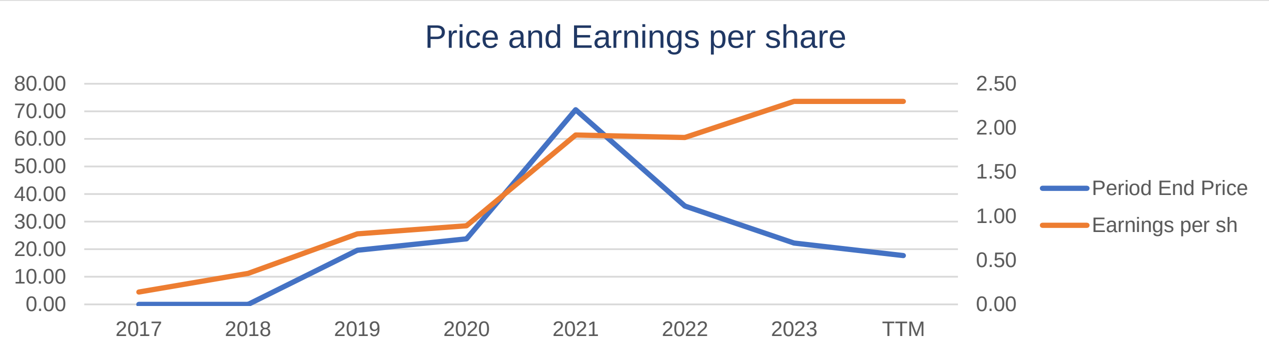
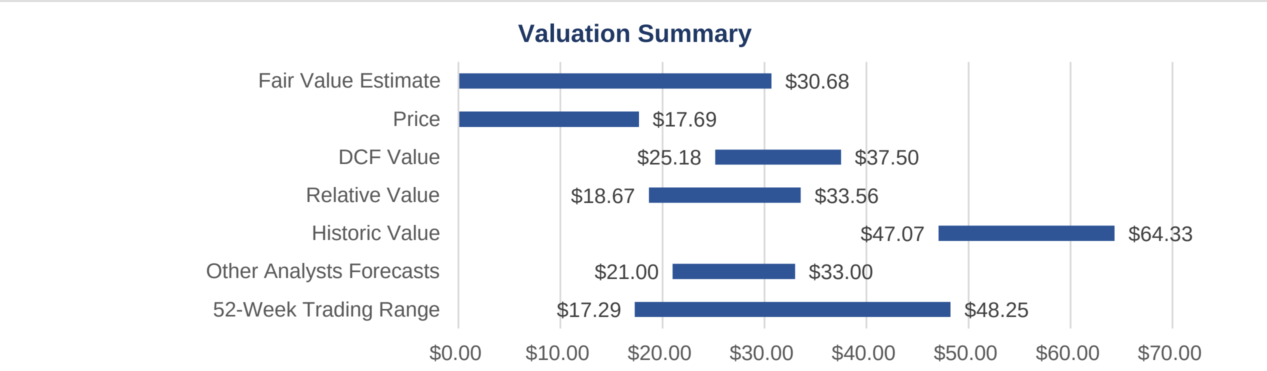
InMode Ltd Analysis and Valuation

Updated April 17th 2024 by Jasper Bronkhorst MA





Key Metrics

Company	InMode Ltd	**Symbol**	INMD
Sector	Health Care	**Market Cap (bn)**	1.5
Industry	Health Care Equipment & Supplies	**52-wk min.**	17.29
Date	2024-04-17	**52-wk max.**	48.25
Currency	USD	**10 yr Revenue CAGR**	0.00
Stock Price	17.69	**Price/Earnings**	7.7
Fair value estimate	30.68	**Dividend %**	0.0%
Margin of Safety	42%	**Price/Sales**	3.1
Rating	Undervalued	**Price/Book**	1.9

Business Overview

InMode specializes in minimally invasive and non-invasive aesthetic medical products. Their range includes procedures for skin tightening, liposuction, facial rejuvenation, and more. Based in Israel, InMode TLR offers innovative solutions for various cosmetic and healthcare needs, providing effective treatments globally.

Inmode expects stable revenue for 2024, ranging from $485 million to $495 million. Moreover, the company forecasts non-GAAP earnings per diluted share to be between $2.53 and $2.57, indicating a growth of approximately 10%. However, other analysts anticipate a more conservative 6% growth on average.

Why invest

InMode displays the characteristics of a strong company with an appealing valuation. Its rapid growth, profitability, solid financial position, and perceived undervaluation make it an attractive investment prospect. Despite potential earnings growth moderation, InMode remains undervalued compared to larger health equipment companies, suggesting promising investment opportunities.

Analysis

Profitability	2017	2018	2019	2020	2021	2022	2023	TTM	Average	Median
Return on Equity (ROE)	0.0%	69.8%	54.5%	34.5%	49.2%	33.3%	29.5%	25.1%	45.1%	41.8%
Return on Assets (ROA)	0.0%	37.1%	40.8%	29.2%	42.6%	28.8%	26.3%	22.9%	34.1%	33.2%
Gross Margin	83.1%	85.0%	87.1%	85.0%	85.0%	83.8%	83.6%	83.6%	84.9%	85.0%
Margin Before Taxes	18.3%	23.6%	39.7%	36.9%	47.0%	44.4%	44.2%	44.2%	39.3%	41.9%
Net Margin	16.5%	22.3%	39.1%	36.4%	46.1%	35.6%	40.2%	40.2%	36.6%	37.8%

The company exhibits exceptional profitability, significantly outperforming the industry average. However, concerns arise about its ability to sustain this level of profitability, which contributed to the decline in its stock price.

Financial Health	2017	2018	2019	2020	2021	2022	2023	TTM	Average	Median
Equity-to-Assets	0.49	0.55	0.82	0.86	0.87	0.86	0.91	0.91	0.81	0.86
Current ratio	2.8	2.6	6.6	8.3	9.1	7.7	13.2	13.2	7.9	8.0
Quick ratio	2.4	2.4	6.3	7.8	8.7	7.2	12.5	12.5	7.5	7.5
Cash+Eq./assets	0.63	0.76	0.89	0.88	0.87	0.85	0.86	0.86	0.85	0.86
Pay out ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Inventory to assets	12.8%	8.6%	4.3%	5.1%	4.4%	6.2%	5.2%	5.2%	5.6%	5.1%

Target exhibits solvency and liquidity, indicating robust financial health for the company. With a very large cash postion.

Growth Analysis per share	2017	2018	2019	2020	2021	2022	2023	TTM
Sales per sh	0.84	1.57	2.05	2.45	4.16	5.32	5.72	5.72
Earnings per sh	0.14	0.35	0.80	0.89	1.92	1.89	2.30	2.30
Dividend per sh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Book Value per sh	0.30	0.70	2.36	3.03	4.83	6.49	9.16	9.16
Cash flow per sh	0.23	0.57	0.81	0.94	2.02	2.11	2.05	2.05
Shares Outstanding	64	64	76	84	86	85	86	86

Annual rates per share	5 yrs	3 yrs	1yr
Price per sh	#NUM!	-9.3%	-44.6%
Sales per sh	29.5%	32.7%	8.3%
Earnings per sh	45.7%	37.2%	21.7%
Dividend per sh	0.0%	0.0%	
Book Value per sh	67.2%	44.6%	41.1%
Cash flow per sh		29.7%	-2.8%

Valuation & Multiples

We use various valuation models to arrive at a fair estimation of value.

DCF Valuation (Earnings Based)

Stock	**InMode Ltd**
Date	2024-04-17
Stock Price	17.69
EPS w/o NRI per share	2.30
Discount rate	10%
Terminal Stage rate (yr11-20)	4%

Scenario	Base	Negative	Positive
Growth stage rate (10 years)	6.0%	3.0%	9.0%
Fair value estimate	30.68	25.18	37.50
Margin of Safety	**42%**	**30%**	**53%**
Rating	Undervalued	Undervalued	Undervalued
Growth Value	18.87	16.31	21.88
Terminal Value	11.82	8.87	15.62

Historic Valuation Analysis

Valuation Metrics	2019	2020	2021	2022	2023	TTM	Average	Median
Price-to-Earnings	21.0	23.9	35.5	18.2	9.4	7.7	21.6	21.0
Price-to-Book	7.2	7.0	14.1	5.3	2.4	1.9	7.2	7.0
Price-to-Sales	8.2	8.7	16.4	6.5	3.8	3.1	8.7	8.2
Market Capitalization (bn)	1.3	1.8	5.9	2.9	1.9	1.5	2.8	1.9
Period End Price	19.60	23.74	70.58	35.70	22.24	17.69	34.37	23.74

Historic Valuation	Current	Historical Median	Historical Average	Fair Value Estimate
Price-to-Earnings	7.7	21.0	21.6	49.7
Price-to-Book	1.9	7.0	7.2	64.3
Price-to-Sales	3.1	8.2	8.7	47.1

Comparable Company Analysis

Name	Currency	Price	PE	PB	PS	PFCF	Dividend Yield	Market Capitalization bn
InMode Ltd	**USD**	**17.69**	**7.7**	**1.9**	**3.1**	**8.6**	**0.0%**	1.5
Abbott Laboratories	USD	108.89	33.4	4.9	4.7	37.7	1.9%	189.3
Intuitive Surgical Inc	USD	377.36	75.0	10.1	18.9	179.7	0.0%	136.4
Medtronic PLC	USD	80.23	25.6	2.1	3.3	21.7	3.4%	106.4
Becton Dickinson and Company	USD	234.72	55.6	2.7	3.5	25.8	1.6%	67.9
Tactile Systems Technology Inc	USD	14.10	11.5	1.7	1.2	9.7	0.0%	0.4
Lantheus Holdings Inc	USD	60.25	13.0	5.2	3.3	16.4	0.0%	4.2
OraSure Technologies Inc	USD	5.41	7.5	0.9	1.0	3.1	0.0%	0.4
Semler Scientific Inc	USD	25.78	9.8	2.8	3.0	9.8	0.0%	0.2

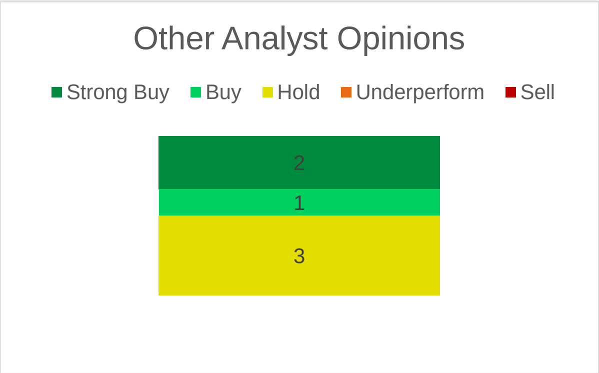
		PE	PB	PS	PFCF	Dividend Yield
Average		26.6	3.6	4.7	34.7	0.8%
Median		13.0	2.7	3.3	16.4	0.0%
Fair Value Estimate						
Median		29.8	24.6	18.7	33.6	

Name	Profitability		Health		Growth	
	Return on Equity	Net Margin	Equity to Assets	Current Ratio	Revenue 10-Period CAGR	Diluted EPS 10-Period CAGR
InMode Ltd	**30%**	**40%**	**0.91**	**13.2**	**0.0%**	**0.0%**
Abbott Laboratories	15%	14%	0.53	1.6	7.4%	7.2%
Intuitive Surgical Inc	15%	25%	0.87	4.8	12.1%	10.5%
Medtronic PLC	7%	12%	0.57	2.4	6.5%	-1.8%
Becton Dickinson and Company	6%	8%	0.49	1.3	9.2%	-2.7%
Tactile Systems Technology Inc	18%	10%	0.69	3.5	22.1%	44.5%
Lantheus Holdings Inc	52%	25%	0.49	5.8	16.4%	0.0%
OraSure Technologies Inc	14%	13%	0.89	9.8	15.2%	0.0%
Semler Scientific Inc	32%	30%	0.92	10.6	40.5%	0.0%

The company is considerably inexpensive when compared to similar firms, particularly regarding profitability, health, and growth metrics.

Other Analyst Opinions

It's crucial to note that other analyst projections are based on a one-year timeframe. Our primary focus is determining the current intrinsic value of the company's stock, particularly with a long-term perspective in mind.



Analyst Price Targets	Prices	Upside
Current price	17.69	
Low	21.00	18.7%
Average	27.60	56.0%
High	33.00	86.5%

Estimates	2023A	2024E	2025E
EPS	2.3	2.44	2.64
EPS growth		6.1%	8.2%

Disclaimer & Disclosure

I hold a position in the security discussed in this report.

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