29.5 %	35.5 %	32.6 %	31.6 %	33.1 %
EBITDA	14.6	21.7	25.7	30.3	38.3	EBIT (adj.)-%	31.5 %	31.4 %	31.1 %	29.6 %	31.5 %
Change in working capital	2.3	-2.1	2.4	-4.2	-0.6	EBIT-%	25.5 %	28.0 %	28.0 %	28.4 %	30.4 %
Operating cash flow	17.5	15.8	22.7	20.7	30.0	ROE-%	22.7 %	19.9 %	23.4 %	25.3 %	27.4 %
CAPEX	-68.0	-2.5	-15.8	-3.6	-3.4	ROI-%	22.4 %	17.9 %	22.1 %	25.7 %	30.3 %
Free cash flow	-8.5	13.2	6.7	17.1	26.6	Equity ratio	58.6 %	60.9 %	63.0 %	69.2 %	70.6 %
						Gearing	4.7 %	-2.7 %	0.0 %	-8.7 %	-20.9 %
Valuation multiples	2019	2020	2021	2022e	2023e						
EV/S	14.1	21.9	18.8	13.3	10.9						
EV/EBITDA (adj.)	47.9	61.5	57.7	42.0	32.8						
EV/EBIT (adj.)	44.9	69.5	60.4	44.7	34.4						
P/E (adj.)	55.4	86.6	75.1	56.7	45.3						
P/E	10.8	19.2	18.9	14.1	12.1						
Dividend-%	1.1 %	0.6 %	0.6 %	0.9 %	1.2 %						

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
18-09-17	Accumulate	12.33 €	11.58 €
26-10-17	Accumulate	12.67 €	11.89 €
16-02-18	Accumulate	13.33 €	12.07 €
23-04-18	Reduce	14.20 €	14.18 €
07-08-18	Reduce	15.80 €	16.48 €
26-10-18	Accumulate	14.50 €	13.76 €
15-02-19	Accumulate	16.50 €	15.46 €
16-04-19	Accumulate	21.00 €	18.80 €
26-04-19	Accumulate	21.00 €	19.10 €
16-08-19	Accumulate	21.00 €	19.40 €
02-10-19	Accumulate	21.00 €	19.22 €
25-10-19	Accumulate	24.50 €	23.20 €
26-11-19	Reduce	24.50 €	25.55 €
21-02-20	Accumulate	31.00 €	28.85 €
19-03-20	Buy	24.00 €	18.48 €
23-04-20	Accumulate	25.00 €	22.75 €
07-08-20	Reduce	34.00 €	33.50 €
23-10-20	Reduce	36.00 €	38.05 €
21-12-20	Reduce	44.00 €	48.65 €
12-02-21	Accumulate	60.00 €	53.00 €
26-04-21	Accumulate	65.00 €	59.20 €
Analyst changed			
09-06-21	Accumulate	65.00 €	59.50 €
06-08-21	Reduce	65.00 €	64.80 €
22-10-21	Accumulate	58.00 €	55.40 €
11-02-22	Accumulate	48.00 €	44.30 €
07-04-22	Reduce	48.00 €	47.96 €



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