

# Valuation Note

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## Media Lab, Inc

Euronext Access Paris: MLLAB [IT01228050116]

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### **Media Lab, innovative software solutions for dental and implant practices**

**Enterprise value: € 8,14 million**

#### **Media Lab, a strong player addressing two markets**

Founded in 1994, Media Lab is an Italian company exclusively addressing the dental market, developing and commercializing innovative management software suites for dental practices, also computer-guided surgery solutions for dental implants. Media Lab expect to be listed within Euronext Access Paris through a private placement.

#### **European leadership**

Media Lab is one of the first European's company creating, developing and commercializing a wide range of modules in dental practice management software for dental's clinics of all size and type. Over the years Media Lab improved its offer, fully adapted to customer's request, including translated versions. In parallel, thanks to Company's investments in R&D, Media Lab launched new products on the Guided Surgery market for dental implants, including medical 3D-imaging, computerized dental implant-guide design and 3D-guide production.

#### **Strengthening of Media Lab's positions in foreign markets.**

Historically, Media Lab has developed its market in Italy, for a large number of small, and medium dental clinics. The Company has between 10 and 20% market share, depending on the products. Media Lab has launched new marketing strategies to deal with larger clients, for example, Apollonia Group. Moreover, Media Lab concluded distribution contracts in Israel. In 2018 Media Lab is opening office in UAE and aims at open offices in Germany in 2019 and in the USA in 2020.

**Media Lab is a good investment opportunity**, considering its admission to the Euronext Access Paris market, the potential of its innovative solution and the strengthening of its distribution network. We are also confident in the management's ability to extend its products and its R&D department to launch new product lines and develop the new offers.





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## 2. Table of Contents

1. Disclaimer .....	2
2. Table of Contents.....	4
3. Company Profile.....	6
4. Company History .....	7
5. Media Lab software products.....	8
Confident software suite for dental management.....	8
Media Lab Guided Surgery Products .....	9
Implant 3D Software .....	10
Guide design suite.....	10
Media Lab R&D.....	10
6. SWOT.....	12
7. Media Lab, company organization.....	12
Management.....	12
Capital structure.....	13
8. Media Lab Markets.....	14
Dental management software .....	14
Fundamental role of dental medical software for patient care.....	14
Dental Practice Management Software, a growing Market.....	14
Media Lab input.....	15
Computer-aided implant market.....	16
Main advantage of guided-surgery in dental practice .....	16
Computer-aided dental surgery market, a need for innovation.....	17
DICOM: International standards for medical imaging.....	17
9. Competition .....	18
Main actors in Dental management software .....	18
Main actors in computer-aided Dental Surgery market.....	18
Media Lab input.....	18
10. Media Lab Business model .....	19
Media Lab Licenses.....	19
Maintenance contracts.....	19



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Media Lab clients.....	19
Modality OEM (Original Equipment Manufacturer) .....	20
Opportunities and limiting factors.....	20
11. Sales performance and Valuation .....	21
Historical sales performance .....	21
Media Lab’s income model.....	21
Valuation using the DCF method .....	22
Summary of cash flows from 2017 to 2024.....	23
Sensitivity of Media Lab's valuation to discount rates and growth to infinity.....	23
Financial .....	24
12. References.....	24



### 3. Company Profile

Media Lab was founded in 1994 by Dr. Massimo Ivani as an individual company with the aim of creating software services for the dental industry.

In 2006 the company became a limited liability company and began developing solutions for guided surgery.

In 2017, the company became a joint stock company with the entry of new shareholders. The sole purpose, since its establishment, has been creating software products and services, exclusively aimed at dentists, focusing on quality, innovation and customer satisfaction. Technical support center allows to offer an after sales service with highly professional staff dedicated exclusively to the support of the applications in the dental industry.

Media Lab has developed two product lines, the first one being dedicated to the management of dental practice, called Confident, the second one being dental implant guided surgery, named Implant-3D. The strategy of Media Lab is to develop its software suites on new territories by offering adapted versions for major European countries and the United States.

The first product line developed by Media Lab is the software suite named Confident. Its market is currently mainly Italian with an estimated market share of 10%. The main objectives of this well accepted software suite is to provide an all-in-one tool to the dentist, including agenda, patient database, clinical diary, quote, billing, Rx and images, messages.

The second product line developed since 2006, is a surgical implant software suite, with sophisticated 3D medical visualization and surgical simulation and navigation systems. The original software, named Implant 3D, was launched in 2007 in Italy, for the diagnosis and simulation of dental implantation. In 2017, the company launched GuideDesign, a module of the Implant 3D software that allows the design of guides for performing implant-prosthetic intervention in guided surgery. Originally, these softwares were marketed by a sister company, Bionova, fully acquired by Media Lab in November 2017.

The expected Media Lab revenues for 2017 are €1,064 Million, with 60% being the sales of softwares, and 40% being recurrent revenues through maintenance subscription.



## 4. Company History

Year	Event
1994	Media Lab Inception, founded by Dr. Massimo Ivani
1996	First release of KaVoImago, dental practice management software
1998	Network version of KaVoImago
2002	Media Lab moves to new facility
2006	Media Lab transformed in LLC
2007	First release of Implant 3D, dental implant planning and diagnosis software
2009	KaVoImago rebranding to ConfiDent™
2010	Media Lab moves to new facilities
2012	First release of dental SMS software platform
2013	Bionova inception  Bionova first surgical guide produced by 3D printer  Bionova first international congress for 3D guided surgery
2014	Six new ConfiDent™ products: Note, Speedy, Mini, Plus, Net, Clinic
2015	First release of ConfiDent™ Cloud
2017	Media Lab transformed in Inc.  First release of GuideDesign, revolutionary surgical guides design and 3D printing software  Media Lab acquires 100% of Bionova  Media Lab becomes a Joint stock company



## 5. Media Lab software products

Media Lab, since its creation in Italy in 1994, develops specialized solutions for two major markets, the management of dental offices and assisted dental surgery for implantology.

Media Lab has developed unique software and technologies allowing better care of patients in small to large dental practices. The strategy of Media Lab is to generate revenues through software licensing, support subscription and since 2017 the sales of design with dental consulting services. The latter being the on-demand design of the surgical implant guide, allowing the 3D printing of the surgical guide to obtain good maxillary implantations.

The dental profession is responsible for the prevention, diagnosis, and treatment of diseases and disorders of the oral cavity and related structures. The dental care professions are then in a constant state of self-assessment aimed at advancing their disciplines in a consistent and measurable fashion, since the goal is to improve patient health, increase efficiency in the health care system, and ultimately enhance society as a whole. In order to focus its activity on the patient, the dental practitioner is referring more to new offerings and solutions, including computer assisted technologies that help improve his clinical outcomes for patients, his profitability, while improving the patient-provider relationship.

Among the new services and tools available are Media Lab software solutions for practice management and guided dental surgery.

### Confident software suite for dental management

Confident is an integrated management software for dental practice. Simple but powerful and complete, it allows the management of all information, clinical and economic, present in the dental office. Confident consists of several versions that allow a progressive approach to learning and using the program.

Whether for single chair with EasyLine, or multi-site clinics with ProfessionaLine, Confident is produced in several versions targeted towards different end-users and computing environment.

Confident EasyLine suites, made for small dental practices, are available in different versions from basic to premium

- Confident Note: basic version with agenda, patients database, clinical diary applications
- Confident Speedy: medium version with agenda, patients database, clinical diary, quotation, invoicing applications
- Confident Mini: a premium version with agenda, patients database, clinical diary, quotation, invoicing, Rx and images, messaging applications





Confident ProfessionalLine suites, are proposed with different versions, for larger clinics :

- Confident Plus: basic version offering complete dental practice management (agenda, patients database, clinical diary, quotation, invoicing, Rx and images, messaging), agenda up to 50 users, back-office analysis, for single computer
- Confident Multi: medium version offering complete dental practice management, agenda up to 50 users, back-office analysis, networking up to 10 computers
- Confident Clinic: premium version made for larger practices, offering complete dental practice management, agenda, back-office analysis, fully customizable with unlimited users and computers

Confident Cloud is the latest Company proposal for practice management. It uses the well-known Cloud computing system that enables ubiquitous access to shared pools of configurable system resources and storage, over the Internet. Confident Cloud proposes the following suites:

- Complete dental practice management software cloud based with agenda, patients database, clinical diary, quotation, invoicing, Rx and images, messaging
- Runs on any web browser
- Automatic data backup
- Accessible from MaxOs, Linux and Windows

The Confident suites are available in Italian (main dental practice management software market to date) but versions in other languages have been developed or are in development for French, English, German, Arabic...

## Media Lab Guided Surgery Products

Since natural teeth may become ill and maybe removed, alongside with the aging of the human population, the need of dental replacement has become a major medical need. In this matter, the use of dental implants has revolutionized the replacement of teeth, bringing the patients with a restored quality of life. Nevertheless, the inadvertent association of most surgical and prosthetic complications with improper diagnosis and implant placement has been well documented. These factors play a crucial role in the long-term predictability and success of implant prosthetics. Surgical guide templates not only assist in diagnosis and treatment planning but also facilitate proper positioning and angulation of the implants in the bone. Moreover, restoration-driven implant placement accomplished with a surgical guide template can decrease clinical and laboratory complications. Hence, increasing demand for dental implants has resulted in the development of newer and advanced techniques for the fabrication of these templates.

Media Lab has developed a series of software products dedicated to guided surgery for dental implants based on computer-aided design/computer-aided manufacturing.



- Implant 3D – Dental Implant Diagnosis and Simulation Software released in 2007
- GuideDesign – Surgical Guide Design Software released in 2017

### Implant 3D Software

Implant3D is a software, developed in 2007 by Media Lab, helps dental surgeons to plan the prosthesis implant operation by identifying both the implants and mandibular canal positions through accurate measurements and bone density calculation. The 3-dimensional calculation is done directly onto the personal computer within the dental practice, allowing implant simulations.

### Guide design suite

The Implant3D file is therefore loaded within the Media Lab GuideDesign software released in 2017, a specific Implant3D module that allows the design of guides for performing implant-prosthetic operations in guided surgery. Simply by selecting the edge of the surgical guide and the type of sleeve to use, GuideDesign generates an STL (STereoLithography) file ready to be printed with a 3D printer. Such STL files are widely used for rapid prototyping, 3D printing and computer-aided manufacturing.

Advanced features of the GuideDesign software allow to add material on the surgical guide, create inspection holes, and add text to better identify the printed guide, including patient name and specific references.

Furthermore, Media Lab propose specific counsel services in-house to assist the dentist in specific design of surgical guide for their patients and to run a 3D printer unit to manufacture surgical guide when dental practice do not yet possess their own 3D printer.

Due to the recent price drop of 3D printers, more dental offices and dental labs are directly equipped with such manufacturing equipment, so they become more and more independent to drive the whole process, from scanning, analyzing, design to 3D printing.

### Media Lab R&D

Media Lab dedicates 9.5% of its annual expenses to R&D. The R&D department is led by Michel Ivani. His recent task were to transform classic applications in web/cloud applications, and to provide multilingual versions allowing use in most territories.

Among the current project, the R&D team is developing:

- Software for Cephalometric Analysis allowing dental/ skull imaging and designing implant (Ceph 3D)
- New dental practice management software for Mac/Windows
- Dental splint software to allow optimal splint adjustment



- Implant planning software with new 3D engine
- Dental App for patient relationship management for smartphone access

### Ceph3D project description

Ceph3D Software is designed for Cephalometric Analysis allowing dental/skull imaging and designing implant. Ceph3D should allow to perform three-dimensional cephalometric analysis starting from a CT or Cone Beam data source. The clinician would be able to import CT examination into Dicom format and reconstruct the patient's bone structure and soft tissues. Ceph3D is developed to allow a fast learning curve together with the analysis of craniofacial anatomy in a simple and complete way. Also Ceph3D should help the clinician to execute cephalometric analysis using the most common methods and with a complete customization.

### Main advantages of Ceph 3D

- Functionality
- Data import from CT and Cone Beam
- Real-time 3D-reconstruction
- Real-time zoom and rotation
- High quality 3D-reconstruction
- Photo Realistic 3D-reconstruction
- Mutiplanar reconstruction
- Cephalometric points identification on hard tissues
- Cephalometric points identification on soft tissues
- Customizing methods
- Simple and intuitive graphical interface
- Create and modify transfer functions
- Graphs and tracing reports Cephalometric



## 6. SWOT

### Strength

- **Strong software expertise**
- **Vendor-neutral, multimodal software**
- **International presence (Europe, US, UAE, Israel)**

### Weaknesses

- Dependency on partners' sales force
- Little visibility on company's news flow
- Small market capitalization

### Opportunities

- **Increased demand for dental software and guided surgery**
- **Advanced post-processing tools are strong differentiating factors for modality**
- **Development of new products**

### Threats

- Strong competition on the field of dental software and guided surgery
- Saturated modality

## 7. Media Lab, company organization

### Management

#### **Massimo Ivani – Chairman of the Board – Chief Executive Officer:**

Graduate in computer science in United States and Italy, Massimo Ivani is the founder of Media Lab Inc and Bionova Ltd. He has contributed to the development of dental practice management software and to the development of implant planning software. He is the inventor of ModelGuide method for surgical guide creation and he contributed to the development of GuideDesign, innovative software to design and print dental surgical guides. In the past he was founder and CEO of Imagesoft, Ltd, company focused on documents management. Actually Dr. Ivani is the CEO of Media Lab, Inc and of the recently acquired company Bionova, Ltd.

#### **Maurizio Olivato – Vice-President Sales:**

Graduate in engineering, Maurizio Olivato has extensive experience as a sales manager in important Italian companies, including Ostras Ltd, K99 Ltd, ASTEC Ltd. Since joining the Company in 2012, thanks to his great experience, Maurizio has helped to create and develop the market, building a network of distributors and partners who can offer software solutions and surgical guides to the dental market.



### Filippo Ivani – Vice-President Marketing:

Recently graduated in Business Administration, Filippo Ivani joined the company in 2015 and since has contributed to the creation of the market for management software for dentists with an innovative approach: A revolutionary communication supported by social media, magazines and the presence at major exhibitions has already started to give promising results. Filippo works closely with Maurizio to develop new markets and consolidate customers.

### Michele Ivani – Vice-President R&D:

Graduated in computer sciences, Michele Ivani joined the company in 2015. As a specialized developer of advanced software component for the WEB, Michele introduced in Media Lab, innovative software solution to improve the development and transform classic applications in web applications. Michele has an expertise in many programming languages for both the web and for the development of desktop applications.

## Capital structure

Shareholders	Number of shares	% of the share capital
Massimo Ivani	1.877.040	79,2%
Lausha NV. (represented by Guy de Vreese)	474.000	20%
Sandra Musso	18.960	0,8%
<b>Total</b>	<b>2.370.000</b>	<b>100%</b>

Table1: Capital structure

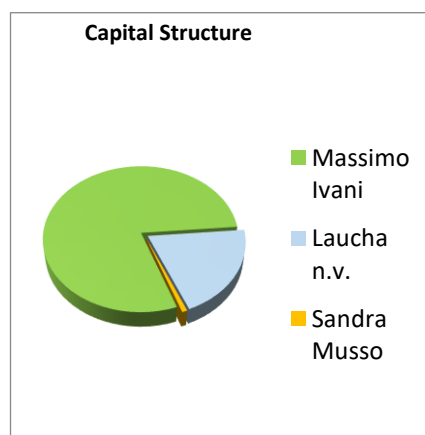


Figure 1: Capital structure



## 8. Media Lab Markets

Currently, Media Lab is active in two major markets, the Dental Management Software Market and the Computer-Aided Dental Surgery Market.

Media Lab development is supported by strong medical need but also by requirements regarding the implementation of cost containment measures, to curtail the rising healthcare spending should drive the industry further. Global burden of dental diseases contributes to nearly 4,6% of global healthcare expenditures. Direct treatment costs due to dental diseases worldwide were estimated at USD 298 billion yearly, while indirect costs due to dental diseases amounted to USD 144 billion yearly. In order to decrease treatment costs, the dentist need to charge less fees to the patients. This cost-effectiveness can be achieved by adopting dental practice management software and computer-aid surgery, which should maximize the productivity of dentists.

### Dental management software

#### Fundamental role of dental medical software for patient care

Nowadays, dentists are forced to balance between providing the best patient care and staying profitable and efficient. Recent changes in the dental industry and patient expectations have created a competitive market and introduced new challenges dentists never had to deal with in the past. What was acceptable ten years ago is no longer tolerated by patients. Now patients demand excellent dental care, they demand a modern and efficient dental office, more eye contact, hassle free environment, zero wait time, automatic email reminder, web access to their billing information, and reasonable prices. In parallel, the huge increase in new dental offices has ignited stiff competition among dentists. According to the American Dental Association (ADA), the number of new dental offices in USA alone is above 300 per year. Dentists are forced to become creative in ways to retain patients and acquire new ones. One of the most important features in a good software is its ease of use. Another is the ability to have access to the data on any device whether it is a PC, MAC, tablet, or cell phone.

#### Dental Practice Management Software, a growing Market

As per a report by Global Market Insights Inc., the global dental practice software management market is anticipated to surpass USD 2 billion by 2023. The increasing geriatric population plays a major role in driving the market revenue. Surgeon General of the United States reported that approximately 25% of the people aged between 65-75 years suffer from severe periodontal ailments. Thus, the urge to serve the large patient pool efficiently calls for advanced technological adoptions by the dentists, in turn boosting the dental practice software management industry.

North America accounted to be the largest regional industry, driven by the growth in US, with target revenue exceeding USD 800 M by 2023. The adoption dental practice management software is soaring across the US driven by the Health Information Technology



for Economic and Clinical Health Act (HITEC Act), around 25 billion have been allocated to encourage the adoption and expansion healthcare IT.

Europe dental practice management software market share with Germany, UK, France, Italy and Spain providing over 90% of regional revenue is poised to see a 8, 4% CAGR growth.

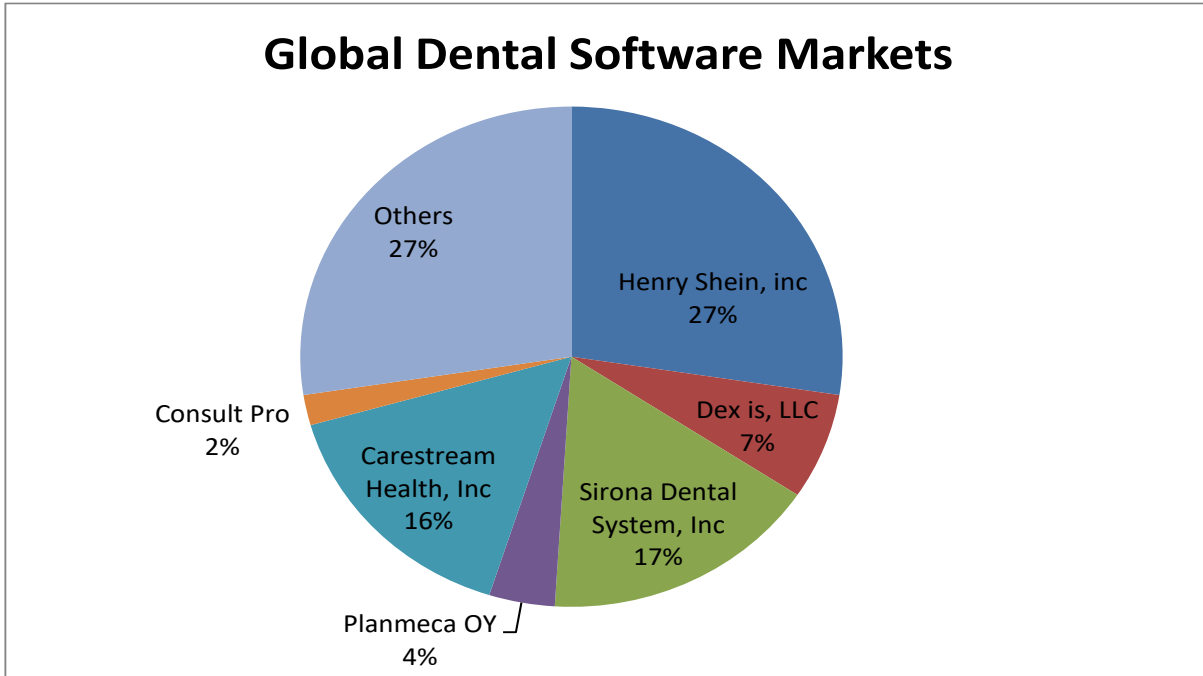


Figure 2: Dental Software Market, 2016 (source CVR December 2016)

### Media Lab input

The global dental practice management software market is technology driven, necessitating vendors to invest substantial amount in research and development. Some of the leading and emerging players identified in the research study include Carestream Dental LLC, Allscripts Healthcare Solutions, Inc., Curve Dental, Inc., DentiMax, LLC, Dental Information Technology, Inc., Epic System Corporation, Dovetail Dental Software, Patterson Companies, Inc., Henry Schein, Inc., and Quality Systems, Inc. The players offering dental practice management software are increasingly focusing on developing solutions that can be integrated with EMR (Electronic Medical Record) systems. This is important since customers generally prefer to buy a highly integrated or complete turn-key solution from a single supplier rather from different suppliers. The competitive rivalry among current market players is comparatively high as every player is seeking to gain first movers advantage in the market.

Media Lab works in this field since 1994 with its first product Confident. Media Lab was one of the first company developed innovative software solutions for the management and analysis aimed at dental practice; The Company detains 17% market in Italy.

The main advantages of the Confident are:

- Multimodality: medical images from any modality can be visualized using Confident
- Standardization for good practices within all type of clinics



- Easy to use (user experience)
- Improved productivity, especially for clinicians and hospitals dealing with high volume of analyses
- Approved by the FDA and other healthcare authorities
- Accessible in English and German

## Computer-aided implant market

### Main advantage of guided-surgery in dental practice

The advantage of guided implant surgery is that the implant is placed in a safer, more predictable manner, using a surgical template designed and produced using computer-aided-design/computer-aided-manufacturing (CAD/CAM) technology; this prosthetically guided placement is achieved using software for virtual implant planning Guided implant surgery. It can also help the dentist to perform flapless implant surgery with less discomfort for the patient and faster working and healing times. In the same time a dental implant placement surgery is more complicated and time-consuming than most standard dental procedures such as filling a cavity, placing a conventional bridge or performing a root canal. In addition, dental implants were not part of the standard dental school curriculum until recently, meaning that the majority of dental general practitioners (GPs) were not trained to place implants. As a result, the bulk of dental implants are placed either by specialists or the small percentage of GPs who have implant-oriented practices. Computer guided surgery is a recent development within the dental implant market. These systems assist dentists in accurately placing dental implants. Computer guided surgery draws upon recent technological developments including three-dimensional radiographic imaging systems, CAD/CAM systems, and rapid prototyping systems and imaging software. While this market is developing rapidly, especially as companies from all facets of the dental industry become involved, it remains a niche market segment. The actual utilization of computer guided surgery systems is still quite low.

In the last years, the developments of computer-aided-design/computer-assisted-manufacturing (CAD/CAM) technologies have brought great improvements in all daily dentistry specially in the field of oral implant surgery. The introduction of digital systems into the diagnostic routine, and their application together with 3D data of the bone topography, have made it possible to reconcile the two central aspects of oral implant surgery: planning an ideal prosthetic solution (first) with the given anatomic situation (second). Companies such as Nobel Biocare and its Nobel Clinician, Materialise Dental and the SimPlant digital alternatives, Dental Wings and the development of CoDiagnostiX software, Sirona with Cerec solutions, Align Technology with its iTero scanner, and the 3 Shape Dental system are some of the most renowned names in the development of digital impressions and virtual surgical solutions.





## Computer-aided dental surgery market, a need for innovation

The worldwide guide market is expected to reach above € 170 million by 2023. In Europe, this market represents the fastest growing segment for dental implants with a CAGR of 11.3%, to reach € 60 million by 2023. Purchases of surgical guides typically correspond to dental clinics utilizing treatment planning software, but this is not always the case. Numerous dental labs that offer surgical guide production, also offer guide design services, making the purchase of a treatment planning software unnecessary. Dentists use computer guided surgery in one of two ways to assist them in the proper placement of implants: they either use treatment planning software exclusively or use the software along with a surgical guide. Due to the added cost of manufacturing a surgical guide, only a fraction of all dental implant procedures involve this tool. The market for surgical guides is expected to grow faster than the market for treatment planning software, as more dental laboratories and doctors with treatment planning software choose to use the guides.

Table 2: Market Value by Country, Surgical Guide Market (source: Media Lab and Aurgalys estimation)

Market Value by Country, Surgical Guide Market, Europe, 2013-2023 (EM)												
	Germany	France	U.K	Italy	Spain	Benelux	Scandinavia	Austria	Switzerland	Portugal	Europe	Growth (%)
2013	10,5	1,5	0,4	2,9	2,4	1	0,6	0,8	1	0,2	21,3	
2014	11,2	1,6	0,5	3,2	2,7	1	0,7	0,9	1,1	0,22	23,1	8,3
2015	12,3	1,7	0,5	3,5	3,1	1,1	0,7	1	1,2	0,23	25,4	9,9
2016	13,7	1,9	0,6	3,8	3,5	1,2	0,8	1,1	1,3	0,26	28,1	10,8
2017	15,3	2,1	0,7	4,2	3,9	1,4	0,9	1,2	1,5	0,28	31,3	11,3
2018	17,1	2,3	0,8	4,6	4,4	1,5	1	1,3	1,6	0,3	34,9	11,5
2019	19,3	2,5	0,9	5	5	1,7	1,1	1,5	1,8	0,33	39	11,6
2020	21,6	2,8	1	5,5	5,6	1,8	1,2	1,6	1,9	0,36	43,5	11,5
2021	24,3	3	1,1	6,1	6,2	2	1,3	1,8	2,1	0,39	48,4	11,3
2022	27,3	3,3	1,3	6,7	6,9	2,2	1,4	2	2,3	0,42	53,7	11,1
2023	30,5	3,6	1,5	7,3	7,6	2,4	1,6	2,2	2,4	0,45	59,6	10,9
CAGR('16-'23) %	12,2	9,6	14	9,9	11,7	10,1	10,5	10,7	8,9	8,5		11,3

## DICOM: International standards for medical imaging

DICOM (Digital Imaging and Communications in Medicine) is a standard for medical imaging which determines what format medical imaging should be in, how they should be handled, transmitted and stored. This standard has been established to improve usage of medical images, especially when acquired using modalities from different manufacturers. For instance, each manufacturer used to have its proprietary data format, incompatible from one another, which could lead to loss of information, increased costs, etc. With the increase of medical imaging in clinical practice, and the emergence of new modalities, a universal imaging standard became necessary. The vast majority of modality manufacturers, as well as PACS (Picture Archiving and Communication Software) manufacturers have adopted the DICOM standard, which has become essential for market adoption by hospitals and clinicians.

The DICOM format is particularly useful within healthcare institutions, where medical images are often shared between departments, and between radiologists and clinicians. Thanks to the DICOM format, patient follow-up has also been facilitated, especially to compare images taken over time.



## 9. Competition

### Main actors in Dental management software

Some of the dental management software key players include Henry Schein, Inc., Patterson Companies, Inc., Carestream Dental, DentiMax, LLC, Curve Dental, Inc., NextGen Healthcare Information Systems, LLC, ACE Dental Software and Practice Web, Inc. These companies provide a wide range of solutions with customized modules for clinics of all sizes.

Various innovative technological solutions and mergers & acquisitions contribute to the large share captured by a few industry giants. For instance, In February 2016, Henry Schein entered into an agreement to acquire Dental Cremer S.A., which is a distributor of equipment and supplies in Brazil. Furthermore, In February 2014, the company also acquired five businesses in three European countries from Arseus NV. The businesses include a practice management software company and distributors for dentistry products in France.

Table 3: Global Dental Software Company Share (source Factset and Aurgalys estimation)

Global Dental Software Company Share Analysis	
Henry Shein, inc	28%
Dex is, LLC	7%
Sirona Dental System, Inc	17%
Planmeca OY	4%
Carestream Health, Inc	16%
Consult Pro	2%
Others	28%

### Main actors in computer-aided Dental Surgery market

The most prominent players competing in the surgical guide market are Karl Schumacher Dental, LLC, Dentsply, 3m Company, Biolase Technology, DCI International, Henry Schein Inc, Mid Mark Corporation, Tabu Products, Sirona Dental Systems, Ultra Dent products, Anatomage, Nobel Biocare, 360imaging, Implant Concierge, 3DDX, Patterson Companies Inc, and Septodont.

In 2014, Dentsply Implants held a share of nearly 40% of the surgical guide market in the United States. Upon receiving the implant case, Dentsply proposed to check the file to ensure the feasibility of the case and will take an additional step to intervene and correspond with the dentist when necessary. Media Lab in Europe has proposed from the start similar services, while most competitors do not carry out such a protocol, thereby giving Media Lab a competitive edge.

### Media Lab input

Media Lab issued in this market in 2007 with its product Implant 3D software; in 2017 with



the uideDesign applications, and in 2018 Media Lab should launch the new Ceph 3D. Numerous small to medium size companies like Media Lab have developed strong expertise in developing such software. Therefore, Media Lab faces strong competition from numerous players which offer similar analytics for medical imaging.

The main advantages of Media Lab's products are:

- Its ease to use
- Its connectivity: 2D to 3D
- Its DICOM compatibility : Implant 3 D software and new product Ceph 3 D follow the international DICOM standards, facilitating adoption by using
- Its improved productivity, especially for hospitals dealing with high volume of analyses
- Its approval by the FDA and other healthcare authorities

## 10. Media Lab Business model

Media Lab's software has been developed in order to help dentists in their clinical practice.

### Media Lab Licenses

The company's business model consists in selling its non-exclusive products licenses, mainly by indirect sales, through its agreements with modality or PACS OEM. Media Lab sales are also supported by local distributors. According to Media Lab, the average basket for an individual client is around € 3000 per license. About two-third of the company's revenue is derived from these one-time payments and the remaining one-third through the maintenance of these licenses.

### Maintenance contracts

The company regularly releases updates of its software which are implemented to all existing clients who also subscribed to the maintenance service. Although the majority (2/3) of the company's revenue is generated from the commercialization of licenses, Media Lab expects its maintenance contract revenues to grow as the number of installed products licenses increases. It is also in the interest of Media Lab clients to subscribe to the maintenance contracts as they would benefit from any upgrade developed by the company during their subscription period, thus guaranteeing recurrent long term revenue to Media Lab.

### Media Lab clients

Media Lab began with small clinics through direct sales, but over the years the policy of sales changed and Media Lab applied indirect sales strategy through its agreements with modality OEM.



One the most important customer is Fona, Inc (Dentsply Sirona Group). They offer an OEM version of Media Lab's Implant 3D software in bundle with Cone Beam CT.

Another important customer is Cefla Group, one of biggest dental company in Italy. They also offer an OEM version of Media Lab's Implant 3D software in bundle with Cone Beam CT.

For practice management software, Apollonia Group, Inc is a big network of clinics and they use Media Lab's dental software solutions.

Distribution's agreement:

- In France: Infodent Ltd
- In Italy: FMD Ltd, Cefla Inc, QR Inc, Apollonia Group Inc, Fona Inc, Vector Ltd, Umbra Inc, Easy Grip Ltd, Bone System Inc, Geass Inc, IGIMax Ltd
- In Israel: Alpha Bio Inc
- In Spain: Galimplant Ltd, Ziacom Inc.
- In Germany: Schutz Dental Ltd

## Modality OEM (Original Equipment Manufacturer)

Thanks to its multimodality and modularity, Media Lab's software is particularly suited for modality manufacturers which can integrate Media Lab's products directly in the imaging device interface. Media Lab is easily implemented its products in its client's system without additional development, and the level of functionalities are tailored to the manufacturer's marketing strategy

The company has already secured such agreements with key players in the Italian modality market : Cefla Group, Cone Beam CT, Apollonia Group.

## Opportunities and limiting factors

Media Lab's new indirect sales strategy has numerous advantages as the company does not require investing in its own sales force. Because Media Lab's products are compatible with DICOM standards, the integration in the modality OEM is therefore facilitated. The main drawback of such strategy is that the company becomes dependent on its partner's ability to penetrate the market.

As previously explained, the market is currently dominated by large companies such as Henry Shein, Inc, or Sirona Dental System, which already integrated advanced post-processing and PACS software.

Therefore, this could limit Media Lab's ability to secure agreements with larger players and prevent the company from taking advantage of their marketing power. On the other hand, smaller modality manufacturers would probably benefit from technologies like Media Lab to differentiate themselves from larger players and increase sales of their software products.



# 11. Sales performance and Valuation

## Historical sales performance

Media Lab has been marketing its products since 1994.

Figure show Media Lab historical sales for the past 3 years, and interim results of 2017. The company experienced strong growth of its sales in 2017, largely due to the acquisition of Bionova and its new suit Guide design

Table 4: Historical sales performance (source Media Lab and Aurgalys estimation)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Confident	75 700	72 672	77 214	56 018	60 499	65 339	70 567	76 212	82 309	88 894	96 005
Ceph 3D					75 000	67 358	72 587	78 233	84 331	90 917	98 029
Implant 3D	265 200	358 133	258 133	336 740	353 577	371 256	389 819	409 310	429 775	451 264	473 827
GuideDesign				274 820	296 806	320 550	346 194	373 890	403 801	436 105	470 993
Total maintenance Implant 3d-Confident	58 131	58 131	98 733	108 606	119 467	131 414	144 555	159 010	174 912	192 403	211 643
Maintenance GuideDesign				288 668	311 761	349 173	391 074	438 002	490 563	549 430	615 362
maintenance Ceph 3D					9 400	18 800	22 560	27 072	32 486	38 984	46 780
Maintenance total	58 131	58 131	98 733	397 274	440 628	499 386	558 189	624 085	697 961	780 817	873 785
Italy	411 640	419 127	338 583	489 038	523 415	560 305	599 897	642 395	688 017	737 002	789 602
Export	109 260	211 223	146 900	178 540	232 907	271 824	287 915	305 060	323 337	342 830	363 630
Total	579 031	688 481	584 216	1 064 852	1 196 950	1 331 516	1 446 000	1 571 539	1 709 315	1 860 648	2 027 017

## Media Lab's income model

Media Lab suffered a market downturn in 2016 due to lower sales of Implant 3 D Design. Since then, the company has launched 2 new products: Guide Designe and Ceph 3D and finalized the acquisition of Bionova that lead the sales growth at 55 % in 2017.

Also, Media Lab regularly announced the adoption of their products throughout the world, which permitted to project the export's sales at 17%.

Also, in 2018 Media Lab open the office in Israel 2019 in Germain and in 2020 in USA. This should also contribute to attract new clients and consolidate its existing base.

Media Lab also generates revenues from maintenance contracts. As products adoption consolidates, maintenance contract revenues should increase and provide significant recurrent revenues to Media Lab. In our forecasting model, we hypothesized that by 2024, maintenance contract revenues would represent 50% of total sales.

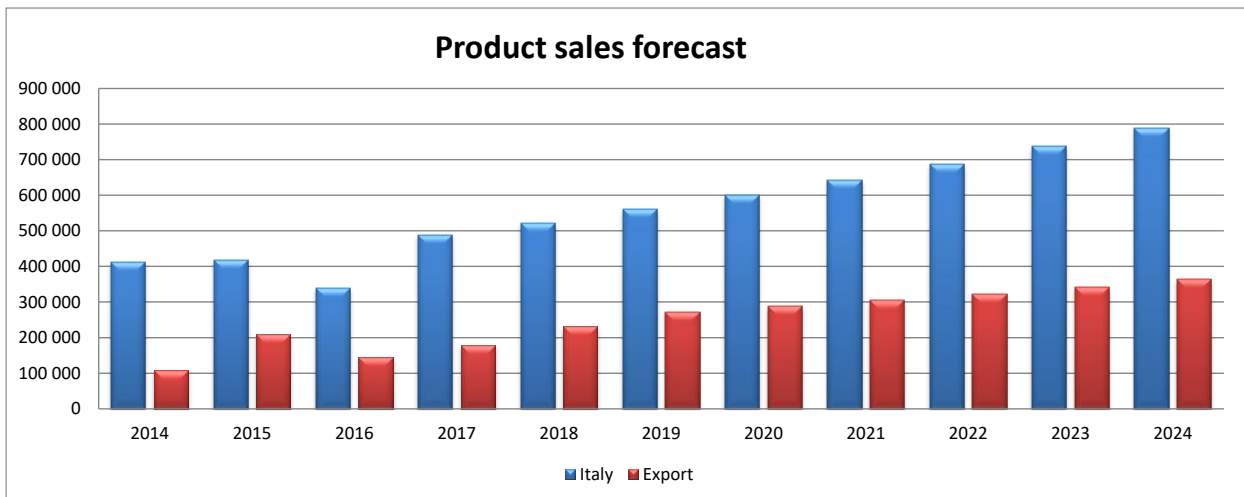


Figure 3: Product sales forecast (Source: Media Lab and Aurgalys estimation)

## Valuation using the DCF method

For the valuation of Media Lab, we used a Discounted Cash Flow model (DCF),(figure 6) with a discount rate of 17%. We included a terminal value with a 0.5% growth rate. Sales were projected over the next 7 years as shown in table 4 , and gross margin were maintained at 11% of sales during the forecasting period.

In our model we projected sales growth according the groining of Media Lab's operating markets

For dental software products 8,4 % per year

For Guide design product 8,4 % per year

For Implant 3 D we stay at 5% and is the same margin for Ceph 3D

Personnel costs represent the largest part of these expenses, and we hypothesized that they would represent 40% of the company's revenues.



## Summary of cash flows from 2017 to 2024

Table 5: Summary of cash flows from 2017 to 2024 (Source: Media Lab and Aurgalys estimation)

FCF	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EBIT	349 052	403 982	255 368	550 403	681 496	805 154	914 912	1 040 370	1 185 085	1 353 926	1 553 671
(+) DA	23 000	23 000	26 000	126 000	126 000	126 000	126 000	126 000	126 000	126 000	126 000
(-) Taxes	15 765	34 956	27 775	51 083	54 659	58 485	62 579	66 959	71 647	76 662	82 028
(-) Investment	-102 500	-107 625	-113 006	-218 656	-124 456	-136 456	-184 923	-406 146	-638 886	780 830	-824 872
(-) Change in WCN	-463 263	-28 452	78 924	55 325	57 000	60 000	60 000	80 000	50 000	50 466	525 344
<b>FCF</b>	<b>-177 946</b>	<b>325 861</b>	<b>275 061</b>	<b>564 155</b>	<b>794 699</b>	<b>913 183</b>	<b>978 568</b>	<b>907 183</b>	<b>793 846</b>	<b>2 387 884</b>	<b>1 462 171</b>
FCF actualisé			275 061	564 155	679 230	667 092	610 989	484 118	362 082	930 889	487 189

## Sensitivity of Media Lab's valuation to discount rates and growth to infinity

Table 6: Sensitivity of Media Lab's valuation (source: Media Lab and Aurgalys estimation)

	15%	16%	17%	18%	19%	20%
0,35%	9,23	8,60	8,10	7,64	7,23	6,86
0,40%	9,25	8,65	8,12	7,65	7,24	6,87
0,45%	9,26	8,66	8,13	7,66	7,25	6,88
0,50%	9,28	8,67	8,14	7,67	7,25	6,89
0,55%	9,29	8,68	8,15	7,68	<b>7,27</b>	6,90
0,60%	9,31	8,70	8,16	7,68	7,28	6,91
0,65%	9,32	8,71	8,17	7,69	7,29	6,92

**The pre-money valuation of Media Lab using the DCF method under the previous assumptions is € 8 137 214**



## Financial

Table 7: Financial (source Media Lab and Aurgalys estimation)

<b>Income Statement (€M)</b>	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
Revenue	0,6	0,7	0,6	1,1	1,2	1,3	1,4	1,6	1,7	1,9	2,0
EBIT	0,3	0,4	0,3	0,6	0,7	0,8	0,9	1,0	1,2	1,4	1,6
<b>Net Income</b>	<b>0,0</b>	<b>0,1</b>	<b>0,1</b>	<b>0,5</b>	<b>0,5</b>	<b>0,6</b>	<b>0,6</b>	<b>0,7</b>	<b>0,7</b>	<b>0,8</b>	<b>0,8</b>
<b>BALANCE SHEET (€M)</b>	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
Non Current Assets	0,3	0,3	0,3	0,4	0,4	0,5	0,6	0,6	0,8	0,9	1,0
Current Assets	0,3	0,2	0,5	0,7	0,6	0,8	0,9	1,0	1,0	1,0	1,0
<i>Including cash &amp; cash equivalent</i>	<i>0,15</i>	<i>0,11</i>	<i>0,12</i>	<i>0,3</i>	<i>0,5</i>	<i>0,7</i>	<i>0,8</i>	<i>1,0</i>	<i>1,1</i>	<i>1,2</i>	<i>1,3</i>
<b>Total Assets</b>	<b>0,6</b>	<b>0,5</b>	<b>0,8</b>	<b>1,0</b>	<b>1,2</b>	<b>1,3</b>	<b>1,5</b>	<b>1,6</b>	<b>1,8</b>	<b>1,9</b>	<b>2,0</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
<b>Total Equity</b>	<b>0,1</b>	<b>0,1</b>	<b>0,1</b>	<b>0,7</b>	<b>1,0</b>	<b>1,2</b>	<b>1,4</b>	<b>1,6</b>	<b>1,8</b>	<b>1,9</b>	<b>2</b>
Financial Debt	0,5	0,4	0,3	0,3	0,2	0,1	0,1	0,0	0,0	0,0	0,0
Other Debt	0	0	0	0	0	0	0	0	0	0	0
<b>Total Liabilities and Shareholder's equity</b>	<b>0,6</b>	<b>0,5</b>	<b>0,4</b>	<b>1,0</b>	<b>1,2</b>	<b>1,3</b>	<b>1,5</b>	<b>1,6</b>	<b>1,8</b>	<b>1,9</b>	<b>2,0</b>
<b>CASH FLOW STATEMENT (€M)</b>	2014	2015	2016	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e
Cash flow from operating activities	-0,4	0,1	0,2	0,2	0,2	0,2	0,2	0,3	0,2	0,3	0,2
Cash flow from investment activities	-0,1	-0,1	-0,1	-0,2	-0,1	-0,1	-0,2	-0,2	-0,3	-0,5	-0,7
Cash flow from financing activities	0,1	0,1	0,1	1,4	1,2	1,1	1,1	1,1	1,1	1,1	1,1
<b>Net change in Cash</b>	<b>-0,4</b>	<b>0,1</b>	<b>0,2</b>	<b>1,4</b>	<b>1,3</b>	<b>1,2</b>	<b>1,2</b>	<b>1,2</b>	<b>1,0</b>	<b>0,8</b>	<b>0,6</b>

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