



I N M O D E

aesthetic solutions



Inmode Ltd. (INMD) Buy Recommendation

William & Mary Women's Stock Pitch & Leadership Summit

Healthcare - Medical Devices

Team Beauty Inside: Sally Liu, Yewen (Eva) Wang, Natalie Zhou, Nicole Zhu

InMode is a hidden gem that has yet to unlock their growth potential

Business Analysis

InMode is an innovative leader in medical aesthetics, with sustainable returns driven by their disruptive technologies, experienced management, and growth strategies.

Industry Analysis

Medical Aesthetics Market growing rapidly with a shift from the traditional laser-based aesthetics to preferences for minimally-invasive and hands-free aesthetic solutions

Key Investment Merits

- 1 Unique positioning targets the treatment gap with differentiable solutions
- 2 Reliable Company Ownership and Financial Foundations Provide Strong Base
- 3 InMode's significant cost advantages allow for a high return of 438.69%

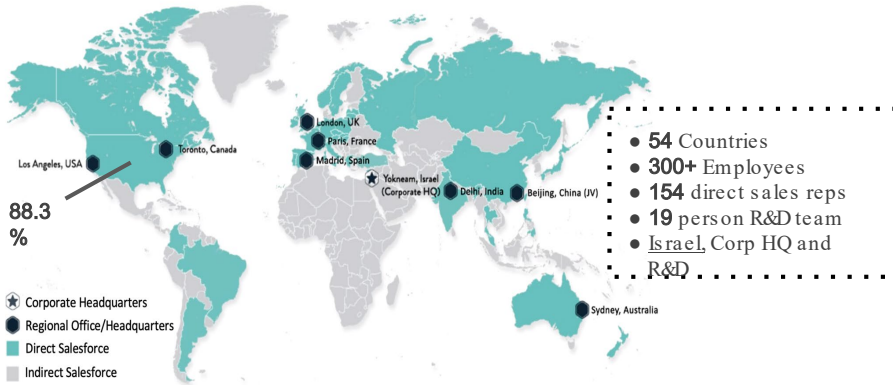
Based on our valuation of a \$ 89.93 target price, we recommend a **BUY** rating for Inmode at \$71.31, with an implied return of **26.97%**

InMode is a innovative leader in hands-free minimally-invasive aesthetics solutions

Business Description

- *InMode is a global provider that develops, manufactures, markets minimally-invasive and hands-free aesthetic medical products for various procedures*
- *Founded in Israel in 2008 and IPO in 2019*
- *Distribution Channels: Direct Selling, Distributors*

Global Expansion Growing Faster Than Competitors



Revenue Streams

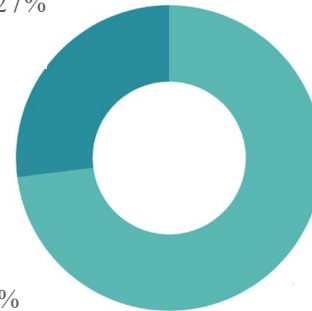
Target Market:

100,000 (US) & 200,000 (Global) physicians

Key Proprietary Technologies

Radio-Frequency Assisted Liposuction (RFAL), Fractional RF, Hands-Free Body & Facial Remodeling

International
27%

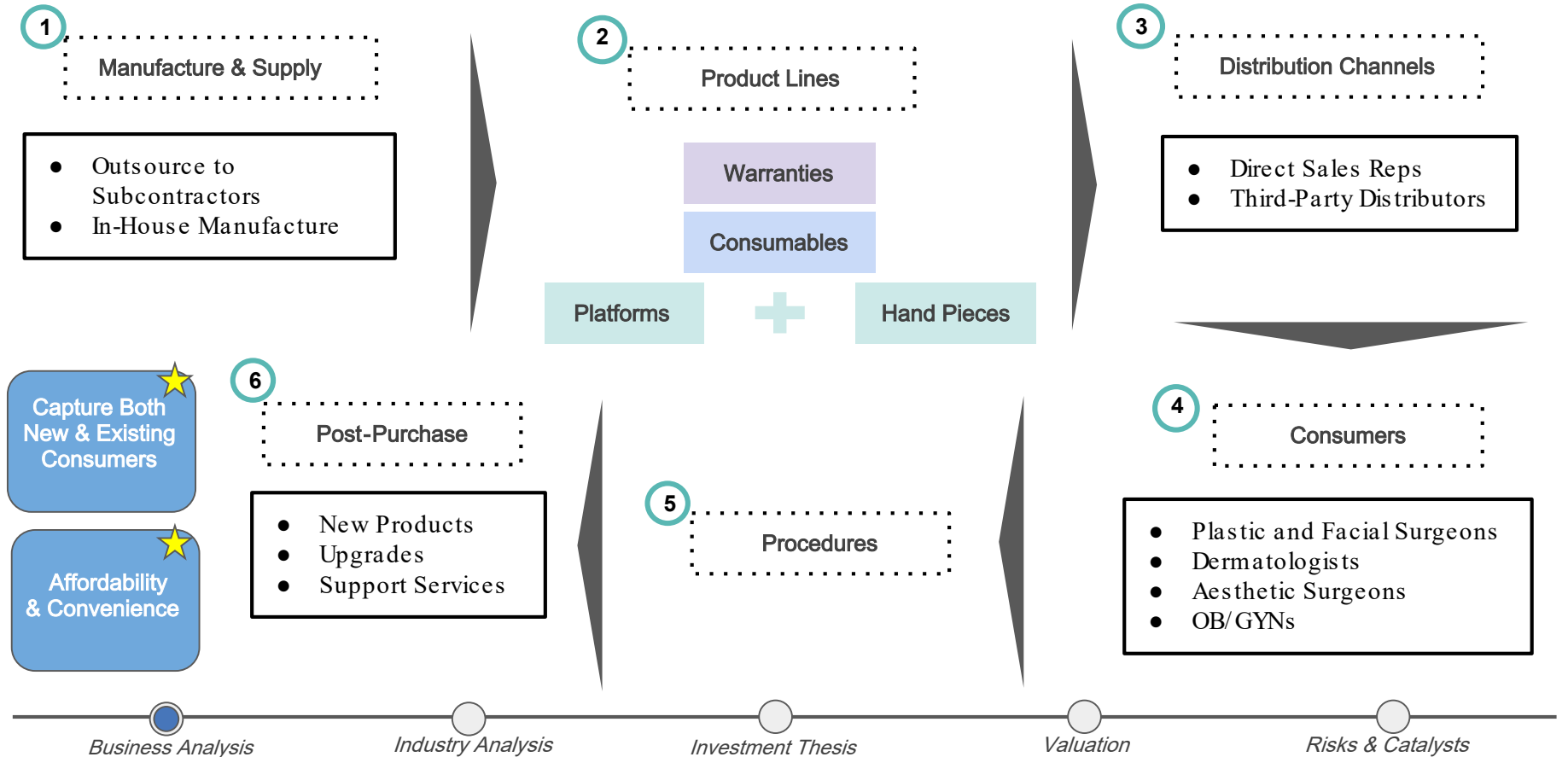


Non-Invasive
6%

Hands-Free
32%

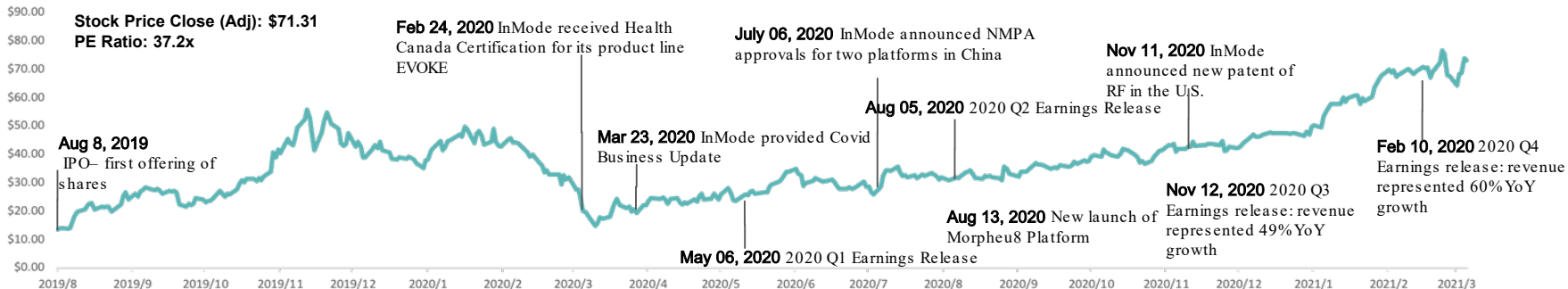


InMode's diversified revenue streams and cycle captures consumers

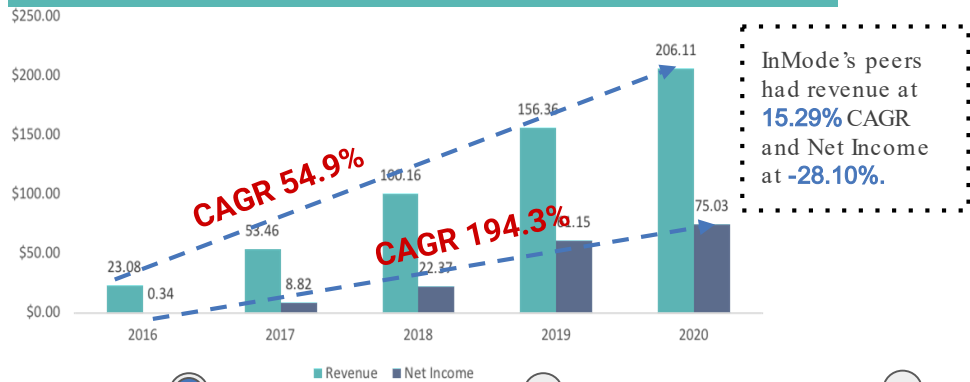


InMode's robust business model demonstrates sustainable financial growth

Historical Share Price



Strong Growth Over the Years



Stellar Performance Against Industry Peers

in millions USD	2019	2020	Industry Avg.
Gross Profit Margin	87.10%	85.00%	27.94%
P/E	30.8x	36.3x	-5.18x
Total Debt/Total Capital	0.10%	0.00%	7.51%
EV/EBITDA	21.6x	33.6x	-9.13x

InMode's competitive advantages allow for stable COVID-19 mitigation

Competitive Advantages

Strong Management Team

- 15-20+ years of experience
- Synergies among C-suite from Syneron

Clinical Portfolio

- 25 FDA clearances
- 60 peer-reviewed publications
- 50 Clinical Studies

Pioneer of Innovations

- RF proprietary energy-based technology
- Modular Design
- Extensive Products

Powerful Branding & Endorsement

- Celebrity Treatments (Emma Roberts, Kim Kardashian)
- Strong Customer Loyalty

During COVID-19

Hired New Direct Sales Reps

Virtual Training Program for Staff/Consumers

Established France Subsidiary for Sales & Marketing

Post-COVID

Sales Program

Packages that motivate doctors to purchase InMode platforms as part of the recovery plan for their clinics



Business Analysis



Industry Analysis



Investment Thesis



Valuation



Risks & Catalysts

Medical Aesthetics Market is booming driven by various market factors

General Conditions and Outlook

Global Medical Aesthetics Market Sales Forecast



Key Drivers

- COVID19
- The Growing Adoption of **Minimally Invasive and Noninvasive Aesthetic Procedures**
- The Availability of **Technologically Advanced & User-friendly** Products
- Increasing **Geriatric** Populaces
- Rapid Urbanization and Improving **Economic Conditions**

Opportunities

- Increasing **Public Awareness** about Cosmetic Procedures
- Rising Proliferation of The Market
- Top Players: **Less Costly** and Safe Solutions

Risks

- **Clinical Risks and Complications** Associated With Medical Aesthetic Procedures
- The Increasing Availability and Adoption of **Alternative** Beauty and Cosmetic Products
- Lack of Reimbursements

Fragmented Competitive Landscape

From: Traditional Laser-Based Aesthetics (Key Competitors)
To: Minimally-Invasive/Ablative Aesthetic Surgery (INMD)

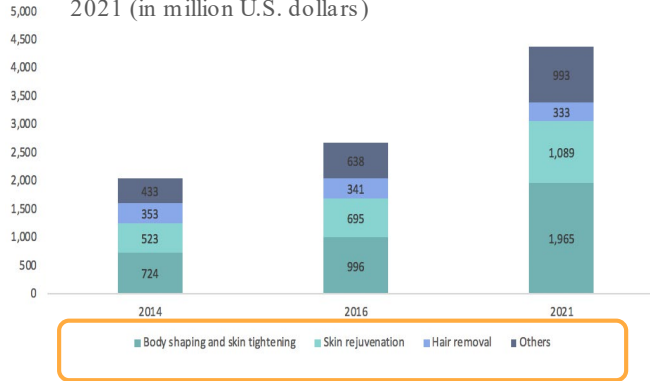
- In-office procedures & Non-invasive laser-based
- Very limited results-oriented multiple treatments

Competitors	Key Characteristics
	Privately owned; provides innovative solutions with proven efficacy and safety
	Privately owned; specialized in energy-based systems with advanced levels of solid state semiconductor technologies
	Privately owned; develops and markets devices for cosmetic surgery procedures (hair removal & wrinkle treatments)
	Privately owned; plays in medical and aesthetic lasers & light-based technology
	Publicly owned; engages in the R&D of laser and energy-based aesthetics systems

Favourable industry trends indicate tailwinds and opportunities to drive long-term growth

#1 Tendency to All-in-One Solution

Global non-invasive medical aesthetic treatment systems market in 2014, 2016, and 2021 (in million U.S. dollars)



#2 Consumers' Changing Preferences towards Less Invasion and Risks

Non-invasive medical aesthetic treatment systems market size 2014-2021 (in million U.S. dollars)



#3 Technology and Digitalization to Support Reinvention and Repositioning



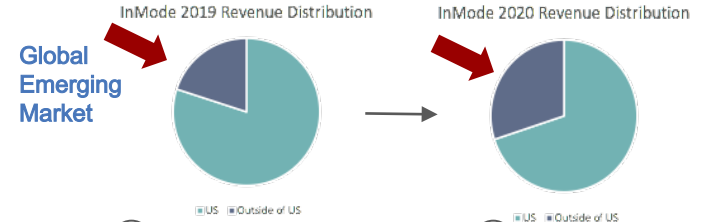
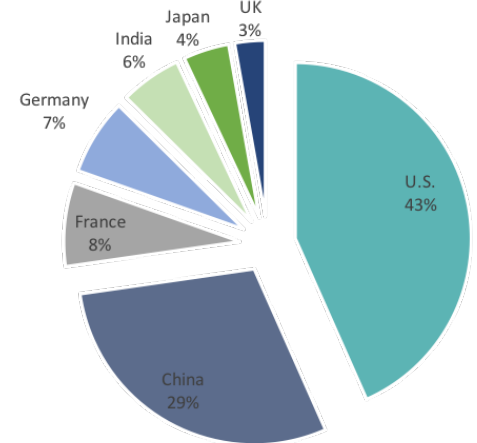
(InMode's Multiple Treatments)



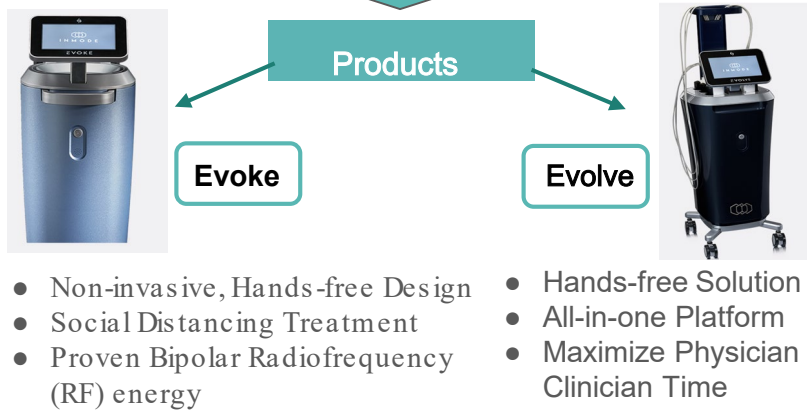
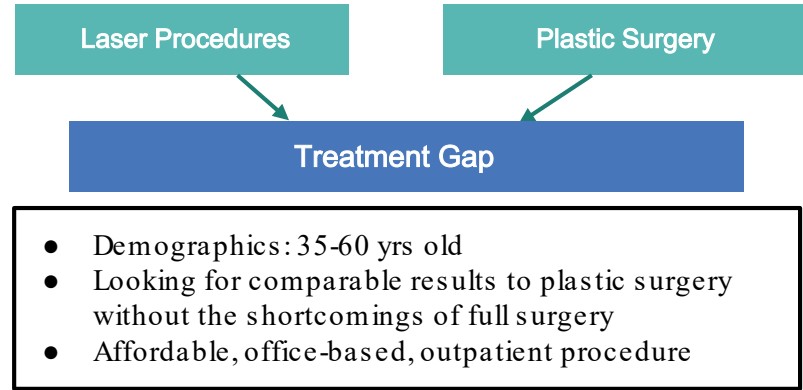
(InMode's Innovative Procedures)

#4 Opportunities from Global Aesthetics Market

Top 7 Global Medical Devices Markets by Forecasted Revenue Distribution in 2030



Thesis 1- Unique positioning targets the treatment gap with differentiable solutions



Solutions

Minimally-invasive Surgical Aesthetic & Medical Treatment Solutions

- **Outpatient procedures:** decrease patient downtime, discomfort, and cost.
- **Effective and long-lasting aesthetic solutions :** with 60 peer-reviewed publications.
- **Less Expensive:** than other aesthetic solutions on the market

Non-invasive Medical Aesthetic Technologies

- **RF Tech** differentiator, overcomes many shortcomings of traditional surgical
- To address unmet patient needs and expand the addressable patient population

Takeaway:

- **Pioneer** of the minimally-invasive aesthetic solutions market
- Proprietary technologies represent **a paradigm shift**
- Intend to adapt our products to the expertise and skill level of these providers, further **expanding** our addressable market

Thesis 2 - Reliable company ownership and financial foundations provide strong base

Large ownership base from the management team aligns their interests with the shareholders' interests well

Ownership Base Analysis - InMode & Peers Comparison



Connection - DuPont Analysis (Profitability, Efficiency, and Leverage)

InMode's ROE

Net Profit Margin

Total Asset Turnover

Financial Leverage

High

High

Low

Business Analysis

Industry Analysis

Investment Thesis

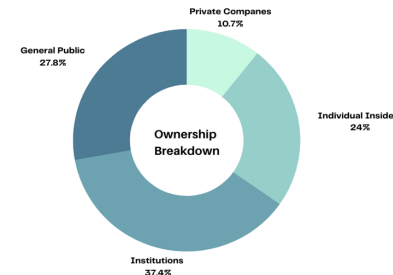
Valuation

Risks & Catalysts

Large percentage of institutional investors incentivise individual investors

Top 25 shareholders own **57.3%** of the company

InMode has a certain degree of credibility in the investment community.



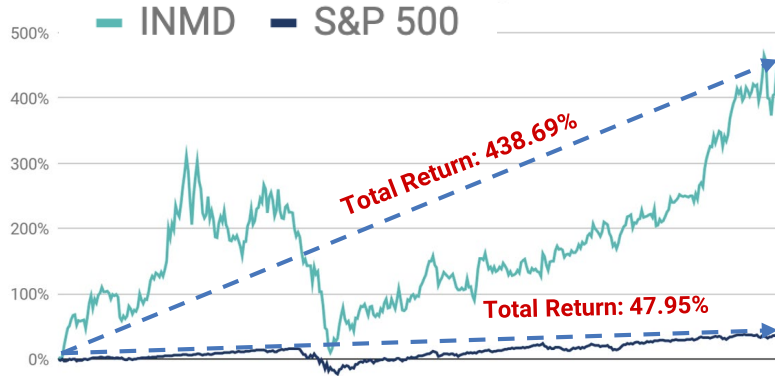
Balance sheet strength drives long term organic growth



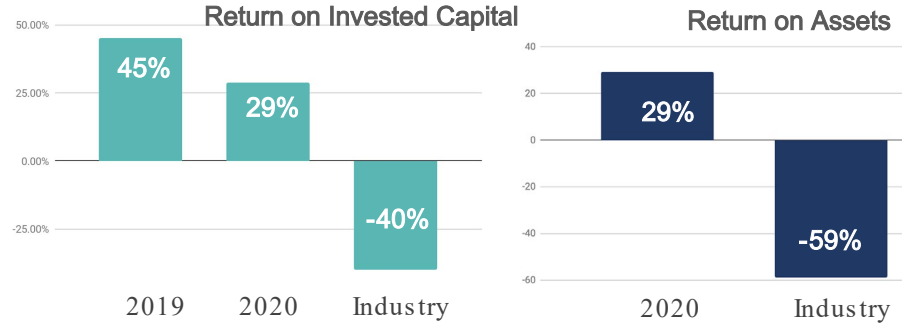
High Operating Margin and Current Ratio indicates strong growth opportunity with high liquidity.
Lowered leverage positions InMode to gain further further access to growth capital and provides downside protection.
Steady growth of revenue and EBITDA indicates good financial health
Low CapEx/Sales produces a higher EBITDA which generates more cash flow to grow capital

Thesis 3 - InMode's significant cost advantages allow for a high return of 438.69%

InMode Consistently OutPerform Market Returns



InMode Remains Positively Stable Against Bearish Industry



Cost Advantages

Outsource Manufacturing

- Ensure Quantity Procured
- Long-Term Fixed Cost/Unit
- Low CAPEX -> Low Costs



Scalable Technology

- Low R&D expenses -> Low Costs
- Economies of Scale with Comprehensive Technology



Israel Tax Laws

- Benefited Enterprise Status
- Tax Exempt until 2021
- Only Pay Interest Income Tax



DCF analysis yields attractive upside potential with conservative estimate

Perpetuity Growth Method	
Sum of PVUFCF	613
Terminal Value (Gordon)	2,693
Implied EV	3,306
Less: Debt	1.24
Add: Cash	261
Implied Market Cap	3,565
Shares Out	38
Implied Shares Price	\$ 93.81
Current Share Price	71
Implied Return	31.56%

Exit Multiple Method	
Sum of PVUFCF	613
Terminal Value EV/EBITDA	2,250
Implied EV	2,862
Less: Debt	1.24
Add: Cash	261
Implied Market Cap	3,122
Shares Out	38
Implied Shares Price	\$ 82.15
Current Share Price	71
Implied Return	15%

Discounted Cash Flow	2022E	2023E	2024E	2025E	2026E	Terminal	
Date	2020-12-31	2022-12-30	2023-12-30	2024-12-30	2025-12-30	2026-12-30	2027-12-30
Time Periods		1	2	3	4	5	6
Year Fraction		2.00	1.00	1.00	1.00	1.00	
EBIT	103	126	143	159	176		
Less: Cash Taxes	(14)	(18)	(20)	(22)	(25)		
Plus: D&A	0.1	0.1	0.1	0.1	0.1		
Less: Capex	(1)	(1)	(1)	(2)	(2)		
Less: Changes in NWC	1	1	1	-	-		
Unlevered FCF	118	144	163	179	199		
Present Value UFCF	118	120	124	125	126		
Present Terminal Value UFCF							2,382

Assumptions	
Revenue is projected to increase at a declining ratio with a projected growth between 13%-22% with a steady perpetual growth rate at 5%, driven by massive business expansion and the growing market.	
CapEx and D&A remains on par with historical value with a slight increase because of scales effects.	
Tax rate calculated as a percentage of the historical 5-year average	
EV/EBITDA Calculated using the industrial average of 23x	
Terminal Value	Market Value
Perpetual Growth	Market Cap
4,642	2,790
EV/EBITDA	Plus: Debt
3,878	1.24
Average	Less: Cash
4,260	261
	Enterprise Value
	2,531
	Equity Value/Share
	71.31

Assumptions (USD in Millions)	
Tax Rate(5-year Average)	14%
Discount Rate	9.5%
Perpetual Growth Rate	5.0%
EV/EBITDA Multiple	22.0x
Transaction Date	2020-12-31
Fiscal Year End	2021-12-31
Current Price	71.31
Shares Outstanding	38,000,000
Debt	1.24
Cash	260.53
Capex	1

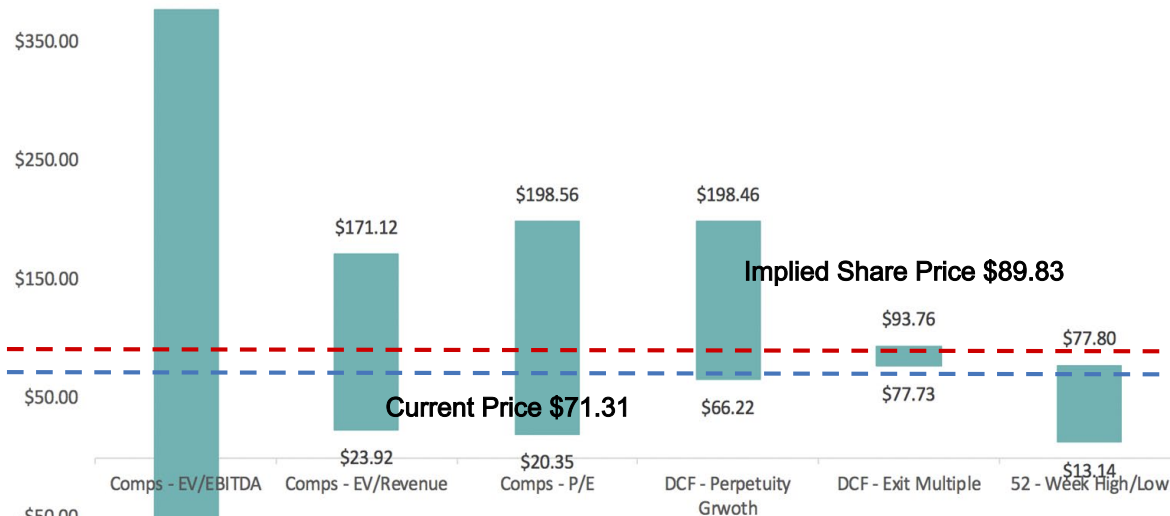
Relative valuation indicates InMode is undervalued in the advanced medical devices and aesthetic markets

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple			EV/Revenue Multiple			P/E Multiple		
				2020A EV/EBITDA	2021E EV/EBITDA	2022E EV/EBITDA	2020A EV/Revenue	2021E EV/Revenue	2022E EV/Revenue	2020A P/E	2021E P/E	2022E P/E
Small Cap												
Cultera, Inc.	Nasdaq: CUTR	483.9	462.3	n/a	136.0 x	43.6 x	3.1 x	2.5 x	2.1 x	-	91.5 x	42.2 x
Apyx Medical Corporation	Nasdaq: APYX	368.1	325.6	n/a	n/a	n/a	13.2 x	12.3 x	8.2 x	-	-	-
Sientra	Nasdaq: SIEN	397.2	406.0	n/a	n/a	n/a	5.7 x	4.9 x	4.0 x	-	-	-
Small to Mid Cap												
CONMED Corporation	NYSE: CNMD	3,518.1	4,267.1	28.3 x	21.7 x	19.2 x	28.3 x	21.7 x	19.2 x	384.4 x	49.0 x	38.3 x
LivaNova PLC	Nasdaq: LIVN	3,735.1	4,191.4	90.7 x	23.1 x	19.3 x	4.5 x	4.2 x	4.0 x	-	47.7 x	33.5 x
TransMedics Group, Inc.	Nasdaq: TMDX	1,165.7	1,074.7	n/a	n/a	n/a	41.9 x	23.9 x	12.5 x	-	-	-
Outset Medical	Nasdaq: OM	2,136.4	1,831.0	n/a	n/a	n/a	36.7 x	19.8 x	13.5 x	-	-	-
Large Cap												
Hologic, Inc.	Nasdaq: HOLX	18,270.7	20,716.9	13.4 x	6.4 x	11.0 x	13.4 x	6.4 x	11.0 x	16.8 x	9.4 x	18.3 x
Bausch Health Companies	NYSE: BHC	11,743.1	35,342.1	11.0 x	10.3 x	9.6 x	11.0 x	10.3 x	9.6 x	-	-	40.8 x
InMode Ltd.	Nasdaq: INMD	2,757.9	2,498.4	24.5 x	24.3 x	19.8 x	12.1 x	9.6 x	8.0 x	41.0 x	33.6 x	29.9 x
Median					6.4 x	9.6 x		10.3 x	9.6 x		48.3 x	38.3 x
Upper Quartile					21.7 x	19.2 x		19.8 x	12.5 x		59.6 x	40.8 x
Mean					11.1 x	(11.0 x)		11.8 x	9.4 x		49.4 x	34.6 x
High					136.0 x	43.6 x		23.9 x	19.2 x		91.5 x	42.2 x
Low					(45.9 x)	(136.0 x)		2.5 x	2.1 x		9.4 x	18.3 x
				EV/EBITDA Implied Price			EV/EBITDA Implied Price			P/E Implied Price		
Median				\$ 24.28	\$ 39.02		\$ 77.40	\$ 86.13		\$ 104.90	\$ 93.50	
Upper Quartile				\$ 65.92	\$ 70.83		\$ 142.70	\$ 109.55		\$ 129.40	\$ 99.65	
Mean				\$ 37.06	-\$ 29.72		\$ 87.62	\$ 83.81		\$ 107.18	\$ 84.52	
High				\$ 377.60	\$ 152.34		\$ 171.12	\$ 164.54		\$ 198.56	\$ 103.04	
Low				-\$ 118.13	-\$ 446.84		\$ 23.92	\$ 24.41		\$ 20.35	\$ 44.59	

Summary of valuation methods yield 25.97% upside

Valuation Football Field



Rationale:

- 1) EV/EBITDA has a relatively larger range, so we mainly utilize it for comparison, not valuation.
- 2) Since rarely does InMode have perfectly-aligned peer companies and most of its direct competitors are privately owned, we weigh the comparable company analysis as 30%, and DCF as 70%

Valuation Methodology

We derive the implied share price mainly from four valuation methodologies. (DCF - Perpetuity Growth, DCF - Exit Multiple, Comps - EV/Revenue, Comps - P/E)

Current Price	\$71.31
Target Price	\$89.83
Total Return	25.97%
Recommendation	BUY

Breakdown	Price	Weight
DCF - Perpetuity Growth	\$93.81	35%
DCF - Exit Multiple	\$82.15	35%
Comps - EV/Revenue	\$87.62	20%
Comps - P/E	\$107.18	10%

InMode has limited risks to be mitigated and promising upsides if realizing catalysts

Catalysts

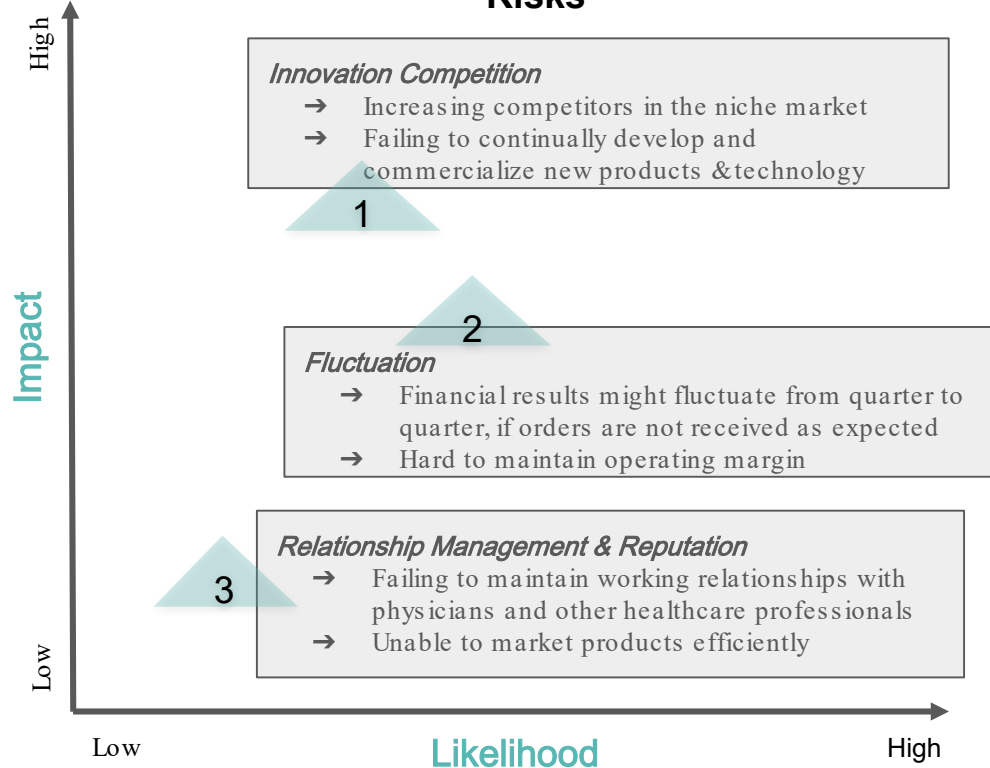
Unlock Global Potential

- Two fully-owned sales and marketing subsidiary in early October 2019 (India & Australia)
- Received Health Canada Certification for multiple new products in October 2019
 - further expanded its presence in Canada.
- Included two clinically proven technologies: Morpheus8 and AccuTite
 - widely recognized

Increasing Approved Future Patents

- **14 patents pending across 10 product lines**
Implications: Increase in future value, positive outlook, expected to drive the future stock price.

Risks



We believe InMode has strong fundamentals and growth potential and is currently underpriced

We recommend a **BUY** rating for InMode at \$71.31, with an implied return of **25.97%**

Thesis 1:

Unique Positioning
Targeting Treatment
Gap with Differentiable
Solutions

Thesis 2:

Reliable Company
Ownership and
Financial Foundations
Provide Strong Base

Thesis 3:

InMode's significant
cost advantages allow
for a high return of
438.69%

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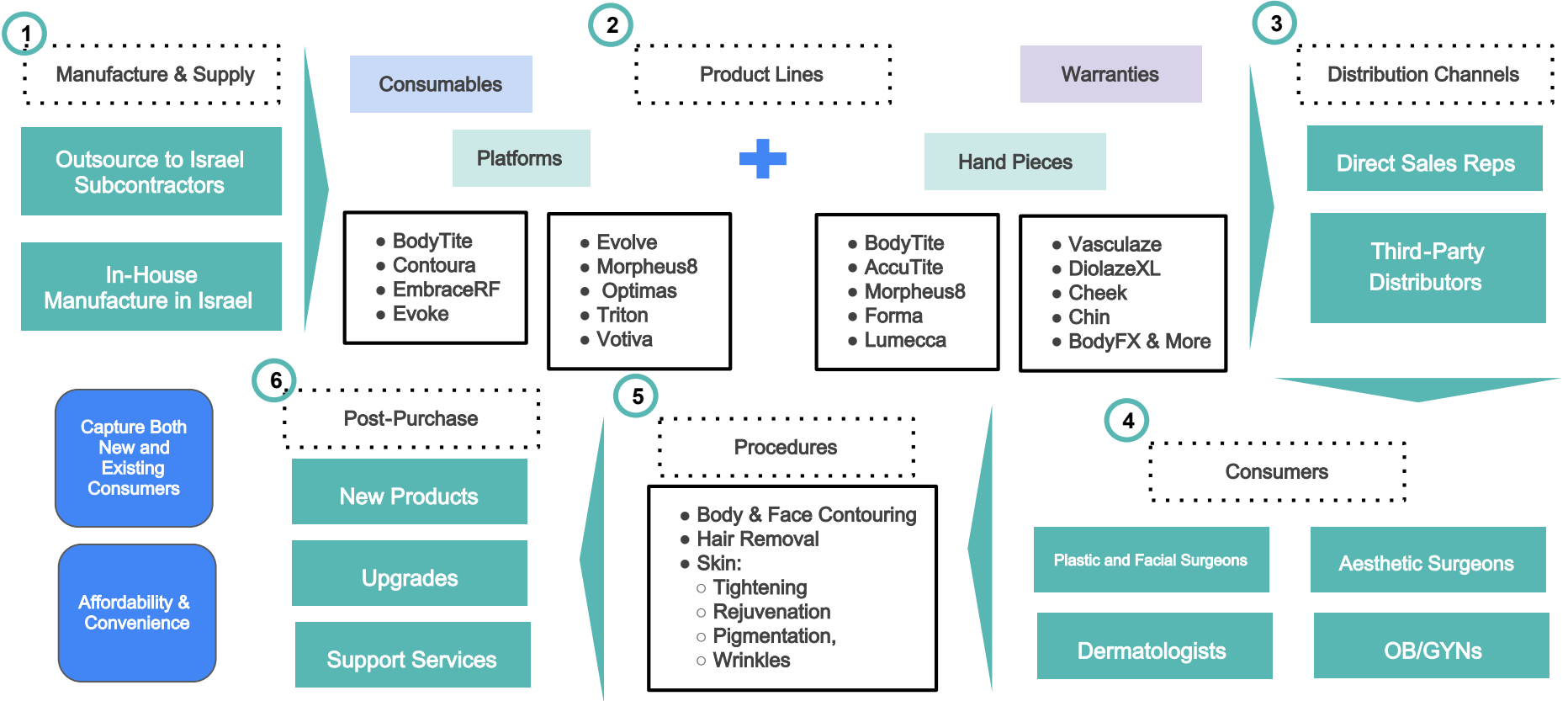
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Comprehensive Business Model



Product Line Overview

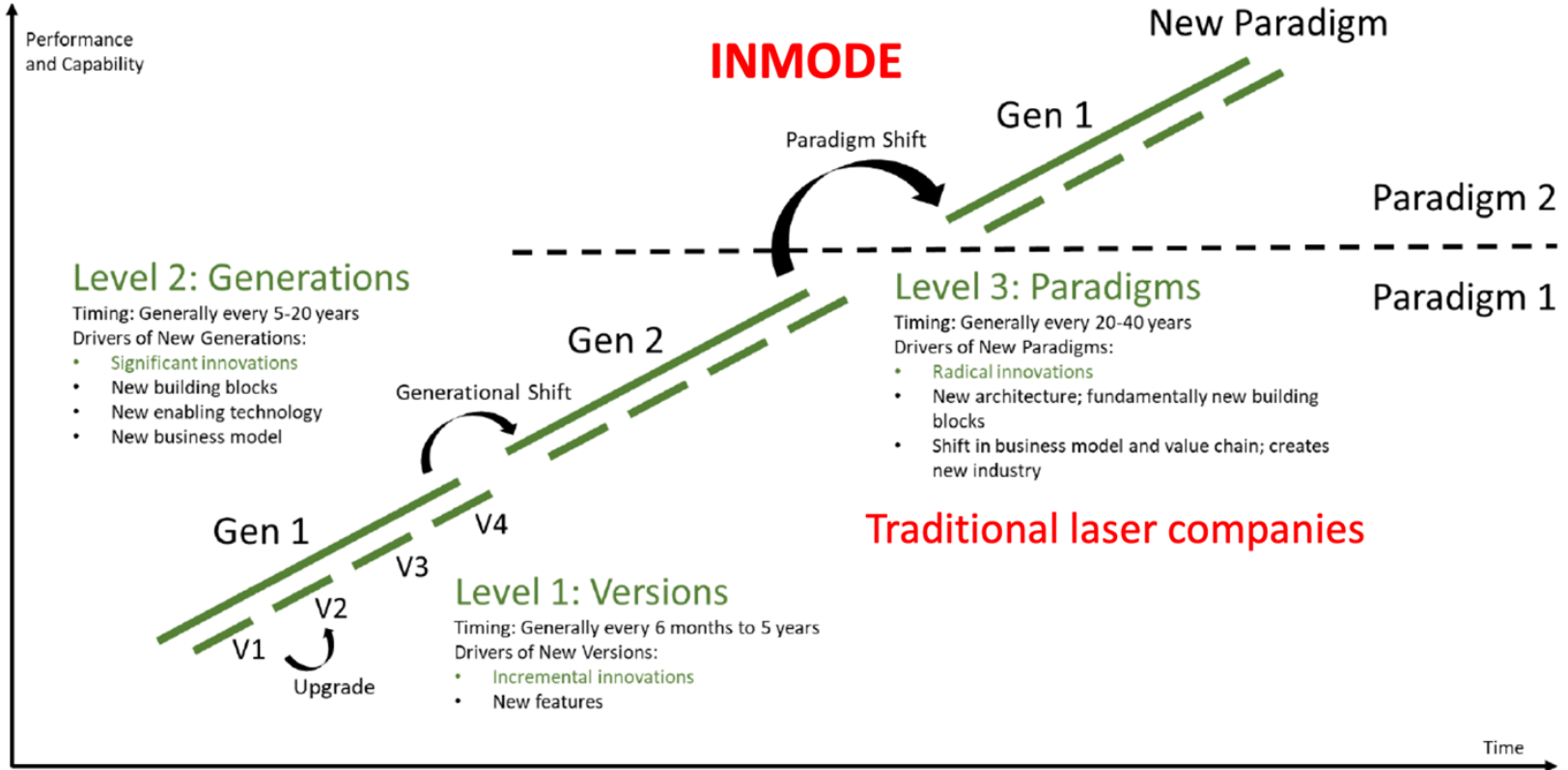
Product Lines

	Surgical/RFAL, SARD					Hands-Free		'Traditional'/ Laser		
Platform										
	EmbraceRF	Optimas	BodyTite	Morpheus8	Votiva	Evoke	Evolve	Contoura	Triton	
Application	Face	Face	Body	Face & Body	Women's Health	Face	Body	Body	Hair Removal	
Handpieces										
	FaceTite	Lumecca	DiolazeXL	BodyTite	Morpheus8	Morpheus8	Cheek	Trim	BodyFX	Triton Duo Light
										
	Morpheus8	Morpheus8	Morpheus8 Body	FaceTite / NeckTite	Morpheus8 Body	Morpheus8 Body	Chin	Tite	MiniFX	Triton Duo Dark
										
	AccuTite	Forma	Vasculaze	AccuTite	FormaV		Tone		Plus	

Paradigm Shift

Technology Evolution Levels: Ladder of Evolutionary Progress

The Ricketts Basic Technology Evolution Model



Management Team Overview

Co-Founder & CEO: Moshe Mizhray



23
Years at
InMode

- 20+ Years of Industry Experience
- Co-Founder & Former CEO of Syneron
- BS Eng. at Tel Aviv, Masters at Pace

Co-Founder & CTO: Dr. Michael Kreindel



23
Years at
InMode

- 20+ Years of Industry Experience
- Co-Founder & Former CTO of Syneron
- Inventor of ELOS technology
- Pioneer of RF, IPL technologies
- PhD in Nuclear Physics







CFO: Yair Malca



5
Years at
InMode

- 15+ Years of Industry Experience
- Director of Finance for Jazz Semiconductor
- Controller of Syneron
- BA Acct/Econ. at Haifa, MBA at Tel Aviv

DuPont Analysis - Expanded Ver.

	ROE			
	Net Profit Margin	Total Asset Turnover	Equity Multiplier	
	High	High	Low	
	36%	0.8x	1.2x	
	30%	0.7x	2.5x	
	-631%	0.2x	-11.9x	
	-64%	0.3x	1.2x	
	-16%	1.2x	2.4	

Risk Mitigation

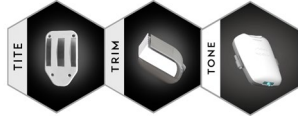
Risk 1: Innovation Competition



EVOKE - Innovative Hand-Free Procedures



EVOLVE - Multiple Treatments



Risk 3: Relationship Management



InMode has 154 direct sales reps who are striving to promote its innovative products and services to prospective physicians and clinic specialists.

Risk 2: Fluctuation in Financial Results

Cost Advantages

Outsource Manufacturing

- Ensure Quantity Procured
- Long-Term Fixed Cost/Unit
- Low CAPEX -> Low Costs



Scalable Technology

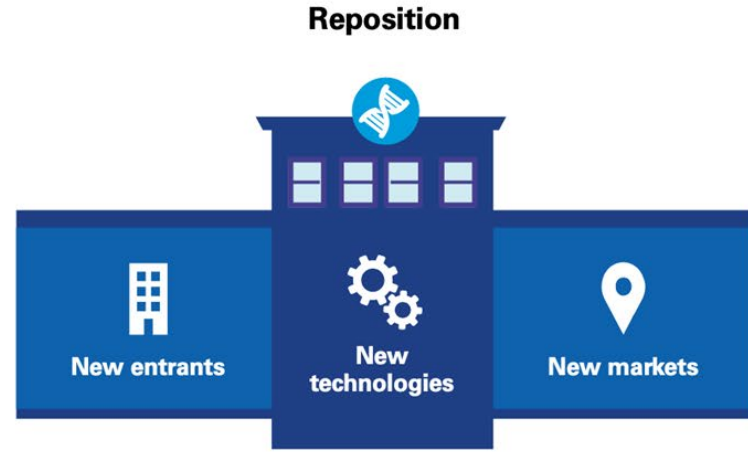
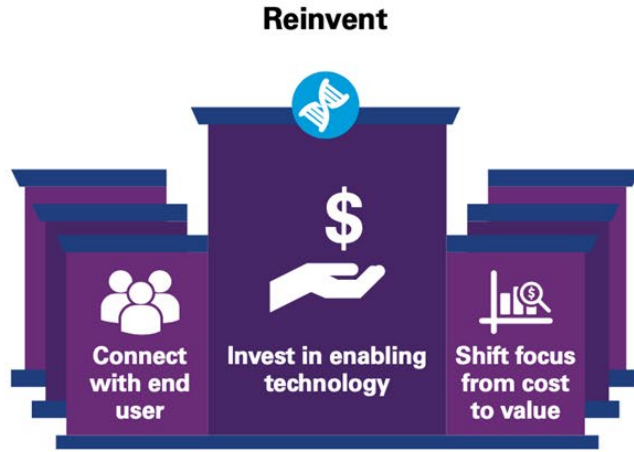
- Low R&D expenses -> Low Costs
- Economies of Scale with Comprehensive Technology



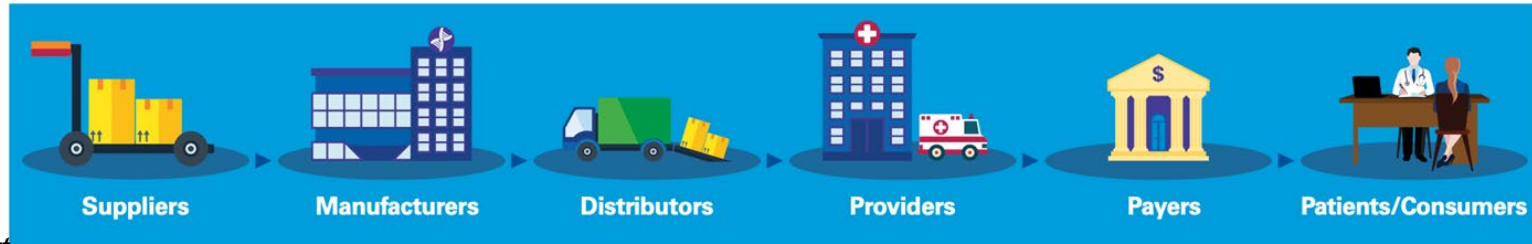
Israel Tax Laws

- Benefited Enterprise Status
- Tax Exempt until 2021
- Only Pay Interest Income Tax

Industry Outlook: Staying Ahead in 2030



Reconfigure



Competitive Landscape

Peer Group	Stock Symbol	Stk.Mkt.Cap [Min USD]	Beta	Recent Stock Price[USD]	52 Week Low/High[USD]	Dividend Yield[%]	Fwrd P/E	P/B Ratio	Ranking ¹	Return On Revenue[%]	Return On Equity[%]	LTD to Cap[%]
Cutera, Inc.	NasdaqGS:CUTR	576.23	1.62	33.02	9.19/37.46	Nil	NM	10.2	Hold	-16.2	-46.4	28.3
DexCom, Inc.	NasdaqGS:DXCM	34,405.53	0.78	361.93	191.16/451.79	Nil	NM	19.0	★ ★ ★	25.6	36.4	49.6
EL.En. S.p.A.	BIT:ELN	703.35	2.28	35.8	16.59/35.8	Nil	38.9	3.3	Strong Buy	4.7	-	-
Handicare Group AB [publ]	OM:HANDI	345.90	1.05	5.89	2.18/5.89	Nil	24.1	2.8	Buy	-16.4	-22.7	41.2
Insulet Corporation	NasdaqGS:PODD	17,305.12	0.66	269.54	130.01/293.05	Nil	NM	29.5	★ ★	0.8	2.0	62.8
NuVasive, Inc.	NasdaqGS:NUVA	3,346.83	1.33	65.78	32.82/66.59	Nil	28.5	3.7	Hold	-3.5	-4.1	35.9
Venus Concept Inc.	NasdaqGM:VERO	138.70	NA	2.59	1.67/4.76	Nil	NM	3.0	Hold	NM	NM	63.5
Viveve Medical, Inc.	NasdaqCM:VIVE	27.67	0.59	3.48	2.91/8.68	Nil	NM	0.7	Hold	NM	NM	29.7

¹ Quantitative Rankings : Strong Buy , Buy , Hold , Sell , Strong Sell ; Qualitative Rankings(STARS) : 5 = Strong Buy , 4 = Buy , 3 = Hold , 2 = Sell , 1 = Strong Sell

Rankings are not predictive of future performance. For full definitions of Rankings, see the glossary section of this report.

DCF Analysis- Sensitivity Analysis

		WACC				
		8%	8.5%	9%	9.5%	10%
Perpetual Growth	3%	91.56	83.47	76.65	71.07	66.22
	3.5%	99.48	89.80	81.90	75.34	69.80
	4%	109.38	97.54	88.09	80.38	73.96
	4.5%	122.10	107.21	95.65	86.42	78.89
	5%	139.07	119.65	105.10	93.81	84.80
	6%	198.46	159.44	133.46	114.93	101.06

		WACC				
		8%	8.5%	9%	9.5%	10%
EV / EBITDA	21x	84.99	83.09	81.25	79.46	77.73
	22x	87.91	85.93	84.01	82.15	80.35
	23x	90.83	88.77	86.78	84.84	82.97
	24x	93.76	91.62	89.54	87.53	85.59

Comparable Company Analysis - Expanded Ver.

(Figures in mm USD)

Company	Ticker	Share Price	Diluted Shares Outstanding	Equity Value	Cash	Debt	Other EV Adjustments	Enterprise Value
Small Cap								
Cultera, Inc.	Nasdaq: CUTR	\$ 27.45	17.6	483.9	47.0	25.4		462.3
Apyx Medical Corporation	Nasdaq: APYX	\$ 10.74	34.3	368.1	43.5	1.0		325.6
Sientra	Nasdaq: SIEN	\$ 7.11	55.9	397.2	63.5	72.3		406.0
Small to Mid Cap								
CONMED Corporation	NYSE: CNMD	\$ 123.01	28.6	3,518.1	27.4	776.4		4,267.1
LivaNova PLC	Nasdaq: LIVN	\$ 76.76	48.7	3,735.1	252.8	709.1		4,191.4
TransMedics Group, Inc.	Nasdaq: TMDX	\$ 42.92	27.2	1,165.7	125.6	34.7		1,074.7
Outset Medical	Nasdaq: OM	\$ 50.01	42.7	2,136.4	344.2	38.7		1,831.0
Large Cap								
Hologic, Inc.	Nasdaq: HOLX	\$ 70.91	257.7	18,270.7	701.0	3,147.2		20,716.9
Bausch Health Companies	NYSE: BHC	\$ 33.08	355.0	11,743.1	605.0	24,204.0		35,342.1
InMode Ltd.	Nasdaq: INMD	\$ 73.00	37.8	2,757.9	260.5	1.0		2,498.4
Median								
Upper Quartile								
Mean								
High								
Low								
Median								
Upper Quartile								
Mean								
High								
Low								



InMode Executive Summary

Business Overview

Founded in 2008 in Israel, InMode is a global innovative leader that develops, manufactures, markets minimally-invasive and hands-free aesthetic medical products for various procedures. Since its IPO in 2019, InMode has expanded offerings of product platforms, handpieces, consumables, warranties to 50 countries through its direct sales team and third-party distributors. Their product portfolio consists of broad radiofrequency (RF) proprietary technology offered to over 200,000 physicians globally. During the pandemic, they generated an 85% Gross Margin on Revenues of \$206.1M in 2020. Their robust business model saw Net Income rise at 194.3% CAGR (2016-2020), P/E at 36.3x, and Total Debt/Capital at 0% while industry peers struggled at -29.4%, -5.18x, 7.51% respectively. InMode's sustainable competitive advantages—experienced management team, clinical portfolio (FDA, publications), innovative offerings, and powerful brand positioning—strongly differentiates them from peers and provides future growth opportunities.

Industry Analysis

Medical Aesthetics Market Overview

The global medical aesthetics market is projected to reach \$US 15.9 billion by 2025 from \$US 9.4 billion in 2020 at a CAGR of 10.9%. The growing usage of minimally invasive and noninvasive aesthetic procedures, raising public awareness about cosmetic products, the availability of technologically advanced methods, and the increasing demand for aesthetic treatments among males are the key factors driving the huge growth potential of this market. On the other hand, market growth involves certain risks, such as clinical risks, complications associated with medical aesthetic procedures, and the increasing availability and adoption of alternative beauty and cosmetic products. The global medical aesthetics market appears to be competitive and fragmented with various well-established rivals, such as Solta Medical, Inc., Syneron Medical Ltd, Cutera, and Lumenis, driving the market competition. However, they mainly offer limited results-oriented multiple treatments in the form of traditional laser-based aesthetics. By contrast, Inmode can differentiate itself from the competitors by leveraging its minimally-invasive and non-invasive aesthetic surgeries.

Favourable Industry Trends and Opportunities for InMode

Within the global medical aesthetics market, we've identified four major ongoing industry tailwinds to drive the future growth of InMode. Firstly, the market favours all-in-one solution, compared with the previous one-time-one-solution type. InMode's procedures such as EVOLVE allow for multiple treatments simultaneously. Secondly, consumers are shifting their focus towards minimal skin invasion and quick recovery from traditional surgical procedures. The non-invasive treatment market size has grown at a CAGR of 11% from 2014 to 2021. Therefore, medical device players, which services are oriented on these characteristics, will capture a considerable amount of market share. The third trend is the reinvention and repositioning in the niche market. This requires companies to continually renovate their technology and tailor to the digitalization to remain competitive. InMode is constantly developing its product lines with scalable technologies, which will help the company sustain in the long term. Last but not least, the emerging market's growth creates opportunities for InMode to expand its business. From 2019 to 2020, according to InMode's revenue distribution, we can infer that it sees the growth potential and is increasing its sales in areas outside of the US.

Investment Thesis

Thesis 1: Unique Positioning Targets Treatment Gap with Differentiable Solutions

Evoke and Evolve are the core and high growth products of InMode, being in a unique and sustainable position in the market. Specifically, Evoke introduced non-invasive, hands-free, and programmable technology, making it an efficient social distancing treatment through reducing patient-physician face-to-face contact during the process. Additionally, Evolve is an innovative hands-free solution maximizing patient outcomes and provides a high quality of aesthetic treatments. This all-in-one platform delivers various technologies to remodel skin, target adipose tissue, and tone muscles to maximize physician and clinician time. Moreover, InMode developed its core solutions, including minimally-invasive surgical aesthetic and non-invasive solutions. For instance, minimally-invasive solutions can reduce patient downtime, discomfort, other potential complications, and costs. Additionally, differentiated and RF energy-based technology can simultaneously kill fat and tighten skin, overcoming the weaknesses of traditional surgical aesthetic procedures. Overall, InMode's key innovations have allowed the company to emphasize unmet patient needs and expand the addressable patient population for aesthetic solutions leading the paradigm shift in the medical aesthetics market.

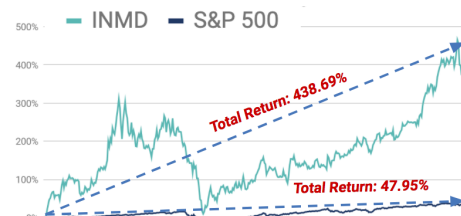
Thesis 2: Reliable Company Ownership and Financial Foundations Provide Strong Base

InMode has a strong ownership base with over one third from its management team. Such structure aligns the management's interests well with the shareholders' interests. Furthermore, as the company has over 40% of ownership from strategic stakeholders, the company is likely to have clearer direction and more effective operating plans in the long term, compared with its peers.

Besides management team's ownership, InMode is owned by a large percentage of institutional investors and can incentivize individual investors and serve as a driver for organic growth in the long run. Taking a look at the ownership, we found that top 25 shareholders own 57.3% of the company, which gives InMode high authority and influence over the long term development of the firm. Large institutional ownership also entitled InMode with a high degree of credibility in the investment community. In addition, InMode has a strong balance sheet position with high liquidity and profitability. InMode has a lowered leverage, and this positions InMode to gain further access to growth capital and provides downside protection.

InMode Inc. (Nasdaq:INMD)

Equity Research	INMD
Price Target	USD\$89.93
Rating	Buy
Share Price (Mar. 15 Close)	USD\$ 71.31
Total Return	25.97%
Key Statistics	
52 Week H/L	\$77.80/\$13.14
Market Capitalization	\$2.67B
Average Daily Trading Volume	749K
Net Debt	N/A
Enterprise Value	\$2.5B
Net Debt/EBITDA	N/A
Diluted Shares Outstanding	37.78M
Free Float	57.6%
Dividend Yield	N/A



Based on our analysis of the company's key financial ratios and balance sheet strength, we believe that InMode's performance indicates a promising outlook with high profitability, high efficiency and low leverage.

Thesis 3: InMode's Significant Cost Advantages Allow for a High Return of 438.69%

InMode has significant cost advantages that increase their bottom line. First, they have low CAPEX as they mainly outsource manufacturing to third-party subcontractors in Israel with long-term agreements in place that control procurement, quality assurance, and costs/units for forecasts. As well, low R&D costs are effectively in place due to the scalable nature of their products platforms. Lastly, InMode currently benefits from low taxes in Israel under their Benefited Enterprise Status which makes them tax exempt until 2021 with possible extensions from the government.

Risks & Catalysts

Risks

We've assessed the company's risks from three perspectives: competition, fluctuation and relationship management. (ranking from the greatest to the least impact) More and more companies are competing within the niche market and the medical aseptic market is characterized by rapid innovation. The inability to develop dynamically will lead to a shrink of market share. Additionally, The company now has a high operating margin. There could be a potential risk that InMode will not maintain its operating margin. Since its quarterly expenditure, inventory and production depend on the expected order numbers, there could be fluctuation in financial results from quarter to quarter. Moreover, failing to maintain the working relationship with clinics and healthcare professionals might result in insufficient development and marketing of products in line with these customers.

Catalysts

The company has set up two fully-owned sales and marketing subsidiaries in early October 2019, in India and Australia, respectively, as part of its global expansion strategy. On the regulatory front, InMode also received Health Canada Certification for multiple new products in October 2019, which further expanded its presence in Canada. The certification included two clinically proven technologies, Morpheus8 and AccuTite, having been widely recognized as the preferred choice of aesthetic solutions by physicians. We anticipate the company's Canadian operations to positively and sustainably impact its business growth.

Moreover, InMode has 7 patents and 14 pending patents. Based on our historical stock performance analysis, many of the spikes in the price chart were boosted from InMode's announcement of new products or approvals. Once one or more patents are approved, the company will strengthen its market influence and increase shareholders' confidence in investing in the stock. Therefore, the share price will have significant momentum to move up.

Valuation

DCF Analysis

Based on the DCF analysis and the DCF sensitivity analysis, we predict that the company's capitalization has a significant growth potential. Comparing its fair value to its current stock price, InMode is undervalued by the market by a total of 12-28%.

Judging by the data of the last three years, the revenue is forecasted to increase at a declining ratio with the expansion of its products and the growing market being the main drivers. A projected growth rate is between 13%-22% with a steady perpetual growth rate at 5%. CapEx and D&A remain on par with historical value with a slight increase because of scale effects. Tax rate calculated as a percentage of the historical 5-year average at 14%. EV/EBITDA is Calculated using the industrial average of 23x.

Assumptions (USD in Millions)	
Tax Rate(5-year Average)	14%
Discount Rate	9.5%
Perpetual Growth Rate	5.0%
EV/EBITDA Multiple	22.0x
Transaction Date	2020-12-31
Fiscal Year End	2021-12-31
Current Price	73.10
Shares Outstanding	38,000,000
Debt	1.24
Cash	260.53
Capex	1

Comparable Company Analysis

We derive a share price of \$94.13 from the comparable company analysis, with the weight of EV/Revenue and P/E multiples as 2:1. InModes is 2.5x larger than other players in the niche market, so we include a set of comps with relatively larger cap companies. We classify the peer companies by the market cap and these peers are screened based on their similarities (business model, capital structure, consumer landscape, revenue growth and more) to InMode. Since many of the companies' EBITDA are below zero, we mainly use the EV/EBITDA multiple for comparison, not for valuation. InMode has a EV/Revenue of 9.6x, lower than the benchmark of 11.8x. The company's P/E of 33.6x is also below the peer group's P/E of 49.4x. Therefore, given the outstanding performance and profitability of the company, we conclude that InMode is currently undervalued according to the benchmarks.

We assign the ratio of 7:3 to DCF analysis and Comps, as many of InMode's direct competitors are privately owned. In summary, combining DCF and Comps, we derive a target price of \$89.83 with 35% DCF(perpetuity growth), 35% DCF(exit multiple), 20% Comps(EV/Revenue) and 10% Comps(P/E). Our valuation methodologies give a total return of 25.97%. Therefore, we initiate a buy rating.

