REDEYE

Nordic Technology Report 2021

Acconeer
Addnode
Adverty
Alelion Energy Systems
Artificial Solutions
Aspire Global
Atari
Avtech
aXichem
Azelio
Bambuser

Beijer Electronics Group
Better Collective
BIMobject
Bredband2
Carasent
Christian Berner Tech Trade
Clavister Holding
Doro
EG7
Embracer Group
Enea

Enlabs
Ericsson
Fingerprint Cards
Flexion Mobile
Formpipe Software
Fortnox
G5 Entertainment
Gaming Innovation Group
Gapwaves
Hanza Holding
Heliospectra
Hexatronic Group

I-Tech
Image Systems
Imint Image Intelligence
Impact Coatings
Invisio
JonDeTech
KebNi
Lagercrantz Group
M.O.B.A. Network
Mycronic
Neonode
Nitro Games

Northbaze
OXE Marine
Paynova
PiezoMotor
Powercell
Proact IT Group
Remedy Entertainment
Sdiptech
Sensys Gatso Group
Sivers Semiconductors
Smart Eye

Speqta
Stillfront Group
Strax
Systemair
TagMaster
Vertiseit
Waystream
Westpay
XMReality
ZetaDisplay
Zwipe

2021

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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 — 135+

135+ 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

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

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,

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 holds a BSc in Finance from University of Gothenburg and has previously worked as a consultant within Investor Relations. Oskar works as an equity analyst, covering companies in the tech sector with a prime focus on cleantech and consumer discretionary.

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

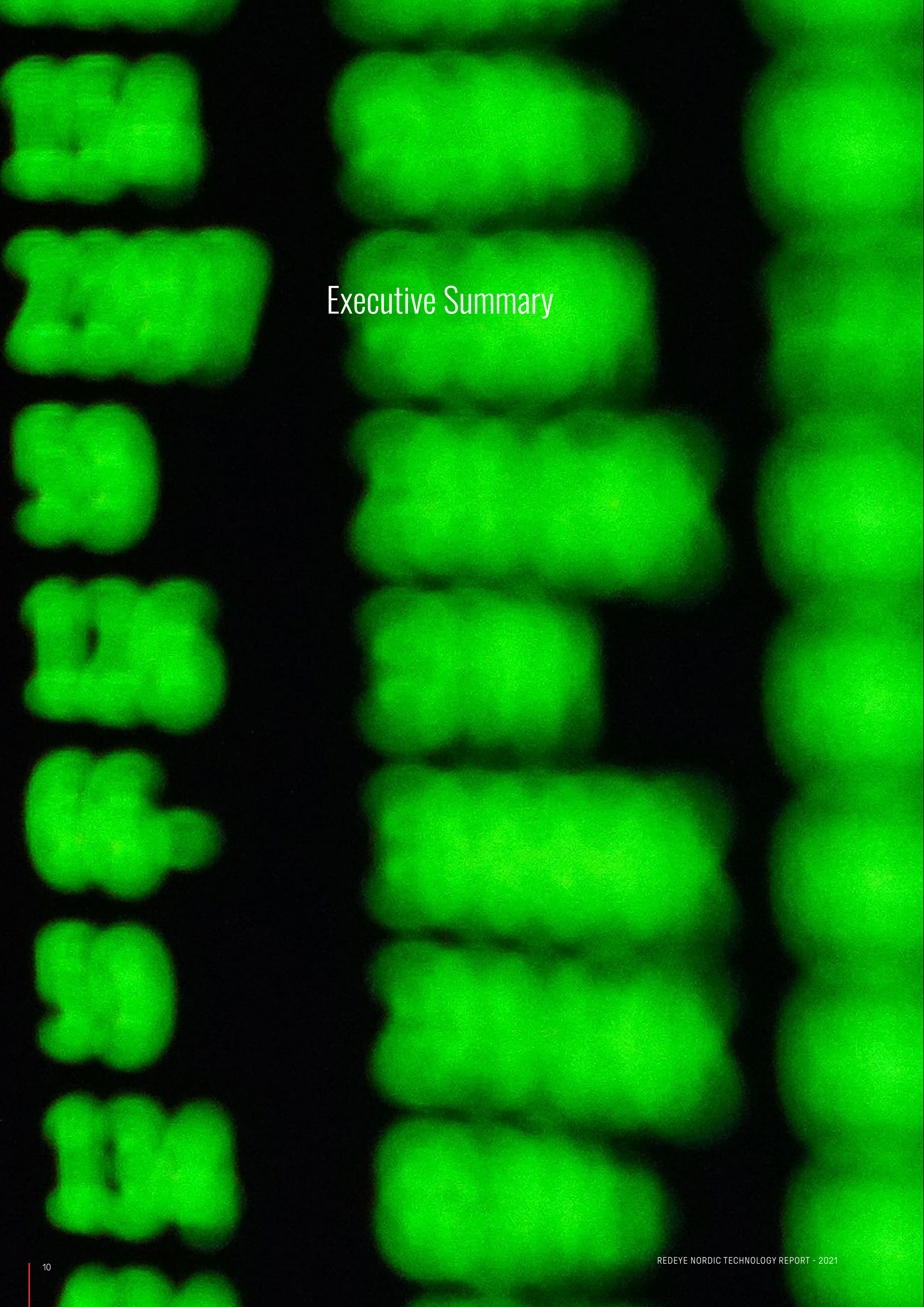
Technology Selected Transactions

RECENT

				SAVR **DECEMBER 2020** Private Placement SEK 52 MSEK
Clavister **NOVEMBER 2020** Directed Issue + Rights Issue SEK 234m	KebNi **OCTOBER 2020** Rights Issue SEK 50m	OXE MARINE **OCTOBER 2020** Directed Issue SEK 66m	Allelion **OCTOBER 2020** Rights Issue SEK 57m	xmreality **MARCH 2020** Rights Issue SEK 36m

2017–2019

C-RAD **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	Tegnion **MARCH 2019** IPO SEK 80m	zwipe **JANUARY 2019** IPO Joint Bookrunner NOK 120m
LightAir **NOVEMBER 2018** Rights Issue SEK 25m	SIVERS IMA **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	JONDETECH **MAY 2018** IPO SEK 30m	Tegnion **APRIL 2018** Private Placement SEK 20m	FSPORT **FEBRUARY 2018** Private Placement SEK 20m
SCOUT gaming group **NOVEMBER 2017** IPO SEK 60m	acconeer **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



Executive Summary

Introduction

Redeye tech team has expanded its coverage to some 70+ companies listed on the exchanges in the Nordic countries. The team consists of 11 analysts, which probably makes it the biggest team in the Nordics fully dedicated to tech companies.

In this year's edition of the Nordic Technology Report we summarize some of the main trends and themes we currently see in the market: Cybersecurity, Artificial Intelligence, SaaS, 5G, Autotech, Energy and Gaming. We also look into valuations and expectations for tech companies in the Nordics versus the global tech sector. We screen the companies in our universe based on various criteria and finally highlight 3 shares that we find particularly interesting going into 2021.

Technology market drivers and M&A

In this section we highlight some of the main trends that will shape and disrupt businesses over the next decade and will offer several good investment opportunities. These include areas like Cybersecurity, Gaming and Energy, already USD 100bn+ markets growing at a solid pace. We also look into a few other sectors and themes that are still in more early stages but expected to grow rapidly: Artificial Intelligence, SaaS, Autotech, and 5G.

M&A activity expected to remain high in 2021

The M&A activity is expected to remain at high levels or increase even further in 2021, as conditions are favorable. Cheap financing, an accelerated digital transformation due to the Corona crisis, and growth ambitions make the conditions for M&A favorable.

The M&A activity in Redeye's tech universe increased during 2020, both in terms of the number of deals and deal value. The increase was mainly related to gaming companies, but the traditional serial-acquirers also kept their M&A activity high. While the Corona crisis caused a slowdown in M&A activity during late Q1 and Q2, low-interest rates and a stock market rewarding acquired growth fueled the desire to acquire.

Tech IPO's

56 Nordic tech IPO's

In 2020, the previous downward trend in tech IPO's during 2019 was significantly broken. The number of companies listed increased to 56, from 28 in 2019, whereas total capital raised increased eightfold to SEK 16.5bn (SEK 2.0bn in 2019). Most of the companies are early stage with a median 2019 revenue of SEK 35m and still not profitable. However, in total, the companies listed in 2020 were slightly more mature than the 2019 IPO's.

On average strong relative performance after IPO

The performance of the listed tech companies was strong. 75% of the companies yielded a positive return over the year, with a couple of high performing outliers, putting the average absolute return at 90%. Also, compared to OMX Nordic Small Cap Index, the median excess return was 22%, implying a strong relative performance for tech IPOs in 2020, as opposed to the poor relative performance for tech IPOs in 2019 and 2018.

Market expectations regarding tech companies

Swedish and Nordic tech now on par with global tech valuations

In 2020, we continued to witness strong performance for tech stocks across the board, globally, in Sweden, and in the Nordics. S&P's global tech index was up 41%, compared to 6% for Dow Jones. All in all, the vast majority of the outperformance is driven by multiple expansion. Nordic and Swedish tech stocks are now valued higher than, or on par, with global tech, for the first time in the history of our tech reports. EV/S multiples have e.g. expanded 3, respectively 2 times faster than for the global peers. This is not without merit. In Nordics, the rolling 12-month EBITDA growth has doubled to 29% since last year, while it decreased by 22% percentage points for global stocks. In Sweden, the reported growth and expected growth also increased in general.

Software stocks propelled by Corona

Software continues to eat the world, and this phenomenon has become more apparent with the Corona crisis. As one would expect, stocks propelled by Corona are in general growing faster and enjoying higher valuations. However, this was not entirely the case for the group of global Corona losers, where fast growers had a higher performance and valuations in line with the Corona winners, despite a significantly lower expected future growth.

Redeye screening

The screening presented in this report is based on four different strategies that combine our Redeye Rating, valuation range and financial projections in a variety of ways. The strategies are: Growth At a Reasonable Price (GARP), Deep Value, Growth Junkies and Jockey Stocks.

Top tech picks 2021:

- *Better Collective*
- *Carasent*
- *Enea*

Screening should not be viewed as a portfolio suggestion, but instead as a smart way to narrow down the "research subjects." Qualitative factors and timing must also be taken into account. Redeye focuses on key catalysts for timing and risk limitation. Catalysts are defined as triggers that are likely to materialize in the near future with an impact on the share price. Our screenings do not "capture" these possible catalytical events and must be evaluated case by case, which we do in our portfolio of top picks. Our three top picks for 2021: Better Collective, Carasent and Enea, all occurred in our screenings. Most notably in the GARP strategy, which has been the strongest performing category of shares in the last few years.

Redeye Top Picks portfolio

Our Top Picks portfolio aims to provide a basis for investment ideas for long-term positive returns relative to risk. The portfolio consists of a selection of companies from the Redeye Universe where we see the most attractive risk/reward.

Top picks gained 99% in 2020!

Redeye's Top Picks portfolio gained 99% during 2020, while the local comparative index OMXSPI rose by 13%, thereby beating the index by as much as 86 percentage points. Our three top tech picks for 2020 (Embracer, Hexatronic and Smart Eye) averaged a return of 96%. Hence a little below the aggregated portfolio, but still also considerably outperforming the market.

Our hurdle for portfolio inclusion remains high, with a disciplined assessment of companies' qualitative factors and economic cycle dependency. Our cash levels are significantly lower to-day than a year ago. For 2021, our three top tech picks are: Better Collective, Carasent and Enea. Brief motivations are provided for these investment cases on page 52.

Technology Market Drivers

In this section we highlight some of the main trends that will shape and disrupt businesses over the next decade and will offer several good investment opportunities. These include areas like Cybersecurity, Gaming and Energy, already USD 100bn+ markets growing at a solid pace. We also look into a few other sectors and themes that are still in more early stages but expected to grow rapidly: Artificial Intelligence, SaaS, Autotech, and 5G.

Gaming

Companies to watch

- *Adverty*
- *Embracer Group*
- *Enad Global 7*
- *G5 Entertainment*
- *Media Games Invest*
- *Nitro Games*
- *Paradox Interactive*
- *Remedy*
- *Rovio*
- *Starbreeze*
- *Stillfront*

The gaming market experienced strong tailwinds on the back of the pandemic in 2020. Mobile gaming saw a massive boost to player engagement and revenue growth. Virtual Reality saw a strong boost as people wanted to experience the world from the confines of their homes. We think the engagement and revenues will stick even after the pandemic, but it will be hard to achieve the growth that was seen in 2020. As mentioned earlier, mobile was the biggest winner from the lockdowns, but low barriers to entry mean low barriers to exit as well. PC and console will have a higher stickiness when it comes to engagement and revenues. Gaming is the largest form of entertainment today and is showing no signs of slowing down.

Virtual Reality

Cheaper and better hardware is driving the adoption rate of VR. Oculus Quest 2 was launched in 2020 and sold five times as many as the original Quest on release. This is paramount as content developers are more incentivized to create games as the installed base of headsets grows. The growing amount of content also drives hardware sales, creating a positive spiral. This was evident by the release of the highly anticipated game Half-Life: Alyx. The first real major AAA-title with a world-class IP that was VR-exclusive. It is estimated that Alyx added nearly one million VR users to Steam, showing the true power of individual game titles and strong IP: s. More AAA-titles from large renowned studios are coming. For example, Ubisoft is developing VR-exclusive Assassins Creed and Splinter Cell games. VR is forecasted to be the fastest-growing segment in gaming in the coming years, growing at a CAGR of 30% between 2020 and 2027.

The metaverse

Games are more than a form of entertainment these days. It is a way to interact and engage with friends and other people. This was, of course, bolstered by the pandemic. Over 10 million people attended Marshmello's virtual concert, and more than 12 million people attended rapper Travis Scott's virtual concert. Both concerts were held in the widely popular game Fortnite. It is a new way of hanging out with friends and to socialize while still enjoying games. Fortnite recently added video chat functionality to the game, further boosting the social interactions that can be had.

Cloud gaming

Cloud gaming is in its cradle but is showing a lot of promise. The highly anticipated game Cyberpunk 2077 was unoptimized and did not run well on older PC and console hardware, and surprisingly the best way to experience the game was on Google Stadia. Google's cloud gaming service is just one of many as Amazon Luna, Xbox Game Pass, and Nvidia Shield all are chomping at the cloud gaming bit. The benefits are apparent, it eliminates the need for costly hardware on-premise and moves it off-premise, and games can be enjoyed cross-platform. It does not matter if you play the game on a phone, tablet, TV, or PC. All that is needed is essentially a screen and a stable and good internet connection. PlayStation 5 and Xbox Series X might be the last console generation we will ever see.

5G is estimated to be a strong driver for cloud gaming as the latency can be as low as one millisecond. Cloud gaming will also benefit VR gaming in a huge way, as the games can be streamed to the headset, eliminating the need for expensive hardware in the VR headset.

Energy

Companies to watch:

- *Aker Carbon Capture*
- *Alelion Energy*
- *Azelio*
- *Climeon*
- *Hexagon Purus*
- *Impact Coatings*
- *NEL*
- *PowerCell*
- *Tesla*
- *Vestas Wind*
- *Zaptec*

Climate change is a top priority for many of the world's countries, which will be a considerable driver for the trends discussed below. Renewables, electrification, and energy storage will benefit as Joe Biden takes office following the American election. It is estimated that capital investments in renewables will overtake investments in oil and gas in 2021, for the first time.

Electrification

Electric Vehicles (EVs) are disrupting the automotive industry. Tesla's market capitalization surpassed the nine largest automakers combined as its shares rose over 690% in 2020. Despite selling a fraction of the volume of cars that they do. Chinese EV makers NIO and BYD saw their shares rise by over 900% and 250%, respectively. The electrification trend will drive innovations and investments within battery technology and infrastructure. Solid-state batteries are the next big leap in battery technology, while dry electrode batteries are the incremental improvement of the current battery technology.

Green Hydrogen

Hydrogen has some benefits and some drawbacks compared to batteries. Batteries weigh a lot more than hydrogen fuel tanks. However, Battery Electric Vehicles (BEV) are more energy-efficient and lose roughly 20% and has an efficiency of 80%, while Fuel Cell Vehicles has an efficiency of 28%. Not an ideal technology when it comes to shorter-range travel from an environmental perspective. But being more lightweight and the faster charging lends it well to long-range transports, like trucks or planes. A combination of fuel cells and batteries will probably be essential to fight carbon emissions in the future.

Renewables

Renewable energy sources like the sun, wind, and geothermal sources are critical to reducing carbon emissions. Extracting energy from a constant source in the environment and converting it to electricity while moving away from fossil fuels is a huge market.

The wind energy market is forecasted to emerge as the largest source of renewable electricity generation by 2025, and wind, solar, PV, and hydro, together are estimated to amount to 80% of the global electricity generation by 2050. This will, of course, require vast amounts of investments. Sweden is the leading country in the EU, with 55% of all electricity coming from renewable sources.

Energy Storage

Electricity generation through renewable sources has grown a lot, but cost-effective storage solutions have not caught up. Generating electricity is one thing, but choosing when to use it is paramount, energy on-demand, reducing grid loads, etc. Different storage solutions are being developed — for example, batteries, thermal storage, and hydrogen. Energy storage will be a trend on both an industrial scale and on a consumer level, with solutions like the Tesla Powerwall.

Cybersecurity

Companies to watch:

- *Advenica*
- *Baffin Bay Networks*
- *BehavioSec*
- *Bredband2*
- *Clavister*
- *Cognosec*
- *COVR*
- *Detectify*
- *Enea*
- *F-Secure*
- *Fingerprint Cards*
- *Freja eID*
- *Omada*
- *PrimeKey*
- *Recorded Future*
- *Unomaly*
- *Yubico*

The COVID-19 pandemic served as a catalyst for the sharp surge in cyber-attacks during 2020. To a large extent, attributed to the mass implementation of remote working. Increased focus on detection and response approaches will continue to dominate organizations' cybersecurity strategy, while business email compromise, exploiting the human factor, is one of the largest threats.

A USD 250bn market in 2023

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 USD 6 trillion in 2021. While cyberattacks are expected to increase in scope, frequency, and intensity, so will demand for cybersecurity products. The global market is already huge, estimated to be valued around USD 250 billion by 2023 – growing at an 11% CAGR. Certain submarkets, however, such as Cloud Security, are expected to see significantly accelerated growth.

COVID-19 creates a heightened cyber-risk environment

The combination of i) heavier reliance on technology and ii) increased disruption of business's IT infrastructures on the back of strict lockdowns were instrumental in creating a heightened cyber-risk environment. Although COVID-19 vaccines are already hitting the market, we expect the remote working trend to become a new normal. Organizations will have to prepare for risks associated with decentralized data infrastructures and multiple access points. Furthermore, the expansion of IoT and 5G rollout will see cyber-attackers compromise entire systems and networks as more devices are connected to the internet.

Continued focus on detection and business email compromise (BEC)

The shift from protection and prevention approaches to detection and response continues to be one of the leading cybersecurity trends. Combining human-guided threat hunting with machine learning capabilities, such as Cloud SIEM (Security Information and Event Management), the industry is hopeful that defense security is finally catching up with its counterparties.

Although BEC is the oldest trick in the book, it continues to be one of the most financially expensive and preferred crimes among cyber-attackers. BEC exploits the human factor, which undeniably is one of the most significant issues for organisations. A downloaded file from a hostile email, resulting in e.g., ransomware, is becoming increasingly expensive for its victims. This trend has continued throughout 2020, exploiting pandemic fears and the remote working trend, and will continue to pose a considerable threat in 2021.

Artificial Intelligence

Companies to watch:

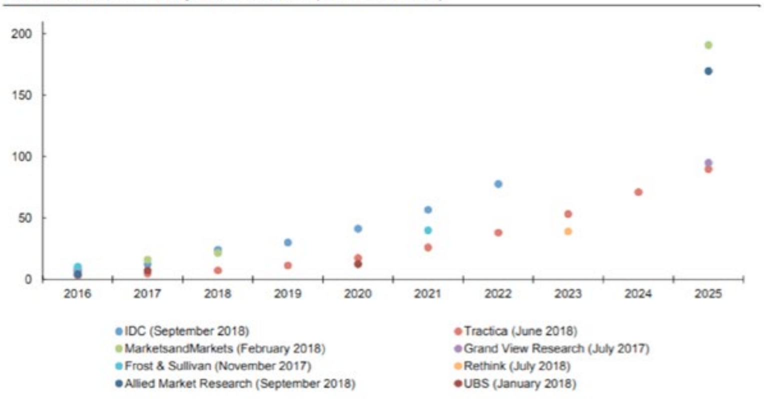
- *Artificial Solutions*
- *Captario*
- *Ericsson*
- *Imagimob*
- *Mycronic*
- *Optomed*
- *Peltarion*
- *Scibase*
- *WASP*

The benefits from automating routine processes through AI became quite evident on the back of the corona crisis. AI will see an increasing number of exciting use cases, nonetheless, in healthcare. BlueDot, a Toronto-based AI start-up, sent out the first COVID-19 warning seven days before the WHO announced the discovery of a novel coronavirus. However, monetization of AI businesses continues to be a struggle, with very few companies reporting in the black.

AI – a broad term comprising several technologies

Worldwide revenue from the AI market is projected to reach as much as USD 190 billion by 2025. Important to note that AI in this context is a term used to describe a variety of technologies. These include machine learning, computer vision, deep learning, and natural language processing, among others. According to Tractica, the largest proportion of revenues come from AI for enterprise applications (B2B services, such as HR, security, communications, legal, marketing, e-commerce).

AI market size/revenue comparisons 2016-2025 (billion U.S. dollars)



Source: Grand View Research; MarketsandMarkets; IDC; Tractica; Frost & Sullivan; Statista; UBS

Healthcare – a giant opportunity

The use of AI and the Internet of Medical Things (IoMT) in healthcare is an attractive proposal to capitalize on the trillions of US dollars spent in the industry each year. Consumer health applications encourage a healthier and proactive lifestyle while allowing healthcare professionals to analyze and understand day-to-day patterns. An example is Apple's tagline for its Series 6 Watch; "the future of healthcare is on your wrist". On a final note, AI is being used to detect diseases, such as cancer, at an earlier stage and significantly higher accuracy than professionals.

Monetization and obstacles looming

The enthusiasm for AI continues to be sky-high, which helps explain why almost a tenth of all new start-ups include an AI angle as part of their business. However, the reality is different; two-fifths of Europe's 2,000 "AI start-ups" do not incorporate AI at all (Financial Times). One of the sector's largest challenges is to go from concept to profits, which very few have managed to date. Data protection laws could represent additional obstacles.

The exception is China, home to SenseTime, the world's most valuable AI company – yet highly controversial on the back of its facial recognition capabilities, among others. Chinese AI companies have i) unlimited access to data and ii) little to no privacy regulations, making it easy to improve algorithms. Even so, SenseTime hasn't managed to turn a profit, nor has its domestic peer Megvii. Monetization will take longer than expected for AI companies, and investors will consequently have to be patient and picky.

Companies to watch:

- *Acconeer*
- *Annotell*
- *Gapwaves*
- *Klimator*
- *Neonode*
- *Smart Eye*
- *Terranet*
- *Veoneer*

Autotech

While the automotive industry was overshadowed by Tesla's share rally in 2020, there are plenty of innovations and trends to look forward to in 2021. These include i) traditional automakers moving into the electric vehicle sector, ii) Apple's move to target car production by 2024 and "next level" battery technology, iii) innovations regarding last-mile delivery robots and iv) implementation of mm-wave technology in automotive radars, expected to boost vehicles' safety systems and self-driving capabilities.

Tesla – the big story of 2020

For investors that missed Tesla's 700% share surge in 2020 but want to gain exposure from the EV sector, there are several investment opportunities. Rideshare apps like Facedrive are expected to benefit significantly from i) the sharing economy and ii) the low fuel and maintenance costs of EVs – which are expected to account for 80% of the shared mobility fleet by 2040 (Bloomberg). Also, several Chinese EV makers and alternative EV SUV makers are establishing in the sector, which will make for an interesting case to follow.

Last-mile delivery robots

Last-mile delivery (LMD) is, in addition to the final stretch in the global supply chain, the most complex and expensive step, accounting for more than 50% of the overall logistic delivery cost (Honeywell). The LMD cost already amounts to around EUR 70bn annually. As a result, significant cost-savings can be made in this field, nonetheless through autonomous vehicles. These include drones, unmanned ground vehicles, and legged robots. Some of the world's largest retail and delivery companies, in addition to start-ups, are competing to develop these mobile robotic units. McKinsey predicts that 80% of LMD vehicles will be autonomous by 2025. Companies like Amazon, which already spend millions of US dollars on optimizing the LMD, are likely to invest generously.

Automotive millimetre wave radar

The features and capabilities of millimetre-wave (mm-wave) technology have certainly piqued the interest from the world's largest automotive manufacturers. Occupying the frequency range from 30-300GHz, mm-waves provide several benefits when incorporated in automotive radars. Active Safety Systems such as self-parking, collision avoidance, blind-spot detection, adaptive cruise control, and lane change assistance improve significantly from the ultra-high frequency, broad bandwidth, and high spatial resolution enabled through mm-wave technology. The global automotive mm-wave radar market is worth USD 8bn in 2020 and is expected to reach USD 37bn in 2026 (MarketWatch). The market is driven by continuous improvements to the cars' safety systems and upgrades to self-driving capabilities.

5G

Companies to watch:

- *Clavister*
- *Enea*
- *Ericsson*
- *Gapwaves*
- *Hexatronic*
- *Huawei*
- *Northstream/Accenture*
- *Sivers Semiconductors*

Reliable connectivity became a core part of our lives in 2020 – remote work, zoom-meetings, and digital collaboration has demanded multilane highways and more bandwidth. Significantly increased usage of phones, smart devices, and IoT sensors demonstrate the value of 5G. Major handset manufacturers release 5G phones at all price-groups – ready to leverage the 5G network deployments.

Internet of things

IoT is a network of physical "things" connected to the internet to enable data to be collected and analyzed. This refers to electronic devices with built-in sensors and physical objects, e.g., buildings or roads with sensors attached. The collected data is then analyzed to generate business insights or processed in real-time to provide inputs for systems. There will be 35bn smart devices online by 2021, and this figure is expected to rise to 75bn by 2025 (Forbes).

As a result of 5G, cloud computing, faster WiFi, improved AI/ML, IoT is expected to expand its presence in our lives and industries. With the ability to either generate or save significant money for most industries, we expect to see increased IoT adoption within healthcare, retail, logistics, and workforce management, no name a few. However, privacy will continue to be one of the primary concerns, and we expect big tech to invest in building consumer confidence around its applications.

Indoor 5G coverage

Around 80% of all mobile calls and data traffic is consumed indoors, either in homes or commercial buildings. Furthermore, indoor usage is set to accelerate going forward. In North America, the average monthly use will increase from 8 GB in 2019 to 45 GB in 2025. While some of the usage will be offloaded by improved and efficient WiFi and Bluetooth, there will be an increased strain on the performance of 5G cellular (Ericsson).

Operators will need to significantly improve and remodel the core of their networks to meet the demands for good indoor coverage. We are expecting to see this in the low, mid, mm-wave frequencies. The inherent problem is that most indoor coverage relies on distributed antenna systems (DAS) – primarily operating on low-band spectrums, which don't cut it in today's 5G world. We expect to see the emergence of "5G-ready" digital distributed radio systems (DRS), which overcome DAS's disadvantages by incorporating technologies such as massive MIMO. We can also expect to see a shift with operators and companies operating private networks, offering or using cellular networks for diverse applications.

Network slicing

Expected to grow exponentially with the implementation of 5G, network slicing provides enterprises with end-to-end ownership of a piece of the 5G network. Carrier networks offer these for specific customer use cases, such as industrial, connected homes, etc. Benefits for enterprises include control, agility, management, security, and optimization of the network.

SaaS and the Cloud

Companies to watch:

- *24SevenOffice*
- *Addnode*
- *Admicom*
- *Bambuser*
- *Briox*
- *Carasent*
- *Efecte*
- *Formpipe*
- *Fortnox*
- *LeadDesk*
- *Lime*
- *Litium*
- *Mercell*
- *Pexip*
- *Upsales*
- *Vertiseit*
- *Vitec*
- *XMReality*
- *ZetaDisplay*

SaaS and Cloud companies provide investors the opportunity to benefit from ongoing secular growth trends, including: Shift from on-premise enterprise infrastructure to the Cloud, Consumerization of IT, and the rise of the subscription economy and investors craving for recurring revenue. Read our market report Software as a Service (SaaS) Report 2020 here: https://s3-eu-west-1.amazonaws.com/rdey-cms-prod/app/uploads/2020/09/software-as-a-service-saas-report-2020.pdf

The BIG one: The shift to the Cloud

The big trend that shapes the Cloud industry is the shift from on-premise software spend to Cloud. This is a secular shift that has been ongoing for many years; however, the transformation is still in the early days within some verticals. The Cloud service, with the most substantial revenue, is the application layer (SaaS).

Global Cloud Service Revenue (bn$)				
Year	'19	'20E	'21E	'22E
BPaaS	45.21	43.44	46.29	49.51
PaaS	37.51	43.50	57.34	72.02
SaaS	102.06	104.67	120.99	140.63
CLd. Mng & sec.	12.84	14.66	16.09	18.39
IaaS	44.46	50.39	64.29	80.98
DaaS	0.62	1.20	1.95	2.54
Total	242.70	257.87	306.95	364.06

Source: Gartner

Consumerization of IT

Another trend affecting the Cloud service industry is the consumerization of IT. That means that the applications used in work more resemble consumer tech products when it comes to usability, UX and UI. This has also led to another buying pattern within organizations as the buy decision many times have become decentralized where the end-user of the product might be the one who decides which service to use.

The rise of subscription economy

In many ways, Cloud technology is the enabler of the subscription economy, but the consumer and user behaviour fuel the rise of subscription even further. The subscription economy is a trend both within B2C and B2B but is extremely apparent within the software market, where a focus has shifted from providing a product to an ongoing service.

Investors and recurring revenue

What can be better than always starting with an almost full bucket every month? Well, according to investors, nothing is better than recurring revenue. **The SaaS pricing model creates i) stability, ii) predictability, iii) high margins, and iv) lower business risk.**

All the above factors are the reason why investors crave recurring revenue companies and price them high. In the early days of SaaS, many market participants did not understand the model, with the argument that it's better to have the money in the bank today than in the future. However, it has become apparent that the Life-time-value is much higher for the same type of service when people or companies pay on a recurring basis over a long time period. If the companies have the right type of structure on their offering, there will also be significant upsell possibilities per client, which can be compared to selling a one-time license to use a software with a small support fee.

M&A in the technology sector

- High M&A activity during 2020, despite the Corona crisis-related drop in H1, both globally and in Redeye's Tech universe. The M&A activity is expected to remain at high levels or increase even further in 2021, as conditions are favorable. Cheap financing, an accelerated digital transformation due to the Corona crisis, and growth ambitions make the conditions for M&A favorable.

- The M&A activity in Redeye's tech universe increased during 2020, both in terms of the number of deals and deal value. The increase was mainly related to gaming companies, but the traditional serial-acquirers kept their M&A activity high. While the Corona crisis caused a slowdown in M&A activity during ate Q1 and Q2, low-interest rates and a stock market rewarding acquired growth fueled the desire to acquire.

Global M&A

According to EY, global M&A has rebounded stronger than expected since July 2020, and the trend is set to continue into 2021. Despite the sharp fall in activity during the first half of 2020, due to the Corona crisis, 2020 ranks fifth in total transactions since 2009 .

EY states that the expected increase in M&A activity comes as 62% of executives believe that their businesses must transform during the next two years. To achieve that, executives look for investments in internet of things, artificial intelligence, and cloud computing. ~65% of the respondents in EY's study mention these three respectively among the most likely investments for the next two years. 52% of executives who acquired digital technologies through M&A state that it exceeded expectations, and according to EY, 2021 is set to see an increase in deals1.

According to PWC, consumers and businesses looking for technology supporting new ways of working and living, resulted in the technology sector being less impacted by the Corona crisis. Thus, tech deal-makers are optimistic, which PWC believes could lead to a record-breaking activity in 2021. PWC mentions SaaS companies as exciting acquisition targets, as many companies are shifting to remote work .

PWC expects the technology sector to continue to attract capital. For example, the record VC funding in Q3 2020 was the second-highest ever after Q4 2018. The trend is expected to continue into 20212.

In its M&A-survey, Westmonroe found a large willingness to acquire high-tech and software companies. However, high multiples, a crowded space, and integration challenges constitute risks .

All in all, most global forecasts seem to expect a high and increasing M&A activity within the technology sector in 2021. Considering the weak first half of 2020, increased activity in 2021, both globally and in Redeye's Tech universe, which we will get back to, seems likely.

[1] EY, Conditions ripe for already resilient M&A activity to accelerate in 2021 and beyond, 2020

[2] PWC, Technology deals insights: 2021 outlook, 2020

[3] Westmonroe, High-Tech M&A Defies the Odds, 2020

M&A in Redeye's universe

M&A activity in Redeye's Tech universe			
Acquirer	**Target**	**Deal Size**	**Earnouts**
Addnode	Unizite	Unknown	Unknown
Addnode	Excitech	GBP 15m	GBP 5m
Addnode	Netpublicator Apps	Unknown	Unknown
Addnode	Scanscto Technology	Unknown	Unknown
Aspire Global	BtoBet	EUR 20m	Yes
Better Collective	Atemi Group	GBP 40m	No
Better Collective	HLTV.org	EUR 26.4m	EUR 8.1m
Bredband2	A3	SEK 622m	No
Carasent	Avans Soma	NOK 125m	No
Christian Berner	Empakk	NOK 30m	NOK 5m
Christian Berner	Alfa Tec Sweden	SEK 8m	SEK 7m
Doro	Eldercare Limited	GBP 2.2m	No
Doro	Victrx SocSan	SEK 14.8m	Yes
Doro	Connexus Careline	GBP 0.615m	No
EG7	Big Blue Bubble	CAD 16m	CAD 60m
EG7	Piranha Games	CAD 31.4m	CAD 63.4m
EG7	Daybreak Game Company	USD 300m	No
Embracer	Saber Interactive	USD 150m	USD 375m
Embracer	4A Games	USD 36m	USD 35m
Embracer	New World Interactive	Unknown	Unknown
Embracer	Deca Games	EUR 25m	EUR 60m
Embracer	Vermila Studios	EUR 0.9m	EUR 2m
Embracer	Rare Earth Games	EUR 0.3m	EUR 3m
Embracer	Palindrome Interactive	EUR 21.5m	EUR 20m
Embracer	Pow Wow Entertainment	Unknown	Unknown
Embracer	Sola Media	EUR 2.3m	No
Embracer	Vertigo Games	EUR 45m	EUR 65m
Embracer	A Thinkinh Ape Entertainment	USD 28m	USD 74m
Embracer	Zen Studios	Unknown	Unknown
Embracer	Snapshot Games	Unknown	Unknown
Embracer	Nimble Giant Entertainment	Unknown	Unknown
Embracer	34BigThings	Unknown	Unknown
Embracer	Mad Head Games	Unknown	Unknown
Embracer	Sandbox Strategies	Unknown	Unknown
Embracer	Purple Lamp Studios	Unknown	Unknown
Embracer	IUGO Mobile Entertainment	Unknown	Unknown
Embracer	Quantic Lab SRL	EUR 5m	No
Embracer	Coffee Stain North	Unknown	Unknown
Embracer	Silent Games	Unknown	Unknown
Embracer	Flying Wild Hog	USD 137.2m	USD 7.1m
Enea	Aptilo	SEK 150m	No
Enlabs	Shogun Group (66.5%)	EUR 0.664m	No
Enlabs	Global Gaming	SEK 450m	No
Evolution Gaming	NetEnt	SEK 19.6bn	No
Formpipe	EFS	GBP 5m	No
Hexatronic	Tech Optics	Unknown	Unknown
Hexatronic	The Light Brigade	Unknown	Unknown
Hexatronic	Baltronic Group	Unknown	Unknown
Hexatronic	Toronics	Unknown	Unknown

M&A activity in Redeye's Tech universe			
Acquirer	**Target**	**Deal Size**	**Earnouts**
KebNi	Satmission	SEK 5.475m	Yes
KebNi	ReQuTech	SEK 8m	SEK 0.8m
Lagercrantz	UNRO, SDP	Unknown	Unknown
Lagercrantz	Direktronik	Unknown	Unknown
Lagercrantz	Sajas Group	Unknown	Unknown
Lagercrantz	VP Metall	Unknown	Unknown
Lagercrantz	Esari	Unknown	Unknown
Lagercrantz	Hovicon International	Unknown	Unknown
M.O.B.A	MMORPG.com	USD 1.25m	No
Proact	Cetus	GBP 7.7m	No
Sdiptech	Hilltip	EUR 16.2m	EUR 6.8m
Sdiptech	Stockholm Radio	Unknown	Unknown
Sdiptech	Alerter Group	Unknown	Unknown
Sdiptech	GAH	GBP 33m	GBP 7m
Speqta	RAHALAITOS	EUR 23.5m	EUR 18.63m
Stillfront	Strom8	USD 300m	USD 100m
Stillfront	Candywater	USD 74.4	USD 120.6m
Stillfront	Nanobit	USD 100m	USD 48m
Stillfront	Everguild	GBP 1.06m	GBP 9.94m
Stillfront	Sandbox Interactive	EUR 130m	Yes
Stillfront	Super Free Games	USD 150m	Yes
Systemair	Tempus Heat	Unknown	Unknown
Vertiseit	InStoreMedia	SEK 3m	SEK 6.6m

Source: Redeye Research

The total number of deals more than doubled compared to last year, and the total deal value increased even more. The significant increase in M&A activity in Redeye's Tech universe was mainly related to frequent and some substantial acquisitions by the gaming companies, especially Embracer and Stillfront. Embracer alone acquired 23 companies during 2020, which is the highest number we have seen, making this report. While many Embracer acquisitions were small, the number includes some really large ones as Saber Interactive.

While the gaming companies dominate the list, the usual suspects, such as Addnode, Lagercrantz, Sdiptech, and Hexatronic, maintained their acquisition activities in line with the levels seen in recent years. Even when adjusting for the surge in gaming M&A, the M&A activity in Redeye's Tech universe increased relative to last year. Thus, for the full year 2020, we cannot see any negative effect from the Corona crisis on the M&A activity. However, many deals were made in early Q1 and Q4, suggesting a lower activity during the economic Corona crisis-peak. The numbers are consistent with the comments from the executives, mentioning a slowdown in M&A activity during the spring.

While the Corona crisis caused uncertainty in late Q1 and Q2, low-interest rates and a stock market that rewards acquired growth continued to make M&A an attractive option for business leaders. As these factors seem to remain into 2021, combined with the ongoing vaccinations, hopefully limiting the threat from Corona, we believe in a high M&A activity within Redeye's Tech universe in 2021 as well.

During 2020, there were two cases where one of the companies in our universe acquired another one. Bredband2 bought A3, making Bredband2 the third-largest consumer fiber-broadband operator in Sweden, after Telia and Telenor. Also, the gambling operator Enlabs acquired Global Gaming.

Nordic Tech IPOs of 2020: A Review

- In 2020, the previous downward trend in tech IPO's during 2019 was significantly broken. The number of companies listed increased to 56, from 28 in 2019, whereas total capital raised increased eightfold to SEK 16.5bn (SEK 2.0bn in 2019).

- The performance of the listed tech companies was strong. 80% of the companies yielded a positive return over the year from their listing date, with a couple of high-performing outliers, putting the average absolute return at 90%. Also, compared to OMX Nordic Small Cap Index, the median excess return was 22%, implying strong relative performance for tech IPOs in 2020.

IPOS COVERED

AIRTHINGS
AKER CARBON CAPTURE
AKER OFFSHORE WIND
AUDITENES
AYFIE GROUP
BILOT
BIOFRIGAS
CADELER
CDON
CIRCHEM
CLOUDBERRY CLEAN ENERGY
CSAM HEALTH GROUP
CYVIZ
DATAPROCES GROUP
DECIDEACT
ELLIPTIC LABORATORIES
ELOP
ENERGY SAVE
EVERFUEL
EXSITEC HOLDING
HEXAGON PURUS
HOUSE OF CONTROL GROUP
HUDDLESTOCK
HUDYA
HYDROGENPRO
IMSYS
INVAJO TECHNOLOGIES
KLIMATOR
LED IBOND
LINK MOBILITY GROUP
LUXBRIGHT
MDUNDO.COM
MEDIA AND GAME INVEST
MELTWATER
MERCELL HOLDING
MONSENSO
NORDIC UNMANNED
NORDNET
OCEAN SUN
PATIENTSKY GROUP
PENNEO
PEXIP HOLDING
PLAY MAGNUS
QUANTAFUEL
RE:NEWCELL
READLY
SCANDINAVIAN BIOGAS
SHAPE ROBOTICS
SIKRI HOLDING
SKITUDE
TECO 2030
THUNDERFUL GROUP
WE ARE SPIN DYE
VOLUE
XPLORA TECHNOLOGIES
ZAPTEC

In 2020, 56 tech companies were listed on the Nordic stock exchanges. 30 companies were listed in Norway, and 17 in Sweden. These numbers can be compared to the 28 tech companies listed in 2019, of which 1 company in Norway, and 23 in Sweden.

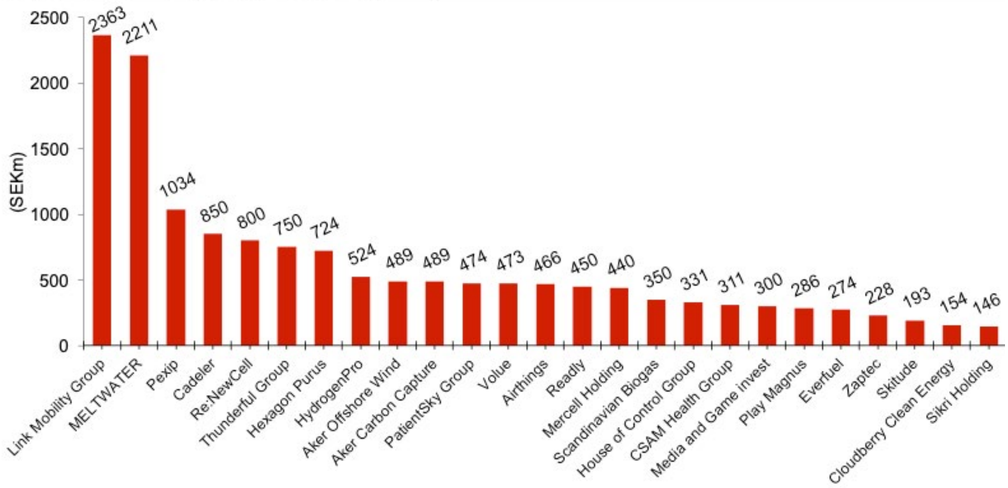
We could also see a very strong increase in IPO activity over the year, with 80% of the IPOs (45 companies) taking place in the second half of the year, relative to the 20% (11 companies) in H1. This increase is likely a result of COVID-19, affecting the capital markets negatively in H1 but recovering greatly in H2 - especially in the tech sector. The largest subgroup among listed companies was software (17 companies), followed by specialty industrial machinery (4 companies).

The sentiment for Nordic tech companies has been very positive in terms of valuation and returns. The Nordic Technology Index rose 58% in 2020, relative to the Nordic Small Cap Index, which rose 30%. The investor appetite for tech companies could be seized rapidly by companies listing on the Euronext Growth market (accounting for 90% of Norwegian company listings in 2020), due to the marketplace's brief listing process, as a result of lower requirements relative to Oslo Axess and Oslo Børs. This could be one reason for the major increase in tech IPOs in Norway with 30 companies listed during 2020 compared to only 1 in 2019.

Capital raised

In total, the capital raised (from share issues in conjunction with the listing) in Nordic tech IPOs amounted to SEK 16.5bn, increasing eightfold relative to the numbers from 2019 (SEK 2.0bn). The average capital raised was SEK 295m (SEK 70m in 2019), whereas the median was SEK 95m (SEK 27m in 2019). Average capital raised was affected by a few large transactions, especially the listing of Link Mobility Group (SEK 2.4bn) and MELTWATER (SEK 2.2bn). We note that 8 transactions raised over SEK 500m, and 22 transactions raised over SEK 200m, whereas, in 2019, there was only 1 tech IPO over SEK 200m.

Capital raised - 25 largest transactions (SEKm)



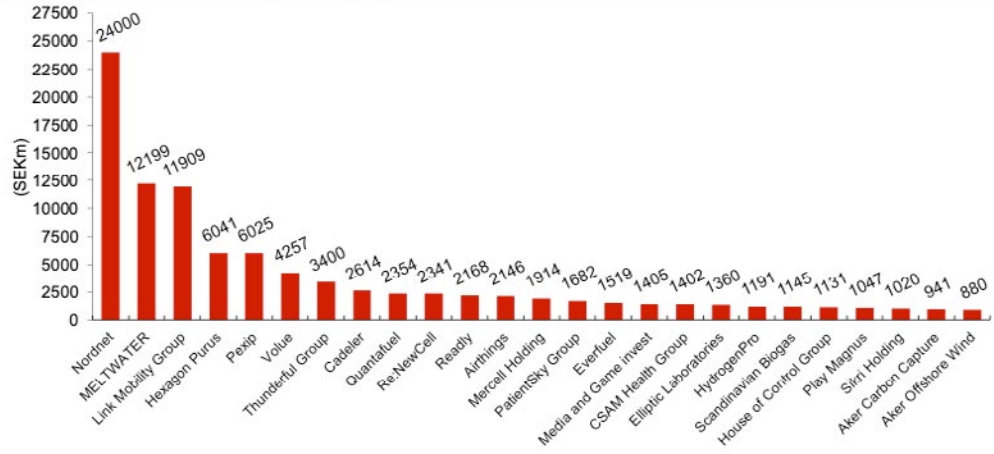
Source: Redeye Research

The largest issues were made by Link Mobility Group (SEK 2.4bn), MELTWATER (SEK 2.2bn), Pexip (SEK 1.0bn), and Cadeler (SEK 850m).

Valuations

The size of the listed companies was much larger compared to in 2019. The average post-money valuation amounted to SEK 1 870m (SEK 339m in 2019), and the median was SEK 565m (SEK 156m in 2019). The primary reason for this deviation is that 23 companies had a valuation above SEK 1bn in 2020, compared to only 1 in 2019.

Post-money valuations - 25 largest listings (SEKm)



Source: Redeye Research

The largest of the listed tech companies, based on post-money valuation, were Nordnet (SEK 24,0bn), MELTWATER (SEK 12.2bn), Link Mobility Group (SEK 11.9bn), and Hexagon Purus (SEK 6.0bn).

Financials

An overview of the 2019 financials tells us that most of the listed companies are early-stage companies. The average revenue is SEK 236m, but the average is biased by a few outliers. The median reported revenue the year before the IPO was SEK 34m. Hence, the median P/S'19 multiple, based on post-money valuation, was 11.1x (8.1x in 2019) if we exclude firms with no revenues.

The average EBIT was SEK -1.5m, whereas the median amounted to SEK -2.8m. The companies also reported an average net income of SEK -13.7m in 2019, with median earnings of SEK -4.2m. We can conclude that the companies listed in 2020 were less profitable in terms of margins compared to the companies listed the year before. During 2019, 36% of the listed companies reported positive EBIT and earnings, compared to 21% this year. Based on post-money valuation, this means that the implied median P/E'19 was 131x (75x in 2019), given that we only include companies that made a profit. These figures further reinstate our view that tech companies have earned higher valuations year over year, which could be an additional explanation of why far more tech companies were listed during 2020 relative to 2019.

Share performance

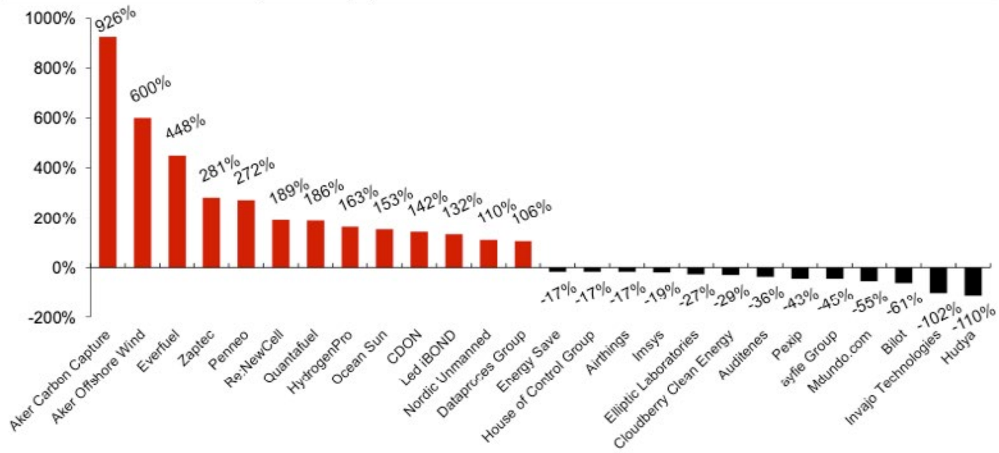
The absolute performance of tech IPO's was far better in 2020 compared to the year before. Also, the relative stock performance compared to OMX Nordic Small Cap Index was strong. This is a clear improvement from the previous year, where tech IPOs have underperformed in relative terms.

The average absolute return of the listed companies was 90% in 2020 from effective listing date to year-end. However, a couple of strong outperformers skewed the average. 80% of the companies generated a positive return if held from the first trading day to the end of the year. We note that 19 companies traded within +/- 20% from the offered price at IPO, at year-end.

The average excess return amounted to 72%, with a median excess return of 22%. Here we use the OMX Nordic Small Cap Index as a benchmark. We conclude that tech IPO's outperformed in relative terms, in contrast to the poor relative performance in 2019 and 2018.

It is well worth mentioning some excess returns could be affected by when listings took place, as equity markets were greatly affected by the COVID-19. For instance, Bilot listed on 17th March and have generated an absolute return of 9%, whilst the relative index has generated an absolute return of 70% since the same date – implying a negative excess return of -61% for Bilot, despite its positive absolute return. For the full year 2020, the OMX Nordic Small Cap Index increased by 29.6%. However, the OMX Nordic Small Cap Index has increased by 72.0% since its year-low on 18th March.

Excess returns - 75th & 25th percentile (%)



The best performing shares in comparison to the benchmark were Aker Carbon Capture (926%), Aker Offshore Wind (600%), Everfuel (448%) and Zaptec (281%). The worst performing shares in comparison to the benchmark were Hudya (-110%), Invajo Technologies (-102%), Bilot (-61%), and Mdundo.com (-55%).

Sources: Bloomberg, Morningstar, Nasdaq, Spotlight, Nordic Growth Market, Euronext, and company documents (financial reports, IPO prospectus, and memorandums).

Market expectations regarding technology companies

- In 2020, we continued to witness strong performance of tech stocks across the board, globally, in Sweden, and in the Nordics. S&P's global tech index was up 41%, compared to 6% for Dow Jones. All in all, the vast majority of the outperformance is driven by multiple expansion.

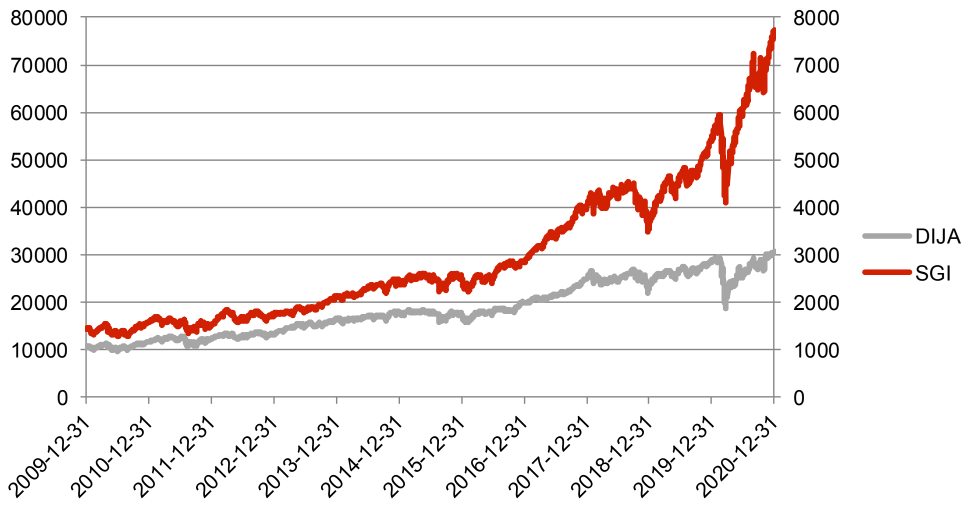
- Nordic and Swedish tech stocks are now valued higher than, or on par, with global tech, for the first time in the history of our tech reports. EV/S multiples have e.g. expanded 3, respectively 2 times faster than for the global peers. This is not without merit. In Nordics, the rolling 12-month EBITDA growth has doubled to 29% since last year, while it decreased by 11% percentage points for global stocks. In Sweden, the reported growth and expected growth also increased in general.

- Software continues to eat the world, and this phenomenon has become more apparent with the Corona crisis. As one would expect, stocks propelled by Corona are in general growing faster and enjoying higher valuations. However, this was not entirely the case for the group of global Corona losers, where fast growers had a higher performance and valuations in line with the Corona winners, despite a significantly lower expected future growth.

In this section, we have investigated the consensus estimates and valuations for the largest listed technology companies globally, as well as in the Nordic region and in Sweden, respectively.

Following a 34% drop in March with the culmination of the Corona Crisis, tech stocks then skyrocketed, as indicated by the graph below that shows the furious progression of the S&P's global tech index (SGI), in comparison to the Dow Jones index (DIJA). SGI returned 41% in 2020, compared to 6% for DIJA.

S&P Global 1200 Information Technology Sector Index vs. DIJA



Source: Redeye Research, Bloomberg

The tech companies in our selection are separated into two groups; more mature companies with sales growth below 10 percent and fast growers with revenues expected to show double digit growth. The selections include 25 technology companies in each region and are, besides market cap size, based on a certain level of advanced technology, i.e. no telecom carriers etc. Typically, we also want to see a steady, high market cap over two years, with the exception of very large IPOs.

We include market cap-weighted means in our tables. However, since a handful of players account for the majority of the total market cap (Spotify & Ericsson in Sweden, and Microsoft, Alphabet, Amazon & Apple on the global list) we use the un-weighted mean when discussing different examples, unless otherwise mentioned.

Global technology companies

In the table below, we list the 25 largest global tech companies, by market cap size. All players from last year remained on the list, the only change being AMD replacing VmWare.

Similar to 2019, the fastest growing companies like Uber, Netflix, Tesla and NVIDIA have the highest valuations, but unlike last year these stocks also performed best. In line with the general trend of growth stocks outperforming value, the stock returns of the maturing tech companies were significantly lower, which is a notable difference from 2019. Four of nine mature companies (IBM, SAP, Intel & Cisco) actually suffered a negative performance.

Unsurprisingly, valuations are a lot higher than last year. EV/S and EV/EBITDA multiples have appreciated by +30% and +50%, respectively, driven by the group of fast growers (over 60% & 35%). While the EBITDA growth is lower than 2019 (23% vs. 32%), we note that the rolling 12-month sales growth of ~14% is in line with last year. Bloomberg consensus also estimates that fast growers can maintain a ~20% sales growth for the coming three years, together with EBITDA margins of about 32%. This is also in line with last year. Thus, one can suspect that the reason for the strong performance of global tech is isolated to multiple expansion.

In essence, all 25 players can be divided into more or less Corona winners (software, platforms and stay-at-home stocks), or Corona losers (e.g. hardware and semiconductors). On average, most Corona winners are fast-growing, younger, software-centric companies, while Corona losers primarily include maturing, older, hardware-centric companies (this is also true for the other regions). Here are a few reflections:

- Valuation multiples are similar in the two groups. The share price increases are also about the same, and actually even higher for the Corona losers, if Tesla is included in this group.
- The average rolling 12-month sales growth for the scalable, software-centric Corona winners was almost twice as high (19% vs. 10%), but the expected future growth is about the same in the two groups.
- The group of fast-growing Corona losers like e.g. Nvidia, AMD and other semicon/hardware players had the strongest growth of all – not only substantially faster than the average Corona winners, but also faster than the fast-growing Corona winners.

Largest Global Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap USD bn	Share pr. 1 yr ch.	P/E 21E	P/E 22E	EV/EBITDA 21E	EV/EBITDA 22E	EV/S 21E	EV/S 22E	CAGR grow. rev. 20-22E	EBITDA avr. 20-22E	Growth R12M EBITDA	Growth R12M Sales
Group 1: Fast growers (10 % or more)													
MICROSOFT	Applications Software	1682	40%	30	26	20	17	9.2	8.2	12%	46%	19%	13%
AMAZON	E-Commerce/Products	1634	74%	55	41	24	20	3.7	3.1	18%	15%	31%	31%
ALPHABET	Web Portals/ISP	1185	29%	26	22	14	12	6.0	5.1	19%	43%	11%	11%
FACEBOOK	Internet Content-Entmnt	778	31%	24	21	14	12	7.0	5.9	22%	50%	25%	19%
TENCENT	Internet Content-Info/Ne	698	47%	30	25	22	18	7.8	6.5	22%	36%	33%	27%
TESLA	Auto-Cars/Light Trucks	669	696%		122	82	62	14.5	11.1	40%	19%	90%	15%
ALIBABA	E-Commerce/Products	630	7%	19	15	14	12	4.1	3.4	25%	29%	18%	31%
TSMC	Semicon Compo-Intg Circu	486	56%	25	22	13	12	8.9	8.0	12%	67%	28%	24%
SAMSUNG	Electronic Compo-Semicon	445	46%	15	12	5	4	1.5	1.4	10%	30%	10%	2%
NVIDIA	Electronic Compo-Semicon	323	121%	45	38	41	36	16.2	14.2	17%	39%	96%	48%
PAYPAL	Commercial Serv-Finance	274	115%	52	42	37	32	10.6	8.9	19%	28%	25%	19%
ADOBE	Electronic Forms	240	51%	38	32	28	24	13.8	12.1	14%	50%	22%	15%
NETFLIX	Internet Content-Entmnt	239	66%	56	43	39	30	8.4	7.2	17%	22%	64%	26%
SALESFORCE	Enterprise Software/Serv	204	34%	63	52	29	25	7.9	6.7	19%	28%	35%	28%
AMD	Electronic Compo-Semicon	110	89%	51	38	42	30	9.1	7.7	22%	22%		44%
UBER	E-Commerce/Services	94	63%				72	5.9	4.4	40%	-7%	50%	-1%
Weigthed mean: group 1		**994**	**95%**	**32**	**34**	**25**	**21**	**7.6**	**6.4**	**19%**	**35%**	**31%**	**21%**
Mean: group 1		**606**	**98%**	**38**	**37**	**28**	**26**	**8.4**	**7.1**	**21%**	**32%**	**37%**	**22%**
Median: group 1		**465**	**53%**	**34**	**32**	**24**	**22**	**8.2**	**6.9**	**19%**	**30%**	**28%**	**22%**
Group 2: Maturing companies (less than 10 % growth)													
APPLE	Computers	2256	78%	31	28	23	22	6.6	6.2	6%	29%	3%	6%
INTEL	Electronic Compo-Semicon	204	-17%	11	10	7	6	3.1	3.1	-2%	47%	15%	11%
ORACLE	Enterprise Software/Serv	190	20%	14	13	11	10	5.4	5.2	3%	51%	6%	0%
CISCO	Networking Products	189	-6%	13	13	10	10	3.4	3.4	3%	36%	-7%	-8%
BROADCOM	Electronic Compo-Semicon	178	39%	16	14	13	12	7.9	7.4	5%	60%	19%	6%
QUALCOMM	Semicon Compo-Intg Circu	172	75%	19	19	15	17	5.5	5.3	5%	35%	-14%	-3%
SAP	Enterprise Software/Serv	161	-11%	22	21	16	15	5.1	5.0	2%	33%	22%	3%
TEXAS INSTRUMENTS	Electronic Compo-Semicon	151	28%	27	24	21	19	10.0	9.3	8%	48%	-10%	-7%
IBM	Computer Services	112	-6%	11	10	9	9	2.2	2.2	2%	23%	-9%	-3%
Weigthed mean: group 2		**1474**	**55%**	**25**	**24**	**19**	**18**	**6.1**	**5.8**	**5%**	**34%**	**3%**	**4%**
Mean: group 2		**402**	**22%**	**18**	**17**	**14**	**13**	**5.5**	**5.2**	**4%**	**40%**	**3%**	**1%**
Median: group 2		**178**	**20%**	**16**	**14**	**13**	**12**	**5.4**	**5.2**	**3%**	**36%**	**3%**	**0%**
Weighted mean (total)		**1124**	**84%**	**30**	**31**	**23**	**20**	**7.2**	**6.3**	**15%**	**35%**	**23%**	**16%**
Mean (total)		**532**	**71%**	**28**	**28**	**22**	**21**	**7.4**	**6.4**	**14%**	**35%**	**23%**	**14%**
Median (total)		**240**	**46%**	**25**	**22**	**16**	**17**	**7.0**	**6.2**	**14%**	**35%**	**19%**	**13%**

Source: Redeye Research, Bloomberg

Nordic technology companies

Compared to when we started writing our annual tech reports a few years ago, several larger, Nordic tech companies (with market caps of multiple SEK billions) outside Sweden have emerged in our screens. In the 2021 list (see below), we therefore switch defense industry players Saab and Kongsberg to more appropriate and tech-centric (albeit smaller) firms like Admicom and newly listed Pexip. There were several other good candidates as well, such as Rovio, Remedy, Link Mobility and F-Secure. If the strong Nordic trend continues, we will likely be able to make a list of Danish, Norwegian and Finish companies, excluding Sweden, for the 2022 version (something that would not have been possible just a few years ago).

The blank spaces in some parts of the Nordic table (and in the Swedish table further below) are related to unavailable data and correction for outliers.

For the third year in a row, Nordic tech stocks grossly outperformed their global peers (~100% vs ~70%), despite Tesla returning about 700%. While the deviation is likely related to the law of large numbers, it is still impressive as the global list features the best of the best.

Following the strong performance and over three times higher multiple expansion on the sales multiples compared to global firms, Nordic stocks are now, for the first time in the history of our tech reports, valued at the same EV/S multiples as their global counterparties. Average P/E multiples are now higher than the global peers, on the back of a 50% higher P/E expansion, but lower looking at the market cap weighted mean (where e.g. Amazon and Ericsson represent a major part of each region).

The average rolling 12-month sales growth is faster for Nordic companies than for global peers, at about 20% vs 14%. This is also the expected future growth rates in these two regions. This is a continuation of last year's trend. In 2019, the expected growth in the two regions was about the same, and in 2018 it was significantly faster for global tech companies. We will summarize our comparison of the three different regions further below.

The Nordic top 25 tech companies, by market cap, are scattered within a variety of different subsectors (see the table above). Several of the iGaming players that were on the list for the previous versions of this report have seen their market caps become decimated. Thus, it is unfortunately not possible to compare Nordic subsectors, but similar to the global list, we can look at Corona winners and losers.

Unlike global tech, Nordic Corona winners look more in line with what we would have expected, with significantly better stock performance (153% vs. 66%), higher trailing 12-month sales growth (20% vs. 14%) and better future growth (19% vs. 12%).

Largest Nordic Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap SEK bn	Share pr. 1 yr ch.	P/E 21E	P/E 22E	EV/EBITDA 21E	EV/EBITDA 22E	EV/S 21E	EV/S 22E	CAGR grow. rev. 20-22E	EBITDA avr. 20-22E	Growth R12M EBITDA	Growth R12M Sales
Group 1: Fast growers (10 % or more)													
SPOTIFY	Internet Content-Entmnt	490	106%					4.9	4.1	12%	46%	19%	13%
EVOLUTION (GAMING)	Gambling (Non-Hotel)	177	189%	41	34	38	32	23.7	20.0	18%	15%	31%	31%
ADEVINTA	Internet Content-Info/Ne	95	33%	61	44	22	18	7.4	6.5	19%	43%	11%	11%
EMBRACER	Entertainment Software	83	181%	31	27	16	14	6.9	6.5	22%	50%	25%	19%
SINCH	Communications Software	79	352%	86	69	54	43	5.9	5.1	22%	36%	33%	27%
NETCOMPANY	Computer Services	42	99%	46	37	34	28	9.4	8.0	40%	19%	90%	15%
KAHOOT!	Applications Software	41	339%		144					25%	29%	18%	31%
STILLFRONT	Entertainment Software	35	173%	26	23	15	13	6.3	5.5	12%	67%	28%	24%
FORTNOX	Applications Software	28	175%	111	87	70	57	31.9	26.0	10%	30%	10%	2%
PARADOX INTERACTIVE	Entertainment Software	27	68%	38	35	19	18	12.0	11.0	17%	39%	96%	48%
NORDIC SEMICONDUCTOR	Electronic Compo-Semicon	26	145%	58	38	29	22	5.7	4.5	19%	28%	25%	19%
VEONEER	Auto/Trk Prts&Equip-Orig	20	26%					1.1	0.9	14%	50%	22%	15%
QT GROUP	Computer Services	14	196%	88	58	64	43	15.0	12.1	17%	22%	64%	26%
CRAYON	Applications Software	10	130%	42	33	20	17	0.4	0.4	19%	28%	35%	28%
ADMICOM	Enterprise Software/Serv	7	105%	59	47	46	37	24.6	19.9	22%	22%		44%
PEXIP	Telecommunication Equip	6						6.1	4.4	40%	-7%	50%	-1%
Weighted mean: group 1		**256**	**147%**	**28**	**28**	**17**	**13**	**9.0**	**7.7**	**27%**	**22%**	**22%**	**24%**
Mean: group 1		**74**	**157%**	**58**	**53**	**28**	**18**	**10.8**	**9.0**	**30%**	**26%**	**59%**	**35%**
Median: group 1		**31**	**150%**	**53**	**39**	**26**	**20**	**7.0**	**6.4**	**25%**	**25%**	**46%**	**38%**
Group 2: Maturing companies (less than 10 % growth)													
ERICSSON	Telecommunication Equip	336	21%	17	14	8	8	1.3	1.2	4%	15%		2%
HEXAGON	Machinery-General Indust	280	45%	31	29	20	19	7.3	6.9	7%	36%	-6%	-3%
NOKIA	Wireless Equipment	182	-8%	15	12	7	6	0.8	0.7	1%	12%	37%	-5%
SIMCORP	Transactional Software	51	22%	46	40	31	29	10.0	9.2	10%	31%		-4%
TIETOEVRY	Computer Services	32	-4%	12	11	8	8	1.5	1.4	2%	17%	33%	62%
MYCRONIC	Lasers-Syst/Components	25	35%	29	29	20	19	5.5	5.3	7%	28%		-3%
ATEA	E-Services/Consulting	18	-4%	19	17	9	8	0.4	0.3	4%	4%	10%	4%
VAISALA	Electronic Measur Instr	15	22%	37	35	21	21	3.9	3.7	3%	18%	19%	-1%
BETSSON	Gambling (Non-Hotel)	11	84%	10	12	7	8	1.6	1.5	9%	22%	1%	11%
Weigthed mean: group 2		**242**	**22%**	**23**	**20**	**13**	**12**	**3.6**	**3.4**	**5%**	**22%**	**7%**	**1%**
Mean: group 2		**105**	**24%**	**24**	**22**	**15**	**14**	**3.6**	**3.4**	**5%**	**20%**	**16%**	**7%**
Median: group 2		**32**	**22%**	**19**	**17**	**9**	**8**	**1.6**	**1.5**	**4%**	**18%**	**15%**	**-2%**
Weighted mean (total)		**249**	**92%**	**26**	**24**	**16**	**13**	**6.6**	**5.7**	**17%**	**22%**	**19%**	**14%**
Mean (total)		**85**	**103%**	**36**	**35**	**21**	**15**	**7.8**	**6.6**	**21%**	**24%**	**29%**	**20%**
Median (total)		**32**	**84%**	**31**	**34**	**20**	**17**	**6.1**	**5.3**	**18%**	**24%**	**21%**	**11%**

Source: Redeye Research, Bloomberg

Swedish technology companies (and companies listed in Sweden)

The only change in our Swedish list of names (see below) is Lime replacing Net Entertainment that has been acquired by Evolution.
Similar to the Nordic peers, Swedish companies are now valued at the same EV/S and EV/EBITDA multiples as global tech companies, and higher on P/E. The EV/S multiple expansion of about 70% is more than twice as high as for global tech.

Swedish Corona winners have higher earnings multiples and expected growth, following a significantly better performance than Corona losers (125% vs 49%). These groups have basically the same gap in expected growth as the Nordic peers (19% vs 13%). However, looking at rolling 12-month figures, the Corona winners are growing sales and EBITDA significantly faster - 38% and 26% vs. 8% and 2% (N.B. adjusted for extreme outliers).

Largest Swedish Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap SEK bn	Share pr. 1 yr ch.	P/E 21E	P/E 22E	EV/EBITDA 21E	EV/EBITDA 22E	EV/S 21E	EV/S 22E	CAGR grow. rev. 20-22E	EBITDA avr. 20-22E	Growth R12M EBITDA	Growth R12M Sales
Group 1: Fast growers (10 % or more)													
SPOTIFY	Internet Content-Entmnt	490	106%					4.9	4.1	21%	0%		18%
EVOLUTION (GAMING)	Gambling (Non-Hotel)	177	189%	41	34	38	32	23.7	20.0	25%	61%	84%	48%
EMBRACER	Entertainment Software	83	181%	31	27	16	14	6.9	6.5	16%	43%		
SINCH	Communications Software	79	352%	86	69	54	43	5.9	5.1	40%	11%	46%	41%
STILLFRONT	Entertainment Software	35	173%	26	23	15	13	6.3	5.5	25%	42%	95%	94%
FORTNOX	Applications Software	28	175%	111	87	70	57	31.9	26.0	23%	45%	55%	36%
PARADOX INTERACTIVE	Entertainment Software	27	68%	38	35	19	18	12.0	11.0	15%	62%	59%	40%
VEONEER	Auto/Trk Prts&Equip-Orig	20	26%			-12	-67	1.1	0.9	27%	-9%	21%	-31%
KINDRED	Internet Gambling	19	40%	12	15	8	8	1.4	1.2	12%	18%	24%	8%
STORYTEL	Publishing-Books	17	74%				94	5.2	4.2	25%	1%	47%	31%
HMS NETWORKS	Networking Products	12	46%	52	46	29	26	7.2	6.6	14%	25%	13%	-8%
KAMBI	Internet Gambling	12	190%	38	40	19	19	8.2	7.8	18%	40%	30%	12%
INVISIO	Wireless Equipment	11	112%	65	49	47	35	14.7	12.0	27%	30%	57%	37%
VITEC	E-Services/Consulting	11	79%	50	44	24	22	8.3	7.5	10%	34%	21%	9%
MTG	Cable/Satellite TV	10	32%	66	35	12	9	1.9	1.6	23%	14%	-37%	0%
TOBII	Computers-Peripher Equip	6	44%		56	27	17	3.6	3.0	16%	13%		0%
LIME	Enterprise Software/Serv	5	173%	66	55	42	36	13.8	12.0	16%	34%	66%	19%
ENEA	Communications Software	4	3%		16	12	10	4.1	3.7	12%	36%	-21%	-7%
Weighted mean: group 1		**277**	**144%**	**24**	**20**	**16**	**14**	**9.4**	**8.0**	**23%**	**21%**	**27%**	**26%**
Mean: group 1		**58**	**115%**	**53**	**42**	**26**	**23**	**8.9**	**7.7**	**20%**	**28%**	**37%**	**20%**
Median: group 1		**18**	**93%**	**50**	**40**	**22**	**19**	**6.6**	**6.0**	**19%**	**32%**	**46%**	**18%**
Group 2: Maturing companies (less than 10 % growth)													
ERICSSON	Networking Products	328	18%	16	14	8	8	1.2	1.2	4%	15%		2%
HEXAGON	Machinery-General Indust	276	42%	31	28	20	18	7.2	6.8	7%	36%	-6%	-3%
MYCRONIC	Lasers-Syst/Components	24	32%	28	28	19	18	5.3	5.1	7%	28%		-3%
BETSSON	Gambling (Non-Hotel)	11	78%	10	11	7	8	1.6	1.5	9%	22%	1%	11%
ADDNODE	E-Marketing/Info	10	53%	28	27	19	18	2.4	2.3	4%	12%	9%	14%
KARNOV	Consulting Services	6	10%	24	22	18	17	8.0	7.7	6%	44%	20%	6%
FINGERPRINT CARDS	Identification Sys/Dev	5	-9%			45	50	4.3	4.2	1%	7%	-68%	-16%
Weigthed mean: group 2		**280**	**30%**	**23**	**21**	**14**	**13**	**4.0**	**3.8**	**5%**	**24%**	**-3%**	**0%**
Mean: group 2		**94**	**32%**	**23**	**22**	**19**	**20**	**4.3**	**4.1**	**5%**	**23%**	**5%**	**6%**
Median: group 2		**11**	**32%**	**26**	**24**	**19**	**18**	**4.3**	**4.2**	**6%**	**22%**	**9%**	**6%**
Weighted mean (total)		**278**	**100%**	**24**	**20**	**15**	**14**	**7.3**	**6.4**	**16%**	**22%**	**16%**	**16%**
Mean (total)		**68**	**92%**	**33**	**30**	**22**	**21**	**7.6**	**6.7**	**16%**	**27%**	**21%**	**15%**
Median (total)		**17**	**68%**	**31**	**28**	**19**	**18**	**5.9**	**5.1**	**16%**	**25%**	**0%**	**9%**

Source: Redeye Research, Bloomberg

Regional comparisons & concluding remarks

Comparing and summarizing the three tables above we first note that stocks in all regions had a strong performance, but Nordic and Swedish stocks outperformed the global peers significantly (see the table below). Overall, the earnings multiples are also higher here or on par, compared to global tech.

Average Valuation Multiples & Share Performance Per Region

Region	Share pr.	P/E		EV/EBITDA		EV/S	
	1 yr ch.	21E	22E	21E	22E	21E	22E
Leading Global Tech Companies	**71%**	**27.6**	**28.1**	**22.0**	**21.4**	**7.4**	**6.4**
Fast growers	98%	37.7	36.6	28.4	26.0	8.4	7.1
Maturing companies	22%	18.2	16.9	13.7	13.3	5.5	5.2
Leading Nordic Tech Companies	**103%**	**36.5**	**35.4**	**21.0**	**15.1**	**7.8**	**6.6**
Fast growers	157%	58.0	52.8	28.1	18.2	10.8	9.0
Maturing companies	24%	24.0	22.0	14.6	13.8	3.6	3.4
Leading Swedish Tech Companies	**92%**	**32.8**	**30.5**	**22.2**	**20.9**	**7.6**	**6.7**
Fast growers	115%	52.6	42.1	26.2	22.7	8.9	7.7
Maturing companies	32%	22.8	21.7	19.5	19.6	4.3	4.1

Source: Redeye Research, Bloomberg

Most notably all EV/S multiples are on the same levels, for the first time in the history of our tech reports, as Nordic and Swedish EV/S multiples increased by over 100% and 70%, compared to 33% for global stocks (see the table below). We also note that P/E multiples in Sweden and the Nordics on average are more than 40-50% higher than last year.

Changes From last year in Average Valuation Multiples						
	P/E		EV/EBITDA		EV/S	
Region	21E (%)	22E (%)	21E (%)	22E (%)	21E (%)	22E (%)
Leading Global Tech Companies	**6%**	**37%**	**47%**	**57%**	**34%**	**32%**
Fast growers	11%	43%	66%	58%	37%	35%
Maturing companies	15%	18%	22%	27%	24%	24%
Leading Nordic Tech Companies	**53%**	**54%**	**48%**	**8%**	**120%**	**111%**
Fast growers	84%	77%	62%	8%	156%	149%
Maturing companies	6%	12%	10%	14%	17%	18%
Leading Swedish Tech Companies	**65%**	**31%**	**63%**	**93%**	**71%**	**70%**
Fast growers	80%	27%	97%	156%	81%	82%
Maturing companies	0%	7%	26%	33%	15%	16%

Source: Redeye Research, Bloomberg

The most interesting and relevant (albeit most difficult) question is, of course, if the increased valuations are somehow justified or supported by fundamentals, as multiple expansion with e.g. strong growth or improved profitability is arguably better and more sustainable than the opposite.

For global tech stocks, the reported and expected sales growth is in line with last year, but the rolling 12-month EBITDA growth is down from 32% to 23%. In Nordics, the reported EBITDA growth has instead almost doubled from 15% to 29%, and sales are also up from 14% to 20%. Thus, there is an accelerating growth supporting the higher valuations, which in our view can justify the catching up of Nordic valuations. It also resonates with what we wrote last year about Nordic stocks having more robust valuations, supported by improved fundamentals. In Sweden, the rolling 12-month EBITDA growth improved by five percentage points to 21%. However, the reported sales growth came down from 19% to 15%. Nevertheless, the expectations on future Swedish sales growth increased from 13% to 16%, i.e. the hopes for the future are a bit higher than last year, although there is not yet any supporting evidence in the reported growth.

Redeye Screening

- In our screening, we present four different strategies that combine our Redeye Rating, valuation range, and financial projections in a variety of ways to generate unique output. The strategies are Growth At a Reasonable Price (GARP), Deep Value, Growth Junkies and Jockey Stocks.

- Screening should not be viewed as a portfolio suggestion, but instead as a smart way to narrow down the "research subjects." Qualitative factors and timing must also be taken into account. Redeye focuses on key catalysts for timing and risk limitation. Catalysts are defined as triggers that are likely to materialize in the near future with an impact on the share price. Our screenings do not "capture" these possible catalytical events and must be evaluated case by case, which we do in our portfolio of top picks.

- Our three top picks for 2021; Better Collective, Carasent and Enea all occurred in our screenings. Most notably in the GARP strategy, which has been the strongest performing category of shares in the last few years.

Review of last year's screen output

In this chapter, we include last year's screen output and the return of those stocks during 2020. In the table below, we cover the top 10 companies in each strategy that we presented in last year's tech-report. On average, every strategy showed a significant performance in the range of +83% up to +154% on average. Well above the overall market performance (OMXS30 +6%), and also outperforming more comparable index's as OMX Stockholm Technology around 55%. The best performance was, just like in 2017, 2018 and 2019 seen in the GARP strategy where digital companies made a strong contribution. Growth Junkies stocks came in second, followed by Jockey Stocks and Deep Value.

Stock return of screen output during 2020

GARP	Return	Deep Value	Return	Growth junkies	Return	Jockey Stocks	Return
Invisio	138%	Embracer	178%	Fortnox	172%	Aspire Global	35%
Fortnox	172%	Better Collective	93%	Enlabs	59%	Image Systems	-9%
Embracer	178%	A3	Acquired	Funcom	Acquired	G5 Entertainment	300%
Hexatronic	-4%	Opus Group	Acquired	Flexion Mobile	186%	Clavister	-58%
Better Collective	93%	Image Systems	-9%	Smart Eye	84%	Smart Eye	84%
Enlabs	59%	Aspire Global	35%	Evolution	196%	Flexion Mobile	186%
Sdiptech	207%	Strax	-2%	Neonode	244%	Fortnox	172%
G5 Entertainment	300%	Imint	131%	Clavister	-58%	Atari	27%
Funcom	Acquired	Doro	-8%	Westpay	-7%	Bredband2	59%
Remedy	240%	Neonode	244%	I-Tech	23%	Better Collective	93%
Average return	**154%**		**83%**		**100%**		**89%**

Source: Redeye Research

Our universe of companies

The screens are based on the 68 tech companies that currently exist in the Redeye Universe. Redeye has full research coverage of these companies where we present quarterly research updates, more extended analysis, ongoing comments, investment thesis, valuation range, company ratings, and more.

Tech companies in Redeye Universe

		Valuation range			Redeye Rating		
Company	**Share price**	**Bear-case**	**Base-case**	**Bull-case**	**People**	**Business**	**Financials**
Acconeer	24.8	18.0	33.0	60.0	3	2	2
Addnode Group	290.5	87.0	167.0	237.0	5	5	4
Adverty	13.6	0.0	12.0	28.0	3	3	2
Alelion Energy Systems	0.8	0.1	0.6	2.8	4	2	1
Artificial Solutions	12.0	2.5	17.0	38.0	4	3	1
Aspire Global	41.3	24.0	55.0	80.0	4	3	3
Atari	0.3	2.0	4.0	6.0	4	4	2
Avtech	1.0	0.8	1.7	5.0	3	3	2
aXichem	50.4	25.0	55.0	140.0	4	3	1
Azelio	59.1	10.0	30.0	45.0	4	3	1
Bambuser	17.4	5.0	12.0	22.0	3	3	2
Beijer Electronics	42.1	29.0	44.0	65.0	4	4	3
Better Collective	158.5	95.0	190.0	300.0	5	4	3
BIMobject	14.1	9.0	17.0	26.0	4	5	2
Bredband2	2.1	1.0	1.8	2.8	5	4	4
Carasent	36.0	111.0	200.0	235.0	5	5	3
Christian Berner Tech Trade	26.9	19.0	31.0	38.0	4	4	3
Clavister	7.4	8.0	18.0	46.0	4	3	2
Doro	48.0	38.0	57.0	84.0	3	3	3
EG7	120.5	21.0	46.0	100.0	4	3	2
Embracer Group	199.3	130.0	250.0	300.0	5	4	4
Enea	198.8	130.0	217.0	253.0	5	5	3
Enlabs	38.8	22.0	40.0	65.0	4	4	4
Ericsson	99.5	85.0	105.0	115.0	4	4	4
Fingerprint Cards	18.7	7.0	13.0	25.0	3	2	2
Flexion Mobile	22.6	9.0	27.0	43.0	4	3	2
Formpipe Software	30.0	16.0	27.0	36.0	4	5	3
Fortnox	439.5	148.0	303.0	419.0	4	5	5
G5 Entertainment	425.0	200.0	420.0	690.0	4	3	4
Gaming Innovation Group	12.4	5.0	12.0	21.0	3	3	2
Gapwaves	57.1	12.0	33.0	55.0	4	3	2
Hanza Holding	14.2	11.0	19.0	31.0	5	3	3
Heliospectra	2.4	2.0	7.0	12.0	3	3	2
Hexatronic	78.1	30.0	73.0	120.0	5	4	3
Image Systems	1.4	0.8	1.5	3.0	4	4	2

Tech companies in Redeye Universe

		Valuation range			Redeye Rating		
Company	Share price	Bear-case	Base-case	Bull-case	People	Business	Financials
Image Systems	1.4	0.8	1.5	3.0	4	4	2
Imint	24.0	7.0	11.0	21.0	4	3	3
Impact Coatings	24.3	4.0	14.0	35.0	4	2	2
Invisio	250.0	97.0	190.0	292.0	4	5	5
I-Tech	85.0	40.0	80.0	140.0	4	3	2
Jondetech	9.7	3.0	7.0	30.0	2	1	1
KebNi	1.4	1.2	2.0	3.5	3	4	2
Lagercrantz	76.0	50.0	64.0	80.0	5	5	4
M.O.B.A. Network	195.0	120.0	215.0	320.0	3	4	4
Mycronic	251.6	67.0	168.0	220.0	4	4	4
Neonode	7.0	3.0	8.0	18.0	4	3	2
Nitro Games	10.4	5.0	12.0	34.0	4	3	1
Northbaze Group	0.7	0.3	0.5	1.2	3	2	2
OXE Marine	1.6	0.5	1.3	3.5	3	3	1
Paynova	14.5	8.0	20.0	36.0	4	3	1
PiezoMotor	28.8	15.0	40.0	80.0	4	4	2
Powercell	341.2	70.0	195.0	330.0	4	3	3
Proact IT Group	270.0	127.0	193.0	250.0	4	5	4
Remedy	38.5	13.0	28.0	50.0	4	4	3
Sdiptech	228.0	100.0	235.0	350.0	5	5	4
Sensys Gatso Group	1.7	1.0	2.2	3.4	4	4	2
Sivers Semiconductors	33.5	11.0	32.0	45.0	5	4	2
Smart Eye	218.5	100.0	241.0	285.0	5	4	2
Speqta	4.5	3.0	8.0	15.0	4	3	2
Stillfront	1026.0	500.0	750.0	950.0	5	4	4
Strax	4.2	3.0	5.0	10.0	4	3	2
Systemair	260.5	140.0	200.0	260.0	4	4	4
TagMaster	1.1	0.8	1.2	1.9	4	3	2
Vertiseit	15.5	15.0	23.0	35.0	5	4	3
Waystream	16.7	9.0	17.0	24.0	4	3	2
Westpay	2.7	1.6	3.5	6.0	4	3	1
XMReality	7.2	3.0	7.0	10.0	4	3	2
ZetaDisplay	15.2	14.0	25.0	37.0	4	4	2
Zwipe	18.5	6.0	24.0	35.0	3	3	1

Source: Redeye research

The screening

Screening is one of the most valuable tools for investors to generate investment ideas. At Redeye, we believe investors have to look further than just reported numbers and classic valuation multiples. We put significant emphasis on quality factors like; management skill, ownership by insiders, competitive position, growth opportunities and more. All these quality factors can be understood throughout our proprietary Redeye Rating (see Appendix: Research & Rating). Besides the quality judgment of companies, an investor also needs to know what the current valuation levels imply about the prospects of the business in question. Our screening combines our proprietary Redeye Rating, financial forecasts, and Valuation Range. We here present four different strategies that combine these three elements in a variety of ways to generate unique outputs. The strategies, as explained earlier, are Growth At a Reasonable Price (GARP), Deep Value, Growth Junkies and Jockey Stock's all of which are explained below.

GARP

The GARP strategy is a combination of both value and growth investing: it looks for companies that are somewhat undervalued and have solid and sustainable growth potential. At Redeye we believe a reasonable price is a price that is below our Base-case valuation. The Base-case value is determined by a relatively likely scenario modeled by our analyst. The valuation is based on the expected Free Cash Flow (FCF) for the next ten years, discounted at a WACC derived by our Redeye Rating, usually between 9-15%. In this strategy, we want the growth to be high, but not too high, for the next few years, looking at companies that are expected to grow at a CAGR of 10-45% for the next three years. After the first criteria of a low price and projected high growth, we will rank the output and choose the top companies based on their average Redeye Rating.

Criteria: Price < Base-case and sales CAGR of 10-45% for the coming three years.
Ranking: Average Redeye Ranking

GARP screen output

Company	Criteria parameter 3 year forward CAGR	Distance to Base	Ranking parameter Redeye rating	Screen Rank
Sdiptech	19%	3%	4.7	1
Embracer	23%	25%	4.3	2
Carasent	23%	11%	4.3	3
Enea	15%	9%	4.3	4
Better Collective	38%	20%	4	5
Vertiset	18%	49%	4	6
Smart Eye	117%	10%	3.7	7
BIMobject	28%	21%	3.7	8
PiezoMotor	78%	39%	3.3	9
Sensys Gatso Group	17%	32%	3.3	10

Source: Redeye Research

Deep value

Value investing is about buying a stock for substantially less than what the company is worth (i.e., its intrinsic value). Deep value investing seeks to purchase shares at an even more significant discount to their intrinsic value.

Value investors assert that “Mr. Market” often inefficiently prices stocks in the short-term for various reasons (e.g., forced stock sales, bad publicity, lack of analyst coverage, etc.). Once disciplined value investors have performed the required fundamental analysis of the business, given to you by our analysts, they will arrive at an estimate of the “intrinsic value” of the stock. This intrinsic value is then compared to the current price of the shares, and if there is enough of a discount, value investors will strongly consider purchasing the stock.

Some deep value stocks might be value traps, i.e., stocks that always look cheap on paper. One good way to address this issue is by looking at management’s ownership and overall quality of the team. Our Deep value strategy screens for companies that trade close to our Bear-case valuation, i.e., the fundamental implied expectations are low. Our first criteria are that the share will sell no more than 30% above the Bear-case. After this, we will rate the output based on our management rating in a way to decrease the risk of a value trap.

Criteria: Price 30% > Bear-case or lower.
Ranking: Highest-ranked based on People rating

Deep value screen output

Company	Criteria parameter Distance to Bear	Ranking parameter People rating	Screen Rank
Hanza Holding	−23%	5	1
Vertiseit	−3%	5	2
Strax	−29%	4	3
Christian Berner Tech Trade	−29%	4	4
Tagmaster	−26%	4	5
ZetaDisplay	−8%	4	6
Clavister	8%	4	7
Acconeer	−27%	3	8
Doro	−21%	3	9
Heliospectra	−15%	3	10

Source: Redeye Research

Growth junkies

Growth investing is the pursuit of increasing one's wealth through long- or short-term capital appreciation. Growth investing is typically considered to be the "offensive" portion of an investment portfolio. When it comes to stocks, "growth" means that the company has substantial potential for capital appreciation. Our Growth junkie screen will look for businesses that are forecasted to grow with over a CAGR of 25% for the next three years and with a high-profit outlook rating. We will then rank the output based on the average Redeye rating and distance to Base-case. Even though we want hyper-growth, we still want a relatively fair price.

Criteria: Three-year sales CAGR>25% and Business rating >3.
Ranking: Average Redeye rating and distance to Base-case, combined score.

Growth junkies screen output

	Criteria parameter		Ranking parameter		
Company	3 year forward CAGR	Business rating	Redeye rating	Distance to Base	Screen Rank
Better Collective	38%	4	4	20%	1
BIMobject	28%	5	3,7	21%	2
Smart Eye	117%	4	3,7	10%	3
Sivers Semiconductors	132%	4	3,7	−4%	4
Piezo Motor	78%	4	3,3	39%	5
Flexion Mobile	43%	4	3	19%	6
Neonode	65%	3	3	15%	7
I-Tech	41%	3	3	−6%	8
XMReality	68%	3	3	−3%	9
Speqta	26%	3	3	78%	10

Source: Redeye Research

Jockey stocks

Jockey investing is attempting to find a smart allocator of shareholder capital that can create exceptional returns for investors, ideally early in the game. We will here look at the companies that have the highest management rating in our universe. Our ranking will be based on net insider buying during the last 12 months and their relative distance to the Base-case valuation. We believe this strategy to be a combination of GARP and value as most insider buying happens at relatively low levels when the underlying fundamentals are under-appreciated by the market.

Criteria: People rating >4.
Ranking: Twelve-month net insiders' buy and distance to Base-case, combined score top 10.

Jockey stocks screen output

	Criteria parameter	Ranking parameter	
Company	People rating	Distance to Base	Insider net buy (msek)
Beijer Electronics	4	5%	1.2
ZetaDisplay	4	65%	8.7
Strax	4	19%	10
Bredband2	5	−15%	16.6
Hanza Holding	5	34%	3.9
BIMobject	4	21%	3.4
Vertiseit	5	49%	0.8
Westpay	4	30%	1
Speqta	4	78%	0.4
Christian Berner Tech Trade	4	15%	0.2
G5 Entertainment	4	−1%	8.6

Source: Redeye Research

Top Picks-portfolio

- Top Picks gained 99.5% in 2020, while the comparative index OMXSPI rose by 12.9%. Our portfolio's return thereby exceeded the index with more than 86 percentage points. Over a five-year period, Top Picks have returned +330%, compared to the OMXSPI index, which has gained 52%. Thus, the portfolio outperformed by 280 percentage points between the years 2016 to 2020.

- Our three top tech picks for 2020 beat the market and averaged a return of 95.8%. For 2021, we provide our top three investment ideas.

- Our hurdle for portfolio inclusions remains high, with a disciplined assessment of companies' qualitative factors and economic cycle dependency. The portfolio structure is tilted towards quality companies rather than special situations and solid balance sheets rather than leveraged players. We believe our bottom-up approach can continue to achieve long-term positive returns exceeding the market.

- Redeye’s Top Picks portfolio is actively managed and consists of stocks from Redeye’s Universe of Tech and Life Science companies.

- The underlying strategy relies on high-conviction cases found through Redeye’s fundamental analysis (+20 strong equity analyst team). Each respective holding’s inclusion and portfolio size depends on the attractiveness of the company qualities, risk/reward ratio, and catalysts.

- Redeye’s Top Picks portfolio aims to provide a basis for investment ideas for long-term positive returns relative to risk.

- Redeye Premium members receive updates and can continuously follow portfolio transactions and performance on our website.

Portfolio Performance

Top Picks gained 99.5% in 2020, while the comparative index OMXSPI rose by 12.9%. Our portfolio's return thereby exceeded the index with more than 86 percentage points. Over a five-year period, Top Picks has returned +330%, compared to the OMXSPI index, which has gained 52%. Thus, the portfolio outperformed by around 280 percentage points between the years 2016 to 2020. Our long-term track-record shows that Top Picks beats the index over time.

An interesting observation, especially in a volatile year like 2020, is that our Top Picks portfolio has outperformed in both up-and-down markets. Our average monthly alpha in months where the markets have risen has been 1.53% in the last five years. Even more impressive is the average monthly alpha in downturns, with 2.12%. One could easily be fooled into believing that the portfolio, with many smaller and 'unproven' companies, would fare worse in a negative stock market sentiment. On the contrary, Top Picks' bouquet of carefully selected quality companies, sprinkled with exciting special situations, have performed well and robustly in all weathers.

The 2020 numbers are even more impressive. The average monthly alpha generated in upward and downward markets was 4.52% and 5.11%, respectively.

Below, we show the performance of our Top Picks portfolio versus the OMXSPI index over three years. A description of the investment criteria for our portfolio is presented at the end of this chapter. For additional information, we refer to: https://www.redeye.se/premium/top-picks

Stock Performance in 2020

Carasent (+285%), Embracer (+178%), and Fortnox (+175%) were the best performing tech stocks in our portfolio 2020. The only two stocks with negative returns for the year were Ranplan (-22%) and PiezoMotor (-20%). Both were minor positions.

Redeye's Top Picks portfolio gained 99.5% during 2020, while the local comparative index OMXSPI rose by 12.9%, thereby beating the index by as much as 86 percentage points. Our three top tech picks for 2020 averaged a return of 96%. Hence a little below the aggregated portfolio, but still also considerably outperforming the market.

Redeye Top Tech Picks 2020	
Company	**Return 2020**
Smart Eye	84%
Hexatronic	26%
Embracer	178%
Average	**96%**
Median	**84%**
OMXSPI	13%

Source: Nasdaq Stockholm, Redeye Research

Smart Eye's stock had a volatile year, with share price lows at around SEK 42. It ended the year on a strong note, at around SEK 220. We picked Smart Eye because of its market-leading position in Driver Monitoring Systems. At the beginning of 2020, Smart Eye had 57 design wins from 10 OEMs in the automotive industry. Today, the numbers are 83 design wins from 12 OEMs (and we also know that 11 out of the 12 belong to the 20 largest automotive makers in the world). Smart Eye is expected to grow rapidly over the coming years and turn to a profit in 2022.

Hexatronic's share price fell headlong in Mars, and it was down almost 50% for the year. It soon recuperated, as the business showed resilience. Hexatronic's international expansion continues, and markets such as the US, Germany, and the UK will offset the decline in Sweden and in-crease capacity utilization. The structural growth for fiber optic/broadband products abroad will likely remain strong for years to come.

Embracer's value-adding acquisitions and successful launches of new games were once again the key ingredients for superior returns. Gaming, in general, performed well in 2020, and Embracer was no exception. The company has a long-term focus, a vast pipeline of development projects, and a strong cash position that enables additional value-adding acquisitions. More of the same, in other words, but why change a formula that seems to work very well?

Top Picks Portfolio for 2021

Our hurdle for portfolio inclusion remains high, with a disciplined assessment of companies' qualitative factors and economic cycle dependency. At the moment, our cyclical exposure is about 30-35% of the portfolio. The rest is in stocks with more defensive characteristics.

On the macro front, we keep a close eye on:
- Vaccination rates and the increased spread of infection
- The prevailing monetary policy tailwind
- The expected cyclical recovery among equities in industries that were/are heavily affected by the pandemic
- 'The new normal economy'
- The high share price valuations, supported by historically low interest rates

We believe our bottom-up approach can continue to achieve long-term positive returns exceeding the market. The portfolio has < 1% in cash, which is an unusually small amount (a year ago, we had 18%).

Top Tech Picks for 2021

In this section, we provide our top three tech picks for 2021. All Redeye Universe companies are briefly described in the appendix of this report.

Enea (Redeye base case SEK 217)
Enea has transformed itself into a brand-new company, mainly through value-adding acquisitions, such as Qosmos, Openwave, Atos, and most recently Aptilo. The new product portfolio has helped Enea to grow upwards in the software stack and positioned itself closer to the end customers. Redeye's analysts argue that the stock market has not yet started to appreciate the transformation and still has an antiquated view of the company. We believe new contracts, stable growth, and strengthening EBIT-margins will convince the market of Enea's quality in 2021. An ending to the corona pandemic and restarts of delayed 5G rollouts will help.

Better Collective (Redeye base case SEK 190)
We believe 2021 will be a year of recovery for Better Collective. Sports betting was negatively impacted by the corona pandemic, as events were canceled all over the world. Better Collective's management initiated several cost-saving schemes and succeeded in improving the margins during the year. The increased profitability, paired with excellent growth prospects, both organically and M&A-driven, makes Better Collective an interesting investment. The cherry on top is that Better Collective is valued more as an affiliate than as a content creator, giving headroom for a potential multiple expansion as well.

Carasent (Redeye base case NOK 40)
Carasent's stable business showed no signs of slowing down in 2020. On the contrary, Carasent continued to add new clinics at a rapid pace, and negative churn coupled with 90% recurring revenues formed a rock-solid base for organic growth. At the end of the year, Carasent also expanded into Norway, with the acquisition of Avans Soma, a developer of leading medical record systems and IT solutions in the local healthcare market. 2021 will probably be more of the same, i.e., a strong top-line and excellent profitability.

Investment Strategy

Redeye's Top Picks portfolio aims to provide a basis of investment ideas for long-term positive returns relative to risk. Management is active, and the portfolio consists of a selection of companies from the Redeye Universe where we perceive current risk/reward to be the most attractive.

The underlying strategy relies on high-conviction cases found through Redeye's fundamental research. Our focus is on companies where we see opportunities for good returns with reduced risk over a period of at least two years. The investment approach is bottom-up rather than top-down. Therefore, the underlying and unrealized value and catalysts should emanate from within the company rather than from macro factors.

The selection process relies not only on the potential upside in the share price but also on our Quality Rating. The rating model evaluates essential success factors such as experience and track record of the company management, the quality of ownership, profit outlook, profitability, and financial strength. A holding in the Top Picks-portfolio is divested if:

- The investment conditions have changed, or
- The share has appreciated and realized its full value, or
- The holding can be replaced by stocks with better upside potential

The holdings in the Top Picks portfolio also follow some basic guidelines. A position may not exceed 30% of the portfolio's total value and not more than 20% of the portfolio's total value at initial purchase. In 2020, we also implemented a minimum initial size of at least 5%. The new rule will force us only to purchase high conviction cases rather than bet on 'spicier picks.' However, the position size can be smaller if it has decreased due to a negative return/or relative underperformance. Most of the companies in the portfolio should have proven business models, high growth potential, and preferably be close to or already deliver profitability.

The portfolio is primarily suitable for investors with an investment horizon of at least two years. The portfolio invests mainly in small and medium-sized companies listed on stock markets characterized by high risk but also a potential for a high return. As the portfolio's investments are concentrated in a limited number of markets, it has a higher risk than an alternative that distributes holdings across several different markets. In terms of trading, shares in small and medium-sized companies may also have lower liquidity and thereby higher risk than larger companies. Although we have transferred to slightly larger and more liquid stocks in the last twelve months, the main point still stands.

Redeye Premium members receive regular portfolio updates and can follow the development continuously on our website.

Redeye Research & Ratings

Making educated investment decisions

How we cut the deck when it comes to investing
Our proprietary rating system is developed to encourage investors to look deeper into the business characteristics and valuation dynamics before investing in it. There are three key pillars behind our investment philosophy; business quality, margin of safety and catalysts. We have developed unique tools to give investors an accurate picture on each of these three characteristics. These tools will guide the decision making process while taking emotion out of the equation. We briefly introduce the tools below.

Focus on Business Quality

To search for companies with better chances of surviving and potential for achieving long-term stable profit growth, Redeye looks at a set of clearly defined fundamental criteria that rate companies based on their quality characteristics. Company Qualities is our tool to illustrate and rate business quality. The rating is based on soft and hard criteria that are grouped into three categories, each represented by a bar in the graphic down to the right.

The company qualities rating
Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCIALS. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long term earnings growth. Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making. If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People
At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character. The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership and Board

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock. The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat and Operational Risks

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak. The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality

The fair Valuation Range approach/Margin of Safety

Account for the unforeseen

Never count on making a good sale at a high price. Instead, purchase the stock at a lower attractive price so that even a mediocre sale gives good results. The entrance strategy is actually more important than the exit strategy. At Redeye it all comes down to our Valuation Range, where we argue that a reasonable margin of safety is achieved when a stock is purchased at price below or on par with our bear-case.

In order to better assess the risk/reward we use a valuation range, which ranges from a bull-case (upside) to a bear-case (downside) scenario. It is critical to ensure that the scenarios are within the realm of reasonable-ness, and not once-in-a-century events.

Looking more closely at the bear-case scenario will help you to have a more balanced view than just focusing on the potential upside in the bull-case scenario, i.e. a sobering reminder that the bull-case always faces a headwind.

When to buy

A vital element to achieving outstanding returns in the long run is having the discipline to avoid investing in companies until their shares are available at a price that provides a good margin of safety. Fortunately, the bipolar nature of the stock market ensures the reliable delivery of these opportunities to the patient investor. At Redeye, margin of safety is heavily conscious of what can go wrong, not what the discount is to fair value. We argue that a reasonable margin of safety is achieved when a stock is purchased at a price below or on par with our bear-case. When you pay significantly less than what the company is worth, you have less potential to fall prey to the market noise and hype. A discount to fair value will not only cushion mistakes, but also provide an enhancement to returns as the margin of safety gap closes.

When to sell

The bull-case serves your sell discipline in order to identify a potential exit. The key here is to really think long-term in the bull-case and be patient. Patient enough to hold good investments at least until the market is willing to recognise its full potential. Once you have taken a position, the bull-case will help you to avoid premature selling. A position in a company should be sold entirely when the share price reflects the bull-case or when cash is needed to take advantage of a superior opportunity elsewhere.

A word about risk

A common mistake investors make is to equate share price volatility with risk. Share price volatility is only a risk for those investors who lack confidence in a fair value or have patience to hold on at least until the markets are willing to recognise the true value. A much better definition of investing risk is the permanent loss of capital. Investors can reduce the incidence of permanent losses of capital by estimating what a company is worth and then paying a lot less. Investors should always be more concerned with the return of their money, rather than the return on their money.

Share price volatility works both ways and to investors who have a margin of safety built into what they are buying and holding, price fluctuations will become opportunities to buy cheap and sell dear. Fundamentals generally don’t change from day to day, so market moves are often driven by emotions. Remember that sharp market pullbacks are the best hunting seasons for bargain stocks and that some stocks are cheap for good reasons. If few or no attractive investment opportunities are available, you should protect your capital by moving a significant proportion of it into the safety of cash.

The Key Catalysts approach

Look for catalysts

It is important to look beyond the numbers and seek a likely catalyst, which would unlock value, and estimate how long it will take for the catalyst to play out. These events, or Key Catalysts, reduce risk by narrowing the gap between price and value in a more predictable way. This is particularly important when investing in a low-quality business where time is like a ticking bomb stacked against the company.

At Redeye we define Key Catalysts as an event or a series of events that are expected to bring about change within a timeframe of 3 years. A difference that ultimately will unlock shareholder value or take a serious turn for the worse. This is very important since it will give you a heads up on what signs to watch for, which will help you make better decisions when positive or negative news comes down the road.

How to use key catalyst

The Key Catalysts table is divided into four different elements that are described below:

Expected catalyst

Description of potential events, which could be catalysts to cause the stock to perform significantly different than its peers or the broader market. It explains how the catalysts are expected to affect our model assumptions, the change to the financial forecast (i.e. firm cash flow, growth, profitability or risk) or investor sentiment.

Expected timeframe

Estimate of when the event is about to happen, could be short or long term in duration.

Potency/Impact

Estimate the potency of the event to move the share price up or down rated on a scale of 0 to 3 as shown in the figure below.

Scale	*Definition*
3 - Major	Major impact on the share price by affecting the sentiment and valuation in both short and long term
2 - Moderate	Moderate impact on the share price by affecting the sentiment and/or valuation in both short and long term
1 - Minor	Minor impact on share price by affecting the sentiment and/or and valuation in short term
0 - Negligible	Negligible impact on share price

Likelihood (up & down)

Estimate the likelihood for respectively up- and downside scenario to occur rated on a scale of 0 to 3 as shown in the figure below.

Rating	*Definition*
3 - Highly Likely	It is highly likely that the scenario will occur
2 - Possible	There is a possible/even chance that the scenario will occur
1 - Unlikely	It is unlikely that the scenario will occur
0 - Extreme	The scenario is extremely unlikely to occur

Covered Companies

A-Z

Acconeer ACCON

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

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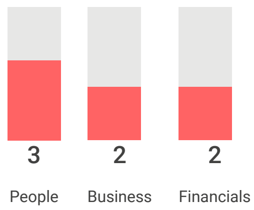
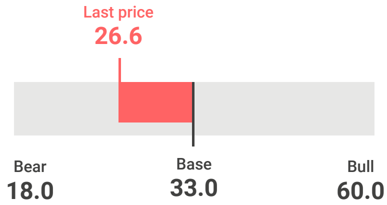
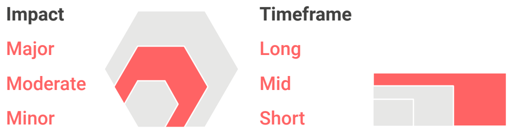
Redeye Rating







Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Lars Lindell
Chairman	Bengt Adolfsson

Share information

Share price (SEK)	26.6
Number of shares (M)	23.3
Market cap (MSEK)	620
Net debt (MSEK)	-29

Analyst

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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

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

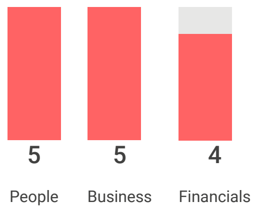
Addnode Group ANOD B

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

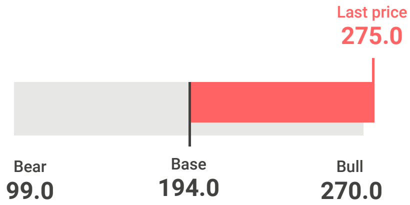
Publication date
January 7 2021

Redeye Rating

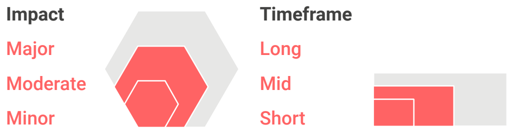
COMPANY QUALITY



FAIR VALUE RANGE



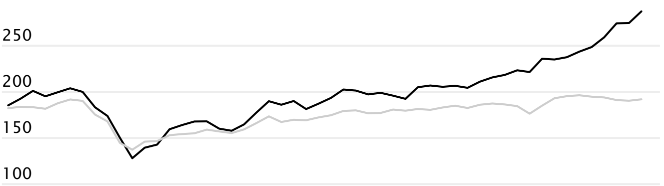
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Addnode Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Johan Andersson
Chairman	Staffan Hanstorp

Share information

Share price (SEK)	275.0
Number of shares (M)	33.4
Market cap (MSEK)	9,192
Net debt (MSEK)	171

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

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

Investment case

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.

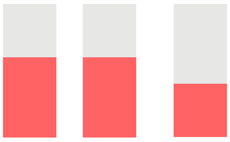
Adverty ADVT

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

Publication date
January 8 2021

Redeye Rating

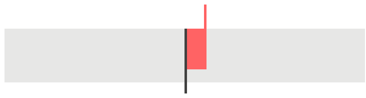
COMPANY QUALITY



People | Business | Financials

FAIR VALUE RANGE

Last price
14.0



Bear 0.0 | Base 12.0 | Bull 28.0

CATALYST POTENTIAL

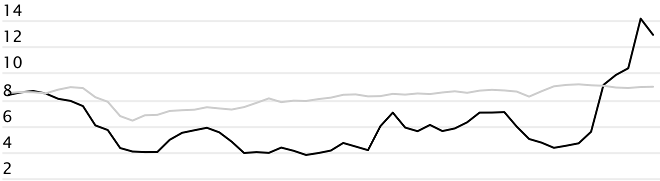
Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot

Adverty
OMXS30



Volume

Marketplace	Nordic SME
CEO	Niklas Bakos
Chairman	Joachim Roos

Share information

Share price (SEK)	14.0
Number of shares (M)	20.4
Market cap (MSEK)	285
Net debt (MSEK)	35

Analyst

Danesh Zare
danesh.zare@redeye.se

Conflict of interests

Danesh Zare owns shares in Adverty: 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	0	1	7	22
Growth	*>100%*	*>100%*	*>100%*	
EBITDA	-11	-14	-12	-7
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-11	-14	-13	-9
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-11	-14	-13	-9
Net earnings	-11	-14	-11	-7
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.91	-0.69	-0.52	-0.35
P/E adj.	0.0	-12.8	-17.0	-25.2
EV/S	56.0	253.7	33.2	10.4
EV/EBITDA	-0.9	-14.0	-18.1	-32.5

Last updated: 2020-12-11

Owner	Equity	Votes
Niclas Kjellgren	22.4%	22.4%
Niklas Bakos	12.8%	12.8%
Avanza Pension	10.2%	10.2%
Pontus Dahlström med familj	6.8%	6.8%
Nordnet Pensionsförsäkring	3.8%	3.8%
Nordic XR Startups Oy	3.2%	3.2%
Mats Helge Kullstedt	1.4%	1.4%
Håkan Åberg	1.3%	1.3%
Johan Thorell	1.0%	1.0%
Adam Hemming	1.0%	1.0%

Company description

Adverty is an advertising technology company founded in 2017 in Stockholm, Sweden. They have offices in Stockholm, London, Ukraine, and New York, and is a small company with 19 employees. All the development of the technology platform is being done in Ukraine.

Adverty describes themselves as the first and leading providers of seamless, programmatic in-game ad solutions and has created an innovative display advertising technology platform built for games that connect advertisers, agencies, and game developers to help brands reach consumers. The platform offers unique in-game ad inventories at scale and allows publishers and game developers to monetize their games with non-intrusive, easy-to-integrate ads. Adverty's approach to in-game advertising is new and revolutionary, and they are paving the way for immersive in-game advertising.

Investment case

- A large untapped market that will be penetrated with the launch of the In-Menu ad format.
- The company is pre-revenue, and demand has not taken off in the in-game advertising market.
- The upside is roughly 40% in our base case.

The largest entertainment industry in the world

The in-game advertising market is untapped today. Gaming is a massive market, with nearly 2.7 billion people worldwide playing games today, representing over a third of the world's population.

It is only a matter of time before advertisers start looking at the gaming space more seriously, which is now the world's largest form of entertainment. But still, it only attracts 5 percent of the advertising dollars that social media does, even though the audience size of gaming makes up 75 percent of the audience size of social media. Mobile gaming is the largest gaming segment today and is forecasted to grow faster than the gaming market overall, and hence is a market that Adverty focuses on.

There is a new advertising sheriff in town

Adverty's seamless and non-intrusive ad formats, In-Play and In-Menu, offer advertisers a way to reach specific demographics in brand-safe and immersive environments. Traditional advertising formats can cause frustrations with the player base and deter them from a game. It can also harm the brand advertised if people start to associate them in a negative context and are also easily avoided using ad blockers.

This new approach to advertising results in a win, win, and win. Good for the gamer, for the brand, and the advertiser.

First mover advantage

Adverty is leading the charge when it comes to in-game advertising. They have built their own proprietary technology platform. They are building strong relationships with publishers, Supply-Side Platform (SSPs) companies, Demand-Side Platforms (DSPs), and companies on the technical front. The inclusion of their Unity Software Development Kit (SDK) in Unity's Asset Store is an excellent example of this, leading to significant competitive advantages in the long run. They are the first and leading provider of seamless and programmatic in-game ad solutions.

Scaling up

Adverty is adding more and more games to their portfolio, and they already have a significant reach today with over 8 to 13 million DAU across all the games in their network. The company's technology platform has been developed over the years and can support many ads being processed for the business to scale up. The integration in SuperAwesome can start generating revenues as soon as their games portfolio includes suitable kid-friendly titles.

Reaching the unreachables

Millennials and Generation Z spend less time on traditional media outlets and more time on their phones. Especially in-app, which accounts for 90 percent of internet time on smartphones. Mobile advertising is on the rise because of this trend. It is already outpacing desktop advertising as the premiere medium, based on global advertising spend, with over 55 percent of all ad dollars going to mobile advertising.

Counter-thesis

- In-game advertising is a market that is in its cradle. Even though the games market attracts growing attention, especially among the younger generations, there is no guarantee that advertising dollars will flow into the in-game advertising market.
- Other in-game advertising companies with an advertising technology platform may start focusing on the mobile games market. Adverty's major competitors support mobile platforms, but they do not focus on the mobile gaming market today. This might change since the mobile gaming market represents such a huge opportunity, and Adverty's competitors already have the technology platform to compete.
- Upcoming equity capital raises are not out of the question if the company's efforts do not start generating material sales.

Catalyst types

Launch of a new ad format
Adverty will launch the In-Menu ad format in Q1 2021 at the latest.

The in-game advertising market taking off
The market of in-game advertising is set to take off soon.

Reaching proftiability
Adverty is will reach profitability in 2023

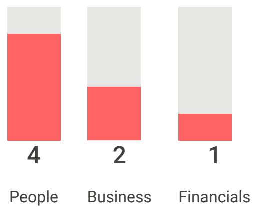
Alelion Energy Systems ALELIO

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

Publication date
January 7 2021

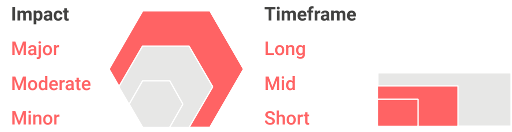
Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

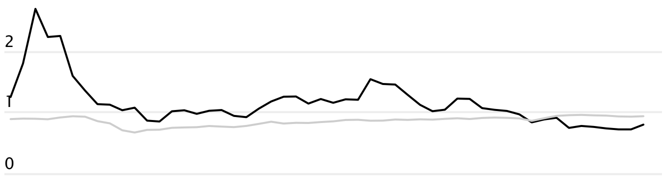
CATALYST POTENTIAL



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)	0.8
Number of shares (M)	223.2
Market cap (MSEK)	181
Net debt (MSEK)	72

Analyst

Mattias Ehrenborg
mattias.ehrenborg@redeye.se

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.

Financials

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

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.

Artificial Solutions ASAI

Company page

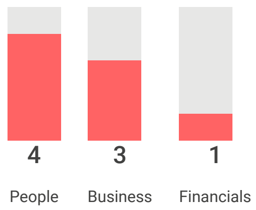
https://www.redeye.se/company/artificial-solutions

Publication date

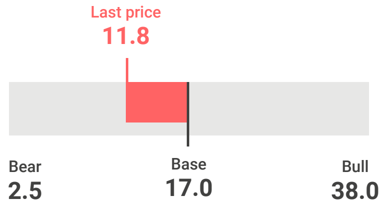
January 8 2021

Redeye Rating

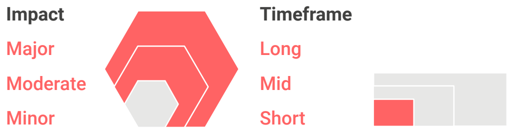
COMPANY QUALITY



FAIR VALUE RANGE

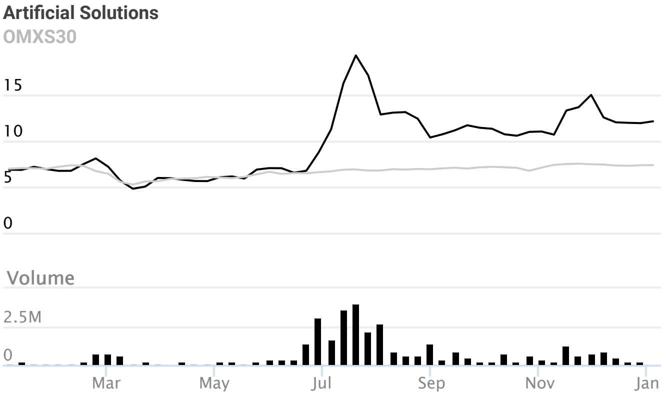


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Per Ottosson
Chairman	Åsa Hedin

Share information

Share price (SEK)	11.8
Number of shares (M)	48.6
Market cap (MSEK)	573
Net debt (MSEK)	293

Analyst

Forbes Goldman
forbes.goldman@redeye.se

Conflict of interests

Forbes Goldman owns shares in Artificial Solutions: No

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

Financials

	2019	2020E	2021E (Redeye Estimates)	2022E (Redeye Estimates)
Revenue, MSEK	49	62	91	132
Growth	*9.1%*	*26.2%*	*47.0%*	*45.0%*
EBITDA	-112	-79	-60	-32
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-146	-92	-75	-48
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-182	-131	-90	-63
Net earnings	-182	-131	-90	-63
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-4.20	-2.76	-1.90	-1.32
P/E adj.	-1.5	-3.9	-5.7	-8.2
EV/S	8.5	11.7	8.9	6.6
EV/EBITDA	-3.7	-9.2	-13.3	-27.4

Last updated: 2020-09-08

Owner	Equity	Votes
Scope	34.9%	34.9%
UBS Switzerland AG	11.9%	11.9%
AFA Försäkring	5.3%	5.3%
SEB-Stiftelsen	4.6%	4.6%
JP Morgan Bank Luxembourg S.A.	2.8%	2.8%
C WorldWide Asset Management	2.8%	2.8%
Banque Cantonale Vaudoise	2.7%	2.7%
Ulf Johansson	2.5%	2.5%
Johan A. Gustavsson	2.4%	2.4%
Euroclear Bank S.A/N.V	2.3%	2.3%

Company description

Artificial Solutions (AS) was founded in Stockholm in 2001. The company provides a conversational artificial intelligence (AI) platform for enterprises, which allows users to have a conversation with an application via text, voice, gestures etc. In 2010, the former CEO, Lawrence Flynn, began to transform AS from its consultancy origins into a scalable software company. AS released its proprietary Teneo platform in 2013. The company has around 110 employees and is listed on First North.

Investment case

- Offers an attractive exposure to the conversational AI market
- Validated by major customers
- Revenue scalability

Offers an attractive exposure to the conversational AI market

As one of the leading vendors of conversational AI technology, Artificial Solutions is well-positioned for significant growth. Its underlying market is set to grow at around 40% a year over the next several years, while the company should harness the benefits of its 2013 transformation into a software-based provider, its revised go-to-market strategy and the scaling of its initial deployments in this period too.

Major customers/partners

AS's blue-chip customers such as AT&T, Shell and Vodafone and its partner network of leading system integrators (including Accenture, Deloitte and KPMG) validate its technology. But now it must meet the key challenge of acquiring further customers from its target group of large global enterprises, whose sales cycles are usually long and complex. We view its crucial shift to a partner-led model as ensuring scalability and efficiency and note that partners' share of revenue has increased from 9% in 2016 to more than 50% in 2020.

Revenue Scalability

Two of AS's three revenue streams - licenses and usage fees - provide high gross margins (~90%) and recurring revenues. The company's high operating leverage should translate into significant profitability if it succeeds in growing with its market while controlling customer churn and acquisition costs.

Counter-Thesis

- **Strategic failure:** The company's revised, partner-led strategy may not deliver the growth it seeks. This would jeopardize the growth story, which is at the core of our investment case.
- **Competition:** It would weigh heavily on the conversational AI industry if the tech giants were to flex their muscles and exploit their dominant market positions in the cloud, data and AI. Even if they do not, this area's significant potential makes it likely that competition will increase further going forward.
- **Customer concentration:** Given its concentrated customer base, any loss of customers could hurt AS's revenue significantly. One customer accounts for ~20% of AS's sales and the top five customers account for more than 50% of sales, highlighting the importance of a broader customer base and revenue diversification to drive growth and reduce risk.

Catalyst types

Growth

Customer acquisition and accelerated growth will be the most important catalysts for the share over the next year

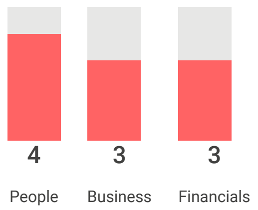
Aspire Global ASPIRE

Company page
https://www.redeye.se/company/aspire-global

Publication date
January 10 2021

Redeye Rating

COMPANY QUALITY



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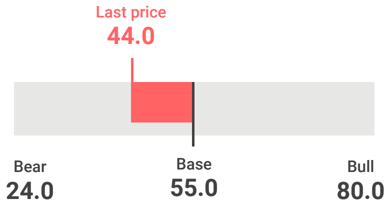
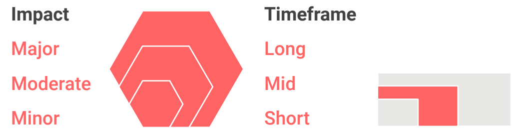


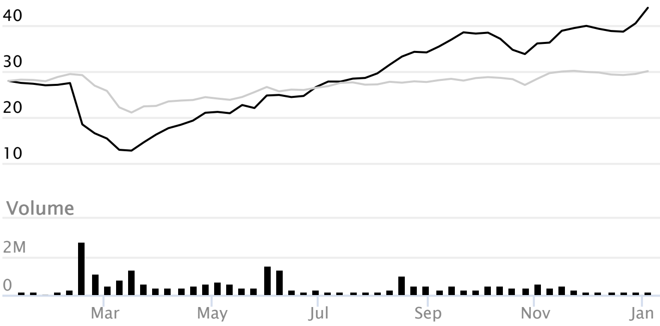
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Aspire Global
OMXS30



Marketplace	First North Stockholm
CEO	Tsachi (Isaac) Maimon
Chairman	Carl Klingberg

Share information

Share price (SEK)	44.0
Number of shares (M)	46.4
Market cap (MSEK)	2,041
Net debt (MEUR)	-5

Analyst

Jonas Amnesten
jonas.amnesten@redeye.se

Conflict of interests

Jonas Amnesten owns shares in Aspire Global: 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, MEUR	131	159	186	213
Growth	*25.7%*	*20.9%*	*17.3%*	*14.4%*
EBITDA	22	26	31	37
EBITDA margin	*16.5%*	*16.1%*	*16.7%*	*17.2%*
EBIT	18	19	23	28
EBIT margin	*13.5%*	*12.2%*	*12.5%*	*13.4%*
Pre-tax earnings	14	14	19	25
Net earnings	0	14	18	24
Net margin	*0.3%*	*8.6%*	*9.7%*	*11.1%*
Dividend/Share	0.12	0.00	0.15	0.20
EPS adj.	0.01	0.29	0.38	0.50
P/E adj.	336.0	12.5	9.5	7.3
EV/S	1.0	1.1	0.9	0.7
EV/EBITDA	6.2	6.8	5.3	4.0

Last updated: 2020-11-18

Owner	Equity	Votes
Barak Matalon	26.0%	26.0%
Pini Zahavi	16.3%	16.3%
Eli Azur	16.2%	16.2%
Aharon Aran	6.5%	6.5%
BNY MELLON NA	3.2%	3.2%
Avanza Pension	3.2%	3.2%
Pakarinen, Janne Heikki Petteri	2.3%	2.3%
Maimon Isaac	1.7%	1.7%
Nordnet Pension	1.6%	1.6%
Zeroman OY	1.1%	1.1%

Company description

Aspire Global is an online gambling company operating in the B2B and B2C segment. In the B2B segment, the company offers a platform solution targeting non-gambling companies as well as established gambling operators. In addition to the platform solution, the company has developed proprietary games, which are integrated into the platform, and can be offered to external operators. In the B2C segment, the company operates proprietary online casino brands, sportsbook brands and brands that offer both online casino and sportsbook.

Investment case

- Strong lock-in effects
- Broad growth potential
- Own platform and strong financial position
- Synergies

Strong lock-ins

Aspire Global has demonstrated, over the years, both significant B2B customer loyalty and the ability to attract brands from external platforms. This indicates that it offers an attractive platform that adds value to its customers and creates significant exit barriers through lock-ins. Key elements of this are its wide range of licenses, strong product, exclusive games, and beneficial and transparent business model with a revenue share business model. In our view, existing customers would struggle to find superior alternatives that match these criteria.

Broad growth potential

Aspire Global´s model gives it a broad range of options for growth. These include improving the product, adding new gaming verticals, adding new partnership brands, migrating brands from external platforms, marketing campaigns on the B2C brands, adding on new national gambling licenses, expansion in the US, acquisitions, and new in-house games.

Own platform and strong financial position

Aspire Global´s proprietary platform, and strong financial position is the perfect combination for future growth. The scalable platform gives it a very strong incentive to grow, and its strong financial position gives it the means of doing so. The platform allows growth to be realized both organically and through acquisitions. Without it, acquisitions would not be a valid option. Owning the platform also gives Aspire Global the freedom to enter any potential market offering the right conditions. Furthermore, Aspire Global´s platform is also ready to attract larger operators without their own platform.

Synergies

We believe the acquisition of Pariplay and BtoBet will lead to strong synergies. The synergies include monetizing Aspire Global´s existing game portfolio of 200 games, cross-selling, lower cost of existing game aggregators, and sharing admin expenses.

Counter-Thesis – Bear Points

Regulatory uncertainty

Aspire Global focuses on regulated markets as these offer better scope for attractive B2B partners and are less risky. Even so, regulated markets are not risk-free, as the UK’s increased gaming tax illustrates. Moreover, we also expect that the gaming tax expenses will pressure profit margins in the next coming years.

New markets/M&A risk

We expect Aspire Global to continue entering new markets and making use of its strong financial position over the next few years. However, both entering new markets and making acquisitions carry significant risks and require careful selection.

Catalyst types

An acquisition target
Aspire Global could be an interesting acquisition target for companies that like to acquire a strong B2B product on the European market.

Successful expansion in the US
Successful expansion in the US market for Pariplay

Large Partnerships
With Aspire Globals´s B2B strategy to enter regulated markets and find suitable partners. We believe that if Aspire Global are able to enter into a large partnership with a major media house or land-based operator in any of these markets this will most likely become a strong growth driver.

Successfully executed M&A activities
Successful acquisition of a content supplier that could improve the group´s B2B offering further. We expect that Aspire Global can make additional acquisitions with its strong financial position.

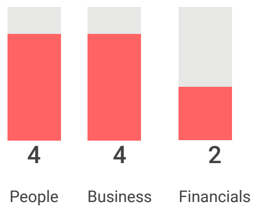
Atari SDB ATA SDB

Company page
https://www.redeye.se/company/atari-sdb

Publication date
January 10 2021

Redeye Rating

COMPANY QUALITY



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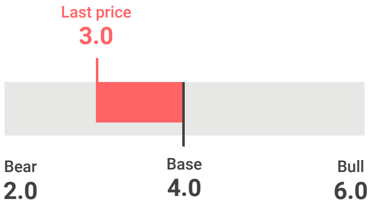

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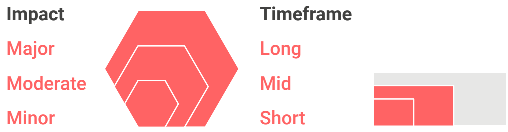
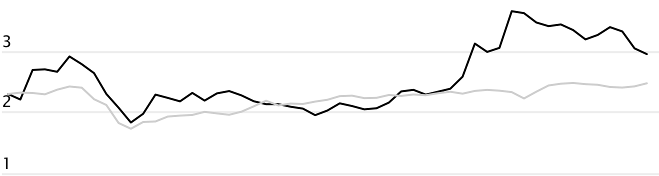
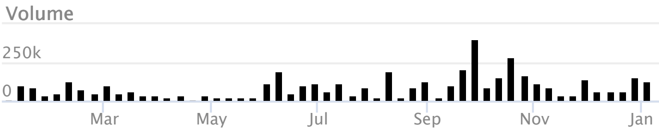


Turn page for catalyst specifics

Snapshot

Atari SDB
OMXS30





Marketplace	First North Stockholm
CEO	Frédéric Chesnais
Chairman	Frédéric Chesnais

Share information

Share price (SEK)	3.0
Number of shares (M)	256.1
Market cap (MSEK)	771
Net debt (MEUR)	-7

Analyst

Jonas Amnesten
jonas.amnesten@redeye.se

Conflict of interests

Jonas Amnesten owns shares in Atari SDB: No

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

Financials

	2019	2020E	2021E (Redeye Estimates)	2022E (Redeye Estimates)
Revenue, MEUR	24	36	41	37
Growth	*48.8%*	*13.9%*	*-10.1%*	
EBITDA	5	9	12	15
EBITDA margin	*21.8%*	*25.7%*	*30.5%*	*40.7%*
EBIT	3	3	7	8
EBIT margin	*11.9%*	*8.6%*	*17.6%*	*22.4%*
Pre-tax earnings	2	2	7	8
Net earnings	2	2	7	8
Net margin	*8.2%*	*6.1%*	*17.5%*	*22.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.01	0.01	0.03	0.03
P/E adj.	45.7	3.5	1.1	0.9
EV/S	3.5	0.0	-0.1	-0.4
EV/EBITDA	15.9	0.2	-0.4	-0.9

Last updated: 2021-01-06

Owner	Equity	Votes
Wade J Rosen Revocable Trust	10.5%	10.5%
Ker Ventures LLC (Frédéric Chesnais)	7.5%	7.5%
Mr Alexandre Zyngier	3.7%	3.7%

Company description

Atari is probably the most well-known brand within the gaming as it launched the industry as we know it today. Atari was founded in 1972 and was originally a maker of arcade games. The company launched the first true home video console named Atari 2600 in 1977, which was a massive success. The top 10 franchises have had a historical revenue of more than USD 2bn. Atari has over 200 titles under its umbrella. Some of the most iconic games include Pong, Asteroids, Centipede, Tempest and Missile Command.

Investment case

- An untapped IP portfolio
- Making the most of the Atari brand
- The VCS is under the radar

An untapped IP portfolio

Atari has a massive portfolio of game franchises which still lies almost untapped. We believe the market is yet to understand just how large the opportunity is for the Atari IP portfolio. The RollerCoaster Tycoon (RCT) was the first game series that was brought back to life under the new management that took over the company in 2013, since then the new games have generated an income of around EUR 40m, which have extended the lifetime income of the franchise. We believe that the success for RCT is true proof of concept that an older game can work very well in a newer medium, like the mobile. Atari's ten top franchises had generated about EUR 2bn in lifetime income. The potential if the success for the RCT IP can be mimicked to some degree for one of the larger franchisees cannot be understated.

Making the most of the Atari brand

Atari is a well-known brand. In a study conducted by E-Pool in 2010 63% of the people aged between 25 and 54 knew of the brand. In the younger demographic the awareness was about half of that. Atari is continuously working on creating more modern games and increase their awareness among young gamers, but they also capitalize on the older audience where the awareness is strong by launching products that fit this demographic.

Atari is also capitalizing on its brands' power through its Partner Segment where the company most often receives equity in companies without using any cash. These types of bets might be long-shots, but the company is also not taking any financial risk. The potential reward could be huge with extremely limited risk.

The VCS is under the radar

Estimating sales for the VCS is of course extremely hard. However, we find that the market has almost forgotten the VCS and the potential it holds. The Atari ”box” can be viewed as a ”mini-PC” at an attractive price-point. If the product has the high quality the market demands could be substantial in an era of game streaming and digital distribution of games.

Management with skin in the game

We view the ownership structure of Atari as highly favorable with the CEO and board members holding a substantial part of the shares in the company.

Counter-thesis (Bear points)

- **Brand dilution** – Entering new verticals like Casino or different ventures is a great way to capitalize on the Atari brands. However, it must always be done with strategic caution as a misstep could dilute the brands' value and power.
- **Retro to modern is hard** – It's no easy task to take a retro classic and put it into a modern medium or updated graphics. We are rather certain that PONG or Asteroids games could have been created and at least be modestly successful sole due to their brands, however, Atari wants to make it right and sets the bar high. The retro audience is also relatively picky, and the brand can get hurt if a new game does not have the right feeling.
- **Title risk** – As always with gaming companies there is significant title risk when it comes to launching a new game.

Catalyst types

VCS release above expectations

It seems like the market has almost fully ignored the VCS and the potential it holds. The VCS can be viewed as a form of mini-PC at an attractive price. Our base case assumes sales of about 120k units over the next four years, which we view as modest assumptions.

An acquisition target

We view Atari as an attractive acquisitions target thanks to the extensive IP portfolio, strong balance sheet, profitability, and the loss-carry forwards.

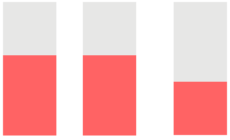
Avtech Sweden AVT B

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

Publication date
January 8 2021

Redeye Rating

COMPANY QUALITY



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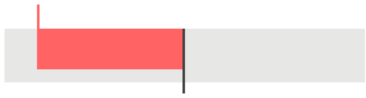
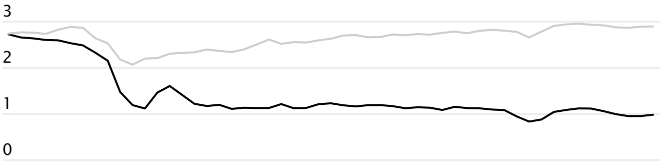


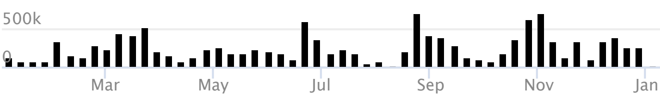
CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

Avtech Sweden
OMXS30





Marketplace	First North Stockholm
CEO	David Rytter
Chairman	Bo Redeborn

Share information

Share price (SEK)	1.0
Number of shares (M)	56.5
Market cap (MSEK)	54
Net debt (MSEK)	-4

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

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MSEK	16	13	17	23
Growth	*26.2%*	*-17.6%*	*32.0%*	*34.0%*
EBITDA	4	1	2	4
EBITDA margin	*27.7%*	*7.6%*	*12.4%*	*18.6%*
EBIT	1	0	1	2
EBIT margin	*5.7%*	*Neg*	*4.0%*	*10.2%*
Pre-tax earnings	1	0	1	2
Net earnings	1	0	1	2
Net margin	*5.7%*	*Neg*	*3.2%*	*8.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.02	-0.01	0.01	0.03
P/E adj.	175.8	-143.4	104.5	30.4
EV/S	9.1	3.7	3.1	1.7
EV/EBITDA	32.9	48.9	24.9	9.3

Last updated: 2021-01-08

Owner	Equity	Votes
Avanza Pension	14.2%	6.4%
Christer Fehrling	5.8%	9.0%
Christian Dahl	5.3%	2.4%
Lars Lindberg	5.2%	17.6%
Johnny Olsson	4.6%	12.2%
Mats Tonsjö	2.8%	2.0%
Lars Bäckvall	2.7%	3.1%
Saxo Bank A/S Client Assets	2.4%	1.1%
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.

Investment 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.

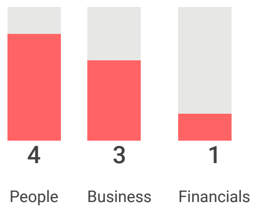
Axichem AXIC A

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

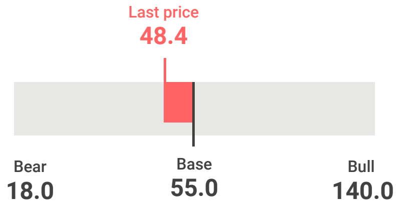
Publication date
January 9 2021

Redeye Rating

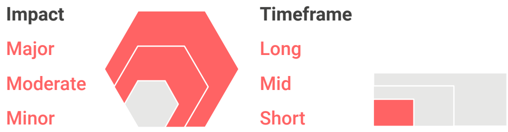
COMPANY QUALITY



FAIR VALUE RANGE

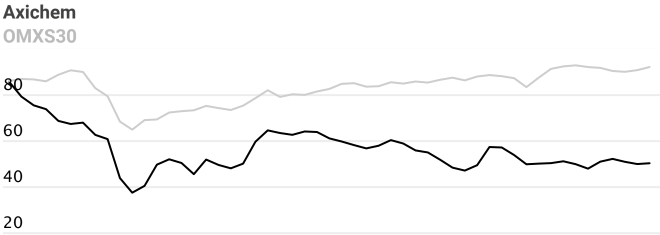


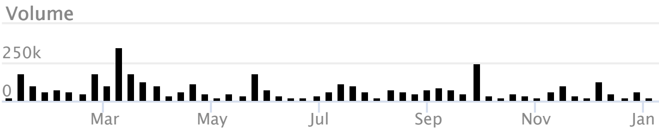
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Torsten Helsing
Chairman	Jan Gustavsson

Share information

Share price (SEK)	48.4
Number of shares (M)	15.9
Market cap (MSEK)	771
Net debt (MSEK)	1

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Axichem: No

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

Financials

	2019	2020E	2021E	2022E
			Redeye Estimates	
Revenue, MSEK	0	3	50	170
Growth	*-12.3%*	*>100%*	*>100%*	*>100%*
EBITDA	-11	-15	14	61
EBITDA margin	*Neg*	*Neg*	*27.9%*	*35.6%*
EBIT	-12	-18	11	57
EBIT margin	*Neg*	*Neg*	*22.9%*	*33.5%*
Pre-tax earnings	-13	-18	11	57
Net earnings	-13	-18	9	45
Net margin	*Neg*	*Neg*	*18.1%*	*26.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.79	-1.12	0.57	2.84
P/E adj.	-107.0	-42.7	84.2	16.8
EV/S	3,830.2	278.6	15.3	4.4
EV/EBITDA	-124.2	-49.4	54.9	12.3

Last updated: 2020-11-12

Owner	Equity	Votes
Manakin Ltd	11.8%	11.8%
Öhman Bank S.A.	11.8%	11.8%
LMK-bolagen & Stiftelse	11.2%	11.2%
Avanza Pension	5.0%	5.0%
Nordnet Pensionsförsäkring	4.3%	4.3%
Futur Pension	3.9%	3.9%
Ibkr Financial Services AG	2.1%	2.1%
Hans Sköld	2.1%	2.1%
Rolf Kraft	2.1%	2.1%
Redotem AB	2.0%	2.0%

Company description

aXichem's business model is to develop, patent and market natural analogue industrial compounds. The company primarily works with Phenylcapsaicin, a synthetically produced and patented capsaicin. It has wide applications in a variety of areas, such as feed supplements, nutraceuticals, marine anti-fouling paint, and pharmaceuticals.

Investment case

- Product potential
- Beneficial market trends
- Promising study results
- Regulatory agreements in place and more in sight

Investment Case

Product potential. aXiphen® as an additive in animal feed has two main benefits. It inhibits salmonella and accelerates the growth of chickens. The fact that aXiphen® inhibits salmonella should mean that the product is particularly interesting for chicken breeders and pig farmers.

Beneficial market trends. The regulatory restrictions for antibiotics are becoming stricter, primarily in the EU. This increases the need for aXichem's products. The high demand means that the company has pricing power and with benefits of scale, it can reach high earnings margins.

Promising study results. In 2016, the company focused on producing data proving the effectiveness of its product as a component of chicken feed. A comprehensive field study was conducted and the final report exceeded previous studies in the preventive effect of aXiphen® against salmonella and the compound's properties as a growth promoter for chickens. In addition, during the first half of 2017 aXichem announced positive results from tests by the company together with feed manufacturers in Europe. In chicken breeding, tests showed positive results on both the growth of chickens and as a salmonella inhibitor. In pigs, aXiphen® was used as a salmonella inhibitor, which also had a good effect.

Regulatory agreements in place and more in sight. During 2018, the company has taken several important steps towards commercialization. Above all, the company has obtained a Novel Food approval for the EU and a GRAS approval for food in the USA. According to the company, approval according to the GRAS feed can be achieved during the first half of 2020, which would open the large US market for feed. In addition, aXichem is working on a registration in Brazil, which is another large feed market.

Counter Thesis

Despite the potential of the product and the interesting results from the studies, there are uncertainties and risks with an investment in the company. We have summarized the most obvious ones below in our counter thesis.

- **Delay of regulatory approvals:** The company has received Novel Food approval and a GRAS approval for food. It has also delivered a pilot order to Mexico where aXiphen® is included in chicken feed. Gras Feed
- **Problems in the roll-out phase:** aXichem has passed regulatory barriers and proved the scale-up of its production. The next step is to start selling and implement the company's ingredient in various products. Unexpected issues could occur, although the study results are promising and we expect a successful launch.

approval is now the most important for the company.

Catalyst types

Progress with aXiphen-bio

A favorable outcome in the evaluation of aXichem's product would likely mean that Brynsløkken uses its right to commercialize aXiphen-bio. To begin with, the market in Chile is interesting. In the long-term, other countries may also be relevant. The submission of a dossier for the EU BPR is also on the agenda.

Results from Mexico

The ongoing tests in Mexico are important as it's the first order through the partner Chr. Olesen. The evaluation has been delayed, but we expect results within the next six months. If the anticipated effect is reached, we find it likely with a follow-up order. A negative outcome would create uncertainty regarding the potential of the product.

GRAS Feed approval

The GRAS Feed approval has taken longer than we initially expected. Regulatory processes are always difficult to assess and the company's latest estimate is that it should come in H1 2020. With approval, aXichem can begin to process the US market for feed. The company received GRAS Food approval in April 2018 and the probability is very high for Feed. At the same time, this is expected of the market, which has sharply increased the share price. Should it not be approved, the downside is rather large.

Commercial breakthrough

aXichem has delivered a first test order of aXiphen feed, and the awaited commercialization is approaching. When companies go from research phase to market and sales phase, large shareholder values can be created. At the same time, it's often hard to estimate the time it takes and the resources required. We have a positive view of the progress made by aXichem, the study data that exists and the customer problem that the company resolves. Demand is high and the product is unique in its kind. At the prevailing price levels, however, expectations are high for a successful launch. Should problems arise with the product, customer relationships, production, logistics or sales – a commercial breakthrough can be delayed or not materialize.

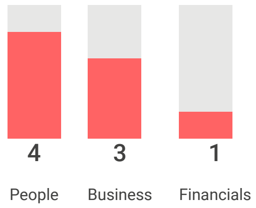
Azelio AZELIO

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

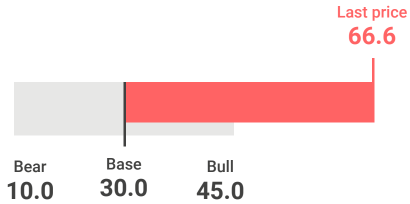
Publication date
January 10 2021

Redeye Rating

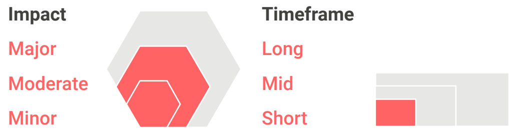
COMPANY QUALITY



FAIR VALUE RANGE

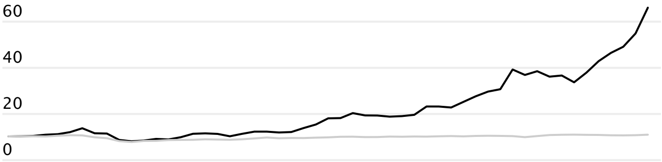


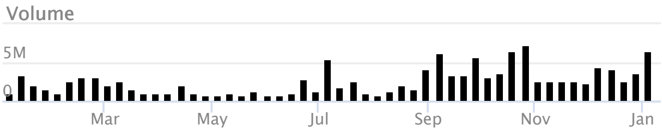
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Jonas Eklind
Chairman	Bo Dankis

Share information

Share price (SEK)	66.6
Number of shares (M)	104.1
Market cap (MSEK)	6,933
Net debt (MSEK)	151

Analyst

Oskar Vilhelmsson
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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	
	2019	2020E	2021E	2022E
Revenue, MSEK	2	2	84	2,045
Growth	*-14.0%*	*34.1%*	*>100%*	*>100%*
EBITDA	-125	-292	-279	120
EBITDA margin	*Neg*	*Neg*	*Neg*	*5.9%*
EBIT	-161	-321	-319	70
EBIT margin	*Neg*	*Neg*	*Neg*	*3.4%*
Pre-tax earnings	-161	-321	-327	44
Net earnings	-161	-321	-255	35
Net margin	*Neg*	*Neg*	*Neg*	*1.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.75	-2.93	-2.33	0.32
P/E adj.	0.0	-15.0	-18.8	138.8
EV/S	-216.9	1,986.0	58.9	2.6
EV/EBITDA	2.9	-15.3	-17.7	43.9

Last updated: 2020-12-10

Owner	Equity	Votes
Kent Janér	17.1%	17.1%
Avanza Pension	4.6%	4.6%
Deutsche Bank AG	4.5%	4.5%
Skandinaviska Enskilda Banken S.A	3.9%	3.9%
Braginsky Family Office AG	3.8%	3.8%
Jim O'Neill	2.9%	2.9%
Goldman Sachs International LTD	2.9%	2.9%
State Street Bank And Trust co	2.7%	2.7%
Alfred Berg Fonder	2.2%	2.2%
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.

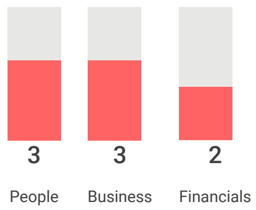
Bambuser BUSER

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

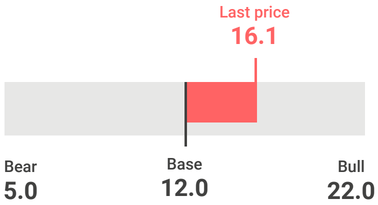
Publication date
January 8 2021

Redeye Rating

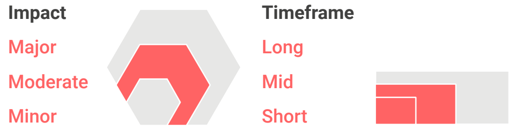
COMPANY QUALITY



FAIR VALUE RANGE

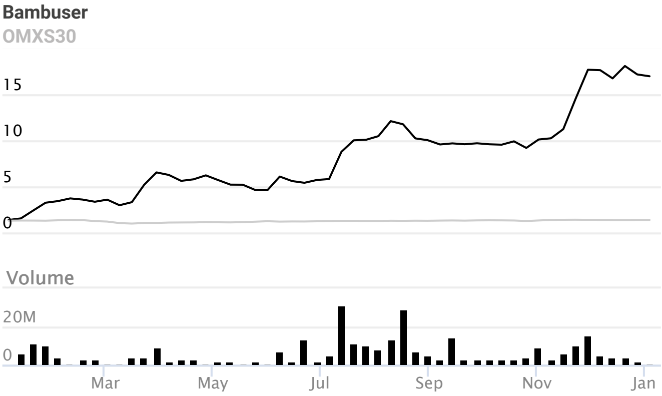


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Maryam Ghahremani
Chairman	Joel Citron

Share information

Share price (SEK)	16.1
Number of shares (M)	164.9
Market cap (MSEK)	2,646
Net debt (MSEK)	-287

Analyst

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Conflict of interests

Forbes Goldman owns shares in Bambuser: 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	3	32	75	150
Growth	*>100%*	*>100%*	*100.0%*	
EBITDA	-18	-32	-57	-16
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-20	-32	-59	-21
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-20	-32	-60	-23
Net earnings	-20	-27	-47	-18
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	-0.17	-0.28	-0.10
P/E adj.	0.0	-62.1	-36.9	-99.5
EV/S	-4.6	43.0	18.9	9.6
EV/EBITDA	0.8	-43.1	-24.9	-89.1

Last updated: 2020-11-12

Owner	Equity	Votes
Muirfield Invest Aktiebolag	11.1%	11.1%
Handelsbanken Liv Försäkring AB	7.6%	7.6%
JP Morgan Clearing Corp W9	6.5%	6.5%
TIN Fonder	5.8%	5.8%
Futur Pension	5.7%	5.7%
Cbny-National Financial Services Ll	5.4%	5.4%
Goldman Sachs & Co.	5.1%	5.1%
Avanza Pension	5.0%	5.0%
Handelsbanken Fonder	3.0%	3.0%
Tom Stendahl	2.8%	2.8%

Company description

Bambuser is a Swedish B2B-focused SaaS company offering white-label live video solutions. Bambuser has since 2006, developed a livestreaming technology from mobile devices and webcams over the internet. In late 2019, Bambuser launched its flagship product – Live Video Shopping, catering to the demand of brands and retailers.

Investment case

- Positive corona boost. Bambuser finds itself in a unique position, with little competition, to attract large-enterprise customers and high-profile partnerships. Investments in the go-to-market capabilities will further have a positive effect on its top-line.
- We identify three sources of further growth: i) increasing sales to existing customers, ii) new customer acquisitions and iii) advancing through new and existing partnerships. We view Bambuser as a highly scalable business, with high gross margins due to license renewals and usage-derived revenues.
- We expect Bambuser to produce impressive top-line growth going forward: our forecasts suggest a massive lift from a modest SEK 3m in 2019 to SEK 280m in 2023E, in addition to long-term EBIT-margins of 31%. Our Base Case is SEK 12 per share.

Accelerated demand in light of Covid-19. Global retail has taken a severe beating this year following the pandemic and its lockdowns. The value of Live Video Shopping becomes evident in this setting – an interactive and innovative solution for brands and retailers to communicate with their customers remotely. Indeed, brands and retailers within beauty and fashion were early to adopt Live Video Shopping. However, Bambuser's customers to date are represented within a multitude of verticals.

Revenue scalability. High gross margins (+90%), the result of license renewals and usage-derived revenues, prove the business's inherent scalability. The high operating leverage should translate into significant profitability if it succeeds in increasing the top-line while controlling churn and acquisition costs. Indeed, our long-term projections tell that story.

Evidence from China. Live shopping has its roots in China, where it has become a mainstream channel to purchase items over the internet. In 2019, live shopping sales in China amounted to USD 63 billion (approx. 9% of its total e-commerce sales) and is expected to generate in the region USD 140-170 billion by 2020, according to different market estimates. Although live shopping in the West may be 2-5 years behind, the Chinese example serves as an indication of the potential for the strong future growth of the underlying market.

Counter Points

Rising competition. Tech giants like Amazon and Facebook have already entered live shopping, although catering to a different market segment than Bambuser. If they were to exploit their dominant positions in e-commerce, livestreaming, and data, it could certainly weigh on the industry. Nonetheless, the market's significant potential and attractiveness will continue to attract new competitors, big and small. Bambuser must protect and further develop its edge.

Usage failing to take off. Bambuser has communicated that it expects usage to account for the lion share of future revenues. If parameters affecting usage, like number of viewers, broadcast length, and add-to-cart ratio don't achieve the anticipated levels, Bambuser will have to revise its business model.

Catalyst types

Top-line growth

Quarterly reports will be key in demonstrating investors and stakeholders its organizational and financial development. In particular, Bambuser is expected to rapidly increase its top-line, given that costs are set to increase materially.

Customer acquisitions

Bambuser has, until now, handled all operations from its Stockholm HQ. With its focus on international expansion, setting up offices in the US and UK, as well as partnering with world-leading platforms, we believe Bambuser is improving the odds of winning new major customers.

M&A strategy

Bambuser could take advantage of its financial strength and potential market cap to acquire competitors or start-ups in possession of intellectual property. Given the ambition to become a leading, global video house, we believe there is an M&A strategy in place.

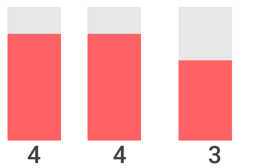
Beijer Electronics Group BELE

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

Publication date
January 10 2021

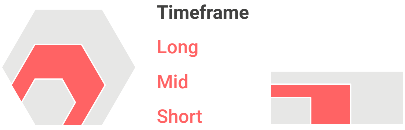
Redeye Rating

COMPANY QUALITY



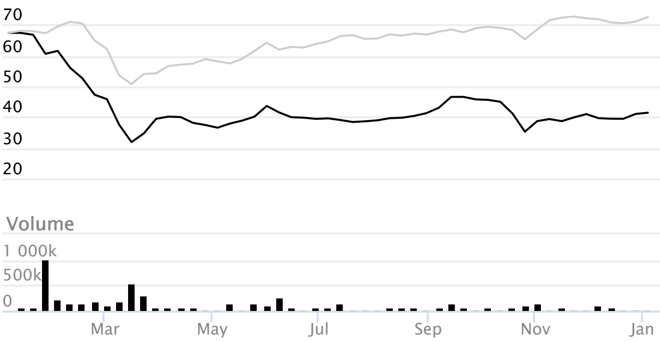
FAIR VALUE RANGE

CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Per Samuelsson
Chairman	Bo Elisson

Share information

Share price (SEK)	41.3
Number of shares (M)	28.9
Market cap (MSEK)	1,190
Net debt (MSEK)	648

Analyst

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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

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

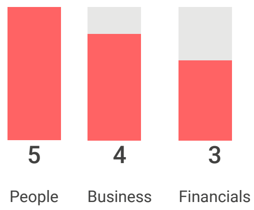
Better Collective BETCO

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

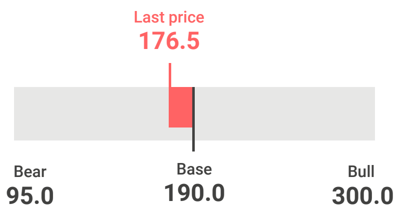
Publication date
January 10 2021

Redeye Rating

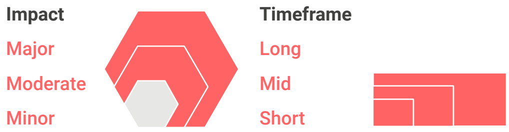
COMPANY QUALITY



FAIR VALUE RANGE



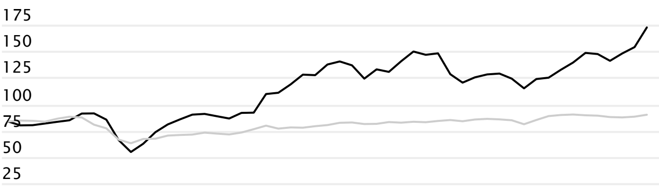
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Better Collective
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Jesper Søgaard
Chairman	Jens Bager

Share information

Share price (SEK)	176.5
Number of shares (M)	46.9
Market cap (MSEK)	8,279
Net debt (MEUR)	-2

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	89	163	199
Growth	*32.6%*	*81.7%*	*22.4%*	
EBITDA	27	37	63	81
EBITDA margin	*40.7%*	*41.2%*	*38.5%*	*40.9%*
EBIT	21	29	53	72
EBIT margin	*31.4%*	*32.2%*	*32.8%*	*36.0%*
Pre-tax earnings	19	27	51	71
Net earnings	14	20	38	53
Net margin	*20.7%*	*22.8%*	*23.6%*	*26.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.34	0.45	0.83	1.12
P/E adj.	22.8	30.4	16.4	12.1
EV/S	4.9	7.5	3.9	2.9
EV/EBITDA	12.0	18.2	10.1	7.1

Last updated: 2020-11-23

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 as well as paid media products. 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 Google.

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.

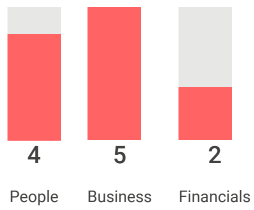
BIMobject BIM

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

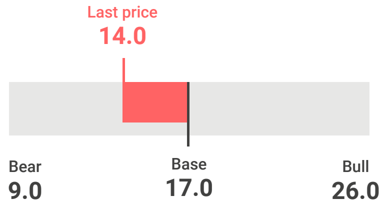
Publication date
January 10 2021

Redeye Rating

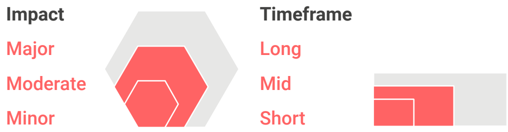
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Carl Silbersky
Chairman	Johan Svanström

Share information

Share price (SEK)	14.0
Number of shares (M)	139.3
Market cap (MSEK)	1,956
Net debt (MSEK)	-370

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in BIMobject: 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	134	141	182	245
Growth	*17.4%*	*5.2%*	*28.8%*	*34.8%*
EBITDA	-123	-57	2	39
EBITDA margin	*Neg*	*Neg*	*1.2%*	*15.9%*
EBIT	-133	-57	1	38
EBIT margin	*Neg*	*Neg*	*0.5%*	*15.3%*
Pre-tax earnings	-132	-62	1	38
Net earnings	-128	-62	1	32
Net margin	*Neg*	*Neg*	*0.4%*	*13.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.06	-0.44	0.01	0.23
P/E adj.	-12.3	-30.0	2,499.8	58.0
EV/S	10.6	10.5	8.1	5.9
EV/EBITDA	-11.5	-25.7	666.9	37.2

Last updated: 2020-11-29

Owner	Equity	Votes
Euroclear Bank S.A/N.V	13.5%	13.5%
EQT	11.1%	11.1%
Swedbank Robur Fonder	8.6%	8.6%
Stefan Larsson	6.4%	6.4%
Handelsbanken Fonder	6.1%	6.1%
TIN Fonder	6.0%	6.0%
Avanza Pension	5.4%	5.4%
IKC Fonder	4.8%	4.8%
State Street Bank And Trust co	3.9%	3.9%
Berenberg Funds	3.5%	3.5%

Company description

BIMobject's mission is to digitalize construction for a more sustainable future. It's a global marketplace for the construction industry that provides architects and engineers with the information and inspiration they need to design buildings faster, smarter and greener.

With 2000+ building product brands and 100 of the world's top 100 architect firms among its users, it power digital building design worldwide. In 2019, the company had annual net sales of SEK 134 million.

Investment case

- Set to capture market share
- Global potential
- Strategic shift – fueling path to black numbers
- High earnings potential

Set to capture market share
With slim margins, the construction industry is urging for increased efficiency as it has been lagging significantly in the last decade compared to the rest of the world. At the same time, we expect Building Information Modelling (BIM) to be one of the main efficiency drivers in the industry going forward. In a fragmented market with high underlying growth, we believe that BIMobject, as the leading global BIM-library provider, is set to capture a significant market share.

Global potential
Compared to most of the Swedish listed Software as a Service (SaaS) companies, BIMobject has global potential and is on a good way to becoming the global leader within its niche. The market, who yet is in the early stage, offers solid growth prospects of >10% yearly with an estimated TAM larger than SEK >3.2bn at this point.

Strategic shift – fueling path to black numbers
Historically, BIMobject has had an opportunistic strategic approach, not utilizing its full potential as a software company. Its new management, which shows a good understanding of the business and market, has put several new strategic initiatives into place, adapting its strategy to SaaS-based metrics, while having its own skin in the game further adds to our positive view.

The most important initiatives include;

- Restructuring of the sales team and processes to accelerate ARR growth, decrease the CAC payback period, reducing lead times, and improve onboarding
  of new customers from 90 to 30 days
- Improving its product offer and changing its pricing to a value-based model, which we expect will impact ARPB by around 12% for 2021, and another 20% in 2022
- Establishing a customer success team to reduce churn and increase customer satisfaction, reducing churn from historically high levels of 12% to <5%
- Implementing a cost reduction program, reducing yearly OPEX of SEK 50m

High earnings potential
With i) attractive sales growth opportunities, ii) a competitive product offering for manufacturers and iii) a scalable business model with a high degree of recurring revenues, we argue that BIMobject is well-positioned for high profitability in the long-term. As the global leading BIM-library provider, acting as the market consolidator, growth will be the main focus in the next coming years. We expect BIMobject to deliver a sales CAGR of 30% in the coming three years, enabling breakeven already in 2021, resulting in an avg. EBIT margin of 18% for the same period, followed by an avg. EBIT of 40% in 2025-2028.

Catalyst types

Continued growth in recurring revenues
The recurring platform sales remain BIMobject's primary focus going forward. The growth rate of ARR will be key to its path of market dominance and profitability. Even if the indicator is lagging, we believe the metric will be critical for the development of the stock. In the following quarterly reports, keep an eye on the ARR but also on the net added manufacturers/brands to its client base, which will be leading.

Profitable growth
Historically, BIMobject has been growing sales significantly but also raised its OPEX at the same pace. The company is now at a point where increased sales can emerge into improved profitability, and later on to black numbers. Turning the trend around in a first step, and secondly reaching above breakeven should increase the investor sentiment in the stock.

Value-adding M&A
BIMobject has an outspoken M&A strategy and has made several acquisitions in the last years. Going forward, the focus will be acquisitions adding mainly to its customer and user base in new geographic areas. While secondly, BIMobject's will also consider acquisitions to strengthen its platform and current product offering. We believe the company can acquire in the private market below >5x sales, compared to BIM6object's current sales multiple around 11x.

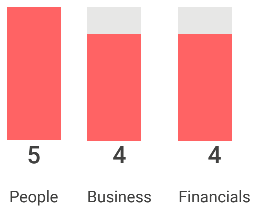
Bredband2 BRE2

Company page
https://www.redeye.se/company/bredband2

Publication date
January 8 2021

Redeye Rating

COMPANY QUALITY



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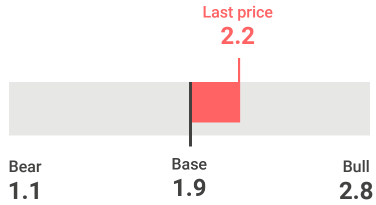
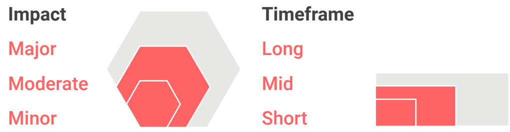
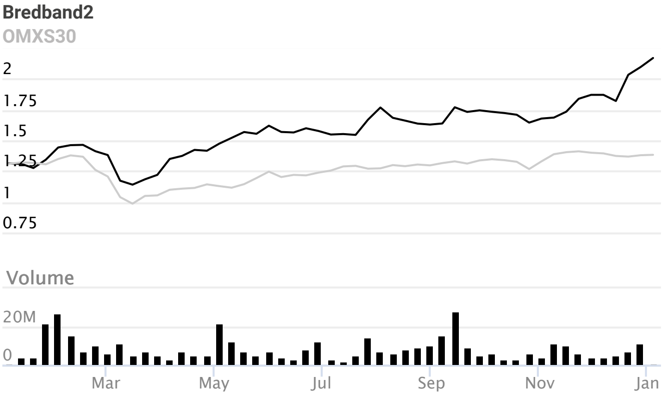


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Daniel Krook
Chairman	Anders Lövgren

Share information

Share price (SEK)	2.2
Number of shares (M)	957.1
Market cap (MSEK)	2,067
Net debt (MSEK)	23

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Bredband2: No

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

Financials

	2019	2020E	2021E (Redeye Estimates)	2022E (Redeye Estimates)
Revenue, MSEK	671	721	1,585	1,712
Growth	*11.8%*	*7.5%*	*>100%*	*8.0%*
EBITDA	75	98	278	214
EBITDA margin	*11.2%*	*13.5%*	*17.6%*	*12.5%*
EBIT	51	72	115	166
EBIT margin	*7.6%*	*10.0%*	*7.2%*	*9.7%*
Pre-tax earnings	51	72	115	166
Net earnings	41	56	89	129
Net margin	*6.1%*	*7.8%*	*5.6%*	*7.6%*
Dividend/Share	0.05	0.06	0.07	0.08
EPS adj.	0.06	0.06	0.09	0.13
P/E adj.	22.6	28.9	18.2	12.6
EV/S	1.1	2.3	1.0	0.9
EV/EBITDA	10.3	17.2	5.9	7.3

Last updated: 2020-11-12

Owner	Equity	Votes
Anders Lövgren	18.3%	18.3%
ODIN Fonder	9.3%	9.3%
Alcur Fonder	8.2%	8.2%
JP Morgan Bank Luxembourg S.A.	4.0%	4.0%
BI Asset Mgmt Fondsmaeglerselskab A/S	3.6%	3.6%
Ulf Östberg	3.1%	3.1%
State Street Bank And Trust co	3.1%	3.1%
Berenberg Funds	3.0%	3.0%
Nordnet Pensionsförsäkring	2.4%	2.4%
Ibkr Financial Services AG	2.2%	2.2%

Company description

Bredband2 supplies communication services to consumers and corporate customers throughout Sweden and offers internet, voice, data centres and mobile broadband. The company is Sweden's third-largest provider of internet access using fibre technology, with around 450,000 broadband customers. It's focused positioning in the fast-growing fibre market is a competitive advantage for the company. However, Bredband2 is still a small player with the usual drawbacks arising from this, such as in terms of financial muscle. On the other hand, the company's business model is based on leasing into the networks of other providers, which means Bredband2 avoids upfront investments in so-called passive infrastructure. Bredband2 has instead built up active infrastructure in more than 80 percent of the Swedish metropolitan networks that are open to the market.

Investment case

- Surfing the fibre wave
- Integrating A3
- Higher dividend
- Acquisition, an optionality

Surfing the fibre wave

Telecom operator Bredband2 is surfing the fibre wave in a telecom market where outdated broadband technology (generally coax and ADSL) is being rapidly replaced with fibre broadband. As the only operator with entirely fibre technology, Bredband2 is positioned to take great advantage of this change and grow sales at ~10% in the coming years.

Integrating A3

In late 2020, Bredband2 acquired its previous competitor A3. The new company have over 450 000 private fiber-broadband customers, making it number three in Sweden. While Bredband2's gross margin has been under pressure from time to time, the internal efficiency has gradually improved as revenues have grown. Thus, we see the potential for significant cost synergies as A3 is integrated into Bredband2.

During the past few years, at least among the major players, Bredband2 and A3 have been the most aggressive regarding pricing. As Bredband2 and A3 have become one, we believe that prices will stabilize at a healthy level from the operators' perspective.

Higher dividend

With no interest-bearing liabilities and an increasing cash position, we argue that a higher dividend (0.05 SEK per share last year) appears as the only rational capital allocation decision to make. Total dividend amounted to SEK 35.1 million last year compared to the cash position of SEK 150million at the end of Q4'19.

Main risks

- Increased network fees (COGS) would put gross margins at risk. Bredband2 has so far mitigated this trend due to scalability in other opex.
- A generic product that is difficult to differentiate, where customers buying decision are based on price. Going forward we believe that the risk of pricing pressure is low as a result of industry consolidation and a maturing fiber market.

Catalyst types

Revenue growth outperform estimates
Higher growth rates than estimates would mean that the company handles the new market dynamics (mature fiber market) better than expected. Higher sales on the corporate side would also explain the higher growth rate.

Sector rotation (flight to defensive stocks)
Bredband2's non-cyclical recurring revenue is an attractive choice in a shaky stock market.

Industry consolidation
The industry is consolidating. Bredband2's strong position in fibre could make the company an attractive takeover candidate.

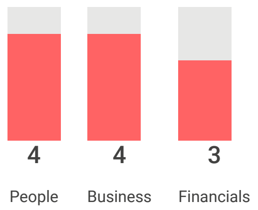
Carasent CARA

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

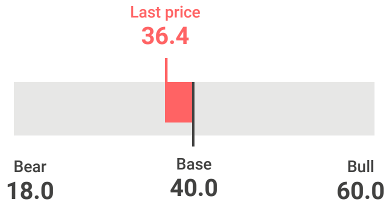
Publication date
January 10 2021

Redeye Rating

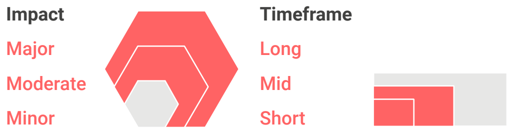
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	Oslo Børs
CEO	Dennis Höjer
Chairman	Johan Lindqvist

Share information

Share price (NOK)	35.5
Number of shares (M)	55.0
Market cap (MNOK)	1,954
Net debt (MNOK)	-296

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

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

M&A
Carasent has identified M&A targets in all three growth dimensions: geographical, segmental, and adjacent product/service areas. In December 2020, it used some of the proceeds from the rights issue in September in order to acquire the Norwegian company, Avans Soma. We believe more M&A activity is to come, as Carasent still sits on a large cash position of NOK >200 million.

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.

Norwegian Webdoc launch
In December 2020, Carasent acquired Avans Soma, a developer of leading medical record systems and IT solutions in the Norwegian healthcare market. Avans Soma has around 140 customers, mainly in the social care and mental illness rehabilitation field. We believe Avans Soma will be of great help to finalize the Norwegian Webdoc version, and also add profitable growth on top of Evimeria's. We estimate a Norwegian Webdoc launch in late 2021.

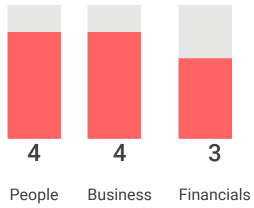
Christian Berner Tech Trade CBTT B

Company page
https://www.redeye.se/company/christian-berner-tech-trade

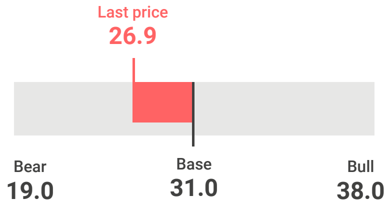
Publication date
January 7 2021

Redeye Rating

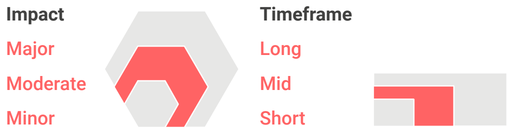
COMPANY QUALITY



FAIR VALUE RANGE

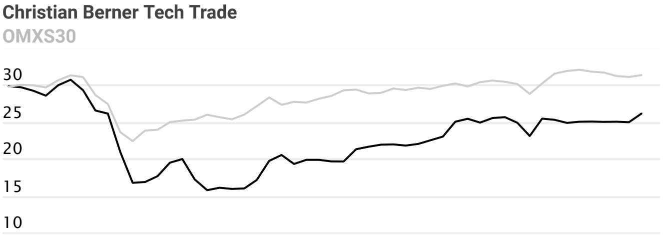


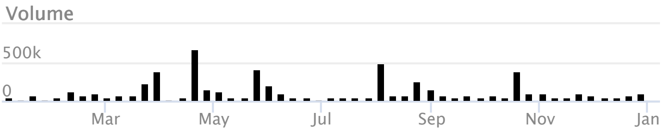
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Bo Söderqvist
Chairman	Joachim Berner

Share information

Share price (SEK)	26.9
Number of shares (M)	18.8
Market cap (MSEK)	505
Net debt (MSEK)	-10

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Christian Berner Tech Trade: 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	705	710	805	837
Growth	*14.1%*	*0.7%*	*13.4%*	*4.0%*
EBITDA	71	67	83	89
EBITDA margin	*10.1%*	*9.5%*	*10.3%*	*10.7%*
EBIT	51	47	62	65
EBIT margin	*7.2%*	*6.7%*	*7.7%*	*7.8%*
Pre-tax earnings	49	46	61	65
Net earnings	38	36	48	51
Net margin	*5.4%*	*5.0%*	*5.9%*	*6.1%*
Dividend/Share	0.00	0.76	1.02	1.08
EPS adj.	2.02	1.90	2.54	2.71
P/E adj.	14.3	13.8	10.3	9.7
EV/S	0.8	0.7	0.6	0.5
EV/EBITDA	8.4	7.6	5.8	5.1

Last updated: 2020-10-20

Owner	Equity	Votes
Joachim Berner	23.7%	52.3%
Ernström & C:o AB	10.3%	6.4%
Skandinaviska Enskilda Banken S.A	9.1%	5.7%
Isolde Stensdotter Berner	8.7%	5.4%
Ruby Stensdotter Berner	8.3%	5.2%
Lannebo Fonder	8.2%	5.2%
Unionen	4.0%	2.5%
Protector Forsikring ASA	3.6%	2.2%
Avanza Pension	1.4%	0.9%
Bo Söderqvist	1.2%	0.8%

Company description

Christian Berner is a Swedish technology trading group, founded in 1897. The company markets, processes and sells components, systems, and services with high technology content from leading suppliers to the Nordic market. In addition, the company also has proprietary products, such as Zander & Ingestström's electric boilers under the ZETA brand - which are mainly exported. An essential part of Christian Berner's business model is the consultative sales, where the company's - usually engineer-trained - salesman analyzes the customer's technical requirements and then recommends a solution.

Investment case

A favorable hybrid business model

Christian Berner has a clear focus on consulting together with the products the company sells - like a hybrid between a technology consultant and a technology trading company. A significant proportion of the sales personnel are engineers, and the value Christian Berner adds to the customer lies primarily in the consultation. For example, as a supplier, it is difficult to add any significant value to the customer by selling only a ballast mat. If the supplier can also calculate and tell the customer what type of ballast mat should be used, it is easier to add value and. We also see Christian Berner's focus on consulting as a competitive advantage, as it has led to the company building good relationships with suppliers and strong internal expertise. Two advantages we believe are difficult for new entrants to copy within a reasonable time.

Growth potential in most areas

Christian Berner is active in several areas where we identify solid growth prospects: Rail-bound traffic, multi-story buildings in wood and electric boilers. Common to these is that demand is largely driven by the transition to a more environmentally friendly society.

- Large investments in rail-bound traffic await within the coming years, primarily in Sweden but also in the other Nordic countries. In addition to ballast mats and noise boards for the tracks, we see potential for vibration dampening of nearby buildings. For example, some rail projects have a stated ambition to lead to increased building, structures that are likely to end up in noisy areas.
- Even regarding multi-story houses in wood, there is reason to be optimistic about the future. In 2016, approximately 10% of the multi-story houses in Sweden were built of wood, a proportion that is expected to increase sharply in the coming years. Among the benefits are lower environmental impact. For example, about 80-90% of all multi-story houses in North America are built of wood, which indicates significant potential in the long term.
- Through the subsidiary Zander & Ingeström, Christian Berner is market leading regarding electric boilers. The boilers are mainly in demand where the variations in electricity prices are large, which renewable energy such as wind and hydropower tend to be. As the environmental focus is on the rise around the world, we see conditions for good growth. Recently, large orders have been won in China and Belarus. The boilers are also a proprietary product, which usually provides solid margins.

Acquired lift, more to retrieve in original business

Since the listing in October 2014, Christian Berner has a mix track-record. Up until 2018, acquisitions were small and marginal increases were insufficient to reach the target - partly due to one-offs. In 2018, however, the company acquired Zander & Ingeström, a very successful acquisition so far. However, this has not completely bypassed the market, as the share price increased by 35% last year. However, Christian Berner, which is valued at approximately 9x EBIT for the current and coming years, continues to trade at a discount - amounting to about 35% relative to similar companies. However, these companies are considerably larger than Christian Berner and in many cases have a long history of frequent acquisitions. If the company can improve its original operations, which we find reasonable, thanks to, among other things, a strong order intake.

Counter-Thesis

A decline in Nordic economic activity

A significant proportion of Christian Berner's sales are dependent on investments in increased production capacity. Although the exposure is spread out over several different industries, the company nevertheless has some sensitivity to the Nordic business cycle. For example, the crisis in 2008 led to three subsequent loss years for the company and in 2009 net sales fell by just over 8%.

Loss of key suppliers

As a trading company, Christian Berner is dependent on good and close relationships with its suppliers. Should an important supplier choose to set up its own sales organization or switch to another trading company, it is likely to result in lost sales for Christian Berner. However, the company has about 150 suppliers, of which the largest accounts for 11% of sales. Thus, we believe that Christian Berner is well placed to handle its supplier risk.

Catalyst types

Further acquisitions of significant size

Since Christian Berner was listed in October 2014, the company has made several smaller acquisitions, and in March 2018, a significantly larger acquisition of Zander & Ingeström was made. If Christian Berner can continue to be active with acquisitions and add at least 5% in sales per year on average - in line with its goal - we see the potential for an acquisition premium in the company's valuation.

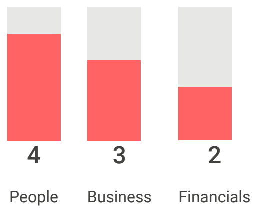
Clavister Holding CLAV

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

Publication date
January 8 2021

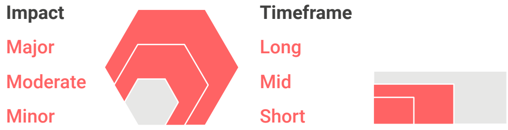
Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

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)	10

Analyst

Forbes Goldman
forbes.goldman@redeye.se

Conflict of interests

Forbes Goldman owns shares in Clavister Holding: 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, MSEK	123	133	163	202
Growth	*10.6%*	*7.9%*	*22.0%*	*24.0%*
EBITDA	-39	1	25	45
EBITDA margin	*Neg*	*0.7%*	*15.3%*	*22.1%*
EBIT	-81	-36	-4	17
EBIT margin	*Neg*	*Neg*	*Neg*	*8.6%*
Pre-tax earnings	-113	-69	-16	11
Net earnings	-142	-69	-12	9
Net margin	*Neg*	*Neg*	*Neg*	*4.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-5.52	-1.26	-0.23	0.16
P/E adj.	-2.7	-5.7	-31.5	43.9
EV/S	4.7	2.9	2.5	1.9
EV/EBITDA	-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.

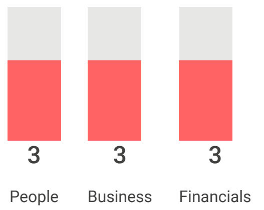
Doro DORO

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

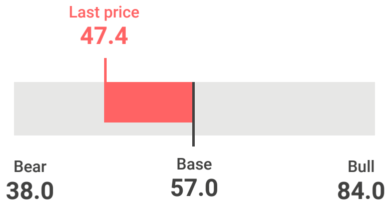
Publication date
January 11 2021

Redeye Rating

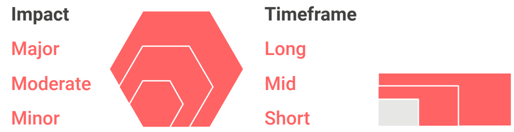
COMPANY QUALITY



FAIR VALUE RANGE

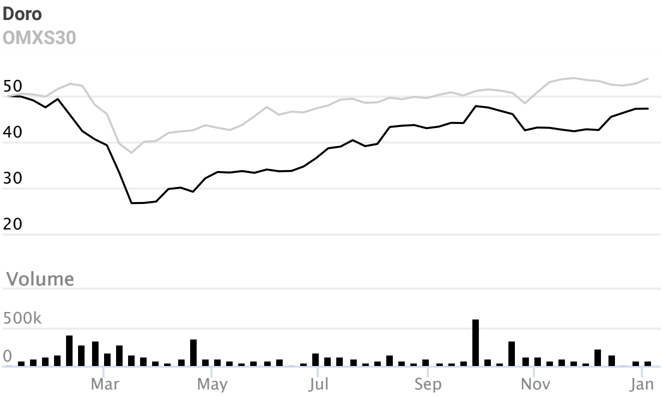


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Carl-Johan Zetterberg Boudrie
Chairman	Lennart Jacobsen

Share information

Share price (SEK)	47.4
Number of shares (M)	24.2
Market cap (MSEK)	1,147
Net debt (MSEK)	-179

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Doro: Yes

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

Financials

			Redeye Estimates	
	2019	2020E	2021E	2022E
Revenue, MSEK	2,063	1,729	1,859	1,910
Growth	*8.2%*	*-16.2%*	*7.5%*	*2.8%*
EBITDA	209	195	253	291
EBITDA margin	*10.1%*	*11.3%*	*13.6%*	*15.2%*
EBIT	112	77	156	185
EBIT margin	*5.4%*	*4.5%*	*8.4%*	*9.7%*
Pre-tax earnings	107	70	151	179
Net earnings	78	52	111	132
Net margin	*3.8%*	*3.0%*	*6.0%*	*6.9%*
Dividend/Share	0.00	0.00	1.50	1.79
EPS adj.	3.21	2.12	4.56	5.42
P/E adj.	15.7	21.8	10.1	8.5
EV/S	0.6	0.6	0.5	0.4
EV/EBITDA	6.2	5.6	3.7	2.9

Last updated: 2020-10-25

Owner	Equity	Votes
Accendo Capital	15.5%	15.5%
Nordea Fonder	10.3%	10.3%
Rite Ventures	10.3%	10.3%
Lazard Frères Gestion	5.7%	5.7%
Dimensional Fund Advisors	3.0%	3.0%
Clearstream Banking S.A. W8imy	2.9%	2.9%
Nordea Bank Ab(Publ Nordea Bank Abp	2.8%	2.8%
Bengt Julander	2.5%	2.5%
Familjen Eklund	2.3%	2.3%

Company description

Doro is a Small Cap company, developing and manufacturing technology for seniors (people with the age of 65 or older) since year 2007. The products, typically traditional feature phones and smartphones, are sold in more than 30 countries. Doro's leading position is based on a wide and global distribution network and a strong brand that the target group can trust. This has resulted in a niche market share of some 50 percent in Western Europe, but Doro is number one in several other markets as well. The major weakness in the business model is that Doro sells hardware with short life cycles and is dependent on constantly developing better products. However, Doro is increasingly focusing on growing the Care area, i.e. providing services in telecare and mobile health, meaning recurring revenue.

Investment case

- Growth in phones seems to be over
- This is a telecare & mobile health play
- Reported growth is required to move the shares

Growth in phones seems to be over

Doro has not been able to reach underlying top line growth during the past years. The current depressed market valuation suggests a current perception that Doro will never be able to grow again. This might be true for phones but there are, according to us, promising growth opportunities in the Care segment within telecare and mobile health (see further below). This will eventually drive recurring revenue as well as higher margins and multiples. The main problem is that the services (Care) part at the moment is way too small (about 30 % of the total) and will remain so until Doro makes a few more acquisitions similar to Welbeing and Centra. Thus, M&A is key.

This is a telecare & mobile health play

In the summer of 2018, Doro's US competitor GreatCall was acquired by Best Buy for USD 800m (EV/S about 2.5x or USD 800-900 per subscriber). We argue that Doro can, and will, pursue a similar care journey. Doro's new Smart Care box will function as a gateway to which all types of devices and sensors can be connected in order to detect unusual behavior. Doro will pre-program the alarm button on the phone and offer various services for a monthly fee, including making it possible for families, friends and caregivers etc. to monitor the user via an app and receive alarms. Relatives or caregivers can receive notifications that everything is ok alternatively not ok and in a more serious situation an alarm to an alarm centre can automatically go off and caregivers can be dispatched. Doro will open up the platform for all kinds of third party solutions such as e.g. portable heart scanners or bed sensors that can sense if a person is not in bed. The system can also detect unordinary events, e.g. if the refrigerator has not been opened during the past 24 hours, if someone has been in the bathroom for an hour or perhaps in the bathroom 30 times in one day.

All this will create a moat, as copying Doro's extensive offering will not only require hardware but also software and services. The value proposition is obvious. Seniors can live home longer, free and independently. Relatives are sure that their loved ones are safe as everything can be monitored remotely: the current location, missed calls and battery life etc. Last, being able to determine that everything is ok from a distance is also very cost efficient for the municipalities and the care providers. Doro has several unique and important assets that will help it succeed in its quest:

- Major confidence in the Doro brand from the target customers, as opposed to competing start-ups.
- A deep understanding of the users and their needs.
- Sales channels within about 50 countries and hardware logistics to handle 3+ million hardware units
- A physical alarm button on every phone and an installed base of almost 130 000 telecare alarm subscriptions as well as long-time experience from the whole alarm chain

Reported growth is required to move the shares

In relation to our reasonably pessimistic scenario of SEK 38 per share and our base case of SEK 57, today's share price provides a favourable risk/reward. However, a narrower price/value gap seems to require earnings reports clearly showing that Doro has come back to growth. The stock market's trust in Doro is low at the moment, meaning one good report alone may not be enough.

Catalyst types

Foreign expansion of Doro Care
The Care acquisitions are Doro's chance to build more sticky revenue and endurable competitive advantages. Doro's foreign care expansion will lead to margin and multiple expansion. In UK, Doro now has important M&A expertise from its Welbeing acquisition.

Care Margin Expansion
The segment reporting of EBIT means that investors can follow the Care margins expanding. The gradual margin expansion should eventually open the eyes of investors.

Return to growth
Following years of little or no top line growth for Doro we assume that the perception can only change when it is obvious for the stock market that Doro is back to growth, which would likely be in an earnings report.

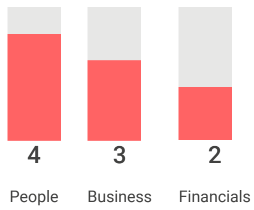
EG7 EG7

Company page
https://www.redeye.se/company/eg7

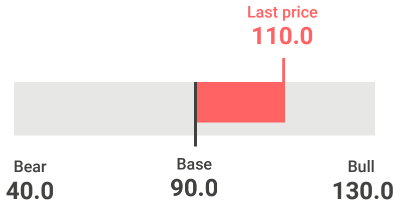
Publication date
January 8 2021

Redeye Rating

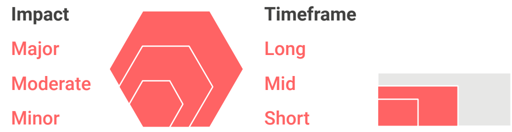
COMPANY QUALITY



FAIR VALUE RANGE

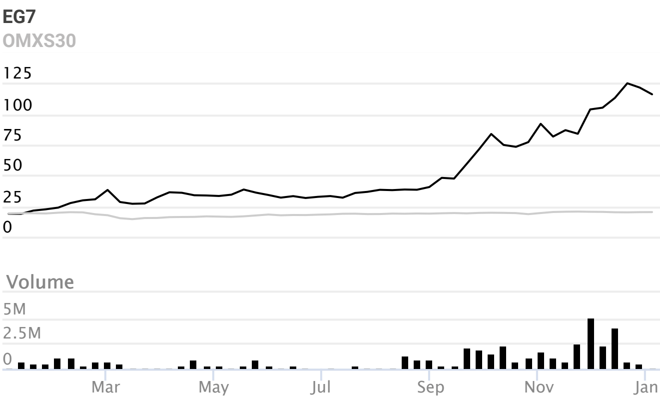


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Robin Flodin
Chairman	Alexander Albedj

Share information

Share price (SEK)	110.0
Number of shares (M)	76.6
Market cap (MSEK)	8,429
Net debt (MSEK)	-270

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in EG7: Yes

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

Financials

Redeye Estimates

	2019	2020E
Revenue, MSEK	152	537
Growth	*>100%*	*>100%*
EBITDA	3	92
EBITDA margin	*2.0%*	*17.2%*
EBIT	-23	-18
EBIT margin	*Neg*	*Neg*
Pre-tax earnings	-28	-51
Net earnings	-28	-56
Net margin	*Neg*	*Neg*
Dividend/Share	0.00	0.00
EPS adj.	-0.90	-1.22
P/E adj.	-21.4	-95.0
EV/S	6.2	9.6
EV/EBITDA	304.3	55.8

Last updated: 2021-01-07

Owner	Equity	Votes
Jason Epstein	10.0%	10.0%
Dan Sten Olsson with family and foundation	9.0%	9.0%
Robin Flodin	5.0%	5.0%
Rasmus Davidsson	3.7%	3.7%
Alan Hunter	3.0%	3.0%
Ben Granados	2.6%	2.6%
Johan Svensson	2.5%	2.5%
TIN Fonder	2.4%	2.4%
Alexander Albedj	2.2%	2.2%
Erik Nielsen through company	1.8%	1.8%

Company description

UNDER REVIEW: Redeye has not updated its estimates on EG7 since the two major acquisitions of Daybreak Games and Piranha Games at the end of 2020.

Enad Global 7 (EG7) is a Swedish company active within the gaming industry. It originated as a game development company within console gaming specialized in first-person action/RPG games. After five major acquisitions in 2019-2020 EG7 has operations within game development, marketing and publishing. The company was founded in 2013 and has grown rapidly to now employ roughly 630 people spread all over the world in 16 different companies. The majority of the company consists of game development divisions Daybreak Games, Piranah Games, Toadman Studios, Big Blue Bubble and Antimatter Games.

Investment case

- M&A across the value chain
- Skin in the game
- Diversified revenues
- Marketing expertise in-house

EG7 (earlier Toadman Interactive) has transformed itself from a small gaming studio focused on work-for-hire to a presence across almost the whole gaming value chain.

M&A across the value chain
EG7 focuses on not overpaying for companies and has historically paid an EV/EBIT multiple of about 6x-10x for their acquisitions. Compared to standard gaming valuations, this is relatively low.

Skin in the game
Approximately 40% of EG7 is owned by management, the board, key employees, and active major investors, which shows that its leadership is highly incentivized to generate shareholder returns; we find this as undoubtedly positive. We genuinely prefer what we call “Owner Operators”, namely a management team that owns a substantial stake of the company.

Diversi ied revenues
Gaming is a volatile business where success depends on how well games releases perform. EG7 generates some stable cash flow from work-for-hire/financed projects, marketing consultancy (Petrol), and publishing (Sold Out). However, due to the three major acquisitions in 2020, revenue is more concentrated on specific game titles from especially Daybreak Games. Still the overall game portfolio in the group is somewhat diversified.

Marketing expertise in-house
Petrol’s services are highly sought after in gaming with over 50 clients including projects like ‘Call of Duty’, the highest-grossing game series on console. This world-class marketing expertise gives EG7 a valuable asset and advantage over many peers that should boost its prospects of successful releases – as well as lowering its marketing costs.

Investment Risks

Title risk
Although EG7 has sought to build a broad portfolio of games, it nonetheless faces title risk (particularly on larger projects) like all of its gaming peers. Disappointing releases could dampen investors’ enthusiasm and hurt the company’s financials.

Somewhat unproven M&A strategy
Growing through acquisitions always involves the risk that targets fail to add shareholder value. As EG7 is a rather young company, it’s still too early to judge all of its acquisitions – especially the most recent. Investors should focus on tracking their performance during the coming years to judge management’s capacity to add value through M&A.

K3 and M&A is a bad match
Despite it not affecting cash flow, K3 accounting is a bad fit for a company conducting a lot of M&A. As reported profits will be artificially low compared to underlying earnings power, this can impact valuation and market perceptions of the company.

Catalyst types

More acquisitions
Likeable acquisitions were the most important catalyst for the stock during 2020, which resulted in a stock price soaring approximately 500% during the year. EG7 aggressive acquisition approach is an obvious stock catalyst in 2021 as well.

EvilvEvil release and news flow
EvilvEvil is the largest game project in EG7's history, with a development budget in the region of EUR 15m. The game is expected to be released in 2021. News flow regarding the title and, obviously, the release is a significant catalyst during 2021 we believe.

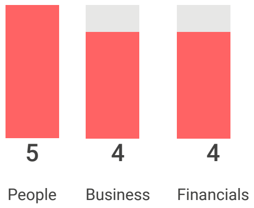
Embracer Group EMBRAC B

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

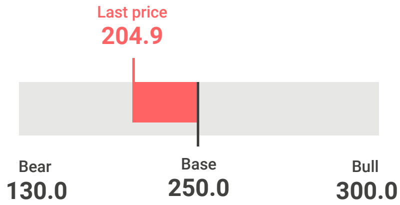
Publication date
January 8 2021

Redeye Rating

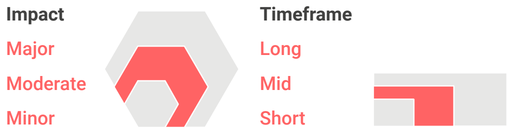
COMPANY QUALITY



FAIR VALUE RANGE

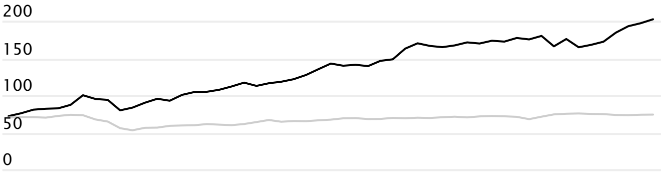


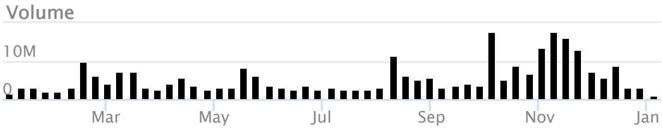
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Lars Wingefors
Chairman	Kicki Wallje-Lund

Share information

Share price (SEK)	204.9
Number of shares (M)	423.2
Market cap (MSEK)	86,720
Net debt (MSEK)	3,010

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Embracer Group: 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, MSEK	5,250	8,910	11,356	13,468
Growth	*-8.8%*	*69.7%*	*27.5%*	*18.6%*
EBITDA	1,822	3,894	6,331	6,681
EBITDA margin	*34.7%*	*43.7%*	*55.8%*	*49.6%*
EBIT	345	322	1,460	2,731
EBIT margin	*6.6%*	*3.6%*	*12.9%*	*20.3%*
Pre-tax earnings	403	278	1,409	2,683
Net earnings	293	261	1,056	2,012
Net margin	*5.6%*	*2.9%*	*9.3%*	*14.9%*
Dividend/Share	0.00	0.00	0.00	2.34
EPS adj.	0.83	0.67	2.72	5.19
P/E adj.	89.1	258.6	63.8	33.5
EV/S	4.8	8.2	6.2	4.9
EV/EBITDA	13.8	18.8	11.1	9.9

Last updated: 2020-12-15

Owner	Equity	Votes
Lars Wingefors	23.5%	38.0%
S3D Media Inc	9.9%	13.8%
Cbny-Citibank N.A.-Private Bank	7.9%	4.6%
Swedbank Robur Fonder	6.3%	3.7%
Erik Stenberg	5.6%	8.5%
State Street Bank And Trust co	5.3%	3.1%
Handelsbanken Fonder	4.6%	2.7%
Canada Pension Plan Investment Board (CPP)	3.1%	1.8%
ML, Pierce, Fenner & Smith Inc	2.6%	1.5%
Didner & Gerge Fonder	2.6%	1.5%

Company description

Embracer Group is a gaming company focused on developing and publishing games on the global market. Embracer has since Lars Wingefors founded the company in 2011, established a strong platform and product portfolio under high growth and profitability. The Group has an extensive catalog of over 160 owned franchises, such as Saints Row, Goat Simulator, Dead Island, Darksiders, Metro, MX vs ATV, Kingdoms of Amalur, TimeSplitters, Satisfactory, Wreckfest, and World War Z amongst many others. Embracer Group has a global presence through its six operative groups: THQ Nordic GmbH, Koch Media GmbH/Deep Silver, Saber Interactive, Coffee Stain AB, DECA Games, and Amplifier Game Invest.

Investment case

- A large part of the IP portfolio is still not generating any income, this will change in the coming years.
- Owner-operator with a highly skilled management team with the right focus on long-term value creation.
- The core strategy is to acquire IPs at relatively low prices and then enhancing their value.

The acquisitions of Koch Media and Saber Interactive, in particular, are prime examples of Embracers' Group's acquisition strategy and why we continue to be positive to the case. We believe that the market is still to fully grasp the underlying value and cash flow generating capabilities of Embracer's growing IP portfolio.

A large part of the asset value is still untapped
The company showed significant growth during FY20 and the first half of FY21, but a large part of the IP portfolio is still not generating any income. Development projects including a few AAA will be released in the years to come. The amount of development budget that is released in FY21 is expected to double compared to FY20. In FY22 total development cost of released games is expected to double again reaching approximately SEK 2 billion. This will take revenues and the profits to entirely new levels according to our estimates.

We believe that the company will use its asset care expertise and unlock a lot of value from the long tail part of the game asset in the coming years.

Focus on long-term value and buying cheap
Embracer Group is what we like to call an owner-operator company where the management team owns 40%+ of capital, has extensive experience from the industry, and is highly committed to building “something big.” We believe there should be a premium on the valuation because of the strong shareholder focus Embracer's core strategy is to acquire IPs at depressed prices and then enhancing their value. We view the Koch Media acquisition as a prime example of this approach. This focus will continue to keep risks at low levels and create significant investment returns for shareholders going onwards.

Many public companies suffer from a short-term quarterly focus; this could not be further from the case when it comes to Embracer. We find long-term thinking as a distinct advantage to other peers.

Our forecast, and therefore also our DCF valuation, does not factor in possible future value-adding acquisitions of IPs or companies, but it is a fact that Embracer will continue to acquire, and will likely do so with great allocation skills.

Investment Risks

- **Title risks of larger releases** – Despite Embracer's extensive portfolio there is always some title risk when releasing larger disappointing releases and/or reviews that could dampen investors’ enthusiasm and hurt the company’s financials.
- **Rising competition in bidding for acquisitions –** As the Group is entering a new level as a company, so will the future acquisitions in terms of size and target reputation. Going from an unknown player to a more established company might make it harder to find cheap deals.
- **Management is paramount –** Just as much we love a strong and committed management team, it is also a fact that relying on a few key individuals also poses a risk.

Catalyst types

More value adding acquisitions
Embracer Group has a strong focus on acquiring IPs, franchises, and companies at low prices. They can do this by utilizing one of the best characteristics of a great investor; patience. Larger acquisitions of well-known IPs could and should enhance the valuation of the company.

Announcements of new AAA-games
Deep Silver was a part of the Koch Media acquisition. Two studios within Deep Silver is currently developing two AAA titles, one is a new Saints Row game and the other one is unknown, but they will be released in FY21. The announcement of the unknown game would enhance the visibility of the IP portfolio and likely increase the valuation. One of the large development projects from THQ Nordic remains undisclosed. This title has the same type of budget as Darksiders 3 have, which should imply a similar sales potential.

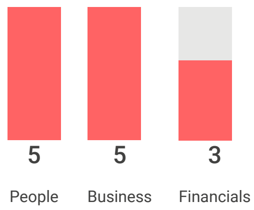
Enea ENEA

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

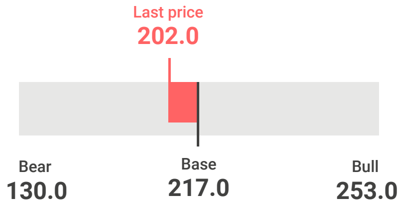
Publication date
January 11 2021

Redeye Rating

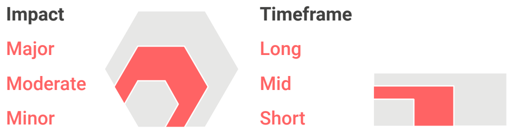
COMPANY QUALITY



FAIR VALUE RANGE

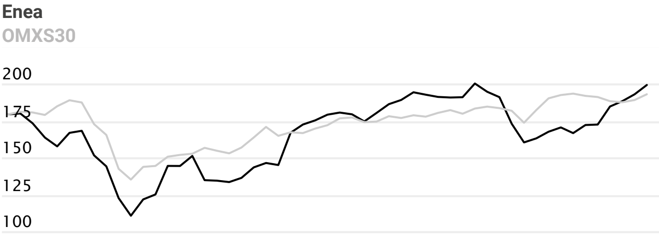


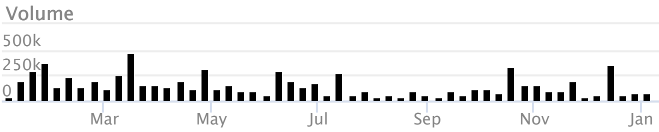
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Jan Häglund
Chairman	Anders Lidbeck

Share information

Share price (SEK)	202.0
Number of shares (M)	21.6
Market cap (MSEK)	4,366
Net debt (MSEK)	156

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

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MSEK	1,001	922	1,100	1,256
Growth	*18.9%*	*-7.9%*	*19.3%*	*14.1%*
EBITDA	341	261	353	471
EBITDA margin	*34.0%*	*28.3%*	*32.1%*	*37.5%*
EBIT	255	180	238	341
EBIT margin	*25.4%*	*19.6%*	*21.6%*	*27.1%*
Pre-tax earnings	203	169	233	338
Net earnings	170	139	194	279
Net margin	*16.9%*	*15.1%*	*17.6%*	*22.2%*
Dividend/Share	0.00	0.00	2.69	3.78
EPS adj.	7.96	6.55	9.09	13.08
P/E adj.	22.7	28.3	20.3	14.1
EV/S	4.1	4.6	3.8	3.1
EV/EBITDA	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 with focus on cybersecurity and cirital telecom network components, like deep packet inspection (DPI), mobile video optimization, network function virtualization, and policy and access control. Enea has a long experience in telecom. Over 3 bililion people per day are depending on Enea's technology 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 transitioned to SaaS in many contracts, which has resulted in more stable recurring revenues - over 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 the many growth areas mentioned above.

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.

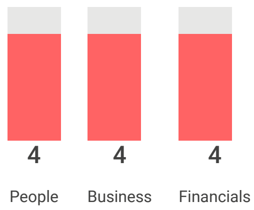
Enlabs NLAB

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

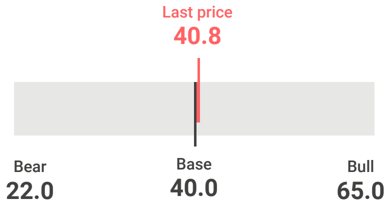
Publication date
January 10 2021

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



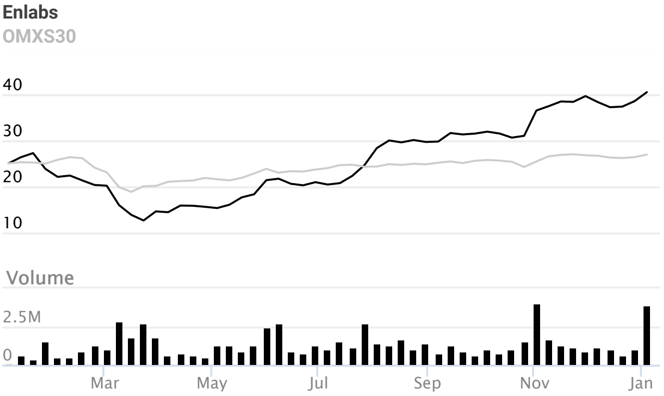
CATALYST POTENTIAL

Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	George Ustinov
Chairman	Niklas Braathen

Share information

Share price (SEK)	40.8
Number of shares (M)	69.9
Market cap (MSEK)	2,853
Net debt (MEUR)	-26

Analyst

Jonas Amnesten
jonas.amnesten@redeye.se

Conflict of interests

Jonas Amnesten owns shares in Enlabs: 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	40	50	93	117
Growth	*26.5%*	*84.9%*	*25.8%*	
EBITDA	12	12	25	31
EBITDA margin	*29.2%*	*24.5%*	*27.2%*	*26.8%*
EBIT	9	9	20	26
EBIT margin	*23.9%*	*18.0%*	*21.8%*	*22.2%*
Pre-tax earnings	9	15	20	26
Net earnings	9	15	19	25
Net margin	*23.8%*	*30.8%*	*20.8%*	*21.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.15	0.23	0.27	0.35
P/E adj.	15.9	16.1	13.8	10.8
EV/S	3.3	4.8	2.4	1.6
EV/EBITDA	11.4	19.5	8.8	6.1

Last updated: 2020-11-21

Owner	Equity	Votes
ERLINGHUNDRA AB	20.5%	20.5%
ATLETICO NORDIC B.V.	16.9%	16.9%
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	8.6%	8.6%
TANGEN, ANDERS	3.8%	3.8%
IBKR FINANCIAL SERVICES AG	3.5%	3.5%
GOLDMAN SACHS & CO. LLC	2.8%	2.8%
CARNEGIE INVESTMENT BANK AB I ÄGARES STÄLLE	2.8%	2.8%
LEIJONHUFVUD, ERIC	2.7%	2.7%

Company description

Enlabs operates and invests in gambling and affiliate businesses. The company has a clear focus on regulated markets and the fast-growing Baltics in particular. As a result, more than 80% of the gambling revenues are generated from regulated markets, meaning that the company is well positioned for the ongoing regulation of the industry.

Further, Enlabs's business is divided into three areas:

Gambling – including online gambling in addition to land-based betting. Media - a small business area offering media solutions to gambling companies. Other - B2B operations

Investment case

- A Baltic growth bet
- Strong market position
- Regulated markets
- Synergies and Sweden

A Baltic growth bet

With Enlabs's focus on the Baltics, it is essential that the underlying online gambling market continues to grow at a high rate. H2GC forecasts a CAGR of about 10% for the period 2019-23. This is much lower than the actual growth rate in Estonia and Latvia in 2019, which is not sustainable over the long term but shows the growth potential of the Baltic market. As noted, Enlabs is also expanding its market in the Baltics by entering Lithuania.

Strong market position

We believe Enlabs has a very strong position with the current setup in both Latvia and Lithuania. In the Latvian market, there are clear marketing limitations that make it difficult to spend much and at the same time, achieve healthy ROI. License holders also need to hold at least EUR 1.4m in share capital and pay a license fee of EUR 0.4m. In the Lithuanian market, companies are required to operate at least 20 licensed betting shops to obtain an online gambling license. This makes it difficult for new competitors to enter the market. We believe Enlabs has deep knowledge about the market from its long presence and has well-established brands with strong brand awareness.

Regulated markets

Over 80% of Enlabs's sales come from regulated markets during 2019. As a result, it should be valued at a higher EV/EBITDA multiple than its peers. For sure, a regulated online gambling market always has the risk of re-regulation. But we believe that the downside of any re-regulation will most likely not be on the same "magnitude" as an initial online regulation.

Synergies and Sweden

With the acquisition of Global Gaming, Enlabs should be able to obtain substantial synergies, and the potential re-launch of Ninja Casino in Sweden could become a jackpot for Enlabs.

Counter-Thesis – Bear Points

Neglected market

Enlabs today have a strong position on the Baltic market, and the competition is on low levels. However, if more operators enter the Baltic market by acquiring an existing operator to be able to launch its main brand, just as MRG has done.

New markets and M&As

We expect Enlabs to invest much in new markets and M&As the next few years to continue to drive growth at a high rate. However, it is important to choose markets and acquisitions wisely. What works in one market may not work in another due to culture or/and regulations differences. The market entries and acquisitions may require much more resources than initially estimated.

Catalyst types

Acquired
Enlabs could be a potential target for larger operators that want to obtain a strong position in the Baltics

Re-launch Ninja Casino
Re-launching Ninja Casino in Sweden could be a major jackpot for Enlabs

New markets
Entering or obtaining a license in a new market with good marketing size and growth potential. Ukraine would be perfect

Acquisitions
It is important that the acquisition is value-adding by either creating clear synergies or opening up for strong growth in new markets. Preferable an operator with a strong local brand that could be migrated to Enlabs platform

Expanding in Lituania and Belarus
A successful development of the Optibet brand in Lithuania and Belarus

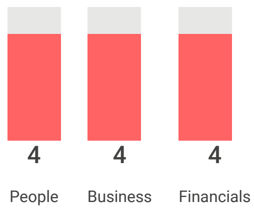
Ericsson ERIC B

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

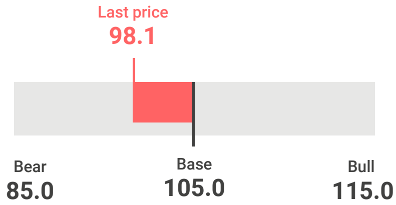
Publication date
January 7 2021

Redeye Rating

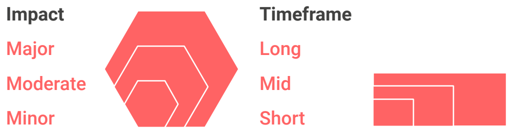
COMPANY QUALITY



FAIR VALUE RANGE

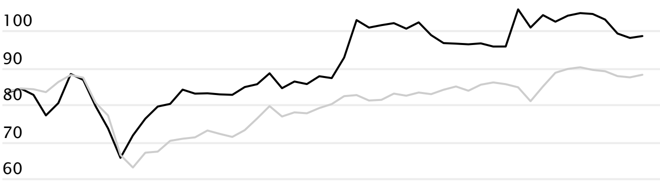


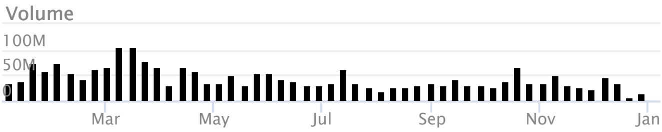
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Börje Ekholm
Chairman	Ronnie Leten

Share information

Share price (SEK)	98.1
Number of shares (M)	3,334.2
Market cap (MSEK)	327,147
Net debt (MSEK)	-38,328

Analyst

Greger Johansson
greger.johansson@redeye.se

Conflict of interests
Greger Johansson owns shares in Ericsson: No

Financials

	2019	2020E	2021E (Redeye Estimates)	2022E (Redeye Estimates)
Revenue, MSEK	227,216	231,121	236,981	244,547
Growth	*7.8%*	*1.7%*	*2.5%*	*3.2%*
EBITDA	4,024	30,941	31,162	37,072
EBITDA margin	*1.8%*	*13.4%*	*13.2%*	*15.2%*
EBIT	10,564	25,093	26,162	32,092
EBIT margin	*4.7%*	*10.9%*	*11.0%*	*13.1%*
Pre-tax earnings	8,762	24,522	24,953	31,079
Net earnings	2,223	15,617	17,516	22,082
Net margin	*1.0%*	*6.8%*	*7.4%*	*9.0%*
Dividend/Share	1.50	2.00	2.50	3.00
EPS adj.	0.91	5.32	5.80	7.09
P/E adj.	89.6	18.9	17.3	14.1
EV/S	1.1	1.3	1.2	1.1
EV/EBITDA	63.0	10.0	9.4	7.5

Last updated: 2021-01-07

Owner	Equity	Votes
Deutsche Bank Trust co America	10.8%	6.3%
State Street Bank And Trust co	8.0%	4.8%
Investor	7.7%	22.8%
Cevian Capital	5.5%	3.3%
UBS AG London Branch	5.4%	3.2%
PRIMECAP	3.8%	2.2%
Swedbank Robur Fonder	3.6%	2.1%
BlackRock	3.2%	1.9%
Vanguard	3.2%	2.0%
Industrivärden	2.6%	15.1%

Company description

Ericsson, with a history of over 140 years and operations in 180 countries, is one of three large global players in the mobile networks market. Ericsson's main business areas are Networks (mainly mobile), Digital Services, Managed Services and Emerging Business/Other, with the first two areas responsible for the majority of revenues. Ericsson had a turnover in 2019 of roughly SEK 227 billion and an adjusted EBIT margin (exl. SEC/DOJ fee) of around 10%.

Ericsson has faced a tough market in recent years, with negative growth triggering major cost cutting, divestment of Sony Mobile and EMP/modems, and changes in senior management. This has also activated investments in new growth areas such as Cloud Services, IP Networks, TV/Media, OSS/BSS and Industry/Society. However, these new areas have not performed well. Moreover, in 2018 the mobile network market started to turn around and in 2019 showed good growth of 12%. We also expect growth to continue in 2020.

Ericsson is headquartered in Kista (Stockholm), Sweden, and has roughly 99826 employees. The company's share is listed on NASDAQ.

Investment case

- Ericsson has under delivered during 2016/2017 and the market has been in decline during these years. However with the strong reports in most quarters in 2018, 2019 and 2020 and a turning market, the expectations on the company is now somewhat high
- Ericsson is still top 3 in the world (in telecommunication equipment) with a solid customer base
- We expect more effect from the cost cutting program announced and this will increase the margin going forward. In addition, the valuation of EV/S 1.4x indicates that the valuation is getting slightly high
- Our DCF-model generates a very limited upside and our fair value of SEK 105 is only slightly lower than the share price is trading

A recovering company in an improving market…
Ericsson has faced a very tough market in the past couple of years, with its key customers (operators) holding back their investment due to slow growth and sliding margins. The markets for mobile communication and mobile networks have contracted in recent years, while Ericsson still believed there would be a lot of growth. The company started several new initiatives (Cloud Services, Media etc.) and was very late in adjusting its organization. We have seen (from 2018) that the company have turned around. This has taken the company back to a more realistic adjusted EBIT margin of almost 10% during 2019.

Ericsson has also a fairly new CEO (2017), Börje Ekholm, and the major shareholder, Christer Gardell, who have taken a new grip on the company. They have started to execute the new strategy and Börje has performed very well during 2018, 2019 and 2020.

…but still top 3 in the world…
Ericsson is still one of the world's three largest mobile network players, with a market share of around 30-35%. In addition, the other two players, Chinese Huawei and Finnish/French Nokia/Alcatel each have market shares of around 30-35% but have their own problems. Huawei is still facing difficulties getting into America, Europe, Japan and some other markets (especially in 5G), while Nokia Alcatel is in now emerging from the merger.

The market going forward will open up the tightly closed traditional telecom sector with new technologies, such as 5G, SDN/NFV and Cloud. This means that players like IBM, Intel, Juniper, Cisco and HP may now have a shot at this huge potential. Ericsson has a challenge to hinder these new competitors while still investing wisely and utilizing its core expertise. Ericsson's edge is in the radio interface and Systems which, together with an offer in Services (recurring and rather stable revenues but slightly lower operating margin and one offs), should be enough to deliver a better margin going forward.

…and expectations is getting higher
After a rough 2016 and 2017, the share has tumbled and confidence in both the management team and the Ericsson share have been low. However, after the good reports during 2018, 2019 and 2020, the valuation (EV/S multiple around 1.4x) indicates that the confidence in the company is back. If we examine estimates for a few years forward, we believe the market expectations is now getting somewhat high. Although we do not expect any significant growth (a few percent) going forward, we still estimate that Ericsson can return to a 12-14% adjusted operating margin (in 2020-2022) and a decent dividend. In addition, Ericsson most imortant segment, Networks, showed growth in Q1'18-Q3'20 which were very positive.

Bear Points:

There are naturally some major risks in this investerment scenario, such as:

- continued weak/low revenue growth
- cost cutting taking too long or even more cost cutting has to be made
- intense competition (Huawei, Nokia, Samsung, ZTE)

Catalyst types

Large contracts/business deals
Deals in billion USD for 4G, 5G, services etc.

Cutting cost/improved operational efficiencies
Ericsson cost cutting program proceed better than expected and/or they announce further cost cutting

Growth long term, returns in the telecom industry
The underlying growth returns in the industry. Some growth has returned during 2018, 2019 and 2020.

Cisco buy Ericsson
This would be a fairly good match between the two companies

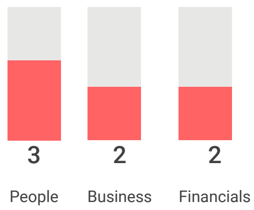
Fingerprint Cards FING B

Company page
https://www.redeye.se/company/fingerprint-cards

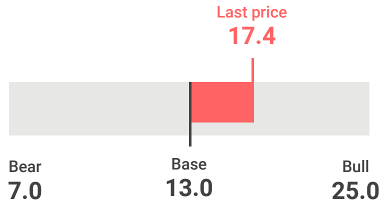
Publication date
January 11 2021

Redeye Rating

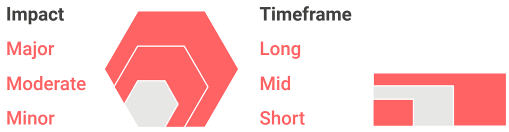
COMPANY QUALITY



FAIR VALUE RANGE

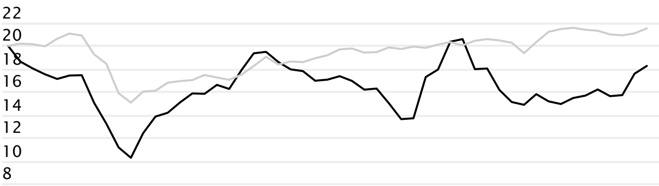


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Christian Fredrikson
Chairman	Johan Carlström

Share information

Share price (SEK)	17.4
Number of shares (M)	314.0
Market cap (MSEK)	5,465
Net debt (MSEK)	-393

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Fingerprint Cards: No

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

Financials

			Redeye Estimates		
	2019	2020E	2021E	2022E	2023E
Revenue, MSEK	1,459	1,330	1,712	2,858	4,064
Growth	*-5.0%*	*-8.8%*	*28.7%*	*66.9%*	*42.2%*
EBITDA	129	11	109	396	678
EBITDA margin	*8.8%*	*0.8%*	*6.4%*	*13.9%*	*16.7%*
EBIT	-14	-56	6	275	534
EBIT margin	*Neg*	*Neg*	*0.3%*	*9.6%*	*13.1%*
Pre-tax earnings	-17	-54	5	274	534
Net earnings	-14	-43	4	214	416
Net margin	*Neg*	*Neg*	*0.2%*	*7.5%*	*10.2%*
Dividend/Share	0.00	0.00	0.00	0.00	0.40
EPS adj.	-0.04	-0.14	0.01	0.69	1.34
P/E adj.	-454.8	-125.8	1,317.3	25.0	12.8
EV/S	3.9	3.7	2.9	1.7	1.1
EV/EBITDA	43.8	459.0	45.9	12.4	6.7

Last updated: 2021-01-11

Owner	Equity	Votes
The Bank of New York Mellon SA/NV	7.8%	6.6%
Johan Carlström med bolag	6.7%	20.4%
GO ETF Solutions LLP	6.5%	5.5%
Wictor Family Office AB	4.1%	3.5%
SIX SIS AG	3.0%	2.6%
Avanza Pension	2.6%	2.2%
ETF Managers Group LLC	2.6%	2.2%
Fingerprint Cards AB	2.5%	2.2%
Without Bank Julius Baer & co LTD	1.9%	16.3%
BlackRock	1.9%	1.6%

Company description

Fingerprint Cards (FPC) develops and sells biometric solutions as it is transitioning from selling just components like fingerprint sensors to being more of a provider of biometric systems. It has a global reach and multiple geographical locations as one of the World's largest fingerprint sensor supplier. The fingerprint sensors are at the moment sold to distributors or module manufacturers that sells the fingerprint modules to primarily smartphone OEMs but the next big thing is selling modules to card manufacturers for payment applications, but there are other card use cases as well. Growth from other, coming verticals will include e.g. PCs, tablets, automotive, and IoT. Besides selling the hardware FPC also provides various software solutions across the value chain. FPC attributes its competitive advantages to proven volume capacity (previously shipping 1 million sensors a day), low power consumption and cost effieient production costs.

Investment case

- Contactless cards will happen & biometrics is the key to security
- FPC poised to win a large chunk of the smart card market
- Smart card news is driving the shares

Contactless cards will eventually happen & biometrics is the key to convenient security

At this stage, it is hard to know the future size of the biometric smart card market or the roll-out pace. What we do know is that all smart cards will be contactless around 2023 due to requests from Visa and Mastercard. Already in 2019, the contactless penetration was expected to have reached 60 %. There is no other alternative than fingerprint biometrics for secure contactless card payments, unless PIN codes are kept (which would remove the point in going contactless). Hacking a contactless card is easy. Fraud rates are estimated to increase during the coming years due to contactless. However, fraud costs are growing roughly in line with transactions, meaning there is no incentives to push biometrics cards for the sake of decreasing fraud. What is important, however, is the customers' peace of mind. The eco system does not want users to doubt contactless payments.

FPC poised to win a large chunk of the smart card market

Delays in the card market and problems in FPC's traditional business have overshadowed FPC's solid first mover position in the new fast-growing verticals, most notably smart cards. Cards as well as other new segments might be delayed, but it does not take away from the fact that FPC has a strong positioning, an appropriate product offering with higher ASP and the partnerships necessary etc. to put up a solid growth. We assume initial volumes will be low as the market is a lot more slow moving than consumer electronics. Nevertheless, coming quarters could give good leads on who will be the winner of the smart card market. Our belief is that FPC is poised to capture a large portion of the smart card market via Gemalto (Thales) and G&D who together hold about 40% of the smart card market. The competitor Idex has won the second generation platform of Idemia. However, since competition remains limited, we still do not find it unreasonable that FPC initially could win over 50% of the volumes.

Smart card news is driving the shares

Our base case is SEK 13 per share while our bear and bull case respectively amounts to SEK 7 and SEK 25. In our view, smart card news is what is driving and will drive the share. It seems that all negative news about the legacy business in phones is water of a duck's back.

Catalyst types

Delta ID writedown

We believe there is a risk for a writedown of the Delta ID acqusition of USD 106m as this acquisition has not brought any material revenue during its first three years.

Commercial success/considerable volumes from smartcards

If the market sees that the smart card segment is taking off, for example due to a major deal with e.g. G&D or Gemalto (Thales) it would have a major impact on the share. Not only would it contribute financially, but also make FPC less dependent on the mobile device segment. We expect to hear about further progress in 2020 and guess there is a change for volumes to pick up in 2021 (at the earliest)

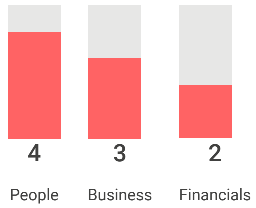
Flexion Mobile FLEXM

Company page
https://www.redeye.se/company/flexion-mobile

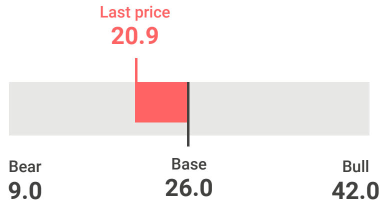
Publication date
January 8 2021

Redeye Rating

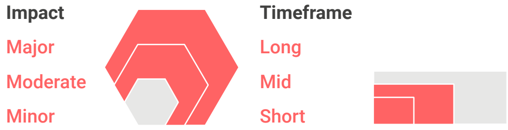
COMPANY QUALITY



FAIR VALUE RANGE

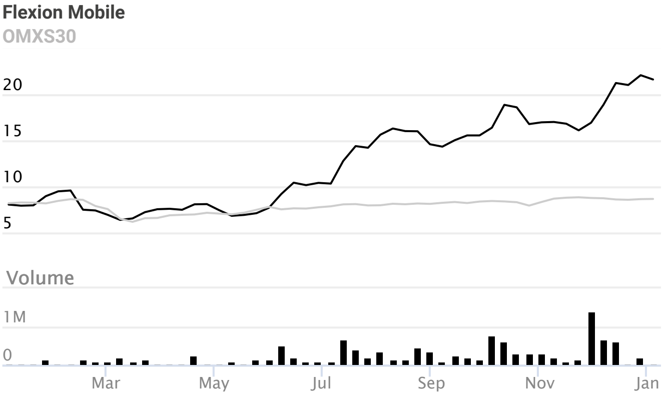


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Jens Lauritzson
Chairman	Carl Palmstierna

Share information

Share price (SEK)	20.9
Number of shares (M)	49.7
Market cap (MSEK)	1,039
Net debt (MGBP)	-11

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Flexion Mobile: Yes

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

Financials

			Redeye Estimates	
	2019	2020E	2021E	2022E
Revenue, MGBP	9	27	42	61
Growth	*46.1%*	*>100%*	*57.0%*	*46.0%*
EBITDA	-2	0	1	3
EBITDA margin	*Neg*	*Neg*	*1.5%*	*4.5%*
EBIT	-3	0	0	2
EBIT margin	*Neg*	*Neg*	*0.8%*	*3.4%*
Pre-tax earnings	-3	0	0	2
Net earnings	-3	0	0	2
Net margin	*Neg*	*Neg*	*0.6%*	*3.3%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.07	0.00	0.01	0.04
P/E adj.	-14.0	-788.8	342.4	44.4
EV/S	3.8	3.0	1.9	1.3
EV/EBITDA	-18.7	-698.3	122.5	29.5

Last updated: 2020-12-17

Owner	Equity	Votes
Mobile Sensations Ltd	27.9%	27.9%
Carl Palmstierna	9.0%	9.0%
Avanza Pension	5.4%	5.4%
Sjätte AP-fonden	4.6%	4.6%
eQ Asset Management Oy	2.4%	2.4%
Nordic Cross Asset Management	0.3%	0.3%
Claes Kalborg	0.3%	0.3%
Niklas Koresaar	0.2%	0.2%

Company description

Flexion offers a technology-driven distribution service for free-to-play Android games that allows game developers to distribute their products with ease through multiple channels, such as Huawei Appgallery, Amazon Appstore, Samsung Galaxy Store, OneStore, and via leading regional distribution channels. Flexion's cloud-based service platform is used to manage functionality – user experience, authentication, authorisation, payments, and store independence features – in distributed games. Flexion operates in the alternative distribution market for Android games. It targets growing distribution channels outside Google Play and China. Its base is the top 400 grossing games globally.

Investment case

- Content is king – Like all platform companies, Flexion needs blockbuster content. During the last year the company has signed contracts with some of the global market's highest grossing games. Their network effects are most important – strengthening Flexion's future market position.
- Duopoly in doubt – With content giants such as Netflix, Spotify and Epic Games neglecting Apple's and Google's mobile marketplaces, a major change is under way. As Flexion is particularly suited to a more fragmented market, this shift could create new opportunities such as strategic partnerships.
- Diversified portfolio with leverage – Unlike other companies in mobile gaming, Flexion is able to control its risk – for example, by choosing games with proven monetization and replacing those that do not perform. Moreover, its primary strategy is organic growth, not user acquisition.
- Game of scale – While Flexion is a first mover, dominance of its area is likely be settled over the next 2-3 years. Flexion's business model has many similarities to Spotify's. If Flexion succeeds in gaining a market position with a sustainable competitive advantage the reward could be notable.

According to our strong belief, Flexion's strategic partner Huawei was a corner investor in the latest investment round in December 2020. In total, the targeted share issue raised proceeds of approximately SEK 114 million. Flexion's largest channel (Huawei) invested SEK 20.6 million.

Valuation – Going forward, revenue growth will be most important for the stock's valuation. Our base case anticipates explosive growth over the next three years. This reflects Flexion's first-mover opportunity and its growth from a low base.

Challenges

Small player - Flexion has an attractive first mover advantage in a niche where no major player sees a sufficiently large opportunity. If western app distribution markets become as fragmented as those in Asia it will benefit Flexion. In the longer term, though, the company is likely to either lose its market position or be acquired.

Consolidation - For the last 10 years Apple and Google have had a duopoly in western markets, where Flexion generates most of its revenues (84%). The market is becoming more fragmented, but in the longer term it is likely that 3-4 big players will dominate. In this scenario, Flexion's value to developers might decline.

Catalyst types

Further Boost from Huawei

Huawei is one of the largest tech companies in the world and has many incentives to strengthen its market position in the western world especially through mobile software and services, and Flexion is a good partner in this mission we believe. With an increased collaboration, revenues from Huawei's App Gallery will likely continue to outgrow the other channels in Flexion's game portfolio we estimate.

New Games and Channels

Signing more games and channels (mobile app stores) to its platform will always be a potential catalyst for the Flexion-stock.

Takeover Target

With Flexion's established position in this niche market, we believe the company is a takeover target. The alternative Android market is growing rapidly, fuelled by major tech companies. Huawei is the most likely buyer at this point according to us.

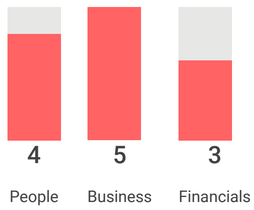
Formpipe Software FPIP

Company page
https://www.redeye.se/company/formpipe-software

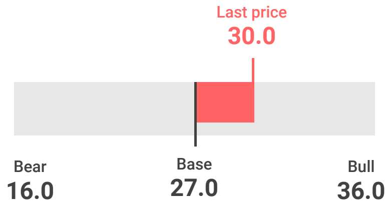
Publication date
January 7 2021

Redeye Rating

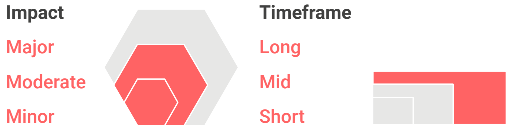
COMPANY QUALITY



FAIR VALUE RANGE

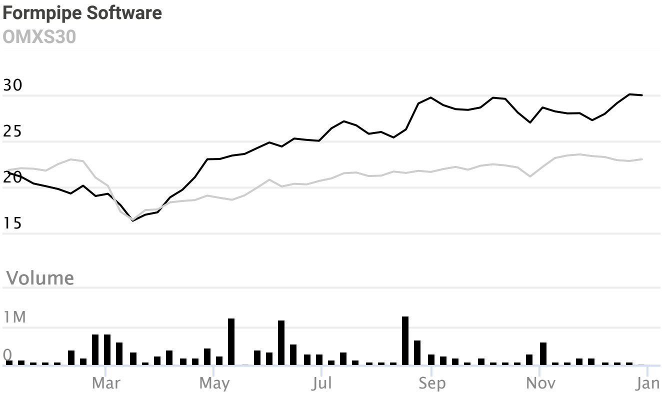


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Christian Sundin
Chairman	Bo Nordlander

Share information

Share price (SEK)	30.0
Number of shares (M)	53.5
Market cap (MSEK)	1,604
Net debt (MSEK)	-85

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Formpipe Software: 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	394	407	441	461
Growth	*-3.1%*	*3.2%*	*8.4%*	*4.5%*
EBITDA	103	104	113	122
EBITDA margin	*26.2%*	*25.5%*	*25.7%*	*26.6%*
EBIT	48	54	64	73
EBIT margin	*12.1%*	*13.2%*	*14.5%*	*15.9%*
Pre-tax earnings	44	53	64	73
Net earnings	35	41	49	56
Net margin	*8.9%*	*10.0%*	*11.2%*	*12.2%*
Dividend/Share	0.60	0.60	0.42	0.48
EPS adj.	0.66	0.77	0.93	1.06
P/E adj.	34.6	35.4	29.3	25.7
EV/S	3.2	3.4	3.1	2.9
EV/EBITDA	12.2	13.4	12.0	10.7

Last updated: 2020-10-27

Owner	Equity	Votes
Martin Gren (Grenspecialisten)	10.2%	10.2%
SEB Fonder	10.0%	10.0%
Swedbank Robur Fonder	7.5%	7.5%
Martin Bjäringer	6.7%	6.7%
Alcur Fonder	6.5%	6.5%
Nordea Fonder	6.4%	6.4%
Thomas Wernhoff	5.0%	5.0%
Humle Fonder	4.2%	4.2%
Avanza Pension	3.5%	3.5%
TIN Fonder	3.4%	3.4%

Company description

Formpipe Software provides ECM (Enterprise Content Management) solutions to public sector clients in Sweden and Denmark as well as the global Life Science industry.The company is since 2010 listed on the OMX Small Cap stock exchange. Formpipe has around 220 employees and is headquartered in Stockholm, but also has a big part of its workforce in Denmark. The company has a turnover of over 400 MSEK with an EBIT-margin of around 16%.

The ECM market comprises systems that capture, process, store, archive and deliver information in a systematic way. This allows companies, organizations and public authorities to manage the continuously increasing flow of information in a connected, digital world. Through using ECM solutions, they can therefore increase their productivity, efficiency and even reduce risks in their business.Formpipe's key market segments, the Swedish and Danish public sector, are regarded as relatively advanced in their use of ECM solutions. They are ahead of the private sector, mostly due to regulatory pressure.

Formpipe's key competitors in the Nordics are Software Innovation (NO, part of Tieto Group), Ida Infront (SE, part of Addnode Group), KMD (DK), and SBYS (DK). We see Formpipe however in a leading position in their key customer and product segments.

Investment case

- Stable customer base and a high proportion of recurring revenues
- Software-as-a-Service (SaaS) sales are increasing rapidly
- Diversified product portfolio
- High scalability in the business makes us optimistic about the future

Investment Case

Stable customer base and a high proportion of recurring revenues. Formpipe's solutions help its clients to manage an ever-increasing flow of information, which is a strong underlying driver for the business. The firm has a stable customer base which primarily consists of public sector actors in Sweden and Denmark, with a strong base of recurring revenues creating stability in the business. Growth opportunities exist both in existing as well as new markets, such as the Life Science sector.

Software-as-a-Service sales are increasing rapidly. For example, today around 50% of the Lasernet orders are sold as SaaS, and Formpipe believes that this trend will continue in the coming years. A SaaS order is accrued over the contract period, meaning that sales and profitability will be more stable compared to if the product is sold as a traditional license. However, during the migration phase from traditional license to SaaS, both profitability and sales are affected negatively in the short term. On the positive side, this indicates that Formpipe's underlying profitability is better than what it may look like at first glance. Looking beyond the migration phase and into 2019/2020, we believe Formpipe has the potential to increase its profitability substantially.

Diversified product portfolio. The company has a history of both developing own software products, as well as acquiring products, market expertise, and client relationships. While the biggest focus is on public services clients, the different products offered to different public, and private sector customer groups mean that the company has a diversified product and market portfolio, and is not a "one-trick pony".

High scalability in the business makes us optimistic about the future. In summary, we consider Formpipe as a stable company due to its steady growth in recurring revenues. As a result of the high scalability, we believe the company to increase its margin on a mid-term basis. Also, Formpipe's solid market position of many of its products, long contracts and the increasing trend towards cloud-based software usage, makes us even more optimistic about Formpipe's future.

Counter-Thesis - Bear Points

Increased competition: Formpipe may face increased competition from both local players as well as international firms, and players from consulting and product backgrounds joining forces, like Tieto.

Lower investment interest: The public sector might face reduced budgets over time and therefore might have the less economic freedom to invest in systems such as Formpipe's.

Lack of profitability improvement: According to the sensitivity analysis, the market expects a profitability improvement on a mid-term basis. Therefore, it is important that Formpipe continue to improve its EBIT margin.

Catalyst types

Increase in SaaS orders
The shift towards more SaaS orders may affect sales and earnings negatively in the short run. However, we believe that the shift will have a positive impact on profitability in the long term.

New acquisitions for geographic and/or product expansion
FPIP historically used M&A to grow. Net debt is at levels again allowing for new M&A, which can boost geo and/or product based growth.

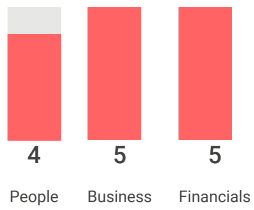
Fortnox FNOX

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

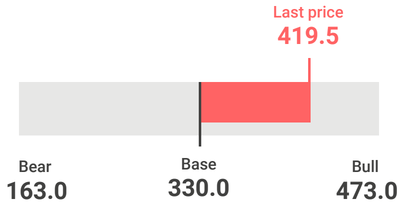
Publication date
January 7 2021

Redeye Rating

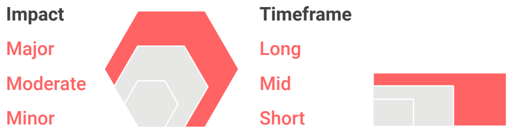
COMPANY QUALITY



FAIR VALUE RANGE

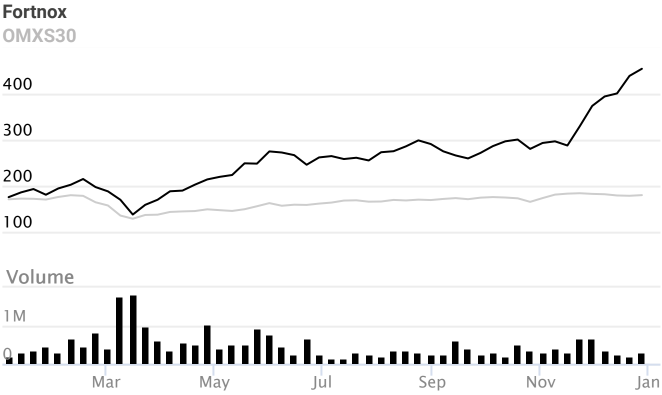


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	Nordic SME
CEO	Tommy Eklund
Chairman	Olof Hallrup

Share information

Share price (SEK)	419.5
Number of shares (M)	60.1
Market cap (MSEK)	25,227
Net debt (MSEK)	-810

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Fortnox: 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, MSEK	532	695	924	1,209
Growth	*42.1%*	*30.7%*	*32.9%*	*30.9%*
EBITDA	205	295	393	502
EBITDA margin	*38.5%*	*42.5%*	*42.6%*	*41.5%*
EBIT	172	237	357	494
EBIT margin	*32.4%*	*34.1%*	*38.6%*	*40.9%*
Pre-tax earnings	172	237	357	494
Net earnings	135	182	278	385
Net margin	*25.4%*	*26.1%*	*30.1%*	*31.9%*
Dividend/Share	0.50	1.00	1.38	1.91
EPS adj.	2.26	3.04	4.66	6.45
P/E adj.	74.4	99.2	64.7	46.7
EV/S	18.3	25.1	18.6	13.9
EV/EBITDA	47.6	59.1	43.7	33.6

Last updated: 2020-10-22

Owner	Equity	Votes
Olof Hallrup	20.9%	20.9%
State Street Bank And Trust co	13.5%	13.5%
Capital Group	8.0%	8.0%
Swedbank Robur Fonder	5.8%	5.8%
Morgan Stanley & co Intl Plc	4.4%	4.4%
The Bank of New York Mellon SA/NV	3.5%	3.5%
Groupama Asset Management	2.7%	2.7%
Spiltan Fonder	2.2%	2.2%
Peder Klas-Åke Bengtsson	2.2%	2.2%
Avanza Pension	2.1%	2.1%

Company description

Fortnox is a Växjö-based provider of software as a service (SaaS) enterprise resource planning (ERP) systems for micro and small-sized enterprises, including accounting, invoicing, customer relationship management (CRM) and quotation & order. The company was founded in 2001 by Jan Älmeby, who also founded Scandinavia PC Systems or Visma SPCS as it was renamed after being acquired by Visma. In addition to its software offering, Fortnox also offers financial services through its subsidiaries Fortnox Finance and insurances through the newly started Fortnox Insurance. With over 350 000 customers, Fortnox can count ~1/3 of all Swedish micro and small-sized businesses as its clients, making it the market leader in Sweden.

Investment case

- Riding the SaaS-migration a few more years
- Exploit the data
- Significant barriers to enter

Investment case

Riding the SaaS-migration a few more years

The migration towards SaaS acts as a trigger for micro and small-sized businesses to reevaluate their accounting software. It has been going on for many years and has served Fortnox well – the number of customers has grown to over 350 000 since the company was founded in 2001. However, we believe there are still several years to come before the migration is finished. The share of Swedish micro- and small-sized businesses which are using SaaS is unknown. Based on the input we have got from Fortnox and others, combined with the reported number of customers for several competitors, we assume that 55% will be using SaaS at the end of 2018. Thus, there is still possible to gain a substantial number of new customers due to the migration to SaaS, which is expected to reach a penetration rate of 85% in 2022. Given our assumptions, Fortnox has a SaaS market share of 65% and if it were to persist – which we find reasonable – the number of customers would increase to over 450 000 in 2022.

Exploiting data

Thanks to its software offering, Fortnox has access to its customers' accounting data. Thus, with ~1/3 of all Swedish micro- and small-sized businesses as customers and growing, we believe there is a vast potential waiting to be utilized going forward. Currently, Fortnox Finance has just scratch the surface, with a penetration rate of ~2% of Fortnox' customer base and an ARPC of SEK ~950. Consequently, the ARPC contribution is merely SEK ~19. However, just a slight increase in penetration would cause a substantial rise in ARPC contribution. Looking forward, we believe that Fortnox will strengthen its competitive edge through the data it can access. Several financial services – such as loans and factoring – can be price more efficiently by using not only the customers' data but also the customers' customers' data. Additionally, marketing can be targeted towards businesses base on their accounting data. The newly started Fortnox Insurance can similarly benefit from the accounting data. The data will tell if a business has insurance or not and detect any actions that could require insurance, such as a purchase of machinery.

Significant barriers to enter

As the market leader regarding SaaS in Sweden, we believe that Fortnox has significant advantages that are hard to break; business schools are teaching it, ~1/4 of all Swedish micro and small-sized businesses are customers, ~15 000 accountants are using the software regularly, and central deals are in place with all major accounting offices, whereof some – including Aspia – have based their solution on Fortnox' software. Although it is easy to transfer data from one accounting software to another, many accounting offices, accountants and business owners have invested significant time in learning and integrating Fortnox' software. Thus, a monthly fee of SEK ~100 is likely insignificant compared to the cost of spending several hours learning a new system.

Counter-thesis – Bear Points

Underestimating the current SaaS-penetration

As mentioned, the actual SaaS-penetration is unknown. If significantly more than 55% of all Swedish micro- and small-sized businesses were to use SaaS at the end of 2018, our estimates regarding future net customer intake are likely too optimistic.

The death of the accounting offices

Most of the new entrants either want to eliminate the accounting offices or take over their role, while Fortnox, on the other hand, cooperates with them. Thus, if the accounting offices would become marginalized, Fortnox will lose one of its most important competitive edges.

A major accounting office leaving Fortnox

Some major accounting offices – Aspia for example – currently have solutions based on Fortnox' software. These deals are significant regarding customers, but the ARPC is low. The main risk, according to us, however, is that other offices might question Fortnox, as a major player is leaving.

Absence of significant ARPC increases

Our estimates of continuously increasing ARPC might be too optimistic. Fewer companies than expected may need additional modules, financial services, and insurance, for several reasons. For example, most businesses are tiny and have zero employees and may, thus, only need accounting and invoicing software.

Catalyst types

Increased penetration rates in the subsidiaries

The penetration rate for both Fortnox Finance and Fortnox Insurance is currently at below 3%. However, the ARPC of those customers are much higher than for the group. Thus, slight increases in penetration rate has a large impact in overall sales growth.

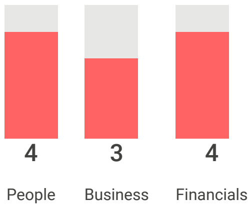
G5 Entertainment G5EN

Company page
https://www.redeye.se/company/g5-entertainment

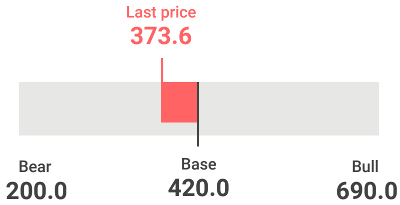
Publication date
January 8 2021

Redeye Rating

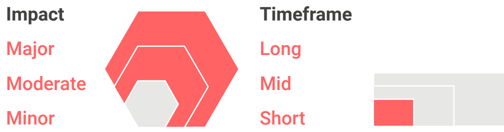
COMPANY QUALITY



FAIR VALUE RANGE

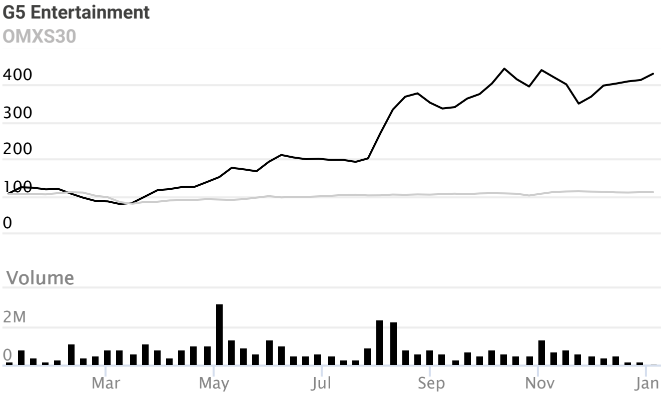


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Vladislav Suglobov
Chairman	Petter Nylander

Share information

Share price (SEK)	373.6
Number of shares (M)	9.1
Market cap (MSEK)	3,402
Net debt (MSEK)	-343

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in G5 Entertainment: 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, MSEK	1,233	1,403	1,667	1,930
Growth	*-15.0%*	*13.8%*	*18.8%*	*15.8%*
EBITDA	167	305	351	466
EBITDA margin	*13.5%*	*21.7%*	*21.1%*	*24.2%*
EBIT	52	181	256	354
EBIT margin	*4.2%*	*12.9%*	*15.4%*	*18.3%*
Pre-tax earnings	52	181	256	354
Net earnings	43	149	210	290
Net margin	*3.5%*	*10.6%*	*12.6%*	*15.0%*
Dividend/Share	2.50	2.50	3.00	3.00
EPS adj.	4.94	16.91	23.89	32.95
P/E adj.	20.4	25.9	18.4	13.3
EV/S	0.6	2.6	2.1	1.7
EV/EBITDA	4.4	12.1	10.0	7.0

Last updated: 2021-01-08

Owner	Equity	Votes
Wide Development Ltd	6.6%	6.8%
Purple Wolf Ltd	5.7%	5.9%
G5 Entertainment AB	4.7%	2.2%
Tommy Svensk	4.4%	4.6%
Avanza Pension	4.3%	4.4%
Proxima Ltd	4.1%	4.2%
Swedbank Robur Fonder	3.2%	3.2%
Aktia Asset Management	2.0%	2.0%

Company description

G5 Entertainment was founded in 2001 and is a developer and publisher of casual free-to-play games for smartphones and tablets with loyal players all over the world. The company has its headquarter in Stockholm, Sweden, with development offices in Moscow and Kharkov, Ukraine. There is also a procurement and licensing office in Malta and a small sales and marketing office in San Francisco, USA. In total, G5 has 520 employees.G5 has developed a business model that is both successful and scalable, which is reflected in the company's history. Together with the underlying driving forces and current trends in the mobile games industry the company will likely continue to develop its strong position with mobile casual free-to-play games.

Investment case

- We expect G5 to show an average annual revenue of 16% in 2021-2023 a higher market share in "Match-3" games is one of G5's major growth drivers. The mobile games industry as a whole is expected to grow with a CAGR of 10-20 percent during the same period according to Newzoo.
- G5 earns a majority of total revenues in Hidden Object games. G5 has found its niche within the target group of women aged 35 years and older. According to research, this target group is loyal, affluent and women usually make more in-app purchases than men.
- The company is nowadays fully focused on self-developed games. One of the benefits with fully-owned games is that the company does not have to pay any royalties to the developer, which means that the profitability will increase when the proportion of revenue from fully owned gaming increases.

Investment risks

Mobile games have limited life cycles. It is therefore important to a gaming developer/publisher to deliver new attractive content when old titles reach maturity.

Catalyst types

Match 3 in the Wild West

After the success with "Jewels of Rome," the company has released a similar game in the highly lucrative Match 3 genre called "Jewels of the Wild West". The game has already shown promising monetization and will likely be the most important game to follow after "Jewels of Rome" the following months.

"Corona-Boost" in Mobile Gaming

Mobile games popular in the US and Europe has shown considerable monthly growth due to the lockdown, often between 20-50% in mid-sized games. G5 has its stronghold in the US. Match 3 games also generate 22% of total revenue in US, mainly from a few games.

The Rise of Rome

As expected, "Jewels of Rome" has become G5's highest-grossing self-developed game in the portfolio. How sustainable the revenues (and growth) will be is still fairly uncertain, but it looks promising. The changed positions on the top-grossing charts are always a catalyst for the stock.

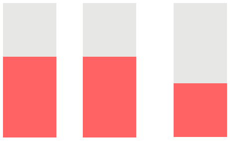
Gaming Innovation Group GIGSEK

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

Publication date
January 10 2021

Redeye Rating

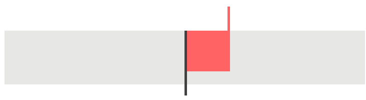
COMPANY QUALITY



People	Business	Financials
3	3	2

FAIR VALUE RANGE

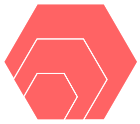
Last price
14.3



Bear	Base	Bull
5.0	12.0	21.0

CATALYST POTENTIAL

Impact
Major
Moderate
Minor

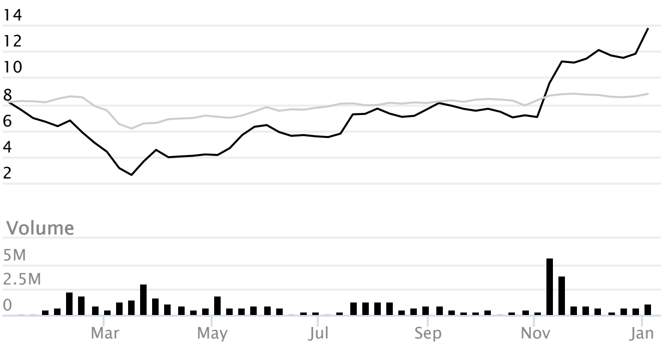


Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot

Gaming Innovation Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Richard Brown
Chairman	Petter Nylander

Share information

Share price (SEK)	14.3
Number of shares (M)	90.1
Market cap (MSEK)	1,288
Net debt (MEUR)	43

Analyst

Jonas Amnesten
jonas.amnesten@redeye.se

Conflict of interests

Jonas Amnesten owns shares in Gaming Innovation Group: 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, MEUR	44	64	78	83
Growth	*45.2%*	*21.2%*	*6.5%*	
EBITDA	3	11	21	24
EBITDA margin	*7.8%*	*17.1%*	*27.3%*	*28.5%*
EBIT	-24	-8	7	11
EBIT margin	*Neg*	*Neg*	*8.6%*	*13.3%*
Pre-tax earnings	-32	-13	3	7
Net earnings	-66	-15	2	6
Net margin	*Neg*	*Neg*	*2.7%*	*7.3%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.73	-0.16	0.02	0.07
P/E adj.	-11.5	-4.1	29.3	10.2
EV/S	18.6	1.5	1.3	1.2
EV/EBITDA	237.5	8.6	4.9	4.1

Last updated: 2021-01-08

Owner	Equity	Votes
Andre Lavold	8.4%	8.4%
Swedbank Robur Ny Teknik	7.6%	7.6%
Myrlid AS	6.8%	6.8%
Henrik Persson Ekdahl	5.4%	5.4%
Morten Hillestad Holding AS	4.3%	4.3%
Hans Mikael Hansen	3.9%	3.9%
Stenshagen Invest AS	2.8%	2.8%
G.F. Invest AS	2.3%	2.3%
Kvasshøgdi AS	2.2%	2.2%
Symmetry Invest A/S	2.2%	2.2%

Company description

Gaming Innovation Group Inc. (GiG) is a technology company within the iGaming industry. GiG. was incorporated in Malta 2008 as Donkr International Ltd which was the holding company of Innovation Labs Ltd., known as the company operating the online poker forum Donkr.com. The company was then renamed and becamed Gaming Innovation Group Ltd. In 2015 the company conducted a reverse IPO through Nio Inc and listed on the Oslo Stock Exchange. GiG has developed from a poker room, sole affiliate to a business with a broad B2B offering and now have 400+ FTE's. The road has not been without speed-bumps, and in 2020 GiG divested its B2C operations to focus on the B2B operations.

Investment case

- Attractive SOTP valuation
- Platform and omnichannel
- More focused business

Investment Thesis

Attractive SOTP valuation

Based on our sum-of-the-parts valuation, GiG is undervalued. On our 2021 estimates, GiGs Platform and Media services offer significant upside to the fair value. We assign no value to GiG Sports as its revenue is limited, and it's loss-making.

Platform and omnichannel

The GiG Core business area will be one of the company's main long-term growth drivers going forward, in combination with a solid media business. Improving its platform will add value to the whole business. Moreover, GiG´s partnerships and land-based operator niche could become a major market for it. While the vast majority of gambling is still conducted offline, many land-based operators would like to participate in the industry's digitalization. We believe that GiG has the potential to achieve decent market share here. Its partnership with several land-based operators on several different continetns underscores this potential.

More focused business

We believe GiG´s main issue in recent years has been a lack of focus. The company has tried to realize its vision of becoming a diversified global player active in all gambling verticals. However, the company is now increasing its focus on its core business to achieve profitable growth, and we see several signs of this positive development:

- New B2B agreements
- Good performance for the Media Services in the US
- Divested the B2C segment
- Made changes in both the board and management. We believe this signals the start of a new direction and vision for GiG
- Slimed the other operating expenses and use resources more efficiently
    - Sports Betting Service is reducing its burn rate
    - The company has decided to halt the investments in GiG Games
    - The company has decrease the number of employees

Counter-Thesis – Bear Points

Organizational changes

The company has made several management and board changes, as well as the divestment of the B2B segment. Moreover, we anticipate more changes further down in the organization, given the relatively large head-count. This could reduce its efficiency for a while, hurting operations and increasing negative momentum further.

Regulatory uncertainty

GiG focuses on regulated markets as these offer better scope for attractive B2B partners and are less risky. Even so, regulated markets are not risk-free. Moreover, we also expect that the gaming tax expenses will pressure profit margins in the next coming years.

Catalyst types

Divestments
GiG divested the Highroller brand at an impressive 2.5x sales multiple. We believe further divestments will show the true value of GiG´s assets.

Omnichannel
GiG has sign interesting partnerships with the land-based giants Hard Rock and SkyCity. Additional and extended deals like these together will clear effects on the revenue levels should take the valuation to a new level.

Improved EPS
GiG is amortizing much on its acquired affiliate assets, and when the amortizations start to decrease during 2020 we will see a large improvement of the EPS. More efficient use of resources should also increase the EPS further.

Turnaround
We believe that GiG has all the prerequisites for turning around its business. However, in the end, we believe that market wants to see it black on white.

Increased multiples
The valuation multiples within the online gambling segment has been pressured very much during the last year. The current levels indicate a very gloomy future, especially for the affiliate segment. This can change swiftly.

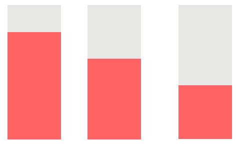
Gapwaves GAPW B

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

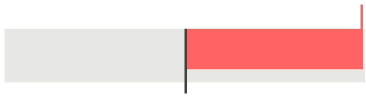
Publication date
January 14 2021

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



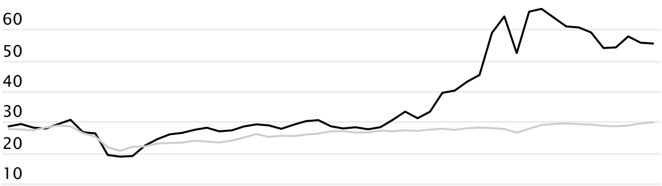
CATALYST POTENTIAL

Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot



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

Share information

Share price (SEK)	54.9
Number of shares (M)	27.6
Market cap (MSEK)	1,516
Net debt (MSEK)	-31

Analyst

Forbes Goldman
forbes.goldman@redeye.se

Conflict of interests

Forbes Goldman owns shares in Gapwaves: 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	16	21	34	52
Growth	*>100%*	*32.6%*	*59.3%*	*54.4%*
EBITDA	-31	-34	-18	-19
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-35	-39	-22	-24
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-36	-39	-22	-24
Net earnings	-36	-39	-22	-24
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.39	-1.45	-0.82	-0.90
P/E adj.	-18.4	-47.8	-80.8	-73.3
EV/S	34.2	81.0	51.6	34.0
EV/EBITDA	-18.0	-51.4	-99.3	-91.9

Last updated: 2021-01-14

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.

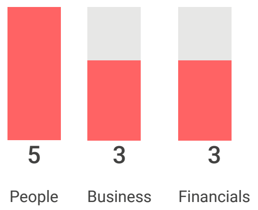
Hanza Holding HANZA

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

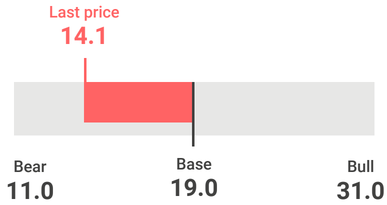
Publication date
January 7 2021

Redeye Rating

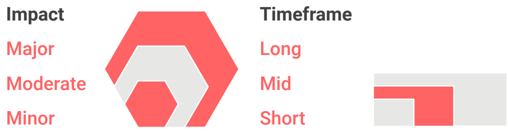
COMPANY QUALITY



FAIR VALUE RANGE



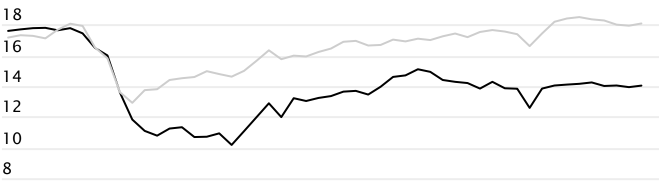
CATALYST POTENTIAL

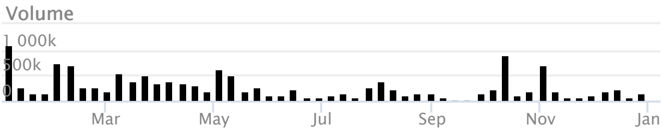


Turn page for catalyst specifics

Snapshot

Hanza Holding
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Erik Stenfors
Chairman	Francesco Franzé

Share information

Share price (SEK)	14.1
Number of shares (M)	34.0
Market cap (MSEK)	479
Net debt (MSEK)	388

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

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

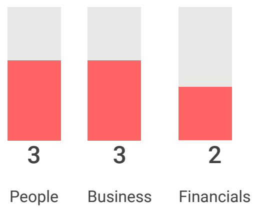
Heliospectra HELIO

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

Publication date
January 10 2021

Redeye Rating

COMPANY QUALITY



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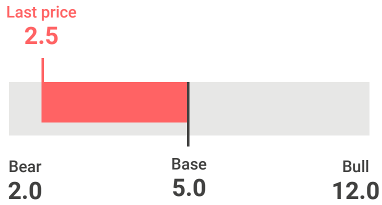
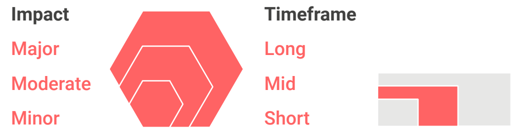
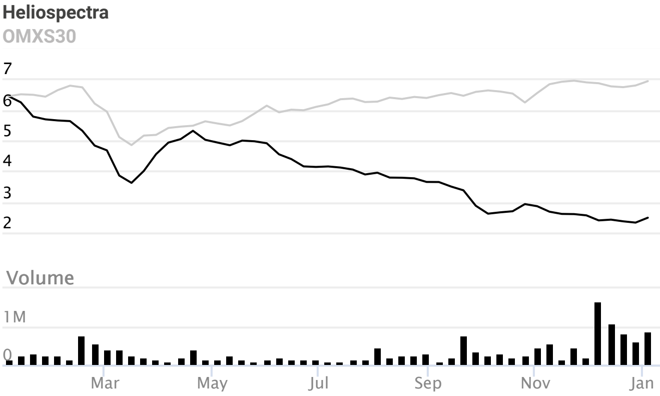


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Ali Ahmadian
Chairman	Andreas Gunnarsson

Share information

Share price (SEK)	2.5
Number of shares (M)	77.2
Market cap (MSEK)	196
Net debt (MSEK)	-49

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Heliospectra: 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	26	37	120	162
Growth	*-43.7%*	*46.3%*	*>100%*	*35.0%*
EBITDA	-52	-34	-14	1
EBITDA margin	*Neg*	*Neg*	*Neg*	*0.8%*
EBIT	-52	-38	-18	-2
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-52	-38	-18	-2
Net earnings	-52	-38	-18	-2
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.90	-0.49	-0.23	-0.03
P/E adj.	-6.1	-5.9	-12.6	-104.9
EV/S	10.2	4.3	1.5	1.1
EV/EBITDA	-5.1	-4.6	-12.4	132.9

Last updated: 2020-11-11

Owner	Equity	Votes
Gösta Welandson med bolag	41.1%	41.1%
Greg Dingizian	14.2%	14.2%
Mohammed Al Amoudi	11.5%	11.5%
Avanza Pension	3.1%	3.1%
Corporation The Bank Of New York Mellon	2.2%	2.2%
Magowny Invest AB	1.0%	1.0%
Piba AB	0.7%	0.7%
SPP Fonder	0.6%	0.6%
Nordnet Pensionsförsäkring	0.6%	0.6%
Marita Levin	0.5%	0.5%

Company description

Heliospectra specializes in intelligent lighting systems for plant research, greenhouse cultivation and controlled environment agriculture. The company is a global leader in LED grow lights for advanced research applications and has patented technology.

Investment case

- At the inflection point: The focus on attracting larger growers has paid off, and Heliospectra has secured significant orders laying the ground for substantial growth in 2020-2021.
- Rapid market growth driven by global trends: The market for LED grow light is projected to grow rapidly. Heliospectra is well-positioned to harvest from this booming market.
- Strong technological offering: Heliospectra possess a strong offering which add significant value to customers' cultivations. The strength of the company's offering is proven by the recently introduced control system HelioCORE.

At the inflection point. Heliospectra has transitioned from a research company to become a leading player in the growing market for intelligent lighting solutions. The focus on attracting larger growers of food has paid off, and Heliospectra has now validated the significant opportunities arising within the segment by securing the significant order worth SEK 72m from Nectar Farms. We expect the average order size to continue to increase following an inflow of substantially larger orders from large commercial growers of food and cannabis.

Rapid market growth driven by global trends. The use of LED grow lights address global issues of environmental impact from agriculture and fresh food supply for the urban population. There is a growing interest in control and automation for agriculture to raise productivity. LED grow lights are more energy efficient than traditional HID/HPS lamps traditionally used in greenhouses and growers increasingly replace traditional lighting solutions in commercial greenhouse operations.

The LED grow light market is expected to grow at a CAGR of 27% and through its leading grow light systems that provide growers benefits of increased automation, higher crop quality and shortened grow cycles, Heliospectra should be able to grow faster than the market, we argue.

Besides establishing itself as a well-renowned player in the legal marijuana segment, Heliospectra has now proven to land large orders from food growers on the MITRA system. After the launch of MITRA, Heliospectra's value proposition is even stronger. Its LED grow lights provide short payback times on investment for growers who can increase productivity and quality of its plants while also reducing operational costs. While benefiting from a shift towards industrialization amongst food growers and a growing medical plant market, we see high growth in prospect.

Bear points (counter-thesis)

- **Failure to scale up operations and improve margins**

One of Heliospectra's greatest challenges is to improve its gross margin as it requires significant sales to reach break-even. The company is currently undertaking efforts in increasing its operational efficiency but there is a risk of delayed break-even if the company fails in scaling up its operations.

- **Failure to grow sales in a competitive market**

Although Heliospectra is regarded as one of the leading companies in the market for LED grow lighting solutions, it must continue improving its offering to remain competitive. The company also has to succeed in convincing growers that its solutions truly add greater value than alternative solutions. There is also a risk that larger competitors could try to bleed out smaller actors by dropping prices.

Catalyst types

Follow-up order from Nectar Farms

In October 2019 Heliospectra received its largest order to date from Nectar Farms of SEK 72m for the first of 10 hectares in the Stawell project. In phase two, the greenhouse grower will expand by another 30 hectares. If Nectar is satisfied in the first phase we see a large likelihood of Heliospectra being selected in the second phase as well, with the potential of generating additional revenues about SEK 75-150m. In that case, we believe it could occur in the next 12-24 months.

Additional orders

We see good potential for further follow-up orders in the range above SEK 10 million+ from undisclosed AgTech players and marijuana growers who have previously placed large orders, for example The Grove. Moreover, utilizing Nectar Farms as a high profiled reference project, we see good opportunities of landing additional order from the commercial greenhouse segment.

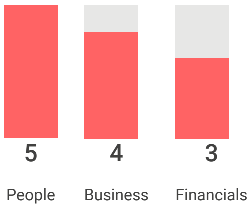
Hexatronic Group HTRO

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

Publication date
January 9 2021

Redeye Rating

COMPANY QUALITY



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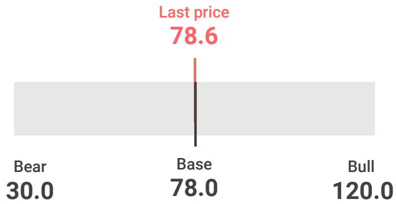

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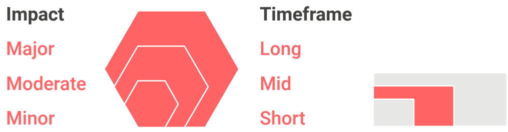
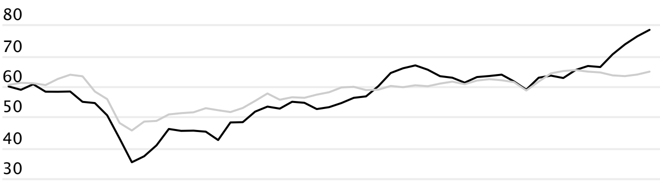
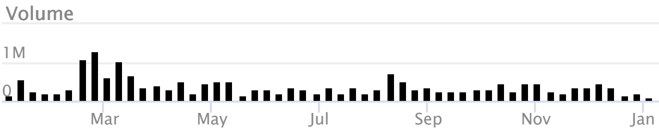


Turn page for catalyst specifics

Snapshot

Hexatronic Group
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Henrik Larsson Lyon
Chairman	Anders Persson

Share information

Share price (SEK)	78.6
Number of shares (M)	38.0
Market cap (MSEK)	2,988
Net debt (MSEK)	232

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

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

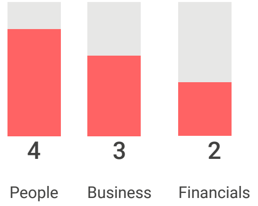
I-Tech ITECH

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

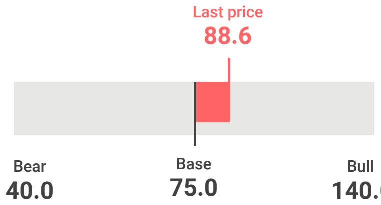
Publication date
January 9 2021

Redeye Rating

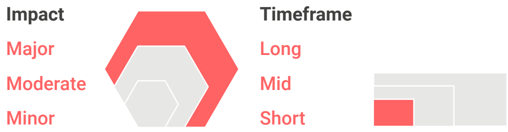
COMPANY QUALITY



FAIR VALUE RANGE

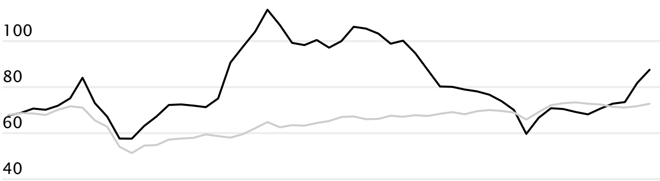


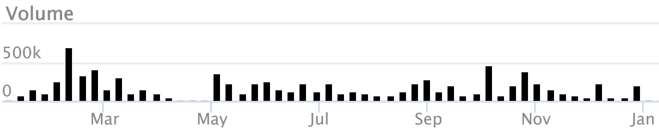
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Philip Chaabane
Chairman	Stefan Sedersten

Share information

Share price (SEK)	88.6
Number of shares (M)	11.9
Market cap (MSEK)	1,055
Net debt (MSEK)	-31

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

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

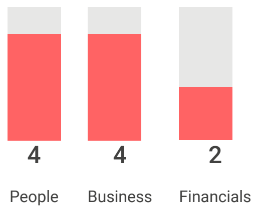
Image Systems IS

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

Publication date
January 7 2021

Redeye Rating

COMPANY QUALITY



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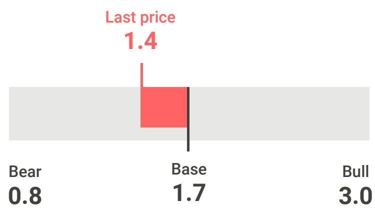
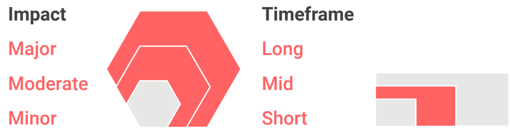


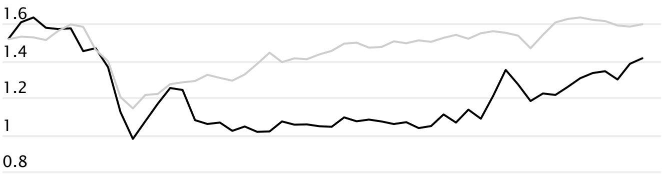
CATALYST POTENTIAL

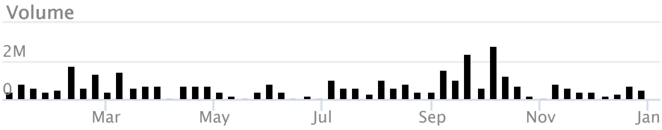


Turn page for catalyst specifics

Snapshot

Image Systems
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Johan Friberg
Chairman	Thomas Wernhoff

Share information

Share price (SEK)	1.4
Number of shares (M)	89.2
Market cap (MSEK)	127
Net debt (MSEK)	11

Analyst

Henrik Alveskog
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Conflict of interests

Henrik Alveskog owns shares in Image Systems: No

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

Financials

	2019	2020E	2021E	2022E
			Redeye Estimates	
Revenue, MSEK	212	164	191	210
Growth	*31.7%*	*-22.6%*	*16.3%*	*10.0%*
EBITDA	13	10	24	27
EBITDA margin	*6.0%*	*6.1%*	*12.3%*	*12.9%*
EBIT	-4	-7	6	13
EBIT margin	*Neg*	*Neg*	*3.4%*	*6.1%*
Pre-tax earnings	-7	-9	4	12
Net earnings	-7	-9	4	12
Net margin	*Neg*	*Neg*	*1.9%*	*5.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.08	-0.10	0.04	0.13
P/E adj.	-19.8	-12.5	30.3	9.2
EV/S	0.8	0.8	0.6	0.5
EV/EBITDA	13.5	13.2	5.1	3.8

Last updated: 2020-11-16

Owner	Equity	Votes
Tibia Konsult AB	32.0%	32.0%
Thomas Wernhoff	14.0%	14.0%
Hans Malm	8.5%	8.5%
LMK-bolagen & Stiftelse	6.2%	6.2%
Avanza Pension	3.8%	3.8%
Dnb Luxembourg SA	2.0%	2.0%
Gunvald Berger	1.8%	1.8%
Ålandsbanken I Ägares Ställe	1.5%	1.5%
Hans Olsson	1.4%	1.4%
Jan Lundström	1.4%	1.4%

Company description

Image Systems was founded 1954 by Carl Petterson under the name Rema Control. In 1964, the company developed a measuring tool that without contact could measure the diameter of a log, which was of great importance to the development of Image Systems. Image Systems develops and sells modern automation systems to sawmills (RemaSawco) and contactless measurement software clients primarily in the aerospace, defense, automotive and material-testing industries (Motion Analysis).

In 1999, Image Systems went public under the name Digital Vision and has since acquired three companies. Image Systems was acquired in 2011 and the most recent, Limab Oy in 2018. The sawmill industry has historically been the core business for Image Systems, but lately Motion Analysis has been the most sucessful segment showing impressive margins.

Investment case

- Smart sawmills – structural growth and a strong market position
- Untapped market potential outside the Nordics
- Turnkey provider in Motion Analysis to increase sales

Investment case

Smart sawmills – structural growth and strong market position. The sawmill industry is highly competitive. Therefore, the sawmills have an ongoing need to invest in new technology to maintain their position. RemaSawco's product portfolio fits perfectly into this category as it both increases output per log while decreasing OPEX for the sawmills. Also, the product portfolio is unique as its systems allow board tracing from delivery to the finished product. As far as we know RemaSawco is way ahead of their competitors in terms of offering a viable solution for the digital sawmill.

Untapped market potential outside the Nordics. Image Systems (RemaSawco) has a strong presence in the Nordics, with Sweden and Finland being home markets. Over the years the company has also acquired business from clients in other countries in Europe as well as Russia and North America. However, these orders are still quite far between. The untapped potential in countries like Germany and Russia is significant. Also, Russia is the fastest growing sawn wood market in the world.

Turnkey provider in Motion Analysis to increase sales. Motion Analysis has in the past relied on partners to sell its software alone. This is about to change as Motion Analysis will sell both hardware and software through partners, thereby, becoming a turnkey provider. It will be easier for the partners to sell full systems with a standardized training program, which is essential as lack of experienced operators has been a major hurdle in the industry.

Bear points

Sales growth necessary for turn-around

Image Systems is currently struggling to become profitable and needs further growth within RemaSawco in order to show black numbers on the bottom line at group level. Hence continued good order intake is required.

New markets tough to penetrate

Selling to sawmills is often down to business contacts, making it difficult for suppliers to enter new markets without the regional contacts. The industry dynamics mean that once a system has been sold to a sawmill, it will probably continue to buy from the same supplier. This is of course a challenge for RemaSawco in its international expansion, that will require a solid and long-term strategy with distributors and partners.

Changing business model is difficult

Motion Analysis is in a state where they are changing their business model. This could be both time consuming and difficult.

Catalyst types

Partnerships in Europe or Russia
A partnership with a well established distributor would benefit RemaSawco's opportunities in Central Europe and Russia. Markets that hold great potential.

Good traction for Motion Analysis DIC
The offering of complete DIC-systems is fairly new but seems to be gaining traction. More sales resources are dedicated and we hope to see some positive results in the coming years.

Breakthrough order from North America
US sawmills are major players that have the potential to implement several of RemaSawcos systems in a large order. The potential value of one of these contracts could be approximately SEK 40-60m.

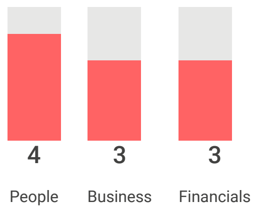
IMINT Image Intelligence IMINT

Company page
https://www.redeye.se/company/imint-image-intelligence

Publication date
January 11 2021

Redeye Rating UNDER REVIEW

COMPANY QUALITY



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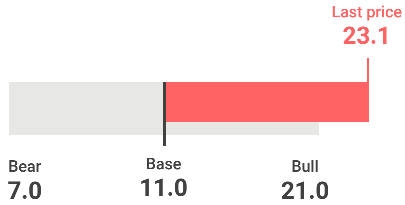
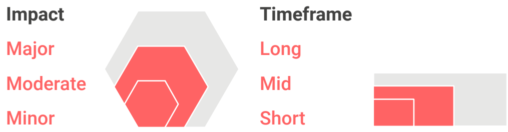
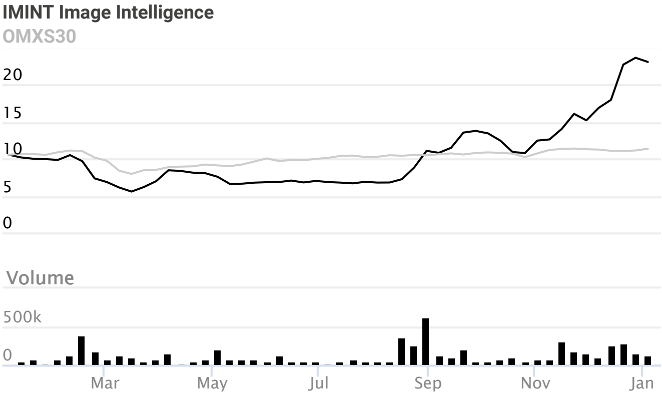


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	Spotlight Stock Market
CEO	Andreas Lifvendahl
Chairman	Katarina Bonde

Share information

Share price (SEK)	23.1
Number of shares (M)	8.9
Market cap (MSEK)	205
Net debt (MSEK)	-36

Analyst

Johan Ekström
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Conflict of interests

Johan Ekström owns shares in IMINT Image Intelligence: 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	40	47	56	64
Growth	*18.7%*	*16.2%*	*19.0%*	*15.0%*
EBITDA	9	17	15	16
EBITDA margin	*22.4%*	*37.3%*	*27.2%*	*24.8%*
EBIT	-6	3	0	4
EBIT margin	*Neg*	*7.4%*	*0.8%*	*6.1%*
Pre-tax earnings	-6	3	0	4
Net earnings	-6	3	0	3
Net margin	*Neg*	*6.7%*	*0.6%*	*4.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.67	0.36	0.04	0.35
P/E adj.	-16.0	23.2	229.8	23.7
EV/S	1.6	0.9	0.7	0.5
EV/EBITDA	7.1	2.3	2.5	1.9

Last updated: 2021-01-09

Owner	Equity	Votes
Avanza Pension	11.9%	11.9%
Nordnet Pensionsförsäkring	3.5%	3.5%
Öjvind Norberg	3.4%	3.4%
Peter Ekerling	2.3%	2.3%
Andreas Lifvendahl	1.8%	1.8%
Swedbank Försäkring	1.6%	1.6%
Hans Thomsen	1.5%	1.5%
Pierre Alexander Willihard Ullman	1.3%	1.3%
Peter Lebbin	1.2%	1.2%
Futur Pension	1.1%	1.1%

Company description

Imint Image Intelligence is a software company based in Uppsala, Sweden. The company provides software for analyzing, optimizing and enhancing video in real-time. The company is primarily targeting mobile device OEM's in Asia and has license agreements with a number of customers.

Investment case

- Operating in a growing segment, since the use of smartphone videos are continually growing. This increases the importance of Imint's product and the likelihood of companies to pay for better software.
- The efforts are starting to pay off and 6 out of ten of the largest smartphone OME's are customers of Imint.
- Imint recently signed its largest commercial deal outside of the smartphone market. Given the quality of the Vidhance platform, we expect this journey to continue.

Imint develops and sells video stabilization software primarily. Its primary customer segment is smartphones, which is a growing segment as smartphone videos have become a part of daily life for many people. Influencers, Instagram, and Snapchat are among a few of the drivers behind the rapid growth in the usage of smartphone cameras. This increases the importance for smartphone vendors to improve the quality of their cameras.

The efforts are starting to pay off. By signing several license agreements with smartphone producers of substantial sizes such as Huawei, Xiaomi, OPPO and Vivo, Imint has shown that there is great interest in its Vidhance software. The company now has 6 of the ten largest smartphone OEM’s, and we believe this illustrates that Imint’s software is of superior quality and thus competitive, as of now.

A critical strategic challenge is to advance towards the low- and mid-range segments of the smartphone market to address a substantially larger market. Today, Imint operates in the high-end smartphone segment. Although the average royalty in the low- and mid-range segments most likely will be lower, the volumes will be significantly larger. Given the company’s excellent software, we expect that Imint will succeed in also penetrating the market for less pricey phones and thereby gain a market share of around 35% at the end of the forecast period, generating revenue of about SEK 90m.

New segments open up for higher profitability. Last year, Imint announced that it had signed its first customer outside the smartphone industry – Hytera. This customer produces body-worn cameras, and we believe this deal illustrates that there is potential for Imint also within new verticals. The Vidhance software can be integrated into other types of cameras with only minor efforts on Imint’s part. Given that we expect that the competition will be less intense within these more niche-like segments, Imint should be able to generate additional revenue resulting in increased profitability and higher margins.

We value Imint to SEK 11 per share. With the potential for both good growth and increased profitability within both the smartphone and new segments, we set our base case to SEK 11 per share. We estimate a fair value range to SEK 7 to SEK 21 per share. The share reacted positively to the Q2’20 report and bounced up to SEK 8 per share. Nevertheless, we continue to see an upside of more than 30%.

Counter thesis

China may close itself from foreign technological influence. In the wake of the trade war, China has become more reluctant to let foreign influence dictate its technological development. This means that it is not only the deals with Huawei that are in danger but also deals with the other smartphone giants.

Difficult to retain high royalties and risk of price pressure. Imint operates in a market characterized by tough negotiation conditions. As of provider of software with negligible marginal costs, we believe that it will be difficult to retain high royalty compensation over time. Some previous agreement(s) has been signed with volume caps, which has led to reduced/non-existing revenues beyond a particular volume of sold phones. There is a risk that Imint’s average compensation will continue to decline if the company does not succeed in including additional features.

Failing to broaden its market. To achieve high growth and improve profitability, Imint must both increase its market share of the smartphone market by penetrating low- and mid-range segment and enter into new verticals. If the company fails to do this, it will be difficult for it to grow and increase margins.

Catalyst types

Additional deals with leading smartphone OEM's
New agreements with smartphone manufacturers are vital to continue to drive growth and thus increase margins going forward. These new deals must include more features, such that average royalty per smartphone can be maintained, and that Vidhance also is included in low- and mid-range phones.

Deals within new business segments
Imint is continuously examining new business opportunities. Examples of areas of application outside smartphones are found in the announced agreement with Kontigo Care, Hytera, the business with SAAB, and the earlier Samsung development project. These segments are often less competitive compared to the smartphone market and hence, improves profitability.

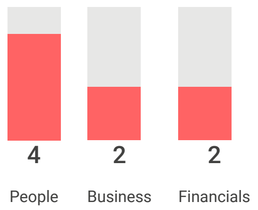
Impact Coatings IMPC

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

Publication date
January 8 2021

Redeye Rating

COMPANY QUALITY



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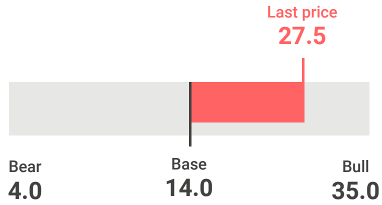
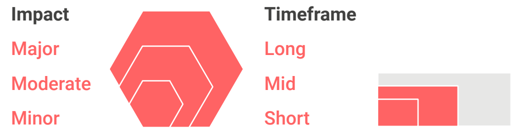


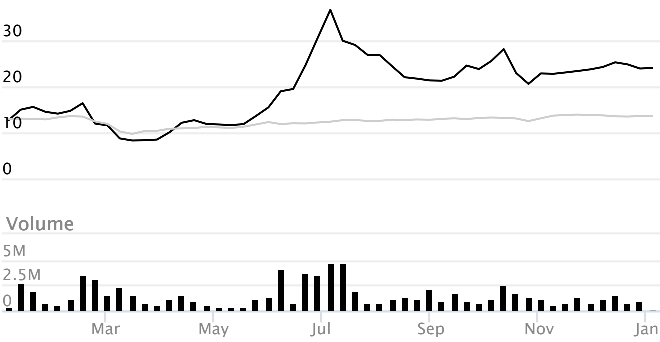
CATALYST POTENTIAL



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)	27.5
Number of shares (M)	51.8
Market cap (MSEK)	1,425
Net debt (MSEK)	-78

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

	2019	2020E	2021E (Redeye Estimates)	2022E (Redeye Estimates)
Revenue, MSEK	49	41	57	80
Growth	*>100%*	*-15.5%*	*37.4%*	*40.4%*
EBITDA	-23	-12	-10	1
EBITDA margin	*Neg*	*Neg*	*Neg*	*0.9%*
EBIT	-26	-16	-13	-2
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-26	-16	-13	-2
Net earnings	-26	-16	-13	-2
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.51	-0.31	-0.25	-0.05
P/E adj.	-26.9	-76.7	-92.6	-514.8
EV/S	12.9	27.4	20.1	14.3
EV/EBITDA	-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 cell coatings. Hyundai, as one of the frontrunners in the field, should, if anyone, be able 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 few years 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 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 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% 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 (sales, partnerships, M&A etc.) has increased significantly.

The new strategy - not just fuel cells

The notable change is the new strategy, where more resources are 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 probably mean further rights issues.

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 near- and medium-term expectations for the FC segment are quite low. If the industry solves its current challenges faster than anticipated this segment could be a significant value driver.

Invisio IVSO

Company page

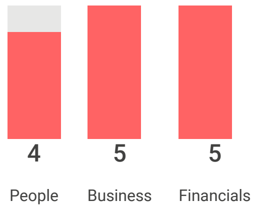
https://www.redeye.se/company/invisio-communications

Publication date

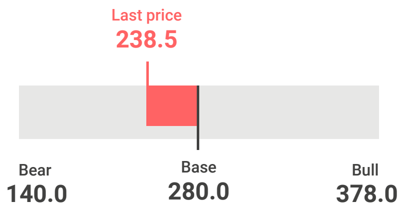
January 11 2021

Redeye Rating

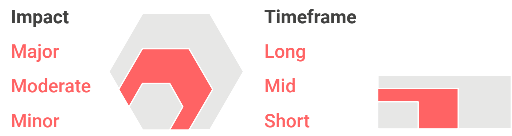
COMPANY QUALITY



FAIR VALUE RANGE

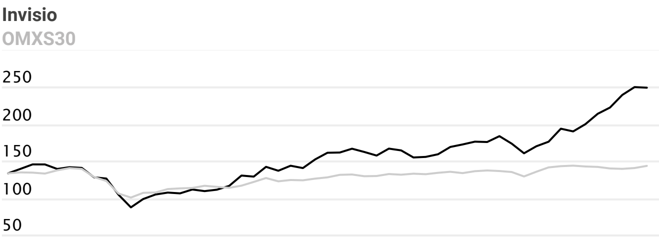


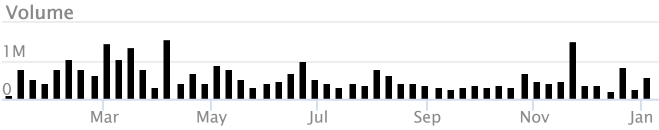
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Lars Højgård Hansen
Chairman	Annika Andersson

Share information

Share price (SEK)	238.5
Number of shares (M)	44.1
Market cap (MSEK)	10,517
Net debt (MSEK)	-126

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

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MSEK	514	556	789	1,010
Growth	*44.9%*	*8.3%*	*41.8%*	*28.0%*
EBITDA	142	134	232	351
EBITDA margin	*27.7%*	*24.1%*	*29.5%*	*34.7%*
EBIT	132	124	220	334
EBIT margin	*25.8%*	*22.3%*	*27.9%*	*33.0%*
Pre-tax earnings	134	116	220	334
Net earnings	102	88	171	260
Net margin	*19.8%*	*15.9%*	*21.7%*	*25.8%*
Dividend/Share	0.85	1.00	1.92	2.88
EPS adj.	2.30	2.00	3.85	5.76
P/E adj.	44.2	118.2	61.5	41.0
EV/S	8.5	18.6	13.1	10.0
EV/EBITDA	30.7	77.2	44.3	28.9

Last updated: 2020-12-23

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.

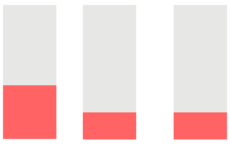
JonDeTech Sensors JDT

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

Publication date
January 11 2021

Redeye Rating

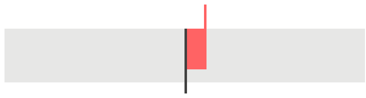
COMPANY QUALITY



2 People | 1 Business | 1 Financials

FAIR VALUE RANGE

Last price 9.9



Bear 3.0 | Base 7.0 | Bull 30.0

CATALYST POTENTIAL

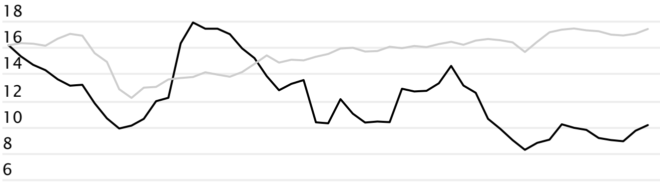
Impact
Major
Moderate
Minor

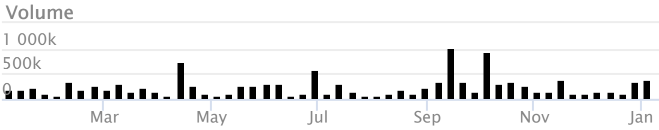
Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot

JonDeTech Sensors
OMXS30





Marketplace	First North Stockholm
CEO	Leif Borg
Chairman	Katarina Bonde

Share information

Share price (SEK)	9.9
Number of shares (M)	26.8
Market cap (MSEK)	266
Net debt (MSEK)	14

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

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MSEK	0	0	1	38
Growth	*35.7%*	*5.3%*	*>100%*	*>100%*
EBITDA	-19	-40	-36	-24
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-20	-41	-38	-28
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-20	-42	-38	-28
Net earnings	-20	-42	-30	-22
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.11	-1.58	-0.95	-0.66
P/E adj.	-14.8	-6.4	-10.6	-15.5
EV/S	15,475.6	12,600.4	221.5	9.2
EV/EBITDA	-15.8	-6.3	-7.9	-14.6

Last updated: 2020-11-19

Owner	Equity	Votes
O&G Innovation AB	17.6%	17.6%
Mikael Lindeberg	11.0%	11.0%
Nordnet Pensionsförsäkring	10.2%	10.2%
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 production challenges have 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.

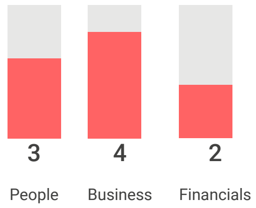
KebNi KEBNI B

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

Publication date
January 8 2021

Redeye Rating

COMPANY QUALITY



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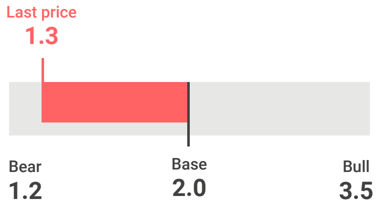
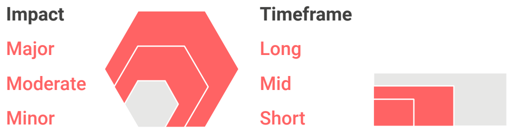
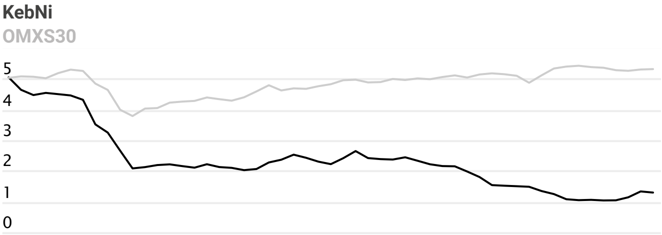


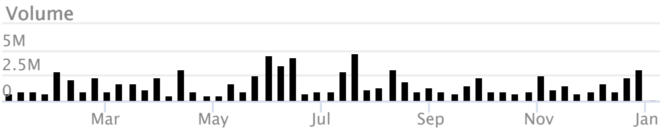
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





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

Share information

Share price (SEK)	1.3
Number of shares (M)	63.4
Market cap (MSEK)	85
Net debt (MSEK)	-16

Analyst

Henrik Alveskog
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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

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

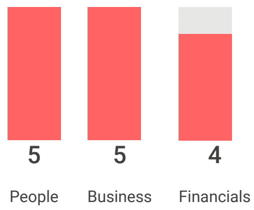
Lagercrantz Group LAGR B

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

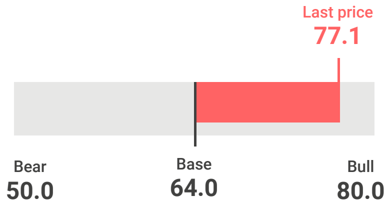
Publication date
January 7 2021

Redeye Rating

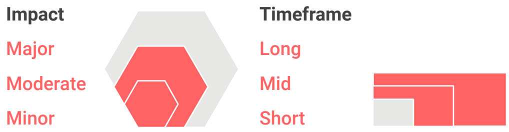
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ Stockholm
CEO	Jörgen Wigh
Chairman	Anders Börjesson

Share information

Share price (SEK)	77.1
Number of shares (M)	208.6
Market cap (MSEK)	16,080
Net debt (MSEK)	1,633

Analyst

Fredrik Nilsson
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Conflict of interests

Fredrik Nilsson owns shares in Lagercrantz 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	
	2019	2020E	2021E	2022E
Revenue, MSEK	4,180	4,150	4,713	5,174
Growth	*6.3%*	*-0.7%*	*13.6%*	*9.8%*
EBITDA	627	688	780	869
EBITDA margin	*15.0%*	*16.6%*	*16.5%*	*16.8%*
EBIT	483	495	605	675
EBIT margin	*11.6%*	*11.9%*	*12.8%*	*13.1%*
Pre-tax earnings	460	466	573	634
Net earnings	366	359	447	495
Net margin	*8.8%*	*8.6%*	*9.5%*	*9.6%*
Dividend/Share	2.60	2.75	0.99	1.10
EPS adj.	1.80	1.76	2.20	2.44
P/E adj.	64.3	101.0	81.1	73.2
EV/S	5.7	9.0	8.0	7.3
EV/EBITDA	38.2	54.2	48.5	43.7

Last updated: 2020-12-22

Owner	Equity	Votes
SEB Fonder	14.6%	10.3%
Swedbank Robur Fonder	11.1%	7.8%
Fidelity Investments (FMR)	5.9%	4.1%
Didner & Gerge Fonder	5.7%	4.0%
Anders Börjesson & Tisenhult-Gruppen	5.6%	28.8%
Lannebo Fonder	5.4%	3.8%
Handelsbanken Fonder	4.6%	3.3%
ODIN Fonder	4.4%	3.1%
Lagercrantz Group AB	2.6%	1.8%
State Street Bank And Trust co	2.1%	1.5%

Company description

Lagercrantz has a long history together with two other listed companies: B&B Tools (previously Bergman & Beving) and Addtech. Lagercrantz started in 1938 and was acquired by Bergman & Beving in 1967. Lagercrantz and Addtech were spun off in 2001 and have since been listed on Nasdaq Stockholms main market. Lagercrantz got the businesses within electronics, IT and Communication.

The strategic focus during the last decade is characterized by the changes that took place in the wake of the IT- and telecom crisis, during the first years of the new millennium. The product life cycles of electronic components became shorter and production was moving east. Lagercrantz new strategy is oriented towards higher value added products and an expansion into new market niches. Acquisitions have always been a natural part of the groups' evolution and focus is primarily on proprietary products rather than trading companies.

Investment case

- Long and strong track record in acquiring small companies and gradually improving profitability. With Lagercrantz as the new owner the companies have better opportunities to expand into new markets and grow their business.
- The companies are normally purchased at around 5x EBIT and since Lagercrantz is trading substantially higher each acquisition triggers a revaluation of the the share.
- At the moment we do not foresee any major revaluation. However the share offers a good exposure to successful nordic small caps and is an interesting alternative to savings in mutual funds.

Lagercrantz is able to showcase an impressively long track record of improving profitability and continuous growth. Its growth is certainly driven mainly by acquisitions, but with good cash flows and stable revenues all its acquisitions have been self-financed and its balance sheet gives further room for expansion. The company's financial target is to achieve average annual profit growth of 15 percent, which it has managed to deliver over the past ten years.

Its acquisition strategy is based on buying smaller companies with a strong position in their specific niches. These typically have sales of around SEK 50-100 million, and are well managed and profitable with limited risk. Its aim is to continue to build up a large portfolio of successful companies, and Lagercrantz has undoubtedly succeeded in this in recent years. All the companies, as far as we can tell, have had stable and really good profitability. Operating margins are on around 15-20 percent. The acquisitions have also been made at clearly reasonable prices, equivalent to approximately five times operating profit.

It has been possible to buy these companies cheaply due to their relatively small size and dependence on personnel. The operations are then valued at a higher mutiple once they are part of Lagercrantz. However, these higher valuations once they are part of the Lagercrantz group are not just sleight of hand since the companies have greater opportunity to develop with their new owners. This applies particularly to the smaller product companies, which have often lacked the knowledge, capital or, in some cases, the courage to expand into new markets.

This stock offers good exposure to successful Nordic small caps. To some extent, it can therefore be regarded as a very interesting alternative to mutual funds, and the share has clearly outperformed the stock market index in recent years. Lagercrantz has a good proven ability to buy and develop companies, and provides good potential to generate high returns over time, particularly given that its dividends are also generous and have risen in line with profits over a prolonged period. The share has traded up to new peak levels, and deservedly so. In the short term, the share could possibly make further gains if the company announces any major acquisitions. In the longer term, we also envisage that improved profitability and organic growth could drive the valuation.

Bear points:

- Big bad acquisitions. If Lagercrantz were to acquire a big company that runs into severe problems it would cost money as well as management resources. The organization is rather streamlined and if there is a need for restructuring it may have consequenses for the rest of the group. And obviously also the stock markets confidence.
- In the trading business there is always a risk for loosing a supplier, even if your relationssship has been excellent. Suppliers can for example find new market channels through acquisitions.

Catalyst types

More of the same (acquisitions)
Focus on buying relatively small companies with proprietary products and good profitability at fairly low multiples has been successful. More acquisitions like this are likely and will continue to drive value.

Organic growth will drive margins
Several subsidiaries with proprietary products have a good potential to expand into new markets. Lagercrantz organic growth and margins should benefit from this since these companies are more profitable than group average.

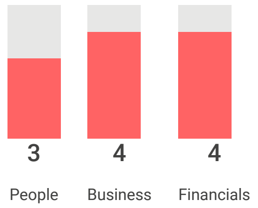
M.O.B.A. Network MOBA

Company page
https://www.redeye.se/company/m-o-b-a-network

Publication date
January 10 2021

Redeye Rating

COMPANY QUALITY



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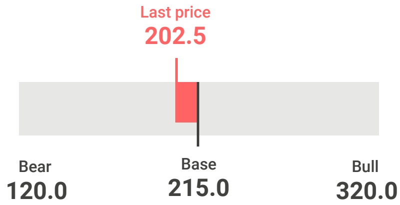
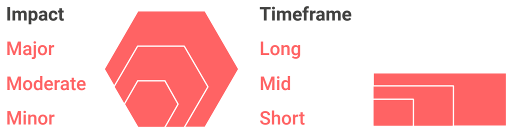
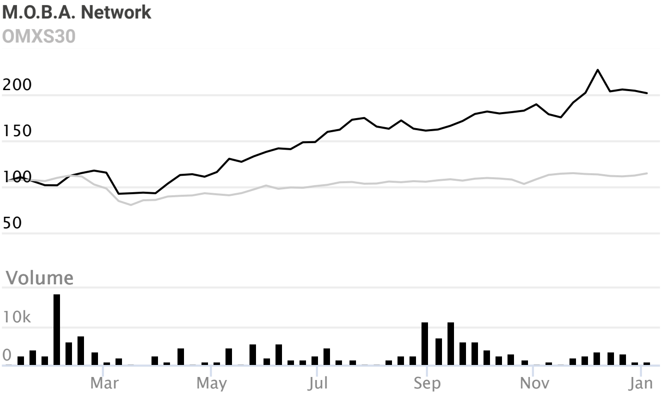


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Björn Mannerqvist
Chairman	Fredrik Burvall

Share information

Share price (SEK)	202.5
Number of shares (M)	1.7
Market cap (MSEK)	345
Net debt (MSEK)	-31

Analyst

Jonas Amnesten
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Conflict of interests

Jonas Amnesten owns shares in M.O.B.A. Network: No

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

Financials

	19/20	20/21	Redeye Estimates 21/22E	22/23E
Revenue, MSEK	23	32	42	61
Growth	*42.4%*	*32.3%*	*43.8%*	
EBITDA	12	15	20	30
EBITDA margin	*52.2%*	*45.4%*	*47.4%*	*49.6%*
EBIT	11	13	17	27
EBIT margin	*47.6%*	*40.3%*	*41.0%*	*44.7%*
Pre-tax earnings	10	13	17	27
Net earnings	6	8	11	17
Net margin	*28.8%*	*24.9%*	*25.7%*	*28.6%*
Dividend/Share	0.00	0.00	0.00	2.02
EPS adj.	4.90	4.77	6.41	10.10
P/E adj.	23.5	41.7	30.9	19.6
EV/S	7.7	9.7	7.2	4.8
EV/EBITDA	14.7	21.4	15.2	9.6

Last updated: 2020-12-02

Owner	Equity	Votes
New Equity Venture	28.5%	28.5%
Trottholmen	22.1%	22.1%
AB B21 Invest	12.8%	12.8%
AB Rugosa Invest	9.4%	9.4%
Cloverhill Holdings	9.2%	9.2%
TIN Fonder	3.3%	3.3%
Alcur Fonder	3.3%	3.3%
Digital Spine	2.9%	2.9%
Manfred Gottschlich	2.5%	2.5%
Without Bank Julius Baer & co LTD	2.4%	2.4%

Company description

M.O.B.A. Network (M.O.B.A.) was founded in January 2018 to find suitable acquisition candidates active within the gaming (computer game) sector, an area that M.O.B.A.'s management and Board of Directors have previous experiences regarding business development and expansion. M.O.B.A. is listed on Nasdaq First North Growth Market and has 16 employees working from Sweden, the US, Canada, Serbia as well as Romania.

In September 2018, the Canadian company CriticalClick Inc. was acquired with established brands, a solid knowledge base, and profitability with good margins. M.O.B.A. assessed good opportunities to add its own experiences from the expansion of similar businesses with the aim of developing CriticalClick through growth, efficiency, and other rationalization gains.

Investment case

- Communities
- A fast-growing company in a fast-growing sector
- Strong gaming IPs
- Adding communities and economies of scale

Communities

M.O.B.A.'s communities benefit from substantial **user content**, as well as **network effects**. User content is cheap, as it requires limited rescores, and has a strong positive effect from an SEO perspective. The community also creates network effects as the number of users and volume of relevant content grows. This will become even more attractive as it increases in size, creating considerable moats if it becomes one of the leading communities in its niche.

A fast-growing company in a fast-growing sector

M.O.B.A. focuses on communities in the gaming sector - particularly brands that are suitable for Esport. The gaming sector is set to grow rapidly in the coming years and Esports will grow even faster. Several **megatrends** drive this growth. M.O.B.A. has also proven that it can grow both visitor traffic and revenues **substantially faster** than the underlying market.

Strong gaming IPs

M.O.B.A. owns communities that focus on some of the most influential gaming IPs in the world, with the largest community, Mobafire.com, focusing on the LoL game. LoL is ranked **No.1** in the world - both as the most popular core PC game and as the most watched game on Twitch. We expect strong IPs like LoL to benefit from an **extended lifetime.**

Adding communities and economies of scale

The group can grow by adding new communities, either through in-house launches on its proprietary platform or acquisitions. It develops and launches new in-house communities in conjunction with releases of new games. To get them off to strong starts, M.O.B.A. **cross-promotes** these launches to its existing communities in the same genre. Furthermore, the company is working to improve its existing websites. This has led to traffic growth of several hundred percent for some sites. We also believe that there is considerable room to improve the average revenue per user as well.

M.O.B.A.'s clear M&A focus in the gaming community niche is evident in its successful acquisitions. Today many communities in the sector operate at a "hobby" level that offers substantial potential for synergies and optimization if commercialized under M.O.B.A.'s umbrella. Accordingly, we see good scope for the company to make **value-adding acquisitions.**

Counter-Thesis – Bear Points

Community and game dependency

M.O.B.A. has a significant dependence on a single community and a single game. The company's largest community in terms of visitor traffic - and probably in terms of revenues too - is Mobafire.com, which generates more than 70% of total traffic. Dependence on the game 'League of Legends' is even greater as websites that focus on this title generate about 90% of the company´s traffic. However, these dependences are declining with the rapid growth of the company's other websites, and the addition of MMORPG.com. We also regard League of Legends as a strong brand with a long lifetime.

Dependent on ads

We expect user activity in the communities to be relatively recession-resistant. However, the majority of M.O.B.A.'s revenues depend on pricing in the ads market, which is sensitive to economic downturns. The company is mitigating some of this risk by increasing direct sales.

Low stock liquidity

M.O.B.A.´s low stock liquidity is hampering the valuation as it means increased risk for the investors and makes it difficult for larger institutions to invest.

Catalyst types

Acquisitions

M.O.B.A. has a clear M&A strategy and have started to execute on this strategy with the acquisition of MMORPG.com. The company also benefits from extensive experience in adding value via M&A in the Board (Fredrik Burvall, Jonas Bertilsson, and Maria Andersson Grimaldi) and the CEO. Delivering on the M&A strategy will allow the company to accelerate growth by taking advantage of its strong financial position and add value to the group.

Recovery of programmatic sales

The COVID-19 pandemic has negatively impacted programmatic sales. The company has been able to mitigate this impact by increasing direct sales. However, we believe that programmatic sales will quickly recover post-COVID-19, which will help boost M.O.B.A.´s growth.

Expansion of the services

The new business area M.O.B.A Services is developing new services. First out is direct sales, partnership, and sponsorship, which could multiple revenues.

Potential target

M.O.B.A. could be a potential acquisition target for companies seeking to access attractive traffic volumes from the rapidly growing gaming community.

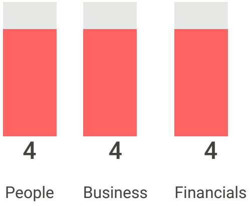
Mycronic MYCR

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

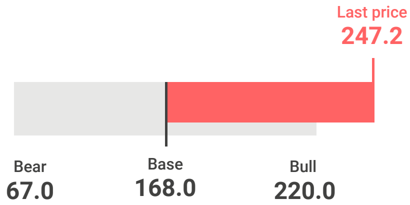
Publication date
January 11 2021

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



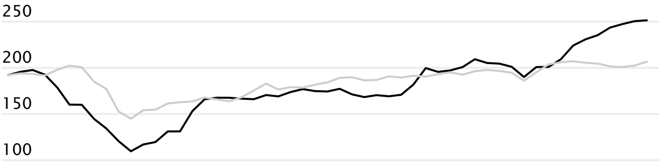
CATALYST POTENTIAL

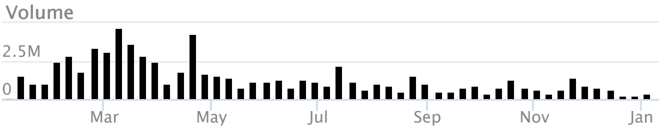
Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Anders Lindqvist
Chairman	Patrik Tigerschiöld

Share information

Share price (SEK)	247.2
Number of shares (M)	97.9
Market cap (MSEK)	24,205
Net debt (MSEK)	-1,813

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Mycronic: 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	4,307	3,930	4,296	4,710
Growth	*13.9%*	*-8.7%*	*9.3%*	*9.7%*
EBITDA	1,307	1,070	979	1,200
EBITDA margin	*30.4%*	*27.2%*	*22.8%*	*25.5%*
EBIT	1,124	867	920	1,081
EBIT margin	*26.1%*	*22.1%*	*21.4%*	*23.0%*
Pre-tax earnings	1,122	862	911	1,069
Net earnings	859	665	702	823
Net margin	*19.9%*	*16.9%*	*16.3%*	*17.5%*
Dividend/Share	3.00	2.00	3.59	4.21
EPS adj.	8.78	6.80	7.18	8.42
P/E adj.	17.5	28.8	27.3	23.3
EV/S	3.4	4.5	4.0	3.6
EV/EBITDA	11.2	16.7	17.7	14.0

Last updated: 2020-10-22

Owner	Equity	Votes
Bure Equity	27.9%	27.9%
SEB Fonder	10.4%	10.4%
Fjärde AP-fonden	9.3%	9.3%
State Street Bank And Trust co	7.7%	7.7%
Swedbank Robur Fonder	4.3%	4.3%
Handelsbanken Fonder	3.9%	3.9%
Lannebo Fonder	3.6%	3.6%
JP Morgan Bank Luxembourg S.A.	2.1%	2.1%
C WorldWide Asset Management	2.1%	2.1%
Vanguard	2.0%	2.0%

Company description

The Mid Cap company Mycronic develop systems for electronics manufacturing and sells these systems either directly or through distribution partners to hundreds of customers worldwide. Mycronic has been around for about 30 years but its modern history started when the pattern generator manufacturer Micronic acquired Mydata that manufactured systems for surface mounting. Ever since the Mydata acquisition Mycronic is divided into two business areas: Pattern Generators (PG) and Assembly Solutions (AS) where the recent acquisitions all are included in the AS segment. R&D is primarily located at the headquarter in Stockholm, Sweden. Mycronic's primary strength is its market share of 100 percent of mask writers for display applications. Consequently, every smartphone and tablet etc. has been manufactured by the help of Mycronic's technology. Our belief is that this is a niche segment that is not big enough to attract another supplier. In the AS business area Mycronic only has a share of 1-2 percent of the total surface mount technology market but within the company's niche (high mix) its market share is over 20 percent. Investments for several billion SEK have been made resulting in a large number of patents, which also in a way points to Mycronic's weakness. The technology risk forces the company to maintain its high investments to stay relevant.

Investment case

- Large investments in Assembly Solutions lessens the Pattern Generators dependency
- The demand in Pattern Generators is stable
- Prexision orders of USD 12-45 apiece will drive the stock price

Large investments in Assembly Solutions lessens the Pattern Generators dependency

Mycronic has made several acquisitions during the past years, decreasing the dependency on Pattern Generators (PG), which we assume will continue. One factor holding back the Mycronic share price is the insecurity around how the acquisitions of AEi, Axxon and the other acqusitions will contribute but perhaps primarily the unprofitability in general in business area Assembly Solutions (AS). Gross margins have consistently been stable and the reason behind the reported losses is instead higher R&D costs. Mycronic has a strong secular tailwind from the trend towards increasingly smaller and more and more advanced electronics. This trend favours Mycronic's strong niche position in the production of the most advanced PCBs requiring high flexibility and reasonably fast changeovers. Bottom line, we are not particularly worried regarding if the R&D costs in AS will result in profits, but more M&A is needed to decrease the dependency on PG.

The demand in Pattern Generators is stable, albeit around top levels

The other share price pressure factor we have identified is the irregular sales of advanced display photomask writers in the Pattern Generators (PG) segment. Evident from history the PG sales and operating profits are very volatile given the single digit volumes of sold PG systems per annum and the prices of USD 12-45 million per unit. The market share of 100% limits the growth potential, but also means stellar gross margins of up to 90%, according to our estimates. The counter argument is therefore that as PG has peaked at delivery of 5-7 systems, substantially deteriorated earnings and even larger share price reactions await. It is an undisputed fact that years with lower PG demand sooner or later will affect Mycronic. However, one can oppose the argument that such a downturn will be equal to the long dry out of orders during 2006-2013 given continuing display R&D and therefore increasingly longer photo mask writing times leading to higher PG demand. Besides more, larger and increasingly advanced display models the photomask writing times are also affected by the utilization ratio. Despite Mycronic's strong order intake during 2015-2017 about 30 systems in the installed base of approximately 70 units is still over 10 years old. The majority of the ordered mask writers for display applications since year 2000 was delivered by more than 10 years ago. Basically all of these systems are covered by service contracts with best effort commitments as the customers are well aware of the end of life issues regarding the components. Furthermore, some customers initiated investments in building up a Chinese photomask industry during the fall of 2017. The market dynamics of the history has been that customers invest simultaneously out of fear of losing market shares. We therefore assess that several of the competitors of the players that have started investing will join the race and uphold the follow-the-leader tradition. Even though there is a risk for setbacks and negative earnings growth in relation to the strong 2016-2019 our conclusion from the reasoning above is that there are more drivers today, meaning the future of PG is stable, although individual quarters could differ a vast amount.

Catalyst types

P-10 order
The demand for large displays is growing, which leads to an increased demand for Mycronic's P-10. About 30 display fabs are under construction/planned. Due to e.g. the issues in the transport of photo masks and high Chinese tariffs we assume that a local photomask industry will be built in China , which means a need for Mycronic's P-10 mask writers.

P-800 order
Mycronic launched the P-800 during the spring of 2016 and received its first order from Photronics during the fall of 2017. Our belief is that at least a few of the competitors will feel a need to join the race

Increased visibility in the reporting
We expect Mycronic to start separate reporting of the four divisions from 2021, which could give important leads around the growth and margins.

Neonode Inc

Company page

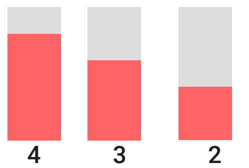
https://www.redeye.se/company/neonode-inc

Publication date

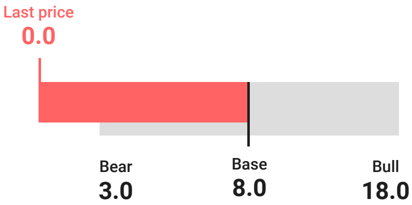
January 11 2021

Redeye Rating

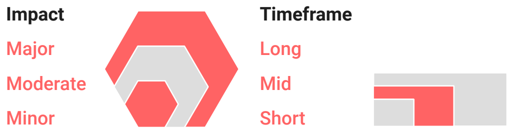
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Neonode Inc
OMXS30

Volume

Marketplace	N/A
CEO	Urban Forssell
Chairman	Ulf Rosberg

Share information

Share price (SEK)	0.0
Number of shares (M)	11.5
Market cap (MSEK)	0
Net debt (MUSD)	-5

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Neonode Inc: 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	2023E
Revenue, MUSD	7	5	7	14	21
Growth	*-22.2%*	*-28.9%*	*56.9%*	*88.3%*	*53.3%*
EBITDA	-3	-3	-5	-2	41
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*192.8%*
EBIT	-6	-6	-6	-3	40
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*188.4%*
Pre-tax earnings	-6	-6	-6	-3	40
Net earnings	-6	-6	-6	-3	40
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*188.4%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.64	-0.51	-0.49	-0.25	3.51
P/E adj.	-3.0	-16.2	-17.0	-33.7	2.4
EV/S	2.5	18.3	12.5	6.9	2.7
EV/EBITDA	-6.4	-29.9	-17.5	-40.9	1.4

Last updated: 2021-01-11

Owner	Equity	Votes
Ulf Rosberg	16.2%	16.2%
Peter Lindell	15.7%	15.7%
AWM Investment	4.2%	4.2%
Carl Grevelius	4.1%	4.1%
Avanza Pension Försäkring AB	4.0%	4.0%
Cooper Creek Partners	3.7%	3.7%
CVI Holdings	2.1%	2.1%
Urban Forssell	1.0%	1.0%
Andreas Bunge	0.9%	0.9%
Blackrock Inc	0.8%	0.8%

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
- Major contactless 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. The Neonode turnaround case has now turned credible, due to a promising set of new people. The company has a new CEO with a successful autotech track record, and a new management team. The new owners and board members are very engaged and involved in the company, which is good considering their track records in business and investing. New Neonode has narrowed its focus and closed several far-fetched, non-core projects initiated by previous Management. Since there is a total rebuild of the company we expect it to take time, but 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.

Major contactless opportunity

Contactless touch has emerged as a major opportunity, propelled by the coronavirus and fear of touching buttons etc. This is something that favors Neonode, who has been promoting contactless touch and gloved touch for many, many years.

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.

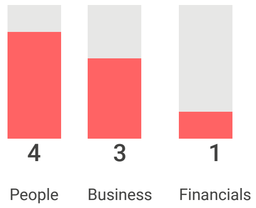
Nitro Games NITRO

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

Publication date
January 8 2021

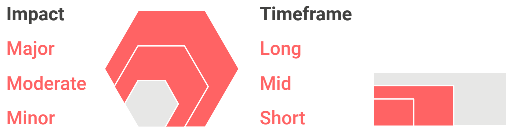
Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Jussi Tähtinen
Chairman	Johan Biehl

Share information

Share price (SEK)	10.4
Number of shares (M)	8.3
Market cap (MSEK)	87
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

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MEUR	1	1	2	3
Growth	*-62.6%*	*50.6%*	*52.0%*	*64.0%*
EBITDA	-3	-3	-2	-1
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-3	-3	-2	-1
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-3	-3	-2	-1
Net earnings	-3	-3	-2	-1
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.66	-0.35	-0.24	-0.14
P/E adj.	-1.2	-2.3	-3.3	-5.6
EV/S	4.9	4.4	3.9	3.4
EV/EBITDA	-1.2	-1.9	-3.9	-7.7

Last updated: 2021-01-08

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.

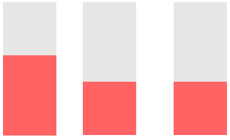
Northbaze NBZ

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

Publication date
January 10 2021

Redeye Rating

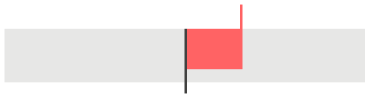
COMPANY QUALITY



3 People | 2 Business | 2 Financials

FAIR VALUE RANGE

Last price
0.9



Bear 0.3 | Base 0.7 | Bull 1.2

CATALYST POTENTIAL

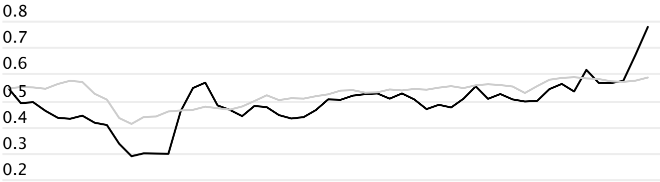
Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

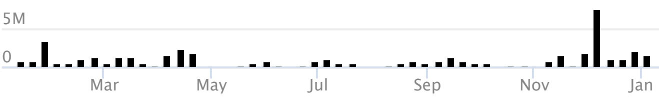
Turn page for catalyst specifics

Snapshot

Northbaze
OMXS30



Volume



Marketplace	First North Stockholm
CEO	Henrik Andersson
Chairman	Anders Bruzelius

Share information

Share price (SEK)	0.9
Number of shares (M)	97.8
Market cap (MSEK)	84
Net debt (MSEK)	22

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Northbaze: No

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

Financials

	2019	2020E	2021E	2022E
			Redeye Estimates	
Revenue, MSEK	119	115	135	156
Growth	*24.3%*	*-3.8%*	*17.1%*	*15.5%*
EBITDA	-24	-6	0	3
EBITDA margin	*Neg*	*Neg*	*0.3%*	*2.0%*
EBIT	-30	-14	-5	-3
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-30	-16	-5	-3
Net earnings	-30	-15	-5	-3
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.31	-0.15	-0.05	-0.03
P/E adj.	-2.8	-3.3	-10.2	-14.4
EV/S	0.7	0.5	0.5	0.5
EV/EBITDA	-3.4	-11.3	178.8	23.2

Last updated: 2020-06-03

Owner	Equity	Votes
Håkan Larsson	13.3%	13.3%
Erik Fischbeck med bolag	8.3%	8.3%
Spectric Intelligence AB	8.1%	8.1%
Gert Nordin	7.4%	7.4%
Novo Utbildning AB	7.2%	7.2%
Arne Sandberg	4.3%	4.3%
Avanza Pension	3.9%	3.9%
Clearstream Banking S.A. W8imy	3.9%	3.9%
Cbsg-Ocbc Sec Pte Ltd-Client A/C	3.7%	3.7%
Ganelston Investments Ltd	3.3%	3.3%

Company description

Northbaze is a Swedish developer of consumer electronics products and accessories. The company founded in 2006 was originally named Jays, developing headphones in the mid-premium segment and was listed on First North in 2011. After struggling to reach profitability a new strategy was set out in 2017. Followed by three acquisitions, Jays now represent around 40% of sales of the group's total sales.

Today, the Group offers products within two business areas: Audio & Sound and Smart Mobility. Audio & Sound consisting of Jays headphones together with the Smart Speaker brand Clint. The second area, Smart mobility, offering mobile leather accessories represented by Krusell, Kavaj, Pagalli, and Walk on Water. With offices present in Gothenburg, Germany, Denmark, China, and Thailand the employee base amounts to 300 people of which 280 are in Thailand.

Investment case

- Promising strategy: market-matching organic growth through new product development by Jays Headphones, value-adding acquisitions, new business areas, and increased online sales to drive growth.
- Audio & Sound lead the way: fast-growing wireless headphones market forecasted CAGR of 20% over the next five years
- Limited expectations: In view of its improved business opportunity leading to profitability in the latest three quarters, we value the company at SEK 0.7 per share

Across Northbaze we see better financial performance in prospect as the group establishes a suite of brands in an attractive though highly competitive market: i) our conservative forecast for sales synergies from adopting the subsidiaries' smart mobility product and a new online sales strategy gives a group CAGR of 10% over the next five years; ii) cost synergies from consolidating office functions and moving Kavaj production to Krusell's factory in Thailand, plus shifting the group's sales channels online, should reduce OPEX/sales from 58% (2018 pro forma) to 41% 2020 and around 38% by 2025; iii) blended gross margins of around 45% after the acquisitions should give a long-term competitive advantage against peers that average 25-40%.

Audio & Sound lead the way

Jays headphones and the smart speaker brand Clint offer the group's greatest upside potential, we judge – particularly with a new offering in the fast-growing wireless headphones market forecasted CAGR of 20% over the next five years. The group's other area, Smart Mobility, provides a base for synergies.

Strong, hands-on ownership

Since investing in Northbaze in 2017, Erik Fischbeck and Gert Nordin, who now own around 15%, have supported the company strongly. Their experience of Hexatronic's M&A successes and their capital are both of significant value to the company.

Counter-thesis

Acquired uncertainties

The new M&A-focused strategy carries risk. For example, Northbaze has taken on Krusell which have not been profitable in the last three years with a declining sales trend. Moreover, a solid turnaround cannot be based on any single year. Managing integrations and making acquired companies profitable often takes more time than expected.

Fragmented market, fragile position

Northbaze' market is highly fragmented with some established brands and many smaller companies operating locally or globally in both Audio & Sound and Smart Mobility. As a consequence of easy access to OEM producers, there are very low entry barriers both in terms of capital requirements and technology challenges. Moreover, Northbaze' position without competitive moats increases its challenges and pressures it for constant innovation.

Earnings challenges

The group operates in a low profitable industry and has in the past been struggling to reach profitability. In the history of Jays Headphones, profitability was only achieved in the fiscal years of 12/13 and 13/14 (EBIT 10m respectively 8m). Since then, sales have been declining from an all-time high of SEK 84m to approx. 50m in 2018. In the history of Krusell, the groups largest sales contributor, the trend is not either satisfactory. Profitability was achieved in 2014 (20m EBIT) when sales reached an all-time high of 173m (73m 2018). When it comes down to the bottom line, results in cost-cutting, and efficiency will be a larger challenge than increasing sales.

Catalyst types

Achieving profitability

Better cash flows would merit higher multiples and valuation. Northbaze has managed to reach breakeven in the last three quarters of 2020 and we expect continuous improvement from this point.

Value-adding acquisitions

Additional acquisitions are likely. Management has a proven ability to find targets with good value-adding potential at relatively low multiples around or below 0.5x sales

Full synergies

Northbaze does not yet see the full synergy effects of its acquisitions. Its new strategy, with an improved offering from Jays headphones, sales and cost synergies between Krusell and Kavaj, and potential value-adding M&A, should position the group for better growth and profitability. In turn, this would enable a revaluation

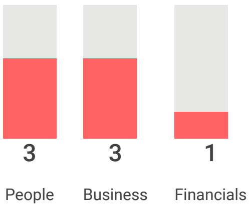
OXE Marine OXE

Company page
https://www.redeye.se/company/oxe-marine

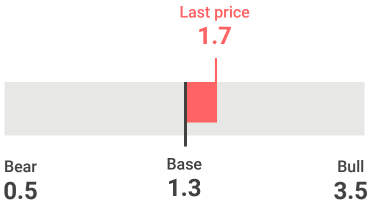
Publication date
January 10 2021

Redeye Rating

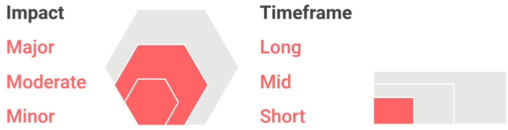
COMPANY QUALITY



FAIR VALUE RANGE

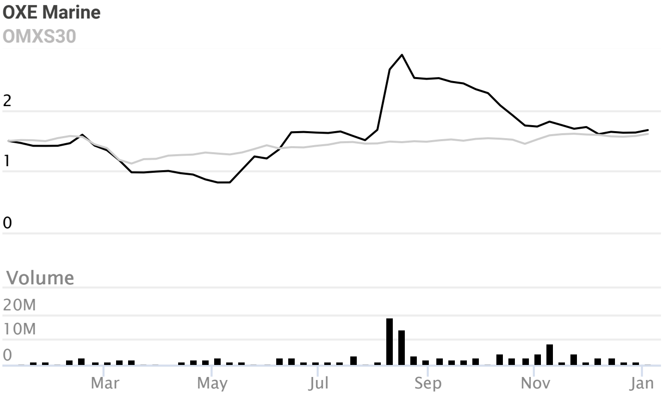


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Myron Mahendra
Chairman	Anders Berg

Share information

Share price (SEK)	1.7
Number of shares (M)	197.8
Market cap (MSEK)	336
Net debt (MSEK)	239

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in OXE Marine: 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	91	120	173	315
Growth	*>100%*	*31.6%*	*43.9%*	*82.6%*
EBITDA	-74	-37	-22	10
EBITDA margin	*Neg*	*Neg*	*Neg*	*3.0%*
EBIT	-88	-54	-39	-7
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-102	-68	-56	-28
Net earnings	-102	-68	-56	-28
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.53	-0.35	-0.29	-0.15
P/E adj.	0.0	-7.2	-8.7	-17.5
EV/S	1.1	5.6	4.2	2.5
EV/EBITDA	-1.4	-18.0	-33.4	81.7

Last updated: 2020-09-08

Owner	Equity	Votes
Per Lindberg	19.6%	19.6%
Arne Andersson	9.7%	9.7%
Avanza Pension	8.2%	8.2%
Theodor Jeansson	8.2%	8.2%
Jonas Wikström	4.9%	4.9%
Magnus Linderoth	3.7%	3.7%
Cbldn-Saxo Bank A/S	2.5%	2.5%
Euroclear Bank S.A/N.V	2.4%	2.4%
Sven Sandberg	2.3%	2.3%
Philip Carl Lennart Andén	1.8%	1.8%

Company description

OXE Marine is a Swedish developer of diesel outboard engines with a power range of 100-300 horsepower. It was the first company to commercially launch a 200 hp diesel-powered outboard engine. OXE was founded in 2012 based on technology spun off from Volvo Penta and VW. This included a combination of a belt propulsion technique, a horizontally mounted automotive engine, and a hydraulic gearbox. At that time, around SEK 50m had already been spent on the technique. OXE's first diesel outboard was finalized in the autumn of 2016 and was followed by small-scale production. OXE has been listed on Nasdaq First North since July 2017 and employs around 30 staff, mainly within research and development. The company aims to be a global market leader in diesel outboard engines primarily for commercial use. Its strategy is to develop a strong product offering, backed up by sales via a global network of established distributors.

Investment case

- OXE is well-positioned for significant growth thanks to its first-mover advantage and favorable market drivers increasing demand for diesel outboards. We forecast sales to grow by a CAGR of 52% 2019-24.
- Strong value proposition OXE targets its diesel outboard engines at governmental and commercial users able to justify its higher purchase price. Its outboards are superior in terms of i) usage costs ii) performance and iii) safety.
- Market momentum Several drivers are increasing demand for diesel outboards. Firstly, NATO's single fuel directive stipulates that all NATO equipment should be diesel-injected. Secondly, the marine industry is showing appetite for more environmentally-friendly alternatives.

OXE Marine is well-positioned for significant growth thanks to its first-mover advantage and favorable market drivers increasing demand for diesel outboards. We forecast sales to grow by a CAGR of 52% 2019-24.

Strong value proposition

OXE Marine targets its diesel outboard engines at governmental and commercial users able to justify its higher purchase price. Its outboards are superior in terms of i) usage costs (up to 40% cheaper due to lower fuel consumption); ii) performance (increased range, extended service intervals, increased durability (appreciated to 3x lifetime of a gasoline l outboard) and iii) safety (less flammable fuel leading to lighter restrictions on storage and handling). OXE currently has no competitor below 300 horsepowers. At 300hp and above, there is Cox Powertrain, also enters commercial scale in 2020.

Market momentum

There are several drivers supporting a shift towards diesel outboards. Firstly, NATO's single fuel directive stipulates that all NATO equipment should be diesel-injected (if a diesel alternative is available) because of combustion risks. This is confirmed by the US Coast Guard and Navy's CRADA initiative to test OXE's OXE200 currently. Secondly, the marine industry is showing an appetite for more environmentally-friendly alternatives. OXE's diesel outboards produce 45% less CO_2 than conventional best-in-class outboards.

Potential positive surprises

The share's decline since last year is mainly explained by operational underperformance versus OXE's communicated targets - both for outboard sales and revenues. We see a number of potential positive surprises mainly by substantial orders - possibly from US agencies or the newly collaboration in China with Parsun.

Catalyst types

Possible major orders

The US Coast Guard and Navy are both currently evaluating the OXE200 together with two competitor diesel outboards (the COX 300hp and a 175hp spark-ignited Mercury). If either institution favors OXE's outboard, this could lead to substantial orders over a long period and the excellent marketing endorsement of highly selective clients. The country's coast guard alone has an installed base of more than 1,600 150-350hp outboards.

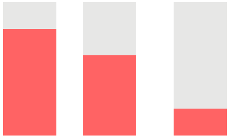
Paynova PAY

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

Publication date
January 10 2021

Redeye Rating

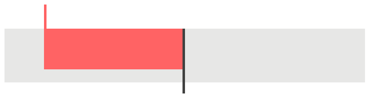
COMPANY QUALITY



4	3	1
People	Business	Financials

FAIR VALUE RANGE

Last price
14.4



Bear	Base	Bull
10.0	30.0	50.0

CATALYST POTENTIAL

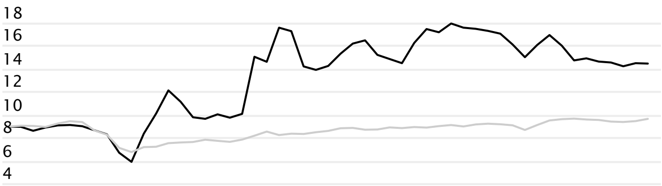
Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot

Paynova
OMXS30



Volume

Marketplace	Nordic Growth Market
CEO	David Larsson
Chairman	Daniel Ekberger

Share information

Share price (SEK)	14.4
Number of shares (M)	13.0
Market cap (MSEK)	187
Net debt (MSEK)	83

Analyst

Jonas Amnesten
jonas.amnesten@redeye.se

Conflict of interests

Jonas Amnesten owns shares in Paynova: No

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

Financials

	2019	2020E	2021E (Redeye Estimates)	2022E (Redeye Estimates)
Revenue, MSEK	36	42	116	218
Growth	*15.6%*	*>100%*	*88.7%*	
EBITDA	-17	-10	7	27
EBITDA margin	*Neg*	*Neg*	*6.2%*	*12.5%*
EBIT	-31	-21	-5	9
EBIT margin	*Neg*	*Neg*	*Neg*	*4.3%*
Pre-tax earnings	-32	-23	-17	-12
Net earnings	-32	-23	-17	-10
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.05	-1.89	-1.40	-0.81
P/E adj.	-3.1	-0.1	-0.1	-0.1
EV/S	3.9	1.3	0.7	0.5
EV/EBITDA	-8.3	-5.6	11.9	4.3

Last updated: 2021-01-10

Owner	Equity	Votes
RIEBER & SØN	10.3%	10.3%
ROOSGRUPPEN AB	10.3%	10.3%
Försäkringsbolaget, Avanza Pension	5.2%	5.2%
Nordnet Pensionsförsäkringar	4.4%	4.4%
Jeansson, Theodor	4.2%	4.2%
Ekberger, Daniel	3.4%	3.4%
CHIRP AB	3.1%	3.1%
Sundqvist, Kjell-Åke	2.4%	2.4%
Larsson, David	2.4%	2.4%
BILJON	2.2%	2.2%

Company description

When Paynova was founded in January 2000, the company was offering an electronic payment solution marketed under the brand name, the Paynova Wallet. Paynova was listed on the Nordic Growth Market in February 2004.

An important feature of Paynova's offering is that it is independent and that Paynovas clients keep the ownership of the consumer relation throughout the whole payment process. Another crucial difference is that Paynova and their clients enter a partnership in which the proceeds are shared. Instead of just being an outsourced service the client is paying for, Paynovas offering will increase the profit for their client. In 2020, Paynova entered a partnership with PayPal and increased its focus on the Pay Later solution.

Investment case

- Product market fit now confirmed
- A market in tailwind and riding the platforms trend
- Market valuation skepticisms as an opportunity
- A possible acquisition target

Paynova is in the midst of a significant transformation of its business from the earlier model to now offering its pay-later technology to primarily payment platforms. Substantial new client traction gives us confidence in the business transformation. In particular, we view the deals with PayPal (two actually) and Tradera as a real game-changer that confirms the attractiveness of Paynova's offering. We feel that the market is yet to understand the changes Paynova is undergoing. After many years of searching, Paynova has found their product-market fit, and now they are entering the growth phase. Both the near-term and long-term prospects have never looked better for Paynova in our view.

Product market fit now confirmed

We find that the numerous deals announced with market leaders like PayPal, Trustly, and Tradera confirm the attractiveness of Paynova's offering and validates their new product strategy. After many years of searching, Paynova has found their product-market fit, and now they are entering the growth phase. We should see a significant revenue ramp-up during 2021 and 2022 as the platform partnerships start to yield effects

A market in tailwind and riding the platforms trend

Paynova is operating in a market with high structural growth. The purchasing of goods and services on the Internet is snowballing due to the increasing penetration of connected devices, ease of use, and increased security. The structural growth shows no signs of abating. Paynova's focus on payment platforms is not only due to the fact of increased scalability, but it's also due to strong market forces that push the payment infrastructure market in that direction.

Market valuation skepticisms as an opportunity

As a public company, the road has been bumpy for Paynova as the journey for finding product-market fit has been long. We find that their market puts a discount on Paynova due it's to the long and volatile history. We believe it's likely that in the coming years (if the positive momentum continues and the revenue ramp-up), the earlier skepticism will disappear, and valuation will converge to other Fintech players.

A possible acquisition target

Fintech is an industry where M&A deals happen rather frequently; many times, it's the larger players that acquire a start-up with a complementing technology or to expand their product offering. We see it as relatively likely that PayPal would consider purchasing Paynova in the future. The current partnership could be viewed as a type of in-depth Due Diligence. If PayPal sees real value in Paynova's offering, they likely instead want to acquire them, then that Paynova offers their solution to PayPal's competitors also.

Bear-points

- Paynova has signed a couple of major partnerships during 2019 and 2020. The revenue ramp-up is yet to materialize, so there is still a lot of uncertainty
- Big customers have leverage. Most of Paynova's partners are some of the biggest in the industry. As their customer concentration will be quite high, the clients could try and use this leverage to their benefit.
- Additional capital injections can't be ruled off.

Catalyst types

Potential platform company agreement
Paynova is in discussions with several platforms that want to establish new and improved offerings in the market. PayPal and Trustly are prime examples, and we believe more deals will come.

Revenue ramp-up
It will take some time before we will see a financial impact on revenue and profits from the new model, but it's rather evident that it's coming thanks to the multiple new customers Paynova has signed an agreement with. We find that their market puts a discount on Paynova due it's to the long and volatile history. We believe it's likely that in the coming years, the earlier skepticism will disappear, and valuation will converge to other Fintech players.

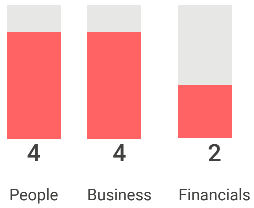
PiezoMotor Uppsala PIEZO

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

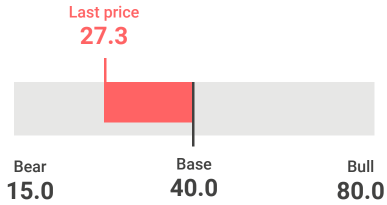
Publication date
January 8 2021

Redeye Rating

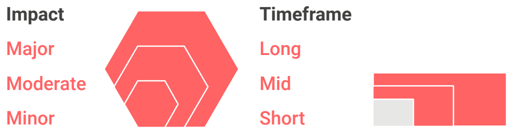
COMPANY QUALITY



FAIR VALUE RANGE



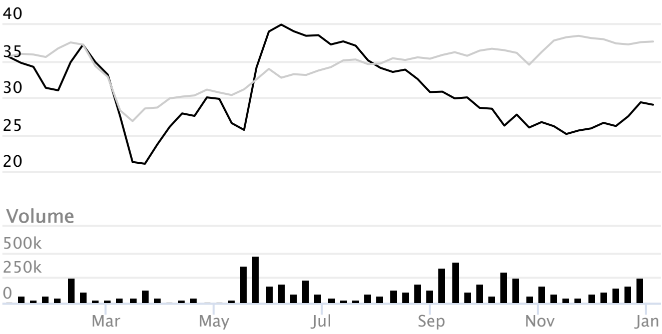
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

PiezoMotor Uppsala
OMXS30



Marketplace	First North Stockholm
CEO	Anders Kottenauer
Chairman	Adam Dahlberg

Share information

Share price (SEK)	27.3
Number of shares (M)	15.5
Market cap (MSEK)	423
Net debt (MSEK)	2

Analyst

Henrik Alveskog
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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

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

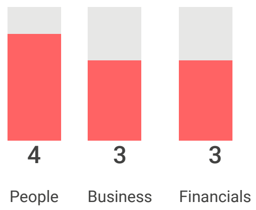
PowerCell Sweden PCELL

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

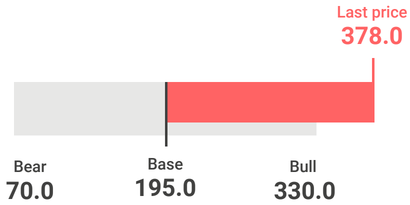
Publication date
January 7 2021

Redeye Rating

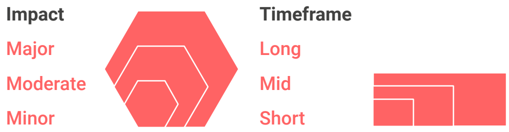
COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Karin Nilsson (tf)
Chairman	Magnus Jonsson

Share information

Share price (SEK)	378.0
Number of shares (M)	52.1
Market cap (MSEK)	19,710
Net debt (MSEK)	-333

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in PowerCell Sweden: 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	67	96	150	280
Growth	*10.5%*	*43.6%*	*56.3%*	*86.7%*
EBITDA	453	-83	-66	-2
EBITDA margin	*678.2%*	*Neg*	*Neg*	*Neg*
EBIT	448	-89	-75	-17
EBIT margin	*670.8%*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	438	-89	-75	-17
Net earnings	438	-89	-75	-17
Net margin	*655.2%*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	8.45	-1.71	-1.43	-0.32
P/E adj.	18.2	-132.8	-158.1	-711.0
EV/S	112.9	118.5	76.5	41.1
EV/EBITDA	16.6	-136.9	-173.0	-5,320.0

Last updated: 2020-09-02

Owner	Equity	Votes
Robert Bosch GmbH	11.2%	11.2%
Avanza Pension	4.1%	4.1%
Fouriertransform AB	2.8%	2.8%
Swedbank Robur Fonder	1.7%	1.7%
Nordnet	1.0%	1.0%
Blackrock	0.9%	0.9%

Company description

Operations started as an R&D project within the Volvo Group in 1993. Powercell as a company was founded in 2008. The year after the ownership base was broadened with a rights issue to Midroc New Technologies, Fouriertransform and Finindus of Belgium. In December 2014 Powercell made an IPO and listed its shares on Nasdaq First North.

Since year 2016 Powercell has started launching its products in the market. Up until 2020 revenues have been somewhat sporadic and comes mainly from sales of prototypes. Sales have been growing continously in spite of no real business from repeat orders yet. The last couple of years the company has shown a loss of some SEK 60 million due to costs related to product developement. Powercell has a very strong balance sheet, thanks to the Bosch deal in the spring of 2019. With around SEK 400 million in net cash position there is plenty of financial flexibility and certainly enough to fund operations until break-even. Powercell has some 40 employees, primarily within development, construction and design, which is conducted in facilities adjacent to the head office in Gothenburg.

Investment case

- The market for fuel cells is expected to show robust growth over the next decade and beyond. But it is very difficult to estimate the potential size and growth rate of this market.
- It is also still difficult to assess Powercells USP's. The recent deal with Bosch is certainly a strong indication of top notch technology. But there are still a couple of years (2022 at latest) until start of production of the S3-stack.
- There is no doubt potential, but that has already been factored in by the stock market. Primary value drivers for the near future are commercial successes in terms of major orders. Or a partnership with Siemens for marine applications, similar to the one with Bosch.

The market for fuel cells has grown substantially over the last few years and the products are now used in a wide range of applications. The industry is still at an early commercial stage and demand is to a great extent supported by government subsidies. Hence it is hard to estimate the potential size and growth rates of this market.

It is also still difficult to assess Powercells USP's. The recent deal with Bosch is certainly a strong indication of top notch technology. But there are still a couple of years (2022 at latest) until start of production of the S3-stack. And there are several other manufacturers, Toyota, Hyundai, and Honda, who already have fuel cell vehicles on the roads. We can still not determine if Powercell has strong and long lasting competitive advantages, apart from the partnership with Bosch.

Share price reflects rather high expectations

Since there is significant uncertainty regarding the fuel cell market on a global scale as well as Powercells competitive advantage, our valuation range is also very wide. There is no doubt potential, but most of it has already been factored in by the stock market. Powercell and other sector collegues in the fuel cell segment have valuations that reflect rather high expectations. The partnership with Bosch has improved Powercells chances to access OEM clients in the vehicle industry dramatically. But we still don’t know what is stipulated in terms of royalty fees. Instead this is a new unknown variable.

In the next few years there are good opportunities for much more business from other segments of the market. Most likely the S2-stack that is being evaluated by Wuhan Tiger and other similar companies. These volumes could easily be enough to take Powercell to break-even. When we see more significant steps in this direction, the company can grow into its current valuation. Primary value drivers for the near future are commercial successes in terms of major orders. Or a partnership with Siemens for marine applications, similar to the one with Bosch.

Bear points:

- If it turns out that Powercell cannot offer competitive prices at high volume production.
- If several other manufacturers kan offer similar products which means Powercell has to compete with low prices.
- If their Chinese business partners terminate the cooperation with Powercell.
- If Powercell doesn't present any more substantial orders during 2021.

Catalyst types

Volume orders for fuel cell stacks

Additional volume orders for both S2 and S3 from industrial clients will confirm that Powercell has a competitive offering.

Partnership with Siemens or ABB

Powercell has an MoU with Siemens to develop fuel cell systems for marine applications and with ABB for the stationary segment. A partnership similar to the one with Bosch would be very positive. Both in financial terms and as a confirmation of Powercells technology.

Additional insight into the Bosch deal

The partnership with Bosch in 2019 was the single most important news in several years. Additional insight into this deal could be significant. For example: the stipulated royalty terms.

ProAct IT Group PACT

Company page

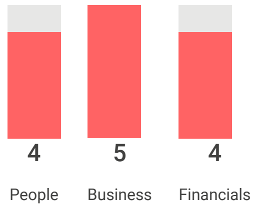
https://www.redeye.se/company/proact-it-group

Publication date

January 7 2021

Redeye Rating

COMPANY QUALITY



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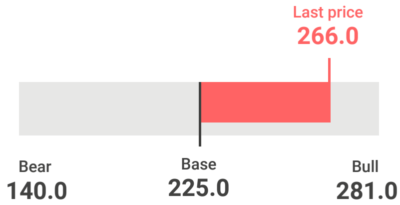

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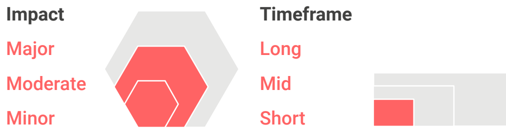

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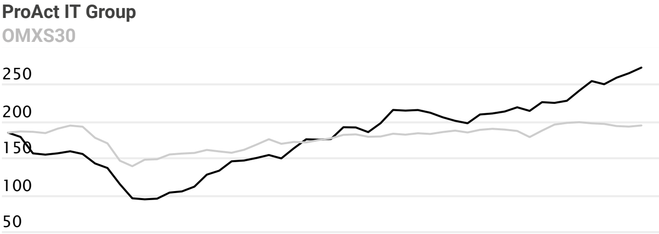
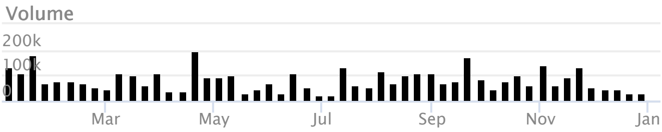
Snapshot





Marketplace	NASDAQ Stockholm
CEO	Jonas Hasselberg
Chairman	Eva Elmstedt

Share information

Share price (SEK)	266.0
Number of shares (M)	9.7
Market cap (MSEK)	2,589
Net debt (MSEK)	-141

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

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

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.

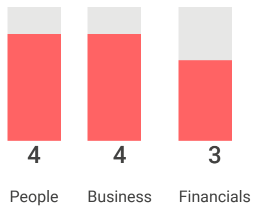
Remedy Entertainment

Company page
https://www.redeye.se/company/remedy-entertainment

Publication date
January 8 2021

Redeye Rating

COMPANY QUALITY



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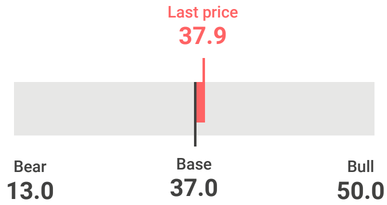

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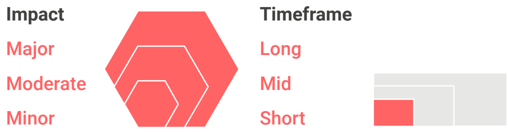
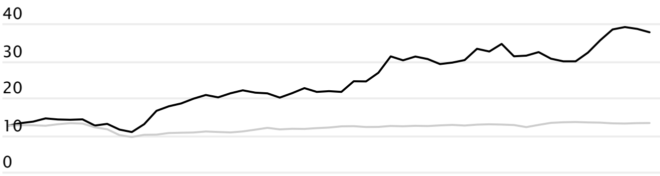


Turn page for catalyst specifics

Snapshot

Remedy Entertainment
OMXS30



Marketplace	First North Finland
CEO	Tero Virtala
Chairman	Markus Mäki

Share information

Share price (EUR)	37.9
Number of shares (M)	12.1
Market cap (MEUR)	458
Net debt (MEUR)	-42

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests
Tomas Otterbeck owns shares in Remedy Entertainment: Yes
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2019	2020E	2021E (Redeye Estimates)	2022E (Redeye Estimates)
Revenue, MEUR	32	40	50	64
Growth	*57.1%*	*26.8%*	*24.3%*	*28.9%*
EBITDA	7	11	10	22
EBITDA margin	*20.7%*	*27.3%*	*19.7%*	*33.6%*
EBIT	7	11	10	21
EBIT margin	*20.7%*	*27.3%*	*19.3%*	*33.3%*
Pre-tax earnings	6	11	10	21
Net earnings	5	11	10	21
Net margin	*16.2%*	*27.3%*	*19.3%*	*33.3%*
Dividend/Share	0.10	0.15	0.17	0.20
EPS adj.	0.43	0.91	0.80	1.78
P/E adj.	25.6	37.4	42.5	19.2
EV/S	3.7	9.4	7.4	5.4
EV/EBITDA	17.7	34.3	37.5	16.1

Last updated: 2021-01-08

Owner	Equity	Votes
Markus Mäki	27.3%	27.3%
Accendo Capital	19.3%	19.3%
Sami Järvi	5.1%	5.1%
Working Capital Management Pte Ltd	3.4%	3.4%
Tero Virtala	2.9%	2.9%
Taaleritehtaan Rahastoyhtiö Oy	2.3%	2.3%
Saku Lehtinen	2.1%	2.1%
Handelsbanken Fonder	1.6%	1.6%
Tero Tolsa	1.4%	1.4%
Anssi Hyytiäinen	1.2%	1.2%

Company description

Remedy Entertainment is at the forefront of the ratings globally for its games. Its biggest commercial success to date is the cult classic Max Payne, released in the early 2000s. Historically, Remedy is also known for spending a very long time developing its games, which in this industry means in excess of four years.

In 2016, Remedy began a new chapter in its life when Markus Mäki, co-founder and the largest shareholder, ceded the role of CEO to Tero Virtala.

Investment case

- Remedy has gone from working with single projects to working with 2-4 projects simultaneously, and as the number of projects grows, will release games more regularly.
- The key will be to maintain its quality reputation among gamers. Remedy's business model has changed dramatically the last years.
- The company has moved from a pure "work for hire" model to a multi-project model in which the company often also partly or fully finances those game developments in which it retains IP ownership.

The new business model suggests more risk for each project but considerably raises leverage if the game becomes a commercial success. Remedy focuses on developing high-quality games with a budget of less than EUR 30 million which means a game does not need to sell huge numbers to be profitable. Profitability could improve greatly in the coming years if Remedy succeeds in this new strategy.

An Epic deal for Remedy

Epic Games tries to fundamentally change the developer/publisher model. Remedy is one of three critically acclaimed game studios that have been hand-picked by Epic Games for the first strategic push with favorable terms almost unheard of for developers. The agreement between Epic Games and Remedy announced at the end of March 2020 includes;

- Full creative freedom and ownership: Remedy retain 100% of all intellectual property and full creative control of their work.
- Fully-funded projects: Epic Games Publishing will cover up to 100% of development costs, from developer salaries to go-to-market expenses such as QA, localization, marketing, and all publishing costs.
- 50/50 profit sharing: Once costs are recouped, Remedy earns at least 50% of all profits.

Remedy's latest game called "Control" had a budget of less than EUR 30 million. The Epic-funded game is called an AAA-title by Remedy which most likely means the budget will be at least EUR 30 million. We now know that the game will include Alan Wake in Remedy's recently communicated "Connected Universe" of events and characters. The higher budget, the financially strong publisher Epic Games, and the strength from the Alan Wake IP are three strong arguments that the so-called "Third Project" will likely generate twice as much royalty as the game Control. For these reasons, we believe investors should have high expectations for Remedy's prospects.

Catalyst types

Reveal of "Third Project"

Many fans and likely also shareholders hope that the so-called "Third Project" published by Epic Games will be in the universe of Alan Wake. This is Remedy's strongest IP and it was more than eight years ago a new Alan Wake game was released.

Partnership Agreement for Project Vanguard

The upcoming Project Vanguard (service-based multiplayer game) which we estimate will launch in 2021 is under development. We do not expect a better deal than the publishing deal with Epic Games (because that is not possible...). Potential partnership candidates are Sony, Microsoft, Smilegate/Tencent, Leyou and Epic Games.

Royalty from Crossfire Story Mode

The Story Mode for Crossfire HD and Crossfire X is being developed by Remedy and will be released in 2021. Crossfire is one of the major gaming brands in the world. We believe there is a variable aspect to this deal, with potential royalties.

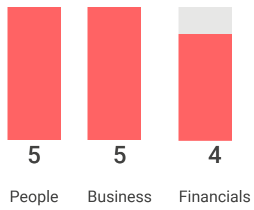
Sdiptech SDIP B

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

Publication date
January 7 2021

Redeye Rating

COMPANY QUALITY



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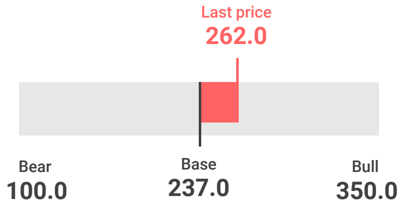
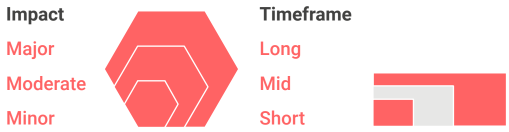
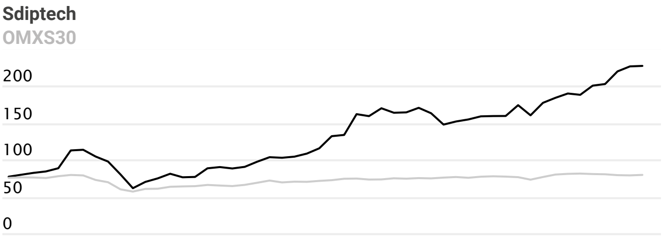


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Jakob Holm
Chairman	Jan Samuelson

Share information

Share price (SEK)	262.0
Number of shares (M)	33.6
Market cap (MSEK)	8,814
Net debt (MSEK)	1,543

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

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MSEK	1,826	2,082	2,756	3,106
Growth	*22.0%*	*14.1%*	*32.4%*	*12.7%*
EBITDA	358	423	497	585
EBITDA margin	*19.6%*	*20.3%*	*18.0%*	*18.8%*
EBIT	222	340	453	527
EBIT margin	*12.2%*	*16.3%*	*16.4%*	*17.0%*
Pre-tax earnings	215	351	424	483
Net earnings	167	264	313	359
Net margin	*9.2%*	*12.7%*	*11.4%*	*11.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	5.52	7.62	9.04	10.36
P/E adj.	13.5	26.5	22.4	19.5
EV/S	1.9	4.2	3.1	2.8
EV/EBITDA	9.8	20.5	17.5	14.6

Last updated: 2020-12-15

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%

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Royalty from Crossfire Story Mode
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Sensys Gatso Group SENS

Company page

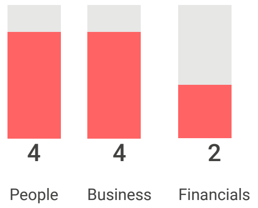
https://www.redeye.se/company/sensys-gatso-group

Publication date

January 11 2021

Redeye Rating

COMPANY QUALITY



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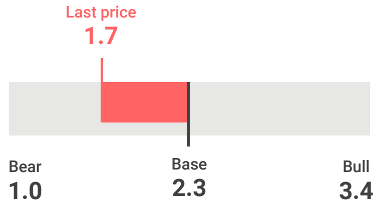
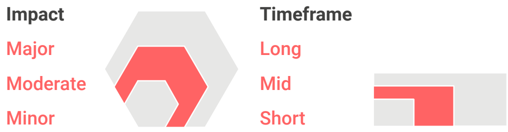


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ Stockholm
CEO	Ivo Mönnink
Chairman	Claes Ödman

Share information

Share price (SEK)	1.7
Number of shares (M)	921.8
Market cap (MSEK)	1,525
Net debt (MSEK)	-57

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Sensys Gatso Group: 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, MSEK	406	480	821	681
Growth	*5.9%*	*18.2%*	*71.0%*	*-17.0%*
EBITDA	29	63	151	145
EBITDA margin	*7.1%*	*13.1%*	*18.4%*	*21.3%*
EBIT	-24	15	118	110
EBIT margin	*Neg*	*3.0%*	*14.4%*	*16.2%*
Pre-tax earnings	-28	11	114	107
Net earnings	-16	9	88	83
Net margin	*Neg*	*2.0%*	*10.7%*	*12.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.02	0.01	0.09	0.09
P/E adj.	-74.2	156.6	16.8	18.0
EV/S	3.1	3.0	1.7	1.9
EV/EBITDA	43.6	22.9	9.3	8.9

Last updated: 2020-11-29

Owner	Equity	Votes
(Gc) BNP Paribas Sec Services Paris	17.1%	17.1%
Avanza Pension	4.4%	4.4%
Nordnet Pensionsförsäkring	2.5%	2.5%
Per Wall	2.5%	2.5%
Inger Bergstrand	2.3%	2.3%
The Bank of New York Mellon SA/NV	1.4%	1.4%
Handelsbanken Fonder	1.3%	1.3%
Swedbank Försäkring	1.0%	1.0%
Futur Pension	1.0%	1.0%

Company description

Traffic safety company Sensys Gatso was formed when Sensys Traffic acquired its Dutch competitor Gatso in summer 2015. The new company is the market leader with approximately a quarter of the market sales for traffic safety systems, particularly speed cameras and traffic light monitoring cameras. However, much of Sensys Gatso's focus when it comes to growth will be placed on its other business area, Managed Services, where the company operates its own traffic safety systems and issues and administers fines. The company's size and its new position as the market number-one are important factors in achieving greater credibility with its customers. There are entry barriers through the type approval procedures, which often differ from country to country.

Locations: Sensys Gatso Group has subsidiaries in Australia, Germany, the Netherlands, Sweden and the United States, as well as in the United Arab Emirates

Investment case

- The TRaaS story: Growing recurring revenue
- Potential in expanding its strong position
- Record order book
- Share price driven by big deals

The TRaaS story: Growing recurring revenue

Sensys Gatso's primary focus is growing its recurring revenues from Traffic Enforcement as a Service (TRaaS). In particular, the Managed Services business with its high margins, long contracts and repeat revenue, is a critical factor in securing a sustainable growth and will therefore determine the long-term performance of the stock. The Gatso part of Sensys Gatso has during the past decade committed a lot of hard work and investments in building a strong foothold in the US. Moreover, the Managed Services model is easy and steady spreading across the World. The Company has so far never lost a Managed Services contract but it has taken over a few contracts from competitors.

Potential in expanding its strong position

The strongest market driver in Managed Services, in our view, is school zones. However, we believe Sensys Gatso can leverages its expertise and competitive advantages (securing an unbroken chain of evidence) in other adjacent areas and opportunities e.g. distracted driving, parking, construction zones, environmental zones, etc. Besides the evidence integrity issues there are two other important barriers to entry for smaller, local players: The size and stability requirements of customers in order for them to assure reliable long-term delivery and the unique type approval procedures in each country.

Record order book

Aside of the TRaaS story that is gradually becoming stronger, there is a short term special situation case from the strong order book, following two mega contracts in Costa Rica (SEK 192m) and Saudi Arabia (SEK 275m).

Share price driven by big deals

The shares have always been driven by announcements of major deals, such as the skyrocketing of about 360 % in the fall of 2015, which was largely related to the gigantic North African order worth SEK 165 million. The business and the stock will remain volatile. Larger System Sales orders will remain important catalysts, although the most significant event would be a new, major Managed Services contract.

Catalyst types

Large Managed Services contracts

The most important catalyst for the stock is large Managed Services orders related to e.g. school zones, given the margin profile and the recurring revenue. We especially look forward to orders from new adjacent areas.

Large system orders

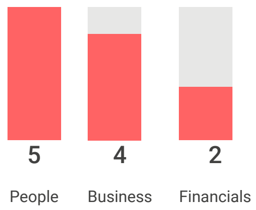
The share price is largely driven by the announcement of major orders. For the next quarters we see larger orders from several geographies, especially related to the competitive offering within in-vehicle solutions

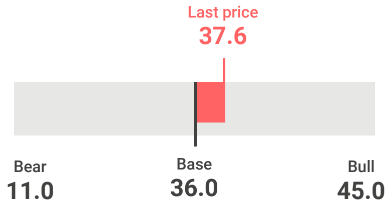
Sivers Semiconductors SIVE

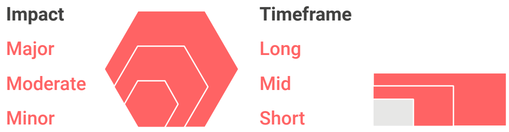
Company page
https://www.redeye.se/company/sivers-ima

Publication date
January 11 2021

Redeye Rating



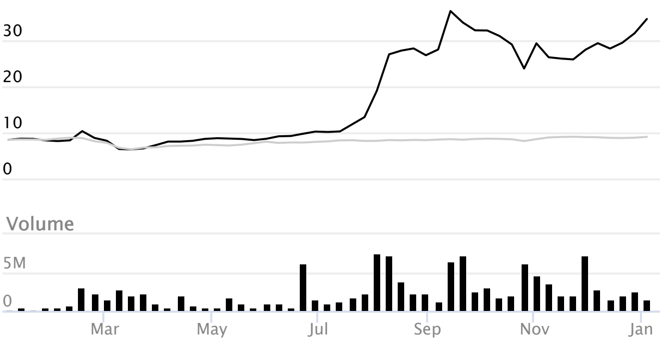




Turn page for catalyst specifics

Snapshot

Sivers Semiconductors
OMXS30



Marketplace	First North Stockholm
CEO	Anders Storm
Chairman	Tomas Duffy

Share information

Share price (SEK)	37.6
Number of shares (M)	154.4
Market cap (MSEK)	5,807
Net debt (MSEK)	-220

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

			Redeye Estimates	
	2019	2020E	2021E	2022E
Revenue, MSEK	96	94	167	331
Growth	*34.8%*	*-2.5%*	*78.1%*	*98.1%*
EBITDA	-48	-70	-32	2
EBITDA margin	*Neg*	*Neg*	*Neg*	*0.7%*
EBIT	-78	-100	-67	-57
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-87	-109	-68	-58
Net earnings	-76	-107	-68	-58
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.57	-0.70	-0.42	-0.36
P/E adj.	-13.7	-39.6	-65.5	-77.4
EV/S	10.8	43.1	24.0	12.6
EV/EBITDA	-21.6	-57.5	-126.2	1,704.8

Last updated: 2020-12-07

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 36 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 36 in a base case scenario

We currently value Sivers Semiconductors in the base case to SEK 36 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.

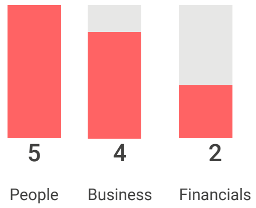
Smart Eye SEYE

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

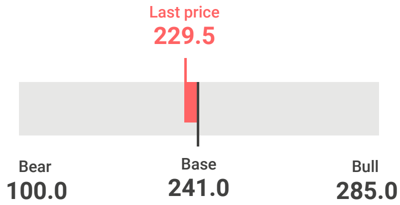
Publication date
January 11 2021

Redeye Rating

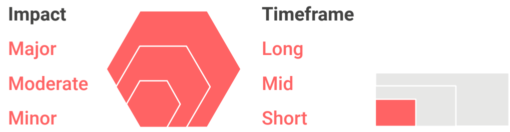
COMPANY QUALITY



FAIR VALUE RANGE



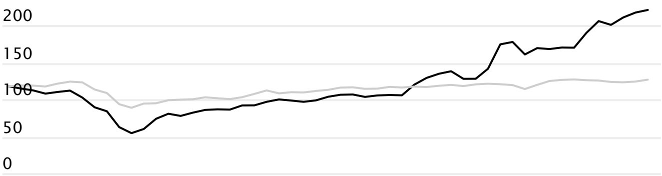
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Smart Eye
OMXS30



Marketplace	First North Stockholm
CEO	Martin Krantz
Chairman	Anders Jöfelt

Share information

Share price (SEK)	229.5
Number of shares (M)	16.6
Market cap (MSEK)	3,817
Net debt (MSEK)	-83

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

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

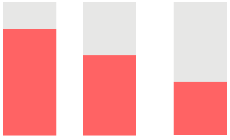
Speqta SPEQT

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

Publication date
January 10 2021

Redeye Rating

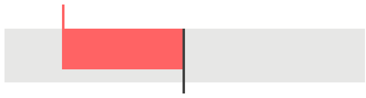
COMPANY QUALITY



4 People | 3 Business | 2 Financials

FAIR VALUE RANGE

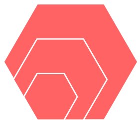
Last price
4.6



Bear **3.0** | Base **8.0** | Bull **15.0**

CATALYST POTENTIAL

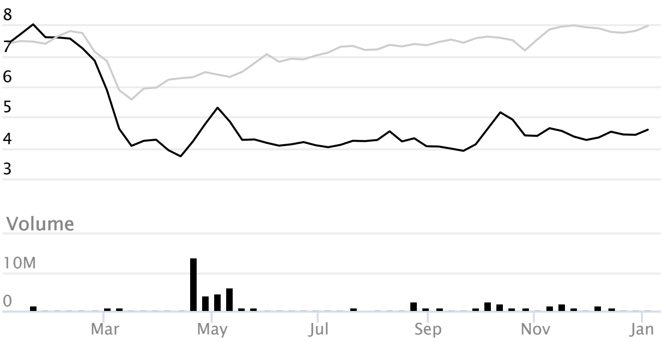
Impact
Major
Moderate
Minor



Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Fredrik Lindros
Chairman	Fredrik Burvall

Share information

Share price (SEK)	4.6
Number of shares (M)	65.9
Market cap (MSEK)	301
Net debt (MSEK)	-12

Analyst

Jonas Amnesten
jonas.amnesten@redeye.se

Conflict of interests

Jonas Amnesten owns shares in Speqta: 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, MSEK	102	171	225	293
Growth	*68.1%*	*31.5%*	*30.0%*	
EBITDA	17	48	47	67
EBITDA margin	*16.8%*	*28.2%*	*20.8%*	*22.8%*
EBIT	2	19	17	41
EBIT margin	*2.4%*	*10.9%*	*7.6%*	*14.0%*
Pre-tax earnings	-1	14	13	37
Net earnings	-1	11	10	30
Net margin	*Neg*	*6.5%*	*4.5%*	*10.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.02	0.17	0.16	0.45
P/E adj.	-311.6	25.4	27.7	9.6
EV/S	2.7	1.6	1.2	0.8
EV/EBITDA	16.1	5.8	5.8	3.6

Last updated: 2020-11-26

Owner	Equity	Votes
Eone Group OY	15.4%	15.4%
Optimus Invest Limited (André Lavold)	7.9%	7.9%
Jonas Söderqvist	7.6%	7.6%
Henrik Persson Ekdahl	7.3%	7.3%
Trottholmen	7.2%	7.2%
Swedbank Robur Microcap	7.1%	7.1%
Andreas Friis	7.0%	7.0%
Nordnet Bank AB	5.4%	5.4%
Länsförsäkringar Småbolag Sverige	4.2%	4.2%
Avanza Bank AB	3.1%	3.1%

Company description

Speqta is a digital media house headquartered in Stockholm, Sweden. The company excels in constructing scalable and auto-generated web products. The concepts behind the products are language independent, which means they can be applied on a multinational level. Speqta was founded in 2003, and the share is traded on Nasdaq Stockholm First North. Speqta has two divisions; AdTech and Content & Comparison. The Group has a focus on performance-based marketing and lead generation.

Investment case

- Attractive exposure to e-commerce
- Acquired growth
- Innovations
- Scalability

Our investment case in Speqta is based on the vast opportunities within performance-based marketing and e-commerce. The company has a strong presence in the e-commerce market and expanding within the finance vertical. Furthermore, the company is launching new and innovative, in-house developed products like BidBrain.

Attractive exposure to e-commerce

The European e-commerce market is growing rapidly, and the COVID-19 pandemic has boosted the growth further. Speqta has an attractive exposure to the European e-commerce industry that will help drive rapid growth for many years to come.

Acquired growth

The e-commerce sector offers several exciting growth opportunities, and M&A is one. The company has experience from several acquisitions and is backed up by several wells capitalized owners. We believe that Speqta is in a strong position to make value-adding acquisitions.

Innovations

Speqta continues to sow its innovative flair. We find the new product BidBrain very interesting and things look promising. We believe that the company will continue to innovate and add new attractive products to its offering.

Scalability

Speqta has a highly digital and scalable business. Therefore, we expect that the growth efforts will lead to a strong and improving profit margin.

Bear points (Counterarguments to our thesis)

- To not overpay and achieve successful integration and performance of acquisitions is often challenging. As Speqta scales up, acquisitions are likely to increase in size. Optimizer Invest and the Chairman of the Board have good track records and are adding crucial competencies, which limits the risks.
- Acquisitions in general most often need a healthy financial market, a downturn could lead to less possibilities to acquire more exciting companies within the Shopping segment. The Nordea financing and with Optimizer Invest on board, we believe the company is more likely to attract capital and convince sellers even in a weaker market.

Catalyst types

AffiliJet expansion
The collaboration with Expressen develops well and has expanded from performance-based marketing of discount coupons to loans and iGaming. Speqta has also acquired a similar collaboration with the Norwegian newspaper Nettavisen as well as Aller Dagbladet. Large publishers are searching for new income streams and AffiliJet is a flexible and profitable solution. We believe that new deals are likely within the coming months, both organically and through acquisitions.

Improved fundamental performance changing the market perception
The acquisitions within Content & Comparison should lead to gradually enhanced growth and profitability. Speqta shows positive EBITDA results and can the company demonstrate further profitability, we believe the market perception and valuation will appreciate.

Value-adding acquisitions
The company is open with its high acquisition ambitions and thus, it should not come as a surprise for the stock market. We still believe new M&A deals could be positive catalysts as it would validate the strategy. We also have confidence in Optimizer Invest's ability to negotiate attractive terms and thereby, create shareholder value.

In-house product innovations
Speqta has a history of entrepreneurship and business creativity. The founders are still active in the operations, and the company is adding interesting competence as it grows. We believe the innovative in-house organization will generate new exciting products to capitalize on the opportunities within performance-based marketing.

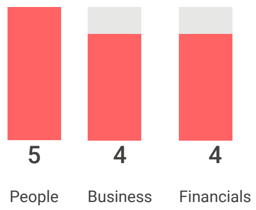
Stillfront Group SF

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

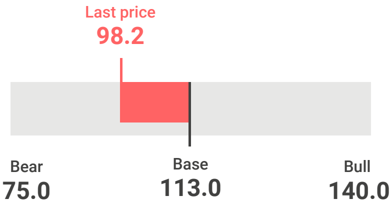
Publication date
January 9 2021

Redeye Rating

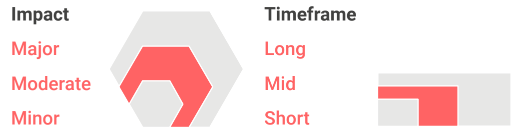
COMPANY QUALITY



FAIR VALUE RANGE



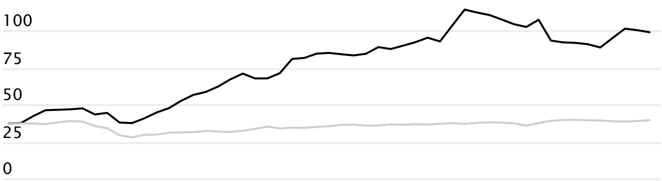
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Stillfront Group
OMXS30



Marketplace	First North Stockholm
CEO	Jörgen Larsson
Chairman	Jan Samuelson

Share information

Share price (SEK)	98.2
Number of shares (M)	349.9
Market cap (MSEK)	34,344
Net debt (MSEK)	-306

Analyst

Danesh Zare
danesh.zare@redeye.se

Conflict of interests

Danesh Zare owns shares in Stillfront Group: 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	1,966	4,957	6,345	7,741
Growth	*48.4%*	*>100%*	*28.0%*	*22.0%*
EBITDA	741	2,045	2,440	3,213
EBITDA margin	*37.7%*	*41.3%*	*38.5%*	*41.5%*
EBIT	517	1,280	1,778	2,356
EBIT margin	*26.3%*	*25.8%*	*28.0%*	*30.4%*
Pre-tax earnings	454	1,130	1,584	2,181
Net earnings	340	846	1,186	1,633
Net margin	*17.3%*	*17.1%*	*18.7%*	*21.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	10.73	25.89	36.30	49.99
P/E adj.	34.9	38.5	27.5	19.9
EV/S	6.6	7.2	5.4	4.2
EV/EBITDA	17.4	17.5	14.2	10.2

Last updated: 2020-09-18

Owner	Equity	Votes
Laureus Capital GmbH	12.9%	12.9%
Swedbank Robur Fonder	9.0%	9.0%
SEB Fonder	8.3%	8.3%
Handelsbanken Fonder	5.8%	5.8%
State Street Bank And Trust co	4.8%	4.8%
AMF Pension & Fonder	3.5%	3.5%
The Northern Trust Company	3.0%	3.0%
Första AP-fonden	2.8%	2.8%
Man Hay Tam	2.4%	2.4%
ML, Pierce, Fenner & Smith Inc	2.0%	2.0%

Company description

Stillfront Group has grown substantially over the past years through acquisitions. Stillfront is a leading free-to-play powerhouse of gaming studios. Our diverse and exciting games portfolio has two common themes; loyal users and long lifecycle games. The company combines the gaming studios' agility with a professional public structure in order to attain synergies and efficiency. Stillfront has a global reach with more than 15 million monthly active users from over 100 countries. The company listed their shares on Nasdaq Stockholm First North during 2016.

Investment case

- Strong focus on risk: Stillfront has a distinct focus on creating good risk adjusted return to their shareholders. We find that the market do not put enough premium on this ability.
- M&A roll-up always at a discount: Stillfront continuously conduct M&A to further expand the Group. Historically the market has had a hard time putting the right value of the acquisition as the targets are rolled-up, into the Group.
- Compared to many gaming peers Stillfront has a solid underlying revenue generation capability and is in a way less dependent on new "hits." The lower risk profile should warrant a premium valuation compared to most comparable companies

Focus on risk and return creates an advantage

We believe Stillfront will continue to deliver significant growth as the company focus on bringing low-risk titles to the market. We also expect underlying growth in the gaming market and an increase in revenues from mobile. The acquisition of Goodgames takes the company to a whole new level and the latest of Kixeye, Strom8, and Candywriter a new chapter begins. Stillfront continues to add new products to its portfolio and at the begging of 2020, the company states that their pipeline is the strongest in the company's history.

We find that Stillfront is valued at low multiples of earnings, about the same levels as public mobile game developers, despite Stillfront's focus on a combination of browser, mobile, and PC. Compared to mobile gaming companies the Group has 2-3x margins, and a strong competitive position in their niche, less title risk, and a track record of successful M&A. We believe that these factors should lead to a higher valuation than the one we see today. Stillfront is continuously valued at a discount to underlying earnings as there are most often one or a new M&A deals that are rolled-ep into the Group.

As a gaming company, there is always uncertainty in the success of new launches. Compared to many gaming peers Stillfront has a solid underlying revenue generation capacity and is in a way less dependent on new "hits." The lower risk profile should warrant a premium valuation compared to most comparable companies in our view. We find Stillfront conservatively valued and consider the company as an attractive risk-reward from an investment perspective and that the market both underprices the company's ability to deliver risk-adjusted earnings to their shareholders and the upcoming game launches.

The largest risks and counterarguments to our investment case (Bear points)

- Title risks: Despite a focus on their game portfolio there is always a title risk when it comes to a gaming company. The largest risk will always lie in titles where the company has invested the most.
- The risk of acquisitions: Stillfront has a clear focus on acquiring companies. Acquisitions always come at a risk for paying too much for a company that might not deliver on expectations. Stillfront continues to be cautious and extremely picky when it comes to game quality and price tag. Still, this is something an investor must continue to monitor.

Catalyst types

M&A roll-up

There is a substantial amount of acquisitions that are being "rolled-up" into the Group. KIXEYE was consolidated from July the 1st '19, and during Q1'20, Storm8 was included for only one month, and Candywriter will be consolidated from May the 1st. Investors have a hard time grasping the M&A "roll-up". We expect that the valuation will increase the coming quarters as the market get a better grasp of underlying earnings.

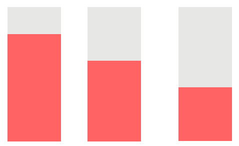
Strax STRAX

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

Publication date
January 10 2021

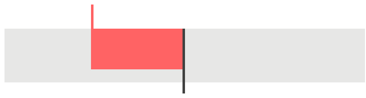
Redeye Rating

COMPANY QUALITY



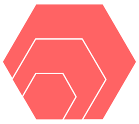
FAIR VALUE RANGE

Last price
4.0



CATALYST POTENTIAL

Impact
Major
Moderate
Minor

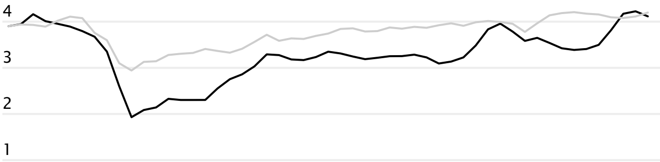


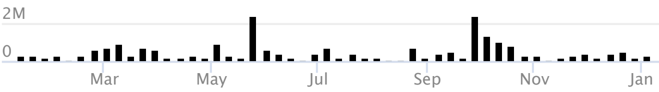
Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot

Strax
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Gudmundur Palmason
Chairman	Bertil Villard

Share information

Share price (SEK)	4.0
Number of shares (M)	120.6
Market cap (MSEK)	476
Net debt (MEUR)	7

Analyst

Oskar Vilhelmsson
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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

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MEUR	112	112	127	134
Growth	*4.6%*	*-0.2%*	*13.3%*	*5.9%*
EBITDA	6	9	12	14
EBITDA margin	*5.4%*	*8.2%*	*9.3%*	*10.4%*
EBIT	6	6	9	11
EBIT margin	*5.4%*	*5.8%*	*7.2%*	*8.2%*
Pre-tax earnings	6	1	9	11
Net earnings	6	0	7	8
Net margin	*5.4%*	*0.4%*	*5.3%*	*6.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.05	0.00	0.06	0.07
P/E adj.	64.6	103.3	6.7	5.5
EV/S	3.6	0.5	0.4	0.3
EV/EBITDA	67.8	6.4	4.5	3.1

Last updated: 2020-12-20

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	18.1%	18.1%
Merril Lynch Int.	5.4%	5.4%
Anchor Secondary 4 AS	5.0%	5.0%
Ålandsbanken I Ägares Ställe	4.0%	4.0%
Anders Lönnqvist	3.8%	3.8%
Anchor Invest	3.2%	3.2%
Avanza Pension	3.0%	3.0%

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.

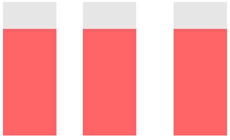
Systemair SYSR

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

Publication date
January 8 2021

Redeye Rating

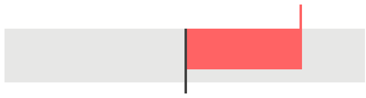
COMPANY QUALITY



People	Business	Financials
4	4	4

FAIR VALUE RANGE

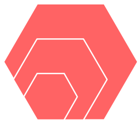
Last price
275.5



Bear	Base	Bull
160.0	228.0	300.0

CATALYST POTENTIAL

Impact
Major
Moderate
Minor

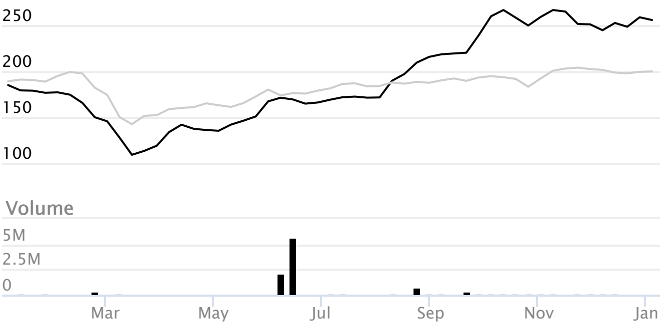


Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot

Systemair
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Roland Kasper
Chairman	Gerald Engström

Share information

Share price (SEK)	275.5
Number of shares (M)	52.0
Market cap (MSEK)	14,326
Net debt (MSEK)	1,023

Analyst

Henrik Alveskog
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Conflict of interests

Henrik Alveskog owns shares in Systemair: 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	8,915	8,591	9,114	9,710
Growth	*7.1%*	*-3.6%*	*6.1%*	*6.5%*
EBITDA	984	936	1,103	1,252
EBITDA margin	*11.0%*	*10.9%*	*12.1%*	*12.9%*
EBIT	626	700	848	990
EBIT margin	*7.0%*	*8.2%*	*9.3%*	*10.2%*
Pre-tax earnings	544	593	816	964
Net earnings	385	421	587	694
Net margin	*4.3%*	*4.9%*	*6.4%*	*7.2%*
Dividend/Share	0.00	2.50	3.00	3.50
EPS adj.	7.41	8.10	11.29	13.35
P/E adj.	24.6	29.9	21.4	18.1
EV/S	1.2	1.6	1.5	1.3
EV/EBITDA	11.3	14.7	12.1	10.3

Last updated: 2020-12-13

Owner	Equity	Votes
Gerald Engström	42.8%	42.8%
ebm-papst AB	10.7%	10.7%
Swedbank Robur Fonder	10.0%	10.0%
Nordea Fonder	6.0%	6.0%
Didner & Gerge Fonder	4.9%	4.9%
Lannebo Fonder	4.5%	4.5%
Alecta Pensionsförsäkring	4.0%	4.0%
C WorldWide Asset Management	2.8%	2.8%
JP Morgan Bank Luxembourg S.A.	2.8%	2.8%
Handelsbanken Fonder	2.6%	2.6%

Company description

Systemair was founded in 1974 by Gerald Engstöm who is still main owner and since 2015 chairman of the board. The original product and business idea was a round duct fan that improved the air flow in ventilation systems. Since then, step by step, the company has added to their range and today Systemair probably has the most extensive offering in the European market. Availability and reliable deliveries are important key values. That means a broad range of standard products should always be ready for delivery. The products must be robust and easy to install and operate. Systemair is also a quality brand but they are not into tailor made solutions.

The group has some 20 production facilities in Europe, Asia and North America. More than 6 000 employees and subsidiaries in more than 40 countries on all continents. In fiscal year 2019/20 turnover amounted to SEK 8.9 billion and pre-tax profits SEK 544 million. Head office is Skinnskatteberg, Sweden. The shares are listed on Nasdaq Stockholm main market since year 2007.

Investment case

- For the moment we consider the valuation to be fairly reasonable.
- Systemair's own target of 10 percent annual growth and 10 percent EBIT-margin is not at all impossible to reach although our assumtions are more conservative. If they reach their targets there is further potential for revaluation.
- Good growth opportunities for the foreseeable future and a history of stable profitability make Systemair an interesting long term investment. However, it doesn't appear to be clearly undervalued and we do see any short term major catalysts.

This company is, and always has been, truly growth oriented. Since the early 1990's its sales have increased in every year except 2009, when the banking and financial crisis hit. Its growth has certainly come partly from acquisitions, but organic growth has also been really good, on average around 6-7 percent over the past 10 years. Despite its expansion, which has sometimes involved the acquisition of unprofitable companies and entering into new markets, Systemair has never shown a full-year loss. Its profitability has naturally varied, but not as much as other manufacturing industries.

For a couple of years its operating margin has slipped down to around 6 percent, mainly because some of its new units have yet to show adequate profitability. During the company's historical profitability peaks in 2006-08, its margins were around 12-13 percent and Systemair is well placed to get there again. In its current corporate structure, the level of technology and the product mix is better than ever. If these margin gains are fully achieved, it would represent an improvement in profits exceeding 50 percent. The market has factored in hardly any of this.

Even with more conservative assumtions of sustained profitability, the share is attractive thanks to the company's good groth prospects. The need for energy efficient ventilation is increasing in several parts of the world, even in northern Europe which is a mature market. The EU directive on energy savings in buildings plus requirements on the working environment are spurring a growing market for Systemair, which was an early investor in energy-efficient solutions.

In the longer term, however, the major growth will certainly come from regions outside Europe. In several of these (Eastern Europe, the Middle East and parts of Latin America), Systemair has already established strong positions. The stock has something of a premium valuation, which is also well deserved thanks partly to historical strong growth and stable profits, but also because ot the good long-term growth prospects for the ventilation industry and Systemair's strong market position.

Bear points:

- Regarding some of the their largest acquisitions, the Airwell companies in Italy and France and Menerega, Systemair under estimated the challenges of restoring profitability. Regarding these companies there is still a risk for setbacks.
- The company's is focused on reaching the 10 percent EBIT-margin target. If we don't see further progress this ambition will be questioned.

Catalyst types

Progress towards the 10% EBIT margin target
Lately management is showing a stronger comittment to reach the margin target of 10 percent on EBIT level. Further progress on this path would be a significant catalyst for revaluation.

Turn around in the under performers
A few units within the group are loss making or at least performing poorly. These are primarily the AC companies in France and Italy and the subsidiary Menerga. All of these should be able to reach double digit margins which would drive group EBIT margins towards their own target of 10 per cent.

Major acquisitions
Systemair acquires a number of smaller companies as a natural part of their expansion strategy. If they were to buy something more substantial (annual sales > SEK 300 m) it would call for some attention. Most likely they are able to buy these companies at lower multiples than their own.

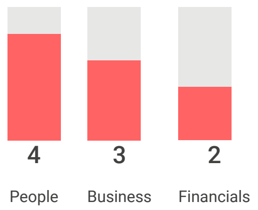
TagMaster TAGM B

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

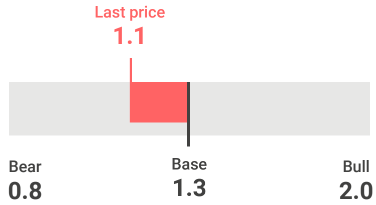
Publication date
January 8 2021

Redeye Rating

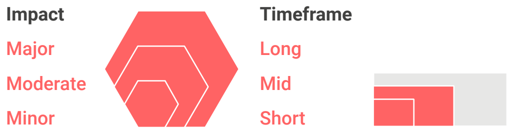
COMPANY QUALITY



FAIR VALUE RANGE

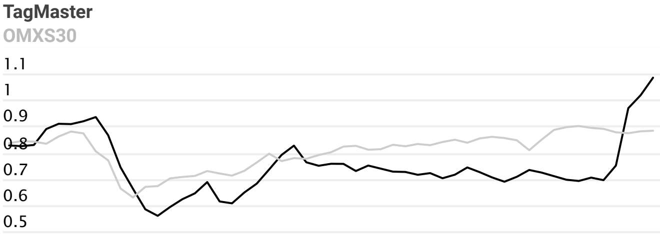


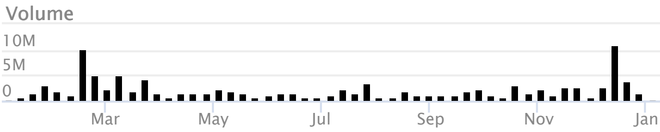
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Jonas Svensson
Chairman	Rolf Norberg

Share information

Share price (SEK)	1.1
Number of shares (M)	366.2
Market cap (MSEK)	416
Net debt (MSEK)	44

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

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

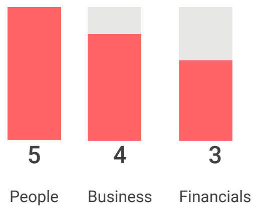
Vertiseit VERT B

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

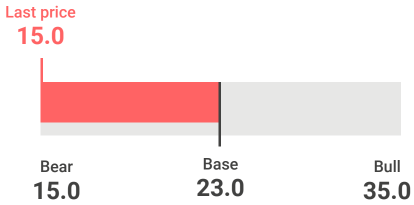
Publication date
January 7 2021

Redeye Rating

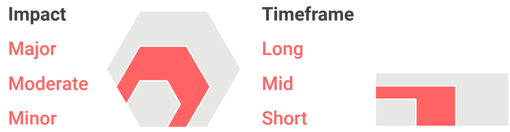
COMPANY QUALITY



FAIR VALUE RANGE

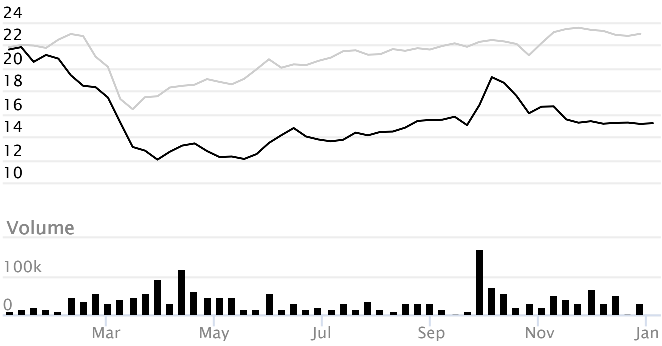


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Johan Lind
Chairman	Vilhelm Schottenius

Share information

Share price (SEK)	15.0
Number of shares (M)	12.8
Market cap (MSEK)	191
Net debt (MSEK)	-50

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

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

Waystream Holding WAYS

Company page

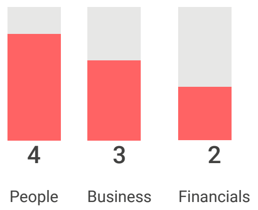
https://www.redeye.se/company/waystream-holding

Publication date

January 8 2021

Redeye Rating

COMPANY QUALITY



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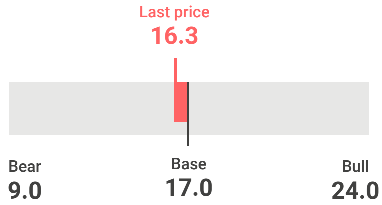
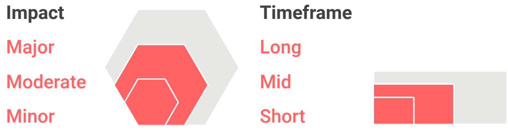


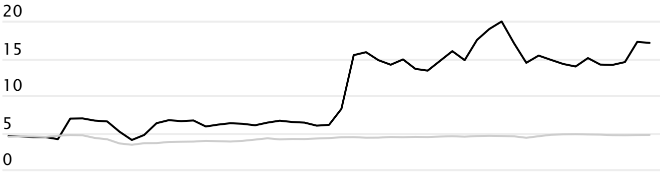
CATALYST POTENTIAL

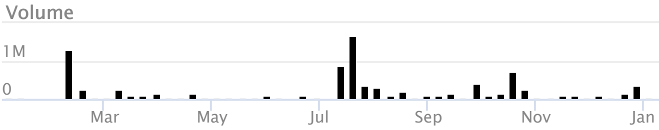


Turn page for catalyst specifics

Snapshot

Waystream Holding
OMXS30





Marketplace	First North Stockholm
CEO	Susanne Torrbacka
Chairman	Matthias Trygg

Share information

Share price (SEK)	16.3
Number of shares (M)	8.1
Market cap (MSEK)	132
Net debt (MSEK)	-19

Analyst

Mats Hyttinge
mats.hyttinge@redeye.se

Conflict of interests

Mats Hyttinge owns shares in Waystream Holding: 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	66	85	101	116
Growth	*-6.2%*	*28.7%*	*19.0%*	*15.0%*
EBITDA	14	19	26	29
EBITDA margin	*21.7%*	*22.6%*	*26.0%*	*25.0%*
EBIT	10	13	19	22
EBIT margin	*14.8%*	*15.7%*	*19.3%*	*18.9%*
Pre-tax earnings	9	13	19	22
Net earnings	7	10	15	17
Net margin	*10.7%*	*12.0%*	*14.9%*	*14.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.90	1.26	1.85	2.08
P/E adj.	5.9	15.3	10.4	9.2
EV/S	0.7	1.8	1.4	1.0
EV/EBITDA	3.0	7.9	5.2	3.9

Last updated: 2020-10-22

Owner	Equity	Votes
Robert Idegren Holding AB	12.6%	12.6%
Fiber Access NP Management Intressenter AB	12.6%	12.6%
Severin Invest AB	11.5%	11.5%
Nordnet Pensionsförsäkring	9.5%	9.5%
Avanza Pension	9.0%	9.0%
Dahltec AB	8.6%	8.6%
Mh Köhler Invest AB	4.1%	4.1%
Thomas Wernhoff	2.1%	2.1%
Mangold Fondkommission AB	1.3%	1.3%
Jonas Köhler	1.2%	1.2%

Company description

Waystream is a Swedish company that sells software-based switches and routers for broadband infrastructure via fiber. The company's CEO is the former CFO, Susanne Torrbacka. Customers can be city networks, service providers, energy companies, operators, and other organizations that build, install, and operate networks. Waystream has been listed on NASDAQ First North. Waystream is headquartered in Kista, Stockholm, and has a subsidiary in Shanghai focusing on research and development.

Net sales in 2019 amounted to SEK 65.7 million. Sweden and the rest of the Nordic region are the company's largest markets (Waystream has a market share of about 25% of municipally-owned city networks in Sweden). After a successful launch of a new product portfolio during H2'19, the business has taken off in earnest (the corona crisis also contributes to increased demand for the company's products) – growth during Q4'19 / Q1'20 / Q2'20 amounted to 95% / 30% / 89%. The new product platform and a geographical expansion to northern Europe are the most important growth drivers as we look ahead. We expect that the international investment will contribute with larger volumes only in 12-24 months - until then, however, the company must succeed in landing smaller deals.

Investment case

- International expansion will pave the way for long-term growth.
- New product portfolio is expected to contribute to profitable growth.
- Base case amounts to 17 kronor per share and a fair value range till 9-24 kronor

The investment case is primarily attributable to a successful international expansion (to drive long-term growth) and successful future product launches (to improve product mix and profitability). Other factors that are expected to contribute to a positive development are an increased sales focus (more effective sales strategy and more sales/partners).

Redeye believes that the probability of a successful geographical expansion is reasonable. The new product portfolio has already achieved great success in the Nordic region (which led to increased growth and higher gross margins). We believe that the growth journey, with increased profitability, has just begun and see Waystream riding on an expected 5-10 year growth wave driven by fiber expansion in Europe - a scenario that has not been fully priced in by the market.

The major risks are associated with:

- Company size: In competition with other giants such as Cisco, Huawei, HP, Alcatel Lucent / Nokia, Juniper, it is a challenge to convince a potential customer to shop from Waystream (despite competitive products).
- Success in international expansion fails: We do not see delayed/missed successes solely due to its competitiveness, but the company's execution and sales strategy are not successful. A failed geographical expansion would significantly limit growth opportunities. The company's home markets (Sweden and the rest of the Nordic region) are mature today. Sales are primarily driven by upgrades/exchanges and not sufficient to drive long-term growth.
- Customer concentration: Although the company has not communicated any figures, we expect that Waystream is dependent on a few customers who today account for a significant part of the revenue (based on our research and the company's press releases that almost exclusively refer to existing customers). New customers are one of the most important key figures to follow, partly to reduce the risk in revenue and continued growth.

Catalyst types

New customers (primarily international but also the Nordic region)
Waystream needs higher customer growth than has previously been the case, partly to diversify risks but also to increase growth.

Geographic expansion
Breakthroughs in new geographic markets, preferably in Europe, should increase the value of Waystream. We expect that the international investment will contribute to higher volumes for 12-24 months - until then, it is important that the company succeeds in landing smaller deals (exploration phase).

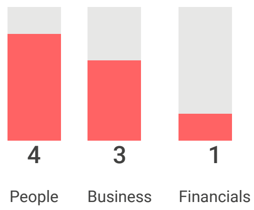
Westpay WPAY

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

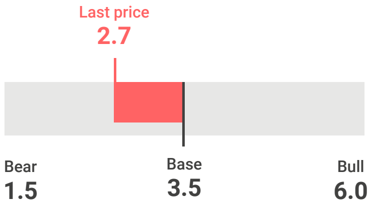
Publication date
January 10 2021

Redeye Rating

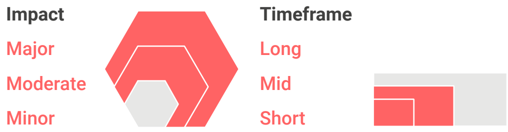
COMPANY QUALITY



FAIR VALUE RANGE

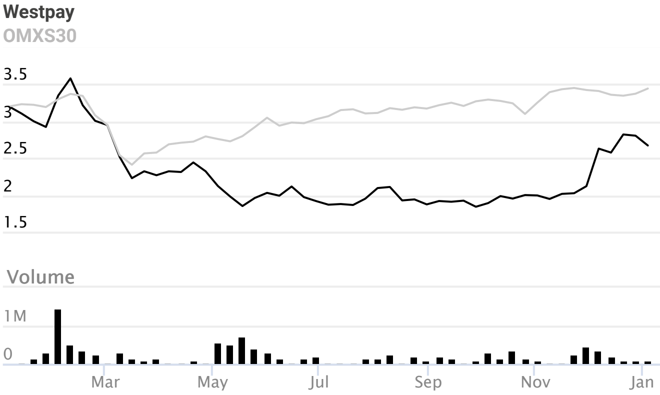


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Sten Karlsson
Chairman	Christina Detlefsen

Share information

Share price (SEK)	2.7
Number of shares (M)	33.8
Market cap (MSEK)	91
Net debt (MSEK)	17

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 financial 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.

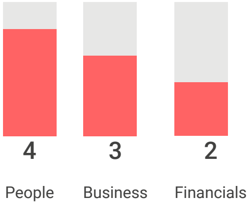
XMReality XMR

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

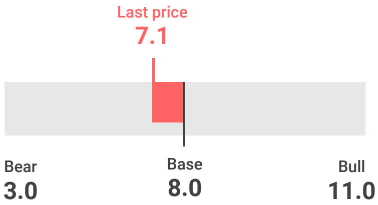
Publication date
January 8 2021

Redeye Rating

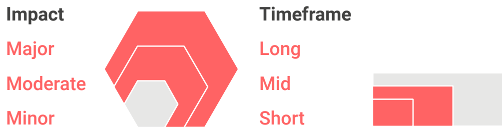
COMPANY QUALITY



FAIR VALUE RANGE



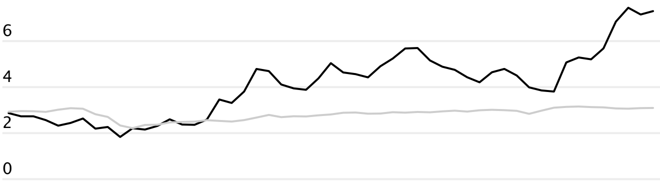
CATALYST POTENTIAL

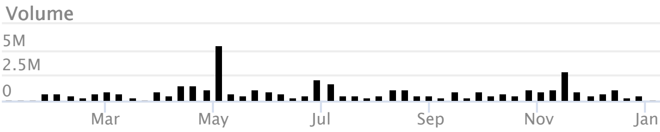


Turn page for catalyst specifics

Snapshot

XMReality
OMXS30





Marketplace	First North Stockholm
CEO	Jörgen Remmelg
Chairman	Björn Persson

Share information

Share price (SEK)	7.1
Number of shares (M)	34.1
Market cap (MSEK)	241
Net debt (MSEK)	-10

Analyst

Forbes Goldman
forbes.goldman@redeye.se

Conflict of interests

Forbes Goldman owns shares in XMReality: 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, MSEK	12	20	34	58
Growth	*64.6%*	*75.0%*	*70.0%*	
EBITDA	-23	-17	-12	-4
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-27	-22	-16	-9
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-27	-22	-16	-9
Net earnings	-27	-22	-16	-9
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.60	-0.66	-0.47	-0.26
P/E adj.	-2.3	-5.5	-7.6	-13.8
EV/S	4.6	5.0	3.3	2.2
EV/EBITDA	-2.4	-5.6	-9.6	-29.3

Last updated: 2020-11-12

Owner	Equity	Votes
Investment AB Spiltan	24.3%	24.3%
Avanza Pension	6.1%	6.1%
Lars Svensson	5.8%	5.8%
Handelsbanken Fonder	4.8%	4.8%
Nordnet Pensionsförsäkring	4.1%	4.1%
Björn Persson	2.7%	2.7%
Christer Svensson	2.4%	2.4%
Göran Gustavsson	1.8%	1.8%
Euroclear Bank S.A/N.V	1.3%	1.3%
Peter Norman Eggers	1.3%	1.3%

Company description

XMReality has developed and offered augmented reality solutions since 2007. The company is offering software and hardware for remote guidance towards field service companies where clients either implement the solution throughout their internal service organization or in their service offering towards clients.

Investment case

- Scalable business model: XMReality's solution is offered towards customers that incorporate XMReality's solution in their own offering. The company further faces fractional marginal costs of adding additional users to the platform.
- The Corona crisis has sped up the market's adoption of new remote solutions.
- Good potential for large roll-outs: We remain confident of its potential among its list of customers, and expect the company to reveal this over the coming year through announcements of larger orders (with software values exceeding SEK 2m).

Highly scalable offering with potential customer lock-in. XMReality targets industrial players that incorporate its software in their service offerings. The company faces negligible marginal costs of adding additional licensed users to the platform, and the potential to achieve high profitability is reflected by the gross margins exceeding 90%. The use case further opens up for lock-in effects as customers incorporate XMReality's solution in their large-scale service operations.

XMReality's technique is unique in combining hand overlay, excellent functionality in areas of weak network capacity, and that you can invite customers to new sessions through a weblink, i.e., eliminating the need to run sessions through an installed app on the customer side. Not having to download software is an important feature mitigating the potential problem of this new technique being perceived as complicated and complex. The company launched this new feature rather recently, and with sales cycles often exceeding a year, we believe that the full scope of this introduction is yet to be

Corona crisis accelerating AR adoption. XMReality has experienced an explosion in customer interest since the onset of the Corona crisis. With the pandemic increasing the interest in digital, remote technical solutions, the company's sales development has taken off. The crisis has increased the speed at which the market is adopting the new technology, and we now see a quickly maturing market.

In connection with the Corona crash, XMReality's share outperformed the market and surged by more than 200%. With the company's fundamental performance quickly improving, the outlook going forward is excellent. We currently see a significant upside to our base case of SEK 8 per share. We still deem additional, and especially larger (>SEK 2m), software orders to be the most critical share catalysts over the coming year as it would reveal the potential within the rapidly growing customer base.

Counter Points

Slow adoption brings uncertainty. The adoption of Remote Guidance has so far been slow. One of the reasons could be that the service personnel are reluctant to change their way of working. The customers of XMReality's customers may also be unwilling to receive service through an AR-based solution that requires some work by themselves, instead of someone physically coming over and conducting all work for them.

New competitor(s) with superior solution. There is a risk of superior solutions introduced by competitors emerging on the market. For the company to keep its competitive edge, it is vital to continue to invest in R&D.

Price pressure. XMReality applies a premium price strategy that could be difficult to retain if new competitors can offer solutions with a similar value proposition as XMReality. It becomes even more relevant in the long run if the technology becomes a standardized solution within industrial service operations. It is, therefore, essential that XMReality retains its technological advantage through continuing to develop its software.

Catalyst types

Announcement of large agreement

We see great potential in an extensive roll-out of XMReality's Remote Guidance solution throughout a large client's service organization after running tests for an extended period. Apart from yielding recurring revenues and high margins, it would indicate that the industry truly is ready to adopt the solution and use it on a larger scale.

New channel partner(s)

There is further potential for a new channel partner(s) that incorporate XMReality's solution in their offering toward clients. We, however, believe this to be more relevant as the company has shown larger volumes of software sales.

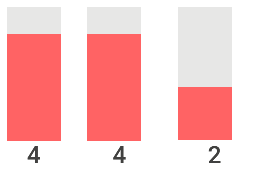
ZetaDisplay ZETA

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

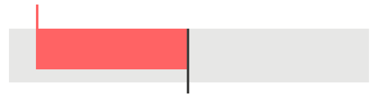
Publication date
January 7 2021

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



CATALYST POTENTIAL

Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ Stockholm
CEO	Per Mandorf
Chairman	Mats Johansson

Share information

Share price (SEK)	15.7
Number of shares (M)	27.3
Market cap (MSEK)	427
Net debt (MSEK)	183

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

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

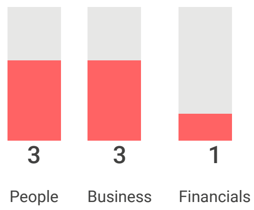
Communicates greater share of recurring revenues
The business model is based on three diferent revenue types: services, software and licenses, and digital systems. The focus is on increasing recurring revenues, and the company has succeeded. This increasingly gives ZetaDisplay the character of a software 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.

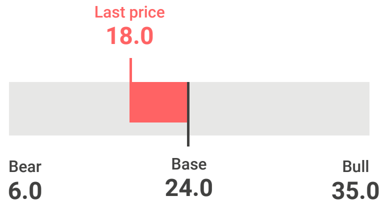
Zwipe ZWIPE

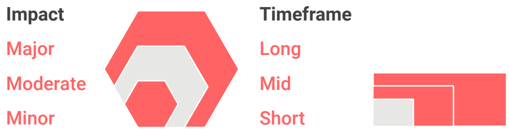
Company page
https://www.redeye.se/company/zwipe

Publication date
January 11 2021

Redeye Rating

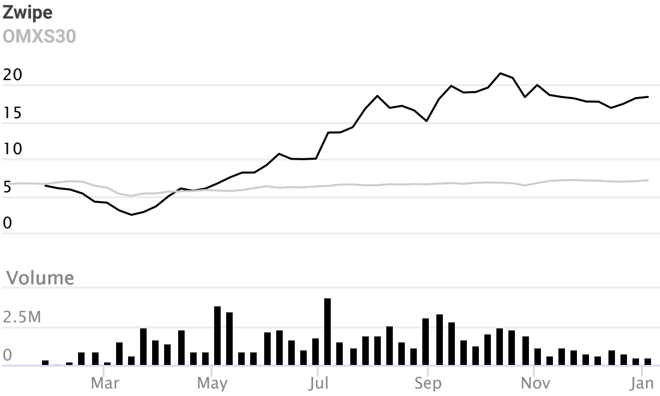






Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Andre Løvestam
Chairman	Jörgen Lantto

Share information

Share price (SEK)	18.0
Number of shares (M)	32.9
Market cap (MSEK)	594
Net debt (MNOK)	-86

Analyst

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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

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MNOK	2	2	18	77
Growth	*-33.3%*	*35.9%*	*>100%*	*>100%*
EBITDA	-96	-57	-52	-31
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-96	-59	-57	-35
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-96	-59	-57	-35
Net earnings	-96	-59	-57	-35
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-6.02	-1.80	-1.74	-1.07
P/E adj.	-0.9	-11.1	-11.4	-18.5
EV/S	40.4	256.4	31.4	8.5
EV/EBITDA	-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 and related parties	5.2%	5.2%
Coeli Wealth Management	4.6%	4.6%
Avanza Pension	3.9%	3.9%
Jörgen Lantto	2.6%	2.6%
JP Morgan Prime Nominees	2.1%	2.1%
Nordnet Bank AB	2.0%	2.0%
Nordnet Pensionsförsäkring AB	1.8%	1.8%
SEB	1.8%	1.8%
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.

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.

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Redeye Rating (2020-12-20)

Rating	People	Business	Financials
5p	21	16	3
3p - 4p	107	89	38
0p - 2p	5	28	92
Company N	133	133	133

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REDEYE

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