

23 October 2009

CustomVis

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/07	0.9	(1.4)	(1.8)	0.0	N/A	N/A
06/08	1.2	(1.4)	(1.3)	0.0	N/A	N/A
06/09e	1.7	(1.2)	(0.7)	0.0	N/A	N/A
06/10e	2.2	(1.0)	(0.5)	0.0	N/A	N/A

Note: * PBT and EPS are normalised, excluding goodwill amortisation and exceptional items. FY08 currency gain of £2.4m and half year £0.46m are excluded, as non-cash items.

Investment summary: Stronger trading & placing

CustomVis continues to develop the market for its novel solid state laser. A £300k placement on 5 October at 1.3p has boosted working capital. Sales in FY09 were of 13 units, up 18%. Trading to date in FY10 includes a French cash sale, three further Iraq orders, one in Argentina and one in Spain. An EU trial laser has converted to a paid basis. The EGM on 6 July voted 52% vs 13.5% to retain the current board.

Steady trading

On 8 June, CustomVis announced that it had sold four lasers in Iraq and one in Argentina. One Iraqi unit was for cash and installed in June, making FY09 sales of 13 units. This compares to 11 units in FY08, an 18% rise. A French cash sale was made in July. Two other sales are in Spain and Argentina, totalling six units in the financial year to date. One laser lent for clinical trials has moved to a contract basis. A target of 16 sales for FY10 appears achievable, if challenging.

EGM result

Only 13.5% of shareholders voted for resolutions to remove two directors and appoint the former COO. Paul van Saarlous, CEO, is critical to the group's development. The chairman, Simon Carroll, has improved the business focus.

Placing to boost working capital

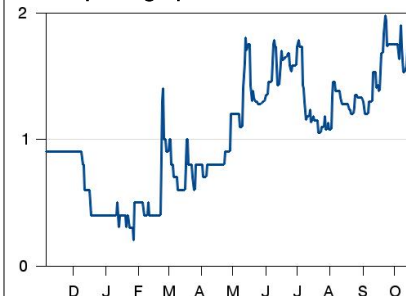
On 5 October, CustomVis announced a placing of 23m shares at 1.3p to raise £299.4k. A further 0.3m shares were issued in respect of costs. This has increased the issued share capital by 14% to 192.5m. The issue was crucial to maintaining a basic level of working capital given the deferred basis of most sales.

Valuation: Cash flow is key

On a prospective FY10 sales multiple of 2x, a value of c £4-4.5m may be indicated but cash remains a key variable even after the placing. Growing higher value EU sales is critical. It is possible that the company can now trade to a sustainable position given that the revenue flow from the installed base continues to rise. However, US clinical trials still appear a distant prospect.

Price 1.48p
Market Cap £3m

Share price graph



Share details

Code CUS
Listing AIM
Sector Health Care Equipment & Services
Shares in issue 192.5m

Price

52 week High 1.98p Low 0.25p

Balance Sheet as at 31 December 2008

Debt/Equity (%) N/A
NAV per share (p) 1.9
Net cash (£m) 0.6

Business

CustomVis designs, builds and sells innovative lasers for high-end custom eye surgery. Based in Australia, its sales are in Asia and emerging countries; EU sales are now developing and an EU sales representative is being appointed.

Valuation

	2008	2009e	2010e
P/E Relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Geography based on H1 revenues

AUS	Europe	US	Other
12%	35%	0%	53%

Analyst

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Exhibit 1: Financials

	£'000	2007 IFRS	2008 IFRS	2009e IFRS	2010e IFRS
Year end 30 June					
PROFIT & LOSS					
Revenue		881	1,161	1,731	2,016
Cost of Sales		(483)	(533)	(614)	(697)
Gross Profit		398	629	1,117	1,320
EBITDA		(1,628)	(1,563)	(1,353)	(1,197)
Operating Profit (before GW and except.)		(1,494)	(1,448)	(1,238)	(1,082)
Goodwill Amortisation		0	0	0	0
Exceptionals		0	2,481	462	0
Other		0	0	0	0
Operating Profit		(1,494)	1,033	(776)	(1,082)
Net Interest		55	23	10	5
Profit Before Tax (norm)		(1,438)	(1,425)	(1,228)	(1,077)
Profit Before Tax (FRS 3)		(1,438)	1,056	(766)	(1,077)
Tax		0.0	(95.6)	0.0	0.0
Profit After Tax (norm)		(1,438)	(1,521)	(1,228)	(1,077)
Profit After Tax (FRS 3)		(1,438)	961	(766)	(1,077)
Average Number of Shares Outstanding (m)		80.1	117.9	169.2	186.4
EPS - normalised (p)		(1.8)	(1.3)	(0.7)	(0.6)
EPS - FRS 3 (p)		(1.8)	0.8	(0.5)	(0.6)
Dividend per share (p)		0.0	0.0	0.0	0.0
Gross Margin (%)		45.2	54.1	64.5	65.5
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		217	145	95	95
Intangible Assets		0	0	0	0
Tangible Assets		217	145	95	95
Investment in associates		0	0	0	0
Current Assets		2,939	4,547	3,851	3,666
Stocks		1,118	1,510	1,200	1,100
Debtors		923	1,464	1,878	2,222
Cash		897	1,493	728	299
Current Liabilities		(619)	(1,035)	(1,088)	(1,681)
Creditors		(619)	(1,035)	(1,088)	(1,681)
Short term borrowings		0	0	0	0
Long Term Liabilities		(140)	0	0	0
Long term borrowings		0	0	0	0
Other long term liabilities		(140)	0	0	0
Net Assets		2,397	3,657	2,858	2,080
CASH FLOW					
Operating Cash Flow		(1,707)	(1,891)	(751)	(683)
Net Interest		55	23	10	5
Tax		0	0	0	0
Capex		(72)	(5)	(25)	(50)
Acquisitions/disposals		0	0	0	0
Financing		1,384	2,470	0	299
Dividends		0	0	0	0
Net Cash Flow		(340)	596	(766)	(428)
Opening net debt/(cash)		(1,238)	(897)	(1,493)	(728)
HP finance leases initiated		0	0	0	0
Other		0	(0)	0	0
Closing net debt/(cash)		(897)	(1,493)	(728)	(299)

Source: Company accounts/Edison Investment Research

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