

31 March 2009

## CustomVis

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	PE (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	3.2	0.0	0.0	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: Post interim tax update

Following the interim results statement, CustomVis received notice that the FY08 tax charge had been reduced by HMRC from £398k to £96k. Interim results showed that the company has installed two lasers since January, suggesting five or six installations are possible in H2 (the six months to June 2009), compared to seven in H1. However, sales tend to be lumpy and could rise. A currency gain of £0.46m was booked. Cash was £0.63m and needs to be managed carefully.

### Revenues in line with expectations

Revenues of £0.98m in H1 reflect the seven units installed with two high value sales in the EU accounting for £300k. Expenses have risen and additional sales costs reflect new personnel which are expected to start in H2; this should pay off with higher revenues. Reported H1 losses were £0.22m after a £0.46m currency gain.

### H2 positive operational cash flow needed

Cash was £625k after H1 cash outflow of £878k. Reported cash flows are affected by currency adjustments. Installations in H2 do not generate much immediate cash so the key is reducing inventory and debtors and any real currency effects. The announcement on 27 March that HMRC has agreed to reduce the tax charge from £398k (as provided in the accounts) to £96K makes cash management much easier.

### Medium-term diversification prospects

The retinal camera and presbyopia indications could be very important from FY10. Management are evaluating contract manufacturing and Australian distributorships to generate cash but these are 2010 onwards pay offs.

### Valuation: Cash flow is now key

We assume sales of 13 installed units in FY09, which indicates reported sales on constant currency of £1.7m. As currencies have badly distorted cash flows, DCF valuation is not reliable. On a prospective sales multiple of 2x, a value of £3-4m may be indicated but cash management is now the key variable.

Price 0.78p  
Market Cap £1m

#### Share price graph



#### Share details

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

#### Price

52 week High 4.62p Low 0.29p

#### 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 at 35% of revenues.

#### 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

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

#### Analyst

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## Exhibit 1: Financials

Year end 30 June	£'000	2007 IFRS	2008 IFRS	2009e IFRS	2010e IFRS
<b>PROFIT &amp; LOSS</b>					
<b>Revenue</b>		<b>881</b>	<b>1,161</b>	<b>1,734</b>	<b>3,212</b>
Cost of Sales		(483)	(533)	(580)	(784)
Gross Profit		398	629	1,154	2,427
<b>EBITDA</b>		<b>(1,628)</b>	<b>(1,563)</b>	<b>(1,316)</b>	<b>(90)</b>
<b>Operating Profit (before GW and except.)</b>		<b>(1,494)</b>	<b>(1,448)</b>	<b>(1,201)</b>	<b>25</b>
Goodwill Amortisation		0	0	0	0
Exceptionals		0	2,481	462	0
Other		0	0	0	0
<b>Operating Profit</b>		<b>(1,494)</b>	<b>1,033</b>	<b>(739)</b>	<b>25</b>
Net Interest		55	23	10	5
<b>Profit Before Tax (norm)</b>		<b>(1,438)</b>	<b>(1,425)</b>	<b>(1,191)</b>	<b>30</b>
<b>Profit Before Tax (FRS 3)</b>		<b>(1,438)</b>	<b>1,056</b>	<b>(729)</b>	<b>30</b>
Tax		0.0	(95.6)	0.0	0.0
<b>Profit After Tax (norm)</b>		<b>(1,438)</b>	<b>(1,521)</b>	<b>(1,191)</b>	<b>30</b>
<b>Profit After Tax (FRS 3)</b>		<b>(1,438)</b>	<b>961</b>	<b>(729)</b>	<b>30</b>
Average Number of Shares Outstanding (m)		80.1	117.9	169.2	169.1
EPS - normalised (p)		(1.8)	(1.3)	(0.7)	0.0
EPS - FRS 3 (p)		(1.8)	0.8	(0.4)	0.0
Dividend per share (p)		0.0	0.0	0.0	0.0
Gross Margin (%)		45.2	54.1	66.5	75.6
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>217</b>	<b>145</b>	<b>95</b>	<b>95</b>
Intangible Assets		0	0	0	0
Tangible Assets		217	145	95	95
Investment in associates		0	0	0	0
<b>Current Assets</b>		<b>2,939</b>	<b>4,547</b>	<b>3,918</b>	<b>4,875</b>
Stocks		1,118	1,510	1,200	1,100
Debtors		923	1,464	1,855	2,962
Cash		897	1,493	818	768
<b>Current Liabilities</b>		<b>(619)</b>	<b>(1,035)</b>	<b>(1,119)</b>	<b>(2,046)</b>
Creditors		(619)	(1,035)	(1,119)	(2,046)
Short term borrowings		0	0	0	0
<b>Long Term Liabilities</b>		<b>(140)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long term borrowings		0	0	0	0
Other long term liabilities		(140)	0	0	0
<b>Net Assets</b>		<b>2,397</b>	<b>3,657</b>	<b>2,894</b>	<b>2,925</b>
<b>CASH FLOW</b>					
<b>Operating Cash Flow</b>		<b>(1,707)</b>	<b>(1,891)</b>	<b>(661)</b>	<b>(4)</b>
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	0
Dividends		0	0	0	0
Net Cash Flow		(340)	596	(676)	(49)
<b>Opening net debt/(cash)</b>		<b>(1,238)</b>	<b>(897)</b>	<b>(1,493)</b>	<b>(818)</b>
HP finance leases initiated		0	0	0	0
Other		0	(0)	0	0
<b>Closing net debt/(cash)</b>		<b>(897)</b>	<b>(1,493)</b>	<b>(818)</b>	<b>(768)</b>

Source: Company accounts/Edison Investment Research

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