

Basic Report Update

Analyst

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Result of Evaluation

HOLD

(previous: BUY)

Fair Value

€ 14.26

(previous € 18.22)

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Aligning the business with the partner may result in a strategic change

Results for 2016 - still preliminary & pending

In our last research report issued in February 2017 we already commented on ifa's preliminary results for 2016 and management's guidance. More recently, the Company issued an ad hoc report announcing that ifa systems will not be able to publish the annual report on time and that the management guidance may not materialize should the Company be faced with certain scenarios. Our comments on this report can be found on page 3.

At this point we leave it open if 2016 sales will be reported at a level of € 8.87 Mill. with a net result of € 2.7 Mill.

ifa EMR installations at leading eye care hospitals

The prominent EMR installation at an eye care hospital in France is already in process; completion is considered by December 2017.

As a second prominent project, a leading eye care hospital in Peru has mandated ifa systems to install a completely digital high-end EMR solution. We consider the volume of each project in the range of T€ 300-400.

Expected business alignment with the partner

According to ifa systems' most recent press release there are discussions ongoing regarding the definition and future direction of the partnership. All of the board members have resigned effective October 24th (annual shareholder meeting)

One of the issues on debate might be the treatment of impairments and/or intangible assets. Such issues are regularly on the agenda among shareholders during ifa systems' annual meetings. A possible change of the Company's attitude to redefine their principal accounting strategy might not be unfavorable for ifa systems.

While such balance sheet "cosmetics" have no or only little effect on the Company's operating business and cash-flow, margins might look somehow depressed in the future because of amortization charges. Such issues are on

In any case, ifa's management has to use the financial resources available very economically in the future. - A strategic change regarding the allocation of future investments and product developments might be the result. We have shown various scenarios on page 5.

We have reduced the target price from € 18.22 to € 14.26.

Key Financial Data

YEAR	Tot Sales. (Mill. €)	EBITDA (Mill. €)	EBIT (Mill. €)	EBT (Mill. €)	adj. Net (Mill. €)	EPS (€)	DPS (€)	EBIT- Margin	Net- Margin
2015	10.7	3.4	2.7	2.7	2.1	0.75	0.15	25.2%	19.3%
2016e	10.1	2.3	-1.0	-1.0	-1.1	-0.38	0.00	-9.9%	-10.4%
2017e	10.4	1.5	0.7	0.0	0.0	0.01	0.05	6.6%	0.2%
2018e	11.9	3.0	2.2	2.2	1.7	0.61	0.08	18.7%	14.0%
2019e	14.3	4.2	3.4	3.4	2.6	0.93	0.15	23.9%	17.9%

Source: ifa systems AG; BankM Research (forecasts)

* Glossary page 19

Sector	Enterprise Software
Security N° / WKN	783078
ISIN	DE0007830788
Bloomberg/Reuters	IS8 GR Equity
Accounting	IFRS
Financial Year	12/31
Financial Reporting	October, 2017
Fiscal year 2016	
Segment	Open Market
Transparency	Basic Board

Financial Ratios

	2017e	2018e	2019e
EV/Sales	3.2	2.8	2.3
EV/EBITDA	20.0	10.0	7.1
EV/EBIT	44.0	13.5	8.9
P/E adj.	NA	18.0	11.8
Price/Bookvalue	1.5	1.4	1.3
Price/FCF	NA	40.8	17.9
ROE (%)	0.1	7.6	10.6
Dividend Yield (%)	0.5	0.7	1.4

No. Shares

(Mill.) 2.75 Mill.

Market Cap. / EV

(Mill. €) 30.3 / 29.7

Free Float

40.90%

Ø daily Trades

(3M, in €) 85,000

12 M high/low

(XETRA-Close) € 16.66 / 10.66

Price July 26, 2017

(XETRA-Close) € 10.96

Performance

	1M	6M	12M
absolute	2.2%	-39.7%	-15.1%
relative	-4.6%	-34.8%	-0.9%

Benchmark

DAX All Software - Perform.



ifa systems AG, XETRA (red/light) vs. DAX All Software Perf. (black/dark)
Source: Bloomberg

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Investment Considerations

- Co-operations and strategic alliances with top tier international market and technology leaders like Merge and Topcon are a confirmation for ifa systems' market leadership position. The Company will enjoy additional competitive advantages that will result in a more visible market position and increased bargaining power affecting ifa's complete range of products and services. As a clear technology leader in the Health IT market, ifa systems sets itself apart from its peers that are competing in an increasingly price intensive EMR market arena. Via international hospital installations and supported by the prominent research projects from the EU-commission, ifa systems was able to establish a brand in the marketplace that stands for advanced technology in ophthalmology.
- ifa systems will be able to better scale its innovative offering in cooperation with the partner Topcon. With a coordinated client approach, ifa systems is able to break into new international markets that were out of scope before.
- Recurring income from licensing and long-term contracts have increased by 50% in the past four years. According to ifa systems' business model, this trend will continue in the future. Large installations in hospitals are generating a high number of runtime licenses. The Company is covering circa 75% of its fixed costs via long-term licensing agreements.
- ifa systems has positioned its business model in the HIT market (Healthcare Information Technology). The Company's offering caters for applications suitable for large outpatient ophthalmologists and hospitals specialized in ophthalmology. A sound set of credentials is required to compete in this highly specialized HIT segment. Margins are still considered high in this market segment. The Company's technological leadership and its constant advancement keep peers at a distance.
- High synergies are unfolding from the relationship with the majority shareholder Topcon pertaining to the Company's focus on high-margin business like telemedicine, CDSS, and VNA applications. Such business fields will be drivers along ifa systems' growth path. Both partners are profiting from the unfolding growth drivers with improved margins.

Financial Analysis / Reporting 2016 (unaudited and still pending)

Management has reported unaudited sales for 2016 amounting to € 8.9 Mill. (€ 11.4 Mill. incl. intangibles) with an EBIT of € 2.7 Mill. Q4/2016 sales came in with € 4.3 Mill.; we calculate an EBIT of € 1.4 Mill. for Q4.

More recently, in an ad-hoc news management has announced that:

1. The audited report can not be published by the June 30th deadline;
2. Management's guidance might have to be revised under certain conditions - a valuation issue or a re-assessment of the current status is expressed.

Issue No.1 will just trigger a postponed annual shareholder meeting 2017, which is regularly held early in July. We expect that the meeting will be rescheduled for mid or end of October 2017.

“Possible effects on valuation”

According to management's announcement, the discussions with the majority shareholder might have an effect on the Company's valuation. Two issues are possible for a debate:

- Management's handling of intangible assets and the way such intangibles are capitalized according to IFRS regulations.
- Impairment of ifa's operating companies abroad and their strategic role within the ifa/Topcon relationship.

Handling of intangible assets according to the IFRS regime:

We presume that the majority shareholder Topcon with a 50.1% stake in ifa systems AG has to perform an impairment test in parallel with an audit of the Company's books to comply with corporate governance regulations in Japan. In this context there might be different opinions of how to handle intangible assets regarding valuation, capitalization, and an appropriate amortization timelines.

The accounting practice currently in discussion does not affect the operating business of ifa systems AG. We have a positive attitude if there is just a re-evaluation of the Company's intangible assets. While some of the ratios on the balance sheet & P&L will change, we do not see an immediate effect on the corporate value per se from a capital markets perspective as long as the robust business model is not affected.

When capitalizing assets in the past, ifa systems recognized earnings/revenues according to IFRS accounting standards. Should this amount be reduced in the future, we will see reduced operating margins and earnings. Ifa's investors have always been aware of this “special” practice because this issue was on the agenda regularly and subject to debate during every annual shareholder meeting.

In fact, intangible assets are a delicate issue for smaller IT companies. In case there is no capitalization, the balance sheet for IT companies might look extremely slim compared to revenues and EBITDA. In the case of ifa systems the Company's runtime licenses and the resulting revenue potential is a significant value. The same is true for the many registers, ifa systems has established in the past to differentiate the ifa-EMR in the marketplace.

In light of the most recent announcement, we have reduced intangible assets to be capitalized in 2016 by 50%, from € 2.5 Mill. to € 1.25 Mill. In addition we have made impairments to ifa's US operations and amortized an amount of € 2.5 Mill. This could be the effect of a possible right-sizing of ifa's US operations should the leadership of ifa's "innovative" business unit with IBM Watson be resumed by the majority partner Topcon.

We have taken the charge in Q4/2016. This P&L / Balance sheet action results in a reduction of 2016 earnings of € 1.53 per share, i.e. from an EPS of € 0.77 to -€ 0.76 .

QoQ Comparison 2013

in €('000) except EPS	12M	%-age	Q1/13	%-age	Q2/13	%-age	Q3/13	%-age	Q4/13	%-age	2013	%-age
	2012	Change	Change LY		Change LY		Change LY		Change LY		Total Sales	
Total Sales	10,434	6.4%	2,209	2.7%	2,009	-9.5%	2,239	-1.8%	3,649	-3.6%	10,106	100.0%
EBIT	958	-49.4%	325	195.5%	235	11.9%	420	61.5%	621	64.3%	1,601	15.8%
Net Profit	573	-55.9%	234		169		258		382		1,043	10.3%
EPS (in ct.)	0.23		0.09		0.07		0.10		0.15		0.42	

QoQ Comparison 2014

in €('000) except EPS	12M	%-age	Q1/14	%-age	Q2/14	%-age	Q3/14	%-age	Q4/14	%-age	2014	%-age
	2013	Change	Change LY		Change LY		Change LY		Change LY		Total Sales	
Total Sales	10,106	-3.1%	2,220	0.5%	2,220	10.5%	2,340	4.5%	3,638	-0.3%	10,418	100.0%
EBIT	1,601	67.1%	360	10.8%	303	28.9%	500	19.0%	1,256	102.3%	2,419	23.2%
Net Profit	1,043	82.2%	229		193		318		799		1,538	14.8%
EPS (in ct.)	0.42		0.09		0.08		0.13		0.32		0.62	

QoQ Comparison 2015

in €('000) except EPS	12M	%-age	Q1/15	%-age	Q2/15	%-age	Q3/15	%-age	Q4/15	%-age	2015	%-age
	2014	Change	Change LY		Change LY		Change LY		Change LY		Total Sales	
Total Sales	10,418	3.1%	2,250	1.4%	2,230	0.5%	2,350	0.4%	3,832	5.3%	10,662	100.0%
EBIT	2,419	51.1%	395	9.7%	335	10.6%	550	10.0%	1,406	11.9%	2,686	25.2%
Net Profit	1,538	47.4%	303		257		422		1,079		2,062	19.3%
EPS (in ct.)	0.62		0.11		0.09		0.15		0.39		0.75	

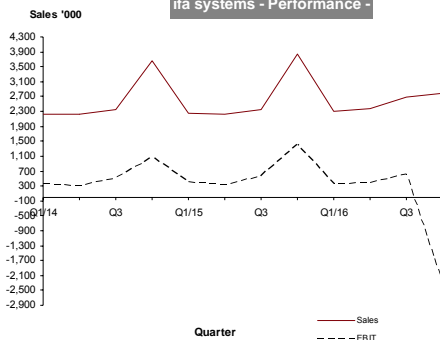
QoQ Projection 2016*

in €('000) except EPS	12M	%-age	Q1/16	%-age	Q2/16	%-age	Q3/16	%-age	Q4/16	%-age	2016e	%-age
	2015	Change	Change LY		Change LY		Change LY		Change LY		Total Sales	
Total Sales	10,662	2.3%	2,290	1.8%	2,370	6.3%	2,680	14.0%	2,782	-27.4%	10,122	100.0%
EBIT	2,686	11.0%	351	-11.1%	385	14.9%	600	9.1%	-2,337	-266.2%	-1,001	14.8%
Net Profit	2,062	34.0%	270		296		461		-2,077		-1,051	8.5%
EPS (in ct.)	0.75		0.10		0.11		0.17		-0.76		-0.38	

Source: Quarterly reporting ifa systems AG; Forecasts: BankM Research

*) Quarterly results/forecasts may differ from Company reporting because of consolidation effects

Long-term QoQ
ifa systems - Performance -



Source: Quarterly reports ifa systems, BankM Research

Should ifa systems decide to book impairments as described and reduce intangible assets in the future, investors will honor such procedures as practice to increase the transparency of the Company's balance sheet.

Our forecasting can just be an indication and a reasonable judgment of the options available to ifa systems' management in light of the most recent announcement. We will have a final opinion once the annual report 2016 is published.

In our forecasting model we used a similar methodology. We reduced intangible assets to be capitalized by 50% in all our forecasting periods starting in 2016.

In 2015, ifa systems has paid a dividend of € 0.15 per share. We do not consider that management will propose to the board to pay a similar dividend in 2016, should the Company make such material deductions and impairments.

Corporate Development

- I. **Aligning the business to the majority shareholder
→ Strategic options**
- II. **Status of Health-IT installations (major projects)**
- III. **HIT/EMR distribution structure**
- IV. **The German E-Health market (trends)**
- V. **Product portfolio / Market potential (2020)**

I. **Aligning the business to the majority shareholder**

In our previous reports we were quite excited regarding the future development of ifa systems' business in light of the cooperation with the partner Topcon. We probably did not fully consider that substantial financial resources are required to develop and play a role in the artificial intelligence, or in the big data business. In comparison to the partner Topcon ifa systems does not have such resources on a "stand alone" basis. We do not think that it is realistic to assume that Topcon will advance development costs for artificial intelligence with a significant volume to their partner ifa systems in the future.

Referring to Topcon's IT-strategy as discussed in their most recent earnings call QII/2017, we realize that the Company has made significant efforts to develop the business in the U.S.. In this context, Topcon established a new business unit „Health-IT solutions“ in April 2017. A new top manager, Mr. Akifumi Babas a former MD from Accenture was hired to run this new U.S. operation. By the end of last year, Topcon was able to engage Jim Taylor, the former Zeiss Meditech U.S. CEO to coordinate and oversee the IBM Watson Healthcare initiative. Now, Jim Taylor is also the advisor to Topcon's U.S. Health-IT initiatives. The new unit will promote the EMR business for ophthalmology in the US, i.e. it will be responsible for sales, business development, product planning, and technical support in the U.S.

The new set-up in the U.S. provides an indication that Topcon will establish own resources in the Health-IT space. It is not clear which capacities ifa systems will contribute to the new Topcon U.S. entity.

ifa's innovative products "AI" and "big data analytics" will be associated with significant investments in product development

Two strategic options are available for ifa systems

Option I

Focus on core competence

- Generating near-term cash-flow
- Limited investment (CAPEX)
- Leverage Distribution with Partner
- Focus on the customer, poss. sepecial Apps.

Option II

Additional business development & new B-fields

- Investment in new strategic business like Big Data, Cognitive Intelligence, etc.
- Generating follow-up business - mid-term horizon
- Necessary for sustainable long-term growth

A review of all business units its economics and profit contribution seem to be inevitable

Considering ifa's role in the larger Topcon group it might be a favourable option to transfer the leadership position of ifa's innovative products to the partner. The financial resources at hand have to be considered

Triggered by ifa's changed accounting practice which will result in thinner operating margins, management has to use its free cash-flow more economically in the future. The Company will probably review the performance of all the business units and identify cost savings. Such business units with a negative carry or contribution will then be reduced or terminated. It is not clear for us if the Company's US initiatives and innovative business fields like the IBM Watson project are affected. Probably it will be represented by Topcon in the future.

ifa systems itself will not have the financial resources that are required to make a relevant impact in this highly visible but "development stage" project.

We believe that management will pursue strategic **option No. I**, i.e. to "focus on its core competences". As an innovative, development minded company, ifa systems will be faced with an objective, management has little experience. In the past, ifa systems has used all available resources and avenues to position itself in innovative market segments. Oftentimes ifa's management developed the new business fields from scratch and worked on them for several years to achieve break-even status.

Some marginally profitable business units which are still in the build-up phase still exist within the ifa Group of Companies. We expect that management has to start right-sizing such operations that do not have a positive cash-flow contribution. The regional focus of right-sizing might probably start in the U.S. Although the U.S. operations have been an incubator of ifa's know-how transfer in the past, today its strategic position has probably changed in light of Topcon's efforts to establish a Health-IT unit in this market. (see above)

According to this scenario ifa systems' core competences and product offering could then be defined as: EMR, ecPACS, Telemedical applications, Registries, Medical Device Interfaces (MDI), and Vendor neutral archives (VNA). These business fields provide a positive contribution to the Company's cash-flow. A more detailed product portfolio is shown on page 9 "Product portfolio / Market potential.

It should be noted that ifa systems' global installations provide access to a significant database. In the future the Company will capitalize on such resources at hand.

II. Status of Health-IT installations (major projects)

ifa's international hospital installations combine a comprehensive set of know-how in Telemedicine, CDSS, VNA, ecPACS, et al. to deliver a project of extraordinary scale in ophthalmology. We expect that it will be one of ifa systems' product strategies to focus on this key competence and expand this business with partner Topcon on a global scale. Currently, ifa systems is working on two project that have a significant reach:

The installation in Peru will deliver a completely digital state of the art solution for the leading eye care hospital in the Country.

Because of the Company's know-how ifa was retained by a leading eye care hospital in France to install a high-end solution. The project has an additional feature such that the French IT market is very difficult to penetrate.

Both projects are scheduled to be completed by the end of the year.

III. HIT/EMR distribution structure

With ca. 40 prominent hospital installations globally management recognized the necessity to establish an indirect distribution network to support future growth, and to maintain a service level with existing installation partners abroad.

Since the Topcon partnership has emerged, ifa systems has joint forces with the partner to manage their distribution and service capacities with the Topcon resources and vice versa.

A performing and reliable indirect distribution is the key to scalability for enterprise solutions. It increases profit margins. As a consequence the chances of success to grow the market for ifa systems' high-end Health-IT solutions will be increased.

In 2016 ifa systems was working with ca. 60 indirect distribution- and installation partners. Management expects that the extended structure will be in place by year-end 2018.

IV. The German E-Health market (trends)

By the end of last year, the German Medical Association (Bundesärztekammer) has established the basis for all physicians, hospitals, and pharmacies to connect to the telemetric infrastructure in Germany. 2017 offers the last chance for physicians to prepare for the ultimate implementation of the electronic medical record (EMR) and for connecting to the telemetric infrastructure.

During a digital health congress in June 2017, the German Ministry of Health enacted a digital health platform to exchange data derived from various medical sources (physicians, hospitals, and science). The platform will be used for big data analytics to secure an advanced treatment of diseases.

In parallel enforcement was launched for physicians to meet all the requirements scheduled for the introduction of the EMR according to the e-Health law. Further digital projects in the Health-IT space sponsored by the Ministry of Health were announced.

ifa systems as the technology leader in ophthalmology should be able to capture some of the digital business that is just unfolding in continental Europe.

There are several incentives for physicians to comply but there are also penalties and measurements of enforcement available to the governing bodies.

The Association of Health Insurance Physicians (ASHIP) has announced that they will reduce their budgets for 2017 and for 2018 if the timeline to implement the digital reforms will not be met.

The required near-term action among physicians will trigger additional business for ifa systems and for other industry players in the D/A/CH region.

Global distribution network will be expanded considering Topcon's objectives. New structure will be completed by year-end 2018

A performing and reliable indirect distribution is the key to success

Digital initiatives for physicians' offices are inevitable in Germany. Policymakers will be very strict to enforce a timely implementation

Telematics-Infrastructure (TI)

The rollout of the Telematics-Infrastructure has already started in Germany. The Society for Telematics applications for the EMR ("gematic") is responsible for setting up the infrastructure, for operating and maintaining the systems, and for further development. The associated partners of this organization are the health-care head organizations in Germany, i.e. the German Medical Association, the National Association of Health Insurance Physicians (ASHIP), and the statutory health insurance.

Financing/Investment

During the establishing phase of the a Telematics-Infrastructure in Germany all the investments, sponsorships, and costs can be recovered completely from the Medical Head organizations. One connector is financed per medical office. This electronic device connects the physician's office to the IT-infrastructure.

Reimbursement for Connector and e-signature functionality

Quarter of first-time usage	Reimbursement in Euro		
	No. of practicing physicians (full-time)		
	< = 3	> 3 bis < = 6	> 6
3/2017	3,055.00	3,490.00	3,925.00
4/2017	2,793.00	3,228.00	3,663.00
1/2018	2,557.20	2,992.20	3,427.20
2/2018	2,344.98	1,590.00	3,214.98
ab 3/2018	1,155.00	1,155.00	2,025.00

One-time Reimbursement

TI-Starter kit	EUR 900,-
Mob. Card Reader/Terminal	EUR 350,- per device
Regular operating	EUR 298,- per Quarter

Source: ASHIP, Ass. of Statutory Health Insurance Physicians

The sponsorships and sanctions indicated by the Medical Head organizations should have created a sufficiently powerful enforcement mechanism to successfully implement the Telematics-Infrastructure in Germany. ifa systems and other IT vendors in Europe should be able to profit from the ambitious objectives of gematic. The vendor's order books in the D/A/CH region should be filled sufficiently given the time frame for implementation.

V. Product portfolio / Market potential (2020)

ifa Group of Companies is offering an attractive and competitive portfolio of products and solutions in the Health-IT market.

- I. Mature products and solutions (high market share/cash cow)
 - EMR-Software: An electronic medical record with functionalities specialized in ophthalmology;
 - MDI (Medical Device Interfaces): Provides connectivity to more than 450 medical devices used in eye clinics;
 - WFM-Software (Workflow-Management): IT solutions managing data across the eye care workflow from screening, examination, diagnosis, treatment to prognosis management. Such software is available for use in hospitals and in eye-care offices;
 - Register: Capturing and analyzing medical data derived from different medical sources;
 - VNA (Vendor Neutral Archive): Image enabling system for every EHR system. Enables processing images and data from different vendors.
- II. Products and solutions in a phase of growth (next stars)
 - CDSS (Clinical Decision Support System): Process that generates patient-specific interventions, assessments, recommendations, or other forms of guidance for the surgeon;
 - Telemedicine: Solutions where a number of physicians exchange information (images and data) for a patient in order to reach a qualified decision (e.g. the concept of a "second opinion");
 - ecPACS: Is a picture archive system with the ability to integrate with a wide variety of systems and instruments. The application is designed as middleware between the ophthalmic equipment and other data management systems;
 - Code-Database: Database with clinical information using e.g. diagnostic code (ICD-10 or ICD-9).
- III. Products and solutions in the development phase
 - Big-Data applications: Solutions to analyze structured databases
 - EDC (Electronic Data Capture): IT and data-based register supporting scientific research;
 - Patient portal: online patient and doctor communication & engagement software designed to exchange medical information (patient → doctor; doctor → doctor).
- IV. Products and solutions to be discontinued
 - Pure administration software, (billing, forms)

The majority of ifa's products have a profile of growth or maturity

In perspective to the above product portfolio, ifa systems Group of companies will meet the following market potential by year 2020:

Health-IT markt potential 2020 - ifa Group

Health IT Market Segments	Global Mill. US\$	Eye Care Mill. US\$	Competition
Electronic Medical Records (EMR)	\$16,987	\$679	High
Connected Medical Devices	\$27,511	\$1,100	low
PACS and VNA	\$6,726	\$269	normal
HIT Integration Systems	\$4,289	\$172	normal
CPOE Systems	\$2,246	\$90	normal
Sub total I	\$57,758	\$2,310	
CDSS	\$934	\$37	low
Medical Image Analysis Systems	\$4,077	\$163	very low
Telehealth Solutions	\$6,601	\$264	very low
Sub total II	\$11,612	\$464	
Total	\$69,371	\$2,775	

Source: ifa systems AG; Markets and Markets

Until 2020, ifa systems could meet a Health-IT market potential of ca. \$ 40 Mill.

ifa Group of companies has competitive products/solutions in all of the market segments illustrated above. The isolated eye care potential can be defined with ca. US\$ 2.7 Bn. Assuming a market share of 1,5% on average across all the segments, the addressed product markets add up to a market potential of ca. 40 Mill. by year 2020. ($\$2.7\text{Mill.} \times 1.5\% = \$ 40.5 \text{ Mill.}$)

According to ifa's management, the Group including the partner is committed to develop and capture the available market potential.

ifa systems AG

July 28, 2017

Valuation / Capital Market Considerations - 11/19 -

Valuation / Capital Market Considerations

Data as of July 26, 2017		PEER GROUP - Germany				MCap/ Sales		EV/ EBITDA		EV/ EBIT		P/E	
Peer Companies	Ticker	Quote	N° of shares		EV	17e	18e	17e	18e	17e	18e	17e	18e
Nemetschek	NEM	64.65	38.5	2,489.0	2,491.0	5.4	4.8	20.4	17.9	20.4	17.9	42.9	42.9
Nexus	NXU	26.23	15.7	412.7	394.0	3.3	3.0	13.0	11.8	13.0	11.8	32.5	32.5
CompuGroup Medical AG	COP	49.83	53.2	2,651.9	2,981.2	3.4	3.7	14.7	16.7	14.7	16.7	35.4	35.4
Geratherm Medical AG	GME	13.21	5.0	65.4	56.9	2.5	0.8	11.9	9.5	11.9	10.4	19.7	19.7
Carl Zeiss MediTech	AFX	45.12	89.4	4,036.0	4,097.4	3.2	2.9	18.8	17.0	18.8	17.0	32.7	32.4
Mittelwert						3.6	3.1	15.8	14.6	15.8	14.8	32.7	32.6
Median						3.3	3.0	14.7	16.7	14.7	16.7	32.7	32.5
ifa systems	IS8	11.00	2.75	30.30	29.70	2.5	2.1	9.8	7.0	13.2	8.7	18.1	11.8
Fair value per Share using Mean						15.4	15.9	17.4	22.5	12.8	18.4	19.9	30.3
Fair value per Share using Median						14.2	15.8	16.2	25.8	12.0	20.8	19.9	30.2
Liquidity Discount		30%											
Fair value per Share using Mean						10.79	11.12	12.19	15.77	8.98	12.87	13.94	21.22
Fair value per Share using Median						9.97	11.09	11.36	18.08	8.37	14.58	13.96	21.16

Source: Bloomberg, I/B/E/S, Thomson, Projections BankM Research

We have updated the multiples shown in our peer group analysis. The peer group is split in a national (German) and in an international US-peer group. In the past we had weighted the national peer group $\frac{2}{3}$ and the international peer group $\frac{1}{3}$ to contribute to a final peer group value. Currently we have to deviate from this systematic because of the biased profit margins. Both companies in our US peer group (MDRX and QSII) are just breaking-even from negative earnings the year before. Such a situation does not properly reflect earnings and multiples in 2018. The small earnings residual₂₀₁₈ results in an overstated P/E₂₀₁₈.

Our German peer group suggests a value for ifa systems AG of € 21.16 per share using a calculation based on P/E₂₀₁₈ multiples. For this calculation we have used the median of the five sector peers. Because of the Small Cap characteristics and the "overbought" market we have further discounted the result by 30%.

Table (Price / Multiples)

Price	P/E 2017	P/E 2018	EV/EBIT 2017	EV/EBIT 2018
9.00	14.8	9.7	10.8	7.1
9.40	15.5	10.1	11.3	7.4
9.70	16.0	10.4	11.6	7.6
10.10	16.6	10.9	12.1	7.9
10.50	17.3	11.3	12.6	8.3
11.00	18.1	11.8	13.2	8.7
11.30	18.6	12.2	13.6	8.9
11.60	19.1	12.5	14.0	9.2
11.80	19.5	12.7	14.2	9.3
12.30	20.3	13.2	14.8	9.7
12.90	21.3	13.9	15.6	10.2
13.25	21.8	14.3	16.0	10.5
13.75	22.7	14.8	16.6	10.9
14.25	23.5	15.3	17.2	11.3
14.65	24.1	15.8	17.7	11.6

Calculations: BankM Research

Data as of July 26, 2017		PEER GROUP - U.S.				MCap/ Sales		EV/ EBITDA		EV/ EBIT		P/E	
Peer Companies	Ticker	Quote	N° of shares		EV	17e	18e	17e	18e	17e	18e	17e	18e
Allscripts Healthcare Sol.	MDRX	12.70	181.5	2,305.1	3,482.5	1.4	1.3	9.1	8.1	9.1	8.1	neg.	neg.
Quality Systems, Inc.	QSII	17.00	62.8	1,066.8	917.2	2.3	2.2	10.9	10.3	10.9	10.3	neg.	53.3
Mittelwert						1.9	1.8	10.0	9.2	10.0	9.2	neg.	53.3
ifa systems AG	IS8	11.00	2.75	30.30	29.70	2.8	2.3	11.0	7.8	14.7	9.6	20.1	13.1
Fair value per Share using Mean						8.1	9.1	11.1	14.2	8.2	11.4	neg.	49.6
Liquidity Discount		30%											
Fair value per Share using Mean						5.67	6.38	7.77	9.93	5.72	8.01	neg.	34.69

Source: Bloomberg, I/B/E/S, Thomson, Projections BankM Research

While we still take a look at the US peer group the results are for cross-checking and information, only.

The US peers are currently valued at ca. 10X EV/EBITDA_{2018/19} and 1.8X sales, slightly below their European counterparts.

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Because of the currently biased US peer group our multiple valuation is based on the German peer group, only, which suggests a value of € 21.16

Free Cash-Flow Analysis

in '000 €	16e	17e	18e	19e	20e	21e	22e	23e	24e	25e	ab 2026
	Base	1	2	3	4	5	6	7	8	9	Terminal
Revenue Growth Rate		6.9%	14.2%	21.6%	15.0%	15.0%	15.0%	13.0%	13.0%	13.0%	1.0%
Revenues	8,874	9,484	10,834	13,171	15,146	17,418	20,031	22,635	25,578	28,903	29,192
EBIT Margin	-11.3%	7.2%	20.7%	26.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	15.0%
EBIT	-1,001	688	2,238	3,419	3,635	4,180	4,807	5,432	6,139	6,937	4,379
Taxes	50	6	556	851	1,091	1,254	1,442	1,630	1,842	2,081	1,314
Earnings before Interest	-1,051	681	1,681	2,567	2,545	2,926	3,365	3,803	4,297	4,856	3,065
+ Depreciation	3,290	800	800	820	861	904	949	997	1,047	1,099	1,154
- Capex	2,150	1,400	1,400	1,400	1,200	1,200	1,200	1,200	1,200	1,200	1,154
- Change in WC	-493	-687	328	280	336	343	329	316	303	291	280
= Free CF to Firm (FCFF)	582	768	754	1,707	1,869	2,288	2,785	3,283	3,840	4,463	2,786
Terminal Value											24,422
WACC Calculation											
Tax rate (s)	-5.0%	25.0%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Debt Ratio	0.7%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Cost of Equity	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%
Cost of Debt	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
After tax cost of debt	5.2%	3.8%	3.8%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Cost of Capital WACC	12.8%	12.9%	12.9%	12.9%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%	12.4%
Present Value Calculation											
Present Value of FCFF		680	592	1,187	1,171	1,275	1,381	1,448	1,507	1,558	
Present Value of Terminal Value											8,524
The Valuation											
PV of FCFF (High growth phase)	10,798	55.9%									
+ PV of Terminal Value	8,524	44.1%									
= Value of operating	19,323										
+ Value of cash & non OP Assets	908										
= Value of the firm	20,230										
- Value of Debt & Pensions	0										
= Value of Equity	20,230										
Value per share	7.36										

Source: BankM Research

	0.50%	0.75%	1.00%	1.25%	1.50%
1.00	9.11	9.24	9.38	9.52	9.67
1.15	7.88	7.97	8.06	8.16	8.26
1.25	7.21	7.28	7.36	7.43	7.52
1.35	6.64	6.70	6.76	6.82	6.88
1.50	5.92	5.96	6.01	6.05	6.10

Sales and profit margins reflect our medium-term forecasts regarding ifa's product markets as reported in the five business units. (ref. Appendix)

In general, ifa systems is a growth company. Apart from probable impairments and extraordinary depreciation the Company may face, management has a proven track record to increase sales by > 10% and achieving an EBIT margin of > 20%

Analogue to our forecasting in the past, ifa's potential in cognitive computing, big-data analytics, and telemedicine are not included in our financial planning and modelling.

The forecasts are based on existing contracts and the order book. Our forecasts have a high probability with regard to the actual results, if there are no exceptional items.

ifa systems AG

July 28, 2017

Valuation / Capital Market Considerations - 13/19 -

We are forecasting an average sales growth rate of ca. 14.3% (CAGR) with a time horizon of 5 years. Our EBIT in FY 2016 is negative because we assumed several impairments.

In the later stage of the corporate development phase our sales growth rate will decline gradually to 13%. During this phase we calculate with a stable operating margin of 24%.

The growth rate in our terminal value is a moderate 1.0% with an EBIT margin of 15%. Given this growth scenario, our FCF model suggests an equity value of € 20.2 Mill., and a price of **€7.36 per share of ifa systems AG**.

Summary

Our Capital market valuation is based on the German peer group. We have explained the rationale why we are considering the German peer group, only in the section above. We do not consider this single factor evaluation as a major shortcoming. In general, the equity markets (US and Europe alike) are trading at high valuations. We are cautious when comparing profit multiples in the equity markets.

To determine the market value of ifa systems we are weighting both values derived from the FCF calculation and from the peer group calculation with a factor of 50%.

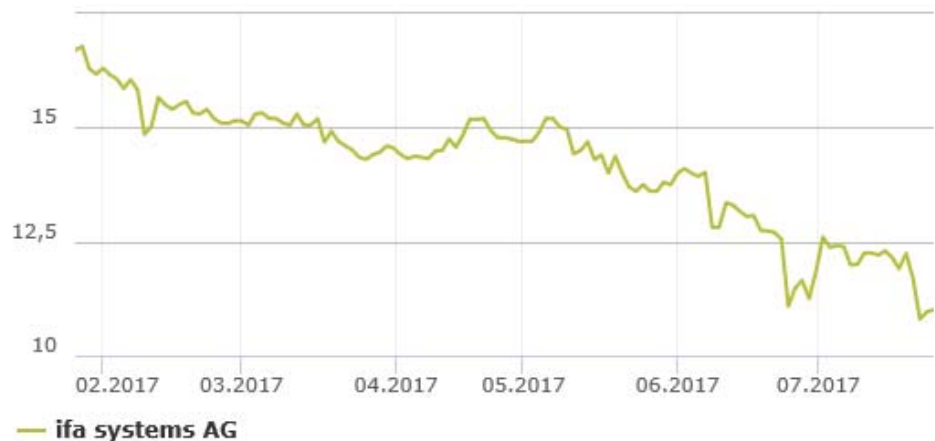
		<u>Weighting</u>	<u>Result</u>
Results derived from FCF calculation:	€ 7.36	50%	€ 3.68
Result derived from peer group:	€ 21.16	50%	€ <u>10.58</u>
			€14.26

The **fair value** calculated with a proportionate weighting of FCF / peer group analysis is **€14.26 per share**.

With a view on the 6 months price history of ifa's stock we are able to interpret the most recent developments. While we were able to follow a progressive share price in early 2017 we are now faced with a significant setback.

We did not see much investor reaction until May 2017 when management announced that ifa systems will not be delivering quarterly reports in the future any longer. Also, the Company did not decide to change to the new market segment "Scale". Moreover, management confirmed to comply with the Corporate Governance regime. This announcement was still received with little reaction on the investor side.

When the Company reported that the annual report will not be published on time coupled with a preemptive possibility of changes in valuations, investors reacted worrisome. Probably, the valuation irritated some investors that sold the stock. From that point on the daily turnover of the stock increased visibly. More than 10.000 shares changed hands on this particular day.



Source: Deutsche Börse AG

The fair value of €14.26 reflects possible strategic actions management has to pursue.

We reduce our recommendation from BUY to HOLD

Most probably, investors have to consider that management will propose a restructuring program, most possibly with consent of the majority shareholder and his interests.

Cost-intensive product initiatives and duplications of Topcon's market efforts will be reduced. Such actions will lead to several operations to be discontinued; assets have to be absorbed and amortized. We still do not know what kind of strategy management will pursue and which actions will be required.

The strategic alternatives and the financial implications should be considered as an experiment to model the current situation ifa systems is faced with the various stakeholders.

Evidence and facts will be presented during the upcoming (retarded) shareholder meeting now scheduled for October 2017.

We cannot maintain our "BUY" recommendation as of February 2017. Our current "HOLD" recommendation reflects the uncertainty regarding ifa systems' further strategic direction.

Appendix

Balance Sheet

Fiscal Year 31/12 • IFRS	15	16e	17e	18e	19e	16e	17e	18e	19e
Assets (in €'000)						% of Balance Sheet total			
Tangible Assets	184	454	464	424	304	1.8	2.0	1.7	1.1
Other Assets	22,696	21,762	20,465	21,660	23,086	87.1	88.5	84.5	81.3
t/o Goodwill	19,978	21,226	22,126	23,226	24,351	84.9	95.7	90.6	85.8
Total Fixed Assets	22,880	22,216	20,929	22,084	23,390	88.9	90.5	86.2	82.4
Inventories	141	134	137	666	1,253	0.5	0.6	2.6	4.4
Accounts Receivable	2,300	1,455	1,493	1,716	2,056	5.8	6.5	6.7	7.2
Total Liquid Funds	823	908	267	821	1,282	3.6	1.2	3.2	4.5
Other Current Assets	301	286	293	337	404	1.1	1.3	1.3	1.4
Total Current Assets	3,565	2,783	2,191	3,540	4,994	11.1	9.5	13.8	17.6
Balance Sheet Total	26,445	24,998	23,120	25,623	28,384	100.0	100.0	100.0	100.0
Liabilities (in €'000)						% of Balance Sheet total			
Subscribed Capital	2,750	2,750	2,750	2,750	2,750	11.0	11.9	10.7	9.7
Share Premium	5,828	7,305	7,305	7,305	7,305	29.2	31.6	28.5	25.7
Retained Earnings & Other Reserves	7,820	10,583	10,464	11,913	14,054	42.3	45.3	46.5	49.5
Shareholders Equity	16,398	20,638	20,519	21,968	24,109	82.6	88.8	85.7	84.9
Group Equity	16,398	20,638	20,519	21,968	24,109	82.6	88.8	85.7	84.9
Provisions	865	979	1,004	1,154	1,382	3.9	4.3	4.5	4.9
t/o Pension Provisions	0	0	0	0	0	0.0	0.0	0.0	0.0
Other Liabilities	9,182	3,381	1,597	2,502	2,892	13.5	6.9	9.8	10.2
Total Liabilities	10,047	4,360	2,601	3,656	4,275	17.4	11.2	14.3	15.1
t/o Interest Bearing Liabilities	497	150	0	0	0	0.6	0.0	0.0	0.0
t/o Non Interest Bearing Liab. <1Y	3,218	3,055	3,134	3,602	4,315	12.2	13.6	14.1	15.2
Balance Sheet Total	26,445	24,998	23,120	25,623	28,384	100.0	100.0	100.0	100.0

Source: BankM Research (Forecasts) / actual Data, ifa systems AG

Profit & Loss Account and Forecasting

Fiscal Year 31/12 • IFRS	15	16e	17e	18e	19e	16e	17e	18e	19e	5Y ø
in €'000	Changes YoY (%)									
Sales - CIS	2,234	2,300	2,200	3,450	3,720	3.0	-4.3	56.8	7.8	30.0
Sales - Interfaces & Register	817	1,050	1,200	1,200	1,650	28.5	14.3	0.0	37.5	17.3
Sales - Telemedicine	271	600	100	100	500	121.4	-83.3	0.0	400.0	123.6
Sales - Hardware	865	500	400	500	600	-42.2	-20.0	25.0	20.0	22.5
Sales - Licenses	4,080	4,424	5,584	5,584	6,701	8.4	26.2	0.0	20.0	9.5
Sales	8,267	8,874	9,484	10,834	13,171	7.3	6.9	14.2	21.6	12.3
Own costs, capitalized	2,395	1,248	900	1,100	1,125	-47.9	-27.9	22.2	2.3	-17.2
Total Sales & services	10,662	10,122	10,384	11,934	14,296	-5.1	2.6	14.9	19.8	7.6
Material Expenses	558	530	400	400	400	-5.0	-24.5	0.0	0.0	-8.0
Gross Profit	10,104	9,592	9,984	11,534	13,896	-5.1	4.1	15.5	20.5	8.3
Other Operating Income	1,014	1,200	1,250	1,250	1,350	18.3	4.2	0.0	8.0	7.4
Personnel Expenses	4,057	4,550	5,520	5,520	6,400	12.2	21.3	0.0	15.9	12.1
Other Operating and R&D Expenses	3,647	3,953	4,227	4,227	4,607	8.4	6.9	0.0	9.0	6.0
EBITDA	3,414	2,289	1,488	3,038	4,239	-33.0	-35.0	104.2	39.6	5.6
Total Depreciation	728	3,290	800	800	820	351.9	-75.7	0.0	2.5	3.0
EBIT	2,686	-1,001	688	2,238	3,419	-137.3	-168.7	225.5	52.8	6.2
Interest Income	6	5	5	5	5	-16.7	0.0	0.0	0.0	-4.5
Interest Expenses	32	5	18	18	18	-84.4	260.0	0.0	0.0	-13.4
Financial Result	-26	0	-13	-13	-13	-100.0	0.0	0.0	0.0	0.0
EBT	2,660	-1,001	25	2,225	3,406	-137.6	-102.4	---	53.1	6.4
Taxes on Income	598	50	6	556	851	-91.6	-87.8	---	53.1	9.2
Net Profit	2,062	-1,051	18	1,668	2,554	-151.0	-101.7	---	53.1	5.5
Dep. on Tang. Assets & o. Op.Ass.	728	3,290	800	800	820	0.0	0.0	0.0	0.0	0.0
EBITA	2,686	-1,001	688	2,238	3,419	-151.0	-101.7	---	53.1	5.5
Adj. No. of Shares	2,750	2,750	2,750	2,750	2,750	0.0	0.0	0.0	0.0	0.0
Adj. Net Profit/Share (EPS)	0.75	-0.38	0.01	0.61	0.93	-151.0	-101.7	---	53.1	5.5
Adj. Net Profit/Share ex Goodwill	0.75	-0.38	0.01	0.61	0.93	-151.0	-101.7	---	53.1	5.5
Adj. Cash Earnings (CE)/Share	1.01	0.81	0.30	0.90	1.23	-19.7	-63.4	201.6	36.7	4.9

Cash-Flow Projections

Fiscal Year 31/12 • IFRS	15	16e	17e	18e	19e	16e	17e	18e	19e	5Y ø
in €'000	Changes YoY (%)									
Adjusted Net Profit	2,062	-1,051	18	1,668	2,554	-151.0	-101.7	---	53.1	5.5
+ Depreciation & Amortisation	728	3,290	800	800	820	351.9	-75.7	0.0	2.5	3.0
+ Chg. in long-term Provisions	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
= Cash Earnings	2,790	2,239	818	2,468	3,374	-19.7	-63.4	201.6	36.7	4.9
- Chg. in Net Working Capital	1,112	-493	-687	328	280	-144.3	39.4	-147.7	-14.5	-29.2
= Operating Cash Flow	1,678	2,732	1,505	2,141	3,094	62.8	-44.9	42.2	44.6	16.5
- Capex	2,100	2,150	1,400	1,400	1,400	2.4	-34.9	0.0	0.0	-9.6
= Free Cash Flow	-422	582	105	741	1,694	-237.8	-82.0	605.9	128.8	42.8
- Net Other Items	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
- Dividends (Previous Year)	330	0	138	220	413	-100.0	0.0	60.0	87.5	5.7
+ Increase in Share Capital	1,775	0	0	0	0	-100.0	0.0	0.0	0.0	-100.0
+ Bank Loans	-200	326	300	300	0	-263.0	-8.0	0.0	-100.0	-100.0
= Incr. in Cash (+)/Decr. in Cash (-)	823	908	267	821	1,282	10.3	-70.5	206.9	56.2	11.7

Source: BankM Research (Forecasts) / actual Data, ifa systems AG

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Responsible for the content of this document: FinTech Group Bank AG (FTG Bank), Frankfurt/M., Germany.

Author: Rüdiger Holzammer, M.B.A.

Regulatory authority for FTG Bank is Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Issuer of the analysed instruments is ifa systems AG

Information according to sec. 4 §. 4 No 4 FinAnV (previous publications regarding the issuer within the last 12 months):

Analyst	Date	Recommendation	Faire Value
Rüdiger Holzammer	February 17, 2016	BUY	€ 13.50
Rüdiger Holzammer	July 7, 2016	BUY	€ 16.45
Rüdiger Holzammer	November 7, 2016	BUY	€ 17.88
Rüdiger Holzammer	February 21, 2016	BUY	€ 18.22

II. Additional Information:

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Main sources of information for the compilation of this document are publications in national and international media and information services (e.g. Reuters, VWD, Bloomberg, dpa-AFX, ACMR-IBIS World and others), financial newspapers and magazines (e.g. Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Economist and others), specialist media, published statistics, rating agencies as well as publications by peer group companies and the company itself. Furthermore talks with the management of the issuer have been held. This document was made available to the issuer prior to publication to ensure the accuracy of the information provided. There were minor changes in content.

2. Summary of the valuation principles and methods used to prepare this document:

BankM – Repräsentanz der FinTech Group Bank AG (BankM) uses a 3-tier absolute rating model. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up to 12 months.

BUY: The calculated fair value of the company's stock is at least 15 % higher than the current market price at the time of the compilation of this document.

HOLD: The calculated fair value of the company's stock lies between -15% and +15 % of the current market price at the time of the compilation of this document.

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The following valuation methods are being used: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, historical valuation approaches, discount models (DCF, DDM), break-up value and sum-of-the-parts-approaches, asset-based evaluation methods or a combination of the above. The used valuation models depend on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Additionally, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Rendered evaluation results and fair values derived from the models might therefore change respectively. The evaluation results in general relate to a 12-month horizon. However, evaluation results are subject to changing market conditions and represent only the situation at a given point of time. The evaluation results and fair value prices may in fact be achieved more quickly or slowly than expected by the analysts. Also, the evaluation results and fair value prices might need to be revised upward or downward.

3. Date of first publication of this document:

July 28th 2017

4. Date and time of prices of the instruments quoted in this document:

Closing prices, dated July 26th 2017

5. Updates:

A specific date or time for an update of this document has not been set. The information given in this document reflects the author's judgment on the date of this publication and is subject to change without notice; it may be incomplete or condensed and it may not contain all material information concerning the company covered. It is in the sole responsibility of BankM to decide on a potential update of this document.

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Glossary

*) Glossary

ASCRS	American Society of Cataract and Refractive Surgery
ASOA	American Society of Ophthalmic Administrators
CAGR	Compound annual growth rate
CDSS	clinical decision support systems
DDSS	Diagnosis Decision Support Systems
DMP	Disease Management Program
ecPACS	Eye Care Picture Archive and Communication System
EDC	electronic data capture
e-Health	elektronische Informationstechnologie im Medizinbereich
EPA	elektronische Patientenakte = EHR electronic Health Record = EMR electronic Medical Record (EMR)
EMR	Electronic Medical Record = EHR (electronic Health Record)
HIT	Health Information Technology
HIS	Hospital Information System
ICD	International Classification for Diseases e.g. ICD-9 or ICD-10 standard
IMS	International Medical Standard, stands for the combination of ICD-10, Meaningful Use, and SNOMED
LOINC	Logical Observation Identifiers Names and Codes
PACS	Picture Archive and Communication Systems
PMS	Practice Management System
SNOMED	Systematized Nomenclature in Medicine
Tii	Topcon, ifa systems AG, inovenio, Inc.
VNA	Vendor Neutral Archive