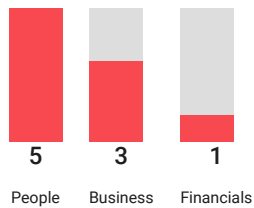
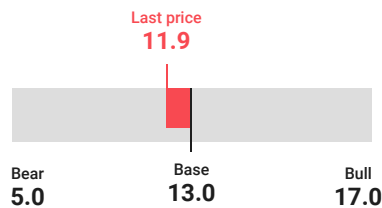


Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Optomed
OMXS30



Marketplace NASDAQ Helsinki

CEO Seppo Kopsala

Chairman Petri Salonen

Share information

Share price (EUR) 11.9

Number of shares (M) 14.0

Market cap (MEUR) 166

Net debt (MEUR) -2

Analyst



Gergana Almquist

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Conflict of interests

Gergana Almquist owns shares in Optomed: **No**

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2019	2020	2021E	2022E	2023E
Revenue, MEUR	15	13	19	21	24
Growth	17.6%	-13.1%	46.1%	9.5%	13.9%
EBITDA	0	0	1	4	6
EBITDA margin	Neg	Neg	6.4%	20.1%	25.8%
EBIT	-3	-2	0	2	4
EBIT margin	Neg	Neg	Neg	10.2%	18.2%
Pre-tax earnings	-3	-2	-1	2	4
Net earnings	-3	-2	0	2	3
Net margin	Neg	Neg	Neg	8.0%	14.5%
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.32	-0.16	-0.03	0.12	0.24
P/E adj.	0.0	-35.4	-391.2	102.3	49.8
EV/S	-0.5	6.0	8.9	8.1	7.0
EV/EBITDA	23.4	-751.0	140.3	40.4	27.3

Last updated: 2021-05-31

Owner	Equity	Votes
Cenova Capital	17.4%	17.4%
Berenberg Funds	8.5%	8.5%
BI Asset Mgmt Fondsmaglerselskab A/S	5.7%	5.7%
OP Fonder	5.5%	5.5%
Aura Capital Oy	4.9%	4.9%
Aktia Asset Management	4.5%	4.5%
Mandatum Life Insurance Company	4.5%	4.5%
Optomed Oy	4.4%	4.4%
Finlands Industriinvestering Oy	4.3%	4.3%
Kaleva Mutual Insurance Company	3.5%	3.5%

Company description

Optomed was founded 2004 and based in Oulu, Finland, with the vision to create a high-quality handheld fundus camera that would be more affordable, easier to use than traditional desktop cameras and will solve the problem of retinal screening in remote areas. Today the company has two business divisions: devices and software solutions, and revenues are roughly equally split between the two.

Investment case

- Optomed offers complete solution for eyesight screening, superior to other remote screening solutions: high quality and affordable handheld camera, and the software for patient management, AI-assisted image analysis. The company has distributors in 60 countries and own salesforce in China.
- Large market, 460m people worldwide have diabetes and need to be screened annually in order to avoid vision loss. This prevalence is expected to grow.
- Optomed has a lightweight, cost-efficient and simple solution, which allows AI-assisted accurate point-of-care image grading (diagnosis) and does not require extensive training. Perfect for large-scale screening programs.
- Optomed is at the forefront of innovation, both internally and in terms of market trends, the company is perfectly positioned for growth.

A superior solution

Optomed is the only company we could find that offers a complete solution for mobile eyesight screening: high quality and affordable handheld camera, and the software infrastructure for patient management, plus AI-assisted grading that requires little training. The company has a network of distributors in 60 countries under its own brand and sells also under the brands of other equipment manufacturers such as Zeiss. The company has also a sales organisation in China, an important market, and has launched its own sales force in the US. Optomed has launched a new camera, Aurora IQ, with integrated AI screening solution, and is currently developing another one, Aurora AEYE, with autonomous AI solution (under clinical development in collaboration with AEYE Health).

A large market

The company operates in a large market. The estimated prevalence of diabetes is 460m people worldwide, who all need an annual screening. This prevalence is expected to grow in the coming decades. Most of these patients live in rural areas and do not have access to a specialist ophthalmologist.

Significant upside in the stock

Our DCF valuation indicates a fair value of EUR 13 per share, a bull case of EUR 17 per share and a bear case of EUR 5 per share. We expect revenues of EUR 19m this year with expanding margins based on higher volume sales under own brand.

Clear revenue growth strategy and favourable market trends

Optomed is profiting from several market trends.

The first is remoteness: many procedures will be moved to primary care and services will be delivered in people's homes by telemedicine or AI.

Infrastructure for this must be developed, but the trend is (in our view) unstoppable. Optomed's camera is the best handheld retinal screening device we have identified that has optionally integrated AI and does not require pupil dilation. To take advantage of this, Optomed needs to spend significant resources on building marketing and sales organisation especially in the US.

The second trend is (autonomous) AI, a tool, which Optomed also offers (pending approval in the US) and will enable primary care personnel with little training to perform the screenings.

To keep at the forefront, Optomed will need to make significant investments in innovation (R&D) in the coming years. However, given that its illumination technology is patent protected and very difficult to engineer/copy, we think that Optomed has already a significant moat.

We discount the free cashflow to the firm (after capital investments) with a wacc of 10% and calculate a fair value per share of EUR 13. Our bull case of exceptional growth, we calculate with EUR 17 per share, and a bear case of EUR 5 (as the technology in itself has significant value, even if sales do not grow as strongly as we expect, which we think is unlikely).

Catalyst types

Contract to deliver devices to screening programs

In 2021 we think it is possible that Optomed will close a large deal in its main markets as societies re-open (with the vaccines)

The US subsidiary starts to generate revenues

Revenues pick up in the US in H1 2021, indications of quick rollout.

US sale to a large client

Sales in the US has been rolled out with own 6 people sales team focussing on large clients, OEM sales and support. We expect growth in US sales and a large sale in 2021 as possible.

Personal notes