AIFORIA TECHNOLOGIES OYJ

4/24/2025 11:33 pm EEST

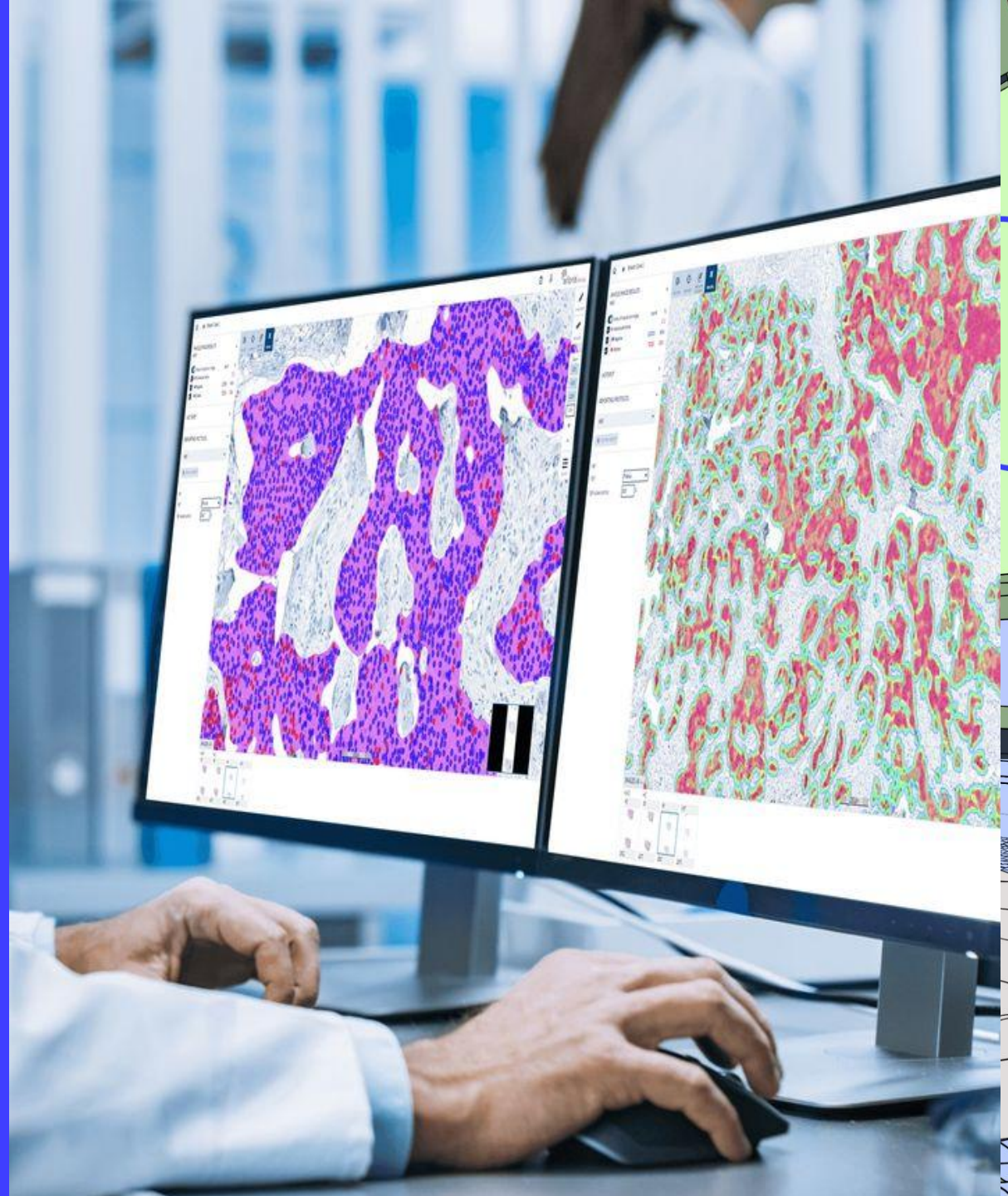
This is a translated version of ”Latu on auki markkinan valtaukselle” report, published on 4/23/2025

Antti Luiro
+358 50 571 4893
antti.luiro@inderes.fi

Frans-Mikael Rostedt
+358 44 327 0395
frans-mikael.rostedt@inderes.fi

INDERES CORPORATE CUSTOMER

EXTENSIVE REPORT



Track open for market takeover

Aiforia has become the market leader in clinical pathology image recognition, winning the majority of new contracts in the market in recent years. During the same period, the regulatory bottleneck that has been in the way of expanding the company's product portfolio has opened, enabling expansion in existing customers and larger deal sizes in future tenders. Although the trade war that has started will have a potentially milder negative impact on the market, we expect Aiforia's revenue growth to be on a strong footing in the near future. Supported by these drivers, we see the risk/reward of the stock at an attractive level. We revise our target price to EUR 4.2 (was EUR 4.4) and reiterate our Accumulate recommendation.

Aiforia operates in the digital pathology image recognition market with strong demand drivers

Aiforia's software identifies the content of sample images from pathology laboratories at the cellular level and aims to analyze them faster, more efficiently and with better quality. Digitization in the field is at a very early stage, and in 2020, only 14% of pathology samples were digitized worldwide. However, the investment wave is ongoing. With an aging population, the need for pathology analysis is growing and there is already a shortage of pathologists, so there are clear demand drivers for solutions that increase efficiency and capacity. The demand for healthcare services, which in turn drive Aiforia's demand, is essentially non-cyclical, although the flare-up in the trade war could dampen investment in the sector and tariffs could slow sales of the scanners required to run its software.

Aiforia is emerging as the winner of the first wave of clinical digital pathology image analysis

The competitive landscape in the young market is just being formed. Given the competitive strengths of Aiforia's product (cell-level detection, deep learning models, extensive regulatory approvals at the sector level) and significant clinical references, the company has been well positioned to build a position as one of the long-term winners in the market. As such, Aiforia is taking a very strong position in the market, having won more than 50% of all new clinical customers in the sector between 2023 and Q1/2025, according to public data, and rapidly increasing its market share to 30%, becoming the joint leader in the sector, while its main competitor, Ibex, has been losing market share at a rapid pace.

Accelerating revenue growth is a matter of short time

We believe that Aiforia's revenue growth is accelerating, as the ramp-ups of won customers will be completed in increasing numbers in 2025 and the company's broader product portfolio enables gradual expansion within current customers. In our projections, growth will continue to be driven by Europe in 2025-26 and from 2027 onwards will expand more significantly into the US, where growth-supporting FDA approvals will take some time. We forecast a very strong annual revenue growth of 60-66% for 2025-28. We expect EBIT to turn positive in 2029 with the support of growth, and the company to carry out 20 MEUR (previously 15 MEUR) worth of share issues in 2025-26. Given the order backlog and the sector's strongest customer portfolio, we do not expect raising financing to be a challenge. We expect revenue in 2030 to already be 46 MEUR (target: >100 MEUR ~2030). This will naturally require a very strong strategy implementation and continued new customer wins from Aiforia.

Risk/reward remains attractive

Aiforia's valuation (2025-26e EV/S 23-16x) relies on expectations of very strong and scalable growth. By pricing growth at various rates and confidence intervals, we can justify the company's value at a wide range of EUR 1.0-7.4 per share (previously EUR 1.1-8.0). Our required return has risen mainly in line with the higher forecast risks from the trade war (WACC-% 13.5%, previously 12.7%), which has brought the range down. Our confidence in the company's growth is still strong in the light of the evidence received. Risks are maintained by the uncertainty of the growth rate, which also affects cash development. However, customer wins continue to lay the foundation for growth and improve access to financing. With this in mind, we find the risk/reward ratio of the share to still be attractive.

Recommendation
Accumulate
(was Accumulate)

Target price:
EUR 4.20
(was EUR 4.40)

Share price:
3.48

Business risk

Valuation risk

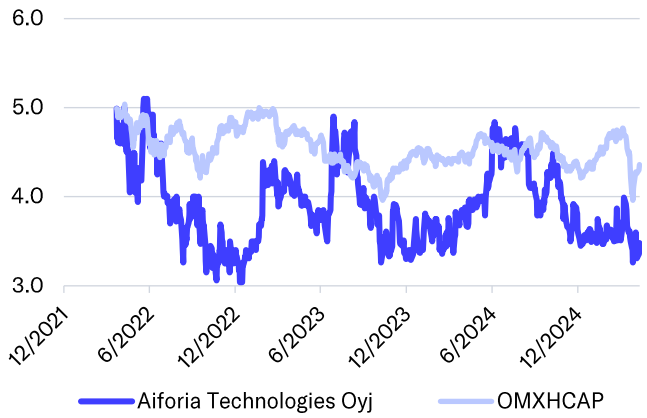
	2024	2025e	2026e	2027e
Revenue	2.9	4.7	7.6	12.5
growth-%	19%	66%	60%	65%
EBIT adj.	-12.2	-11.9	-12.0	-8.9
EBIT-% adj.	-428%	-253%	-158%	-72%
Net Income	-11.9	-12.0	-12.3	-9.2
EPS (adj.)	-0.41	-0.37	-0.38	-0.28
P/E (adj.)	neg.	neg.	neg.	neg.
P/B	6.9	7.7	49.9	neg.
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
EV/S	38.1	23.0	16.0	10.6

Source: Inderes

Guidance (Unchanged)

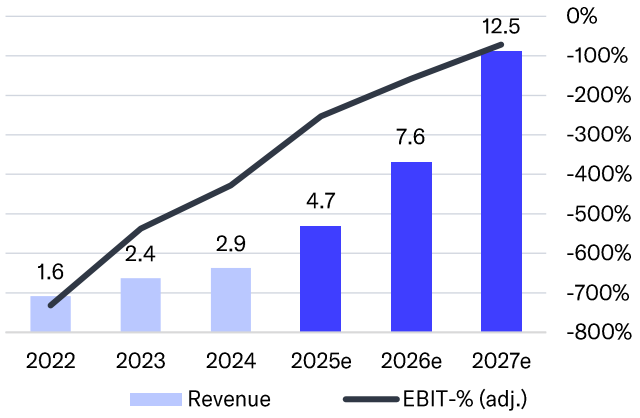
Aiforia has not provided guidance.

Share price



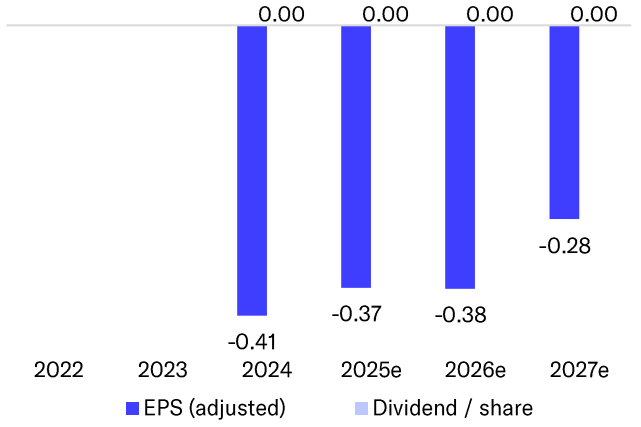
Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Significant market potential in increasing automation in pathology
- Good preliminary evidence of the product's competitiveness
- Plenty of room for growth especially increasing the number of sample types supported by clinical customers and technology
- SaaS business model provides continuity and scalability as growth is successful
- Aiforia's attractiveness as an acquisition target in a highly valued sector

Risk factors

- The business is only being built and the company's valuation virtually relies on future promises
- Slower than expected progress in the implementation of new technology in a conservative industry, tightening regulations
- Competing technologies, changes in the company's position in the value chain of digital pathology, key personnel risks
- Data breach including personal health data
- Cash flow still strongly negative, which increases financial risk

Valuation	2025e	2026e	2027e
Share price	3.48	3.48	3.48
Number of shares, millions	32.2	32.7	33.5
Market cap	112	114	116
EV	109	121	132
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	7.7	49.9	neg.
P/S	23.8	15.0	9.3
EV/Sales	23.0	16.0	10.6
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Contents

Aiforia in brief

Summary and key figures

Aiforia is a SaaS software company developing image analysis technology whose products use artificial intelligence to study tissue and cell samples, particularly in medical research, clinical diagnostics and drug development.

2013
Year of establishment

2.9 MEUR (+19% vs. 2023)
Revenue 2024

-12.2 MEUR (2023: -12.9 MEUR)
EBIT 2024

8 + 1
CE-IVDD/IVDR-marked AI model for clinical use + CE-IVD-marked viewer, 4/2025

>5000
Active software end-users, 3/2025

5.2 MEUR (+118% vs. 2023)
Order book at the end of 2024

6,2 MEUR / 11,5 MEUR
Net cash excluding IFRS-16 liabilities/liquid assets at the end of 2024

Aiforia has started to penetrate its rapidly growing target market with good momentum

Key events in the company's history

2013-2018

- Aiforia Technologies (Fimmic Oy) was founded as a spin-off from the University of Helsinki (2013)
- Research project to develop an image analysis platform based on deep neural networks launched (2015)
- Collaborative project with MIT to use artificial intelligence in lung cancer research launched (2016)
- Aiforia Custom image analysis services and AI teaching apps go commercial (2017)
- Gross fundraising of 6.6 MEUR from venture capitalists (2017)
- First academic study based on the Aiforia solution published (2018)

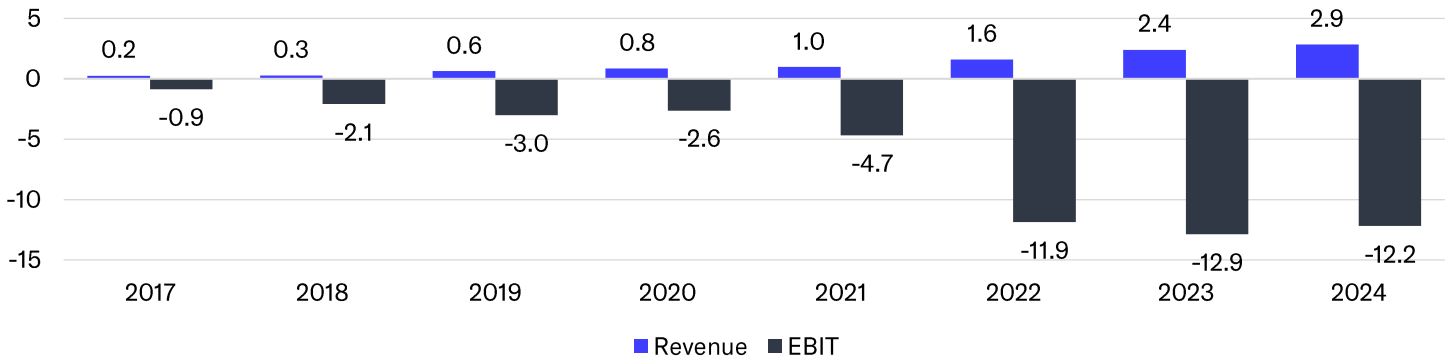
2019-2022

- First CE-IVD marking for a visual diagnostics software solution (2019)
- Collaboration agreement with drug development company Bristol Myers Squibb (2020)
- Distribution agreement for the sale of software solutions with Epredia (2021)
- First CE-IVDs for proprietary AI models for breast cancer (Ki67) and lung cancer (PD-L1) diagnostics (2021)
- Framework agreement with Mayo Clinic (one of the world's top hospitals) for preclinical and clinical software (2021)
- Raising gross funds of 47 MEUR (~29 MEUR from IPO) to finance growth (2021)
- 3 new CE-IVD-marked image recognition models, plus Aiforia Clinical Suite viewer released (2022)

2023-

- Mayo Clinic introduced the first AI model for clinical use H1/2023)
- 10th major pharmaceutical customer won (Q2/2023)
- 3 clinical customer wins in Europe (2023)
- The company raises gross proceeds of 10 MEUR in a directed share issue (Q2/2024)
- 5 clinical (1 in veterinary medicine) customer wins mainly in Europe (2024)
- The first 3 models compliant with the new regulation (CE-IVDR) were approved
- 2 clinical customer wins in Europe (in 2025, by April)

Revenue and EBIT development, MEUR*



Source: Aiforia, Inderes
*2022 onwards IFRS figures, therefore 2021 figures are not fully comparable

Company description and business model 1/6

Aiforia develops AI-based image recognition for medical needs

Aiforia ("Artificial Intelligence for image analysis") develops software products for medical customers for image analysis using artificial intelligence. The company aims to accelerate, refine and harmonize image analysis for medical research and clinical work. Aiforia focuses specifically on pathology, i.e., the analysis of tissue or excreta samples taken from the body to support a physician's diagnosis.

Johan Lundin, Kari Pitkänen and Mikael Lundin founded Aiforia in 2013 as a spin-off from the University of Helsinki (FIMM, the Finnish Institute of Molecular Medicine). The founders are physicians and health technology entrepreneurs. The initial problem to be solved was the management of large-scale images used in digital pathology. Attention quickly turned to the interpretation of the images, i.e., the software's ability to support the pathologists who evaluate the samples. According to Aiforia, it was the first company in the world to launch a commercial solution using deep learning machine vision for pathology. The founders are still involved in the company's activities in an operational, advisory or board capacity and remain significant shareholders in the company. Effective management and the board have quite significant holdings in the company as a whole.

Aiforia's products were initially in preclinical use (medical research) for a long time. As the product, technology and market matured, the company began commercializing its product to a more regulated clinical customer base (patient care) in 2021. This market is still emerging, but it has already started to grow strongly, especially given the acquisitions seen in 2023-24.

Aiforia is an early-stage growth company whose investment story rests on a belief in the very strong future growth enabled by the commercial potential of its software, very high profitability in the mature phase and a business model focused on continuous revenue streams.

Building deep learning image analysis models is at the heart of Aiforia's software

Aiforia's image recognition software relies on *supervised deep learning*. In practice, the company's AI models are trained by showing them images of patient samples, in which pathologists mark the biomarkers or cells they want the model to identify in the sample. Aiforia's models not only diagnose images but identify and calculate biomarkers from them at the cellular level on behalf of pathologists. In addition, the company's software provides the pathologist with a ready-made suggestion for an opinion.

A separate model will be developed for each biomarker. Covering the analysis of one cancer category may require around 5-10 separate models, according to Aiforia. Multiple models can also be built to deepen the study, allowing the automatic calculation of other data such as cancer tumor diameters in addition to the identification of biomarkers. Some of these calculated data also enable the prediction of cancer progression (e.g. the Mayo Clinic's prognostic model for colorectal cancer*) and thus the development of cancer treatment.

Typically, deep learning image analysis models have the advantage of high accuracy, which often requires a significant amount of labeled training data. However, a single pathological sample may contain more than a thousand identifiable biomarkers.

An illustrative example of Aiforia software in clinical use

A doctor takes **a tissue biopsy** from a patient with suspected breast cancer

The tissue sample is sent to the pathology laboratory where it is **scanned digitally using a microscope scanner**

Through the laboratory's image management system, the sample is brought into the Aiforia workflow

Aiforia's software

- **Identifies** biomarkers associated with breast cancer in a sample image using machine vision and marks them on the sample image
- **Calculates** the parameters required for the pathologist to assess the sample, **visualizes the findings** in the sample image and **writes a draft opinion**
- **Prioritizes** cases requiring rapid diagnosis from scanned samples

The pathologist checks the analyses and **confirms the opinion on the sample**

The treating physician reviews the pathologist's opinion and **continues to treat the patient**

The analysis of samples speeds up and pathology laboratory productivity increases

Lower sample analysis costs

More accurate, consistent and faster results for patients

Source: Aiforia, Inderes
*Cancer of the colon and rectum.

Company description and business model 2/6

According to Aiforia, the company often only needs around 50-200 sample images to train its models.

Aiforia's products are used in particular in preclinical and clinical medicine

Aiforia's software products are built modularly on the same modern cloud platform, the **Aiforia Platform**. Aiforia uses the commercial cloud as its platform and is able to meet the needs of its customers in different countries in terms of software data location as well as varying storage and computing capacity. The company's products can also be used in the customer's own cloud environment (e.g. Azure/AWS/Google Cloud).

With Aiforia Create, users annotate sample images and use them to train and improve AI models. As the model is being built, the software starts annotating for the user and guides the user to annotate less clear parts of the sample images, saving the user time. No programming knowledge is required to use the product. Aiforia has patented its method for annotating sample images in the US. Although the company's strategy focuses on pathology applications, the product has also been and could be used in other medical applications (e.g., drug development) or in other applications entirely (e.g., materials engineering, satellite imaging).

Create has been used to develop thousands of AI models for the study of colorectal cancer, lung and breast cancer, Alzheimer's, Parkinson's and malaria, among others. For preclinical customers, image recognition models can be used without regulatory approval. Clinical customers can also use **Aiforia Create** to build and edit their own models. However, the customer must validate the new or modified AI model before it is implemented in clinical patient work (LDT, "Laboratory Developed Test").

Aiforia builds ready-to-use, clinically approved image recognition models for its customers to use in the **Aiforia Clinical Solutions** product. As of 4/2025, Aiforia has published 8 CE-IVD(D/R) approved models for the diagnosis of different types of cancer, and the company's clinical viewer is CE-IVD approved. The company does not yet have FDA-approved models (4/2025), but Aiforia aims to submit the first application during 2025. Aiforia's image recognition models are trained on images produced by scanners from several different manufacturers, so the software can be used in environments where customers have different technology choices.

A clinical pathology laboratory is typically a "factory-like" environment and one pathologist can pronounce up to 50-100 samples in a working day. The **Clinical Solutions** software integrates with the software used by pathologists in the workflow through open interfaces.

Aiforia has also released a separate **Aiforia Research Solutions** product suite, which includes workflows required by research laboratories and is compliant with GLP ("Good Laboratory Practice") principles.

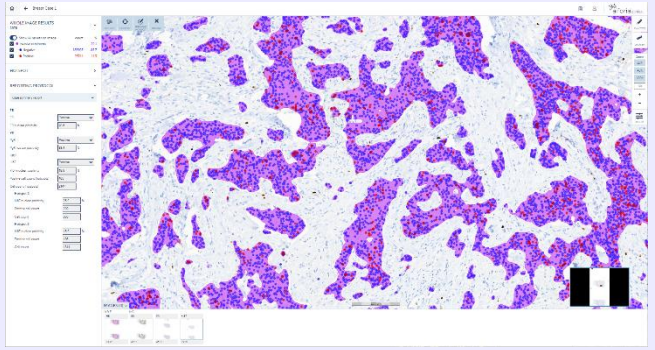
Aiforia also offers products and services to support the use of its software and training in pathology. The **Aiforia Community Platform** allows pathologists and researchers to learn and share knowledge directly with their peers and Aiforia's broad scientific team in different fields of medicine. The company offers its customers a service to build models and start using the software (**Custom AI Services**).

Aiforia's products and services

	Description
Aiforia Platform	• Aiforia's cloud platform, on which the company's products and services are built
Aiforia Create	• Software for building and further developing image recognition models
Aiforia Clinical Solutions	• Software for analysis of clinical patient samples as part of the pathology laboratory workflow • Includes sample viewer and ready-to-use image recognition templates
Aiforia Research Solutions	• Software for using image analysis models in research laboratories. Includes, for example, workflows required for studies.
Others	• **Aiforia Custom AI Services**: Services for building models and getting started with the software • **Aiforia Community Platform**: Platform for knowledge sharing among the pathology community • **Integration Services** • **Cloud Hosting Services**

Source: Aiforia, Inderes

Example of a pathologist's view in Aiforia software



Source: Aiforia

Company description and business model 3/6

Regulatory approvals are a key part of product development

Building and certifying an image recognition model for clinical use with Aiforia software normally takes about 4-10 months. In simple terms, the process can be divided into three stages:

1. **Creating a model (~1-2 months)**
2. **Model validation (~1-2 months)**
3. **Model certification (~2-6 months)**

To create the model, pathologists annotate the sample images with the biomarkers they want to identify. As the annotations accumulate, the software automatically trains the image recognition model and learns to more accurately identify the desired biomarkers in the images. Training will continue until the level of accuracy is deemed sufficient. The annotation can be done either by Aiforia's pathologists or those of its clients.

An image recognition model built with Aiforia software is typically trained on 50-200 samples. In our estimation, the administrative work and waiting time required by regulatory processes is the main bottleneck in model building. Aiforia obtains tissue and cell samples from several sources. The company participates in research projects and collaborates with pathology laboratories and biobanks. In certain cases, Aiforia also gets access to its customers' sample data. In part, Aiforia's customers can be seen as partners in product development, as exemplified by the Mayo Clinic, which built and licensed image analysis and prediction models for colorectal cancer to Aiforia.

Model validation involves validating the performance of the built model by using it to evaluate new samples. The results are then compared with estimates made by pathologists on samples independently and with the support of Aiforia software. Aiforia has a dedicated team of approximately 10 clinical consultant pathologists, typically 3-5 of whom contribute to the validation of each Aiforia model in addition to their other work. According to Aiforia, typically around 100-200 new samples are used for validation.

Model certification involves obtaining a certificate from the regulatory authority for the model to be used in clinical practice. At this stage, Aiforia, an independent body or institution examines and documents the results of the validation phase. According to Aiforia, this usually results in either 1) a conformity assessment or 2) a local authority approval to sell the product.

Clinical use requires CE-IVDR marking (EU) or FDA approval (US). Once CE-IVDR approved, Aiforia says the model can be modified if necessary. If the changes are minor, no new certification is required. Significant changes will lead to a new notified body assessment.

According to Aiforia, the processes and requirements for FDA and CE-IVDR are largely similar, although the company did not have its own FDA-cleared models on the market at the time of this report's publication. However, obtaining FDA approvals is more expensive and slower than obtaining CE-IVDR approvals because the approval of a model covers the entire workflow, which limits the applications for which the model can be used. Nevertheless, FDA requirements are expected to ease over time, but the timeframe for this is uncertain.

EU legislation on medical devices became stricter on May 26, 2022 (CE-IVDR). When Aiforia's products for clinical use are exported to the market, they will be subject to a notified body audit and their use will be more actively monitored.

Steps in building an image recognition model

1. Creating a model (~1-2 months)
2. Model validation (~1-2 months)
3. Model certification[4] (~2-6 months)

Types of clinical approvals for models in Aiforia's key markets[1]

Approval	Area	Applicant for approval
CE-IVDR	EU countries[2]	Aiforia or a competing commercial provider of models
FDA	The US[2]	Aiforia or a competing commercial provider of models
LDT ("laboratory developed tests")	EU countries and the US[3]	A clinical operator validating a model for its own use without separate regulatory approval

1 EU countries and the United States
2 Approvals may also allow the use of models in certain other regions, provided that local authorities recognize the validity of the approvals
3 Legislation differs from region to region, but to understand the requirements and processes for validations are broadly similar
4 Under normal circumstances (certifiers backlogged 2022-2024)
Source: Aiforia, Inderes estimate

Company description and business model 4/6

The notified body certification process was backlogged due to the regulatory change, and Aiforia could not get models approved for almost 3 years (0 units 6/2022-1/2024). However, new approvals (3 models) were again obtained in February 2025, so the regulatory bottleneck seems to have been removed for the company.

In the US, the customer can also validate the AI model it has developed for clinical use (known in the US as a Lab Developed Test, or LDT). In these cases, Aiforia sells its software for research purposes and the customer handles the validation for clinical use. This will allow Aiforia to offer its software to clinical customers without FDA approval also in the US, as in the Mayo Clinic account won in late 2021. In any case, we believe that FDA-approved finished products would be necessary to build a broader market in the US.

Sales processes for large accounts are quite long, but customer retention is correspondingly strong

Aiforia's customer base is almost exclusively medical, divided between preclinical and clinical customers. Until 2021, the company focused in particular on smaller preclinical customers (later also large pharmaceutical customers) and built up a large global customer base. These typically smaller, agile research teams often make the decision to purchase an Aiforia product quickly and do not require a large implementation project to start using the software. As a result, the sales process for this customer group is generally quite straightforward. However, the strong growth that Aiforia is targeting is particularly dependent on larger clinical customers.

Aiforia's preclinical clients include academic research and education organizations, research service companies and pharmaceutical and biotechnology companies. Clinical customers are hospitals, healthcare companies and clinical laboratories that analyze patient samples as part of clinical diagnostics.

For large preclinical and clinical customers, sales cycles are often long, typically lasting 9-12 months, according to Aiforia. After winning the contract, deployment requires integration of the software into the laboratory's workflow and user training. Depending on the customer, we expect the roll-out to large customers to take between 3 and 9 months in the future. We estimate that the first deployments have been slower, but the ready-made interface implementations created in these should speed up the process in the future. On the other hand, integration with core customer processes improves customer loyalty.

As Aiforia aims to significantly expand its customer's use of the software over time (e.g. customer's other laboratories, new research areas, new sample types, more models available per sample type), successful account management is critical for the company. The annual revenue potential of a single large customer can be several million euros for Aiforia. In late 2021, the company won its first high-potential customer when the Mayo Clinic selected Aiforia as its pathology image analysis partner in a tender process.

Aiforia has its own sales force in several European countries and in the United States. The company focuses its sales efforts in particular on clinical diagnostic laboratories in Europe and North America, as well as the pharmaceutical industry and major medical research institutions.

Examples of Aiforia's customers

Preclinical

Massachusetts Institute of Technology
charles river
SANOFI
Bristol-Myers Squibb
MAYO CLINIC
ORION
UNIVERSITY OF HELSINKI
TURUN YLIOPISTO
Brunel University London

+ Other large drug development companies and numerous smaller research operators

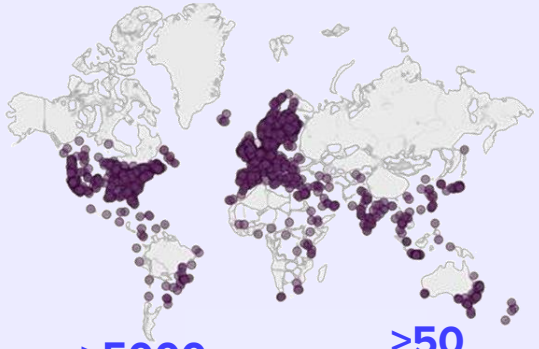
Clinical

MAYO CLINIC
Fimlab
NHS
MEMORIAL

Veneto Health Authority
Catania Health Authority
Castilla y León Health Authority
Paris Health Authority
Lombardy Health Authority
Sardinia Health Authority

Source: Aiforia

Locations of Aiforia's customers, 3/2025



>5000
Number of users, 3/2025

>50
Number of countries where the product is being used, 3/2025

Source: Aiforia

Company description and business model 5/6

Aiforia's channels are direct sales and partners. For large customers, Aiforia often approaches customers directly or through its partners (often a scanner manufacturer / system integrator / other software vendor) when tendering. In the preclinical segment, Aiforia is well known and customers in this segment often contact Aiforia themselves. However, to reach a large number of customers, the company also uses distribution partnerships.

Aiforia products (AI for diagnostics) are often purchased as part of a wider digital pathology package (including sample scanners). Partnerships with equipment manufacturers allow Aiforia to participate naturally in these larger tenders. In particular, Aiforia seeks to partner with other software vendors (esp. LIS/IMS) and with system integrators for deployments.

In the digital pathology market, there are also companies that develop software platforms for laboratories that integrate multiple image analysis models. Aiforia has also partnered with these players, such as Techcyte and PathPresenter, which can generate revenue for Aiforia through the sale of their platform. The company also has partnerships with pathology schools in Europe and the United States.

Naturally recurring revenue streams thanks to SaaS business model

Aiforia's current revenue streams are still very small compared to the company's growth targets. Until 2021, revenue streams consisted of preclinical customers.

Aiforia's revenue is geographically diversified between the United States, Finland, and Other Europe (including other regions). We expect North America and Western Europe to continue to dominate the revenue mix in the future as the company seeks to acquire large clinical customers, particularly in these regions. We expect the share of clinical revenue to reach as high as >50% from 2024 onwards.

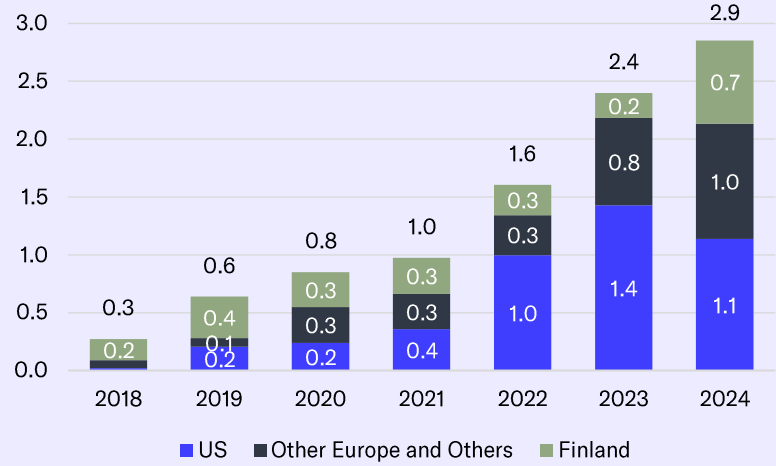
We expect Aiforia's longer-term revenue streams to consist mainly of high-cost recurring revenues linked to the use of its software products. These are a combination of ongoing Software-as-a-Service (SaaS) annual fees and usage-based fees (particularly the number of samples analyzed). Payments are typically invoiced 3-12 months in advance, which results in negative working capital for the company.

The value of Aiforia's software to its users comes from the analysis of samples, and we see the number of samples analyzed as the key driver of the company's revenue streams. Fundamentally, Aiforia's revenues will be stable in the long term, as the company's customers are mainly very stable companies (e.g. large hospital chains), the software usage is continuous and, to our understanding, customer retention is high. Aiforian is expected to receive non-recurring revenue streams from the sale of services (including software roll-outs and integration, AI model development, and customer support). However, we expect the share of services to decline from its current significant level to a clear minority over time.

Business scalability is excellent

As a SaaS software company, Aiforia's business is inherently highly scalable. In the long term, we believe that the company's ongoing product revenue has the potential to generate gross margins of approximately 60-90%, depending on whether the customer purchases its computing capacity directly or through Aiforia.

Geographical distribution of revenue*, 2018-2024, MEUR



Source: Aiforia (*FAS figures until 2021, IFRS from 2022 onwards. Categorization changed along the way; figures are indicative)

Estimated distribution of long-term Aiforia's income streams, % of revenue

Software products	Services
80-95%	5-20%

Clinical customers	Preclinical customers
~80%	~20%

Source: Inderes estimate, Aiforia

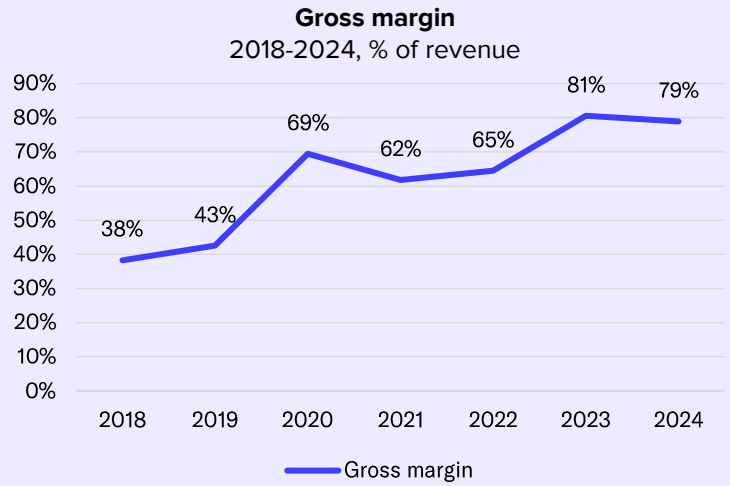
Company description and business model 6/6

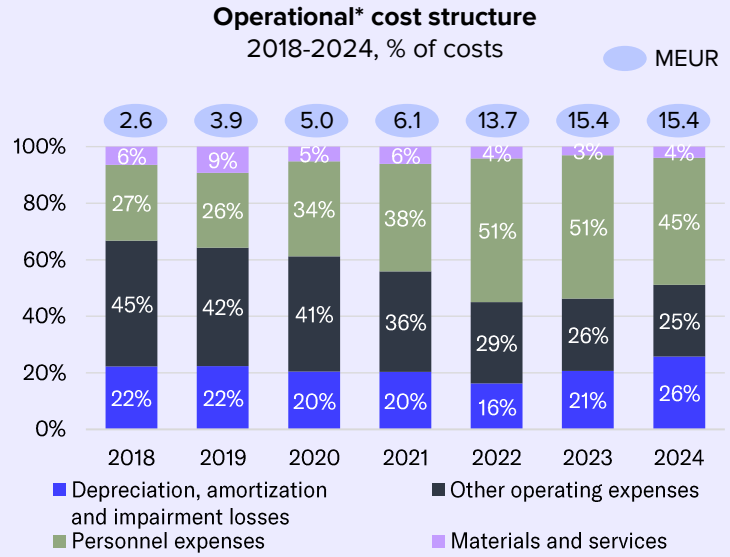
So far, we understand that the common practice has been to use the customer's own capacity, which would presumably put the gross margin at the high end of the range (75-90%). The company's gross margin in 2024 was 79%. Aiforia's main cost items are fixed and staff-related, so we see scale-up and scaling of these costs as a key driver of profitability.

Aiforia's business is in the early stages of growth and the cost structure will evolve over time. For the time being, a significant portion of the operating costs consists of personnel expenses (2024: 45% of costs), other operating expenses partly related to personnel (25%), and depreciation and amortization (26%), which is focused on the capitalization of product development costs. Materials and services are a very small cost item (4%), although they have accounted for a more significant share of revenue, as reflected in the company's gross margins. We discuss the background to these costs in more detail in the Financial position section.

The majority of Aiforia's employees are focused on software development, product development and project management (including the development of image analysis models). Sales and marketing is still slightly smaller as a function, but it has grown rapidly. Meanwhile the administration is small in terms of overall size.

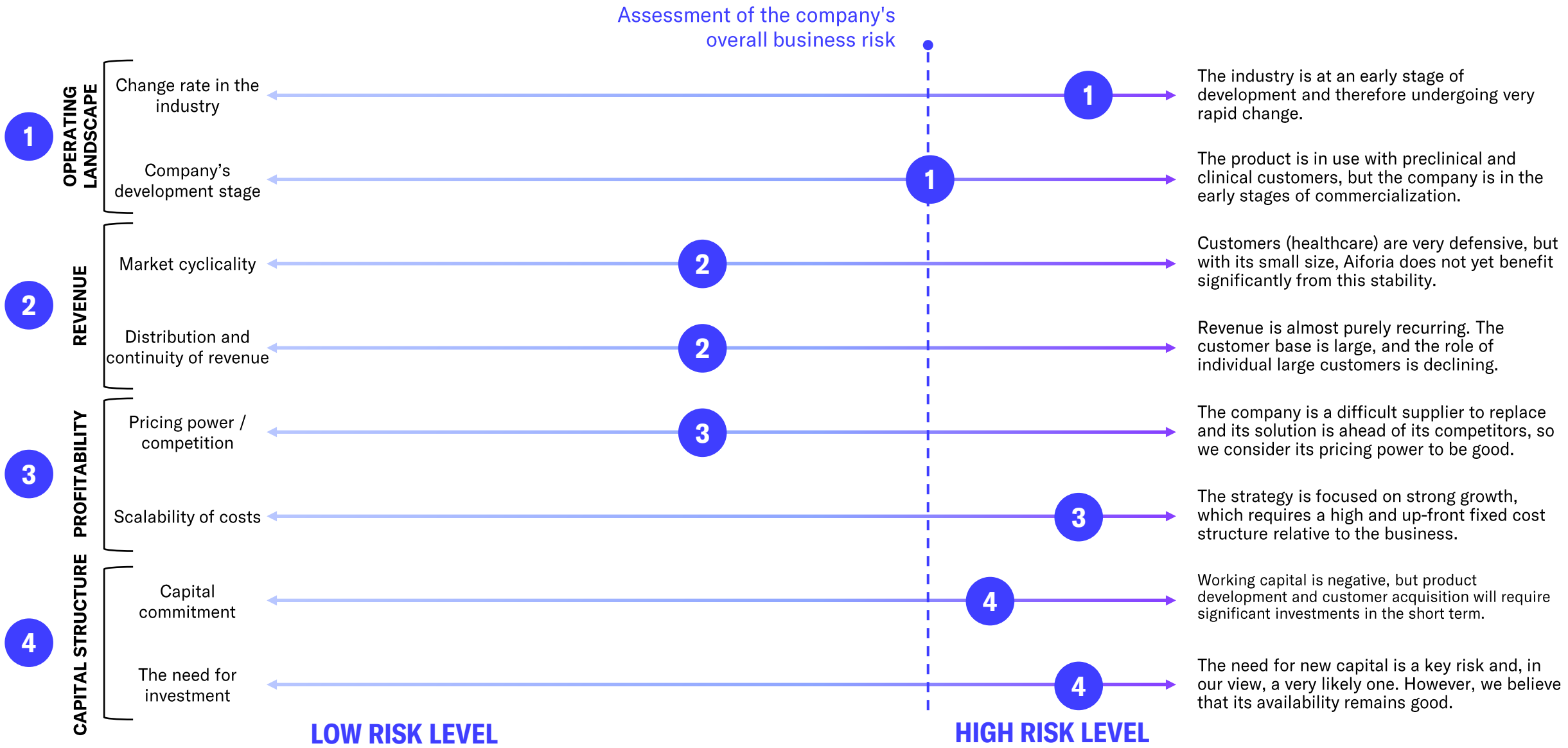
Aiforia's costs will clearly outweigh its revenues in the short term. This is due to the small size of the business so far and the company's strong front-loaded investments in growth. We see scalable growth as a key driver for strengthening the company's profitability. In order to strengthen profitability, the company must be able to increase its size many times over. However, the company's capital allocation in the coming years will focus on growth investments, mainly in the form of front-loaded personnel costs.





*Expenses recorded in the income statement before EBIT
Source: Aiforia, Inderes

Risk profile of the business



Investment profile

1. **Significant market potential for increasing automation in the defensive healthcare market**
2. **Demonstrated product competitiveness by winning tenders in the clinical segment**
3. **A clear path to growth, particularly by increasing the number of clinical wins and sample types supported**
4. **SaaS business model provides continuity and scalability as growth is successful**
5. **High risk: business is still being built, predictability is low, and valuation is based on future promises**

Potential

- Significant market potential in increasing automation in pathology
- Evidence of product competitiveness in a fast-growing market
- Plenty of room for growth especially increasing the number of sample types supported by clinical customers and technology
- SaaS business model provides continuity and scalability as growth is successful
- Attractiveness as an acquisition target in a highly valued sector

Risks

- The business is only being built, and the company's valuation virtually relies on future promises that may not materialize
- Slower than expected progress in the implementation of new technology in a conservative industry, tightening regulations
- Competing technologies, changes in the company’s position in the value chain of digital pathology, key personnel risks
- Data breach including personal health data
- Cash flow still strongly negative, which increases financial risk

Markets and competitive landscape 1/5

Digital pathology has potential, but pace of realization is uncertain

Aiforia's target market is broadly image recognition software. At present, the company focuses almost exclusively on medicine and pathology (diagnosing diseases by examining tissue and excreta samples), so we will only look at this market in this section. We see the image recognition market in other industries and medical areas as a longer-term option for Aiforia to expand its target market.

We believe that the pathology image recognition markets can be broadly segmented into preclinical (research) and clinical (patient care) applications. We estimate that clinical use represents the clear majority of Aiforia's target market potential, as the number of samples processed in patient care, and thus the potential benefits, are significantly higher than in research. Therefore, we will focus on the clinical market.

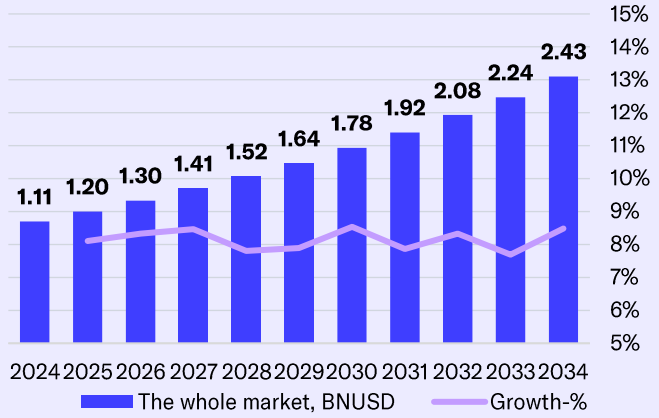
Pathology can benefit from the digital processing of samples, a market of enabling tools known as digital pathology. The market can be divided into scanners that digitize samples, software (sample image management and analysis), and storage and communication systems. Nova One Advisor estimates the market size to be around 1,110 MUSD in 2024 and to grow at a CAGR of around 8% by 2034. However, the market has initially rested on scanners (Nova estimate: 52% in 2024), and Nova expects the strongest growth to come from software. This is logical in our view, as the major efficiency gains come from automating the diagnostic work of pathologists, the value of which is ultimately delivered by image analysis software.

Aiforia focuses only on image analysis software, so only a certain part of this software market is relevant for the company. We estimate that most of the software on the market has been basic systems (especially image management software and information systems for pathology laboratories), which have been adopted due to the rather limited availability of image analysis solutions for clinical use. However, the situation has changed rapidly in 2022-2024, so we believe that the software segment will see the strongest growth in image analysis software.

The market potential for clinical diagnostics can also be assessed by the number of samples handled by pathologists, the degree of digitization of samples and the revenue potential per sample. Aiforia itself (see table on the right) has estimated its market potential at the time of its IPO (end of 2021) at around 900-2,100 MEUR in 2020 and around 3,600-7,100 MEUR in 2027. Realizing this potential in a market requires the development and active deployment of image recognition models that cover multiple sample types in pathology laboratories. In light of the news flow in the sector, the realization of this potential has been slow and the digitization rate of samples may also lag behind the estimates. However, we believe that this estimate is a good indication of the magnitude of Aiforia's market potential.

Image recognition software can only be used if the samples are analyzed in digital format. Scanners that digitize samples are therefore a necessity for using Aiforia's software. According to Market Intellix & Maia Research, the digitization rate of pathology laboratories worldwide was around 14% in 2020, so the use of image recognition software in pathology is inevitably still quite low, although the digitization rate is clearly higher and growing in Western countries.

Size and growth rate of the digital pathology market, 2024-2034, BNUSD and %



Source: Nova One Advisor

Pathology image recognition market potential in clinical diagnostics, MEUR per year

2020e	2027e	Description
1,229 - 1,472	1,980	**Number of samples,** millions
✖		
14%	35%	**Digitization rate of samples,** %
✖		
5-10e	5-10e	**Price per sample,** EUR
=		
~900 - 2,100	~3,600 - 7,100	**Addressable target market,** MEUR

Source: Aiforia prospectus (2021 - a combination of third-party information and the company's own assumptions)

Markets and competitive landscape 2/5

According to Aiforia, the large size of pathology images (one image in gigabytes or even terabytes, roughly the size of a Netflix movie) has slowed the formation of the market. Image recognition has long been used in radiology, where the smaller image size (about 1/1000th of pathology sample images, according to Aiforia) has placed lighter demands on the technology used to digitize and process sample images.

Overall, we believe that the high market potential of image analysis, especially in clinical pathology, provides Aiforia with a long-term growth path. In our view, clinical medicine customers in particular are very conservative and highly regulated, which can make them very slow to adopt new technologies. The outlook for the speed of market formation is therefore cloudy, although the contracts won by Aiforia and its competitors suggest that the market is forming rapidly.

We note that Aiforia and its competitors play a key role in shaping the market. If software companies in the sector can 1) quickly develop clinically acceptable and attractive solutions, and 2) effectively deliver these solutions to clinical customers, the market potential can be realized quite quickly. We also see some pressure (see next section) from clinicians to increase the efficiency of pathology laboratories and thus the use of image analysis software. We also see the ability of companies in the industry to prove the efficiency and cost benefits of their software to customers as an important factor in shaping up the market.

Clear trends support market growth in the long term

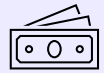
The aging population and increasing incidence of cancer are also driving an increase in the number of samples analyzed by pathologists. Aging is increasing the overall need for healthcare, and the UN estimates that the number of people over the age of 65 will more than double between 2020 and 2050. On the other hand, cancer treatment often requires a significant number of samples to be analyzed by pathologists, and the World Health Organization (WHO) estimates that the incidence of cancer will increase by 47.4% between 2020 and 2040. Aiforia believes that these factors will increase the need for digital pathology analysis.

At the same time, there is an estimated international shortage of pathologists, for example in the US[1], the UK[2] and Germany[3]. A Medscape survey also found that one-third of pathologists are overworked, although to a lesser extent than several other groups of medical professionals. With the shortage of pathologists, the growing demand must be met by increasing the efficiency of pathologists' work, which we see as a growth driver for Aiforia's target markets.

According to Aiforia, working methods in pathology often rely heavily on traditional methods based on visual interpretation. The company itself sees digital pathology as still at an early stage of development. Market Intellix & Maia Research expect the digitization rate in pathology labs to increase from 14% in 2020 to approximately 36% in 2027. This brings new potential customers for image recognition software. In our view, the increase in digitization is driven not only by the shortage of pathologists, but also by the cost pressures on healthcare providers, which can be addressed through software automation. Aiforia believes that the industry is in transition and faces a growing need to use AI-based methods to improve efficiency. We think that the news flow in the market reinforces this view, and we see clear long-term growth trends in the market.

The benefits of AI-based image analysis in healthcare

The analysis of samples speeds up and pathology laboratory productivity increases



Lower sample analysis costs

More accurate, consistent and faster results for patients

Source: Aiforia, Inderes

Key market growth trends

Aging population and increasing cancer incidence

Shortage of pathologists

The ongoing digitization of healthcare and pathology

Source: Aiforia, Allied Market Research, media sources, Inderes estimate

1 JAMA Netw. Open / DOI jamanetworkopen.2019.4337
2 The Royal College of Pathologists
3 Springer / DOI s00428-020-02894-6

Markets and competitive landscape 3/5

The value chain and roles of players in digital pathology are still evolving

Aiforia's competitive landscape consists primarily of companies developing digital pathology technologies for the clinical markets. Companies in the market provide pathology laboratories with scanners that digitize physical samples and software that makes the pathologist's job easier. In our view, the digital pathology value chain can be divided into five distinct groups of players:

1. Hospitals and other healthcare providers
2. Manufacturers of digitizing sample scanners
3. Image management software providers (PACS & IMS)
4. Image analysis software providers automating diagnostics with AI
5. Healthcare information system providers (LIS and EHR)

The clinical workflow behind digital pathology is illustrated on the right. The image analysis software market in which Aiforia operates is, in our opinion, at the earliest stage of development in the chain. Digital pathology as a whole is at an early stage of development, but other parts of the value chain have already seen the emergence of much more mature major players.

Manufacturers of sample scanners include Leica, Philips, Epredia, 3DHISTEC and Roche. Scanners are a prerequisite for the use of other digital pathology solutions, but we believe they will remain a bulk product in the long term, as we see a relatively narrow space for competitors to differentiate themselves.

Image management software (PACS/IMS) is supplied by companies such as Sectra, Proscia, PathAI, PathPresenter and Philips. These are partners and to some extent gatekeepers for image analysis software such as Aiforia.

For example, in their image management products, Sectra, PathAI, PathPresenter and Techcyte operate a third-party “extension store” through which Aiforia and its competitors offer their image recognition models. Aiforia also offers Paige models on its platform.

Many players in the industry have developed similar marketplaces, but the different usage logics of the models make it difficult to standardize marketplaces, and we expect that for the time being, image analysis software will more often be purchased directly from the vendor. In addition, given the simplicity of image management software, we estimate that its bargaining power in the digital pathology chain remains relatively limited. However, we believe that these extension stores will increase competition among image recognition model providers, as it will be easier to change models in the future.

Image analysis software is supplied by companies such as Aiforia, Indica Labs, Paige, Visiopharm, IBEX and PathAI. We believe that image analysis is a critical part of diagnosis and represents a large part of the overall value potential of digital pathology. In our opinion, image analysis software could therefore become a decision criterion for the procurement of digital pathology, which we believe makes for instance Aiforia's position in the market attractive. We emphasize that our assessment is preliminary and still uncertain, as the negotiating positions of operators may change significantly as the market evolves.

Aiforia's attractive position in the value chain also makes the company and its peers potential acquisition targets in our view. This option is supported by the ability of other players in the digital pathology chain (e.g., sample scanner manufacturers, other software vendors) to support demand for their other products by controlling what is presumably the key image recognition component of the purchase.

The clinical workflow* behind digital pathology

*The illustration is simplified and may differ from the exact work chain
** Not a comprehensive list
PACS: Picture Archiving and Communication System. **IMS** = information Management System. **LIS**: Laboratory Information System. **EHR**: Electronic Health Record.

Source: Inderes estimates, media sources, company websites

Markets and competitive landscape 4/5

On the other hand, the downside of overly aggressive bundling weakens this option, as the customer may not want to be limited to specific scanners and other software. The loss of compatibility of other components would reduce the ability to sell image recognition software to certain buyers and could limit its value in the hands of the rest of the chain. In addition, we see the growing role of platforms combining different image recognition models as undermining this industrial logic of cross-selling, although there are examples of this in the market, such as Epredia's investment in Aiforia and Leica's investment in Indica Labs (3/2025).

In the coming years, we expect to see mergers and acquisitions in the digital pathology value chain that will reshape the competitive landscape. In addition to improving the value chain position that drives consolidation, we expect to make it easier for customers to buy. Consolidation has been limited so far, but the wheels have started to turn. Quest Diagnostics acquired PathAI's laboratories (2024), Clarapath acquired Crosscope (2023) and Tribun Health acquired Keen Eye (2022). Crosscope and Keen Eye are AI players, but at an earlier stage of development than Aiforia, and in our view not yet competitors to Aiforia.

Aiforia appears to be well positioned relative to its competitors and has been gaining market share at a rapid pace

Overall, Aiforia's competitive landscape is still shaping up and its evolution is difficult to predict. The software developers that compete directly with Aiforia are mostly relatively new players. Virtually all competitors also have a business in research use, but we will focus on the clinical market perspective. In terms of competitive factors, we pay attention to both the scope of the models' utility (cell-level detection vs. cancer/no cancer) and the technology chosen (deep learning AI vs. algorithmic image recognition), which we see as setting the boundaries for the evolution of the product's accuracy level.

The first group of competitors is developing image recognition models that support diagnostic work, but do not automate cell counting or generate ready-to-review reports for pathologists, which we see as a key capability that brings efficiency gains and diagnostic accuracy.

IBEX is an important competitor in the clinical segment, estimated to be at a similar stage of development to Aiforia, although it was the first to enter the clinical market in 2018. The company has 3 CE-IVD approved models and 1 FDA approved model. The models are based on deep learning artificial intelligence and in light of public data, perform high-level binary classification combined with heatmaps with limited user customizability.

Paige.ai works on the preclinical and clinical side and has a marketplace where other applications can be imported. The company's models are advanced AI models (Foundation Models) that work to our understanding in a binary way (cancer/non-cancer) and by highlighting areas of risk in samples. Paige has one FDA-approved AI model (prostate cancer, compatible only with a specific Philips scanner) and an FDA-approved viewer.

Players in the second group of competitors are able to calculate at the cellular level. Aiforia is also one of them.

PathAI is particularly active in drug development but has also invested in clinical diagnostics. The company's models are AI-based and work at the cellular level and across multiple scanners, but they do not have regulatory approval. The company still has an FDA-approved viewer, and on the clinical side, the company appears to be targeting the US market.

Aiforia's competitive factors

+ Cell-level, AI-based and scalable SaaS software
+ Customer can create new models and develop existing ones without software expertise (Aiforia Create, patented pattern annotation)
+ Well-known in academic circles and a broad preclinical client base, which adds credibility
+ Strong clinical customer references and existing CE-IVD approved models to support sales
± Clinical products have limited evidence of customer use at high volumes (evidence has started to accumulate more especially from 2024->)
± As with other players, the lack of FDA approvals will limit marketing in the US and, we estimate, make sales more difficult.
– Fewer sales and product development resources than heavily capitalized competitors

Summary of comparison of key competitors

Company	CE-IVD* approvals	FDA* approvals	Cell-level detection	Deep learning artificial intelligence
Aiforia	8		X	X
Ibex Medical	3	1		X
Indica Labs	1		X	X
Paige		1		X
Visiopharm	9		X	
Mindpeak	5		X	X
PathAI			X	X

Source: Inderes, company pages, media information.
*Only image recognition models included. Situation reviewed at the end of Q1/2025. None of the cellular-level models have yet been approved by the FDA.

Markets and competitive landscape 5/5

Visiopharm is a 20-year-old company with a solid foothold in the market. Operates on the clinical and preclinical side, 9 CE-IVD certified AI models. The models are, as we understand it, simpler algorithms (supported by AI) that are more challenging to build and bring to the level of accuracy of deep learning AI models. The models perform calculations at the cell level.

Mindpeak was established in 2018. Its models are based on deep learning artificial intelligence and also work at the cellular level. The company operates on the clinical and preclinical side and has 12 AI models, 5 of which are CE-IVD marked.

Indica Labs is a company founded in 2011, which operates on both the preclinical and clinical side. It has 1 CE-IVD-approved AI model (prostate cancer). The company's models are based on deep learning artificial intelligence and work at the cellular level. Indica Labs also has an FDA-approved image management system (IMS) and viewer, but no FDA-approved models.

Other potential competitors are plentiful, but we have not identified any other players that have reached or are close to routine clinical use. Over time, we expect the market to focus on a handful of players that will succeed in establishing themselves through high quality, a broad regulatory-approved product portfolio, and clinical references.

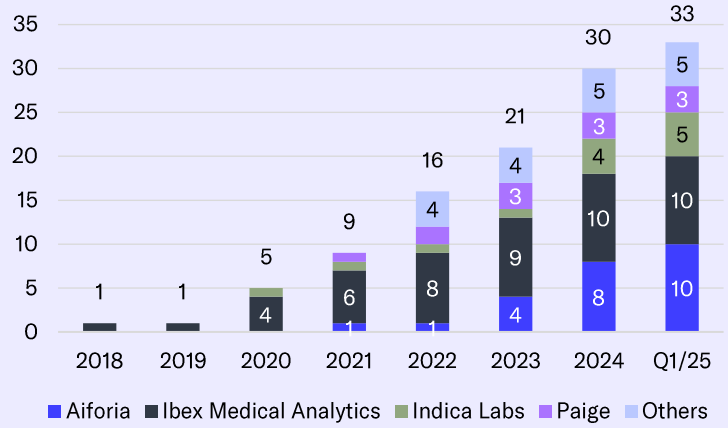
In our view, deep learning AI-based players with cellular recognition capabilities are inherently relevant competitors, as their products are capable of higher degrees of automation and can be developed to be more accurate. Based on this criterion, the strongest competitors are PathAI, Indica Labs, Mindpeak and Aiforia. Another competitive factor we consider is the regulatory approvals that affect the scope of the product granted to image recognition models, which Visiopharm, Aiforia and Mindpeak have so far for at least 5 models, mainly in Europe (CE-IVD). Thirdly, there are the customer references, such as those of Aiforia, IBEX and Indica Labs in particular. In light of these criteria, Aiforia's position appears strong, especially in Europe, where regulatory approvals for the market are progressing faster than in the US.

We have also collected figures from public sources on the number of human sample clinical imaging customers won by key[1] competitors. Each customer, regardless of size, has the same value in the figures, so we believe the figures tell us more about win ratio, relative competitiveness and market presence than about market shares in terms of revenue. Some competitors (e.g. IBEX) appear to have lost customers based on media reports, but we include all published wins in these figures. We expect all players to publish all key wins, as references are critical to market formation and each player's competitiveness in the current environment.

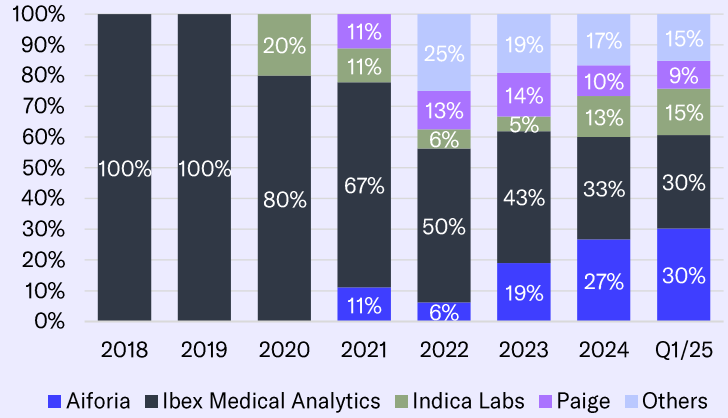
Between 2018-Q1/2025, Aiforia's share of clinical customers in the sector has risen from zero to 30% (2024), sharing the top spot with IBEX, which has fallen rapidly from its early market dominance (2018-2020: 80-100%). Aiforia has been on the rise since 2021, when it was just starting to expand into the clinical market (Mayo Clinic). Based on our monitoring, Aiforia has won >50% of all clinical deals in the market between 2023-Q1/2025.

Considering all this, Aiforia's competitive position and its ability to gain market share seem very strong, especially in Europe. Based on media reports, some competitors have raised considerably more funding than Aiforia, which supports their position as they are able to invest more in sales and product development. In our view, Aiforia's clearest competitors in AI-assisted image recognition in pathology are Indica Labs, IBEX and Paige. Other challengers include Visiopharm, Mindpeak and PathAI, which have a combined market share of 15% and are on a downward trend.

Development of clinical segment market shares*,
2018-Q1/2025, # cumulative number of clinical clients



Development of clinical segment market shares*, 2018-Q1/2025,
% of cumulative number of customers won



Source: Inderes (company websites, media research). *Covers only routine clinical use of image recognition in human samples, not image management systems (IMS). The "Others" category includes Visiopharm, Mindpeak and PathAI. Does not take into account potential customer losses.

1 Aiforia, IBEX, indica Labs, Paige, Visiopharm, Mindpeak, PathAI, Paige

Strategy 1/2

Short-term focus on key customer wins and product expansion

In the coming years, Aiforia will focus on the development and commercialization of its software solution in clinical and preclinical pathology. In the medium term (~2030), the company also aims to extend the product to other applications, which we see mainly as a positive option for a new business of significant scale, although the company's investment story relies on the digitization of pathology. In pathology, Aiforia first established the reliability and recognition of the software in preclinical use. In the second phase of the strategy (~2022 onwards), the company has leveraged its proprietary Create software to create a comprehensive set of validated AI models for clinical use in a variety of diagnostic applications.

In the clinical segment, Aiforia is focusing its sales resources on the largest key customers. The company aims to reach 15 key accounts with the potential to generate annual recurring revenue of more than EUR 500,000. Of Aiforia's disclosed customers in the clinical segment (by 4/2025), we estimate that around 10 can be clearly categorized as key customers (e.g. Mayo Clinic). The company aims to increase the number of key customers to ~50 by ~2030, which we believe remains realistic.

The company aims to serve smaller customers in particular with the help of distribution partners, which reduces the company's own direct recruitment needs. We estimate that the company has already acquired (by 4/2025) the three new strategic partnerships it is targeting from workflow management software providers and system integrators.

On the clinical side, Aiforia aims to release 10 new CE-IVDR-marked models in the short term (2024-25), of which 3 have already been launched (by 4/2025). The company aims to expand its offering to cover 80% of the pathologist's diagnostic workflow (~20 most common cancer types) by ~2030. Based on our estimates and the company's comments, this would require an estimated 50-100 models. We believe that this is also realistic, especially in Europe. On the other hand, the models also require FDA clearance to be offered to US operators outside of LDT validation.

In terms of operational figures, Aiforia aims to achieve positive cash flow from operating activities by the end of 2025 (NB: before product development capitalization) and positive business profitability by the end of 2027 (net result). We believe these targets are very ambitious and require a combination of very strong revenue growth and modest cost growth. The medium-term revenue target of >100 MEUR by the end of ~2030 is also very ambitious in our view. This requires both a rapid opening of the market and for Aiforia to achieve a leading market position.

Aiforia has so far been very successful in achieving its short-term targets (2022-23 and 2024-25 periods). Conversely, we see a clear risk in reaching the medium-term targets on time, as market growth and regulatory processes have been slower than we previously expected. Overall, the company has continued to make progress towards its objectives with the support of its own efforts. In terms of Aiforia's value creation, we would not consider a delay of a few years to be particularly dramatic, as the focus is rather on maintaining the competitiveness of the product and building a leading market position.

Short-term objectives,
2024-2025

✓ GLP	Extend the preclinical offering with new AI models and an interface designed for the GLP* workflow
3** / 10	Expand clinical offering with 10 new regulatory-approved AI models
>3** / 3	Form at least three new strategic partnerships
10** / 15	Achieve 15 key accounts (potential for over EUR 500,000 in annual recurring revenue)
	Achieve a positive cash flow from operating activities

Source: Aiforia, Inderes.
*Good Laboratory Practice. ** Inderes' estimate (4/2025)

Medium-term financial objectives,
by ~2030

1	Product offering covering 80% of the pathologist's diagnostic workflow
2	Achieve profitable business by the end of 2027
3	> 100 MEUR revenue
4	Leverage technology beyond diagnostic support for pathologists
5	Achieve 50 key accounts (potential for over 0.5 MEUR in annual recurring revenue)

Source: Aiforia, Inderes estimate

Strategy 2/2

Target market and Aiforia's position

Global market for digital pathology, 2024

1.1 BNUSD

Projected market growth rate, 2024-2034e

8% CAGR

Key market trends for Aiforia

- Aging population and increasing cancer incidence
- Shortage of pathologists
- The ongoing digitization of healthcare and pathology

Software company developing image recognition to improve clinical pathology

aiforia®

Strategic focus areas

1. Developing AI models and bringing a comprehensive range of AI solutions to the market
2. Building a comprehensive sales network (direct sales and partners) and commercialization of clinical diagnostic solutions
3. Emphasis on winning key customers, especially in clinical diagnostics, and strengthening positions in the preclinical segment
4. Focus on pathology tissue samples, but also testing the potential for expansion (other medical applications, other industries)

Financing the initial phase of the strategy with share issues, after ~2025-2026 with cash flow

>100 MEUR

Revenue ~ 2030

Positive

Operating cash flow by the end of 2025

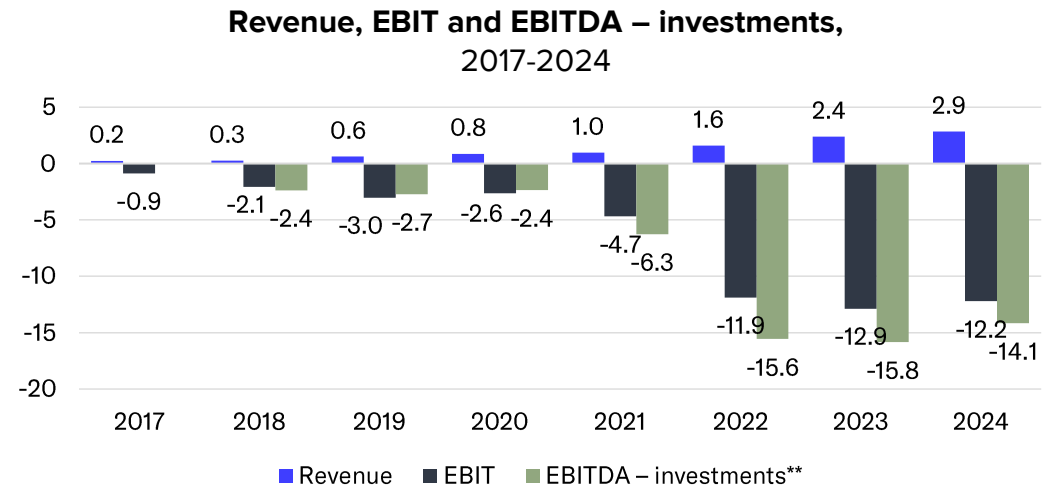
Positive

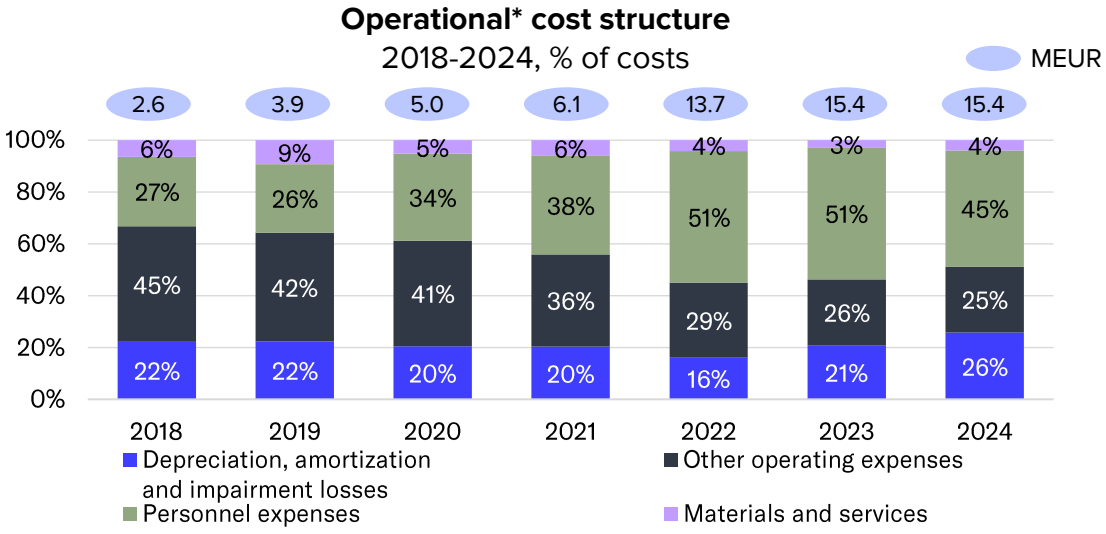
Net result by the end of 2027

Source: Inderes, Allied Market Research, Nova One Advisor, Aiforia

Past development and balance sheet 1/2

The business has been heavily loss-making due to early development and investments



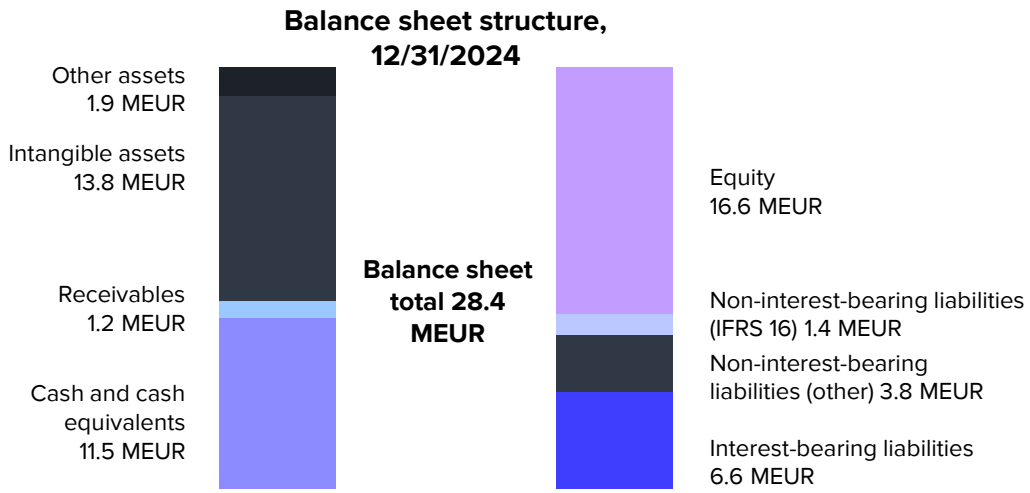


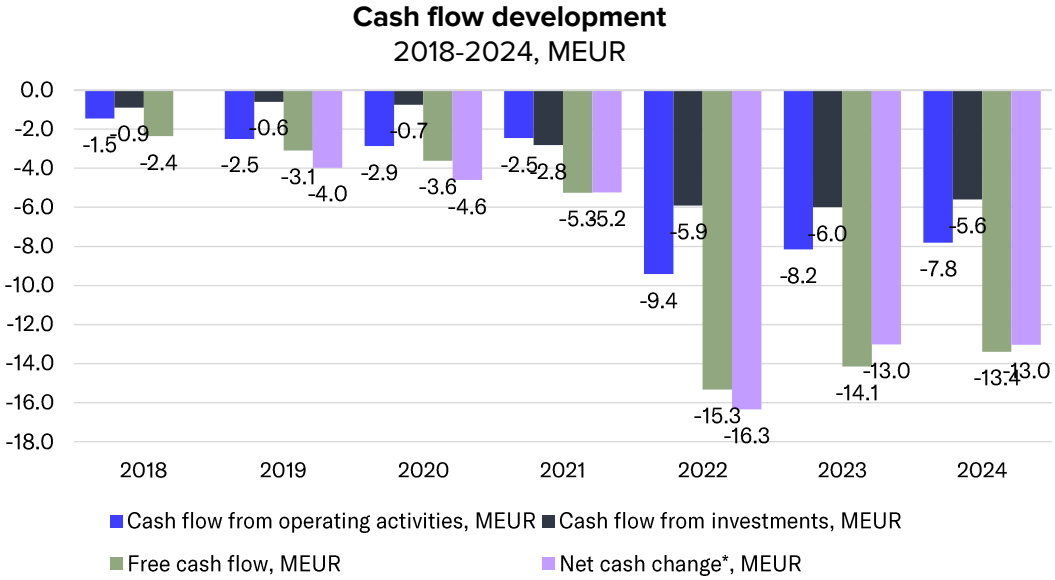
*Costs recognized in the income statement before EBIT **Investments in intangible and tangible assets
Source: Aiforia, Inderes. The figures are in FAS until 2021 and in IFRS from 2022 onwards.

- Aiforia's CAGR has been 48% and profitability has still been heavily loss-making between 2018 and 2024. The IFRS transition (in figures from 2022 onwards) changed the revenue recognition to be slightly more backward-looking (projects are recognized when completed, not by stage of completion).
- The company began commercializing its clinical diagnostics products in 2021, so revenues have been generated primarily from smaller preclinical customers. The early growth of the clinical segment is therefore reflected in 2022-2024 revenue. There has also been volatility in preclinical revenue, which has eroded some of the revenue growth in the clinical segment.
- Historically, Aiforia has been in the product development phase, which has resulted in clearly loss-making results. The company operates a scalable software product business in an emerging market where sufficient scale is a prerequisite for success.
- To date, the company's depreciation is significantly lower than its capitalization. Therefore, EBITDA minus investments is so far a considerably better indicator of the company's operating profitability than EBIT.

- We believe the cost structure has significant scalability potential across the board as the business grows.
- Materials and services mainly include cloud computing costs related to the sale of software and external services. This is the only cost item in the company where we see limited room for scalability (the need grows with revenue).
- The majority of personnel expenses are related to product development and, increasingly, sales and marketing. Product development personnel costs are mainly capitalized in the balance sheet (excluding costs covered by grants), so that a portion of Aiforia's personnel costs is reflected in the income statement under depreciation with a time lag. The company will continue to capitalize product development costs, and we expect the level of amortization to continue to increase. The company recognizes personnel costs and capitalizes stock options at the date of vesting (non-cash).
- Other operating expenses primarily include software development services purchased from third parties, as well as expenses related to administration, occupancy, IT, marketing and advertising. Other operating expenses related to product development have been capitalized in the balance sheet, except for the part for which direct grants have been received. The company's depreciation and amortization consists primarily of capitalized product development.

Past development and balance sheet 2/ 2





Source: Inderes, Aiforia. *Excluding the impact of share issues. Aiforia switched to IFRS accounting at the beginning of 2022.

Net debt free balance sheet is weighted towards cash and cash equivalents

- At the end of 2024, Aiforia's cash and cash equivalents (11.5 MEUR), net cash excluding lease liabilities (4.9 MEUR) and net gearing (-30%) are still at a reasonable level. However, we estimate that the company will still need new funding during 2025.
    - Interest-bearing liabilities consist mainly of low-interest loans from Business Finland.
- At the current stage of development, product development in particular ties up a significant amount of capital in intangible assets relative to revenue. We expect that intangible assets will continue to be a significant part of the asset side of the balance sheet, along with cash and cash equivalents.
- Working capital requirements are very low due to the upfront payments typical of the SaaS business model (customers are often billed 3-12 months in advance). Aiforia is already able to operate with negative net working capital (2024: -2.1 MEUR) due to the non-interest-bearing liabilities generated by the advance payments.

Cash flows still negative due to investment phase

- The company's cash flow is so far strongly negative due to the early stage of the company's development.
    - Aiforia is still investing heavily, especially in product development and sales and marketing on a near global scale, given its small revenues.
    - We expect the free cash flow trend to turn upward in 2025 through rapid revenue growth and cost control.
- In 2024, capitalized product development investments amounted to 5.4 MEUR, representing the lion's share of the company's investments. We expect this level to increase in the coming years, especially as we approach cash flow neutrality, as Aiforia increases investments in the development of new AI models and its software platform. So far, depreciation is lower than capitalization, and the company's cash flow is lower than its EBIT.

Estimates and valuation 1/6

Revenue forecasts already on solid footing, but forecast risks remain high

Aiforia operates in a young growth market. We expect the digitization of pathology and the use of AI applications to grow significantly over the next decade. Aiforia has demonstrated its initial competitiveness and has won a number of significant customer wins in its market, both on the clinical and preclinical side. We already see hard ground beneath the company's revenue growth. We see clear opportunities for Aiforia to become one of the long-term winners in its market.

At the same time, there is considerable uncertainty about the timing of the company's growth. The timing of new customer wins, the pace of customer software adoption expansion, and the timings of regulatory approvals to support growth are difficult to predict. It can take a long time to deploy AI-based applications on a large scale.

Aiforia's revenue growth relies primarily by clinical diagnostics customers, while the company's revenue through 2021 was largely driven by smaller preclinical customers. Another important change is the shift from smaller customers to larger customers (clinical laboratories, large pharmaceutical research companies), which require different capabilities from the organization. For these reasons, the company's history provides limited support for the forecasts. Our forecasts are based on a number of assumptions, the validity of which only time will tell. The assumptions apply to both revenue and investments required for growth. It is therefore important for the investor to be aware of the exceptionally high uncertainties in our estimates.

Our forecasts are based on a scenario in which the implementation of Aiforia's strategy is an excellent success. To do this, the company must build and significantly scale new sales channels (large customers and distribution partners) while developing and maintaining the competitiveness of its product. This is expected to position the company as one of the winners in the clinical image recognition software market.

We believe that Aiforia has progressed on this path, but the progress of the journey still needs to be monitored closely. In our view, the high level of risk in our forecasts must therefore be offset by a higher-than-usual required return.

Key estimate drivers

The key drivers of our estimates are shown on the right. We base our forecasts on assumptions about the deployment of already realized customer wins in the short term (1-2 years), after which we make assumptions about new customer wins. Aiforia announces significant deals, so the short-term revenue forecasts are well based on this, although the length of deployments and the timing of revenue generation have proven to be variable. Longer term, our forecasts are based on new customer wins and growth in customer-specific invoicing enabled by the expansion of Aiforia's product portfolio.

We estimate Aiforia's profitability mainly on the basis of personnel-related fixed costs. We forecast personnel costs and other operating expenses using the development of unit costs. The depreciation trend is based on our forecast level of product development capitalization. Our measure of profitability is operating profit, which includes the cost of product development capitalized through amortization. In our view, rental costs (IFRS 16), which are only included in financial expenses, are immaterial in the overall picture.

Drivers for income statement estimates

Estimate	Key parameters
Revenue	• Number of customers won • Development of customer-specific invoicing • Revenue development by geographical location
Costs	• Number of personnel • Personnel costs per person • Other operating costs per person • Development of product development capitalization (5y straight-line depreciation)

Defining customer groups

Customer size that triggers a stock exchange release (Inderes estimate)

Customer group and potential	Description	Amount* in the main market
Large customers (ARR> 500 TEUR)	• Large clinical customers (hospital group or larger single hospital)	~50-200
Medium-sized customers (ARR 50- 500 TEUR)	• **Small and medium-sized clinical customers** (single small or medium-sized hospital) • **Large preclinical customers** (e.g. large pharmaceutical companies)	~5,000 - 10,000
Small customers (ARR < 50 TEUR)	• **Smaller preclinical customers** (e.g. study groups)	~500-1,000

*Figures are indicative. Main markets: North America and Western Europe.
Source: Inderes estimate, Statista, media sources, Aiforia

Estimates and valuation 2/6

We expect revenue to enter a period of stronger growth from 2025 onwards

After 2021, the key driver of Aiforia's growth has been its customer base in the clinical segment. The largest of these are always announced, and by the end of Q1/2025 the company has announced 10 major clinical wins, mainly in Europe (excl. Mayo Clinic/USA). The deployment of these customers and new wins form the basis of our forecasts. In our view, it is justified to portray the company as one of the winners in the sector in our forecasts, as the company's track record of customer wins and rapid market share gains suggest a very strong competitive position.

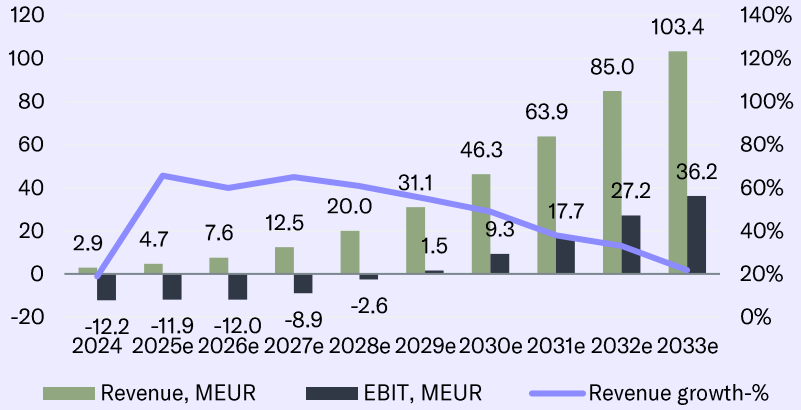
In terms of timing, 9 of the customer wins occurred between 2023 and Q1/2025. Due to slow deployments, only a fraction of these was reflected in 2024 revenue, but we estimate that the majority will start flowing in as early as 2025. We highlight that while Aiforia's software delivery is typically quite fast, the adoption of new technologies (including scanner purchases and installations) takes time in clinical pathology labs. Driven by these customers, we forecast Aiforia's revenue to grow by 66% in 2025. We expect the company to maintain a rather tight cost discipline and EBIT to improve accordingly to -11.9 MEUR (2024: -12.2 MEUR), driven by high-margin revenue growth, although the impact of increased depreciation on product development capitalization will eat into the total.

Supported by a competitive product and customer references, we expect Aiforia to continue to achieve several significant customer wins in a year. In addition, after a pause, the company has received CE-IVDR approvals under the new regulation for its image recognition models, which will both increase the potential size of new customers and enable the expansion of existing customer accounts. Supported by these drivers, we expect the company's revenue to grow by 60% and 65% in 2026 and 2027. We expect the company to continue to increase costs moderately and EBIT to strengthen to -12.0 to -8.9 MEUR.

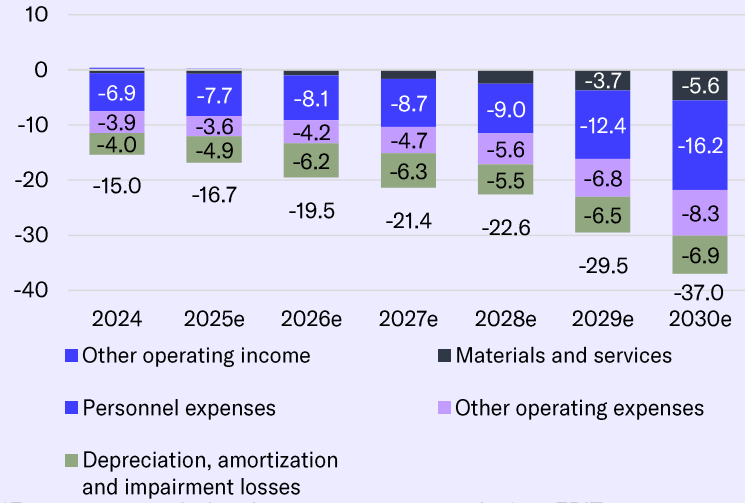
We expect growth to be concentrated in Europe until 2027, as we believe it will take at least until 2026 to obtain FDA approvals to support growth in the US market. We believe that expectations for growth in the US market should be kept cautious in the short term, not least because the trade war that has flared up could undermine otherwise well-advanced investments in digital pathology, and tariffs could slow sales of sample scanners, which could weaken the readiness of the US market in particular to adopt image recognition software.

In 2028-2033, we estimate that Aiforia's customer wins will already be concentrated in the US and that this market will become the company's most important market. This will require an easing of FDA approvals to levels close to those in Europe, and probably also an easing of the trade war. Our forecast for annual revenue growth then ranges from 22% to 61%, with a decelerating trend. With high-margin revenue growth and a scalable cost structure, we expect the company's EBIT to turn positive in 2029 (5%). In the longer term (2034-2038), we expect revenue growth to decline to 18-5% per year and the EBIT margin to stabilize at 28% in 2039. We find the profitability level well justified, as the long-term revenue level we forecast (>150 MEUR) and the company's high-margin revenue (gross margin >80%) will scale to high profitability by default. This level is also in line with the profitability levels of mature technology suppliers in the healthcare sector (EBIT-% around 20-35%) and, more broadly, the more mature software product companies (EBIT-% around 25-50%).

Revenue and EBIT estimates,
2024-2033e, MEUR and growth-% of the previous year



Projected evolution of the operational cost structure,
2024-2030, MEUR



*Expenses recorded in the income statement before EBIT
Source: Inderes

Income statement

Income statement	H1'23	H2'23	2023	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	2026e	2027e	2028e
Revenue	**1.0**	**1.4**	**2.4**	**1.4**	**1.5**	**2.9**	**2.0**	**2.7**	**4.7**	**7.6**	**12.5**	**20.0**
EBITDA	**-5.0**	**-4.7**	**-9.7**	**-4.2**	**-4.0**	**-8.2**	**-3.8**	**-3.2**	**-7.1**	**-5.8**	**-2.6**	**2.9**
Depreciation	-1.4	-1.7	-3.2	-1.9	-2.1	-4.0	-2.3	-2.6	-4.9	-6.2	-6.3	-5.5
EBIT (excl. NRI)	**-6.4**	**-6.5**	**-12.9**	**-6.1**	**-6.1**	**-12.2**	**-6.1**	**-5.8**	**-11.9**	**-12.0**	**-8.9**	**-2.6**
EBIT	**-6.4**	**-6.5**	**-12.9**	**-6.1**	**-6.1**	**-12.2**	**-6.1**	**-5.8**	**-11.9**	**-12.0**	**-8.9**	**-2.6**
Net financial items	-0.1	0.1	0.0	0.1	0.1	0.2	0.0	-0.1	-0.1	-0.3	-0.3	-0.3
PTP	**-6.5**	**-6.4**	**-12.9**	**-6.0**	**-6.0**	**-11.9**	**-6.1**	**-5.9**	**-12.0**	**-12.3**	**-9.2**	**-2.9**
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**-6.5**	**-6.4**	**-12.9**	**-6.0**	**-6.0**	**-11.9**	**-6.1**	**-5.9**	**-12.0**	**-12.3**	**-9.2**	**-2.9**
EPS (adj.)	**-0.25**	**-0.25**	**-0.50**	**-0.21**	**-0.21**	**-0.41**	**-0.19**	**-0.18**	**-0.37**	**-0.38**	**-0.28**	**-0.09**
EPS (rep.)	**-0.25**	**-0.25**	**-0.50**	**-0.21**	**-0.21**	**-0.41**	**-0.19**	**-0.18**	**-0.37**	**-0.38**	**-0.28**	**-0.09**

Key figures	H1'23	H2'23	2023	H1'24	H2'24	2024	H1'25e	H2'25e	2025e	2026e	2027e	2028e
Revenue growth-%	67.4 %	39.2 %	49.3 %	42.8 %	2.9 %	18.9 %	47.0 %	83.0 %	65.7 %	60.0 %	65.0 %	60.8 %
Adjusted EBIT growth-%	31.1 %	-5.8 %	9.6 %	-5.2 %	-5.4 %	-5.3 %	0.7 %	-4.8 %	-2.1 %	0.1 %	-25.3 %	-71.1 %
EBITDA-%	-517.3 %	-329.0 %	-404.5 %	-306.0 %	-271.9 %	-288.4 %	-190.2 %	-120.1 %	-150.0 %	-76.3 %	-21.0 %	14.5 %
Adjusted EBIT-%	-666.4 %	-450.6 %	-537.1 %	-442.6 %	-414.0 %	-427.8 %	-303.2 %	-215.4 %	-252.9 %	-158.1 %	-71.6 %	-12.9 %
Net earnings-%	-679.8 %	-444.8 %	-539.0 %	-434.8 %	-404.5 %	-419.1 %	-303.2 %	-219.1 %	-255.0 %	-162.1 %	-74.0 %	-14.4 %

Source: Inderes

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	4.7	4.7	0%	7.6	7.6	0%	12.5	12.5	0%
EBITDA	-7.1	-7.1	0%	-5.8	-5.8	0%	-2.6	-2.6	0%
EBIT (exc. NRIs)	-11.9	-11.9	0%	-12.0	-12.0	0%	-8.9	-8.9	0%
EBIT	-11.9	-11.9	0%	-12.0	-12.0	0%	-8.9	-8.9	0%
PTP	-12.0	-12.0	0%	-12.3	-12.3	0%	-9.2	-9.2	0%
EPS (excl. NRIs)	-0.36	-0.37	-4%	-0.36	-0.38	-3%	-0.27	-0.28	-1%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

The full-year EPS was calculated using the number of shares at the end of the year.

Estimate revisions

- We now expect two share issues of 10 MEUR each in 2025 and 2026 (20 MEUR in total), while previously we projected one share issue of 15 MEUR in 2025. Of these, only the 2025 share issue is directly taken into account in our cash flow model.
- We also raised the cost of capital to 13.5% (WACC-%, was 12.7%).
  - The change was mainly driven by the escalation of the trade war, which we consider an increased forecast risk due to its indirect investment-dampening effects and the potential slowdown in sample scanner sales due to tariffs.
  - In addition, the change in funding assumptions increased the cost of capital by a more moderate 0.3 pp. Our DCF model only takes into account this year's share issue and assumes that the rest of the financing will be provided by debt, which leads to an overly optimistic assumption of the cost of capital in our estimates, which we compensate for with this change.

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Non-current assets	**13.2**	**15.1**	**15.0**	**14.3**	**13.6**
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	11.8	13.8	14.4	13.9	13.5
Tangible assets	1.3	1.0	0.7	0.3	0.1
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.1	0.4	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**15.0**	**13.2**	**10.1**	**10.6**	**11.9**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.6	0.6	0.6	0.6
Receivables	1.0	1.2	1.5	2.0	3.3
Cash and equivalents	14.0	11.5	8.0	8.0	8.0
Balance sheet total	**28.2**	**28.4**	**25.2**	**24.8**	**25.5**

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Equity	**17.9**	**16.6**	**14.5**	**2.3**	**-7.0**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-38.3	-49.0	-61.1	-73.3	-82.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	56.1	65.5	75.5	75.5	75.5
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**6.2**	**7.1**	**5.1**	**13.9**	**20.3**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	5.1	5.6	3.7	12.5	18.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.1	1.4	1.4	1.4	1.4
Current liabilities	**4.1**	**4.7**	**5.6**	**8.7**	**12.1**
Interest bearing debt	0.7	0.9	0.9	3.1	4.7
Payables	3.4	3.8	4.6	5.6	7.4
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**28.2**	**28.4**	**25.2**	**24.8**	**25.5**

Estimates and valuation 3/6

We expect Aiforia's growth to continue to outpace GDP beyond our forecast horizon, with a terminal growth rate of 2.5% in 2039.

New capital will still be raised, but from good positions

Aiforia's financial position (11.5 MEUR at the end of 2024, plus some undrawn Business Finland loan, according to our estimates) is still reasonable, but based on our current forecasts, the company will need new financing during 2025. Aiforia aims to achieve positive operating cash flow by the end of 2025. In practice, if the targets are met, the company would generate positive operating cash flow in 2026 (NB: before investments), which is about 2 years ahead of our estimates. Accordingly, Aiforia targets a positive net result at the end of 2027, which is ahead of our forecast (positive net result and free cash flow in 2029).

The financial situation is partly supported by Aiforia's management option plans, which include a maximum number of options corresponding to roughly 4.2 million new shares. The resulting increase in the number of shares would be approximately 14% compared to the share volume at the end of 2024, or a net increase of 5% at the time of publication of this report, taking into account the subscription prices. We include options in our projections of the number of shares of the company for their estimated net effect. The cash impact of the options, estimated at a maximum of around 11 MEUR, is considered separately and not in the forecasts.

By 2028, we estimate that around 20 MEUR of new financing will be required, taking into account the estimated subscription proceeds from options and loan repayments. The amount is quite reasonable in relation to the market value of the company (~110 MEUR) and with good execution of the strategy, we believe the company is well positioned to raise funds. Of course, the situation can change if the company encounters adversity or growth is better than expected, in which case the amount of dilution will vary. As the company approaches cash flow neutrality, it may also be able to use loans for financing.

Valuation relies on uncertain future potential

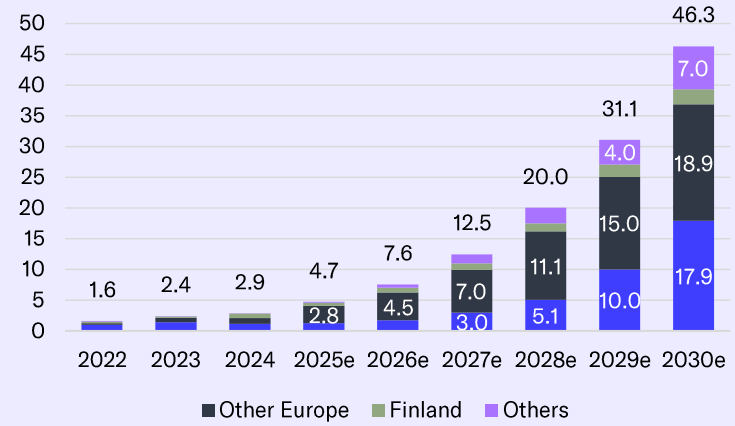
We believe that Aiforia's valuation is based on the expectation of scalable growth. From this perspective, we believe it is essential to assess the value creation potential of the company's business, the likelihood of achieving that potential, and the market's willingness to price it.

We believe that the foundations for successful future value creation are strong. Aiforia has won several clinical customers and has been successful in bringing its technology to them, so preliminary evidence of the company's competitiveness and ability to win the market is very promising. On this basis, we believe that the company's future potential is well priced into the stock. On the other hand, commercialization is still at an early stage and the rate of customer growth is still uncertain, while the company is currently generating negative cash flow in its investment phase. Expectations about the cash flows generated by Aiforia's business, and therefore the value of the company, are primarily based on uncertain cash flows that are more than a decade away. In the short term, raising capital (and at what valuation) also affects expected returns by diluting existing shareholders.

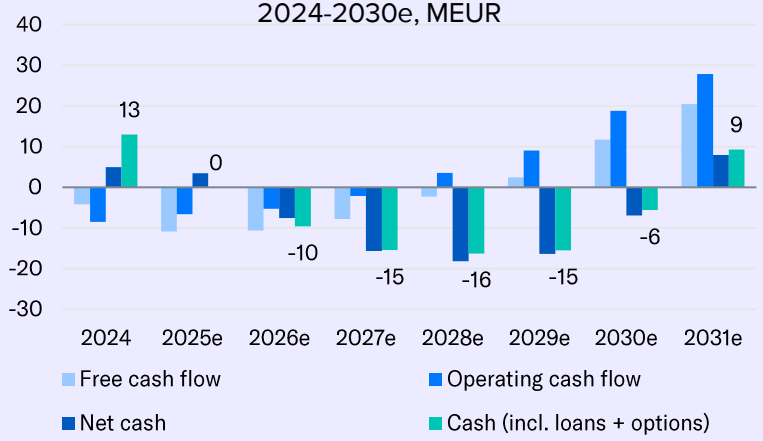
In a multiples-based valuation, support is sought from a little further away

Aiforia is still investing heavily in growth, which will weaken its profitability even in the medium term. In our opinion, sales-based multiples (EV/sales) relative to growth and profitability outlook are the best measure of a company's valuation.

Revenue estimate by geography,
2022-2030e, MEUR



Development of cash flow and financial position* without share issues,
2024-2030e, MEUR

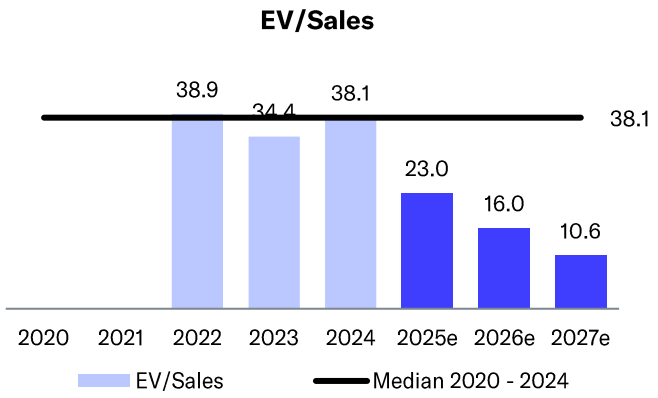


Source: Inderes' estimates
*The impact of options on the financial position is linked to the realization of subscriptions, which may be slower than we forecast.

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	5.01	5.22	3.23	3.49	3.93	**3.48**	**3.48**	**3.48**	**3.48**
Number of shares, millions	20.0	25.8	25.8	26.0	28.9	**32.2**	**32.7**	**33.5**	**33.5**
Market cap	100	135	83	91	114	**112**	**114**	**116**	**117**
EV	101	99	62	82	109	**109**	**121**	**132**	**135**
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
P/E	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
P/B	>100	3.5	2.8	5.1	6.9	**7.7**	**49.9**	**neg.**	**neg.**
P/S	>100	>100	51.9	37.8	39.9	**23.8**	**15.0**	**9.3**	**5.8**
EV/Sales			38.9	34.4	38.1	**23.0**	**16.0**	**10.6**	**6.7**
EV/EBITDA	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**46.4**
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**

Source: Inderes



The market capitalization and enterprise value in the table take into account the projected change in share count and net debt for the forecast years.

Estimates and valuation 4/6

The role of earnings-based multiples, on the other hand, becomes more important only at a mature stage of development, as software product companies primarily invest in growth in their income statements.

As Aiforia's revenue is still in the small absolute size range, we approach the multiple-based valuation through EV/S multiples for 2026 and 2029 as well as through our estimates. With clear forecast risks, we assess the multiple-based valuation through a pessimistic and optimistic scenario, with which we aim to describe the valuation in various growth and market environments.

At a more mature stage of development, we estimate that EV/EBIT multiples of around 15-20x could be justified for Aiforia. This would be equivalent to an earnings yield of around 4-5%, supported by the long tail of digitization in pathology, which allows for a sustained estimated revenue growth of >5%, achievable with a high return on capital in a capital-light business model. With an EBIT margin of 25-30%, this would imply a mature EV/Sales multiple of 3.8-6.0x. In the scenarios, we use revenue multiples that are higher than those for the mature phase (see table on the right). The company's growth prospects should remain very strong at the time of the review (end of 2026 and 2029), as the target market would still be at a very early stage of formation. This justifies higher revenue multiples, even if the company's still weak profitability partially limits the acceptable valuation level.

The 2026 scenario is already quite close and relies heavily on already won customers, although it is difficult to predict Aiforia's future even in this timeframe. Based on our forecasts (2026e revenue of 7.6 MEUR), we estimate Aiforia's value per share at EUR 4.8-6.0 at the end of 2026 and EUR 3.8-4.8 discounted to the present. In our view, the current share price (EUR 3.48) reflects a high but justified expectation of strong growth in the coming years.

The 2029 scenario, on the other hand, is actually quite distant in time and relies on new customer wins in addition to ramp-ups of existing customers. Given Aiforia's weak predictability, the scenario's support for the valuation is weaker. The scenario still illustrates well the company's potential in the medium term. Based on our current forecasts (2029e revenue of 31.1 MEUR), we estimate a value per share of EUR 7.9-11.8 at the end of 2029 and EUR 4.3-6.4 discounted to the present.

In our view, the key drivers for pricing the stock at the levels indicated by the scenarios are the signs of growth in the company's business: how many significant customer accounts the company is able to win, and how those accounts progress toward increased software usage and revenue. To date (2022-2024), customer wins have been in line with our expectations overall, but customer ramp-up has been slower than expected. The 2026 scenario, in particular, currently best reflects the appropriateness of the stock's valuation, although it must be considered in the context of the forecast risks.

In the scenarios, we have included two share issues of 10 MEUR for the years 2025 and 2026 (total 20 MEUR). We use the current share price (EUR 3.48) at a 10% discount (EUR 3.13) as our default valuation, which we believe would be a typical discount if the company were to raise funds immediately through a directed issue. We believe a directed issue is the most likely option. This assumption does not include the cost of the issuance, the impact of which is relatively small. At this stage, we do not expect the valuation of the financing round to move the value per share particularly strongly, as the financing needs are relatively modest compared to the company's market value.

Estimated future valuation ranges,
2026e and 2029e

2026e, MEUR	Low	High
Revenue	7.6	7.6
EV/S, LTM	**22**	**28**
EV/S, NTM	13.3	17.0
EV	166	212
Net cash	2.4	2.4
Market cap	169	214
Per share	**4.8**	**6.0**
Per share currently	**3.8**	**4.8**

2029e, MEUR	Low	High
Revenue	31.1	31.1
EV/S, LTM	**10**	**15**
EV/S, NTM	6.7	10.1
EV	311	466
Net cash	4	4
Market cap	314	470
Per share	**7.9**	**11.8**
Per share currently	**4.3**	**6.4**

Source: Inderes
NTM = next 12 months
LTM = last 12 months

The scenarios include 10 MEUR directed share issues for 2025 and 2026 (total 20 MEUR), assuming a valuation level of EUR 3.13/share (share price -10%).

Estimates and valuation 5/6

We have also compiled a peer group to illustrate Aiforia's valuation multiples. We do not rely on peer valuations for our valuation due to the wide variation in stage of development and market segments, but the group we have assembled provides a cross-section of valuations of listed companies in the sector and companies at different stages of development. The group consists of two parts. First up are the listed peers in the digital pathology market: Sectra, ContextVision, Hamamatsu Photonics and Roche Holding. The second is software companies developing health technology, whose offering is largely built around artificial intelligence: Feedback, PainChek, Renalytix and CellaVision.

DCF value suggests an attractive valuation, but is very sensitive to the applied required return

In Aiforia's valuation, the DCF illustrates long-term potential, and our model exceptionally continues for 15 years. We approach the DCF model through three scenarios. At the current stage of development, the model assumptions contain such significant uncertainties and the cash flows are weighted over a decade (2035-> cash flows at a substantial 75% of the DCF) that we do not believe it provides a clear basis for a near-term valuation. The neutral scenario is in line with our current estimates, which we describe in more detail in the Estimates section of this report. The equity value of Aiforia under our DCF model in the neutral scenario is 138 MEUR or EUR 4.3 per share, which makes the pricing of the share attractive.

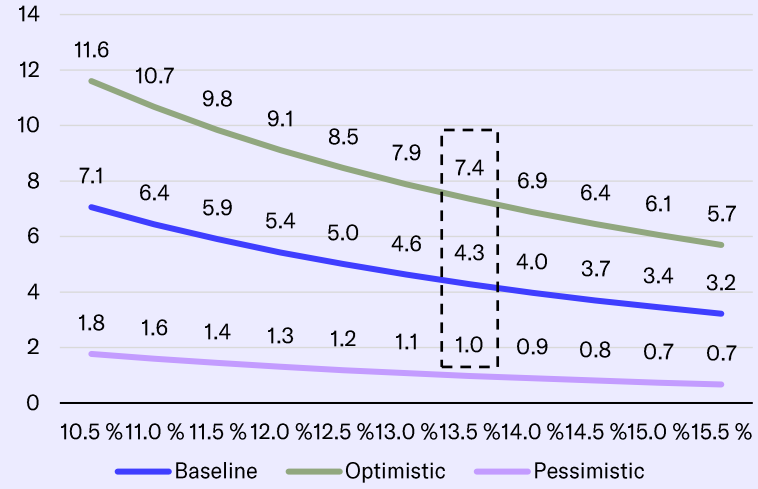
In the optimistic scenario, we have increased our forecasts by 20% for revenue and 70% for EBIT over the entire forecast period compared to the baseline scenario. In the scenario, revenue rises to 220 MEUR in 2039 and EBIT margin to 35%. The value per share is then EUR 7.4. This scenario would require the market to form very quickly and Aiforia to succeed in becoming the clear market leader. Aiforia could also enter the scenario by rapidly expanding into markets outside the digital pathology.

In the pessimistic scenario, we have lowered our forecasts compared to the baseline scenario by 50% for revenue and 80% for EBIT throughout the forecast period. In the scenario, revenue rises to 89 MEUR in 2039 and EBIT margin to 17%. The value per share is then EUR 1.0. In the pessimistic scenario, market formation would be slower than in our baseline scenario and Aiforia's market share would also be weaker. We note that despite this, this scenario also includes significant expectations of successful growth.

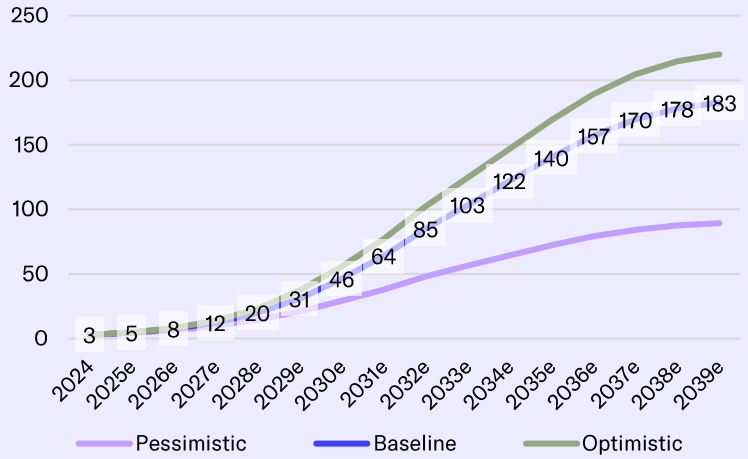
The wide spread of scenarios reflects, in our view, the very significant risk and potential associated with a promising but early-stage investment story like Aiforia. To compensate for the risk, we believe that the expected return must also be significant, even though the company has already significantly reduced its risks by gaining new customers. In our DCF model, we use a required return of 13.5% (WACC-%, CoE 13.9%). Our DCF model assumes that Aiforia solves half of its funding gap without dilution through debt, which would be a better option from a dilution perspective but we think is unlikely, and we compensate for this effect with a slightly higher required return (+0.3 pp).

We see a clear downside in the WACC, provided that the predictability of Aiforia's revenue growth improves in line with our expectations, as customer wins translate into revenue and the company's increased scale reduces financial risks.

Sensitivity of the DCF value to the required return,
EUR per share, WACC-%



Revenue development in different scenarios,
2024-2039e, MEUR



Source: Inderes

Estimates and valuation 6/6

Depending on the market environment and the stage of the company's development, the WACC could fall to 8-10% in the long term. The lower required return would also have a similar strong positive leverage on the company's DCF value, as can be seen in the graph on the previous page.

M&A in the sector provide an alternative and speculative measure of valuation

Aiforia is a potential acquisition target and an estimate of the value of the potential acquisition is one aspect of the justifiable valuation. However, we would like to point out that this is a speculative perspective on which we do not believe too much reliance should be placed.

So far, there have been few acquisitions in digital pathology where valuation would be public. According to CB Insights, PathAI raised funding in the 2019 round at a valuation of 375 MUSD. In 5/2021, the company raised a larger financing round of 165 MUSD than in the previous round. The valuation was not disclosed, but a similar dilution would have raised the valuation to the order of a billion dollars.

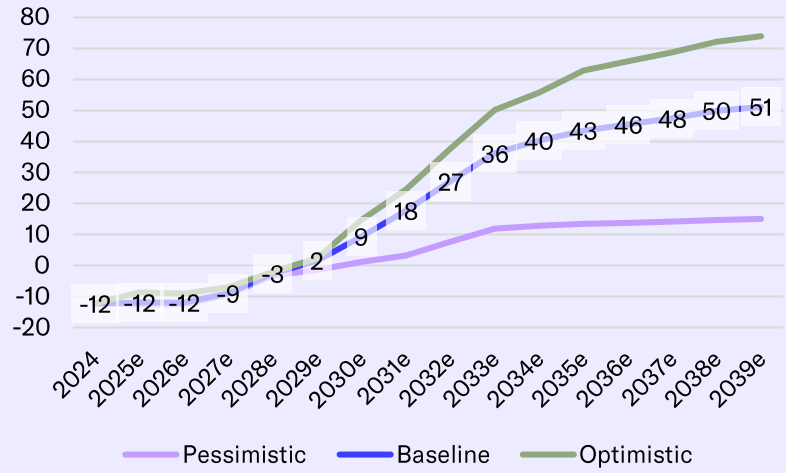
Ventureradar compiles a list of recent, mainly smaller funding rounds. Among them, the most notable are IBEX, which raised 55 MUSD in 9/2023 (valuation level not disclosed, roughly estimated probably 200-300 MUSD) and Proscia, which raised 50 MUSD in 3/2025 (valuation level not disclosed, roughly ~200-300 MUSD).

Valuation still justifies further accumulation

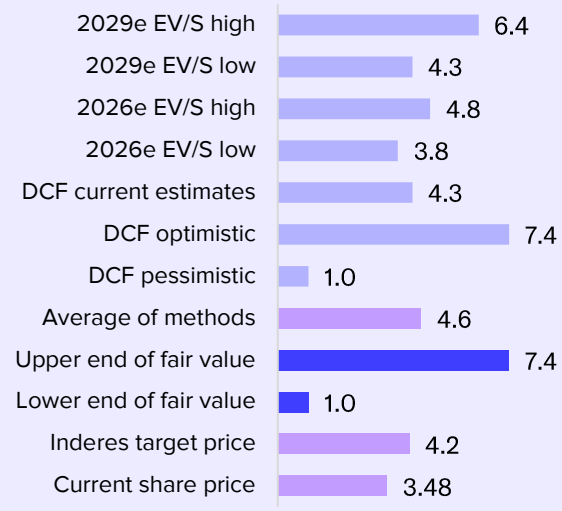
We reiterate our Accumulate recommendation for Aiforia and lower our target price to EUR 4.2 (was EUR 4.4). The target price is close to the average of our valuation methods and is in line with the DCF model and the scenarios for 2026. We consider the risk/reward ratio of the stock at the current price (EUR 3.48/share) attractive and expect the new customer wins and the strengthening trend in revenue to continue to provide good positive drivers for the coming 12 months.

The key risk for the investor remains, in our view, that revenue growth will fall short of our expectations. In terms of financial risks, a moderate amount of funds raised relative to the market value of the company in turn reduces the dilution risk for existing shareholders. In any case, we believe that Aiforia's investors will need to have a long investment horizon and a belief that the company will achieve a strong position in its market. We have listed the risks in more detail in the investment profile section of the report.

EBIT development in different scenarios,
2024-2039e, MEUR



Summary of valuation methods,
EUR/share



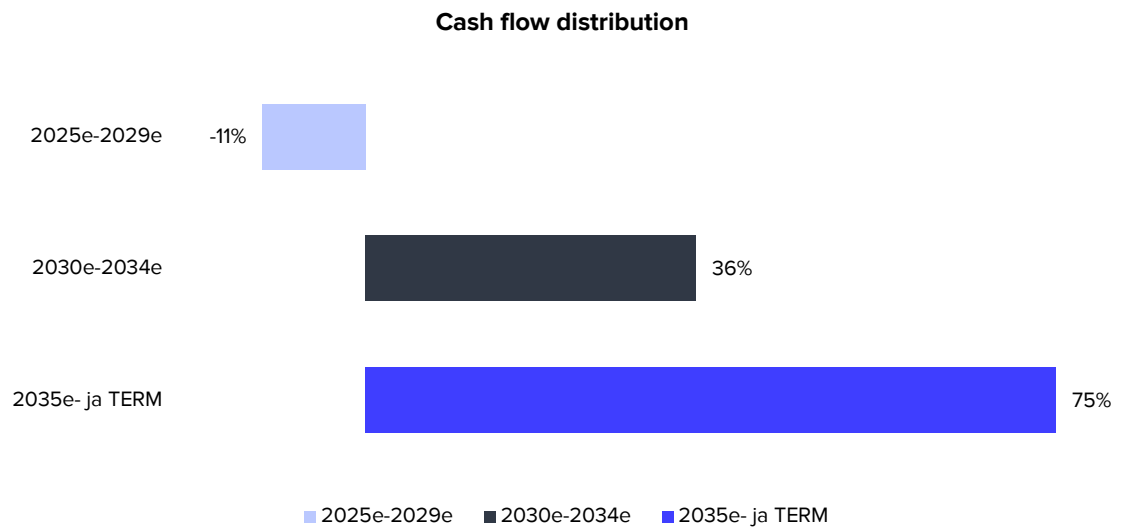
Source: Inderes

DCF-calculation

DCF model	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e	2038e	2039e	TERM
Revenue growth-%	18.9 %	65.7 %	60.0 %	65.0 %	60.8 %	55.0 %	49.0 %	38.0 %	33.0 %	21.7 %	18.0 %	15.0 %	12.0 %	8.0 %	5.0 %	2.5 %	2.5 %
EBIT-%	-427.8 %	-252.9 %	-158.1 %	-71.6 %	-12.9 %	5.0 %	20.2 %	27.7 %	32.0 %	35.0 %	33.0 %	31.0 %	29.0 %	28.0 %	28.0 %	28.0 %	28.0 %
EBIT (operating profit)	**-12.2**	**-11.9**	**-12.0**	**-8.9**	**-2.6**	**1.5**	**9.3**	**17.7**	**27.2**	**36.2**	**40.3**	**43.5**	**45.6**	**47.5**	**49.9**	**51.1**	
+ Depreciation	4.0	4.9	6.2	6.3	5.5	6.5	6.9	7.2	8.5	9.7	10.5	11.3	12.0	12.6	13.0	13.0	
- Paid taxes	0.0	0.0	0.0	0.0	0.0	0.3	1.8	1.7	1.4	0.0	-7.9	-8.6	-9.1	-9.4	-9.9	-10.2	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-0.3	0.5	0.5	0.5	0.6	0.7	0.8	1.2	1.1	0.7	1.7	1.6	1.5	1.1	0.8	0.4	
Operating cash flow	**-8.5**	**-6.6**	**-5.3**	**-2.1**	**3.5**	**9.1**	**18.8**	**27.8**	**38.1**	**46.5**	**44.5**	**47.7**	**49.9**	**51.7**	**53.6**	**54.3**	
+ Change in other long-term liabilities	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-5.9	-4.8	-5.4	-5.7	-5.8	-6.7	-7.0	-7.4	-8.5	-9.7	-10.5	-11.3	-12.0	-12.6	-13.0	-12.8	
Free operating cash flow	**-14.1**	**-11.4**	**-10.7**	**-7.8**	**-2.2**	**2.4**	**11.8**	**20.5**	**29.6**	**36.9**	**34.0**	**36.4**	**38.0**	**39.1**	**40.7**	**41.5**	
+/- Other	9.9	10.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-4.2	-0.9	-10.6	-7.8	-2.2	2.4	11.8	20.5	29.6	36.9	34.0	36.4	38.0	39.1	40.7	41.5	388
Discounted FCFF		**-0.8**	**-8.6**	**-5.5**	**-1.4**	**1.3**	**5.7**	**8.8**	**11.2**	**12.3**	**10.0**	**9.4**	**8.7**	**7.9**	**7.2**	**6.5**	**60.6**
Sum of FCFF present value		133	134	143	148	150	148	142	134	122	110	100	90.8	82.1	74.2	67.1	60.6
Enterprise value DCF		**133**															
- Interest bearing debt		-6.6															
+ Cash and cash equivalents		11.5															
-Minorities		0.0															
-Dividend/capital return		0.0															
Equity value DCF		**138**															
Equity value DCF per share		**4.3**															

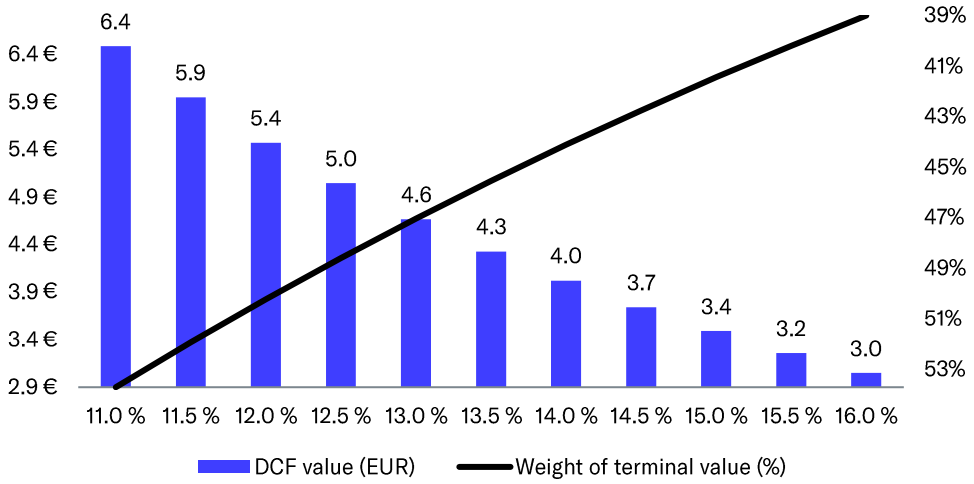
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	5.0 %
Cost of debt	6.0 %
Equity Beta	1.88
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	**13.9 %**
Weighted average cost of capital (WACC)	**13.5 %**

Source: Inderes

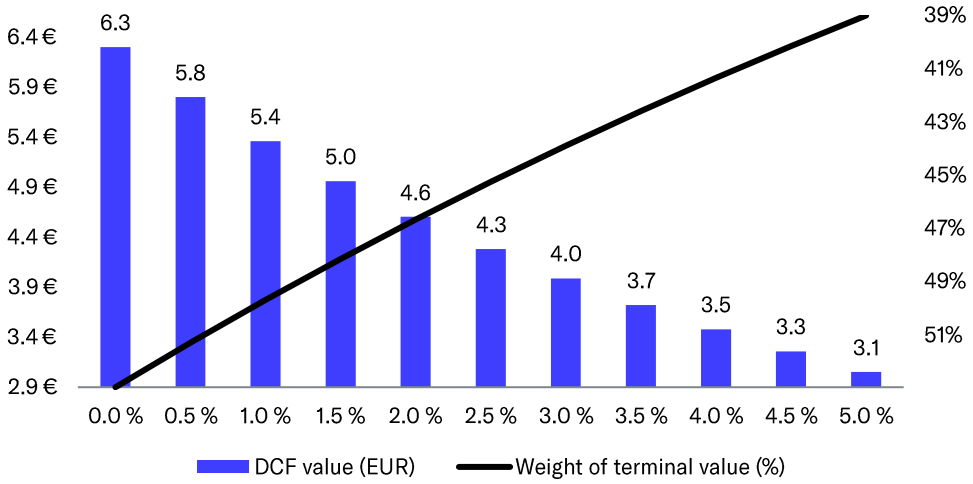


DCF sensitivity calculations and key assumptions in graphs

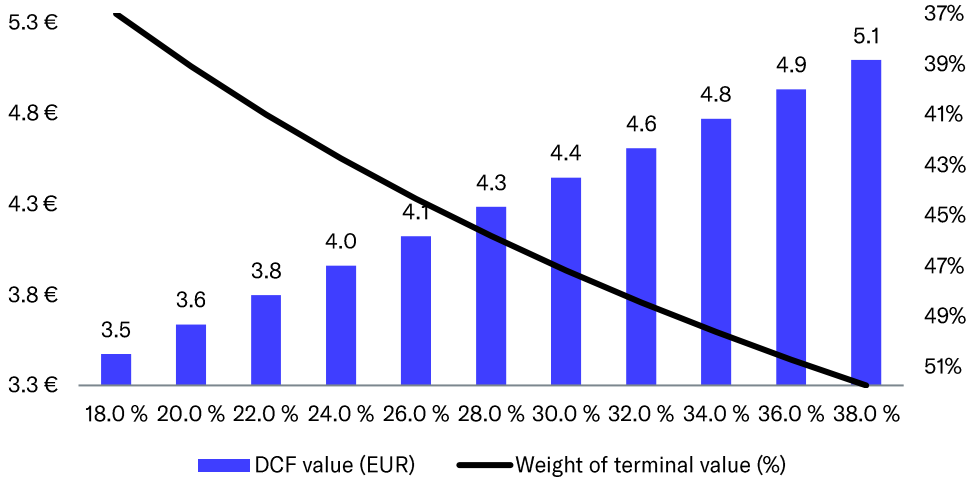
Sensitivity of DCF to changes in the WACC-%



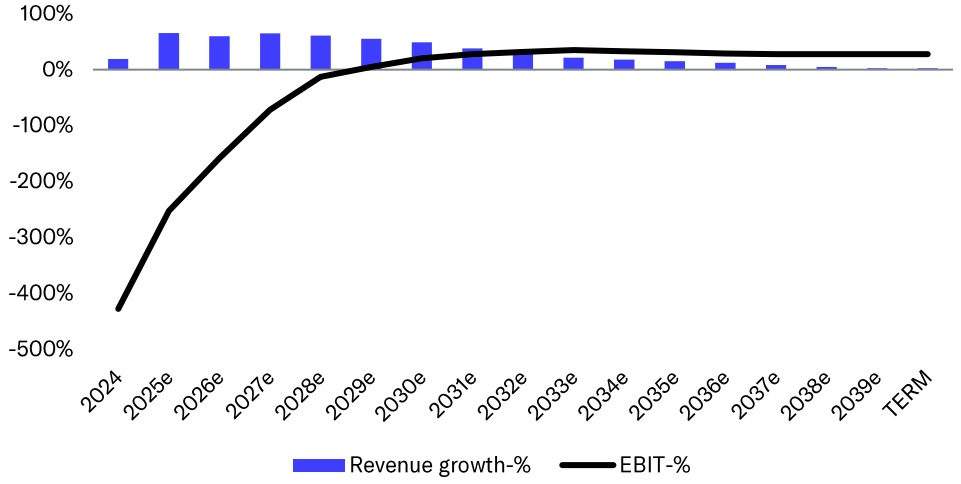
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		Revenue growth-%		EBIT-%		Rule of 40
Company	**MEUR**	**MEUR**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2026e**
Sectra AB	4846	4748	78.0	69.8	62.8	61.8	15.9	13.8	16%	16%	20%	20%	36%
ContextVision AB	35	29	8.4	7.8	6.7	6.2	2.3	2.2	2%	5%	28%	29%	34%
Roche Holding AG	222576	247442	10.4	9.9	9.0	8.6	3.6	3.4	6%	4%	34%	35%	39%
Feedback PLC	9	5					2.1	0.7	58%	224%	-224%	-57%	167%
PainChek Ltd	33	31	26.4				3.7		72%		14%		
Renalytix PLC	31	30					3.3	1.8	104%	84%	-181%	-73%	11%
CellaVision AB	343	331	16.9	13.9	14.1	11.8	4.6	4.1	6%	14%	27%	29%	43%
Hamamatsu Photonics	2383	2104			7.4	6.6	1.6	1.5	5%	7%			
Aiforia Technologies Oyj (Inderes)	**112**	**109**	**-9.1**	**-10.1**	**-15.4**	**-21.0**	**23.0**	**16.0**	**66%**	**60%**	**-253%**	**-158%**	**-98%**
Average			**28.0**	**25.4**	**20.0**	**19.0**	**4.6**	**3.9**	**27%**	**39%**	**-31%**	**-2%**	
Median	**35.0**	**30.8**	**16.9**	**11.9**	**9.0**	**8.6**	**3.5**	**2.2**	**6%**	**7%**	**14%**	**10%**	**20%**
Diff-% to median	***221%***	***253%***	***-154%***	***-185%***	***-270%***	***-344%***	***567%***	***626%***	***995%***	***757%***			***-591%***

Source: Refinitiv / Inderes

Summary

Income statement	2022	2023	2024	2025e	2026e
Revenue	1.6	2.4	2.9	**4.7**	**7.6**
EBITDA	-9.5	-9.7	-8.2	**-7.1**	**-5.8**
EBIT	-11.8	-12.9	-12.2	**-11.9**	**-12.0**
PTP	-12.2	-12.9	-11.9	**-12.0**	**-12.3**
Net Income	-12.2	-12.9	-11.9	**-12.0**	**-12.3**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Balance sheet	2022	2023	2024	2025e	2026e
Balance sheet total	36.5	28.2	28.4	**25.2**	**24.8**
Equity capital	29.3	17.9	16.6	**14.5**	**2.3**
Goodwill	0.0	0.0	0.0	**0.0**	**0.0**
Net debt	-21.0	-8.1	-4.9	**-3.4**	**7.6**

Cash flow	2022	2023	2024	2025e	2026e
EBITDA	-9.5	-9.7	-8.2	**-7.1**	**-5.8**
Change in working capital	-0.1	0.4	-0.3	**0.5**	**0.5**
Operating cash flow	-9.7	-9.3	-8.5	**-6.6**	**-5.3**
CAPEX	-7.6	-6.2	-5.9	**-4.8**	**-5.4**
Free cash flow	-15.2	-13.6	-4.2	**-0.9**	**-10.6**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S		34.4	38.1	**23.0**	**16.0**
EV/EBITDA		neg.	neg.	**neg.**	**neg.**
EV/EBIT (adj.)		neg.	neg.	**neg.**	**neg.**
P/E (adj.)		neg.	neg.	**neg.**	**neg.**
P/B		5.1	6.9	**7.7**	**49.9**
Dividend-%		0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2022	2023	2024	2025e	2026e
EPS (reported)		-0.50	-0.41	**-0.37**	**-0.38**
EPS (adj.)		-0.50	-0.41	**-0.37**	**-0.38**
OCF / share		-0.36	-0.29	**-0.21**	**-0.16**
FCF / share		-0.52	-0.15	**-0.03**	**-0.33**
Book value / share		0.69	0.57	**0.45**	**0.07**
Dividend / share		0.00	0.00	**0.00**	**0.00**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	65%	49%	19%	**66%**	**60%**
EBITDA growth-%	176%	2%	-15%	**-14%**	**-19%**
EBIT (adj.) growth-%	151%	10%	-5%	**-2%**	**0%**
EPS (adj.) growth-%				**-10%**	**0%**
EBITDA-%	-593.3 %	-404.5 %	-288.4 %	**-150.0 %**	**-76.3 %**
EBIT (adj.)-%	-731.9 %	-537.1 %	-427.8 %	**-252.9 %**	**-158.1 %**
EBIT-%	-731.9 %	-537.1 %	-427.8 %	**-252.9 %**	**-158.1 %**
ROE-%	-36.2 %	-54.8 %	-69.3 %	**-77.5 %**	**-145.8 %**
ROI-%	-31.8 %	-45.4 %	-52.0 %	**-56.6 %**	**-64.7 %**
Equity ratio	80.3 %	63.5 %	58.4 %	**57.7 %**	**9.2 %**
Gearing	-71.6 %	-45.4 %	-29.8 %	**-23.6 %**	**332.3 %**

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
6/24/2022	Sell	4.00 €	4.58 €
8/26/2022	Reduce	4.00 €	3.52 €
12/3/2022	Reduce	4.00 €	3.50 €
3/3/2023	Accumulate	4.80 €	4.15 €
8/28/2023	Reduce	4.50 €	4.54 €
12/7/2023	Accumulate	4.20 €	3.45 €
2/29/2024	Accumulate	4.20 €	3.45 €
3/8/2024	Accumulate	4.20 €	3.44 €
5/30/2024	Accumulate	4.60 €	3.79 €
8/30/2024	Reduce	4.60 €	4.45 €
10/3/2024	Accumulate	4.60 €	3.93 €
3/10/2025	Accumulate	4.40 €	3.51 €
4/24/2025	Accumulate	4.20 €	3.48 €

CONNECTING INVESTORS AND COMPANIES.

Inderes connects investors and listed companies.

We serve over 400 Nordic listed companies that want to better serve investors. The Inderes community is home to over 70,000 active investors.

We provide listed companies with solutions that enable seamless and effective investor relations. The Inderes service is built on four cornerstones for high-quality investor relations: Equity Research, Events, IR Software, and Annual General Meetings (AGM).

Inderes operates in Finland, Sweden, Norway, and Denmark and is listed on the Nasdaq First North Growth Market.

Inderes was created by investors, for investors.

Inderes Ab
Brunnsgatan
Stockholm
+358 10 219 4690

inderes.se

inderes.