

# Revenio Group

## Company report

**10/2017**

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# Time to look further into the future

We raise Revenio Group's target price to 38.00 euros (formerly 37.00 euros) and keep the accumulate recommendation of the share at the former level. Revenio seems to be making steady progress in projects in which they are building prerequisites for continuing growth, and the company has the prerequisites to increase investments. The valuation multiples of Revenio's share are on the high side, but owing to the stable prospects for revenue growth and good predictability of the result we see some upside.

## Structural change behind, strong basis for further expansion

Revenio has gone through a successful structural change from a diversified company to a health technology company. The current resources of the company create a solid foundation for investing in growth in the long term and for expansion especially in the area of eye diseases. At the moment, the company is clearly putting more emphasis on cash flow than on investments.

## Strong revenue growth prospects for the next few years

In the next few years, Revenio is expected to report very strong revenue growth and cash flow as Icare's Rebound Tonometry (RBT) technology continues to win market share and the HOME product is entering the commercial stage. We estimate Revenio's net sales to triple to more than MEUR 60 during the next 5 years and the EBIT margin to increase even up to 40% level. As we see it, the potential market for Icare's RBT technology (without HOME) is over MEUR 100 year-on-year, and it will continue strong growth as more user groups enter the scene. We do not, however, expect a) RBT to reach 100% penetration and b) Icare be able to keep 100% market share in RBT technology when the patent protection expires. We estimate the product categories under development (Ventica and HSC) to bring revenue first after the turn of the decade.

## Icare technology is scalable to larger user groups, new supports to lean on are needed

We find the greatest risk in Revenio to be leaning its current strategy on Icare. This is a challenge from the viewpoint of the current valuation of the share, as most of the company's market value is based on expectations after 2025, when Icare products have reached the saturation stage in its main market and their patent protection has gradually ended. The HOME product will, when successful, bring new support for Icare, which is an example of Icare's scalability to new user groups. We find Revenio's strategy based on screening in health care still loose, and the synergies of the new product categories under development with the core expertise in eye diseases limited. Therefore, we find divestment of the product categories under development possible as they proceed to the commercial stage. It is probable that the company will make acquisitions to look for new supports in order to gain a more unified strategy in health technology.

## We do not see much room for growth in the valuation level yet

In our forecasts, the P/E of Revenio's share for this and next year are 39x and 30x, and the EV/EBIT ratios are 29x and 22x, respectively. In addition to the company's growth potential, a higher acceptable valuation level is supported by the exceptionally good predictability of the company's result and cash flow. In the next decade, when the patent protection of Icare will be weakening, Revenio needs to succeed in its expansion to new products in order that the stock price can continue rising. On the basis of the company's comments, they are actively searching for new potential for growth in the field of eye diseases through acquisitions or organic growth.

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## Recommendation and target price

**Accumulate**

Former: Accumulate



**EUR 38.00**

Former: EUR 37.00

**Share price: EUR 35.68**

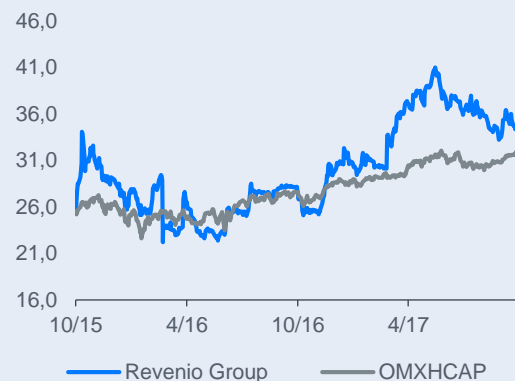
**Potential: 6.5%**

## Key figures

	2016	2017e	2018e	2019e
Revenue	23,4	26,5	30,9	36,9
- growth-%	16 %	13 %	17 %	20 %
EBITDA	7,7	9,9	12,7	15,9
- EBITDA-%	33,0 %	37,4 %	41,3 %	43,0 %
EBIT	7,1	9,1	11,9	14,9
- EBIT-%	30,1 %	34,4 %	38,6 %	40,5 %
Net Income	5,6	7,3	9,4	11,8
EPS	0,70	0,91	1,18	1,48
P/E	43,3	39,1	30,3	24,1
EV/EBIT	31,8	28,9	22,1	17,5
Dividend-%	2,4 %	2,6 %	3,2 %	3,9 %

Source: Inderes

## Share price

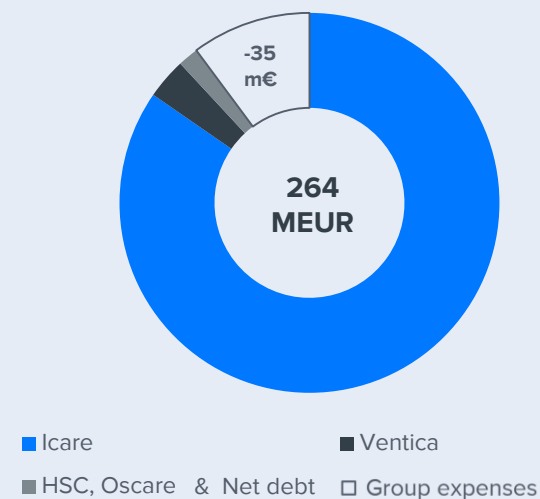


Source: Reuters

## Net sales and EBIT-%



## Sum of the parts



MCAP  
**285**  
MEUR

Dividend-%  
**2,6** %  
2017e

EV/EBIT  
**22x**  
2018e

P/E  
**30x**  
2018e



### Value drivers

- Strong growth in the next few years
- Strong competitive protection and megatrends supporting
- Good prerequisites for growth investments
- Growth potential of new products (HOME, Ventica, HSC)



### Risk factors

- Weakening of Icare's patent protection in 2019 (US) and from 2023 onwards
- Slower than expected ramp-up of the HOME product
- Strategy leaning on the current cash cows
- Success of new, potential acquisitions



### Valuation

- High confidence in the company in the stock market due to strong fundamentals
- Value appreciation calls for successful new products
- The share is priced over the sum of the parts

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# Revenio Group as a health technology company 1/3

## Health care screening technology company

Revenio Group is a company specialised in screening in preventive health care. Over the past 5 years, Revenio has gone through a remarkable structural transformation from a diversified company to a health technology company. Revenio has now completed the transformation in terms of pruning the extras, and the first investments in the area of health technology have been made. Last year Revenio's net sales was MEUR 23.4 (Icare's share of this being more than 99%), and the EBIT was MEUR 7.1. The company had 41 employees. Revenio's business and value are still almost entirely based on the sales of Icare tonometer, and so turning into a genuine health technology company will require a more decentralised product portfolio.

Revenio's strategic objective is to become a leading global health technology company specialised in screening. At the beginning of 2017, Timo Hildén, former head Icare with solid expertise in this sector, became the CEO of Revenio, which was seen as a logical change towards the next stage after the dissolution of the diversified company structure.

The Icare tonometer business creates a solid foundation for the implementation of Revenio's strategy, as it keeps bringing a very strong and still growing revenue stream to the company for many years to come. In addition, Revenio has a strong balance sheet (equity ratio 79% in 2016), which enables investments on new product categories under development both through own R&D and acquisitions. In addition to Icare, the new product categories under development are a hyper-spectral camera for skin cancer screening, Ventica for children's asthma diagnosis and Oscare osteodensitometer. These new product categories under development are, however, yet at such a stage that they will not

generate any essential sales for Revenio in the near future.

Revenio's current products are related to very different diseases, and their markets and target groups are very diverse. Therefore, we consider the synergies between the products somewhat loose and, from the strategic point of view, the current portfolio does not constitute a unified whole. What is in common for them is the screening and prevention of diseases and common support functions (administration, sales, R&D). Along with Icare, Revenio has a strong brand, existing distribution channels and R&D expertise especially in the field of eye diseases. Therefore we find it probable that the company will strengthen its product offering especially in this area.

In its strategy, Revenio believes in the following megatrends, which function as drivers for growth and link its products and investments:

- Health care is becoming more anticipatory, which increases the need for the screening of eye diseases.
- Health technology is moving from hospitals to homes, owing to which the patients can monitor their health status and make screenings themselves.
- Screenings of diseases made on the patient's own initiative will become more common.
- Governments aim at searching for cost savings through anticipatory and patient-led screening of diseases.

## Current product portfolio

At the moment, Revenio has five products at different development stages in its product portfolio. As a starting point, these products have a strong competitive protection, which is based on patents as well as on the software and algorithms related to the products. The following is a listing of Revenio's products in accordance with their development stage:

- **Icare tonometers** and their probes are the cash cow of Revenio. Revenio's tonometers are based on an extensively patented rebound tonometer (RBT) technology, which is continuously gaining market share from outdated tonometry. The sensor sales brings solid and increasing income to the company.
- **Icare HOME** is a tonometer meant for intraocular pressure (IOP) measurement by the patient him/herself, creating a wholly new product category and market for Icare. The product is at its launching stage, and we expect it to generate substantial sales within the next 2 to 3 years.
- **Oscare** is an osteodensitometer for the early detection of osteoporosis. The product is ready and has existed already for several years, but it hasn't found its market yet. We don't expect Oscare to generate any significant sales under the current strategy of the company.
- **Ventica** is a device developed for the monitoring and diagnosis of asthma in children. The product is finished and now undergoing clinical trials, with which the product's value promise will be tested. According to our estimate, Ventica will generate essential sales in a 5 to 10 year perspective.

## Partners



Device manufacturers and subcontractors



Inventors and universities



Doctors, key opinion leaders (KOL) and hospitals

## Operations

R&D and surveying of new product categories



Procurement, logistics, maintenance, customer support, quality assurance



Sales and marketing



## Resources

Software and algorithms



Patents and IP rights



Reputation and Icare brand



## Value promise

**Leading global health technology company in the screening of diseases**

Productisation and commercialisation of technologies

Reliable and high-quality devices



Screening and prevention of diseases

Cost savings in health care

## Current products

Icare tonometers  
HOME meters for home use  
Disposable probes



Ventica asthma device



Oscare osteodensitometer

Hyper-spectral camera (HSC)

## Go-to-market

Country-specific distributors



Own sales and online sales of probes (US)



## Customer segments

Ophthalmologists



Opticians and optometrists



First aid stations and health centres



Paediatricians (Ventica)



Dermatologists (HSC)

## Cost structure

**41 employees (2016)**



R&D



Sales and marketing



Material and manufacturing costs



Administration

**€16 million (2016)**

## Revenue streams

**Net sales €23 million (2016)  
EBIT €7 million (2016)**



Device sales  
**>70% (2016)**



Sales of disposables  
**<30% (2016)**



Maintenance and services



Development subsidies

# Revenio Group as a health technology company 2/3

- **Hyper-spectral camera** is an imaging technology licensed by Revenio for the screening of skin cancer. The device is still under development. According to our estimate, the product may generate essential sales in a 5 to 10 year perspective.

## Good foundation for expansion in Finland

Revenio is in in-depth cooperation with universities, inventors, hospitals and key opinion leaders as part of the development and research of current products and surveying of new products. Along with its success, the company has gained a good reputation in the health technology industry, which is why it is a desired partner and employer. The company operates in a global industry and market, and the health technology ecosystem in Finland offers it a fruitful environment to operate. The growing health technology industry in Finland offers Revenio a strong partnership network which is why the company has been able to outsource a significant part of its operations, while concentrating itself on project management and the R&D and commercialisation of technologies. In addition, Finland is the home of a continuous flow of health technology innovations for the commercialisation of which Revenio has the resources both in terms of expertise and capital. We find Revenio to have good prerequisites to also make larger acquisitions in the health technology industry in the future, especially if the company utilises the capital channel now open to them through the stock market.

## Future product portfolio

Revenio's aim is to find and commercialise new opportunities in health technology and to build growth paths from new product categories next to the current ones. In the long term, the creation of a sustainable and solid business requires the company to continuously have, in addition to products that have reached maturity like Icare, products under development that are proceeding to the commercial stage. Based on Icare's unused market potential and patent protection, we think that Revenio will easily be capable of leaning on the fact that Icare will function as an excellent cash cow for yet another 5 to 10 years. A strategy which looks further than that, however, requires correct choices and investments to be made today.

Revenio has stated that it is continuously being contacted by inventors and companies about new product ideas. Thus, there is plenty of offering for new investments, but Revenio is very selective in this respect. For the owners the biggest risk is that the company would begin to invest the capital generated by Icare to bad and heavily cash-flow negative targets.

As we understand it, the management and the Board of Directors of the company have obeyed an extremely disciplined policy in the selection of their investments. For example, Revenio requires that the new inventions and product ideas must already have some clinical evidence. This being the case, Revenio can concentrate on its strengths, i.e. R&D and commercialisation in the area of eye diseases. Licensing of the technologies used in asthma and skin cancer devices has been a cost-efficient and quick way to proceed for the company while keeping the risks under control.

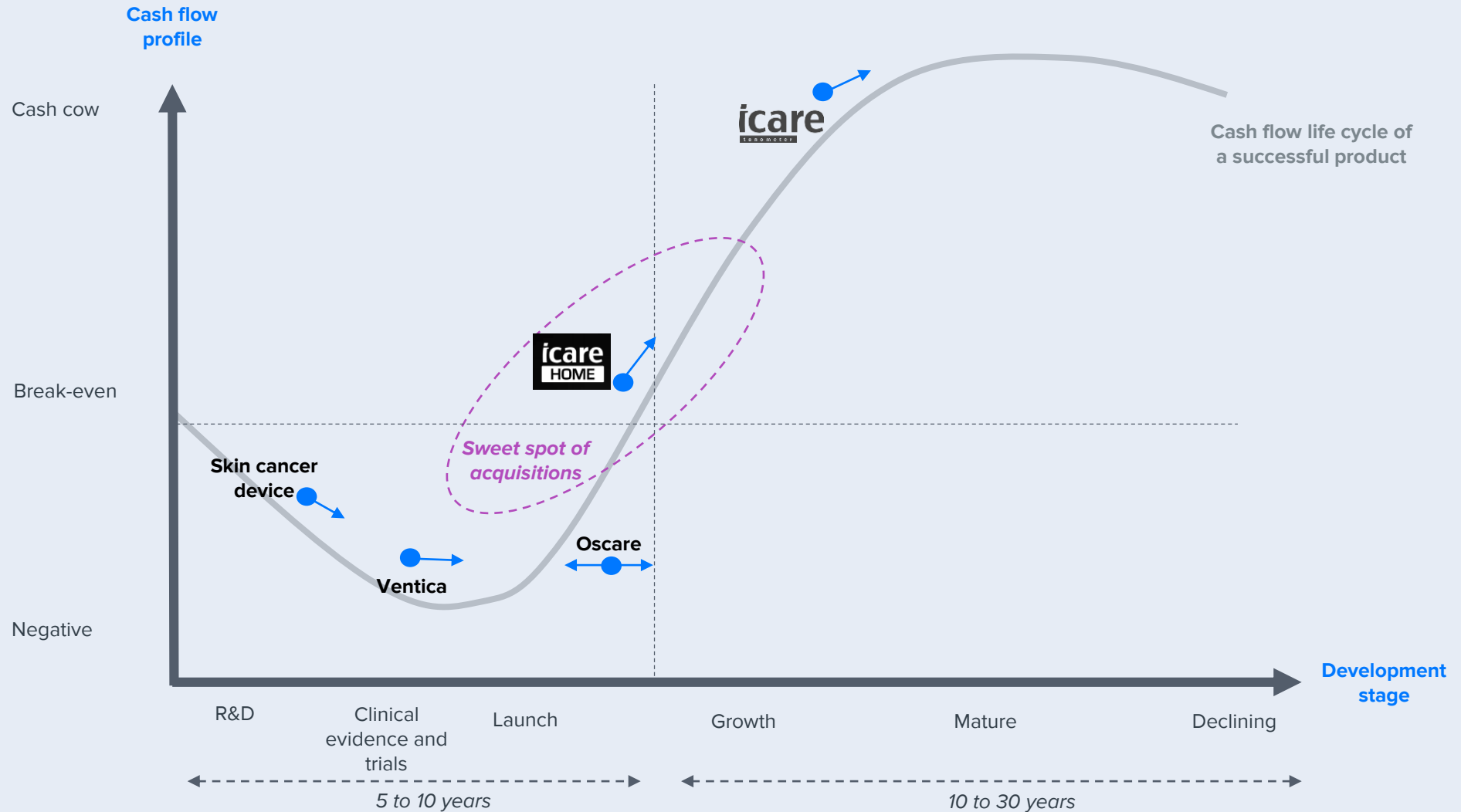
As regards the new product categories, from the strategic point of view, it would be best for Revenio to expand its product portfolio in the area of eye diseases because the company has a strong brand, existing distribution channels and clientele in this area. Product categories parallel with intraocular pressure measurement are imaging of the ocular fundus and visual field examination. Icare could progress in this area either through acquisitions or its own R&D.

The markets and distribution channels of asthma and skin cancer devices are very different from those of Revenio's stronghold, the eye diseases. Therefore, we see the possibility that the company might divest them at the latest when the products should be more comprehensively commercialised.

## Current product portfolio development

In addition to new product categories, Revenio is also constantly having R&D activities with the current Icare technology. The R&D will strengthen Icare's competitive protection, and through new products and features the price and margin level of the products can be increased. Icare HOME serves as an example of how the company has been able to create a wholly new product category on the basis of the technology Icare is using, opening a new, unexplored market. ic100 and TonoVet Plus devices, again, show how old product lines have been updated to meet today's requirements, enabling higher pricing and replacement device sales.

# Evolution of Revenio's products





# Revenio Group as a health technology company 3/3

## Investment profile

In the short-term perspective, Revenio's investment story is almost flawless, since the FDA permission of the HOME product, which caused some uncertainty, has now been confirmed. The share represents a combination of defensive business, growing markets, strong competitive protection, high cash flow and dividend, scalable and very profitable business operating model and growth potential which continues to be strong in new products (HOME). In this way, the acceptable valuation level of the share has risen already to a very high level.

In the long term, it is to be noted that, for the time being, Revenio is a health technology company which is highly dependent on Icare. There is a great potential especially in the scalability of this technology platform for increasingly more versatile uses such as screening and measuring at home. As this potential is in our opinion already largely priced in Revenio's market value, the success of Icare HOME and Revenio's expansion to new product areas will be playing an increasingly important role from the viewpoint of Revenio's forthcoming increase in value.

## Revenio as an acquisition

Revenio has been on our list of potential acquisition targets for long especially because of its Icare technology. After the structural transformation, this scenario has become ever more probable. A competitor of Icare operating in the field of eye diseases could, by buying Icare, take possession of one of the central technologies. Part of Icare's competitors are, however, suppliers of larger holistic solutions, whereas Icare has only specialised in intraocular

pressure measurement. Although Icare is winning market share from many operators in intraocular pressure measurement, it is not necessarily a big issue for its large competitors in the big picture. In other words, the competitors do not have any particular strategic pressure for the acquisition, but the HOME product, if successful, could considerably increase the interest in the company. On the other hand, from the viewpoint of acquisition, Revenio's current market value has probably become a decisive issue. It could be cheaper for the competitors to wait for a few years until the patent protection of Icare's rebound technology expires (in 2019 in the US, in 2023 elsewhere) and invest through their own R&D on a competing product based on the rebound technology and on the processes related to its acceptance. The patents related to the latest Icare features, however, will keep protecting the technology even after that.

One option for Revenio's owners would be to focus all resources on strengthening Icare's competitive protection and ramp-up of HOME and to optimise the result so that a more profitable exit could be made from the company during the next few years. By focusing on Icare alone, Revenio could immediately increase its EBIT by approximately MEUR 2, i.e. by more than 20%. In this alternative, there is the risk of staking everything on one card, which is not a sustainable solution in the long term or from the viewpoint of potentially harder competition in the future. Another scenario would be to turn Revenio into a health technology company with several products. This alternative would not as such exclude the possibility of divesting individual products. We don't see divesting Icare as a realistic option today, since the new

product categories are not yet mature enough.

## Keep an eye on the following matters in the company's strategy

In our opinion, the following matters are of essential importance for the implementation of Revenio's strategy in the future:

- In the short term, it is essential for the growth and profitability of the company that Revenio will be able to maintain the growth of the sales of Icare devices and probes and the average prices of the devices.
- A successful ramp-up of the Icare HOME product is essential so that the company can maintain Icare's growth in the medium term.
- In order for the company to continue to grow in the long term, it is essential that the clinical trials of the asthma and skin cancer devices proceed and that these devices enter the commercial stage.
- The success of potential acquisitions or expansion to new product areas will also be essential from the valuation viewpoint. In addition to the current products, Revenio's product portfolio is in need of technologies which have reached a more mature stage, since its current profitability will lean on the sales of Icare's basic devices yet for many years to come. It is, nevertheless, easy to destroy the value and revenue stream generated by Icare by unsuccessful acquisitions, and so expansion will call for a highly disciplined policy from the company.

# Investment profile



## Potential

- High prospect on growth, profitability and cash flow
- Icare still has significant growth potential
- HOME will create a new market for Icare
- Expansion in the field of eye diseases
- New product categories as long-term opportunities

## Risks

- Strategy leaning on the current cash cows
- Failure of acquisitions
- Failure of new products
- Weakening of Icare's patent protection

# Icare business 1/10

## Icare as a company

Icare Finland Oy, fully owned by the Revenio Group, sells and markets easy-to-use, handheld tonometers painless to the patient, which utilise the extensively patented rebound technology (RBT) of the company. The product and the technology are based on MD, general practitioner Antti Kontiola's invention in the 1990s. Tonometers are used for the screening of glaucoma as part of its diagnosis as well as for its follow-up. Since 2003, Icare has sold over 50,000 tonometers in various market areas. The growth of the company has been based on replacing old technologies (air-puff and applanation) in the use of ophthalmologists. In comparison to its competitors, Icare has been overwhelming in terms of accuracy, usability and cost.

## History of profitable growth

Revenio Group's net sales is currently based almost solely on Icare. Icare's net sales has grown sixfold since 2008. The annual growth of the net sales has been at a steady level of approximately 20% already for several years, and EBIT has also remained stable at level of approximately 40%. In 2014, Icare's net sales was approximately MEUR 23.4 and EBIT MEUR 9.4 (source: Icare Finland Oy, Financial statements). The company has approximately 30 direct employees.

The growth of Icare has not been an easy one. Over the last 15 years, achieving the current status has required the acquisition of numerous country-specific licences and numerous clinical trials which have proven the reliability of Icare's technology and measurement method. Today, Icare's technology is, beyond all dispute, a

globally accepted method for measuring intraocular pressure and the treatment of glaucoma. The company's main achievements so far have been breaking the high adoption threshold of new treatment methods among the medical community, the recommendations given by leading doctors in glaucoma treatment and successful creation of a strong, high-quality brand. Owing to this, Icare has been able to displace the competing air-puff and applanation technologies in intraocular pressure measurement.

In addition to ophthalmologists, the users and customers of Icare products include opticians, optometrists, general practitioners, nurses and veterinarians. The company's new HOME product will bring intraocular pressure measurement to be done by the patient at home. There is a great deal of potential for growth especially in the screening of groups of people with risk of high intraocular pressure and in home care of glaucoma patients.

## Main markets

Icare's most important market is the United States, which represents more than 40% of the company's net sales. The share of Europe is slightly under 30%, and other markets over 30%. The company has achieved an established market position in many Western countries, and the growth is steady. For example in Europe, the annual growth has been around 11% over the last 5 years. The company has, however, also several relatively unexplored markets in developing countries where the growth is only at its early stages.

According to our estimate, more than 70% of Icare's net sales comes from device sales, and the rest from the sales of disposable probes. We

also estimate that approximately one tenth of the net sales is based on meters meant for veterinary and laboratory use (VET and LAB products). The HOME product's share of the sales is still very small, less than 5% according to our estimate. Most of the sales volume is generated by the basic model TA-01 tonometer, its newer version ic100 and the PRO model equipped with special features.

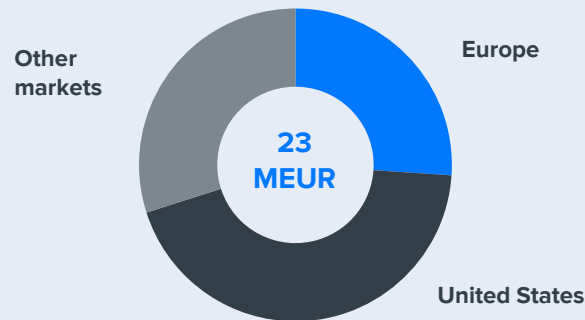
## Glaucoma and intraocular pressure measurement

Glaucoma is a symptomless eye disease, which today is often detected by accident in an ophthalmologist's examination. Elevated intraocular pressure will unnoticeably damage the optic nerve, eventually also damaging vision. Glaucoma is one of the most important preventable causes of blindness. A prerequisite for preventing the disease from progressing to blindness is its early detection as well as careful treatment and follow-up. In addition to elevated intraocular pressure (IOP), the risk factors for glaucoma include glaucoma occurring in the family, short-sightedness, age of over 45 years, long-lasting use of cortisone and diabetes.

According to various estimates, there are some 75 million glaucoma patients worldwide. The number of undiagnosed people and those suffering from glaucoma without knowing it is estimated to be equal. Due to the ageing population, the number of those suffering from glaucoma is expected to grow by 30% during 2010–2020. Icare believes that its IOP measurement method will play an important role in the screening, prevention and care of glaucoma in the future.

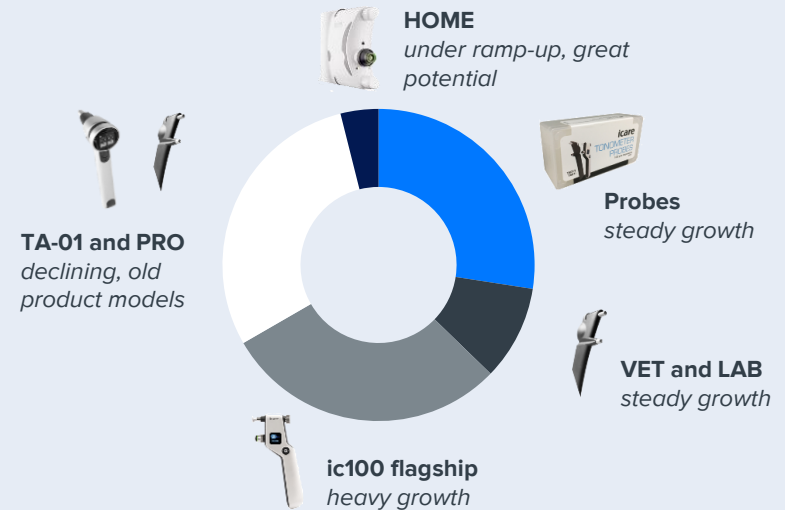
# Icare's market and products

Market areas (2016)



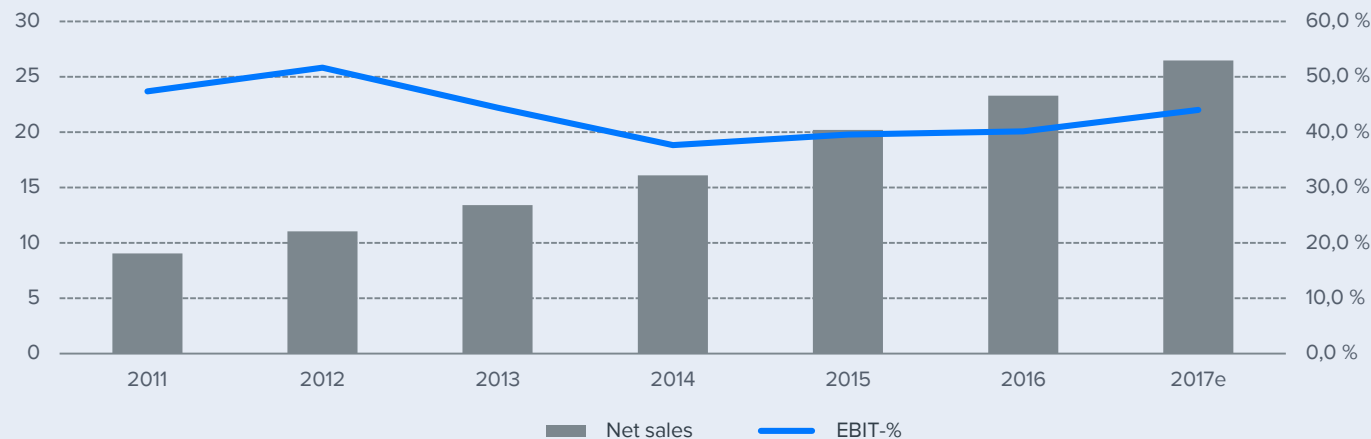
Source: Inderes estimates

Products and their estimated distribution (2016)



Source: Inderes estimates

Icare's growth and profitability development



Source: Icare Finland Oy, Revenio, Inderes forecast

# Icare business 2/10

## Icare's business operating model

Icare has a very scalable business operating model, which can be operated with a light organisation. A significant part of the operation is produced by our partners while the company is concentrating on the core functions only. Continuity is brought into the business operating model by the sales of disposable probes.

### Production

The production of Icare's intraocular pressure measurements has been outsourced to subcontractors, but the company owns part of the production equipment itself. The products are mainly manufactured in Finland. In recent years, the probe production has moved on to a fully automated production line, which has lowered the production costs. According to our understanding, the company is well-prepared for scaling up probe production along with increasing demand. The company has not published the locations of the production plants.

We estimate the total production cost of Icare tonometers to be a couple of hundred euros in total depending on the model (ic100, TA-01, PRO, HOME). In the new production lines, the cost of probes is in the range of slightly under 0.2 euros. According to our estimate, the average sales price of a tonometer to a distribution channel is slightly over 2,000 euros and approximately 0.5 euros for probes. This is to say that the gross margin of the whole of Icare is somewhere in the 80% range. In device sales the margins are slightly higher than with probes.

### R&D

Icare uses its own personnel for R&D and for managing the outsourced R&D service suppliers. With R&D, the company aims at strengthening its product portfolio and patenting new features for the devices. The features will strengthen Icare's patent protection when the first essential patents expire in the US in 2019.

In recent years, the R&D activities have been focused on the development of HOME and ic100 products. New features (such as eye recognition, eye focusing light) have been patented. No accurate information is available on the company's current R&D, but we estimate it to be concentrating on the new features of current products and their patenting. We also find it possible that in the long term Icare could extend its product portfolio through its own R&D in the field of eye diseases.

### Distribution and sales

Icare's products typically have their own country-specific distributors for each target group. For human tonometers there is typically one distributor specialised in ophthalmologists and another in opticians. Tonometers for animal patients have their own distributors. In the United States, Icare has built a sales organisation based on independent sales representatives without a distributor. In the United States, gaining a good visibility and position among the distributors is hard, which is why the company's strategy has been to build a sales organisation of its own.

Very high distribution channel margins are typical for health care devices. The average sales prices of Icare's devices for end customers

have been in the range of 3,000 to 4,000 euros, and so the distributive trade margin is somewhere in the 40% to 50% range. There are, however, significant differences between countries and products.

The high margin of the distributive trade is based on the distributor's critical role in the sales of the products and on the relatively low device volumes. The margin needs to be high in order to motivate the distributor to do sales work. In the new HOME product the sales are still somewhat consultative by nature due to the different way of using the product.

### Device and probe sales

Next to device sales, the disposable probes used with the devices bring continuity to the business. In the device sales, in practice a customer will order a new device only if the old one breaks down, which is why many of the devices have been in use for more than ten years. The new ic100 product will also generate new sales, when faithful customers update their devices to a new and better model.

The share of probe sales of the net sales is slightly under 30% at the moment. According to our estimate, an average Icare device in customer use consumes more than 200 probes a year at the moment. If one device is in use for an average of ten years before it is renewed, the sales of one device will generate in addition to the 2,000 euro device trade net sales approximately another 1,000 euros during its life cycle through probe sales (with an average price of 0.50 euros of the probe). Thus, every device sold today will bring Icare approximately another 1,000 euros worth of net sales in 10 years.

# Icare business 3/10

## Technology and competitors

The first and the most simple method for intraocular pressure measurement was an accurate human finger, which was the only method in practice all the way towards the end of the 19th century. After that, several mechanical devices have been developed for the measurement. The current measurement standard evolved from the applanation method developed in the 1950s, which is an open technology. Later on, new applications based on applanation and the air-puff method likewise based on an open technology, have entered in the market. Applanation and air-puff methods have been widely in use until this day. In the technical evolution, Icare can be seen to be eventually creating the new standard of intraocular pressure measurement methods, which eventually will displace applanation and air-puff. The next breakthrough in glaucoma research and treatment is expected to be in continuous monitoring of the intraocular pressure of patients, which is where Icare is making an attempt to break into with its HOME tonometer.

### Applanation

The generally approved IOP measurement standard is based on Goldmann's applanation method developed in the 1950s. The weaknesses of the method are the need to use anaesthesia for the eye, need of calibration (reliability dependent on the user) and the training required for using the devices. The methods requiring eye anaesthesia are so slow to start with that they do not make it possible to efficiently screen people with a risk of elevated IOP.

In addition to Goldmann's applanation, TonoPen based on applanation entered the market later

on, which owing to its portability and small size competes with Icare. During its lifetime, Icare has won market share especially from the TonoPen devices.

### Air-puff

Out of the technologies, the most important competitor of Icare today is air-puff, an open technology which entered the market in the 1990s. The advantage of this method is that it does not require eye anaesthesia or touching the eye. This is an advantage, for example, in countries where the optician may not, pursuant to the law, touch the patient's eye. The method measures IOP from the impact of a puff of air on the cornea. A strong puff of air on the eye is, however, an unpleasant experience for the patient, and especially to children. Other competitive detriments of the air-puff method are its high price and need of maintenance, the table space required by the device and the need for calibration and inaccurate and unreliable measurement results.

### Icare's rebound tonometry

Icare's tonometers based on a patented technology and method are based on the rebound tonometry technology developed by general practitioner, MD Antti Kontiola. In practice, in this method a very small and light-weight probe touches the cornea very quickly, during which the device analyses the deceleration of the probe and the speed of its rebounding from the cornea. The central benefits of the technology are 1) painless for the patient (no anaesthesia), 2) quick measurement 3) ease of use and easy to learn to use (no calibration, easy to maintain) and 4) small size and portability of the device.

Icare's technology has in several studies been found to achieve the accuracy of the standard of the field, the Goldmann method. According to some estimates, it is even more reliable than the Goldmann method, since the device doesn't require any calibration or thorough training of the user. In this way the risk of faults related to the user of the device is significantly lower. Ease of use and quick training is a central advantage when the meters are sold to customer groups other than ophthalmologists.

In the development curve of IOP measurement technologies, Icare is now displacing methods based on applanation and air-puff in developed countries. In many developing countries, instead, where IOP measurement has formerly not been in wide use, Icare is in the development curve of IOP measurement technologies jumping directly over applanation and air-puff.

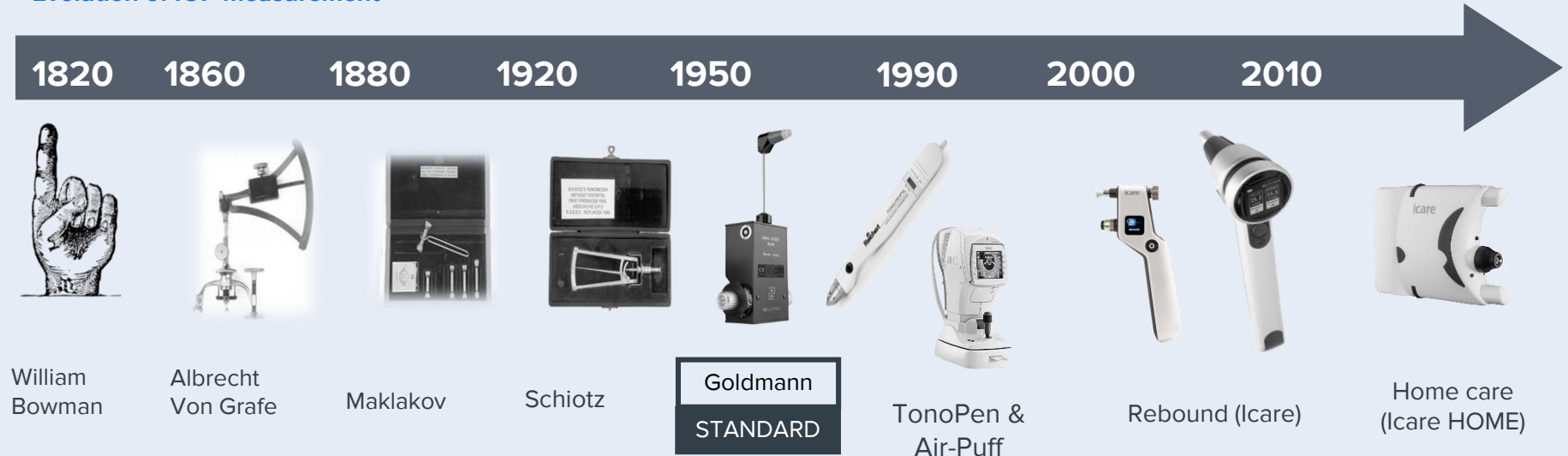
### Icare tonometers

The 15-year-old TA-01 represents Icare's basic model. The model improved from this is the premium version ic100, which in addition to the new design also includes new features like an easy-to-use user interface and a focusing light. The devices have licences broadly over the world (e.g. CE, US FDA). Icare PRO is a more expensive special model with a unique possibility to measure intraocular pressure from a lying patient. This is a central asset in surgery. Icare also has models developed from the basic model for veterinarian and laboratory use. Owing to painless measurement, Icare is an overwhelming technology for IOP measurement of animal patients and it has been displacing applanation based methods.



# Intraocular pressure measurement technologies

## Evolution of IOP measurement



## Icare compared with other technologies

Features	Icare	TonoPen applanation	Topcon air-puff	Reichert air-puff	Goldmann applanation
Price range	€2,200–4,000	€1,800–3,000	€6,000–9,000	€4,500–9,000	€200–1,200
Accuracy*	+/-1.2–2.2	+/-1.8–3.1	+/-4	+/-4	0
Portable	Yes	Yes	No	No	No
Calibration	No	Yes/No	Yes	Yes	Yes
User training	5 to 10 min	<30 min	<20 min	<20 min	> 2 weeks
Patient's experience	Painless	Unpleasant (anaesthesia)	Unpleasant (air-puff)	Unpleasant (air-puff)	Unpleasant (anaesthesia)

\*compared to Goldmann measurement

# Icare business 4/10

## Competing companies

Icare's most important competitors are large device manufacturers typically with an extensive product offering in the area of eye diseases. One of the players is e.g. the German Reichert (owner Ametek, NYSE: AME), the British Keeler (owner Halma Plc. LSE: HLMA) and the Japanese Topcon (TSE: 7732). These manufacturers are making devices based on both applanation and air-puff. There are also numerous other competitors in the market which manufacture devices based on both applanation or air-puff.

When looking at the competing devices, it is important to notice that IOP measurement may often be just one supplement in the device entity delivered to an ophthalmologist, the price of which may rise to tens of thousands of euros. If the ophthalmologist had to use anaesthesia for the eye in the examination in any case, it would be natural to use applanation, and Icare's meter, despite its ease of use, will not automatically replace applanation. Despite this, Icare's tonometer may still be used by an ophthalmologist as another device, for example, with certain more challenging patients (children and the elderly) or in special situations.

## HOME product

### Self-measurement by the patient

The HOME product meant for self-measurement by the patient will be opening a wholly new market for Icare. The HOME product will, however, be utilising existing technology and clientele of the company. The device has been in the market since 2014, after which governmental permits have been applied for

and recognition has been built for the product. In the United States, the sales permit was granted first in early 2017.

The idea of the HOME product is based on the follow-up of intraocular pressure as a time sequence, which is based on measurements made by the patient at home. The intraocular pressure typically varies in humans throughout the day and is at its highest at night. Because of this, the measurements made during office hours and in the morning at a doctor's appointment fail to provide a sufficient overall idea for a reliable diagnosis or may lead into a false diagnosis. Moreover, the most dangerous IOP peaks in glaucoma often occur at night outside office hours and so go unnoticed by the doctor.

According to the reports made by the world's leading glaucoma specialists, in glaucoma treatment and IOP follow-up, in addition to the absolute pressure, it is of critical importance to monitor the IOP fluctuation. In recent years, glaucoma research and medical reports have thus been creating continuous demand for a product like HOME. The product has already undergone dozens of clinical trials, which prove the need for continuous monitoring enabled by the HOME product. The positive thing here is that the medical community has indisputably recognised the need for continuous IOP monitoring. The downside is, however, that the industry does not yet have the practices how IOP fluctuation should be monitored and how this information should be utilised in the treatment of glaucoma.

In the HOME product concept, the doctor in charge will in practice first lend the device to a patient who then can use it for measuring IOP at

home. In the future, the results can be sent to the doctor in charge through the cloud. With the help of home measurement, the patient's intraocular pressure can be monitored as a time sequence at different times of the day. In addition, in this way the patient can avoid the often expensive hospital visits.

### Sales ramp-up

In early 2017, the HOME product was given the important FDA sales permit in the United States, allowing more extensive launching activities of the product. In other main markets the sales permit has existed for a longer period of time, but so far the sales has been minor. Icare's benefit is that HOME has the same customers and distribution channels as the current products of the company.

The challenge in promoting the HOME product is the lack of treatment practices with home measurement and that the product will require a change to the established treatment models. An ophthalmologist will not purchase the device unless he or she knew exactly how the product can be utilised in the treatment of glaucoma. Therefore, the sales work is quite consultative by nature at first until HOME is adopted as part of the customer's processes.

The United States is a critical market for Icare in the sense that new treatments are adopted there more quickly, while the rest of the world is influenced by what is happening in the United States. In that country ophthalmologists also make their purchase decisions from the business point of view, and they will see the HOME product as an opportunity to strengthen customer relationships and create new earnings.



# Icare business 5/10

The compensation practices in each country also have an impact on the products becoming more common.

Despite the obvious demand in the market, the HOME product still has a long way to go before reaching significant volumes globally. The product will require changes to the treatment practices in every clinic and country which is taking it into use. In every market, the leading doctors (key opinion leaders) must be won to speak in favour of the new model. The distribution partners and sales personnel must be trained and motivated to sell the new concept. The distributors must have a clear, economic incentive in order to start focusing on selling the new concept. In the United States all of these changes would go through much quicker than in other markets, which is why the work must be started there. Despite this it is clear that ramp-up to significant volumes will take several years, because the company is itself responsible for creating the market for the product. From the viewpoint of ramp-up speed, the United States is an ace in the company's sleeve because due to the dynamic market, new products may be adopted much quicker than elsewhere. As we understand it, in the United States all of the significant key opinion leaders of the industry have already taken the HOME product into pilot use or are starting to make studies with it.

## Market potential

The HOME product will open Icare a long-term market potential, which supports Icare's long-term growth prospects while the basic devices are reaching increasing maturity in their main

markets. According to our estimate, when successful, HOME will have good opportunities to grow bigger than Icare's current business. The following factors describe the market potential of the product:

- The sales potential of the devices per an ophthalmologist or clinic is manifold compared to Icare's basic devices because the devices would be purchased to be lent to patients. Instead of individual devices, the sales batches will be at least 5 to 10 items to start with.
- In home use, the devices will break much more often, which also means greater sales volumes. Icare has developed a guarantee scheme so that the doctors' concern about broken devices will not slow down the purchase decision.
- Home measurement will mean more frequent measurements and thus a higher consumption of probes.
- If communication between the patient and the doctor is going to be managed using Icare's own cloud service, it will considerably strengthen its competitive protection and customer loyalty.
- The patients themselves can also purchase the device.

## Competitors of HOME

Also other operators have recognised the market potential that lies in continuous IOP measurement. At least two competing technologies have emerged, which are doing

partially the same as Icare HOME.

The most important competitor is the Swiss Sensimed, whose tonometer Triggerfish is based on a contact lens, which is constantly monitoring intraocular pressure. In addition to the contact lens, a receiver needs to be attached around the patient's eye and another device placed hanging on the neck. Sensimed's advantage compared to Icare is that it can monitor intraocular pressure as a smooth and frequent sequence of samples and in any posture by the patient. The results are analysed by using Sensimed's own software. The product has an FDA sales permit in the United States.

Sensimed's challenge compared to Icare is that it only measures changes in IOP, but it doesn't determine the pressure in millimetres of mercury, which is the measurement standard. Thus, the results of the device cannot be compared, for example, with Goldmann, which represents the industry standard, posing a challenge for the interpretation of the results. The expense of using the device is also high compared to Icare. As we see it, Sensimed and Icare HOME will not necessarily become exclusive technologies in future. Compared to Sensimed, Icare is able to offer a cost-efficient solution for large masses of people for glaucoma treatment, while Sensimed with its more costly solution will be operating more in the high-end segment of eye examination. Sensimed's benefit to Icare has been that the company has put significant resources in the promotion of research related to IOP monitoring, which has contributed to the creation of market demand among Icare HOME's clientele.

# Icare business 6/10

In addition to Sensimed, the German Implantsdata is developing an implant named EyeMate for IOP monitoring. The technology is based on a surgically placed implant in the eye, which makes it a very expensive solution. The product does not have an FDA approval.

To sum up, Sensimed and Implantsdata are developing solutions for very much the same problem as Icare, but have a different approach to it than Icare HOME.

## Icare strategy

According to our understanding, the focus areas in Icare's strategy in the next few years are the ramp-up of the HOME product, transfer of the product portfolio to the ic100 product and growth in new markets. The benefits of Icare's product versus its competitors are indisputable, which is why the most significant competitive threat is first related to the time after the expiration of the patents. The first important patents will expire in the United States in 2019. In other markets, the patent protection will last until 2023–2025, and the last patents acquired by Icare will expire first in the 2030s.

## Product portfolio and pricing

Icare's current product portfolio is built so that TA01 is functioning as an inexpensive basic model and ic100 as a higher price range premium model. The supporting impact of ic100 launch on average prices was visible already last year. Icare has, throughout its history, kept its pricing stable, or has been able to increase the prices. The customer's price sensitivity on Icare's products is, however, relatively minor, as

a result of which lower pricing is seldom a route to larger volumes.

Icare's products are priced on the same level as devices based on applanation and air-puff, but the competing technologies also provide both cheaper and more expensive options. Icare faces price competition pressure only in veterinarian tonometers, where the customers' price sensitivity is higher.

## Market expansion

Icare's market can be divided to three parts according to their development stage.

- In the more mature markets like the Nordic countries and Japan, the growth according to our understanding is at a single-digit level. In these markets, the net sales is strongly dependent on replacement device and probe sales.
- In many large countries (like in the US, Germany, South Korea, the UK, Russia and Australia) the company still has market to conquer before the market is saturated, and the growth is at a two-digit level.
- On top of that, Icare has several somewhat unexplored markets in developing countries, in which there is considerable potential for growth. Such markets include China, Brazil and India, for example. Especially in China, the company is now entering into good growth after a delayed launch.

In growing and new markets, Icare's most central driver for growth is device sales. In mature and established markets, the growth

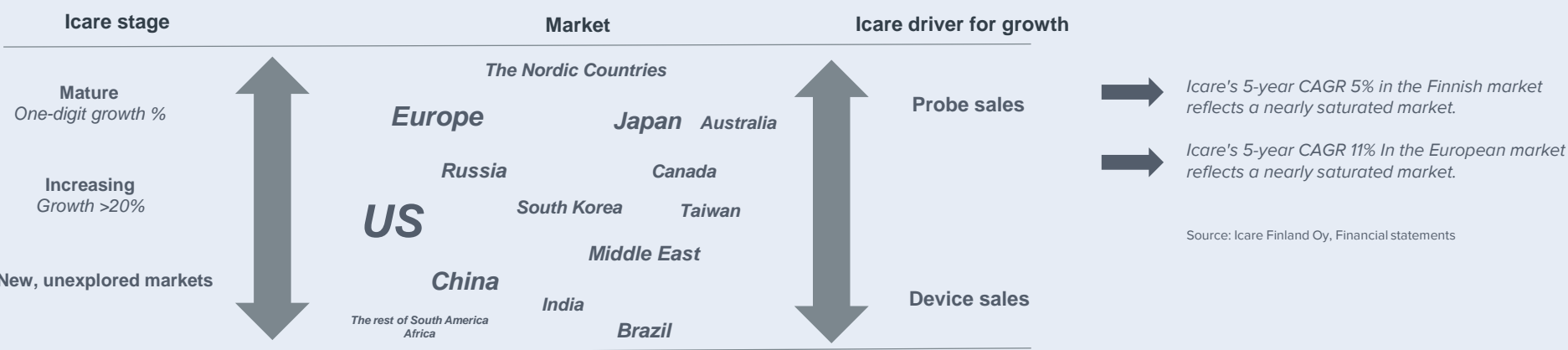
engine is probe sales, which follows the growth of the device base with some delay.

## Competitive protection

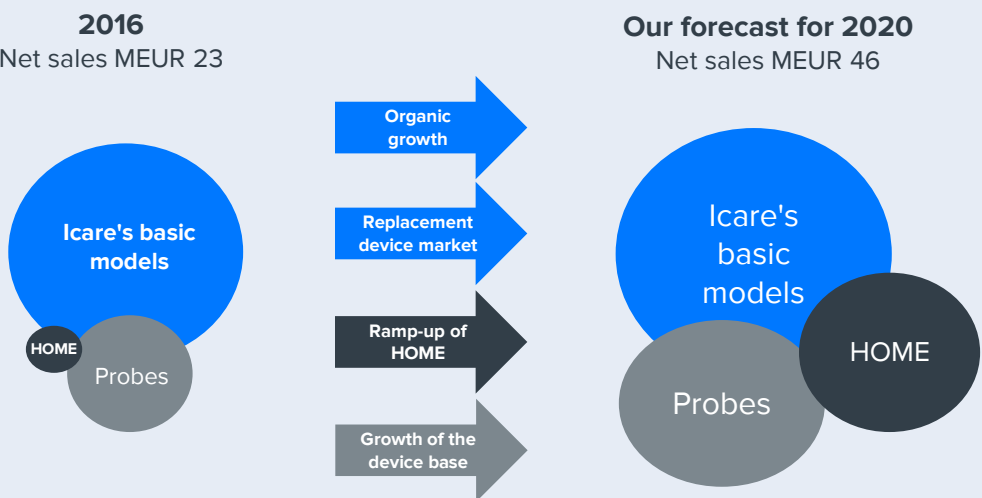
According to our estimate, Icare's key challenge in the next few years is to increase the other than patent-related competitive hindrances to a level as high as possible within the time window preceding the expiration of patents. In addition to patents, the central factors protecting from competition are technological IPRs, reliability and brand, quality, governmental approvals and distribution channels. Through the reliability and quality of products and operations the company has built a good reputation among ophthalmologists and a strong distribution channel towards the customers, both of which are important competitive factors. In addition, Icare's fully own algorithm is used in the calculation method of Icare's meter, and because of this it is virtually impossible to copy them as regards the measurement results even after the patent protection has come to an end. The production methods of the devices and their probes also are carefully protected secrets.

# Icare's market and drivers for growth

## Icare's markets and drivers for growth



## Icare's drivers for growth per product area



# Icare business 7/10

In Icare's industry, the doctors' threshold to adopt new methods is very high, wherefore the new technologies and treatments gain ground very slowly. In addition, the governmental permit processes are often slow and costly. It would take years from new methods competing with the rebound technology to receive the governmental permits, achieve the acceptance of the medical community and to become part of the generally accepted methods of treatment. Therefore we do not believe a new competing technology to emerge for the rebound technology at least during the next 10 years. It will be far more likely that after the expiration of the patent protection, the competitors of the company specialised in eye diseases will introduce competing products based on the rebound technology. These operators would, just as Icare, already have existing distribution channels and a strong brand in the industry. We do not, however, believe this to lead into a significant price erosion because this has not been the case even in conjunction with the opening of former technologies either.

## Weakening of the patent protection

Icare technology is protected by more than 20 patents related to the method and the mechanics. An important basic patent will expire in the United States in 2019, which would allow a competing product similar to TA-01 enter the market. An essential issue here is whether the United States is alone a sufficiently alluring market for a competitor to invest in a competing product. In other markets, the patent protection will last until 2023–25. The company has, however, strengthened its patent protection by patenting some of the features of the newest devices. The expiration of Icare's patent protection will very probably lead into the

situation that also other tonometers utilising the rebound technology will enter the market. This can slow down Icare's growth which, however, will probably not lead to significant price erosion, as the price sensitivity of the clientele is very limited, as we have seen to be the case with competing technologies.

## Icare's market potential

The market potential of tonometers is based on the 75 million people who are known to suffer from glaucoma and another 75 million people who suffer from the disease without knowing it. At the moment, Icare is displacing competing technologies especially in ophthalmologists' use as part of glaucoma treatment. The screening of glaucoma and emergence of screening mechanisms will introduce new, larger user groups for the devices in society, such as opticians, general practitioners and nurses. In glaucoma treatment, home care and IOP monitoring by self-measurement of the patient will also open up a fully new and significant market potential for Icare.

We estimate the total market potential of Icare's rebound technology to be more than MEUR 100 year-on-year (without the HOME product). This is based on the estimate according to which in the Finnish market, which has reached full maturity, the company's annual sales (about MEUR 0.7) is approximately 1,000 euros per ophthalmologist (Finnish Ophthalmologists' Association: 700 members). If we assume the penetration of the rest of the world to remain at 50% of the Finnish level, the global number of 200,000 ophthalmologists would give us a market size of MEUR 100. This assumption does not include the market related to IOP screening, but we estimate the market to grow due to an

increasing variety of users along with increasing penetration and screening becoming more common. Thus, owing to the increasing variety of users we believe the market to be growing in the long term. Part of the Finnish sales goes to other parties than ophthalmologists, so in that sense our assumption is a simplified one. Finland does, however, represent an advanced market in which screening has become more common and tonometers are extensively also sold to opticians, for example.

Being a forerunner, Icare will in the long term possess a major part of its market potential, but the 100% market share in rebound technology enabled by the patent protection will most likely begin to break at some point. In the long term it is thus realistic to assume that the market will also be utilised by other device manufacturers utilising rebound technology.

## Glaucoma treatment

The base for Icare's growth has been the need of the 75 million people diagnosed with glaucoma for regular IOP monitoring. In practice Icare's growth in this market is based on winning market share, in other words on the fact that the rebound technology has replaced technologies that use outdated measurement methods. In devices designed for the diagnosis, follow-up and treatment of a disease, Icare's users are mainly ophthalmologists.

In some individual markets like the Nordic Countries, Icare has taken possession of the entire market in glaucoma treatment. Competing technologies are not sold, for example, in Finland to any significant extent. A considerable amount of growth potential remains yet for Icare based on replacing other technologies in the rest of the world.

# Icare business 8/10

## Home care

When diagnosed with glaucoma, the continuous follow-up of intraocular pressure as part of the patient's treatment is important in order that the progress of the disease can be stopped and that correct medication can be prescribed. Icare HOME offers an easy and cost-efficient solution for the continuous follow-up of intraocular pressure.

In the business operating model of the HOME product, an ophthalmologist will purchase several HOME devices, which are then lent to patients for home use. What may happen in practice is that then an ophthalmologist would acquire several devices for him/herself to be lent to patients. From this perspective, the device sales potential is manifold compared to Icare's basic models. The sales volume is, however, very much dependent on how common a practice the home use will become and how quickly.

It is very difficult to estimate the sales potential of the HOME product yet at this stage. Our starting point is that HOME will become a significant part of Icare's business over the next five years.

## Screening of glaucoma

Glaucoma is typically identified by accident in an ophthalmologist's examination, since the current air-puff and applanation technologies have not made it possible to efficiently screen the disease. The ease of Icare's method would, in principle, allow the birth of a wholly new screening mechanism as part of the health care system. This would require a growing awareness

of glaucoma in society and IOP measurement to become part of the standard health monitoring.

An ageing population in many countries adds to the pressure for creating screening mechanisms in different countries. In practice, screening means organising IOP measurements for large masses of people, for example, in cooperation with opticians' shops or as part of the public health care system. People with an elevated IOP could then be given a referral for an ophthalmologist's diagnosis, because IOP measurement alone is not sufficient for the diagnosis.

Owing to the ease of using Icare, the screening could be realised by passing the "standard system", i.e. a separate ophthalmologist's appointment, which would open new target groups for the device sales. In addition to ophthalmologists, relevant target groups in the screening of glaucoma are, for example, optometrists, opticians, general practitioners, nurses, VSOs, military organisations and first-aid stations. Compared to the traditional sales targeted to ophthalmologists, the global potential of these target groups is manifold.

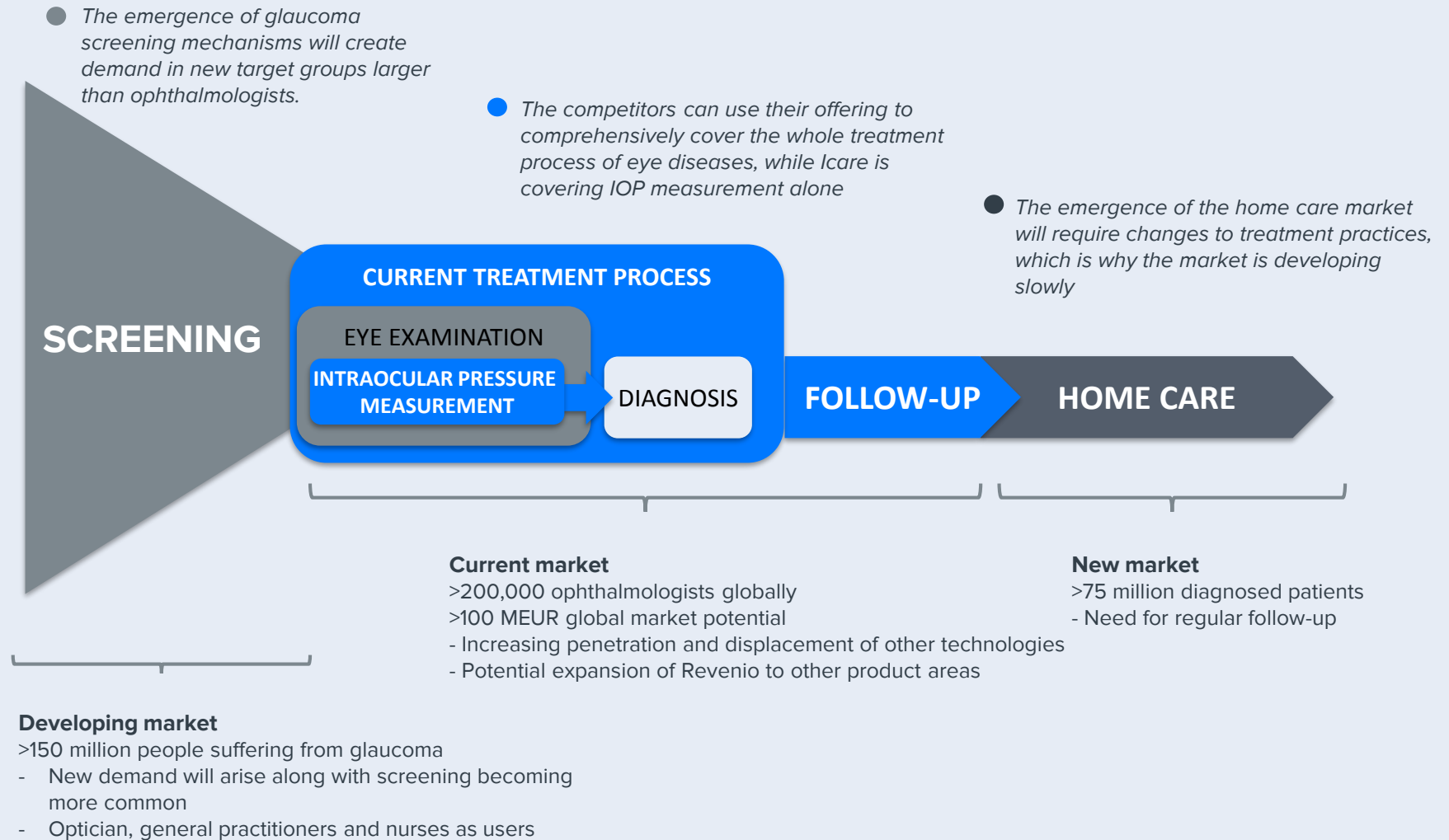
Likewise in the HOME product, the market potential in screening is tremendous, but this kind of a market is not born overnight. The challenge is the emergence of screening mechanisms and growth of awareness of glaucoma so that people would take their own initiative to go to eye examinations.

In our opinion, the step-by-step emergence of glaucoma screening mechanisms in different countries will serve as an important driver for

growth for the IOP measurement devices market and RBT technology. Icare will be able to grow now by winning market share from old technologies, but owing to screening, the total market of the company will be clearly growing in the long term as well.

From the viewpoint of screening, Icare also has an important potential for growth in developing countries in which, due to high expenses, IOP measurement has been scarce until now. Icare's measurement method can considerably help boost screening in countries which are lacking a normal health care system. Owing to the small size and portability of the device, the infrastructure of the country does not, for example, set restrictions for arranging the screening.

# Icare's market potential





# Icare business 9/10

## Icare's forecasts

We are using three parameters for the forecasting of Icare's sales: basic device sales, HOME sales and probe sales. Device sales are evaluated through the sales volume and average prices (the sales price to the distribution channel). Probe sales are estimated based on the size of the device base, loss and average probe consumption.

### Device sales

In many markets, Icare has begun to reach maturity, which in recent years has been reflected in slowing growth of device sales volumes. Based on our estimates, the average growth of the sales of device units has been less than 10% for the last two years, reflecting the saturation of the market. This is slightly concerning, because the growth of the device base will also impact the probe sales in the future. The slowing growth of volumes has, however, been compensated by the dollar rate and renewal of the product portfolio towards ic100, which according to our estimate has clearly increased the average prices in 2015–2016. This year, the dollar rate has turned in a slightly unfavourable direction from Icare's point of view.

In our forecasts, we estimate Icare's device sales volume to increase to approximately 10% level in 2017–2020. Device sales will be supported by the replacement device market opened by ic100 and the new, rising market areas like China. In addition, Icare's technology will continue to win market share from older technologies. We also estimate the average prices of the devices to increase slightly in 2017–2018, as the product portfolio is being renewed towards the more expensive ic100 product. From 2019 onwards, we expect the average prices of the basic devices to

turn to a slight decline, as Icare's patent protection weakens starting from the US market. We expect the weakening of the patent protection to have a very slight weakening impact on average prices and growth, although it is still impossible to estimate how the competitors will react to the expiration of the US Patent in 2019, for example.

### Probe sales

Icare's probe sales is a derivative of the growth of the device base. At the moment, the probe sales is growing faster than the device sales due to former device sales and increased use of the devices. According to our estimate, at the moment each device in the device base is consuming slightly over 200 probes a year on average. We expect the consumption to grow to 250 probes in 2019, along with the increased use of the devices for screening. This would correspond to 21 million IOP measurements with Icare equipment in 2019, but due to the forbidden reuse of the probes, the actual figure is higher.

In our estimate, approximately 15 million probes are sold in 2017, bringing Icare a net sales of a good MEUR 7. We forecast the average price of the probes to be in decline in the next few years, if the company intends to boost its device sales and use by lowering the price of the probes. We estimate the probes to reach a net sales of MEUR 10 in 2019. In the growth forecast for probe sales it is important to note that the net sales forecast is very largely based on the probe consumption of the current device base.

## HOME sales

HOME is the most challenging part of Icare's forecasts, since it is difficult to estimate the speed of the ramp-up of the product and the concept. So far, the product has not brought Revenio any significant sales, although it has been on sale in all central markets except for the United States. The product has received the sales permit in the US in early 2017, and the sales started in Q2. We will receive the first indications from the speed of HOME's start from the latter quarters.

We have lowered in this report our forecasts for HOME for the next few years after estimating the speed in which a new concept like HOME would probably become more common in the market. In the big picture, however, the potential of the product is still alluring. We estimate HOME to sell slightly under 1,000 items this year and slightly under 2,000 next year. From the beginning of 2019, we estimate the concept to become more common at a quicker pace and the annual sales to rise to 8,000 units in 2020. We estimate the average price of the device to be 1,500 euros.

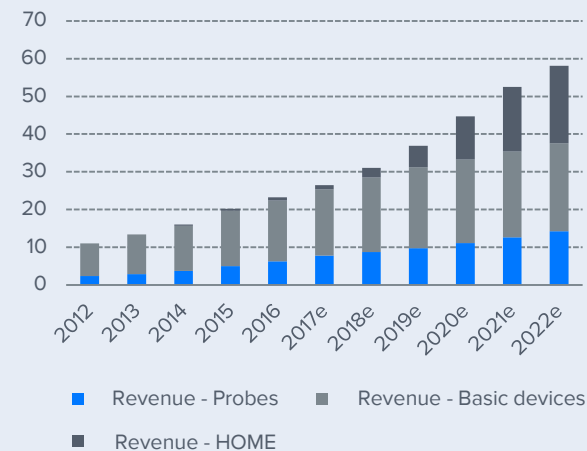
## Net sales

On the basis of the forecasts on device, HOME and probe sales, Icare's net sales will continue to grow at a historical slightly under 20% rate for the next 5 years. In the forecast, Icare will reach a net sales of MEUR 60 in 2022. For the growth to withhold it is essential, however, that HOME's ramp-up is successful, because without HOME the growth would eventually decline to a level of under 10%, and in 2022 the net sales would reach only MEUR 35.

In our forecast for 2022, Icare's net sales is distributed as follows: basic devices 40% (2016: 69%), HOME 35% (2016: 4%) and probe sales 25% (2016: 27%).

# Icare estimates

Icare basic devices (TA-01, ic100 VET, PRO)											
	2012	2013	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e
Device sales units	5 250	6 000	6 700	7 250	7 850	8 635	9 533	10 391	11 326	12 232	13 211
Average price	1650	1750	1790	2020	2050	2040	2070	2060	1957	1859	1766
Net sales (MEUR)	8,7	10,5	12,0	14,6	16,1	17,6	19,7	21,4	22,2	22,7	23,3
Device base	30 000	35 100	40 747	46 775	53 221	60 260	67 985	76 336	85 373	95 044	105 403
Device base churn	0 %	3,0 %	3,0 %	3,0 %	3,0 %	3,0 %	3,0 %	3,0 %	3,0 %	3,0 %	3,0 %
Icare HOME											
	2012	2013	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e
Device sales units	0	0	250	400	700	750	1 700	3 800	7 600	11 400	13 680
Average price	0	0	1250	1250	1250	1400	1500	1500	1500	1500	1500
Net sales (MEUR)	0,0	0,0	0,3	0,5	0,9	1,1	2,6	5,7	11,4	17,1	20,5
Device base	-	-	250	648	1 335	2 004	3 544	7 061	14 096	24 368	36 099
Device base churn	0 %	0,0 %	0,0 %	1,0 %	2,0 %	6,0 %	8,0 %	8,0 %	8,0 %	8,0 %	8,0 %
Probe sales											
	2012	2013	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e
Total device base	30000	35100	40997	47422	54556	62264	71529	83397	99468	119412	141502
Probes sales per unit	167	175	193	205	225	245	250	250	250	250	250
Average price of probe EUR	0,47	0,47	0,47	0,52	0,51	0,51	0,49	0,47	0,45	0,42	0,40
Probe sales (million units)	5,0	6,1	7,9	9,7	12,3	15,3	17,9	20,8	24,9	29,9	35,4
Net Sales (MEUR)	2,4	2,9	3,7	5,0	6,3	7,8	8,8	9,8	11,1	12,7	14,3
Icare total											
	2012	2013	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e
Revenue - Basic devices	8,7	10,5	12,0	14,6	16,1	17,6	19,7	21,4	22,2	22,7	23,3
Revenue - HOME	0,0	0,0	0,3	0,5	0,9	1,1	2,6	5,7	11,4	17,1	20,5
Revenue - Probes	2,4	2,9	3,7	5,0	6,3	7,8	8,8	9,8	11,1	12,7	14,3
Icare Revenue total	11,0	13,4	16,0	20,2	23,3	26,4	31,0	36,9	44,7	52,5	58,1
Key figures											
	2012	2013	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e
Basic devices revenue growth	-	14 %	12 %	8 %	9 %	10 %	10 %	9 %	9 %	8 %	8 %
HOME revenue growth	-	-	-	60 %	75 %	7 %	127 %	124 %	100 %	50 %	20 %
Probe sales growth	-	23 %	29 %	35 %	26 %	24 %	13 %	12 %	13 %	14 %	13 %
Basic devices -% of sales	79 %	78 %	75 %	73 %	69 %	67 %	64 %	58 %	50 %	43 %	40 %
Probes -% of sales	21 %	22 %	23 %	25 %	27 %	29 %	28 %	27 %	25 %	24 %	25 %
HOME -% of sales	0 %	0 %	2 %	2 %	4 %	4 %	8 %	15 %	26 %	33 %	35 %
Revenue growth	22 %	22 %	20 %	26 %	15 %	14 %	17 %	19 %	21 %	18 %	11 %
Source: Inderes											
Earnings, MEUR											
	2012	2013	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e
Net Sales	11,0	13,4	16,0	20,2	23,3	26,4	31,0	36,9	44,7	52,5	58,1
Costs	-5,3	-7,2	-9,8	-11,9	-13,5	-14,1	-16,3	-18,6	-21,6	-24,0	-26,1
EBITDA	5,7	6,2	6,3	8,3	9,8	12,3	14,8	18,3	23,1	28,6	32,0
Depreciation	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3
EBIT	5,4	6,0	6,1	8,0	9,4	11,7	14,1	17,5	22,2	27,4	30,7
Net Income	4,1	4,7	5,0	6,4	7,5	9,4	11,3	14,0	17,8	22,0	24,6
EBIT-%	49 %	44 %	38 %	40 %	40 %	44 %	45 %	47 %	50 %	52 %	53 %
Source: Inderes											



Net sales & EBIT-%





# Icare business 10/10

## Result and profitability

In our forecast, Icare will reach net sales of MEUR 26 and EBIT margin 44% (MEUR 11.7) this year. We estimate the EBIT margin to increase close to 50% level in the next few years, as the expense structure will grow more slowly than net sales. The operating leverage of the company will come through quite well in the next few years because the investments on sales and R&D made in the last few years, which increased expenses, have levelled down. Reaching a growth in line with our forecast will not require significant investments that increase the expenses, and owing to high margins, the growth is very scalable.

In our forecast, in 2022 Icare will reach an EBIT level of approximately MEUR 31, when the result of the company is approaching its peak. From 2024 onwards, as the competitive protection will be weakening, we estimate the EBIT % to decline to the level of 25%.

Our forecasts will concern the Icare Finland Group, which is why the forecasts deviate from the health segment values reported by Revenio Group.

## Valuation

The valuation we have made reflects Icare's value as an independent company separate from Revenio. This illustrates the value which the company could bring if Revenio sold it. Because of this, the subsidies received by Icare and the resources received from Revenio's Group functions, for example, will not show in the company cost structure of the forecast that is used for valuation of the company. We approach the valuation through the DCF model and the

peer group.

## Peer group and multiples

In the valuation based on a peer group we are investigating Icare's value from a perspective in which the company is thought to be valued using the same valuation multiples as the peer companies.

We have selected as peers some direct competitors of the company and health care device and technology companies operating in the "optical health care" industry. As the companies are large internationally listed companies, relatively reliable market forecasts are available from them. In addition, we have selected to the peer group one Nordic company (Ambu) with a corresponding growth profile. The relative valuations of the peer group members have increased in recent years along with the stock market in general.

Icare's premium pricing compared to the peer group is backed up by 1) the company's strong track record of steady growth and profitability, 2) alluring potential for growth especially due to the HOME product and 3) high barrier to competition. The relative value is affected negatively by 1) the small size of the company, 2) dependency on one technology the competitive protection of which is limited currently. Considering these factors, the peer group supports Icare's value quite well in our opinion.

Icare's peer group is at the moment priced with P/E ratios of 29x–26x and EV/EBIT ratios of 20x–18x for the years 2017–2018e. Derived from Icare's result forecast, the value range of MEUR 230–294 is received, the average of the different multiples being MEUR 262.

## DCF analysis

The DCF model is a good approach for Icare's valuation because the company is producing very steady cash flow and the result and cash flow go hand in hand in practice. The forecast model assumes the company to reach its peak in 2023, after which profitability will level down as the competitive protection weakens. The cost of capital we have used is 7.1%, which represents relatively stable, defensive and predictable cash flow. The value given to Icare by our DCF model is MEUR 303. The value varies between MEUR 256–381, when the cost of capital is altered by +/- 1 percentage units.

Our DCF model will leave 56% as the weight of the terminal value, even though we expect the company's EBIT % to drop below 30% when approaching the terminal year (2026e). In other words, a marked share of the company's current value is based on a period when Icare's patent protection has expired. Therefore, it is essential for the company to build and maintain such kind of competitive advantage with which the good profitability (EBIT >25%) typical of the industry can be maintained.

## Summary

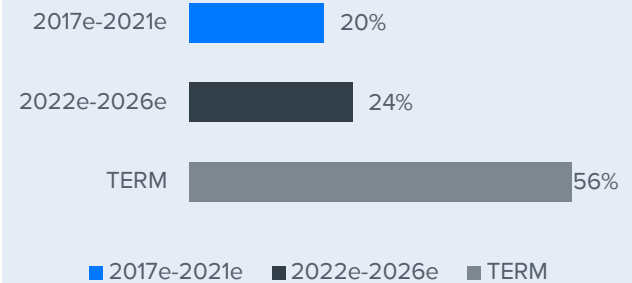
We are weighing the different valuation methods in the following proportions: DCF 40%, 2017e multiples 20% and 2018e multiples 40%. In this way, we aim at taking the future revenue growth of the HOME product better into account in the value. On the basis of the weighted average, the value of MEUR 281 is derived for Icare, which corresponds approximately to a P/E ratio of 25x and EV/EBIT ratio of 19x from the forecast for 2018.

# Icare valuation

## DCF valuation

DCF Model (MEUR)	2016	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	TERM
<b>EBIT (Operating profit)</b>	<b>9,4</b>	<b>11,7</b>	<b>14,1</b>	<b>17,5</b>	<b>22,2</b>	<b>27,4</b>	<b>30,7</b>	<b>35,4</b>	<b>33,7</b>	<b>29,8</b>	<b>17,9</b>	
+ Depreciation	0,4	0,6	0,7	0,8	0,9	1,1	1,3	1,5	1,6	1,7	1,8	
- Paid taxes	-1,9	-2,4	-2,8	-3,5	-4,4	-5,5	-6,1	-7,1	-6,8	-6,0	-3,6	
- Change in working capital	0,3	0,4	-0,4	-0,5	-0,6	-0,6	-0,4	-0,5	-0,3	-0,3	-0,1	
<b>Operating cash flow</b>	<b>8,2</b>	<b>10,3</b>	<b>11,6</b>	<b>14,3</b>	<b>18,1</b>	<b>22,4</b>	<b>25,4</b>	<b>29,3</b>	<b>28,3</b>	<b>25,2</b>	<b>16,0</b>	
- Gross CAPEX	-0,6	-0,8	-1,1	-1,2	-1,6	-1,8	-1,8	-2,0	-2,0	-1,9	-1,9	
<b>Free operating cash flow</b>	<b>7,6</b>	<b>9,5</b>	<b>10,5</b>	<b>13,1</b>	<b>16,5</b>	<b>20,6</b>	<b>23,6</b>	<b>27,4</b>	<b>26,4</b>	<b>23,3</b>	<b>14,1</b>	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	7,6	9,5	10,5	13,1	16,5	20,6	23,6	27,4	26,4	23,3	14,1	314,0
Discounted FCFF		9,6	9,8	11,4	13,4	15,7	16,8	18,2	16,4	13,5	7,6	170,2
<b>Sum of FCFF present value</b>		<b>302,8</b>	<b>293,2</b>	<b>283,4</b>	<b>272,0</b>	<b>258,5</b>	<b>242,8</b>	<b>225,9</b>	<b>207,7</b>	<b>191,4</b>	<b>177,8</b>	<b>170,2</b>
<b>Enterprise value DCF</b>		<b>303</b>										
WACC		7,1%										

## Distribution of cash flows



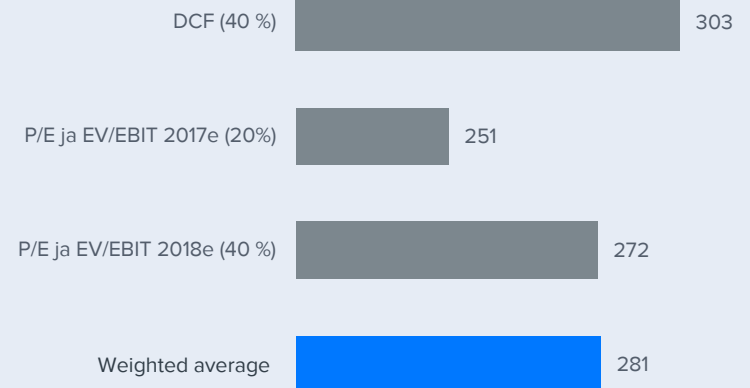
## Value based on a peer group

Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		P/E	
				2017e	2018e	2017e	2018e
Cooper Cos. Inc.	237,90	9859	10847	24,1	21,2	24,5	22,0
Ametek	68,51	13386	14982	18,4	16,3	27,2	24,4
Halma Plc	1172,00	4956	5225	23,2	21,0	30,6	27,2
Topcon corp.	2351,00	1892	2215			58,4	37,2
Medtronic	79,20	90826	108637	15,9	15,2	17,3	17,2
Essilor International	103,30	22607	25284	19,1	17,7	26,6	24,7
Carl Zeiss Meditec	45,10	4007	4069	19,8	17,7	31,8	31,0
Ambu	552,50	3202	3336	54,6	45,9	83,6	61,8
<b>Median</b>				<b>19,8</b>	<b>17,7</b>	<b>28,9</b>	<b>25,9</b>

Icare's value based on a peer group	EV/EBIT		P/E	
	2017e	2018e	2017e	2018e
Variable: Icare	11,7	14,1	9,4	11,3
x peer group multiple	19,8	17,7	28,9	25,9
+/- net debt	0,0	0,0	0,0	0,0
= EV	230,4	249,9	272,6	293,6

Source: Inderes, peer group Reuters

## Valuation summary, MEUR



# Asthma device Ventica

## Ventica's product and value promise

In early 2015, Revenio extended its product portfolio by making a licence agreement based on exclusive right on a patented invention related the diagnosis of asthma. By this day, the licensed technology has progressed and become a finished product named Ventica with a CE marking in Europe.

Ventica's idea is to introduce an accurate, easy-to-use and portable device with the help of which the screening, diagnosis and follow-up of asthma in infants and small children will become considerably easier. The current measurement methods used for the evaluation of asthma symptoms, mainly spirometry, is not suitable for small children. Therefore, the evaluation is largely based on unreliable subjective estimates which may lead to false medication and diagnosis.

With Ventica, chronic obstructive pulmonary disease (COPD) is measured during the child's sleep by measuring the respiratory flow profile. The measurements allow to detect the changes in respiration typical of asthma, which will help the doctor in diagnosis and in optimising the medication. In addition, Ventica allows measurement during tidal breathing and sleep which, again, makes it possible to observe the daily fluctuation of COPD related to the clinical picture of asthma.

Ventica is based on a wholly new concept, which cannot be directly compared with any existing measurement method. This will make its market entry somewhat challenging. The benefit of the device is, however, that the flow-volume image is a familiar concept to doctors, making it easy to interpret.

Ventica's business operating model is, just as Icare's one, based on the sales of devices and disposable components. The measurement software and algorithm play a central role in the product. According to our estimate, Revenio will invest less than MEUR 1 annually in the next few years on Ventica, and in our positive scenario the device will turn cash-flow positive in some five years. Ventica's technology and method have extensive patent protection until 2032–2033.

## Competing technologies

Unlike Icare, Ventica's technology does not have any direct competitors, since the concept is a wholly new one. Therefore, the company needs to create its own market, which will make commercialisation of the technology more challenging. The current methods in the market for children's diagnosis require a trained personnel and anaesthesia for infants, and are time-consuming and expensive. Ventica's device does not pose any particular requirements for the doctor or the environment.

The closest comparison for Ventica is spirometry, which is generally used for measuring the functioning of the lung. There are plenty of devices in the market for the purpose. There is a growing interest in the field towards new technologies, however, because the current methods and technologies are very old. Spirometry, however, is not suitable for the measurement of young children or infants. In addition, spirometry is based on a momentary measurement only, whereas Ventica is based on a longer time sequence measured from tidal breathing overnight. In this way, owing to the benefits it brings, the technology can be

extended to patients of all ages. Ventica will, however, start from small children where there is an instant need for the product.

## Markets and market potential

Asthma is the most common chronic disease in children. Approximately 335 million people around the world suffer from asthma. The disease typically begins in childhood, which also creates the need for a product like Ventica. About 20% of children suffer from asthma-like symptoms, and 8% of children under school age have asthma (source: Revenio/Ventica). This 20% means that in Europe and in the US, 3 million children annually need the diagnostics. Similarly, the 8% of children suffering from asthma corresponds to 3 million patients in need of continuous monitoring of the disease. Therefore, the market potential in Europe and in the US is dozens of thousands of devices. Asthma is a global problem meaning that Ventica's market is also global. The main markets are Europe, North America, Australia and China.

## Development stage and commercialisation

At the moment Ventica is at a stage where clinical evidence is being built for the product. The evidence will be used to formulate the sales arguments and gain stronger reference values for how the results shall be interpreted. In addition, it is important for Ventica to build the key opinion leader network already at an early stage. Ventica has been granted the European sales permit with a CE marking in early 2017, which enables the launching of more extensive clinical trials. The CE marking was the prerequisite for entering certain clinical trials important for Ventica.

# Asthma device Ventica

During the clinical trial stage, Ventica's aim is to formulate accurate product statements and to increase knowledge about the product.

Even though Ventica could sell the product already now, Revenio would make a huge mistake if it started to commercialise and sell the product before its scientific foundation is secured. The CE marking tells only about the safety of the product and that there is clinical evidence of it, but it fails to tell how well the product is applicable for the diagnosis of asthma. Lack of scientific foundation and inaccurate product statements would, at its worst, ruin the credibility of the product, resulting in a failure to enter the market. Therefore the company must now patiently invest on the scientific matters even if it still took several years for the product to reach adequate maturity.

Ventica's commercialisation will start, as we see it, step by step within a few years, when the product statements have been locked and proven. The commercialisation will start from Europe, where selling is possible already now. In addition, due to the light registration process, Australia will be one of the first markets. After this Ventica will probably go to the US market where the registration is a heavier process.

Ventica will require a market specific approach to marketing depending on the practices established in each country. In some markets, the established practice is to make asthma diagnosis on the basis of subjective evaluation. Creating demand for the product will be more difficult in these markets. Correspondingly, for example in Scandinavia, a diagnosis based on concrete measurable results plays an important role, making it a more natural location for creating demand for Ventica. The speed and

success of ramp-up will depend on how quickly the new concept will be adopted among the doctors.

## Forecasts and valuation

Making forecast for and evaluation of Ventica is still very difficult at this stage, since we do not know the final sales prices or margin structure. In addition, it is difficult to estimate the speed of ramp-up. Therefore, we will still have to lean on rough assumptions.

Ventica is now eventually progressing towards the commercial stage. According to our estimate, it will take at least 5 years from the launch to reach a foothold in which the business will begin to generate significant sales in its main markets (EU, Australia, US). We don't know the pricing of the device and its disposable components, but a probable comparison would be the EUR 1,000 price range of current spirometers, against which the product will probably be priced with a small premium. Thus, Ventica's sales of one million euros can roughly be assumed to correspond to the sales of 1,000 devices to the distributors.

Due to the limited information and visibility available we will have to approach Ventica's value with very rough estimates. For the valuation, we estimate how much Ventica's sales could be in 5 years in different scenarios, price the company with a sales multiple and discount the value to the present day with a 15% yield requirement. The sales estimates we have applied are a pessimistic MEUR 2, a neutral MEUR 4 and an optimistic MEUR 6. The corresponding sales multiples are 4x, 6x and 8x. With these parameters, we derive MEUR 12 as Ventica's current value with a tolerance of MEUR 4 to 24. In our opinion, it would be unrealistic to price the product at the present moment and in

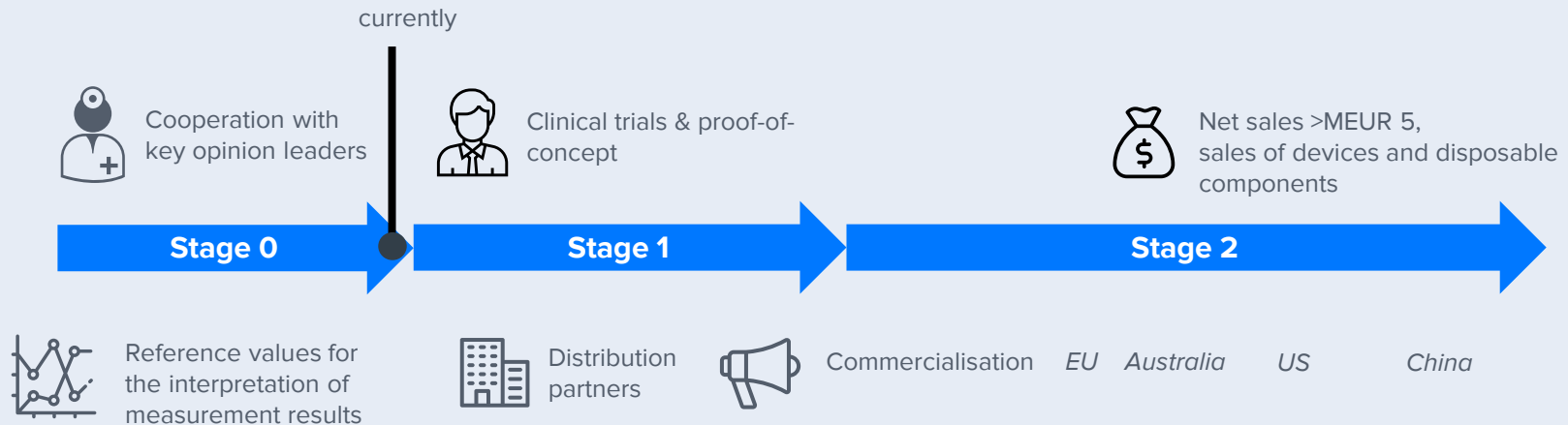
the current development stage to a level yet higher than this even though, when successful, Ventica's potential (in a 10- to 20-year perspective) would be markedly higher.

In addition to the business value, Ventica's value can be approached from the viewpoint of the strategic value of the technology. Asthma medication is approximately a 20 billion dollar business for pharmaceutical companies globally. Ventica is attached to the early stage of the care pathway in diagnostics and small children, which is why it could have a significant strategic value from the viewpoint of pharmaceutical companies. Increasing cooperation in the medical business between pharmaceutical companies and manufacturers of diagnostic equipment (companion diagnostics) could also be the most probable and easiest route from Ventica's point of view to Revenio for the realisation of the technological value. The partnership would be natural because Ventica as a device would help the pharmaceutical manufacturer to receive information on the patient with which the medication could be optimised and made to function more efficiently.

We consider cooperation with a pharmaceutical company as a more probable scenario than a scenario in which Revenio would itself try to build the distribution and sales virtually almost from scratch. The cooperation could be based on licensing or selling the whole technology to a pharmaceutical company. Due to Ventica's strategic role, Revenio could at its best receive dozens of millions of euros from Ventica even before the product is generating any significant sales. This would require, however, that Ventica will be successful in the forthcoming clinical trials and be able to verify its value promise.

# Ventica's business

## Ventica's development stage



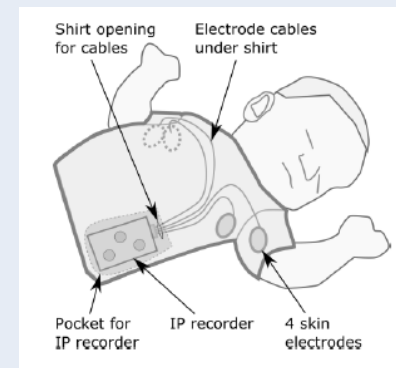
Source: Inderes, Revenio

## Valuation

Ventica	Pessimistic	Neutral	Optimistic
Revenue 2022e	2	4	6
Valuation multiple	4,0	6,0	8,0
Enterprise value 2022e (EV)	8	24	48
WACC	15 %	15 %	15 %
Present value (EV)	4	12	24

Source: Inderes

## Technology and concept



Source: Revenio

# Skin cancer device

## Product and technology

In early 2015, Revenio extended its product portfolio by making a licence agreement on hyper-spectral camera (HSC) technology for the diagnosis of skin cancer. The technology it uses has been developed by VTT, for which VTT grants licences for various purposes. In other words, Revenio has licensed the technology for the diagnosis of skin cancer. Revenio acts as a project manager in the development of the device, coordinating both its own and outsourced resources developing the product. Our understanding is that the technology will advance from the current prototype to the first finished product within a couple of years.

HSC's idea is to bring into the market a quick, easy-to-use and portable screening device to help detect skin cancers and their premalignant lesions. The methods developed so far do not always provide adequate accuracy for a reliable diagnosis. In addition, the accurate location of melanoma cannot be observed with the current methods, which means that the progress of melanoma cannot necessarily be ceased by the first surgery, which is concentrated on a limited area around the mole. Early diagnosis is a critical factor in identifying skin cancer, which creates the need for reliable screening devices.

With the help of HSC it is possible to identify early cell changes and their edges when not yet visible to the naked eye or dermatoscope. The hyper-spectral camera can see underneath a mole and indicate the depth and extent of skin that needs to be excised in order to fully remove the tumour and avoid repeat surgery. With this device, the cancer and cancerous area can be positioned more accurately, giving security both to the doctor and the patient. In addition, in this way, surgery on healthy skin areas can be avoided.

## Competing technologies

HSC can be compared with the dermatoscope, which is like a magnifying glass the doctor uses to examine the mole. HSC offers a more accurate option for the purpose. Other technologies in the market dealing with the same concept include Vivascope, Melafind, SIAscope and Scibase, for example. The challenge of new technologies attempting to enter the market is to be capable of making a device which is sufficiently low-cost and accurate, sufficiently quick in providing results and capable of imaging a sufficiently large area at a time. Revenio believes that its HSC is capable of achieving a better performance in these competition factors.

## Market

The potential market of skin cancer devices is even markedly larger than that of Icare or Ventica. The market potential is increased by the fact that melanoma is a lethal disease and rapidly becoming more common due to ageing population and increasing exposure to sunlight through an ever thinner ozone layer. In addition, by extending the technology to identify on top of various types of melanoma also other types of skin diseases could further multiply the potential of the product.

Approximately three million cases of skin cancer are diagnosed annually (source: Revenio). The largest markets are Australia, The United States and Europe. In the first target market in Europe, there are about 2,000 dermatological clinics suitable as potential buyers of the device. Dermatologists equal ophthalmologists in number globally (200,000).

## Development stage and commercialisation

A prototype of HSC exists and the commercial

product is still at the development stage. In addition to R&D, the planning of the commercial stage has already begun. At the moment, Revenio is investing in R&D so that the CE marking could be applied for the product, after which the product could go to more extensive clinical trials. Currently, the prototype of the device has test measurements ongoing in Finland and abroad. According to our estimate, it will take at least 5 years before HSC begins to generate any significant sales to Revenio.

## Value and potential of the technology

HSC's business operating model is based on the device and the related software. Accurate sales prices and profit structure of the product is not known yet, which makes forecasting difficult. We find the product more risky than Ventica, since HSC is at an earlier development stage and there are more entrepreneurs competing in its market developing a corresponding concept.

We value HSC technology in the range of MEUR 1 to MEUR 5, in which case our pessimistic scenario would more or less correspond to Revenio's investment on the technology. One of the technology peer group companies is the Swedish Scibase, a listed company which itself is developing a corresponding solution. Scibase's net sales is less than MEUR 1 and it has a debt-free market value of MEUR 7.

With skin cancer devices as well, a potential route to Revenio for commercialisation would be partnering with pharmaceutical companies, for example. It would probably be wisest for Revenio to search for a partner or to sell the technology as a whole at some point.



# Osteodensitometer OsCare Sono

## Product and technology

Oscare Medical Oy is a company of which Revenio owns a share of 53.5%. The company is manufacturing an osteodensitometer for the screening of osteoporosis. The device measures bone strength from the radius bone in the forearm using low-frequency ultrasound. The aim is to launch an easy and reliable way to measure bone strength, which helps in the early identification of osteoporosis. Often the diagnosis of osteoporosis is done too late, for example, in conjunction with injuries. Oscare's small and easy-to-use meter enables the screening of osteoporosis in a cost-efficient and easy way.

Oscare Medical was established in 2007. OsCare Sono was granted a sales permit in Europe in 2013, but the product has not reached a significant foothold in the market by now. The company's net sales is in the 100,000 euro range.

## Market and commercialisation

Some 28 million people in Europe suffer from osteoporosis, while only a fraction of them have been diagnosed with it.

OsCare Sono is suitable for use at the beginning of the treatment chain, for example, in primary health care. In a health centre or at a general practitioners appointment, OsCare Sono could also be used to identify osteoporosis in persons from whom the disease would go unnoticed otherwise. Patients with lowered bone strength in the forearm and thus with an elevated risk of osteoporosis can be directed to further, diagnostic investigations to be made by X-ray.

On the other hand, with the help of OsCare Sono we can avoid directing those with a low risk of osteoporosis unnecessarily to further investigations.

One factor slowing down the commercialisation in the public sector has been that bone strength measurement based on ultrasound is not covered by insurance. International care guidelines do not recommend using ultrasound in a wide scale for the screening of osteoporosis either, even though using ultrasound for making a risk assessment is recommended in certain situations. In addition, the bad reputation of former generation ultrasound devices which measured bone density from the heel, has made it more difficult for Oscare to enter the market.

Another challenge for Oscare is that osteoporosis is an eventually progressing diseases which is not lethal. Therefore there is no such acute need and demand for the product as there is for Revenio's devices meant for the treatment of glaucoma and screening of skin cancer. After persistent efforts, pharmacies which can provide bone density measurement as a service to their customers, have become one of the customer groups. What Oscare is now aiming at is that it could establish a position in the treatment of osteoporosis at an as early stage of the care pathway as possible so that the risks for the disease could be lowered by anticipatory means by changing the patient's living habits.

## Oscare's forecast and value

Oscare has capitalised R&D expenses of the worth of MEUR 1.4 in its balance. Currently the

company makes an annual operating loss of MEUR 0.5 in the form of depreciations and fixed costs. Half of this is compensated to Revenio through the minority shares (46.5%).

We do not see Oscare to have any weight in Revenio's market value, and the role of the product is open in Revenio's strategy. We find it likely that Revenio aims at finding another owner for the company. When divesting the product, it could be realistic in a good scenario to receive MEUR 1.5 from it, which equals the current balance sheet value. We are valuing Oscare between MEUR 0 to MEUR 2 as part of Revenio's valuation.

From Revenio's point of view, the divestment would after a potential write-down have a positive impact on the result because it would increase the Group level EBIT by more than 5%. Oscare's result is lowering Revenio's Group level figures annually by approximately MEUR 0.5 on EBIT level and MEUR 0.25 on the net profit level. Part of the losses result from depreciations from R&D, and so the cash flow effect to Revenio is smaller than suggested by the above-mentioned values.

# Forecasts and valuation for Revenio 1/3

## Forecasts

Our forecasts for Revenio Group are largely based on the forecasts made in the Icare section as well as on the estimated group expenses and development expenses of new products. In the next few years, the net sales is almost solely based on Icare sales. From 2020 onwards, we estimate the new development items to start supporting Revenio's net sales to some extent. Thus, we are taking the sales of Ventica and the skin cancer device into account in the forecasts extending to the following decade.

We estimate Revenio as a whole to continue at a growth rate of slightly under 20% on the basis of the ramp-up of the HOME product and the increase of the market penetration of Icare's latest device models. The largest development investments of the company which increased the expenses were made in 2015–2016. As the growth of the expenses will level down in the next few years, Revenio will reach a strong growth rate. Therefore we estimate Revenio's EBIT % to increase from last year's 30% even up to 40% at the end of the decade. The earnings per share will rise in our estimate from 0.7 euros last year to the level of 1.9 euros in 2020. We estimate the company to distribute the whole result as dividends, which is possible owing to the strong balance sheet and cash flow. The company's result and cash flow will go hand in hand due to the light balance sheet and small investments. In the next few quarters we will be paying attention to the company's comments on the sales of the HOME product. Our forecasts will become more accurate as soon as we receive more information on the speed of the ramp-up of HOME.

Compared to our former forecasts (21 April 2017), our estimates have changed so that our

forecast for the next few years has slightly declined while the long-term forecasts have increased. This is particularly based on our estimates on the speed of ramp-up of HOME and Ventica. Similarly, compared to our former and cautious estimate, we are now more confident that Icare will be able to hold high margins and average prices also in 2020–2025. Our former estimate took a very cautious stand on what the impact of the potential new competition would be on the prices when Icare's competitive protection is weakening.

## Investment opinion

Revenio's share represents a combination of defensive business, strong competitive protection, high cash flow and dividend, scalable and very profitable business operating model and growth potential which continues to be strong in new products (HOME). The combination is alluring. Therefore, the acceptable valuation level of the share has especially in the current favourable stock market risen to a level, which already reflects a valuation higher than the combined value of Revenio's parts. It is good to remember, however, that Revenio's currently strong profile is not a sustainable one in the long term, since the Icare tonometers, which currently are bringing strong cash flow, are approaching their maturity and the weakening of the patent protection in an increasing number of the main markets. In addition, redeeming Revenio's current value will require especially the HOME product to be successful. Ventica and the skin cancer device can be considered as call options in the share by nature, and their role in the value formation still remains to be minor.

If we look at Revenio as a long-term investment, we expect the company to make more clear and focused strategic choices regarding the stage

that started two years ago in which the idea was to transform the company into a health technology group. From the long-term point of view, the risk in the current strategy is to lean too heavily on the cash cow, Icare, especially if HOME is not going to bring the company a jackpot. As regards Ventica and the skin cancer device, we find it possible that the company would divest these technologies instead of taking the effort to commercialise them on its own. Although these development items potentially create significant value, their compatibility with the company's core competence (eye diseases) is limited and Revenio has limited resources in use for the extensive commercialisation of these technologies. Thus, it is too early to say yet whether Revenio's new form is a health technology portfolio or investment company or a device manufacturer specialised in a certain competence area. In the business sector of the company, even the larger players have specialised in certain therapies (diseases), which is why Revenio's specialization in the screening of diseases is a very ambitious one for a long-term strategy.

The stock market's yield requirement has grown and more and more is required from Revenio. Revenio was still an easy target when the share was priced clearly under Icare's value. At the current development stage, in the light of the current market value we are forced to look further. The market value of the company is very strongly leaning on expectations of revenue growth far ahead in the future, the achievement of which would require the current products to be really successful and preferably also Revenio's success in extending its product portfolio. We see the risk that the market is now expecting too much from the company and too fast.

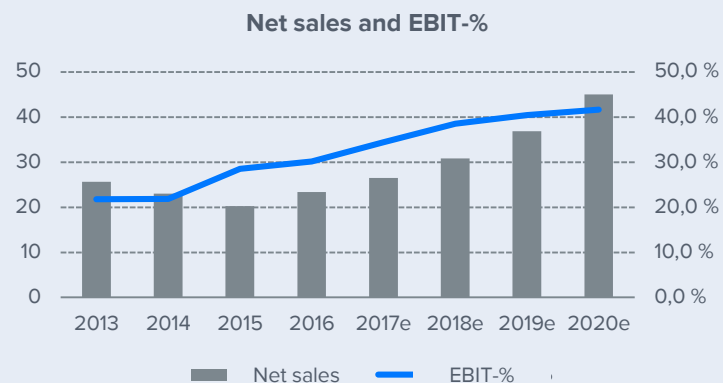


# Estimates

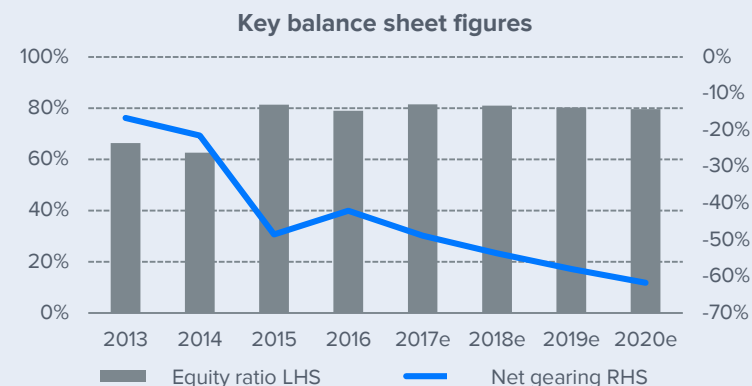
## Estimates and key figures

Income statement	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Net Sales	25,7	23,0	20,2	23,4	26,5	30,9	36,9	45,0
EBITDA	6,3	5,6	6,3	7,7	9,9	12,7	15,9	19,8
Adjusted EBIT	5,6	5,0	5,8	7,1	9,1	11,9	14,9	18,8
Adjusted EBIT-%	21,8 %	21,9 %	28,5 %	30,1 %	34,4 %	38,6 %	40,5 %	41,7 %
EBIT	5,6	5,0	5,8	7,1	9,1	11,9	14,9	18,8
Pre-tax profit	5,5	5,2	5,9	7,1	8,9	11,9	14,9	18,8
Net Income	4,3	4,3	4,9	5,6	7,3	9,4	11,8	14,8
EPS	0,55	0,54	0,61	0,70	0,91	1,18	1,48	1,86
Free cash flow	5,1	2,3	8,2	4,6	7,6	9,2	11,5	14,2

Source: Inderes



Key figures	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Net sales growth-%	1,5 %	-10,4 %	-12,1 %	15,7 %	13,2 %	16,5 %	19,5 %	22,0 %
EBITDA-%	24,7 %	24,5 %	31,2 %	33,0 %	37,4 %	41,3 %	43,0 %	44,0 %
EBIT-%	21,8 %	21,9 %	28,5 %	30,1 %	34,4 %	38,6 %	40,5 %	41,7 %
ROE-%	29,1 %	31,7 %	35,2 %	35,8 %	44,1 %	51,6 %	57,4 %	62,5 %
ROI-%	32,0 %	32,8 %	39,0 %	44,4 %	56,7 %	68,3 %	75,6 %	81,9 %
Equity ratio	66,4 %	62,7 %	81,4 %	79,0 %	81,5 %	81,0 %	80,3 %	79,7 %
Net gearing	-16,7 %	-21,5 %	-48,5 %	-42,0 %	-48,8 %	-53,7 %	-57,9 %	-61,7 %



Source: Inderes

# Forecasts and valuation for Revenio 2/3

## Future scenarios

We look at the share in the perspective of the next 3 to 5 years through three different scenarios:

- In the basic scenario according to our forecast 1) Icare meters will continue steady growth and profitability at least until 2025, 2) the HOME product will start strong growth at the end of the decade, bringing a strong foothold for Revenio, 3) asthma and skin cancer devices will proceed towards the commercial stage as planned meaning that they could receive high valuation in a potential divestment. In this scenario, the share price would be at the 40 to 50 euro level at the beginning of the next decade, assuming a P/E ratio in the range of 25-30x. The annual yield of the share including dividend versus the current rate would remain on one-digit level.
- In a negative scenario 1) asthma and skin cancer devices will not progress as planned, 2) Icare receives the first competitor utilising RBT technology already in 2020 after the expiration of the patent protection in 2019 (assuming a one-year FDA process) and 3) the ramp-up of the HOME product will fail and the annual sales will remain in the range of a couple of thousand units. In this scenario the company would not reach the revenue growth in accordance with our forecast and the pricing of the share would probably drop to the level of 20 to 30 euros (P/E 15–20x) at the beginning of the next decade, because the market would become nervous when the former cash cow begins to die down if there were no new arising products in the pipe.

- In a positive scenario 1) the potential of the HOME product will realise and the product would grow bigger than Icare's current business in the next 5 years, 2) Icare technology will not face competition in spite of the weakening competitive protection, 3) asthma and skin cancer devices will proceed towards the commercial stage as planned and 4) Revenio will extend its product portfolio through successful acquisitions in the field of eye diseases. In this scenario Revenio would continue with strong value creation, which it also has been capable of doing in the past.

## Valuation

We approach Revenio's value through the sum of parts calculation and through the DCF cash flow statement. Most of the value is based on Icare whose valuation has been presented earlier on in this report. According to our estimate, the current high valuation will last the next 12 months assuming that no major shocks are seen in the stock market. We do not, however, see any significant growth potential in the share. Our view could prove wrong if 1) the HOME product is ramped up quicker than we anticipate 2) the acquisition scenario is realised or 3) the valuation of the share is detached from the fundamentals as expectations related to new products are growing.

### Multiples and the peer group

We apply a corresponding peer group to Revenio as we did in the former valuation for Icare. The most important multiples for the company are the EV/EBIT and P/E ratios.

In the light of our forecasts, the EV/EBIT ratios for years 2017–2018 are 29x and 22x, which are about 46% and 24% higher than those of the peer group. The P/E ratios (39x and 30x) are about 35% and 17% higher than those of the peer group, respectively. We are ready to accept higher multiples for Revenio than to the peer group especially because of the potential that lies in the HOME product, which is not yet visible in the values for 2017–18. When looking into 2020, the P/E and EV/EBIT ratios will drop down to the level of 19x and 14x. On the basis of the current multiples, however, we can state that it is difficult to find any grounds for the growth potential of the share from earnings multiple expansion.

Revenio's share is moderately supported by the reasonable 3% yield in the next few years and the increasing dividend stream, which in practice results from the idea that in our forecast the company will distribute the entire result as dividends. Revenio's competitors are clearly more investment-oriented and have a lower payout ratio. In case Revenio had good investment targets, from the viewpoint of allocation of capital it would make the most sense for the company at the current valuation level to make investments through the financing channel enabled by its own share. The company could also finance its investments rather well by lowering the profit distribution ratio. As we see it, the current 100% profit distribution ratio partially signals the scarcity of investment targets and that the owners are used to the open-handed distribution of profits enabled by Icare's abundant cash flow.

# Forecasts and valuation for Revenio 3/3

## Sum of the parts

In the sum of the parts calculation, we estimate the total value of Revenio's parts summed up in three scenarios. The values are based on the valuations presented earlier in this report.

On the basis of our valuation, Icare's value was MEUR 281, the range being MEUR 230–343. The scenarios are based on +/-20% pricing multiples in comparison to the peer group and on the +/-1 percentage unit fluctuation of the yield requirement of the DCF model. Ventica was evaluated at MEUR 12 with a range of MEUR 4 to MEUR 24.

HSC, Oscare and the estimated net cash of the company are evaluated at MEUR 6 with a range of MEUR 3 to MEUR 9. The current value of Revenio's group expenses settles at MEUR -35 with the range of MEUR -41 to -31. We expect the annual group expenses to be MEUR 1.7, the growth being 2% a year and the cost of capital requirement (WACC) being 6.9%.

The total sum of the parts settles at MEUR 264, which corresponds to a value of 33.1 euros per share. In the different scenarios, the value varies between 24.5 and 43.3 euros. On the basis of the calculation, the sum of the parts does not really work as a factor for supporting Revenio's share. According to our estimate, the stock market is currently prepared to accept a valuation higher than the sum of its parts to the company due to the alluring investment profile. In addition, the valuation may reflect the expectations in which Icare's potential would realise in a very quick schedule along with an acquisition or very quick and successful ramp-up

of the HOME product.

## DCF calculation

In the DCF model based on our forecasts, the value for the whole Revenio Group is 38.9 euros per share. The model assumes the company to grow at a pace of 15 to 20% annually until 2023, after which the growth would level down to 2.5% with assumed terminal year after 2026. The EBIT % will rise to its peak of 40% in 2020, after which profitability will level down to 23% in the terminal year (2026e).

The Weighted Average Cost Of Capital (WACC) of the DCF model applied by us is very low, 6.9%, which owing to Icare reflects stable and relatively predictable cash flow. The WACC applied for Revenio Group is a little lower than that of Icare due to the lower risk of the more distributed product portfolio at group level. 65% of the value of the DCF model is based on the values after the terminal year (after 2026), which reflects that the valuation is heavily based on cash flows that are based on faraway assumptions. In other words, justifying the valuation of Revenio's value at a higher level than the current share price is very difficult even from the DCF model's point of view (low WACC and high terminal value). In addition, the DCF model also emphasises the risk factor that a significant part of the company's current value is leaning on a period when Icare's patent protection has weakened.

## Sum of the parts calculation

Icare	Pessimistic	Neutral	Optimistic
DCF (40 %)	256	305	381
Valuation multiples 17e (20 %)	201	252	302
Valuation multiples 18e (40 %)	217	272	326
Enterprise value (EV)	230	281	343

Ventica	Pessimistic	Neutral	Optimistic
Net sales 2022e	2	4	6
Valuation multiple	4,0	6,0	8,0
Enterprise value 2022e (EV)	8	24	48
WACC	15 %	15 %	15 %
Present value (EV)	4	12	24

Others	Pessimistic	Neutral	Optimistic
Hyperspectral camera	1	3	5
Oscare	0	1	2
Net debt Q2'17e	2	2	2
Others total	3	6	9

Group expenses	Pessimistic	Neutral	Optimistic
Variable: Annual costs	-2,0	-1,7	-1,5
Growth-%	2,0 %	2,0 %	2,0 %
Discount factor	6,9 %	6,9 %	6,9 %
Present value (EV)	-41	-35	-31

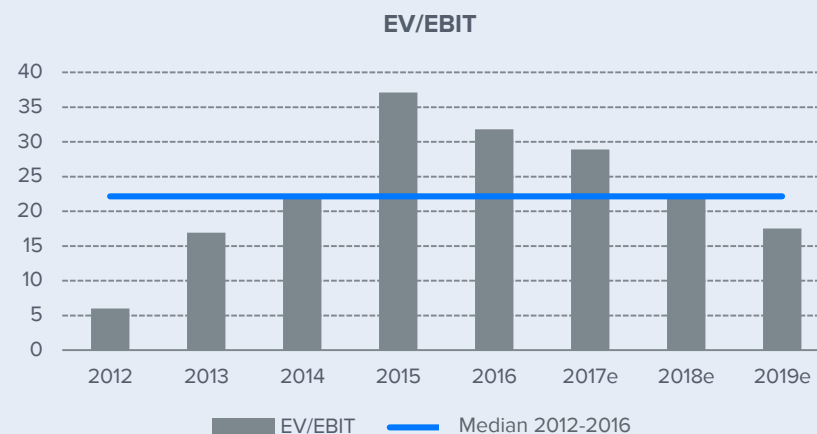
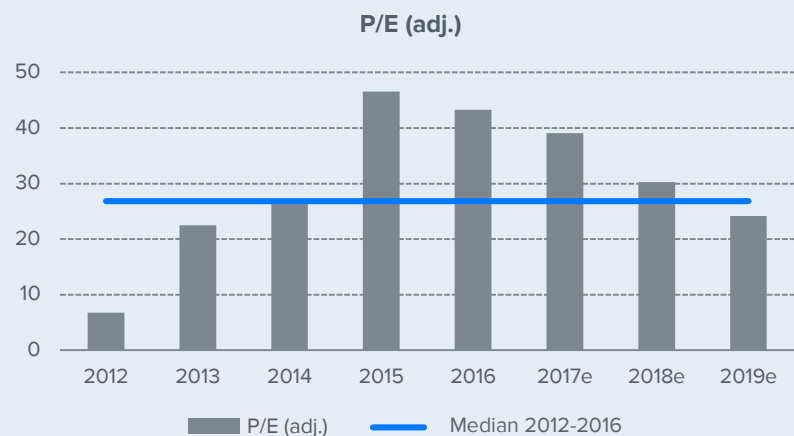
Revenio total, mcap	Pessimistic	Neutral	Optimistic
Part of the sum, MEUR	195	264	345
Part of the sum per share	24,5	33,1	43,3

Source: Inderes

# Valuation summary

Valuation	2012	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Stock price	0,40	12,38	14,55	28,61	30,48	35,68	35,68	35,68	35,68
Market cap	31	97	116	228	243	285	285	285	285
Enterprise value (EV)	29	95	112	214	224	263	263	262	260
P/E (adj.)	6,7	22,5	26,8	46,6	43,3	39,1	30,3	24,1	19,2
P/E	6,7	22,5	26,8	46,6	43,3	39,1	30,3	24,1	19,2
P/Cashflow	-107,5	18,9	49,5	27,9	52,7	37,7	30,8	24,8	20,0
P/B	2,1	6,5	9,4	14,7	15,4	16,6	14,8	13,0	11,2
P/S	1,2	3,8	5,0	11,3	10,4	10,7	9,2	7,7	6,3
EV/Sales	1,2	3,7	4,8	10,6	9,6	9,9	8,5	7,1	5,8
EV/EBITDA	5,2	14,9	19,7	34,0	29,0	26,6	20,6	16,5	13,2
EV/EBIT	6,0	16,9	22,2	37,1	31,8	28,9	22,1	17,5	13,9
Payout ratio (%)	104,5 %	54,5 %	83,0 %	114,0 %	105,1 %	100,8 %	97,6 %	94,7 %	90,0 %
Dividend yield-%	15,5 %	2,4 %	3,1 %	2,4 %	2,4 %	2,6 %	3,2 %	3,9 %	4,7 %

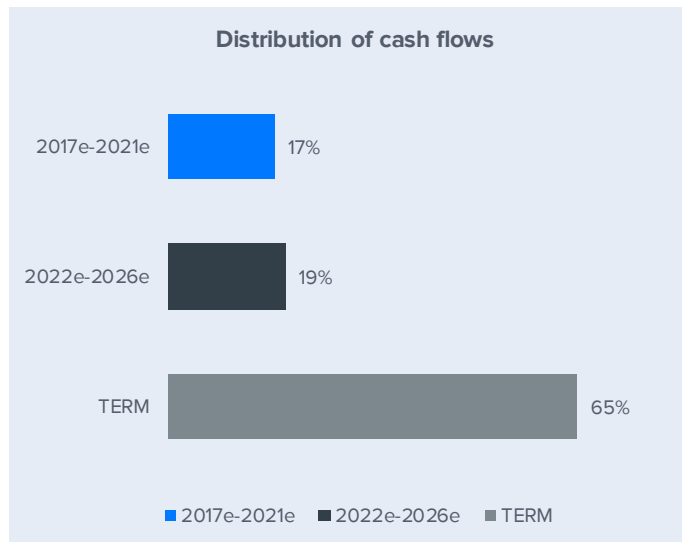
Source: Inderes



# Discounted cash flow model

DCF model (MEUR)	2016	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	TERM
<b>EBIT (operating profit)</b>	<b>7,1</b>	<b>9,1</b>	<b>11,9</b>	<b>14,9</b>	<b>18,8</b>	<b>21,2</b>	<b>23,4</b>	<b>23,9</b>	<b>24,7</b>	<b>22,5</b>	<b>19,3</b>	
+ Depreciation	0,7	0,8	0,8	0,9	1,0	1,1	1,2	1,3	1,4	1,5	1,6	
- Paid taxes	-1,6	-1,8	-2,5	-3,1	-3,9	-4,5	-4,9	-5,0	-5,2	-4,7	-4,1	
- Tax, financial expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
+ 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	-0,2	0,0	-0,3	-0,5	-0,6	-0,6	-0,7	-0,7	-0,6	-0,2	-0,2	
<b>Operating cash flow</b>	<b>5,9</b>	<b>8,1</b>	<b>9,9</b>	<b>12,2</b>	<b>15,2</b>	<b>17,3</b>	<b>19,0</b>	<b>19,5</b>	<b>20,4</b>	<b>19,0</b>	<b>16,7</b>	
+ Change in other long-term liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
,- Gross CAPEX	-1,3	-0,5	-0,6	-0,8	-1,0	-1,1	-1,3	-1,4	-1,6	-1,9	-1,7	
<b>Free operating cash flow</b>	<b>4,6</b>	<b>7,6</b>	<b>9,2</b>	<b>11,5</b>	<b>14,2</b>	<b>16,1</b>	<b>17,8</b>	<b>18,1</b>	<b>18,8</b>	<b>17,1</b>	<b>15,0</b>	
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCFF	4,6	7,6	9,2	11,5	14,2	16,1	17,8	18,1	18,8	17,1	15,0	349,1
Discounted FCFF		7,6	8,7	10,1	11,7	12,4	12,8	12,2	11,8	10,1	8,3	192,5
<b>Sum of FCFF present value</b>	<b>298,0</b>	<b>290,4</b>	<b>281,7</b>	<b>271,7</b>	<b>260,0</b>	<b>247,6</b>	<b>234,8</b>	<b>222,6</b>	<b>210,8</b>	<b>200,7</b>	<b>192,5</b>	
<b>Enterprise value DCF</b>	<b>298,0</b>											
- Interesting bearing debt		-0,7										
+ Cash and equivalents		7,1										
-Minorities		13,3										
-Dividend/capital return		-5,9										
<b>Equity value DCF</b>	<b>311,7</b>											
<b>Equity value DCF share</b>	<b>39,07</b>											

WACC	
Tax-% (WACC)	20,0 %
Target debt ratio (D/(D+E))	20,0 %
Cost of debt	6,5 %
Equity Beta	0,90
Market risk premium	4,75 %
Liquidity premium	0,00 %
Risk free interest rate	3,0 %
Cost of equity	7,3 %
Average cost of capital (WACC)	6,9 %



# Peer group valuation

Company	Stock price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		Dividend-%	
		MEUR	MEUR	2017e	2018e	2017e	2018e	2017e	2018e	2017e	2018e	2017e	2018e
Cooper Cos. Inc.	237,90	9859	10847	24,1	21,2	19,8	17,6	6,2	5,6	24,5	22,0	0,0	0,0
Ametek	68,51	13386	14982	18,4	16,3	15,6	14,0	4,0	3,7	27,2	24,4	0,6	0,6
Halma Plc	1172,00	4956	5225	23,2	21,0	20,1	18,0	4,8	4,4	30,6	27,2	1,1	1,2
Topcon corp.	2351,00	1892	2215			15,4	13,1	2,0	1,9	58,4	37,2	0,7	0,9
Medtronic	79,20	90826	108637	15,9	15,2	14,3	13,6	4,5	4,3	17,3	17,2	2,2	2,3
Essilor International	103,30	22607	25284	19,1	17,7	14,3	13,4	3,3	3,1	26,6	24,7	1,4	1,5
Carl Zeiss Meditec	45,10	4007	4069	19,8	17,7	17,4	15,9	3,0	2,7	31,8	31,0	1,1	1,2
Ambu	552,50	3202	3336	54,6	45,9	44,5	35,3	10,9	9,5	83,6	61,8	0,4	0,5
<b>Revenio Group (Inderes)</b>	<b>35,68</b>	<b>285</b>	<b>263</b>	<b>28,9</b>	<b>22,1</b>	<b>26,6</b>	<b>20,6</b>	<b>9,9</b>	<b>8,5</b>	<b>39,1</b>	<b>30,3</b>	<b>2,6</b>	<b>3,2</b>
<b>Average</b>				<b>25,0</b>	<b>22,2</b>	<b>20,2</b>	<b>17,6</b>	<b>4,8</b>	<b>4,4</b>	<b>37,5</b>	<b>30,7</b>	<b>0,9</b>	<b>1,0</b>
<b>Median</b>				<b>19,8</b>	<b>17,7</b>	<b>16,5</b>	<b>14,9</b>	<b>4,2</b>	<b>4,0</b>	<b>28,9</b>	<b>25,9</b>	<b>0,9</b>	<b>1,0</b>
<b>Difference-% compared to median</b>				<b>46 %</b>	<b>24 %</b>	<b>61 %</b>	<b>38 %</b>	<b>135 %</b>	<b>114 %</b>	<b>35 %</b>	<b>17 %</b>	<b>186 %</b>	<b>219 %</b>

Source: Reuters / Inderes.

# Income statement and the balance sheet

## Income statement

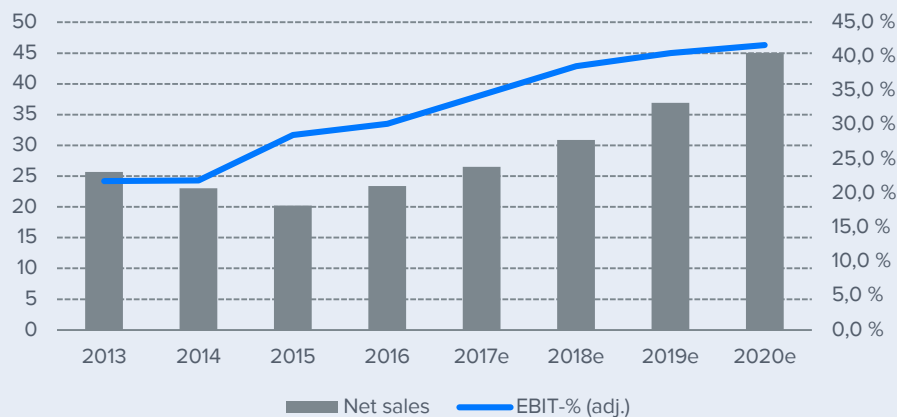
(MEUR)	2014	2015	2016	2017e	2018e	2019e
<b>Net sales</b>	<b>23</b>	<b>20</b>	<b>23</b>	<b>26</b>	<b>31</b>	<b>37</b>
Costs	-17	-14	-16	-17	-18	-21
<b>EBITDA</b>	<b>5,6</b>	<b>6,3</b>	<b>7,7</b>	<b>9,9</b>	<b>12,7</b>	<b>15,9</b>
Depreciation	-0,6	-0,5	-0,7	-0,8	-0,8	-0,9
<b>EBIT</b>	<b>5,0</b>	<b>5,8</b>	<b>7,1</b>	<b>9,1</b>	<b>11,9</b>	<b>14,9</b>
<i>NRIs in EBIT</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>
<i>EBIT (excl. NRIs)</i>	<i>5,0</i>	<i>5,8</i>	<i>7,1</i>	<i>9,1</i>	<i>11,9</i>	<i>14,9</i>
Net financial items	0,2	0,1	0,1	-0,2	0,0	0,0
Associated companies	0,0	0,0	0,0	0,0	0,0	0,0
<b>Pre-tax profit</b>	<b>5,2</b>	<b>5,9</b>	<b>7,1</b>	<b>8,9</b>	<b>11,9</b>	<b>14,9</b>
Other items	-0,1	0,0	0,0	0,0	0,0	0,0
Taxes	-0,9	-1,3	-1,5	-1,8	-2,5	-3,1
Minorities	0,0	0,3	0,0	0,2	0,0	0,0
<b>Net earnings</b>	<b>4,3</b>	<b>4,9</b>	<b>5,6</b>	<b>7,3</b>	<b>9,4</b>	<b>11,8</b>
<i>Net earnings (excl. NRI)</i>	<i>4,3</i>	<i>4,9</i>	<i>5,6</i>	<i>7,3</i>	<i>9,4</i>	<i>11,8</i>
Extraordinaries	-4,8	1,9	0,0	0,0	0,0	0,0
<b>Profit for period</b>	<b>-0,5</b>	<b>6,8</b>	<b>5,6</b>	<b>7,3</b>	<b>9,4</b>	<b>11,8</b>
<i>EPS</i>	<i>0,54</i>	<i>0,61</i>	<i>0,70</i>	<i>0,91</i>	<i>1,18</i>	<i>1,48</i>
<b>EPS (excl. NRIs)</b>	<b>0,54</b>	<b>0,61</b>	<b>0,70</b>	<b>0,91</b>	<b>1,18</b>	<b>1,48</b>

## Balance sheet

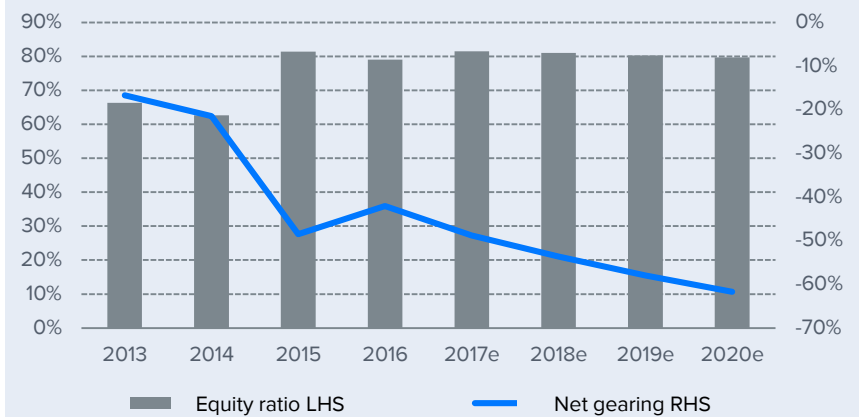
Assets (MEUR)	2014	2015	2016	2017e	2018e
<b>Non-current assets</b>	<b>4,7</b>	<b>5,8</b>	<b>6,6</b>	<b>6,3</b>	<b>6,1</b>
Goodwill	1,1	1,2	1,2	1,2	1,2
Intangible assets	2,8	3,7	4,2	4,0	3,7
Tangible assets	0,6	0,7	0,9	0,8	0,9
Associated companies	0,0	0,0	0,0	0,0	0,0
Other investments	0,0	0,0	0,0	0,0	0,0
Other non-current assets	0,0	0,0	0,0	0,0	0,0
Deferred tax assets	0,2	0,2	0,3	0,3	0,3
<b>Current assets</b>	<b>14,6</b>	<b>12,7</b>	<b>12,4</b>	<b>13,8</b>	<b>16,7</b>
Inventories	1,3	1,8	2,3	2,4	2,8
Other current assets	6,9	0,0	0,0	0,0	0,0
Receivables	2,3	2,6	3,1	3,4	4,0
Cash and equivalents	4,1	8,3	7,1	8,0	9,9
<b>Balance sheet total</b>	<b>19,3</b>	<b>18,5</b>	<b>19,0</b>	<b>20,1</b>	<b>22,8</b>

Liabilities (MEUR)	2014	2015	2016	2017e	2018e
<b>Equity</b>	<b>12,3</b>	<b>15,5</b>	<b>15,8</b>	<b>17,2</b>	<b>19,3</b>
Share capital	5,3	5,3	5,3	5,3	5,3
Retained earnings	-0,6	2,8	3,1	4,5	6,5
Shares repurchased	0,0	0,0	0,0	0,0	0,0
Revaluation reserve	0,0	0,0	0,0	0,0	0,0
Other equity	7,6	7,4	7,4	7,4	7,4
Minorities	-0,2	-0,5	-0,8	-0,8	-0,8
<b>Non-current debt</b>	<b>0,9</b>	<b>0,5</b>	<b>0,7</b>	<b>0,0</b>	<b>0,0</b>
Deferred tax liabilities	0,0	0,0	0,0	0,0	0,0
Provisions	0,0	0,0	0,0	0,0	0,0
Long term debt	0,9	0,5	0,7	0,0	0,0
Convertibles	0,0	0,0	0,0	0,0	0,0
Other long term liabilities	0,0	0,0	0,0	0,0	0,0
<b>Current debt</b>	<b>6,3</b>	<b>2,9</b>	<b>3,2</b>	<b>3,7</b>	<b>4,3</b>
Short term debt	0,6	0,4	0,0	0,0	0,0
Payables	1,9	2,5	3,2	3,7	4,3
Other current liabilities	3,8	0,0	0,0	0,0	0,0
<b>Balance sheet total</b>	<b>19,3</b>	<b>18,5</b>	<b>19,0</b>	<b>20,1</b>	<b>22,8</b>

Net sales and profitability



Balance sheet key figures

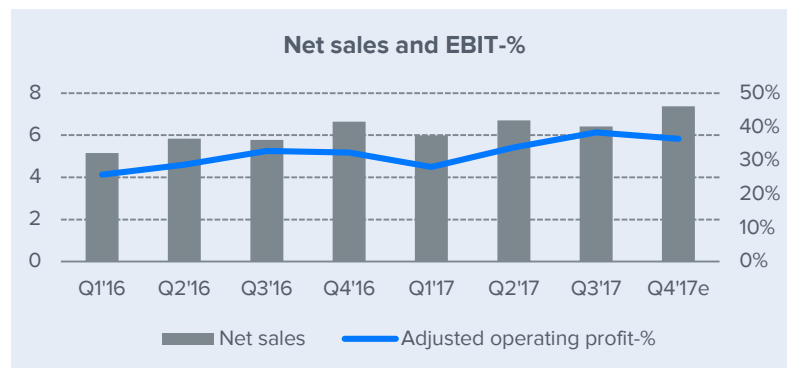


# Quarterly estimates

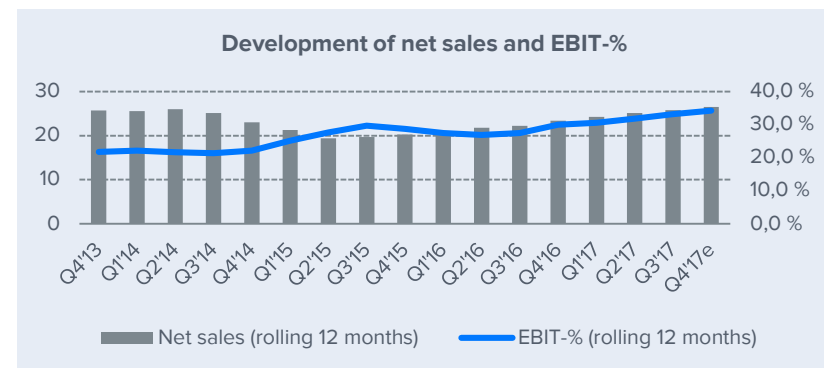
Quarterly estimates	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17e	2017e	2018e	2019e
<b>Net sales</b>	<b>20,2</b>	<b>5,2</b>	<b>5,8</b>	<b>5,8</b>	<b>6,6</b>	<b>23,4</b>	<b>6,0</b>	<b>6,7</b>	<b>6,4</b>	<b>7,4</b>	<b>26,5</b>	<b>30,9</b>	<b>36,9</b>
Healthcare	20,2	5,2	5,8	5,8	6,6	23,4	6,0	6,7	6,4	7,4	26,5	30,9	36,9
<b>EBITDA</b>	<b>6,3</b>	<b>1,5</b>	<b>1,9</b>	<b>2,1</b>	<b>2,3</b>	<b>7,7</b>	<b>1,9</b>	<b>2,5</b>	<b>2,7</b>	<b>2,9</b>	<b>9,9</b>	<b>12,7</b>	<b>15,9</b>
Depreciation	-0,5	-0,2	-0,2	-0,2	-0,1	-0,7	-0,2	-0,2	-0,2	-0,2	-0,8	-0,8	-0,9
<b>Adjusted EBIT</b>	<b>5,8</b>	<b>1,3</b>	<b>1,7</b>	<b>1,9</b>	<b>2,2</b>	<b>7,1</b>	<b>1,7</b>	<b>2,3</b>	<b>2,5</b>	<b>2,7</b>	<b>9,1</b>	<b>11,9</b>	<b>14,9</b>
<b>EBIT</b>	<b>5,8</b>	<b>1,3</b>	<b>1,7</b>	<b>1,9</b>	<b>2,2</b>	<b>7,1</b>	<b>1,7</b>	<b>2,3</b>	<b>2,5</b>	<b>2,7</b>	<b>9,1</b>	<b>11,9</b>	<b>14,9</b>
Healthcare	7,4	1,6	2,1	2,3	2,6	8,6	2,3	2,8	2,9	3,2	11,2	13,7	16,8
Group expenses	-1,7	-0,3	-0,4	-0,4	-0,5	-1,6	-0,6	-0,5	-0,5	-0,5	-2,1	-1,8	-1,9
Net financials	0,1	0,0	0,0	0,0	0,0	0,1	0,0	-0,1	-0,1	0,0	-0,2	0,0	0,0
<b>PTP</b>	<b>5,9</b>	<b>1,3</b>	<b>1,7</b>	<b>1,9</b>	<b>2,2</b>	<b>7,1</b>	<b>1,7</b>	<b>2,2</b>	<b>2,4</b>	<b>2,7</b>	<b>8,9</b>	<b>11,9</b>	<b>14,9</b>
Taxes	-1,3	-0,4	-0,3	-0,3	-0,5	-1,5	-0,3	-0,5	-0,5	-0,6	-1,8	-2,5	-3,1
Minority interest	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,0	0,2	0,0	0,0
<b>Net earnings</b>	<b>4,9</b>	<b>0,9</b>	<b>1,4</b>	<b>1,6</b>	<b>1,7</b>	<b>5,6</b>	<b>1,4</b>	<b>1,8</b>	<b>1,9</b>	<b>2,2</b>	<b>7,3</b>	<b>9,4</b>	<b>11,8</b>
<b>EPS (adj.)</b>	<b>0,61</b>	<b>0,12</b>	<b>0,18</b>	<b>0,20</b>	<b>0,21</b>	<b>0,70</b>	<b>0,18</b>	<b>0,22</b>	<b>0,24</b>	<b>0,27</b>	<b>0,91</b>	<b>1,18</b>	<b>1,48</b>
<b>EPS (rep.)</b>	<b>0,62</b>	<b>0,12</b>	<b>0,18</b>	<b>0,20</b>	<b>0,21</b>	<b>0,70</b>	<b>0,18</b>	<b>0,22</b>	<b>0,24</b>	<b>0,27</b>	<b>0,91</b>	<b>1,18</b>	<b>1,48</b>

Key figures	2015	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17e	2017e	2018e	2019e
Revenue growth-%	-12,1 %	12,9 %	19,7 %	8,7 %	21,3 %	15,7 %	16,3 %	15,0 %	11,1 %	11,0 %	13,2 %	16,5 %	19,5 %
Adjusted revenue growth-%	14,8 %	-5,7 %	10,1 %	18,4 %	73,9 %	22,2 %	26,8 %	35,7 %	29,7 %	24,9 %	29,1 %	30,7 %	25,4 %
EBITDA-%	31,2 %	28,9 %	32,2 %	36,3 %	34,2 %	33,0 %	31,5 %	36,9 %	41,5 %	39,2 %	37,4 %	41,3 %	43,0 %
Adjusted operating profit-%	28,5 %	25,8 %	28,7 %	32,9 %	32,4 %	30,1 %	28,1 %	33,9 %	38,4 %	36,4 %	34,4 %	38,6 %	40,5 %
Net profit-%	24,2 %	18,0 %	24,1 %	28,2 %	24,8 %	24,0 %	23,5 %	26,5 %	30,1 %	29,4 %	27,5 %	30,5 %	32,0 %

Source: Inderes



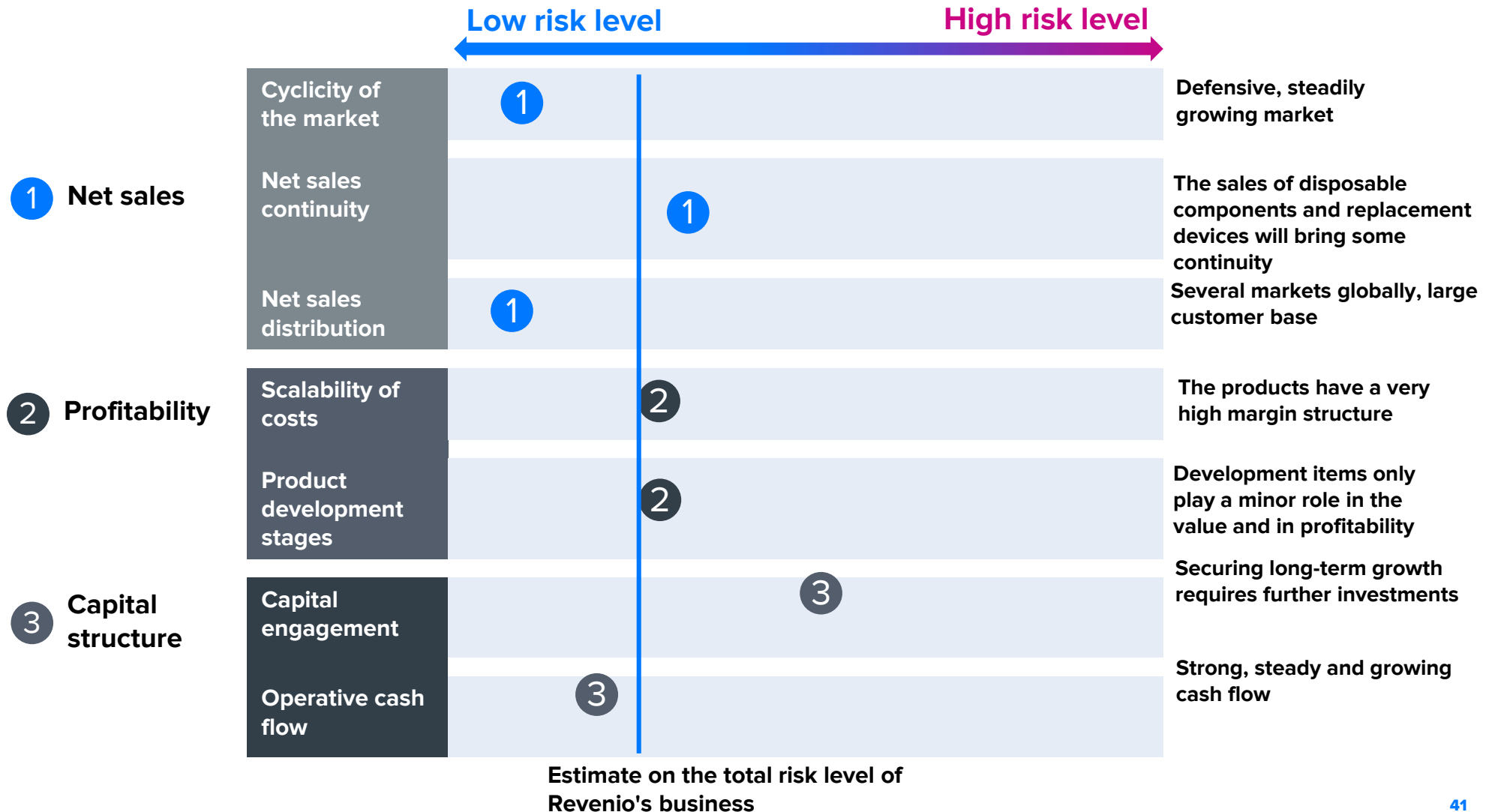
Source: Inderes





# Risk profile

## Risk profile of the business operating model



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Buy	> 15 %
Accumulate	5 - 15 %
Reduce	-5 - 5 %
Sell	< -5 %

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## Recommendation history

Date	Recommendation	Target Price	Share Price
5.8.2014	Accumulate	16,50 €	14,81 €
22.10.2014	Accumulate	16,20 €	13,96 €
16.12.2014	Buy	18,20 €	14,11 €
13.2.2015	Accumulate	20,00 €	18,00 €
16.3.2015	Reduce	21,00 €	23,15 €
27.4.2015	Accumulate	23,00 €	21,41 €
11.8.2015	Accumulate	25,00 €	23,51 €
27.10.2015	Accumulate	28,00 €	26,60 €
10.11.2015	Reduce	30,00 €	31,50 €
16.2.2016	Accumulate	29,00 €	25,70 €
18.3.2016	Accumulate	25,00 €	23,95 €
26.4.2016	Accumulate	28,00 €	26,16 €
9.8.2016	Accumulate	30,00 €	27,65 €
1.11.2016	Accumulate	30,00 €	26,78 €
17.2.2017	Accumulate	35,00 €	31,57 €
23.3.2017	Accumulate	37,50 €	33,66 €
21.4.2017	Accumulate	39,00 €	36,94 €
18.6.2017	Reduce	38,00 €	39,54 €

# Inderes Oy



**2015**

#1 Estimates



**2014, 2016**

#1 Recommendations



**2014, 2015, 2016**

#1 Estimates



**2012, 2016**

#1 Recommendations



**2012, 2016**

#1 Recommendations



**2017**

#3 Recommendations



**2017**

#1 Recommendations

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