

25 February 2008

## CustomVis

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	PE (x)	Yield (%)
06/06	0.1	(2.2)	(3.9)	0.0	N/A	N/A
06/07	0.9	(1.4)	(1.8)	0.0	N/A	N/A
06/08e	2.4	(0.5)	(0.4)	0.0	N/A	N/A
06/09e	3.8	0.1	0.0	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding goodwill amortisation and exceptional items

## Investment summary: Cash to drive sales

A strongly backed fundraising of £2.23m net announced on 22 February will enable CustomVis to boost its marketing in Asia and Europe. European interest in the novel solid state laser appears to be growing. The first South American sale has now been made; sales into the Middle East continue with two orders in the second half so far. An Egyptian order flagged in H1 has now converted to a sale after import permission.

### Strong investor demand

Despite the generally depressed state of AIM healthcare, investors have strongly backed the CustomVis strategy with £2.4m of new equity, £2.23m after expenses. Our previous model had assumed £1.75m net as a minimum.

### Additional sales capacity

The new equity will allow a permanent Asian sales presence for the company to be funded, cementing its strong position. This will enable more effort on South America and Europe as two potential growth areas. The extra cash will allow preparation for a US clinical trial but the study could cost c.£2-3m and would need separate financing.

### Capital restructuring

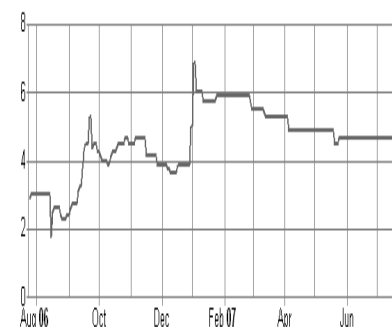
The AGM in February approved the reduction in par value to 1p from 5p. In the placing, 73.8m shares at 3.25p were issued making 169m now in issue. Note that 43.8m of these are subject to a further general meeting; we assume this is a formality.

### Valuation: arithmetic adjustment

We previously valued CustomVis at £9.1m which now indicates 5.47p per share; this is purely an arithmetic adjustment in view of the new shares issued. We have not revised sales forecasts at this time, although we note that there may now be additional upside as some of the new cash could be invested in driving sales. The January 2008 trading statement was positive.

**Price** 4.75p  
**Market Cap** £8m

#### Share price graph



#### Share details

Code CUS  
Listing AIM  
Sector Health Care Equipment & Services  
Shares in issue 169.2m

#### Price

52 week High 6.59p Low 1.75p

#### Balance Sheet as at 30 June 2008e

Debt/Equity (%) N/A  
NAV per share (p) 2.6  
Net cash (£m) 1.9

#### Business

Designs, builds and sells innovative lasers for high-end custom eye surgery. Based in Australia, sales are in Asia and emerging countries but European market may develop from 2008.

#### Valuation

	2007	2008e	2009e
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 revenues

UK	Europe	US	Other
0%	0%	0%	100%

#### Analyst

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## Exhibit 1: Financials

30-June	£'000	2006 IFRS	2007 IFRS	2008e IFRS	2009e IFRS
<b>PROFIT &amp; LOSS</b>					
<b>Revenue</b>		<b>89</b>	<b>881</b>	<b>2,402</b>	<b>3,769</b>
Cost of Sales		(32)	(483)	(795)	(1,109)
Gross Profit		57	398	1,607	2,660
<b>EBITDA</b>		<b>(2,330)</b>	<b>(1,628)</b>	<b>(653)</b>	<b>(77)</b>
<b>Operating Profit (before GW and except.)</b>		<b>(2,229)</b>	<b>(1,494)</b>	<b>(495)</b>	<b>2</b>
Goodwill Amortisation		0	0	0	0
Exceptionals		0	0	0	0
Other		0	0	0	0
<b>Operating Profit</b>		<b>(2,229)</b>	<b>(1,494)</b>	<b>(495)</b>	<b>2</b>
Net Interest		73	55	36	73
<b>Profit Before Tax (norm)</b>		<b>(2,156)</b>	<b>(1,438)</b>	<b>(459)</b>	<b>75</b>
<b>Profit Before Tax (FRS 3)</b>		<b>(2,156)</b>	<b>(1,438)</b>	<b>(459)</b>	<b>75</b>
Tax		0.0	0.0	0.0	0.0
<b>Profit After Tax (norm)</b>		<b>(2,156)</b>	<b>(1,438)</b>	<b>(459)</b>	<b>75</b>
<b>Profit After Tax (FRS 3)</b>		<b>(2,156)</b>	<b>(1,438)</b>	<b>(459)</b>	<b>75</b>
Average Number of Shares Outstanding (m)		55.8	80.1	119.9	169.1
EPS - normalised (p)		(3.9)	(1.8)	(0.4)	0.0
EPS - FRS 3 (p)		(3.9)	(1.8)	(0.4)	0.0
Dividend per share (p)		0.0	0.0	0.0	0.0
Gross Margin (%)		63.7	45.2	66.9	70.6
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>					
<b>Fixed Assets</b>		<b>296</b>	<b>217</b>	<b>221</b>	<b>261</b>
Intangible Assets		0	0	0	0
Tangible Assets		296	217	221	261
Investment in associates		0	0	0	0
<b>Current Assets</b>		<b>2,255</b>	<b>2,939</b>	<b>5,623</b>	<b>6,112</b>
Stocks		946	1,118	1,300	1,500
Debtors		71	923	2,422	4,078
Cash		1,238	897	1,901	535
<b>Current Liabilities</b>		<b>(188)</b>	<b>(619)</b>	<b>(1,107)</b>	<b>(1,331)</b>
Creditors		(188)	(619)	(1,107)	(1,331)
Short term borrowings		0	0	0	0
<b>Long Term Liabilities</b>		<b>0</b>	<b>(140)</b>	<b>(398)</b>	<b>(627)</b>
Long term borrowings		0	0	0	0
Other long term liabilities		0	(140)	(398)	(627)
<b>Net Assets</b>		<b>2,363</b>	<b>2,397</b>	<b>4,339</b>	<b>4,415</b>
<b>CASH FLOW</b>					
<b>Operating Cash Flow</b>		<b>(2,287)</b>	<b>(1,707)</b>	<b>(1,273)</b>	<b>(1,250)</b>
Net Interest		73	55	36	73
Tax		0	0	0	0
Capex		3	(72)	(160)	(190)
Acquisitions/disposals		0	0	0	0
Financing		1,484	1,384	2,400	0
Dividends		0	0	0	0
Net Cash Flow		(727)	(340)	1,003	(1,366)
<b>Opening net debt/(cash)</b>		<b>(1,965)</b>	<b>(1,238)</b>	<b>(897)</b>	<b>(1,901)</b>
HP finance leases initiated		0	0	0	0
Other		0	0	(0)	0
<b>Closing net debt/(cash)</b>		<b>(1,238)</b>	<b>(897)</b>	<b>(1,901)</b>	<b>(535)</b>

Source: Company accounts / Edison Investment Research

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