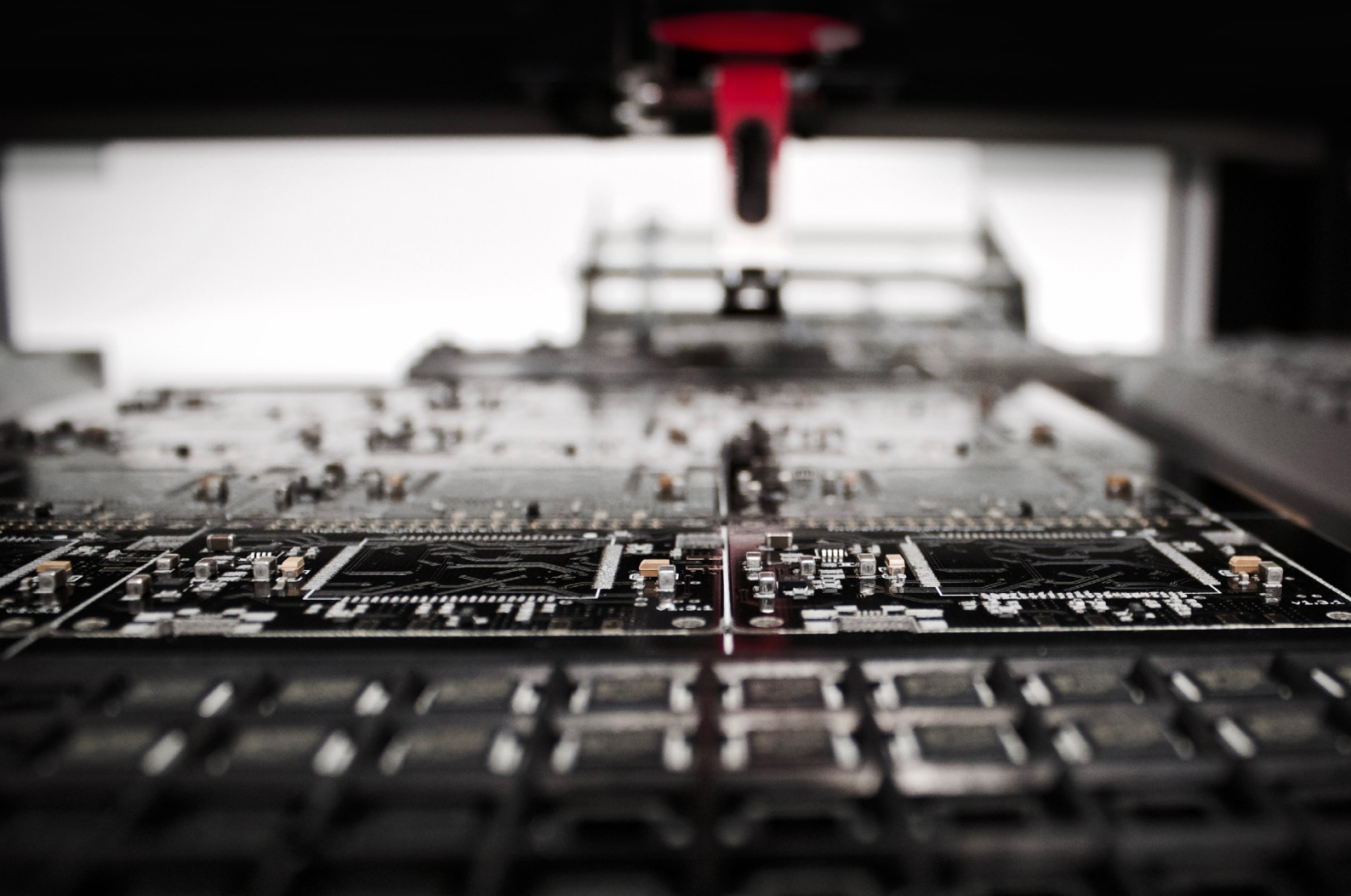
REDEYE

Technology Day
25 November 2020



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Leading Nordic Investment Bank

Leading Advisor for Growth Companies

Founded 1999

Under supervision of the Swedish FSA

Ownership Partner owned

Employees 65+

Analysts: 20

Corporate Advisory: 20

Redeye.se 140,000+

Attracting 140,000+ unique visitors monthly

Corporate Broking 130+

130+ public corporates as clients

Corporate Finance 150+

150+ transactions executed over the last five years

Key Specialties Tech & Life Science

Focused themes 10+

Includes 5G, AI, AR, Autotech, Cybersecurity, Disease of the Brain, Envirotech, Fight Cancer, Digital Entertainment and SaaS

Redeye Corporate Advisory

Leading Advisor for Growth Companies

Corporate Broking

- In-depth research coverage – sector expertise
- Investor events & activities
- Create brand awareness, credibility and manage expectations
- Stratetgic advise regarding how to create the optimal shareholder structure and build a strong and well-positioned financial brand

Corporate Finance

- The go-to adviser for growth companies
- One of the most active advisors within the segment
- Leading adviser within private and public transactions
- Highly skilled team with vast experience from private and public transactions
- Over 150+ executed transactions including IPO:s,

Certified Adviser

- Requirement for companies listed on Nasdaq First North incl. Premier
- Ensures compliance with Nasdaq Rule Book
- CA-breakfast seminars and newsletters to ensure client companies are up-to-date with the latest information and hot topics

ECM

- The most relevant investor network for growth companies
- Matching companies with the right investors
- Broad network of investors including institutional investors, family offices and retail investors

Erik Kramming
Client Manager & Head of Technology

Erik has a Master of Science in finance from Stockholm University. His previous work has included a position at Handelsbanken Capital Markets. At Redeye, Erik works with Corporate Broking for the Technology team.

Greger Johansson
Client Manager & Co-head Technology

Greger has a background from the telecom industry, both from large companies as well as from entrepreneurial companies in Sweden (Telia and Ericsson) and USA (Metricom). He also spent 15+ years in investment banking (Nordea and Redeye). Furthermore, at Redeye Greger advise growth companies within the technology sector on financing, equity storytelling and getting the right shareholders/investors (Corporate Broking). Coder for two published C64-games. M.Sc.EE and M.Sc.Econ.

Johan Ekström
Client Manager

Johan has a Master of Science in finance from the Stockholm School of Economics, and has studied e-commerce and marketing at the MBA Haas School of Business, University of California, Berkeley. Johan has worked as an equity portfolio manager at Alfa Bank and Gazprombank in Moscow, as a hedge fund manager at EME Partners, and as an analyst and portfolio manager at Swedbank Robur. At Redeye, Johan works in the Corporate Broking team with fundamental analysis and advisory in the tech sector.

Erik Rolander
Client Manager

Erik has a Master's degree in finance from Linköpings Universitet. He has previously worked at Remium as a tech analyst and product manager for the equity research platform Introduce.se, which today is owned by ABG Sundal Collier. At Redeye, Erik works with Corporate Broking for the Technology team.

Niklas Blumenthal
Client Manager

Niklas has studied business administration at Uppsala University and has over 20 years of experience in the financial market. He has previously worked as client manager at Nordnet, CMC Markets, Remium and ABG Sundal Collier. At Redeye, Niklas works with Corporate Broking in both Technology and Life Science teams.

Håkan Östling
Head of Research & Sales

Håkan holds a Master of Science in Economics and Financial Economics at the Stockholm School of Economics. He has previously worked with equity research, corporate finance and management at Goldman Sachs, Danske Bank and Alfred Berg. At Redeye, Håkan works with management in both analysis and other corporate governance.

THE REDEYE TECHNOLOGY TEAM

Jonas Amnesten
Analyst

Jonas is an equity analyst within Redeye's technology team, with focus on the online gambling industry. He holds a Master's degree in Finance from Stockholm University, School of Business. He has more than 6 years' experience from the online gambling industry, working in both Sweden and Malta as Business Controller within the Cherry Group.

Henrik Alveskog
Analyst

Henrik has an MBA from Stockholm University. He started his career in the industry in the mid-1990s. After working for a couple of investment banks he came to Redeye, where he has celebrated 10 years as an analyst.

Mattias Ehrenborg
Analyst
Mattias is an equity analyst within Redeye's technology team, focusing on the renewable energy & cleantech sector. He holds a BSc in Business and Economics from Uppsala University. Mattias has previously worked at ABG Sundal Collier as a part of the Capital Goods team, primarily focusing on the renewable energy & cleantech sector.

Forbes Goldman
Analyst

Forbes is an equity analyst within the technology team at Redeye. He holds a BSc in Business and Economics from the Stockholm School of Economics and has also completed an academic exchange semester in Mexico City.

Mats Hyttinge
Analyst

Mats is an equity analyst in the technology & life science team at Redeye. He has an MBA and Bachelor degree in Finance from USE in Monaco.

Fredrik Nilsson
Analyst

Fredrik is an equity analyst within Redeye's technology team. He has an MSc in Finance from University of Gothenburg and has previously worked as a tech-focused equity analyst at Remium.

Tomas Otterbeck
Analyst

Tomas gained a Master's degree in Business and Economics at Stockholm University. He also studied Computing and Systems Science at the KTH Royal Institute of Technology. Tomas was previously responsible for Redeye's website for six years, during which time he developed its blog and community and was editor of its digital stock exchange journal, Trends. Tomas also worked as a Business Intelligence consultant for over two years. Today, Tomas works as an analyst at Redeye and covers software companies.

Mark Siöstedt
Analyst

Mark has a Master's degree in Accounting and Finance from Lund University. He has a dual role within Redeye as an editor (quality assurance and Top Picks) and as an equity analyst on the technology team.

Oskar Vilhelmsson
Analyst

Oskar Vilhelmsson holds a BSc in Finance from University of Gothenburg and has previously worked as a consultant within Investor Relations for small and midcap companies and also with radiation safety at a nuclear power plant. Oskar works as an equity analyst, covering companies in the tech sector.

Viktor Westman
Analyst

Viktor read a Master's degree in Business and Economics, Finance, at Stockholm University, where he also sat his Master of Laws. Viktor previously worked at the Swedish Financial Supervisory Authority and as a writer at Redeye. He today works with equity research at Redeye and covers companies in IT, telecoms and technology.

Danesh Zare
Analyst

Danesh has a Master's degree in mechanical engineering from the Royal Institute of Technology. He has previously worked as a Calculation Engineer for more than 6 years, holding positions at both Scania and Volvo Trucks. He also produced a finance podcast for nearly two years. Danesh joined Redeye in 2020 and works as an equity research analyst, covering companies in the tech-sector, with a focus on gaming companies

Technology Selected Transactions

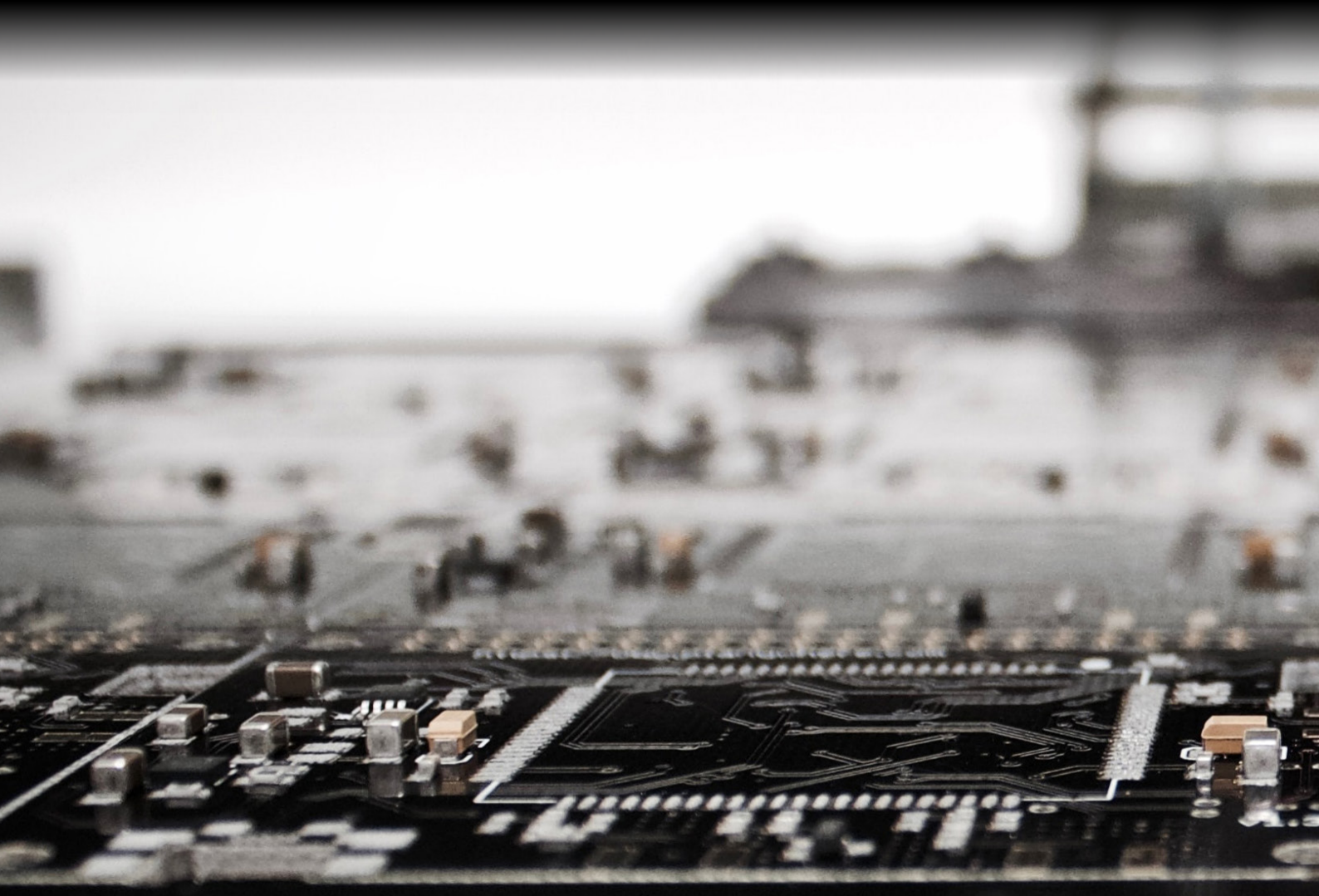
RECENT

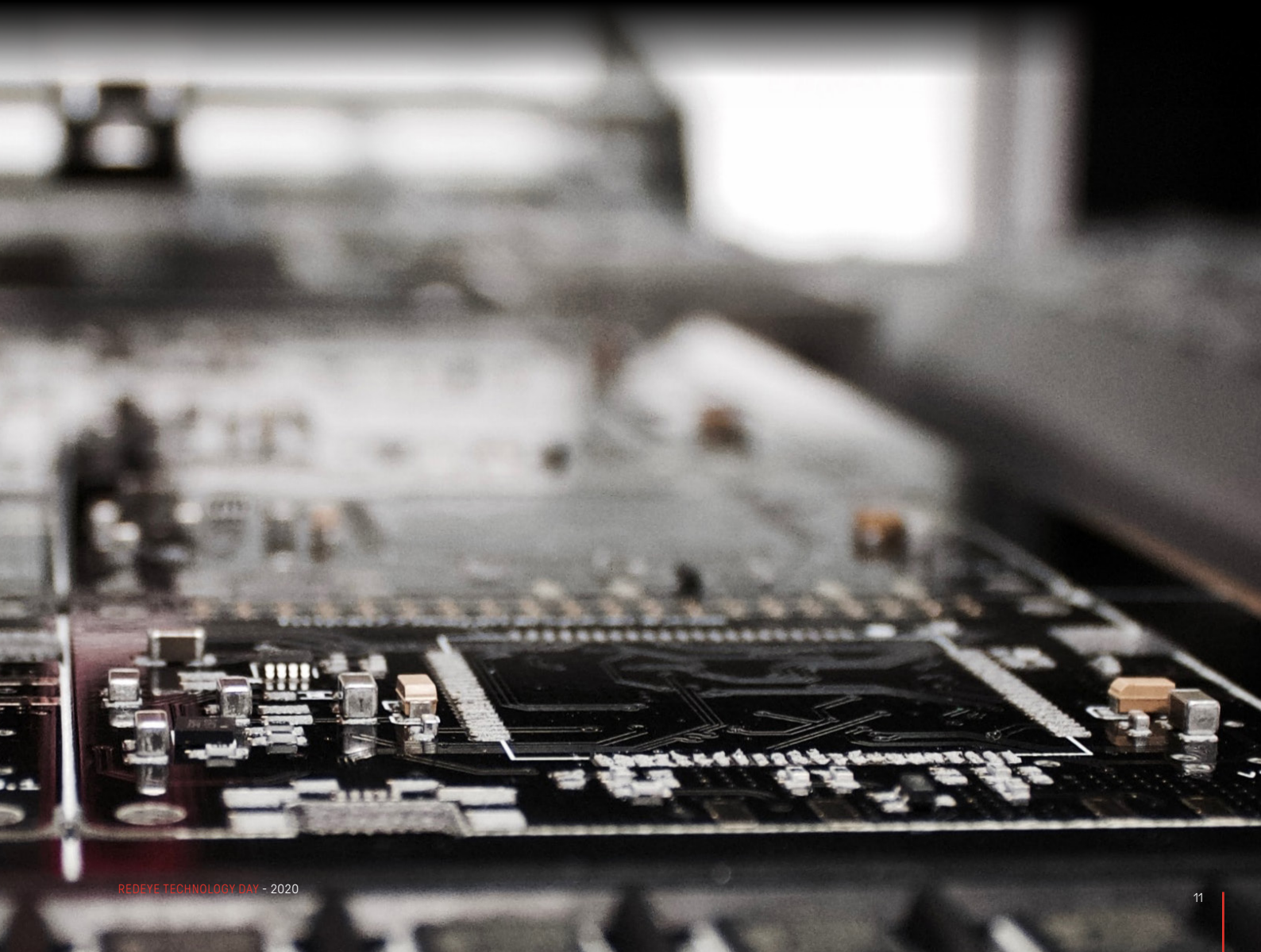
clavister **ONGOING** Directed Issue + Rights Issue SEK 234m	KebNi **OCTOBER 2020** Rights Issue SEK 50m	OXEMARINE **OCTOBER 2020** Directed Issue SEK 66m	Allelion **OCTOBER 2020** Rights Issue SEK 57m	xmreality **MARCH 2020** Rights Issue SEK 36m

2017–2019

COM **DECEMBER 2019** Pre-IPO SEK 18m	MOBA NETWORK **NOVEMBER 2019** IPO SEK 26m	CIMCO **OCTOBER 2019** Rights Issue SEK 51m	JAYS **JUNE 2019** Rights Issue SEK 40m	TagMaster **MAY 2019** Directed Issue + Rights Issue SEK 139m
Allelion **MAY 2019** Rights Issue Co-Lead Manager SEK 135m	ATARI **APRIL 2019** Dual Listing SEK 10m	CIMCO **APRIL 2019** Rights Issue SEK 102m	Teqnion **MARCH 2019** IPO SEK 80m	zwipe **JANUARY 2019** IPO Joint Bookrunner NOK 120m
LightAir **NOVEMBER 2018** Rights Issue SEK 25m	SIVERSIMA **OCTOBER 2018** Direced Issue SEK 43m	xmreality **OCTOBER 2018** Directed Issue SEK 21m	crunchfish **OCTOBER 2018** Right Issue SEK 39m	GOODBYE KANSAS **JUNE 2018** Private Placement SEK 108m
ALLGON **JUNE 2018** Rights Issue Join Lead Manager SEK 127m	captario **JUNE 2018** Private Placement SEK 50m	JON DE TECH **MAY 2018** IPO SEK 30m	Teqnion **APRIL 2018** Private Placement SEK 20m	FSPORT **FEBRUARY 2018** Private Placement SEK 20m
SCOUT gaming group **NOVEMBER 2017** IPO SEK 60m	aconeer **NOVEMBER 2017** IPO SEK 180m	gambling.com group **NOVEMBER 2017** Private Placement EUR 9m	GLOBAL GAMING **OCTOBER 2017** SEK 22m	xmreality **APRIL 2017** IPO SEK 60m

Covered Companies A-Z





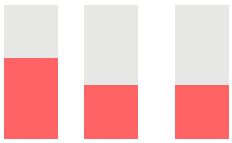
Acconeer ACCON

Company page
https://www.redeye.se/company/acconeer

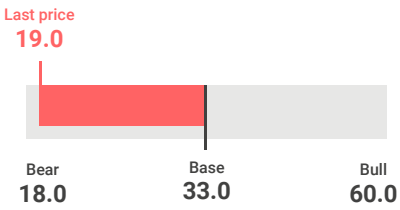
Publication date
November 17 2020

Redeye Rating

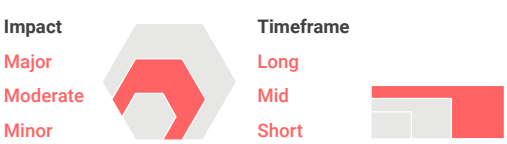
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Lars Lindell
Chairman	Bengt Adolfsson

Share information

Share price (SEK)	19.0
Number of shares (M)	23.3
Market cap (MSEK)	442
Net debt (MSEK)	-80

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Acconeer: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	1	6	10	33	75
Growth	*>100%*	*>100%*	*81.6%*	*>100%*	*>100%*
EBITDA	-31	-57	-50	-51	-46
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-35	-69	-62	-62	-56
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-35	-69	-62	-62	-56
Net earnings	-35	-69	-62	-62	-56
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-1.84	-3.56	-2.64	-2.67	-2.35
P/E adj.	-13.1	-5.9	-7.4	-7.3	-8.3
EV/S	320.1	59.7	37.3	12.8	6.0
EV/EBITDA	-10.6	-5.8	-7.5	-8.3	-9.7

Last updated: 2020-10-28

Owner	Equity	Votes
Bengt Adolfsson	11.7%	11.7%
Smbc Nikko Securities Inc.	8.0%	8.0%
Avanza Pension	7.2%	7.2%
Nordnet Pensionsförsäkring	4.0%	4.0%
Tord Wingren	3.3%	3.3%
Nord Fondkommission AB	2.9%	2.9%
Mikael Egard	2.5%	2.5%
Mats Ingvar Ärlelid	2.5%	2.5%
Lars-Erik Wernersson AB	2.4%	2.4%
Djäkne Holdings Ii AB	1.6%	1.6%

Company description

Acconeer is a semiconductor company in Lund, Sweden, who went public in December 2017. It develops and sells radar sensors, with a fabless business model, to manufacturers of electronics. The manufacturing partners are some of the World's largst (Global Foundries & Amkor). Acconeer has developed a radar with a minimal footprint (5x5x1 mm) that is 10 times smaller and comes at a 10 times lower cost, compared to competing radars. Its real claim to fame though is that the power consumption is 50 times lower than competition. As for competitive disadvantages, radar technology is complex in general and requires a lot of education of the customer but at the same time Acconeer is company of minor size that competes with giants. Acconeer needs to start building revenue sources in order to be seen as a reliable supplier for larger companies. The growth strategy is based on a few important pillars such as selling on Digi-Key, World's largest online distributor (450 000 customers) and a vast, global network of local, niche distributors. The company's current focus areas are robotics, smart presence, child presence detection, parking sensors, level measurement (incl.waste management) and automotive.

Investment case

- Strong unique product offering & scalability from unmatched cost
- Automotive has the largest potential
- Large design wins to drive the share price
- Main bear point

Strong unique product offering & scalability from unmatched cost

Acconeer's radar of 5x5x1 mm is the tiniest radar on the market, which means unmatched cost. Other radars are more than three times larger, suggesting that they have at least three times higher cost. The real claim to fame though, and the truly disruptive element in Acconeer's offering, is the power consumption, which is more than 10 times lower than competing radars. Combining these characteristics and its fabless business model with the largest manufacturing partners in the World (Amkor & Global Foundries), Acconeer is poised to scale rapidly with high gross margins as soon as sales kick in. Acconeer is ready to ride the structural growth in large market segments within e.g. IoT, automotive and robotics respectively. We believe automotive will be the company's most important market.

Automotive has the largest potential

Acconeer is working on ten use cases in automotive with its tier-1 partner Alps Alpine. The most exciting area is child presence detection (CPD) since it is being mandated by Euro NCAP from 2022-2023, meaning it will become standard in Europe. Moreover, CPD regulation in US is underway. Thus, most OEMs are procuring or are about to procure CPD. In essence, it is the same type of case as Smart Eye ~2 years ago. We believe Acconeer has a strong competitive advantage in CPD as Acconeer's radar can detect a sleeping baby, behind a blanket, by sensing its pulse or breathing, meaning, i our opinion, that radar will be the go-to technology for CPD. Acconeer has won three CPD design wins for a total contract value of SEK 90-120m. We believe the OEM is a small premium car manufacturer, suggesting that CPD is a multi-billion SEK market for Acconeer. We think larger premium OEMs could yield three times larger initial contracts of SEK 270-360m, and this is just the premium market. The top 8 largest mass market manufacturers are 2-5 times larger than that, meaning incredible potential.

Large design wins to drive the share price

We value Acconeer to SEK 33 per share in our base case while our bear and bull case amount to SEK 18 and 60 respectively. The key differences in our scenarios are related to automotive and smartphones. While news of orders gradually will de-risk the case we assume certain deals are key catalysts. They are more worth than others and have the potential to substantially move the shares; especially more larger deals within automotive. With sales ramping, a big news pipeline, and enough cash until year 2023 in a worst case scenario, we argue that the neglected Acconeer stock provides solid risk/reward.

Main bear point:

- Acconeer's minor size is a disadvantage that likely explains why major players like Google want to go with Infineon. Acconeer needs to start building revenue sources in order to become reliable as a long-term supplier for large customers.

Catalyst types

Larger deals to drive the share price

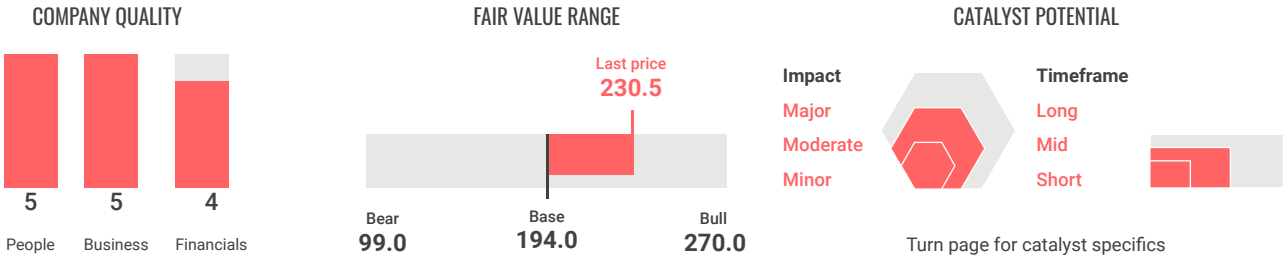
Today's valuation has discounted a bunch of deals for Acconeer but since lead times are long we assume the deals will start to gradually come. Smaller customers are moving faster. While news of orders gradually will de-risk the case we assume certain larger deals are key catalysts. They are more worth than others and have the potential to substantially move the shares; especially big deals within automotive like Child Presence Detection.

Addnode Group ANOD B

Company page
https://www.redeye.se/company/addnode-group

Publication date
November 17 2020

Redeye Rating



Snapshot

Marketplace	NASDAQ Stockholm
CEO	Johan Andersson
Chairman	Staffan Hanstorp

Share information

Share price (SEK)	230.5
Number of shares (M)	33.4
Market cap (MSEK)	7,705
Net debt (MSEK)	176

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Addnode Group: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	2,942	3,434	3,861	4,270	4,730
Growth	*16.7%*	*16.7%*	*12.4%*	*10.6%*	*10.8%*
EBITDA	319	413	431	466	548
EBITDA margin	*10.8%*	*12.0%*	*11.2%*	*10.9%*	*11.6%*
EBIT	203	218	219	291	360
EBIT margin	*6.9%*	*6.4%*	*40.0%*	*6.8%*	*7.6%*
Pre-tax earnings	192	175	203	278	346
Net earnings	146	128	157	217	270
Net margin	*5.0%*	*3.7%*	*4.1%*	*5.1%*	*5.7%*
Dividend/Share	2.50	0.00	2.81	3.89	4.84
EPS adj.	5.10	3.83	4.69	6.48	8.07
P/E adj.	20.3	46.6	49.5	35.8	28.7
EV/S	1.1	1.8	2.1	1.9	1.7
EV/EBITDA	9.8	15.1	18.4	17.0	14.4

Last updated: 2020-10-25

Owner	Equity	Votes
SEB Fonder	10.2%	8.1%
Swedbank Robur Fonder	9.6%	7.6%
ODIN Fonder	8.9%	7.0%
Staffan Hanstorp & Jonas Gejer	6.6%	18.5%
Handelsbanken Fonder	6.1%	4.8%
Fjärde AP-fonden	5.2%	4.1%
Andra AP-fonden	4.9%	3.9%
Nordea Fonder	4.7%	3.7%
Lannebo Fonder	3.6%	2.9%
Creades AB	3.4%	2.7%

Company description

Addnode Group was established in 2003 and is listed on Nasdaq OMX Stockholm. In 2019 Addnode had a turnover of SEK 3.4 billion, with an EBITA of SEK 327million. Addnode Group is divided into three divisions: Design Management, Product Lifecycle Management, Process Managemen. The business segments operate in different regions with about 25 different brands. Operating margin varies considerably between the various business areas where the most profitable can perform up to 20 percent. Addnode Group uses a very decentralized management model where the individual subsidiaries are run by management teams to maintain an entrepreneurial spirit. A key growth strategy in Addnode Group is to grow through acquisitions, which they managed to do successfully in recent years. The company's own financial goals is to reach a growth of 10% per year (both organically and through acquisitions), an EBITA margin of 10% and at least 50% of profit after tax will be distributed to shareholders.

Investment case

- Has evolved into becoming a software company
- Interesting acquisition history
- Well-diversified in three different divisions

Has evolved into becoming a software company. Today, only about 30% of Addnode's sales are related to services, and most of these services are related to the implementation of the company's software solutions. Moreover, the company has a strong focus on recurring revenues, and today more than 50% of sales are recurring revenues. These qualities make us believe the company should be valued at a premium compared to the IT-consultants. More precisely, we claim Addnode should be valued in line with comparable software companies.

Interesting acquisition history. Addnode has for a long been one of our favorites in its sector. The company has a successful acquisition history, which driven by its focus on fair price, good people, and management in place. As a result of the completed acquisitions, Addnode has increased its debt. However, we claim that the leverage is healthy and that the acquisitions have been value-creating. Since 2013, Addnode has acquired about 30 businesses, adding a total of over SEK 2 000m in sales. Historically, the company has acquired at 6x EBITA, way below Addnode's valuation. We believe the prospects for additional value-adding acquisitions is good, however, it is partly already priced in according to us.

Well-diversified in three different divisions. To sum up, Addnode is well diversified in three different divisions with interesting niches. Further, the company has taken a leading Nordic position in most of its niches, which also is the ambition for all of its business areas.

Counter-Thesis – Bear points

Dependent on the economy and the willingness to invest

In recent years, Addnode has had a favorable demand from manufacturing industries, as well as the construction and property sector. During the last quarters, some smaller and specialized companies in the real estate industry appear to have problems. However, Addnode's direct exposure to housing developers is low, and it should therefore not be concluded that Addnode will face lower demand in the coming quarters. Even so, we will follow the development of the Design Management business area as well as the underlying industry.

Acquisition-led growth always risky

Organic growth can be slow, international expansion is complex and acquisitions tend to be difficult. Despite Addnode's successful acquisition history, acquiring companies takes time and poses a risk. Nevertheless, we have confidence in the management team.

Catalyst types

Acquisitions

The company has a successful acquisition history, which driven by its focus on fair price, good people, and management in place. Since 2013, Addnode has acquired about 30 businesses, adding a total of over SEK 2 000m in sales. Historically, the company has acquired at 6x EBITA, way below Addnode's valuation. We believe the prospects for additional value-adding acquisitions is good, however, it is partly already priced in according to us.

International expansion

Continued international expansion. Addnode acquired their first company in GB, in 2014 and Germany during 2015. The announcement of additional acquisitions in GB, Germany or other markets may potentially increase general market exposure and growth opportunities.

Economic downturn

While we believe Addnode diversification in terms of markets and regions as well as the digitalization help making the company rather resilient to economic downturns, software revenue is generally related to the number of users. Thus, layoff of engineers likely has a negative effect on Addnode's revenue and profit.

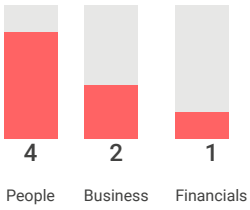
Alelion Energy Systems ALELIO

Company page
https://www.redeye.se/company/alelion-energy-systems

Publication date
November 19 2020

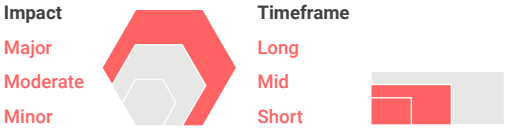
Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

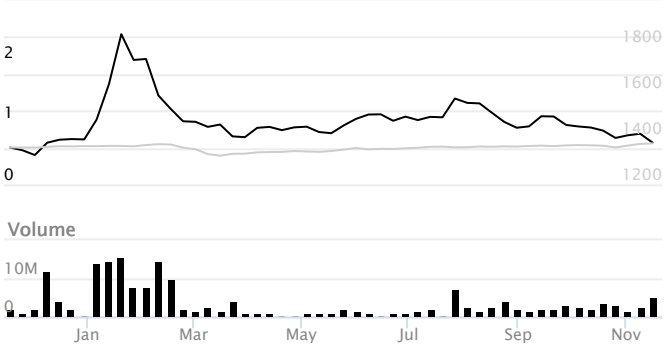
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Alelion Energy Systems
OMXS30



Marketplace	First North Stockholm
CEO	Åsa Nordström
Chairman	Jan Forsberg

Share information

Share price (SEK)	0.7
Number of shares (M)	223.2
Market cap (MSEK)	154
Net debt (MSEK)	8

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	185	92	19	47	89
Growth	*34.8%*	*-50.3%*	*-79.2%*	*>100%*	*89.8%*
EBITDA	-26	-43	-51	-40	-27
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-32	-66	-70	-54	-41
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-36	-78	-74	-58	-48
Net earnings	-36	-78	-74	-58	-48
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.74	-0.53	-0.33	-0.26	-0.22
P/E adj.	-11.4	-1.6	-2.3	-2.9	-3.6
EV/S	2.5	1.5	9.4	5.2	3.3
EV/EBITDA	-17.3	-3.3	-3.6	-6.1	-10.8

Last updated: 2020-11-18

Owner	Equity	Votes
Fouriertransform AB	29.2%	29.2%
Pegroco Invest AB (Publ)	9.9%	9.9%
Sammaj AB	1.7%	1.7%
Avanza Pension	1.6%	1.6%
Gunvald Berger	0.9%	0.9%
JRS Asset Management AB	0.5%	0.5%
Magnus Hellberg	0.4%	0.4%
Henrik Hovlind	0.3%	0.3%
Kenn Rasmussen	0.3%	0.3%
Anders Westling	0.3%	0.3%

Mattias Ehrenborg
mattias.ehrenborg@redeye.com

Conflict of interests
Mattias Ehrenborg owns shares in Alelion Energy Systems: No
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Company description

Alelion Energy Systems provides industrial battery modules, currently based on lithium-ion technology. It also develops a software system for smart energy management; AIES. Alelion sells globally via OEMs, which in turn have industrial end customers around the world. The company's two segments are batteries for Material Handling vehicles (primarily forklifts) and Special Vehicles.

Investment case

- Rising demand for energy reductions
- Industrialization improves efficiency
- Attractive growth prospects
- Builds competitive advantages

Rising demand for energy reductions

Alelion is fulfilling its end customers' desires and regulatory requirements to lower energy consumption. Its products have proved to both reduce power costs and environmental impact. We view the company's value proposition and business case as attractive.

Industrialization improves efficiency

Alelion made a breakthrough and reached SEK 100+m in sales 2017. It is now automating manufacturing in a proprietary facility to scale up sales and lower production costs. We believe the transformation will reduce component costs by 30% in 2020, significantly improving its competitiveness and time to market in its niches.

Attractive growth prospects

As a pioneer in the introduction of lithium-ion technology in the Warehouse Logistics segment, Alelion is now broadening its portfolio. Special purpose vehicles at airports, mines, and ports are all necessary to electrify. The demanding environments require relatively few vehicles but specialized solutions – enabling Alelion to charge higher prices. We are optimistic about the opportunities, supported by orders until this point of time.

Builds competitive advantages

Alelion couples its first-mover advantage position with an intelligence edge; batteries are both smart and of high performance. The company's battery management system (BMS) is a software with a guidance tool for optimal usage and control. Alelion is also developing an intelligent energy storage system (AIES) based on the technology acquired in the Siemens spin-off Caterva. The solutions add value to the hardware products, can raise profitability margins for Alelion, and has the potential to create switching costs among customers.

Bear points

Below we review the most relevant risks and uncertainties in the case.

Capital intensive business

In-house manufacturing is a competitive strength, while it is also capital intensive with assembly lines, testing stations, and inventory. To fund the production, Alelion has recently conducted a rights issue of SEK 68m. We view additional funding as likely before break-even.

Challenging market dynamics

The electrification wave is benefiting Alelion, but also spurs competition. Commoditization and low-cost providers threaten the industry's profitability. Alelion is targeting niche market segments and develops customized solutions for challenging environments. As a result, it should leverage its profound expertise within energy management and keep up its margins.

Customer concentration risk

95% of Alelion's revenues in 2018 came from two of the world's leading OEMs within Warehouse Logistics. These are valuable reference customers, validating the products. However, as seen in the most recent year, it also creates a high dependence and risk as they now seem to have ceased orders. Alelion is expanding in other verticals, which gradually could reduce the customer concentration risk. However, if serial production starts, the risk of customer concentration is likely to increase rapidly given the current low volumes.

Catalyst types

New orders and large customers

Alelion can handle ever larger and more complex orders in its battery module factory. At the same time, investors are thirsting for new orders and customers. We expect that Alelion gains new customers primarily within Special Vehicles, and serial production to ramp up in existing projects, within the coming 12 months. Customer diversification and validation from large players, coupled with new orders and serial production for existing clients, are possible catalysts for the stock.

Improving margins

Alelion is working hard to optimize its costs. It cuts sourcing expenses, automates production, reduces costs for leasing personnel, and launches a new product generation. The closure of the German subsidiary also reduces losses. On the sales side, Alelion expands to new niche segments where products have higher margins. We believe that sales growth, efficiency measures and better pricing conditions gradually will improve Alelion's margins.

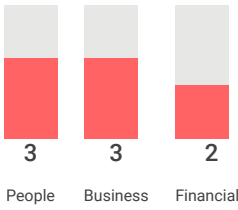
Avtech Sweden AVT B

Company page
https://www.redeye.se/company/avtech-sweden

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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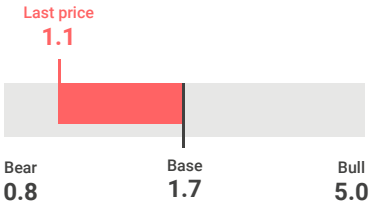

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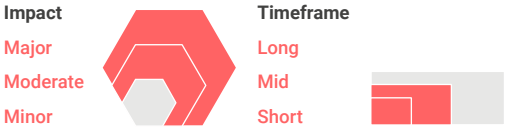
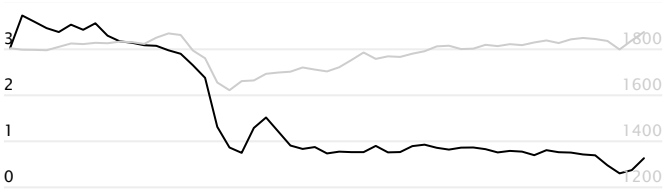


Turn page for catalyst specifics

Snapshot

Avtech Sweden
OMXS30



Marketplace	First North Stockholm
CEO	David Rytter
Chairman	Bo Redeborn

Share information

Share price (SEK)	1.1
Number of shares (M)	56.5
Market cap (MSEK)	60
Net debt (MSEK)	-9

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Avtech Sweden: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019
Revenue, MSEK	**13**	**16**
Growth	*-11.3%*	*26.2%*
EBITDA	2	4
EBITDA margin	*14.3%*	*27.7%*
EBIT	-2	1
EBIT margin	*Neg*	*5.7%*
Pre-tax earnings	-2	1
Net earnings	-2	1
Net margin	*Neg*	*5.7%*
Dividend/Share	0.00	0.00
EPS adj.	-0.03	0.02
P/E adj.	-98.1	175.8
EV/S	13.6	9.1
EV/EBITDA	94.9	32.9

Owner	Equity	Votes
Avanza Pension	14.2%	6.4%
Christer Fehrling	5.8%	9.0%
Christian Dahl	5.3%	2.4%
Johnny Olsson	4.6%	12.2%
Mats Tonsjö	2.8%	2.0%
Lars Bäckvall	2.7%	3.1%
Lars Wahlund	1.9%	0.9%
Peter Muth	1.6%	0.7%

Company description

AVTECH is the current world-leader in software solutions for a full flight and time-based operations. After years of significant research and commercialization issues, the company has materialized contracts with Southwest Airlines, Easyjet, Norweigan, Eurowings, Lufthansa Cargo etcetera.

Southwest Airlines (SWA) is one of the largest commercial airlines in the world and AVTECH's biggest revenue contributor.

Investment case

- The partnership with Met Office creates a long term value in AVTECH. The product Aventus Nowcast becomes more valuable on the market at the same time as cost is reduced for AVTECH. This collaboration will also create value in additional services to the Aventus Nowcast service.
- The purpose of the so called "Gatwick project" in collaboration with Met Office and EasyJet is to improve the efficiency of arriving aircrafts using AVTECH's product Aventus in time-based operations. It will also test AVTECH's products in the eco-system between aircrafts and airports.
- The most important catalyst for the AVTECH- stock is essentially its speed in securing new contracts to ensure a strong position in the market for full flight systems.

Risks

The company's largest single risk is that of full flight planning system providers searching for less competitive arenas and successfully developing equivalent products, thereby bypassing the patent protection. This would significantly impair the projected intake of contracts and revenue estimates. Other significant risks include; prolonged procurement processes due to regulatory or organizational circumstances, risk of significant estimation deviation due to limited pricing transparency of current contracts, and the possibility of extended procurement processes due to priorities of cost-savings actions.

Catalyst types

Commercial launch of AVTECH's tablet app

The company currently awaits approval from EASA (European Union Aviation Safety Agency). This enables AVTECH to launch a premium version of the app. It is always uncertain how well freemium-users convert to paying users. Before we know when the premium version is ready for launch and how well users convert at launch, we will have fairly low expectations on the commercial impact.

New contracts within the Lufthansa Group

We expect AVTECH to sign 1-3 contracts with airlines within the Lufthansa Group between 2021-2022. These events will most likely move the stock upward, but we estimate the financial impact will occur earliest in H2 2021. There are also several other potential customers in the pipeline.

Extended service with SWA

AVTECH's biggest customer has shown an interest in an extension of AVTECH's service offering over a long period of time. The next sales meeting has been postponed due to COVID-19. We estimate SWA will add some features in the service offering and this will start to have a financial impact during H2 2021. This is according to us one of the most likely growth drivers during 2021.

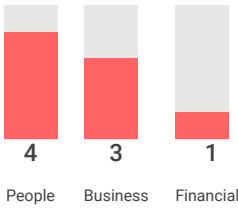
Azelio AZELIO

Company page
https://www.redeye.se/company/azelio

Publication date
November 12 2020

Redeye Rating

COMPANY QUALITY



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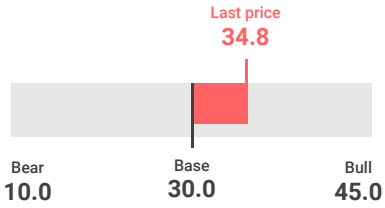
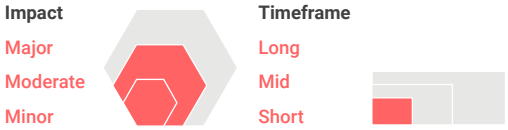
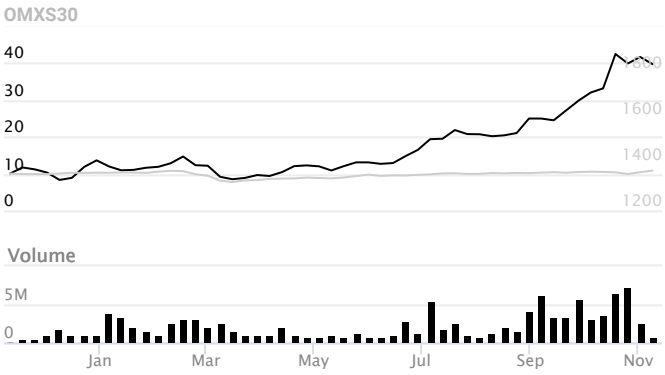


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Jonas Eklind
Chairman	Bo Dankis

Share information

Share price (SEK)	34.8
Number of shares (M)	104.1
Market cap (MSEK)	3,616
Net debt (MSEK)	-350

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Azelio: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	2	2	2	445	2,048
Growth	*-33.5%*	*-14.0%*	*34.1%*	*>100%*	*>100%*
EBITDA	-72	-125	-292	-225	122
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*5.9%*
EBIT	-92	-161	-321	-265	72
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*3.5%*
Pre-tax earnings	-92	-161	-321	-274	46
Net earnings	-92	-161	-321	-214	36
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*1.8%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-2.17	-1.75	-2.63	-1.76	0.30
P/E adj.	0.0	0.0	-5.7	-8.5	50.7
EV/S	-158.8	-216.9	659.5	4.3	1.1
EV/EBITDA	4.3	2.9	-5.1	-8.4	18.6

Last updated: 2020-07-07

Owner	Equity	Votes
Kent Janér	17.1%	17.1%
Avanza Pension	4.3%	4.3%
Deutsche Bank AG	4.0%	4.0%
Braginsky Family Office AG	3.8%	3.8%
Skandinaviska Enskilda Banken S.A	3.7%	3.7%
Ilija Batljan	3.2%	3.2%
Goldman Sachs International LTD	2.9%	2.9%
Jim O'Neill	2.9%	2.9%
Byggmästare Anders J Ahlström Holding AB	2.5%	2.5%
Capital Group	2.0%	2.0%

Company description

Azelio offers a renewable energy storage solution, based on either thermal energy such generated from concentrated solar power (CSP) or electricity generated from photovoltaics (PV) and wind power. The company, listed on NASDAQ First North in December 2018, with around 117 employees and a market cap of around SEK 1bn.

The company's core technology is a thermal energy storage (TES) that efficiently converts thermal energy to electricity and heat via a Stirling engine at all hours of the day. The solution is modular, and adaptable in different scale and is offered as an off-grid solution to communities or industries, weak grids for the commercial and industrial sectors. On grid installations are also relevant for balancing of the grid – a challenge that arises as renewable technologies are growing in traditional grid systems. As for example in California.

Investment case

- Huge potential market
- Strong value proposition
- Geared for substantial growth
- At an inflection point

Huge potential market

During the last decade, investments into renewable energy sources have soared, spurred by environmental awareness and lower costs for solar and wind power. However, the increased degree of renewable electricity generation creates issues by its intermittent production while the population grows in remote parts of the world. Today, about 1 billion people lack access to electricity and another two billion people lack access to a stable grid. To solve this major issue, about 220 billion USD needs to be invested to bring about 500m people onto microgrids by 2030.

Strong value proposition

Azelio offers a unique 24h dispatchable thermal energy storage solution at a projected LCOE of 93MWh, which is estimated to be 30% respectively >50% cheaper than comparable Li-ion and diesel gensets in many cases. The solution is now also partly verified in commercial scale, with investments of more than SEK 1bn into its solution. The very large interest is further verified by around 110 interest enquiries received so far, amounting to SEK 170bn.

Geared for substantial growth

We argue that Azelio is on the brink of a substantial commercial breakthrough, based on i) a strong product offer ii) a hundred-billion-dollar market with verified interest iii) limited near-term competition within its market niche of small to medium-size installations requiring longer storage hours (>8h). We forecast strong growth prospects of 75% CAGR between 2022-2025, reaching sales of SEK 11bn at a 15% EBIT-margin in year 2025.

At an inflection point

The stock market's interest in the share has been quite modest so far, as we believe investors are cautious to a yet unverified solution. We argue that Azelio is at an inflection point, where the verification of the solution will emerge into an even increased interest from the potential customer pipeline as well as larger institutional investors at the stock market looking for an ESG-play. Its positive effects will to some extent be mitigated by a larger equity raise in the next 12-months, which could be a good buying opportunity for the risk averse. Anyhow, at this point, based on the solid financial outlook further sparred by, in our view, a solid management and strong business case, **we argue for a base case valuation of SEK 30 per share**.

Catalyst types

Securing last financing

Azelio has since listing been clear about its additional capital need. At this point, they estimate a need of around SEK 125m to scale up the business and reach profitability. We see the securing of the capital as a smaller catalyst, as we believe the company to successfully raise the money

Additional MoU agreements

We regard additional MoUs as the most likely catalyst in the near term. Securing a significant MoU-order book ahead of the verification will increase the investor confidence before commercial launch and serial production. In the second stage, past verification, the conversion into actual orders will replace the importance of MoUs as investors will expect actual deals and sales.

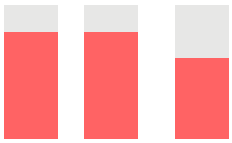
Beijer Electronics Group BELE

Company page
https://www.redeye.se/company/beijer-electronics-group

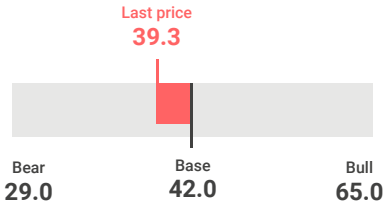
Publication date
November 16 2020

Redeye Rating

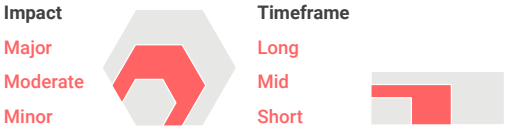
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ Stockholm
CEO	Per Samuelsson
Chairman	Bo Elisson

Share information

Share price (SEK)	39.3
Number of shares (M)	28.9
Market cap (MSEK)	1,134
Net debt (MSEK)	654

Analyst

Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Beijer Electronics Group: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	1,417	1,559	1,433	1,543	1,724
Growth	*17.5%*	*10.0%*	*-8.1%*	*7.7%*	*11.8%*
EBITDA	151	227	180	255	310
EBITDA margin	*10.6%*	*14.6%*	*12.6%*	*16.5%*	*18.0%*
EBIT	74	103	30	110	163
EBIT margin	*5.2%*	*6.6%*	*2.1%*	*7.1%*	*9.5%*
Pre-tax earnings	63	92	12	95	149
Net earnings	44	65	9	74	116
Net margin	*3.1%*	*4.2%*	*0.6%*	*4.8%*	*6.8%*
Dividend/Share	0.50	0.00	0.00	0.50	0.99
EPS adj.	1.52	2.26	0.30	2.57	4.04
P/E adj.	23.8	23.8	129.9	15.2	9.7
EV/S	1.0	1.4	1.2	1.1	1.0
EV/EBITDA	9.7	9.7	9.9	7.0	5.4

Last updated: 2020-11-16

Owner	Equity	Votes
Stena	29.5%	29.7%
Svolder	15.1%	15.3%
Nordea Fonder	10.1%	10.2%
Fjärde AP-fonden	7.5%	7.6%
Humle Fonder	4.8%	4.8%
Cliens Fonder	3.6%	3.6%
Tredje AP-fonden	2.5%	2.5%
Torsten Bjurman	2.0%	2.1%
Nicolas Hassbjer	1.7%	1.8%
Nordea Funds (Lux)	1.0%	1.0%

Company description

Beijer Electronics was founded in 1981 as a distributor of automation products for the industry. Since then, the company has grown through acquisitions to become a global supplier of industrial automation, smart networking and connectivity solutions. Today, BELE consists of three business units; Beijer Electronics, Westermo, and Korenix, all of which exposed to the growing industrial IoT market.

Investment case

- Favorable profitability prospects: We see room for additional profitability improvements through higher sales volumes and improved gross margins thanks to its updated product portfolios.
- Digitalization to drive growth: Industrial digitalization is a trend to which all businesses are directly exposed. The group's target segments are forecasted to grow at CAGR of between 7% and 15% over the coming years.
- Strengthened by recent acquisitions: The two latest additions to Westermo will enhance the entity's offering and the group's profitability.

An emerging Industrial IoT player with favorable profitability prospects. Over the recent three years, Beijer Group has updated its product portfolio, increased the share of proprietary products, and re-staffed its organization. When entering 2020, more than half of the company's revenues should originate from products developed after 2016. Its updated product offering is also well reflected by Beijer Electronics' recent launch of a licensed-based cloud platform.

We expect this development to be reflected in continued profitability improvements that leverage on higher sales volumes and slightly improved gross margins.

Digitalization to drive growth. Industrial digitalization is a trend to which all businesses are directly exposed. BELE's target markets are forecast to grow at CAGR of between 7% and 15% over the next five years (financial target of annual growth exceeding 7%). Beijer Electronics' business is characterized by long relationships, with solutions designed into customers' systems, which suggests a potentially durable competitive advantage due to switching costs.

Westermo, the group's golden nugget, has grown revenues and EBIT at CAGR of 9% and 10%, respectively, since the acquisition in 2008. It operates in non-price-sensitive niche segments with long project deals, where it is positioned as the most reliable provider of rugged connectivity equipment. We expect the company to repeat its successful train networking efforts in rail trackside, where several existing customers operate, and power distribution.

Strengthened by recent acquisitions. We have a positive view of the two recent additions, which are expected to support Westermo in its move towards the new market segments. The integration of acquired company Neratec has gone smoothly and is now complete. The integration of Virtual Access is also progressing well

We remain believing that reports showing high growth, and especially, profitability improvements to be the most crucial share price drivers going forward.

Counter Thesis (bear points)

Cyclical business
A large share of the group's revenues stems from industrial clients. Thus, there is an inevitable risk that its sales will be negatively affected in a period of economic downturn. On the other hand, it becomes especially important to focus on investments in improved efficiency in such an environment. The latter pertains to the group's value proposition, and this dynamic could thus dampen negative effects.

Looking back to 2009, sales dropped by 15% while EBIT decreased by 45%. Yet the company remained profitable with an operating margin of 6% and solid positive cash flows, thus demonstrating that it could manoeuver in this environment before returning to growth and increased profitability in 2010.

Failure to turn Korenix profitable
In recent years, Korenix has been hit by management problems, high staff turnover, and a strategic transformation. The company is currently showing improvements, but there is still some work left before reaching break-even. There is, however, a risk that the turnaround could take a longer time, and that the company continues to burden the group's profitability.

Increased cooperation with Beijer Electronics and an upgraded product range are two initiatives that could lead to black numbers on the bottom line.

Catalyst types

New acquisition
BELE has a history of acquisitions and continuously evaluates new prospects. As we deem its turnaround to be a fact and see a strengthened balance sheet, there is an increased likelihood of an acquisition during the coming two years. Our view is that it will most likely be a business that complements Beijer Electronics or Westermo, or otherwise an acquisition making up a fourth business entity. We point out, however, that far from all of BELE's previous acquisitions have been successful. Westermo's two recent acquisitions of Neratec and Virtual Access, have both been successful.

Higher and faster profitability improvements
Redeye is optimistic about Beijer Group in the long-term and wants to emphasize the rejuvenation of the product portfolio, which seems to gain traction among demanding customers. We argue that the most relevant share price drivers are reports showing greater profitability improvements. We will keep our eyes open on any news regarding the inroads into new segments, such as power distribution and rail infrastructure.

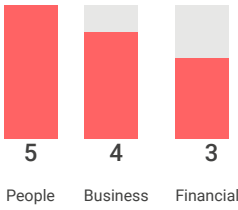
Better Collective BETCO

Company page
https://www.redeye.se/company/better-collective

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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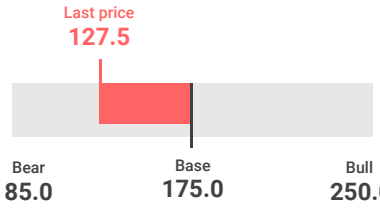
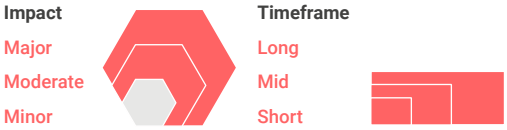


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Better Collective
OMXS30

Marketplace	NASDAQ Stockholm
CEO	Jesper Søgaard
Chairman	Jens Bager

Share information

Share price (SEK)	127.5
Number of shares (M)	46.8
Market cap (MSEK)	5,966
Net debt (MEUR)	30

Analyst

Jonas Amnesten
jonas.amnesten@redeye.se

Conflict of interests

Jonas Amnesten owns shares in Better Collective: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MEUR	67	90	163	196
Growth	*32.7%*	*81.5%*	*20.8%*	
EBITDA	27	37	62	78
EBITDA margin	*40.7%*	*41.4%*	*38.0%*	*39.8%*
EBIT	21	29	52	68
EBIT margin	*31.4%*	*32.5%*	*32.2%*	*34.9%*
Pre-tax earnings	19	27	51	68
Net earnings	14	21	38	50
Net margin	*20.7%*	*23.0%*	*23.3%*	*25.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.34	0.45	0.80	1.05
P/E adj.	22.8	27.6	15.4	11.8
EV/S	4.9	6.8	3.5	2.6
EV/EBITDA	12.0	16.4	9.2	6.6

Last updated: 2020-11-16

Owner	Equity	Votes
Jesper Søgaard	22.8%	22.8%
Christian Kirk Rasmussen	22.8%	22.8%
Chr. Augustinus Fabrikker	4.7%	4.7%
Andra AP-Fonden	4.0%	4.0%
Tredje AP-Fonden	4.0%	4.0%
BNY Mellon	3.3%	3.3%
KDI Danica Pension	2.7%	2.7%
Jens Bager	2.5%	2.5%
Knutsson Holdings	2.4%	2.4%
Nordea Livsforsäkring	1.9%	1.9%

Company description

Better Collective is the No. 1 sports betting affiliate in the world and a leading developer of educational platforms in the online gambling industry. In total, the group has a vast network of educational sites and several thousand content sites. Through its products, the company aims to make sports betting and gambling entertaining, transparent, and fair for the global network of online bettors.

Since 2018, Better Collective has been listed on Nasdaq Stockholm. The group has more than 450 employees globally and a vast network of sites that receive over 65 million visits per month.

Investment case

- Quality communities and brands
- Strong vertical
- Value-adding M&A
- 'Skin in the game'

Investment Thesis

Quality communities and brands
Through sites like bettingexpert.com that create real value for customers, Better Collective is building its affiliate network for the long term and attracting revenue share-based partnership agreements. Its community sites are also creating a network effect.

The company is also focusing on locally strong brands/domains with strong traffic volumes that the company can increase as well as capitalize on. The companýs US assets have, for example, more than 15 million visits each month. Moreover, much of the traffic to the sites is direct, leading to limited dependence on both Google and paid media.

Strong vertical
Better Collective's focus on sports betting positions it in an area with significant potential. Sports betting is growing faster than the casino segment and is less challenging from a regulatory perspective. The main driver is the shift from land-based to online and smartphones, that suites sports betting very well. The sports betting vertical is also suitable for communities as tips and knowledge-sharing are beneficial for the users. Moreover, the US market is opening up and could exceed its European counterpart within 10 years. In addition, several high potential markets are opening in South America too.

Value-adding M&A
Better Collective´s good reputation within the industry and solid financial position enables it to acquire superior targets than competitors, in our view. To create long-term value Better Collective makes sure to integrate the employees and creators responsible for its acquisitions' past success. Keeping them on board is key to maintaining high performance. In addition, Better Collective's platform enables swift and smooth integration of the acquired site network.

'Skin in the game'
Better Collective's ownership structure involves almost all of senior management and the board having 'skin in the game'. The CEO and COO control close to 50%, while the CFO also owns a substantial stake. The board holds close to 5%. With this level of shareholder alignment in the business, we anticipate dedication and shareholder-friendly decisions.

Counter-Thesis - Bear Points

Google exposure
Better Collective is not as dependent on Google as many of its competitors. Even so, the traffic from search engines, mainly Google, is still the largest traffic source. Meaning, that changes to Google's search algorithms might worsen Better Collective's traffic volumes from Google, and in the end affecting the revenues.

Regulatory threats
Regulation and re-regulation could impact Better Collective negatively. Its B2B customers (operators) could be prevented from offering gambling and betting to their customers (players). As a result, Better Collective would not be able to lead players to the operators. Marketing restrictions enforced by regulators could also potentially limit the company´s scope to bring players to operators.

Over-profitability
Most listed affiliates have EBIT margins of at least 40%. However, as operators' gaming taxes, compliance expenses and competition increase, their profit margins are under pressure. Over time, we can presume that, some of this pressure will affect other parts of the value chain, such as affiliation.

Catalyst types

Sports offering back to normal
The sports offering is still not back on a normal level due to the COVID-19 pandemic. When the pandemic is over, we also expect a boost as many larger events have been postponed.

Improved multiples
Investors value the affiliate industry at very low multiples since they expect EPS to decline. If EPS is maintained or improved, however, we believe the multiples will increase.

Acquisitions
A large value-adding acquisition of a local brand in a new market at low multiples will enable multiple expansion.

US market
Promisingly strong NDC intake in the US for Better Collective's brands could be a major long-term growth driver.

Regulatory changes
The regulatory landscape is in a constant movement, where negative or positive changes can have a major impact on the gambling industry.

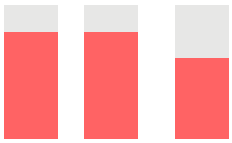
Carasent CARA

Company page
https://www.redeye.se/company/carasent

Publication date
November 11 2020

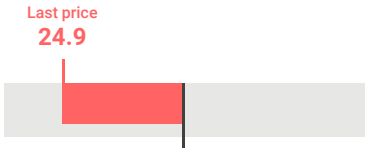
Redeye Rating

COMPANY QUALITY



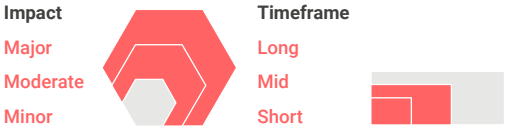
People Business Financials

FAIR VALUE RANGE



Bear **18.0** Base **40.0** Bull **60.0**

CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	Oslo Børs
CEO	Dennis Höjer
Chairman	Johan Lindqvist

Share information

Share price (NOK)	25.5
Number of shares (M)	52.8
Market cap (MNOK)	1,347
Net debt (MNOK)	-284

Analyst

Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Carasent: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MNOK	24	48	70	95	113
Growth	*100.0%*	*45.7%*	*35.3%*	*19.4%*	
EBITDA	-5	7	27	35	42
EBITDA margin	*Neg*	*14.1%*	*38.5%*	*36.8%*	*36.9%*
EBIT	-5	7	14	23	31
EBIT margin	*Neg*	*14.1%*	*20.0%*	*24.1%*	*27.4%*
Pre-tax earnings	-5	7	14	25	34
Net earnings	-5	7	11	20	27
Net margin	*Neg*	*14.1%*	*15.6%*	*21.3%*	*23.7%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.04	0.17	0.21	0.38	0.49
P/E adj.	0.0	58.2	132.1	71.4	55.8
EV/S	-0.3	8.4	16.5	12.1	9.7
EV/EBITDA	1.5	59.2	42.9	32.8	26.4

Last updated: 2020-11-11

Owner	Equity	Votes
Jesper Jannerberg	9.4%	9.4%
Niclas Hugosson	8.5%	8.5%
Dennis Höjer	8.3%	8.3%
Swedbank Försäkring	8.3%	8.3%
Johan Lindqvist	5.7%	5.7%
Consensus Asset Management AB	5.5%	5.5%
SEB Fonder	4.1%	4.1%
Aktia Asset Management	3.8%	3.8%
Tigerstaden AS	3.4%	3.4%
Didner & Gerge Fonder	2.8%	2.8%

Company description

Carasent is a Norwegian investment management company with a special focus on e-health solutions. The company has a single operating asset: Evimeria EMR AB. Evimeria is a software as a service (SaaS) company selling an electronic medical record (EMR) system and integrated services (partly from third-party developers) to customers in the private Swedish healthcare sector.

Investment case

- Evimeria has substantial headroom to grow by: i) continuing to win market share in Sweden and becoming the dominant player, ii) launching its Webdoc in neighboring countries, iii) moving into adjacent segments such as dental care and veterinary services, and iv) developing more integrated services.
- We believe investors underestimate the long growth runaway and reinvestment opportunities, focusing too narrowly on current multiples rather than the impact of long-term compounding.
- We argue that Carasent is a good "coffee can investment," where time is on the business's side. We believe that every quarterly report, showing stable profitable growth, will solidify Carasent's reputation as a qualitative investment. Compounders have time on their side.

We believe Evimeria's Webdoc ecosystem is a cut above the competition, and investors will be reminded of the qualitative aspects in every quarterly report. With >90% recurring revenues, almost no customer churn, and excellent growth prospects, Evimeria is set to compound heavily in the coming years.

Successful compounders always look expensive on current multiples. But we do not think that investors should be too narrow when looking at Carasent. Instead, we believe that a steady growth, accompanied by marginal expansion, will elevate the share well above today's levels. The management is building a company for the long-term that can handle revenues above NOK 1bn a year.

Carasent can expand in three dimensions: geographically, segmentally, and through new products/services. The three dimensions present great reinvestment opportunities to attractive incremental returns on capital, allowing Carasent (either through Evimeria or another subsidiary) to accomplish long-term, sustainable growth. It is often an overlooked blessing to have clear reinvestment opportunities without tampering with profitability.

Evimeria's revenue-share model and integrated service offering are potent tools when the customers are situated in a growing market. With a rising aging population, increased outpatient healthcare, and a hard-pressed public sector with long waiting lines, private healthcare clinics play an ever-increasing important role. Evimeria is helping the clinics remove administrative bottle-necks, with digitized integrated services and a slick EMR system, which frees up time and allows caregivers to focus on the patients.

Carasent is owner-operated and all the senior managers own a significant number of shares. The entrepreneurial spirit and the fleet-footed organizational structure allow them to adapt and thrive in an ever-changing market. Carasent is a visionary firm and the successful (and distinctive) business proposal vouch for it.

Catalyst types

Stable quarterly reports

We believe that every quarterly report, showing stable profitable growth, will solidify Carasent's reputation as a qualitative investment. Compounders have time on their side.

Norwegian expansion

Norway is the next logical step for Carasent's geographical expansion and the Webdoc system is ready to launch in the neighboring country. We see Norway as an important contributor to the number of newly added clinics per week going forward. It would widen the potential funneling of clinics in need of changing an old EMR system considerably.

M&A

Carasent has identified M&A targets in all three growth dimensions: geographical, segmental and in adjacent product/service areas. We believe the net proceeds from the rights issue in September may be put into use in the near-term. We think that Carasent will either look for a Norwegian company to scale up the geographical expansion or acquire a Swedish software company working in an adjacent segment.

Stockholm regional EMR system procurement

Stockholm regional council's procurement of a new public EMR system will serve as a powerful catalyst for Carasent in either direction. If the region would stay open for business or even loosening up on certain restrictions, Evimeria would find plenty of growth. If the reverse happened, Evimeria's total addressable market would face a severe hit.

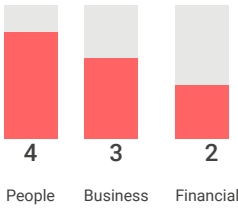
Clavister Holding CLAV

Company page
https://www.redeye.se/company/clavister-holding

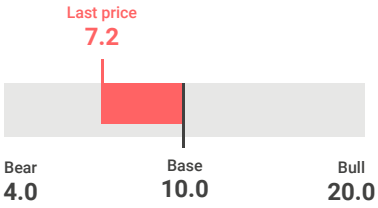
Publication date
November 23 2020

Redeye Rating

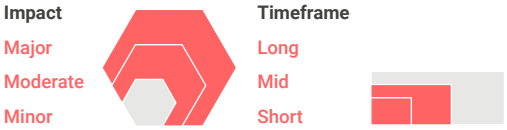
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Clavister Holding
OMXS30

Marketplace	First North Stockholm
CEO	John Vestberg
Chairman	Viktor Kovacs

Share information

Share price (SEK)	7.2
Number of shares (M)	54.8
Market cap (MSEK)	395
Net debt (MSEK)	30

Analyst

Forbes Goldman
forbes.goldman@redeye.se

Conflict of interests

Forbes Goldman owns shares in Clavister Holding: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	112	123	133	163	202
Growth	*11.3%*	*10.6%*	*7.9%*	*22.0%*	*24.0%*
EBITDA	-54	-39	1	25	45
EBITDA margin	*Neg*	*Neg*	*0.7%*	*15.3%*	*22.1%*
EBIT	-90	-81	-36	-4	17
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*8.6%*
Pre-tax earnings	-117	-113	-69	-16	11
Net earnings	-122	-142	-69	-12	9
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*4.4%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-5.18	-5.52	-1.26	-0.23	0.16
P/E adj.	-3.0	-2.7	-5.7	-31.5	43.9
EV/S	3.5	4.7	2.9	2.5	1.9
EV/EBITDA	-7.2	-14.7	445.6	16.2	8.8

Last updated: 2020-11-23

Owner	Equity	Votes
Duesseldorf, HSBC Trinkhaus And Burkhardt AG	11.1%	11.1%
Avanza Pension	8.5%	8.5%
SPSW Capital	7.4%	7.4%
Tommy Forsell	6.8%	6.8%
Goldman Sachs International LTD	5.7%	5.7%
ÖstVäst Capital Management	5.7%	5.7%
Tagehus Holding AB	4.3%	4.3%
Futur Pension	4.1%	4.1%
Rbc Investor Services Bank S.A	3.1%	3.1%
Lupus alpha	3.1%	3.1%

Company description

Clavister is a leading European cybersecurity vendor with over 20 years of experience. Seated in Sweden, the company has customers—communication service providers, governments, enterprises, and managed security service providers (MSSPs)—in more than 150 countries. Clavister provides unique security solutions to protect their digital assets and secure business continuity. The company is, since 2014, listed on Nasdaq First North.

Investment case

- Set to benefit from stringent EU laws that benefit European cybersecurity vendors.
- Cybersecurity is a growing market and provides plenty of headroom for Clavister to grow.
- Considerably improved financial position

Unique position – European trademark
Clavister's position as a European cybersecurity vendor is in itself a competitive advantage. In a global context, where competition is dominated by a number of countries (predominantly the US, China and Israel), the European trademark is a manifestation of reliance. To a greater extent, we see how EU institutions are announcing laws and policies (NIS Directive & EU Cybersecurity Act) that regulate purchases and certifications of cybersecurity products – benefitting EU vendors.

A large (and growing) market
The World Economic Forum lists cyberattacks as the 6th most likely and 8th most impactful in its Global Risks Report (2020) – expected to incur damages amounting to US 6 trillion by 2021. While cyberattacks are expected to increase in scope, frequency, and intensity, so will demand for cybersecurity products. The global cybersecurity market is already huge, estimated to be worth USD 251 billion by 2023.

Large equity issuance
Clavister undertook a large equity issuance during 2020, raising in excess of SEK 200m. Fully capitalized, Clavister will be able to use the net proceeds for the development of sales, marketing (including a likely build-up of working capital) in addition to strengthening its balance sheet (reduce debt). We expect that investments in its go-to-market capabilities will yield a continuation of agreements with customers and partners.

Strong financial key metrics and customer portfolio
Clavister has i) 16 consecutive quarters of Y/Y order intake growth, ii) +50% recurring revenues (and increasing), iii) +80% gross margins (and increasing), iv) +90% software license retention rate (last three years), and v) a strong and growing funnel of business opportunities.

Some of its high-profile customers to date include Nokia, Ericsson, IWG, BAE Systems, NTTBP, and E.ON. Furthermore, it has managed to create a healthy mix of large accounts and thousands of smaller customers – demonstrating strong independence.

Counter-Thesis

A broad product portfolio is a prerequisite to maintain competitiveness in the long-term and Clavisters development into a comprehensive solution should of course be seen as a positive. However, one major setback Clavister faces versus its bigger competitors are the lack of financial muscles for acquisitions as a mean of broadening its product portfolio. We believe the high level of M&A activity in the cybersecurity market will continue in the coming years as a result of an ever-increasing need for a broader product portfolio.

Catalyst types

Continuation of agreements
Announcements of high-volume commercial agreements with some of Clavister's more significant customers and partners should act as a trigger.

Sustained growth
If Clavister reports consistent revenue growth, performs in line with its key metric targets and provides a credible path to sustained profitability, the stock should see a significant uplift.

Enea ENEA

Company page
https://www.redeye.se/company/enea

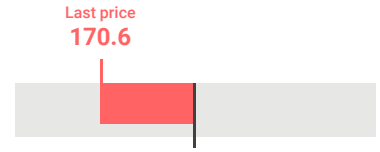
Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY

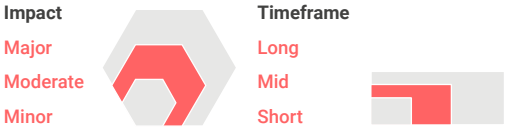
People Business Financials

FAIR VALUE RANGE



Bear **130.0** Base **217.0** Bull **253.0**

CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ Stockholm
CEO	Jan Häglund
Chairman	Anders Lidbeck

Share information

Share price (SEK)	170.6
Number of shares (M)	21.6
Market cap (MSEK)	3,688
Net debt (MSEK)	300

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Enea: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	842	1,001	922	1,100	1,256
Growth	*42.9%*	*18.9%*	*-7.9%*	*19.3%*	*14.1%*
EBITDA	229	341	261	353	471
EBITDA margin	*27.2%*	*34.0%*	*28.3%*	*32.1%*	*37.5%*
EBIT	189	255	180	238	341
EBIT margin	*22.4%*	*25.4%*	*19.6%*	*21.6%*	*27.1%*
Pre-tax earnings	161	203	169	233	338
Net earnings	142	170	139	194	279
Net margin	*16.8%*	*16.9%*	*15.1%*	*17.6%*	*22.2%*
Dividend/Share	0.00	0.00	0.00	2.69	3.78
EPS adj.	7.32	7.96	6.55	9.09	13.08
P/E adj.	13.7	22.7	28.3	20.3	14.1
EV/S	3.0	4.1	4.6	3.8	3.1
EV/EBITDA	10.9	11.9	16.4	11.7	8.4

Last updated: 2020-10-21

Owner	Equity	Votes
Per Lindberg	34.1%	34.1%
Avanza Pension	11.5%	11.5%
Swedbank Robur Fonder	9.4%	9.4%
Handelsbanken Fonder	6.8%	6.8%
C WorldWide Asset Management	4.9%	4.9%
JP Morgan Bank Luxembourg S.A.	4.9%	4.9%
TIN Fonder	2.7%	2.7%
Canaccord Genuity Wealth Management	2.4%	2.4%
HSBC Bank Plc	2.4%	2.4%
Fondita Fonder	2.0%	2.0%

Company description

Enea is a global, leading software company within realtime operating systems (RTOS), deep packet inspection (DPI) and mobile video optimization. Enea has a long experience in telecom. Over 5 billion calls per day are depending on Enea's technology since it is integrated in more than half of all base stations across the World and over three thirds of the 4G base stations. Enea's main competitive disadvantage is related to its large key accounts exposure (~25%Ericsson & Nokia), but this dependency has decreased over time, following larger acqusitions. Enea has completed a business model transition to SaaS, which has resulted in more stable recurring revenues - about 50% of total sales. The customers pay a license fee per engineer when developing its products with Enea's technology. The company also in most cases earns royalty revenue per sold unit with integrated Enea technology. Enea invests over 20% of sales in R&D, within many future growth areas such as NFV, open source, DPI, mobile video and subscriber data management.

Investment case

- New diversified customer base outgrowing decline of Operating Systems
- The stock market is underestimating the acquisitions
- Earnings releases and further M&A drives the share price

New diversified customer base outgrowing decline of Operating Systems

Enea’s operating profit has increased by an average of around 18 percent annually since 2013, even though revenue from Ericsson and Nokia has decreased from 60 percent to about 20-25 percent. We argue that Qosmos, Openwave, Atos and the smaller customers will offset the decline in Operating Systems but that the stock market has not yet grasped this dynamic. Network Solutions, where most of the acquired, fast-growing businesses are included, is already more than twice the size of Operating Systems. One relevant counter argument is that the acquisitions were made to conceal a steeper decline in Ericsson revenues, but this does not take away from the fact that the acquired companies are of high quality. They represent new examples of Enea's long and successful track record in building billion-kronor software companies through acquisitions.

The stock market is underestimating the acquisitions

Following the acquisitions Enea is a brand new company. The acquisitions follow a clear agenda to grow upwards in the software stack, positioning Enea within virtualization and get the company closer to the end customers. In particular, we do not think the stock market understands or appreciates the strong position in telecom operator sales that Enea gained from Openwave. This position is now being leveraged in the new Stratum offering that has already won two contracts worth over EUR +40m in total. Common to the Qosmos, Atos and Openwave acquisitions is that they are all critical components of the telecom networks of the future. Atos provides application software for policy and control in handling subscriber information, which is essential for the operators when it comes to building new business models and create tailor-made services. Openwave’s technology helps telecom operators handle the explosive growth in mobile video. 90% of the 5G traffic will be related to video. Qosmos conducts internet traffic flow analysis/deep packet inspection (DPI), which is predicted to grow by around 20 percent annually. OEMs previously conducted DPI in house, but as the number of protocols and applications continuously expands it is becoming increasingly difficult to keep pace with developments.

Earnings releases and further M&A drives the share price

We assume the share will be driven by more value-creating acquisitions and, above all, changed perception when it becomes obvious to the stock market in conjunction with the interim report that the acquisitions and the smaller customers are outgrowing the decline in Operating Systems sales.

Catalyst types

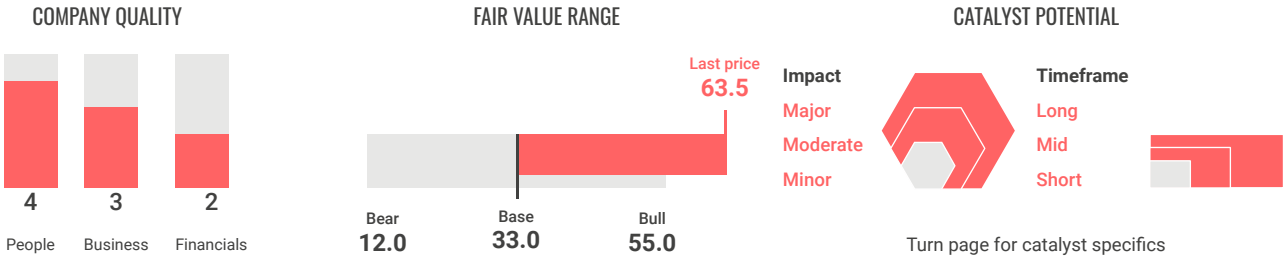
The market discovers the growth in Qosmos, Openwave etc.
As Qosmos, Openwave and Network Solutions continue to grow larger it should at some point be obvious for the stock market that the growth in the new areas and the smaller customers together can offset and outgrow the declining Key Accounts business.

Gapwaves GAPW B

Company page
https://www.redeye.se/company/gapwaves

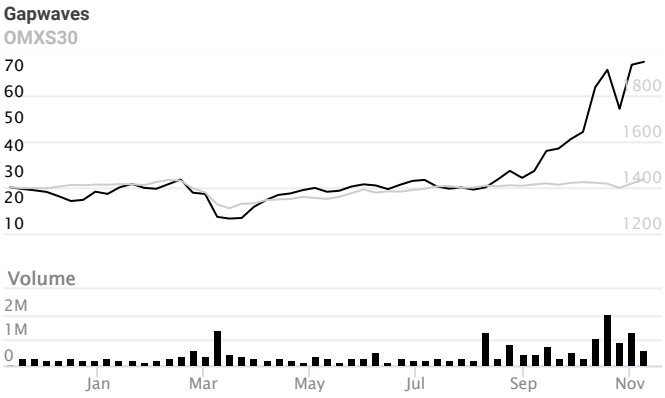
Publication date
November 17 2020

Redeye Rating



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Lars-Inge Sjöqvist
Chairman	Jonas Ehinger

Share information

Share price (SEK)	63.5
Number of shares (M)	27.6
Market cap (MSEK)	1,753
Net debt (MSEK)	-57

Analyst

Forbes Goldman
forbes.goldman@redeye.se

Conflict of interests

Forbes Goldman owns shares in Gapwaves: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E
Revenue, MSEK	2	16	21	34
Growth	*>100%*	*32.6%*	*59.3%*	
EBITDA	-35	-31	-34	-18
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-44	-35	-39	-22
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-44	-36	-39	-22
Net earnings	-44	-36	-39	-22
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.80	-1.39	-1.45	-0.82
P/E adj.	-10.8	-18.4	-47.8	-80.8
EV/S	179.8	34.2	81.0	51.6
EV/EBITDA	-11.6	-18.0	-51.4	-99.3

Last updated: 2020-11-12

Owner	Equity	Votes
Cécile Schilliger	21.8%	56.9%
Avanza Pension	5.3%	1.5%
Lars-Inge Sjöqvist	4.2%	8.8%
Leif Hagne	3.0%	0.8%
Alfred Berg Fonder	2.9%	0.8%
BNP Paribas Sec Serv Luxembourg	2.8%	0.8%
Nordnet Pensionsförsäkring	2.7%	0.8%
Jian Yang	2.2%	6.1%
Bright Peter Leo Ebenezer	2.1%	0.6%
Chalmers Tekniska Högskola	1.4%	0.4%

Company description

Gapwaves offers wireless communication solutions based on the GAP waveguide technology, which stems from the research of the late founder Per-Simon Kildal. The company's great potential is found in the millimeter wave antennas that can be applied in expansions of current radio link networks, automotive radars and eventually 5G deployments.

Investment case

- Attractive application areas within both automotive and telecom for Gapwaves' 4-10x more power-efficient antennas.
- Contracts with several automotive customers with potential to yield SEK 250m in annual sales.
- The trends towards self-driving cars and increased safety regulations as well as the coming 5G transformation creates huge market potential.

Two promising application areas for Gapwaves' differentiated technology
Gapwaves' product offering is based on the company's patented waveguide technology. Its antennas are 4-10x more power-efficient, and the power losses are thereby reduced. The technology also increases the output power and the antenna directivity, i.e., the capability to concentrate the radiation in one direction. These characteristics are especially interesting for a number of application areas, among them, the 5G transformation, automotive radars, and last-mile delivery vehicles.

The company currently has five automotive customers, of which one is a license agreement with Veoneer. We believe these customers could yield revenue of around SEK 250m annually, given a long-term perspective.

Huge market potential both in automotive and telecom
In the coming years, strong growth is expected in both primary application areas for Gapwaves' technology. Thus, it is easy to see that the potential markets for Gapwaves' products are enormous. Within automotive, the growth is in the short term driven by increased regulation to improve safety and, in the long run, the trend towards self-driving cars, which increases the need for sensors drastically. The coming shift within the telecom sector to 5G technology will lead to a surge in demand for suitable equipment for the denser networks that the new technology will require. Both of these market developments constitute exciting opportunities for Gapwaves going forward.

Counter Points

Competitors catching up
While competition may be limited at this point, it is expected to increase. Huber +Suhner is the only competitor that is currently using a similar waveguide technology. However, with limited success due to volume production issues according to Gapwaves' CEO.

Nevertheless, other competitors could arise that could affect Gapwaves' prospects. Another competing technology is, of course, regular patch antennas, even though they do not have the same technological benefits as do waveguide antennas. We believe that the potential customers with in-house capabilities to develop similar products, such as the large system integrators, like Ericsson and Nokia, pose perhaps the most serious threat.

Uncertainties regarding 5G networks and the telecom opportunity
Even though the 5G transformation is starting to happen, there is still significant uncertainty regarding how the next generation networks will look like and how rapid the deployment will be, especially in the higher frequencies. As of now, Gapwaves has one smaller customer within the telecom segment, and it remains for Gapwaves technology to prove itself for this application commercially.

Rapid technological development
Technological development moves quickly in the industries that Gapwaves focus on, as noted above. Within both the automotive and telecom equipment industries, the next generation is always around the corner, and products become obsolete rather fast. Hence, the life cycle of Gapwaves' product offering is limited, and the company must address this issue with product development to have a sustainable business.

Catalyst types

Follow-up orders from automotive customers
Gapwaves has, as mentioned above, attracted a lot of attention from several automotive customers. Going forward, it is essential that these customers continue to place follow-up orders, which would indicate that they intend to use Gapwaves' technology in coming product launches. This would mean volume orders for Gapwaves, and it would also drive the stock.

5G market take-off & telecom customers
The transformation of the telecom industry, moving from 4G to 5G technology, is expected to take place in the coming years, and this shift has partially already begun. Gapwaves will be well-positioned to attract customers from this segment in addition to automotive, meaning a significant upside potential in the stock.

Tier 1 customer commercializes technology
In November 2018, Gapwaves announced that it had signed a development agreement with a Tier 1 automotive supplier. Since then, the customer has placed several smaller orders. Going forward, the most critical catalyst for Gapwaves stock would be that the Tier 1 customer moves forward with volume production and places large follow-up orders.

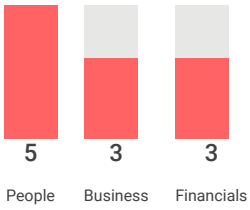
Hanza Holding HANZA

Company page
https://www.redeye.se/company/hanza-holding

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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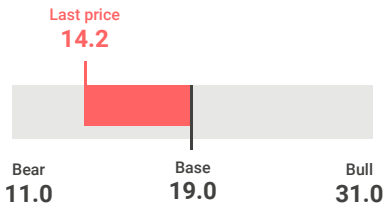
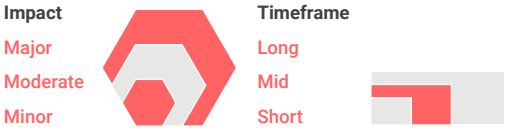


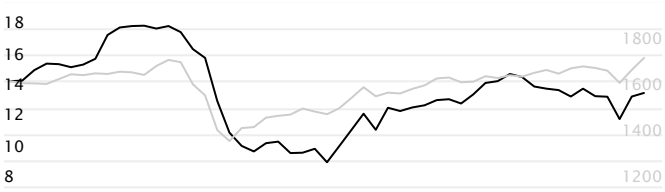
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Hanza Holding
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Erik Stenfors
Chairman	Francesco Franzé

Share information

Share price (SEK)	14.2
Number of shares (M)	34.0
Market cap (MSEK)	481
Net debt (MSEK)	447

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Hanza Holding: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	1,811	2,068	2,201	2,365	2,443
Growth	*29.4%*	*14.2%*	*6.5%*	*7.4%*	*3.3%*
EBITDA	118	149	83	182	201
EBITDA margin	*6.5%*	*7.2%*	*3.8%*	*7.7%*	*8.2%*
EBIT	54	57	35	89	105
EBIT margin	*3.0%*	*2.8%*	*1.6%*	*3.8%*	*4.3%*
Pre-tax earnings	29	32	13	69	84
Net earnings	21	24	-16	54	66
Net margin	*1.2%*	*1.1%*	*Neg*	*2.3%*	*2.7%*
Dividend/Share	0.25	0.25	0.00	0.48	0.58
EPS adj.	0.70	0.79	-0.46	1.58	1.94
P/E adj.	20.6	20.3	-29.6	8.6	7.0
EV/S	0.4	0.5	0.4	0.4	0.3
EV/EBITDA	5.8	6.9	11.0	4.7	4.0

Last updated: 2020-11-03

Owner	Equity	Votes
Gerald Engström	19.9%	19.9%
Francesco Franzé	10.1%	10.1%
Clearstream Banking S.A. W8imy	9.5%	9.5%
Ritter Beteiligungs Gmbh	8.8%	8.8%
Nordnet Pensionsförsäkring	7.8%	7.8%
Avanza Pension	7.8%	7.8%
Massimiliano Franzé	6.8%	6.8%
Håkan Halén	6.1%	6.1%
Svenska Handelsbanken AB for PB	5.2%	5.2%
Lannebo Fonder	3.9%	3.9%

Company description

Hanza Holding is a Swedish manufacturing service company founded in 2008. Its main differentiator, called 'All you need is one' by the company, is its use of manufacturing clusters, combining several manufacturing technologies in one location. This creates a one-stop-manufacturing-shop for product companies. Hanza can thus serve a product company's entire manufacturing needs, reducing lead times and the environmental footprint, and, according to Hanza, also cutting costs for its customers. Hanza also offers advisory services, called MIG (Manufacturing Solutions for Increased Growth and Earnings) and MCS (Material Compliance Solutions).

Hanza's customer portfolio is impressive, including several well-known European product companies across a number of different industries. We argue that its solid customer portfolio indicates that Hanza's cluster strategy is attractive to product companies.

Investment case

- Unique take on manufacturing
- Expanding into Germany
- Backsourcing benefit
- Margin expansion not priced in

Investment case

Unique take on manufacturing

With its 'All you need is one' cluster-based strategy, Hanza and its experienced management take a unique approach that differentiates it among manufacturing service companies. By gathering several manufacturing technologies in a single location (often near the end-customer), Hanza can reduce costs, lead times and environmental footprint.

Hanza offers consultant services, such as MIG, that help product companies streamline their use of manufacturing services. MIG plays an important role in acquiring new customers but has not yet reached its full potential.

While our meetings with cluster management suggest that 'All you need is one' has yet to be fully implemented, we are positive to Hanza's unique, long-term strategy. While its stock market journey had a bumpy start, industry-leading margins in its Nordic segment and an impressive customer list prove the strength of its concept.

Expanding into Germany

By the acquisition of Ritter in 2019, Hanza established presence in Germany. Europe's industrial powerhouse, Germany offers Hanza significant growth opportunities with its so-called Mittelstand (Hanza's focus segment). Also, as many German businesses are cautious about entering China directly, Hanza's Chinese factories offer a smooth outsourcing alternative. Some have already moved production to its cluster in China.

Backsourcing benefit

Hanza benefits from several trends that are moving manufacturing back to Europe, such as Environmental, Social and Governance (ESG) issues, trade wars and increasing labor costs in distant regions. With the bulk of its manufacturing facilities within the EU, we believe Hanza can meet high ESG standards better than most production in distant, often undemocratic regions. Moreover, its cluster strategy has an inherently lower environmental footprint.

Counter-thesis

Lack of transferability

Hanza's success in the Nordics may not result from its 'All you need Is one' cluster strategy, but rather follow from smart acquisitions and a management team with close connections to several Nordic product companies. If so, it may struggle to achieve solid profitability outside of the Nordics. However, it has already established successful presences outside the Nordics, such as in Tartu, Estonia.

Unsuccessful expansion

In the summer of 2019 Hanza acquired Ritter in Germany and expanded its central European cluster significantly. As Hanza is aiming for a full integration, the risk and potential reward is higher than on a typical decentralized acquisition. Employees, management and/or customers could oppose Hanza's plans. However, as Hanza has experience of taking over businesses successfully, we view the risk as limited.

Catalyst types

Higher profitability in Other Markets

With over 50% of run-rate revenues but only around 30% of 2019 EBITA, a margin increase in the Rest of the World segment stands out as an obvious potential catalyst in the coming years. Even a small increase in the RotW margin level – up from an adjusted ~2.6% in 2019 – would be enough for significant earnings growth at the group level. In 2020, Hanza changed its reporting, but RotW is approximatley equal to Other Markets.

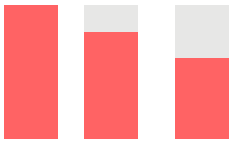
Hexatronic Group HTRO

Company page
https://www.redeye.se/company/hexatronic-group

Publication date
November 12 2020

Redeye Rating

COMPANY QUALITY



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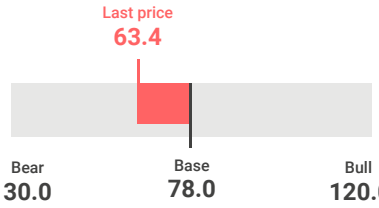
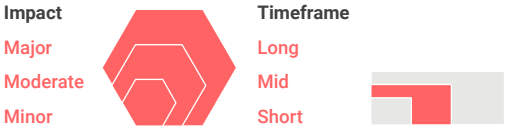


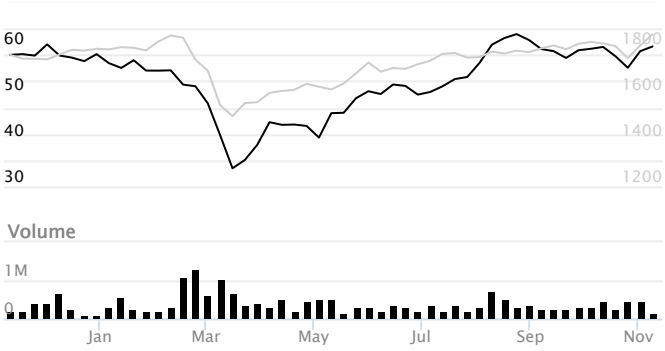
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Hexatronic Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Henrik Larsson Lyon
Chairman	Anders Persson

Share information

Share price (SEK)	63.4
Number of shares (M)	38.0
Market cap (MSEK)	2,411
Net debt (MSEK)	368

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Hexatronic Group: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	1,598	1,842	2,001	2,495	2,920
Growth	*23.0%*	*15.3%*	*8.6%*	*24.7%*	*17.0%*
EBITDA	138	197	253	344	407
EBITDA margin	*8.7%*	*10.7%*	*12.6%*	*13.8%*	*13.9%*
EBIT	93	106	158	213	288
EBIT margin	*5.8%*	*5.8%*	*7.9%*	*8.5%*	*9.9%*
Pre-tax earnings	82	91	146	200	275
Net earnings	59	67	109	148	204
Net margin	*3.7%*	*3.6%*	*5.4%*	*5.9%*	*7.0%*
Dividend/Share	0.39	0.00	0.00	0.50	0.55
EPS adj.	1.59	1.79	2.86	3.89	5.36
P/E adj.	27.1	34.0	22.4	16.4	11.9
EV/S	1.2	1.4	1.4	1.1	0.9
EV/EBITDA	13.6	12.9	11.1	7.7	6.1

Last updated: 2020-11-11

Owner	Equity	Votes
Accendo Capital	9.9%	10.0%
Rbc Investor Services Bank S.A	9.9%	10.0%
Handelsbanken Fonder	9.7%	9.8%
Jonas Nordlund	7.9%	8.0%
Efg Bank / Geneva	7.9%	8.0%
Länsförsäkringar Fonder	5.1%	5.1%
Chirp AB	4.7%	4.8%
AMF Pension & Fonder	3.7%	3.7%
Swedbank Robur Fonder	3.5%	3.5%
Consensus Asset Management	2.5%	2.5%

Company description

Hexatronic is a technology group which specializes in fiber communications and is listed on Mid Cap Stockholm. The company supply fibre optic products and solutions and provide a complete range of passive infrastructure for telecom companies. The Group consists of 16 companies with a total of around 570 employees with headquarters in Gothenburg.

Hexatronic develops and manufactures its own products and services, as well as sell and manufacture solutions based on products from leading manufacturers worldwide. The business has developed to provide more own products and complete system deliveries - this will provide higher margins and longer customer agreements. Growth has and will be driven organically and by acquisitions in its international markets.

Investment case

- Hexatronic is establishing themselves in new growth regions
- Structural forces will drive long-term growth
- Increased profitability
- Valuation does not reflect a growth company

Hexatronic is establishing themselves in new growth regions

Even though Hexatronic has successfully repositioned themselves towards international growth markets (UK, North America and Germany), it is penalised due to concerns around Brexit and Hexatronics historical main market, Sweden. The Q2'19 report should be viewed as the definitive proof point of Hexatronics international journey as the region 'Rest of Europe' is now its biggest geographical market. Brexit represents a significant risk in the short-term but should have limited effects on the investment case over the long-term. We argue that the market is underestimating the structural growth of the international markets - the market for fiber optic/broadband products is and will remain a growth market for many years to come (2025-2030).

Structural forces will drive long-term growth

An essential part of our Investment Thesis is the fact that structural forces drive the growth of Hexatronic. These significant and ongoing thematic trends are the increased digital consumption, i.e., enhanced usage of data.

Increased profitability

Long-term margins should improve as capacity utilisation increases and system-seeling gains further traction - in international regions Hexatronic focus on selling their system of fiber products called Matrix with higher margins. More mature Prysmian Telecom has about 20% EBITDA margin (compared to Hexatronics 10-12%).

Valuation does not reflect a growth company

Overall we find that Hexatronic is a growth business but not valued as one. We believe the valuation will increase as the uncertainty around the corona crisis diminishes. This will allow the market to appreciate the long-term structural forces.

Bear-points (counter-arguments to our Thesis):

- A dampened economy could lead to less investments in the fiber infrastructure.
- Low price Chinese supplier still has a focus on their domestic market; this could shift over the coming years as the large Asian market matures.
- No traction in the US/Germany.

Catalyst types

M&A

Hexatronic has a clearly stated acquisition strategy and the company continuously evaluates new targets. We assume that more value-adding M&A deals will come.

International orders

Breakthrough deals in Hexatronics international markets should raise the valuation. The company has already shown its competitive position in the UK with a deal worth SEK 500 million. Two other important deals have been signed in the UK (SEK 30 million) and on the German market (SEK 40 million).

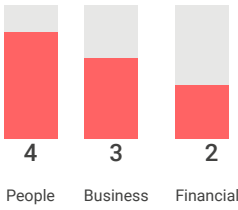
I-Tech ITECH

Company page
https://www.redeye.se/company/i-tech

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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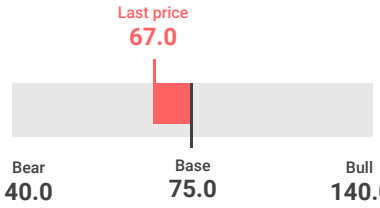
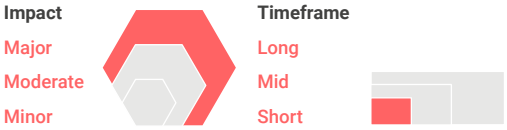
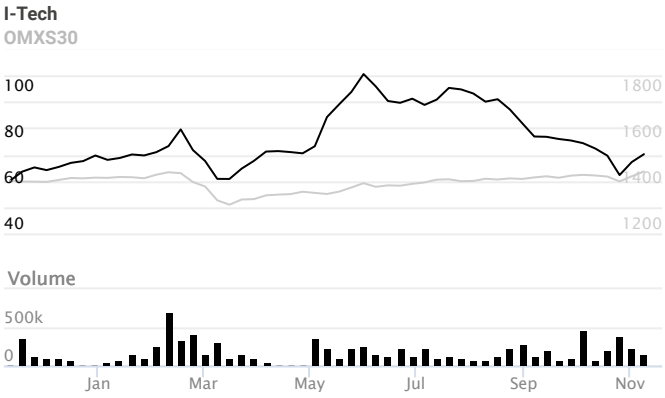


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Philip Chaabane
Chairman	Stefan Sedersten

Share information

Share price (SEK)	67.0
Number of shares (M)	11.9
Market cap (MSEK)	798
Net debt (MSEK)	-26

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in I-Tech: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	29	46	57	85	130
Growth	*62.2%*	*57.4%*	*24.3%*	*50.1%*	*52.9%*
EBITDA	-6	-5	6	16	32
EBITDA margin	*Neg*	*Neg*	*11.4%*	*18.8%*	*24.5%*
EBIT	-14	-7	-2	8	25
EBIT margin	*Neg*	*Neg*	*Neg*	*9.8%*	*19.0%*
Pre-tax earnings	-14	-7	-2	8	24
Net earnings	-14	-7	-1	6	19
Net margin	*Neg*	*Neg*	*Neg*	*7.3%*	*14.9%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-1.36	-0.59	-0.12	0.52	1.63
P/E adj.	0.0	-143.5	-582.5	130.1	41.5
EV/S	-0.9	21.8	13.7	9.1	5.7
EV/EBITDA	4.1	-200.2	120.3	48.3	23.3

Last updated: 2020-10-24

Owner	Equity	Votes
Pomona-gruppen AB	11.4%	11.4%
Swedbank Robur Fonder	9.5%	9.5%
Handelsbanken Fonder	7.1%	7.1%
Länsförsäkringar Fonder	5.2%	5.2%
Stefan Sedersten	3.8%	3.8%
Unionen	3.8%	3.8%
Futur Pension	3.8%	3.8%
Andra AP-fonden	3.3%	3.3%
Fontenelles Holding AB	3.1%	3.1%
Avanza Pension	2.8%	2.8%

Company description

I-Tech is a biotechnology company founded in the year 2000, as a result of research at the University of Gothenburg. It offers an active antifouling ingredient, Selektope®, used in coating for large commercial ships. I-Tech's direct customers are the large, international paint manufacturers that incorporate the molecule in their coatings that are then sold to ship owners and boat makers, the end customers. The company has currently signed two customers among the 6 largest; Chugoku Marine Paints (CMP) and Hempel. I-Tech entered Nasdaq First North in May 2018.

Investment case

- Commercially proven – set to capture market share
- Moats protecting the business
- High earnings growth potential
- Strong owner base

Commercially proven – set to capture market share

I-Tech has collaborated 10+ years with a leading company in the marine paint market. The relation has resulted in ever-larger orders, the latest in August 2019 of SEK 57m. Other top six market players are currently evaluating I-Tech's innovative antifouling solution. We believe the company's strong reference customers improve the odds of winning new major contracts.

Moats protecting the business

Selektope is approved in the EU and is used at hundreds of ships worldwide, while: 1) The antifouling market is shielded by high regulatory barriers; to register a new biocidal active substance and reach market is costly and takes about ten years, 2) The shipping and marine paint industry is conservative; new coatings must be strictly tested, causing switching costs, 3) The company's key customer is promoting I-Tech's solution as "Powered by Selektope", potentially creating brand recognition.

High earnings growth potential

With 1) attractive sales growth opportunities, 2) a strong competitive offering, and 3) a scalable business model, we view I-Tech as well-positioned for high profitability. The record gross margin of 48% in Q3'19 underlines the potential. We believe limited OPEX and CAPEX with a sales CAGR of 44% 2019-2024, enables 34% EBIT margin 2024, in our base case.

Strong owner base

I-Tech is at the inflection point of profitability but has already attracted well-renowned owners. Seven institutions represent 47% of the capital, visualizing the high interest in the company. Stock price appreciation is common as institutions enter a stock, but as there have also been large sellers (ALMI, Cambrex), we do not view the stock as over-crowded.

Counter thesis

In our view, the case in I-Tech faces certain challenges increasing the risk;

i) high customer dependency
ii) possible threats from new solutions
iii) risk of slow market adoption due to a conservative market and limited incentives among shipowners.

Catalyst types

The pace of CMP scale-up

CMP's first major commitment of SEK 50m was fulfilled one quarter earlier, with a follow-up order of SEK 57m for 2020 – around 60 % higher than for 2019. We view the pace of CMP's scale-up as a key driver for I-Tech's stock price in the near term

New official customer agreement

CMP is currently I-Tech's main customer, accounting for a majority of the current sales. The partnership has proved symbiotic and successful. I-Tech now is in the evaluation phase with several of the other top six players in the marine paint market. Jotun and Hempel are already signed, while Akzo, KCC, and PPG remain interesting targets for I-Tech. We believe an announcement of the fourth, yet undisclosed customer to be a catalyst for the share.

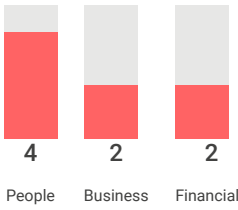
Impact Coatings IMPC

Company page
https://www.redeye.se/company/impact-coatings

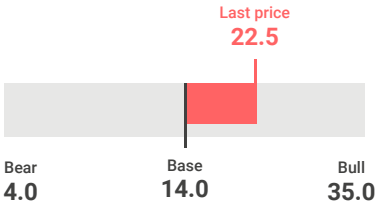
Publication date
November 16 2020

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



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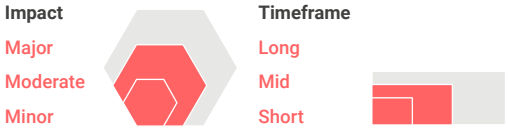
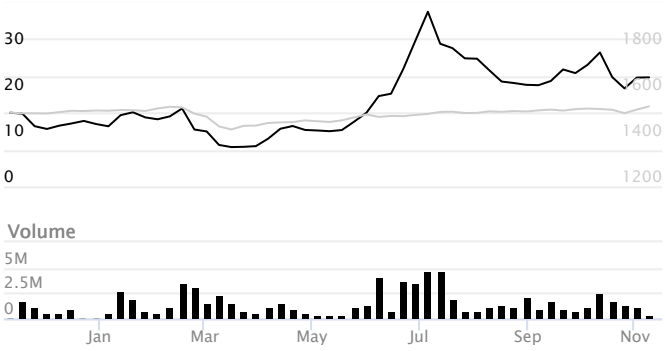


Turn page for catalyst specifics

Snapshot

Impact Coatings
OMXS30



Marketplace	First North Stockholm
CEO	Torbjörn Sandberg
Chairman	Mark H. Shay

Share information

Share price (SEK)	22.5
Number of shares (M)	51.8
Market cap (MSEK)	1,163
Net debt (MSEK)	-86

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Impact Coatings: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	20	49	41	57	80
Growth	*-19.4%*	*>100%*	*-15.5%*	*37.4%*	*40.4%*
EBITDA	-35	-23	-12	-10	1
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*0.9%*
EBIT	-38	-26	-16	-13	-2
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-38	-26	-16	-13	-2
Net earnings	-38	-26	-16	-13	-2
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.88	-0.51	-0.31	-0.25	-0.05
P/E adj.	-4.8	-26.9	-76.7	-92.6	-514.8
EV/S	6.6	12.9	27.4	20.1	14.3
EV/EBITDA	-3.8	-27.6	-91.4	-112.3	1,568.7

Last updated: 2020-10-25

Owner	Equity	Votes
Accendo Capital	12.0%	12.0%
Avanza Pension	10.8%	10.8%
Hyundai Motor Company	10.4%	10.4%
Clearstream Banking S.A. W8imy	3.1%	3.1%
Nordnet Pensionsförsäkring	2.6%	2.6%
Henrik Ljungcrantz	2.1%	2.1%
Torsten Rosell	1.8%	1.8%
Svenska Handelsbanken AB for PB	1.7%	1.7%

Company description

Impact Coatings was founded in 1997 as a spin-off from Linköping University and develop technology for Physical Vapor Deposition (PVD) surface treatment. PVD is a method for vacuum coating of thin films of metals or ceramics on different materials. The main value propositions are protection, performance enhancement and beautification of customer's end-products. The use of PVD in the coating industry is increasing to replace less environment-friendly chemical and galvanic methods (a green technology). Impact Coatings has 31 employees with head office in Linköping, revenues amounted to SEK 20.2m in 2018.

Investment case

- The entrance of Hyundai Motor Company
- Rewriting its history
- New strategy - not just fuel cells

The entrance of Hyundai Motor Company

In October 2019, Impact Coatings entered into a Joint Development Agreement (JDA) with Hyundai Motor Company. First, it is evidence of Impact Coatings leading technology for fuel cells (FC) – Hyundai, as one of the frontrunners in the field, should, if anyone, have the skills to assess the technology. Also, the agreement raises the probability of Impact Coatings reaching commercial success and capturing a more significant share of the long-term potential within the FC segment. Lastly, the related share issue to Hyundai (and Accendo) means that Impact Coatings gets an industrial owner with invaluable knowledge and distribution channels.

Although there is still a long way to go before the partnership with Hyundai reaches commercial phase, the fact remains that Impact Coatings has secured a strategic alliance with one of the leading players in the field. Even in the face of several uncertain variables, the conditions for Impact Coatings (and its shareholders) has improved significantly and reduced the uncertainty concerning the FC vertical. The agreement raises the probability of Impact Coatings capturing a bigger share of the long-term potential within the FC segment – which is now reflected in our valuation.

Rewriting its history

The company's history is characterized by hefty promises met with minimal success. These failures have led to the loss of the investment community's trust and regular capital injections – of which one, in December 2017, brought in Accendo Capital (12.0 percent ownership). As an owner, Accendo practices 'collaborative activism' – its agenda and initiatives are driving Impact Coatings' turnaround. In this regard, the agreement with Hyundai shows that the management team and the board have the capacity and expertise enough to drive through complex commercial business. Investors' confidence in Impact Coatings ability to realise future opportunities (either sales, partnerships, M&A etc.) should increase significantly.

The new strategy - not just fuel cells

The notable change is the new strategy, where more resources will be allocated to the core business of D/M/R to complement the future potential in FC. According to Impact Coatings, unexploited potential in the core business has been overlooked due to the heavy focus on FC. D/M/R is key to building a profitable business with existing customers, whereas FC has substantial long-term upside potential.

Counter-Thesis

Strategic failure and need for further capital

The most obvious risk is that the new strategy (and agreement with Hyundai) does not deliver the desired result. Failure to deliver would mean another capital injection.

Catalyst types

Improved order flow

Machine sales are the key metric investors should follow. Multiple large orders would strengthen investors' confidence in Impact Coatings' strategy. Current capacity is estimated at 10 machines/year.

Fuel cell progress

Our expectations of the FC segment are low. If the industry solves its current challenges faster than anticipated, our base case valuation would be low relative to long-term potential.

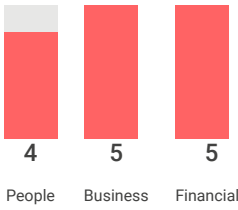
Invisio IVSO

Company page
https://www.redeye.se/company/invisio-communications

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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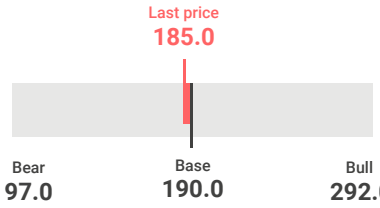
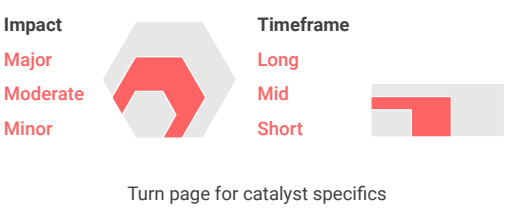
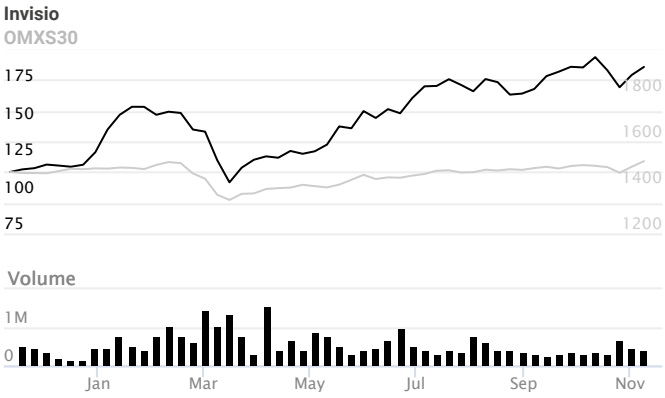


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Lars Højgård Hansen
Chairman	Annika Andersson

Share information

Share price (SEK)	185.0
Number of shares (M)	44.1
Market cap (MSEK)	8,158
Net debt (MSEK)	-176

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Invisio: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	355	514	556	746	925
Growth	*-3.1%*	*44.9%*	*8.3%*	*34.1%*	*24.0%*
EBITDA	68	142	134	240	333
EBITDA margin	*19.1%*	*27.7%*	*24.1%*	*32.2%*	*36.0%*
EBIT	64	132	124	228	316
EBIT margin	*17.9%*	*25.8%*	*22.3%*	*30.5%*	*34.2%*
Pre-tax earnings	64	134	116	228	316
Net earnings	48	102	88	178	247
Net margin	*13.6%*	*19.8%*	*15.9%*	*23.8%*	*26.7%*
Dividend/Share	0.70	0.85	1.00	1.99	2.73
EPS adj.	1.09	2.30	2.00	3.98	5.47
P/E adj.	66.8	44.2	86.7	43.5	31.7
EV/S	8.9	8.5	13.4	9.9	7.8
EV/EBITDA	46.6	30.7	55.6	30.8	21.7

Last updated: 2020-11-09

Owner	Equity	Votes
The Bank of New York Mellon SA/NV	10.4%	10.4%
Novo Holdings A/S	10.1%	10.1%
SEB Fonder	9.9%	9.9%
Swedbank Robur Fonder	9.8%	9.8%
Arbejdsmarkedets Tillægspension (ATP)	7.9%	7.9%
Handelsbanken Fonder	7.5%	7.5%
Fjärde AP-fonden	5.1%	5.1%
State Street Bank And Trust co	5.1%	5.1%
JP Morgan Bank Luxembourg S.A.	4.4%	4.4%
C WorldWide Asset Management	4.4%	4.4%

Company description

Since 2007, Invisio has developed and sold communication equipment for professional users, mainly the military. Its strategic realignment away from the consumer market has resulted in strong growth. Invisio's scalable business model is based on the company selling hardware and adaptations to local military conditions through its distribution partners. However, its manufacturing is outsourced. Invisio's customers are special forces and regular armies. Orders from special forces take place on an ongoing basis while regular armies order through procurement processes. Invisio's existing customers are around ten Western nations, usually in NATO. The company intends to win procurements in the approximately 50 military modernisation programmes ongoing worldwide. A competitive advantage is its understanding of military needs along with its proximity to the world- leading Danish hearing aid industry, which means good knowledge of how the equipment should fit for the user to want to have it on for long periods. Invisio's reference customers are also an important parameter. Since autumn 2013 the company has been selling to the US Army, but for a long time prior to that it has sold to special forces like Delta Force and the Navy Seals. One disadvantage is that Invisio has no patent protection that would prevent competitors from developing equivalent offerings, but the barriers are high since both procurements and contracts stretch over many years.

Investment case

- A top class business on all parameters
- The next growth wave is materializing out of several new billion markets
- Major procurements can be settled overnight

A top class business on all parameters

In our view, Invisio is a long-term quality and growth case. Invisio's business basically meets all the quality requirements you could wish for. The company dominates a niche market with high barriers that is growing structurally from greater awareness of the costs of hearing loss, amounting to several billion USD per year in the US alone, and increased radio penetration. There is extensive confidentiality, but we are not aware of Invisio having lost any procurement since 2007. The many and large deals that the company is regularly winning, most recently the high-profile US Marines procurement, indicate that Invisio has an attractive overall offering that no one can match at present. The procurement processes generally last several years, but happily so do the contracts once they are won. The protracted and tough procurements also mean it is difficult to be subsequently rejected provided things are done correctly. Since it is not possible to join the 40-50 procurements retrospectively, we believe that Invisio will own the military market over the next few years, and will do everything to strengthen this position. Creating an equivalent offering would require a long-term focus and major investment, while the order intake is volatile.

The next growth wave is materializing out of several new billion markets

Invisio has entered several new billion-value markets that are now gaining momentum. These are: 1) new regions (Asia, Middle East, South America); 2) new users (police); and 3) new products (intercom solution). The procurement activity is more intense than ever before, not least from the new regions. The police market is a billion-dollar market, and important breakthrough deals have been won in Sweden and Germany. Finally, the intercom for vehicles is a game changer. Invisio Intercom is a unique solution that is significantly more cost effective than traditional competing products. All this means that Invisio, according to our calculations, should be able to charge a price seven times higher than the company's traditional hearing protection, which means that only minimal volumes of 3,000 units could lead to sales in excess of SEK 200m.

Major procurements can be settled overnight

Of the approximately 50 procurements that Invisio is involved in, we estimate that a number are major procurements worth in excess of SEK 100m, and that some of these (given the secrecy) could be announced more or less overnight, which, in our interpretation, could drive the share price.

Catalyst types

Order related to the new intercom solution

Invisio launched a new product category in September 2017 following tight development together with customers. We expect volume orders in 2021

Order from the 50 modernization programs

Since several years back, Invisio has been participating in procurement processes in about 50 military modernization programs in various sizes across the world. Our belief is that a few of these contracts are at a stage where they could be settled overnight.

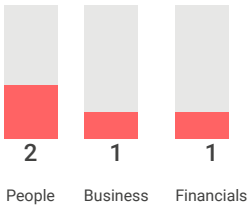
JonDeTech Sensors JDT

Company page
https://www.redeye.se/company/jondetech-sensors

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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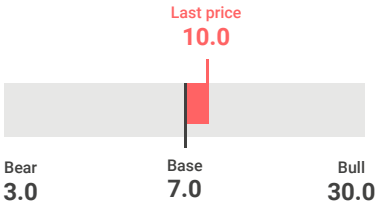
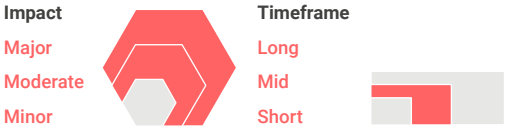


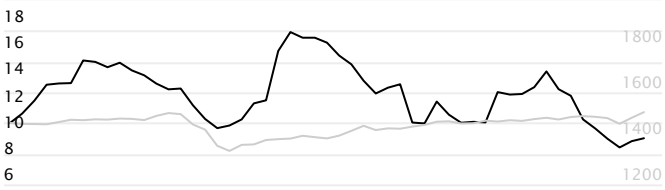
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

JonDeTech Sensors
OMXS30



Marketplace	First North Stockholm
CEO	Leif Borg, acting
Chairman	Micheal Olsson

Share information

Share price (SEK)	10.0
Number of shares (M)	26.8
Market cap (MSEK)	268
Net debt (MSEK)	-8

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in JonDeTech Sensors: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	0	0	0	1	56
Growth	*>100%*	*35.7%*	*84.2%*	*>100%*	*>100%*
EBITDA	-15	-19	-34	-45	-11
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-16	-20	-36	-46	-18
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-16	-20	-36	-46	-18
Net earnings	-16	-20	-36	-36	-14
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.95	-1.11	-1.37	-1.17	-0.42
P/E adj.	-4.3	-14.8	-8.6	-10.1	-27.8
EV/S	3,033.4	15,475.6	8,653.1	275.8	7.4
EV/EBITDA	-2.9	-15.8	-8.8	-8.0	-38.3

Last updated: 2020-10-07

Owner	Equity	Votes
O&G Innovation AB	17.6%	17.6%
Mikael Lindeberg	11.0%	11.0%
Nordnet Pensionsförsäkring	10.2%	10.2%
Didier Pineau-Valencienne	7.9%	7.9%
Novel Unicorn Ltd	7.7%	7.7%
Bfcm P/C Bfcm Sweden Retail Lt	5.9%	5.9%
Avanza Pension	4.2%	4.2%
Per Nordström	3.1%	3.1%
J. Norberg Holding AB	3.0%	3.0%
Elis Hirvonen	2.6%	2.6%

Company description

Jondetech is a nanotechnology company that started out in 2003 as a research project at Uppsala University. In 2008, it was spun off into a commercial company. After filing for bankruptcy in 2012, however, the IP assets were sold and Jondetech was effectively relaunched in 2013. The company has now reached the face of seeking to commercialize its thermopile IR sensor technology, zooming in on the presence detection use case (see further our investment case). the sensor also enables measurement of heat flow and contactless temperature. The fabless business model mirrors Fingerprint Cards as Jondetech is looking to partner with major, Asian module manufacturers. Jondetech's sensor has several exciting, important advantages. The cost is 20% of the traditional, competing IR sensors. The sensors has several unique characteristics, e.g. being bendable and robust, without need for encapsulation due to the plastic material (as opposed to silicon or ceramics in competing sensors). It is easy to integrate due to 0.17 mm thickness. The disdvantages is related to the typical small supplier credibility issues in addition to being unproven; the company has so far only received one order of SEK 19 000.

Investment case

- Scalable & disruptive technology
- We detect presence of prerequisites similar to Fingerprint ahead of its breakthrough
- Share performance should require deals

Scalable & disruptive technology

Jondetech (JDT) benefits from an exciting, disruptive nanotechnology, but has yet to make a commercial breakthrough. The go-to-market strategy has become clear recently as the company has partnered with O-Film – the world's largest manufacturer of touch, fingerprint and camera modules. JDT provides a sensor with unique advantages at cost levels we believe are several times lower than traditional IR sensor alternatives on the market. As opposed to competition, JDT's product has a minimal footprint, can be bent and does not require encapsulation or calibration. Together with JDT's highly scalable fabless model, this allows for high gross margins of 60% (Redeye's estimate), when the procution challenges has been completely solved

We detect presence of prerequisites similar to Fingerprint ahead of its breakthrough

Strongly growing demand for sensors supports the story. JDT has zoomed in on presence detection as Intel's Athena initiative is seeking to make this standard in all laptops. Since five of the six largest manufacturers (~80% of the market) participate in Athena, the potential here is notable - Intel chips are in around 120m new laptops a year (excl. PCs). There are several other potential application areas, even if some of the use cases suggested are somewhat gimmicky. Overall, there are clear opportunities for JDT whose scalable model means that it would not take much traction for it to break through. To sum it up, we recognize several of JDT's prerequisites from Fingerprint Cards ahead of its breakthrough.

Share performance should require deals

A sustained share performance requires execution and sizeable orders. We see a chance for such orders from especially laptop manufactures.

Catalyst types

O-Film order for access control

O-Film sells 15m biometric access control systems each year. We believe Jondetech could receive a large order related to this opportunity.

Order related to a laptop OEM

If Jondetech receives a large ODM contract related to a big laptop OEM (HP, Lenovo, Dell, Acer or Asus) it could cement the share price above our base case and move it closer to bull case.

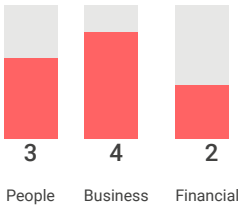
KebNi KEBNI B

Company page
https://www.redeye.se/company/advanced-stabilized-technologies-group

Publication date
November 16 2020

Redeye Rating

COMPANY QUALITY



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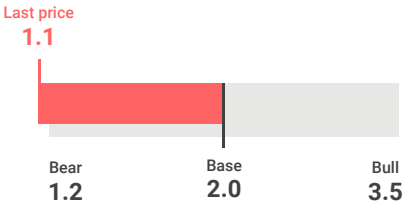

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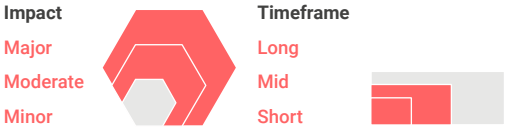
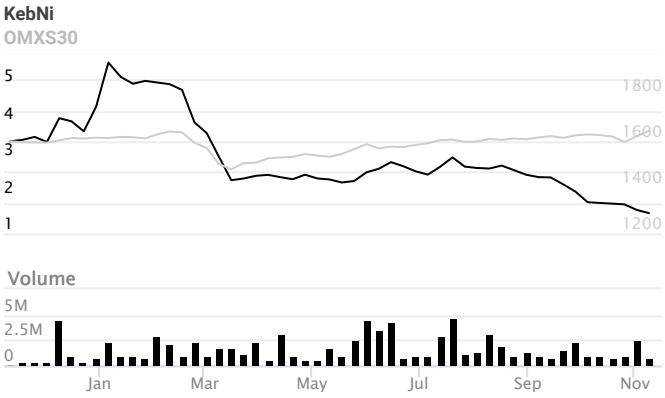


Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Erik Wiberg (acting)
Chairman	David Svenn

Share information

Share price (SEK)	1.1
Number of shares (M)	63.4
Market cap (MSEK)	72
Net debt (MSEK)	-39

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in KebNi: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	7	35	48	41	75
Growth	*47.8%*	*>100%*	*38.5%*	*-14.9%*	*82.9%*
EBITDA	-11	-5	-9	-10	4
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*5.0%*
EBIT	-12	-12	-17	-18	-4
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-14	-16	-18	-18	-4
Net earnings	-14	-16	-18	-18	-4
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-1.85	-0.61	-0.28	-0.29	-0.07
P/E adj.	0.0	0.0	-4.7	-4.6	-18.6
EV/S	1.6	-0.4	0.9	1.6	1.1
EV/EBITDA	-1.0	2.8	-4.8	-6.6	21.7

Last updated: 2020-11-11

Owner	Equity	Votes
Avanza Pension	6.2%	5.7%
Nordnet Pensionsförsäkring	4.9%	4.5%
Requtech AB	4.8%	4.4%
Livförsäkringsbolaget Skandia	3.2%	3.0%
Ålandsbanken AB	2.3%	2.1%
Sven-Olof Hagelin	2.1%	1.9%
Gösta Henry Nydahl	1.0%	0.9%
Claes Lindqvist	1.0%	0.8%
Mohamed Ait Mhand	0.9%	0.9%
Mattias Wachtmeister	0.9%	0.8%

Company description

Kebni is a small high-tech company in the SatCom and IMU markets. SatCom is providing stabilized antenna systems for satellite communication. Inertial Measurement Units (IMU's) are used to determine movement and position of an object. Kebni has three business areas, two within SatCom (KebNi Maritime and KebNi Land Mobile) and one within IMU (KebNi Inertial Sensing). The latter is closely interconnected with SatCom, since the IMU's are a vital part of the stabilizing platform systems. But IMU's are also used in a multitude of other applications and Kebni has customers from various industries.

The origin of Kebni was a small investment company dating back to the early years of the new millennium. C2Sat (KebNi Maritime) was acquired in year 2004, AIMS (KebNi Inertial Sensing) in 2011 and ReQuTech and Satmission (KebNi Land Mobile) in 2020. The shares have been listen on NGM-MTF since 2014.

Investment case

- 2019, a major financial turning point with positive EBITA for the first time in company history.
- Multi billion dollar addressable market expected to show robust growth over the next decade. Kebni has strong reference clients giving good opportunities to leverage on market momentum.
- Recent equity issue expected to be sufficient to reach break-even.

The company's history has been a rather bumpy ride. Some +10 years of development and up until 2019, limited sales. Also, in terms of strategic direction the company has been wandering and shifting focus a few times. During the last couple of years, the limited resources have mainly been focused on delivering a large contract of satellite antennas to Israeli Aerospace Industries (IAI), which they have done successfully. This is very promising as it confirms the quality of Kebni's flagship product and serves as an excellent reference in the market. IAI is a very demanding customer.

New management, new hope

During the last year, Kebni has made significant improvements in some respects. 2019 appears to be somewhat of a turning point with significant deliveries to IAI. This is encouraging and we are quite hopeful that the new management will be able to execute on their ambitious plan. However, there are still several important steps that need to be confirmed before we are confident that Kebni will be successful from a commercial point of view. More firm orders are the best indicator that the company is on the right track. Larger business deals normally have lead times of at least one year and the company has limited recurring revenues. They need to level up significantly in terms of business-flow and sales before they will reach sustainable profitability.

New growth strategy

In the fall of last year, a new expansion strategy for Kebni was presented. This is based on i) Growing sales of the current product portfolio. ii) Diversify technology and product portfolio. iii) Acquire new businesses to leverage existing technology. The vision is to create a new major Nordic company, within satellite communication and technologies for stabilization and movement, by year 2025.

We believe the new strategy makes a lot of sense and recognize that there is great potential to build on Kebni's current technology. But the company does not have a war chest and we can quite easily conclude that this expansion will require additional funding. Particularly when it comes to the M&A part of the growth strategy. We expect to see more rights issues in the coming years. So far in 2020, Kebni has made three directed rights issues to finance two acquisitions. So, they have certainly started to execute on the plan. As far as we can tell, management seems well equipped and committed to the task. The Board of Directors also appear to be a good mix with in-depth knowledge in relevant business segments and with a broad experience. When it comes to ownership, we would have liked to see more in terms of major shareholders with deep pockets and long-term commitment to support the new growth strategy.

Counter Thesis

- In general, the lead times are long and historically the deals have been far apart. The company needs more stable revenues or else more rights issues are probably required.
- The new strategy is partly based on acquisitions to leverage on existing technology. We are not expecting any mega sized M&A's but acquisitions always come with some degree of uncertainty and risk.
- Kebni is still a very small company with limited marketing resources in an eco-system with huge global players and comprehensive government procurements. Even if their products are top-notch, they may have difficulties winning new orders due to their size.

Catalyst types

IMU development project

Progress in the IMU development project with Swedish defense contractor.

C2Sat orders

More VSAT business from government procurements.

First COTM order

COTM is about to launch their first products. Firm orders, maybe by the end of this year, would prove the case.

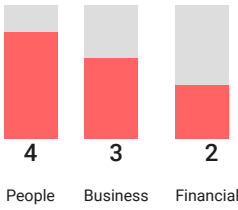
Neonode Inc

Company page
https://www.redeye.se/company/neonode-inc

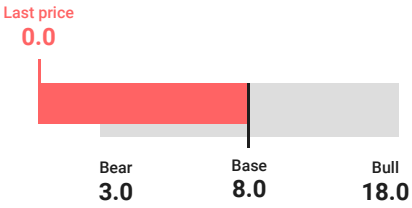
Publication date
November 17 2020

Redeye Rating

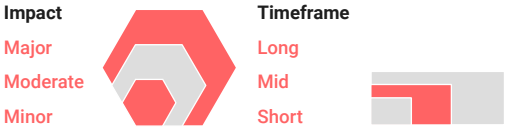
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	N/A
CEO	Urban Forssell
Chairman	Ulf Rosberg

Share information

Share price	N/A
Number of shares	N/A
Market cap	N/A

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Neonode Inc: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019
Revenue, MUSD	**9**	**7**
Growth	*-16.6%*	*-22.2%*
EBITDA	-3	-3
EBITDA margin	*Neg*	*Neg*
EBIT	-4	-6
EBIT margin	*Neg*	*Neg*
Pre-tax earnings	-4	-6
Net earnings	-4	-6
Net margin	*Neg*	*Neg*
Dividend/Share	0.00	0.00
EPS adj.	-0.67	-0.64
P/E adj.	-2.5	-3.0
EV/S	0.5	2.5
EV/EBITDA	-1.5	-6.4

Owner	Equity	Votes
Ulf Rosberg	17.3%	17.3%
Peter Lindell	16.7%	17.4%
AWM Investment	6.0%	6.0%
Carl Grevelius	5.1%	5.1%
Andreas Bunge	1.1%	1.1%
Blackrock Inc	1.1%	1.1%
Vanguard Group	0.5%	0.5%
Geode Capital Management	0.2%	0.2%
FMR LLC	0.2%	0.2%
Credit Suisse Group	0.2%	0.2%

Company description

Neonode, not only works with technology for touch displays but with human interaction in numerous ways, e.g. gesture control.. In addition, Neonode is surface independent, meaning it does not even need displays or glass. The business model for Neonode's touch technology is manufacturing and selling of hardware modules as well as licenses. The modules together with the ramp-up of new car and printer models on the won platforms is the key parts of the growth strategy. Besides its many competitive advantages in its unique technology, Neonode has wide barriers to entry in its automotive business (see further the investment case section). The headquarter is in Stockholm, Sweden but sales have a global reach.

Investment case

- Turnaround case turned credible with new main owners & management
- Limited downside from underlying values that could be unlocked
- Major autotech opportunity
- Break-even and large module deals to drive the stock price

Turnaround case turned credible with new main owners & management

The stock market's confidence in Neonode has been low since way back, for very good historical reasons, in our view, most notably the communication. Sales have deteriorated, but the low valuation is also a punishment for old sins. However, this means that there are very clear reasons for why shares are undervalued. The Neonode turnaround case has turned credible, due to a promising set of new people. Besides a new CEO with a successful autotech track record, the new owners and board members are very engaged and involved in the company. The COB comes from a long career in private equity where the COB works tight with Management. The new owners also have excellent track records in business and investing. The new board decided to focus and closed several far-fetched, non-core projects initiated by previous Management. Moreover, the failed change in business model was reversed. The company had told the customers they could only buy modules and not licenses going forward. This decision was reversed around year-end 2017 and customers are now free to choose. We believe the lead times are about 2-3 years, meaning we should soon begin to see some results. Despite all of Neonode's failures in the past, the company has only lost a handful of customers, which is remarkable and implies a strong value proposition for the customers. Our conclusion is that the technology and customer benefits are fantastic while execution and communication have been lousy. All in all, there are evidence suggesting that Neonode could, indeed, finally turn.

Limited downside from underlying values that could be unlocked

Neonode's has a recurring license revenue base of about USD 5-6m per year. The burn rate exceeds USD 1m per quarter, meaning there should be a plan B in unlocking large values tomorrow by cutting costs and earn license revenue with 100 % margin. This opportunity is not new in itself, but the difference, in our own view, is that the new main owners are not sentimental and will not tolerate more years of disappointment, meaning these values will eventually be unlocked if the business does not turn.

Major autotech opportunity

Contactless touch has emerged as a major opportunity, propelled by the coronavirus and fear of touching buttons etc. However, we still think automotive has the largest potential. We think the perceptual change could be quite substantial, should Neonode be perceived as a hot autotech company. If Neonode would manage to close one single automotive contract it could have a value the size of half of today's market cap. As an example, We believe the steering wheel partnership with Autoliv could alone be worth USD 100m, although this lies a couple of years down the road, and consequently is not on the stock market's radar. Euro NCAP is now mandating driver monitoring technology but it still does not have any activities within hands on the steering wheel. According to our industry sources though, it is likely that such activities could start going forward.

Break-even and large module deals to drive the stock price

We argue that financial reports with black figures are needed in order to change the perception of investors and move the stock. In addition, large module contracts, especially in auto, are important catalysts for the Neonode shares (but of course the company also need to deliver on those contracts - not only announce them).

Catalyst types

Patent Monetization

Neonode has a contract with Aequitas where Aequitas will try to monetize some of Neonode's patent for a 50/50 revenue share. In return, Aequitas covers all the costs of the process. Neonode can revoke the patents during May 2020 if Aequitas has not met certain milestones. If Neonode does not revoke the patents, we believe it has a great case in receivng license payments from patent infringers.

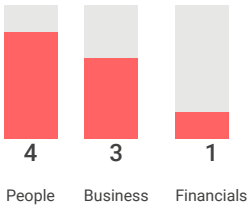
Nitro Games NITRO

Company page
https://www.redeye.se/company/nitro-games

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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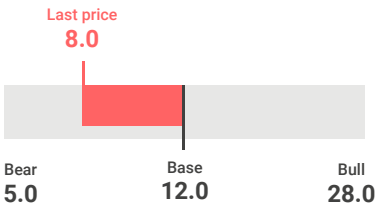
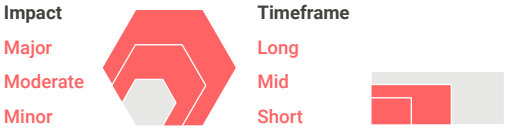


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Jussi Tähtinen
Chairman	Johan Biehl

Share information

Share price (SEK)	8.0
Number of shares (M)	8.3
Market cap (MSEK)	67
Net debt (MEUR)	-1

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Nitro Games: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019
Revenue, MEUR	**2**	**1**
Growth	*27.5%*	*-62.6%*
EBITDA	-5	-3
EBITDA margin	*Neg*	*Neg*
EBIT	-6	-3
EBIT margin	*Neg*	*Neg*
Pre-tax earnings	-6	-3
Net earnings	-6	-3
Net margin	*Neg*	*Neg*
Dividend/Share	0.00	0.00
EPS adj.	-1.19	-0.66
P/E adj.	-3.0	-1.2
EV/S	8.1	4.9
EV/EBITDA	-3.4	-1.2

Owner	Equity	Votes
Egmont Holding Oy	40.0%	40.0%
Jacob Ehrnrooth	15.0%	15.0%
Avanza Pension	4.9%	4.9%
Johan Biehl	4.7%	4.7%
Ludvig Strigéus	2.8%	2.8%
Matti Nikkola	2.5%	2.5%
Antti Villanen	1.6%	1.6%
OP Fonder	1.3%	1.3%

Company description

Nitro Games is a mobile game developer and as of recent a publisher with a decade of experience in developing games for the mid-core user segment. Nitro Games has a long history of stable cash flows from developing contracts from bigger publishers which minimise risk in the business model.

Nitro Games second business area is developing and publishing mobile games. Nitro Games has adapted its business model closely after market conditions. The company utilizes its own NG Platform -technology that allows it to develop and publish high-end mobile games with impressive graphics and modular design under a short period of time. This is, as well as the company's MVP-process, are according to Nitro Games, unique strengths as they allow a cost-effective development of the games portfolio.

Investment case

- One of the biggest values in Nitro Games is the self-developed NG Platform. With the NG Platform combined with a proven creative process, Nitro Games can launch a mobile game in 5-10 months, typically this takes 6-18 months for most mobile games.
- April 15, 2020, Nitro Games announced that Nordisk Games becomes the largest shareholder (40% of total shares) in the company. SEK 25 million has been invested through in a directed share issue and SEK 20 million in a convertible loan.
- We believe it is likely Nordisk Games will acquire Nitro Games in 1-3 years.

Investment risks

According to a research made by Deloitte approximately 2.5 percent of the mobile game companies made over EUR 1 million in 2016. Most mobile game developers struggle with bad monetisation in their games.

The probability that it will take 2 years before Nitro Games will release a top grossing game is relatively high. We estimate the probability of this scenario is about 40-50 percent. We believe the stock will be volatile on investor's hopes increasing risk in the stock.

It is also possible that the company never will succeed in the self-publishing mobile games industry. However, Nitro Games third-party development services are reducing the potential downside in the stock. This is our Bear-case scenario with a probability of 25 percent.

Catalyst types

An Obvious Takeover Target

We believe Nordisk Film Games will acquire Nitro Games in 1-3 years. The timing of the acquisition and the price tag will depend on how well Nitro Games will realize its vision. Nordisk Film Games own 40% of the capital in Nitro Games.

Lootland soft-launch

A new game release is always a catalyst in small studios. We have tested Lootland in an early stage and find that it is a promising game.

New Publishing Agreements

Netmarble and Nitro Games have signed two publishing agreements for both Medals of War and Heroes of Warland in the Middle-East and Africa . The first publishing deal generated an initial revenue of EUR 0.2 million and the second one generated EUR 0.5 million for Nitro Games. A potential catalyst for the stock is of course if new publishing deals for newly self-developed games would be signed.

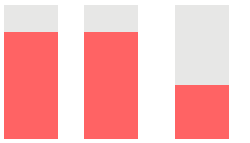
PiezoMotor Uppsala PIEZO

Company page
https://www.redeye.se/company/piezomotor-uppsala

Publication date
November 16 2020

Redeye Rating

COMPANY QUALITY



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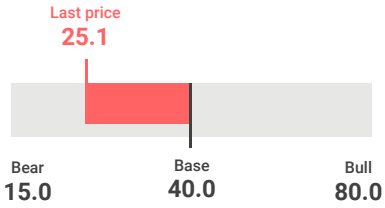
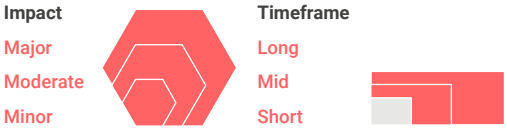


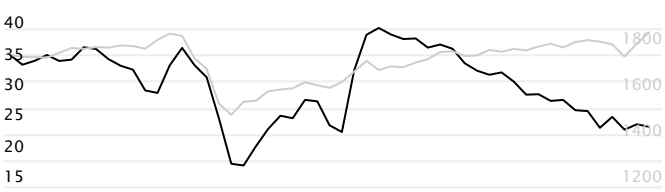
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

PiezoMotor Uppsala
OMXS30



Marketplace	First North Stockholm
CEO	Anders Kottenauer
Chairman	Adam Dahlberg

Share information

Share price (SEK)	25.1
Number of shares (M)	15.5
Market cap (MSEK)	389
Net debt (MSEK)	-15

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in PiezoMotor Uppsala: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	26	31	27	53	98
Growth	*3.8%*	*18.2%*	*-13.2%*	*98.8%*	*84.9%*
EBITDA	-20	-12	-20	-7	16
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*16.3%*
EBIT	-21	-13	-21	-11	12
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*12.0%*
Pre-tax earnings	-21	-13	-21	-11	11
Net earnings	-21	-13	-21	-11	11
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*11.6%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-1.46	-0.90	-1.38	-0.71	0.74
P/E adj.	-31.8	-40.7	-19.2	-37.5	36.0
EV/S	24.0	16.8	14.8	7.8	4.2
EV/EBITDA	-31.0	-42.8	-19.8	-56.4	25.7

Last updated: 2020-11-09

Owner	Equity	Votes
Adam Dahlberg	18.4%	18.4%
Dr. Fritz Faulhaber GmbH & Co.KG	14.8%	14.8%
Llc Gaudium Ivst	14.8%	14.8%
Handelsbanken Fonder	7.1%	7.1%
Swedbank Robur Fonder	6.5%	6.5%
Länsförsäkringar Fonder	6.5%	6.5%
Avanza Pension	3.2%	3.2%
Gunvald Berger	1.7%	1.7%
Tibia Konsult AB	1.3%	1.3%
Crossbow AB	1.2%	1.2%

Company description

PiezoMotors develops, manufactures, and sells motors based on piezo technology, for a number of different applications. The company has three product platforms – LEGS, WAVE and LINK, with different characteristics.

As of now, the company's largest customer segments are medtech and semiconductor companies, which constitute almost 40% of sales each. Other customer segments include advanced optics and automation. PiezoMotor manufactures the motors at its production facility in Uppsala and plans to expand the production capacity with a highly automatized production line in the coming year. Going forward, the focus is to continue to grow the business with existing customers and by moving more towards selling system solutions rather than piezo motors as single components.

Investment case

- Strong market position within its niche of high quality and reliable piezo components. First commercial launch over ten years ago and today PiezoMotor is an established manufacturer with a global customer base.
- The overall micro motor market is showing good growth, at an estimated 5% per year. The piezo segment, which is growing somewhat faster than that, is gradually gaining ground over electromagnetic motors, as the technology matures and gets more mainstream.
- In the last 3-4 years, PiezoMotors' product sales have grown around 25% per year. We believe the company will grow even faster in the next few years, due to the launch of a new motor for the mass market and by gradually moving from a component supplier to a systems provider.

Niche company with a strong moat. PiezoMotor and had its commercial launch of piezo motors in 2008. Since then, sales have grown continuously, and with a couple of exceptions, each year during 2008-19. Today, over 100 customers are buying a total of around 5,000 piezo motors annually. The customer base is truly global, with several large OEM's placing repeat orders.

In our view, the company has a strong brand and an excellent position within its niche of high-end products. This position has been acquired over several years from focused R&D efforts into piezo material and the design of piezo motors and drives. In addition to this, the company has successfully developed integrated manufacturing processes. All and all, this know-how and IP, which to some extent is patented, is a great moat that will last for years, giving PiezoMotor an excellent competitive edge.

New growth initiatives. PiezoMotor is now planning for significantly stronger growth in the coming years. This is based on a number of strategic initiatives, including:

- launch of an entirely new piezo motor for the mass market, Piezo LINK
- more dedicated sales resources
- more systems sales rather than components only

The company is enjoying high gross margins. The bill-of-materials margin is typically over 70%, hence operational leverage is significant. PiezoMotor is targeting a long-term EBITDA-margin of 25-30%. We believe the company will reach break-even in 2022.

Growing niche market. PiezoMotor estimates the total micro motor market to around 2bn units corresponding to a value of USD 30bn annually. The bulk is, however, still electromagnetic motors, while the TAM for piezo motors is estimated to exceed USD 1bn. Hence even in an unchanged market, the company can grow vigorously by just gaining market shares.

While piezo motors have been around for decades, they are still, to some extent, considered a novelty. As the piezo technology gets more widespread, it is gradually gaining ground on electromagnetic motors. The main disadvantage to electromagnetic motors is still price in many applications. The advantages of piezo motors include higher accuracy with nanometer precision, compact design with no gearbox needed for linear solutions, lower energy consumption, high force vs. size and robustness in harsh environments. In addition to piezo replacing electromagnetic motors, there are new applications for smaller and more affordable piezo motors. This is the segment that the company will address with the new Piezo LINK motor.

Counter Thesis

Too slow growth. Strong top-line growth is required to justify current valuation. The strategic growth initiatives outlined above could certainly be delayed or, in the worst case, even fail. Major setbacks for Piezo LINK would be alarming.

Bad acquisitions. PiezoMotor has communicated that acquisitions could be a part of the strategy to reach its growth targets. Acquisitions always include some degree of risk, and the company does not have a track record in this field.

Dependence on a single distributor. Faulhaber is a major shareholder but also their most important distributor, accounting for some 50% of sales. So far, this has not been a problem. On the contrary, it has benefitted PiezoMotor greatly. But being dependent on a single distributor to this degree constitutes a risk.

Catalyst types

Partner deal for consumer electronics
PiezoMotor has a new product platform targeting consumer electronics, such as cellphones. The company intends to commercialize these new products via partners and licensing deals.

Successful launch of PiezoLINK
Since this is a low-cost motor targeting a mass market, the key to success is highly automated manufacturing. Confirmation that the announced start of production by the end of 2020 is on schedule is important.

Large orders from strategic OEM's
This is probably the most likely catalyst to materialize as PiezoMotor already has several large clients. It is more a question of when rather than if, this will happen. Orders are however needed to support our growth assumptions.

Acquisition to broaden the business scope
PiezoMotor is primarily supplying piezo motor components that are integrated into a system solution. The company's ambition is to broaden its business scope and offer more complete solutions, either organically or by acquisitions.

ProAct IT Group PACT

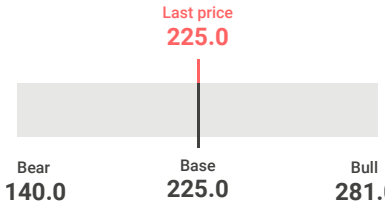
Company page
https://www.redeye.se/company/proact-it-group

Publication date
November 17 2020

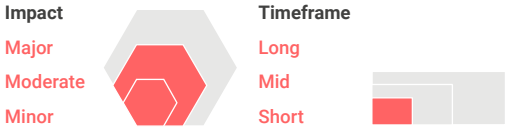
Redeye Rating

COMPANY QUALITY

FAIR VALUE RANGE



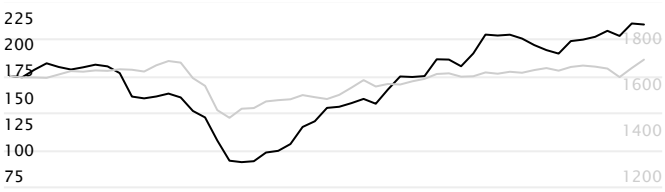
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

ProAct IT Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Jonas Hasselberg
Chairman	Eva Elmstedt

Share information

Share price (SEK)	225.0
Number of shares (M)	9.7
Market cap (MSEK)	2,190
Net debt (MSEK)	13

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in ProAct IT Group: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	3,314	3,405	3,668	3,786	3,886
Growth	*1.9%*	*2.8%*	*7.7%*	*3.2%*	*2.7%*
EBITDA	231	272	358	363	374
EBITDA margin	*7.0%*	*8.0%*	*9.8%*	*9.6%*	*9.6%*
EBIT	165	106	178	205	213
EBIT margin	*5.0%*	*3.1%*	*4.8%*	*5.4%*	*5.5%*
Pre-tax earnings	168	102	165	202	210
Net earnings	127	80	129	156	162
Net margin	*3.8%*	*2.4%*	*3.5%*	*4.1%*	*4.2%*
Dividend/Share	4.15	0.00	0.00	5.10	5.29
EPS adj.	13.86	8.75	14.12	16.98	17.64
P/E adj.	15.1	21.0	16.4	13.6	13.1
EV/S	0.5	0.6	0.6	0.5	0.5
EV/EBITDA	7.7	7.0	6.0	5.5	5.0

Last updated: 2020-10-25

Owner	Equity	Votes
Martin Gren (Grenspecialisten)	11.2%	11.2%
Livförsäkringsbolaget Skandia	11.0%	11.0%
Länsförsäkringar Fonder	9.2%	9.2%
Euroclear Bank S.A/N.V	7.1%	7.1%
Triton	7.0%	7.0%
Skandia Fonder	6.9%	6.9%
Unionen	4.0%	4.0%
Avanza Pension	3.5%	3.5%
State Street Bank And Trust co	3.0%	3.0%
HSBC Bank Plc	2.7%	2.7%

Company description

Proact is one of Europe's leading independent integrators with regards to data centers and cloud services. The company covers everything from start to end regarding data centers - including analysis and design, implementation and support. The data centers and cloud solutions are built using hardware and software from leading suppliers such as Cisco, Dell EMC, Hitachi Datasystems, NetApp and Veritas. Proact focuses on business-critical data for large and medium-sized corporations and authorities.

Investment case

Cloud growth taking off again

Proact achieved decent growth in cloud revenues from 2014, when it started to report its performance in this area, until 2018. Although its operational performance remained robust, the cloud revenue growth story vanished. However, in the fourth quarter of 2018 new cloud contracts sky-rocketed to SEK 176m – more than twice its previous best quarter on this measure (SEK 70m in Q3 18) – taking last year's new cloud contract growth versus 2017 to 84%. During the Corona crisis in 2020, the intake of new cloud contracts declined, while the organic growth has remained solid so far. We believe that the intake of new contracts will increase as uncertainty gradually fades.
As cloud contracts usually run for 3-5 years, their direct growth contribution is limited. However, thanks to the robust intake, which is set to continue this year, we expect revenue growth above 10% in this area over the coming years. We expect investors to reward the increasing share of recurring revenue at what we estimate will be higher margins than Proact's average with increasing multiples.

Acquisitions in prospect

In December 2018 Proact increased its growth target from 4% to 10%. We believe that its organic target remains approximately 4% and interpret the higher number as the company's way of signalling that more acquisitions are to be expected going forward.

Potential targets span from system-heavy businesses to cloud-centric companies. The first group has considerably lower multiples than the second. For a business with a revenue mix like Proact's, we judge 8x EBIT to be a reasonable level. In addition to multiple arbitrage, we believe Proact can realize synergies through co-ordinated purchases of hardware and software, as well as by adding its cloud and support services (system-heavy targets) and exporting acquired knowledge to other regions (cloud-centric targets).

As more complex variations of clouds and data centers – such as hybrid clouds and hyper-converged data centers – become more common, the need for specialist know-how in many fields is increasing. The changing market is likely drive a consolidation of smaller players.

Misunderstood business

Many investors still see Proact as a low-margin reseller of hardware struggling to compete with cloud giants as Amazon and Microsoft. As around two-thirds of its total sales are system revenues and public cloud services are expanding rapidly, there is some basis to this view.

However, Proact focuses on large and medium-sized companies that seldom put their business-critical data – its specialty – in the public cloud for security and compliance reasons. New regulations and recent events, like the US Cloud Act and data leaks such as those from the Swedish Transport Agency and 1177, make migration of data in Proact's niche to public clouds even more questionable.

Moreover, Proact's profits are mostly on its recurring revenue from cloud and support services – the areas where it generates the greatest value for its customers.

Counter-Thesis

Public cloud momentum

The public cloud giants are moving into private and hybrid solutions. If they were to attract business-critical data from large and medium-sized companies, this would represent a threat to Proact. However, as these firms generally lack in-house capacity to implement solutions for large businesses, they are likely to need specialist partners like Proact.

Supplier expansion

Proact's suppliers, such as Dell EMC and Cisco, may establish or expand European service divisions. Competing against these large and powerful companies with hard-to-beat product knowledge would be challenging. However, Proact has the advantage of being an independent supplier, able to source the best technology from every supplier.

Catalyst types

Value-adding acquisitions

As Proact's acquisition activity has been sporadic in recent years, we believe that investors would view a deal positive for two reasons. Firstly, it should boost EPS – both initially and over time as Proact realizes synergies. Secondly, it would add substance to Proact's higher sales growth target and the market would probably start to discount further acquisitions.

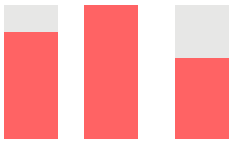
Sdiptech SDIP B

Company page
https://www.redeye.se/company/sdiptech

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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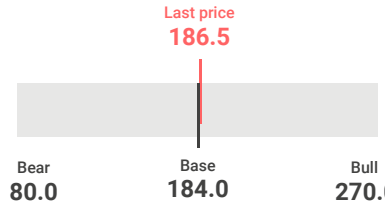
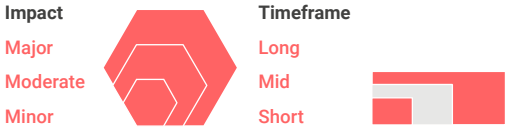


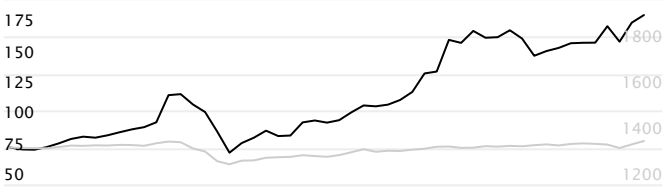
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Sdiptech
OMXS30



Marketplace	First North Stockholm
CEO	Jakob Holm
Chairman	Jan Samuelson

Share information

Share price (SEK)	186.5
Number of shares (M)	33.6
Market cap (MSEK)	6,274
Net debt (MSEK)	1,180

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Sdiptech: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	1,496	1,826	2,048	2,365	2,639
Growth	*39.7%*	*22.0%*	*12.2%*	*15.5%*	*11.6%*
EBITDA	213	358	416	423	491
EBITDA margin	*14.2%*	*19.6%*	*20.3%*	*17.9%*	*18.6%*
EBIT	143	222	333	381	441
EBIT margin	*9.6%*	*12.2%*	*16.3%*	*16.1%*	*16.7%*
Pre-tax earnings	127	215	344	352	410
Net earnings	92	167	258	257	302
Net margin	*6.2%*	*9.2%*	*12.6%*	*10.9%*	*11.5%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	3.04	5.52	7.45	7.41	8.72
P/E adj.	13.7	13.5	24.1	24.2	20.6
EV/S	1.3	1.9	3.7	3.2	2.8
EV/EBITDA	9.3	9.8	18.2	17.8	15.1

Last updated: 2020-10-22

Owner	Equity	Votes
Ashkan Pouya	15.0%	26.8%
Saeid Esmaeilzadeh	12.0%	24.8%
Swedbank Robur Fonder	9.8%	6.5%
State Street Bank And Trust co	8.1%	5.4%
Ålandsbanken I Ägares Ställe	8.0%	22.1%
Handelsbanken Fonder	7.9%	5.3%
Invesco	6.3%	4.2%
Rbc Investor Services Bank S.A	2.9%	2.0%
Danske Invest (Lux)	2.9%	2.0%
Nordnet Pensionsförsäkring	2.2%	1.5%

Company description

Sdiptech is a Swedish infrastructure technology group with over 30 subsidiaries, offering specialized services and products. The demand is driven by aging infrastructure, growing consumption and urbanization as well as increasing requirements for sustainability and safety. The group's operations are in Sweden, the UK, Norway, Austria, and Croatia. The group consists of three Business Units, Water & Energy, Special Infrastructure Solutions and Property Technical Services.

Sdiptechs growth strategy relies heavily on acquisitions, and the company has a target of acquiring SEK 90m in EBITA annually. The group is using a decentralized model, where the overtaken entities keep most of their operational freedom.

Investment case

- Still on discount despite a solid performance
- Infrastructure niches supporting organic growth
- Further value-adding acquisitions to be made

Still on discount despite a solid performance
While starting with a profit warning a few months after the IPO of its common share in May 2017, Sdiptech has since late 2018 had a solid operational performance showing significant organic and acquired profit growth. The share has a strong track-record since then, and we believe it is thanks to both solid operational performance and increasing investor confidence in the management team. However, Sdiptech is still trading on a discount to peers. While many peers have shown solid performance in the stock market for over ten years, we believe that Sdiptech is heading the same way. Thus, we believe there is potential for further multiple expansion if Sdiptech can stick to its solid operational performance – we believe there is a good chance they will.

Infrastructure niches supporting organic growth
Among the listed serial acquirers, steady organic growth is rare. Sdiptech has an organic EBITA growth target of 5-10%. After a short period of weak performance following the IPO in 2017, Sdiptech reached 8% organic EBITA* growth in 2019. W&E and SIS, with the bulk of revenue coming from product-based businesses in infrastructure niches, have driven the significant improvement. These segments benefit from structural growth trends such as sustainability, efficiency, and safety. The structural growth trends, combined with the business units' strong niche market positions, gives a potential for high-profit margins. Thanks to successful acquisitions and solid organic profit growth, W&E and SIS generated 80% of 2019 EBITA*. While we find the upper limit of Sdiptech's target range ambitious, we forecast an organic sales growth of ~4% 2022-2028. Combining organic and acquired growth, we believe Sdiptech is heading towards becoming a much larger company.

Further value-adding acquisitions to be made
Acquisitions are an important part of Sdiptech's business model. Since the IPO of the preferred share in 2015, the company has made over 25 acquisitions. Usually, Sdiptech pays 6 - 7x EBITA for the acquired businesses. As Sdiptech itself is trading at higher multiples, the acquisitions should be value-adding regardless of synergies. Sdiptech is cautious about synergy realization from acquired companies, due to its decentralized strategy. Instead, they create value in the acquired companies through their industrial focus on infrastructure, where Sdiptech has both market insight and technical know-how to contribute to strategy and business development. So far, the average performance of its acquisitions has been strong, strengthening our confidence in management's ability to allocate capital. We argue that future acquisitions, although expected, will create additional value for Sdiptech shareholders, as the current valuation, in our view, does not discount a future flow of value-adding acquisitions to the full extent. Also, further acquisitions will make the group more diversified, thus, reducing risk.

Counter-Thesis – Bear Points

Profitability issues spreading to new areas
If a situation like the problems in the elevator business was to occur again, we believe the share would take another hit due to deteriorating investor confidence. On the other hand, as Sdiptech becomes more and more diversified the likelihood of such scenario decreases.

Competition making acquisitions more expensive
Sdipech's value creation is dependent on the ability to acquire businesses cheaper than its valuation. A higher difference in valuation creates more value and vice versa. Thus, if acquisition multiples were to increase, it would be harder for Sdiptech to create value for its shareholders through its M&A strategy.

A weak construction market hitting harder than expected
The direct exposure to the Swedish construction market is <10% of sales, while several subsidiaries are exposed to infrastructure investments. These, at least to some extent, are driven by construction of new buildings and structures, which could be adversely affected by a weak construction market.

Catalyst types

Further Acquisitions
Since the IPO of the preferred share in 2015, the company has made 24 acquisitions with an average purchasing price of around 6x EBITA. More acquisitions are expected to occur and are likely to be value creating given Sdiptech's current valuation. (short-term)

Gaining an even better track record
Sdiptech is trading at a substantial discount compared to other listed serial acquirers. We believe the discount to mainly be a result of Sdiptech's short and volatile history. However, the performance has been impressive the last two years. If Sdiptech can prove to be as stable as most of its peers for the long-term, we see the potential for a revaluation.

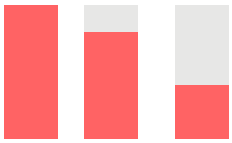
Sivers Semiconductors SIVE

Company page
https://www.redeye.se/company/sivers-ima

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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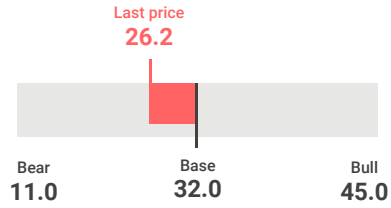
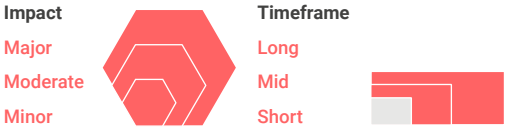


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Sivers Semiconductors
OMXS30

Marketplace	First North Stockholm
CEO	Anders Storm
Chairman	Tomas Duffy

Share information

Share price (SEK)	26.2
Number of shares (M)	154.3
Market cap (MSEK)	4,043
Net debt (MSEK)	-180

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Sivers Semiconductors: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	71	96	94	164	327
Growth	*9.1%*	*34.8%*	*-2.5%*	*74.9%*	*99.3%*
EBITDA	-53	-48	-70	-34	0
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*0.1%*
EBIT	-70	-78	-100	-69	-59
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-79	-87	-109	-70	-60
Net earnings	-72	-76	-107	-70	-60
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.61	-0.57	-0.70	-0.44	-0.37
P/E adj.	-9.7	-13.7	-35.3	-56.8	-66.6
EV/S	9.9	10.8	38.2	21.6	11.4
EV/EBITDA	-13.5	-21.6	-51.0	-105.4	9,532.7

Last updated: 2020-11-15

Owner	Equity	Votes
Rothesay Ltd	25.8%	25.8%
Danske Bank International S.A.	19.7%	19.7%
Keith Halsey	15.5%	15.5%
Swedbank Robur Fonder	11.8%	11.8%
Avanza Pension	6.9%	6.9%
AMF Pension & Fonder	4.2%	4.2%
Nordnet Pensionsförsäkring	2.3%	2.3%
Alfred Berg Fonder	1.5%	1.5%
BNP Paribas Sec Serv Luxembourg	1.5%	1.5%
Björn Norrbom	0.8%	0.8%

Company description

Sivers Semiconductors has extensive experience from developing micro- and millimeter wave products. The company is focused on the development and sales of radio frequency components and modules for data- and communication systems. The most significant area of application is 5G, which is expected to bring substantial opportunities. In 2017, Sivers Semiconductors acquired the Scottish foundry CST Global, which produces optical semiconductors. Common for both business units is that they grow with the demand for improved data and communication systems.

Investment case

- Strong structural 5G market growth
- Scalable business model with important major partnerships
- Opportunity of Photonics orders from two Fortune 100 companies
- We value Sivers Semiconductors to SEK 32 in a base case scenario

Strong structural 5G market growth
In the coming years, the market for 5G network equipment is forecasted to, more or less, explode when the industry is preparing for the launch of the new technology. This will require not only large investments in current networks but also a densification of networks. The market outlook for fiber-to-the-home applications is also good, with increased usage of fiber in the networks in general, worldwide. Thus, the market outlook for Sivers Semiconductors's two product segments in the coming years is great. We think Sivers Semiconductors's first major 5G contract of SEK 480m verifies the strong 5G position. It is a good indication of what is coming.

Scalable business model with important major partnerships
Sivers Semiconductors has partnered up with some of World's largest telecom equipment suppliers. We think this is a major difference compared to the company's history. The partners Ampleon and NXP together have a combined RF power market share of ~80% and sell to all major players. Thus, Sivers Semiconductors is in a good position when it comes to reaching large potential customers, and potentially also gain one or several Tier 1 customer. There are however also smaller equipment vendors, the Tier 2 players, that would be attractive as potential customers as well. Sivers Semiconductors's SEK 480m conctract also indicates that the company can win larger customers without intermediarys.

Opportunity of Photonics orders from two Fortune 100 companies
A large Fortune 100 company interested in semiconductor components from the Photonics division has placed several pre-series orders totaling over SEK 70m. We believe that if the customer decides to proceed, it will imply very large volumes (more than 10-15x the pre series orders), representing a significant growth opportunity, albeit rather binary in nature. It is difficult to assess whether the customer will move forward with Sivers Semiconductors or not. However, considering the two follow-up orders and the increase of partnership during the process, it looks promising thus far. Moreover, in April 2020, Sivers Semiconductors signed its second Fortune 100 customer.

We value Sivers Semiconductors to SEK 32 in a base case scenario
We currently value Sivers Semiconductors in the base case to SEK 32 per share, in a fair value range of SEK 11-45 per share. Additional design wins and contracts will move the share price.

Catalyst types

New design-wins with large telecom players
As of now, Sivers Semiconductors is not profitable and is awaiting its first large volume orders within wireless. The company's focus has been to build an ecosystem of partners and are currently teamed up with two partners that are suppliers to Tier 1 telecom players – Ampleon and NXP Semiconductors. If the combined offering of Sivers Semiconductors and its partners were integrated into one the Tier 1 players' system, it would mean a real take-off in Sivers Semiconductors's sales.

Large orders from Fortune-100 customer
Sivers Semiconductors has, as mentioned above, received substantial Photonics orders from a Fortune 100 company over the last year, and in addition signed another Fortune 100 customer. If one or both of these customers moves forward and decides to integrate Sivers Semiconductors's components in their final product, this would entail very large orders and strong growth for the fiber division. Even though we would expect that such a large customer would use its bargaining power to put pressure on margins, we expect that the orders would increase the bottom line and create a substantial upside in the stock.

5G market takes off
Many industry experts voice the opinion that 5G is happening faster than they had expected. When the market for 5G telecom equipment in the higher frequencies takes off, Sivers Semiconductors is in a good position to take part in the transformation. It would lead to strong growth and would act as a catalyst for the stock.

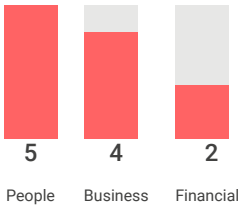
Smart Eye SEYE

Company page
https://www.redeye.se/company/smart-eye

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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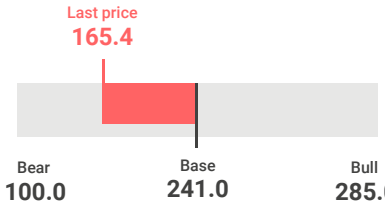
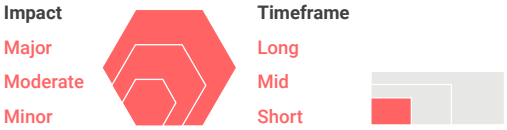


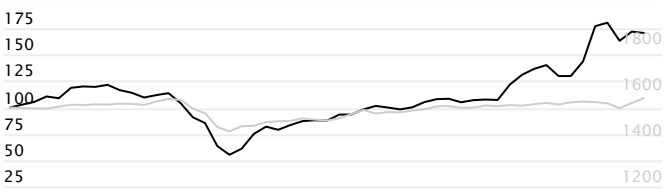
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Smart Eye
OMXS30



Marketplace	First North Stockholm
CEO	Martin Krantz
Chairman	Anders Jöfelt

Share information

Share price (SEK)	165.4
Number of shares (M)	16.6
Market cap (MSEK)	2,751
Net debt (MSEK)	-199

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Smart Eye: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	51	50	66	118	292
Growth	*17.5%*	*-1.9%*	*33.1%*	*78.3%*	*>100%*
EBITDA	-42	-87	-54	-51	73
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*25.0%*
EBIT	-56	-106	-77	-82	37
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*12.6%*
Pre-tax earnings	-56	-106	-77	-82	37
Net earnings	-56	-106	-77	-82	37
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*12.6%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-4.80	-7.04	-4.63	-4.87	2.18
P/E adj.	-10.4	-16.8	-39.5	-37.5	83.9
EV/S	11.2	32.9	42.8	25.0	10.0
EV/EBITDA	-13.4	-18.8	-52.3	-58.1	40.1

Last updated: 2020-10-20

Owner	Equity	Votes
Mats Krantz inklusive närstående	7.0%	7.0%
Swedbank Robur Fonder	6.5%	6.5%
Första AP-fonden	6.0%	6.0%
Martin Krantz	5.2%	5.2%
Avanza Pension	5.3%	5.3%
Anders Jöfelt	5.2%	5.2%
Linda Jöfelt	4.7%	4.7%
Handelsbanken Fonder	3.4%	3.4%
Nordnet Pensionsförsäkring	3.3%	3.3%

Company description

Smart Eye provides eye tracking software for especially automotive applications but addresses customers in defence, aircraft and academic research as well. In the Research Instruments segment, where Smart Eye has a market share of 4-5 percent, it provides systems consisting of hardware, software and accessories. Our investment case, however, is fully based on the Automotive Solutions segment, which is an OEM business where Smart Eye provides tier 1 automotive suppliers with algorithms and software for embedding eye tracking in products that are later sold to the car OEM manufacturers. When a car model with Smart Eye's technology is launched Smart Eye will receive a royalty based license fee per car. Within Automotive Solutions Smart Eye has won designs from about half of the customers that has procured eye tracking thus far. The automotive market has high barriers to entry as it is costly and time consuming to develop products that meet the customers' high standards and switching costs are high, meaning important competitive advantages for Smart Eye.Listing: Stockholm Stock Exchange (First North) since year 2016.Locations: HQ in Sweden. Offices in Detroit, China and Japan.

Investment case

- In pole position within eye tracking for mandated driver monitoring
- Impatient & short term focused stock market
- Design wins to move the share price

In pole position within eye tracking for mandated driver monitoring

Due to EU and Euro NCAP's decisions to mandate driver monitoring, the market for driver monitoring systems (DMS) is about to explode. This expected growth is a known fact for the stock market but we believe many do not understand Smart Eye's strong positioning. Smart Eye has devoted ~20 years of 100 percent focus to and investments in this very niche. The company is in pole position with an unmatched 83 design wins for 12 car OEMs. As for barriers to entry, the technology needs to cope with e.g. changing light conditions, tunnels, sunshine, darkness, vibrations etc. and at the same time never fail. Competition is therefore basically limited to one other tier-2 player aside of the tier-1 customers' own solutions. However, we believe it is unlikely that the customers in the long run are willing to put up with all investments and maintain the focus necessary for in house sourcing. Smart Eye states that, being platform independent and hardware agnostic, it has a competitive edge as its technology can be locked late in the development process.

Impatient & short term focused stock market

Smart Eye's first design wins with new customers are in general worth a lot more than what meets the eye as they are platform based. The platforms will usually (although not automatically) yield additional new car models for every year over the platforms' lives of about 10 years. In addition, each car model lives around seven years. For Smart Eye this creates a very foreseeable and stable revenue stream for many years to come as the large switching costs provide solid barriers to entry. The stock market however, as always, only sees the coming few quarters, meaning significant potential for patient, long term investors.

Design wins to move the share price

We expect a steady news flow going forward with design wins from already won procurements as well as RFQ's worth SEK billions in progress for the next quarters, which should drive the share price.

Catalyst types

VW win

The Volkswagen procurement will be finished imminently. Volkswagen sells almost 11 million vehicles per year and is the World's second largest car OEM (second only to Toyota), meaning significant catalyst potential if Smart Eye would win Volkswagen.

Design wins in China

We believe there are design wins overdue in China where Smart Eye's tier-1 partner has been selected and only paperwork remains before Smart Eye is officially nominated.

Design wins and follow-up orders in general

The major key catalyst in general is won contracts from the many RFQ's worth in total SEK 6 billion, which should drive the share price. In addition, we expect follow-up orders from existing customers

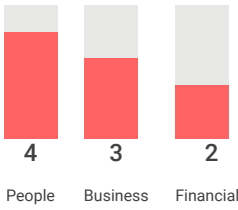
Strax STRAX

Company page
https://www.redeye.se/company/strax

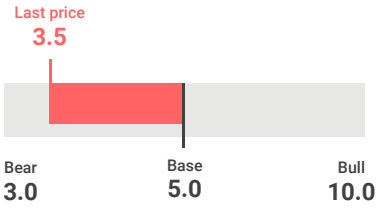
Publication date
November 12 2020

Redeye Rating

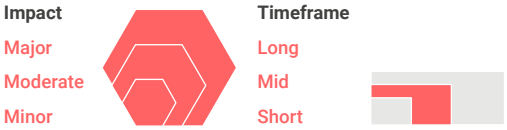
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ Stockholm
CEO	Gudmundur Palmason
Chairman	Bertil Villard

Share information

Share price (SEK)	3.5
Number of shares (M)	120.6
Market cap (MSEK)	422
Net debt (MEUR)	16

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Strax: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MEUR	107	112	117	129	137
Growth	*6.9%*	*4.6%*	*4.7%*	*9.9%*	*6.1%*
EBITDA	1	6	6	13	15
EBITDA margin	*1.4%*	*5.4%*	*5.5%*	*9.8%*	*10.9%*
EBIT	-2	6	4	10	12
EBIT margin	*Neg*	*5.4%*	*3.2%*	*7.6%*	*8.7%*
Pre-tax earnings	22	6	-3	9	11
Net earnings	17	6	-2	7	9
Net margin	*15.7%*	*5.4%*	*Neg*	*5.6%*	*6.5%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	0.14	0.05	-0.02	0.06	0.07
P/E adj.	22.0	64.6	-18.7	5.1	4.1
EV/S	3.5	3.6	0.5	0.4	0.3
EV/EBITDA	249.5	67.8	8.3	3.7	2.5

Last updated: 2020-09-28

Owner	Equity	Votes
Clearstream Banking S.A. W8imy	50.1%	50.1%
Gudmundur Palmasson	26.0%	26.0%
Ingvi Tyr Tomasson	25.9%	25.9%
Per-Arne Åhlgren	17.4%	17.4%
Merril Lynch Int.	5.4%	5.4%
Anchor Secondary 4 AS	5.0%	5.0%
Otus Capital Management	4.9%	4.9%
Ålandsbanken I Ägares Ställe	4.0%	4.0%
Anchor Invest	3.6%	3.6%
Anders Lönnqvist	2.7%	2.7%

Company description

Strax is one of Europe's largest specialized distributors in mobile accessories. Strax combines its distribution with proprietary brands, which is a unique strategy that provides Strax's own brands immediate exposure to a vast distribution network of 40 000 point of sales. It designs and sells mobile phone accessories, such as headphones, portable speakers, chargers, power banks, cases, covers, other protective gear, and more. Strax's distribution network has over 600 B2B partners Worldwide. It represents 40 of the largest global brands in mobile accessories and e.g. has distriution agreements with 50 telecom operators. The distribution network is a key advantage and barrier to entry. Distribution is a local business and hard to scale as the contract periods are usually ten years. The distribution gives Strax early leads of new trends, which is vital in the fashion-centric accessories indsutry. The high speed and constant need for finding the latest trends and adopting new solutions etc. is the main drawback of Strax's business, but the company has a solid track record in acquiring and growing brands. Urbanista and Gear4 e.g., grew sales by CAGR 54% and 45% to EUR 15m and 34m, respectively, during 2013-2018.

Investment case

- Underestimated track record & business model
- The temporary profitability hit is over
- Growth of own brands will expand margins

Underestimated track record & business model

Strax has a proven track record in acquiring, managing, and growing brands. Urbanista and Gear4 e.g., grew sales by CAGR 54% and 45% to EUR 15m and 34m, respectively, during 2013-2018. We believe the distribution platform is a vital part that will allow for more successful own brands as they get immediate exposure to a vast distribution network of 40 000 point of sales. The stock market, however, seems to think that Urbanista and Gear4 are two-hit wonders.

Back to profitability following a temporary setback

There is a strong correlation between smartphones and phone accessories sales. Strax's organization was adapted for continuing strong growth in 2018. However, in Q2'18, Strax and its shareholders were taken by surprise by the ferocious smartphone market decline. At the end of Q4'18, Strax implemented a program with annual OPEX reductions of EUR 7m in 2019, for a one-time cost of EUR 5.6m. Following these actions, the lean and mean Strax in Q3'19 returned to its solid profitability streak.

Growth of own brands will expand margins

From 2020 and onwards, Strax will distinguish the sales of its own brands from the distribution revenue in its reports. For 2019, own brands account for 26% of total sales YTD with a strong gross margin of 38%, compared to distribution that is 74% of total sales but has lower gross margins of 26%. We believe the faster growth from Strax's own brands will expand the group margin, as own brands become an increasingly larger part of total sales.

Counter thesis (Bear points)

Failures in the processes of managing & growing brands

Accessories are a fashion business where players have a constant need to invent and follow the latest trends. At the same time, it is hard to find unique brands with strong potential and acquire them at a reasonable price. Strax needs to follow all of these steps continuously. Strax could, in our view, sometime slip in one of the areas, which could lead to a period of hampered growth and profitability.

A weaker European smartphones market

Given Strax's European focus, the European smartphone market is important for the company. We see a risk that the market decline could continue.

Migration to online

We believe online retail is becoming more challenging and therefore expect acquisition costs to increase over time. However, there is still a need to migrate to more online sales. Thus, we see a risk for lower margins from online sales.

Catalyst types

Development of Urbanista

Urbanista does represent a significant part of sales in the Brands segment. Its success (measured by sales scale-up) will play an important role in the company's success which will be reflected in the valuation of the company.

Brand acquisitions

Strax targets one M&A transaction per year. Given the track record in growing acquired brands (e.g., Urbanista and Gear4), we believe coming M&A is a significant, positive catalyst for the stock.

Earnings releases

We do not expect any material news in between the quarterly reports. Thus, we believe the stock will move in conjunction with the coming earnings reports, as the profitable growth story continues.

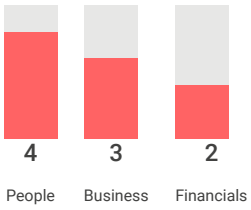
TagMaster TAGM B

Company page
https://www.redeye.se/company/tagmaster

Publication date
November 11 2020

Redeye Rating

COMPANY QUALITY



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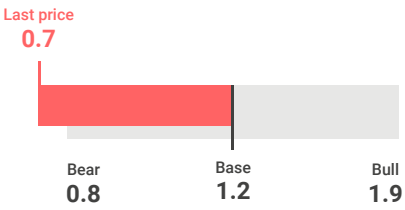
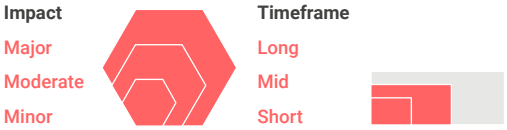
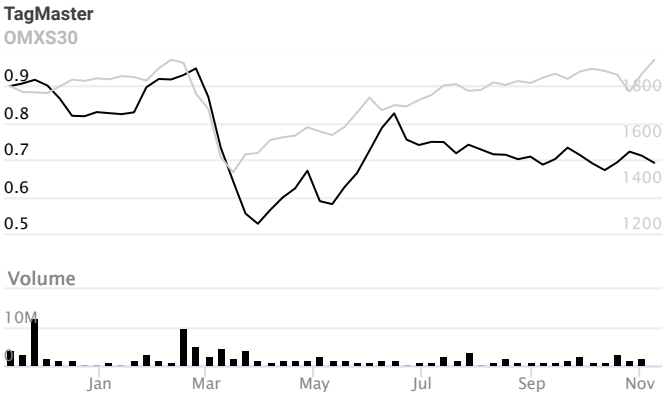


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Jonas Svensson
Chairman	Rolf Norberg

Share information

Share price (SEK)	0.7
Number of shares (M)	366.2
Market cap (MSEK)	259
Net debt (MSEK)	47

Analyst

Mats Hyttinge
mats.hyttinge@redeye.se

Conflict of interests

Mats Hyttinge owns shares in TagMaster: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2018	2019	2020E	2021E	2022E
Revenue, MSEK	196	263	294	316	374
Growth	*0.2%*	*34.5%*	*11.8%*	*7.6%*	*18.2%*
EBITDA	13	22	14	32	47
EBITDA margin	*6.5%*	*8.5%*	*4.6%*	*10.0%*	*12.6%*
EBIT	1	3	-11	8	27
EBIT margin	*0.4%*	*1.0%*	*Neg*	*2.6%*	*7.3%*
Pre-tax earnings	0	0	-18	5	24
Net earnings	3	-7	-18	4	19
Net margin	*1.7%*	*Neg*	*Neg*	*1.2%*	*5.1%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	0.02	-0.02	-0.05	0.01	0.05
P/E adj.	68.8	-43.6	-13.8	68.0	13.4
EV/S	1.1	1.2	1.0	0.9	0.8
EV/EBITDA	16.8	13.9	22.1	9.3	6.1

Last updated: 2020-10-22

Owner	Equity	Votes
Ålandsbanken AB	15.3%	15.3%
Gert Sviberg med bolag	13.7%	13.7%
Societe Generale Nantes	10.6%	10.6%
Eiffel Investment Group SAS	10.6%	10.6%
Tomas Brunberg inklusive bolag	8.8%	8.8%
Didrik Hamilton	6.8%	6.8%
LMK-bolagen & Stiftelse	6.0%	6.0%
Skandinaviska Enskilda Banken S.A	4.3%	4.3%
Avanza Pension	3.7%	3.7%
Nordic Cross Asset Management	3.6%	3.6%

Company description

TagMaster is a provider of identification technology and data systems for Intelligent Transport Systems and Smart Cities. Its value proposition is to offer solutions with outstanding performance that meet demanding customer needs and are easy to use.

The company's two segments, Traffic Solutions and Rail Solutions, sell across much of the world. The US and EMEA are the largest markets. It primarily makes sales via system integrators, with TagMaster's contribution often a small but crucial component of the offering.

TagMaster embarked on an acquisition-driven growth strategy in 2015. M&A is scaling up sales and expanding the technology portfolio, especially with the large acquisition of the US company Sensys Networks in 2019.

Investment case

- Promising M&A strategy
- Credible leadership
- Strong underlying market drivers

Strong underlying market drivers
TagMaster offers solutions for intelligent transport systems (ITS), which is a market that is driven by several megatrends. Urbanization, digitalization, sustainability, and security are the underlying drivers that support strong market growth. With TagMaster's well-rounded product offering that includes ANPR, RFID, magnetic and radar technology, we believe that TagMaster is in an excellent position to both grow with the market as well as increasing its market share. This should translate into a growth of around 8-15% annually over an extended period for the company.

Promising M&A strategy
After initially focusing on turnaround targets, TagMaster is now able to acquire larger and better companies. The group operates in fragmented markets underpinned by structural forces, which offers attractive opportunities for consolidation and organic growth. Acquisition prices are higher for larger and better companies, but an increasing market share, benefits of scale, and additional cross-selling should lift TagMaster's profitability and valuation.

Credible leadership
There are risks with M&A, but we argue that investors are overlooking the firm's deep acquisition expertise. The strategic roadmap is driven by board members from successful M&A organizations like Securitas and ASSA ABLOY. The keys to those organizations' value-adding acquisitions were freedom with responsibility, keeping the right people, and monthly financial follow-ups. In our view, TagMaster's leadership demonstrates a cost-conscious mindset, transparent communication, and genuine long-term commitment. This has taken the firm to a promising position in its niche and supports our conviction going forward. TagMaster also has a solid ownership structure with long holding periods, which is another positive factor in the case.

Counter Thesis
Below we consider the most relevant risks and uncertainties in the case.

Integrating acquisitions
Takeovers are an essential component of TagMaster's growth. Although the company's acquisitions have been successful over the past years, it remains challenging to realize synergies, restructure organizations and combine cultures. Accordingly, failure to integrate acquisitions, overpaying, or underperforming targets could hurt TagMaster. However, we believe the company's acquisition skills and long-term perspective limit the downside risk.

Margins under pressure
The firm's ambition is to address the upper market segment, but competition is still fierce in the Traffic unit. Barriers to entering are relatively low, which increases the need for innovation and puts pressure on margins. Commoditization, new technologies, or low-cost producers could hurt TagMaster's business. It also depends on system integrators, has considerable hardware exposure and low recurring revenues. We still believe R&D abilities, reliable brands, and high-quality solutions will keep its offering competitive and attractive for clients.

Struggling to differentiate
Diversification is recommended, to a certain extent. TagMaster works in two business segments and several application areas. It has a broad portfolio of technologies, products and solutions. The company is also adding brands, technologies and businesses through acquisitions. Too broad an offering could make TagMaster more complex and, in turn, less attractive for investors.

Additional capital needs
Despite its positive cash flow, TagMaster's acquisition-driven growth requires external funding. In 2015, 2017, and 2019 it has issued new shares to buy companies. As a result, uncertainty over dilution will potentially affect the stock. On the other hand, TagMaster is profitable, has relatively low debt and a solid ownership structure that may ensure additional capital needs.

Catalyst types

Improving fundamental performance
TagMaster is integrating its large US acquisition, and we view the outlook as promising for gradually enhanced organic growth and higher profitability in 2021 and beyond. We argue that fundamental improvements should improve market perception and raise the valuation multiples.

Substantial order flow
Several large orders would strengthen investors' confidence in TagMaster's organic growth. Potential boosts are large-scale rollouts in Sensys Networks, ANPR systems or Rail Solutions.

Value-adding acquisitions
M&A should not surprise investors, as TagMaster's acquisition-driven growth strategy is clearly communicated. Even so, it proves the strategy. In a longer perspective, we argue that investors underestimate TagMaster's ability to buy and integrate value-adding firms.

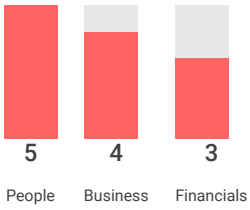
Vertiseit VERT B

Company page
https://www.redeye.se/company/vertiseit

Publication date
November 17 2020

Redeye Rating

COMPANY QUALITY



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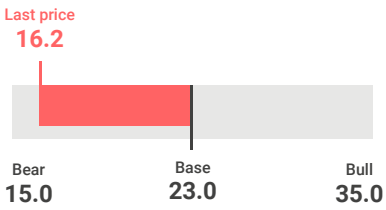
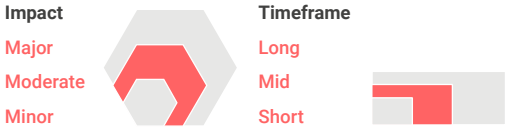
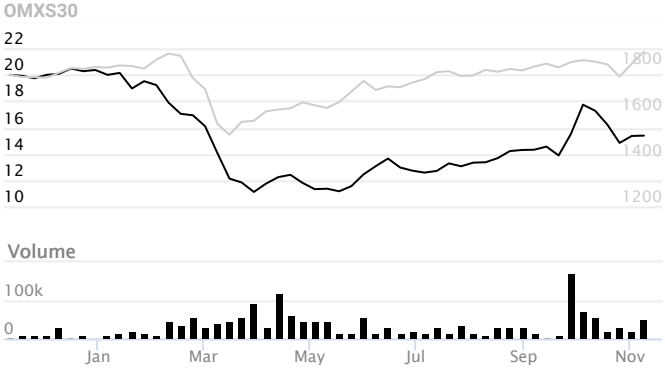


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Johan Lind
Chairman	Vilhelm Schottenius

Share information

Share price (SEK)	16.2
Number of shares (M)	12.8
Market cap (MSEK)	206
Net debt (MSEK)	-43

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Vertiseit: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	70	83	75	93	106
Growth		*19.8%*	*-10.2%*	*23.8%*	*14.2%*
EBITDA	7	12	11	13	16
EBITDA margin	*10.4%*	*14.4%*	*14.5%*	*14.3%*	*15.2%*
EBIT	5	8	6	8	13
EBIT margin	*7.1%*	*9.2%*	*7.9%*	*9.0%*	*11.8%*
Pre-tax earnings	5	8	6	8	13
Net earnings	5	8	4	6	10
Net margin	*7.1%*	*9.2%*	*5.8%*	*7.0%*	*9.3%*
Dividend/Share	0.00	0.00	0.11	0.19	0.28
EPS adj.	0.45	0.57	0.31	0.46	0.70
P/E adj.	0.0	39.8	52.9	35.4	23.4
EV/S	0.2	3.4	2.5	1.9	1.6
EV/EBITDA	1.9	23.7	17.2	13.6	10.8

Last updated: 2020-11-11

Owner	Equity	Votes
Johan Lind	17.0%	22.4%
Adrian Nelje	15.7%	22.0%
Schottenius & Partners AB	12.2%	14.4%
Oskar Edespong	9.5%	11.6%
Jonas Lagerqvist med bolag	8.5%	9.5%
Jan Kjellman med familj	6.2%	8.7%
Nordea Liv & Pension	2.8%	1.0%
Mats Nilsson	2.6%	0.9%
Avanza Pension	2.3%	0.8%
Emil Kihlberg	1.4%	1.2%

Company description

Vertiseit is a Swedish digital signage group founded in 2008, consisting of Vertiseit, a full-service integrator, and Dise, a retail-focused CMS (Content Management System) platform. Its headquarter is in Varberg with offices in Karlstad, Stockholm, and London. In 2019, when the share was listed on First North, the group had sales of SEK 83m with an EBIT margin of just below 10%.

The group has several well-known customers, including Skistar, Volvo, Lindex, J Lindeberg M&S, and Lamborghini. Most of them combine Dise's platform with Vertiseit's full-service integration. However, there are also examples of "pure" Dise deals through partners such as M&S and Lamborghini.

Vertiseit generates three different revenue streams, SaaS, Agency, and Systems. SaaS or Software as a Service consists of recurring revenue from software subscriptions, surveillance, and support and maintenance paid monthly per installed system. Agency consists of revenue from strategy and concept development. Systems consist of revenue from hardware sales and implementations.

Investment case

- Corona mismatch creating an interesting opportunity
- Strong position in Sweden with a global footprint
- Low market penetration

Corona mismatch creating an interesting opportunity

During 2020, the Vertiseit share has declined by almost 30%. While a sharp decline along with the stock market seemed reasonable in March, considering Vertiseit's significant retail exposure, we believe that an unwarranted fear for the resilience in Vertiseit's recurring revenues still holds the stock back. During Q2, where retail was hit hard by the Corona crisis, Vertiseit managed to increase its annual recurring revenues (ARR) by 3.2% QoQ – 13% on an annualized basis. Considering Vertiseit's focus on retail and about 1/4 of customers in the leisure industry, we find the increase in ARR during the Corona crisis impressive, suggesting that Vertiseit's solutions are important to the customers.

We believe that the mismatch in Vertiseit's operational performance, which we, given the circumstances, believe is solid, and the share price creates an interesting investment opportunity. The stock market, especially SaaS companies, recovered fast from the Corona crisis, resulting in increased multiples. While Vertiseit is not a pure SaaS business, we believe that the Vertiseit share deserves a similar recovery.

We have a positive view on the Vertiseit share, and our Base case is SEK 22, implying a ~40% upside potential.

Strong position in Sweden with a global footprint

Despite being a rather small business, Vertiseit is one of the leading digital signage companies in Sweden with several well-known customers, such as Volvo, Lindex, and Skistar Through its CMS platform Dise, Vertiseit reaches well-known global brands such as M&S and Lamborghini. We believe that these solid reference customers indicate that Vertiseit has one of the market-leading digital signage solutions.

We like Vertiseit's strategy combing a Sweden/Nordics-focused full-service integrator with a CMS platform with global ambitions. In the worst case, the CMS platform, Dise, will just be Vertiseit's CMS provider. Still, if successful, Dise can generate significant amounts of high-margin SaaS revenue from its partner network. While we do not include a successful scenario in our Base case, we like the low-risk/high-reward strategy. According to management, there are ongoing discussions with large potential partners with a similar market position as Vertiseit.

Low market penetration

Our field studies and market reports indicate that the penetration of digital signage in Sweden is low, even as the Nordics is one of the most digitalized regions. According to management, several of Vertiseit's customers have digital signage solutions in 1/3 or less of their total stores. Thus, we see significant growth potential in the current customer base. We also see the potential for new customers who have not yet started the digitalization of their stores. The Corona crisis could very well be a trigger for fewer but more digitalized stores, which we believe would benefit Vertiseit.

Counter-thesis

Retail digitalization not taking off

Digital signage has been in focus for many years, but the penetration is still low. The retailers who have implemented a digital signage solution have often only digitalized a small share of its total stores. However, many retailers are in the process of gradually digitalizing their stores as they are refurbished. Also, we believe that the cost/benefit of digital signage solutions is well enough to support further increases in penetration.

International players taking over

Vertiseit might lose deals to larger international players as the digital signage market consolidates. The risk is likely higher regarding multinational retailers, with a single concept in multiple countries. However, according to industry experts, the concept part of digital signage still requires local know-how in most cases, creating a hurdle for international players.

Long-term Corona impact on the leisure industry

With about 1/4 of its revenue generated from customers in the leisure industry, prolonged corona restrictions, making many leisure activities impossible, might cause substantial churn. However, we find it unlikely that the Corona restrictions will last long enough for large players to reduce its presence for good in a significant way.

Catalyst types

Adding more partners to DISE

While not included in our Base case, a significant amount of new DISE partners will likely have a substantial impact on both SaaS revenue growth, profits, and valuation.

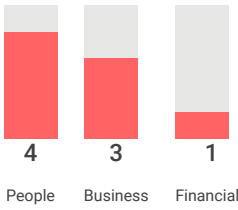
Westpay WPAY

Company page
https://www.redeye.se/company/westpay

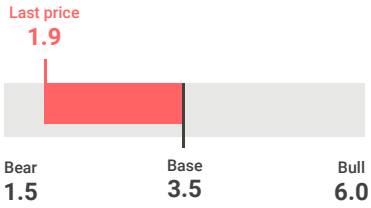
Publication date
November 17 2020

Redeye Rating

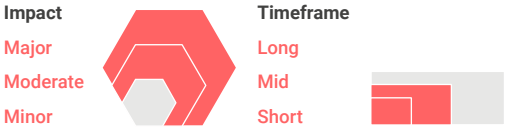
COMPANY QUALITY



FAIR VALUE RANGE

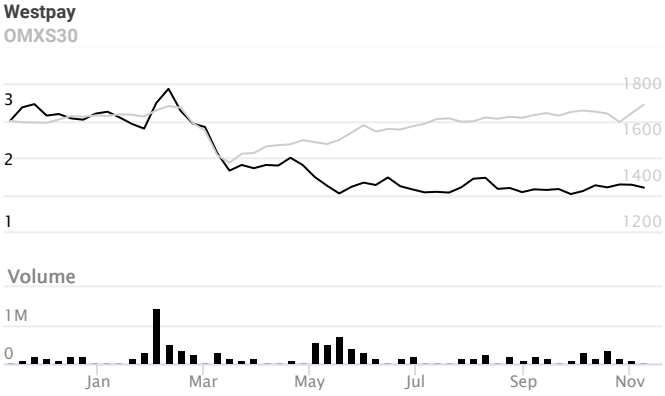


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Sten Karlsson
Chairman	Christina Detlefsen

Share information

Share price (SEK)	1.9
Number of shares (M)	33.8
Market cap (MSEK)	65
Net debt (MSEK)	9

Analyst

Jonas Amnesten
jonas.amnesten@redeye.se

Conflict of interests

Jonas Amnesten owns shares in Westpay: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MSEK	58	53	70	90
Growth	*-9.2%*	*31.5%*	*29.7%*	
EBITDA	-20	-5	2	9
EBITDA margin	*Neg*	*Neg*	*3.1%*	*9.7%*
EBIT	-27	-12	-4	3
EBIT margin	*Neg*	*Neg*	*Neg*	*2.9%*
Pre-tax earnings	-28	-14	-5	2
Net earnings	-22	-14	-5	2
Net margin	*Neg*	*Neg*	*Neg*	*1.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.64	-0.42	-0.15	0.05
P/E adj.	-4.9	-4.8	-13.6	42.4
EV/S	1.7	1.5	1.2	1.0
EV/EBITDA	-4.9	-15.0	39.7	10.0

Last updated: 2020-10-28

Owner	Equity	Votes
Nordnet Pensionsförsäkring	16.9%	16.9%
Avanza Pension	7.5%	7.5%
BANK JULIUS BAER & CO LTD, W8IMY WITHOUT	5.3%	5.3%
RADAR ELECTRONICS I GÖTEBORG AB	5.3%	5.3%
WÄRN, PER-ANDERS	3.7%	3.7%
ÅLANDSBANKEN AB, W8IMY	3.5%	3.5%
SPARRDAL, GÖRAN	3.2%	3.2%
HJELMVIK, CARL RAGNAR TORBERNT	3.0%	3.0%
WERNHOFF, THOMAS	2.3%	2.3%
KARLSSON, STEN	2.2%	2.2%

Company description

Westpay is a Fintech company and a supplier of smart transaction- and payment solutions. The end-customer has operations within retail, hotels, restaurants, and retail banking. Westpay's offering aims to create and improve the efficiency of payment flow for the end-consumers within the retail space. Westpay has a global presence; The Nordics, Europe, Africa, South- and East Asia, and Australia, where the Nordics are the largest market today. Clients include among others, Open, MAX Burgers, ABSA Bank, Svenska Handelsbanken, and more. The company has been listed on Nasdaq Stockholm First North since 2007.

Investment case

- New business model
- High barriers to entry
- Moving up the value chain

New business model

During the last years, Westpay has improved its business model and added new highly potent services to its offer. These improvements should generate growth as well as stronger margins and created a more sustainable business, which is highly attractive for investors.

- Increased focus on recurring revenues rather than system sales
- Addition of SaaS services like Payment-as-a-Service
- Increased focus on adding PoS partnerships to increased market reach

High barriers to entry

In Sweden, in addition to Westpay, there are only 3-4 other players in the Card Terminal market. The most prominent player is Verifone and Ingenico is number two. These two players strongly dominate the world market. One of the main reasons why there are only a few players in such a big market is that existing players, such as Westpay, are protected by high barriers to entry. The regulatory requirements on Card Terminals are very high. The terminals must be approved according to the card companies regulations and a number of regional and international safety standards. This creates real barriers to entry. There is also a strong lock-in effect with customers, which creates high switching costs. Customers to Westpay are PSPs. A PSP has developed software in the form of a gateway that needs to be integrated with the software in the card terminal provided by Westpay; then they must be certified together according to different security standards. After a PSP, which sells the terminal to merchants, has begun to sell a terminal from a supplier, they would prefer to avoid changing it. This leads to a lock-in effect on Westpay's customers as they do not like to change a supplier of terminals.

Moving up the value chain

Westpay is a company that has changed sharply in recent years. Thanks to investments in the Card Terminal segment, the company has significantly improved its profitability in terms of gross margin expansion. The company has managed to achieve significant traction with their competitive offering and is now one of the largest PoS suppliers in Sweden. Westpay's Card Terminals are at the forefront of technology, security, and function and are competitively priced. We believe that the company has excellent opportunities to continue to gain market share in Sweden.

Counter-arguments (Bear points)

New regulations can affect and change: The banking industry as a whole undergoes a number of changes. New laws and regulations may lead to complications in the establishment of new markets or possibly simplification for competitors.

Subdued technology investments: Continued investment in payment infrastructure is important to Westpay. Should the economic decline, there is a risk that planned expenditures by Westpay end customers will be postponed in the future.

Catalyst types

Stabile increase in sales

The sales have been on the decline during the last few years and somewhat volatile. However, the increased focus on adding PoS partners and new services together with large partnerships, like the one with Axfood, should drive growth in the coming year.

Improved inancial position

The financial position is challenging for the company and is adding significant uncertainty to the case. Hence, an improvement of the financial position without unnecessary dilution will be highly appreciated by the investors.

Margin improvement

With the new business model, with an increased focus on recuring revenues and PoS partners, we expect to see a margin improvement.

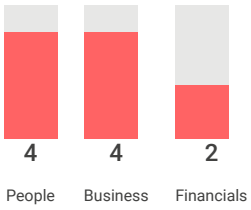
ZetaDisplay ZETA

Company page
https://www.redeye.se/company/zetadisplay

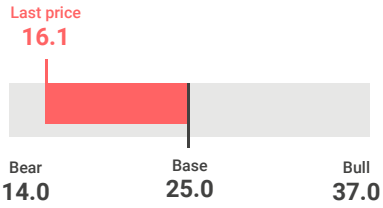
Publication date
November 17 2020

Redeye Rating

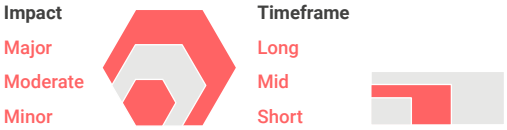
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ Stockholm
CEO	Per Mandorf
Chairman	Mats Johansson

Share information

Share price (SEK)	16.1
Number of shares (M)	27.3
Market cap (MSEK)	439
Net debt (MSEK)	209

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in ZetaDisplay: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	404	436	395	468	520
Growth	*>100%*	*7.9%*	*-9.5%*	*18.6%*	*11.0%*
EBITDA	48	21	38	78	96
EBITDA margin	*11.9%*	*4.9%*	*9.6%*	*16.7%*	*18.4%*
EBIT	43	3	4	46	66
EBIT margin	*10.7%*	*0.8%*	*1.1%*	*9.9%*	*12.6%*
Pre-tax earnings	47	17	-8	32	51
Net earnings	39	15	-10	25	40
Net margin	*9.8%*	*3.5%*	*Neg*	*5.4%*	*7.7%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	1.63	0.52	-0.36	0.86	1.37
P/E adj.	10.3	45.5	-41.7	17.3	10.8
EV/S	1.3	2.1	1.6	1.3	1.1
EV/EBITDA	11.3	42.2	17.0	7.9	6.0

Last updated: 2020-11-04

Owner	Equity	Votes
Virala Oy Ab	14.0%	14.0%
Anders Pettersson med familj	12.3%	12.3%
Mats Johansson	9.7%	9.7%
Anders Moberg	4.5%	4.5%
Svenska Handelsbanken AB for PB	4.5%	4.5%
AMF Pension & Fonder	4.3%	4.3%
Magari Venture AS	4.1%	4.1%
Nordea Bank Norge Nominee	4.0%	4.0%
(Gc) BNP Paribas Sec Services Paris	4.0%	4.0%

Company description

ZetaDisplay is a Swedish digital signage company, implementing communication concepts based on standardized hardware - from leading manufacturers such as LG, Philips and Samsung - and proprietary software solutions sold as SaaS. The company is currently active in Sweden, Finland, Norway, Denmark, Benelux and the Baltics.

Investment case

- Leading European position in Digital Signage
- Growing market
- Successful acquisition history

Investment case

Leading European position in Digital Signage
ZetaDisplay drives digital transformation in physical environments. The company's communication concept and software affect people's behavior at the time of decision in-store and public environments as well as workplaces. The solutions are known as Digital Signage, which the company develops and offers as SaaS. ZetaDisplay has established itself as one of the three largest players in the European Digital Signage market thanks to a series of successful acquisitions and significant long-term customer contracts, for example with ATG, IKEA, Hurtigruten, KPN, KeskoGroup, and Ekornes. The company is a market leader in the Nordic countries, which is conceptually and technologically far ahead in an international comparison. The company implements communication concepts based on standardized hardware - from leading manufacturers such as LG, Philips and Samsung - and proprietary software solutions. Most of the company's revenue today comes from the resale of hardware and implementation. However, the value lies in the recurring SaaS revenue, which already accounts for the majority of gross profit. If ZetaDisplay succeeds in showing continued good growth in its SaaS revenues, we see significant potential for higher margins over time. We believe that the development of recurring revenue is the most important thing to focus on as an investor in ZetaDisplay.

Growing market
In 2018, the European Digital Signage market grew by 14%, and the drivers of growth are the on-going digital transformation, new technological opportunities and changing consumer behavior. ZetaDisplay's digital signage offer can be divided into three different segments. The most significant segment is digital store communication aimed at consumers. Retail environments are becoming increasingly digital for a variety of reasons, such as smaller stores that need to be more space-efficient and the retailer's desire to link online and offline commerce. In addition to retail environments, ZetaDisplay also offers solutions for internal digital communication for employees as well as digital communication in public environments aimed at the public. Common to all segments is that new technology, changed behavior, and market conditions, as well as ever-decreasing hardware prices, make Digital Signage more attractive compared to analog solutions.

Successful acquisition history
In recent years, ZetaDisplay has made several acquisitions, which today form the basis of ZetaDisplay's most profitable regions and which have contributed to several significant agreements. ZetaDisplay has a stated ambition to continue acquiring and consolidating the European market. The Digital Signage market is fragmented and many of the companies today are only locally established, which makes the market well suited for consolidation. Since September 2019, Per Mandorf has been CEO; at the same time former CEO Leif Liljebrunn took the role of acquisition manager, and the company has issued a bond to enable cost-effective financing of further acquisitions. We expect more acquisitions in the future, and given the company's good history, we assess the likelihood that future acquisitions will be value-creating as high.

Counter-thesis
Financing cost of acquisitions (completed and future): The company has, through its acquisition strategy, issued preference shares and raised loans. Should it prove that the profitability of completed acquisitions differs from expectations, this may be problematic for the company.

Acquisition risk: The company has a stated acquisition strategy, which means potential acquisition risk. These risks include integration problems, an acquired company failing to meet expectations, and the difficulty in finding acquisitions that meet set requirements.

Lower growth than expected: Today's stock price assumes continued strong growth. Therefore, it is important for the company to win new business while retaining and establishing long-term relationships with existing customers.

Catalyst types

Additional acquisitions at attractive valuation
The company has a stated acquisitions strategy and another profitable acquisitions at an attractive valuation would justify a higher value of the share

Communicates greater share of recurring revenues
The business model is based on three diferent revenue types: services, software and licenses, and digital systems. The focus is on increasing recurring revenues, and the company has succeeded. This increasingly gives ZetaDisplay the character of a software company. The continued development of recurring revenues will be interesting for investors to follow as we consdier it to be the most important value driver in the company.

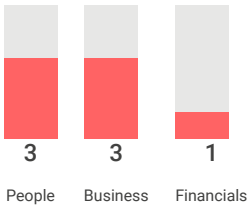
Zwipe ZWIPE

Company page
https://www.redeye.se/company/zwipe

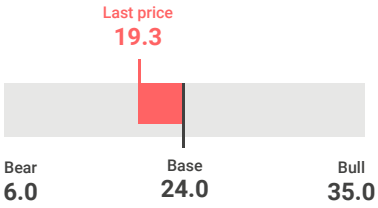
Publication date
November 24 2020

Redeye Rating

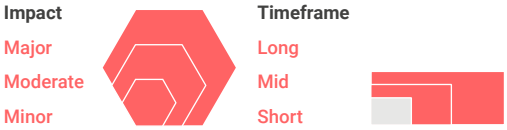
COMPANY QUALITY



FAIR VALUE RANGE

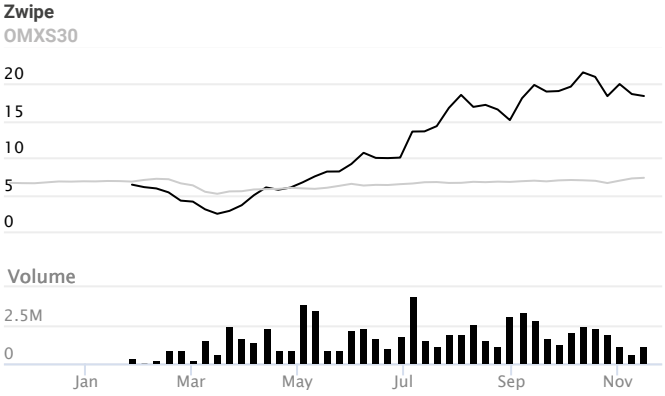


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Andre Løvestam
Chairman	Jörgen Lantto

Share information

Share price (SEK)	19.3
Number of shares (M)	32.9
Market cap (MSEK)	636
Net debt (MNOK)	-126

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Zwipe: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MNOK	2	2	2	18	77
Growth	*>100%*	*-33.3%*	*35.9%*	*>100%*	*>100%*
EBITDA	-60	-96	-57	-52	-31
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-68	-96	-59	-57	-35
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-72	-96	-59	-57	-35
Net earnings	-71	-96	-59	-57	-35
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-7.57	-6.02	-1.80	-1.74	-1.07
P/E adj.	-0.7	-0.9	-11.1	-11.4	-18.5
EV/S	17.2	40.4	256.4	31.4	8.5
EV/EBITDA	-0.6	-0.6	-9.2	-10.9	-21.2

Last updated: 2020-11-24

Owner	Equity	Votes
Vasastaden and related parties	11.9%	11.9%
Lars F. Windfeldt	5.4%	5.4%
Coeli Wealth Management	4.6%	4.6%
Avanza Pension	4.2%	4.2%
JP Morgan Prime Nominees	2.9%	2.9%
Jörgen Lantto	2.7%	2.7%
Nordnet	2.0%	2.0%
SEB	1.8%	1.8%
Deutsche Bank	1.7%	1.7%
Concito	1.7%	1.7%

Company description

See our initiation report.

Investment case

- Benefits from strong IP & game-changing deal with Idemia
- Advantages of biometrics too great for the market not to take off
- Commercial orders to drive the stock

Benefits from strong IP & game-changing deal with Idemia

Zwipe has recently partnered with the world's second largest card manufacturer, Idemia – a clear indication of its competitiveness. This improves the ability to manufacture biometric smart cards ("BSCs") cost efficiently, in turn imperative to the success of BSCs. The partnership targets a reduction of card costs by over 50%, implying potential cost leadership. We view Idemia and Zwipe's IP as strong cards up Zwipe's sleeve. Zwipe has been granted wide patent protection for how terminals identify a biometric card, a prerequisite for processing biometric contactless payments.

Advantages of biometrics too great for the market not to take off

BSCs have been "just around the corner" for many years, but nothing has materialized as of yet. We believe, however, the cheaper card stemming from the Idemia/Zwipe solution can facilitate commercial volumes from 2022. Contactless BSCs combine state of the art security and the highest convenience, i.e. there is no need for a cap (using PIN codes), meaning faster retail checkout. This should render more transactions and revenue for the issuing banks. Thus, BSCs are simply too good not to happen. However, we are cautious about market projections claiming a +50% penetration, as banks seem reluctant to pay a high premium compared to the price of a standard contactless card of USD 2-4. We expect the initial relevant market to be limited to 20% of the 4 bn payment cards shipped a year, and based primarily on premium cards that account for the highest transaction volumes.

Commercial orders to drive the stock

Commercial orders can drive the stock towards our base case of NOK 24. Our bear case is based on failed market traction and a fire sale of the IP at NOK 6 per share. In bull case, we see a major upside to NOK 35 based on higher BSC penetration. The wide fair value range illustrates the uncertainty of Zwipe's market.

Catalyst types

Pilots

The most important catalyst during the next 12 months, in our view, is card pilots, from existing and new partnerships. We also see potential wearables pilots.

Proven breakthrough in production costs

The partnership with Idemia did not positively impact the share price. Investors may not feel sure about costs actually coming all the way down to 10 dollars. A verified cost progress could change the sentiment. We believe there could be a cost breakthrough in 2020.

Increased hygiene focus

The important hygiene aspects of contactless biometric cards have been highlighted to a large extent by the Coronavirus as people are becoming reluctant to touch the terminals. We see a chance that this could prove to be a game changer for Zwipe in the long term.

First commercial order for the Idemia/Zwipe-solution.

Pilots are one thing, but a commercial order from the Idemia collaboration will prove that there is a substantial value in Zwipe´s offering. We think this happens in H2 21, at the earliest.

COMPANY DESCRIPTIONS AND SEMINAR PARTICIPANTS

Currently not covered companies

BIMobject

BIMobject, founded in 2011, is a leading global IT company at the forefront of digitalization of the construction industry. Through bimobject.com and polantis.com, the company offers a cloudbased platform that provides 2 million registered users from the construction industry, such as architects and engineers, with digital product information (BIM objects) from over 1,800 building product manufacturers. In 2019, the company had annual net sales of SEK 134 million. BIMobjects has been listed on First North since 2014.

CDON

CDON is a leading Nordic marketplace, helping external e-commerce companies to reach approximately 2 million customers. CDON's website offers visitors about 8 million items to choose from. CDON Marketplace has a scalable business model, where growth is possible without building inventory, which both decreases the need for capital and the risk. The company still sells some media products themselves as well, through CDON Retail, but it is a smaller part of the overall business today. CDON, founded in 1999, is a spinoff of Qliro Group and is listed on Nasdaq First North Growth Market, Stockholm.

Guideline Geo

Guideline Geo develops, manufactures and sells instruments and software for geophysical investigations under the two brands ABEM and MALÅ. The equipment is used in a wide range of applications, such as: detection of water, minerals or pollution, ground mapping of pipes and cables, checking infrastructure maintenance needs, and more. The company has a global footprint with 70-80 employees and several partners in strategic markets.

Inzile

Inzile is a Swedish manufacturer of small electric utility vehicles by its own design. The vehicles are robust and versatile and can be adapted according to different customer preferences. The target market segments are primarily: Municipalities, real estate- and park managers and last mile delivery companies. Inzile was founded in 2012, listed at Nasdaq First North in 2019 and started shipping the first vehicles to its customers in the summer 2020.

Mestro

Mestro is a fast-growing Property Technology company that helps its customers to take control over their energy usage, save energy and lower their environmental impact. Mestro´s SaaS-based services are used by the Nordic region's most influential real estate companies, retail companies and hotel chains. The company was founded in 2005 and is privately owned but aiming for an IPO in 2021.

Netmore

Netmore delivers complete Internet-of-Things (IoT) solutions for homes, businesses, industries, and organizations. Its solutions include sensors and actuators, in addition to radio solutions and software for interaction with cloud-based applications.

Safeture

Safeture was founded in 2009, by Lars Lidgren, after his firsthand experience with disaster relief in the SARS epidemic, Indian Ocean tsunami, and Mumbai terror attacks. Safeture offers a complete cloud-based service that manages risk, safety, and crisis processes involving employees. Safeture has offices in Sweden, Austria, Netherlands, United Kingdom, Malaysia, and Brazil. 3000 customers utilize the service every day. The company is listed on Nasdaq First North Growth Market, Stockholm.

Seamless Distribution Systems

Seamless Distribution Systems (SDS) is a leading technology and digital distribution company based out of Sweden and is listed on Nasdaq First North since 2017. It hosts a multi-access transaction platform that offers an all-encompassing approach to e-transactions. SDS handles more than 15 billion transactions per annum and reaches over 500 million users.

Teqnion

Teqnion founded in 2006, is a Swedish industrial trading group consisting of 15 subsidiaries. Through these, Teqnion offers leading products and specialist expertise in selected market niches. This includes components, machines, systems and services with high technology content. The company's business model is to grow through organic growth and acquisitions. The group has acquired two companies so far in 2020.

Tobii

Tobii develops eye tracking technology that can detect where the user is looking. The company focuses on users within virtual reality, gaming, scientific research, marketing, and communication solutions for people with disabilities.

Veoneer

Veoneer is an autotech company that develops software and solutions for the automotive industry. The technology is related to e.g. cameras, radars and LiDAR for ADAS applications, focusing on augmented driving and traffic safety. The company was spun off from Autoliv in 2018.

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.
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- For companies that are the subject of Redeye's research analysis, the applicable rules include those established by the Swedish Financial Supervisory Authority pertaining to investment recommendations and the handling of conflicts of interest. Furthermore, Redeye employees are not allowed to trade in financial instruments of the company in question, from the date Redeye publishes its analysis plus one trading day after this date.
- An analyst may not engage in corporate finance transactions without the express approval of management and may not receive any remuneration directly linked to such transactions.
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Recommendation structure

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Redeye Rating (2020-11-15)

Rating	People	Business	Financials
5p	21	16	3
3p - 4p	106	87	40
0p - 2p	5	29	89
Company N	132	132	132

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