

## RxSight

## Several bullish signs for 2024

Reiterate Rating: BUY | PO: 48.00 USD | Price: 36.89 USD

## Q4 rev beat by 11%; 2024 rev guide 8% ahead of Street

This morning, RxSight (RXST) preannounced strong Q4 results. Q4 revenue of \$29m (+78% y/y) beat the Street by \$3m or 11%. Light Delivery Devices (LDDs) sold were 77 vs Street's 69. Light Adjustable Lenses (LAL) sold were 18,071 (vs Street's 16,457) up 98% y/y and 32% sequentially. Utilization rebounded, as expected, moving to 10.2 LALs sold per LDD per month up 15% y/y and 17% q/q. RXST introduced 2024 guidance which should come as a small surprise to investors as the company did not provide guidance until its Q4 call last year. The 2024 revenue guide of \$128-135m (+44-52% y/y) was \$10m or 8% ahead of the Street (\$122m) at the midpoint. With its premium valuation, we believe RXST has to keep delivering upside to revenue estimates. We expected an inline 2024 guide so the upside came earlier than we thought. We reiterate our Buy as we believe RXST is disrupting (and likely expanding) the premium IOL market and taking share from ALC and JNJ and momentum should continue in 2024.

## LDD system sales going strong

There is no indication that higher interest rates or the threat of a potential recession has slowed demand for LDDs. RXST sold a record 77 LDDs in the quarter – 20 more than 4Q22 and 11 more than last quarter. The premium ASP for the new reconfigured LDD (we estimate \$130k vs \$116-117k) should continue into 2024. The Street models only modest growth of LDDs over the next couple of years but we believe RXST should outpace conservative consensus expectations.

## Better than expected GM and opex leverage in 2024

RXST's 2024 GM guidance (65-68%) came in on top of the Street's 64.6%. The GM improvement will be driven by better margins on the new reconfigured LDD and a higher proportion of recurring LAL sales vs LDD. We estimate LALs have GM near 80% with the new LDDs in the high 30s. We estimate LALs will represent 69% of total RXST sales in 2024, up from 51% two years ago. Opex spend is expected to be \$125-128m which is slightly higher than the Street (\$123m) but less than the ~\$10m higher revenue. Importantly, cash balance at the end of the year was \$127m only \$5m less than where the company ended Q3 (\$132m). We raise our 2023/2024 revenue estimates to \$132m/\$167m (from \$119m/\$158m). Our PO remains unchanged at \$48.

Estimates(Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(2.31)	(2.41)	(1.55)	(0.94)	(1.10)
EPS Change (YoY)	NM	-4.3%	35.7%	39.4%	-17.0%
Consensus EPS (Bloomberg)	(2.67)	(2.61)	(1.26)	(1.15)	(0.61)

## Valuation (Dec)

The distribution rate may include non-income items, such as return of principal or loans proceeds or borrowings.

07 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2023E Rev (m)	86.4	89.1
2024E Rev (m)	118.9	131.6
2025E Rev (m)	157.7	166.5
2023E EPS	-1.51	-1.55
2024E EPS	-1.24	-0.94
2025E EPS	-1.03	-1.10

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## Stock Data

Price	36.89 USD
Price Objective	48.00 USD
Date Established	5-Jan-2024
Investment Opinion	C-1-9
52-Week Range	12.06 USD - 41.43 USD
Mrkt Val (mn) / Shares Out (mn)	1,323 USD / 35.9
Free Float	73.1%
Average Daily Value (mn)	21.77 USD
BofA Ticker / Exchange	RXST / NAS
Bloomberg / Reuters	RXST US / RXST.OQ
ROE (2023E)	-44.2%
Net Dbt to Eqty (Dec-2022A)	-13.2%
ESGMeter™	NLA

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## Glossary

ALC – Alcon

JNJ – Johnson &amp; Johnson

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Timestamp: 07 January 2024 11:10PM EST

# iQprofile<sup>SM</sup> RxSight

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-35.1%	-36.2%	-33.6%	-20.7%	-27.4%
Return on Equity	-50.2%	-58.5%	-44.2%	-23.2%	-30.8%
Operating Margin	-233.6%	-129.2%	-61.9%	-30.8%	-28.0%
Free Cash Flow	(47)	(61)	(50)	(24)	(24)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	0.5x	0.6x	0.9x	0.8x	1.0x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-17.6%	-13.2%	-11.1%	-16.8%	-12.0%
Interest Cover	-14.5x	-18.5x	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	23	49	89	132	167
% Change	53.9%	116.9%	81.8%	47.8%	26.5%
Gross Profit	5	21	54	87	114
% Change	164.9%	372.1%	153.1%	60.9%	31.3%
EBITDA	(49)	(59)	(51)	(34)	(40)
% Change	-54.7%	-21.8%	14.7%	32.9%	-17.6%
Net Interest & Other Income	4	(3)	2	7	7
<b>Net Income (Adjusted)</b>	<b>(49)</b>	<b>(67)</b>	<b>(54)</b>	<b>(34)</b>	<b>(40)</b>
<b>% Change</b>	<b>NM</b>	<b>-37.1%</b>	<b>19.7%</b>	<b>37.0%</b>	<b>-17.9%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(49)	(67)	(54)	(34)	(40)
Depreciation & Amortization	4	4	4	7	7
Change in Working Capital	(3)	(7)	(11)	(11)	(6)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	3	11	14	20	22
Capital Expenditure	(2)	(2)	(4)	(5)	(7)
<b>Free Cash Flow</b>	<b>-47</b>	<b>-61</b>	<b>-50</b>	<b>-24</b>	<b>-24</b>
<b>% Change</b>	<b>-23.6%</b>	<b>-31.3%</b>	<b>18.1%</b>	<b>52.8%</b>	<b>-0.5%</b>
Share / Issue Repurchase	121	7	102	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	16	0	(40)	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	24	12	17	23	14
Trade Receivables	5	11	19	27	30
Other Current Assets	147	112	126	100	88
Property, Plant & Equipment	11	10	10	8	8
Other Non-Current Assets	5	5	3	3	3
<b>Total Assets</b>	<b>193</b>	<b>150</b>	<b>174</b>	<b>161</b>	<b>144</b>
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	11	17	20	21	22
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	43	43	1	1	1
<b>Total Liabilities</b>	<b>54</b>	<b>60</b>	<b>21</b>	<b>23</b>	<b>23</b>
<b>Total Equity</b>	<b>138</b>	<b>90</b>	<b>153</b>	<b>139</b>	<b>120</b>
<b>Total Equity &amp; Liabilities</b>	<b>193</b>	<b>150</b>	<b>174</b>	<b>161</b>	<b>144</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Medical Technology

## Company Description

RxSight (RXST) is a pure-play ophthalmology company singularly focused on addressing unmet need in the cataracts market. In serving this market, RXST provides a novel approach and technology that allows for a patient to have their vision adjusted following a normal cataract procedure. To do so, RXST sells a piece of capital equipment known as the Light Delivery Device (LDD) and the implantable lens known as the Light Adjustable Lens (LAL).

## Investment Rationale

RXST's value proposition is distinct from competitors whereby RXST offers a premium IOL that is adjustable via UV patterns of light emitted by a piece of equipment following the implantation of the IOL. This technology offers patients the chance to come back after the lens implantation and have multiple adjustments to titrate their vision outcome. We think this novel approach offers RXST the opportunity to take share but also expand the premium IOL market opportunity.

## Stock Data

Average Daily Volume 590,061

## Quarterly Earnings Estimates

	2022	2023
Q1	-0.64A	-0.42A
Q2	-0.61A	-0.40A
Q3	-0.61A	-0.35A
Q4	-0.56A	-0.39E

## Price objective basis & risk

### RxSight (RXST)

Our \$48 PO is based on 10x our 2025 sales estimate which is above the high end of historical SMID cap medtech multiples of 1-7x. We think a premium multiple is justified given RXST's recent execution, upside to Street numbers, operating leverage and solidified cash position.

Downside risks to our PO are heightened competition from the likes of ALC and JNJ, if near term LDD placements are below expectations, if adoption of LALs slow or a challenged economic environment impacts patient spending behavior.

Upside risks to our PO are accelerated placements of LDDs in the field which could lead to a greater presence in ophthalmology practices as well as heightened productivity of procedures on this install base above our current expectations.

## Analyst Certification

I, Craig Bijou, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Medical Technology & Devices Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Abbott Laboratories	ABT	ABT US	Travis Steed
	Axonics	AXNX	AXNX US	Travis Steed
	Bausch & Lomb	BLCO	BLCO US	Craig Bijou
	Becton Dickinson	BDX	BDX US	Travis Steed
	Boston Scientific	BSX	BSX US	Travis Steed
	Dexcom	DXCM	DXCM US	Travis Steed
	Inari Medical	NARI	NARI US	Travis Steed
	Inspire Medical	INSP	INSP US	Travis Steed
	Insulet	PODD	PODD US	Travis Steed
	Intuitive Surgical	ISRG	ISRG US	Travis Steed
	Medtronic	MDT	MDT US	Travis Steed
	Paragon 28	FNA	FNA US	Craig Bijou
	Procept BioRobotics Corporation	PRCT	PRCT US	Craig Bijou
	RxSight	RXST	RXST US	Craig Bijou
	Shockwave Medical	SWAV	SWAV US	Travis Steed
	Si-Bone	SIBN	SIBN US	Craig Bijou
	Stryker	SYK	SYK US	Travis Steed
	The Cooper Companies	COO	COO US	Craig Bijou
<b>NEUTRAL</b>				
	Baxter International Inc	BAX	BAX US	Travis Steed
	Conmed	CNMD	CNMD US	Travis Steed
	Edwards Lifesciences	EW	EW US	Travis Steed
	GE HealthCare	GEHC	GEHC US	Craig Bijou
	Integer Holdings Corporation	ITGR	ITGR US	Craig Bijou
	Teleflex Incorporated	TFX	TFX US	Craig Bijou
	Zimmer Biomet	ZBH	ZBH US	Travis Steed
<b>UNDERPERFORM</b>				
	Embeca	EMBC	EMBC US	Travis Steed
	Globus Medical	GMED	GMED US	Craig Bijou



## US - Medical Technology &amp; Devices Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Integra Lifesciences	IART	IART US	Craig Bijou
	Nevro	NVRO	NVRO US	Travis Steed
	Outset Medical	OM	OM US	Travis Steed
	Silk Road Medical	SILK	SILK US	Travis Steed
	Tandem Diabetes Care	TNDM	TNDM US	Travis Steed

**IQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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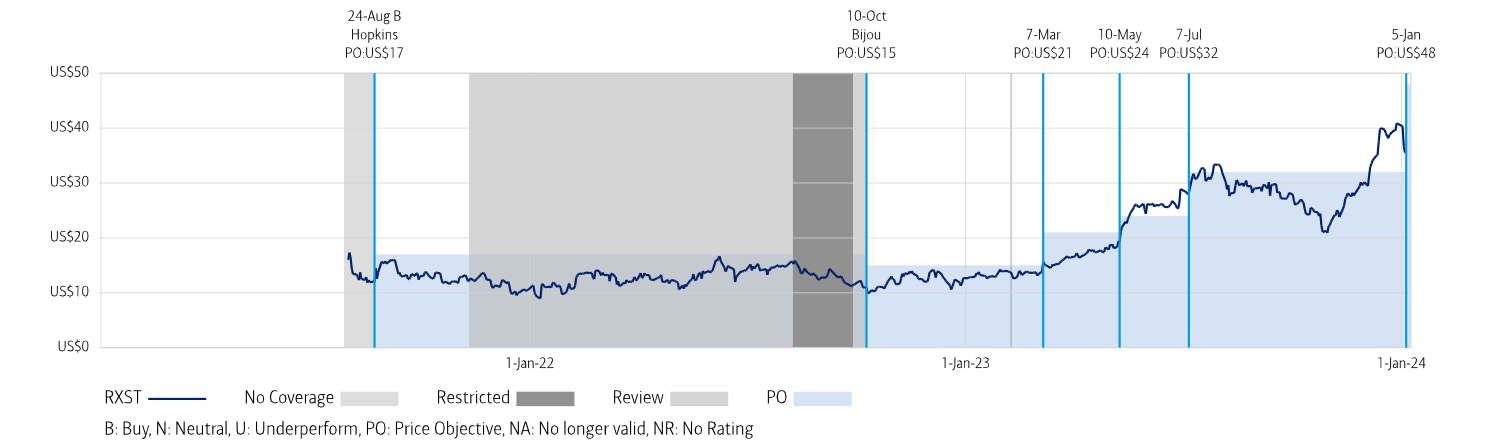
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RxSight (RXST) Price Chart



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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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