REDEYE

Nordic Technology Report 2023

Acconeer
Acuvi
Addnode
Alelion Energy Systems
Arise
Artificial Solutions
Avtech
Azelio
Beijer Electronics Group
Better Collective
Beyond Frames
BIMobject
Binero Group
Bioservo
Bredband2
Carasent
Careium

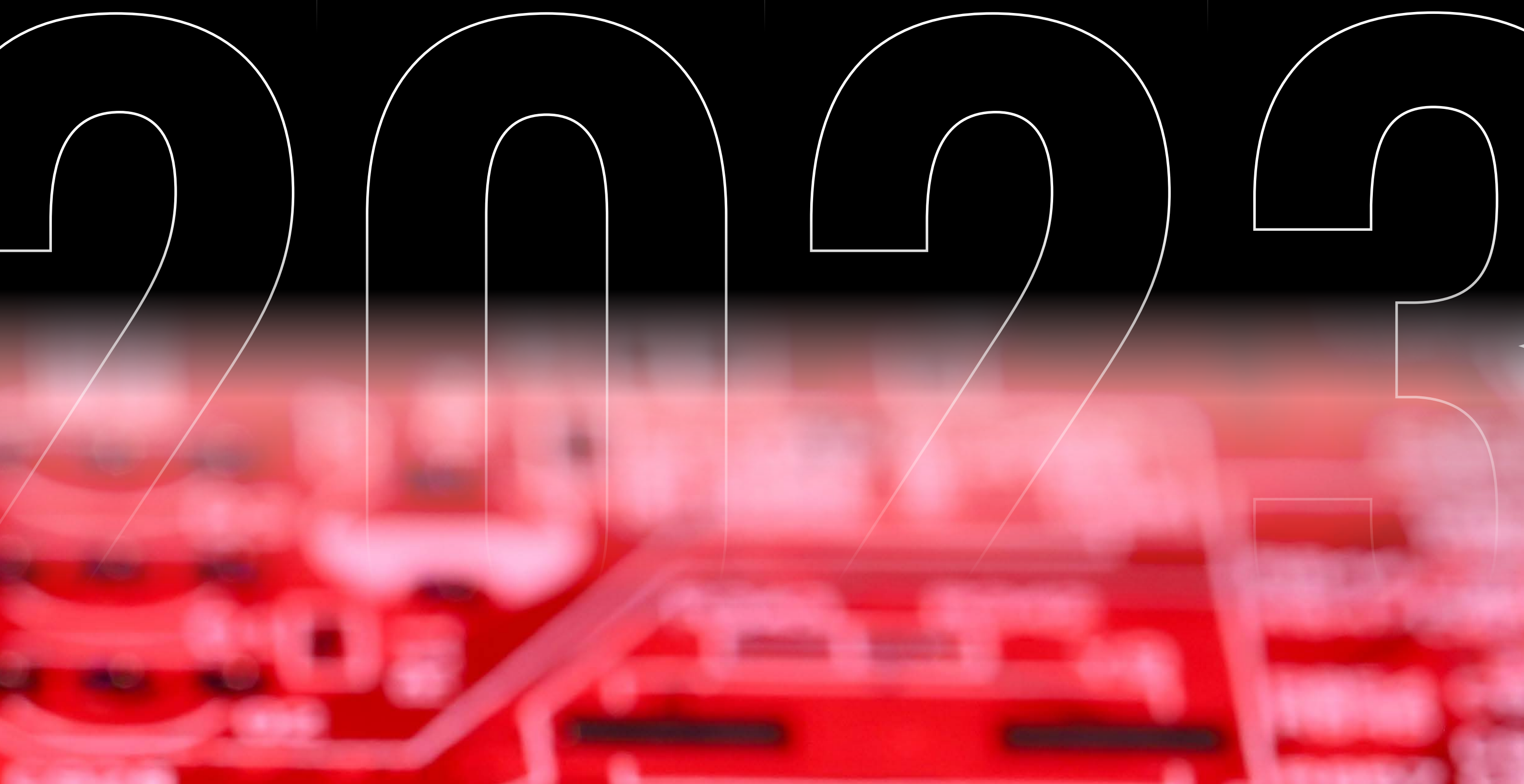
Chromogenics
CI Games
CombinedX
Doro
Efecte
EG7
Embracer Group
Enea
Energy Save
Evolution
Flexion Mobile
FlexQube
Formpipe Software
Fortnox
Fragbite Group
Freemelt
G5 Entertainment

Gaming Innovation Group
Gapwaves
Gasporox
Hanza Holding
Heliospectra
Hexatronic Group
Hoylu
I-Tech
Image Systems
Imint Image Intelligence
Impact Coatings
Infracom Group
Invisio
JonDeTech Sensors
Lagercrantz Group
M.O.B.A. Network
Media and Games Invest

Mestro
Modelon
Neonode
Nepa
Netmore
Ngenic
Nitro Games
Northbaze
OXE Marine
Penneo
Powercell
Proact IT Group
QleanAir
Railcare
Remedy Entertainment
Safeture
SaveLend Group

Scandinavian Enviro Systems
Sdiptech
Seamless Distribution Systems
Sensys Gatso Group
Sivers Semiconductors
Sleep Cycle
Smart Eye
Smart Wires Technology
Sozap
Speqta
SSH Communications
Starbreeze
Stillfront Group
Strax
Systemair
TagMaster
Tessin

TH1NG
Thunderful
Tobii Dynavox
Transtema
Truecaller
Urb-it
Vertiseit
Vitec Software Group
W5 Solutions
Waystream
Westpay
Wyld Networks
Xavi Solutions
XMReality
Zordix
Zwipe



2023

Table of contents

Leading Nordic Investment Bank

Leading Advisor for Growth Companies

Founded 1999

Under supervision of the Swedish FSA

Ownership Partner owned

Employees 80+

Analysts: 30+
Corporate Advisory: 25

Redeye.se 150,000+

Attracting 150,000+ unique visitors monthly

Corporate Broking 175+

175+ public corporates as clients

Corporate Finance 160+

160+ transactions executed over the last five years

Key Specialties Tech & Life Science

Focused themes 10+

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

Redeye Corporate Advisory

Leading Advisor for Growth Companies

Corporate Broking

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

Corporate Finance

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

Certified Adviser

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

ECM

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

The Redeye Technology Team

THE REDEYE TECHNOLOGY TEAM

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 20+ 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.

Gustav Olin Månsson
Client Manager

Gustav has a Master's degree in business administration from Karlstad University. He has previously worked at PwC as an auditor towards listed entities. At Redeye, Gustav works with Corporate Broking for the Technology team.

Eddie Palmgren
Client Manager & Host of Investing by the Books Podcast

Eddie has a Bachelor of Science in finance from Stockholm University, with an additional Master's Year in Taiwan. He has been an investor for nearly 15 years and joined Redeye in 2014, working as an Equity Analyst and Editor. Currently, Eddie is a Client Manger and the host of Investing by the Books Podcast.

Tomas Otterbeck
Head of Research

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.

Hjalmar Ahlberg
Analyst

Hjalmar is an equity analyst within the technology team focusing on gaming and online gambling sectors. He holds a Master's degree in finance and has previously worked within the banking industry with focus on equity research covering various sectors.

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.

Christian Binder
Analyst

Christian has a Master of Science in biology from Uppsala University and a Master of Business Administration from Edinburgh University. Previous positions included roles in public healthcare, academia, and the pharmaceutical industry. He works as an equity analyst at Redeye, with a particular interest in serial acquirers.

Mattias Ehrenborg
Analyst

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

Alexander Flening
Analyst

Alexander is an equity analyst within Redeye's technology team. He holds a BSc in Economics & Statistics from Stockholm University. For five years he worked as an Investment Manager in a family-run business focusing on life science and technology.

Jessica Grunewald
Analyst

Jessica is an equity analyst within the technology team focusing on the digital health sector. She holds a BSc in Business Administration from Lund University and a Master's in Entrepreneurship from Stockholm University. She has previously worked at MTG for ten years lastly as VP Digital, bringing in Esports and digitizing MTGs traditional business. She also has a background as an entrepreneur.

Anton Hoof
Analyst

Anton is an equity analyst within the technology team at Redeye. He holds a Master of Science in Business and Economics from Linnaeus University. Anton has previously worked at EY as an auditor.

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.

Rasmus Jacobsson
Analyst

Rasmus is an equity analyst within Redeye's technology team. He has a BSc from KTH Royal Institute of Technology.

Jesper von Koch
Analyst

Jesper is an equity analyst in the technology team with a focus on telecom, automotive tech and more. He holds a Master's degree in Industrial Engineering and Management from Lund University, institute of technology. In addition, he has studied abroad in Madrid. He has previously worked as an entrepreneur, management consultant and business development manager at a B2B SaaS company. He has also run a stock-research blog for nearly five years.

Viktor Lindström
Analyst

Viktor is an equity analyst in the technology team, focusing on gaming and cleantech sectors. He holds a Master's degree in Finance from University of Gothenburg. Previously, he held positions at Carnegie Investment Bank and Consensus Asset Management.

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.

Fredrik Reuterhäll
Analyst

Fredrik worked as a cash equity trader at East Capital for almost seven years before joining Redeye as an equity analyst within the technology team. Fredrik has a M.Sc. in finance from Stockholm University.

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.

Jacob Svensson
Analyst

Jacob Svensson is an equity analyst within the technology team, focusing on software companies. He holds a BSc in Business Administration and a Master's in Finance from Lund University and has previously worked within the banking industry and asset management.

Niklas Sävås
Analyst

Niklas has more than ten years experience from the financial industry working within banking and financial technology. He started his first company in 2016 focused on consultancy and investments. Niklas has a dual role within Redeye where he splits his time between the podcast Investing By The Books, Redeye Academy and as an analyst on the technology team. He has a bachelor degree in Business and Economics from SLU.

Oskar Vilhelmsson
Analyst

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

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

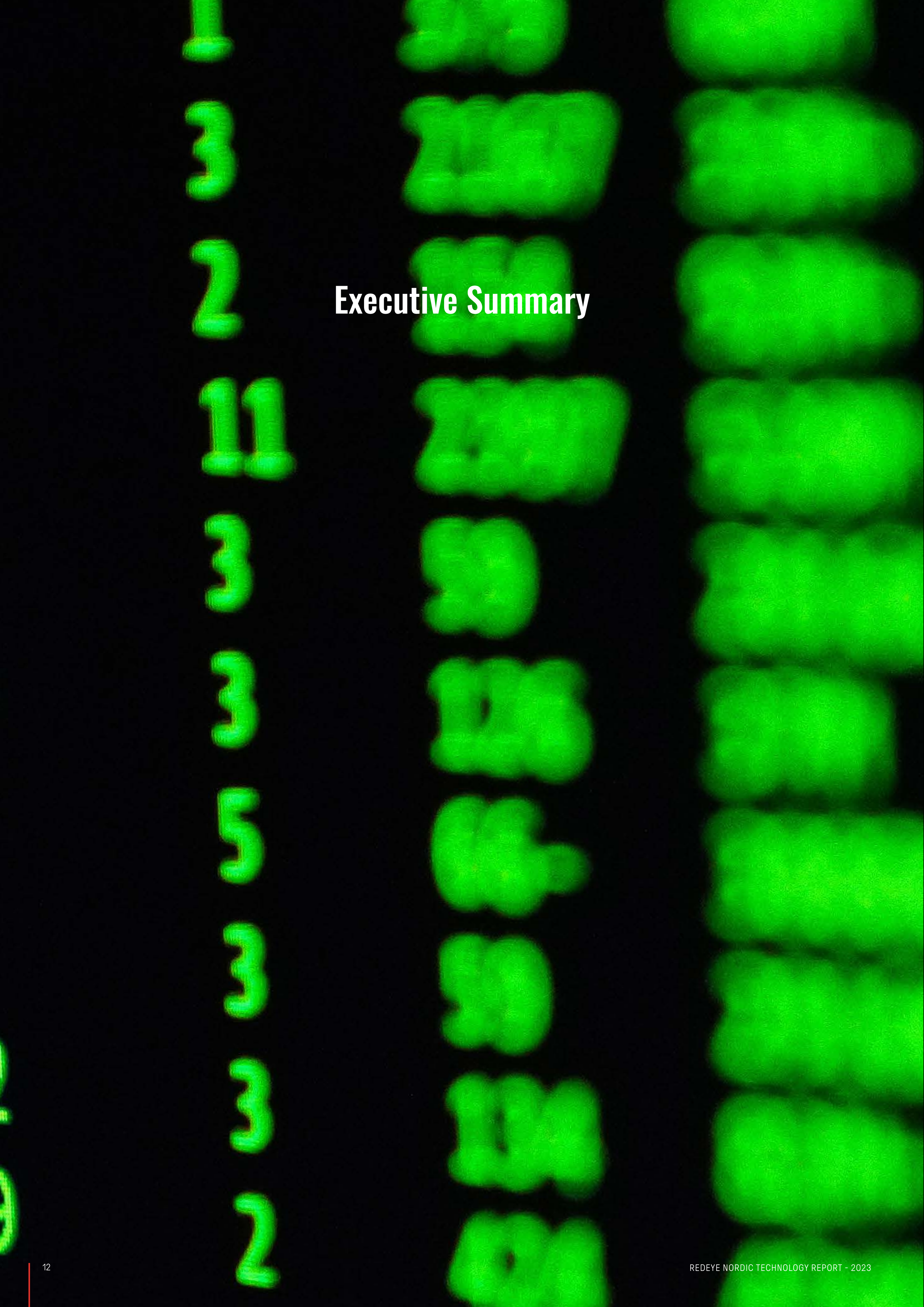
Technology Selected Transactions

2022

advenica **JULY 2022** Rights Issue SEK 66 MSEK	SOFTHOUSE **JUNE 2022** Private Placement SEK 27 MSEK	NGENIC **JUNE 2022** Rights Issue SEK 25 MSEK	VERTISEIT **APRIL 2022** Public Take-Over on MultiQ 197 MSEK	CombinedX **MARCH 2022** IPO 60 MSEK

2017-2022

CSEC **DECEMBER 2021** Rights Issue 30 MSEK	W5 **DECEMBER 2021** IPO 35 MSEK	netmore **DECEMBER 2021** Rights Issue 43 MSEK	Mestro **DECEMBER 2021** IPO 40 MSEK	COM PODIUM **NOVEMBER 2021** IPO 65 MSEK
CombinedX **OCTOBER 2021** Private Placement 124 MSEK	BEYOND FRAMES **JULY 2021** Directed Issue 45 MSEK	NFO DRIVES **JULY 2021** Directed Issue 15 MSEK	Physitrack **JUNE 2021** IPO Selling Agent 201 MSEK	xenergic **JUNE 2021** Private Placement 40 MSEK
Alelion **MAY 2021** Rights Issue 25 MSEK	Corpia **MAY 2021** Private Placement 30 MSEK	NGENIC **MAY 2021** IPO 60 MSEK	OMBORI **FEBRUARY 2021** Private Placement 60 MSEK	SAVR **DECEMBER 2020** Private Placement 52 MSEK
clavister **NOVEMBER 2020** Directed Issue + Rights Issue 204 MSEK	KebNi **OCTOBER 2020** Rights Issue 50 MSEK	OXEMARINE **OCTOBER 2020** Directed Issue 66 MSEK	Alelion **OCTOBER 2020** Rights Issue 57 MSEK	xmreality **MARCH 2020** Rights Issue 36 MSEK
COM PODIUM **DECEMBER 2019** Pre-IPO 18 MSEK	MOBA NETWORK **NOVEMBER 2019** IPO 26 MSEK	CIMCO **OCTOBER 2019** Rights Issue 51 MSEK	JAYS **JUNE 2019** Rights Issue 40 MSEK	TagMaster **MAY 2019** Directed Issue + Rights Issue 139 MSEK
Alelion **MAY 2019** Rights Issue Co-Lead Manager 135 MSEK	ATARI **APRIL 2019** Dual Listing 10 MSEK	CIMCO **APRIL 2019** Rights Issue 102 MSEK	Tequnion **MARCH 2019** IPO 80 MSEK	zwipe **JANUARY 2019** IPO Joint Bookrunner 120 MSEK
LightAir **NOVEMBER 2018** Rights Issue 25 MSEK	SIVERSIMA **OCTOBER 2018** Direced Issue 43 MSEK	xmreality **OCTOBER 2018** Directed Issue 21 MSEK	crunchfish **OCTOBER 2018** Right Issue 39 MSEK	GOODBYE KANSAS **JUNE 2018** Private Placement 108 MSEK
ALLGON **JUNE 2018** Rights Issue Join Lead Manager 127 MSEK	captario **JUNE 2018** Private Placement 50 MSEK	JONDETECH **MAY 2018** IPO 30 MSEK	Tequnion **APRIL 2018** Private Placement 20 MSEK	FSPORT **FEBRUARY 2018** Private Placement 20 MSEK
SCOUT gaming group **NOVEMBER 2017** IPO 60 MSEK	acconeer **NOVEMBER 2017** IPO 180 MSEK	gambling.com group **NOVEMBER 2017** Private Placement 9 MSEK	GLOBAL GAMING **OCTOBER 2017** 22 MSEK	xmreality **APRIL 2017** IPO 60 MSEK



Executive Summary

Introduction

Redeye's coverage in the tech space has expanded to just over 100 companies listed on the exchanges in the Nordic countries. The team consists of 18 analysts, which probably makes it the biggest team in the Nordics fully dedicated to tech companies.

In this Nordic Technology Report, we highlight trends and themes we currently see in some of the major subsectors: Cybersecurity, Fintech, Artificial Intelligence, Gaming and Autotech. We have also compiled and evaluated last year's tech IPO's and M&A activity in the sector. Moreover, we 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 2023.

Technology market drivers and M&A

We follow up on some of the main technology trends and themes that will shape and disrupt businesses over the next decade. These include areas: Fintech, Autotech, Cybersecurity, Gaming, and Artificial Intelligence. Most of these are already USD 100bn+ markets growing at a solid pace. In this space we find a large and growing number of listed companies that offer interesting investment opportunities.

Slowdown in M&A activity in 2022…

The M&A activity in Redeye's tech universe decreased by more than 20% in 2022 compared to 2021. Gaming companies saw a significant slowdown in activity while the typical serial acquirers remained busier. Notably, the stock market sentiment clearly shifted from having a positive view on M&A in 2021 to a more conservative view in 2022. Still, activity was rather widespread with around 1/3 of our tech companies under coverage making acquisitions during the year.

…expected to continue in 2023

For 2023, we expect an overall decrease in M&A activity for the companies in Redeye´s Tech universe. We believe the gaming sector will likely have a more reserved M&A agenda in 2023 due to the pivoted focus on profitability and cost control and less attractive prospects for using rights issues to finance acquisitions. However, we expect the serial acquirers to remain active as price tags for unlisted companies will probably come down following the multiple contraction for listed companies.

Tech IPO's

Only 29 Nordic tech IPOs

In 2022, the strong IPO trend of 2020 and 2021 was abruptly disrupted. The number of Nordic tech companies listed decreased to 29, from 122 in 2021, whereas total capital decreased 95% to SEK 1.8bn from SEK 33.5bn in 2021. As in previous years, most of the companies are early stage with a median 2021 net sales of SEK 24m and still not profitable. However, in total, the companies listed in 2022 were similar, or slightly more mature (in terms of profitability) than the IPOs of 2020 and 2021.

On average poor relative performance after IPO

The performance of the listed tech companies was relatively poor. Only 28% of the companies yielded a positive absolute return over the year (42% in 2021), putting the average absolute return at minus 22% (5% in 2021), with a few high-performing outliers. Also, compared to OMX Nordic Small Cap Index, the median excess return was minus 23%, implying a weak relative performance for tech IPOs in 2022, thus continuing the poor relative performance trend for tech IPOs in 2021.

Market expectations for Tech companies

Widespread multiple contraction

In 2022, technology stocks broke the positive trend and suffered a decline from a strong sector performance in 2021. The S&P 500 ended the year down 19%, versus 29% for the S&P 500/Information Technology. The weak performance was primarily due to widespread multiple contractions mainly driven by interest rate hikes to combat rising inflation, leading to concerns about a future recession. The valuations decreased as all three regional groups (Global, Nordics and Sweden) showed positive EBITDA growth (R12M) with declining stock prices.

Mature tech companies outperformed the fast-growers

When looking at growth versus value, S&P 500 Growth (-28%) clearly underperformed S&P 500 Value (-7%). We see a similar story in two out of three of our regional groups mentioned in this report. Mature tech companies outperformed the fast-growers, which we find reasonable due to increased interest rates having a more impact on interest-sensitive fast-growing companies.

While 2021 continued with a solid performance in technology companies, 2022 was a year characterised by slower-growing tech companies' valuations shrinking the gap to the fast-growers. The valuation of maturing companies was also supported by deteriorating macroeconomic prospects, making investors prefer cash flows today rather than value that lies far into the future.

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.

In the screenings of last year's Tech Report, all strategies showed poor performance in the range of -41% down to -59% on average. This was well below the overall market performance (OMXS30 -16%), and also underperforming more comparable index's as OMX Stockholm Technology (-35%). The best performance was the GARP strategy. Interestingly, this strategy has been the best performing one in five out of the last six years.

Top tech picks 2023

- *Carasent*
- *Transtema*
- *W5 Solutions*

The companies with the worst performance were the ones with weak financial strength, many of which needed to raise more capital during the year. Growth Junkies and Deep Value were tied for second place, while Jockey Stocks came in last at -59%.

Our three top picks for 2023 are: Carasent, Transtema and W5 Solutions. Carasent is ranking high among Growth Junkies and Transtema likewise in the Deep Value category.

Redeye Top Picks portfolio

Top-Picks showed poor performance in 2022

Top Picks was down by 37% in 2022, while the comparative index OMXSPI declined 25%. Consequently, our portfolio underperformed the general index by 12 percentage points. Over a five-year period, however, Top Picks has returned around +190% compared to the OMXSPI index, which has gained about 40%. Thus, the portfolio outperformed by ~150 percentage points between the years 2018 to early 2023.

Our three top tech picks for 2022 underperformed the market as well and returned on average an abysmal -54%. The list was hit hard by a multiple contraction and one of the picks had to raise external capital at unfavorable terms compared to the base case. We hope and expect our new top tech picks to outperform the market going forward.

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. For 2023, our three top tech picks are: Carasent, Transtema and W5 Solutions.
Brief motivations are provided for these investment cases on page 58-59.

Technology Market Drivers and Themes

In this section we follow up on some of the main technology trends and themes that will shape and disrupt businesses over the next decade. These include areas: Fintech, Autotech, Gaming, Cybersecurity, and Artificial Intelligence. Most of these are already USD 100bn+ markets growing at a solid pace.
In this space we find a large and growing number of listed companies that offer interesting investment opportunities.

Fintech

Companies to watch

- *Westpay*
- *Qliro*
- *Savelend*
- *Avanza*
- *Nordnet*
- *Tessin*
- *Safello*
- *CoinShares*

The fintech market has multiple drivers for the future, making the space appealing and offering considerable growth potential, not only as standalone products but also as a service to other fintech companies and sectors. However, looking at last year in fintech, we can conclude the boom in 2021 has translated into a bust for several of the largest fintech companies, especially in terms of market capitalization. In 2022, the trend of rising valuations was interrupted – despite many companies continued to show high growth rates. For instance, Klarna's valuation increased from USD2.5bn in 2018 to USD45bn in 2021 – to eventually crash in 2022 to USD6.7bn in 2022. Although 2022 has been a tough year for the sector, the big trends are still there, and if we expand our view, the underlying tailwinds will continue for many years.

Democratizing Investing

Saving and investing have become much more accessible for people with modest funds. The cost of purchasing stocks, options, and ETFs has dropped considerably. While consumers have historically paid high flat fees or percentages on each trade, the fees have now been highly reduced and free of charge in some cases.

Another significant change is the availability of information about financial securities. An increasing number of companies are launching services that compile information for investors, such as Quartr. We also continue to see new players enter the market, and companies like Savr, Levler, Lysa, etc., are now challenging pioneers such as Avanza and Nordnet.

Cryptocurrency and Blockchain

Cryptocurrencies, i.e., digital money that is not backed by an economy (unlike FIAT currencies), had a tough year in 2022. The largest and most established cryptocurrency, Bitcoin, decreased by around 60% in 2022, and the volatility has been high throughout the year.

In recent years, the use and acceptance of cryptocurrencies have increased, and they have gained attention as an alternative to traditional FIAT currencies. However, the acceptance took a turn in 2022 after the crypto giant FTX's collapse and bankruptcy. The fall of FTX has marked the whole crypto market and demonstrated the lack of regulation within the field. The SEC and the Biden administration have indicated that more regulation should be expected – indicating that volatility will likely remain high in 2023.

The rapid declines of various cryptocurrencies have also been visible on the stock market, where the crypto giant, Coinbase's market capitalization decreased by approximately 85% in 2022.

Buy Now Pay Later

Payments and credit are becoming increasingly intertwined thanks to Buy Now Pay Later (BNPL), a phenomenon in which an increasing number of stakeholders are taking an interest. BNPL has gained the most traction within e-commerce thanks to properties such as receiving the product before paying. However, it has also led to some controversy. Essentially, BNPL companies benefit from consumers taking on debt rather than paying upfront. While credit cards are an alternative, they often have high interest rates and remain inaccessible for consumers with insufficient creditworthiness. BNPL will likely continue to be a hot topic in 2023, and some focus might shift to regulation. The regulating bodies will need to address questions such as 'to what extent can BNPL companies promote credit payments?'.

Autotech

Companies to watch

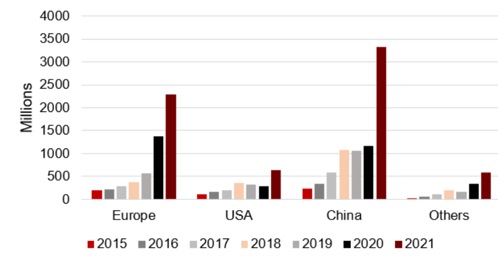
- *Gapwaves*
- *Smart Eye*
- *Acconeer*
- *Neonode*
- *Klimator*
- *Annotell*
- *Terranet*
- *Zaptec*
- *Garo*
- *Polestar*
- *Charge Amps*
- *ChargeNode*

The automotive market is currently in a tech revolution that has barely started. Most notably, the cars of the future will be electrified, autonomous, connected, smart, and shared.

Electrification

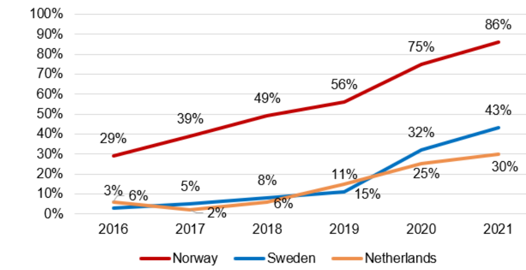
The demand for electric vehicles (EVs) is exploding in Europe and China. In the USA, we are finally starting to see some growth coming.

Electric car registrations per region, 2015-2021



Source: IEA, Redeye Research

Electric cars as % of total new cars sold, Europe's top-3



Source: IEA, Redeye Research

The number of EV new registrations as share of total new registrations is increasing rapidly – and is ahead of previous market estimates. In Europe, the share of EVs of all new cars has risen from only 3% in 2019 to a full 17% in 2021. Norway is leading the way in Europe (86%) with Sweden in second place (43%), after having passed the Netherlands in 2020.

In China, the share of EVs of all new cars was 5% already in 2018 – a level that was held intact until 2021. In 2021, growth finally took off and reached 16% – following a new ambitious five-year national plan from the Chinese government.

In the USA, the share of EVs of all new cars has been at an embarrassingly low level (2%) until 2021. In 2021, growth started to happen and EVs reached 5% of total new cars registered. A core reason why is that poor infrastructure is still a problem, except in California.

The installed base of EVs is expected to surpass 145 million by 2030 – up from 140m in last year's projection.

Smart connected cars

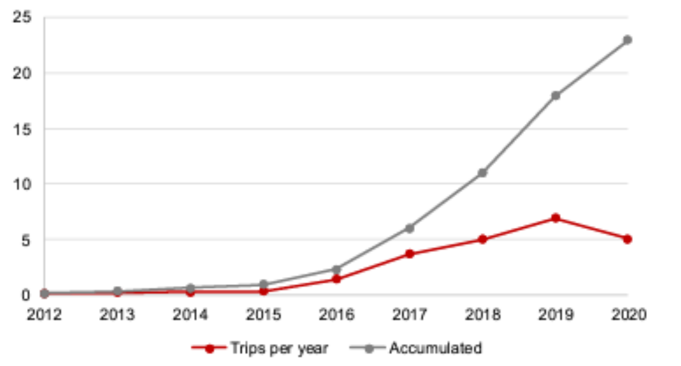
Cars are becoming connected "computers on wheels" as they get equipped with internet access/ W-LAN, allowing cars to communicate and share information. This opens endless opportunities for personalization, IoT, and driver-car interaction. One example is controlling household electronics from the vehicle, e.g., closing windows, the fridge telling the car that it is out of milk, and much more. The connected car market is expected to be worth over $200B globally in 2025.

Sharing economy & ridesharing

Owning a car will be less common in the future. Instead, cars will be shared and rented as a service. The market for so-called ride-hailing services (platforms connecting passengers with private drivers) is growing rapidly, albeit with a slight dip in 2020 due to Covid-19. One good illustration of this trend is the vertical takeoff in Uber rides. Uber reached 10 billion trips in 2018 and 23 billion by 2020. At the peak, before Covid-19 struck, almost 21 million Uber rides were made each day.

Continuous delays for self-driving cars

Uber: Number of trips (billion)



Source: Uber, Redeye Research

Safety-standard organizations worldwide are continuously mandating more technology to decrease the 1.2 million road fatalities and 50 million traffic injuries that occur every year. About 94 percent of these car crashes are related to human error. Essentially, all car OEMs are investing in autonomous car technologies.

However, self-driving cars are conquering the world slower than expected. Less than ten years ago, Elon Musk promised full autonomy by 2017 – so far we are not even close to this.

Most new cars still don't reach above Level 2 (autonomous speed and steering, but attention required) – incl. e.g. Tesla's Autopilot and Ford's Super Cruise. E.g. Audi and Honda working on Level 3 – complete control by car, but under very specific conditions (low speed, good weather, pre-approved roads).

Experts seem to agree on that Level 4 autonomy is most likely to first be adopted by long-haul trucks. The shortage of truck drivers is likely to be an important driving force. In 2030, Europe is estimated to reach 29% of L3 or higher of new vehicles sold. Fully automated cars, i.e., level 5, are expected to arrive in 2035, but only at a modest 1% share of all new cars sold. All this according to PwC Autofacts and Strategy&.

Gaming

Companies to watch

- *Embracer Group*
- *Remedy*
- *Enad Global 7*
- *G5 Entertainment*
- *Starbreeze*
- *Adverty*
- *Nitro Games*
- *Stillfront*
- *Media Games Invest*
- *Rovio*
- *Paradox Interactive*
- *Beyond Frames*
- *CI Games*
- *Flexion Mobile*
- *Fragbite Group*
- *MOBA Network*
- *Starbreeze*
- *Thunderful Group*
- *Zordix*
- *Mag Interactive*
- *Sozap*
- *MTG*

The gaming market has been growing consistently in the recent decade, in 2021 almost reaching three billion players, spending roughly USD193bn on games, up 8% versus 2020, according to Newzoo. The pandemic proved a catalyst for the entire industry, as people spent more time inside and found new ways to entertain themselves. Despite recording the highest growth in over a decade during 2020, the outlook for the industry remains exciting, with global spending expected to reach USD226bn by 2025, equivalent to a CAGR of 4%, according to Newzoo, spurred by an evergrowing PC/Console market, as well as a growing interest within VR/AR space and cloud gaming.

VR – the fastest-growing segment

The interest in VR gaming has accelerated in the last few years, driven by massive hardware investments from Meta. Oculus Quest two (by Meta) has sold over 10m units, and Sony will release its successor, PSVR2, in early 2023. That, combined with large hardware investments from other major players, such as Apple, will continue to drive the market. Newzoo, expect global VR games revenue to increase from USD1.4bn in 2021 to USD3.2bn in 2024. Supported by a growing number of VR headsets, more engaging I (premium IP-based) content, and a higher average revenue per player.

PC/Console pipeline in 2023 remains exciting – recession-proof?

As supply chain issues ease, more next-gen consoles will be available for players next year. Thus, a larger installed base of next-gen consoles drives demand for premium content such as AAA games. The pipeline of coming AAA games in 2023 is beyond exciting, with several new releases being pushed forward due to the lackluster of next-gen consoles. Thus, 2023 could be a tough year for indie and smaller games as players prioritize AAA premium games, especially in a year with lower disposable income.

Video gaming sales have been resilient in earlier recessions, particularly the premium segment for PC/console, as it offers attractive entertainment for a decent amount of money. Furthermore, the price of newly released games increases following the cycle of the next generation of consoles, according to Gamesindustry and Techraptor. In comparison, the price of new released console games was USD50 in 2001. In 2005 it reached USD60, while most recent games have seen a release price of USD70 on average. However, adjusting for inflation, video games have decreased in relative terms, and between 1977 and 2020, the average price declined by c2% per year, according to Gamesindustry and Techraptor. Thus, we particularly believe the premium segment handles an economic downturn.

New revenue sources to drive the e-sport market

The e-sports field of the overall gaming market grew in popularity during the pandemic, with the number of viewers hitting close to 500m in 2021. These viewers generated slightly more than USD1bn in revenues during 2021, equivalent to 0.5% of the total gaming market. The e-sports market is highly dependent on advertising, which represents c60% of total revenues. This is one of the major issues with monetization across the industry. However, monetization should improve based on new revenue sources such as loyalty programs and direct-to-fan models. The increase in revenue per viewer is expected to drive a 2021-2024e market CAGR of 14%.

Cybersecurity

Companies to watch

- *SSH.COM*
- *Enea*
- *Clavister*
- *Yubico*
- *Verisec*
- *Advenica*
- *Detectify*
- *Baffin Bay Networks*
- *F-Secure*
- *Cognosec*
- *Recorded Future*
- *Omada*
- *Unomaly*
- *BehavioSec*
- *COVR.*
- *PrimeKey*
- *Fingerprint Cards*
- *Bredband2*

The World Economic Forum lists cyberattacks as among the most likely and impactful risks in its Global Risks Report. Cybercrime is expected to inflict damage totalling USD8 trillion in 2023 and USD10 trillion in 2025, according to Cybersecurity Ventures. This growth is primarily based on increased state-sponsored and organized hacking activities and a greater cyberattack surface.

Ransomware attacks defied the odds and decreased in 2022 – Russia to blame

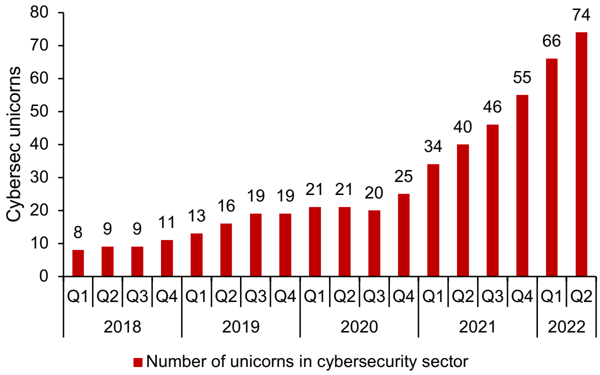
Most experts anticipated a rise in ransomware attacks in 2022. However, this was not the case. Instead, according to multiple sources, ransomware attacks decreased by up to 20% in 2022. The assumptions made in 2021 did not consider Russia's war in Ukraine, and our understanding is that this has had a material impact on the global cyberattack landscape. According to Chainanalysis's research, 74% of all money made through ransomware attacks in 2021 went to Russia-linked hackers. Many of these hackers have become preoccupied with the war, missing out on commercial ransomware opportunities overseas. The big question is what will happen to ransomware attacks once the war ends; will it bounce back to new all time highs, or will corporations have learnt their lessons?

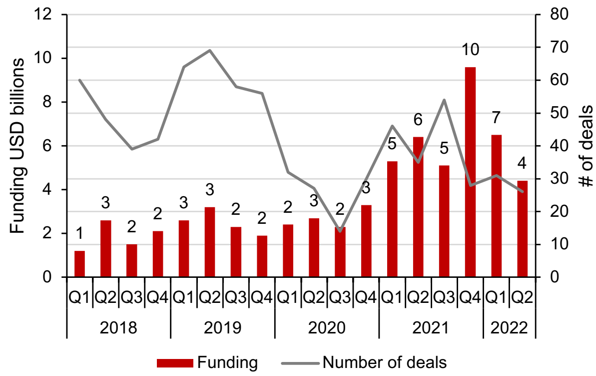
Manufacturing as the most targeted sector – break of trend

According to an IBM study, the manufacturing sector was the target of no less than 23% of all attacks. Perhaps, threat actors understand the critical role of manufacturing in global supply chains. Also, this sector has a low downtime tolerance, making it an attractive ransomware target. Previously, finance and insurance companies were the most targeted for consecutive years. This shift could result from the finance sector putting in strong countermeasures such as regulations, decades of investments in cybersecurity and being exposed to constant testing.

A growing number of unicorns, despite an M&A drop

The total number of cybersecurity unicorns amounted to 74 in Q2 2022, corresponding to +12% QoQ and +85% YoY. Of the eight new unicorns in Q2 2022, six were US-based. Moreover, 78% of all unicorns (58) are US-based. Some names are Abnormal Security, Vanta, and Nord Security. Cyber-security funding has increased rapidly, with Q4 2021 beating all previous records. However, both funding and deals have seen meaningful drops since. M&A deals are at the lowest since 2020. This is largely due to the uncertain macroeconomic outlook.





Source: CB Insights, Redeye

Artificial Intelligence

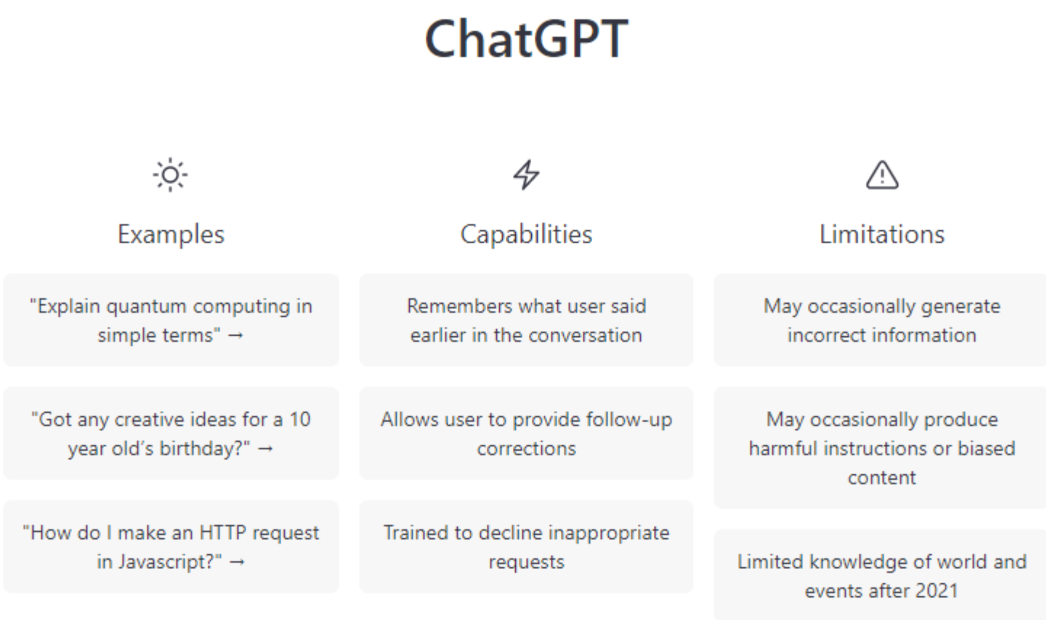
Companies to watch

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

Worldwide revenue from the AI software market is projected to reach USD150bn by 2025 and around USD350bn by 2028. Important to note is that AI, in this context, is a term used to describe various technologies. These include machine learning, computer vision, deep learning, and natural language processing. According to Tractica, the most significant revenue comes from AI for enterprise applications, including HR, security, communications, legal, marketing, and e-commerce.

ChatGPT – the future is here

Chat Generative Pre-trained Transformer, or ChatGPT, is a chatbot powered by artificial intelligence that allows users to have question-and-answer sessions. It can provide information on a wide range of topics and can be used to write critiques in a particular writer's style or debug code. ChatGPT has received widespread social media attention after gaining more than a million users in the five days following its release. ChatGPT is a product of OpenAI, a company that Tesla CEO Elon Musk backed in its early days as a nonprofit. Musk recently described ChatGPT as "scary good" and warned that we are not far from "dangerously strong AI." This shines the light on certain benefits of leveraging artificial intelligence and will likely drive interest in the conversational AI market.



Source: https://chat.openai.com/chat

Anticipating broader use of edge AI

Edge AI refers to using artificial intelligence at the edge of a network rather than in a central location. This type of AI can make common consumer devices context-aware through deep learning and potentially transform various industries, such as retail, manufacturing, and energy utilities. Edge-based AI is becoming more affordable due to the availability of lighter models and high-performance GPU computing. These intelligent devices can operate with less bandwidth and energy requirements because they use local context-based learning and only synchronize with central models at specific times. The adoption of edge AI is likely to increase in industries such as smart warehouses, manufacturing, and utilities as it can reduce the carbon footprint of AI and help meet sustainability goals. The lower data requirements of edge AI may also be beneficial in sectors like healthcare and finance, where data management is regulated.

M&A in Redeye's Tech Universe

- The M&A activity in Redeye's tech universe decreased by c23% in 2022 compared to 2021. Gaming companies saw a significant slow down in activity while the typical serial acquirers remained busier. Notably, the stock market sentiment clearly shifted from having a positive view on M&A in 2021 to a more conservative view in 2022. Still, activity was rather widespread with around 1/3 of our tech companies under coverage making acquisitions during the year.

- For 2023, we expect an overall decrease in M&A activity for the companies in Redeye´s Tech universe. We believe that the gaming sector will likely have a softer M&A agenda in 2023 due to the pivoted focus on profitability and cost control and a weaker currency in terms of using its own shares as payment. However, we expect the serial acquirers to remain active as price tags for unlisted companies will probably come down following the multiple contraction for listed companies.

M&A in Redeye's universe

In 2022 the total number of deals decreased by c23 % compared to 2021. In 2022 70 deals were carried out within Redeye´s Tech universe compared to 91 in 2021. It is worth mentioning that the number of companies within Redeye´s Tech universe has grown from c90 in 2021 to c100 in 2022. In summary, the M&A activity saw a decline in 2022, even though the base of companies in Redeye´s tech universe has grown by c10% during the same period. Of our c100 tech companies, 30 were acquired in 2022 compared to 35 in 2021.

In 2021 gaming was the leading subsector in deal volume, with over 40% of the total volume within Redeye´s tech universe. In 2022 we noted a substantial drawback in M&A within the sector with a c13% share of the total deal volume. Notable is that the giant within M&As, Embracer, acquired six targets in 2022 compared to 16 in 2021. Furthermore, the total deal value for Embracer went from SEK44bn in 2021 to SEK11.2bn in 2022.

Serial acquirers represented c35% of the total deal volume in 2022. 25 targets were acquired by Redeye's tech serial acquirers in 2022 compared to 16 in 2021. Both Addnode and Sdiptech increased their deal volume while Lagercrantz remained at the same high level with 9 acquisitions.

Notable is that tech companies outside the gaming and serial acquirer sectors that started their M&A journey in 2021 also continued on the same path in 2022. The stock market, however, shifted from having a positive view on M&A in 2021 to a more conservative view in 2022. We also noted a clear shift in focus from growth to profitability and cost control that likely held back M&A activity in 2022.

Global M&A trends in 2022

From a global perspective, the big players of 2021 continued to be the leading deal makers of 2022. The technology, media, and telecommunications sector have outperformed other industries—accounting for 30 percent of total deal value according to the McKinsey M&A Practice review of the global M&A market. The runners-ups, real estate and industrial, accounted for 13% and 11% of the total deal value. According to EY, "The centrality of technology in today's M&A market cannot be understated. The accelerating demand for cloud-based services, IT security, and enterprise software, which was a prominent driver of M&A in 2021, is showing no sign of slowing".

Global M&A activity in 2022 was in line with pre-pandemic levels, despite an increasingly challenging macroeconomic environment for M&A in 2022, with soaring inflation, rising interest rates, and a potential recession in the cards.

M&A activity in the first half of 2022 has reverted to historical averages previous to 2021. In July 2022, 22,000 deals with a total value amounting to USD 1.7tn were carried out. A very active M&A market, albeit a slowdown from the exceptional year that was 2021. In the first seven months (F7M) of 2022, deal volumes were down 13% compared to the same period in 2021, and total deal value decreased by 32%.

Some of the largest acquisitions the tech world has seen were announced in 2022, although deal values have declined more than volumes. The market seems strong for these megadeals (acquisitions over USD 10bn). The largest megadeals announced have been:

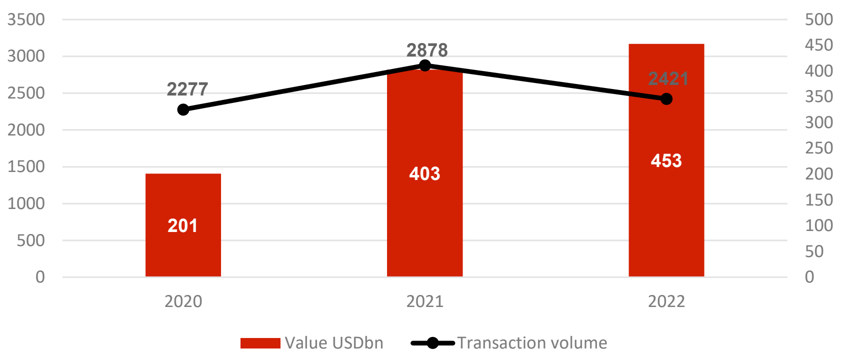
- Microsoft's acquisition of the gaming company Activision Blizzard, valued at USD 69bn. Which would be the largest technology acquisition ever if approved.
- Unilever's bid for GSK Consumer Healthcare, valued at USD 68bn. However, the bid has since been withdrawn.
- Broadcom's USD 61bn bid for VMware, a US-based cloud computing and virtualization technology company.

[1] https://www.mckinsey.com/capabilities/m-and-a/our-insights/global-m-and-a-market-slows-in-2022-first-half-but-shows-signs-of-strength
[2] https://www.ey.com/en_vn/news/2022/09/m-and-a-activity-remains-resilient-in-2022-but-further-shocks-could-derail-outlook

Global software M&A

The total transaction value within the global Software sector surprisingly increased from USD403b in 2021 to USD452b in 2022. However, the total transaction volume decreased by 16% during the same period.

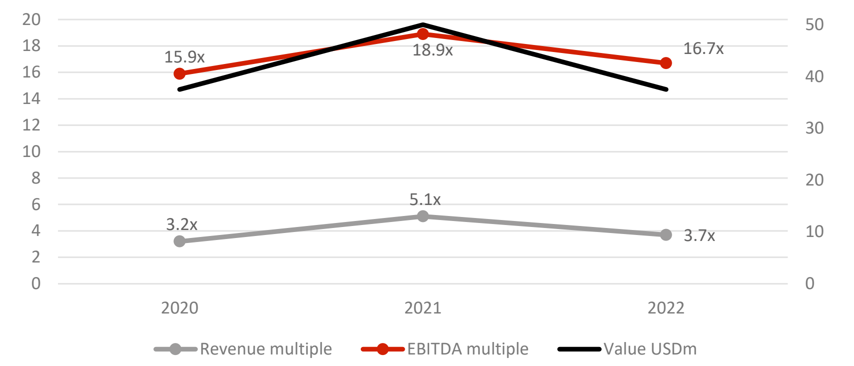
Global software M&A Market Dynamics



Source: Redeye Research, https://berkerynoyes.com

Moreover, the multiples in the sector came down in 2022. The median revenue multiple decreased from 5.1x in 2021 to 3.7x in 2022. The median EBITDA multiple declined from 18.9x in 2021 to 16.7x in 2022.

Global software Median Enterprise Value Multiples



Source: Redeye Research, https://berkerynoyes.com

[3] https://d3fbjrz68b519c.cloudfront.net/wp-content/uploads/2023/01/03205732/SoftwareFY2022.pdf

Outlook:

The world of M&A has been considerably more complex since we last published the Redeye Tech report in January 2022. Inflation has skyrocketed. The FED, amongst others, has raised interest rates leading to higher capital costs. In addition, geopolitical uncertainties have blossomed. With that said, global M&A activities have shown resilience in 2022, and Bain and Company predict that 2022 could reach US4.7t in deal value which would make it the second-best year on record (with 2021 as the record year).

We believe the market for megadeals will remain strong in 2023 despite the macroeconomic environment. Almost all the big tech companies have fortress balance sheets and enormous cash positions, which we believe they can put to good use if valuation multiples compress in both the public and private sectors.

For 2023, we expect an overall decrease in M&A activity for the companies in Redeye´s Tech universe 2023. We believe that the gaming subsector will likely have a softer M&A agenda in 2023 due to the pivoted focus on profitability and cost control. Valuations within the gaming sector have also compressed during 2022 leaving less room for M&A financed via equity raises. We noted an emerging trend in 2022 where the gaming companies increased their M&A financing via cash instead of equity, and we think this trend will continue in 2023.

However, we expect the Serial acquirers to have a slightly more aggressive M&A agenda for the following reasons:

- In 2022, the gap between the multiples for the non-listed companies and the listed companies was quite significant. We believe expectations on multiple levels for the non-listed companies are bound to compress in 2023 given the multiple contractions for the listed companies in 2022. That said, sellers and buyers can more likely meet and agree on terms leading to more deals.
- Many signs are pointing towards a recession; although we are not making any predictions, we can draw some conclusions from previous market setbacks. Challenging market times make an excellent opportunity for the more prominent and prudent players with healthy balance sheets to devour more troubled targets.

[4] https://www.bain.com/insights/global-m-and-a-report-midyear-2022/

M&A activity in Redeye's Tech universe

Acquirer	Target	Sales	Deal Size	Earnouts
Serial Acquirers				
Addnode	JBL	SEK15m		
Addnode	Descisive AS	SEK57m		
Addnode	Microdesk	SEK1062m	SEK480m	
Addnode	DESYS	SEK170m		
Addnode	Claytex	SEK25m		
Sdiptech	Mecno Service	SEK144m	Unknown	Unknown
Sdiptech	Patol Ltd & Linesense Fire Detection Ltd	SEK40m	Unknown	Unknown
Sdiptech	ELM	SEK249m	296.9	Unknown
Sdiptech	RDM	SEK174m	370.6	Unknown
Sdiptech	TEL	SEK65m	148.7	Unknown
Sdiptech	Agrosistemi	SEK94m	101.5	Unknown
Lagercrantz	Tykoflex	SEK140m	Unknown	Unknown
Lagercrantz	Agentuuri Neumann	SEK11m	Unknown	Unknown
Lagercrantz	Tebul Oy	SEK55m	Unknown	Unknown
Lagercrantz	Waterproof Diving International AB	SEK90m	Unknown	Unknown
Lagercrantz	Door and Joinery Solutions Limited	SEK54m	Unknown	Unknown
Lagercrantz	Stegborgs El-evator	SEK60m	Unknown	Unknown
Lagercrantz	PcP	SEK596m	494	Unknown
Lagercrantz	ARAS Security	SEK56m	Unknown	Unknown
Lagercrantz	Westmatic	SEK175m	Unknown	Unknown
Vitec	DocuBizz ApS	SEK27m	SEK57.9m	SEK17.8m
Vitec	Hotellinx Systems Oy	SEK18m	SEK43.8m	SEK0m
Vitec	Scanrate Financial Systems AS	SEK57m	SEK308.0m	SEK0m
Vitec	ABS Laundry Business Solutions	SEK203m	SEK861m	SEK215m
Vitec	Oy Raisoft Ltd	SEK50.2m	Unknown	Unknown
Gaming				
Embracer	**Eidos / Crystal Dynamics**	**2300**	**3000**	none
Embracer	Limited run games			
Embracer	Singtrix			
Embracer	Middle-earth Enterprises			
Embracer	Tuxedo Labs			
Embracer	Tripwire Interactive			
Embracer	**Total 5 transactions above**	**2350**	**8200**	**2200**
Flexion Mobile	Audiencly	EUR7.3	EUR9.3m	EUR10.7
Games Mobile ST LTD	Innova (EG7)	EUR25m	EUR21m	EUR14m
M.O.B.A. Network	LoLwiz		USD0.9m	
Media and Games Invest	Axes In Motion	EUR7.9m	EUR55m	EUR110m
Media and Games Invest	Dataseat	Unknown	High single digit GBPm	Unknown
Stillfront	6Waves	SEK755m	SEK1.7bn	SEK850m
Thunderful	Jumpship	SEK70m	GBP6m	GBP24m

M&A activity in Redeye's Tech universe

Acquirer	Target	Sales	Deal Size	Earnouts
Other				
Transtema	UBConnect	NOK440m	NOK93.9m	NOK90.6m
Transtema	Bäcks	SEK40m		
Transtema	North Projects	SEK30m		
Transtema	Tessta	NOK413m	NOK190m	NOK210m
Formpipe	Alkemit	SEK25m	SEK33m	
Fortnox	Cling Group	SEK2.2m		
Fortnox	Agoy It		SEK34.1m	
Hanza	Budelmann	SEK15m	SEK8m	SEK2m
Hexatronic	KNET	SEK694m	SEK656m	SEK219m
Hexatronic	Rochester	SEK567m	SEK605m	
Hexatronic	IDS	SEK162m	SEK170m	
Proact	Sepago	SEK159m	SEK127m	
Vertiseit	MultiQ	SEK150m	SEK197m	
Efecte	InteliWISE	EUR0.9m	EUR5.8m	
CombinedX	Redway	SEK35m	SEK26m	SEK8.4m
Tobii Dynavox	ASK	DKK8.5	DKK5.2	none
Tobii Dynavox	Safe Care Tech.	SEK9		none
Tobii Dynavox	Acapela Group	EUR21	EUR9.8	unknown
Carasent	Confrere	Est. NOK5.2m for Carasent	NOK5m	NOK5m
Carasent	HPI Health Profile Institute	SEK15.1m	SEK22m	SEK13m
Truecaller	CallHero	Unknown	SEK42.4m	SEK18.8m
Netmore	Redexia	Unknown	Unknown	Unknown
Netmore	Techtenna	Unknown	Unknown	Unknown
Gapwaves	Metasum	Unknown	Unknown	Unknown
Infracom	SysTech	SEK54m	SEK25m	SEK10m
Infracom	Trust-IT	SEK40m	SEK35m	SEK2.5m
Infracom	Quality of Service	SEK36m	SEK23.8m	SEK3m
Systemair	Tecnair LV S.p.A.	EUR12m	EUR15m	none
Systemair	SagiCofim S.p.A.	EUR36m	EUR33.6m	none
OXE Marine	Diesel Outboards and Outdoor Network Manufacturing	Unknown	USD10.8m	none
W5 Solutions	MR Target	SEK19m	SEK20m	SEK0m
Gaming Innovation Group	Sportnco	EUR9m	EUR70m	EUR23m
Gaming Innovation Group	Askgamblers	EUR17m	EUR45m	EUR0m
Better Collective	Futbin	EUR13m	EUR70m	EUR35m
Better Collective	Canada Sports Betting	EUR5m	EUR21m	EUR0m
Evolution	Nolimit City	EUR30m	EUR200m	EUR140m

Source: Redeye Research

Nordic Tech IPOs of 2022: A Review

- In 2022, the strong IPO trend of 2020 and 2021 was abruptly disrupted. The number of companies listed decreased to 29, from 122 in 2021, whereas total capital raised decreased 95% to SEK 1.8bn from SEK 33.5bn in 2021.

- The performance of the listed tech companies was weak. 28% of the companies yielded a positive absolute return over the year from their listing date, putting the average absolute return at -22%. Also, compared to OMX Nordic Small Cap Index, the median excess return was -23%, implying both poor absolute- and relative performance for tech IPOs in 2022.

The IPO-mania music stopped in 2022

IPOs covered

4C GROUP
ACAST
BAWAT
BEAMMWAVE
CINIS FERTILIZER
COMBINEDX
ENERGEIA
ENGCON
F-SECURE (DEMERGER FROM WITHSECURE)
HOI PUBLISHING
HUBBSTER GROUP
HYON
LEARNING TO SLEEP
LIFA AIR
LUMENRADIO
MY BEAT
NORDIC LIGHTS GROUP
NORDIC TECHNOLOGY
OCEAN GEOLOOP
ONEFLOW
RAILWAY METRICS AND DYNAMICS
REBELLE
SKOLON
SMART VALOR
SWEDEN BUYERSCLUB
TAMTRON
VULTUS
WASTE PLASTIC UPCYCLING
WITTED MEGACORP
ZAZZ ENERGY

The high IPO activity in 2020 and 2021 was abruptly disrupted in 2022. 29 tech companies were listed on the Nordic stock exchanges, of which 19 companies were listed in Sweden, 5 in Norway, 5 in Finland and 0 in Denmark. These numbers can be compared to the 122 tech companies listed in 2021, of which 66 companies in Sweden, 29 in Norway, 17 in Denmark and 10 in Finland.

70% of the IPOs (21 companies) took place in H1, relative to 30% in H2 (8 companies). Corresponding figures for H1'20 and H2'20 was 60% and 40% respectively - thus following 2021's seasonal IPO pattern where the majority of listings took place in H1 rather than H2. The largest subgroup among listed companies was once again Software (6 companies), followed by IT-Services, Electrical components, Internet retailers, and Pollution control (2 companies each).

The IPO market of 2022 has been greatly affected by global economic uncertainties, including high inflation, increasing interest rates, and the war in Ukraine – which in turn has caused volatile and declining stock markets – an environment that is not ideal for IPOs. As a result, we have seen a massive decline in the number of listed companies and capital raised. One could also argue that the listed companies have been slightly more mature (in terms of profitability) than in previous years, thus possibly indicating reduced risk appetite amongst investors.

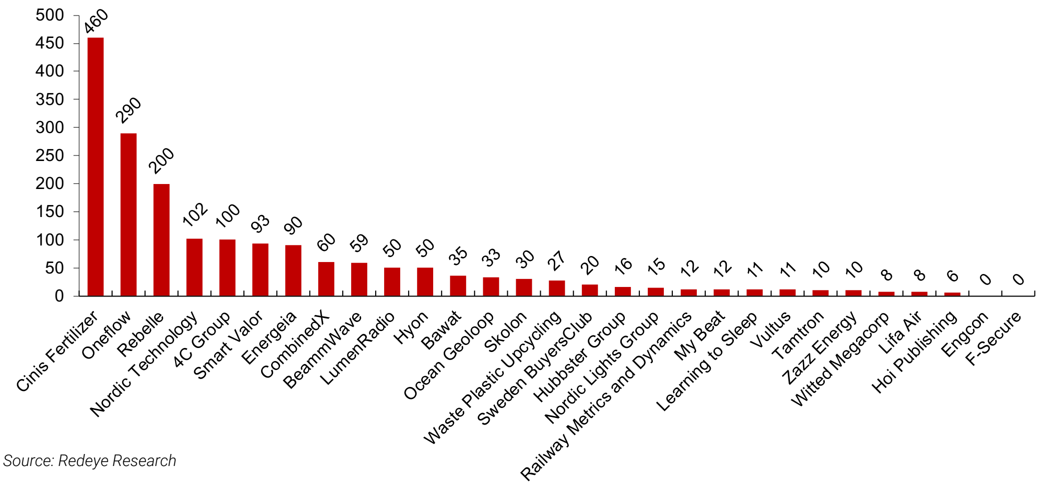
The Nordic Technology Index declined 40% in 2022, relative to the Nordic Small Cap Index, which declined 19% - while the median absolute return for companies going public in 2022 was -33%. Thus, tech companies continued last year's trend of underperformance relative index. The median excess return in 2022 was -12%, relative to -22% in 2021.

Capital raised

In total, the capital raised (from share issues in conjunction with the listing) in Nordic tech IPOs amounted to SEK 1.8bn, 95% lower than last year's SEK 33.5bn. The average capital raised was also significantly lower than last year, amounting to SEK 63m (SEK 274m in 2021), whereas the median was SEK 27m (SEK 83m in 2021). The average capital raised was affected by a few larger transactions, especially the listing of Cinis Fertilizer (SEK 460m), Oneflow (SEK 290m) and Rebelle (SEK 200m). Furthermore, we note 0 transactions raised over SEK 500m in 2022 relative to 26 such transactions in 2021.

The largest issues were made by Cinis Fertilizer (SEK 460m), Oneflow (SEK 290m), and Rebelle (SEK 200m).

Capital raised, SEKm

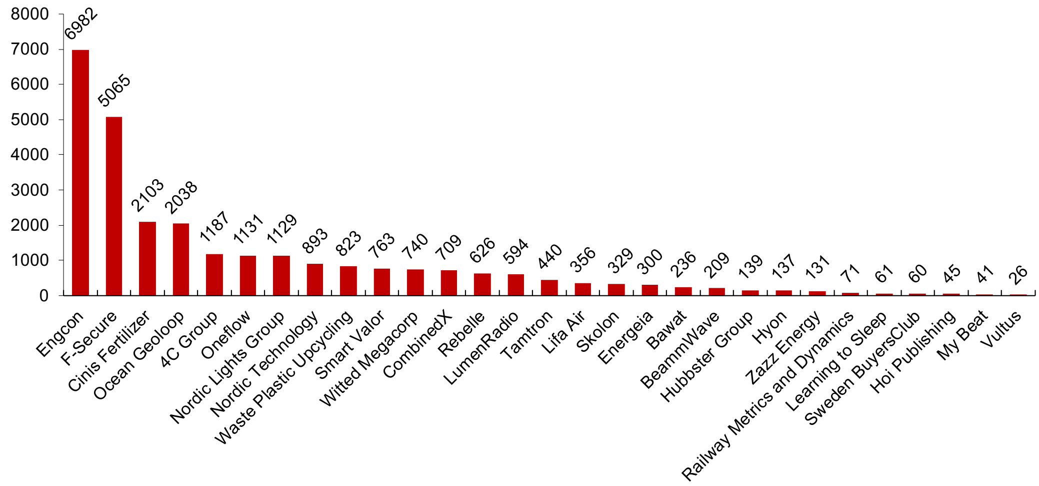


Source: Redeye Research

Valuations

The size of listed companies in 2022 was smaller than in 2021. The average post-money valuation amounted to SEK 944m (SEK 2,528m in 2021), and the median was SEK 440m (SEK 513m in 2021). The primary reason for this deviation is that only 7 companies (including the demerger of F-Secure) had a valuation above SEK 1bn in 2022, compared to 39 in 2021. The largest IPO, Engcon, had a post-money valuation of SEK 7bn. This can be put in relation to the largest IPO of 2021, Autostore, which amounted to SEK 100bn.

Post-money valuations, SEKm



Source: Redeye Research

The largest of the listed tech companies, based on post-money valuation, were Engcon (SEK 7.0bn), F-Secure (SEK 5.1bn, demerger from WithSecure), Cinis Fertilizer (SEK 2.1bn), and Ocean Geoloop (SEK 2.0bn).

Financials

An overview of the 2021 financials (last FY for IPO companies in 2022) tells us that, once again, most of the listed companies are early-stage companies. The average net sales was SEK 182m (SEK 205m in 2020), but a few outliers skew the average. The median reported net sales the year before the IPO was SEK 24m (SEK 35m in 2020). Hence, the median P/S'21 multiple, based on post-money valuation, was 6.5x (10.7x in 2020) if we exclude firms with no net sales.

The average EBIT was SEK 27.9m (SEK -0.7m in 2020), whereas the median amounted to SEK –2.0m (SEK –3.5m in 2020). The companies also reported an average net income of SEK 18.6m (SEK -11.3m in 2020), with a median net income of SEK-3.0m (SEK -4.3m in 2020). We can conclude that the companies listed in 2022 were somewhat more profitable in terms of margins than the year before, but also that a few outliers skew the average. For instance, Engcon's and F-Secure's total EBIT amounted to SEK 770m, relative to the other IPO companies' total of SEK 42m.

ing 2021, 21% of the listed companies reported positive EBIT and earnings, compared to 38% in 2022. Based on post-money valuation, the implied median P/E'21 was 28x (57x in 2020), given that we only include companies that made a profit. The lower valuation multiples result from the global declining- and volatile stock markets in 2022, following global economic uncertainties such as high inflation, increasing interest rates, and Russia's war in Ukraine.

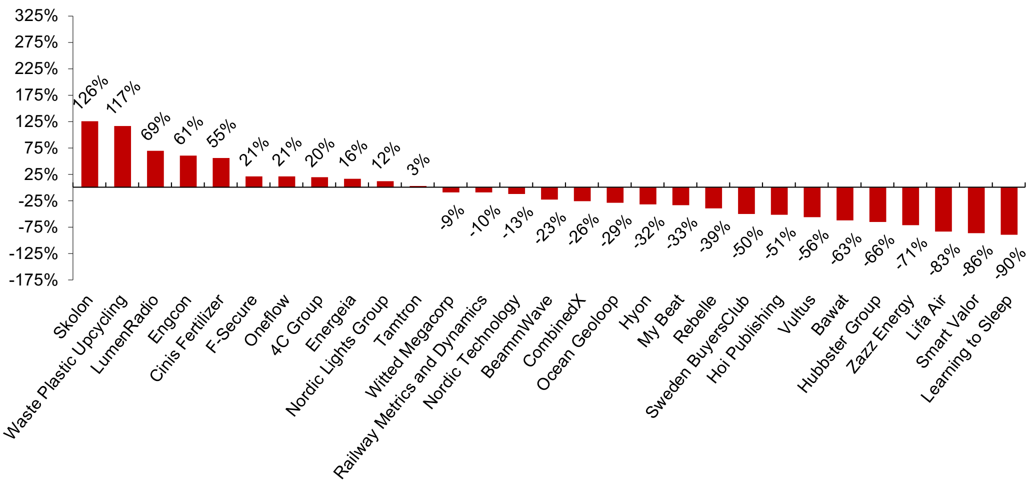
Share performance

The absolute performance of tech IPOs was worse in 2022 compared to 2021, and the underperformance relative to OMX Nordic Small Cap Index continued. Therefore, the trend from last year was prolonged, where tech IPOs also underperformed in relative terms.

The average absolute return of the listed companies was -22% in 2022 from the effective listing date to year-end. However, again a few strong outperformers skewed the average, putting the median at -33%. 28% of the companies generated a positive return if held from the first trading day to the end of the year, compared to 42% last year. We note that 6 companies traded within +/- 20% of the offered price at IPO at year-end.

The average excess return amounted to -11%, with a median excess return of -23%. Here we use the OMX Nordic Small Cap Index as a benchmark. We conclude that tech IPOs, like last year, continued to underperform in relative terms compared to index. For the full year 2022, the OMX Nordic Small Cap Index declined by -19%. 38% of the listings managed to generate a positive excess return from the date of listing when compared to index, which is very similar to the 36% from the last year.

Excess returns, %



Source: Redeye Research

The best performing shares in comparison to the benchmark were Skolon (126%), Waste Plastic Upcycling (117%), LumenRadio (69%), and Engcon (61%). The worst performing shares in comparison to the benchmark were Learning to Sleep (-90%), Smart Valor (-86%), Lifa Air (-83%), and Zazz Energy (-71%).

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

Market expectations for Tech companies

In 2022, technology stocks broke the positive trend and suffered a decline from a strong sector performance in 2021. The S&P 500 ended the year down 19%, versus 29% for the S&P 500/Information Technology. The weak performance was primarily due to widespread multiple contractions mainly driven by interest rate hikes to combat rising inflation, leading to concerns about a future recession. The valuations decreased as all three regional groups (Global, Nordics and Sweden) showed positive EBITDA growth (R12M) with lowered stock prices.

When looking at growth versus value, S&P 500 Growth (-28%) clearly underperformed against S&P 500 Value (-7%). We see a similar story in two out of three of our regional groups mentioned in this report, as mature tech companies outperformed the fast-growers, which we find reasonable due to increased interest rates having a more significant effect on interest-sensitive fast-growing companies.

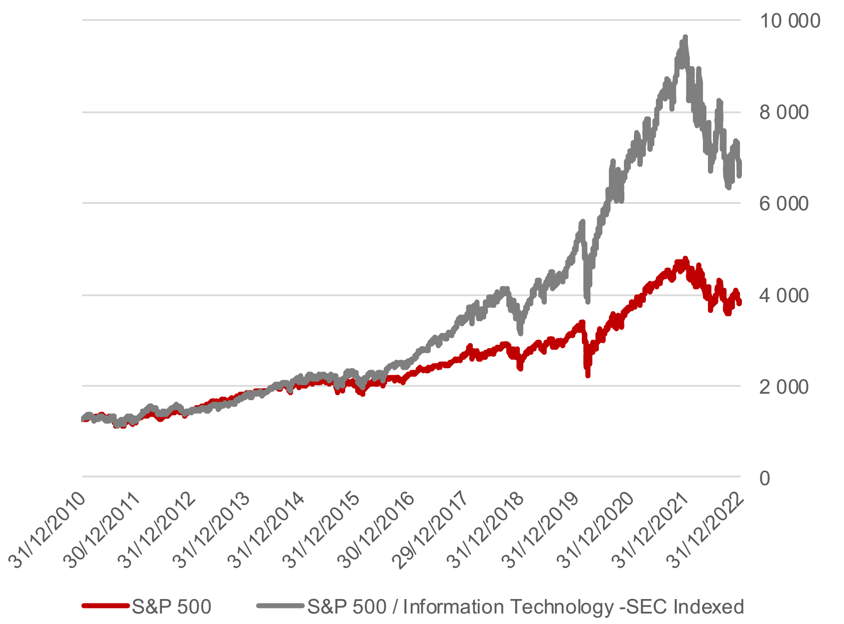
While 2021 continued with a solid performance in technology companies, 2022 was a year characterised by slower-growing tech companies' valuations shrinking the gap to the fast-growers. The valuation of maturing companies was also supported by the worsened macroeconomic prospects, making investors prefer cash flows today rather than value that lies far into the future.

Sector Performance

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

Compared to 2021, 2022 saw a more volatile market both for the broader S&P 500 index as well as the S&P 500 Information Technology. Tech stocks had a tough sentiment during the year and lagged the performance of the S&P 500 from the start to the end of the year, although both indices saw a negative development. S&P 500 Information Technology ended the year approximately 10%-points below S&P 500, with a negative performance of roughly 29% compared to a negative of about 19% for the S&P 500.

S&P 500 vs.S&P 500 / Information Technology -SEC Indexed 2011-2022



Source: Redeye Research, Factset

Looking at the different sectors in the S&P 500, Energy was the strongest-performing sector, which saw an increase of 59% in 2022, which was 78%-points above the S&P 500. In contrast, Information Technology (and Real Estate) saw a weak performance relative to its sector colleagues, with a negative performance of 29% in 2022, which was ~9%-points below the S&P 500.

Sectors	Performance	Delta to S&P 500
Energy	59.0%	78.5%
Real Estate	-28.4%	-9.0%
IT	-28.9%	-9.5%
Financials	-12.4%	7.1%
S&P 500	-19.4%	0.0%
Materials	-14.1%	5.4%
Health Care	-3.6%	15.9%
Industrials	-7.1%	12.3%
Consumer Staples	-3.2%	16.3%
Utilities	-1.4%	18.0%

Source: Redeye Research, Factset

Looking at relevant currencies, the USD strengthened against the SEK and EUR in 2022 by 15% and 7%, respectively. At the same time, the EUR has strengthened against the SEK by 8%. We find this reasonable for a year like 2022, with a worsened macroeconomic outlook, which generally tends to strengthen the most prominent currencies, as people tend to "fly to quality".

Currencies	Performance
USD/SEK	15%
USD/EUR	7%
EUR/SEK	8%

Source: Redeye Research, Factset

We have selected the top 25 technology companies, measured in market capitalization globally, in the Nordics, and in Sweden. The tech companies in our selection are separated into two groups; more mature companies, defined as those with expected sales growth below 10% and fast growers with sales expected to show double-digit growth.

We include market cap-weighted means in our tables. However, since a handful of players account for the majority of the total market cap (Microsoft, Alphabet and Apple on the global list, as well as Nokia and Ericsson on the Nordic and Swedish lists), 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.

The strongest-performing global technology stocks in 2022 were IBM (10%), Oracle (-6%), Texas Instruments (-10%), Tata Consultancy Services (-12%) and Broadcom (-13%), all found in the group of maturing companies. The high grade of multiple expansions pre-2022 suggests that more mature companies with more modest growth, i.e., lower median valuations (Group 2), performed stronger in 2022 than the faster-growing companies in our global space. Salesforce had the highest EBITDA growth, and as the share did not outperform its growth figures, its multiples have decreased compared to one year ago.

The global companies are showing higher growth in EBITDA R12M than sales. According to Factset consensus, the EBITDA margins are expected to continue to be higher than last year while the growth prospects are slightly lowered. As such, the performance during the year is mainly explained by reduced valuations, as the earnings estimates are expected to stay relatively steady compared to last year. Among the worst-performing global technology stocks in 2022 are players like Meta (-65%), AMD (-55%), Netflix (-52%), Nvidia (-51%) and Salesforce (-48%), which have been some of the big post-COVID 19 winners while seeing considerable multiple contractions in 2022.

Largest Global Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap	Share pr.	P/E		EV/EBITDA		EV/S		CAGR grow.	EBITDA	Growth R12M	
		USD bn	1 yr ch.	22e	23e	22e	23e	22e	23e	sales 22e–24e	avr. 22e–24e	EBITDA	Sales
Group 1: Fast growers (10 % or more)													
Microsoft Corporation	Packaged Software	17 877	-29%	25	21	17	15	8.4	7.4	10%	49%	6%	7%
Alphabet Inc. Class A	Internet Software/Services	10 670	-40%	19	14	9	8	3.6	3.2	11%	39%	22%	6%
Tencent Holdings Ltd.	Internet Software/Services	4 095	-22%	25	18	16	14	5.1	4.5	11%	32%	15%	1%
Taiwan Semiconductor Manufacturing Co., Ltd.	Semiconductors	3 784	-25%	12	10	7	6	4.6	3.9	13%	69%	16%	16%
NVIDIA Corporation	Semiconductors	3 595	-51%	45	26	26	24	12.5	10.3	15%	43%	31%	-5%
ASML Holding NV	Semiconductors	2 168	-26%	38	23	23	19	8.5	7.4	17%	36%	34%	28%
Adobe Incorporated	Packaged Software	1 565	-41%	22	19	17	15	8.2	7.3	11%	48%	36%	10%
Salesforce, Inc.	Packaged Software	1 326	-48%	27	19	12	12	3.9	3.5	12%	31%	105%	10%
Intuit Inc.	Packaged Software	1 093	-39%	28	25	21	18	8.2	7.3	11%	39%	72%	9%
Advanced Micro Devices, Inc.	Semiconductors	1 044	-55%	18	14	13	10	3.7	3.2	10%	30%	12%	5%
Weighted mean: group 1		**10 349**	**-34%**	**25**	**19**	**15**	**13**	**6.8**	**5.9**	**11%**	**45%**	**20%**	**7%**
Mean: group 1		**4 722**	**-38%**	**26**	**19**	**16**	**14**	**6.7**	**5.8**	**12%**	**42%**	**35%**	**9%**
Median: group 1		**2 881**	**-39%**	**25**	**19**	**16**	**14**	**6.6**	**5.9**	**11%**	**39%**	**26%**	**8%**
Group 2: Maturing companies (less than 10 % growth)													
Apple Inc.	Telecommunications Equipment	20 669	-27%	21	19	17	16	5.5	5.1	4%	32%	-3%	2%
Meta Platforms Inc. Class A	Internet Software/Services	2 714	-65%	13	12	6	5	2.6	2.3	8%	42%	9%	-1%
Samsung Electronics Co., Ltd.	Telecommunications Equipment	2 939	-27%	10	10	4	3	0.9	0.8	3%	26%	-30%	-6%
Broadcom Inc.	Semiconductors	2 337	-13%	14	13	12	11	7.5	7.2	5%	64%	15%	6%
Oracle Corporation	Packaged Software	2 204	-6%	17	13	11	10	5.8	5.4	7%	51%	42%	11%
Cisco Systems, Inc.	Information Technology Services	1 957	-23%	13	12	10	9	3.5	3.3	5%	36%	22%	5%
Accenture Plc Class A	Information Technology Services	1 757	-35%	23	21	14	13	2.6	2.4	6%	18%	7%	5%
Texas Instruments Incorporated	Semiconductors	1 499	-10%	18	19	15	14	8.3	7.7	-1%	55%	-16%	-9%
Tata Consultancy Services Limited	Information Technology Services	1 442	-12%	29	23	18	16	4.8	4.4	10%	27%	13%	13%
Netflix, Inc.	Internet Software/Services	1 312	-52%	29	22	21	17	4.3	3.8	9%	21%	-69%	5%
International Business Machines Corporation	Information Technology Services	1 274	10%	15	14	11	11	2.8	2.7	2%	25%	14%	-1%
SAP SE	Packaged Software	1 264	-20%	22	16	13	12	3.9	3.6	8%	29%	42%	8%
QUALCOMM Incorporated	Semiconductors	1 232	-39%	11	9	9	7	3.3	3.0	1%	41%	-4%	-9%
S&P Global, Inc.	Financial Publishing/Services	1 091	-28%	30	23	19	17	9.1	8.3	7%	47%	36%	17%
Intel Corporation	Semiconductors	1 091	-47%	13	11	6	5	2.0	1.9	1%	33%	-10%	-14%
Weigthed mean: group 2		**10 601**	**-27%**	**19**	**17**	**14**	**13**	**4.8**	**4.5**	**5%**	**35%**	**1%**	**2%**
Mean: group 2		**2 986**	**-26%**	**19**	**16**	**12**	**11**	**4.5**	**4.1**	**5%**	**37%**	**5%**	**2%**
Median: group 2		**1 499**	**-27%**	**17**	**14**	**12**	**11**	**3.9**	**3.6**	**5%**	**33%**	**9%**	**5%**
Weighted mean (total)		**12 067**	**-17%**	**11**	**18**	**15**	**13**	**5.8**	**5.2**	**8%**	**40%**	**11%**	**5%**
Mean (total)		**3 680**	**-31%**	**22**	**17**	**14**	**12**	**5.3**	**4.8**	**8%**	**39%**	**17%**	**5%**
Median (total)		**1 757**	**-28%**	**21**	**18**	**13**	**12**	**4.6**	**3.9**	**8%**	**36%**	**15%**	**5%**

Source: Redeye Research, Factset

Nordic technology companies

The table below lists the 25 largest Nordic tech companies by market cap size.

Nordic technology companies are similarly valued as their global peers on EV/EBITDA, however, valued higher on P/E's but lower on EV/S multiples. The Nordic group are expected to grow faster than the global companies but with lower EBITDA margins.

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

Nordics tech stocks have had a similar performance to their global peers, mainly due to the fact that they are all facing same new challenges: inflation, interest rates etc. Like the global peers, the maturing companies had better performance than the fast growers, but the Nordic fast growers had an even worse performance than the global fast growers. Fast growers returned a median performance of a negative of 45% in 2022, compared to the maturing companies' negative 26%, resulting in the group as a whole returning a negative 35%.

2022 was a weak year for Nordic tech stocks, especially the fast growers. Like its global peers, the poor performance was driven by multiple contracts. For example, the median of the one-year forward EV/EBITDA multiple is approximately 30% lower than last year. The mature tech companies have overperformed their fast-growing peers by 19%-points but still with negative performance and worse performance than the last year. Notably, the weighted mean is heavily influenced by Nokia's and Ericsson's returns of a negative of 19% and 35%, respectively.

Generally, we believe that technology companies targeting consumers have had a challenging 2022. However, within our Nordic tech companies' selection, the outcome has been more outspread among different types of players. For example, the top five performances are found in different sectors targeting various customer groups (Hexatronic 39%, MTG 29%, Paradox 18%, TietoEVRY 4%, Mycronic -5%), and we find few similarities in the reason why they had the highest return the past year, believing it was more of company-specific circumstances. Among the worst-performing Nordic technology stocks, we find players like Truecaller (-69%), Qt Group (-68%), Kahoot (-58%), GN Store Nord (-58%) and Viaplay Group (-57%), which contains both big post-COVID 19 winners as well as significant shares of B2C sales for some of them.

Largest Nordic Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap	Share pr.	P/E		EV/EBITDA		EV/S		CAGR grow.	EBITDA	Growth R12M	
		SEK bn	1 yr ch.	22e	23e	22e	23e	22e	23e	sales 22e–24e	avr. 22e–24e	EBITDA	Sales
Group 1: Fast growers (10 % or more)													
Truecaller AB Class B	Packaged Software	10	-69%	23	12	11	8	4.4	3.2	39%	42%	22%	37%
Hexatronic Group AB	Electronic Components	28	39%	38	22	18	15	3.3	2.7	30%	19%		
Fortnox AB	Packaged Software	28	-20%	81	43	37	28	17.7	13.8	29%	48%	40%	29%
Kahoot ASA	Packaged Software	10	-58%	433	24	22	13	5.0	4.0	26%	23%	320%	51%
Qt Group Plc	Packaged Software	12	-68%	34	22	22	16	6.1	4.8	25%	28%	27%	27%
Nordic Semiconductor ASA	Semiconductors	32	-45%	27	18	13	11	3.2	2.6	20%	25%	15%	28%
Viaplay Group AB Class B	Cable/Satellite TV	15	-57%	293	11	23	8	0.9	0.8	18%	5%		29%
Vitec Software Group AB Class B	Information Technology Services	14	-27%	47	32					18%	38%	30%	27%
Crayon Group Holding ASA	Information Technology Services	9	-43%	34	14					17%	10%	49%	-49%
Hemnet Group AB	Internet Software/Services	12	-21%	42	28	27	23	13.8	11.9	15%	51%	7%	15%
Paradox Interactive AB	Packaged Software	22	18%	30	26	13	12	9.1	8.2	14%	69%		
Embracer Group AB Class B	Packaged Software	54	-49%	8	7	5	4	1.6	1.4	12%	30%	96%	100%
Adevinta ASA	Advertising/Marketing Services	78	-45%	35	21	15	12	5.5	4.9	12%	37%	29%	18%
Weighted mean: group 1		**40**	**-33%**	**58**	**20**	**15**	**12**	**5.4**	**4.5**	**19%**	**34%**	**42%**	**32%**
Mean: group 1		**25**	**-34%**	**87**	**21**	**19**	**14**	**6.4**	**5.3**	**21%**	**32%**	**63%**	**28%**
Median: group 1		**15**	**-45%**	**35**	**22**	**18**	**12**	**5.0**	**4.0**	**18%**	**30%**	**30%**	**28%**
Group 2: Maturing companies (less than 10 % growth)													
BYGGFAKTA GROUP Nordic HoldCo AB	Financial Conglomerates	9	-36%	27	21	14	12	5.0	4.6	9%	35%	17%	13%
Addnode Group AB Class B	Information Technology Services	12	-7%	27	22	17	16	2.2	2.0	8%	13%		
Modern Times Group MTG AB Class B	Financial Conglomerates	11	29%	17	14	4	4	1.0	1.0	8%	23%		
GN Store Nord A/S	Telecommunications Equipment	31	-58%	16	10	11	9	1.9	1.7	7%	17%		
HMS Networks AB	Information Technology Services	15	-38%	35	32	23	22	6.5	6.2	6%	28%	18%	11%
Nolato AB Class B	Electronic Production Equipment	13	-48%	20	15	10	9	1.4	1.3	5%	14%	-4%	-7%
Telefonaktiebolaget LM Ericsson Class B	Telecommunications Equipment	196	-35%	10	8	5	5	0.7	0.7	5%	15%	0%	12%
Mycronic AB	Industrial Machinery	18	-5%	25	23	16	14	3.5	3.3	4%	22%		4%
NCAB Group AB	Electronic Components	12	-24%	26	25	19	18	2.8	2.7	4%	15%	8%	7%
Atea ASA	Information Technology Services	13	-27%	15	12	8	7	0.3	0.3	4%	4%		
Nokia Oyj	Telecommunications Equipment	260	-19%	11	9	6	5	0.9	0.9	3%	16%	5%	6%
TietoEVRY Oyj	Information Technology Services	34	4%	12	11	8	8	1.3	1.3	2%	16%	-3%	4%
Weigthed mean: group 2		**176**	**-25%**	**13**	**11**	**7**	**7**	**1.2**	**1.2**	**4%**	**16%**	**3%**	**7%**
Mean: group 2		**52**	**-22%**	**20**	**17**	**12**	**11**	**2.3**	**2.2**	**5%**	**18%**	**6%**	**6%**
Median: group 2		**14**	**-26%**	**19**	**15**	**10**	**9**	**1.7**	**1.5**	**5%**	**16%**	**5%**	**6%**
Weighted mean (total)		**37**	**-33%**	**28**	**14**	**10**	**8**	**2.6**	**2.3**	**9%**	**22%**	**16%**	**16%**
Mean (total)		**38**	**-28%**	**55**	**19**	**15**	**12**	**4.3**	**3.7**	**14%**	**26%**	**40%**	**19%**
Median (total)		**15**	**-35%**	**27**	**21**	**14**	**12**	**3.2**	**2.7**	**12%**	**23%**	**18%**	**15%**

Source: Redeye Research, Factset

Swedish technology companies (and companies listed in Sweden)

The table below lists the 25 largest Swedish tech companies by market cap size.

The Swedish technology companies are valued slightly lower on EV/S and EV/EBITDA multiples than both global and Nordic companies and higher than global peers while similar to the Nordic peers based on the P/E multiple.

Notably, the Swedish technology companies have seen the opposite result in relation to how their global and Nordic Peers have performed; maturing has had more negative returns than the fast growers, although both groups saw clearly negative returns in 2022. The fast growers achieved a median return of minus 24% compared to the maturing companies' minus 35%, outperforming the latter with 11%-points during the year.

As many Swedish tech companies are found in the Nordic group of tech companies, we find it interesting that the Swedish technology companies saw a different outcome than the other two groups. The reason for this is that four out of the five top performances are found in the fast growers' group, such as MilDef Group (56%), Hexatronic (39%), Paradox (18%) and Invisio (-1%). However, also three out of the five worst performances were found in that group, including Truecaller (-69%), Storytel (-72%) and Viaplay (-57%).

Largest Swedish Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap	Share pr.	P/E		EV/EBITDA		EV/S		CAGR grow.	EBITDA	Growth R12M	
		SEK bn	1 yr ch.	22e	23e	22e	23e	22e	23e	sales 22e–24e	avr. 22e–24e	EBITDA	Sales
Group 1: Fast growers (10 % or more)													
Truecaller AB Class B	Packaged Software	10	-69%	23	12	11	8	4.4	3.2	39%	42%	22%	37%
MilDef Group AB	Computer Processing Hardware	3	56%	101	31	18	17	2.8	2.5	31%	14%		
Hexatronic Group AB	Electronic Components	28	39%	38	22	18	15	3.3	2.7	30%	19%		
Fortnox AB	Packaged Software	28	-20%	81	43	37	28	17.7	13.8	29%	48%	40%	29%
INVISIO AB	Telecommunications Equipment	7	-1%	176	42	40	27	7.7	6.4	26%	18%		
Viaplay Group AB Class B	Cable/Satellite TV	15	-57%	293	11	23	8	0.9	0.8	18%	5%		29%
Vitec Software Group AB Class B	Information Technology Services	14	-27%	47	32					18%	38%	30%	27%
Hemnet Group AB	Internet Software/Services	12	-21%	42	28	27	23	13.8	11.9	15%	51%	7%	15%
Paradox Interactive AB	Packaged Software	22	18%	30	26	13	12	9.1	8.2	14%	69%		
Better Collective A/S	Information Technology Services	7	-34%	12	8	8	7	2.8	2.4	14%	33%		
Storytel AB Class B	Publishing: Books/Magazines	3	-72%		51	12	7	0.8	0.7	13%	6%		
Embracer Group AB Class B	Packaged Software	54	-49%	8	7	5	4	1.6	1.4	12%	30%	96%	100%
Weighted mean: group 1		**28**	**-21%**	**58**	**22**	**16**	**12**	**5.8**	**4.8**	**20%**	**35%**	**35%**	**37%**
Mean: group 1		**17**	**-20%**	**77**	**26**	**19**	**14**	**5.9**	**4.9**	**22%**	**31%**	**39%**	**39%**
Median: group 1		**13**	**-24%**	**42**	**27**	**18**	**12**	**3.3**	**2.7**	**18%**	**33%**	**30%**	**29%**
Group 2: Maturing companies (less than 10 % growth)													
BYGGFAKTA GROUP Nordic HoldCo AB	Financial Conglomerates	9	-36%	27	21	14	12	5.0	4.6	9%	35%	17%	13%
Addnode Group AB Class B	Information Technology Services	12	-7%	27	22	17	16	2.2	2.0	8%	13%		
Stillfront Group AB	Packaged Software	9	-58%	6	5	4	4	1.5	1.5	8%	37%		16%
Modern Times Group MTG AB Class B	Financial Conglomerates	11	29%	17	14	4	4	1.0	1.0	8%	23%		
Knowit AB	Miscellaneous Commercial Services	5	-44%	13	11	8	8	0.9	0.8	7%	11%		
HMS Networks AB	Information Technology Services	15	-38%	35	32	23	22	6.5	6.2	6%	28%	18%	11%
Profoto Holding AB	Electronics/Appliances	4	-10%	19	18	12	11	4.2	3.9	5%	35%		
Nolato AB Class B	Electronic Production Equipment	13	-48%	20	15	10	9	1.4	1.3	5%	14%	-4%	-7%
Telefonaktiebolaget LM Ericsson Class B	Telecommunications Equipment	196	-35%	10	8	5	5	0.7	0.7	5%	15%	0%	12%
Mycronic AB	Industrial Machinery	18	-5%	25	23	16	14	3.5	3.3	4%	22%		4%
NCAB Group AB	Electronic Components	12	-24%	26	25	19	18	2.8	2.7	4%	15%	8%	7%
Dustin Group AB	Electronics Distributors	4	-59%	9	7	8	7	0.4	0.4	3%	5%	-10%	-1%
NOTE AB	Electronic Production Equipment	5	-21%										
Weighted mean: group 2		**127**	**-31%**	**14**	**12**	**8**	**7**	**1.5**	**1.4**	**5%**	**17%**	**1%**	**9%**
Mean: group 2		**24**	**-27%**	**20**	**17**	**12**	**11**	**2.5**	**2.4**	**6%**	**21%**	**5%**	**7%**
Median: group 2		**11**	**-35%**	**19**	**16**	**11**	**10**	**1.9**	**1.7**	**6%**	**19%**	**4%**	**9%**
Weighted mean (total)		**26**	**-27%**	**32**	**16**	**11**	**9**	**3.2**	**2.7**	**11%**	**24%**	**14%**	**20%**
Mean (total)		**21**	**-24%**	**47**	**21**	**15**	**12**	**4.1**	**3.6**	**14%**	**26%**	**20%**	**21%**
Median (total)		**12**	**-27%**	**26**	**21**	**13**	**11**	**2.8**	**2.5**	**11%**	**23%**	**17%**	**14%**

Source: Redeye Research, Factset

Regional comparisons & concluding remarks

Comparing and summarising the three tables above, we first note that all tech groups (global, Nordic and Swedish) saw weak performances in 2022. The general winner in two out of three groups has been mature companies (global and Nordic tech), while we saw relatively stronger performance within fast growers (vs mature) in our Swedish tech universe. We believe that the result can partly be explained by current market conditions and outlook, leading to more substantial multiple contractions in fast-growing tech companies than in mature ones with a larger share of value (cash-flows) in the near term.

Average Valuation Multiples & Share Performance Per Region

Region	Share pr.	P/E		EV/EBITDA		EV/S	
	1 yr ch.	22e	23e	22e	23e	22e	23e
Leading Global Tech Companies	**-31%**	**21.5**	**17.1**	**14.0**	**12.4**	**5.3**	**4.8**
Fast growers	-38%	26.0	19.0	16.2	14.1	6.7	5.8
Maturing companies	-26%	18.6	15.8	12.5	11.2	4.5	4.1
Leading Nordic Tech Companies	**-28%**	**54.7**	**19.2**	**15.1**	**12.2**	**4.3**	**3.7**
Fast growers	-34%	86.6	21.4	18.7	13.6	6.4	5.3
Maturing companies	-22%	20.2	16.9	11.8	10.8	2.3	2.2
Leading Swedish Tech Companies	**-24%**	**47.2**	**21.4**	**15.4**	**12.4**	**4.1**	**3.6**
Fast growers	-20%	77.4	26.1	19.3	14.1	5.9	4.9
Maturing companies	-27%	19.5	16.8	11.8	10.9	2.5	2.4

Notably, we see some clear trends in the multiples across all three groups. First, all three groups have seen declining EV/S, EV/EBITDA and P/E forward multiples, except for the P/E multiples for 2022e in the Nordic and Swedish tech companies. However, it seems that the P/E multiple for 2022e has been influenced by some outliers, with three-digit P/E ratios included in the fast growers' figures for both the Nordic and Swedish groups. As such, when excluding those or looking at more normalised 2023e figures, we have seen multiples decline across the board for all three groups, which we find reasonable due to the overall weak share price performances in 2022.

Notably, the 2023e multiples have seen smaller decreases compared to 2022e, which we also find reasonable as long-term estimates contain more uncertainties. Furthermore, one can see that the 2023e P/E and EV/EBITDA ratios have, on average, decreased more than the share prices.

Changes From last year in Average Valuation Multiples

Region	P/E 22e (%)	P/E 23e (%)	EV/EBITDA 22e (%)	EV/EBITDA 23e (%)	EV/S 22e (%)	EV/S 23e (%)
Leading Global Tech Companies	**-52%**	**-46%**	**-42%**	**-39%**	**-36%**	**-34%**
Fast growers	-50%	-46%	-38%	-34%	-26%	-25%
Maturing companies	-27%	-33%	-38%	-41%	-37%	-37%
Leading Nordic Tech Companies	**71%**	**-52%**	**-55%**	**-46%**	**-23%**	**-23%**
Fast growers	116%	-64%	-66%	-59%	-16%	-15%
Maturing companies	-13%	-11%	-2%	-3%	-31%	-31%
Leading Swedish Tech Companies	**77%**	**-53%**	**-62%**	**-53%**	**-33%**	**-32%**
Fast growers	182%	-60%	-68%	-62%	-22%	-21%
Maturing companies	-24%	-19%	-12%	-13%	-32%	-31%

Source: Redeye Research, Factset

2022 was a year that investors got rewarded for holding mature or "value" tech companies, most prominently for the global and Nordic stocks. Generally, we have seen substantial underperformace in the corona winners, which are focused towards consumers, pushing down multiples of high-growing tech companies in 2022. Digitalisation has continued to take leaps forward while the consumers' post-COVID-19 behaviour has materialised as time has passed. However, a worsened macroeconomic outlook, with increased inflation and interest rates, gave rise to the investors being rewarded for holding less-riskier mature tech companies instead of the fast-growing ones, despite a negative performance across the board in 2022.

Looking forward, the market expects higher growth in Nordic and Swedish companies, which makes sense as these companies are generally smaller than global companies. However, the global companies are expected to have higher EBITDA margins than their Nordic and Swedish peers, confirming that the more mature tech companies seem to have higher profitability than the smaller ones.

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 construction of top picks.

- Two of our top-picks for 2023, Carasent and Transtema, appeared on our screenings. Carasent ranked high in Growth Junkies and Transtema in the Deep Value category.

Review of last year's screen output

In this chapter, we include last year's screen output and the return of those stocks during 2022. 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 poor performance in the range of -41% down to -59% on average. This was well below the overall market performance (OMXS30 -16%), and also underperforming more comparable index's as OMX Stockholm Technology (-35%). The best performance was the GARP strategy. Interestingly, this strategy has been the best performing one in five out of the last six years – only in 2021 did GARP not perform best (Deep Value won). The slightly better performance came from the relatively flat performance by more mature companies with only slight growth and several with steady cashflows. The companies with the worst performance were the ones with weak financial strength, many of which needed to bring in new capital during the year. Growth Junkies and Deep Value were tied for second place, while Jockey Stocks came in last at -59%.

Stock return of screen output from last year

GARP	Return	Deep Value	Return	Growth junkies	Return	Jockey Stocks	Return
Invisio	-1%	Stillfront Group	-65%	Evolution	-19%	Stillfront Group	-65%
Sdiptech	-76%	Media & Games	-56%	Invisio	-1%	Acuvi	-63%
Stillfront Group	-65%	Embracer Group	-50%	Media & Games inv.	-56%	Embracer Group	-50%
Media & Games inv.	-56%	Smart Eye	-77%	Sivers Semicon.	-69%	Azelio	-95%
Infracom Group	0%	Thunderful Group	-75%	Smart Eye	-77%	Clavister Holding	-51%
Seamless Dist Sys.	-65%	Sivers Semicon.	-69%	Better Collective	-36%	Artificial Solutions	-96%
Remedy Ent.	-45%	Evolution	-19%	Carasent	-57%	I-Tech	-9%
Penneo	-53%	Better Collective	-36%	Sdiptech	-76%	Railcare Group	-9%
Sensys Gatso Group	3%	Sensys Gatso	3%	Acuvi	-63%	Seamless	-65%
Clavister Holding	-51%	Railcare Group	-9%	SaveLend Group	1%	XMReality	-83%
Average return	**-41%**		**-45%**		**-45%**		**-59%**

Source: Redeye Research

Our universe of companies

The screens are based on the 102 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, comments on major business news/events, 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	42.2	22.0	60.0	95.0	4	3	2
Acuvi	19.3	25.0	56.0	101.0	2	4	2
Addnode Group	99.4	68.0	100.0	131.0	5	5	4
Adverty	1.3	1.3	3.8	7.9	3	3	2
Alelion Energy Systems	0.5	0.1	1.1	2.9	4	2	1
Arise	51.5	51.0	80.0	104.0	4	4	2
Artificial Solutions	2.5	1.0	25.0	200.0	3	3	1
Avtech Sweden	3.1	1.2	3.6	7.2	3	4	2
Azelio	1.3	0.5	3.5	10.0	3	2	1
Beijer Group	111.0	47.0	98.0	130.0	4	4	2
Better Collective	135.5	150.0	270.0	400.0	4	3	3
Beyond Frames	10.5	14.0	23.0	39.0	3	3	2
BIMobject	3.1	4.0	8.0	20.0	4	5	2
Binero Group	4.4	1.9	4.8	7.5	3	3	1
Bioservo Technologies	1.9	2.6	6.0	11.0	4	3	2
Bredband2	1.4	1.2	2.0	2.7	4	4	3
Carasent	16.8	17.0	39.0	60.0	4	4	2
Careium	9.5	18.0	25.0	36.0	3	4	3
Chromogenics	0.3	0.1	0.4	1.2	3	3	0
CI Games	2.5	2.7	3.7	5.5	3	3	4
CombinedX	29.5	28.0	52.0	65.0	4	3	3
Doro	15.3	19.0	28.0	33.0	4	3	3
Efecte	10.3	7.0	15.0	25.0	4	4	2
EG7	30.0	30.0	41.0	74.0	3	3	2
Embracer Group	51.4	72.0	116.0	157.0	4	4	4
Enea	92.7	70.0	130.0	190.0	4	4	3
Energy Save	217.0	140.0	255.0	335.0	4	3	2
Evolution	1084.2	1100.0	1500.0	2400.0	5	4	5
Flexion Mobile	13.1	10.0	28.0	40.0	4	3	2
FlexQube	54.8	61.0	87.0	131.0	4	3	2
Formpipe Software	21.7	19.0	33.0	43.0	4	5	4
Fortnox	47.9	28.0	55.0	87.0	4	5	4
Fragbite Group	4.2	4.5	7.5	11.5	4	3	2
Freemelt	7.2	3.0	11.0	35.0	4	2	0
G5 Entertainment	215.8	270.0	450.0	700.0	4	3	3
Gaming Innovation Group	26.2	26.0	45.0	71.0	4	3	3
Gapwaves	29.2	20.0	62.0	100.0	3	4	1
Gasporox	120.3	50.0	130.0	290.0	3	3	2
Hanza	52.7	35.0	55.0	70.0	4	3	3
Heliospectra	1.2	0.5	1.7	5.0	3	3	1
Hexatronic Group	140.2	75.0	121.0	173.0	5	4	4
Hoylu	0.6	0.1	0.8	4.0	2	3	1
Image Systems	1.7	1.1	2.6	3.8	3	4	1
IMINT Image Intelligence	21.6	18.0	58.0	100.0	4	3	3
Impact Coatings	5.1	4.5	8.2	22.0	3	3	2
Infracom Group	27.0	20.0	35.0	47.0	4	3	4
Invisio	164.8	110.0	190.0	320.0	5	4	4
I-Tech	53.4	45.0	82.0	154.0	4	3	2
JonDeTech Sensors	0.5	0.2	1.5	5.0	2	1	1
Lagercrantz Group	106.0	88.0	119.0	149.0	5	5	4
M.O.B.A. Network	22.2	22.0	30.0	40.0	4	4	4
Media and Games Invest	20.1	24.0	45.0	72.0	4	4	3

Tech companies in Redeye Universe

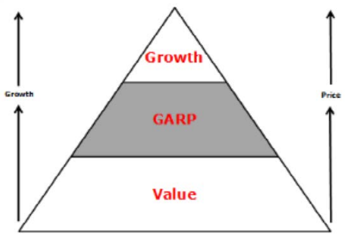
		Valuation range			Redeye Rating		
Company	**Share price**	**Bear case**	**Base case**	**Bull case**	**People**	**Business**	**Financials**
Mestro	9.7	6.0	14.5	24.0	3	3	2
Modelon	15.0	12.0	41.0	112.0	4	3	2
Neonode Inc	5.5	0.8	12.6	79.0	3	2	2
Nepa	38.3	40.0	100.0	170.0	4	4	3
Netmore Group	1.5	0.8	2.3	4.8	3	4	2
Ngenic	28.3	13.0	26.0	51.0	4	2	2
Nitro Games	13.7	15.0	27.0	45.0	4	3	1
Northbaze	0.8	0.6	1.1	1.9	3	2	2
OXE Marine	1.5	1.0	2.4	4.5	3	4	1
Penneo	9.9	4.0	13.0	28.0	4	4	1
Powercell	125.0	50.0	150.0	290.0	4	4	3
Proact IT Group	83.8	75.0	115.0	145.0	4	4	4
QleanAir Holding	22.5	38.0	60.0	105.0	4	4	3
Railcare Group	20.6	18.0	29.0	38.0	4	4	3
Remedy Entertainment	21.6	14.0	32.0	54.0	4	3	3
Safeture	4.5	4.0	9.7	15.0	4	3	2
SaveLend Group	8.6	8.2	16.3	42.7	4	4	2
Scandinavian Enviro Systems	1.7	1.1	4.1	9.6	4	3	2
Sdiptech	235.4	210.0	400.0	600.0	5	5	3
Seamless Distribution Systems	17.5	26.0	52.0	100.0	2	3	2
Sensys Gatso Group	1.0	0.9	1.5	2.2	4	4	3
Sivers Semiconductors	6.8	4.0	18.0	27.0	4	3	2
Sleep Cycle	42.9	25.0	55.0	85.0	4	4	4
Smart Eye	45.3	60.0	168.0	230.0	4	4	2
Smart Wires Technology	0.4	0.0	0.0	0.3	3	3	1
Sozap	9.7	3.5	10.5	22.0	3	2	1
Speqta	11.3	7.0	21.0	85.0	4	3	1
SSH Communications	2.2	1.5	2.4	4.0	4	3	2
Starbreeze	1.7	0.8	2.2	5.0	3	3	2
Stillfront Group	18.2	31.0	45.0	62.0	4	3	3
Strax	1.3	0.9	2.9	6.1	4	3	2
Systemair	74.3	50.0	82.0	105.0	4	4	4
TagMaster	12.7	16.0	30.0	46.0	4	4	2
Tessin Nordic Holding	0.2	0.2	0.5	1.0	3	2	1
TH1NG	2.0	1.0	4.0	11.0	3	2	1
Thunderful Group	14.8	25.0	40.0	60.0	4	3	3
Tobii Dynavox	9.8	13.0	31.0	54.0	4	3	2
Transtema	34.3	28.0	55.0	68.0	5	4	3
Truecaller	36.4	28.0	80.0	145.0	5	4	4
Urb-it	0.1	0.1	0.2	0.4	2	2	2
Vertiseit	33.8	27.0	44.0	58.0	5	4	3
Vitec Software Group	407.6	226.0	493.0	724.0	5	4	4
W5 Solutions	57.8	36.0	70.0	100.0	4	4	3
Waystream Holding	69.0	21.0	45.0	58.0	4	4	4
Westpay	1.4	0.3	2.0	3.5	3	2	1
Wyld Networks	14.2	5.0	23.0	47.0	3	2	1
Xavi Solutions	0.4	0.3	0.8	1.3	3	3	1
XMReality	0.6	0.1	0.9	5.0	3	3	1
Zordix	9.0	12.0	32.0	58.0	3	3	2
Zwipe	5.5	4.0	11.0	25.0	2	2	1

Source: Redeye research

The screening

Screening is one of the most valuable tools for investors to generate possible investment ideas. At Redeye, we believe investors need 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 and ranking

- Criteria
  - Price below Base Case
  - Sales CAGR of 10-45% for the coming three years.
- Ranking
  - Primary: Average Redeye Ranking
  - Secondary: Highest sales CAGR next three years

GARP screen output

	Criteria parameter		Ranking parameter	
Company	3 year forward CAGR	Distance to Base	Redeye rating	Screen Rank
Evolution	26%	38%	4.7	1
Addnode Group	23%	1%	4.7	2
Lagercrantz Group	16%	12%	4.7	3
Truecaller	44%	120%	4.3	4
Fortnox	30%	15%	4.3	5
Invisio	23%	15%	4.3	6
Vitec Software Group	23%	21%	4.3	7
Sdiptech	22%	70%	4.3	8
Vertiseit	42%	30%	4.0	9
Embracer Group	41%	126%	4.0	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 & ranking

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

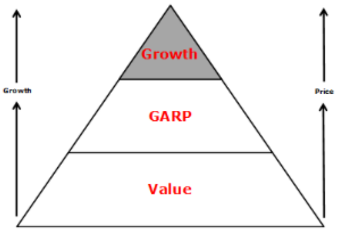
Screening output Deep value

Deep value screen output

	Criteria parameter	Ranking parameter	
Company	Distance to Bear	People rating	Screen Rank
Evolution	1%	5	1
Sdiptech	-11%	5	2
Lagercrantz Group	-17%	5	3
Transtema	-18%	5	4
Vertiseit	-20%	5	5
Truecaller	-23%	5	6
QleanAir Holding	69%	4	7
Thunderful Group	69%	4	8
Embracer Group	40%	4	9
Bioservo Technologies	37%	4	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 more than a CAGR of 25% for the next three years. 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 & ranking

- Criteria:
  - Three-year sales CAGR above 25%
  - Business rating 4 or higher
- Ranking – combined score of:
  - Average Redeye rating
  - Distance to Base Case

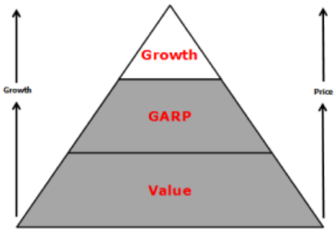
Screening output Growth junkies

Growth junkies screen output

	Criteria parameter		Ranking parameter		
Company	3 year forward CAGR	Business rating	Redeye rating	Distance to Base	Screen Rank
Truecaller	44%	4	4.3	120%	1
Embracer Group	41%	4	4.0	126%	2
Smart Eye	79%	4	3.3	271%	3
Carasent	26%	4	3.3	132%	4
Evolution	26%	4	4.7	38%	5
SaveLend Group	49%	4	3.3	89%	6
Acuvi	84%	4	2.7	190%	7
Vertiseit	42%	4	4.0	30%	8
Fortnox	30%	5	4.3	15%	9
Arise	42%	4	3.3	55%	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 & ranking

- Criteria: People rating 4 or higher
- Ranking – combined score of:
  - Net insider buying from January 1st to September 30th
  - Distance to Base Case

Screening output Jockey stocks

Jockey stocks screen output

	Criteria parameter	Ranking parameter		
Company	**People rating**	**Distance to Base**	**Insider net buy (msek)**	**Screen rank**
Thunderful Group	4	170%	35	1
Bioservo Technologies	4	217%	8	2
BIMobject	4	161%	6	3
Sdiptech	5	70%	52	4
SaveLend Group	4	89%	16	5
QleanAir Holding	4	167%	3	6
Sivers Semiconductors	4	164%	3	7
G5 Entertainment	4	109%	11	8
Modelon	4	173%	2	9
Evolution	5	38%	1218	10

Source: Redeye Research, Millistream (insider buying per 30 Sept 2022)

Top Picks-portfolio

- Top Picks was down by 37% in 2022, while the comparative index OMXSPI declined 25%. Consequently, our portfolio underperformed the general index by 12 percentage points. Over a five-year period, however, Top Picks has returned around +190% compared to the OMXSPI index, which has gained about 40%. Thus, the portfolio outperformed by ~150 percentage points between the years 2018 to early 2023.

- Our three top tech picks for 2022 underperformed the market as well and returned on average an abysmal -54%. The list was hit hard by a multiple contraction and one of the picks had to raise external capital at unfavorable terms compared to the base case. We hope and expect our new top tech picks to outperform the market going forward.

- 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 (~30 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

2022 proved to be another tough year for Top Picks, which underperformed the OMXSPI index by 12 percentage points. In total, Top Picks returned a negative ~37% compared to OMXSPI's minus 25%. Meanwhile, Carnegie's Small Cap Index, OMXS Technology PI, and OMX Health Care PI returned -31%, -35%, and -21%, respectively. Of course, the results were neither satisfactory on an absolute nor a relative basis, and we deserve some soft fruits. Over a five-year period, however, Top Picks has achieved around 190% while OMXSPI has returned slightly more than 40%. This is a timeline we are more comfortable with, even though our near-term results are subpar. In 2020, we accomplished a 100% return, compared to the general index's 28%, and in 2021 we climbed by 28% while OMXSPI was slightly better with its 35%.

Multiple expansion is an erratic friend, and the three previous years have hit that lesson home hard. Even though our portfolio has still outperformed the index since the Covid-19 pandemic erupted, we have experienced both a drastic multiple expansion swing upward and then a free-fall contraction downward. Our portfolio topped in the fall of 2021, and even though some of our companies have performed well operationally, the prices these securities traded at did not give us any protection once the tidewater turned. Moreover, the mix of an underperforming operation and a multiple contraction turned toxic in the past twelve months. The final ingredient which made the witch's brew lethal was a weak balance sheet. Although we have mostly avoided the last one, we have seen several holdings' valuations being slashed due to weaker growth and profitability and less favorable pricing of the stock. Although the quality of the business and its management is still paramount in every issue we are looking at, we will be more careful when it comes to pricing.

Below, we show the performance of our Top Picks portfolio versus the OMXSPI index in 2022. The portfolio was almost under water the entire year. 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 2021

Unfortunately, most of Top Picks' best performers were Life Science/med-tech companies this year. Hexatronic was an exception (as usual) printing +40%. The second-best tech company in the portfolio was Invisio with a meager 0.5% gain. Compared to the indices, this was, however, a stark outperformance, nonetheless. Instead, most tech companies were significantly down during 2022. The worst performing stocks were Smart Eye (-77%), Thunderful (-74%), Truecaller (-71%), Siver Semiconductor (-69%), and Carasent (-55%). Worth mentioning is that some of these stocks were only briefly part of the portfolio. Still, the average and median tech stock in Top Picks' portfolio during 2022 performed exceptionally bad, with -42% and -49% returns, respectively. With those kinds of returns, it is hard to find any shelter.

As shown in the table below, our top tech picks significantly underperformed the general index. They also underperformed compared to the average and median tech company in the portfolio.

Redeye Top Tech Picks 2022	
Company	**Return 2022**
Embracer	-51%
Smart Eye	-77%
Better Collective	-35%
Average	**-54%**
Median	**-51%**
OMXSPI	-25%

Embracer has been described, including by us, as a play on top-class capital allocators with a high proportion of insider ownership. We put the stock on the list because we thought the confidence in the model had been tarnished in 2021. However, the same skepticism kept the stock price on the wrong end of the short rope in 2022 as well. Some investors question the overall acquisition strategy with the additions of tabletop and mobile gaming, the recent multiples paid, and whether the company can transform itself into a primarily creative group relying on internally generated games. Time will tell if this transformation will be successful or not, but the negative narrative did not turn positive in 2022, as we had hoped. We added Smart Eye to the top tech picks because we saw rapid, predictable growth at a low price, thanks to numerous design wins and an emerging market pushed by regulatory tailwinds. 2022 proved to be more challenging due to worldwide component shortages forcing the ramp-up further out into the future and due to the near-term capital need, which made the stock collapse at the end of 2022. The discount on the rights issue is unknown at the time of this writing. However, Smart Eye did also double its number of design wins during the year after a design win bonanza in December. Lastly, we picked Better Collective because we saw attractive growth prospects (both organic and inorganic) coupled with excellent margins at a cheap price tag. We argued that Latin America and the US would work as excellent growth engines (which they have), but still, the stock did not live up to our expectations, even though it was the relatively best-performing stock on the list.

Top Picks Portfolio for 2023

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 7% of the portfolio, compared to 23% a year ago. The rest is in stocks with more defensive characteristics. On the macro front, we keep a close eye on:

- The squeezed consumer – which costs will the consumer cut facing rising essential expenses (food, energy, financing)?
- Inflation – Has it peaked and will interest rates follow?
- The geopolitical situation – Will Russia be defeated in Ukraine and how will the Taiwan situation proceed?
- Expensive refinancing
- China's reopening and its effect on inflation and component shortages.

We believe our bottom-up approach can continue to achieve long-term positive returns exceeding the market. The portfolio has ~12% in cash (a higher level than a year ago, when it was ~7%).

Top Tech Picks for 2023

In this section, we provide our top three tech picks for 2023. All Redeye Universe companies are briefly described in the appendix of this report.

Our three Tech Picks for 2023 share several characteristics that we believe will be helpful this year:

- Low or modest valuation multiples.
- Largely independent of macroeconomic conditions.
- Exposure to structurally growing markets – Healthcare, Infrastructure and Defense.
- Financially robust companies – profitable, well financed or both.

Carasent (Redeye base case NOK39)

We add Carasent to the top tech picks following a spectacular multiple contraction in the stock during 2022. There are a few question marks surrounding the company, such as a slowing organic growth rate and large capex initiatives impacting the near-term profitability. However, Carasent has a consistent track-record of growth, and we believe that it can return to better levels in 2023 thanks to inflation-adjustments in many of the contracts, easier comps for the add-on sales, and improved customer intake levels. In short, we believe that Carasent's unique full-service product offering with a growing range of platform services will continue to gain market share in both Sweden and Norway, and that the current valuation of the company does not reflect that fact. Lastly, in times of economic uncertainty, we argue that the non-cyclical nature of the healthcare market supports a smoother development operationally. New acquisitions, to perhaps lower multiples than before, will be the cherry on top. It has a fortress balance sheet and trades at around EV/sales 2.5x on 2023e.

Transtema (Redeye base case SEK55)

Following a few years with a focus on Fiber-To-The-Home (FTTH) construction which ended badly, Transtema has reshaped its business, concentrating on installations, operations, and maintenance markets. With its nationwide reach in Sweden and substantial presence in Norway, Transtema has a solid position to capture growth stemming from structural trends driving the need for the availability and reliability of communication networks. In addition, recent EV charging and coax acquisitions allow for higher utilization of the nationwide service network and reduced customer concentration. We expect 2023 to be fueled by acquired growth and several new deals announced recently combined with healthy margins. With a modest valuation of 7.7x EBIT 2023e and a high share of non-cyclical and recurring revenues, we believe
Transtema is a solid pick for 2023.

W5 Solutions (Redeye base case SEK70)

Redeye expects W5 Solutions to show continued growth over the coming years as it benefits from growing demand for defense training and simulation bolstered by expansion into new regions and customer segments, and new product development. We expect revenue growth of 20% organically in 2022-25e and believe the company will complement this growth with acquisitions. Trading at ~16x EBIT 2023e, we believe W5 – showing strong operational performance since it was listed in late 2021 – is an attractive pick for 2023, thanks to its exposure to the non-cyclical and expanding defense sector.

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 topdown. 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, FINANCE. 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:

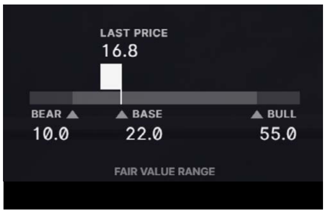
- **Business Scalability, Market Structure, Value Proposition, Economic Moat and Operational Risks**

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 reasonableness, 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 that 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 recognize 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.

Timeliness approach

What works in investing is a completely open secret – value, sentiment/momentum, and quality. Cheap stocks tend to outperform expensive stocks; stocks that surprise against the market's expectations tend to continue surprising, and higher quality stocks tend to outperform poor quality ones.

In general, value and price momentum are negatively correlated, while momentum strategies are usually boosted by investor sentiment. Momentum and sentiment tend to be strongest among the most expensive stocks. Equally, quality strategies tend to be short value, while value strategies are short quality.

These differences can combine very nicely, allowing investors to take advantage of the ebbs and flows of the stock price life cycle. This offers scope to lower downside risk while preserving the upside potential. That's why we have launched Timeliness, our decision-making tool for acting opportunely on quality investments.

How Timeliness works

By adding up our analysis of 7 common investment decision-making indicators, we provide a score ranging from 0 to 10 that reflects the momentum of the stock

A Timeliness score of 7 or higher indicates opportunity, whereas a score below 5 is a negative signal. The indicators we use are:

1. **Catalyst Potential**
2. **Insider Trading**
3. **Estimate Revisions**
4. **Earnings Trend**
5. **Upside-Downside volume**
6. **Price Trend**
7. **Relative Strength**

Before making any investment decisions, you should also carefully assess our Company Quality and Fair Value Range. The essential rule is that focusing on stocks that score well on at least two of our three indicators **(Timeliness, Fair value Range, Company Quality**) is a statistically positive approach.

Covered Companies

A-Z

Acconeer
Acuvi
Addnode
Alelion Energy Systems
Arise
Artificial Solutions
Avtech
Azelio
Beijer Electronics Group
Better Collective
Beyond Frames
BIMobject
Binero Group
Bioservo
Bredband2
Carasent
Careium
Chromogenics
CI Games
CombinedX
Doro
Efecte
EG7
Embracer Group
Enea
Energy Save
Evolution
Flexion Mobile
FlexQube
Formpipe Software
Fortnox
Fragbite Group
Freemelt
G5 Entertainment
Gaming Innovation Group
Gapwaves
Gasporox
Hanza Holding
Heliospectra
Hexatronic Group
Hoylu
I-Tech
Image Systems
Imint Image Intelligence
Impact Coatings
Infracom Group
Invisio
JonDeTech Sensors
Lagercrantz Group
M.O.B.A. Network
Media and Games Invest
Mestro
Modelon
Neonode
Nepa
Netmore
Ngenic
Nitro Games
Northbaze
OXE Marine
Penneo
Powercell
Proact IT Group
QleanAir
Railcare
Remedy Entertainment
Safeture
SaveLend Group
Scandinavian Enviro Systems
Sdiptech
Seamless Distribution Systems
Sensys Gatso Group
Sivers Semiconductors
Sleep Cycle
Smart Eye
Smart Wires Technology
Sozap
Speqta
SSH Communications
Starbreeze
Stillfront Group
Strax
Systemair
TagMaster
Tessin
TH1NG
Thunderful
Tobii Dynavox
Transtema
Truecaller
Urb-it
Vertiseit
Vitec Software Group
W5 Solutions
Waystream
Westpay
Wyld Networks
Xavi Solutions
XMReality
Zordix
Zwipe

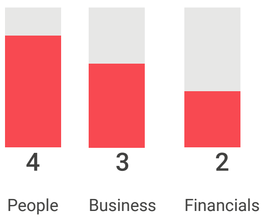
Acconeer ACCON

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

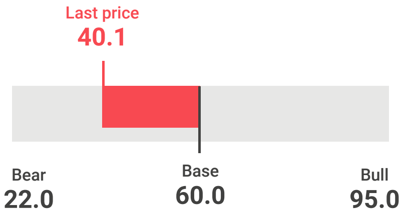
Publication date
December 27 2022

Redeye Rating

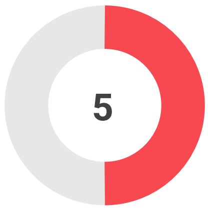
COMPANY QUALITY



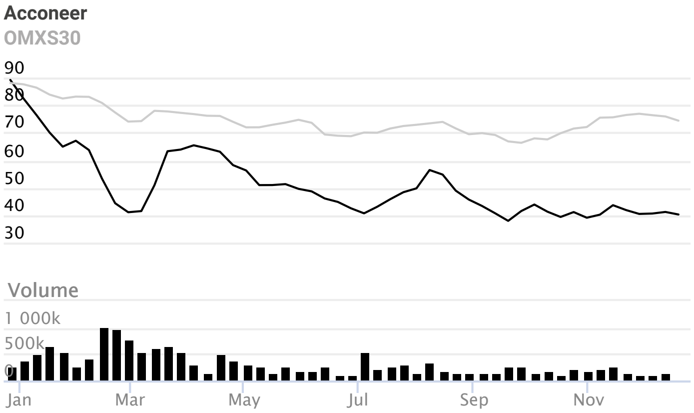
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Lars Lindell
Chairman	Thomas Rex

Share information

Share price (SEK)	40.1
Number of shares (M)	26.3
Market cap (MSEK)	1,055
Net debt (2022E, MSEK)	-91

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch 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

	2020	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	10	31	48	118	237
Growth	*72.6%*	*>100%*	*54.1%*	*>100%*	*>100%*
EBITDA	-66	-40	-38	-18	27
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*11.3%*
EBIT	-66	-51	-49	-30	15
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*6.3%*
Pre-tax earnings	-68	-51	-49	-30	15
Net earnings	-68	-51	-49	-24	12
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*5.0%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-3.58	-1.90	-1.81	-0.89	0.44
P/E adj.	-6.2	-47.2	-22.1	-45.2	91.9
EV/S	45.7	72.4	20.9	8.9	4.4
EV/EBITDA	-6.6	-56.8	-26.2	-57.4	39.0

Last updated: 2022-11-01

Owner	Equity	Votes
Bengt Adolfsson	11.4%	11.4%
Avanza Pension	8.7%	8.7%
Alps Alpine co LTD	7.0%	7.0%
Swedbank Försäkring	4.0%	4.0%
Lars Ingvarsson	4.0%	4.0%
Nordnet Pensionsförsäkring	3.8%	3.8%
Mikael Egard	2.2%	2.2%
Mats Ärlelid	2.2%	2.2%
Lars-Erik Wernersson	2.1%	2.1%
Skandinaviska Enskilda Banken S.A	1.2%	1.2%

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 thesis

Case

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 the 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 e.g. IoT, automotive, and robotics respectively. We believe automotive will be the company's most important market. While there are several promising application areas, we still think automotive has the highest potential.

Evidence

Automotive has the largest potential

Acconeer is working on ten use cases in automotive with its tier-1 partner Alps Alpine, of which the most exciting is child presence detection (CPD) since it is being mandated by in Europe from 2022 to 2023, and likely soon in the US. Thus, most OEMs are procuring or are about to procure CPD. We believe Acconeer has a strong competitive advantage in CPD. Acconeer has won three design wins with at least three OEMs - Volvo (incl. Polestar), General Motors, and one Japanese OEM. We estimate the TAM in automotive to be c.SEK5bn.

Challenge

Minor size than competitors

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.

Valuation

Base Case at SEK60

We value Acconeer to SEK60 per share in our base case while our bear and bull case amount to SEK22 and 95 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 larger deals within automotive. With sales ramping, a big news pipeline, and enough cash until 2023 in a worst-case scenario, we argue that the neglected Acconeer stock provides solid risk/reward.

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.

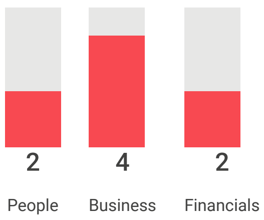
Acuvi

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

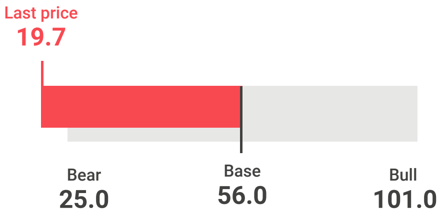
Publication date
January 11 2023

Redeye Rating

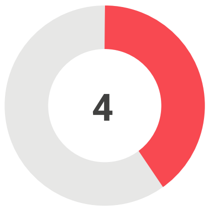
COMPANY QUALITY



FAIR VALUE RANGE

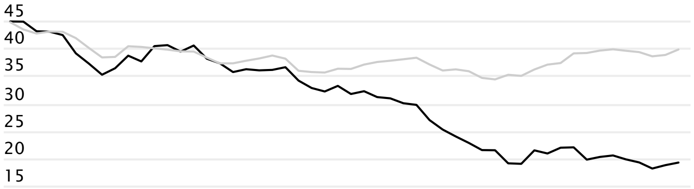


TIMELINESS

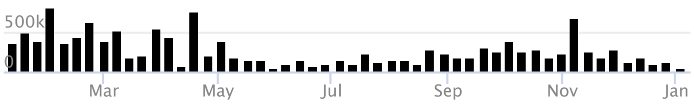


Snapshot

Acuvi
OMXS30



Volume



Marketplace	First North Stockholm
CEO	Olof Stranding (acting)
Chairman	Adam Dahlberg

Share information

Share price (SEK)	19.7
Number of shares (M)	25.0
Market cap (MSEK)	492
Net debt (2023E, MSEK)	0

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Acuvi: Yes

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	51	187	247	323
Growth	*87.9%*	*>100%*	*31.8%*	*30.8%*
EBITDA	-27	48	38	80
EBITDA margin	*Neg*	*25.6%*	*15.3%*	*24.9%*
EBIT	-52	-79	-63	-22
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-52	-81	-63	-10
Net earnings	-53	-74	-63	-10
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-2.17	-2.96	-2.52	-0.40
P/E adj.	-23.0	-6.6	-7.7	-48.3
EV/S	18.1	2.7	2.0	1.3
EV/EBITDA	-34.3	10.5	12.9	5.3

Last updated: 2022-11-18

Owner	Equity	Votes
Adam Dahlberg	13.7%	13.7%
Avanza Pension	11.5%	11.5%
Gaudium IVST, LLC	9.3%	9.3%
Swedbank Robur Fonder	8.7%	8.7%
Handelsbanken Fonder	7.7%	7.7%
Dennis Barnes	6.4%	6.4%
Mikko Vähäsöyrinki	6.2%	7.2%
Pierce, Fenner & Smi, Merrill Lynch	3.3%	3.3%
BNY Mellon NA (Former Mellon)	3.2%	3.2%
Nordea Bank Ab(Publ Nordea Bank Abp	3.1%	3.1%

Company description

Acuvi is a manufacturer of piezomotors and integrated systems for linear drives with high accuracy (nano meter precision). Main customer groups are equipment manufacturers within Life Science instrumentation, MedTech, semiconductors and advanced industrial applications.

The customer base is wide, >500 customers in 70 countries, with several OEM's placing repeat orders. The piezomotor drive unit is usually not replaced during the products lifetime, which is often up to ten years. This combined with a wide customer base generates stable and growing revenues. Acuvi has one product line addressing very high-volume consumer products (primarily the mobile phone camera unit). This will be launched in a partnership with a licensing business model.

Acuvi has manufacturing and assembly facilities in Sweden, Finland and the USA and operates under three brands: PiezoMotor, Sensapex and TPA Motion. Sales channels are a combination of direct sales and distributors. Lately more resources have been dedicated to own sales staff, which is now paying off.

Investment thesis

Case

Strong moat and operating leverage
Acuvi is well-established within the piezomotor segment of the micro motor market. Its customer base is wide and truly global. We argue that Acuvi has strong moats and very loyal customers with long-term commitments Still, the company is in its early days of expansion and the operating leverage has not quite been demonstrated yet. Last year's acquisition has broadened the business scope giving Acuvi a stronger platform to accelerate its growth. The group is now profitable and with high gross margins we anticipate significant earnings growth in the coming years.

Evidence

High business activity
Acuvi's core business has posted a CAGR around 20% in the last few years. This clearly indicates they are gaining market shares. We expect to see continued high growth in the coming years. Both organically and through additional acquisitions, as Acuvi has an active M&A agenda. We also expect to see a major deal within consumer products being announced during 2022 which could be a catalyst for revaluation.

Challenge

Acquisitions going bad
Acuvi has made two acquisitions in 2021 and there is likely more to come. Acquisitions always include some degree of risk, and the company does not have an extensive track record in this field. So far we have no specific reason for concern, but it will take some time before we can fully evaluate each new acquisition.

Challenge

Scaling too slow
Our case is based on solid double-digit organic growth and improving gross margins that will take 2-3 years to play out. If growth rates are stalled and/or Acuvi is unable to achieve significant operating leverage, the case will obviously be less attractive.

Valuation

Significant potential
Our fair value range spans from ~SEK 25-100 per share, with a Base case fair value of SEK 56. In our Base case scenario, we assume a CAGR of 18% in 2022-30, taking sales to just over SEK 800m and sustainable EBITDA margins of 30-35%, supported by licensing revenues.

Catalyst types

Acquisitions to broaden the business scope
The company's ambition is to broaden its business scope by acquisitions (such as Sensapex and TPA). More M&A's are still on the agenda and Central Europe is now top priority.

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.

Advancements in consumer electronics
The licensing deal for consumer electronics, such as cellphones, is in place and holds significant potential. More tangible information on the progress ahead of commercial launch could be a major catalyst.

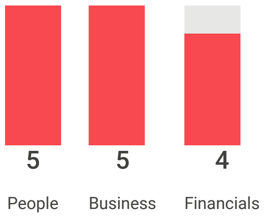
Addnode Group ANOD B

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

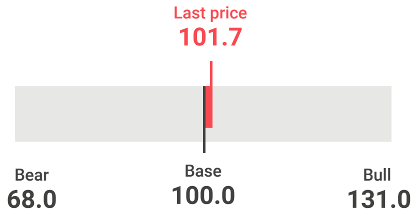
Publication date
January 9 2023

Redeye Rating

COMPANY QUALITY



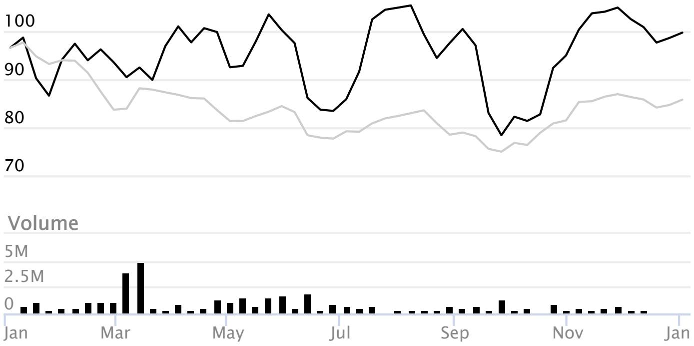
FAIR VALUE RANGE



TIMELINESS

Snapshot

Addnode Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Johan Andersson
Chairman	Staffan Hanstorp

Share information

Share price (SEK)	101.7
Number of shares (M)	134.5
Market cap (MSEK)	13,682
Net debt (2023E, MSEK)	-323

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

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	4,077	6,007	6,743	7,597
Growth	*7.1%*	*47.4%*	*12.2%*	*12.7%*
EBITDA	544	804	877	993
EBITDA margin	*13.3%*	*13.4%*	*13.0%*	*13.1%*
EBIT	305	517	569	684
EBIT margin	*7.5%*	*8.6%*	*8.4%*	*9.0%*
Pre-tax earnings	285	472	541	656
Net earnings	223	368	430	521
Net margin	*5.5%*	*6.1%*	*6.4%*	*6.9%*
Dividend/Share	3.00	3.00	3.00	3.00
EPS adj.	1.67	2.74	3.20	3.87
P/E adj.	64.2	37.1	31.8	26.2
EV/S	3.6	2.3	2.0	1.7
EV/EBITDA	27.0	17.5	15.2	13.0

Last updated: 2022-11-28

Owner	Equity	Votes
SEB Fonder	10.2%	8.1%
Lannebo Fonder	8.2%	6.5%
Swedbank Robur Fonder	6.7%	5.3%
Staffan Hanstorp & Jonas Gejer	5.4%	15.1%
Andra AP-fonden	5.0%	3.9%
ODIN Fonder	4.8%	3.8%
Fjärde AP-fonden	4.7%	3.7%
Nordea Fonder	4.0%	3.2%
Cliens Fonder	3.9%	3.1%
AMF Pension & Fonder	3.5%	2.8%

Company description

Addnode is a Swedish Value-Added Reseller (VAR) / Software-as-a-Service (SaaS) company operating within three Divisions: Design Management (DM), Product Lifecycle Management (PLM), and Process Management (PM). While having operations around the globe, the bulk is concentrated in Northern Europe and the Nordics in particular. Addnode is among the leading global partners to Autodesk (DM) and Dassault Systemes (PLM), where Addnode sells the partners software, adding its own expertise, services, and proprietary add-on software. Besides the partnerships, PM and parts of DM have proprietary software and related services targeting the public sector (PM) and the construction, industrial and real estate sectors (DM), which have higher margins and scalability compared to partnership-related areas. All three Divisions generate most of its sales from recurring revenue related to SaaS, support, and maintenance.

Investment thesis

Case

Consolidating VAR/SaaS niches in more markets

With a strong position in the Nordics, the UK, and Germany and a foothold in other European markets and the US, Addnode is among the largest VARs to its key partners Autodesk and Dassault Systemes. We expect Addnode to continue consolidating local Autodesk/Dassault partners in additional markets, where the recent entry to the US market opens vast opportunities. In addition, Addnode's proprietary software, focusing on the Nordics, has similar opportunities. We believe additional high-quality acquisitions are the main catalyst going forward.

Evidence

Strong track record of acquiring, integrating, and improving

During the last ten years, Addnode has made about 40 acquisitions with the vast majority being successful. The acquisitions have allowed Addnode to expand into major markets like the UK, Germany and most recently the US. In many cases, Addnode has increased the acquisitions' margins by, for example, adding its proprietary add-ons. The story is similar for Addnode's proprietary software, built by a stream of bolt-on acquisitions. With historical acquisition multiples of about 4-8x EBITA, Addnode has created a lot of shareholder value through M&A.

Challenge

Dependent on Autodesk and Dassault Systemes

Addnode generates about 70% of its sales and roughly half of its EBITA from products and services related to its partnerships with Autodesk and Dassault Systemes. While the rather high dependency on two partners is a risk, Addnode has long and stable relationships with both. Also, Addnode is among their leading partners, adding a lot of customer value to the software platforms through its expertise and add-ons.

Challenge

Modest organic growth

While having an excellent M&A track record, Addnode's markets are largely mature, resulting in modest organic growth. Although all three Divisions have seen an improvement in organic growth in recent years, we believe 3-5% is reasonable going forward, which is modest compared to most software businesses.

Valuation

Fair Value SEK 100

Our DCF model shows a fair value of SEK 100, which is also supported by a peer valuation. While that implies a multiple that is rather high compared to the organic growth and margins, the strong track record and future M&A opportunities motivate a high multiple on current earnings.

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.

Economic downturn

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

Alelion Energy Systems

ALELIO

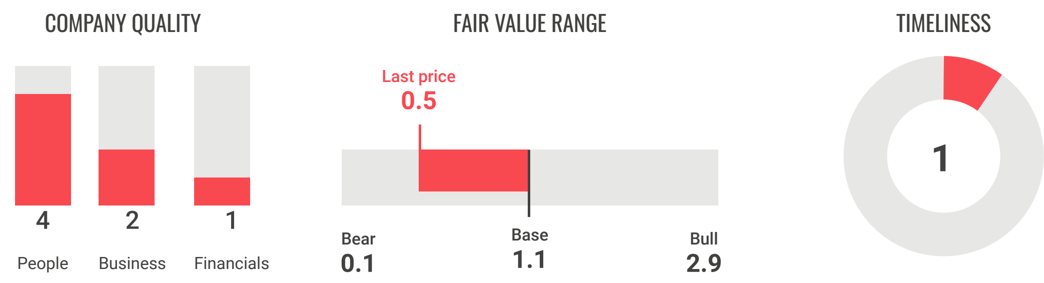
Company page

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

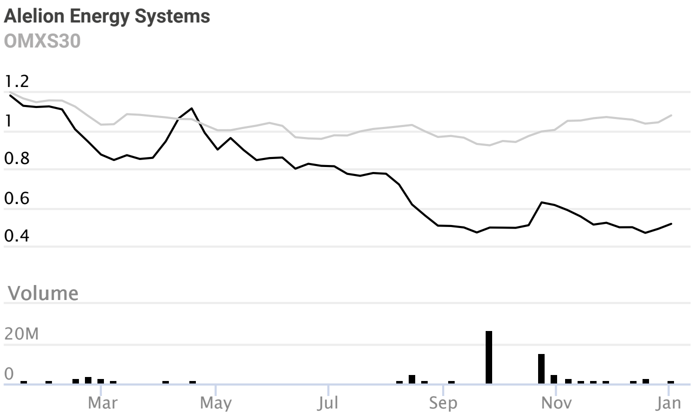
Publication date

January 12 2023

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Åsa Nordström
Chairman	Alf Blomqvist

Share information

Share price (SEK)	0.5
Number of shares (M)	301.3
Market cap (MSEK)	152
Net debt (2023E, MSEK)	39

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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	53	82	230	334
Growth	*>100%*	*53.8%*	*>100%*	*45.0%*
EBITDA	-48	-46	-7	37
EBITDA margin	*Neg*	*Neg*	*Neg*	*11.0%*
EBIT	-62	-59	-17	27
EBIT margin	*Neg*	*Neg*	*Neg*	*8.2%*
Pre-tax earnings	-65	-66	-18	26
Net earnings	-65	-66	-18	26
Net margin	*Neg*	*Neg*	*Neg*	*7.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.22	-0.17	-0.05	0.07
P/E adj.	-6.2	-3.4	-12.3	8.8
EV/S	7.7	3.0	1.2	0.7
EV/EBITDA	-8.5	-5.3	-38.5	6.7

Last updated: 2022-11-03

Owner	Equity	Votes
Fouriertransform AB	16.3%	16.3%
Alf Blomqvist	13.9%	13.9%
Pegroco Invest AB	11.5%	11.5%
First Venture	4.8%	4.8%
Avanza Pension	3.5%	3.5%
Claes Mellgren	2.0%	2.0%
Per-Olof Andersson	1.7%	1.7%
Lars Göran Bäckvall	1.6%	1.6%
Sammaj AB	1.3%	1.3%
Nordnet Pensionsförsäkring	1.0%	1.0%

Company description

Alelion offers modular high-voltage lithium-ion battery solutions for off-highway vehicles. Alelion's customers are the OEMs, while the end-customers are companies typically operating off-highway vehicles in airports, ports, mines, and logistics. As such, the battery systems operate in varying and rough conditions, putting high- and complex demands on the batteries and its supplier. Alelion does not produce its own battery cells but has developed a BMS (battery management system) which optimises the performance of the batteries depending on the application.

Investment thesis

Case

Attractive growth prospects

As a pioneer in introducing lithium-ion technology for forklifts in the warehouse logistics segment, Alelion is now concentrating its efforts on off-highway vehicles at airports, ports, mines, and logistics. The existing global off-highway vehicle fleet is enormous and has a very low electrification penetration (<2%) but is increasing rapidly. The market for lithium-ion batteries within off-highway vehicles is expected to grow at a 50-60% CAGR over the coming decade. The battery solutions within the off-highway segment are characterised by high-voltage, relatively small production series, and more customer-specific solutions than forklifts within material handling – which puts more challenging demands on the battery supplier. This enables Alelion to capitalise on its know-how and existing customer relations with some of the leading off-highway companies. This makes Alelion more competitive than before when it was supplying forklift OEMs with batteries. We are optimistic about the opportunities ahead, which is supported by the high order intake until this point in time from some of the global market-leading OEMs.

Evidence

Impressive customer base and increasing order intake

Ever since Alelion started focusing on Special Vehicles, both order intake has increased, and the customer base has widened. Order intake was SEK 184m during 2021, and the customer base holds niche market leaders such as Terberg, Kamag, Cargotec, and Huddig – to name a few. We believe this relatively high order intake from market leaders proves Alelion as a company and its product offering, and that electrification of off-highway vehicles is rapidly increasing.

Challenge

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 conducted several share issues during recent years. We view additional funding as likely before break-even.

Challenge

Challenging market dynamics

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

Valuation

Valuation is largely dependent on uncertain long term estimates

We have a fair value range of SEK0.1 – 2.9 per share, with a base case of SEK1.1 per share. We estimate a 2021-2024 sales CAGR of 84%, and a 2025-2031 sales CAGR of 26%. We feel relatively confident in the former, given Alelion's high order backlog, but given the fast-changing dynamics in Alelion's market, it is difficult to be too confident in our long-term sales estimates. We are, however, optimistic about Alelion's development in recent years. Furthermore, we also wish to highlight the financing risk, as Alelion's expansion will require significant capital (including working capital build-up) until the company reaches break-even and starts generating positive cash flow. As such, our estimates currently reflect a SEK55m share issue priced at SEK0.6 per share – corresponding to a dilution of approx. 20%. Any changes to these assumptions would have an impact on our fair value range.

Catalyst types

Improving margins

Alelion is working hard to optimise its costs. It improves sourcing synergies, automates production, reduces costs for leasing personnel, and launches a new product generation. 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 will gradually improve Alelion's margins.

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 over longer periods of time, despite the strong order intake in recent times. We expect serial production to ramp up in existing customer projects within the coming 12 months, which should generate new orders. Customer diversification, coupled with new orders and serial production for existing clients, are possible catalysts for the stock.

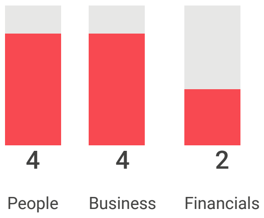
Arise ARISE

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

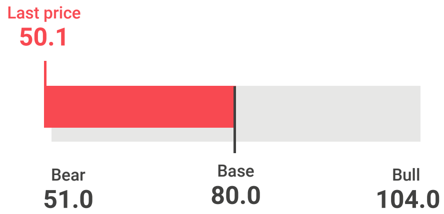
Publication date
January 12 2023

Redeye Rating

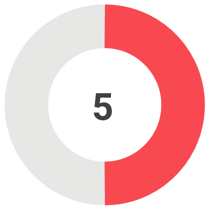
COMPANY QUALITY



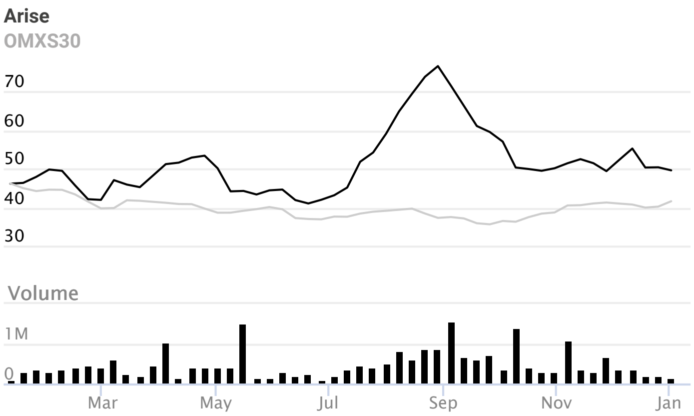
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Per-Erik Eriksson
Chairman	Joachim Gahm

Share information

Share price (SEK)	50.1
Number of shares (M)	44.5
Market cap (MSEK)	2,229
Net debt (2023E, MSEK)	-168

Analyst

Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in Arise: Yes

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	279	1,152	342	799
Growth	*>100%*	*>100%*	*-70.3%*	*>100%*
EBITDA	143	848	186	594
EBITDA margin	*51.3%*	*73.6%*	*54.4%*	*74.3%*
EBIT	79	787	129	536
EBIT margin	*28.3%*	*68.3%*	*37.6%*	*67.1%*
Pre-tax earnings	57	759	85	493
Net earnings	57	754	66	384
Net margin	*25.4%*	*65.4%*	*19.4%*	*48.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.48	16.97	1.49	8.65
P/E adj.	30.9	3.1	35.5	6.1
EV/S	8.1	1.8	6.4	2.4
EV/EBITDA	15.9	2.4	11.7	3.2

Last updated: 2022-11-16

Owner	Equity	Votes
Claesson & Anderzén	21.6%	21.6%
Axel Johnson Gruppen	11.2%	11.2%
Tredje AP-fonden	9.8%	9.8%
Johan Claesson	6.2%	6.2%
Nordea Fonder	3.2%	3.2%
Andra AP-fonden	2.3%	2.3%
Alcur Fonder	2.1%	2.1%
Avanza Pension	1.8%	1.8%
Skandia Fonder	1.7%	1.7%
Monega	1.6%	1.6%

Company description

Arise is a renewable energy project developer, power producer, and asset manager. The business model is to develop, construct, and divest onshore wind- and solar PV projects to external investors and provide asset management services for these assets, but also to produce electricity through own wind farms (139MW, producing 343 GWh pa). Founded in Sweden 2007, Arise has constructed 8% of Sweden's total installed wind power capacity (by the end of 2021). The project portfolio amounts to >2600 MW and stretches beyond 2030, including geographies such as the Nordics, Poland, and the UK.

Investment thesis

Case

A Swedish renewable energy producer and developer

Arise is one of Sweden's leading wind power companies regarding project development, construction, and asset management. The company's own wind power assets have a total capacity of 139 MW and annual production of around 340 GWh. This provides recurring revenues and strong cash flows. Also, with high electricity prices, the production enjoys good leverage in terms of profitability, given it has a >95% gross margin. We argue there are hidden values in the own wind farms as the book value is based on the depressed electricity price outlook made in 2019, and since the outlook has improved significantly. Project Development is Arise's primary growth area, and the project portfolio of wind- and solar PV projects is strong. The entire portfolio is >2600 MW, of which >300 MW is in late-stage development. Using historical profit multiples of SEK1m-2m per MW, the gross profit potential lies between SEK2bn-5bn over the coming decade. Furthermore, Arise has > SEK1bn in cash which could spur M&A activity (i.e. acquiring project rights) which could spur further growth.

Evidence

A proven market leader

Arise has a long and solid track record of developing, constructing, and divesting onshore wind power projects and has constructed 8% of Sweden's total installed wind power capacity by the end of 2021. In 2022, Arise made its largest project divestment to date in the form of Kölvallen (260MW), which generated a record profit of EUR90m, and a cash payment of EUR75m has been received upfront. Arise's own production produces 343 GWh pa and generates significant cash flow – especially in recent times when electricity prices have increased rapidly. In recent years, financials have improved on the back of successful project divestments and Arise now has a net cash position and should therefore be able to be more opportunistic in terms of M&A and investments in its own additional production.

Challenge

Complex permitting processes, long lead times, and construction risks

We consider Arise's project development business as the clear growth driver in the coming years. Developing and constructing a project typically takes 5-10 years and is characterised by long lead times and runs the risk of not receiving permits. We consider Arise to have a good track record of bringing projects to the market, but investors should be aware of the risks when assessing the potential project portfolio-value. There is also a risk that cost overruns or delays can erode the profit potential. Arise is typically de-risking construction and earnings risk by structuring deals so it receives an up-front payment + an earn-out if specific conditions are met. The construction risk is then on the investor of the wind farm. We have seen examples where cost overruns, especially since 2020, have eroded the profit potential of projects. There is also a political risk that should not be underestimated, as Political decisions impacts the business conditions for the energy sector at large.

Challenge

Realised electricity prices

High electricity prices are good for Arise. Both for its electricity production, but also for its development business as it increases the profit potential of each wind farm. However, when electricity prices are volatile, and Arise has hedged parts of its production, there is a risk that realised electricity price would be hurt in hours where production is low and not sufficient to cover. Also, in hours where production is high, electricity prices are low, as wind power becomes the dominant production source for the hour –hurting the weighted realised price for a specific time period. As such, there is a risk of cannibalisation when wind power increases its share of total production capacity.

Valuation

Signficant upside potential and limited downside risk

We have a fair value range of SEK51 - SEK104 with a base case of SEK80 per share. Our valuation is based on the value of Arises winds farms and the estimated value of its project portfolio. The main differences between our base, bear and bull cases are the fair value of Arise's own wind farms (Driven by electricity price assumptions) and the gross profit from the project portfolio (driven by MW delivered pa and profit multiple).

Catalyst types

M&A

Arise has > SEK1bn on its balance sheet, which could generate additional profitable growth if it were to acquire renewable energy project rights. Arise has also highlighted that it is in various M&A talks, and we, therefore, consider any transaction as a likely trigger. We believe this could add on average SEK25m-50m in gross profit pa.

New project sales

Arise has several projects in the late development stage, which will eventually mature and be ready to sell, which will likely function as a catalyst.

Potential farm-out of existing wind farms

In 2021, Arise highlighted it was seeking to partly farm out its existing wind farms. We understand this process was initiated, but following the increasing electricity prices and improved outlook, Arise decided to pause the process somewhat and to benefit from the high cashflows from its production. We believe any divestment could realise significant value that could be invested in project development.

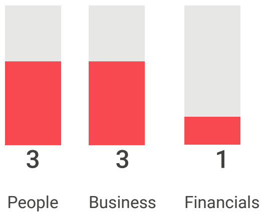
Artificial Solutions ASAI

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

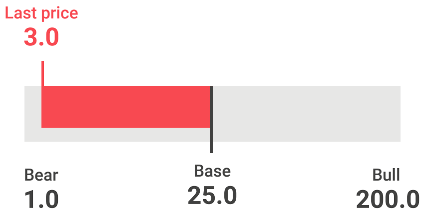
Publication date
January 10 2023

Redeye Rating

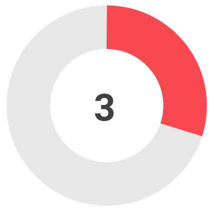
COMPANY QUALITY



FAIR VALUE RANGE

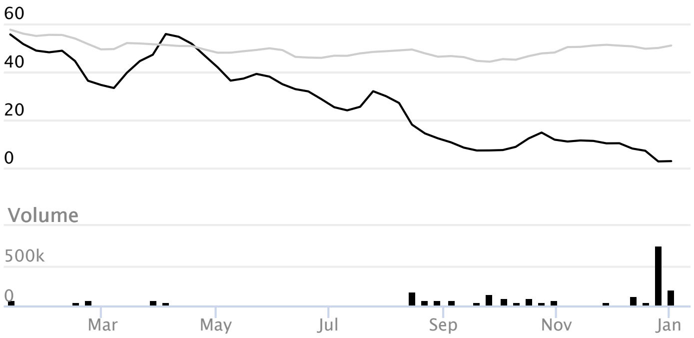


TIMELINESS



Snapshot

Artificial Solutions
OMXS30



Marketplace	First North Stockholm
CEO	Per Ottosson
Chairman	Åsa Hedin

Share information

Share price (SEK)	3.0
Number of shares (M)	6.6
Market cap (MSEK)	20
Net debt (2023E, MSEK)	358

Analyst

Viktor Lindström
viktor.lindstrom@redeye.se

Conflict of interests

Viktor Lindström 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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	39	46	60	113
Growth	*-27.8%*	*17.5%*	*32.5%*	*88.1%*
EBITDA	-58	-76	-70	-29
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-71	-88	-86	-48
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-70	-87	-120	-85
Net earnings	-70	-87	-120	-85
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-10.59	-13.30	-18.28	-12.91
P/E adj.	-5.8	-0.6	-0.5	-0.7
EV/S	13.7	6.5	6.9	4.3
EV/EBITDA	-9.1	-3.9	-5.9	-16.9

Last updated: 2022-10-20

Owner	Equity	Votes
Scope	15.9%	15.9%
UBS Switzerland AG	10.2%	10.2%
SEB-Stiftelsen	7.5%	7.5%
SIX SIS AG	7.3%	7.3%
Nice & Green	6.2%	6.2%
The Bank of New York Mellon SA/NV	3.6%	3.6%
C WorldWide Asset Management	2.9%	2.9%
Avanza Pension	2.7%	2.7%
Ulf Johansson	2.3%	2.3%
Skandinaviska Enskilda Banken S.A	2.2%	2.2%

Company description

Founded in 2001, Artificial Solutions is best known for Teneo, its flagship product. Teneo is an Azure-based (Microsoft) development platform for Conversational Artificial Intelligence (CAI). Essentially, Teneo appeals to developers - both independent and at large corporations - to program conversational applications. About 90% of the use cases regard customer-facing services. In 2020, Artificial Solutions appointed Per Ottosson as CEO and initiated its transition to a SaaS business and delivery model shortly after that. The company is listed on First North and has around 60 employees.

Investment thesis

Case

Significant near-term catalysts

After years of modest growth and significant operating losses, Artificial Solutions appointed a new CEO in Q4 2020 and transitioned to a SaaS business and delivery model shortly after. The transition to SaaS enables Artificial Solutions to introduce a usage-based price variable. This means Artificial Solutions has started to capitalize (to a much greater extent) on the millions of sessions customers' Teneo-built solutions manage each month. Almost all of Artificial Solutions' 20–30 customers have agreed to transition to the SaaS model throughout 2022. Existing Teneo-built solutions manage c.80m API Calls monthly (c.960m yearly), translating into an annual usage revenue opportunity of close to SEK80m (SEK0.08 per API Call) should all existing customers transition to SaaS. We think that completing this transition fast and swiftly and winning additional large-enterprise agreements constitute the most important near-term catalysts.

Evidence

Recruiting an all-star team

All management positions (but the CTO) have been reassigned since 2020. Per Ottosson, CEO since late 2020, spent about ten years at Amelia (fka IPsoft), a much larger conversational AI vendor, most recently as Chief Revenue Officer for its EMEA division. Since becoming CEO, Ottosson has recruited several former colleagues to Artificial Solutions' management. Other appointees have backgrounds from fast-growing SaaS companies in common. We think the team's successful track record and excellent industry understanding support our long-term outlook.

Challenge

High leverage and negative cash flows

While Artificial Solutions reduced its annual OPEX by 31% in 2021 under its new management, it continues to operate an outsized cost-suit. Cash flow before finance amounted to -SEK133m in 2021. To fund its operations, the company raised SEK250m gross through a 5-year credit facility running at 9.5% interest in 2021. Interest expenses will be capitalized and added to the underlying loan rather than paid in cash. The principal loan will have grown to c.SEK400m by 2026, when it is due.

Challenge

Large and time-consuming projects

Management commentary (Q3 2021 earnings call) states that, on average, large-scale conversational AI implementations with Teneo require 10–15 developers and take 6–9 months to go live. Moreover, it takes another nine months to ramp up from 0–100% of the desired traffic in a project. However, once a solution goes live, it only requires one or two developers to maintain it.

Valuation

Wide fair value range

Once Artificial Solutions begins to scale its SaaS offering, we should expect, over time, a gross margin >90%. Incremental usage revenues require close-to-zero incremental costs. In turn, this should support high long-term operating margins. Our DCF yields a Base Case of SEK25 per share (Bull: SEK200; Bear: SEK1) based on a 27% sales CAGR during our forecast period (2021-2034e) and a 30% terminal EBITDA margin. The fair value range is very wide, owing to the unpredictable nature of Artificial Solutions' long-term growth and profitability. Note that our valuation does not incorporate recent share issue in our valuation as we wait until the final terms are set. However, our new base case will likely be close to the current bear case.

Catalyst types

Early Signs of Significant Usage Revenue Potential

The SaaS model launched in 2021 could turn out to be highly scalable. However, it is still early days, and the model remains unproven. Early signs of scalability, such as steady sequential usage growth, should inspire confidence in its long-term potential.

Significant ARR and Top-Line Growth

Solid quarterly reports demonstrating significant top-line growth, and thus a path to profitability should positively impact the share price.

Lighthouse Customer Agreements

We see great potential in large corporations choosing to implement Teneo and Conversational AI for an increasing number of use-cases. Apart from yielding a significant ARR at high margins, it could indicate that its industry is truly ready to adopt the technology on a larger scale.

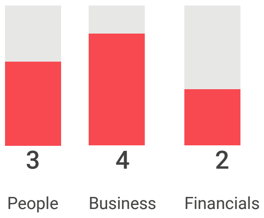
Avtech Sweden AVT B

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

Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY



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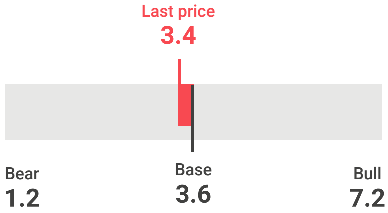
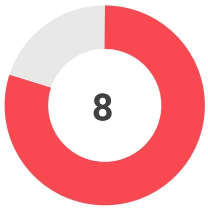
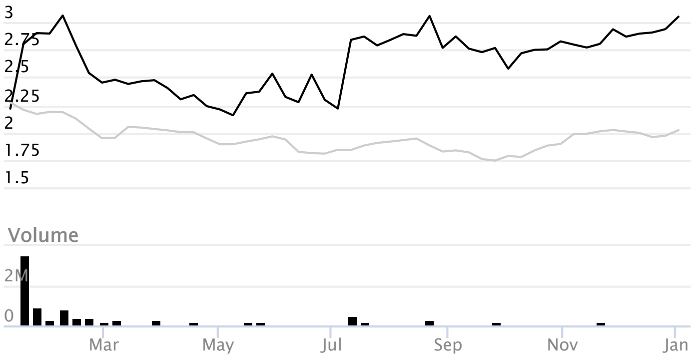


TIMELINESS



Snapshot

Avtech Sweden
OMXS30



Marketplace	First North Stockholm
CEO	David Rytter
Chairman	Bo Redeborn

Share information

Share price (SEK)	3.4
Number of shares (M)	56.5
Market cap (MSEK)	192
Net debt (2023E, MSEK)	-26

Analyst

Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson owns shares in Avtech Sweden: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	12	22	27	30
Growth	*-3.3%*	*83.1%*	*25.0%*	*10.0%*
EBITDA	2	9	12	14
EBITDA margin	*12.7%*	*40.7%*	*45.9%*	*47.9%*
EBIT	-2	5	8	9
EBIT margin	*Neg*	*22.8%*	*29.7%*	*31.5%*
Pre-tax earnings	-2	5	8	9
Net earnings	-2	5	8	9
Net margin	*Neg*	*22.8%*	*29.7%*	*31.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-80.8	31.8	19.5	16.7
EV/S	10.1	6.5	4.8	4.0
EV/EBITDA	79.4	15.9	10.5	8.3

Last updated: 2022-10-28

Owner	Equity	Votes
Avanza Pension	14.5%	6.7%
Christer Fehrling	6.6%	11.8%
Johnny Olsson	6.3%	19.5%
Christian Dahl	5.3%	2.5%
Lars Bäckvall	3.0%	4.9%
Mats Tonsjö	2.7%	1.3%
Ibkr Financial Services AG	2.4%	1.1%
Saxo Bank A/S Client Assets	2.2%	1.0%
Lars Wahlund	2.0%	0.9%
Bo Redeborn	1.8%	5.6%

Company description

AVTECH is the world leader in flight and time-based software solutions. After years of research and commercialization, the company has contracts with Southwest, Easyjet, Norwegian, Lufthansa Cargo, etc.

Southwest Airlines (SWA) is AVTECH's largest revenue contributor.

Investment thesis

Case

Attractive market outlook & trends

AVTECH can upsell Southwest with its ClearPath fuel-savings product, offering an extra 2.4% in fuel savings. This could be worth 12-20m SEK and take 1-3 years. AVTECH processes over 50 large and medium-sized airlines. Each Aventus and ClearPath contract could be worth SEK 1-2m. Fixed costs should boost AVTECH's earnings.

Evidence

Southwest Airlines partnership

Since 2014, Southwest has been AVTECH's biggest customer. This proves AVTECH's value proposition. Southwest recently expanded its contract with AVTECH by adding Aventus Enroute Winds Service, showing they're willing to buy more when it pays for itself.

Challenge

Airlines are slower than airplanes

The airline industry adopts new solutions slowly, making it difficult for AVTECH to expand. Low-cost carriers are AVTECH's main customers because they must save money to be competitive. Higher fuel prices and sustainability experts within airlines will push even business airlines to explore fuel-saving options.

Challenge

Giants knocking on the door

Full-flight planning system providers potentially bypassing AVTECH's patent is another challenge. This would reduce contract and revenue projections. However, we believe, the market is too small for giants to invest in, resulting in a good niche for AVTECH.

Valuation

More contracts!

Our Base Case is SEK3.6. This is based on AVTECH signing 2-3 new medium-sized airlines and upselling Southwest on ClearPath. Given AVTECH's low-hanging fruit for airlines, we think this is possible. Our Bull Case assumes higher airline adoption, resulting in a Bull Case of SEK7.2. Our Bear Case is SEK1.2 per share, assuming current customers stay.

Catalyst types

New Contracts in Q4 or Q1

In Q3'22, AVTECH's CEO was optimistic that new contracts could come in Q4. We estimate SEK0.7-1.5m per contract. New contracts in 2023 should marginally affect our fair value range but move the stock price closer to our Base Case.

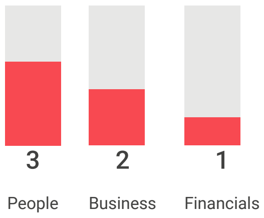
Azelio AZELIO

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

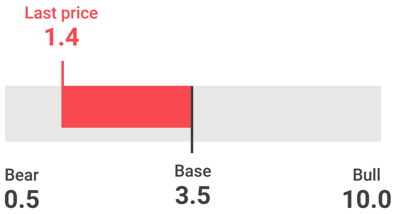
Publication date
January 10 2023

Redeye Rating

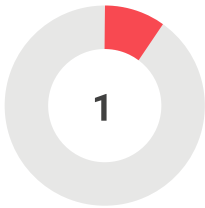
COMPANY QUALITY



FAIR VALUE RANGE

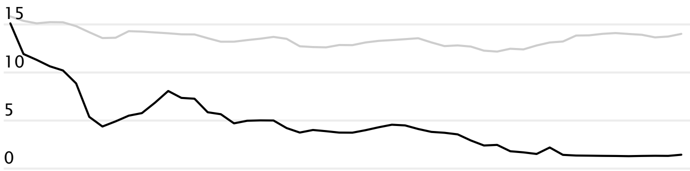


TIMELINESS



Snapshot

Azelio
OMXS30



Marketplace	First North Stockholm
CEO	Jonas Wallmander
Chairman	Bo Dankis

Share information

Share price (SEK)	1.4
Number of shares (M)	318.7
Market cap (MSEK)	446
Net debt (2023E, MSEK)	-76

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Azelio: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	1	15	120	603
Growth	*8.3%*	*>100%*	*>100%*	*>100%*
EBITDA	-252	-278	-281	-222
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-364	-439	-409	-336
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-366	-441	-413	-343
Net earnings	-366	-441	-413	-343
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share				
EPS adj.	-3.19	-0.76	-0.72	-0.59
P/E adj.	-4.9	-1.6	-1.7	-2.0
EV/S	1,188.0	29.2	5.2	1.6
EV/EBITDA	-5.5	-1.6	-2.2	-4.4

Last updated: 2022-11-24

Owner	Equity	Votes
Kent Janér	11.3%	11.3%
CVI Investments Inc	6.4%	6.4%
Merrill Lynch Professional Clearing	6.4%	6.4%
Avanza Pension	5.8%	5.8%
Goldman Sachs International	2.8%	2.8%
Jim O'Neill	2.8%	2.8%
Deutsche Bank AG	1.5%	1.5%
Braginsky Family Office AG	1.5%	1.5%
Nordnet Pensionsförsäkring	1.2%	1.2%
Theodor Jeansson Jr.	1.1%	1.1%

Company description

Azelio offers a renewable long-duration energy storage solution, primarily coupled with electricity generated from photovoltaics (PV). The company listed on NASDAQ First North in December 2018, has around 170 employees.

The company's core technology is thermal energy storage (TES) which efficiently converts thermal energy to electricity and heat via a Stirling engine at all hours of the day. The solution is scalable, sustainable, and cost-efficient from 0.1 MW up to 100 MW. Production takes place in Uddevalla and the company maintains development centres in Gothenburg and Åmål, as well as a presence in Stockholm, Beijing, Madrid, Cape Town, Brisbane and Ouarzazate.

Investment thesis

Case

Geared for substantial growth

We argue that Azelio is on the brink of 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 installations requiring longer storage hours (>8h). We forecast strong growth prospects of 395% CAGR between 2022-2025 when reaching sales of SEK 1.8bn at a 2% EBITDA-margin.

Evidence

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 gen-sets in many cases. The solution is now also partly verified on a commercial scale, with investments of more than SEK 1bn into its solution.

Challenge

Several challenges ahead

No doubt, the potential is huge, but near term, the case faces several risks, including i) a solution not yet fully verified commercially ii) dilution from an additional capital raise of about SEK 250m that we expect is required to reach breakeven iii) risk of costly delays related to its verification process, its customer projects, and the large production ramp up.

Valuation

Solid upside potential

Despite significant delays in sales ramp-up vs. expectations, our sales estimates set high expectations on management and imply very solid growth. The long-term prospects for Azelio are highly interesting if the company can deliver on its set out targets, which would mean a significant upside to our valuation. Even though Azelio has much to prove, we see an upside in the share, despite adding another share issue of about SEK250m into our DCF

model.

Catalyst types

Additional orders

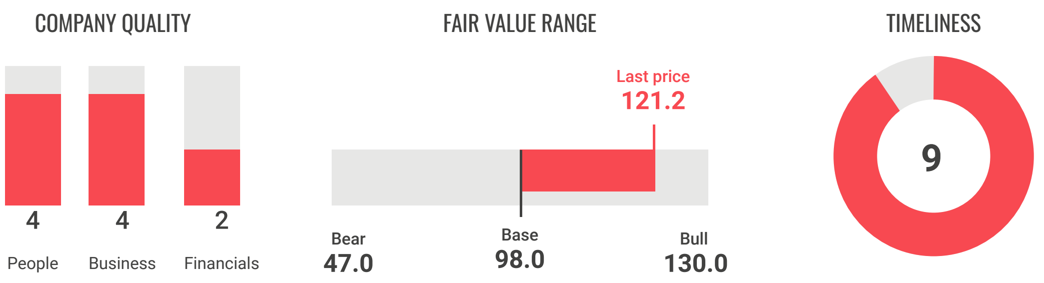
We regard additional orders as the most likely catalyst in the near term. Azelio has reached its final step ahead of commercialisation, which is initiating production. It is now ready to build an order book that is ready to be converted into deliveries and sales. Already existing MoUs should be the main source of initial orders, but we do not rule out orders from others.

Beijer Group BELE

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

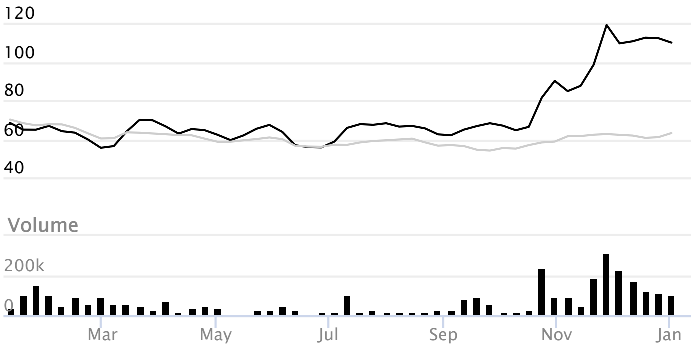
Publication date
January 12 2023

Redeye Rating



Snapshot

Beijer Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Jenny Sjödahl
Chairman	Bo Elisson

Share information

Share price (SEK)	121.2
Number of shares (M)	29.1
Market cap (MSEK)	3,521
Net debt (2023E, MSEK)	100

Analyst

Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Beijer Group: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	1,619	2,108	2,462	2,728
Growth	*12.6%*	*30.2%*	*16.8%*	*10.8%*
EBITDA	218	365	525	616
EBITDA margin	*13.5%*	*17.3%*	*21.3%*	*22.6%*
EBIT	68	210	357	423
EBIT margin	*4.2%*	*9.9%*	*14.5%*	*15.5%*
Pre-tax earnings	50	198	353	419
Net earnings	36	149	279	331
Net margin	*2.2%*	*7.1%*	*11.3%*	*12.1%*
Dividend/Share	0.50	2.06	3.85	4.57
EPS adj.	1.24	5.14	9.62	11.43
P/E adj.	89.5	21.6	11.6	9.7
EV/S	2.3	1.7	1.3	1.2
EV/EBITDA	17.2	9.6	6.3	5.1

Last updated: 2022-11-13

Owner	Equity	Votes
Stena	29.4%	29.6%
Svolder	15.1%	15.2%
Nordea Fonder	13.2%	13.3%
Fjärde AP-fonden	8.9%	8.9%
Cliens Fonder	3.6%	3.6%
Tredje AP-fonden	2.4%	2.4%
Torsten Bjurman	2.0%	2.0%
Nicolas Hassbjer	1.8%	1.8%
Avanza Pension	1.1%	1.1%
Nordea Funds (Lux)	1.1%	1.1%

Company description

Beijer Electronics was founded in 1981 as a distributor of automation products for the industry. Since then, the company has grown organic investments as well as through acquisitions to become a global supplier of industrial automation, smart networking, and connectivity solutions. From 2022, Beijer Group will consist of two business units: Westermo (including Virtual Access, Neratec, ELTEC) and Beijer Electronics (including Korenix).

Investment thesis

Case

Volume and operational excellence with a rejuvenated product portfolio
Beijer Group is a high technology company active in industrial automation and data communication. The group has undergone a large transformation in the past six years; when Beijer Group and Mitsubishi Electric terminated their 33-year long partnership agreement at the turn of the year 2015/16, Beijer Group's product portfolio was, to a large degree, end of life. Management spearheaded a portfolio renewal program with substantial investments in R&D, as well as new recruitments in marketing, sales, and support. In 2022, these investments are bearing fruit and the order intake is at all-time highs. Volume and operational excellence are the key words for Beijer Group when it comes to achieving good profitability.

Evidence

A trusted supplier to world-leading companies
Beijer Group's business model builds on close collaborations with customers in long-term development projects. Finished products (HMIs, ethernet switches, routers, etc.) are often specific to and embedded in the customers' end-products/solutions. A design win can generate repeatable and stable revenues for a long time (product cycles can be up to ten years). Beijer Group has thus a large share of repeatable revenues stemming from world-leading (and demanding customers).

Challenge

History of subpar profitability
Beijer Group has a lackluster history of low profitability and sluggish quarters. It has had a hard time achieving its financial goal of an EBIT margin of 10%, although recently, it has come closer to it, thanks to improved volumes. We believe the market is in a 'wait and see' mode, while Beijer Group itself is gaining market share due to its renewed product portfolio with world-class robust routers, HMIs, etc.

Challenge

Cyclical markets
Beijer Group is a cyclical company, where volumes will fluctuate depending on the general. Beijer Electronics, which sells HMIs to manufacturing companies and oil & gas companies, is more cyclical than Westermo, which sells routers and ethernet switches, etc., to train manufacturers and energy companies, among other things. Beijer Group is backed by the long-term owners Stena Adactum and Svolder, decreasing any financial risk due to temporary headwinds in the markets.

Valuation

Valuation
Redeye's base case of SEK 84 places Beijer Group at an estimated 1.5x sales and 10x EBIT on 2023E. This is not a stretched valuated by any means, according to us, as Beijer Group is gaining market share, should achieve improved profitability thanks to volume which follows the current order intake (the leading indicator).

Catalyst types

New acquisition
Beijer Group 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 new acquisitions during the coming years. Virtual Access, Neratec, and ELTEC are all value-accretive bolt-on acquisitions adding to the group's long-term competitiveness. The last three have targeted the WeGrow initiative: train networks, trackside, and power distribution.

Traction leading to profitable volumes
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.

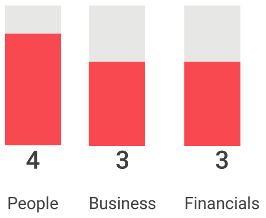
Better Collective BETCO

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

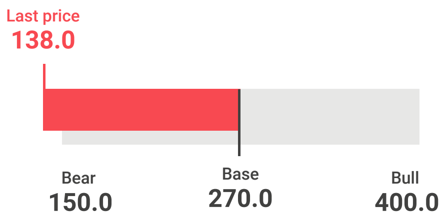
Publication date
January 10 2023

Redeye Rating

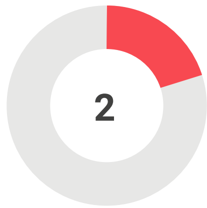
COMPANY QUALITY



FAIR VALUE RANGE

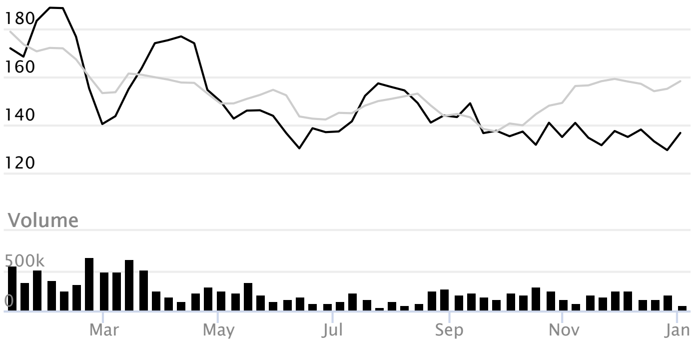


TIMELINESS



Snapshot

Better Collective
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Jesper Søgaard
Chairman	Jens Bager

Share information

Share price (SEK)	138.0
Number of shares (M)	55.1
Market cap (MSEK)	7,611
Net debt (2023E, MEUR)	102

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg 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

			Redeye Estimates	
	2021	2022E	2023E	2024E
Revenue, MEUR	177	263	299	342
Growth	*94.2%*	*48.3%*	*13.8%*	*14.3%*
EBITDA	56	83	101	119
EBITDA margin	*31.5%*	*31.4%*	*33.7%*	*34.8%*
EBIT	45	68	85	103
EBIT margin	*25.7%*	*25.9%*	*28.5%*	*30.2%*
Pre-tax earnings	26	63	83	103
Net earnings	17	48	62	77
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.63	0.91	1.14	1.40
P/E adj.	30.8	14.8	11.9	9.6
EV/S	6.4	3.4	2.8	2.2
EV/EBITDA	20.5	10.8	8.4	6.4

Last updated: 2022-11-23

Owner	Equity	Votes
Jesper Søgaard	19.4%	19.4%
Christian Kirk Rasmussen	19.4%	19.4%
Chr. Augustinus Fabrikker A/S	4.6%	4.6%
Tredje AP-fonden	4.5%	4.5%
Andra AP-fonden	3.9%	3.9%
JP Morgan Chase Bank NA	3.7%	3.7%
Danica Pension	3.3%	3.3%
Svensk, Filial Alandsbanken Abp (Finland)	3.3%	3.3%
State Street Bank And Trust co	3.1%	3.1%
Jesper Ribacka	2.2%	2.2%

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.

Investment thesis

Case

Profitable growth supported by booming US sports betting market
Better Collective is in a solid position to yield profitable growth over several years on the back of the structurally growing online gambling market coupled with an attractive business model generating strong margins. We expect the company to generate organic growth of 15-30% over 2022-24E as it benefits from regulation of the US sports betting market coupled with an emerging position in South America while the more mature European business continues to generate stable performance. The company should also see operating leverage as it reaps the benefit from its strong product portfolio of online educational and informational sports betting content.

Evidence

Solid track record by owner operated management team
Our positive view on Better Collective is supported by its strong track record. The company's management team which are also founders and large shareholders of the company (CEO owns c. 20%) have grown the company substantially since it was listed in 2018 (revenue increase from EUR40m in 2018 to EUR177m in 2021). Better Collective has also built a strong position in the US through acquisitions that has this far delivered on expectations. Finally, the company has delivered on its financial targets which gives credit to believe in future growth targets.

Challenge

High growth in US will drive increased competition
The strong growth in US will likely drive increased competition in the online sports betting and casino marketing segment. However, Better Collective focus on building quality products which should put it ahead of competition in our view. Additionally, it has also been able to strike partnerships with traditional media outlets which further strengthens its competitive position.

Valuation

Base case DCF driven by US growth – implies valuation in higher end of historic EV/EBITDA range

We find a base case valuation of SEK270 per share for Better Collective which is derived from a DCF-valuation. The base case implies a EV/EBITDA multiple of 16x on our 2023E EBITDA while the share has historically traded in a range of 5x to 20x twelve months forward EBITDA. Our base case assumes growth of 13% between 2022-27E and 5% between 2028-37E supported by the structural growth in the US market. We assume a slight margin expansion as the company enjoys operating leverage.

Catalyst types

Acquisitions
Value-adding acquisitions of local brands in new markets at low multiples offers inorganic upside potential.

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.

US market
US market offers a multi-year growth opportunity with several states regulating sports betting over the coming years.

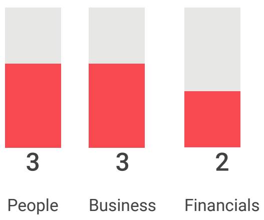
Beyond Frames

Company page
https://www.redeye.se/company/beyond-frames

Publication date
January 13 2023

Redeye Rating

COMPANY QUALITY



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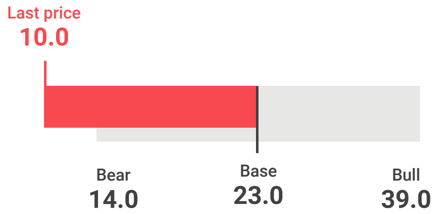

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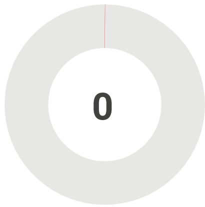
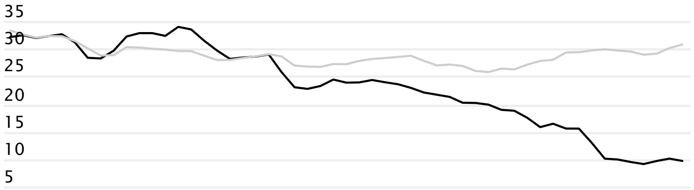


Snapshot

Beyond Frames
OMXS30



Marketplace	Spotlight Stock Market
CEO	Ace St. Germain
Chairman	Fredric Gunnarson

Share information

Share price (SEK)	10.0
Number of shares (M)	17.2
Market cap (MSEK)	172
Net debt (2023E, MSEK)	-29

Analyst

Danesh Zare
danesh.zare@redeye.se

Conflict of interests

Danesh Zare owns shares in Beyond Frames: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	24	35	52	69
Growth	*90.6%*	*48.1%*	*49.1%*	*32.4%*
EBITDA	-1	-6	8	15
EBITDA margin	*Neg*	*Neg*	*15.7%*	*22.9%*
EBIT	-9	-12	0	4
EBIT margin	*Neg*	*Neg*	*Neg*	*6.9%*
Pre-tax earnings	-8	-12	0	4
Net earnings	-8	-12	0	5
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.56	-0.75	-0.02	0.29
P/E adj.	-63.5	-28.0	-987.8	71.8
EV/S	20.4	8.8	6.3	5.0
EV/EBITDA	-324.7	-49.0	40.2	21.8

Last updated: 2022-08-30

Owner	Equity	Votes
Avanza Pension	16.1%	16.1%
Arvr Holding AB	15.5%	15.5%
Mathias Fredriksson	11.1%	11.1%
Magnus Unger	8.6%	8.6%
Ricky Helgesson	5.5%	5.5%
Catherine Ehrensvärd	4.2%	4.2%
Futur Pension	3.8%	3.8%
SEB Life International	3.2%	3.2%
Nordea Liv & Pension	2.2%	2.2%
Erik Åfors	1.9%	1.9%

Company description

Beyond Frames Entertainment är inriktade mot dataspelsindustrin och fokuserar på att skapa en plattform för spelutvecklare. Via flertalet spelstudios samlar bolaget tekniska utvecklare för att skapa och öka spelupplevelsen inom VR och AR. Genom förvärv och uppbyggnad av nya spelstudiors bidrar bolaget med marknadsföring, administration, nätverk samt möjligheten till relationsbyggande för plattformsägare. Huvudkontoret ligger i Stockholm.

Investment thesis

Case

Attractive exposure towards the growing VR industry

Beyond Frames is a game developer and publisher niched towards the VR market, an area still in its infancy but expected to grow by a CAGR of 18 percent until 2028, driven by hardware and software investments. Moreover, VR games tend to have a long life-span and lower development budgets than traditional premium PC/console games. This, in combination with their solely digital distribution, brings high operating margins and a healthy return on investments. Beyond Frames aims to expand its game portfolio tenfold.

Evidence

Tech giants entering the field

Meta, the current market leader in the VR space, spent USD 10bn last year on capitalizing on the market opportunities. Its VR headset, Oculus Quest 2, has sold ~10 million units since its launch (Q4 2020), and analysts forecast Meta can sell ~18 million units in 2022. In addition, Sony is expected to release its PSVR2 in 2023, and several other major tech players are investing in the field. An additional catalyst for expanding the user base.

Challenge

Commercialization

The VR industry is still in its infancy and remains dependent on large hardware investments to make VR headsets more affordable to the wider audience. There are risks that the commercialization of VR headsets will take longer than expected, which would naturally affect the global user base. Additionally, VR headsets could be used for other functions, particularly in several work applications and in education. There is no guarantee of gaming as the killer application for VR headsets.

Valuation

Superior growth

We forecast a 2021-24e sales CAGR of 40 percent and expect Beyond Frames to be profitable on the EBITDA level in 2024. However, high investments in its game portfolio in the coming years will limit any free cash flow until 2024. On our Base Case, Beyond Frames trades at 25x 2024E EV/EBITDA.

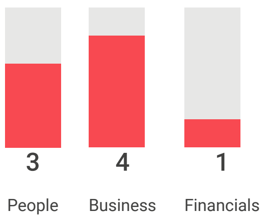
BIMobject BIM

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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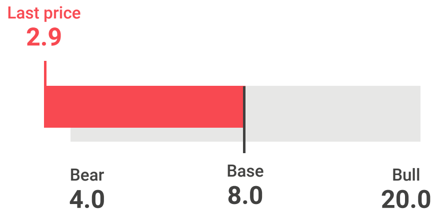

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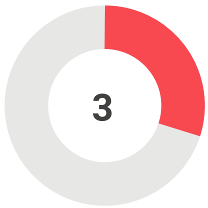
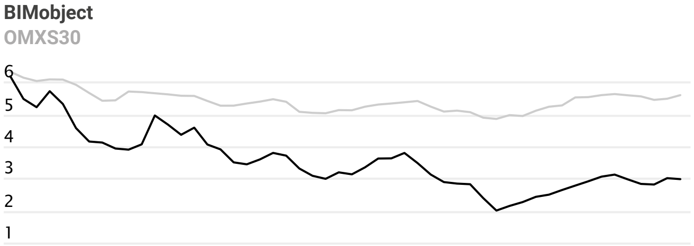


Snapshot



Marketplace	First North Stockholm
CEO	Martin Lindh (Acting)
Chairman	Peter Bang

Share information

Share price (SEK)	2.9
Number of shares (M)	140.2
Market cap (MSEK)	412
Net debt (2023E, MSEK)	-208

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

			Redeye Estimates	
	2021	2022E	2023E	2024E
Revenue, MSEK	120	135	156	186
Growth	*-12.1%*	*12.7%*	*15.1%*	*19.6%*
EBITDA	-76	-46	-23	-9
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-85	-56	-33	-19
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-80	-57	-33	-19
Net earnings	-80	-57	-33	-19
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.58	-0.41	-0.24	-0.14
P/E adj.	-11.0	-12.1	-20.7	-35.2
EV/S	5.4	3.4	3.1	2.6
EV/EBITDA	-8.5	-10.1	-20.5	-51.6

Last updated: 2022-08-15

Owner	Equity	Votes
Euroclear Bank S.A/N.V	13.5%	13.5%
EQT	11.1%	11.1%
TIN Fonder	7.4%	7.4%
Swedbank Robur Fonder	6.8%	6.8%
Jan Karlander	6.6%	6.6%
Avanza Pension	6.4%	6.4%
Stefan Larsson	4.5%	4.5%
Nordnet Pensionsförsäkring	4.3%	4.3%
Svenska Handelsbanken AB for PB	2.1%	2.1%
Nordea Liv & Pension	2.0%	2.0%

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.

The company is currently undergoing a strategic shift, by adding a new CEO and launching new overall objectives toward profitable growth.

Investment thesis

Case

High earnings potential

With i) attractive long-term 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. In recent years, the company has been pushing through two strategic plans as the overall performance and growth has been unsatisfactory.

Evidence

Solid position but needs movement in the right direction

As the global leading BIM-library provider with an ARR base of about SEK100m, while being a market consolidator, we believe the outlook for growth is positive in the long term even if the company will require some time to get back on track. Compared to most of the Swedish listed Software as a Service (SaaS) companies, BIMobject also has global potential and is on a good way to becoming the global leader within its niche. The market, which 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. Historically, BIMobject has had an opportunistic strategic approach, not utilizing its full potential as a software company. The current leadership shows a good understanding of the business and market and has put several new strategic initiatives into place to improve value proposition, and sales processes while reducing costs.

Challenge

Poor financial track record – despite a strong market position

Historically, BIMobject has failed to monetize its market-leading position with a rather opportunistic approach. Despite being a software provider, its OPEX has increased more than sales in recent years while initiatives now are in place to turn the trend. Further, we believe that the historical prices to its customers and the number of new brands added to the platform have not really played out as the company or market expected.

Challenge

Still, quite some work to reach breakeven

Even though the company has initiated two cost-saving programs during the last years, we expect that BIMobject must return to growth before becoming profitable. The achievement of growing while reducing headcount can be tough, and we expect the company to reach breakeven in 2025 at first. The company does however has a large cash position of around SEK210m which we expect to be more than sufficient until 2025.

Valuation

Valuation low - growth required to drive the share

We value BIMobject at SEK 8 per share in our DCF model, driven by an expected ~20% ARR growth in the coming years, while reaching profitability in 2025, at first, while its solid cash position adds some safety on the way there. Our peer valuation indicates a discount towards peers but also a lower performance. Considering BIMobject's position as a leading platform in its niche, we believe it could be valued at a premium if sales growth takes off substantially, resulting in higher margins. Hence, our Bull Case of SEK 20 per share.

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.

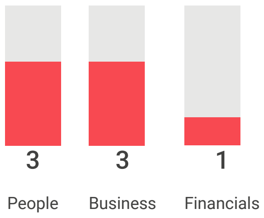
Binero Group BINERO

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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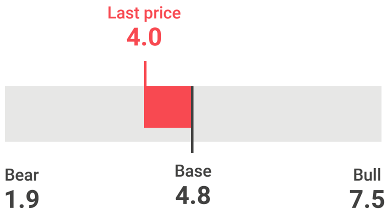
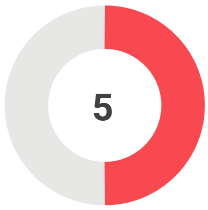


TIMELINESS



Snapshot

Binero Group
OMXS30

Marketplace	First North Stockholm
CEO	Stefan Andersson
Chairman	Carl-Magnus Hallberg

Share information

Share price (SEK)	4.0
Number of shares (M)	31.5
Market cap (MSEK)	127
Net debt (2023E, MSEK)	17

Analyst

Jacob Svensson
jacob.svensson@redeye.se

Conflict of interests

Jacob Svensson owns shares in Binero Group: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	52	100	113	125
Growth	*14.7%*	*91.7%*	*12.0%*	*11.5%*
EBITDA	-8	-2	5	10
EBITDA margin	*Neg*	*Neg*	*4.8%*	*8.0%*
EBIT	-18	-18	-10	-2
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-19	-20	-12	-4
Net earnings	-19	-20	-12	-4
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.61	-0.61	-0.38	-0.11
P/E adj.	-7.6	-5.6	-9.0	-30.8
EV/S	2.7	1.2	1.1	1.0
EV/EBITDA	-18.3	-50.2	23.6	13.1

Last updated: 2022-10-31

Owner	Equity	Votes
Richard Göransson	13.8%	13.8%
Arbona AB (publ)	11.1%	11.1%
Johan Edenström	10.9%	10.9%
Stefan Andersson	8.9%	8.9%
Jonas Feist	8.5%	8.5%
Björn Rodeholt	5.9%	5.9%
Whistler AB	5.4%	5.4%
Mölna Spar AB	5.1%	5.1%
Blibros AB	4.5%	4.5%
Åke Eriksson	3.8%	3.8%

Company description

Binero is a Sweden-based B2B cloud service and digital infrastructure provider headquartered in Stockholm. The company's offering includes, among other things, the development and operation of companies' IT infrastructure, public cloud services and modern application development. Its Binero.Cloud is a Swedish cloud infrastructure solution based on open source, sustainability and data integrity that conforms to European laws and regulations. Customers are offered an easy-to-use, standardized solution for consuming services through a platform as a service (PaaS) business model. Binero is the first Swedish publicly listed company to focus on a public cloud built on open source and open standards. The company delivers cloud services from its award-winning data center, DCS01 and the Fossil Free Data eco-label indicates that DCS01 meets strict energy efficiency requirements, has low carbon dioxide emissions, and uses 100% renewable energy. The share is listed on the Nasdaq First North Growth Market.

Investment thesis

Case

Transformative acquisition leverages the offering — approaching profitability

Binero recently completed a transformational acquisition of RedBridge, more than doubling pro forma revenues and leveraging its cloud offering within application development. We see RedBridge's niche offering as an exceptional fit with Binero's current cloud offering, expanding the merged entity's services and adding customer value. Moreover, the acquisition increases growth opportunities and implies that Binero is on the threshold of profitability: two key catalysts we argue are not reflected in the current share price.

Evidence

Pro forma figures suggest growth and profitability ahead

RedBridge accounts for ~60% of the consolidated company's pro forma revenues and boosts earnings thanks to its positive EBIT margin. According to management, combined offerings have already been sold, confirming a good product fit and a smooth integration. The acquisition strengthens the breadth of its offerings and expands the customer base, resulting in improved growth prospects while approaching profitability, and we argue the share can close in on our Base Case as it executes.

Challenge

RedBridge integration process

One short-term challenge is the RedBridge-integration, which can affect future growth and the timing of profitability. However, management says the integration process is running according to plan and will continue throughout 2022. In addition, the fact that combined offerings have already been sold confirms this further.

Challenge

Competition from local and global players

Binero faces competition from local and global players, with Amazon (AWS) and Microsoft (Azure) dominating the cloud market. However, we consider Binero's offering and its climate-smart and European-compliant data centre as competitive advantages. European customers seem to demand sustainability with stricter regulations and data privacy to a greater extent. Moreover, on average, companies tend to use several cloud solutions, which reduce customer barriers and increase Binero's chance to grab market share in its niche.

Valuation

Low EV/S does not reflect future potential

Based on our DCF model, we see a fair value of SEK4.8 in our Base Case. Considering the potential acquisition synergies, future growth, and long-term margin prospects, we do not believe Binero's appealing EV/S multiple reflects this potential at the current share price levels.

Catalyst types

Growth Taking Off with Stable Profitability

Another catalyst is that Binero manages to grow the business and sustain long-term profitability. This will be particularly positive if the growth occurs organically.

RedBridge Continues to Impact Fundamentally

As we have seen only one quarter that partially included RedBridge, the integration remains a short-term trigger. We argue it can enrich Binero's fundamentals significantly in the coming quarters as an ongoing catalyst as synergies materialize to a greater extent.

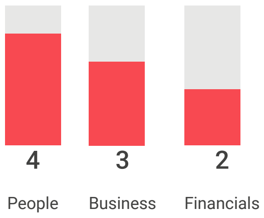
Bioservo Technologies BIOS

Company page
https://www.redeye.se/company/bioservo-technologies

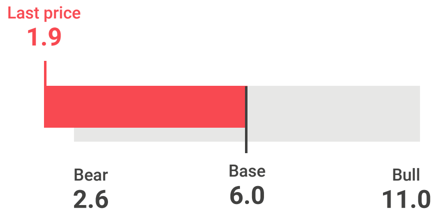
Publication date
January 12 2023

Redeye Rating

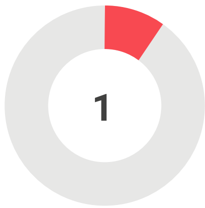
COMPANY QUALITY



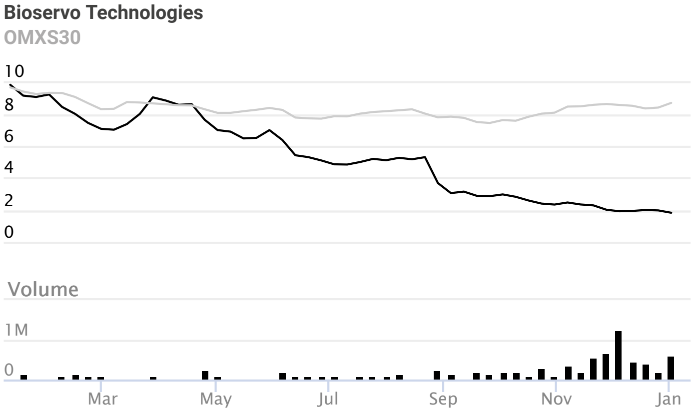
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Petter Bäckgren
Chairman	Anders Lundmark

Share information

Share price (SEK)	1.9
Number of shares (M)	28.4
Market cap (MSEK)	55
Net debt (2023E, MSEK)	-44

Analyst

Mats Hyttinge
mats.hyttinge@redeye.se

Conflict of interests

Mats Hyttinge owns shares in Bioservo Technologies: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	7	14	29	48
Growth	*-39.1%*	*92.7%*	*>100%*	*68.6%*
EBITDA	-31	-40	-18	-10
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-35	-44	-21	-15
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-35	-44	-21	-15
Net earnings	-35	-44	-21	-11
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.83	-1.31	-0.64	-0.44
P/E adj.	-5.6	-1.9	-3.9	-5.8
EV/S	18.5	3.4	1.4	1.2
EV/EBITDA	-4.3	-1.1	-2.3	-5.7

Last updated: 2022-11-15

Owner	Equity	Votes
Tellacq AB	17.3%	17.3%
Anders Lundmark	8.2%	8.2%
Avanza Pension	7.5%	7.5%
Adrigo Asset Management	5.9%	5.9%
Tomas Ward	3.0%	3.0%
Ubp Clients Assets - Sweden	2.9%	2.9%
Magnus Lundberg	2.4%	2.4%
Simon Josefsson	2.3%	2.3%
Dobono AB	1.8%	1.8%
Nordnet Pensionsförsäkring	1.6%	1.6%

Company description

Bioservo is a tech/MedTech company founded in 2006 by collaborating with Kungliga Tekniska Högskolan and doctors at Karolinska Hospital in Stockholm. The SEM™ technology was developed during the 2000s and patented in 2006 and is the base of the company's products.Through collaborations and partnerships, the company has continued to develop its products within the soft exoskeleton field with applications that are suitable both in an industrial setting and in the medical area to prevent injuries in the industry and work as a rehabilitation tool in the medical environment.

The company has entered into agreements and partnerships with reputable industrial players to develop and test the products. The primary fields have been Automotive, with such companies as GM and Toyota. Collaborations with NASA and Airbus are the main parties within the aerospace field. The technology development has taken time, and the actual commercialization process started in 2017 when the company was also listed at First North.

Investment thesis

Case

Inflection point delayed

Bioservo has continually developed its offering during the slowdown due to the pandemic to come out stronger at the other end. The iHand clinical trial has been completed, with results due to be published during the first half of 2022, which should give a runway for introducing Carbonhand 2.0. The GM trials have been successful, and the results should result in some orders from GM or other clients. With a return to a more normal business situation, we believe that Bioservo is approaching an inflection point regarding growth in the coming 12 months. The potential size of the two markets that Bioservo is addressing is immense. The Industrial and Life Science sectors show high numbers of strain injuries in the workplace and high prevalence in different clinical conditions that would benefit from the assistive or rehab glove. The population sizes in the target markets give a very high TAM based on the high prevalence and trends. The aging population will continue to drive growth in both segments.

Evidence

Excellent user feedback

The first product, Ironhand, which is the first to be commercialized, has been extensively tested with potential clients in several different industries. The long-term trials have produced excellent results that show the decreased risks for strain injuries. The strong partnerships show a high interest in the solutions. Bioservo is relatively alone in its niche in soft solutions, where most other competitors rely on rigid systems.

Challenge

Not enough resources to penetrate the market

The primary challenge is the relatively small size of the company and will they be able to ramp up both sales and production in a market that is both large and growing and with, as it seems, long lead times in the decision-making among clients.

Valuation

The vast and growing market creates a potential for long term growth

Our Base case for Bioservo is SEK 6 per share. We believe we have a conservative growth scenario in our DCF model, considering the market potential. We estimate a CAGR in revenues of 63% for 2022-2026e and a CAGR of 15% during the next phase between 2026-2035e with an average EBIT margin of 18%. The sales numbers are still small in relation to the identified market potential in the industrial and healthcare sectors.

Catalyst types

Orders after GM trials

The long term General Motors trials were finalized at the end of 2021. Good signal value when orders are eventually placed.

iHand clinical study

The iHand clinical study will be concluded and results will be published in the beginning of 2022.

Launch of Carbonhand 2.0

The launch of Carbonhand 2.0 is important to drive long term growth. We expect positive news during the fall of 2022 and during 2023.

Finalizing Toyota trials

During 2022 the long term trials at Toyota are to be finalized. Potential large scale implementation.

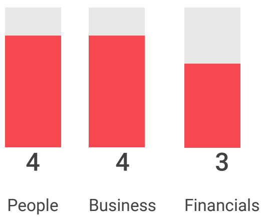
Bredband2 BRE2

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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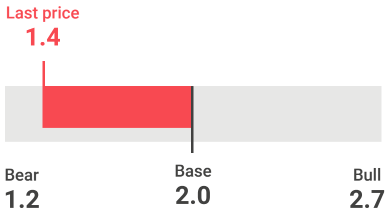
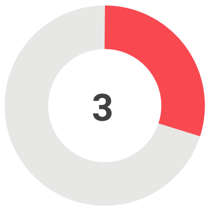
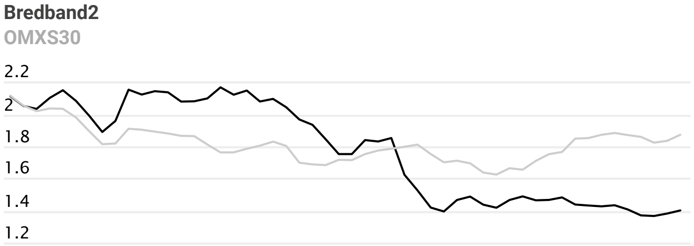
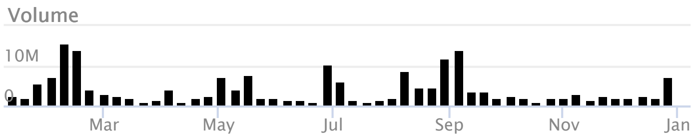


TIMELINESS



Snapshot





Marketplace	First North Stockholm
CEO	Daniel Krook
Chairman	Anders Lövgren

Share information

Share price (SEK)	1.4
Number of shares (M)	957.1
Market cap (MSEK)	1,300
Net debt (2023E, MSEK)	-84

Analyst

Jacob Svensson
jacob.svensson@redeye.se

Conflict of interests

Jacob Svensson 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

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	1,512	1,533	1,558	1,597
Growth	*91.9%*	*1.4%*	*1.7%*	*2.5%*
EBITDA	220	243	252	256
EBITDA margin	*14.5%*	*15.8%*	*16.2%*	*16.1%*
EBIT	94	96	103	119
EBIT margin	*6.2%*	*6.3%*	*6.6%*	*7.5%*
Pre-tax earnings	85	85	93	109
Net earnings	81	71	74	87
Net margin	*5.4%*	*4.6%*	*4.7%*	*5.4%*
Dividend/Share	0.08	0.08	0.08	0.09
EPS adj.	0.08	0.07	0.08	0.09
P/E adj.	25.5	19.3	18.6	15.8
EV/S	1.3	0.9	0.8	0.8
EV/EBITDA	9.3	5.5	5.1	4.8

Last updated: 2022-11-14

Owner	Equity	Votes
Anders Lövgren	13.5%	13.5%
Mark Hauschildt	9.7%	9.7%
Alcur Fonder	9.6%	9.6%
ODIN Fonder	9.1%	9.1%
Aeternum Capital AS	3.3%	3.3%
Avanza Pension	2.9%	2.9%
Luxembourg Branch, W8imy/Nqi J.P. Morgan Se	2.8%	2.8%
BI Asset Mgmt Fondsmaeglerselskab A/S	2.8%	2.8%
The Bank of New York Mellon SA/NV	2.5%	2.5%
Nordnet Pensionsförsäkring	2.2%	2.2%

Company description

Bredband2 supplies communication services to consumers and corporate customers throughout Sweden, offering internet, telephony, data centres and mobile broadband. The company is Sweden's third-largest provider of internet access using fibre technology, with over 450,000 private customers. The company's business model is based on using other providers' networks open to the market — so-called open city networks, which means it avoids upfront investments in infrastructure. Thus, the market is characterized by free competition and allows different players to share the infrastructure, enabling the end-user to choose freely among suppliers. Bredband2 also has customers within exclusive networks, where a single supplier delivers services to the entire property.

Investment thesis

Case

Growth through the fibre wave, with subsequent margin expansion
Considering Bredband2's strong market position in the structural growing fibre market, we believe the company has a solid chance to grow thanks to the fibre wave and the phasing-out of outdated technologies. As Bredband2 is an operator solely with fibre technology and has a scalable, non-cyclical, recurring business, we argue the company is well-positioned to grow sales stable over time with expanded margins. Solid reports and potential acquisitions serve as the key catalysts.

Evidence

Strong market position and scalability support our view
Bredband2 has a clear market position in the Swedish fibre niche, being the no.3 with over 450,000 private customers. Thanks to its strong position in a market where scale matters and a track record of expanded customer base and ARPC (average revenues per customer), we see a significant cross- and up-selling potential to drive growth. In addition, its history of internal efficiency improvements and scalability hints that growth can derive from minimal cost increases, implying future margin expansion.

Challenge

Intense competition and maturing market
The market is characterized by intense competition, where larger players can cause growth and margin pressure. However, we argue Bredband2 has strengthened its position on the latter, not least through the A3 acquisition in 2020, taking a clear market position. In addition, as selling such a generic product makes customers' decisions highly price-based, we claim that Bredband2's low investment needs, internal efficiency and lower price strategy provide a solid competitive advantage.

Challenge

Dependence on network owners
Market players depend highly on the network owners, implying that increased network fees (COGS) can pressure gross margins. At the same time, as customers' buying decisions are largely price-based, this instead applies gross margin pressure in the other direction. However, Bredband2 has historically managed to offset reduced gross margins superbly in the past by improving its internal efficiency as revenues have grown, thanks to its scalability in other OPEX.

Valuation

Low EV/EBIT does not reflect its market position
Based on our DCF model, we see a fair value of SEK2.0 per share in our Base Case and SEK1.2 and SEK2.7 per share in our Bear and Bull Cases, respectively. Given Bredband2's robust market position and potential to capitalise on its substantial customer base, we argue that Bredband2 is well-positioned to grow stable sales over time with future margin expansion. Consequently, we do not believe the current EV/EBIT multiple reflects its full potential.

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.

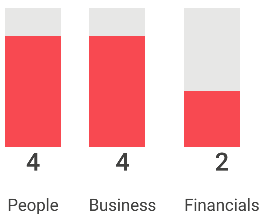
Carasent CARA

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

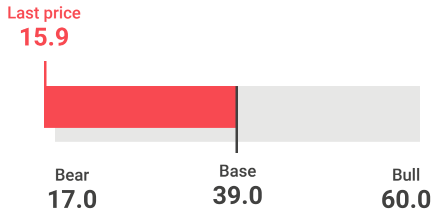
Publication date
January 12 2023

Redeye Rating

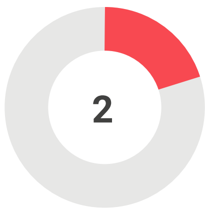
COMPANY QUALITY



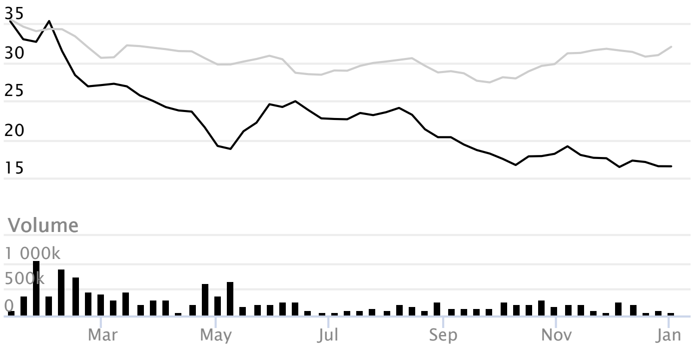
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	Oslo Børs
CEO	Daniel Öhman
Chairman	Petri Niemi

Share information

Share price (NOK)	15.9
Number of shares (M)	79.6
Market cap (MNOK)	1,269
Net debt (2023E, MNOK)	-767

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

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MNOK	137	189	228	275
Growth	*94.3%*	*37.6%*	*20.8%*	*20.8%*
EBITDA	45	48	72	98
EBITDA margin	*33.2%*	*25.3%*	*31.5%*	*35.5%*
EBIT	26	21	34	52
EBIT margin	*19.0%*	*11.3%*	*14.9%*	*18.7%*
Pre-tax earnings	12	45	37	55
Net earnings	9	40	31	47
Net margin	*12.5%*	*27.2%*	*15.3%*	*18.3%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.22	0.64	0.43	0.63
P/E adj.	172.6	26.7	36.8	25.5
EV/S	15.1	3.5	2.3	1.7
EV/EBITDA	45.4	13.6	7.2	4.9

Last updated: 2023-01-12

Owner	Equity	Votes
BNP Paribas Securities Services	15.1%	15.1%
Vitruvian Partners	15.1%	15.1%
Aeternum Capital AS	13.1%	13.1%
Swedbank AB	8.3%	8.3%
SEB Fonder	5.8%	5.8%
Danske Bank A/S	4.9%	4.9%
Avanza Bank AB	4.8%	4.8%
Columbia Threadneedle	4.4%	4.4%
Skandinaviska Enskilda Banken AB	3.8%	3.8%
Highclere International Investors LLP	3.7%	3.7%

Company description

Carasent is a Nordic software provider, with a core value proposition consisting of cloud based electronic health record (EHR) solutions (with Webdoc as the main product) and a broad ecosystem of integrated services supporting the digital transformation of healthcare and improving the everyday life of healthcare staff. The customers are primarily private providers within primary and specialist care, mental health and occupational health. Carasent's many subsidiaries are targeting smaller niche markets, with TAMs ranging from SEK1bn to SEK100m, limiting competition from larger international players. These smaller markets often have local regulations and considerations that are important to adhere to in order to attract customers. The company employs around 150 people and is listed on the Oslo Stock Exchange.

Investment thesis

Case

A niche industry leader in a non-cyclical market

Carasent is an investment management company with a special focus on businesses that develop entrepreneurial and e-health solutions (EHR systems, IT solutions, quality assurance, and add-on software). The software as a service (SaaS) company has excellent unit economics (such as low churn, stable net retention numbers, low customer acquisition cost, high customer lifetime value, etc.), giving it a solid base to grow from. Carasent has more than 2000 clinics in its customer base (specialists, general practitioners, rehabilitation, smaller hospitals, etc.), mainly in Sweden and Norway. These include well-recognized healthcare providers such as Capio, Aleris, and Doktor.se. In its home market of Sweden, Carasent has steadily gained market share over the last decade thanks to its unique product offering and great service, and it is now introducing its main product Webdoc in the Norwegian market to replicate that success. Growth has stemmed both from organic initiatives as well as from an active M&A program (six deals since April 2018).

Evidence

Good reinvestment opportunities give a long growth runway

Management's growth strategy is built on three dimensions: expanding products & services, new segments, and new geographies. These are both pursued by organic initiatives as well as through acquisitions. The healthcare industry needs digitization to improve workflow, reduce waiting lists, and upgrade care. It has a chronic staff shortage, and Carasent's solutions assist clinics in their effort to provide care to all those in need. As the Nordic region is at the forefront of digitized healthcare, with Carasent being a market leader, we see a real possibility to roll out the offering in Europe as a first mover. Following the introduction of Webdoc in Norway, Carasent seeks to establish its EHR system in the UK in 2023.

Challenge

Butchered expansion

Carasent is basically in the vertical market software (VMS) space and there are barriers to introducing a new software in novel markets. Carasent is in the early process of launching its Webdoc system in Norway, a neighboring market of Sweden, and it has proven to be a challenge. The Norwegian expansion will be an important litmus test for Carasent's international expansion strategy, to gauge the return on capital for translating the core EHR system for a new market and how well the offering competes with local players. There are also risks of Carasent acquiring new companies with its cash position that prove difficult to integrate and manage. Too much management focus on the international expansion and on new acquisitions might hurt the position in the home markets.

Challenge

Political risks

Some of Carasent's subsidiaries are facing political risks indirectly. Primarily Evimeria, with its private healthcare provider customer base in Sweden, is subject to how local politicians view private healthcare and whether they want the local clinics to use the same EHR systems as the public healthcare system. Profits in the social- and healthcare space is rather controversial in certain voter groups and that could potentially impact the TAM. Today, Evimeria can, for example, only target about 50% of the private healthcare providers in Sweden due to local restrictions. However, the trend has been somewhat positive.

Valuation

Cheap quality SaaS company

Carasent has undergone a severe multiple contraction in the past year and a half, leading to non-strained multiples. Carasent is priced well-below many other quality SaaS companies with similar growth and margin profiles. On top of that, Carasent holds a massive cash position that lowers the financial risks.

Catalyst types

Footprint in the UK

The British market is a great leap for Carasent, that would significantly expand its TAM. It would also be a larger market where competition ought to be fiercer than in smaller Nordic markets. Therefore, should Carasent be able to establish a footprint in the UK, it would be an important step to scale the customer intake and thereby the sales.

Successful Norwegian expansion

The Norwegian Webdoc expansion is a litmus test for the international strategy. Thus, an uptick of newly signed customers in the market ought to be a strong catalyst for the stock, as it is a signal for several important factors: the international expansion is viable, Webdoc's offering is internationally competitive, the TAM is expanding significantly and thereby the growth runway.

Value-add M&A

Carasent has about NOK750m in cash on its balance sheet and has conducted six deals since April 2018. Value-add acquisitions are good catalysts, but there are also risks involved.

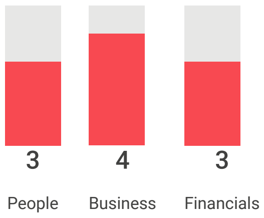
Careium CARE

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

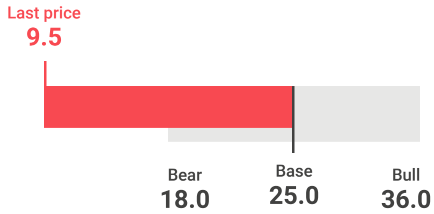
Publication date
January 13 2023

Redeye Rating

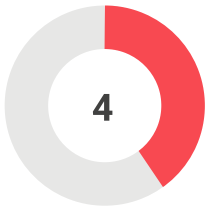
COMPANY QUALITY



FAIR VALUE RANGE

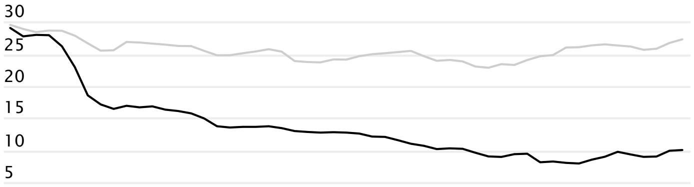


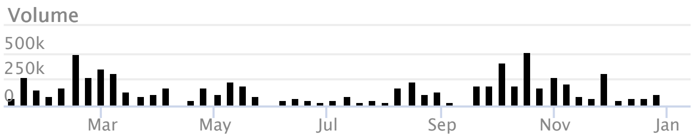
TIMELINESS



Snapshot

Careium
OMXS30





Marketplace	First North Stockholm
CEO	Carl-Johan Zetterberg Boudrie
Chairman	Lennart Jacobsen

Share information

Share price (SEK)	9.5
Number of shares (M)	24.3
Market cap (MSEK)	231
Net debt (2023E, MSEK)	147

Analyst

Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Careium: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	587	715	774	833
Growth	*12.1%*	*21.7%*	*8.3%*	*7.6%*
EBITDA	65	41	35	58
EBITDA margin	*11.1%*	*5.8%*	*4.5%*	*7.0%*
EBIT	9	-28	17	38
EBIT margin	*1.4%*	*Neg*	*2.2%*	*4.6%*
Pre-tax earnings	9	-29	17	38
Net earnings	5	-23	14	29
Net margin	*0.8%*	*Neg*	*1.8%*	*3.5%*
Dividend/Share	0.00	0.00	0.15	0.30
EPS adj.	0.19	-0.97	0.56	1.19
P/E adj.	159.4	-9.3	16.8	8.0
EV/S	1.5	0.5	0.5	0.4
EV/EBITDA	13.4	8.5	10.7	6.1

Last updated: 2023-01-13

Owner	Equity	Votes
Rbcb Lux Ucits Ex-Mig	17.1%	17.1%
Accendo Capital	16.6%	16.6%
Nordea Fonder	11.7%	11.7%
Rite Ventures	10.2%	10.2%
Lazard Frères Gestion	7.0%	7.0%
Avanza Pension	4.5%	4.5%
Peter Lindell	3.2%	3.2%
Swedbank Försäkring	3.0%	3.0%
eQ Asset Management Oy	3.0%	3.0%

Company description

The seeds of Careium were sown back in 2012 when Doro, who was primarily focused on selling mobile phones to seniors, started to invest in Telecare and Mobile health (mHealth) solutions. Telecare enables seniors to stay in their homes by leveraging technology. Through fall-sensors, alarm bracelets or smoke detectors, the seniors connect to an alarm center through either the internet or fixed- or mobile telephone. mHealth is a broader term for the practice of medicine and public health by mobile devices. The idea of entering the segment came from the general switch from fixed to mobile networks. Doro had vast experience of the mobile network through their consumer phones segment. With its large number of mobile phone units in seniors' hands, it saw that it could create synergies between the segments. After nine years of hard work, the company has realized that having two focused companies offer better potential than prospective synergies. That is why Doro decided to spinoff the Care business to create Careium.

Investment thesis

Case

Addressing key challenges

Careium is well-positioned in a sector that is under structural growth: Healthcare for the elderly. To summarize, Careium taps into three significant challenges: • The elderly population is increasing. • Demand for care rises – higher requirements on services. • Resource challenges in society – both financially and staffing. Careium taps into three large challenges for society: The elderly population is increasing, demand for care rises, with labor in tight supply. Careium offer alarms, a connected software platform and people who care for patients and operate the alarm centers. It is uniquely suited to tackle the structural challenges. The solutions have long been reactive, but Careium aims to enable solutions where help comes before there is an emergency, not after, i.e. healthcare and not “sickcare”.

Evidence

A strong brand with forecastable cash flows

Careium has a history in the elderly care market stretching back to 1975 and has built a strong brand. The company has a stable base of customers under long-term contracts that brings reliable cash flows and can use its position to invest for the future in terms of new digital solutions and selected acquisitions. Each local market is surrounded by a wide moat making it difficult for entrants to compete.

Challenge

Historical organic growth has not impressed

Careium's growth has mainly come from acquisitions. The ambition has been to grow organically as well by introducing a larger share of digital solutions. The adoption of digital solutions happened to some degree in Sweden a few years ago, but it has taken longer than expected to take off in the UK market, Careium’s largest market in terms of number of connections. We think it's up to the company to prove the doubters wrong and are careful to count on strong organic growth figures going forward even though we see the potential.

Challenge

Operating margins have trended down

During the last years, the operating margins for Careium have trended down significantly from close to 10% just a few years ago to around 0%. The main reason is that the UK operations that makes up around 40% of sales and more than 50% of connections have shown dismal profitability.

Valuation

Likable characteristics

Careium has a set of quality characteristics many investors search for with recurring revenues, a structurally growing market, and opportunities for organic growth and bolt-on acquisitions. Our Base Case fair value is SEK25.

Catalyst types

Margin Expansion

Margins have been pressured due to higher costs in the supply-chain and labor and Careium has not been able to raise prices accordingly. Management is working on improving the situation primarily driven by cost efficiency measures.

Expansion into further geographies

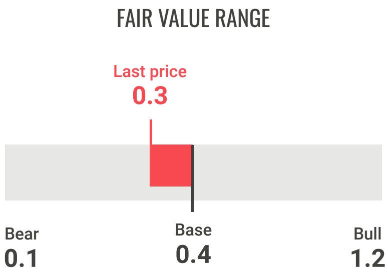
The Care acquisitions are Careium's chance to build scale at a faster space. Through their larger scale, they are able to leverage their research and development efforts and current hardware suite. Careiums foreign care expansion will lead to margin and multiple expansion. In the UK, Careium now has important M&A expertise from several acquisitions.

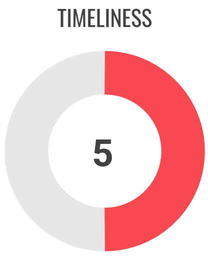
Chromogenics CHRO

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

Publication date
January 16 2023

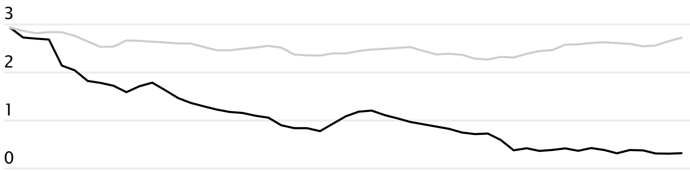
Redeye Rating

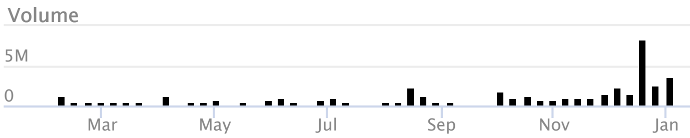




Snapshot

Chromogenics
OMXS30





Marketplace	First North Stockholm
CEO	Fredrik Fränding
Chairman	Johan Hedin

Share information

Share price (SEK)	0.3
Number of shares (M)	143.8
Market cap (MSEK)	42
Net debt (2023E, MSEK)	50

Analyst

Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Chromogenics: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	25	19	24	35
Growth	*68.9%*	*-23.5%*	*25.0%*	*50.0%*
EBITDA	-58	-51	-14	-3
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-60	-55	-19	-9
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-63	-54	-19	-9
Net earnings	-63	-53	-19	-5
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-3.68	-0.37	-0.13	-0.06
P/E adj.	-1.2	-5.1	-14.3	-29.9
EV/S	1.7	15.8	13.5	9.1
EV/EBITDA	-0.7	-5.8	-22.7	-94.8

Last updated: 2022-12-09

Owner	Equity	Votes
RGG ADM-Gruppen AB	8.2%	8.2%
Färna Invest AB	6.8%	6.8%
Avanza Pension	5.8%	5.8%
SEB Panki AS, NQI	3.0%	3.0%
UBP Clent assets - Sweden	2.5%	2.5%
Nordnet Pensionsförsäkring	2.2%	2.2%
Corespring Invest AB	2.0%	2.0%
Bengt Josefsson Utvecklings AB	1.9%	1.9%
Barbro Brandt	1.8%	1.8%
Gunvald Berger	1.3%	1.3%

Company description

ChromoGenics develops, produces, and sells intelligent dynamic glass primarily for commercial properties with controllable optic characteristics to improve energy efficiency, indoor comfort, and architectural freedom in buildings. ChromoGenics is the only producer of dynamic glass through its own sputter machines in Europe.

Dynamic glass makes it possible to reduce the energy for cooling while also optimising incoming daylight through the windows. As buildings are designed for daily human activity and many people spend up to 90% of their time indoors, daylight and outside view are very important for people's well-being. Buildings with dynamic glass improve the working environment and can improve productivity for co-workers with up to 40% increased cognitive ability and 20% increased productivity, plus a reduced risk of depression and better sleep.

Investment thesis

Case

A new dawn

ChromoGenics' main product, ConverLight Dynamic, is a dynamic glass with sun- and heat-protecting properties, primarily for commercial properties. The glass transmits a high degree of daylight while dynamically blocking solar heat to increase a building's energy efficiency. The production of dynamic glass is complicated and ChromoGenics has a strong moat, especially since it has taken control of the whole production process. The company is now ready to ramp up its commercial production after years of heavy investments in two large sputter machines for production and a smaller one for R&D. The initial investment in the machines amounted to SEK 85m. Moreover, Redeye estimates the aggregated installation, trimming costs, and upgrades at the production facility in Uppsala for one large sputter machine and the smaller R&D machine at around the same amount: SEK 85m. The most recent step towards full in-house production was taken in Q3 '22. And the last piece of the puzzle is in place: ChromoGenics is now also able to produce the important indium tin oxide (ITO) polyester film. ChromoGenics just finalised a capital increase that raised SEK24.7m (after costs). Thanks to the whole production process now being in-house, we estimate its gross margin will reach 45% next year and 60% in a few years' time. This puts ChromoGenics on a clear path to profitability with positive cash flow in 2024e and an EBIT margin of 7% for 2025e.

Evidence

Commercial ramp up after heavy investments

In 2019, ChromoGenics invested in two larger sputter machines, plus a smaller one, and is now scaling up the commercial production of its patented electrochromic dynamic foil with one of the large sputter machines. As its high internal know-how builds moats, the lower operating expenses from eliminating subcontractors and switching to in-house production will boost gross margins, and so we expect ChromoGenics to be EBIT-positive in 2025e. We argue that demand for dynamic glass, although a niche product, will increase.

Challenge

Deliver top of the line products

In the past, ChromoGenics delivered electrochromic foils that were shown to have quality issues. The problem – uneven electrochromic layer on the foils, causing them to fail – stemmed from a subcontractor. There have also been delays in the production line because of technical issues. ChromoGenics had to stop production for three weeks in November 2021. There is a risk this will happen again, but the production line should prove more stable over time. As ChromoGenics is now in full control and has taken over the whole production line after investing in its sputter machines and has trimmed the machines, the risk of delivering bad products should be much lower.

Challenge

High cost products

The longer-term challenge is to scale up robust production capacity from today's 10,000 square metres per year to 250,000 square metres. We argue the high demand for new, more energy-efficient glass will continue thanks to the broad political consensus that greenhouse gas emissions need to be cut over the coming years. Dynamically controllable glass is up to eight times more expensive than non-dynamic glass, so there is a hurdle to pass in terms of high cost.

Valuation

A potential turnaround with high risk

Cost structuring, in combination with in-house production of the electrical polyester foil (ITO) pushes up the gross margin to around 60%, and the company continues to ramp up its commercial production. We expect ChromoGenics to grow 25% in 2023e, improving their gross margin to 45% and be on a clear path to profitability. Our valuation range is quite broad due to revenue growth uncertainty, SEK0.09 to SEK1.15, with a Base Case of SEK0.35.

Catalyst types

Large project

Finishing the delivery for a large project, such as the Gullhaugs Torg 5 in Oslo, ChromoGenics can prove it has the skill and ability to deliver large projects.

Reduction of input prices

Reduction of input prices after eliminating third-party producers will, according to our estimates, increase the gross margin substantially to some 45% in 2023e, with a gross margin of around 60% and an EBIT margin of 7% in 2025e.

In-house production

An in-house production line with its sputter machine ensures a better and more robust process, communicating stability to customers and investors as quality products are distributed, thus reducing the risk in the case.

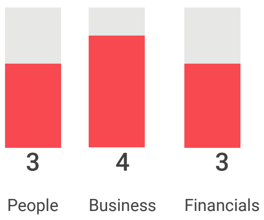
CI Games CIG

Company page
https://www.redeye.se/company/ci-games-2

Publication date
January 16 2023

Redeye Rating

COMPANY QUALITY



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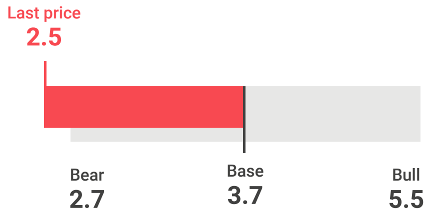

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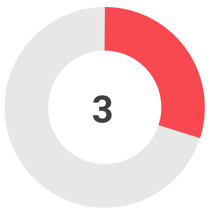
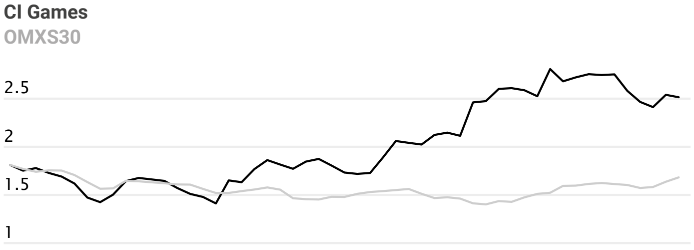


Snapshot



Marketplace	Warsaw Stock Exchange
CEO	Marek Tyminski
Chairman	Ryszard Bartkowiak

Share information

Share price (PLN)	2.5
Number of shares (M)	182.9
Market cap (MPLN)	459
Net debt (2023E, MPLN)	-66

Analyst

Viktor Lindström
viktor.lindstrom@redeye.se

Conflict of interests

Viktor Lindström owns shares in CI Games: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MPLN	106	60	226	204
Growth	*>100%*	*-43.2%*	*>100%*	*-10.0%*
EBITDA	60	21	145	116
EBITDA margin	*57.3%*	*36.4%*	*64.2%*	*57.0%*
EBIT	40	13	94	82
EBIT margin	*38.2%*	*22.3%*	*41.6%*	*40.3%*
Pre-tax earnings	42	17	94	82
Net earnings	38	16	76	66
Net margin	*36.6%*	*26.8%*	*33.9%*	*32.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.21	0.09	0.42	0.37
P/E adj.	7.6	24.3	5.1	5.8
EV/S	2.4	6.3	1.4	1.3
EV/EBITDA	4.2	17.3	2.2	2.3

Last updated: 2022-09-15

Owner	Equity	Votes
Marek Tyminski	29.0%	29.0%
Rockbridge Towarzystwo Funduszy	9.0%	9.0%
Other Shareholders	62.0%	62.0%

Company description

Founded in 2002, CI Games is a global game developer and publisher. Mostly known for its beloved franchises, Sniper Ghost Warrior and Lords of the Fallen. These IPs have sold in excess of 15 million copies. It also consists of an external game development studio and a publishing entity.

The major distribution platforms are Steam, Sony (Playstation), and Microsoft (Xbox). Where 70% of the sales in 2021 stem from digital distribution. Furthermore, 65% of the revenues in 2021 came from the highly appreciated release of Sniper Ghost Warrior Contracts 2.

CI Games prioritize game quality over quantity, which is why some of the financial years are volatile. 2022 will be a year of consolidation, while 2023 will see two new releases, which are expected to grow sales above industry rates. Furthermore, by owning its IPs, there is potential to add revenues from licensing, which comes with high margins.

In 2021, revenue and EBITDA reached PLN 105m and 60.5m, respectively. Corresponding to an EBITDA margin of 57%.

Investment thesis

Case

High quality game developer / publisher at discount

CI Games two internal IPs are among the best in class and have sold over 15 million copies, and have a stable, engaged player base to capitalize on. Furthermore, strong IPs enable further DLC/Updates at low incremental costs, which are very profitable. In 2021, the company had EBIT margins of around 45%. CI Games targets mid and hardcore gamers that are less price-sensitive, which should support pricing power over time. An average Metacritic score of 75/100 indicates its development quality. CI Games is expected to harvest on its game development investments and will release its coming reboot, "The Lords of The Fallen" in 2023, which is its biggest game yet and could accelerate sales. Furthermore, it has expanded its game portfolio to seven different pillars, reducing earnings volatility in the coming years.

Evidence

Sequel and DLC's from existing IPs

In 2021, CI Games released a sequel game on its beloved franchise SGW. The new game came with improved gameplay based on player feedback from previous games. The game has outperformed the latest game and was recouped after 2 months. This also mitigates the development costs and improves the ROI.

Challenge

Game production delays

The market for video games is driven by the expectations associated with new game releases. Based on the distance working and current component shortages, there are risks that game releases will be delayed. Furthermore, the component shortages hold back the production of next-gen consoles and limit the player base which holds back sales.

Challenge

Concentration risks

Given CI Games' small game portfolio, further earnings growth is strongly correlated with the success of coming game releases. However, should those releases fail to meet market expectations, there are clear risks of steep drops in share price.

Valuation

Room for multiple expansion

We expect CI Games to deliver solid earnings growth in the coming years on the back of a strong pipeline of games. At our base case, CI Games would trade at 15x EV/EBIT. Which we deem fair as it manages to deliver EBIT margins in excess of 30%.

Catalyst types

Buy-backs/Dividends/Acquisitions

CI Games has a healthy balance sheet with no interest-bearing debt outstanding. Moreover, we believe it is time for it to capitalize on the extensive investments it has already made. Decreasing the concentration risk in its game portfolio

Release of The Lords of the Fallen

The coming release of The Lords of The Fallen could act as a major catalyst, as a successful release should more than double sales in 2023 versus 2022.

Dual listing on LSE

CI Games intends to complete its dual listing on the London Stock Exchange by 2023. Given that UK-listed peers trade at 17-15x EV/EBIT. There are clear possibilities for multiple expansions as CI Games offers a stronger growth outlook and similar operating margins.

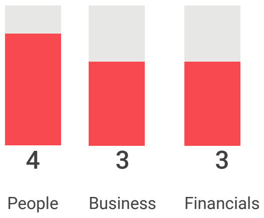
CombinedX CX

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

Publication date
January 9 2023

Redeye Rating

COMPANY QUALITY



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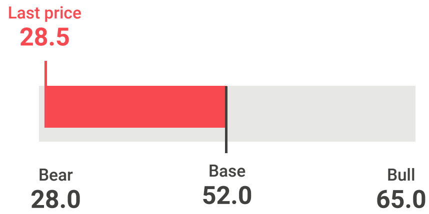

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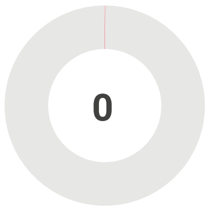

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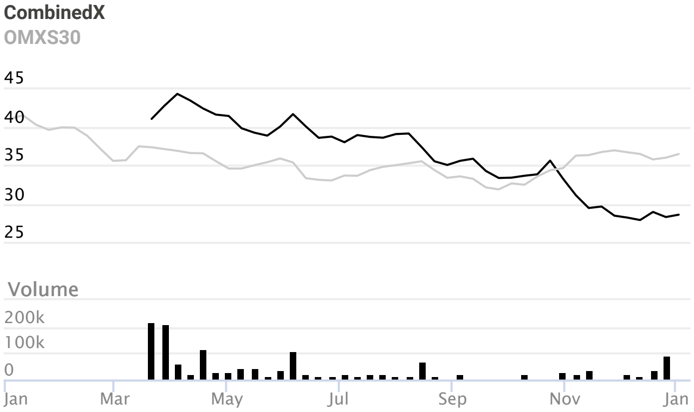


Marketplace	First North Stockholm
CEO	Jörgen Qwist
Chairman	Niklas Hellberg

Share information

Share price (SEK)	28.5
Number of shares (M)	16.9
Market cap (MSEK)	483
Net debt (2023E, MSEK)	-175

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in CombinedX: Yes

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

Financials

			Redeye Estimates	
	2021	2022E	2023E	2024E
Revenue, MSEK	560	623	692	720
Growth	*5.0%*	*11.2%*	*11.1%*	*4.0%*
EBITDA	70	74	91	92
EBITDA margin	*12.5%*	*12.0%*	*13.1%*	*12.8%*
EBIT	43	47	65	66
EBIT margin	*7.6%*	*7.6%*	*9.3%*	*9.2%*
Pre-tax earnings	40	43	62	64
Net earnings	30	34	49	51
Net margin	*5.4%*	*5.5%*	*7.1%*	*7.0%*
Dividend/Share	1.02	1.01	1.45	1.50
EPS adj.	2.04	2.01	2.91	3.00
P/E adj.	N/A	15.4	10.7	10.4
EV/S	N/A	0.7	0.5	0.4
EV/EBITDA	N/A	5.5	3.9	3.2

Last updated: 2022-11-11

Owner	Equity	Votes
Edastra AB	7.3%	7.3%
Martin Gren (Grenspecialisten)	6.7%	6.7%
Niklas Hellberg	4.8%	4.8%
Joakim Alkman	4.7%	4.7%
Kvarnvik Holding AB	4.6%	4.6%
Nordnet Pensionsförsäkring	4.5%	4.5%
Björn Alpberg	4.3%	4.3%
Oskar Godberg	3.9%	3.9%
Investment AB Spiltan	3.8%	3.8%
Unionen	3.8%	3.8%

Company description

CombinedX is a Swedish IT consulting group with the vision to become the leading Nordic group of specialist companies. The group consists of "a family" of nine fully owned subsidiaries, mainly operating in Sweden, where each has specialist competence within its specific niche. CombinedX is headquartered in Karlstad, where it also was founded in 2013, with traces back to 1993. The company has been listed on Nasdaq First North Stockholm since March 2022 and had ~390 employees by the end of 2021.

Investment thesis

Case

Emerging M&A compounder in the IT consulting space.

As a group of niched IT consulting companies providing specialized know-how in various segments, CombinedX attracts and deploys teams of experts operating at above-average rates. The decentralized group is set for M&A adding new niches, which increases the diversification and drives sales growth. M&A and solid quarterly reports will act as catalysts in the company, run by experienced management with skin in the game.

Evidence

Decentralized, specialized, and highly profitable.

Considering its solid customer list and EBIT margins above 10% CombinedX proves that its decentralized and specialized team-based strategy is competitive and profitable. With the most specialized businesses having even higher margins, we believe there is potential for more going forward. Regrading M&A, CombinedX follows the successful template of niched decentralized entities, which several listed businesses have showcased, providing diversification and solid margins.

Challenge

The employees are almost the only asset.

While customer relationships are important, the employees are almost the only asset for any IT consulting company. Thus, attracting and retaining employees is key for the sector. We believe CombinedX, as a group of smaller specialized companies, has a sound approach to the challenge, as the impact of each employee is clear in that setting. Also, we believe the opportunity to work with a group of experts with deep know-how in a particular software platform strengthens the attractiveness further.

Challenge

What is left for shareholders?

While customers are willing to pay high rates for specialists, the specialists typically want their fair share. In an environment with tough competition for talent, which has been the case in the IT consulting sector for years, shareholders might find there is not much left. However, considering CombinedX profitability, it has handled the challenge well so far, and we think the focus on teams and solutions rather than CV:s increases the company's resilience.

Valuation

Base Case SEK 52

Our Base Case values CombinedX at SEK 52 a share. We expect organic growth of ~5% and minor margin increases for the coming years. While we believe M&A likely will be a major value driver in CombinedX going forward, we do not include future M&A in our Base Case at this point. We want to see the company building a solid track record of M&A as a listed company before adding future M&A. However, our Bull Case of SEK 65, assumes 10% acquired sales growth from M&A at 5x EBIT.

Catalyst types

Solid Quarterly Reports

As a newly listed company, we believe it is important for CombinedX to build a solid track record to convince investors' that it is a stable business. Every quarterly report showing solid operational performance will gradually build a track record for CombinedX, which we believe will reward the company with a higher multiple – at least in line with the IT consulting median.

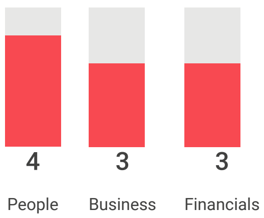
Doro DORO

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

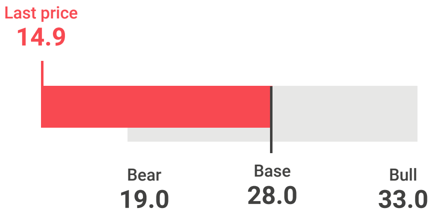
Publication date
January 9 2023

Redeye Rating

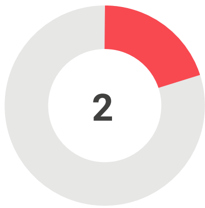
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Doro
OMXS30

Marketplace	NASDAQ Stockholm
CEO	Jörgen Nilsson
Chairman	Henri Österlund

Share information

Share price (SEK)	14.9
Number of shares (M)	24.5
Market cap (MSEK)	367
Net debt (2023E, MSEK)	-34

Analyst

Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Doro: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	1,040	902	930	967
Growth	*-10.8%*	*-13.2%*	*3.0%*	*4.0%*
EBITDA	183	92	114	119
EBITDA margin	*17.6%*	*10.2%*	*12.3%*	*12.3%*
EBIT	119	49	69	72
EBIT margin	*11.4%*	*5.4%*	*7.4%*	*7.4%*
Pre-tax earnings	114	53	69	72
Net earnings	83	42	55	61
Net margin	*8.0%*	*4.7%*	*5.9%*	*6.3%*
Dividend/Share	1.72	0.88	1.14	1.27
EPS adj.	3.44	1.75	2.28	2.37
P/E adj.	9.0	8.9	6.9	6.6
EV/S	0.7	0.4	0.4	0.3
EV/EBITDA	4.0	3.8	3.0	2.4

Last updated: 2022-10-25

Owner	Equity	Votes
Accendo Capital	17.0%	17.0%
Peter Lindell	13.9%	13.9%
Nordea Fonder	11.6%	11.6%
Lazard Frères Gestion	6.9%	6.9%
Avanza Pension	5.7%	5.7%
Nordea Liv & Pension	3.8%	3.8%
Dimensional Fund Advisors	3.4%	3.4%
Christoffer Häggblom	2.5%	2.5%
Nordea Bank Abp	2.4%	2.4%

Company description

Doro is developing and manufacturing technology for seniors (people the age of 65 or older) since the 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.

Investment thesis

Case

A value play with a great market position

Doro's focus has shifted back to the core business of delivering technical solutions for seniors after the spin-off of business area Care (now Careium). Since Doro decided to invest in its Care offering starting in 2014, the senior phones segment has been down-prioritized. While feature phones are in a long-term downtrend the company has great knowledge about the seniors and is in a favorable position to tackle the structural trend of an aging population. We also believe Doro will be able to defend its market position in senior phones with solid profitability. Doro has exited unprofitable geographies, which have been a turbocharger for profits. Doro is a cash cow that could have turned into a dividend machine, but we believe the company sees better potential in investing in the business during the next years. Due to the underinvestment in the sector and the clear market need, we also see potential ahead for Doro to consolidate its niche market through M&A. We think this potential is underappreciated by investors and a potential catalyst for the stock in the mid-term.

Evidence

Strong market position in a small niche

Doro has a history of being the market leader in senior phones, which is driven by its attentiveness to the specific needs of seniors. Doro sells its phones to retailers and telecom companies who favor Doro's products as they incur a higher margin, in turn giving Doro favorable shelf space. The resellers don't want multiple brands for senior phones and we think the deep relations are a strong advantage.

Challenge

No fast grower

The market for seniors has been growing at a strong clip during the last decade both due to that the senior population is growing and because the group demand for technology has been growing. The general shift from feature phones to smartphones, highly driven by Apple and Samsung, has led to Doro's key product the feature phone losing relevance. Doro has long struggled to grow organically due to a shrinking market for feature phones. We don't see this changing in the years to come, and while the company may be able to come up with new innovative products it will be challenging to achieve substantial growth. Despite this, we don't think this is worrying as the market doesn't set any value on growth in the years ahead.

Valuation

Good business at a compelling price

We model low- to mid-single-digit top-line growth and operating margins ranging between 6% to 10% in our DCF-scenarios. Our valuation range is SEK 19 to SEK 33 per share with a base case fair value of SEK 28. Doro has over the last seven years communicated its focus on business area Care, which many investors have bought into, explaining the selling pressure since the spin-off. The stock is trading below our bear case and we believe this leads to a compelling entry point for investors who would like to add some stability to their portfolios.

Catalyst types

New management team and strategy

While most of the management team consists of long-term employees of Doro there has been a change at the helm with Jörgen Nilsson as the CEO. The company has also embarked on a new strategy with potential to unlock value through potential partnerships and focus on phones.

M&A

We have not included any M&A in our forecasts for Doro. We think acquiring one of its smaller competitors in Europe would be positive from a competitive standpoint. Depending on the price paid, it could be a positive for the stock.

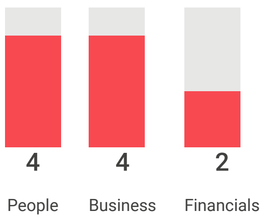
Efecte EFECTE

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

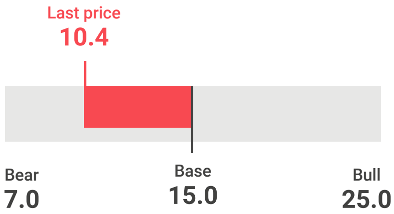
Publication date
January 9 2023

Redeye Rating

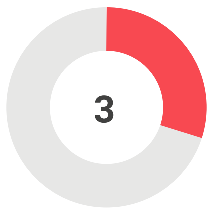
COMPANY QUALITY



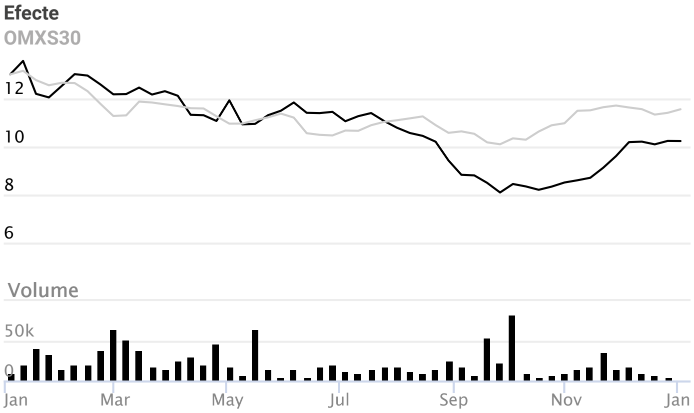
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Finland
CEO	Niilo Fredrikson
Chairman	Pertti Ervi

Share information

Share price (EUR)	10.4
Number of shares (M)	6.4
Market cap (MEUR)	66
Net debt (2023E, MEUR)	3

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Efecte: Yes

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MEUR	18	21	25	29
Growth	*19.3%*	*19.4%*	*18.0%*	*16.9%*
EBITDA	1	0	0	2
EBITDA margin	*5.3%*	*0.8%*	*Neg*	*5.5%*
EBIT	0	0	-1	1
EBIT margin	*2.6%*	*Neg*	*Neg*	*1.9%*
Pre-tax earnings	0	0	-1	1
Net earnings	0	0	-1	0
Net margin	*2.5%*	*0.1%*	*Neg*	*1.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.07	0.00	-0.09	0.07
P/E adj.	183.1	2,221.3	-107.2	129.6
EV/S	4.2	2.7	2.4	2.0
EV/EBITDA	78.9	317.2	-366.7	36.1

Last updated: 2022-11-25

Owner	Equity	Votes
First Fellow Oy	12.7%	12.7%
Aktia Asset Management	7.4%	7.4%
SEB Fonder	7.0%	7.0%
Oy Fincorp Ab	6.9%	6.9%
Herald Investment Management	4.7%	4.7%
Alcur Fonder	4.7%	4.7%
Ilmarinen Mutual Pension Insurance Company	4.6%	4.6%
Markku Montonen	3.3%	3.3%
OP Asset Management	3.2%	3.2%
Nordea Fonder	1.9%	1.9%

Company description

Efecte is a Finnish cloud-based Service Management provider focusing on the European market, mainly targeting the mid-and upper-mid markets (roughly companies with 1 000 – 10 000 employees). The company was founded in 1998 under the name Bitmount Systems, moved to cloud-based operations in 2013, and was listed on Nasdaq Helsinki First North in 2017. Efecte is headquartered in Espoo in the Greater Helsinki area, has ~125 employees, and was ranked among the top ten Finnish employers in 2020 in its size category.

Efecte's offering consists of one platform with three solution areas, IT Service Management (ITSM), Identity Governance and Administration (IAM), and Enterprise Service Management (ESM). Following the acquistion of InteliWISE, Efecte also offers conversational AI on its platform. Each solution area offers a variety of use cases, which we will discuss further in the Business Overview section. Efecte's background is in ITSM and has expanded into IAM and ESM following customer demand. While the company does not disclose the sales split, ITSM generates most of Efecte's sales, with both IAM and ESM having a substantial share.

Efecte views itself as the European alternative to the global goliaths and focuses on three key areas to differentiate. We will get back to what they mean in practice in our Business Overview segment.

Agility Experience The total cost of ownership
Efecte's churn rate of 2-5%, 110-115% net revenue retention (NRR), and 98% recommendation rate in an industry survey highly suggest its customers are happy with Efecte's offerings. As explored in detail in our Financials segment, Efecte is well above average when retaining customers, while its relatively low new sales result in an average total sales growth.

Investment thesis

Case

While running at zero margins favoring growth, Efecte is set to become highly profitable.
Considering Efecte's solid position in the growing European ITSM market, we believe Efecte can sustain SaaS revenue growth of ~20% for many years. While currently running at zero margins favoring sales growth, thanks to its strong SaaS metrics, highlighting Efecte's scalability, we believe Efecte is set to become highly profitable over time. Additional quarterly reports with solid growth and strong SaaS metrics are the main catalyst.

Evidence

A solid track record supports our view.
Efecte has a strong position in the Nordics and is expanding in Germany, where it is seen as one of the market leaders, and elsewhere in Europe, where the SaaS adoption is low. Its SaaS metrics are solid with 4-5% churn, 110-115% net revenue retention, and a lifetime value to customer acquisition costs of >5, indicating satisfied customers growing their usage of Efecte's platform and healthy unit economics supporting high margins over time.

Challenge

Fighting the giants and local champions.
Although Efecte faces tough competition in the European markets from both global and local players, we believe Efecte has several competitive advantages. First, Efecte has a more customer-friendly approach to pricing, focusing on transparency and predictability. Second, against the US players, being European and complying with EU regulations are key. Third, Efecte's knowledge and experience about cloud platforms gained in the Nordic market is important when competing with the German players.

Challenge

Mediocre new sales limiting overall SaaS growth.
While Efecte has solid growth among current customers with its net revenue retention of 110-115%, the growth contribution from new sales is a mere ~10% - low compared to most SaaS businesses. However, Efecte has established a European partner network which has started to gain momentum. Also, Efecte plans to enter additional European countries with in-house resources. Thus, we see the potential for higher new sales going forward.

Valuation

Low EV/S does not consider future margin expansion.
Based on our DCF model, we see a fair value of EUR 15. While the EV/EBIT of >100x 2023E might look unappealing, we find the EV/S of 2.3x 2023E (EUR 9) attractive considering the sales growth and long-term margin prospects. Thanks to Efecte's strong unit economics, we believe its EBIT margins will gradually approach ~20%, resulting in significantly lower EV/EBIT multiples.

Catalyst types

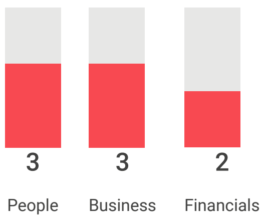
SaaS Growth and Metrics
We beleive contiuned SaaS growth and solid SaaS metrics, as churn and NRR, are the key drivers to further increases in the share price.

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

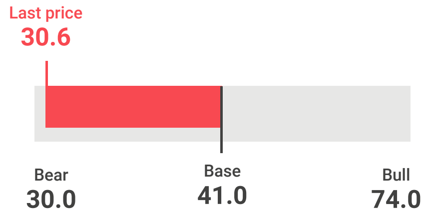
Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY

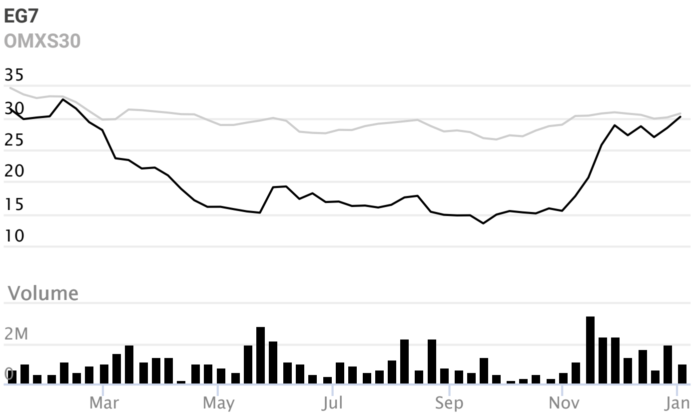


FAIR VALUE RANGE



TIMELINESS

Snapshot



Marketplace	First North Stockholm
CEO	Ji Ham
Chairman	Alexander Albedj

Share information

Share price (SEK)	30.6
Number of shares (M)	88.6
Market cap (MSEK)	2,708
Net debt (2023E, MSEK)	-461

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg 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

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	1,671	1,817	1,865	2,005
Growth	*>100%*	*8.8%*	*2.6%*	*7.5%*
EBITDA	381	445	419	444
EBITDA margin	*22.8%*	*24.5%*	*22.4%*	*22.2%*
EBIT	290	347	307	324
EBIT margin	*17.4%*	*19.1%*	*16.4%*	*16.2%*
Pre-tax earnings	91	-48	137	154
Net earnings	97	-127	103	116
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	2.19	2.68	2.67	2.82
P/E adj.	16.0	9.7	9.7	9.2
EV/S	1.8	1.1	1.0	0.8
EV/EBITDA	7.8	4.4	4.3	3.7

Last updated: 2022-11-29

Owner	**Equity**	**Votes**
Settecento LTD	10.1%	10.1%
Jason Epstein	9.0%	9.0%
Media and Games Invest SE	8.0%	8.0%
Dan Sten Olsson med familj och stiftelse	7.8%	7.8%
Avanza Pension	5.3%	5.3%
Lloyd Fonds AG	3.4%	3.4%
Rasmus Davidsson	3.2%	3.2%
Aguja Capital GmbH	2.7%	2.7%
Alexander Albedj	2.2%	2.2%
Alan Hunter	2.1%	2.1%

Company description

Enad Global 7 ("EG7") has through active M&A built a global gaming group with focus on live service games coupled with smaller operations in publishing and marketing. The majority of its revenue is derived from the Game segment (c. 60-70%) which in turn is dominated by Daybreak Studios. The service segment (c. 30-40%) of revenue is comprised of the publisher Fireshine Games and the marketing company Petrol. The company had around 700 employees in 2022.

Investment thesis

Case

Solid Portfolio of Live Service Games

With an active history of M&A, EG7 has built a solid portfolio of live service games which is dominated by titles from its Daybreak studio including among other DC Universe, Everquest 1&2, Lord of The Rings and Magic the Gathering Online. The live service game portfolio is complemented with premium game development and a service segment focusing on publishing and marketing. This creates a low risk diversified gaming group with solid cash generation. We expect the group to grow in line with the gaming market with potential to stronger profit growth in the back of margin expansion if its premium game development business becomes successful.

Evidence

Long Life Games and Stable Profitability

With a large part of EG7's revenue being derived from its Game segment (c. 60-70%) and the majority of this coming from its live service games EG7 can generated stable revenue and profitability. The games have strong brands and have been enjoyed for many years by its players supporting the stable revenue generation. The company's service segment has also seen strong performance on the back of successful games in its publishing business further improving the company's overall profitability.

Challenge

Limited Growth Potential in Live Service Games

We think the main challenge for EG7 is to grow its Live Service Games portfolio. While this generates stable profitability and strong cash generation, the inflow of new players is limited in our view. Growth will rather be dependent on the addition of new games where the company has a limited track record.

Valuation

Base case DCF supported by stable profitability and cash generation

We find a base case valuation of SEK41 per share for EG7 which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of 8x on our 2023E EBITDA. Our base case assumes growth of 7% between 2022-27E and 4% between 2028-37E with a terminal growth of 2%. We assume profitability in line with the high-end of the company's target with 22% EBITDA-margin for the majority of the forecast period and the terminal period.

Catalyst types

Launch of new games

EG7 has several new games expected to be released over the coming years which could add upside potential to revenue and profit estiames

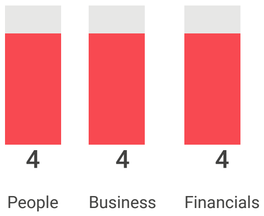
Embracer Group EMBRAC B

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

Publication date
January 9 2023

Redeye Rating

COMPANY QUALITY



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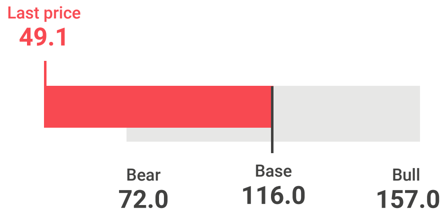
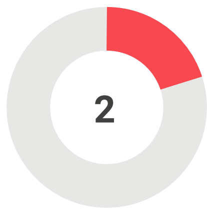
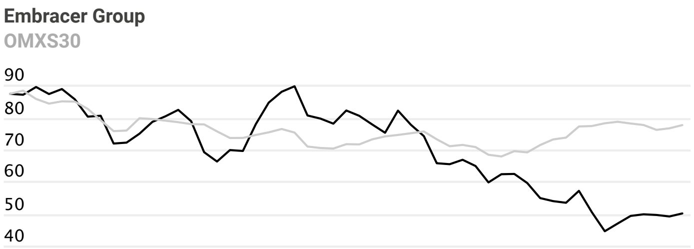
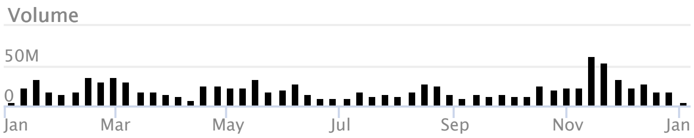


TIMELINESS



Snapshot





Marketplace	NASDAQ Stockholm
CEO	Lars Wingefors
Chairman	Kicki Wallje-Lund

Share information

Share price (SEK)	49.1
Number of shares (M)	1,258.8
Market cap (MSEK)	61,755
Net debt (2023E, MSEK)	11,035

Analyst

Viktor Lindström
viktor.lindstrom@redeye.se

Conflict of interests

Viktor Lindström owns shares in Embracer Group: No

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

Financials

	21/22	22/23E	Redeye Estimates 23/24E	24/25E
Revenue, MSEK	17,067	37,783	43,846	47,715
Growth	*89.0%*	*>100%*	*16.0%*	*8.8%*
EBITDA	1,667	7,966	14,913	16,636
EBITDA margin	*9.8%*	*21.1%*	*34.0%*	*34.9%*
EBIT	4,465	8,958	11,318	12,723
EBIT margin	*26.2%*	*23.7%*	*25.8%*	*26.7%*
Pre-tax earnings	1,770	5,094	8,745	10,297
Net earnings	1,077	4,035	6,522	7,791
Net margin	*6.3%*	*10.7%*	*14.9%*	*16.3%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	3.47	7.03	7.19	8.10
P/E adj.	22.9	6.4	6.3	5.6
EV/S	6.2	1.9	1.6	1.5
EV/EBITDA	63.4	9.0	4.8	4.3

Last updated: 2022-11-21

Owner	Equity	Votes
Lars Wingefors AB	20.9%	39.4%
JP Morgan Chase Bank NA	8.7%	5.9%
Savvy Gaming Group	8.1%	5.4%
S3D Media Inc	6.6%	10.7%
Swedbank Robur Fonder	4.8%	3.2%
State Street Bank And Trust co	4.7%	3.2%
Cbny-Citibank N.A.-Private Bank	4.7%	3.2%
Canada Pension Plan Investment Board (CPP)	3.5%	2.4%
PAI Partners	3.5%	2.3%
(Gc) BNP Paribas SA Paris	3.1%	2.1%

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 hundreds of owned franchises, such as Borderlands, Saints Row, Goat Simulator, Dead Island, Darksiders, Satisfactory, Valheim and World War Z amongst many others. Embracer Group has a global presence through its ten operative groups: THQ Nordic, Koch Media, Saber Interactive, Coffee Stain, DECA Games, Gearbox, Easybrain, Asmodee, Dark Horse and Amplifier Game Invest.

Investment thesis

Case

A majority of the business is recurring revenue

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.” With at least 80% of total sales generated from its back catalog, Embracer has transformed into a more stable cash machine during the last year with the latest major acquisitions in two new verticals namely mobile games and board/card games.

Evidence

Most of the asset value is still untapped

The amount of the development budget that is released in FY 22/23 will at least triple compared to FY 21/22, reaching approximately SEK 4 billion. This will take revenues and profits to entirely new levels, according to our estimates. We believe that the market is still to fully grasp the underlying value and cash flow-generating capabilities of Embracer's growing IP portfolio. Development projects, including at least 25 AAA will be released in the coming years.

Challenge

Investor perception

More stable cash flows come with a price in Embracer. The EBITDA margins has decreased considerably with mobile games and board/card games accounting for two thirds of total revenue. The upcoming high-budget (AAA) game releases could ha an excessive impact on the perception of Embracer as a premium player with brand moats. If the potential commercial successes fail it will hurt the valuation of the stock.

Challenge

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. Incentive programs is somewhat a black box to investors and the long-term commitment from key personnel will always be a key risk in an entrepreneur-driven powerhouse as Embracer.

Valuation

Premium at a discount

The Embracer stock is traded around historically low multiples. We expect earnings to grow double digits until 2024/2025e with much-improved cash flow generation. At our base case, we value Embracer at 15x EV/Adj EBIT, clearly below current levels. Thus, we see current levels as attractive entry points for long-term investors.

Catalyst types

Releases of coming AAA games

Embracer Group has 25 AAA games under development, which are scheduled for release until 2025. On average, such games have a development budget of cSEK 1.0Bn. Embracer's internal target is to achieve an ROI of c2.0, which should realize shareholder value in the coming periods.

Coming platform deals

In its Q2 2022/2023 report, Embracer communicated that it was in discussions with several industry partners for a range of large-budget games for the coming six years. In December 2022, Embracer announced that one of its subsidiaries, Crystal Dynamics / Eidos Montreal, entered into a development and publishing agreement with Amazon Games regarding an upcoming Tomb Raider title. Such agreements indicate that the partner will finance the deal, and Embracer will receive milestone payments during the development phase, which comes with high margins. Moreover, such partnerships mitigates the project risk and enhance the free cash flow.

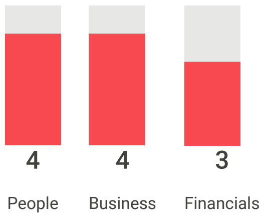
Enea ENEA

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

Publication date
January 16 2023

Redeye Rating

COMPANY QUALITY



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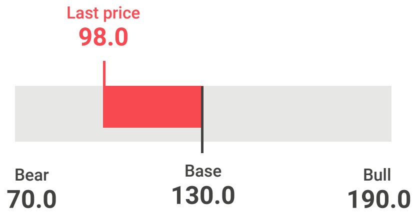
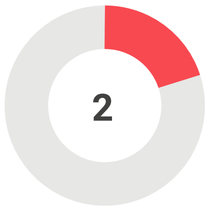
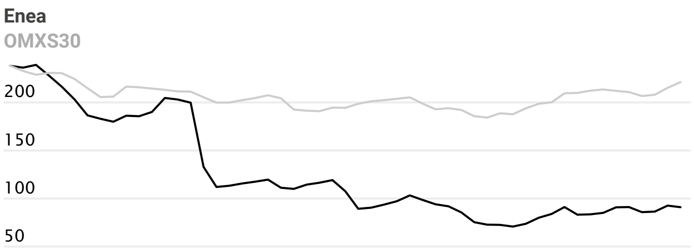
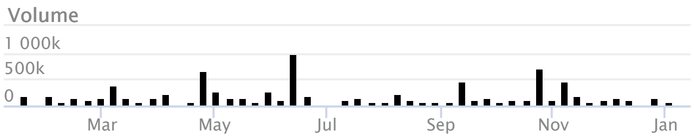


TIMELINESS



Snapshot





Marketplace	NASDAQ Stockholm
CEO	Jan Häglund
Chairman	Anders Lidbeck

Share information

Share price (SEK)	98.0
Number of shares (M)	21.9
Market cap (MSEK)	2,142
Net debt (2023E, MSEK)	68

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Enea: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	994	925	954	1,006
Growth	*6.9%*	*-6.9%*	*3.2%*	*5.5%*
EBITDA	375	271	312	329
EBITDA margin	*37.8%*	*29.3%*	*32.7%*	*32.7%*
EBIT	214	97	137	154
EBIT margin	*21.6%*	*10.5%*	*14.4%*	*15.3%*
Pre-tax earnings	220	96	114	130
Net earnings	199	176	90	104
Net margin	*20.0%*	*19.0%*	*9.5%*	*10.3%*
Dividend/Share	4.62	4.03	2.07	2.37
EPS adj.	10.26	3.70	4.14	4.74
P/E adj.	26.5	21.0	18.8	16.4
EV/S	6.1	1.9	1.8	1.7
EV/EBITDA	16.2	6.6	5.6	5.1

Last updated: 2022-10-26

Owner	Equity	Votes
Per Lindberg	34.1%	34.1%
Avanza Pension	12.1%	12.2%
Handelsbanken Fonder	7.2%	7.2%
Första AP-fonden	7.1%	7.1%
The Bank of New York Mellon SA/NV	6.0%	6.1%
C WorldWide Asset Management	4.9%	4.9%
Swedbank Robur Fonder	3.2%	3.2%
Fondita Fund Management	3.0%	3.0%
Canaccord Genuity Wealth Management	2.7%	2.7%
HSBC Bank Plc	2.7%	2.7%

Company description

Enea is one of the world's leading specialists in software for telecommunications and cybersecurity. The company's cloud-native products are used to enable and protect services for mobile subscribers, enterprise customers, and the Internet of Things. More than 3 billion people rely on Enea technologies in their daily lives. Enea's previous main competitive disadvantage was related to its large key accounts exposure (Ericsson & Nokia), but this dependency has decreased over time, following larger acquisitions. Now, these accounts only account for about 10% of revenues. 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 thesis

Case

Scalable software company with market-leading positions in 5G and cybersecurity

Enea has a long history of pioneering the telecom industry - at the beginning, through consulting and then through software and service offerings. Since 2016, the company has made a significant transition. Enea has moved from being a software company in Operating Systems towards mainly Nokia and Ericsson, with consulting on top, to having sold its consulting leg and replaced Operating Systems with a new forward-tilted business unit - Network Solutions. The new Enea constitutes a group of leading niche software for 5G and cybersecurity. Enea has historically strong EBIT margins exceeding 20% and healthy growth. In recent years, the organic growth in Network Solutions has slowed down, and the resulting profitability has declined. Should Enea regain its organic growth as the rollout of 5G takes off, there is ample room in the company's valuation. On top of this, Enea has since 2016 completed about one acquisition per year. Further acquisitions will further help Enea's growth journey.

Evidence

Customers moving from large one-stop-shops to best-of-breed solutions

Historically, customers have chosen large one-stop-shop providers like Ericsson. Thus, a wide product portfolio has been an important competitive edge. Now, customers are starting to choose best-of-breed solutions from various providers, which together add up to a complete offering. This is a large benefiter for the likes of Enea.

Challenge

Low organic growth in the 'growth leg' and profitability below 20% for the first time in many years

While Enea has gone through a challenging transition period, moving from Operating Systems to Network Solutions, Enea has struggled to obtain organic growth in Network Solutions. This is despite paying rather high valuation multiples for its acquisitions. Since 2016, we assess organic growth in Network Solutions to have been around 5%. The poor organic growth and a slowly growing cost base have resulted in a trailing 12-month EBIT margin not exceeding Enea's 20% target for the first time in many years.

Challenge

Uncertainty around the rollout of 5G

Enea states that it will benefit from the change from 4G to 5G - while 5G will drive new income streams, it does not expect 4G revenues to be held up by less developed markets going from 2G or 3G to 4G. Regarding 5G, Enea will participate in the 'core network' buildout, which implies the latter part of the rollout. 5G has been substantially delayed compared to industry expectations, so Enea's 5G investments have not yet paid off. If or when it does, Enea is likely to regain its former margins and growth rates.

Valuation

Depressed share price does not include any market tailwind from 5G

Enea's share price has taken a brutal hit lately, tumbling from around SEK280 to today's level below SEK100. Partly, we think this is because the company has revealed a lower share of reliable recurring revenue than investors previously anticipated. However, today's share price doesn't include any 5G-related growth. The rollout of 5G has barely started for Enea's account, as the company is mainly exposed to the 5G core network. Enea has been honest about being too early with its efforts to prepare itself for 5G exposure. However, the early attempts have been the right ones, but macroeconomic factors have delayed the rollout. As such, we think growth for Enea will catch up very fast as the rollout of 5G starts for real. Also, we see no reason to believe that Enea should have lost its strong market position. Thus, while the market's confidence in Enea has been hurt, we are still optimistic about the company's long-term prospects.

Catalyst types

Value-accretive acquisitions

Enea has a strong history of making value accretive acquisitions. Since 2016, Enea has made roughly one acquisition per year. Due to Enea's strong cash conversion, the company is likely to keep acquiring businesses to strengthen its position in 5G and cybersecurity. Acquiring new companies to attractive multiples with the following sales and cost synergies is a clear trigger for the valuation.

Major 5G contracts

Enea has won two major 5G contracts related to subscription data management, for total contract values of over EUR 40m. We believe there is a lot more to come in this space.

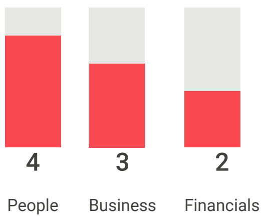
Energy Save ESGR B

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

Publication date
January 9 2023

Redeye Rating

COMPANY QUALITY



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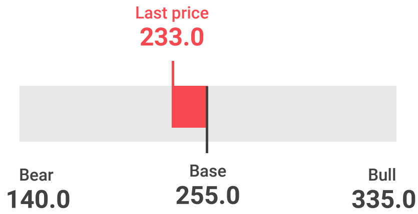
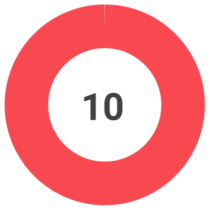
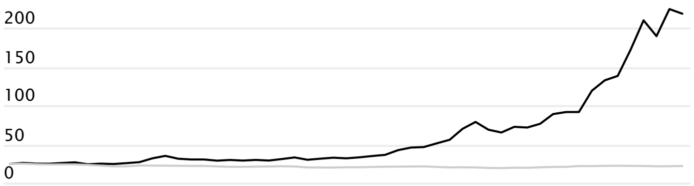


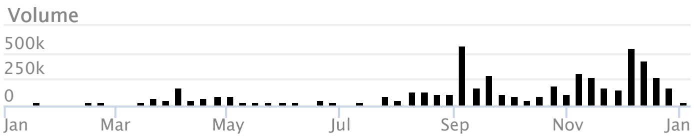
TIMELINESS



Snapshot

Energy Save
OMXS30





Marketplace	Spotlight Stock Market
CEO	Fredrik Sävenstrand
Chairman	Per Wassén

Share information

Share price (SEK)	233.0
Number of shares (M)	5.8
Market cap (MSEK)	1,352
Net debt (2023E, MSEK)	-71

Analyst

Viktor Lindström
viktor.lindstrom@redeye.se

Conflict of interests

Viktor Lindström owns shares in Energy Save: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	108	402	506	623
Growth	*95.5%*	*>100%*	*26.0%*	*23.1%*
EBITDA	1	78	101	129
EBITDA margin	*0.9%*	*19.3%*	*19.9%*	*20.6%*
EBIT	-2	72	93	120
EBIT margin	*Neg*	*18.0%*	*18.5%*	*19.2%*
Pre-tax earnings	-3	71	92	119
Net earnings	-3	54	72	93
Net margin	*Neg*	*13.6%*	*14.3%*	*14.9%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.49	9.38	12.43	15.97
P/E adj.	-56.2	22.6	17.1	13.3
EV/S	1.3	3.0	2.3	1.7
EV/EBITDA	142.0	15.5	11.5	8.5

Last updated: 2022-12-12

Owner	Equity	Votes
Project Air AB	20.6%	40.5%
Christian Gulbrandsen	20.6%	40.5%
Partner Fondkommission AB	5.1%	1.7%
Avanza Pension	4.0%	1.3%
Nordnet Pensionsförsäkring	4.0%	1.3%
Theodor Jeansson Jr.	3.2%	1.0%
Henrik Nilsson	2.5%	0.8%
Bo Westerberg	2.3%	0.7%
Sniptind Invest AS	1.8%	0.6%
Jan Olsson	1.7%	0.6%

Company description

Energy Save develops innovative, cost-efficient heat pumps that are highly energy efficient within the air/water segment. It operates within two business areas, commercial properties and residential. Within the residential business area, Energy Save has sold more than 12,000 units since 2009. Energy Saves heat pumps offer energy savings up to 40 – 70 percent compared to traditional alternatives such as district heating, electric heating, and other fuels such as oil and gas.

Investment thesis

Case

Market propelled by structural tailwinds
Energy Save operates in a market supported by structural tailwinds. The European heat pump market is expected to grow by a CAGR of 20% until 2025, supported by subsidies, legislation, and enhanced technology. Energy Save's products are tilted toward the fastest-growing segment (air-water), and its prefabricated and hybrid heating systems indicate that end consumers could optimize their energy consumption. We believe the company is well-positioned to gain market share and capitalize on the growing market. Furthermore, its outsourced business model enables operating margins of around 15-20%.

Evidence

The EU Green deal and RePowerEU initiatives should support the acceleration
Currently, many subsidies and legislations are implemented across Europe. The European Commission estimated that EUR 260bn in additional annual investments should be mobilized towards the ambition of the European green deal and the current 2030 climate and energy target. Based on the outstanding building stock of 120 million, the number of required appliances would be ~40 million units, supporting the underlying market. In addition, the number of heat pumps are expected to increase from c12m units in 2021 to c60m units in 2031.

Challenge

Lagging infrastructure
The transition towards green electricity in the EU could face some bottlenecks based on the lack of installers and components. In addition, there are risks that the infrastructure in large European markets (UK & Germany) is too old, and thus, heat pumps may not be as efficient as they could be.

Valuation

Room for multiple expansion
We argue there is ample room for Energy Save to grow by entering new markets and growing on existing customers. However, we believe the margin expansion in the coming years to be muted and estimate that sales volume will be the major value-adding driver going forward. At our base case, Energy Save would trade at 18x EV/EBIT

Catalyst types

Additional incentives and legislation

Further subsidy implementations across Energy Save's key markets accelerate the adoption rate of heat pumps, pushing the market forward. These could be in the form of potential grants, as in the UK, or regulatory/cost disadvantages with non-renewable energy sources.

Follow-up orders
Potential follow-up orders from existing customers and partners, such as El-Björn, are a positive sign. They increase the penetration rate on its customers' product offering, shorten the time-to-market, and make it more challenging for customers to switch from Energy Save's products.

Breakthrough orders
New potential orders, such as the latest from Skanska OY, will be a positive catalyst. These validate the product range, increase visibility, and diversify the customer base.

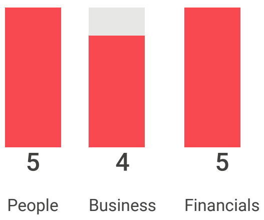
Evolution Gaming Group EVO

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

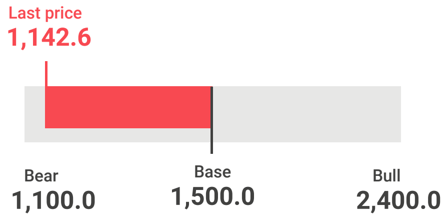
Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS

Snapshot

Evolution Gaming Group
OMXS30

Marketplace	NASDAQ Stockholm
CEO	Martin Carlesund
Chairman	Jens Von Bahr

Share information

Share price (SEK)	1,142.6
Number of shares (M)	215.1
Market cap (MSEK)	245,786
Net debt (2023E, MEUR)	-1,262

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests
Hjalmar Ahlberg owns shares in Evolution Gaming Group: Yes

Financials

	2021	2022E	2023E	2024E
			Redeye Estimates	
Revenue, MEUR	1,069	1,451	1,802	2,159
Growth	*90.4%*	*35.7%*	*24.2%*	*19.8%*
EBITDA	735	1,007	1,234	1,469
EBITDA margin	*68.7%*	*69.4%*	*68.5%*	*68.0%*
EBIT	654	908	1,098	1,307
EBIT margin	*61.2%*	*62.6%*	*61.0%*	*60.5%*
Pre-tax earnings	648	916	1,098	1,307
Net earnings	605	852	1,011	1,190
Net margin	*56.6%*	*58.7%*	*56.1%*	*55.1%*
Dividend/Share	1.42	2.00	2.37	2.79
EPS adj.	2.81	4.00	4.74	5.58
P/E adj.	44.5	24.2	20.4	17.3
EV/S	24.8	13.7	10.7	8.6
EV/EBITDA	36.0	19.8	15.7	12.7

Last updated: 2022-11-01

Owner	Equity	Votes
State Street Bank And Trust co	16.8%	16.8%
Capital Group	15.7%	15.7%
JP Morgan Chase Bank NA	12.5%	12.5%
Österbahr Ventures AB	10.7%	10.7%
BlackRock	5.1%	5.1%
WCM Investment Management	5.1%	5.1%
Richard Livingstone	4.7%	4.7%
Brown Brothers Harriman & Co.	4.7%	4.7%
BNY Mellon NA (Former Mellon)	3.9%	3.9%
Citibank Adr	3.2%	3.2%

Company description

Evolution is the market-leading Live Casino provider, offering its top-notch solution to operators across the world. The company was founded in 2006 and has been an important part of the Live Casino revolution ever since. Today the company offers a wide range of Live Casino products - both classics like Blackjack, Roulette and Baccarat and new game inventions such as Crazy Time, MONOPOLY, Deal Or No Deal Live and Lightning Roulette. It operates offices/studios in Belgium, Canada, Georgia, Latvia, Malta, Netherlands, Romania, Sweden, Spain, the UK and the US.

Investment thesis

Case

Market leading platform company with long runway for growth
As the market leader in the online live casino supplier segment Evolution is well positioned for continued growth as the global casino market transitions from offline to online. The company has built a strong position by providing high-quality and innovative products which helps it to stay ahead of the competition. We expect Evolution to continue its growth journey driven by immature markets such as North America, Latin America and Asia while the more mature European market will see slower growth. Overall, we forecast average revenue growth of c. 20% over the next five years and around 15% in average over the next ten years. We expect profitability to remain stable yielding solid profit growth as well.

Evidence

Strong track record and large market opportunity
Evolution has a strong track record of growth and profitability. The company has increased revenue from EUR75m in 2015 when it was listed to around EUR1.4bn in 2022 which has largely been from organic growth. It has also increased profitability from an EBITDA-margin of 36% in 2015 to around 70% in 2022. The strong track record supports our view that the company should continue to capture growth from the ongoing transition from offline to online casino. The overall online gambling penetration is around 25% in 2022 with mature markets like Sweden and UK at around 50-60% implying a significant remaining growth potential for the total market.

Challenge

Emerging competition and regulatory risks
While Evolution remains the clear market leader in online live casino the competitors are gradually catching up. This could result in price pressure impacting growth negatively, however, Evolution has a strong brand among players which ensures that operators need to offer Evolution games or it might risk losing players to other operators. Another challenge is that Evolution also has a high share of revenue from non-regulated markets which creates a negative perception and could be a risk when they are regulated. However, we expect the share of regulated revenue to increase which should ease investor uncertainty and historically regulations have also typically been positive for Evolution.

Valuation

Base case DCF supported by strong growth and profitability
We find a base case valuation of SEK1,500 per share for Evolution which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of 24x on our 2023E EBITDA while the share has historically traded in a range of 15x to 45x twelve months forward EBITDA. Our base case assumes average growth of around 20% over the next five years and a gradual decline over 2027-37E to a terminal growth of 2% by 2038E. We estimate a stable EBITDA-margin until 2027E whereafter we assume a gradual decline towards a terminal EBITDA-margin of 60% by 2038E.

Catalyst types

Rapid US expansion
Evolution has a very strong market position in the US, where we see huge potential for its games. Accordingly, more rapid legalization of gambling in more states should benefit the company.

M&A
We believe that Evolution Gaming's strong financial position and distribution network will enable it to make major value-adding acquisitions.

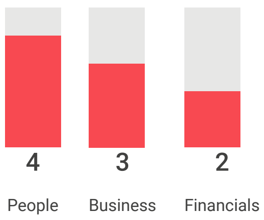
Flexion Mobile FLEXM

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

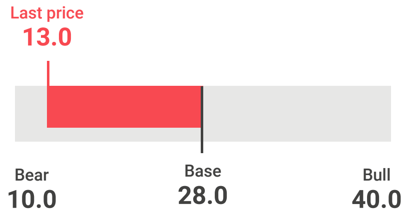
Publication date
January 11 2023

Redeye Rating

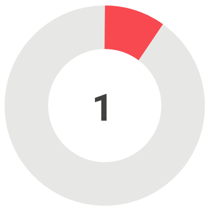
COMPANY QUALITY



FAIR VALUE RANGE

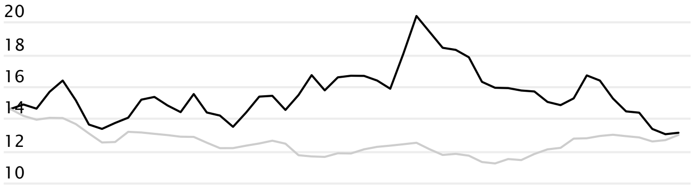


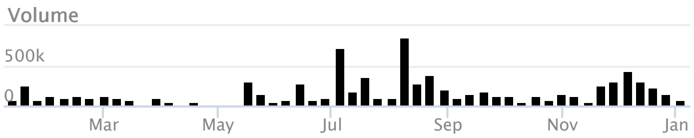
TIMELINESS



Snapshot

Flexion Mobile
OMXS30





Marketplace	First North Stockholm
CEO	Jens Lauritzson
Chairman	Carl Palmstierna

Share information

Share price (SEK)	13.0
Number of shares (M)	54.7
Market cap (MSEK)	711
Net debt (2023E, MGBP)	-14

Analyst

Danesh Zare
danesh.zare@redeye.se

Conflict of interests

Danesh Zare 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	
	21/22	**22/23E**	**23/24E**
Revenue, MGBP	33	65	88
Growth	*58.2%*	*99.0%*	*35.5%*
EBITDA	3	5	12
EBITDA margin	*10.8%*	*8.9%*	*14.0%*
EBIT	0	3	9
EBIT margin	*Neg*	*5.6%*	*11.3%*
Pre-tax earnings	0	3	9
Net earnings	0	2	7
Net margin	*Neg*	*4.5%*	*9.0%*
Dividend/Share	0.00	0.03	0.08
EPS adj.	-0.01	0.06	0.16
P/E adj.	-9,918.4	1,268.5	465.2
EV/S	113.0	56.9	41.9
EV/EBITDA	1,042.2	641.3	299.3

Last updated: 2022-07-04

Owner	Equity	Votes
Mobile Sensations Ltd	22.0%	22.0%
Carl Palmstierna	6.8%	6.8%
Fredrik Palmstierna	4.6%	4.6%
Odey Asset Management LLP	4.3%	4.3%
Joachim Odqvist	3.1%	3.1%
eQ Asset Management Oy	3.1%	3.1%
Avanza Pension	2.6%	2.6%

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... and Flexion has it
- Duopoly in doubt... a trend that benefits Flexion
- Risk-Control... Flexion can bet on "sure things"

Content is King... and Flexion has it
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... a trend that benefits Flexion
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.

Risk-Control... Flexion can bet on "sure things"
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.

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

Catalyst types

Double Up
With its current portfolio of newly added games, Flexion has the potential to at least double its revenue in 24 months. Quarterly reports that show a good growth trajectory are an obvious catalyst for this growth case.

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.

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.

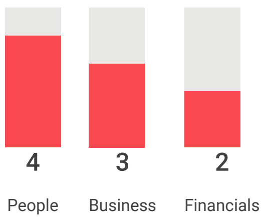
FlexQube FLEXQ

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

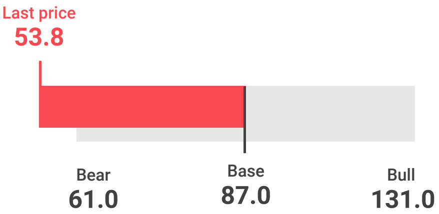
Publication date
January 12 2023

Redeye Rating

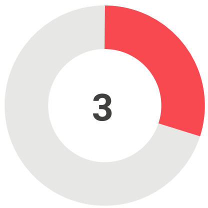
COMPANY QUALITY



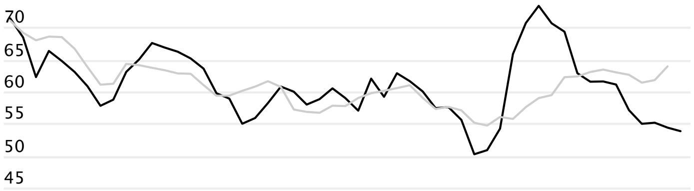
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Anders Fogelberg
Chairman	Christian Thiel

Share information

Share price (SEK)	53.8
Number of shares (M)	8.2
Market cap (MSEK)	443
Net debt (2023E, MSEK)	-6

Analyst

Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in FlexQube: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	114	201	271	351
Growth	*35.9%*	*76.1%*	*34.9%*	*29.5%*
EBITDA	-17	-5	5	25
EBITDA margin	*Neg*	*Neg*	*2.0%*	*7.0%*
EBIT	-22	-9	1	19
EBIT margin	*Neg*	*Neg*	*0.3%*	*5.4%*
Pre-tax earnings	-23	-10	0	18
Net earnings	-23	-10	0	18
Net margin	*Neg*	*Neg*	*0.2%*	*5.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-2.74	-1.22	0.06	2.20
P/E adj.	-28.8	-58.7	1,213.9	32.7
EV/S	5.5	2.9	2.2	1.7
EV/EBITDA	-36.2	-124.1	108.0	23.8

Last updated: 2022-11-06

Owner	Equity	Votes
Christian Thiel	23.6%	23.6%
Per Augustsson	17.7%	17.7%
Håkan Roos (RoosGruppen)	17.4%	17.4%
Anders Fogelberg	11.5%	11.5%
Nils-Robert Persson	6.2%	6.2%
Johan Karlsson	2.2%	2.2%
Avanza Pension	1.9%	1.9%
Staffan Persson	1.7%	1.7%
FE Fonder	1.2%	1.2%
Anders Ströby	0.9%	0.9%

Company description

FlexQube is a Swedish manufacturer of modular carts for material handling and material presentation in the intralogistics space. The patented concept is" Lego-like" with building blocks compared to the fixed solutions that the industry incumbents offer. The company launched its first automated material handling solutions with its eQart in 2019 and became a robotics player. It has partnered up with companies such as Ericsson and BlueBotics to ensure technology leadership solutions. The most crucial sector for FlexQube is the automotive industry (OEMs, Tier 1 suppliers, etc.), with more than 50% of sales. FlexQube's strategy has been to move into other sectors to reduce cyclicality, which has been possible as all factories need their type of products (industrial equipment, e-commerce, medical equipment, etc.). The company has a global strategy with the US as the core market. The company was founded in 2010 in Gothenburg by Per Augustsson (CTO), Christian Thiel (Chairman), and Anders Fogelberg (CEO).

Investment thesis

Case

The landgrab has started

The landgrab within robotics has started with a market that is expected to grow at a double-digit CAGR in the coming decade, and FlexQube is a David against Goliath's as competitors have significantly larger war chests and R&D teams. As FlexQube is not tied up by outdated legacy solutions it will not cannibalize on the old business to the same extent as the Goliath's, thereby handing it an edge in the swiftly moving industry. FlexQube differentiates itself from other robotics companies with its experience in material handling while the competitors are pure robotics players. Its's range of robots is unique in that they are flexible and adaptable to different use cases while the products from competitors are static and built to carry a certain type of load. If a customer starts a new process and uses FlexQube they only need to order a few additional mechanical building blocks while using products from a competitor may mean a whole set of new robots and carts. That is the key differentiator of FlexQube's "lego-like" concept. The new product portfolio will enable significantly higher value per unit sold, which we see as an important driver for shareholder returns. Backing the positive view is the ramping up we have seen in orders for the eQart with the partnership with Amazon, announced in 2021, as a shining example.

Evidence

Agile and owner-operated

FlexQube is built for change both from a product perspective and from the company culture. The fact that they have owner-operators at the helm secures a long-term focus, and they also have a solid industrial owner in RoosGruppen, which is the largest external investor in FlexQube with 15% of the shares.

Challenge

Cash strapped

FlexQube needs a lot of cash in order to grow as the company binds a lot of funds in working capital. We think this has been a hurdle at times. The company secured additional funding at perfect timing in late 2021 and now has ample resources to grow.

Challenge

Small R&D team

FlexQube has managed to develop new products as a fast clip despite having small R&D resources. One could think the product development activity to be weak due to this but FlexQube has shown that the quality of the team matters most.

Valuation

Transformation is starting to get recognized

We argue that investors have started to recognize FlexQube's transformation into a robotics company. Our fair value range is SEK 38 to SEK 120 per share with a base case value of SEK 79 per share.

Catalyst types

Takeover attempt

Many incumbent players are probably envious of FlexQube's offering and have deep pockets and the combination could lead to a future take-over attempt. There has been a number of acquisitions in the industry recently. The likelihood of a buy-out increased with Amazon's order for FlexQube's eQart's as Amazon are renowned for wanting to own their solutions. If a deal happens we believe it will be at a price around or above our bull case.

eQart taking off

The key catalyst for the next 12 months is large orders for the eQart. To this date the orders have been more in the form of testing out. A large industrial player could use hundreds of eQarts in a factory and an order of that scale would be placed it would be a very important signal.

Dependency on key people

All three founders are still active in the company and have large ownership stakes. Two are still working operatively and if any of the two would step down we would view it as a negative as they know the ifs and buts and are the bearers of the culture.

Established customer relations leading to quicker ramp up

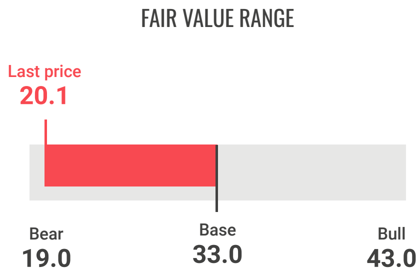
FlexQube already has established relations with more than 800 customers which speeds up the sales process. One of the key reasons for the competitor Fetch Robotics to be sold to Zebra Technologies was to get exposure to their large existing customer base

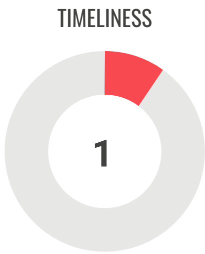
Formpipe Software FPIP

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

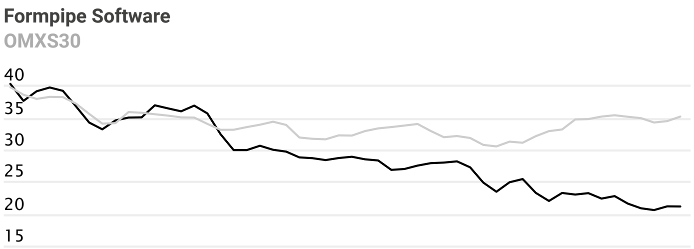
Publication date
January 10 2023

Redeye Rating





Snapshot



Marketplace	NASDAQ Stockholm
CEO	Christian Sundin
Chairman	Bo Nordlander

Share information

Share price (SEK)	20.1
Number of shares (M)	54.2
Market cap (MSEK)	1,090
Net debt (2023E, MSEK)	30

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

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	473	485	540	588
Growth	*17.4%*	*2.6%*	*11.3%*	*8.8%*
EBITDA	135	70	114	146
EBITDA margin	*28.6%*	*14.4%*	*21.1%*	*24.8%*
EBIT	68	13	56	86
EBIT margin	*14.4%*	*2.8%*	*10.4%*	*14.6%*
Pre-tax earnings	66	9	52	82
Net earnings	50	5	41	65
Net margin	*10.6%*	*1.1%*	*7.7%*	*11.0%*
Dividend/Share	0.70	0.70	0.70	0.70
EPS adj.	0.91	0.10	0.77	1.19
P/E adj.	49.2	223.6	28.5	18.3
EV/S	5.2	2.6	2.2	1.9
EV/EBITDA	18.3	18.0	10.7	7.8

Last updated: 2022-10-28

Owner	Equity	Votes
Martin Gren (Grenspecialisten)	10.3%	10.3%
Alcur Fonder	8.7%	8.7%
Martin Bjäringer	8.4%	8.4%
Nordea Fonder	8.2%	8.2%
Alcur Select	8.1%	8.1%
Swedbank Robur Microcap	7.4%	7.4%
Swedbank Robur Fonder	7.4%	7.4%
SEB Fonder	7.0%	7.0%
SEB Sverigefond Småbolag Chans/Risk	6.5%	6.5%
TIN Ny Teknik	5.9%	5.9%

Company description

Formpipe Software provides ECM (Enterprise Content Management) solutions to public sector clients in Sweden and Denmark as well as private companies globally, mainly through Microsoft and Temenos.

The company is since 2010 listed on the OMX Small Cap stock exchange. Formpipe has around 280 employees and is headquartered in Stockholm, but also has a big part of its workforce in Denmark.

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.

In recent years, Formpipe has increased its expsosure to the public sector following the success of Lasernet.

Investment thesis

Case

Margins to Increase as Private Sector Initiatives Pays Off

Since 2021, Formpipe has invested most of the cash flow generated in the highly profitable non-cyclical segments Public SE and Public DK into growth in the Public segment – the company's most significant growth opportunity. As the investments have paid off in the form of higher SaaS growth and as we foresee a slowdown in the cost expansion, we expect Formpipe's margin to increase gradually, starting in 2023. We expect quarterly reports during 2023 showing gradually improving margins to be the main catalyst.

Evidence

Substantial Improvements in SaaS Growth Suggest Efficient Investments

Following the growth investments in 2021, the ACV (absolute ARR growth) has increased from about SEK10m to SEK~30m yearly. We believe the substantial increase implies the investments into the Private segment have been a success so far, and we believe their full effect is still to come. With the Public segments SE and DK having a long track record of high profitability and strong cash flows, the group is set to return to solid margin levels.

Challenge

Limited Growth Compared to Average SaaS Business

Although Formpipe's SaaS revenues and Private segment have grown by over 20% for years, its total sales growth has been in the single digits for the last few years. While the relatively low growth is partly due to lower non-core consulting sales (Deliveries), the large Support & Maintenance revenue grows slowly. Although we do not expect Formpipe to become a high-growth SaaS company, we believe recent initiatives, such as the investments in the Private segment and increased delivering capacity in Public SE, pave the way for ~10% sales growth.

Challenge

Diversification or Diworsification?

With +20 products, although some are add-ons to others, Formpipe has a broad product portfolio, sometimes with overlapping functionality. While the broad portfolio provides diversification, it also reduces the scalability, as every product requires R&D. To improve scalability Formpipe develops new functionality jointly for all relevant products, such as for Platina, Acadre, and W3D3. In addition, the Private segment is gradually becoming dominated by the fast-growing Lasernet. Thus, we believe the diversification will decrease, and the scalability will improve.

Valuation

Fair Value SEK 33

Our DCF model shows a fair value of SEK 33, which is also supported by a peer valuation. While its margins are temporarily depressed, we believe Formpipe's non-cyclical recurring revenues combined with the growth in the Private segment support a higher valuation.

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.

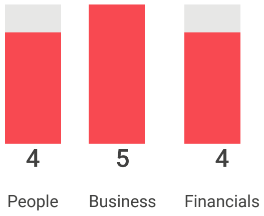
Fortnox FNOX

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

Publication date
January 9 2023

Redeye Rating

COMPANY QUALITY



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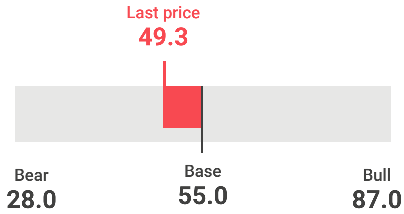
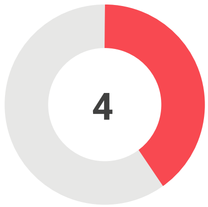
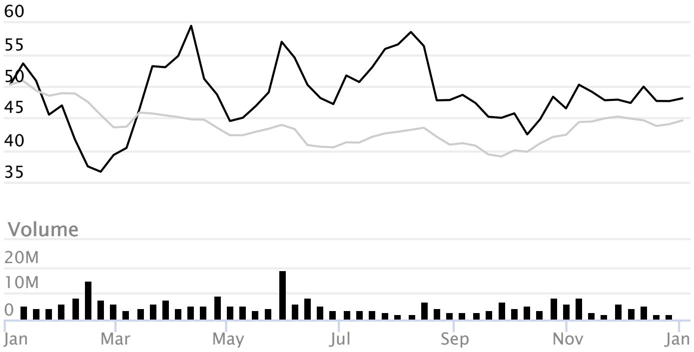


TIMELINESS



Snapshot

Fortnox
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Tommy Eklund
Chairman	Olof Hallrup

Share information

Share price (SEK)	49.3
Number of shares (M)	609.7
Market cap (MSEK)	30,079
Net debt (2023E, MSEK)	-647

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests
Fredrik Nilsson owns shares in Fortnox: Yes

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	932	1,269	1,638	2,067
Growth	*34.3%*	*36.2%*	*29.0%*	*26.2%*
EBITDA	400	582	802	1,059
EBITDA margin	*42.9%*	*45.9%*	*49.0%*	*51.2%*
EBIT	315	456	659	899
EBIT margin	*33.8%*	*35.9%*	*40.3%*	*43.5%*
Pre-tax earnings	309	449	655	895
Net earnings	241	350	520	710
Net margin	*25.9%*	*27.6%*	*31.8%*	*34.4%*
Dividend/Share	0.08	0.14	0.21	0.29
EPS adj.	0.40	0.57	0.85	1.16
P/E adj.	146.9	87.4	58.8	43.1
EV/S	37.9	23.9	18.3	14.3
EV/EBITDA	88.5	52.1	37.4	27.9

Last updated: 2022-12-19

Owner	Equity	Votes
Olof Hallrup	20.6%	20.6%
State Street Bank And Trust co	7.6%	7.6%
Swedbank Robur Fonder	6.6%	6.6%
BNY Mellon NA (Former Mellon)	3.5%	3.5%
JP Morgan Chase Bank NA	3.5%	3.5%
Morgan Stanley & co Intl Plc	3.2%	3.2%
London Branc Northern Trust Company	3.0%	3.0%
Invesco	2.5%	2.5%
Artisan Partners	2.2%	2.2%
AMF Pension & Fonder	2.2%	2.2%

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 thesis

Case

Swedish SME's leading software provider

With about 1/3 of all Swedish SMEs as customers, Fortnox has an unmatched position regarding data, integrations, and active accountants. While we believe Fortnox can continue to grow its customer base rapidly until ~2025, we believe the significant upside lies in increasing the revenue per customer. Providing a "must-have" SaaS product for a wide range of industries makes Fortnox both scalable and resistant to economic cycles.

Evidence

Impressive track record of cost-efficient growth

Fortnox turned profitable as a small company and has since then combined high sales growth with high margins for several years, with an R40 often above 60%. Despite its solid track record, the average revenue per customer remains far below the potential, both regarding the SaaS core offering and new areas such as financial services. Some offerings within financial service have ARPC of several thousand SEK but are currently used by less than 1% of Fortnox customers. Thus, the potential is huge.

Challenge

High profitability attracts competition

While new entrants threaten every profitable market, we believe Fortnox has several sustainable competitive advantages. First, we believe most SMEs focus on its core business rather than switching ERP software, resulting in switching costs. Second, thanks to its large number of integrations and active accountants using the software, we believe Fortnox's ecosystem has network effects.

Challenge

How many modules and services do the average SME need?

Although Fortnox has over ten different modules, the average customer uses about 2.5. Also, a few percent of customers use any financial service, the figure is even lower for the most lucrative financial services. The relatively low usage could indicate most SMEs are not interested in more than the basic "must-have" modules such as Accounting. However, we believe the usage of modules and service will increase as more SMEs mature digitally and Fortnox increases automation.

Valuation

Fair Value SEK 55

Based on our DCF model, we see a fair value of SEK 55. While our Base Case implies high EV/S and EV/EBIT multiples for the next few years, we believe that is fair considering Fortnox's scalability, competitive advantages, and growth prospects.

Catalyst types

Increasing ARPC

We forecast the ARPC to continue to increase, mainly due to a higher penetration for Fortnox Finance. However, small changes in the penetration rate of lead to significant differences in ARPC and, thus, valuation. We believe there is a possibility for the ARPC do deviate significantly both on the up- and downside relative to our forecast.

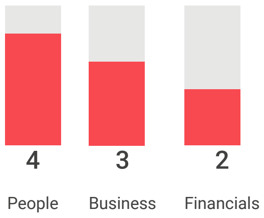
Fragbite Group FRAG

Company page
https://www.redeye.se/company/fragbite-group-2

Publication date
January 16 2023

Redeye Rating

COMPANY QUALITY



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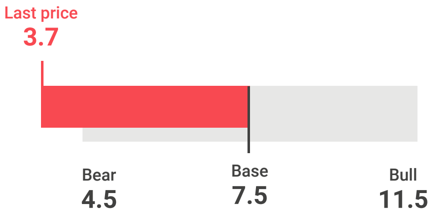
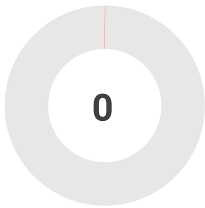
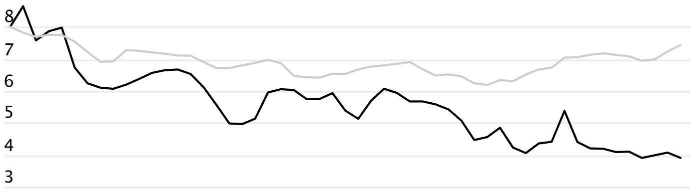


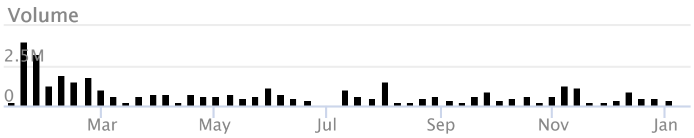
TIMELINESS



Snapshot

Fragbite Group
OMXS30





Marketplace	First North Stockholm
CEO	Marcus Teilman
Chairman	Stefan Tengwall

Share information

Share price (SEK)	3.7
Number of shares (M)	90.7
Market cap (MSEK)	334
Net debt (2023E, MSEK)	29

Analyst

Viktor Lindström
viktor.lindstrom@redeye.se

Conflict of interests

Viktor Lindström owns shares in Fragbite 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		
	2021	2022E	2023E	2024E
Revenue, MSEK	124	275	320	369
Growth	*>100%*	*>100%*	*16.4%*	*15.1%*
EBITDA	6	17	44	56
EBITDA margin	*4.5%*	*6.1%*	*13.7%*	*15.1%*
EBIT	-11	10	32	42
EBIT margin	*Neg*	*3.6%*	*10.0%*	*11.4%*
Pre-tax earnings	-46	-86	-56	-46
Net earnings	-50	-94	-66	-57
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.18	-0.11	0.19	0.28
P/E adj.	-44.4	-39.2	24.1	15.9
EV/S	5.0	1.6	1.4	1.1
EV/EBITDA	112.2	26.9	10.0	7.4

Last updated: 2022-11-16

Owner	Equity	Votes
Swedbank Försäkring	9.9%	9.9%
Mikael A Pettersson	8.0%	8.0%
The Barbarian Group AB	6.7%	6.7%
Citi Switz AG AS Agent For Clients	6.3%	6.3%
W-8imy Caceis Bank	6.1%	6.1%
Svensk, Filial Alandsbanken Abp (Finland)	5.4%	5.4%
Santhe Dahl	5.0%	5.0%
Sellers of Lucky Kat B.V.	4.4%	4.4%
IF Holding	4.4%	4.4%
Moongolde Ltd	4.4%	4.4%

Company description

Fragbite Group är en global koncern inom gaming och e-sport. Bolaget tillhandahåller och utvecklar spel samt driver en e-sportplattform. Spelen är främst inriktade mot mobilspel under varumärken som Funrock, Playdigious och Prey Studios. Kundbasen består främst av privata aktörer. Via dotterbolag är bolaget verksamma på en global nivå. Bolaget grundades 2015 och har sitt huvudkontor i Stockholm.

Investment thesis

Case

Diversified growth

Fragbite Group is a global gaming and e-sports company focusing on several niches, such as e-sports, Web3, and porting of proven PC/console games to mobile. The company has many growth possibilities, and all its submarkets are expected to grow in excess of 5% per year, according to Newzoo. We forecast Fragbite Group to outgrow the market thanks to: 1) its geographical exposure to China, the world's largest market for mobile gaming; 2) the distinct possibilities to cross-sell existing IPs and enter attractive new areas such as e-sports and Web3; and 3) a higher tempo for upcoming games releases with limited downside risk.

Evidence

Proven games and IPs despite tough competition

Playdigious—acquired last year—has ported the well-known Dead Cells, Northgard, and Evoland 2 games. Dead Cells is an action indie game that was launched in China in early 2021 and has since achieved more than two million paid downloads, holding steady among China's highly competitive top 30 popular games. In addition, the games from Lucky Kat—acquired late last year—have achieved in excess of 200 million downloads and are among the pioneers in Web3-related games. Fragbite Groups outspoken past performance should mitigate the risk of upcoming disappointments and ensure healthy ROI on its organic growth initiatives.

Challenge

Monetization

The monetization in e-sports remains particularly weak, while Web3 monetization is still highly uncertain. Moreover, the commercialization of Web3 and e-sports could also take longer than the market expects, especially as weaker macro sentiment can hinder growth acceleration. In addition, the lack of Playdigious's own IPs spells potential risks regarding future pricing power and monetization.

Valuation

Well diversified growth to warrants a premium

We forecast a 2021–2025E sales CAGR of 17% for Fragbite Group and expect its EBITDA margin to reach 17% in 2025, up from 11% in 2021, driving accelerated earnings growth in the same period. In addition, Fragbite Group operates an active M&A agenda, and its asset-light business model enables high cash conversion that could be used to finance future acquisitions. At our base case, Fragbite Group trades at an EV/EBITDA multiple of 14x for 2023e–2024e.

Catalyst types

Token sales

Fragbite Group's underlying subsidiary is one of the pioneers in Web3 gaming. In 2022, issued token sales generated USD c3.35m. The company has stated that it intends to issue and sell further tokens, which could materialize in 2023.

New Game releases

New successful game releases could act as a catalyst for the share.

Additional sign platform deals

Further signed platform deals as those recent with Netflix, ensure revenues with healthy profitability levels at limited risks.

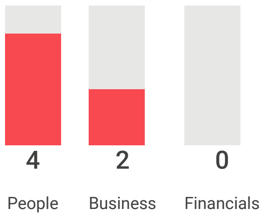
Freemelt FREEM

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

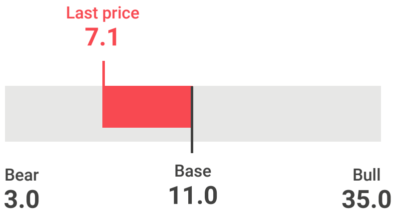
Publication date
January 10 2023

Redeye Rating

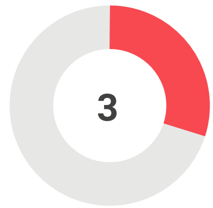
COMPANY QUALITY



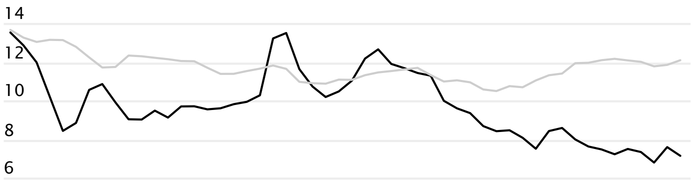
FAIR VALUE RANGE

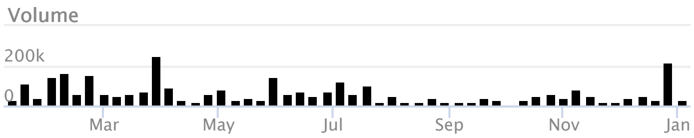


TIMELINESS



Snapshot





Marketplace	First North Stockholm
CEO	Daniel Gidlund
Chairman	Carl Palmstierna

Share information

Share price (SEK)	7.1
Number of shares (M)	36.6
Market cap (MSEK)	260
Net debt (2023E, MSEK)	9

Analyst

Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Freemelt: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	0	32	68	122
Growth	*-95.3%*	*>100%*	*>100%*	*79.8%*
EBITDA	-11	-15	0	21
EBITDA margin	*Neg*	*Neg*	*0.5%*	*17.2%*
EBIT	-24	-44	-30	-10
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-24	-44	-30	-10
Net earnings	-21	-44	-30	-10
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.58	-0.55	-0.16	0.38
P/E adj.	-14.4	-15.1	-50.6	21.9
EV/S	814.8	9.1	4.6	2.6
EV/EBITDA	-21.9	-19.8	924.7	15.3

Last updated: 2023-01-03

Owner	Equity	Votes
Ubp Clients Assets - Sweden	13.7%	13.7%
Carlbergssjön	13.7%	13.7%
Stiftelsen Industrifonden	11.7%	11.7%
Henrik Ohldin	9.7%	9.7%
Avanza Pension	8.4%	8.4%
Birger Ulrik Lindeblad	5.9%	5.9%
Carl Palmstierna	5.8%	5.8%
Swedbank Försäkring	5.6%	5.6%
Nordea Liv & Pension	5.2%	5.2%
Ackelid Förvaltning AB	5.2%	5.2%

Company description

Freemelt is a Swedish metal 3D printer developer that focuses on becoming a leading supplier of reliable technology, products, and solutions within the field. Freemelt was founded in 2017 by 3D printing veterans who have previously been working at GE/Arcam, the leading player in the metal 3D printing market using E-PBF (Electron Beam Powder Bed Fusion).

The headquarter is located in Mölndal, Gothenburg, and Freemelt has ~30 employees in three places, Mölndal, Linköping, and Stuttgart in Germany. The company started to develop its first 3D printer (Freemelt ONE) in 2017 and received its first order in 2018. Since its inception, the company has done several investment rounds, and the latest was completed before the IPO and amounted to SEK 85 m. The company delivered its first 3D printer in February 2019.

The company focuses on E-PBF 3D printers, a technology where an electron beam melts metal powder; this can be compared to more traditional technology, L-PBF (Laser Powder Bed Fusion), where a laser beam melts the powder. Hence, Freemelt focuses on a niche market within the 3D printing market.

Investment thesis

Case

Superior management, with exponential growth ahead
We believe Freemelt is an attractive case with a superior management team and the potential for rapid growth ahead. We expect the company's growth rate to increase significantly as we estimate its 3D printer for industrial use will be released in H2 2023. As the industrial 3D printer should sell at a price around 3x its current 3D printer, we believe this launch will result in a significant revenue boost in the coming years. In addition to the near-term triggers, we argue that an investment in Freemelt also provides exposure to the fast-growing 3D printing market.

Evidence

A short but solid track record bolsters our view
Freemelt has proven its ability to innovate with new technology with its current 3D printer and patented technology. We believe the stock will gain momentum when the company launches the industrial 3D printer and particularly when the first orders are announced. In addition, as the company improves its growth rates, we believe the market will view Freemelt from a different perspective, leading to a higher valuation.

Challenge

The industrial 3D printer is still unproven
We expect Freemelt's future revenue growth to stem mainly from its industrial 3D printer, which is still under development. This implies a risk since it remains uncertain to what degree the industrial 3D printer will meet the market's expectations. It also creates uncertainty as to when revenues from the industrial 3D printer will be recognized. However, Freemelt's track record should ease investor concerns, as its current 3D printer proves that Freemelt has what it takes to succeed.

Challenge

The market needs to be educated
Since the 3D printing market is still relatively immature, Freemelt must not only develop an industrial 3D printer but must also educate the market and convince potential c that 3D printing is the way to go. However, this was also the case with Freemelt's first 3D printer, which has since been sold to several universities, demonstrating Freemelt's ability to sell new products and educate the market.

Valuation

The current share price does not consider the future growth rate
Based on our DCF model, our Base case scenario indicates a fair value of SEK11.0. While the current multiples might appear somewhat stretched compared to peers, we believe they are reasonable given Freemelt's expected growth rate for the coming years. In our valuation, we estimate Freemelt will succeed with its industrial 3D printer and reach healthy gross margins, leading to long-term EBIT margins of 10-15%.

Catalyst types

New order intake
Freemelt's order intake has taken a short-term hit on account of the COVID-19 pandemic. We believe a catalyst for the stock in the short term could be if Freemelt were to announce some order wins, showing the market that it is back on track.

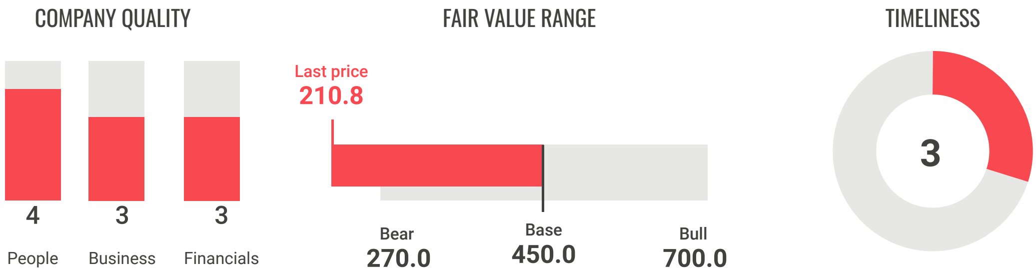
Revenue growth
We expect net sales to increase significantly when the industrial 3D printer is released, which we estimate in H2 2023. We believe the industrial 3D printer will be priced at ~3x its current 3D printer, Freemelt ONE, bringing healthy top-line growth and gross margins.

G5 Entertainment G5EN

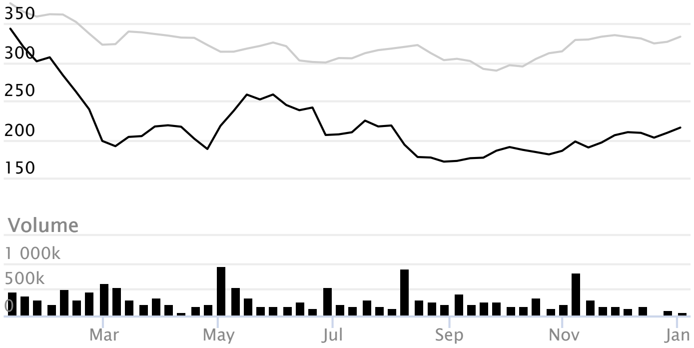
Company page
https://www.redeye.se/company/g5-entertainment

Publication date
January 10 2023

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Vladislav Suglobov
Chairman	Petter Nylander

Share information

Share price (SEK)	210.8
Number of shares (M)	9.0
Market cap (MSEK)	1,888
Net debt (2023E, MSEK)	-417

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg 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

			Redeye Estimates	
	2021	**2022E**	**2023E**	**2024E**
Revenue, MSEK	1,316	1,410	1,504	1,579
Growth	*-3.0%*	*7.1%*	*6.7%*	*5.0%*
EBITDA	349	326	372	414
EBITDA margin	*26.6%*	*23.1%*	*24.8%*	*26.3%*
EBIT	216	102	211	253
EBIT margin	*16.4%*	*7.2%*	*14.0%*	*16.0%*
Pre-tax earnings	209	83	211	253
Net earnings	198	71	189	227
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	7.00	5.00	6.70	8.10
EPS adj.	23.47	10.21	22.45	26.94
P/E adj.	16.9	17.5	8.0	6.6
EV/S	2.4	0.9	0.7	0.6
EV/EBITDA	9.2	3.8	2.9	2.2

Last updated: 2022-11-11

Owner	**Equity**	**Votes**
G5 Entertainment	8.7%	7.1%
Wide Development Ltd	7.2%	7.3%
Avanza Pension	6.6%	6.7%
Purple Wolf Ltd	5.3%	5.4%
Swedbank Robur Fonder	5.1%	5.2%
Tommy Svensk	4.5%	4.6%
Proxima Ltd	3.6%	3.7%
Lloyd Fonds AG	3.5%	3.5%
Argenta Asset Management SA	2.8%	2.8%

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, Kharkov, Ukraine, Poland, Georgia, Armenia and Montenegro. G5 has developed a business model that is both successful and scalable, which is reflected in the company's financial development.

Investment thesis

Case

Experienced free-to-play gaming group with strong position in its niche
G5 has a long history in gaming and since its foundation in 2001 it has created a strong position in its niche in the free-to-play gaming market. The company's games portfolio is mainly tilted towards Match-3, Solitaire, Hidden Object and Word games that are popular in its core customer group which are women in the age of 35 and above. With a clear target group, the company has built a strong knowledge of its users which gives it an advantage investing in user acquisition (UA). This has helped the company to launch several successful game franchises such as the Jewels family of games, Secret Society, Homicide Squad, Mahjong Journey, Sherlock and Hidden City (licensed game). Looking forward we expect the company to continue its growth journey supported by its existing games coupled with a growing portfolio of new games. Furthermore, the company's ongoing transition to a larger share of own games vs licensed games creates potential for margin improvement. Overall, we forecast that G5 will grow in line with the mobile gaming market with profit growing stronger than revenue.

Evidence

Solid growth in own games and improving profitability
While G5's overall growth has been muted since 2018 due to a transition to own games vs licensed games, its own games have seen solid growth with a CAGR 28% in 2018-21 (share of revenue increase from 28% to 73%). The company has also held its UA investments stable in line with its typical range at 17-22%, albeit with some quarterly variations depending on growth opportunities. Together with lower license costs due to a larger share of own games and lower platform costs this has yielded a margin expansion with an gross-margin of 62% in 2021 vs 49% in 2018. The solid growth track record for its own games supports our view of continued growth and profitability improvement going forward.

Challenge

Highly competitive free-to-play games market

The key challenge for G5 to continue generate profitable growth in our view is the high competition in the free-to-play gaming market. Several games are launched each day and larger gaming groups has also increased its focus in the segment. However, with a niche focus where the company has established a market leading position, we believe the company is well placed vs competition.

Valuation

Base case DCF supported by solid cash generation and margin expansion
We find a base case valuation of SEK450 per share for G5 which is derived from a DCF-valuation. The base case implies an EV/EBIT multiple of c. 17x on our 2023E EBIT while the share has historically traded in a range of 5x to 25x twelve months forward EBIT. Our base case assumes growth of around 5% over 2023-27 and 4% over 2028-37 with a terminal growth of 2% by 2038E. We estimate an expanding EBIT-margin reaching 25% by 2027E whereafter we assume a gradual decline towards a terminal EBIT-margin of 20% by 2038E.

Catalyst types

Gross Margin Expansion

The financial development visible in the quarterly reports is one of the major catalysts for the stock going forward. We estimate G5 generate around 30% of its revenue from the Microsoft Store where the distribution fee recently (August 2021) was lowered from 30% to 12%. The majority of the portfolio is nowadays generated from own games (not licensed). These new generation of games are also the highest growing which will continue to boost gross margins.

Gaming Innovation Group

GIGSEK

Company page

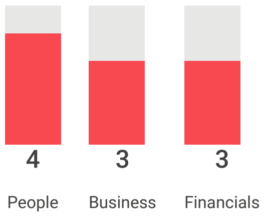
https://www.redeye.se/company/gaming-innovation-group

Publication date

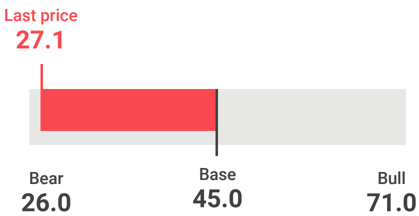
January 11 2023

Redeye Rating

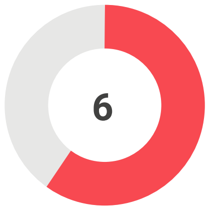
COMPANY QUALITY



FAIR VALUE RANGE



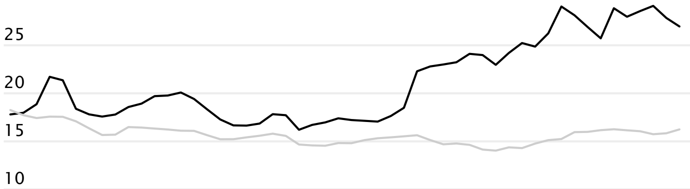
TIMELINESS

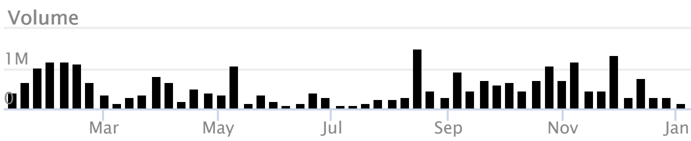


Snapshot

Gaming Innovation Group

OMXS30





Marketplace	NASDAQ Stockholm
CEO	Richard Brown
Chairman	Petter Nylander

Share information

Share price (SEK)	27.1
Number of shares (M)	122.8
Market cap (MSEK)	3,332
Net debt (2023E, MEUR)	31

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Gaming Innovation Group: Yes

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MEUR	67	90	123	149
Growth	*28.0%*	*34.8%*	*36.2%*	*21.2%*
EBITDA	21	32	53	71
EBITDA margin	*31.0%*	*35.9%*	*43.5%*	*47.4%*
EBIT	7	12	31	47
EBIT margin	*10.4%*	*13.5%*	*24.9%*	*31.4%*
Pre-tax earnings	0	9	27	45
Net earnings	0	7	20	36
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.06	0.16	0.28
P/E adj.	396.3	49.1	17.6	9.8
EV/S	2.6	4.3	3.1	2.4
EV/EBITDA	8.4	11.9	7.2	5.0

Last updated: 2022-12-21

Owner	Equity	Votes
SkyCity Entertainment Group	11.0%	11.0%
Andre Lavold	6.2%	6.2%
Kjetil Myrlid Aasen	5.8%	5.8%
Zbigniew Eugeniusz Juroszek With Companies	5.5%	5.5%
Jesper Ribacka	4.0%	4.0%
Henrik Persson Ekdahl	3.7%	3.7%
Symmetry Invest A/S	3.7%	3.7%
BNG Special Situations Fund	2.5%	2.5%

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 thesis

Case

Fast growing diversified online gambling B2B supplier

With a broad product offer in online gambling B2B services including player account management, sportsbook and front end together with a strong affiliate product, Gaming Innovation Group has an attractive and well diversified business. The company has a strong position in its market niche focusing on smaller operators as well as large traditional offline casino groups entering online markets and providing larger online operators with products for its non-core markets. Gaming Innovation Group is a high growth company targeting annual growth of 20% as well as highly profitable with a target to achieve an EBITDA-margin in excess of 50% during 2024 (2022 c. 38%). We view the financial targets as credible supporting a positive view based on strong earnings growth for several years ahead.

Evidence

Solid track record in Media and M&A synergies supporting margin improvements in Platform

Gaming Innovation Group has seen solid growth and profitability improvements after it divested its B2C operations in 2020 to become fully focused on B2B. The Media segment has been the strongest part of the business since then seeing annual growth of 30% in 2021-22 and EBITDA-margin of around 47-48% coupled with strong cash generation. The Platform business managed to become EBITDA-positive in 2021 and with the acquisition of Sportnco in 2022 it has achieved solid profitability with an EBITDA-margin of around 20% in 2022. GiG sees strong synergies from the acquisition with Sportnco supporting its ambition to achieve 50% EBITDA during 2024.

Challenge

Successful clients could migrate to own platforms

We believe a potential challenge for Gaming Innovation Group is that successful clients that become larger groups with more resources could opt to move their platform inhouse. This has been seen in some examples where large online gambling operators for example creates their own sportsbook operations instead of using suppliers. While this could happen to GiG, we believe its large client portfolio (41 clients in 2022) as well customer target group reduces this risk.

Valuation

Base case DCF supported by strong growth and improving margins

We find a base case valuation of SEK45 per share for GiG which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of c. 12x on our 2023E EBITDA while the share has historically traded in a range of 5x to 12x twelve months forward EBITDA. Our base case assumes growth of around 16% over 2023-27 and 5% over 2028-37 with a terminal growth of 2% by 2038E. We estimate an expanding EBITDA-margin reaching 48% by 2027E whereafter we assume a gradual decline towards a terminal EBITDA-margin of 43% by 2038E.

Catalyst types

Increased multiples

The valuation multiple on GiG has potential to improve as the Platform business is showing positive EBITDA.

Growth in Platform Clients and Brands

GiG has signed several smaller and some larger clients in its platform business including the land-based giant SkyCity. Additional and extended deals like these together will clear effects on the revenue levels should take the valuation to a new level.

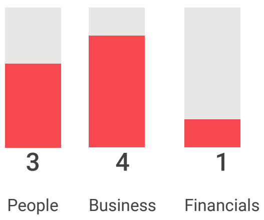
Gapwaves GAPW B

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

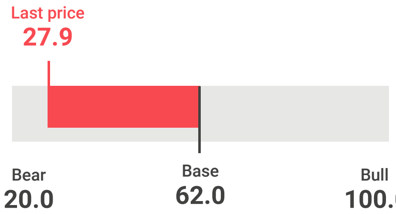
Publication date
January 16 2023

Redeye Rating

COMPANY QUALITY

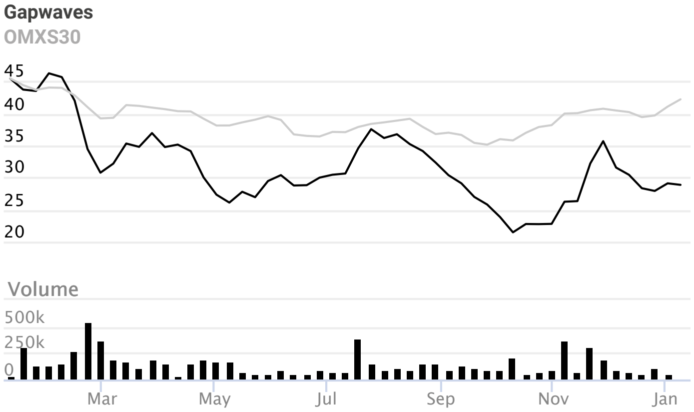


FAIR VALUE RANGE



TIMELINESS

Snapshot



Marketplace	First North Stockholm
CEO	Jonas Ehinger
Chairman	Jonas Ehinger

Share information

Share price (SEK)	27.9
Number of shares (M)	31.1
Market cap (MSEK)	869
Net debt (2023E, MSEK)	-148

Analyst

Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson 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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	35	65	87	137
Growth	*>100%*	*86.3%*	*34.2%*	*57.0%*
EBITDA	-30	-14	-28	-13
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-36	-22	-38	-24
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-36	-16	-38	-24
Net earnings	-36	-16	-38	-24
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.18	-0.51	-1.24	-0.79
P/E adj.	-42.0	-64.4	-26.5	-41.4
EV/S	37.6	12.6	9.8	6.4
EV/EBITDA	-43.4	-57.2	-30.2	-68.3

Last updated: 2022-12-08

Owner	Equity	Votes
Cécile Schilliger	19.6%	56.7%
HELLA	10.2%	3.1%
Avanza Pension	5.2%	1.6%
Svensk, Filial Alandsbanken Abp (Finland)	3.7%	8.8%
Lars-Inge Sjöqvist	3.3%	8.7%
Nordnet Pensionsförsäkring	2.9%	0.9%
Abbas Vosoogh	2.7%	3.2%
BNP Paribas Sa Luxembourg	2.1%	0.6%
BNP Paribas Asset Management	2.0%	0.6%

Company description

Gapwaves is a Swedish tech company that specializes in developing antennas. Its products are based on the gap waveguide technology. Gapwaves holds deep knowledge in the space – has >30 patent families to its name – owing to its ties with Chalmers University. Its gap waveguide antennas become increasingly useful at high frequencies – 30 to 300 GHz – and are also referred to as millimeter wave (mm-wave) antennas.

Investment thesis

Case

Validated by the automotive market

Shifting the global automotive standard from the 24GHz to the 77/79GHz frequency has increased demand for radar performance. E.g., vehicles must be equipped with automatic braking systems to receive five stars in the Euro NCAP tests, emphasizing the need for high-quality ADAS, and, thus, a powerful radar antenna. The global automotive radar market is expected to grow from 80m units in 2019 to more than 200m units by 2025 (source: Yolé). Leading automotive suppliers are already sourcing components for their next-generation radar modules. Gapwaves has entered high-volume production agreements with Veoneer, Hella, and Bosch. The first high-volume SOP is expected by 2023, leading to predictable revenues for many years. Gapwaves is gaining traction beyond the traditional automotive market. Its technology is demanded by stakeholders developing robot taxis, autonomous trucks and vehicles for delivery applications. Customers in this segment are likely less price-sensitive than traditional automotive suppliers, and the time to market is much shorter.

Evidence

Manufacturing facilities and partners in place

Gapwaves has developed a fully automated solution for fast and qualitative assembly and testing of antennas. This is a prerequisite for establishing an automated high-volume production line. Gapwaves' in-house capabilities support assembly and testing of 150,000–200,000 units annually. The main focus lies on high-resolution radar antennas. The company has also entered production agreements with external automotive subcontractors (e.g., Frencken), supporting the assembly and testing of 1.5m–3m antennas annually.

Challenge

Significant dependencies on automotive Tier 1 suppliers

The automotive sector sets high standards on safety and quality. It is generally considered a capital-intensive and low-margin industry, which could limit Gapwaves' long-term profitability potential. Moreover, there are extensive lead times until actual manufacturing and additional lead times to ramp up volumes.

Challenge

Head-to-head vs a larger competitor

The market for advanced radar antennas appears to develop into a duopoly.

Huber+Suhner (HS) offers strong competition and has been awarded contracts with Continental and Bosch. It is also a much larger company with a diverse product portfolio.

Valuation

SOP in 2023 supports accelerated revenue outlook

Gapwaves' first high-volume SOP is expected in 2023, with additional ones in 2024 and 2026. This should contribute to a revenue ramp-up from 2023. There is some uncertainty regarding future profitability; this depends on the product mix and business model (licensing vs product sales). Our DCF yields a Base Case of SEK62 per share (Bull: SEK100; Bear: SEK20) based on a 33% revenue CAGR during our forecast period (2021–2035) and a 26% terminal EBIT margin. The fair value range is wide, owing to the unpredictable nature of Gapwaves' long-term growth and profitability.

Catalyst types

Additional Automotive Long-Term Agreements

Gapwaves has major long-term agreements with automotive Tier 1 suppliers. However, there are many suppliers left and additional partners should move the stock.

An Initial 'New Radar Vertical' Long-Term Agreement

A long-term agreement in this space would validate Gapwaves' potential further – broadening the revenue base and diversifying customer concentration.

Existing customers receiving DWs

Existing customers being awarded DWs increases predictability in Gapwaves' revenue ramp-up. After all, the OEMs need to buy this technology from the Tier 1s.

Seeing the revenue ramp-up at the SOP

The first licensing royalties are expected by 2023 in conjunction with Veoneer's SOP. Once this agreement and others enter high-volume production, Gapwaves should see an accelerated revenue ramp-up.

5G Market Take-Off

The transformation of the telecom industry is already taking place and will continue well into the future. Gapwaves will be well-positioned to attract customers from this segment in addition to automotive, meaning a significant upside potential in the stock.

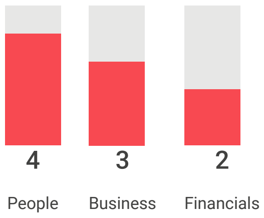
Gasporox GPX

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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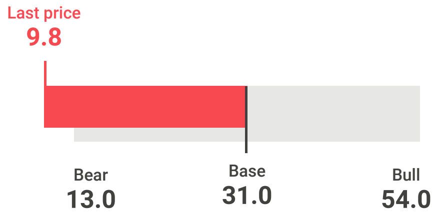
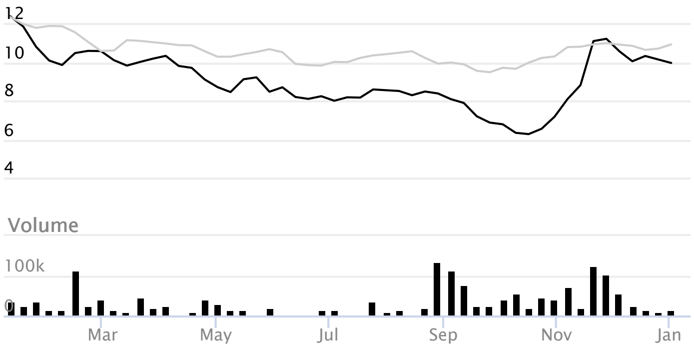


TIMELINESS

Snapshot



Marketplace	First North Stockholm

Share information

Share price (SEK)	9.8
Number of shares (M)	8.6
Market cap (MSEK)	84
Net debt (2023E, MSEK)	-17

Analyst

Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson owns shares in Gasporox: Yes

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	16	27	39	53
Growth	*26.4%*	*71.4%*	*44.4%*	*35.0%*
EBITDA	-3	4	13	17
EBITDA margin	*Neg*	*13.6%*	*33.7%*	*32.3%*
EBIT	-5	0	10	12
EBIT margin	*Neg*	*Neg*	*26.0%*	*22.0%*
Pre-tax earnings	-5	0	11	12
Net earnings	-5	-1	9	11
Net margin	*Neg*	*Neg*	*24.0%*	*20.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-19.0	-126.2	6.8	5.9
EV/S	5.6	2.0	1.2	0.7
EV/EBITDA	-32.4	14.3	3.5	2.3

Last updated: 2022-11-11

Owner	Equity	Votes
Norsk Elektro Optikk AS	25.6%	25.6%
Gobia Enterprises AB	13.0%	13.0%
Fårö Capital AB	12.5%	12.5%
AR packaging systems AB	4.9%	4.9%
Försäkringsbolaget Avanza Pension	3.0%	3.0%
Lars Hardell	1.9%	1.9%
Försäkringsaktiebolaget Skandia	1.5%	1.5%
Pär Stigborg	1.4%	1.4%
Märta Lewander Xu	1.4%	1.4%
Marcus Kolskog	1.2%	1.2%

Company description

Gasporox offers solutions for the quality assessment and inspection of packages based on optical spectroscopy. The company was born from a research group active at Lund University in 2005. Its primary focus was the medical application of sinus diagnostics and gas in scattering media absorption spectroscopy (GASMAS) technology. In 2008, the company received its first package-related patent, followed in 2011 by the start of its commercialization process. In 2010, Gasporox demonstrated its first proof-of-principle of the GASMAS technology for lung monitoring. This developed into GPX Medical, which it has since spun off to shareholders.

Investment thesis

Case

High incremental return

Gasporox is changing the market for quality assurance and testing in headspace analysis (HSA) and modified atmosphere packaging (MAP), moving away from the often destructive sample-based and manual tests (known as at-line tests) and toward testing all products directly on the production line in a non-destructive manner (known as in-line tests). Given the existing core technology, the economics of incremental products (i.e., line extensions) should be excellent. However, because the company is still developing its distribution and sales channels, we believe this is not yet fully transparent. We believe that once these are in place, Gasporox will achieve high returns on incremental capital, similar to what Colgate-Palmolive, Coca-Cola, Unilever, and Nestlé have done in their respective industries.

Evidence

Robust growth and customer interest

Over the last five years, the company's revenue has increased by 47% (or a 66% CAGR excluding the pandemic years of 2020-2021). The company's sales and support teams' productivity has increased as a result of a simplified offering, with installations now possible via over-the-phone support rather than physical presence. Furthermore, end-users have begun to request that the product be installed by themselves rather than by a typical machine integrator, demonstrating the simplicity of Gasporox's offering, which should allow for rapid scalability.

Challenge

Biting off More Than it Can Chew

Gasporox is a small company with only a few employees. The company targets pharma, food, and beverages. Gasporox may overextend itself in the food and beverage markets, despite their potential. For instance, a few years ago, it had one salesperson (two if you counted the CEO) handling global pharmaceutical and food sales. Gasporox has added sales heads for pharma and food, but its size may cause it to lose focus. If necessary, the company can pivot into an end-segment to succeed.

Challenge

Untested Expansion

Since 2016, Gasporox has focused on pharmaceutical growth. It wants to expand into food. However, execution remains critical, and in some markets, such as the United Kingdom, where supermarkets typically drive which packaging formats are used, there is a trend toward skin packs and vacuum packaging, where Gasporox may not be able to provide as much value. If vacuum packaging becomes mainstream, Gasporox may switch to other leak inspection methods. Vacuum only works on durable products, so pre-made meals and salads will always need MAP. Last, a successful food market expansion is not necessary for the Gasporox investment case, but it makes the difference between a good and a great investment.

Valuation

Growth Runway Not Priced In

We value Gasporox on the back of three difference DCF-scenarios. Our fair value range is SEK13-54 per share with a Base Case of SEK31. We use a discount rate of 11% based on Redeye's rating model.

Catalyst types

Large pharmaceutical Company finds GPX Porosity effective; starting to sell it

A large pharmaceutical company is evaluating Gasporox's drug porosity testing technology. Any announcement of favorable development on that front should lift the stock price as it would be a new segment and a confirmation of the multifaceted nature of Gasporox's core GASMAS technology.

Integrated into more regulatory frameworks

USP 1207 and EU Annex 1 prefer deterministic testing methods such as Gasporox, driving demand in the pharmaceutical end-market. South Korea, China, and Japan are reviewing and drafting new guidelines based on USP 1207.1 A positive revision should boost demand

Large customer signing orders

Gasporox announcing a large order should move the stock, as seen historically, and even more so if it were a large food manufacturer. Their endorsement would signal Gasporox's value proposition and greatly de-risk Gasporox's expansion into the food segment.

Continued strong performance

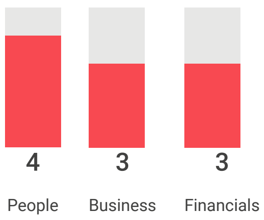
Gasporox is a micro-cap company and low free float (46 percent) with an implied average holding time of 5.6 years. We believe a solid financial performance would increase liquidity in the stock by pushing up the share price and thus reducing the liquidity discount. A higher market value could also result in larger investors considering the stock. Moreover, as company turns profitable it should put upside pressure on the stock

Hanza

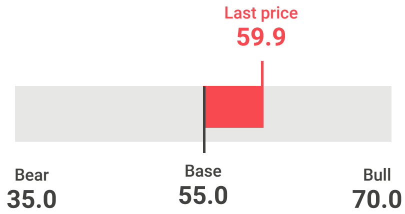
Company page	Publication date
https://www.redeye.se/company/hanza-holding	January 10 2023

Redeye Rating

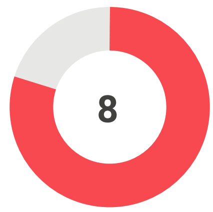
COMPANY QUALITY



FAIR VALUE RANGE

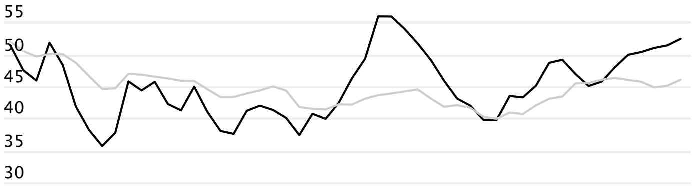


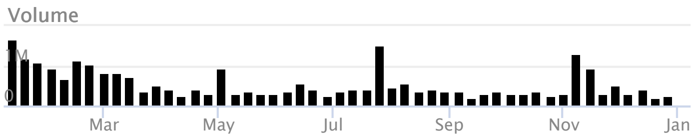
TIMELINESS



Snapshot

Hanza
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Erik Stenfors
Chairman	Francesco Franzé

Share information

Share price (SEK)	59.9
Number of shares (M)	39.3
Market cap (MSEK)	2,353
Net debt (2023E, MSEK)	220

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Hanza: No

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

Financials

			Redeye Estimates	
	2021	**2022E**	**2023E**	**2024E**
Revenue, MSEK	2,515	3,336	3,461	3,634
Growth	*16.7%*	*32.6%*	*3.8%*	*5.0%*
EBITDA	232	301	345	377
EBITDA margin	*9.2%*	*9.0%*	*10.0%*	*10.4%*
EBIT	128	183	224	252
EBIT margin	*5.1%*	*5.5%*	*6.5%*	*6.9%*
Pre-tax earnings	100	140	217	245
Net earnings	85	117	172	194
Net margin	*3.4%*	*3.5%*	*5.0%*	*5.3%*
Dividend/Share	0.50	0.81	1.19	1.34
EPS adj.	2.38	3.23	4.75	5.36
P/E adj.	27.0	13.8	9.4	8.3
EV/S	1.0	0.6	0.5	0.5
EV/EBITDA	10.7	6.3	5.3	4.8

Last updated: 2022-11-09

Owner	Equity	Votes
Gerald Engström	23.9%	23.9%
Clearstream Banking S.A. W8imy	10.3%	10.3%
Francesco Franzé	10.0%	10.0%
Ritter Beteiligungs Gmbh	8.4%	8.4%
Håkan Halén	6.6%	6.6%
Svenska Handelsbanken AB for PB	4.9%	4.9%
Nordnet Pensionsförsäkring	4.9%	4.9%
Eugen Steiner	2.8%	2.8%
Avanza Pension	2.5%	2.5%
Cbldn-Bankinter SA Client A/C	1.4%	1.4%

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 thesis

Case

Riding the Back-Shoring Trend with its Unique Cluster Strategy

With its ‘All you need is one’ cluster-based strategy, Hanza, and its experienced management take a unique approach that differentiates it from manufacturing service companies. By gathering several manufacturing technologies in a single location, Hanza can reduce costs, lead times, and environmental footprint. Having almost every cluster in the end market or in close-by low-cost countries, Hanza is set to benefit from the ongoing back-shoring trend. Quarterly reports with strong operational performance, particularly improvements in immature clusters, are the main catalysts.

Evidence

Proven Track-Record in Mature Clusters

The Main Markets segment, including the mature Swedish and Finnish clusters as well as the newly established German cluster, has an EBITA margin of about 8% - implying sector-leading margins in the mature Swedish and Finnish clusters. As the other clusters mature, we expect their margins to approach Swedish levels gradually. Since late 2021, Hanza has seen a surge in organic sales growth following the pandemic. While a rebound from the pandemic has a positive effect, we believe the strong numbers also result from increasing interest in back-shoring.

Challenge

Cyclical Exposure Through Customers’ Volume Fluctuations

While Hanza seldom loses customers, its revenues depend on the customers’ volumes. During the pandemic in 2020, organic sales fell by about 10%, putting pressure on margins. Thus, Hanza is, to some extent, exposed to market cycles. However, following recent acquisitions and organic customer intake, we believe the diversification between sectors has improved. In addition, the back-shoring trend should help Hanza attract new customers in economic downturns.

Challenge

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 a successful presence outside the Nordics, such as in Tartu, Estonia.

Valuation

Fair Value SEK 55

Our DCF model shows a fair value of SEK 55, which is also supported by a peer valuation. While Hanza has been trading at a discount to peers historically, considering its improvements regarding organic sales growth and margins, we believe Hanza should trade at least on par with peers.

Catalyst types

Higher profitability in Other Markets

Other Markets has a lower EBITA margin then Main Markets, due to its high share of immature clusters. As more and more clusters in Other Markets mature, we expect its margins to approach Main Markets.

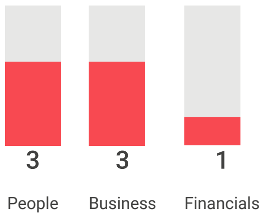
Heliospectra HELIO

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

Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY



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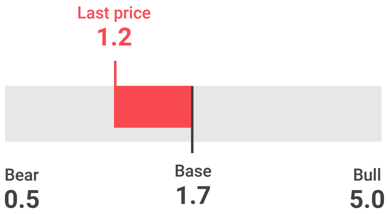
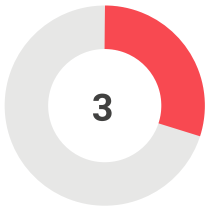


TIMELINESS



Snapshot

Marketplace	First North Stockholm
CEO	Bonny Heeren
Chairman	Andreas Gunnarsson

Share information

Share price (SEK)	1.2
Number of shares (M)	106.5
Market cap (MSEK)	126
Net debt (2023E, MSEK)	18

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog 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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	35	25	57	91
Growth	*-8.9%*	*-29.7%*	*>100%*	*60.0%*
EBITDA	-39	-31	-14	-4
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-60	-35	-19	-9
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-60	-35	-19	-9
Net earnings	-60	-35	-19	-9
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.77	-0.33	-0.18	-0.08
P/E adj.	-1.5	-3.3	-6.0	-12.8
EV/S	2.4	4.6	2.3	1.6
EV/EBITDA	-2.2	-3.7	-9.3	-34.1

Last updated: 2022-10-24

Owner	Equity	Votes
Gösta Welandson med bolag	46.4%	46.4%
Greg Dingizian	11.3%	11.3%
Mohammed Al Amoudi & Bolag	8.3%	8.3%
Avanza Pension	2.2%	2.2%
Swedbank Försäkring	1.1%	1.1%
Försäkringsaktiebolaget Skandia	0.8%	0.8%
Nordnet Pensionsförsäkring	0.7%	0.7%
Magowny Invest AB	0.5%	0.5%
Storebrand Fonder	0.4%	0.4%
Marita Levin	0.4%	0.4%

Company description

Heliospectra was founded in 2006 and specializes in intelligent lighting systems for plant research, greenhouse cultivation, and, lately, also positing itself as a system supplier within data-driven smart farming. The company is a global leader in LED grow lights for advanced research applications and has patented technology. Operations mainly focus on R&D, product development, marketing, and sales. Production is outsourced to contract manufacturers and thus flexible.

Heliospectra has a network of sales agents in North America and Asia as well as its own dedicated sales team for the European market. Heliospectra sells its LED lights, biosensors, and control systems to greenhouses and indoor growers worldwide, with North America and Europe being the main markets. Additional revenues come from services that include system support, tests, and training courses.

Investment thesis

Case

Unique offering in expanding market
Heliospectra is in the process of repositioning itself from being mainly a supplier of LED lights to greenhouses to a system supplier within data-driven smart farming. 2022 was a transitional year for Helicpectra, dedicated to product development, cost-savings initiatives, and restructuring to become more robust in 2023 with best-in-class product offerings for Smart Farming. With their new product offering consisting of SMART lighting and MITRA LED lights, Heliospectra claims that they both can save up to 14% energy compared to regular LED lights and, in addition, optimize photosynthesis leading to better crops. We believe this implies an opportunity to go from a competitive cost-plus business to a very attractive value proposition that can enable high profitability if successful. As Heliospectra will be the first actor on the market to supply a smart LED solution, we expect they can target and gain larger volume orders than previously. Heliospectra's new offering includes some unique features that allow growers to monitor and control crops down to the square meter, which offers unprecedented potential to improve yields and reduce waste. The relevant market segment is valued to cUSD7b, expected to show double-digit annual growth over the next few years. We believe Heliospectra is in a good position to leverage on these strong market trends.

Evidence

First Smart LED Light Solution Order
This first commercial order for the smart LED solution came in November 2022 from an undisclosed customer in the Northeast of the US. The customer provides farmers with innovative solutions for crop growth and pests, and disease protection. We believe this is an order from the new distribution/partner network recently announced by Heliospectra. The order value of USD780,00 is quite significant for Heliospectra, which will be delivered in Q1 2023. We anticipate several orders being announced over the next year, validating that the company is on the right track.

Challenge

Limited commercial progress so far and instability in the European AgHort market
Historically, Heliospectra has been rather optimistic about market conditions and business opportunities, but commercial progress has overall been disappointing. Admittedly, it now has new management, which could turn things around. The company has a strong heritage in plant research and is renowned for its innovations. But the commercial track record needs to be more convincing. In addition, the current energy crisis is affecting the European AgHort market negatively and with drawbacks in investments as a result.

Challenge

More funding needed
The financial situation is controlled but restricted by the fact that Heliospectra will need further funding in the coming year. We estimate that Heliospectra will need to take up a new (or in tranches) loan of around SEK 30m from the three main shareholders to secure the growth capital needed for 2023. We believe this is likely to happen in Q1, with set-off issue(s) to follow.

Valuation

Wide range
Our fair value range is quite wide: SEK0.5-5.0 per share, with a base case at SEK1.7 per share. However, this wide range is quite common for companies similar to Heliospectra. That is to say, high future growth expectations, a need for additional growth capital until Break-even, and a difficult-to-assess sustainable profitability level. Our Base case scenario assumes break-even in 2025, 20% CAGR 2026-31, and sustainable EBIT margin around 13%.

Catalyst types

Market traction
We hope to see a number of new orders announced in the coming year. Larger clients that are committing to Heliospectra's new product range would validate that the company is on the right track.

Partnership
A partnership with one of the significant suppliers of greenhouse equipment in Europe would be a major milestone for Heliospectra. It would likely have a substantial impact on the share price.

Hexatronic Group HTRO

Company page

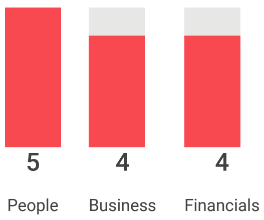
https://www.redeye.se/company/hexatronic-group

Publication date

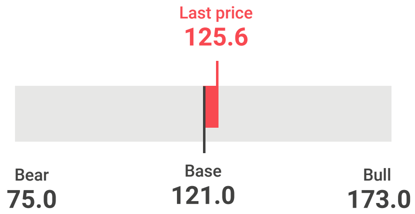
January 9 2023

Redeye Rating

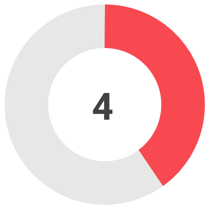
COMPANY QUALITY



FAIR VALUE RANGE

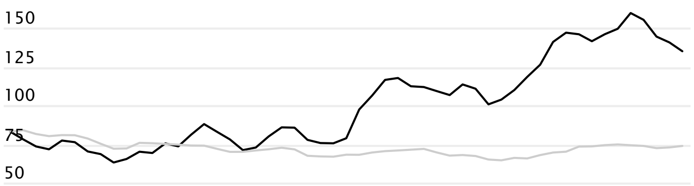


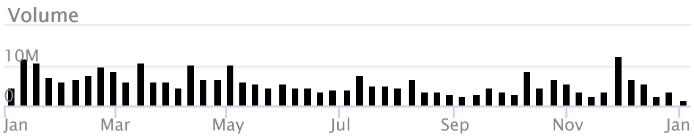
TIMELINESS



Snapshot

Hexatronic Group
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Henrik Larsson Lyon
Chairman	Anders Persson

Share information

Share price (SEK)	125.6
Number of shares (M)	205.1
Market cap (MSEK)	25,746
Net debt (2023E, MSEK)	1,882

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson 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

			Redeye Estimates	
	2021	2022E	2023E	2024E
Revenue, MSEK	3,492	6,513	9,558	11,692
Growth	*67.8%*	*86.5%*	*46.7%*	*22.3%*
EBITDA	492	1,215	1,762	2,160
EBITDA margin	*14.1%*	*18.7%*	*18.4%*	*18.5%*
EBIT	358	1,010	1,514	1,892
EBIT margin	*10.3%*	*15.5%*	*15.8%*	*16.2%*
Pre-tax earnings	335	953	1,458	1,844
Net earnings	255	725	1,137	1,438
Net margin	*7.3%*	*11.1%*	*11.9%*	*12.3%*
Dividend/Share	0.64	1.77	2.78	3.51
EPS adj.	1.29	3.54	5.55	7.02
P/E adj.	78.2	40.5	25.8	20.4
EV/S	6.0	4.8	3.3	2.6
EV/EBITDA	42.7	25.5	17.7	14.2

Last updated: 2022-11-24

Owner	Equity	Votes
Jonas Nordlund	6.3%	6.4%
Efg Bank / Geneva	6.3%	6.4%
Accendo Capital	6.3%	6.4%
AMF Pension & Fonder	6.1%	6.2%
Rbcb Lux Ucits Ex-Mig	6.1%	6.2%
Swedbank Robur Fonder	5.8%	5.9%
Handelsbanken Fonder	5.2%	5.3%
Chirp AB	4.4%	4.4%
State Street Bank And Trust co	4.3%	4.3%
Vanguard	3.3%	3.3%

Company description

Hexatronic is a technology group which specializes in fiber communications and is listed on Large 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 ~50 companies with a total of around ~1300 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 thesis

Case

Pole position in the boom for digital highways.

Considering Hexatronic's solid position in large immature markets like the US, UK, and Germany (~42x the Swedish market), we believe Hexatronic can sustain revenue growth of ~20% until 2028. To stay competitive, these countries need to improve their FTTH coverage, and regardless of investing in fixed FTTH or 5G, fiber is the foundation. Following the Covid-19 pandemic, investments have picked up significantly as the need for high-quality digital infrastructure became evident. Continuing sales growth and improving margins are the main catalysts.

Evidence

Proven track record in several major markets with its easy-deployed high-quality system solutions.

Following large investments and acquisitions in the US, UK, and Germany, the markets sales have surged and is now ~75% of group sales. Yet, these markets are only at the beginning of their fiber rollouts. Hexatronic has gained market share thanks to its high-quality and easy-deployed system solutions, especially among small- and mid-size customers with limited in-house know-how. The strong growth has been accompanied by rising margins following higher utilization rates in Hexatronic's factories.

Challenge

Boom and bust FTTH cycle put risks to the very long-term.

Hexatronic's sales from Sweden have declined by about 30% since the peak in 2017, yet about 50% of the sales are related to FTTH. While Hexatronic has other sources of sales, such as transportation networks, and submarine cables, FTTH is of major importance. Although the US, UK, and German FTTH markets likely will remain strong until 2030, at least, we believe finding new revenue streams will be crucial for the very long term. New markets and related verticals (like DCS) are possible options.

Challenge

Possible price pressure.

Hexatronic operates in fiercely competitive markets, and some of its customers are large players. Cost and price are always a delicate dimension, and there is always the risk that some of the margin improvements the company achieves simply will filter through to its customers. However, Hexatronic has an edge in its high-quality easy-deployed system solutions, especially in the current environment where shortages of technicians are slowing the rollouts.

Valuation

Base Case of SEK 121 implies ~17x EBITA 2023E

Our DCF model shows a Base Case fair value of SEK 121, corresponding to 2.8x sales and 17x EBITA 2023E. While we find 16x EBITA 2023E low given Hexatronic's expected profit growth, our defensive assumptions for the very long-term (2035 and beyond) reduce the valuation. Our Bull Case, expecting Hexatronic to mitigate the expected decline in FTTH post-2035, is SEK 173 – 23x EBITA 2023E.

Catalyst types

Delivering the goods

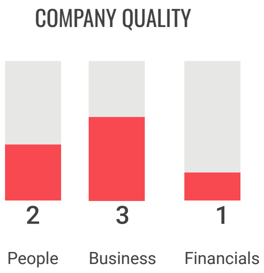
We simply expect the forthcoming financial reports from Hexatronic to confirm a positive development for the company, helping to drive the shares higher in the years ahead. It doesn't have to more spectatcular than that.

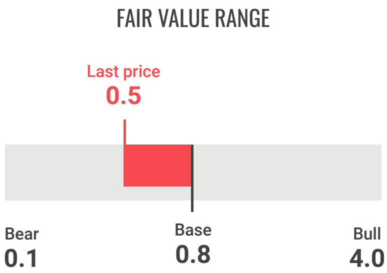
Hoylu HOYLU

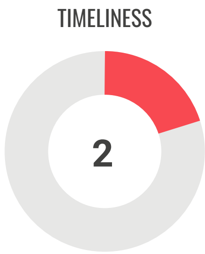
Company page
https://www.redeye.se/company/hoylu

Publication date
January 10 2023

Redeye Rating







Snapshot

Marketplace	First North Stockholm
CEO	Truls Baklid
Chairman	Johan Lindqvist

Share information

Share price (SEK)	0.5
Number of shares (M)	91.7
Market cap (MSEK)	49
Net debt (2023E, MSEK)	39

Analyst

Jacob Svensson
jacob.svensson@redeye.se

Conflict of interests

Jacob Svensson owns shares in Hoylu: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	33	48	62	79
Growth	*14.2%*	*42.9%*	*29.9%*	*27.3%*
EBITDA	-39	-27	-13	-1
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-50	-42	-27	-13
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-52	-45	-28	-14
Net earnings	-52	-45	-28	-14
Net margin	*Neg*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.57	0.00	0.00	0.00
P/E adj.	-2.1	N/A	N/A	N/A
EV/S	3.7	2.4	1.7	0.9
EV/EBITDA	-3.2	-4.2	-8.2	-109.9

Last updated: 2023-01-09

Owner	Equity	Votes
Fougner Invest AS	19.5%	19.5%
Edvin Austbø	14.9%	14.9%
Arctic Securities AS	14.7%	14.7%
TTC Invest AS	11.5%	11.5%
Bimo Kapital	7.9%	7.9%
Camelback	3.1%	3.1%
Skadi AS	2.3%	2.3%
Kristianro AS	2.2%	2.2%
Robert Keith and close associates	2.1%	2.1%
Cbldn-Barclays Bank Plc	2.1%	2.1%

Company description

Hoylu is a Swedish business-to-business (B2B) company founded in 2016 to build a business focusing on the next-generation enterprise collaboration platform. The mission is to deliver an innovative solution for digital workspaces to do remote work and information change easily accessible, more productive, transparent and engaging. Hoylu's digital whiteboard, called Connected Workspaces, is a cloud-based hardware-agnostic platform that integrates easily with third-party applications and is sold as software as a service (SaaS). The target customer is large global enterprises, such as the Fortune 500 and the customer base includes several well-known customers, such as FedEx, Procter & Gamble, AF Gruppen, Wallbridge, Holland America Line, Skanska, the U.S. Air Force, etc. Hoylu has been listed on Nasdaq First North Growth Market since the beginning of 2017.

Investment thesis

Case

Niche construction and engineering focus to drive future growth

Hoylu is currently transitioning into a fully SaaS business with an increased focus on the construction and engineering vertical. We consider this niche focus the right move, giving Hoylu a stronger value proposition while limiting its competitors. In addition, its well-known large enterprise customers often start as free or premium users, only deploying a fraction of its operations, suggesting future upselling potential. Additional quarterly reports with solid growth serve as the main catalyst.

Evidence

Well-known enterprise validation through upselling

Hoylu's customer base includes several well-known enterprises that have validated its product, such as FedEx, Procter & Gamble and AF Gruppen. For example, Procter & Gamble has scaled up to ~2,700 paying users and AF Gruppen has included the platform in several new projects after the initial order. Furthermore, the ARR-SaaS has grown from one-third of the total ARR in 2019 to today's >50%, and we expect this transition to continue. Given the segment's gross margins of ~90%, this can drive future margins.

Challenge

Convert leads to accelerate growth

Although Hoylu is growing its annual recurring revenues (ARR), one challenge is to convert leads and free users into revenues to a greater extent to accelerate its growth further. However, we believe the increased focus on the construction and engineering segment boosts Hoylu's value proposition and can improve its growth prospects. Furthermore, its well-known customer base can give rise to future growth opportunities through upselling.

Challenge

Approach profitability to avoid external financing

One other challenge is to approach profitability to avoid facing external financing challenges. As Hoylu's cash position implies the possibility of such challenges, a dilution effect is likely, which we argue can put pressure on the stock. However, if Hoylu can accelerate its growth, we believe it is possible to achieve long-term profitability.

Valuation

Low EV/ARR If growth accelerating

Based on our DCF model, we see a Base Case of SEK0.8 per share and SEK0.1 and SEK4.0 in our Bear and Bull cases. Hoylu is currently traded at an attractive EV/ARR multiple versus peers. However, this can be justified to some extent by its low market cap and unprofitable phase, as reflected in our Base Case. At the same time, if Hoylu can capitalise on its large enterprise customers and grow its ARR, the upside is significant, approaching a median peer valuation, as reflected in our Bull Case.

Catalyst types

Continued Growth in ARR

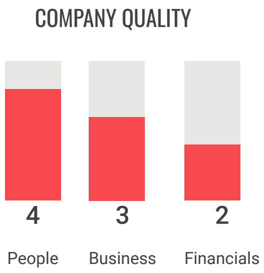
As Hoylu has recently transitioned into a pure SaaS business model, its focus is to grow the ARR. If Hoylu can increase the ARR, this will attract investors' attention and be a potential catalyst going forward.

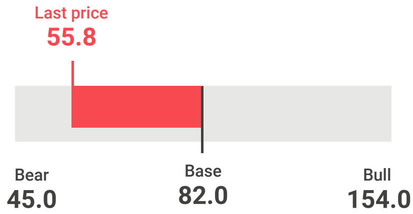
I-Tech ITECH

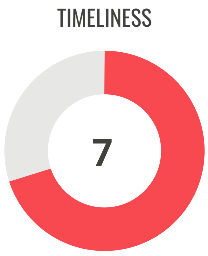
Company page
https://www.redeye.se/company/i-tech

Publication date
January 10 2023

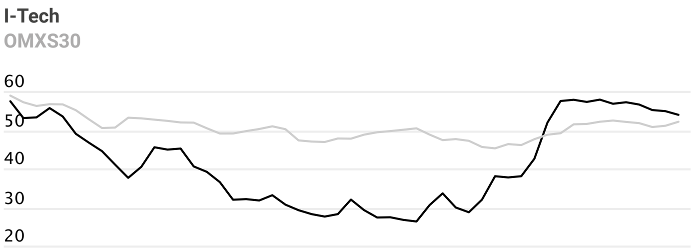
Redeye Rating







Snapshot



Marketplace	First North Stockholm
CEO	Philip Chaabane
Chairman	Stefan Sedersten

Share information

Share price (SEK)	53.0
Number of shares (M)	11.9
Market cap (MSEK)	631
Net debt (2023E, MSEK)	-53

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in I-Tech: No

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

Financials

			Redeye Estimates	
	2021	2022E	2023E	2024E
Revenue, MSEK	53	74	92	134
Growth	*0.2%*	*39.7%*	*24.5%*	*45.7%*
EBITDA	3	16	20	37
EBITDA margin	*6.3%*	*21.6%*	*21.5%*	*27.4%*
EBIT	-7	8	13	31
EBIT margin	*Neg*	*11.1%*	*13.6%*	*22.8%*
Pre-tax earnings	-5	8	12	30
Net earnings	-7	8	12	30
Net margin	*Neg*	*10.8%*	*13.3%*	*22.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.55	0.67	1.03	2.54
P/E adj.	-104.6	85.7	55.7	22.6
EV/S	12.4	8.7	6.9	4.5
EV/EBITDA	197.9	40.4	31.9	16.3

Last updated: 2022-11-16

Owner	Equity	Votes
Pomona Gruppen	14.8%	14.8%
Swedbank Robur Fonder	7.8%	7.8%
Handelsbanken Fonder	7.2%	7.2%
Futur Pension	5.1%	5.1%
Länsförsäkringar Fonder	5.0%	5.0%
Stefan Sedersten	3.8%	3.8%
Unionen	3.8%	3.8%
Cliens Fonder	3.4%	3.4%
Andra AP-fonden	3.3%	3.3%
Aquamarine	3.1%	3.1%

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 marine coatings with high efficiency against sea barnacles. I-Tech's direct customers are large international paint manufacturers formulating and selling marine coatings. The company has six out of the ten largest paintmakers on its customer list today; among them Chugoku Marine Paints, Jotun, and Hempel. I-Tech entered Nasdaq First North in May 2018.

Investment thesis

Case

Commercially proven – set to capture market share

We see an attractive envirotech case with rapid growth and operational leverage, derived from a strong value proposition and key market drivers. Our valuation offers upside potential, supported by several catalysts which may improve the investor sentiment. I-Tech has collaborated 10+ years with Chugoku Marine Paints (CMO) which resulted in ever-larger orders, the latest frame order in August 2021 amounted to SEK 53m. In the meantime, I-Tech currently has six out of the total ten largest potential customers on its list today, while only CMP has started to contribute to sales in a signifcant way. We believe the company's strong product offering with a solid reference customer improve the odds of winning new major contracts.

Evidence

High earnings growth potential

With i) attractive sales growth opportunities, ii) a strong competitive offering, and iii) a scalable business model, we view I-Tech as well positioned for earnings growth. The record gross margin of 52% in FY21 with an organisation of about ten people who can serve the full market niche underlines the potential. We believe limited OPEX and CAPEX with a sales CAGR of 36% 2021-2024, enabling >30% EBIT margin 2025, in our base case.

Challenge

Operational challenges

In our view, the case in I-Tech faces certain challenges increasing the risk; i) high customer dependency ii) reliant on one only ingredient for marine coatings iii) risk of slow market adoption due to a conservative market and limited incentives and challenging economics among shipowners iiii) possible threats from new solutions

Valuation

Solid upside potential

We expect I-Tech to deliver significant earnings momentum sparred by a 36% sales CAGR and avg. 16% EBITDA margin until 2024E, followed by avg. 40% EBITDA margin 2025-2036E. With, in our view, a solid management and a strong business case, we identify the right ingredients for high potential return in the I-Tech stock. Based on our DCF model, we value I-Tech to SEK 82 per share in our base case offering a solid upside potential.

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. Furthermore, in May 2021, a frame order of SEK 53m for delivery in 2021-2022 was announced. 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.

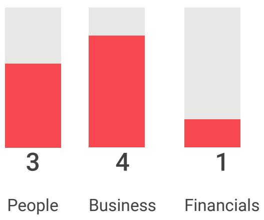
Image Systems IS

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

Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY



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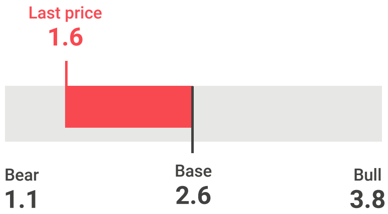
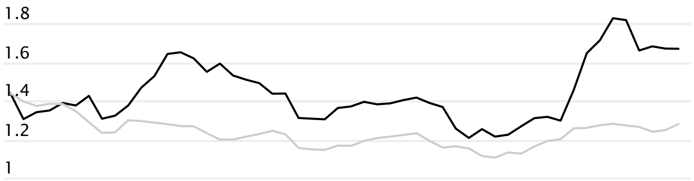
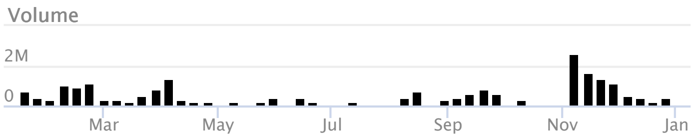


TIMELINESS

Snapshot

Image Systems
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Johan Friberg
Chairman	Thomas Wernhoff

Share information

Share price (SEK)	1.6
Number of shares (M)	89.2
Market cap (MSEK)	140
Net debt (2023E, MSEK)	-33

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

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

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	152	166	186	206
Growth	*-6.5%*	*8.8%*	*12.6%*	*10.3%*
EBITDA	19	27	31	34
EBITDA margin	*12.7%*	*16.4%*	*16.5%*	*16.4%*
EBIT	1	7	11	21
EBIT margin	*0.5%*	*4.5%*	*6.1%*	*10.3%*
Pre-tax earnings	-1	6	11	21
Net earnings	0	7	11	17
Net margin	*0.0%*	*4.2%*	*6.1%*	*8.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.08	0.13	0.19
P/E adj.	140,951.8	21.5	12.9	8.8
EV/S	0.9	0.8	0.6	0.5
EV/EBITDA	7.3	5.1	3.7	2.8

Last updated: 2022-11-14

Owner	Equity	Votes
Tibia Konsult AB	32.0%	32.0%
Thomas Wernhoff	15.6%	15.6%
Hans Malm	8.5%	8.5%
LMK-bolagen & Stiftelse	6.2%	6.2%
Avanza Pension	5.0%	5.0%
Dnb Luxembourg SA	2.0%	2.0%
Per Anders Thorsell	1.8%	1.8%
Gunvald Berger	1.8%	1.8%
Anders Fransson	1.7%	1.7%
Hans Olsson	1.3%	1.3%

Company description

The group consists of two business segments: RemaSawco and Motion Analysis, with contactless measurement technology being the common denominator. RemaSawco develops and sells modern automation system to sawmills. This enables digitalization of the entire process which in turn offers potential for significant productivity improvements. The product range covers the more high-tech end of equipment such as log sorting- and optimization, X-rays, board measurement- and sorting. Clients are primarily sawmills in Northern Europe where RemaSawco has a direct sales model. A few other markets, e.g. the US, are covered by sales partners. Recurring revenues from service and maintenance is rather limited. However, customer relationships tend to be long-term.

Motion Analysis offers systems for analysis of images from high-speed cameras. Clients are primarily in the aerospace, defense, automotive and material-testing industries. The customer base is global, and sales are mainly conducted through a network of partners around the world. The core offering is based on a software sold either as a license or as-a-Service. Hence gross margins are very high and the business has excellent scalability.

Investment thesis

Case

Well positioned to enter growth phase

The Covid pandemic has taken its toll on Image Systems, with lower volumes in both business segments (RemaSawco and Motion Analysis). With more stable market conditions, we believe the company is well positioned to grow with improving profitability. The dominating segment, RemaSawco, offers measurement systems for the highly competitive sawmill industry, with the ambition to improve productivity while decreasing Opex. As far as we know RemaSawco is way ahead of their competitors in terms of offering a viable solution for the digital sawmill.

Evidence

Improved productivity

Net sales were down around 25% in 2021 vs. 2019, in the wake of the Corona pandemic. Despite the drop, earnings have improved, thanks to significant restructuring measures. Both segments have sound core businesses with healthy gross margins. Motion Analysis being mainly a software company obviously has very high gross margins. Order bookings are improving and the overall market climate now appears more stable. We believe there is a fair amount of pent-up demand for investments in the sawmill industry, as capex has been rather low in recent years.

Challenge

Proof is still in the pudding

RemaSawco has historically been struggling with low profitability. Currently, the company is certainly in much better shape, following several initiatives to enhance efficiency. But we still don't know how well the company will be able to handle higher volumes and generate profitable growth over time.

Challenge

Motion Analysis facing challenges for sustainable growth

Motion Analysis is already a global market leader withing high velocity video analysis for the defense and crash testing industries. Gaining further market shares in these segments is challenging. Progress in new application areas, like the DIC for material testing, are important for sustainable growth.

Valuation

We see considerable potential

Our valuation range spans from ~SEK 1-4 per share, with a Base case fair value around SEK 2.6. Our Base case scenario includes a CAGR of 6% 2022-30 and sustainable EBIT margins around 10%. We are applying a 12% WACC.

Catalyst types

Profitable growth in RemaSawco

RemaSawco has shown an encouraging improvement in 2021 and 2022. We hope and expect to see further progress in terms of profitable growth.

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 tangible results in the coming years.

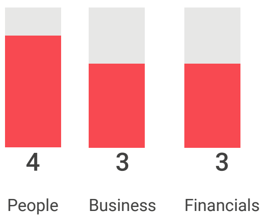
IMINT Image Intelligence IMINT

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

Publication date
January 12 2023

Redeye Rating

COMPANY QUALITY



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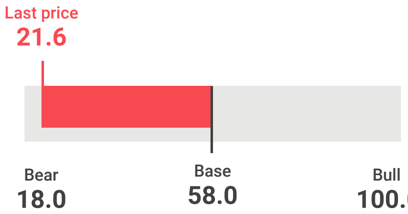
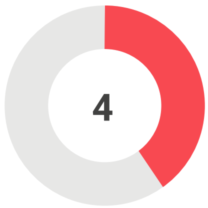
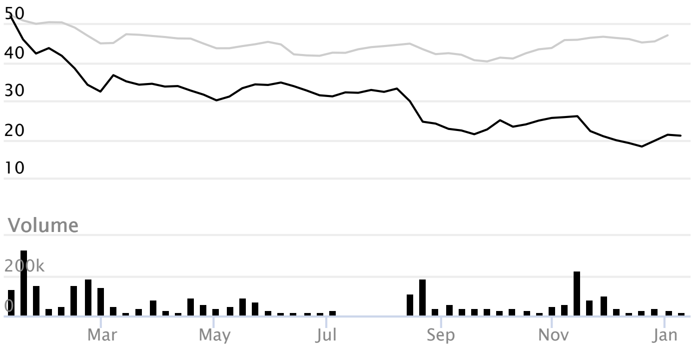


TIMELINESS



Snapshot

IMINT Image Intelligence
OMXS30



Marketplace	Spotlight Stock Market
CEO	Andreas Lifvendahl
Chairman	Peter Ekerling

Share information

Share price (SEK)	21.6
Number of shares (M)	9.2
Market cap (MSEK)	197
Net debt (2023E, MSEK)	-93

Analyst

Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt 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

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	76	84	92	101
Growth	*26.6%*	*10.2%*	*9.7%*	*10.3%*
EBITDA	31	27	31	35
EBITDA margin	*40.4%*	*31.8%*	*34.0%*	*35.0%*
EBIT	16	13	18	23
EBIT margin	*21.2%*	*15.0%*	*19.5%*	*22.4%*
Pre-tax earnings	20	19	20	25
Net earnings	20	18	16	20
Net margin	*26.5%*	*21.8%*	*17.4%*	*19.9%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	2.20	1.99	1.74	2.20
P/E adj.	28.5	10.1	12.2	9.6
EV/S	6.8	1.3	1.1	0.8
EV/EBITDA	16.8	4.0	3.3	2.3

Last updated: 2023-01-12

Owner	Equity	Votes
Avanza Pension	14.9%	14.9%
Nordnet Pensionsförsäkring	5.3%	5.3%
Bank Julius Baer & co. ltd, w8imy without	5.0%	5.0%
Johan Qviberg	2.9%	2.9%
Caceis Bank Spain Sau	2.3%	2.3%
Peter Ekerling	2.3%	2.3%
Öjvind Norberg	1.8%	1.8%
Andreas Lifvendahl	1.7%	1.7%
Nevrokiro Invest AS	1.7%	1.7%
Alexander Ullman	1.6%	1.6%

Company description

Imint is a Swedish software provider focusing on video stabilization. The core of the Imint offering is the Vidhance software library containing algorithms for sensor analysis, and various types of image and video enhancements. At the beginning of FY2023, Imint will start reporting two business segments: Consumer and Professional. The former will be consumer electronics, where smartphones dominate. From 2016 until today, about 800 million smartphones have been equipped with Imint's video stabilization, and in a given quarter, about ~15-20% of all new smartphones shipped worldwide have the software pre-installed. The second business segment is Professional, and it will focus more on applications such as body cameras, industrial and surgical AR, etc. The Consumer business (smartphones) constitute about 95% of Imint's sales but the financial goal targets a 50/50 split by 2025.

Investment thesis

Case

Small but Fierce 'Hidden Champion'

Imint is a niched software market leader with good connections to both global chipset makers and smartphone manufacturers. Over the last couple of years, Imint has built moats in the hyper-competitive smartphone market, which now seem to be transferable to adjacent markets, including wearables. Its brand and know-how open new avenues for profitable growth, which is essential for the investment case's durability concerns (or its over-reliance on the smartphone market). Imint's advantages can be condensed to 1) chipset integration expertise, 2) trusting customer relations/high switching costs, and 3) technical/software know-how. Together, they form an overarching competitive advantage that is simply the ability to efficiently create a complete well-integrated product that 'just works' as planned in the fast-paced market.

Evidence

A strong brand and well-recognized expertise

Although somewhat hidden in the value chain, Imint has supplied more than 800 million smartphones with video stabilization software since late 2016. In Q3'22, about 50 million smartphones were equipped with Vidhance, giving Imint a market share of about 16%. Imint's track record in the smartphone industry is a competitive advantage since many of the AR/head-mounted camera companies have investigated the camera quality of smartphones. For example, one of the current prospects had benchmarked its much more expensive product to a newly obtained Vivo phone, only to conclude that the video quality was superior in the latter. This induced the prospect to 'investigate backward', which led it to the software developer Imint.

Challenge

A saturated smartphone market and an unproven Professional segment

The smartphone market topped on a rolling-twelve basis in late 2016/early 2017, and has since then been rather saturated, especially in the developed part of the world. Some emerging markets in Africa and Latin America have grown in the past few years as many consumers buy their first smartphones. Nevertheless, Imint primary market does not have a volume growth and the Android-based smartphones have an estimated CAGR of less than 0.5% in the coming five years. Instead, most growth will come from the Professional business segment, which is a rather unproven part of the company. The Consumer segment (and Imint as a whole) could also suffer if the software becomes commoditization which would impact the IP royalties negatively and thus the overall topline.

Challenge

The 'China risk'

Imint has partnered up with chipset makers such as Qualcomm and MediaTek, as well as with major smartphone manufacturers like vivo, OPPO, Xiaomi, and Motorola, to name a few. Many of these partners are Chinese, and Imint carries a geopolitical risk factor that is hard to assess clearly. Some of the new partners in the Professional segment are also Chinese, as it is the world's manufacturing hub, where much of the hardware is built.

Valuation

Not pricey given the track record

Imint trades at single-digit EV/EBIT numbers, even though it has shown EBIT margins of >20% and a stable growth rate. Since 2020, the smartphone business has added SEK50m in cash to the company. However, the market discounts a lot of risk in the share price, such as the China risk and the chances of successfully venturing out in new markets that can compare to the old smartphone hit.

Catalyst types

M&A

Imint has a cash position of more than SEK80m, and management has discussed the prospects of M&A. A good acquisition that can speed up the Professional side could be a powerful catalyst.

A stable Consumer segment

The Consumer segment has more IP licenses with royalties, short product cycles (2-3 years), and volatile end markets in the consumer electronics space. However, the smartphone market is the largest consumer electronics market in the world, providing Imint good cash flows that it can re-invest in the Professional segment. A stable development in this segment should also be a catalyst, given that Imint seeks to accomplish an EBIT margin of >30%. This is not included in the current share price.

Successful venture into the Professional space

The Professional business segment will have to carry Imint's growth rate in the future. The business model is quite different as well, with more recurring revenues (Imint will focus on verticals with subscription models), longer business and product cycles (multi-year-periods), and less volatile end-markets (B2B). Signs of success will be clear catalysts for the stock, not least in the reported numbers.

Impact Coatings IMPC

Company page

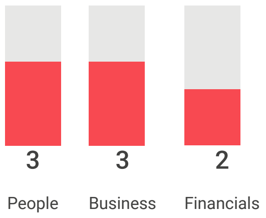
https://www.redeye.se/company/impact-coatings

Publication date

January 11 2023

Redeye Rating

COMPANY QUALITY



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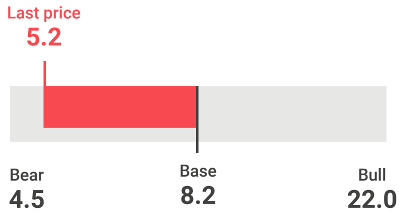
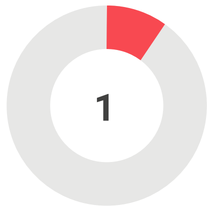
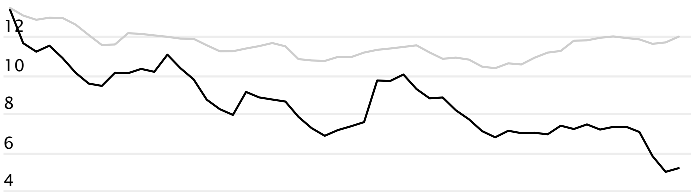


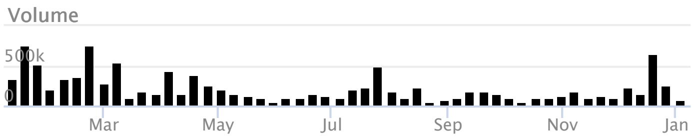
TIMELINESS



Snapshot

Impact Coatings
OMXS30





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

Share information

Share price (SEK)	5.2
Number of shares (M)	56.6
Market cap (MSEK)	292
Net debt (2023E, MSEK)	-146

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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	57	33	83	125
Growth	*44.8%*	*-41.6%*	*>100%*	*50.6%*
EBITDA	-29	-40	-27	-8
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-32	-43	-31	-15
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-32	-43	-29	-13
Net earnings	-32	-43	-29	-13
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.56	-0.75	-0.34	-0.14
P/E adj.	-28.2	-6.5	-14.6	-34.4
EV/S	13.2	6.4	3.4	2.6
EV/EBITDA	-25.9	-5.4	-10.6	-39.2

Last updated: 2022-12-27

Owner	Equity	Votes
Accendo Capital	12.8%	12.8%
Hyundai Motor Company	9.5%	9.5%
Avanza Pension	9.0%	9.0%
Nordnet Pensionsförsäkring	3.9%	3.9%
Clearstream Banking S.A. W8imy	2.7%	2.7%
Länsförsäkringar Fonder	2.0%	2.0%
Henrik Ljungcrantz	1.9%	1.9%
Svenska Handelsbanken AB for PB	1.5%	1.5%

Company description

Impact Coatings is a Swedish manufacturer of PVD (Physical Vapor Deposition) systems. PVD is a method for vacuum coating thin films of metal or ceramics, providing enhanced performance for fuel cells, automotive radomes and reflectors, plastic metallization, electric connectors and more. Impact Coatings' clients are predominantly in the automotive sector. The production systems (InlineCoater) are sold to customers worldwide with an installed base of around 30 units (2021). HQ, development and manufacturing is located in Linköping, Sweden and a small team in South Korea working with the partner Hyundai. The company has its own sales representatives in Europe, Asia and the US.

As of today, the majority of revenues comes from sales of coating systems (InlineCoaters), which are priced at ~EUR 0.7-1m. Aftermarket sales inludes maintenance, upgrades and consumables (coating material), which is growing gradually along with the installed base. The company also offers in-house coating services to customers who are either too small to buy their own system or in the process of evaluating the InlineCoater for a future investment. This "contract manufacturing" is a strategically important sales tool and has often been the catalyst for a clients initial order for a coating system.

Investment thesis

Case

Well positioned to gain leverage

Impact Coatings has a strong value proposition for customers within two of its verticals: fuel cells and automotive radomes. Both segments have a huge addressable market and are expected to show significant growth over the next decade. Impact Coatings' gross margins of 50-60% offer good leverage and manufacturing capacity is no major restraint.

Evidence

Validated by key clients

The partnership with Hyundai within fuel cell coatings is a solid testimony to Impact Coatings technology. Hyundai's high growth ambitions within fuel cells, will also improve Impact Coatings' chances to capture a more significant share of the market in the longer term. The fact that HELLA is a repeat customer for application area automotive radomes, also validates Impacts Coatings' edge in this market segment.

Challenge

Still far from break-even

The first coating systems were launched in 2002 and the company has still not reached break-even. Order volumes have simply not been enough so far and it's difficult to predict when this will happen. The cash position is good, around SEK 200m after the proposed rights issue in Q1 2023. We believe this is sufficient to finance the company's expansion until it is turning cash flow positive.

Challenge

Hyundai can make it or break it

The partnership with Hyundai started in 2019. The joint development project has progressed since and we have no indications of setbacks or disappointments. But we have zero transparency into the project and know nothing about the timeline or plans for commercialization. So at this point the leverage offered by Hyundai is a bit of a black box.

Valuation

Wide valuation range

Our fair value range spans from SEK 4.5-22 per share, with a Base case fair value around SEK 8. Our Base case scenario assumes success and expansion primarily within application areas fuel cells and radomes. Sales reaching ~SEK 600m in 2030 with EBIT margins around 15-20%. For the fuel cell segment, we see a combination of own sales and a licensing agreement as likely for the longer-term, which would support healthy sustainable margins.

Catalyst types

Improved order flow

Machine sales are a key metric investors should follow. Large orders would strengthen investors' confidence in the company, and with gross margins ~50%, it will have significant impact on earnings.

Progress in Coating Services

The new growth strategy is more focused on Coating Services which will be established in new regions. If this goes to plan, Impact Coatings will gain a stronger market position while also enjoying significant amounts of recurring revenues.

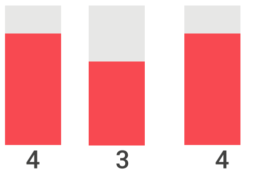
Infracom Group INFRA

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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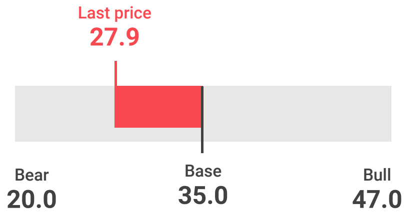
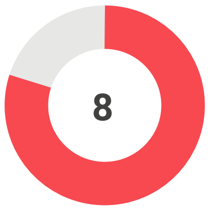
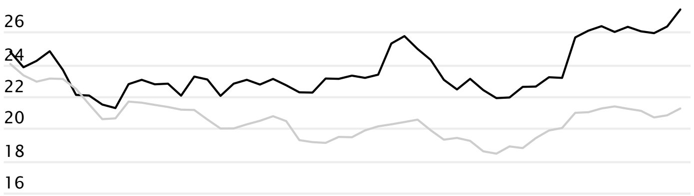


TIMELINESS



Snapshot



Marketplace	Spotlight Stock Market
CEO	Bo Kjellberg
Chairman	Oskar Säfström

Share information

Share price (SEK)	27.9
Number of shares (M)	32.1
Market cap (MSEK)	897
Net debt (2023E, MSEK)	-21

Analyst

Jacob Svensson
jacob.svensson@redeye.se

Conflict of interests

Jacob Svensson owns shares in Infracom Group: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	270	344	460	494
Growth	*20.5%*	*27.6%*	*33.5%*	*7.5%*
EBITDA	70	81	106	115
EBITDA margin	*25.8%*	*23.7%*	*23.1%*	*23.2%*
EBIT	58	69	90	97
EBIT margin	*21.4%*	*20.0%*	*19.6%*	*19.7%*
Pre-tax earnings	57	68	89	97
Net earnings	46	54	71	77
Net margin	*16.9%*	*15.7%*	*15.4%*	*15.5%*
Dividend/Share	0.50	0.50	0.66	0.71
EPS adj.	1.46	1.70	2.23	2.41
P/E adj.	18.4	15.9	12.1	11.2
EV/S	3.1	2.5	1.8	1.6
EV/EBITDA	12.1	10.6	7.8	7.0

Last updated: 2022-11-13

Owner	Equity	Votes
Bo Kjellberg	57.4%	57.4%
Alcur Fonder	5.8%	5.8%
Oskar Säfström	5.3%	5.3%
Avanza Pension	4.4%	4.4%
FE Fonder	3.4%	3.4%
Sune Tholin	2.1%	2.1%
Cliens Fonder	1.8%	1.8%
Nordnet Pensionsförsäkring	1.7%	1.7%
Magnus Daneli	1.0%	1.0%
Nordea Liv & Pension	1.0%	1.0%

Company description

Infracom is a Gothenburg-based business-to-business (B2B) provider of internet access, telephone services (UCaaS), and IT as a Service. Its vision is to be the recognised market leader in IT infrastructure in the Nordics. Since its listing in early 2018, the company has grown mainly through acquisitions with kept solid margins, indicating management's ability to make successful acquisitions and create value for its shareholders.

Infracom's business is split into two segments: Communications and Managed Services. The first includes its proprietary UCaaS telephone services, while the latter consists of cloud-based IT services, data centres and internet access. The selling derives through direct sales, resellers and white labels and almost 100% of its revenues are recurring subscriptions (either fixed or per user), providing strong cash flows and scalability.

Investment thesis

Case

Continued growth through consolidating the Swedish market
Considering Infracom's solid track record of consolidating smaller peers in the Swedish market, we believe it can continue to grow its sales by acquisitions with solid margins. We believe its M&A track record highlights management's ability to successfully acquire and integrate companies into the group, which we argue is not fully reflected in its current valuation. As such, acquisitions alongside new UCaaS deals (with a European option) and quarterly reports serve as the primary catalysts.

Evidence

A solid M&A track record with maintained margins supports our view
Infracom has become one of the most significant players in its niche, being one of only two Swedish players with a proprietary UCaaS solution. Since the listing in 2018, Infracom has grown its sales with a CAGR of ~18%, mainly through acquisitions. At the same time, it has managed to maintain its industry-leading margins indicating management's solid integration abilities. Thus, we believe acquisitions will continue to drive sales growth, as we expect Infracom to add SEK30m in sales annually (slightly below its historical average) with maintained margins.

Challenge

Commoditization
Internet access, UCaaS, and IT as a service are all hard to differentiate, resulting in an increased risk of price pressure, making it difficult to achieve solid profits. However, Infracom has a track record of stable profitability with its industry-leading margins. Also, its proprietary UCaaS platform and a large share of in-house fibre infrastructure support Infracom in avoiding the most competitive market segments, with almost 100% of its revenue being of recurring nature.

Challenge

Expensive journey in Europe
While Infracom has a solid track record of acquiring in Sweden, going abroad would be new and riskier. However, considering the substantial growth potential for UCaaS in Europe and Infracom's low-risk reseller/partner approaches, we believe the potential reward is worth the risk of such a European expansion.

Valuation

Low EV/EBIT does not reflect its solid M&A track record
Based on our DCF model, we see a fair value of SEK35 per share in our Base Case and SEK20 and SEK47 per share in our Bear and Bull Cases, respectively. Given management's ability to successfully acquire and integrate companies into the group, we believe Infracom can continue to grow its sales by a continued consolidation with maintained solid margins. Consequently, we do not believe the current EV/EBIT multiple reflects its full potential.

Catalyst types

Swedish Acquisitions
Since the listing in early 2018, all Infracom's growth has come through acquisitions. Despite acquiring companies of varying quality, Infracom has managed to keep its industry-leading margins, indicating management's ability to make successful acquisitions. Thus, we believe acquisitions will continue to drive sales growth and create value for Infracom's shareholders.

European UCaaS deals
As Europe is heading towards shutting down ISDN, we believe Infracom is well suited to expand in the UK and Germany. While there are local competitors in those markets, the Nordics and Infracom are at the forefront of UCaaS platforms. We believe there is a good chance Infracom will attract additional local partners to its UCaaS platform.

European Acquisitions
To increase the likelihood of a substantial growth contribution from selling UCaaS to European customers as the ISDN shuts down in 2025, we believe Infracom will look for acquisitions in Germany or the UK. While such acquisition is likely to add sales and EBIT, the main purpose is to generate European UCaaS deals, our next Catalyst.

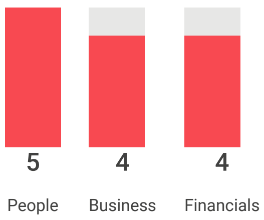
Invisio IVSO

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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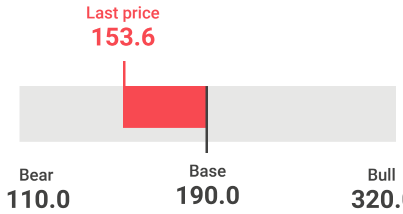

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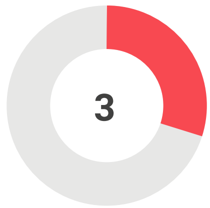
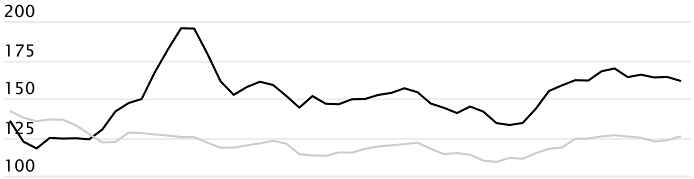
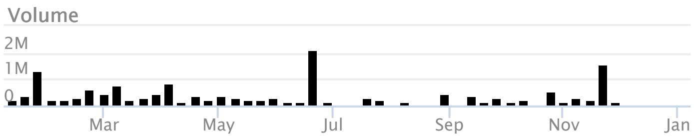


Snapshot

Invisio
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Lars Højgård Hansen
Chairman	Annika Andersson

Share information

Share price (SEK)	153.6
Number of shares (M)	45.0
Market cap (MSEK)	6,919
Net debt (2023E, MSEK)	-96

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg 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

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	593	730	928	1,113
Growth	*11.5%*	*23.1%*	*27.1%*	*20.0%*
EBITDA	70	101	213	312
EBITDA margin	*11.8%*	*13.8%*	*22.9%*	*28.1%*
EBIT	25	54	162	260
EBIT margin	*4.2%*	*7.3%*	*17.5%*	*23.3%*
Pre-tax earnings	23	54	158	256
Net earnings	14	37	119	192
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.70	0.41	1.32	2.13
EPS adj.	0.32	0.82	2.63	4.26
P/E adj.	510.2	190.5	59.5	36.8
EV/S	12.2	9.6	7.5	6.2
EV/EBITDA	103.5	69.7	32.7	22.0

Last updated: 2022-11-09

Owner	Equity	Votes
William Demant Fonden	16.7%	16.7%
SEB Fonder	9.6%	9.6%
State Street Bank And Trust co	7.6%	7.6%
Swedbank Robur Fonder	7.1%	7.1%
Handelsbanken Fonder	6.6%	6.6%
Arbejdsmarkedets Tillægspension (ATP)	6.1%	6.1%
The Bank of New York Mellon SA/NV	5.4%	5.4%
Fjärde AP-fonden	4.7%	4.7%
C WorldWide Asset Management	4.6%	4.6%
JP Morgan Chase Bank NA	4.5%	4.5%

Company description

Invisio develops and offers advanced communication systems for professionals in high noise environments. The products include headsets (in-ear with hearing production as well as traditional over-the-ear), control units, intercom systems, cables and other accessories. The majority of the customers are in the military segment and a smaller part are in public safety.

Investment thesis

Case

Market leader in niche market with high barriers of entry

Invisio dominates a niche market with high barriers of entry that is growing structurally from greater awareness of the costs of hearing loss and increased radio penetration. The market is characterized by large procurements with framework agreements that can run over several years. With several procurements won over the last decade the company has established a strong position in North American and European defense customers. Ongoing modernization programs supports continued growth from established customers while Invisio also aims to increase the customer base among other in new segments such as the police market. The company has also been successful adding growing its products offer with more headsets as well as peripherals such as cables and the Intercom solution. Overall, this creates a strong growth outlook over many years which supports Invisio's growth target of 20% average annual sales growth.

Evidence

Strong market position and large market opportunity

Invisio has established a strong position in its segment and while there is extensive confidentiality we believe Invisio has won the majority of all larger relevant procurements which is evidence of its strong market position. This supports our view on potential growth from existing customers and its potential to continue winning new customers from ongoing procurements. The market opportunity for Invisio is also significant where the company in 2022 estimates the total addressable market to around SEK14bn implying ample growth potential with around SEK700m of revenue in 2022.

Challenge

Unpredictable intake of larger orders

Invisio has an unpredictable intake of larger orders which means that revenue can vary widely on a quarterly basis. With a large share of fixed costs this also means large swings in profitability depending on when orders are delivered. However, the company has slightly reduced the dependent on larger orders as it has increased in size and through the acquisition of Racal which typically has a longer orderbook.

Valuation

Base case DCF supported by long growth trajectory

We find a base case valuation of SEK190 per share for Invisio which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of c. 39x on our 2023E EBITDA while the share has historically traded in a range of 20x to 50x twelve months forward EBITDA. Our base case assumes growth of around 20% over 2023-27 and 8% over 2028-37 with a terminal growth of 2% by 2038E. We estimate an expanding EBITDA-margin reaching 35% by 2027E whereafter we assume a gradual decline towards a terminal EBITDA-margin of 30% by 2038E.

Catalyst types

Order related to the new intercom solution

Invisio launched a new product category in September 2017 following tight development together with customers. Smaller orders have been received while larger orders are a trigger that will confirm the potential for the Intercom product.

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.

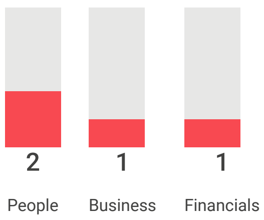
JonDeTech Sensors JDT

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

Publication date
January 2 2023

Redeye Rating

COMPANY QUALITY



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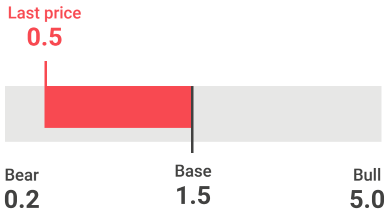
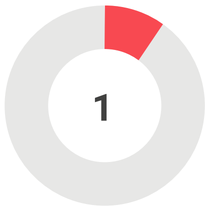
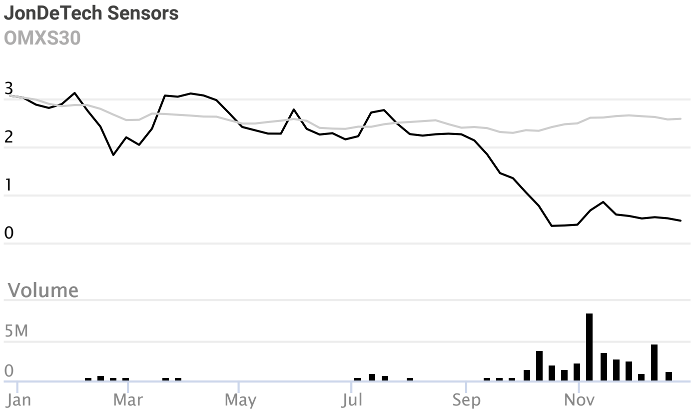


TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Dean Tosic
Chairman	Erik Hallberg

Share information

Share price (SEK)	0.5
Number of shares (M)	89.9
Market cap (MSEK)	42
Net debt (2023E, MSEK)	89

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch 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

	2021	2022E	Redeye Estimates 2023E	2024E	2025E
Revenue, MSEK		1	12	44	132
Growth	*-100.0%*	*N/A*	*>100%*	*>100%*	*>100%*
EBITDA	-20	-36	-37	-21	183
EBITDA margin	*0.0%*	*Neg*	*Neg*	*Neg*	*138.6%*
EBIT	-20	-36	-37	-21	183
EBIT margin	*0.0%*	*Neg*	*Neg*	*Neg*	*138.6%*
Pre-tax earnings	-21	-28	-35	-9	195
Net earnings	-21	-40	-42	-13	184
Net margin	*0.0%*	*Neg*	*Neg*	*Neg*	*139.4%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.		-0.34	-0.36	-0.15	1.54
P/E adj.	N/A	-372.2	-354.5	-875.9	82.7
EV/S	N/A	46.8	7.4	2.0	0.4
EV/EBITDA	-0.2	-1.3	-2.4	-4.3	0.3

Last updated: 2023-01-02

Owner	Equity	Votes
O&G Innovation AB	12.1%	12.1%
Nordnet Pensionsförsäkring	9.7%	9.7%
Didier Pineau-Valencienne	7.9%	7.9%
Mikael Lindeberg	7.8%	7.8%
Avanza Pension	5.9%	5.9%
Novel Unicorn Ltd	5.8%	5.8%
Saxo Bank A/S Client Assets	5.4%	5.4%
Bfcm P/C Bfcm Sweden Retail Lt	4.9%	4.9%
Thomas Krishan	3.7%	3.7%
Per Nordström	2.1%	2.1%

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 thesis

Case

Scalable & disruptive technology with large potential in presence detection
Jondetech (JDT) benefits from 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 the 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 believe the commercial potential in presence detection, especially for laptops, is large and promising.

Evidence

Presence detection towards large laptop market is enabled through O-Film
JDT has zoomed in on presence detection as Intel's Athena initiative is seeking to make this standard in all laptops. Since 5/6 of the 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 clear opportunities for JDT whose scalable model means that it would not take much traction for it to break through.

Challenge

No proven commercial success
To date, Jondetech has only received one small order of SEK 19k. While we see a big potential in the laptop segment through O-Film, the company needs to prove itself before earning the trust of investors.

Challenge

Continuous delays in the plan to reach high-volume production
During the last years, management has repeatedly said that high-volume production is very close to being achieved. However, things have over and over again been delayed. We have noted a positive shift since the current COO, Leif Borg, took over the ownership of reaching production, including the launch of a clear roadmap towards high-volume production. Now, the company needs to prove it can execute that plan.

Valuation

Base Case at SEK1.5 - share performance should require deals
Our valuation range spans SEK0.2 and SEK5, with Base Case at SEK1.5. Our bear case is heavily influenced by the uncertain financial situation, which is currently the main issue for investors to assess. A sustained share performance requires execution and sizeable orders. We see a chance for such orders from especially laptop manufacturers.

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.

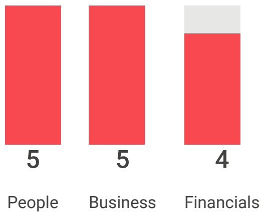
Lagercrantz Group LAGR B

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

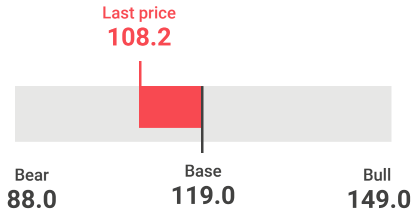
Publication date
January 12 2023

Redeye Rating

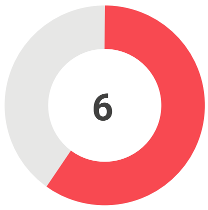
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Lagercrantz Group
OMXS30

Marketplace	NASDAQ Stockholm
CEO	Jörgen Wigh
Chairman	Fredrik Börjesson

Share information

Share price (SEK)	108.2
Number of shares (M)	209.2
Market cap (MSEK)	22,637
Net debt (2023E, MSEK)	2,913

Analyst

Niklas Sävås
niklas.savas@redeye.se

Conflict of interests

Niklas Sävås owns shares in Lagercrantz Group: Yes

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

Financials

	21/22	Redeye Estimates 22/23E	23/24E	24/25E
Revenue, MSEK	5,482	7,007	7,861	8,609
Growth	*34.0%*	*27.8%*	*12.2%*	*9.5%*
EBITDA	1,094	1,422	1,658	1,777
EBITDA margin	*20.0%*	*20.3%*	*21.1%*	*20.6%*
EBIT	781	1,040	1,165	1,314
EBIT margin	*14.2%*	*14.8%*	*14.8%*	*15.3%*
Pre-tax earnings	741	950	1,030	1,164
Net earnings	572	743	803	908
Net margin	*10.4%*	*10.6%*	*10.2%*	*10.5%*
Dividend/Share	1.40	1.82	1.97	2.23
EPS adj.	2.81	3.65	3.94	4.46
P/E adj.	38.0	25.2	23.3	20.6
EV/S	4.3	3.1	2.8	2.5
EV/EBITDA	21.7	15.4	13.0	12.2

Last updated: 2022-10-26

Owner	Equity	Votes
SEB Fonder	14.1%	9.9%
Swedbank Robur Fonder	12.1%	8.5%
Fidelity Investments (FMR)	8.6%	6.0%
London Branch Northern Trust Company	8.3%	5.8%
Didner & Gerge Småbolag	7.0%	5.0%
Lannebo Fonder	6.4%	4.5%
Anders Börjesson & Tisenhult-Gruppen	5.6%	28.8%
Handelsbanken Fonder	3.4%	2.4%
ODIN Fonder	3.1%	2.2%
Lagercrantz Group AB	2.3%	1.6%

Company description

Lagercrantz has a long history together with two other listed companies: 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 thesis

Case

Durable growth at high returns

Lagercrantz has a strong track record of allocating internally generated free cash flow at high returns buying private companies. In addition, Lagercrantz has been able to improve its companies and has achieved mid-single-digit organic growth. With Lagercrantz as the new owner, the companies have better opportunities to expand into new markets and grow their business. This twin engine of acquisitive plus organic growth is likely to continue to generate stellar shareholder returns for the long-term investor.

Evidence

Proven acquisition model

The acquisition model is to buy companies with durable competitive advantages at low multiples, around EV/EBITA 6-8, leading to a yield of around 13-17% and then adding organic growth. The companies Lagercrantz buys typically have sales of around SEK 50-200 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 profitability. Operating margins are around 15-20 percent.

Challenge

Big bad acquisitions

If Lagercrantz was 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 consequences for the rest of the group, and obviously also the stock market's confidence. We think the risk of this is low as Lagercrantz has been disciplined over time.

Challenge

Valuation for private companies

In 2021, a few aggressive acquirers entered the market in a big way and caused prices to rise. If the acquisition multiples would rise from today's 6-8x EBITA to 9-11x it would lead to less attractive return on capital for Lagercrantz, thereby hurting its long-term prospects.

Valuation

Almost always attractive

The Lagercrantz share has clearly outperformed the stock market index over the years. Lagercrantz has a well-proven ability to buy and develop companies and provides a good potential to generate high returns over time. We think the business can generate a 15%+ return on capital over decades by being able to reinvest the majority of its cash flows at high returns, leading us to conclude that the stock is almost always attractive to own. Most large industrial companies are not able to re-invest their cash flows at high returns, leading to a high dividend ratio instead of the snowball effect Lagercrantz can achieve by its supreme reinvestment ability. Even though the Lagercrantz share is often trading at a premium, we think investors underestimate the long-term effect, meaning the premium is often too low.

Catalyst types

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.

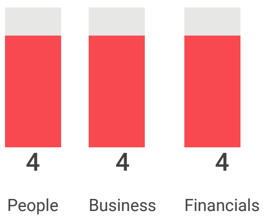
M.O.B.A. Network MOBA

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

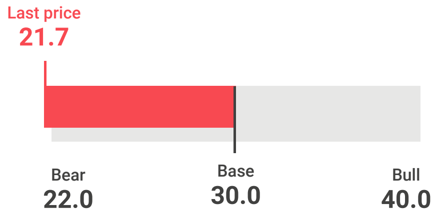
Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY

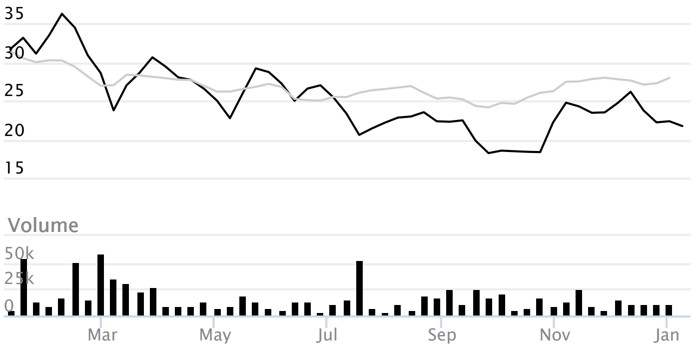


FAIR VALUE RANGE



TIMELINESS

Snapshot



Marketplace	First North Stockholm
CEO	Björn Mannerqvist
Chairman	Fredrik Burvall

Share information

Share price (SEK)	21.7
Number of shares (M)	22.7
Market cap (MSEK)	492
Net debt (2023E, MSEK)	-84

Analyst

Danesh Zare
danesh.zare@redeye.se

Conflict of interests

Danesh Zare 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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	200	315	343	371
Growth	*>100%*	*57.6%*	*8.8%*	*8.3%*
EBITDA	25	45	55	63
EBITDA margin	*13.0%*	*14.4%*	*16.3%*	*17.2%*
EBIT	23	40	50	57
EBIT margin	*11.6%*	*13.0%*	*14.7%*	*15.4%*
Pre-tax earnings	21	38	48	55
Net earnings	15	31	37	43
Net margin	*7.8%*	*10.1%*	*11.0%*	*11.7%*
Dividend/Share	3.56	2.47	2.72	0.00
EPS adj.	1.35	1.41	1.67	1.91
P/E adj.	26.0	19.7	16.6	14.6
EV/S	2.0	1.8	1.6	1.4
EV/EBITDA	15.4	12.6	9.8	8.0

Last updated: 2022-05-18

Owner	Equity	Votes
New Equity	23.0%	23.0%
Henrik Kvick	16.3%	16.3%
Jonas Bertilsson	10.6%	10.6%
Thomas Jansson	10.3%	10.3%
TIN Fonder	9.7%	9.7%
Alcur Fonder	9.6%	9.6%
Cloverhill Holdings Ltd	7.0%	7.0%
Wit Bank Julius Baer & co LTD	3.5%	3.5%
Björn Mannerqvist	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 thesis

Case

Attractive exposure to the growing E-sport market
MOBA offers community sites and services for video creators in the E-sport market. The E-sport market is expected to grow by a CAGR of 22% until 2030, where ads and sponsorships are expected to represent the largest share of revenues. Furthermore, the community sites have a gross margin close to 75% and are very asset-light. The video services have a much lower gross margin, around 9%. However, we expect synergies and profitability measures to gradually improve the gross margin in this segment. Thus, we believe solid organic growth, scale effects, and synergies to enable a 21'24'e EBITDA CAGR of 34%.

Evidence

Growing interest in E-sports
The E-sports market has grown tremendously in the past years, and several large global giants are entering the field in order to capitalize on this growing market. MOBA has proven that it has a solid position within its communities, and its recent acquisition and new business segment diversify the revenue streams. MOBA is planning to release several new community sites during the year due to the growing interest, which should support organic growth.

Challenge

E-sport market still struggles with monetization
Despite the massive underlying growth, few players in the field are profitable. This has been one of the issues across the industry. The revenue per visitor is much lower in the E-sports industry than in other sports and entertainment segments. Thus, the monetization issue with the E-sport market could dampen future growth and hold back profitability.

Valuation

Highly cash generative business
We forecast a 21-24'e sales and EBITDA CAGR of 22%-34%, respectively, driven by solid market outlook, scalability, and synergy effects from its recent acquisitions. At our base case, MOBA would trade at 15x EBIT(23'e).

Catalyst types

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.

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.

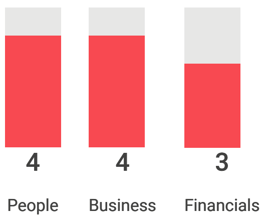
Media and Games Invest M8G

Company page
https://www.redeye.se/company/media-and-games-invest

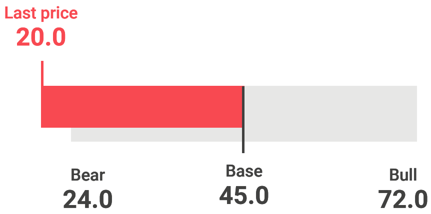
Publication date
January 11 2023

Redeye Rating

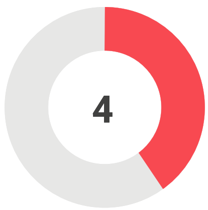
COMPANY QUALITY



FAIR VALUE RANGE

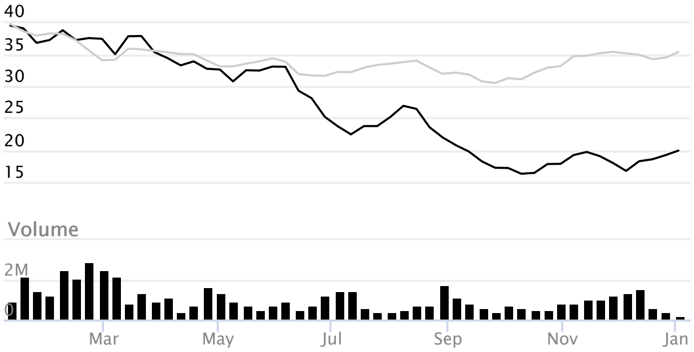


TIMELINESS



Snapshot

Media and Games Invest
OMXS30



Marketplace	First North Stockholm
CEO	Remco Westermann
Chairman	Tobias M. Weitzl

Share information

Share price (SEK)	20.0
Number of shares (M)	159.2
Market cap (MSEK)	3,185
Net debt (2023E, MEUR)	273

Analyst

Danesh Zare
danesh.zare@redeye.se

Conflict of interests

Danesh Zare owns shares in Media and Games Invest: Yes

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MEUR	252	324	347	382
Growth	*79.9%*	*28.6%*	*7.1%*	*10.0%*
EBITDA	65	86	99	114
EBITDA margin	*25.8%*	*26.4%*	*28.6%*	*29.7%*
EBIT	37	52	64	77
EBIT margin	*14.6%*	*16.2%*	*18.4%*	*20.2%*
Pre-tax earnings	15	23	33	47
Net earnings	16	17	25	39
Net margin	*6.4%*	*5.2%*	*7.1%*	*10.3%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.23	0.20	0.25	0.32
P/E adj.	200.7	86.9	71.5	55.9
EV/S	3.3	1.7	1.5	1.3
EV/EBITDA	12.7	6.4	5.3	4.4

Last updated: 2022-12-14

Owner	Equity	Votes
Germany Branch, Caceis Bank	38.0%	38.0%
Remco Westermann	27.8%	27.8%
Oaktree Capital Management LP	9.1%	9.1%
Janus Henderson Investors	4.0%	4.0%
HSBC Bank Plc	1.6%	1.6%
BNP Paribas Sec Serv Luxembourg	1.5%	1.5%
Avanza Pension	1.5%	1.5%
UBS Switzerland AG	1.4%	1.4%
Nordnet Pensionsförsäkring	1.1%	1.1%
State Street Bank And Trust co	1.1%	1.1%

Company description

Media and Games Invest är verksamma inom spelindustrin. Koncernen är specialiserade inom digitala medier och spelutveckling, och verksamheten drivs via flertalet varumärken. Utöver huvudverksamheten återfinns ett stort fokus mot digitala lösningar och rådgivning för utveckling av sociala medier. Störst verksamhet återfinns inom den europeiska och nordamerikanska marknaden, där kunderna består av privata aktörer.

Investment thesis

Case

A leading ad-software platform with synergies

MGI is a leading ad-software platform enabling monetization and user acquisition for app and content developers. MGI operates in two subsegments games and media, of which the combined market is expected to grow in excess of 10% in the coming years. Furthermore, the two subsegments enable large synergies as the games could make its UA more efficient while the media platform retains a higher share of the spending. Furthermore, the games could maximize their ad revenues which come at almost 100% gross margins. In contrast, the media segment could leverage access to first-party data. Thereby, enhancing advertisers' targeting, which makes the platform more competitive. Leading the gain of market share, scale effects, and substantial network effects. We forecast a 21-24’e Adj EBITA CAGR of 21%.

Evidence

Proven scalability

MGI has transformed its business into a leading ad-software platform. In 2021, the number of ad impressions reached ~180 billion, up almost 4x compared to 2020. This is driven by innovative services that cover the customer's entire value chain. Leading to gained market share. Furthermore, the media segment's EBITDA margin increased to 24% in 2021, up from 10% in 2020. Illustrating the scalable business model.

Challenge

IDFA implementations reduces market activity

Apple’s recent IDFA identifier made it harder for advertisers and game publishers to attract consumers and players. Google is planning to implement a similar standard where similar challenges could occur. Thus, this could lead to a market slowdown where MGI’s innovative solutions would not materialize in any returns.

Valuation

The media segment should drive the multiple expansion

We forecast a 21-24’e sales and adj EBITA CAGR of 16-21%, respectively. At our base case, MGI trades at 15x EV/adj EBITA.

Catalyst types

MGI continues to be a successful gaming consolidator

MGI has carried out over 30 acquisitions and to great effect. The operational results show that the strategy is working and that the acquisitions, overall, are value-accretive. MGI has an outspoken M&A strategy and there is more to come.

Synergies across the portfolio

MGI has a history of integrating and improving purchased assets, KingsIsle and Smaato should be no different. There is potential for reaching synergies across its two-segment which will enhance earnings.

Organic growth

There is a lot of potential for organic growth within MGI's gaming portfolio through localization and porting (cross-platform). MGI already pursues this today but there are more opportunities for this in the future.

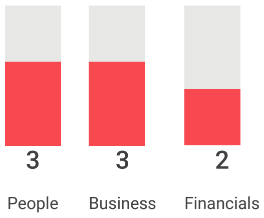
Mestro

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

Publication date
January 12 2023

Redeye Rating

COMPANY QUALITY



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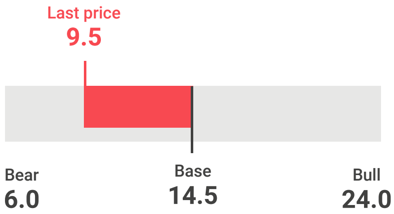

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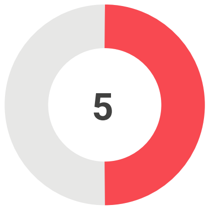
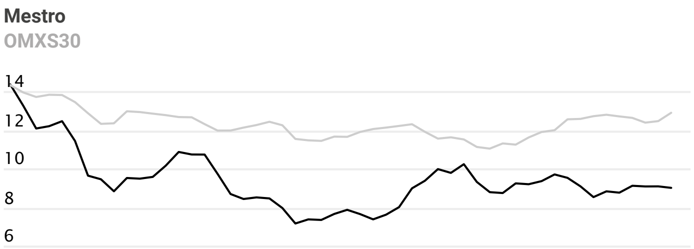
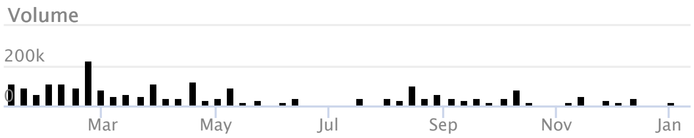


Snapshot





Marketplace	First North Stockholm
CEO	Kristin Berg
Chairman	Rikard Östberg

Share information

Share price (SEK)	9.5
Number of shares (M)	8.9
Market cap (MSEK)	84
Net debt (2023E, MSEK)	-19

Analyst

Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Mestro: No

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

Financials

		Redeye Estimates		
	2021	**2022E**	**2023E**	**2024E**
Revenue, MSEK	20	27	37	48
Growth	*5.6%*	*35.2%*	*34.5%*	*30.0%*
EBITDA	-6	-14	-4	6
EBITDA margin	*Neg*	*Neg*	*Neg*	*11.6%*
EBIT	-9	-17	-8	2
EBIT margin	*Neg*	*Neg*	*Neg*	*3.6%*
Pre-tax earnings	-9	-17	-8	2
Net earnings	-9	-17	-8	2
Net margin	*Neg*	*Neg*	*Neg*	*3.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.97	-1.93	-0.89	0.19
P/E adj.	-15.4	-4.4	-9.6	44.5
EV/S	4.0	2.0	1.6	1.1
EV/EBITDA	-14.3	-3.9	-14.3	9.8

Last updated: 2022-11-29

Owner	Equity	Votes
Nordnet Pensionsförsäkring	17.5%	17.5%
RP Ventures AB	16.1%	16.1%
AB Företagsledare Rego	13.5%	13.5%
Magnus Astner	10.1%	10.1%
Samhällsbyggnadsbolaget i Norden AB	10.1%	10.1%
Anders Palmgren	3.5%	3.5%
Avanza Pension	3.5%	3.5%
Johan Stern	2.3%	2.3%
Stefan Åberg	2.1%	2.1%
Anders Wall	1.8%	1.8%

Company description

Mestro offers a cloud-based energy monitoring service platform that automatically collects, analyzes, and visualizes real estate energy usage. Magnus Astner founded the Stockholm-based company in 2005, and Mestro has quickly grown to have around 100 customers and >8,000 properties connected to its platform. About 85-90% of its revenues stem from Sweden, but the company also now operates present in Norway, Denmark, Finland, Poland, and the Netherlands. Mestro has about 35 employees (and utilizes a few consultants).

Investment thesis

Case

Well-positioned software provider with excellent growth prospects

Mestro's cloud-based energy-monitoring service is well-positioned in a world where going green is becoming a necessity. Mestro has grown by a CAGR of ~23% between 2017 and 2021, despite the Covid-19 pandemic, and it looks to accelerate this growth in the coming years. We estimate annual growth of about 30% until 2025, thanks to a widespread push towards digitalizing large parts of the property stock. Mestro's well-staffed organization and software-subscription-based revenues place the company in an excellent position to scale at higher volumes. We estimate a strengthening EBIT margin year over year that will reach 20% in our 2025 forecast.

Evidence

A strong customer base supports our view

Mestro has an impressive customer portfolio, including many of the Nordic region's largest property owners, signaling that its value prop and competitiveness are at the forefront. Around 100 customers use its service, and >8,000 properties are connected to its platform. Mestro has a low churn and a good upsell, putting its net revenue retention at around 107%. Although 85-90% of all its revenues stem from Sweden today, Mestro has expanded and established itself in several neighboring countries.

Challenge

Many competitors want their slice of the cake

The barrier to entry is quite low. Several of property companies, property management companies, and niched software vendors (such as Mestro) have built different property-oriented software. This makes it hard to gain traction with property companies because they are likely already engaged in pilots or with other software vendors. Second, it is hard to differentiate itself from the competition. Third, the core technology is not exceedingly hard to replicate, increasing the risk of competition.

Challenge

Bargaining power

While Mestro has an impressive customer list that includes several of the Nordic region's largest property owners and managers, there is a notable size discrepancy between Mestro and its customers. Some key customers, such as SBB and Balder, have properties in the hundreds (and up to the thousands) connected to Mestro's platform, giving them a good price negotiating position. This, coupled with the fierce competition, could pose challenges for Mestro's ARPU development.

Valuation

Valuation

Redeye's base case of SEK 14.5 places implies a forward EV/sales multiple on 2023E of around 2x, which we argue is rather undemanding given its growth outlook and clear scalability sources (software, currently well-staffed, etc.). It is currently valued well below the average Nordic SaaS business, despite having in-line SaaS metrics, including a low churn and relatively good estimated NRR.

Catalyst types

International expansion

Although 85-90% of all Mestro's revenues stem from Sweden today, it has expanded and established itself in Norway, Denmark, Poland, and the Netherlands through its current customer base. It also has a compelling case for international growth with its customer base in many new countries, including Germany, Spain, the Czech Republic, and Iceland in the near term. New deals proving this part of the investment case are powerful catalysts.

Signs of scalability

Mestro's well-staffed organization and software-subscription-based revenues place the company in an excellent position to scale at higher volumes. We estimate a strengthening EBIT margin year over year that will reach 20% in our 2025 forecast. Signs of this happening is a catalyst.

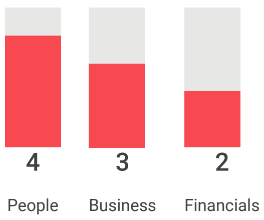
Modelon MODEL B

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

Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY



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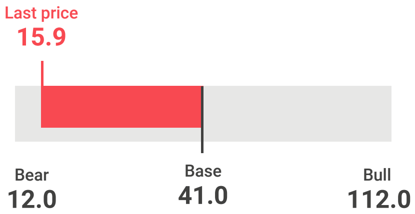
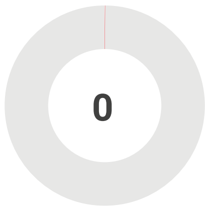
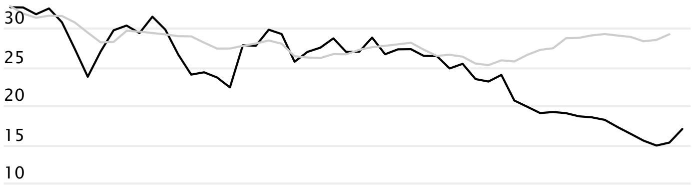


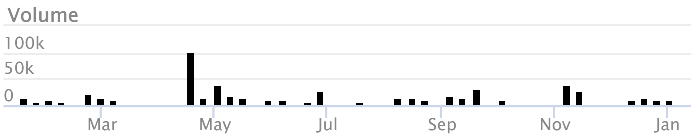
TIMELINESS



Snapshot

Modelon
OMXS30





Marketplace	First North Stockholm
CEO	Magnus Gäfvert
Chairman	Christer Ljungberg

Share information

Share price (SEK)	15.9
Number of shares (M)	11.0
Market cap (MSEK)	175
Net debt (2023E, MSEK)	-85

Analyst

Alexander Flening
alexander.flening@redeye.se

Conflict of interests

Alexander Flening owns shares in Modelon: Yes

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	69	69	91	119
Growth	*-38.8%*	*0.1%*	*31.6%*	*31.5%*
EBITDA	-38	-56	-40	-11
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-39	-56	-40	-12
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-39	-56	-40	-12
Net earnings	-28	-56	-40	-12
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-2.58	-5.15	-3.70	-1.11
P/E adj.	-13.6	-5.2	-7.3	-24.4
EV/S	3.1	2.6	2.3	1.8
EV/EBITDA	-5.6	-3.1	-5.3	-18.4

Last updated: 2022-11-16

Owner	Equity	Votes
Modelon Group AB	36.5%	47.1%
Accendo Capital	24.3%	24.2%
Håkan Roos (RoosGruppen)	10.0%	7.4%
Ansys Inc.	5.9%	7.6%
Lancelot Asset Management AB	2.7%	1.3%

Company description

Modelon has been offering and developing Simulation & Analysis (S&A) software and service since it was founded in 2004. The company's flagship product: Modelon Impact allow customers to develop and test prototypes in a digital environment which plays a crucial role in the R&D process. Modelon addresses companies in all industries that develop complex and advanced products or technical processes with the largest share of customers in the automotive- and aerospace segment. Modelon operates worldwide with largest sales in Americas followed by Asia and Europe.

Investment thesis

Case

Well-established specialist in a market with high barriers to entry
Modelon is a Swedish B2B provider of tools used to model, simulate, and analyze products and systems in a digital environment. It also offers expert application-specific consulting. Modelon is offering its solution as SaaS (software-as-a-service) through the release of its new cloud-based Modelon Impact. Modelon is quickly gaining market share in a sector that is estimated to grow 10% y/y, thanks to a broader adoption of S&A tools worldwide. Modelon is in pole position to scale in the coming years and to eventually achieve margins in line with its PLM peer group.

Evidence

Modelon's impressive Client list indicates a top-quality product
The many blue-chip companies such as Tesla, Carrier, and NASA found in Modelon's impressive client list indicates that the company has developed state-of-the-art products. Modelon has a unique model library asset which has been built over many years in close collaboration with its world-leading customers in their respective niche. Modelon's technology is also levered by several of the largest S&A players, such as Ansys and Siemens in their respective model solutions, further cementing Modelon's position in the market.

Challenge

Adoption of digital transformation within companies takes time
Despite its extensive model library, Simulation tools are complex and thus primarily used by niched and highly educated engineers. Although the ARR from Impact has seen tremendous growth and shows sign of great product-market-fit, one must bear in mind there are often only a handful of users, even at very large corporate customers. However, Impact is designed to target a broader category of engineers and capitalize from the potential of more mainstream usage beyond simulation experts.

Challenge

Dominant competitors with extensive resources
Modelon operates in a competitive market in which substantially larger companies offer comprehensive software solutions and have the capital to invest extensive funds in R&D and acquisitions to broaden their product offering. Other competitors consist of more niche companies and, although they offer similar software products, Modelon's cloud-based Impact product offers an impressive value proposition.

Valuation

Upside potential
In our Base Case, we estimate a 2022-2025 sales CAGR of 22% and an average EBIT margin of -39%, turning positive in 2026. Using our DCF model, we value Modelon at a Base Case of SEK41 per share.

Catalyst types

Increased scalability
Reports that clearly demonstrate increasing upselling of Modelon Impact. In the near term, we would like to see Modelon consistently disclosing its NRR (net revenue retention) for Impact.

Solid quarterly reports
Solid quarterly reports showing ARR growth in line with or above Modelon's financial goal.

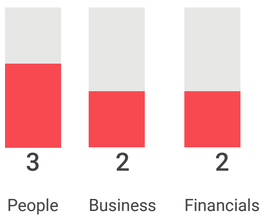
Neonode Inc NEON

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

Publication date
December 27 2022

Redeye Rating

COMPANY QUALITY



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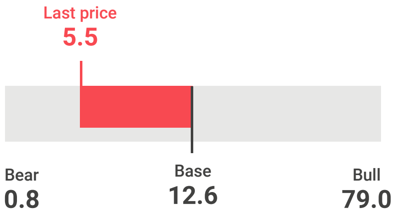
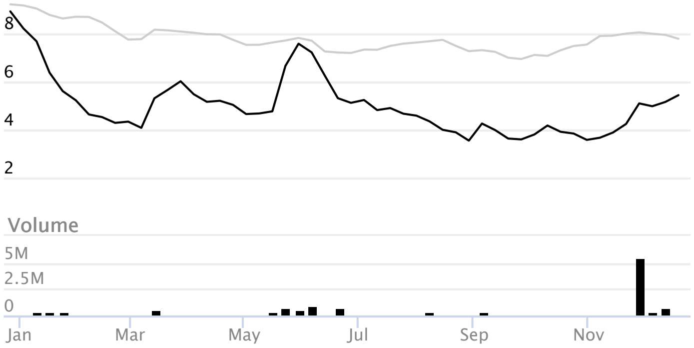


TIMELINESS

Snapshot

Neonode Inc
OMXS30



Marketplace	Nasdaq
CEO	Urban Forssell
Chairman	Ulf Rosberg

Share information

Share price (USD)	5.6
Number of shares (M)	13.6
Market cap (MUSD)	76
Net debt (2022E, MUSD)	-15

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Neonode Inc: Yes

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

Financials

	2020	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MUSD	6	6	5	8	11
Growth	*-9.2%*	*-2.6%*	*-14.9%*	*53.4%*	*47.2%*
EBITDA	-5	-6	-5	-2	-1
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-6	-7	-5	-3	-1
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-6	-7	-5	-3	-1
Net earnings	-6	-7	-5	-2	5
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*40.8%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.65	-0.57	-0.35	-0.15	0.04
P/E adj.	N/A	-286.5	-10.6	-24.9	88.1
EV/S	N/A	331.2	7.1	4.9	3.2
EV/EBITDA	N/A	-316.8	-6.9	-15.4	-53.7

Last updated: 2022-11-11

Owner	Equity	Votes
Ulf Rosberg	13.9%	13.9%
Peter Lindell	13.5%	13.5%
Avanza Pension Försäkring AB	8.7%	8.7%
Carl Grevelius	3.6%	3.6%
AWM Investment	2.8%	2.8%
Fidelity Management & Research	1.7%	1.7%
Wellington Management	1.3%	1.3%
Royce & Associates	1.3%	1.3%
Cooper Creek Partners	1.0%	1.0%
Urban Forssell	0.9%	0.9%

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 thesis

Case

Solid license business, growth in contactless touch, and huge optionality in lawsuit vs Apple & Samsung

First, Neonode's license business constitutes a solid foundation with high-margin recurring revenue. As of now, this is neither growing nor declining. Looking ahead, we see good growth potential for new business segments for this part. The strong cash flow from the licensing business is currently supporting the promising opportunity within contactless touch. Neonode sells touch-sensor modules directly to OEMs and indirectly through partners towards self-service kiosks and elevators. The demand for this is helped by the corona pandemic and fear of touching buttons. While Neonode's market position looks strong, it will take some time before sales reach large volumes. Last, Neonode has valuable patents which constitute a very large potential. Currently, there is an ongoing lawsuit against Apple and Samsung for infringing on Neonode's patent for "swipe-to-unlock". This lawsuit constitutes major optionality to the case, with the potential to make Neonode a ten-bagger.

Evidence

Lawsuit against Apple and Samsung could 10x the share price

Neonode has let Aequitas, a "patent troll", sue Apple and Samsung for infringing on two of its patents for "swipe-to-unlock". Hagens Berman is the law firm used in the lawsuit. Both Aequitas' and Hagens Berman's business models are 100% based on successfully winning or settling the lawsuits that they take on. We estimate Neonode to get around 40% of the gross proceeds from monetizing the patents. Should Neonode win the lawsuit, we estimate Neonode would earn around USD 90 per share.

Challenge

Market adoption of contactless touch constitutes big uncertainty

Rather than filling an already existing demand, Neonode is creating demand for its solutions for contactless touch. Though market adoption has been propelled by the corona pandemic and the fear of touching buttons, the market penetration for contactless touch is difficult to estimate. We believe the general market adoption is the key between Neonode heading towards success or failure.

Valuation

Base Case at USD12.6 – lawsuit makes up almost all of the value

The valuation range between Bear Case and Bull Case for Neonode is huge – from USD0.8 to 79, with Base Case at USD12.6. The wide range mainly comes from the different outcomes of the lawsuit. For the operations related to contactless touch, our valuation range is between USD0.8 and USD4.4, with Base Case of USD1.6. Regarding the lawsuit, we put a 20% probability for a successful outcome in our Base Case, equal to USD 11.0 per share. For our Bear Case, we estimate a complete loss, meaning zero value. In our Bull Case, we estimate that Neonode wins the lawsuit equal to USD75 per share.

Catalyst types

Patent Monetization

Neonode has a contract with Aequitas which tries to monetize two of Neonode's patents for a 50/50 share of net proceeds. If Aequitas succeeds in monetizing the patents, the law firm involved will first take a cut of about 15%. Then Aequitas and Neonode will share the remaining 85% equally. The ownership of this patent portfolio, related to the slide-to-unlock technology has been transitioned to Aequitas. In May 2020, Neonode had the chance to revoke the patents if Aequitas did not meet certain milestones. As Neonode did not revoke the patents, we believe it has a good case in receiving license payments from patent infringers. Though very hard to estimate the probability of success, we believe the chances of a successful outcome look promising.

Break-even

We expect the reaching of break-even in 2024 which would be an important milestone for the stock market to grasp that Neonode has left the losses behind and hit the point of inflection.

Major deals within HMI Products

Since the start of the covid-19 pandemic, demand for Neonode's contactless touch solutions has surged. Partner pull followed by many small orders so far bodes well, but to break through, Neonode and its partners need to close larger deals that show proof of fast technology adoption.

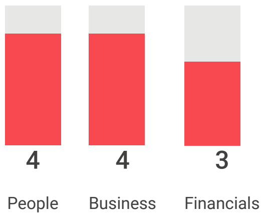
Nepa NEPA

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

Publication date
January 2 2023

Redeye Rating

COMPANY QUALITY



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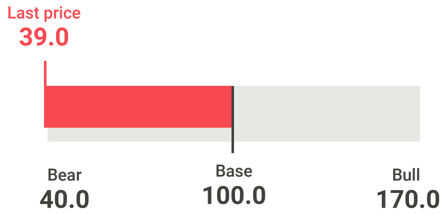
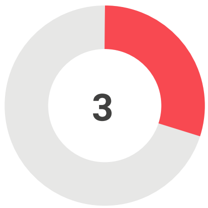
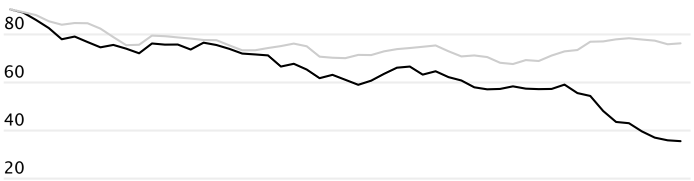


TIMELINESS



Snapshot

Nepa
OMXS30



Marketplace	First North Stockholm
CEO	Ulrich Boyer
Chairman	Katarina Bonde

Share information

Share price (SEK)	39.0
Number of shares (M)	7.9
Market cap (MSEK)	307
Net debt (2023E, MSEK)	-135

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Nepa: Yes

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

Financials

			Redeye Estimates	
	2021	**2022E**	**2023E**	**2024E**
Revenue, MSEK	295	318	332	366
Growth	*14.2%*	*7.6%*	*4.5%*	*10.0%*
EBITDA	50	41	54	67
EBITDA margin	*17.0%*	*12.9%*	*16.3%*	*18.3%*
EBIT	40	30	43	54
EBIT margin	*13.5%*	*9.5%*	*13.0%*	*14.8%*
Pre-tax earnings	42	35	47	58
Net earnings	39	29	42	51
Net margin	*13.1%*	*9.2%*	*12.8%*	*14.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	4.91	3.73	5.39	6.50
P/E adj.	33.4	9.9	6.9	5.7
EV/S	4.1	0.7	0.5	0.3
EV/EBITDA	23.9	5.6	2.9	1.7

Last updated: 2022-12-27

Owner	Equity	Votes
Ulrich Boyer	19.0%	19.0%
Elementa Management	17.4%	17.4%
Swedbank Robur Fonder	12.1%	12.1%
Per-Ola Westerlund	5.4%	5.4%
Aktia Asset Management	4.8%	4.8%
Alcur Fonder	3.9%	3.9%
Cliens Fonder	3.8%	3.8%
Avanza Pension	2.9%	2.9%
Daniel Nilsson	2.7%	2.7%
Lannebo Fonder	2.5%	2.5%

Company description

Nepa offers a software platform delivering customer insights to clients to optimise their marketing strategies and campaigns. Its software platform includes automated processes for continuous data collection, data analysis, and distribution of actionable insights to help customers execute more successful marketing campaigns. In Sweden, Nepa has a ~50% market share for its core offering, its brand-tracking software.

The company splits its offerings into three areas: Marketing Optimization (MO), Innovation Acceleration (IA), and Customer Experience (CX). MO constitutes almost 80% of total revenues, with IA and CX at around 10% each. As reflected in its revenue distribution, Nepa's core focus is MO, and this is the most scalable unit with the greatest stickiness.

Historically, Nepa has sold its software as part of a package that also included hands-on consulting. It now aims to sell more dashboard-only trackers, i.e., without consulting, to improve the scalability of its business model.

Investment thesis

Case

Sticky, recurring software revenues with pending margin expansion

Having completed its turnaround in 2020, closing unprofitable business units and migrating customers to its new software platform, we now consider Nepa ready for further profitability improvements. Nepa is targeting a minimum 20% EBIT margin by growing recurring software revenues without expanding its workforce meaningfully. Its recurring revenue base (66% of the total) is very sticky and has close to no churn – even in difficult times. Despite the weak economic outlook, we believe Nepa has only just begun accelerating its revenue growth (2022e–2026e CAGR of 9%). At the same time, we expect earnings per share to grow even faster (2022e–2026e CAGR of 24%) thanks to the company's scalable business model and high operating leverage.

Evidence

Customers migrated to highly automated platform – scalability and pricing power

The completion of the platform migration implies two factors that are likely to improve margins: 1) The new platform is more automated, meaning some reports that previously required employee time to complete are now generated by a simple click, meaning less human resources are required. Moreover, the employees required for certain tasks previously were expensive hires with PhDs, but these tasks can now be performed by more junior colleagues. 2) Less manual work means less room for human error, with the elimination of previous, time-consuming mistakes, reducing the required personnel. As customers have moved to the new platform, Nepa has introduced price increases (est. +10-12%) for recurring subscriptions as of Q1 2022. These will be almost fully implemented in Q1 2023, we believe. Despite the price hikes, no customer has been unwilling to switch, indicating a solid value proposition and good pricing power.

Challenge

Scaling the business in a recession – headwinds make current cost base too big

Nepa is now moving into the second phase of its strategy: Expansion. Here, much more emphasis is placed on marketing and sales efforts. The additional sales personnel have naturally added to the company's cost base. The company has also expanded its R&D efforts, further adding to its cost base. Nepa aims to improve profitability by increasing its revenues while keeping its cost base relatively stable. While Nepa has a long and robust history of growth, as the economy now appears to be heading into a recession, growth will naturally become more challenging. Nepa appears to have learnt from entering the US market in 2016 and now seems more prudent in its market investments. At the Q2 2022 conference call, management clearly stated: "If we don't grow, we will cut costs. Either you will see that we cut costs, or that we grow and don't grow the cost base.". We thus believe Nepa is very conscious about improving its profitability, regardless of how the general economy is performing.

Valuation

Scalable software priced as a consultancy at peak margins

In our Base Case, we estimate a 2022e–2026e sales CAGR of 9%, with the EBIT margin expanding from 9% in 2022e to 16% by 2026e. Using a DCF model, we value Nepa at a Base Case of SEK100, corresponding to a P/E ratio of 17x for 2024e. Our Bear Case is SEK40, and our Bull Case is SEK170. We believe the stock market's perception of Nepa is far from ours. We see Nepa as a reasonably fast-growing, scalable software company on the verge of a long and strong margin expansion. In our view, the stock market prices Nepa as a consultancy that is currently operating at peak margins and has no growth.

Catalyst types

Improved investor communication by providing relevant SaaS metrics

Incl.ARR and churn, to demonstrate to investors that Nepa is primarily a software company.

Revealing scalability

Ongoing growth in recurring software revenues, leading to margin expansion.

Being acquired by YouGov or an ad-tech company that wants to expand into brand tech.

YouGov could pay a big premium form Nepa and still make considerable multiple arbitrages. Bolt-on acquisitions is a core part of its strategy.

Successful packaging and launch of AI-powered prediction offering

This could meaningfully increase the average revenue per customer.

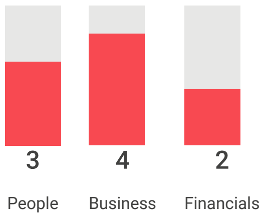
Netmore Group NETM B

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

Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY



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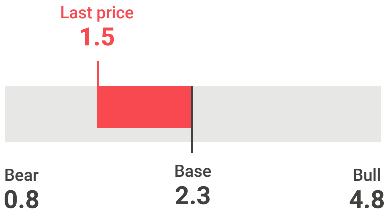

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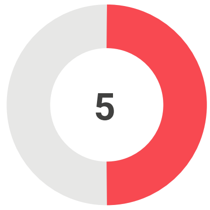
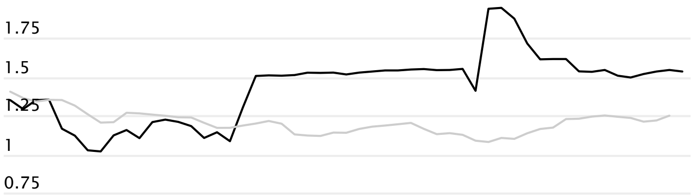
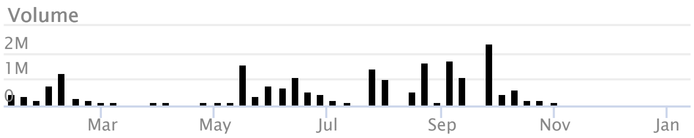


Snapshot

Netmore Group
OMXS30





Marketplace	First North Stockholm
CEO	Ove Anebygd
Chairman	Rolf Norberg

Share information

Share price (SEK)	1.5
Number of shares (M)	317.6
Market cap (MSEK)	486
Net debt (2023E, MSEK)	-13

Analyst

Alexander Flening
alexander.flening@redeye.se

Conflict of interests

Alexander Flening owns shares in Netmore Group: No

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

Financials

	2021	2022E	2023E	2024E
		Redeye Estimates		
Revenue, MSEK	43	55	83	166
Growth	*33.5%*	*29.2%*	*49.6%*	*>100%*
EBITDA	-49	-48	-28	18
EBITDA margin	*Neg*	*Neg*	*Neg*	*10.9%*
EBIT	-67	-64	-46	0
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-70	-64	-42	9
Net earnings	-70	-64	-42	7
Net margin	*Neg*	*Neg*	*Neg*	*4.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.22	-0.20	-0.13	0.02
P/E adj.	-7.2	-5.8	-8.7	50.8
EV/S	9.8	6.0	4.3	2.0
EV/EBITDA	-8.4	-6.9	-12.4	18.6

Last updated: 2022-05-19

Owner	Equity	Votes
Polar Structure AB	80.9%	87.1%
Vincero	10.0%	6.8%
Kapitopia AB	2.7%	1.8%
Ove Anebygd	1.1%	0.7%
Johan Jobér	1.0%	0.7%

Company description

Headquartered in Stockholm, Netmore is an Internet of Things (IoT) operator. The company operates three business areas: Netmore Property Network, Netmore IoT Network, and Netmore Open Access 5G Network. It drives digitalization by connecting properties, industrial facilities, and sensors, for example, with its purpose-built networks. Netmore takes on the role of an IoT enabler and works together with customers and partners to reap the benefits of digitalization. On 22 September 2022, Polar Structure communicated the outcome in its public tender offer. It stated that it owns about 81% of the shares and 87% of votes in Netmore. Should Polar Structure own >90% of Netmore's shares, it is likely to call for a compulsory redemption procedure for the remaining shares (per the Swedish Companies Act). Essentially, this would result in Netmore's shares being delisted from Nasdaq First North.

Investment thesis

Case

Scalable business model

Netmore operates a subscription-based, shared-revenue model, partnering with asset owners such as property owners and municipalities. The long-term value Netmore creates for its customers is, in our opinion, the essence of its business model and enables "as-a-service" delivery of its solutions. Over time, Netmore expects to provide connectivity to millions of smart sensors – generating monthly recurring revenue (MRR) per connected sensor.

Evidence

Joint venture with Polar Structure enables rapid IoT expansion

The joint venture that Netmore established with Polar Structure in Q3 2020 is essential, in our view, in securing and extending a first-mover advantage within IoT Networks. So far, Polar Structure has provided the joint venture with more than SEK 300m in credit facilities to support a fast buildout and commercialization of Netmore's IoT offering. Over time, Netmore expects to provide connectivity to millions of smart sensors – generating monthly recurring revenue (MRR) per connected sensor.

Challenge

Increased competition

The industry landscape is fairly novel, and Netmore has, so far, staked out an attractive position with little competition. However, the space is increasingly captivating, and we anticipate increased competition from other IoT startups and traditional mobile network operators. Netmore could find itself in a challenging position if the large established stakeholders were to flex their financial muscle.

Challenge

Execution

Netmore's concept resonates well with customers. However, large-scale commercialization is still a couple of years further down the road. Delays in the go-to-market, owing to technical challenges, operational bottlenecks, and so on, could weaken the case.

Valuation

Wide valuation range

We derive our fair value range from a fundamental DCF framework for three scenarios, base case (most likely), bear case (pessimistic), and bull case (optimistic), using a WACC of 12% across all scenarios. We leave our fair value range unchanged, spanning from SEK0.8–4.8, and our base case is SEK2.3. The fair value range is wide, owing to the unpredictable nature of Netmore's long-term growth and profitability; this depends on the product mix and international expansion plans, to name some. We forecast long-term gross margins of 60–70% and a terminal EBIT margin of >20%.

Catalyst types

IoT Networks expansion

Netmore expects to expand its network to the UK and Ireland, providing the company with greenfield opportunities. High-profile partnerships and customer engagements in these geographies should bolster the share price sentiment.

Positive news concerning existing accounts

Netmore has engagements with more than five leading property investors. The existing backlog (>700 units) far exceeds the number of contracted units (40). Significant conversion to contracted units should prompt a positive share price correction.

Lighthouse customer agreements

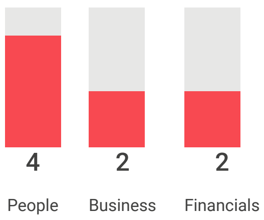
We see great potential in a high-volume rollout of Netmore's solutions throughout a large customer's property portfolio. In addition to yielding a significant ARR at high margins, it could indicate that the industry is truly ready to adopt the technology on a larger scale.

Ngenic

Company page	Publication date
https://www.redeye.se/company/ngenic	January 12 2023

Redeye Rating

COMPANY QUALITY



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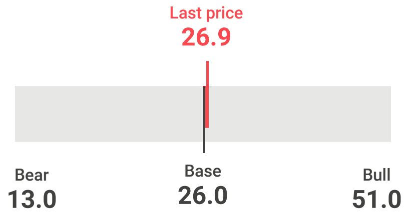

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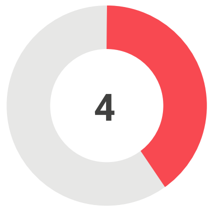
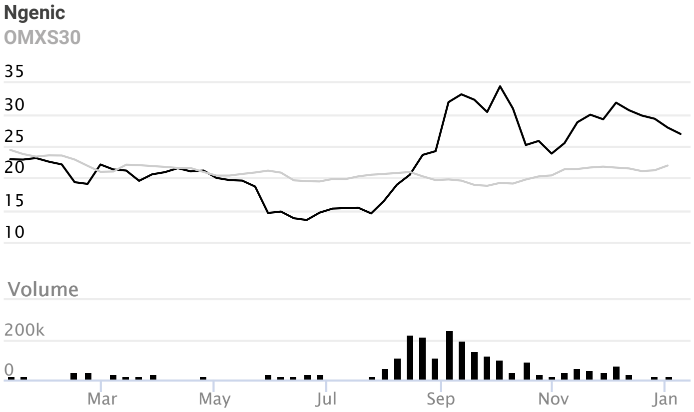


Snapshot



Marketplace	First North Stockholm
CEO	Björn Berg
Chairman	Roger Karlsson

Share information

Share price (SEK)	26.9
Number of shares (M)	6.8
Market cap (MSEK)	184
Net debt (2023E, MSEK)	-1

Analyst

Alexander Flening
alexander.flening@redeye.se

Conflict of interests

Alexander Flening owns shares in Ngenic: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	19	27	53	67
Growth	*53.3%*	*43.5%*	*96.1%*	*26.8%*
EBITDA	-13	-12	0	7
EBITDA margin	*Neg*	*Neg*	*Neg*	*10.3%*
EBIT	-19	-19	-11	-3
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-20	-20	-11	-3
Net earnings	-20	-20	-11	-3
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-4.43	-2.89	-1.58	-0.50
P/E adj.	-5.6	-10.4	-19.0	-59.5
EV/S	5.7	6.9	3.7	2.9
EV/EBITDA	-9.1	-16.8	-1,220.3	28.0

Last updated: 2022-12-15

Owner	Equity	Votes
Polar Structure AB	12.7%	12.7%
Simon Josefsson	8.5%	8.5%
Henrik Didner	5.3%	5.3%
Erik Martinson	5.3%	5.3%
Björn Berg	5.1%	5.1%
Fredrik Fernlund	4.2%	4.2%
Olof Lindbom	4.2%	4.2%
Mikael Lönn	4.1%	4.1%
Avanza Pension	4.0%	4.0%
Abn Amro Sweden Client Non-Treaty	2.7%	2.7%

Company description

Ngenic is a data-driven company offering products and services to the energy market. Through both hardware and software, it helps energy companies to forecast the demand for electricity, eases the pressure on the grid when it is congested, and assists consumers to optimize their usage. The company was founded in 2010 by the engineers Einar Persson, Olof Lindbom and Fredrik Fernlund from Ångströmslaboratoriet in Uppsala together with the current CEO Björn Berg and COO Anders Nygren. The team saw that their innovations could solve many of the issues the energy market faced. Since then, the company experienced a slow market development, which is often the case in highly regulated markets. We are now nearing a breakpoint where the technology is there, the market understands the issues, and the government agencies are waking up to the new reality.

Investment thesis

Case

Riding the trend of electrification

Ngenic saw the issues in the energy market more than ten years ago, but developments have been slow. In 2021 we are nearing a potential breakpoint with pressure to force out fossil fuels, improved economics, new regulations, and congestion in the grid all happening at the same time. The energy grid in the Nordics is under severe pressure. Many companies that offer solutions to these challenges have a clear opportunity. The size of the market when only focusing on the Nordics is enormous. Re-build or adding to the current electricity grid is very costly, so complements such as those Ngenic provides through optimization and energy flexibility are necessary to solve the situation. Ngenic has confirmed its value-add in several projects, such as with E.on, Upplands Energi and Jämtkraft.

Evidence

Hard to grasp at first glance

Ngenic has a broad range of products and services directed against property owners and energy companies. The unique selling point stems from how they use insights from consumers, the price of electricity, and the congestion in the energy grid to sell a packaged subscription solution to both consumers and energy companies. It's been difficult for data-driven companies such as Ngenic to capitalize on the opportunity so far, but things are coming together.

Challenge

Still a few years left

The company has ramped up growth in recent quarters especially driven by its hardware sales. We still think there is a few years until the company will be able to capitalize more on its main packaged subscription solution to consumers and energy companies.

Valuation

Wide fair value range

We have used a DCF that generates a fair value of SEK 26 in our base case. We think the potential is considerable for the company to realize scale advantages due to its software platform, supporting our estimates of steady-state margins of 20%. Our valuation range is wide, with a bear case of 13 and bull case of 51, as it is difficult to predict the future economics of the business.

Catalyst types

Agreement as an Aggregator

We think that establishing its role as an aggregator will be a breakpoint for Ngenic. The company aims to take a strong position in an emerging role in the energy market. At that point, the economics will become clearer for investors, thereby reducing the risk. If this takes slower to develop than expected, it also risks turning into a negative sentiment in the stock.

Buy-out

Ngenic offers technology that the larger energy companies don't have. The larger companies are therefore looking at if they should build or buy the capabilities Ngenic has.

Reaching Profitablity

We think the risk in the case will decrease when they show that they can grow without external financing. The company raised SEK 40m in the IPO to accelerate the growth. We see the likelihood to reach profitability in 2024 as promising. When the company continues to deliver on its goals, investors will realize the potential, which we think will lead to re-pricing of the stock.

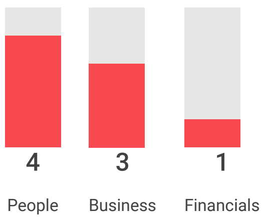
Nitro Games NITRO

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

Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY



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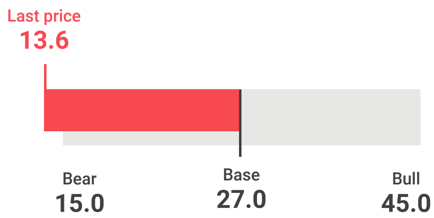

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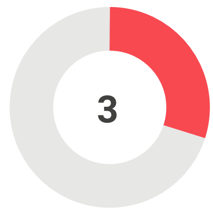
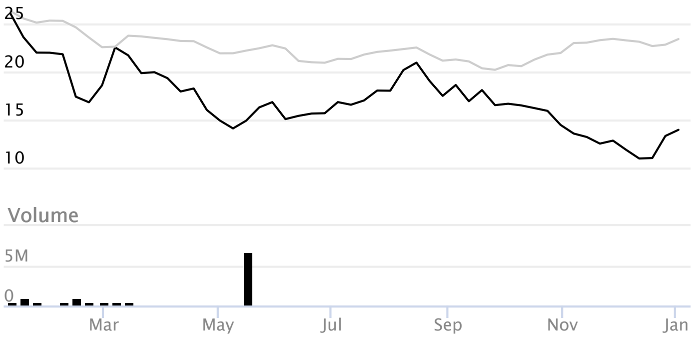


Snapshot

Nitro Games
OMXS30



Marketplace	First North Stockholm
CEO	Jussi Tähtinen
Chairman	Johan Biehl

Share information

Share price (SEK)	13.6
Number of shares (M)	12.9
Market cap (MSEK)	175
Net debt (2023E, MEUR)	-2

Analyst

Danesh Zare
danesh.zare@redeye.se

Conflict of interests

Danesh Zare owns shares in Nitro Games: No

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

Financials

		Redeye Estimates		
	21/22	22/23E	23/24E	24/25E
Revenue, MEUR	3	8	13	17
Growth	*>100%*	*>100%*	*52.9%*	*36.1%*
EBITDA	-2	0	1	2
EBITDA margin	*Neg*	*Neg*	*8.1%*	*15.1%*
EBIT	-2	-1	0	1
EBIT margin	*Neg*	*Neg*	*Neg*	*7.1%*
Pre-tax earnings	-2	-1	0	1
Net earnings	-2	-1	0	0
Net margin	*Neg*	*Neg*	*Neg*	*5.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.23	-0.14	-0.02	0.08
P/E adj.	-13.9	-10.5	-69.7	19.2
EV/S	12.1	2.3	1.5	0.9
EV/EBITDA	-13.7	-21.6	18.1	5.6

Last updated: 2022-07-01

Owner	Equity	Votes
Egmont Holding Oy	50.4%	50.4%
SEB AB, LUXEMBOURG BRANCH	6.2%	6.2%
Avanza Pension	4.6%	4.6%
Coeli AB	3.6%	3.6%
Ludvig Strigéus	2.6%	2.6%
Nordnet Pensionsförsäkring	2.3%	2.3%
Feat Invest AB	1.7%	1.7%
Markus Johansson	1.6%	1.6%
Barbara Rubinstein	1.4%	1.4%
Zakaria Rtel Bennani	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

- During the production phase, Nitro games receive milestones that provide stable cash flows at healthy margins and earn the right to a revenue share upon commercialization. This offers limited risk and potential optionality in terms of commercialization success.
- Nitro Games' partnerships with Hasbro and Snap illustrate that Nitro is a high-quality mobile game developer in its core market. Hasbro has ~40 million subscribers on its YouTube channel, while Snap has ~320m DAU. These strong brands mitigate marketing costs.
- Nitro Game is entirely focused on the FPS market for mobile games, a niche market. Operating in a niece market attracts less competition. Furthermore, the mobile market is fast-growing and estimated to be worth $121 billion in 2021, mainly driven by higher adoption rates.

B2B segment provides healthy cash flow
One of Nitro Games' business segments is its work-for-hire development, which indicates that it is developing games for external publishers. During the production phase, Nitro games receive milestones that provide stable cash flows at healthy margins and earn the right to a revenue share upon commercialization. This offers limited risk and potential optionality in terms of commercialization success.

Strong partnerships
Nitro Games' partnerships with Hasbro and Snap illustrate that Nitro is a high-quality mobile game developer in its core market. Hasbro has ~40 million subscribers on its YouTube channel, while Snap has ~320m DAU. These strong brands mitigate marketing costs as the game should benefit from the existing user base. Furthermore, the game development is partly financed by Snap and Hasbro, suggesting decent ROI on its investments.

Structurally growing market
Nitro Game is entirely focused on the FPS market for mobile games, a niche market. Operating in a niece market attracts less competition. Furthermore, the mobile market is fast-growing and estimated to be worth $121 billion in 2021, mainly driven by higher adoption rates.

Catalyst types

New B2B orders
Earlier this year, it received its biggest order value yet from Super massive Games, valued at EUR 2.8m. New orders in the same magnitude could be a great catalyst. More importantly, it will provide visible cash flow at healthy margins.

Good receiption from Snap's platform
Strong reception from Snap's platform regarding its upcoming games could boost. Snap games platform is growing rapidly and has a massive user base. If one or several games are successful, this could be a massive contribution financially.

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.

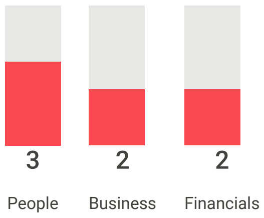
Northbaze NBZ

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

Publication date
January 12 2023

Redeye Rating

COMPANY QUALITY



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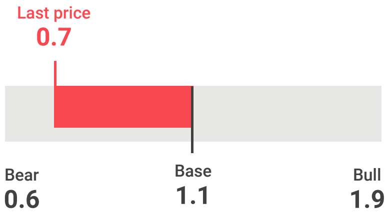

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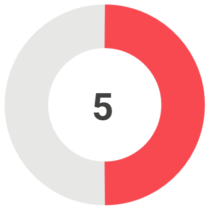
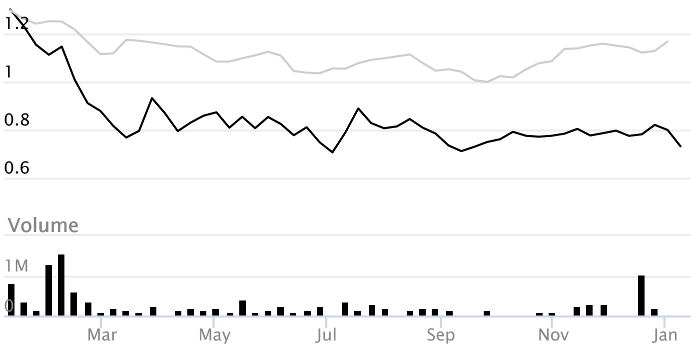


Snapshot

Northbaze
OMXS30



Marketplace	First North Stockholm
CEO	Henrik Andersson
Chairman	Anders W Bruzelius

Share information

Share price (SEK)	0.7
Number of shares (M)	157.0
Market cap (MSEK)	115
Net debt (2023E, MSEK)	15

Analyst

Alexander Flening
alexander.flening@redeye.se

Conflict of interests

Alexander Flening 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

	2021	2022E	2023E	2024E
		Redeye Estimates		
Revenue, MSEK	133	182	203	217
Growth	*-3.0%*	*36.9%*	*11.7%*	*6.9%*
EBITDA	3	23	29	31
EBITDA margin	*2.1%*	*12.6%*	*14.4%*	*14.1%*
EBIT	-5	5	16	17
EBIT margin	*Neg*	*3.0%*	*7.8%*	*8.0%*
Pre-tax earnings	-8	3	14	16
Net earnings	-9	1	11	13
Net margin	*Neg*	*0.7%*	*5.3%*	*5.9%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.09	0.01	0.07	0.08
P/E adj.	-12.0	123.8	15.5	13.1
EV/S	1.3	0.9	0.9	0.7
EV/EBITDA	62.3	7.2	6.2	5.3

Last updated: 2022-11-08

Owner	Equity	Votes
NEA Partners	17.9%	17.9%
Håkan Larsson	10.5%	10.5%
Novo Utbildning AB	9.3%	9.3%
Erik Fischbeck med bolag	8.3%	8.3%
Swedbank Försäkring	5.9%	5.9%

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.

Today, the Group offers products within three business areas: Adiantes, Copter, Audio & Sound and Mobility. Adiantes is a one-stop shop for leather goods and packaging solutions. Copter manufactures screen protection for smartphones and tablets. Audio & Sound consisting of the brand Jays. The fourth area, Mobility, offers mobile leather accessories represented by Krusell and Kavaj.

Investment thesis

Case

Transformation from brand dependent consumer-elctronics into a stable company with higher margins
Since 2016, Northbaze has evolved from a one-brand consumer-electronics company into a much more stable company with less brand- and product risk, and a much higher margin profile. Until a few years ago, Northbaze was a tiny player in a highly competitive market. Now, the company has built up a strong product portfolio and a much more attractive customer mix. As the improved product mix with more stable B2B sales emerges, the share price is likely to accelerate.

Evidence

Adiantes and Copter constitute stability and higher margins
We think Adiantes is the most solid and highest-quality business of Northbaze Group. With Adiantes, the brand risk is reduced and almost eliminated as revenues are split between a wide range of brands and products within each brand. With a high-quality offering and a rather low-cost personnel base in Thailand, we think Adiantes over time can deliver solid margins surpassing the group target of 10% EBITDA. See supportive analysis for thoughts on Copter.

Challenge

Fragmented market, fragile position in brands
The markets for both Audio & Sound and Smart Mobility are highly fragmented with some established brands and many smaller companies operating locally or globally. Easy access to OEMs makes entry barriers low - both in terms of capital requirements and technology challenges. The lack of moat pressures Northbaze for constant innovation. However, we believe Adiantes and Copter are much more resilient to brand risk as those customer bases consist of a wide range of companies and brands.

Valuation

Base Case at SEK 1.1
Our valuation range spans between SEK 0.6 and SEK 1.9, with Base Case at SEK 1.1. With a growing base of more stable and higher-margin revenue, we believe continued growth and margin expansion will fuel the share price.

Catalyst types

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

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

Achieving profitability
Better cash flows would merit higher multiples and valuation. The company has achieved profitability on EBITDA for several consecutive quarters. However, for the shares to take off, we believe a positive bottom line will be needed.

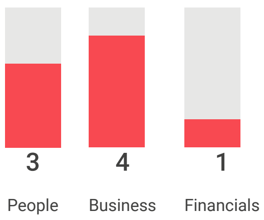
OXE Marine OXE

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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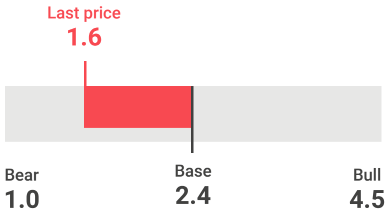
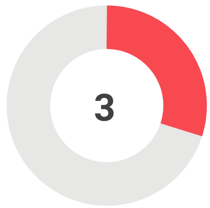
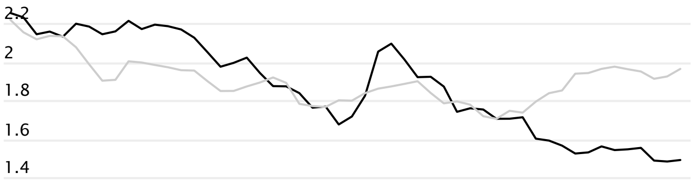


TIMELINESS



Snapshot

OXE Marine
OMXS30



Marketplace	First North Stockholm
CEO	Anders Berg
Chairman	Jonas Wikström

Share information

Share price (SEK)	1.6
Number of shares (M)	304.1
Market cap (MSEK)	480
Net debt (2023E, MSEK)	256

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog 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

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	100	164	244	354
Growth	*>100%*	*64.6%*	*48.6%*	*45.0%*
EBITDA	-43	-46	-17	21
EBITDA margin	*Neg*	*Neg*	*Neg*	*6.0%*
EBIT	-62	-72	-45	-8
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-71	-82	-55	-18
Net earnings	-71	-82	-55	-14
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.34	-0.32	-0.21	-0.07
P/E adj.	-7.0	-5.1	-7.7	-23.3
EV/S	6.9	3.5	2.5	1.7
EV/EBITDA	-16.0	-12.6	-35.1	27.6

Last updated: 2022-11-04

Owner	Equity	Votes
Powersports Plus LLC	18.3%	18.3%
Per Lindberg	12.0%	12.0%
Avanza Pension	11.5%	11.5%
Christian von Koenigsegg med närstående	10.0%	10.0%
Theodor Jeansson	9.9%	9.9%
Arne Andersson	8.1%	8.1%
Jonas Wikström	4.1%	4.1%
Cbldn-Saxo Bank A/S	2.0%	2.0%
Hagberg & Aneborn Fondkommission AB	2.0%	2.0%

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 40 people, mainly within research, product development and sales. Manufacturing has been outsourced to partners in Poland and in the US. 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 thesis

Case

Unique solution enabling diesel outboards

Diesel inboard engines are common in the marine industry thanks to their durability and low fuel consumption. Outboard engines are however still petrol, as the power transmission to the lower leg and propeller is a major challenge for the high torque diesel engines. OXE Marine has developed a unique solution for power transmission based on a carbon belt. This allows for high powered diesel outboards (up to at least 300HP), without compromising on quality and durability. This opens up a large potential market, primarily within the commercial and government segments, where the higher purchase price for an OXE diesel engine is justified by: i) fuel consumption (around 40% lower) ii) performance (increased range, extended service intervals, increased durability estimated to 3x lifetime of a gasoline outboard) iii) safety (less flammable fuel leading to lighter restrictions on storage and handling).

Evidence

Stronger position in the US

Although sales have picked-up in the last year, OXE has not delivered on previous sales targets leading to low confidence and skepticism from the stock market. Following the merger with former distributor Diesel Outboards, OXE position in the US market has now improved considerably. Government agencies like the US Coast Guard and Navy are evaluating the OXE Diesel which is very encouraging as it could pave the way for substantial orders.

Challenge

Small fish in a big pond

The market is dominated by a few multinational brands like Yamaha, Mercury and Evinrude. Many customers' main concern is how to fix the engine or get spare parts when necessary. Hence, it is much easier to just stick with the big manufacturers, even if OXE has a superior product. The company is gradually gaining market traction, but it is still a bit of a catch 22 situation, as large deals require more references.

Challenge

Potential take-over candidate

Competitors may enter the diesel outboard space. In fact, Mercury already has, but seems to have technical difficulties. OXE Marine has a patented technology for its belt transmission. We don't know if this will protect them in the long run. But we are quite certain that the company has a head start of several years. And if/when the major outboard manufacturers are considering launching a diesel engine, OXE will be a prime takeover candidate.

Valuation

Wide valuation range

Our valuation is based on a DCF-model only, for the lack of relevant peers. Our valuation range is SEK 1.0-4.5 per share, with a Base case of SEK 2.8. Our Base case scenario assumes continued strong growth in the coming years. CAGR ~50% until 2027 (reaching sales of SEK 850m), break-even in 2023 and sustainable EBIT margins around 15%.

Catalyst types

Traction with US Government

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.

Continued solid progress

As the synergies from the US merger materialise, we expect to see continued robust top-line growth and significantly higher gross margins.

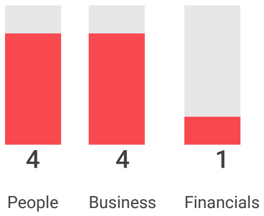
Penneo

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

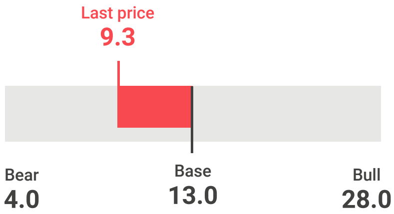
Publication date
January 10 2023

Redeye Rating

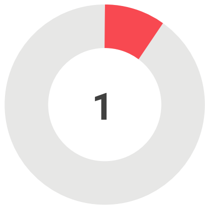
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Penneo
OMXS30

Marketplace	NASDAQ Copenhagen
CEO	Christian Stendevad
Chairman	Christian Sagild

Share information

Share price (DKK)	9.3
Number of shares (M)	32.1
Market cap (MDKK)	300
Net debt (2023E, MDKK)	-41

Analyst

Jacob Svensson
jacob.svensson@redeye.se

Conflict of interests

Jacob Svensson owns shares in Penneo: No

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

Financials

			Redeye Estimates	
	2021	**2022E**	**2023E**	**2024E**
Revenue, MDKK	54	69	88	107
Growth	*52.8%*	*27.0%*	*28.3%*	*20.8%*
EBITDA	-14	-18	-10	-1
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-23	-30	-22	-14
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-24	-30	-22	-14
Net earnings	-19	-30	-22	-14
Net margin	*Neg*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.74	-0.94	-0.67	-0.44
P/E adj.	-24.7	-11.1	-15.6	-23.7
EV/S	8.3	4.4	3.3	3.0
EV/EBITDA	-32.0	-17.0	-31.1	-298.3

Last updated: 2023-01-09

Owner	Equity	Votes
Michael Moesgaard Andersen	9.9%	9.9%
Nicolaj Højer Nielsen	7.4%	7.4%
Anders Eskholm	7.0%	7.0%
Arbejdsmarkedets Tillægspension (ATP)	6.8%	6.8%
Jan Flora	6.6%	6.6%
Mikkel Clausen	6.4%	6.4%
Niels Henrik Rasmussen	5.4%	5.4%
Jakob Neua Nørgaard	5.0%	5.0%
Janek Borgmann	4.9%	4.9%
André Clement	3.8%	3.8%

Company description

Penneo is a Danish Software-as-a-Service (SaaS) company specializing in managing and automating the digital signing process for auditors, the accounting industry and industries with heavy compliance, such as the financial industry. The offering includes its digital signing and KYC product, ensuring compliance through electronic IDs (eIDs) for its over 2500 business-to-business customers.

The company has a robust presence within digital signing for accounting firms and is positioned as the Nordic market leader, with several big 10 audit customers across Denmark, Sweden and Norway. The company has its most substantial presence in Denmark, with 10 out of the 10 big audit firms as customers and two-thirds of the Danish annual reports signed with its solution. Penneo increases its annual recurring revenue (ARR) both by strong upselling to existing customers and new sales.

Investment thesis

Case

Solid growth indicates potential for high future profitability

Considering Penneo's Nordic audit dominance and its successful track record of expanding into new markets and verticals exhibiting impressive SaaS metrics, we believe Penneo will continue with rapid annual recurring revenue (ARR) growth. While currently unprofitable and favourable growth, we argue its strong net revenue retention (NRR) and scalability implies future high profitability and solid growth, with continued solid SaaS metrics serving as the main catalysts.

Evidence

Striking SaaS metrics supports our view

Penneo has a solid Nordic position, with 17 of the 20 largest auditors as customers in Denmark and several in Sweden and Norway. Its churn of 2-4% and NRR of 110-130% suggest customer satisfaction with increased usage over time, implying considerable lifetime value. This, combined with new sales growth of ~15-30%, successful geographical expansion with footprints in Finland and Belgium, and vertical expansion with its KYC product, supports continued solid growth and profitable prospects.

Challenge

Expensive geographical expansion

Management has signalled its goal to become the facto standard for auditors in Europe, which will come at the expense of increased costs. Although, we believe Penneo's solid expansion track record highlights that the reward/probability of such a geographical expansion is worth the costs. In addition, we believe Penneo has a clear expansion strategy, riding on the standardized eIDs and expanding by auditors' support into digitalized markets having well-developed eIDs, which lowers entry barriers.

Challenge

Competition from international players

Even if Penneo has a strong presence both in the Nordic market and particularly within its audit niche, which increases barriers to entry for competitors, Penneo might lose revenues as the market for digital signing consolidates, where global players want to squeeze out local players. However, Penneo's low churn and strong NRR imply customer satisfaction and the niche B2B strategy targeting large audit customers increases the switching costs once integrated into its day-to-day business.

Valuation

Low EV/S not reflecting future potential

Based on our DCF model, we see a fair value of DKK13 per share in our Base Case and DKK4 and DKK28 per share in our Bear and Bull Cases, respectively. Considering Penneo's striking SaaS metrics (among the top percentile in the Nordic SaaS space), with future growth and long-term margin prospects, we do not believe the current EV/S multiple reflects its full potential at current share levels.

Catalyst types

Continued Growth in ARR

Penneo has historically shown strong organic growth in ARR, indicating solid continued growth prospects. If Penneo can continue to grow its ARR – which we find is likely – the following reliable performance will attract investors' attention.

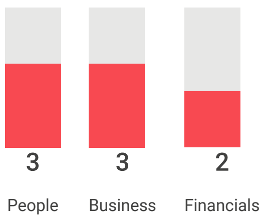
PowerCell Sweden PCELL

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

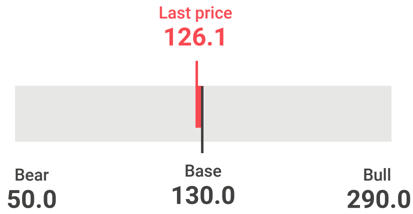
Publication date
January 10 2023

Redeye Rating

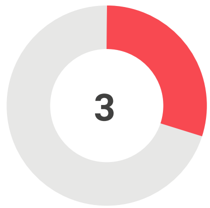
COMPANY QUALITY



FAIR VALUE RANGE

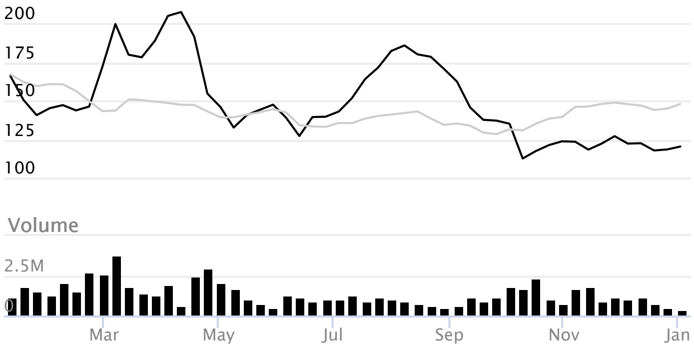


TIMELINESS



Snapshot

PowerCell Sweden
OMXS30



Marketplace	First North Stockholm
CEO	Richard Berkling
Chairman	Magnus Jonsson

Share information

Share price (SEK)	126.1
Number of shares (M)	52.1
Market cap (MSEK)	6,575
Net debt (2023E, MSEK)	-101

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in PowerCell Sweden: No

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	160	218	348	522
Growth	*54.3%*	*36.4%*	*59.7%*	*50.0%*
EBITDA	-65	-87	-52	55
EBITDA margin	*Neg*	*Neg*	*Neg*	*10.6%*
EBIT	-81	-105	-72	24
EBIT margin	*Neg*	*Neg*	*Neg*	*4.6%*
Pre-tax earnings	-80	-93	-72	24
Net earnings	-80	-93	-72	28
Net margin	*Neg*	*Neg*	*Neg*	*5.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.54	-1.79	-1.39	0.46
P/E adj.	-120.0	-79.1	-102.0	306.6
EV/S	58.5	33.1	21.0	14.0
EV/EBITDA	-144.6	-82.7	-141.4	131.6

Last updated: 2022-10-24

Owner	Equity	Votes
Robert Bosch GmbH	11.2%	11.2%
State Street Bank And Trust co	5.8%	5.8%
BlackRock	4.8%	4.8%
Avanza Pension	3.9%	3.9%
SIX SIS AG	3.2%	3.2%
The Bank of New York Mellon SA/NV	3.0%	3.0%
Skandinaviska Enskilda Banken S.A	1.9%	1.9%
Legal & General	1.8%	1.8%

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 70 employees, primarily within development, construction and design, which is conducted in facilities adjacent to the head office in Gothenburg.

Investment thesis

Case

Well established in a fast-growing market

Powercell started developing fuel cells over 25 years ago and is by now one of the more seasoned companies in the industry. The stacks were originally designed for automotive applications with high requirements for durability, efficiency, low cost- and high-volume production. This suggests that Powercell has a technology that is competitive also in other market verticals. It's still difficult (too early) to determine Powercell's competitive edge, since the market is rather immature, and sales so far are on a project basis. We are however quite optimistic given Powercell's opportunities to leverage on the strong expected growth in the overall market for years to come. The company is well funded and has a rather capital light business model with outsourced manufacturing.

Evidence

Validated by Bosch

The partnership with Robert Bosch in 2019 is obviously a strong testimony to Powercell's technology. Bosch has a licensing agreement for the on-road segment and plans for high-volume production. This is an opportunity for Powercell to source production capacity and target other customers on a global scale.

Challenge

Market not taking off

Fuel cells have been around for decades, but the market adaptation has been rather slow. The lack of available hydrogen and high costs related to low volumes have created a bit of a catch 22 situation. In recent years we have seen major government initiatives in EU, USA, China and other regions that will support the transition to the hydrogen economy. This is encouraging, but the big shift could certainly take longer than anticipated. Without a strong tailwind from a growing market, it will be more difficult for Powercell to succeed.

Challenge

Not enough focus

Powercell is in many respects a small company on a global stage. It has customers on several continents and in several market segments. We are a bit concerned that it is spreading itself too thin. Hopefully, in the next couple of years, we will see stronger traction within some application areas and a more focused approach.

Valuation

Trading around our Base case

Our fair value range is wide: SEK50-290 per share. This is quite typical for companies similar to Powercell in terms of excellent long-term growth opportunities, still not break-even and difficult to assess sustainable profitability. Our Base case fair value is ~SEK130 per share based on our DCF-model. Assumptions include break-even in 2024, strong growth taking net sales to ~SEK12b in 2040 and sustainable EBIT margins of 15%.

Catalyst types

Volume orders for fuel cell stacks

Additional volume orders from commercial clients will confirm that Powercell has a competitive offering.

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: Bosch's near-term expansion targets and the stipulated royalty terms.

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. Certainly as a confirmation of Powercells technology, but most likely also in financial terms.

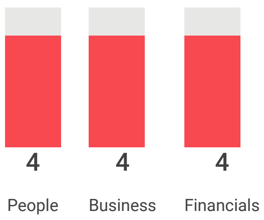
Proact IT Group PACT

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

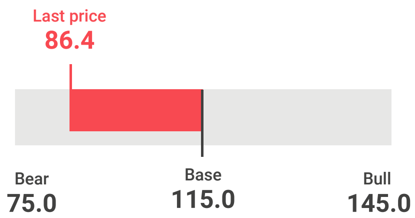
Publication date
January 16 2023

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



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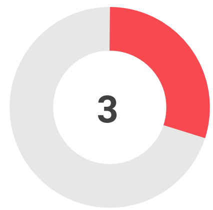
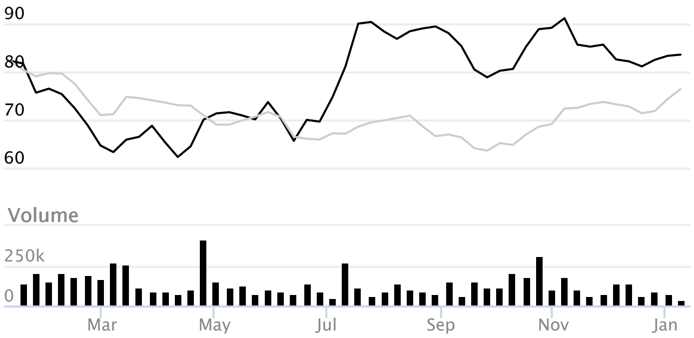


Snapshot

Proact IT Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Jonas Hasselberg
Chairman	Anna Söderblom

Share information

Share price (SEK)	86.4
Number of shares (M)	28.0
Market cap (MSEK)	2,419
Net debt (2023E, MSEK)	116

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Proact IT Group: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	3,525	4,447	4,783	4,989
Growth	*-3.0%*	*26.2%*	*7.6%*	*4.3%*
EBITDA	359	449	526	560
EBITDA margin	*10.2%*	*10.1%*	*11.0%*	*11.2%*
EBIT	176	238	282	306
EBIT margin	*5.0%*	*5.3%*	*5.9%*	*6.1%*
Pre-tax earnings	165	226	270	294
Net earnings	131	182	211	229
Net margin	*3.7%*	*4.1%*	*4.4%*	*4.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	4.75	6.62	7.67	8.33
P/E adj.	18.3	13.3	11.5	10.6
EV/S	0.8	0.6	0.5	0.5
EV/EBITDA	7.5	6.1	4.8	4.1

Last updated: 2022-10-26

Owner	Equity	Votes
Martin Gren (Grenspecialisten)	11.2%	11.2%
Livförsäkringsbolaget Skandia	10.9%	10.9%
Länsförsäkringar Fonder	8.7%	8.7%
Alcur Fonder	7.9%	7.9%
Triton	7.0%	7.0%
Ing Luxembourg SA	7.0%	7.0%
Skandia Fonder	6.9%	6.9%
Canaccord Genuity Wealth Management	3.8%	3.8%
HSBC Bank Plc	3.8%	3.8%
State Street Bank And Trust co	3.7%	3.7%

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 thesis

Case

Consolidating European Multi-cloud VAR players
As a Value-Added Reseller (VAR) Proact sources hardware and software from leading suppliers to create cloud and data center solutions. Proact's expertise in multi-cloud and business-critical data differentiates itself from the public cloud giants. We expect an increased focus on data regulations, control, and security to strengthen the demand for Proact's offering. We believe further acquisitions, where Proact expands its offering or geographical market, and solid growth in recurring revenues to be the potential catalysts.

Evidence

Strong customer base, solid M&A activity, and growing recurring revenues
Proact has an impressive customer list spanning many sectors, including cloud software front-runner Fortnox, Saab, Volvo, and Pensionsmyndigheten. We believe they highlight that Proact's offering is relevant for a wide range of customers with high requirements regarding reliability and security. Proact has also taken an active part in consolidating the space, expanding its presence in UK, Benelux, and Germany as well as in cloud in general. Coming from a history of a large share of volatile hardware revenue, 1/3 of Proact's sales are now recurring cloud and support revenues, improving the stability of its cash flows.

Challenge

Competition from the giants
The public cloud giants such as Amazon's AWS, Microsoft's Azure, and Google's Google Cloud are growing rapidly, taking a larger share of companies' data. However, as Proact focuses on business-critical data and multi-cloud solutions, we believe Proact and the cloud giants rarely compete for the same data. Also, Proact has partnerships with the public cloud giants to strengthen its multi-cloud. Thus, while Proact mainly focuses on niches other than the giants and partners with them, the long-term movement to the large clouds could pressure Proact's growth prospects.

Challenge

Expensive M&A
While most of Proact's acquisitions have had a higher share of cloud and service revenue than Proact, paying an average of 8x EBITA for its acquisitions since 2019, making the multiple arbitrage negligible. Although we believe the typically Proact acquisition adds a more attractive revenue mix (more cloud and services) and has potential synergies, we believe it is worth mentioning that Proact lacks much of the multiple arbitrage most listed businesses have.

Valuation

Fair Value SEK 115
Our DCF model shows a fair value of SEK 115, which is also supported by a peer valuation. Given that Proact's streak of strong reports continues, we believe the company should trade at a premium to the average IT consultant firm considering its high share of recurring revenues.

Catalyst types

Higher cloud growth
Proact's cloud revenue growth slowed in 2018, as noted. However, new contract intake picked up significantly later in the year, paving the way for higher growth going forward. If the new higher level continues, this would give investors grounds to start discounting Proact reaching its margin target.

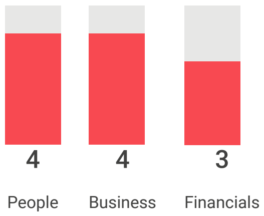
QleanAir Holding QAIR

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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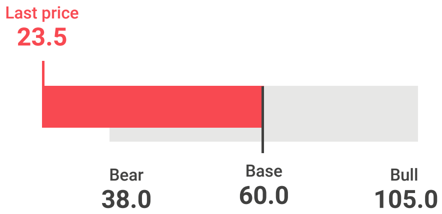
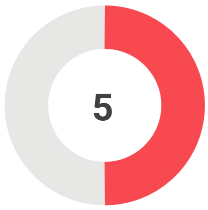


TIMELINESS



Snapshot

Marketplace	First North Stockholm
CEO	Sebastian Lindström
Chairman	Bengt Engström

Share information

Share price (SEK)	23.5
Number of shares (M)	14.9
Market cap (MSEK)	349
Net debt (2023E, MSEK)	124

Analyst

Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in QleanAir Holding: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	451	447	495	548
Growth	*-8.6%*	*-0.7%*	*10.7%*	*10.6%*
EBITDA	112	89	95	103
EBITDA margin	*24.9%*	*20.0%*	*19.1%*	*18.8%*
EBIT	83	58	73	78
EBIT margin	*18.5%*	*13.0%*	*14.7%*	*14.3%*
Pre-tax earnings	76	52	65	70
Net earnings	59	38	51	55
Net margin	*13.2%*	*8.6%*	*10.2%*	*10.0%*
Dividend/Share	1.30	1.50	1.70	2.00
EPS adj.	3.99	2.58	3.41	3.69
P/E adj.	16.5	10.7	8.1	7.5
EV/S	2.5	1.2	1.1	0.9
EV/EBITDA	10.1	6.1	5.6	5.0

Last updated: 2022-11-22

Owner	Equity	Votes
Priveq	23.6%	23.6%
Luxembourg Branch, W8imy/Nqi J.P. Morgan Se	11.5%	11.5%
BI Asset Mgmt Fondsmaeglerselskab A/S	11.5%	11.5%
Skandinaviska Enskilda Banken S.A	6.6%	6.6%
Dan Pitulia	6.6%	6.6%
Avanza Pension	5.8%	5.8%
Livförsäkringsbolaget Skandia	4.6%	4.6%
Aktia Asset Management	4.1%	4.1%
Enter Fonder	3.6%	3.6%
GADD & Cie S.A.	2.7%	2.7%

Company description

QleanAir is a premium niche provider of air cleaning solutions. It develops, designs, and manufactures (outsourced) smoke cabins, standalone air cleaners, and cleanrooms based on over 25 years of experience. The products are offered to the customer as a service rather than a one-time sale. Contracts span over 3 years, and >75% are renewed at the end of the period. As a result, 57% of revenues are recurring.

The customers are based all over the globe. Smoke cabins (73% of sales) are primarily sold in Europe (mature market) and Japan (growth market) to airports, hotels, manufacturing industries, and offices. Air cleaners (15% of sales) are mainly sold in Europe and Asia, to industries, offices, and hospitals. Cleanrooms (11% of sales) are primarily sold in the US and the Nordics, targeting hospitals, pharmaceutics, and compounders. The customer base holds >3000 customers, and cross-selling opportunities between the segments are high.

Investment thesis

Case

Attractive prospects for profitable growth

We believe QleanAir is in a very attractive position to benefit from several long-term fundamental trends. This includes protecting people from second-hand smoking, legislation, and increased awareness of health issues related to air pollution. Following QleanAir's recent product releases, combined with regulation, and Covid, demand for QleanAir's offering is increasing – and we foresee a long runway of growth in all product segments – especially in Japan. We believe there are great cross-selling opportunities for QleanAir – leveraging on its already broad customer base of 3000+ customers worldwide. We find an upside in the share following the recent setback without sales growth during 2021-2022, the current valuation of 8x earnings does not price in any future growth we argue.

Evidence

Solid value proposition

Key drivers for growth are increased awareness combined with "Clean Air as a Service" – which implies the customer does not invest heavily upfront and can instead pay a monthly fee. Therefore, we see a pent-up demand realizing, as customers pay for clean air rather than a product (no headache). In combination with this, QleanAir offers state-of-the-art air cleaning products with a long and credible track record, combined with performance guarantee commitments. ~70% of QleanAir's sales stem from Cabin Solutions, while Air Cleaners and Cleanrooms account for about 30%. We do see attractive growth prospects in all 3 product segments while Air Cleaners and Cleanrooms are important contributors.

Challenge

Deteriorating main end market

73% of QleanAir's sales stem from Cabin Solutions, which correlates to smoking prevalence. Suppose the total number of smokers decreases, and the potential end market decrease. However, the first step of stopping smoking is by restricting it – therefore, smoke cabins can be the first step. Smoking is bad for human health, but a smoke cabin prevents second-hand smoking. We believe the market for cabin solutions is mature and somewhat unsexy in the long term – but this should limit new entrants. In the foreseeable future, we still see good demand for the segment.

Challenge

New product segments fail to materialize fully

A large part of the growth story comes from Facility Solutions and Room Solutions which historically posted significant growth. In the recent year, the company has not delivered on our expectations within these two segments posing a risk to the growth story. In the long term, we see solid growth potential which must materialize to change the stock market sentiment in the share.

Valuation

Low absolute valuation - colored by recently weak performance

We believe the QleanAir share is undervalued – both in absolute and relative terms. Also, we do not find our estimates aggressive but rather conservative. QleanAir is trading at a significant discount to our selected peer groups, while it has twice the historic EBIT margin relative to its peer groups (20% vs 11%). As growth was absent during 2022 the company is facing some challenges which colored recent share performance. We argue that QleanAir has growth potential going forward within all its segments and if materialized, an expansion of valuation multiples is warranted.

Catalyst types

New customers

Along with new orders, we believe new customers will be likely catalysts. By comparison, when QleanAir announced Karolinska was a new customer, the stock price surged, likely because the potential is very high both at Karolinska and in general in the hospital sector. New customers in the same segment or industries with great potential should likely offer the same reaction.

New orders

We believe new orders will be likely catalysts as we proceed. When examining historical share price reactions, it is evident that this sort of news has caused the stock to move. We believe it also reinstates the growth story of QleanAir.

Back on the growth track

During 2021-2022 QleanAir struggled to post growth, especially in its two growth segments Air Cleaners and Cleanrooms. This has reduced the company's valuation multiples significantly. Getting back on track with growth and earning the stock market's confidence back, that the long-term growth story is intact would result in a higher share price.

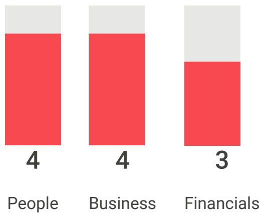
Railcare Group RAIL

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

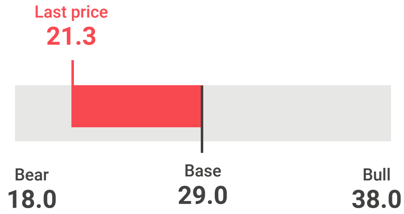
Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY

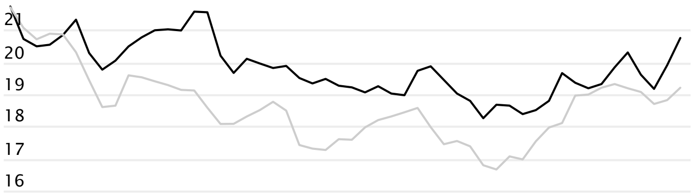


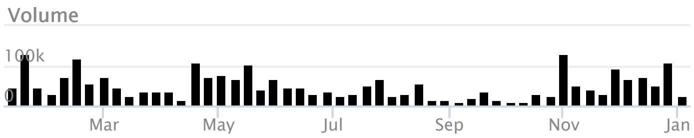
FAIR VALUE RANGE



TIMELINESS

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Mattias Remahl
Chairman	Anders Westermark

Share information

Share price (SEK)	21.3
Number of shares (M)	24.1
Market cap (MSEK)	514
Net debt (2023E, MSEK)	122

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Railcare 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		
	2021	2022E	2023E	2024E
Revenue, MSEK	438	496	508	566
Growth	*9.1%*	*13.3%*	*2.5%*	*11.3%*
EBITDA	108	108	111	119
EBITDA margin	*24.7%*	*21.8%*	*21.8%*	*21.0%*
EBIT	56	65	63	70
EBIT margin	*12.8%*	*13.1%*	*12.4%*	*12.3%*
Pre-tax earnings	52	60	57	65
Net earnings	40	48	47	54
Net margin	*9.2%*	*9.6%*	*9.2%*	*9.5%*
Dividend/Share	0.60	0.69	0.68	0.78
EPS adj.	1.68	1.98	1.94	2.23
P/E adj.	13.5	9.9	10.1	8.8
EV/S	1.5	1.2	1.2	1.0
EV/EBITDA	6.1	5.5	5.4	5.0

Last updated: 2022-11-09

Owner	Equity	Votes
Norra Västerbotten Fastighets AB	29.5%	29.5%
TREAC AB	9.9%	9.9%
Ålandsbanken AB	5.1%	5.1%
Avanza Pension	3.4%	3.4%
Bernt Larsson	3.1%	3.1%
HSBC Bank Plc	2.5%	2.5%
Canaccord Genuity Wealth Management	2.5%	2.5%
Mikael Gunnarsson	2.0%	2.0%
Nordnet Pensionsförsäkring	1.6%	1.6%
Torsten Germund Dahlquist	1.1%	1.1%

Company description

Railcare is a niche player within railroad maintenance and special transport services. In the maintenance area it has a unique position based on proprietary vacuum technology and the Railvac machines. Scandinavia and the UK are home markets, with Sweden by far the largest and England number two. Railcare is carrying out construction work with its own staff and machinery. For the transport services, Railcare has locomotives, train cars and drivers. Moreover, the company has a locomotive workshop that offers repair and maintenance services inhouse as well as to external customers.

The Railvac systems are also sold to international customers. Over the years, a total of some 40 Railvacs have been sold, mainly to North America and Russia. They are primarily used for maintenance on the railroads, but also in mines and subways. The product portfolio also includes equipment for snow clearing with flexible snow ploughs and snow melting systems.

Railcare was founded in 1992 in Skellefteå in northern Sweden where the headquarter is still situated. It has around 150 employees in Scandinavia and the UK. The share is listed on Nasdaq Nordic's main market since 2018 and prior to that it was traded at Spotlight.

Investment thesis

Case

Unique position in attractive market segment

Railcare has established a solid position in the railway maintenance market, with an offer based on its own unique proprietary vacuum technology. The company has developed efficient systems to handle ballast replacement that standard excavators are unable to perform. This means maintenance work can be done at a lower cost and with less interruptions in railroad traffic. The global market potential is huge and if executed well, Railcare has decades of major growth opportunities ahead.

Evidence

Successfully validated

The Railvac systems have been operating successfully in Sweden and the UK for many years and been exported to several markets overseas. It has become a well-known concept, validated by partners and clients. With the new all-electric MPV (emission-free and low noise), Railcare is adding features very appealing to niche applications like maintenance in subways, tunnels and populated areas.

Challenge

Limited progress lately

In recent years, export sales of Railvac systems have been quite few and far apart. This is reason for some concern, as we believe the company's ambition has been higher. We don't really know the reasons behind this. When it comes to Railcares' overall growth ambitions, our sense is that they have been somewhat defensive and not too eager.

Challenge

Political risk

A significant part of the group's operations is exposed to public utilities and government budgets. Currently there is good support for railroad maintenance, but there is always a risk associated with political decisions. This can certainly be applied to Railcares own contracting business, but also to some extent when it comes to exports of machinery and equipment.

Valuation

Trading around our Bear case

Our fair value range is 18-38 SEK per share with a Base case of SEK 29. The shares are currently (Dec 2022) trading around our Bear case fair value of 18 SEK per share. We believe this is too low as our Bear case is based on sustainable EBIT margins of 9-10% and rather mediocre growth of 2-3%. We expect Railcare to do better than that.

Catalyst types

Export orders for Railvacs and MPVs

Our Bull-case scenario includes sustainable progress for the segment Machine Sales. Railcare has sold some 40 Railvac machines in total, but not many in the last few years. The potential market is huge and as a rule, these orders come with significant gross margins.

Growth in the UK

The UK operation has recovered since the low point in 2018. But there is still significant growth potential for Railcare in the UK market.

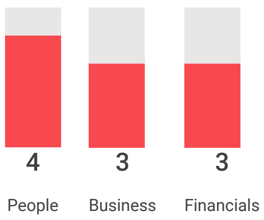
Remedy Entertainment REMEDY

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

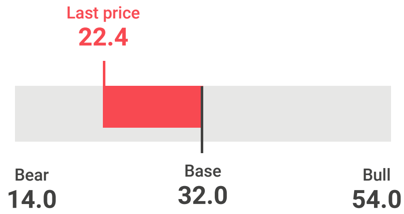
Publication date
January 16 2023

Redeye Rating

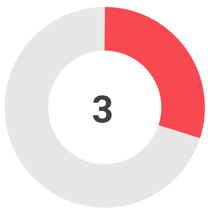
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Remedy Entertainment
OMXS30

Marketplace	NASDAQ Helsinki
CEO	Tero Virtala
Chairman	Markus Mäki

Share information

Share price (EUR)	22.4
Number of shares (M)	13.4
Market cap (MEUR)	301
Net debt (2023E, MEUR)	-31

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

		Redeye Estimates		
	2021	**2022E**	**2023E**	**2024E**
Revenue, MEUR	45	44	39	63
Growth	*8.8%*	*-2.5%*	*-9.9%*	*59.9%*
EBITDA	14	1	-5	16
EBITDA margin	*30.5%*	*2.0%*	*Neg*	*25.5%*
EBIT	13	-1	-7	13
EBIT margin	*28.4%*	*Neg*	*Neg*	*21.1%*
Pre-tax earnings	13	-1	-7	13
Net earnings	10	-1	-6	11
Net margin	*23.4%*	*Neg*	*Neg*	*16.9%*
Dividend/Share	0.17	-0.01	-0.09	0.16
EPS adj.	0.79	-0.06	-0.44	0.80
P/E adj.	50.5	-385.0	-52.8	28.8
EV/S	10.3	5.9	6.8	4.2
EV/EBITDA	33.9	300.0	-53.5	16.3

Last updated: 2022-12-22

Owner	**Equity**	**Votes**
Markus Mäki	23.8%	23.8%
Accendo Capital	15.5%	15.5%
Working Capital Management Pte Ltd	7.8%	7.8%
Tencent	5.0%	5.0%
Sami Järvi	4.2%	4.2%
Aktia Asset Management	2.6%	2.6%
Tero Virtala	2.2%	2.2%
Saku Lehtinen	1.7%	1.7%

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 thesis

Case

De-risked high quality
Remedy is one of the last legendary independent game studios left in the world. The founder and top management own more than 30% of the company. The biggest gaming platforms are screaming for quality content and Remedy will continue to grasp this opportunity. The studio has therefore a lucrative risk-reward in its coming projects and is an obvious takeover target that de-risk the case further.

Evidence

An "Epic" release in 2023
In 2023 Alan Wake 2 will be released, Remedy's strongest self-owned IP. We expect the total budget is approximately EUR 60 million (in comparison to the game Control with a budget of EUR 30 million). The higher budget, the financially strong publisher Epic Games, and the strength from the Alan Wake IP are three strong arguments that the game will likely sell at least twice as much as the game Control. For these reasons, we believe investors should have high expectations of the company's growth prospects.

Challenge

A big budget for a niched game
Remedy creates relatively niched games. In its upcoming game (Alan Wake 2), which will be released in 2023 the budget is double as high as in its latest game. We estimate the game must sell 2.15 million copies before Remedy can receive a 50% profit share. For a relative niche product, this is a rather high sales number.

Challenge

Uncertain profitability in 2025
In 2024-2025 Remedy will launch two online multiplayer games according to our assumptions. This is new territory for Remedy and one of the games (Vanguard) will be free-to-play. The immediate financial impact will therefore likely be protracted, meaning lower revenue for a longer period of time for both of these live-service games. This could hurt the profitability in 2025 according to our estimates regarding the game pipeline.

Valuation

An obvious takeover target
Only a few independent major game studios are left after the recent years accelerated consolidation in the industry. We are certain that Remedy has a high position in the shopping list amongst many major players. Potential buyers are Epic Games, Tencent, Sony, Microsoft, and Take-Two Interactive we believe. This fact considerably de-risks an investment in Remedy we argue despite the relatively high valuation multiples in a short-term perspective.

Catalyst types

Alan Wake 2 is a major release
In its upcoming game (Alan Wake 2), which will be released in 2023 the budget is double as high as in its latest game called Control. We estimate the game must sell 2.15 million copies before Remedy can receive a 50% profit share. The game will start to generate royalty income in 2024 according to our assumptions. A better outcome would likely have a positive impact on the stock we believe.

Remedy is possibly acquired in 2023-2024
We believe Remedy is one of the most obvious acquisition targets in the Nordic gaming industry. On the top of our buyer's list sits Epic Games, and the timing is most likely after the release of Alan Wake 2. Secondly "most likely" we believe one of the three biggest players in the industry is a potential buyer namely Sony, Tencent, and Microsoft (in that order). Thirdly on our buyer's list, we see Take-Two, the owner of the Remedy-created IP Max Payne.

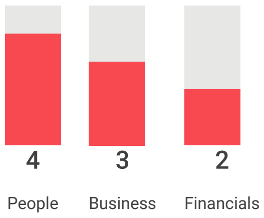
Safeture SFTR

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

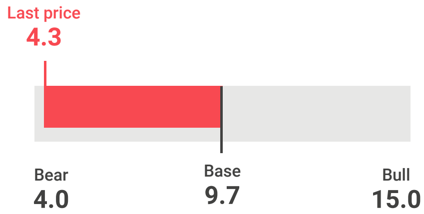
Publication date
January 12 2023

Redeye Rating

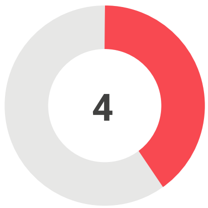
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Marketplace	First North Stockholm
CEO	Magnus Hultman
Chairman	Flemming Breinholt

Share information

Share price (SEK)	4.3
Number of shares (M)	39.1
Market cap (MSEK)	168
Net debt (2023E, MSEK)	13

Analyst

Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Safeture: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	27	37	47	60
Growth	*26.1%*	*34.9%*	*26.5%*	*29.4%*
EBITDA	-19	-9	0	8
EBITDA margin	*Neg*	*Neg*	*0.4%*	*12.8%*
EBIT	-23	-13	-3	4
EBIT margin	*Neg*	*Neg*	*Neg*	*7.2%*
Pre-tax earnings	-23	-14	-4	4
Net earnings	-23	-14	-3	3
Net margin	*Neg*	*Neg*	*Neg*	*5.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.77	-0.45	-0.10	0.10
P/E adj.	-11.5	-7.5	-34.3	33.3
EV/S	9.2	3.0	2.5	1.9
EV/EBITDA	-13.2	-12.1	617.6	14.7

Last updated: 2022-11-29

Owner	Equity	Votes
Greg Dingizian	38.5%	38.5%
Ibkr Financial Services AG	19.6%	19.6%
Topline Capital Partners LP	19.5%	19.5%
Nordea Liv & Pension	10.5%	10.5%
Anders Pettersson med familj	10.5%	10.5%
Semmy Rülf	4.1%	4.1%
Emirates Advanced Investment Trading LLC	3.2%	3.2%
Futur Pension	3.1%	3.1%
Daniel Oredsson	2.5%	2.5%
Flemming Breinholt	1.7%	1.7%

Company description

Safeture offers a cloud-based SaaS platform, managing risk, safety, and crises involving employees (ERCM). The service unifies employee communication, information, and location in one tool. Safeture's open platform architecture allows customers to seamlessly integrate internal processes and features with external suppliers, such as assistance providers, travel agencies, or other software, including internal employment databases or intranets. Approximately 80% of the sales stem from Europe, 15% from North America, and 5% from Southeast Asia. The company was founded in 2009, triggered by the experience of the global SARS epidemic, the Indian Ocean tsunami, and the Mumbai terror attacks, where lives could have been saved if people had been warned earlier and received more information. Safeture is based in Lund, Sweden, and employs about 35 people in four countries.

Investment thesis

Case

Becoming the tech provider of choice for assistance companies' employee risk & crisis management

Safeture's strong value proposition makes it a good partner, both for larger companies seeking to have all employee safety tools under one roof, and for assistance companies that want to focus on their core competency and outsource the technical platform. Assistance partners are the core customers. Safeture is pursuing a partner strategy by becoming the tech provider of choice for assistance companies, thereby leveraging their networks and reaching thousands of companies. Today, more than 60 partners use Safeture's platform, and around half a million people are protected by the help of its ERCM platform. The partner focus enables Safeture to carve out a unique market position as it can focus on one type of customer, it can secure larger deals, the channel has shorter lead times, it enables a scalable sales organization when partners actively resell the platform, higher growth potential, and minimal to no churn.

Evidence

Good traction and scalability are showing

Partner sales grew by about 67% y/y in Q3 2022, indicating that there is good traction in Safeture's partner strategy. It has also added new partners to its network in the past year, showing that many assistance companies are interested in the value proposition. We believe Safeture is the category leader in the fast-growing niche market (>10% a year), and it has a large installed customer base of ~4,000 medium to large-sized corporations and organizations. Moreover, Safeture is targeting to become a profitable company at an ARR of SEK65m, and in the past seven quarters, the operating loss has shrunk q/q and is clearly on its way to black numbers in the medium-term. Other metrics are also scaling, such as the gross margin/customer acquisition cost, giving us further confidence in Safeture's strategy. It is one of few smaller Nordic SaaS companies showing a clear path towards stable profitability.

Challenge

No room for significant setbacks

Safeture recently raised SEK27.1m before deducting transaction-related costs in a rights issue. We believe this capital is enough to carry Safeture over the cash flow positive goal post at the ARR of SEK65m. However, setbacks, either in terms of new sales or in a slower scalability than anticipated, could be a risk for the balance sheet. The margin of error is not significant.

Challenge

Depending on key personnel

Safeture's management and board are full of experienced company-builders who have scaled businesses before. CEO Magnus Hultman, for example, has a long history of doing it, including SaaS companies. Safeture needs good execution, and we believe the company is in the right hands. However, should some key people leave the company, we argue this could threaten the rollout.

Valuation

Not pricey given given the signs of scalability and traction

Safeture is growing rapidly and shows clear signs of scalability. Still, the company is trading at around EV/Sales 3x, which is not too pricey given the large TAM it can grow into and the leverage its partner network can support with. We believe a profitable version of Safeture at an ARR of SEK65m will be considered a quality SaaS company in the Nordic region.

Catalyst types

Continued signs of scalability

Safeture is scaling, and improved gross margins and operating margins should act as catalysts for the stock. It should greatly boost the market's confidence in the company and promote the possibility of attracting long-term and well-financed investors. Safeture has a goal of becoming profitable at an ARR of SEK65m.

Acquisition target

There is an ongoing consolidation in the market, where larger assistance/security companies acquire smaller software providers like Safeture. We believe Safeture could be a possible target.

Strengthened partner network

As Safeture leverages a partner network and has established itself as a reliable tech provider to assistance companies, news of additional partners and sales via the partnership network ought to be good catalysts for the stock. Especially larger deals should act as catalysts for the stock.

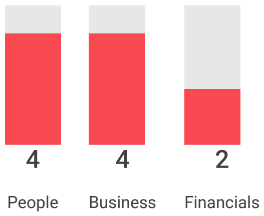
SaveLend Group YIELD

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

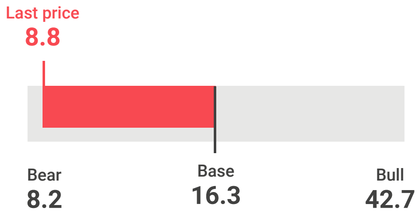
Publication date
January 12 2023

Redeye Rating

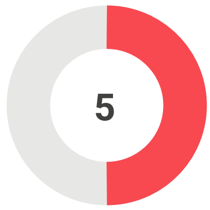
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Marketplace	First North Stockholm
CEO	Ludwig Pettersson
Chairman	Bo Engström

Share information

Share price (SEK)	8.8
Number of shares (M)	53.6
Market cap (MSEK)	470
Net debt (2023E, MSEK)	-12

Analyst

Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in SaveLend 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		
	2021	2022E	2023E	2024E
Revenue, MSEK	94	151	232	312
Growth	*66.8%*	*60.7%*	*53.5%*	*34.6%*
EBITDA	-18	-9	31	75
EBITDA margin	*Neg*	*Neg*	*13.2%*	*24.0%*
EBIT	-28	-29	6	45
EBIT margin	*Neg*	*Neg*	*2.5%*	*14.3%*
Pre-tax earnings	-29	-30	7	46
Net earnings	-29	-30	5	36
Net margin	*Neg*	*Neg*	*2.3%*	*11.6%*
Dividend/Share	-0.19	-0.17	0.03	0.20
EPS adj.	-0.61	-0.55	0.11	0.68
P/E adj.	-13.5	-16.8	87.7	13.6
EV/S	3.9	3.2	2.1	1.5
EV/EBITDA	-20.5	-55.3	15.8	6.2

Last updated: 2022-12-14

Owner	Equity	Votes
Ludwig Pettersson	19.1%	19.1%
Claes Hallén	8.6%	8.6%
P&N Wolf Marketing AB	7.2%	7.2%
Jonas Ahlberg	6.1%	6.1%
Jacob Gevcen	6.1%	6.1%
Nordnet Pensionsförsäkring	5.2%	5.2%
Thoren Tillväxt AB	4.9%	4.9%
Avanza Pension	3.2%	3.2%
TNGN Invest AB	2.5%	2.5%
Alexander Lidén	2.2%	2.2%

Company description

SaveLend Group is a fintech company founded in 2014 that is active in two defined niche markets: alternative financing and invoice transactions. The CEO and founder, Ludwig Petterson, saw a possibility for private investors to receive good returns by investing in credits, which had previously not been possible and only some banks could profit from. Since 2014, SaveLend has grown to have more than 60 FTEs across offices in Sweden, Finland, and Poland.

Investment thesis

Case

A high growth company in the beginning of its scalability

SaveLend Group has had a high growth year over year since 2019 and the growth has accelerated, we estimate the growth will continue and the scalability will start to be shown as the organization is built. The growth will be mainly driven by the Swedish and Finnish markets, while an expansion to additional 13 European countries and acquisitions can further increase the growth. Backed by an exceptional CEO and high ownership from the board, management, and other operatives

Evidence

The bus is full and the foundation is built

In the past years has focus been on growth and building the company, resulting in negative profit margins. Since the first quarter of 2022 has the focus been to become profitable and cash flow positive, meanwhile still growing. The group has had high double-digit growth and there are many more pockets of growth to further increase the growth, institutional investors have only been a small part of the AUM on the investing platform. Growth is coming from three factors on both platforms: New customers, existing customers growing, returns on the investing platform, and additional services connected to the invoices issued. The two platforms have been updated and there is no more need to increase the headcount in order to grow.

Challenge

Credit losses

A high amount of credit losses on the investing platform would maybe deter and slow down the growth in assets under management or even have an outflow of the capital from the platform. The credit losses wouldn't affect the company directly as the investors are taking the risk, however, the loss in reputation and brand badwill could be enough for the growth to stagnate or be negative.

Challenge

Bad market sentiment

SaveLend Group has only been operating during a period when the economy has been good, so both platforms have not been stress tested. A downturn in the economy and market sentiment could deter investors from investing and cause companies to send fewer invoices, which would affect both SaveLend's platforms negatively. Meanwhile, it could be a blessing in disguise, letting the platforms show their resilience could be the best thing for the company in the long run.

Valuation

Low valuation for the growth and potiential in profitability

Trading at 2.9 times sales (EV/S) of 2022 estimates and 9.2 times EBITDA (EV/EBITDA) on 2024 estimates, is SaveLend Group cheaply valued in relations to the growth. Peers are valued at 3.8 and 6.4 times sales, on median and average respetively. With a lot higher growth expectations on our estimates than peers, do we find it very attractively valued. Our fair value range is from SEK8.2 to SEK42.7. We find our base case based on a DCF valuation to be SEK16.3 per share and it leaves a lot more on the profitability as the terminal EBIT level is set to 25%, meanwhile peers has a lot higher EBIT margins (30-65%).

Catalyst types

M&A

SaveLend Group has an outspoken strategy to conduct M&A activities. We see the possibility to do horizontal, vertical, and acquisition of collection portfolios. One acquisition could be transformational for the group and expand its geographical addressable market or add on a new market segment which creates synergies with the existing segments.

Signing of Large Billecta Customers

Billecta has in the past signed big customers which have increased its segment and group net sales significantly.

Showing positive EBITDA margins

We see the event of SaveLend Group haveing a positive EBITDA margin as a catalyst due to investors changing their view of the company.

Expansion to new markets successful

The expansion to 13 new European markets was successful and resulted in higher growth of the AUM and new investors.

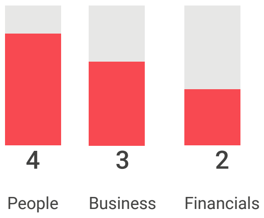
Scandinavian Enviro Systems SES

Company page
https://www.redeye.se/company/scandinavian-enviro-systems-2

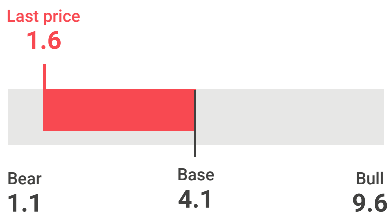
Publication date
January 12 2023

Redeye Rating

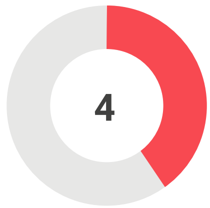
COMPANY QUALITY



FAIR VALUE RANGE

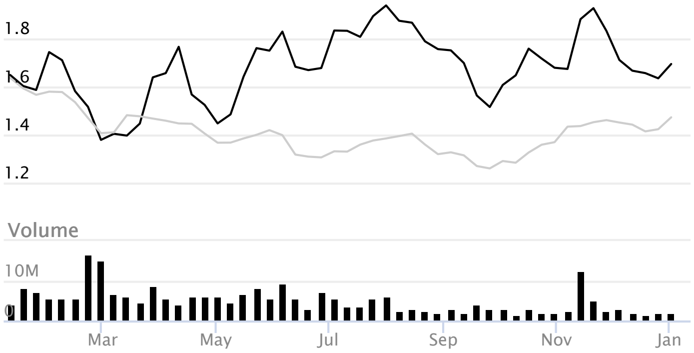


TIMELINESS



Snapshot

Scandinavian Enviro Systems
OMXS30



Marketplace	First North Stockholm
CEO	Thomas Sörensson
Chairman	Alf Blomqvist

Share information

Share price (SEK)	1.6
Number of shares (M)	656.6
Market cap (MSEK)	1,079
Net debt (2023E, MSEK)	-30

Analyst

Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in Scandinavian Enviro Systems: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	8	9	10	66
Growth	*>100%*	*15.0%*	*15.0%*	*>100%*
EBITDA	-43	-46	-31	65
EBITDA margin	*Neg*	*Neg*	*Neg*	*98.7%*
EBIT	-57	-47	-33	57
EBIT margin	*Neg*	*Neg*	*Neg*	*87.5%*
Pre-tax earnings	-57	-47	-33	58
Net earnings	-57	-47	-33	58
Net margin	*Neg*	*Neg*	*Neg*	*87.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.09	-0.07	-0.05	0.09
P/E adj.	-20.7	-22.9	-33.1	18.7
EV/S	139.5	113.8	104.2	17.3
EV/EBITDA	-24.4	-21.6	-33.3	17.5

Last updated: 2023-01-12

Owner	Equity	Votes
Michelin	20.0%	20.0%
Avanza Pension	7.6%	7.6%
Nordnet Pensionsförsäkring	2.8%	2.8%
Peak Asset Management	1.9%	1.9%
Jula Holding	0.9%	0.9%
Stig-Arne Blom	0.7%	0.7%
Swedbank Försäkring	0.7%	0.7%
Leif Rydén	0.6%	0.6%
Jan Emander	0.5%	0.5%
Thomas Larsson	0.4%	0.4%

Company description

Enviro provides industrialised processes able to handle 30k tons of end-of-life tyres (ELT), which are pyrolysed (heated) using Enviro's patented technology. The ELTs are decomposed into recycled, valuable, and high-quality raw materials, such as carbon black (rCB), oil (TPO), and steel. The tyre- and petrochemical industries are expected to constitute close to 100% of the demand for Enviro's products, and it will be key for Enviro that the industries adopt the materials in the production to fully realise the potential. The customer base is divided into two segments: Plant investors, which could be recycling companies or financial investors, and raw material purchasers, being companies within the tyre- and/or the petrochemical industry – industries that offer a multi-billion-dollar opportunities and requiring thousands of Enviro plants to fully exploit the potential.

Investment thesis

Case

Offering a highly attractive solution for unsolved ELT recovery issue

Over the years, many attempts have been made to recover the valuable materials inside a tyre once it has reached its end of life. Attempts have failed due to material complexity, making it very difficult to produce high-quality materials for commercial use. Enviro has proved it possible, using its patented technology that allows for full ELT material recovery (rCB, TPO, steel) that can be sold, and re-introduced to a wide range of applications. As a pioneer in the industry, with many years of trial and error and a good track record in terms of material validation from production tests, we argue Enviro enjoys a first-mover advantage and should be several years ahead of competitors

Evidence

Michelin has validated Enviro and its technology

Since 2020, Enviro has managed to attract Michelin to become the largest shareholder in Enviro and initiated a joint plant construction in Chile. Also, Michelin, in 2022, unveiled 2 sustainable commercial tyres with rCB inside for launch in 2-3 years. Enviro has also received ISCC certification for its rCB and TPO, making it possible to sell it commercially. Furthermore, successful production tests from a top 10 global oil company have taken place. We, therefore, argue that Enviro has managed to fulfil its growth plan upon this point. The demand for Enviro's products has been further spurred since the war in Ukraine and structural high oil prices –increasing incentives for companies to use Enviro's recycled products.

Challenge

Capital intensive business

Enviro is planning to fully- or co-own the production facilities it builds. CAPEX for one plant is expected to be around SEK 400m, which is a sizeable figure for a company of Enviro's current size. Even a 20% share in the venture (SEK80m) is a significant amount that needs to be financed, which may require future capital injections into Enviro. However, we believe that plant financing will be possible if Enviro signs off-take agreements for its raw materials.

Challenge

rCB fails to take off

Following the successful TPO production test from one of the worlds leading oil companies, we believe there should be no issues offsetting produced TPO volumes, given its sustainable characteristics and the high global demand for crude oil. Instead, one of our greatest concerns is that rCB-demand fails to take off, which would harm the calculation of Enviro's plants and/or the pace of the rollout phase. However, after Michelin's unveiling of two sustainable tires (incl.-rCB) approved for road use that will be launched within 2-3 years, we feel more comfortable than ever that rCB will play an important role in the future.

Valuation

Signficant upside potential but dependent on growth plan execution

We have derived a fair value range for Enviro of SEK1.1 – SEK9.6, with a base case SEK4.1 per share. Our scenarios are primarily driven by the extent to which recovered materials can replace current materials in the future and Enviro's estimated market share. In our base case, we see Enviro installing 52 plants by 2040, implying an rCB substitution rate of 11% and 17% market share for Enviro in 2040. The wide range illustrates the long-term horizon we have in our estimates and the risks that are involved, as Enviro is still to construct its first plant, and it is yet to sell significant volumes of its raw materials. As milestones are met and risks removed, we expect to tighten this wide range, reduce the risk premium, and make updated base case assumptions using the realised sales figures from the sales of TPO and rCB

Catalyst types

New partnerships

Enviro has signed a partnership with Michelin, partly regarding the development of rCB. We believe another partnership could take place, but this time with a company from the petrochemical industry, which would enhance the product development of TPO. Any communication regarding this would be a catalyst.

Signing off-take agreements and securing financing for the Uddevalla plant

We consider signed off-take agreements for the recovered raw materials (TPO & rCB) as a cornerstone for securing financing for the Uddevalla plant. We believe this should be closer in time than ever before following successful production tests (TPO) and Michelin's unveiling of road-approved sustainable tires (rCB). Any positive outcome regarding off-take, financing, and construction would likely be a catalyst.

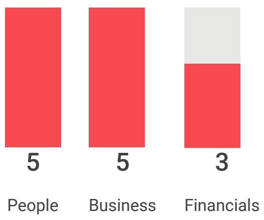
Sdiptech SDIP B

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

Publication date
January 12 2023

Redeye Rating

COMPANY QUALITY



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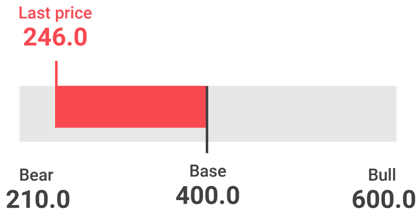
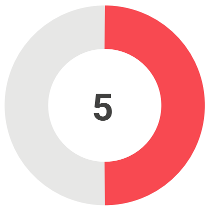
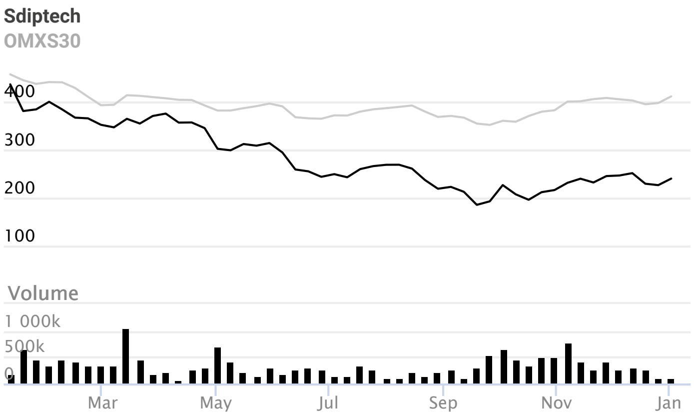


TIMELINESS



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Jakob Holm
Chairman	Jan Samuelson

Share information

Share price (SEK)	246.0
Number of shares (M)	37.8
Market cap (MSEK)	9,299
Net debt (2023E, MSEK)	3,431

Analyst

Niklas Sävås
niklas.savas@redeye.se

Conflict of interests

Niklas Sävås 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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	2,719	3,406	4,337	4,946
Growth	*30.2%*	*25.3%*	*27.3%*	*14.0%*
EBITDA	506	769	987	1,162
EBITDA margin	*18.6%*	*22.6%*	*22.8%*	*23.5%*
EBIT	364	563	759	923
EBIT margin	*13.4%*	*16.5%*	*17.5%*	*18.7%*
Pre-tax earnings	325	472	639	785
Net earnings	247	356	499	612
Net margin	*9.1%*	*10.4%*	*11.5%*	*12.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	6.92	9.41	13.19	16.19
P/E adj.	68.2	22.6	16.1	13.1
EV/S	7.0	3.2	2.6	2.4
EV/EBITDA	37.5	14.0	11.6	10.2

Last updated: 2023-01-12

Owner	Equity	Votes
State Street Bank And Trust co	12.6%	8.5%
Euroclear Bank S.A/N.V	10.7%	7.2%
Swedbank Robur Fonder	9.1%	6.1%
Vulcan Value Partners, LLC	9.0%	6.1%
Handelsbanken Fonder	6.7%	4.6%
Invesco	6.5%	4.4%
Svensk, Alandsbanken Abp (Finland)	5.9%	20.3%
Saeid Esmaeilzadeh	5.5%	20.0%
Ashkan Pouya	5.4%	19.9%
JP Morgan Chase Bank NA	3.8%	2.5%

Company description

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

Sdiptechs growth strategy relies heavily on acquisitions, and the company has a target of acquiring SEK 120-150m in EBITA annually. The group is using a decentralized model, where the overtaken entities keep most of their operational freedom.

Investment thesis

Case

Opportunistic acquirer with a short history
Sdiptech's model is to acquire profitable companies and use the cash flows to acquire additional companies. In recent years Sdiptech has been a rather aggressive acquirer having made several equity issues in recent years in order to accelerate growth. While it started in 2016 buying service businesses with lower margins, the strategy has shifted to only buying high-margin companies within a broadly defined infrastructure sector. We believe the short history and mixed organic growth have led to the discount against peers.

Evidence

Infrastructure niches supporting organic growth
Among the listed serial acquirers, steady organic growth is rare. Sdiptech has an organic EBITA growth target of 5-10%, which was reached between 2019 and 2021. The business units' strong niche market positions, give a potential for high-profit margins and structural market trends favor the businesses that Sdiptech acquires. While we find the upper limit of Sdiptech's target range for organic growth ambitious, we forecast an organic sales growth of ~4% from 2022 to 2028. Combining organic and acquired growth, we believe Sdiptech is heading towards becoming a much larger company. Sdiptech is cautious about synergy realization from acquired companies, due to its decentralized strategy. Instead, they create value in the acquired companies through their industrial focus on infrastructure, where Sdiptech has both market insight and technical know-how to contribute to strategy and business development.

Challenge

Profitability and organic growth challenges
If a situation like the problems in the elevator business was to occur again, we believe the share would take another hit due to deteriorating investor confidence and also less room for further acquisitions. Sdiptech has a relatively high leverage level where it needs continued strong cash flows to continue to acquire at the planned pace of SEK120m to SEK150m in EBITA per year. We believe Sdiptech will tackle this by continuing to deliver substantial improvements across its group companies.

Challenge

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

Valuation

Still on discount - solid performance to drive the share price
The Sdiptech share has outperformed the stock market in recent years. The management team has been opportunistic, issuing shares at high valuations and buying companies at lower valuations. What is missing for Sdiptech to be valued in-line with peers such as Lifco, Indutrade, Addtech and Lagercrantz is for it to continue to execute in line with its strategy. Sdiptech buys higher margin businesses at slightly higher valuations than its peers and to reach 15%+ return on capital it must drive at least mid to single-digit organic growth across the group. We think solid performance ahead will close the gap against it peers.

Catalyst types

Organic growth in line with Sdiptech's financial target
Sdiptech has a financial target of a 5-10% organic growth in EBITA per annum. The goal corresponds to a 5-10% organic sales growth, assuming constant margins in the long run. We forecast about 3% organic growth, and we believe a higher level is a catalyst for the stock.

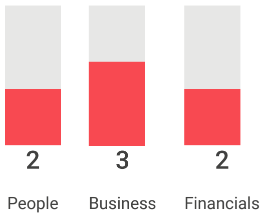
Seamless Distribution Systems SDS

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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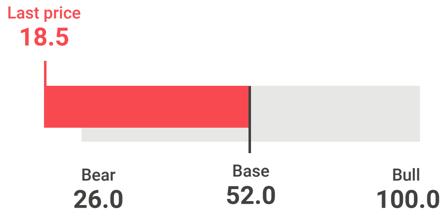

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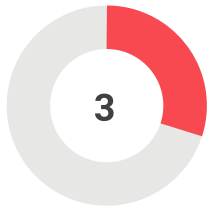
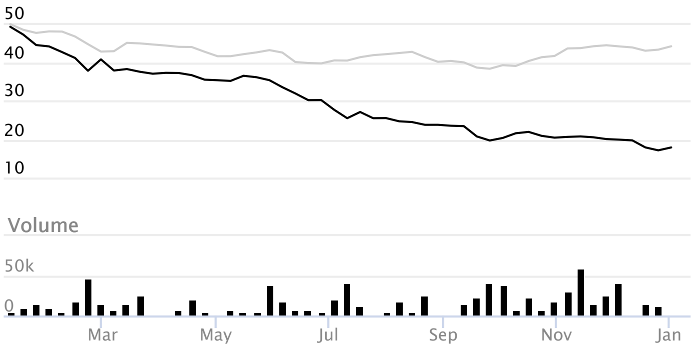


Snapshot

Seamless Distribution Systems
OMXS30



Marketplace	First North Stockholm
CEO	Martin Schedin
Chairman	Martin Roos

Share information

Share price (SEK)	18.5
Number of shares (M)	10.5
Market cap (MSEK)	194
Net debt (2023E, MSEK)	198

Analyst

Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Seamless Distribution Systems: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	288	286	309	331
Growth	*-2.5%*	*-0.9%*	*8.2%*	*7.2%*
EBITDA	64	64	83	103
EBITDA margin	*22.3%*	*22.5%*	*26.7%*	*31.0%*
EBIT	27	16	32	50
EBIT margin	*9.5%*	*5.6%*	*10.3%*	*15.0%*
Pre-tax earnings	11	-7	9	27
Net earnings	6	-9	7	21
Net margin	*2.1%*	*Neg*	*2.2%*	*6.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.61	-0.81	0.65	2.02
P/E adj.	83.1	-25.3	31.6	10.1
EV/S	2.4	1.4	1.3	1.2
EV/EBITDA	10.6	6.4	5.0	3.9

Last updated: 2022-10-25

Owner	Equity	Votes
Avanza Pension	18.6%	18.6%
Swedbank Försäkring	10.2%	10.2%
Goldman Sachs International	10.0%	10.0%
ÖstVäst Capital Management	10.0%	10.0%
Saxo Bank A/S Client Assets	9.2%	9.2%
Veronica Wallman	7.5%	7.5%
Gunnar Jardelöw	6.4%	6.4%
Tomas Klevbo	5.7%	5.7%
Leif Brandel	4.6%	4.6%
Martin Roos	3.4%	3.4%

Company description

Seamless Distribution Systems ("SDS") is a Swedish software company that provides solutions for digital sales, distribution, and financial services to private individuals through telecom operators in emerging countries. To a large extent, it operates solutions that are business-critical for its customers, managing the monetary flows throughout the value chain. Its systems are responsible for, in many cases, channeling up to 80-90% of its customers' revenues. In 2020, 15 billion transactions were generated in its systems, to a value of USD 15bn.

SDS has launched a series of solutions, which aim to leverage the data from the billions of transactions in its systems. By applying big data analytics and AI tools, in what the Company refers to as "Business Intelligence", it aims to help its customers make better business decisions. Its broad portfolio of solutions includes Sales Force Optimization and Micro Credits, to name a few. These are forecast to significantly increase SDS' recurring revenues, which in 2020, accounted for ~30% of total sales. The acquisition of Riaktr, the most significant acquisition to date, seriously demonstrates SDS's focus on strengthening this offering.

Investment thesis

Case

Expanding within the installed base

Thanks to current challenges, including (1) negative sales growth and (2) a failed CEO recruitment, both market sentiment and investor confidence have soured, and the share is trading in the bear market territory. However, we still recognize a compelling long-term case where the depressed share price could create an attractive entry should both issues resolve. We forecast an organic 2021–25e sales CAGR of 9% and an average EBIT margin of 11% between 2022–25e. We anticipate most of this growth will be driven by existing customers, thanks to built-in switching costs in the business model. This means either through upsells to existing mobile operators or gaining additional mobile operators in existing groups. The company entered agreements with three new mobile operator groups in 2021: Telenor, Vodafone and Orange. We consider this a major catalyst as it could support sales growth for years to come. Moreover, with the launch of its RVM suite, SDS aims to provide complete solutions rather than standalone point products. In H2 2021, SDS agreed to provide its complete RVM suite to support Vodafone's launch of operations in Oman. Additional agreements of this sort would validate the case and the growth opportunities ahead.

Evidence

Proven playbook for growth

SDS gained its first contract from MTN Group (Africa's largest mobile operator group) in 2006 and currently serves 18/20 of its operators. MTN has become SDS's largest customer, accounting for ~20% of sales. Therefore, we think SDS has a proven playbook for this type of expansion. This should come in handy when increasing sales to more recent customers such as Telenor, Vodafone and Orange – all won or acquired in 2021.

Challenge

Slow-moving customers with bargaining power

We assume the size of SDS's customers – some of the largest mobile operator groups in Africa and the Middle East – give them the natural upper hand around the negotiation table. Moreover, we anticipate bureaucratic and long purchase processes and scepticism towards new and innovative products thanks to their size. This could hamper topline growth.

Challenge

Higher interest rates

SDS issued a SEK200m bond in 2021 to finance the acquisition of Riaktr and replace existing loans. The bond has an expected maturity of three years and carries a three-month STIBOR plus 8.75% interest. Standalone, the 8.75% gives rise to annual interest expenses of SEK17.5m, which we consider high, especially in relation to EBIT (SEK27.4m in 2021). In this higher interest environment, each 1%-point STIBOR increase incurs an additional SEK2m in expenses.

Valuation

Forecasting long-term growth

Our DCF analysis indicates a Base Case of SEK52 per share (Bull: SEK100; Bear: SEK26) based on a 7% sales CAGR during our forecast period (2021-2034e) and an 18% terminal EBIT margin. Our Base Case translates into EV/sales and EV/EBIT multiples of about 2x and 23x in 2023e.

Catalyst types

Gaining Additional Customers

Adding a new telecom operator group to the customer base is an important milestone. It enables SDS to expand within the group, potentially generating substantial income over a longer period of time.

M&A activity

SDS has a solid M&A track record, identifying targets where substantial synergies can be realized. The Riaktr acquisition is forecast to add double-digit growth to the core business. Future M&A announcements should have a significant impact on the share price.

Increased Institutional Ownership

We spot room for increased institutional ownership - which would strengthen the case further. At this point, SDS has one qualified investor - ÖstVäst Capital Management.

Business Intelligence (BI)

SDS applies a shared revenue model for its BI-solutions, which yields significantly higher potential than its traditional business model. The Bull case is strongly coupled to a successful BI-rollout. For this reason, we expect a positive news flow to have a substantial share price impact.

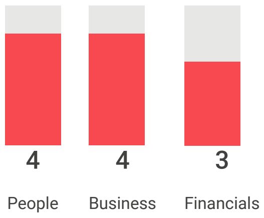
Sensys Gatso Group SENS

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

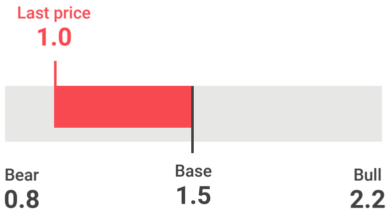
Publication date
December 27 2022

Redeye Rating

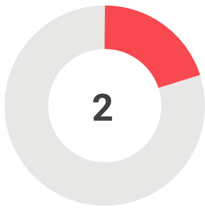
COMPANY QUALITY



FAIR VALUE RANGE

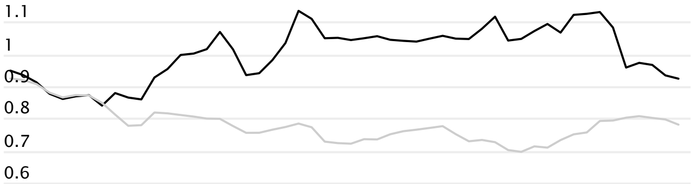


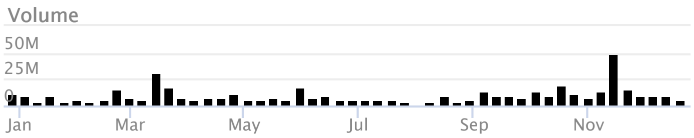
TIMELINESS



Snapshot

Sensys Gatso Group
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Ivo Mönnink
Chairman	Claes Ödman

Share information

Share price (SEK)	1.0
Number of shares (M)	921.8
Market cap (MSEK)	904
Net debt (2022E, MSEK)	-132

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Sensys Gatso Group: No

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

Financials

	2020	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	455	507	455	604	650
Growth	*12.0%*	*11.4%*	*-10.2%*	*32.6%*	*7.6%*
EBITDA	59	78	50	93	111
EBITDA margin	*13.1%*	*15.4%*	*10.9%*	*15.4%*	*17.1%*
EBIT	11	40	8	51	71
EBIT margin	*2.4%*	*7.9%*	*1.7%*	*8.4%*	*10.9%*
Pre-tax earnings	-17	44	20	51	67
Net earnings	-16	36	9	40	57
Net margin	*Neg*	*7.1%*	*2.0%*	*6.5%*	*8.8%*
Dividend/Share	0.00	0.02	0.00	0.02	0.03
EPS adj.	-0.02	0.04	0.01	0.04	0.06
P/E adj.	-93.3	26.2	103.7	24.0	17.9
EV/S	3.2	1.7	1.8	1.3	1.2
EV/EBITDA	24.2	11.4	16.5	8.7	6.9

Last updated: 2022-11-17

Owner	Equity	Votes
(Gc) BNP Paribas SA Paris	17.8%	17.8%
Gatso Special Products B.V.	17.7%	17.7%
Avanza Pension	4.0%	4.0%
Nordnet Pensionsförsäkring	3.9%	3.9%
Per Wall	2.5%	2.5%
Inger Bergstrand	2.2%	2.2%
Handelsbanken Fonder	1.3%	1.3%
Dimensional Fund Advisors	1.2%	1.2%
Christian Kock	1.0%	1.0%
Claes Mellgren	0.9%	0.9%

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 thesis

Case

Growing recurring revenue with higher margin

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 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.

Evidence

Potential in expanding its strong position

The strongest market driver in Managed Services is school zones, where Sensys Gatso can leverage its expertise and competitive advantages in other adjacent areas and opportunities e.g. distracted driving, parking, 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 of approval procedures in each country.

Challenge

Cost base for two business areas has historically been hard to handle

Sensys Gatso has during the last few years had poor profitability despite growing its revenue base. We believe this is due to the large cost base it has received from building up its two separate business areas - system sales and the US TRaaS business. However, we are now seeing improved profitability as the US TRaaS business seems to have grown into its cost suit.

Valuation

Base Case at SEK 1.9

Our valuation range spans between SEK 1.0 and SEK 3.1, with Base Case at SEK 1.9. With a growing base of recurring revenue with a higher margin profile, we believe continued growth and margin expansion will fuel the share price.

Catalyst types

Quarterly reports showing strong Y/Y growth

With a record-high order log, we believe the company will show strong growth in the quarters to come - both in terms of sales and profits. Apart from the strong order log, the company has a larger base of recurring TRaaS revenue, which acts as a good foundation. Also, we think revenue from managed services is somewhat depressed from covid lockdowns. The combination of these three factors will likely produce good Y/Y growth going forward - something we think will drive the share price.

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

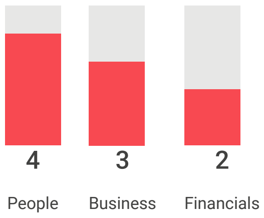
Sivers Semiconductors SIVE

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

Publication date
January 12 2023

Redeye Rating

COMPANY QUALITY



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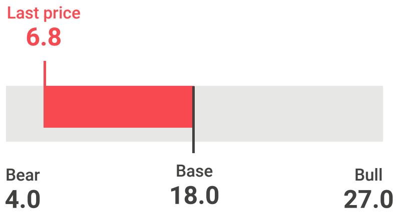

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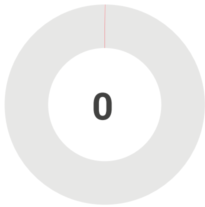
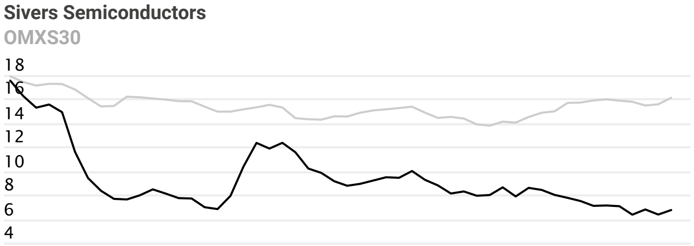
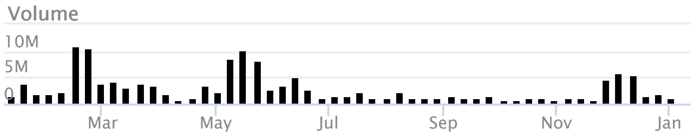


Snapshot





Marketplace	NASDAQ Stockholm
CEO	Anders Storm
Chairman	Thomas Duffy

Share information

Share price (SEK)	6.8
Number of shares (M)	214.0
Market cap (MSEK)	1,444
Net debt (2023E, MSEK)	-99

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch 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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	91	118	163	397
Growth	*-5.7%*	*29.9%*	*38.7%*	*>100%*
EBITDA	-107	-78	-70	66
EBITDA margin	*Neg*	*Neg*	*Neg*	*16.5%*
EBIT	-141	-184	-150	6
EBIT margin	*Neg*	*Neg*	*Neg*	*1.4%*
Pre-tax earnings	-132	-178	-144	9
Net earnings	-134	-191	-157	2
Net margin	*Neg*	*Neg*	*Neg*	*0.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	N/A	N/A	N/A	N/A
EV/S	N/A	N/A	N/A	N/A
EV/EBITDA	N/A	N/A	N/A	N/A

Last updated: 2022-12-01

Owner	Equity	Votes
Sellers Of Mixcomm	18.3%	18.4%
Rothesay Ltd	13.3%	13.4%
Swedbank Robur Fonder	9.5%	9.6%
Ubp Clients Assets - Sweden	9.3%	9.3%
Avanza Pension	5.5%	5.6%
Keith Halsey	4.9%	5.0%
AMF Pension & Fonder	4.2%	4.3%
Nordnet Pensionsförsäkring	1.8%	1.8%
Tredje AP-fonden	1.4%	1.4%
Sivers Semiconductors AB	1.3%	0.8%

Company description

Sivers Semiconductors is a semiconductor company focused on wireless and optical communications through two segments, Wireless, and Photonics. Sivers Wireless develops radio frequency (RF) chips and antennas for advanced 5G systems – particularly millimetre wave (mmWave) – and Satellite communications (SATCOM). Sivers Photonics develops and manufactures semiconductor-based products for optical communications and sensing markets for the telecommunications (telecom), data communications (datacom) industries.

Investment thesis

Case

Exciting pipeline within Photonics with Wireless diversifying risks

Sivers has an attractive pipeline of initiatives in its Photonics segment, each of which, albeit binary in nature, may yield a 5x rise in revenue over a relatively short time frame. We are confident Sivers' customer Ayar Labs will move to volume production in 2024 with pre-series orders starting in H2'23 based on Ayar Labs communication at Sivers CMD (2022-09-26). This alone has the potential to bring in USD145m for Sivers between 2022 and 2026 – 3x more than Sivers' trailing five-year net sales. Sivers also has three F100 customers – each of which could result in annualized revenues of SEK500m (cUSD50m). We are optimistic on the longest serving F100 customer will start volume production in H2'24 with a pre-series phase in H2'23. Sivers has more than 40 design wins related to its Wireless segment which diversifies the binary nature of Photonics. While we are pessimistic about Sivers 5G portfolio, we see that the SATCOM business is moving forward with pre-series orders worth USD1.4m. Sivers estimate this customer to be worth USD30m between 2022 and 2024 with a lifetime value of USD250m. We expect more design wins relating to Wireless to move to volume production by end of 2024

Evidence

Opportunity of Photonics orders from three Fortune 100 companies

Photonics has received several pre-series orders exceeding SEK 130m from a Fortune-100 company. If the customer proceeds, it will imply very large volumes (around SEK 500m annually), representing a significant growth opportunity, albeit rather binary. Moreover, Sivers Ayar Labs customer comminicates its expecting to ramp on Sivers products within the next three years.

Challenge

Wireless crowded by tier-2 operators

It is critical for Sivers to concentrate on customers whose products succeed. Sivers, for example, announced in 2020 that it had been awarded a three-year deal worth cSEK450m. However, because Sivers' customer missed its customer window, the order was placed on indefinite hold. Currently, the majority of Sivers' Wireless customers are tier-two vendors such as CCS (Cambridge Communications Systems), 8Devices, Cambium (NASDAQ: CMBM), and Airvine. Furthermore, the majority of these are in Europe, which is lagging in terms of mmWave deployment. However, our channel checks reveal that Cambium has a well-positioned portfolio with a strong North American base. Furthermore, Sivers has ADTRAN (NASDAQ: ADTN) as a customer, a well-known tier-one service provider in the United States. Lastly, Sivers claims to have one tier-1 customers which it received with its MixComm acquisition.

Challenge

Photonics not moving forward

Sivers is tight-lipped about its photonics customers, but it has revealed that three Fortune 100 organizations are actively testing its technologies. The first F100 customer has reviewed Sivers for close to four years and is being evaluated for a consumer product. The F100 customer has spent cUSD13m on engineering. We note that other companies focused on photonics have earned much more on engineering before product launch. For example, Apple has spent cUSD70m on engineering fees with Rockley Photonics which produces photonics solutions to track biomarkers. In contrast, Sivers's first F100 customer has only spent cUSD13m. Thus, one challenge is that Sivers's first F100 customer might not find Sivers offering attractive. A second challenge is that the F100 customer will spend much more on engineering before the product launch, delaying the volume ramp.

Valuation

Attractive pipeline of projects should close the valuation gap

In short, Sivers have an attractive pipeline of projects where we estimate an 80% likelihood of its unnamed SATCOM customer and Ayar Labs moving to volume production in late 2023 or 2024. Followed by its first F100 customer in H2'24. We estimate a sales CAGR 2023—2027 of 72%. The scale-up should allow for significant EBIT expansion and we forecast Sivers reaching EBIT break-even in 2024 and EBIT-margin by 2027 of 25%. This result in a Base Case of SEK18 per share

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 has two other F100 customers evaluating Sivers offering. If any of these customers moves forward and decides to integrate Sivers Semiconductors's components in their final product, it would entail substantial growth for Photonics segment.

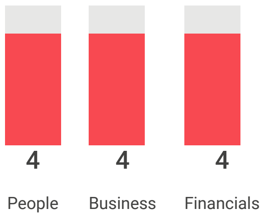
Sleep Cycle SLEEP

Company page
https://www.redeye.se/company/sleep-cycle

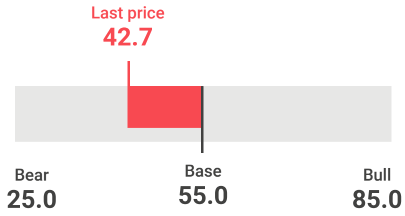
Publication date
January 12 2023

Redeye Rating

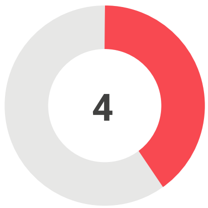
COMPANY QUALITY



FAIR VALUE RANGE

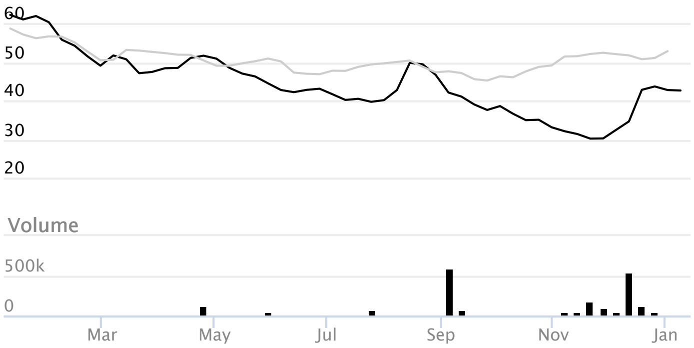


TIMELINESS



Snapshot

Sleep Cycle
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Carl Johan Hederoth
Chairman	Lars Berg

Share information

Share price (SEK)	42.7
Number of shares (M)	20.3
Market cap (MSEK)	866
Net debt (2023E, MSEK)	-261

Analyst

Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Sleep Cycle: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	183	215	270	333
Growth	*17.5%*	*25.6%*	*23.5%*	
EBITDA	12	55	64	85
EBITDA margin	*6.8%*	*25.5%*	*23.7%*	*25.6%*
EBIT	11	49	59	79
EBIT margin	*5.8%*	*22.9%*	*21.7%*	*23.6%*
Pre-tax earnings	11	49	59	79
Net earnings	8	39	47	63
Net margin	*4.6%*	*18.4%*	*17.4%*	*18.9%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.44	2.04	2.43	3.27
P/E adj.	146.4	20.6	17.3	12.9
EV/S	5.9	2.8	2.0	1.4
EV/EBITDA	87.4	11.1	8.6	5.5

Last updated: 2022-11-28

Owner	Equity	Votes
Maciej Drejak	42.1%	42.1%
GLA Invest SA	22.7%	22.7%
Handelsbanken Fonder	7.5%	7.5%
Skandia Fonder	3.5%	3.5%
Petter Wallin	3.4%	3.4%
Nordnet Pensionsförsäkring	2.9%	2.9%
Avanza Pension	2.7%	2.7%
SEB Fonder	2.5%	2.5%
Tredje AP-fonden	1.7%	1.7%
Lancelot Asset Management AB	1.6%	1.6%

Company description

Sleep Cycle is a market-leading (>50% market share) sleep-tracking app that helps users to improve their health through better sleep. The app uses an AI-based audio technology to measure, quantify, and provide personalized insights based on the company's sleep database (~500 million nights of data). Sleep Cycle operates primarily on the mobile sleep-tracking app market, which is defined as applications that can offer basic functionality, including sleep tracking, smart alarms, and snore detection. Consequently, most users access the app through their smartphones, purchasing it via channels such as Apple App Store, Google Play Store, and Huawei App Gallery.

Investment thesis

Case

An organic success story with an attractive business model
By buying into Sleep Cycle, investors gain access to the leading sleep-tracking app (>50% market share), which has taken the top spot largely thanks to outstanding organic subscriber intake. The business model is asset-light (software), 100% subscription-based, has a good cash conversion rate (>100%) due to annual upfront payments, and has relatively low reinvestment needs. Consequently, we see Sleep Cycle being able to grow at >20% and report EBIT margins in the 20-25% range in the medium term. Sleep Cycle has around 2.1 million monthly users and an extensive database comprising about 500 million nights of sleep data. In Q3'22, its subscribers base was at 912,000 at an ARPU of SEK 239.

Evidence

Well-positioned in a growing market
Public interest in sleep has spiked in recent years, partly owing to increased awareness of the health risks associated with sleep deprivation and the physical and cognitive benefits of good sleep. The market was valued at SEK 5bn in 2020. Furthermore, the same report estimates that the market will grow by approximately 19% a year in 2020-2025, primarily driven by increased demand, a willingness to pay for digital health services, and the expanding adoption of subscription-based business models.

Challenge

Potential competition from Apple and Google
Sleep Cycle sells primarily through Apple App Store and Google Play Store and has benefited tremendously from the two tech companies' reach to consumers worldwide. However, we argue that Apple and Google also represent possible competition, as both have recently increased investments in sleep health and tech, with their health informatics apps, Apple Health and Google Fit, and wearables that would gain from having more sleep data and functions targeting sleep.

Challenge

New distribution channels and expanded product offering fail
Sleep Cycle seeks to expand into new user channels via partnerships (such as Samsung) or its corporate wellness offering. The latter is a new initiative that targets companies that are increasingly focusing on employee health, aiming to improve productivity and employee well-being. Should the new initiatives not work out as expected, there could be a hit to the subscriber intake.

Valuation

Valuation
We expect Sleep Cycle to maintain its market leadership and to amass ~1.08m subscribers by 2024. We forecast a stable intake of organic subscriptions, steady renewal rates, successful performance marketing, and other paid channel initiatives. We expect Sleep Cycle to perform well and grow by >20% and have EBIT margins in the >20-25% range, many thanks to improved product offerings and increased ARPU. The base case is set to SEK 55.

Catalyst types

Higher bid
Sleep Cycle has received a cash offer of SEK42.5 per share. However, the share price has traded above that level for a month, and a higher price would be a catalyst.

Growing partnership network
Sleep Cycle signs more partnerships and expands its growth avenue

Subscriber growth returns
Subscriber intake turns positive again, with improved ARPU

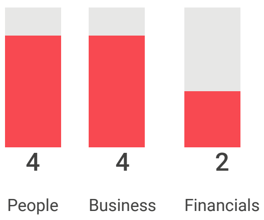
Smart Eye SEYE

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

Publication date
December 27 2022

Redeye Rating

COMPANY QUALITY



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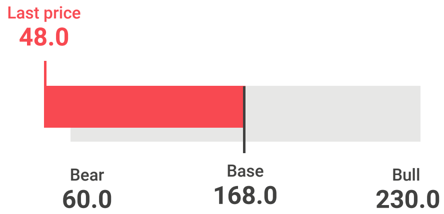
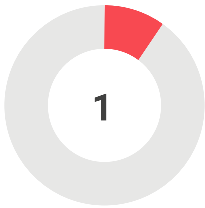
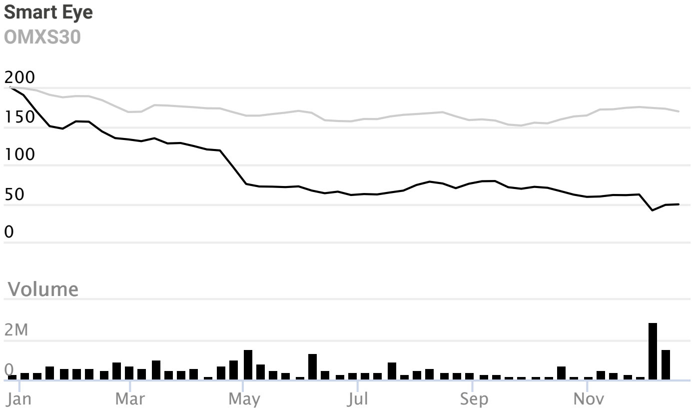


TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Martin Krantz
Chairman	Anders Jöfelt

Share information

Share price (SEK)	48.0
Number of shares (M)	22.2
Market cap (MSEK)	1,068
Net debt (2022E, MSEK)	72

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch 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

	2020	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	61	109	220	373	623
Growth	*8.3%*	*78.3%*	*>100%*	*69.5%*	*67.2%*
EBITDA	-52	-89	-185	-61	129
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*20.7%*
EBIT	-75	-131	-334	-222	-40
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-76	-131	-335	-222	-40
Net earnings	-76	-131	-332	-222	-40
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-4.54	-5.92	-10.57	-7.08	-1.28
P/E adj.	-47.8	-33.2	-4.8	-7.2	-39.9
EV/S	55.3	37.3	7.6	4.2	2.5
EV/EBITDA	-65.6	-45.8	-9.1	-25.7	12.0

Last updated: 2022-12-16

Owner	Equity	Votes
Första AP-fonden	8.2%	8.2%
Handelsbanken Fonder	6.9%	6.9%
Swedbank Robur Fonder	6.0%	6.0%
Mats Krantz inklusive närstående	5.6%	5.6%
Svensk, Filial Alandsbanken Abp (Finland)	5.4%	5.4%
Niclas Eriksson med närstående	4.3%	4.3%
Consensus Asset Management	4.2%	4.2%
Martin Krantz	4.1%	4.1%
Avanza Pension	4.0%	4.0%
Anders Jöfelt	3.9%	3.9%

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 thesis

Case

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. Smart Eye has devoted ~20 years of 100% focus to and investments in this very niche. The company is in pole position with an unmatched 194 design wins for 18 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 from 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. With very predictable hyper-growth between 2022 to 2025 (exp. CAGR of 68%) and a highly scalable business model, we are probably looking at a low single-digit EBIT multiple for 2025. We think this lays the ground for a potential multi-bagger in the years to come.

Evidence

The revenue acceleration is highly predictable

Design wins are worth more than presented because OEMs use *platforms* of software + hardware that they typically use for all car models launched in a 7-year period. As each car model is sold for ~7 years, cars from a single platform are sold for 14 years. As OEMs often copy platform components to other cars, getting into one car model implies a high probability of getting into several additional models. Thus, Smart Eye has likely secured a solid market share well into the 2030s.

Challenge

Head-to-head competition with main competitor

The market for DMS is an oligopoly. While Smart Eye is the market leader, main competitor Seeing Machines offers strong competition. While Smart Eye's software is hardware agnostic, Seeing Machines has chosen to specialize its software to some specific processors over the years, currently with a close partnership with Qualcomm. While it's a risky move to bet everything on one horse, should Qualcomm's processor be the leader, Seeing Machines could take over the market leadership in DMS.

Valuation

Rapid, predictable growth to a low price

Even though the exact ramp-up of sales is hard to predict, we believe rapid sales growth between 2022 and 2026 is rather safe to assume. The ramp-up of sales stems from already awarded design wins and expected design wins on existing platforms. Considering an estimated low/mid-single-digit EBIT multiple for 2025, combined with the highly predictable ramp-up of sales, we think Smart Eye has a good journey ahead. Redeye's Base Case is at SEK168, Bear Case at SEK60, and Bull Case at SEK230.

Catalyst types

Ramp-up of automotive sales

We expect automotive sales will experience Y/Y growth in the 100's % between 2023 and 2026. This is an effect of design wins moving into production of car models that include Smart Eye's DMS. Whether the true acceleration in sales growth will come in 2022 or 2023 remains to be seen, but when it happens, we think it will be a major catalyst for the shares.

Toyota win

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

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

Smart Wires Technology

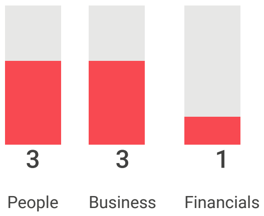
GOGRID SDB

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

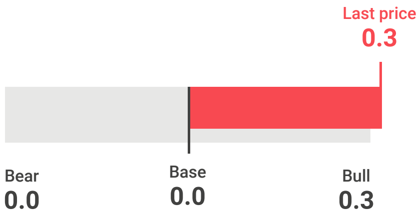
Publication date
January 11 2023

Redeye Rating

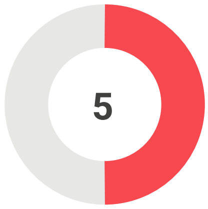
COMPANY QUALITY



FAIR VALUE RANGE

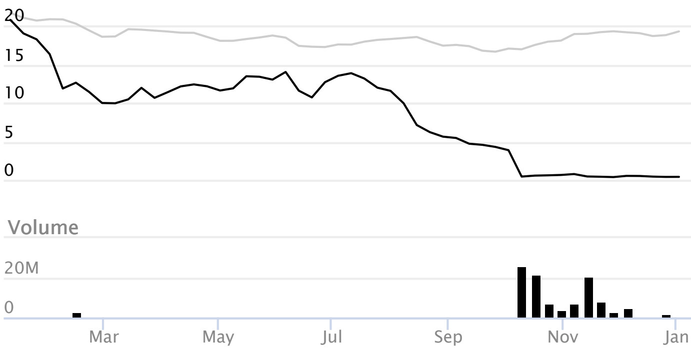


TIMELINESS



Snapshot

Smart Wires Technology
OMXS30



Marketplace	First North Stockholm
CEO	Peter Wells
Chairman	Dr. Michael Howard

Share information

Share price (SEK)	0.3
Number of shares (M)	106.1
Market cap (MSEK)	37
Net debt (2023E, MSEK)	86

Analyst

Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests
Rasmus Jacobsson owns shares in Smart Wires Technology: No
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

		Redeye Estimates	
	2021	**2022E**	**2023E**
Revenue, MSEK	46	50	91
Growth	*>100%*	*8.1%*	*81.8%*
EBITDA	-53	-73	-72
EBITDA margin	*Neg*	*Neg*	*Neg*
EBIT	-55	-74	-73
EBIT margin	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-49	-72	-71
Net earnings	-66	-74	-73
Net margin	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00
P/E adj.	-2.6	0.0	0.0
EV/S	2.2	0.1	1.0
EV/EBITDA	-1.9	-0.1	-1.2

Last updated: 2022-08-12

Owner	Equity	Votes
3x5 Partners Funds	26.5%	26.5%
Lime Rock New Energy	21.6%	21.6%
FW Smart Wires Investors LLC	16.1%	16.1%
Handelsbanken Fonder	4.1%	4.1%
Goldman Sachs Asset Management	3.6%	3.6%
State Street Bank And Trust co	3.3%	3.3%
W-8ben Morgan Stanley & co Intl Plc	3.2%	3.2%

Company description

Smart Wires is a US-based grid enhancing technology (GET) company offering a modular static synchronous series compensator (MSSSC), named SmartValve, to help TSOs solve grid congestion, improve grid reliability, and enable renewable power sources to connect to the grid. The company is active globally, from offices in Dublin, Athens, Berlin, Sydney, and Medellin.

Its primary customers are transmission system operators (TSOs) in Europe, Latin America, North America, and Oceania. The company is in the early stages of its growth journey, with several lighthouse customers, each scaling their deployment of Smart Wires' SmartValve. Thanks to them, revenues have proliferated, reaching USD 46m in 2021, up from USD 8.1 in 2019 (138 percent CAGR).

The company was formed in 2010, with a subsequent listing on Nasdaq Stockholm First North in 2021. Smart Wires is headquartered in Raleigh-Durham Research Triangle, in North Carolina, close to power electronics companies such as Wolfspeed and top-ranking electrical engineering colleges like North Carolina State University. Smart Wires has more than 170 employees at present.

Investment thesis

Case

Smart Wires is set to sell itself

We think the playbook right now is to 1) reduce the cost structure, and 2) build up a contracted order book. Once both of these are in order, the story to the buyers will be straightforward. If management can show it has contracted orders worth more than USD100m and a significantly lower cost profile, where potential buyers might only have to fund Smart Wires with less than USD20m until profitable, they could possibly fetch a price around one to two times the contracted orders.

Evidence

Smart Wires engaged two advisors to explore strategic alternatives for the Company

The Company has engaged two advistors to explore strategc alternatives for the Company, where it explicitly state a sale of the Company. Moreover, the financing terms of the preferred equity is heavely stacked in favor of the preferred equity holders in the event of the sale. The pereferred equity is held by the main shareholders, Thus, we think the incentives for them is to recover what they can via a sale rather than operating the Company.

Challenge

Common stock last in the stack

The main challenge for the common stock holders is the capital structure. According to what we currently know, the company has cUSD30m in debt (cUSD40m including lease liabilities), and preferred equity takes precedence over common equity. The preferred equity has a liquidity preference of three to five times what it invested. In other words, before the common equity is worth anything, the preferred equity has a right to USD30m to USD50m. Thus a required sales price before common equity earns anything is USD80m.

Challenge

Pipeline all but a pipe dream

Smart Wires has been guiding down its orderbook expectations for 2023 from USD100m to USD120m in its Q1 report down to USD50m to USD60m in its Q3'22 report. The actual outcome was cUSD25m. Thus, the challenge for the Company is to build up its contracted orderbook which it could value the Compay on for potential buyers.

Valuation

Base case of SEK0

We see a few scenarios where the common equity is worth anything as a result of the preferred equity. In our bull scenario, we achieve a fair value of SEK0.34 under what we believe to be the most likely terms of the preferred equity. This entails selling the company for USD120m which we find challenging considering Smart Wires orderbook is well below expectations. Our other scenarios yield a fair value of SEK0 for the common stock.

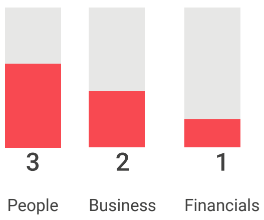
Sozap SOZAP

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

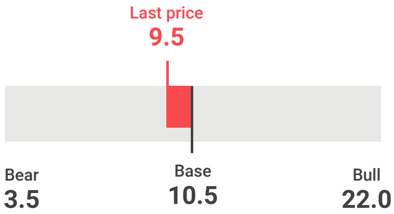
Publication date
January 16 2023

Redeye Rating

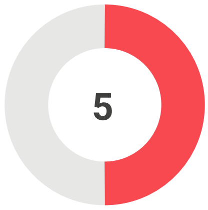
COMPANY QUALITY



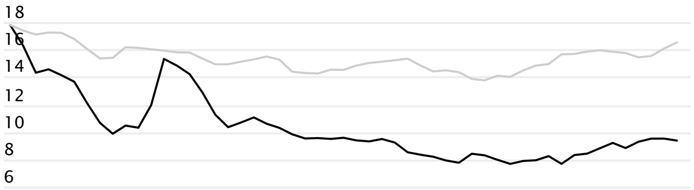
FAIR VALUE RANGE

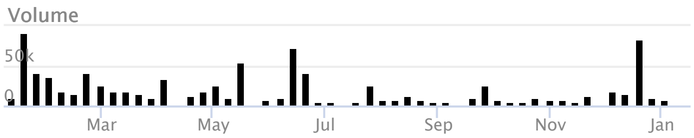


TIMELINESS



Snapshot





Marketplace	First North Stockholm
CEO	Rade Prokopovic
Chairman	Claes Wenthzel

Share information

Share price (SEK)	9.5
Number of shares (M)	8.5
Market cap (MSEK)	81
Net debt (2023E, MSEK)	-26

Analyst

Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Sozap: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	17	17	23	41
Growth	*65.9%*	*-0.7%*	*34.4%*	*75.4%*
EBITDA	-1	-1	4	10
EBITDA margin	*Neg*	*Neg*	*18.6%*	*25.3%*
EBIT	-8	-10	-1	1
EBIT margin	*Neg*	*Neg*	*Neg*	*3.3%*
Pre-tax earnings	-8	-10	-1	1
Net earnings	-8	-10	-1	1
Net margin	*Neg*	*Neg*	*Neg*	*2.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.95	-1.12	-0.17	0.12
P/E adj.	-19.4	-7.1	-45.9	64.2
EV/S	7.4	3.2	1.8	1.3
EV/EBITDA	-157.7	-57.7	9.8	5.1

Last updated: 2022-11-16

Owner	Equity	Votes
Rade Prokopovic	22.1%	22.1%
Ivan Prokopovic	9.3%	9.3%
Patrik Bloch	7.3%	7.3%
Avanza Pension	6.9%	6.9%
Ossian Hellers	6.6%	6.6%
Rödgötören AB	5.3%	5.3%

Company description

Sozap is a developer, publisher, and distributor of mobile games in the free-to-play genre. The games are distributed through Google Play and App Store and the revenues are generated mostly through in-app purchases but also from ads in the games. The company was founded in 2014 by its current CEO, Rade Prokopovic and since then, it has released a handful of games The biggest game is Armed Heist, a third-person shooter game that has reached over 30 million downloads since its launch in 2019. Although Armed Heist is by far the most downloaded game of their releases, Sozap does not limit itself to one genre but plans to build a diversified portfolio of free-to-play games to attract several customer segments. Sozap has a goal to reach 1 million daily users in 2023 and it has a strong pipeline of several games under development.

Investment thesis

Case

An agile gaming studio with significant potential

Sozap's strategy of developing high-potential, free-to-play mobile games with limited resources creates an enticing case with significant potential. By focusing on proven game mechanics and adopting an MVP (minimum viable product) strategy, the company reduces its development risk while allowing itself to have several game projects alive simultaneously. Besides new games, we see good potential for the company to grow revenues by increasing the monetization per user from its existing games, a metric that is far below peers'.

Evidence

Armed Heist demonstrates Sozap's capabilities

Armed Heist, the company's first game, has showcased Sozap's ability to develop good games on limited resources. The game was developed by 11 people and has racked up 25+ million downloads. Sozap has also proven it can continue to support games after release by improving both ARPDAU (average revenues per daily active user) and DAU (daily active users) in recent quarters despite Armed Heist having been released in 2019. If Sozap manages to develop a new hit and can prove Armed Heist was not a one-off, we believe the perception of the company will change, supporting the share price.

Challenge

The success of Armed Heist has not been replicated yet

So far, Sozap has not managed to replicate its success with Armed Heist. To change the perception of the company, we believe Sozap must develop further successful games. Until then, the company is dependent on Armed Heist alone, which increases the risk in the case. If none of the games in its pipeline meets management's expectations, confidence among the developers will probably take a hit, harming the company.

Challenge

Limited financial muscle

Sozap is still an immature company with limited financial headroom. This restricts it in both UA (user acquisitions) and how long the company can operate without additional capital. There is a clear risk of a further capital injection need, which would dilute outstanding shares.

Valuation

We see a healthy upside at current levels

Based on our DCF valuation, we see a fair value of SEK 10.5 for Sozap. Our fair value range of SEK 3.5-22.0 reflects the uncertainty in the case, which depends on upcoming game releases and increased ARPDAU. To reach our Base Case, Sozap must accelerate its growth rate and succeed with some of its game releases. We also believe Sozap will achieve a higher valuation if it broadens its game portfolio and diversifies its revenue stream across more games. Our Base Case includes a rights issue in 2023 of SEK 25m, prompting a dilution of about 30%.

Catalyst types

Increased ARPDAU in the existing game portfolio

We believe Armed Heist is relatively under-monetarized as ARPDAU is significantly lower than peers. This suggests considerable headroom for higher revenues from Sozap's existing game portfolio. If this materializes, it should be a catalyst for the stock.

Increased DAU through new game releases

Another catalyst for the stock could be if Sozap were to disclose DAU growth thanks to a successful game release. Since retention and user acquisition are the primary focus areas at the time of a game release, DAU is a better indicator than revenues of how a new game is received in the short term.

Successful test period

A possible near-term catalyst for the stock could be if management communicated a favorable test period for one of the company's new games. Whether a new game will succeed is often evident in the test period. Early traction and good metrics are thus vital from the start.

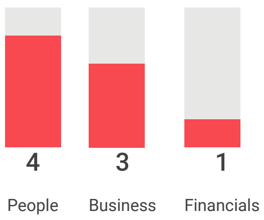
Speqta SPEQT

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

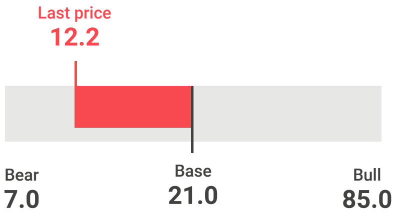
Publication date
January 9 2023

Redeye Rating

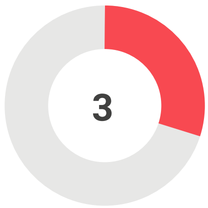
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Marketplace	First North Stockholm
CEO	Fredrik Lindros
Chairman	Fredrik Burvall

Share information

Share price (SEK)	12.2
Number of shares (M)	6.6
Market cap (MSEK)	80
Net debt (2023E, MSEK)	-44

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Speqta: No

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

Financials

			Redeye Estimates	
	2021	**2022E**	**2023E**	**2024E**
Revenue, MSEK	27	14	14	20
Growth	*N/A*	*-49.0%*	*0.4%*	*49.1%*
EBITDA	-23	-32	-29	-27
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-23	-35	-34	-31
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-23	-35	-34	-31
Net earnings	-23	-35	-34	-31
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	-1.71	-2.65	-2.54	-2.39
EPS adj.	-3.42	-5.31	-5.09	-4.77
P/E adj.	-12.2	-2.5	-2.6	-2.7
EV/S	10.2	0.6	3.1	3.8
EV/EBITDA	-12.2	-0.3	-1.5	-2.9

Last updated: 2022-11-13

Owner	**Equity**	**Votes**
Skandinaviska Enskilda Banken S.A	17.4%	17.4%
Evli Plcs Clients Account Finnish D	15.4%	15.4%
Eone Holding Oy	15.4%	15.4%
Andre Lavold	7.9%	7.9%
Henrik Persson Ekdahl	7.3%	7.3%
Swedbank Robur Fonder	6.3%	6.3%
Avanza Pension	4.1%	4.1%
Mikael Riese Harstad	2.0%	2.0%
Lasse Jaakko Järvinen	1.5%	1.5%
Andreas Johansson	1.4%	1.4%

Company description

Speqta is an Adtech company that offers traffic generating services in eCommerce using data and AI. The company has two services: The Affiliate network Shopello and the SaaS service Bidbrain. This focused strategy was the result of the 2021/2022 strategic review where Rahalaitos and Vinklubben (incl Mytaste) and Affilijet were divested.

Investment thesis

Case

Early-stage Adtech SaaS solution targets key market.
Following several divestments, Speqta has become a refined and focused AdTech company, investing in R&D and sales & marketing in its AdTech SaaS solution Bidbrain. The software helps e-commerce companies monitor and improve their return on advertising spending on Google Shopping. While still in an early phase, the market for Google Shopping is huge, and SaaS solutions are highly scalable. Thus, the potential profit generation in Bidbrain is significant.

Evidence

Huge market and positive feedback support significant potential.
Google holds an ~70% market share in ad spending, and 65% of the spending through Google targets Google shopping. Thus, as an AdTech company, it makes sense to focus on Google Shopping. There are currently about 10-25 million e-commerce stores worldwide and 1 million in Europe, which is Bidbrain's focus. Thus, the market is vast. While Bidbrain is in an early phase, channel checks and customer feedback are positive, highlighting data, analytics, and agility as key advantages.

Challenge

Customer acquisitions are typically costly.
For most early-stage SaaS businesses acquiring customers is costly, and due to the SaaS model, revenues are collected over time. Thus, along with continued investments in R&D, significant spending on customer acquisitions is likely necessary to reach critical mass. However, Speqta and Bidbrain have one key advantage compared to most early stage listed SaaS businesses, its cash position of just above SEK 100m. It gives management room to focus on operations rather than share issues.

Challenge

Huge market often equals huge competition.
A huge multinational market is often a double-edged sword. While it gives the opportunities for numerous years of high sales growth, it also tends to attract high-level competition. Thus, more prominent players with significantly bigger coffins than Speqta, could enter the market. However, Speqta has an up and running solution receiving solid customer feedback. Also, Speqta focuses on the Nordic market alongside some larger European markets.

Valuation

Base Case SEK 21
Our estimates is our Bull Case, implying a 100% chance of Speqta reaching those assumptions. Our Base Case is based on the same assumptions but implies a 25% chance of Bidbrain becoming successful, as assumed in the Bull Case. Our Bear Case assumes that the investments in Bidbrain fail, resulting in operations closing when 50% of the current net cash is left. Most listed early-stage SaaS companies have not managed to grow efficiently, suggesting the odds for Speqta is bad. However, Speqta has some advantages. First, it has a substantial net cash position. Second, its customer feedback is solid. All-in-all, we believe a 25% likelihood of reaching our Bull Base is reasonable as a Base Case for now. However, if Speqta performs in line with our assumptions, we will gradually increase the likelihood.

Catalyst types

Increasing the customer base
As a SaaS startup, gaining momentum in customer intake is crucial. The quarterly reports show the number of customers, which is the most important metric for our valuation of Speqta.

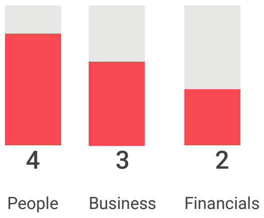
SSH Communications SSH1V

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

Publication date
January 9 2023

Redeye Rating

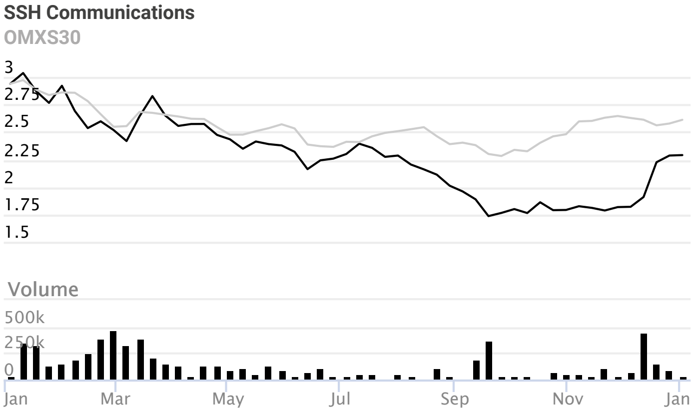
COMPANY QUALITY



FAIR VALUE RANGE

TIMELINESS

Snapshot



Marketplace	NASDAQ Helsinki
CEO	Teemu Tunkelo
Chairman	Henri Österlund

Share information

Share price (EUR)	2.2
Number of shares (M)	39.7
Market cap (MEUR)	88
Net debt (2023E, MEUR)	3

Analyst

Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in SSH Communications: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MEUR	16	19	23	27
Growth	*41.5%*	*20.8%*	*20.1%*	*17.5%*
EBITDA	1	3	4	6
EBITDA margin	*6.6%*	*13.3%*	*17.0%*	*20.9%*
EBIT	-2	0	1	2
EBIT margin	*Neg*	*Neg*	*3.0%*	*7.9%*
Pre-tax earnings	-2	0	1	2
Net earnings	-2	-1	1	2
Net margin	*Neg*	*Neg*	*3.7%*	*7.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.05	-0.02	0.02	0.05
P/E adj.	-57.9	-89.6	88.7	37.5
EV/S	7.8	4.3	3.9	3.3
EV/EBITDA	117.5	32.2	22.9	16.0

Last updated: 2022-10-30

Owner	Equity	Votes
Accendo Capital	28.9%	28.9%
Tatu Ylönen	17.7%	17.7%
Timo Syrjälä	8.2%	8.2%
Juha Mikkonen	5.1%	5.1%
Elo Mutual Pension Insurance Company	3.9%	3.9%
Ilmarinen Mutual Pension Insurance Company	2.6%	2.6%
Varma Mutual Pension Insurance Company	1.9%	1.9%
Eva Syrjänen	1.2%	1.2%
Risto Juhani Kettunen	1.2%	1.2%
AC Invest Oy	0.9%	0.9%

Company description

In essence, SSH provides best-of-breed IT security products to a large (5,000+) installed customer base, comprising international Fortune 500 companies, small and medium-sized enterprises (SMEs), and governmental agencies. Historically, it has operated two on-premise flagship products:

Tectia – a solution to protect connections to critical IT environments and enable secure file transfers Universal Key Management (UKM) – a key management solution to prevent digital keys from being breached and causing damage in the wrong hands

To cater to the shift to the cloud, increasingly complex IT infrastructures, and more stringent regulation, to name some, SSH has continued to develop its product portfolio. It is a recognized leader and innovator in the Privileged Access Management (PAM) space with PrivX while also bolstering its position within cryptography through NQX and the acquisition of Deltagon.

Since 2020, SSH has 1) appointed a new management team; 2) received a new largest owner in Accendo Capital; 3) launched an updated strategic direction; and 4) acquired Deltagon. Pursuing a coherent recurring revenue model across all products will be the most critical strategic target in the coming years – recurring revenues from subscription sales are expected to amount to ~30% of total sales on our 2021 forecasts.

Headquartered in Helsinki, SSH was listed on the Small Cap Helsinki in 2000 and currently has ~120 employees.

Investment thesis

Case

Back to profitable growth
After seeing sales decline in 2019 and 2020, SSH has taken meaningful actions to reposition itself as a growth prospect. It has, among other things, appointed a new CEO, launched a new strategy – where a prioritized area is transitioning all product families to a subscription model – and announced its first-ever acquisition. These actions have borne fruit – sales rose by 42% in 2021 (we estimate ~10% organically), and the EBITDA margin improved by 10%-points to 7%. This is particularly impressive considering the ongoing transition to a subscription model – this tends to dampen revenue recognition. We forecast a 2021–25e sales CAGR of 18% and an average EBITDA margin of 19% between 2022–25e. This will primarily be driven by (1) scaling current deployments with existing customers, (2) engaging in cross-selling to the installed base, and (3) winning additional high-value contracts with government entities and operational technology businesses, among others.

Evidence

(1) Certifications, (2) acquisitions, and (3) compelling macro trends

See supportive analysis

Challenge

Competition
The rapid cybersecurity market growth (particularly in the pockets where SSH has a meaningful presence) attracts competitors. Moreover, the shift to cloud infrastructures brings adjacent markets closer – for instance, (1) Privileged Access Management and (2) Identity and Access Management. This means heightened competition from small innovative players and leading vendors in adjacent markets.

Challenge

Foreign government contracts
We assess that SSH is in pole-position to win significant government contracts in Finland. However, this is more challenging abroad – most countries have domestic vendors and local certifications/regulations. We understand that a Finnish NATO membership would facilitate government contracts abroad (at least to member countries).

Valuation

Growth outlook justifies high near-term multiples
Our DCF analysis indicates a Base Case of EUR2.4 per share (Bull: EUR4; Bear: EUR1.5) based on a 13% sales CAGR during our forecast period (2021-2034e) and a 34% terminal EBITDA margin. Our Base Case translates into EV/sales and EV/EBITDA multiples of about 5x and 30x in 2023e. While multiples may appear high in the immediate term, we think SSH is poised to see stable growth and operating leverage for many years to come.

Catalyst types

Further best-of-breed validation
SSH could receive positive traction from end customers and partners.

Acquisitions that strengthen the core business
Apart from strengthening the belief in the management's abilities to pursue meaningful M&A, future acquisitions could bolster the company's long-term strategy and build on its competitive advantage.

Good consecutive quarterly reports
As SSH aims to reverse years of declining growth, quarterly reports will be particularly important in regaining investor confidence.

Scaling deployments with existing customers
The increased customer-centric focus and revitalization of Prof. Services aims to go after the significant organic growth that is near at hand.

Additional deals with 'lighthouse' customers
Should be regarded as a vote of confidence towards SSH's qualities, in addition to generating large contract values.

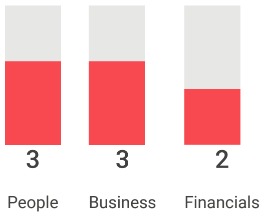
Starbreeze STAR B

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

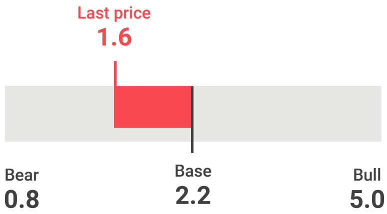
Publication date
January 18 2023

Redeye Rating

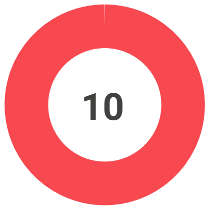
COMPANY QUALITY



FAIR VALUE RANGE

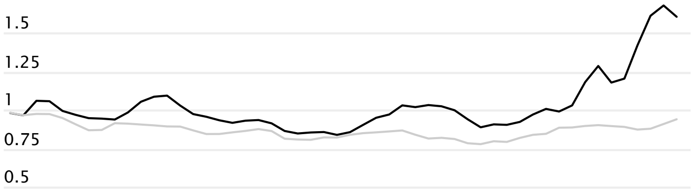


TIMELINESS



Snapshot

Starbreeze
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Tobias Sjögren
Chairman	Torgny Hellstöm

Share information

Share price (SEK)	1.6
Number of shares (M)	724.6
Market cap (MSEK)	1,159
Net debt (2023E, MSEK)	53

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Starbreeze: Yes

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	126	123	974	793
Growth	*6.6%*	*-2.2%*	*>100%*	*-18.6%*
EBITDA	6	64	371	168
EBITDA margin	*5.0%*	*51.8%*	*38.1%*	*21.2%*
EBIT	-54	2	287	22
EBIT margin	*Neg*	*1.4%*	*29.5%*	*2.8%*
Pre-tax earnings	-103	-60	258	10
Net earnings	-100	-60	258	14
Net margin	*Neg*	*Neg*	*26.5%*	*1.8%*
Dividend/Share	-0.07	-0.04	0.18	0.01
EPS adj.	-0.14	-0.08	0.36	0.02
P/E adj.	-7.2	-11.4	2.6	48.0
EV/S	7.1	8.5	0.8	0.9
EV/EBITDA	141.8	16.5	2.0	4.2

Last updated: 2023-01-09

Owner	Equity	Votes
Swedbank Robur Fonder	14.8%	13.1%
Digital Bros	12.0%	28.9%
Första AP-fonden	10.2%	9.6%
Avanza Pension	5.7%	3.2%
Fjärde AP-fonden	3.1%	9.6%
Nordnet Pensionsförsäkring	2.3%	1.1%
Swedbank Försäkring	1.1%	0.5%

Company description

Starbreeze is an independent developer & creator of PC and console games targeting the global market, with studios in Stockholm, Barcelona and Paris. Housing the smash hit IP PAYDAY, Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers.

Investment thesis

Case

Masters of "Games as a Service"

Starbreeze has shown that the company can create recurring revenue from a loyal fanbase for a long period of time twice, both with Payday 2 and through the publishing success Dead by Daylight. With the release of the much awaited Payday 3, ten years after its forerunner, Starbreeze has a good chance to continue the successful journey with the Payday-franchise. Starbreeze has also started initiatives to develop a new game planned to be released in 2025 and re-launched its publishing unit.

Evidence

Payday 3 shapes the future

Payday 3 will be released in 2023. Unlike its predecessor, it will be a multi-platform release which is expected to increase sales. Other significant drivers for higher sales are the brand's increased strength since 2013, a higher development and marketing budget, and a significantly larger gaming market. When all direct costs are taken, we expect Payday 3 to give a gross profit of approx. SEK 400 million in 2023. If Starbreeze manages to maintain high recurring revenue in the coming years after launch it will create significant shareholder value.

Challenge

Key personnel have left the building

The success of Payday 3 ultimately is decided by the quality of the game, and how well it manages to serve loyal fans as well as create new ones. We would of course be more confident in the quality assurance if more original creators were still operative in the company such as key game designer Ulf Andersson. An incentive program connected to the quality of Payday 3 creates some conviction that the game will be good at launch.

Challenge

A somewhat weak ownership

Starbreeze has no active major shareholders. Due to very bad risk management historically that ended in reconstruction in 2018, no founders, active personnel, or manager of the board have a significant shareholding. This, of course, weakens the incentives in the company to build great shareholder value.

Valuation

High dependence on one game launch

The convertible loan and related liabilities to Digital Bros amounted to almost SEK 350 million (according to the Q2-report 2022). The enterprise value of Starbreeze is therefore approximately SEK 1 billion, when it is traded at around SEK 0.9 per share. The commercial result of Payday 3 is of course very important for the valuation of Starbreeze, but we argue the risk is significantly lower than in 2018 (the release of Walking Dead-game), due to a stronger balance sheet. We assume Starbreeze is likely a takeover target after the release of Payday 3.

Catalyst types

The release of Payday 3 in 2023

Payday 3 will be released on more platforms than PC already at release unlike its predecessor which is expected to increase sales. Other significant drivers for higher sales are the brand's increased strength since 2013, a higher development and marketing budget, and a significantly larger gaming market. When all direct costs are taken, we expect Payday 3 to give a gross profit of approx. SEK 400 million in 2023.

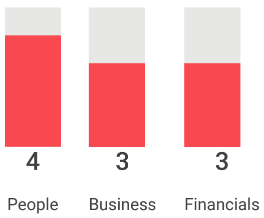
Stillfront Group SF

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

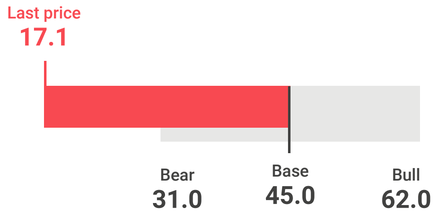
Publication date
January 10 2023

Redeye Rating

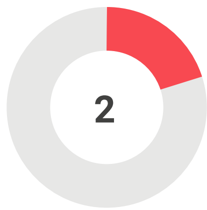
COMPANY QUALITY



FAIR VALUE RANGE

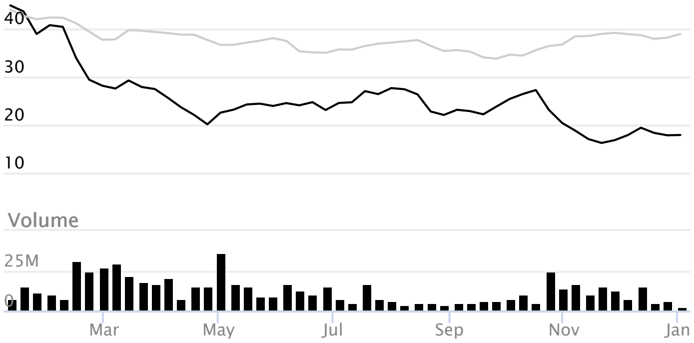


TIMELINESS



Snapshot

Stillfront Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Jörgen Larsson
Chairman	Jan Samuelson

Share information

Share price (SEK)	17.1
Number of shares (M)	513.2
Market cap (MSEK)	8,773
Net debt (2023E, MSEK)	2,120

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Stillfront Group: Yes

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

Financials

			Redeye Estimates	
	2021	2022E	2023E	2024E
Revenue, MSEK	5,456	7,131	7,735	8,319
Growth	*36.7%*	*30.7%*	*8.5%*	*7.6%*
EBITDA	2,125	2,547	2,862	3,154
EBITDA margin	*38.9%*	*35.7%*	*37.0%*	*37.9%*
EBIT	1,804	1,985	2,225	2,479
EBIT margin	*33.1%*	*27.8%*	*28.8%*	*29.8%*
Pre-tax earnings	794	669	885	1,239
Net earnings	597	441	664	930
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	3.53	2.82	3.33	3.85
P/E adj.	13.7	7.8	6.6	5.7
EV/S	4.0	2.1	1.7	1.4
EV/EBITDA	10.4	5.8	4.7	3.7

Last updated: 2022-10-27

Owner	Equity	Votes
Laureus Capital GmbH	11.8%	11.8%
Första AP-fonden	5.7%	5.7%
DNB Asset Management AS	4.9%	4.9%
SEB Fonder	3.5%	3.5%
Vanguard	3.0%	3.0%
Handelsbanken Fonder	3.0%	3.0%
Columbia Threadneedle	3.0%	3.0%
Nordea Liv & Pension	2.8%	2.8%
Alcur	2.2%	2.2%
Skandia Fonder	1.8%	1.8%

Company description

Stillfront is a leading free-to-play powerhouse that has grown substantially over the past years through acquisitions and organically. The majority of revenue is derived from mobile games coming from in-app purchases while a smaller part of revenue comes from advertising. The game portfolio is evenly split between strategy, RPG/simulation and casual games.

Investment thesis

Case

Diversified gaming portfolio with focus on high return on UA investments
We believe Stillfront has an attractive and diverse gaming portfolio with a large number of games focusing on several different genres creating a low dependence on individual games. Coupled with a focus on strong returns on user acquisition we believe the company is well positioned to deliver profitable growth over the coming years. With a highly fragmented gaming market, the company is also likely to continue growing by M&A albeit with smaller impact than historically due to its increased size. Overall, this should yield continued earnings growth in Stillfront supporting our positive view on the company.

Evidence

Solid profitability and cash generation supports business model
Stillfront's focus on directing UA investments to the games and channels that yields best returns are seen in its solid profitability and cash generation. With EBITDA-margins of around 35-40% the company has higher profitability than free-top-play sector peers. With a focus on long-life games it also has limited investment requirements which can be seen in a solid cash conversion (historically around 40-50% FCF/EBITDA excluding acquisitions).

Challenge

High competition for M&A and mixed track record
Stillfront has mainly grown its business through M&A having carried through more than 20 acquisitions since 2016. While most acquisitions have been done at attractive valuations and performed well, there are examples of weaker performance as well as high valuations which creates uncertainty of the potential for future M&A. High valuations are also an indication of another challenge for Stillfront where competitors also aim to consolidate the industry creating upwards pressure on valuations which also lowers the potential returns from M&A.

Valuation

Base case DCF supported by strong profitability and cash generation
We find a base case valuation of SEK45 per share Stillfront which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of 11x on our 2023E EBITDA while the share has historically traded in a range of 8x to 15x twelve months forward EBITDA. Our base case assumes growth of 7% between 2022-27E and 4% between 2028-37E which is slightly lower than the overall gaming market. We assume profitability in line with the company's target of 35% EBIT-margin for the majority of the forecast period and 30% for the terminal period.

Catalyst types

M&A growth
Stillfront is likely to continue to add inorganic growth with both small and large acquisitions with potential to create shareholder value.

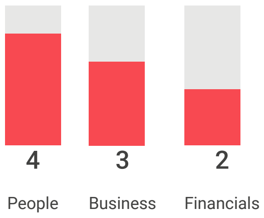
Strax STRAX

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

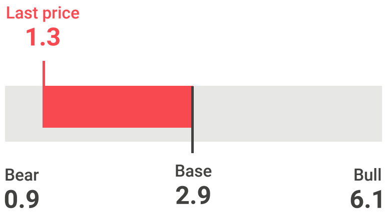
Publication date
January 9 2023

Redeye Rating

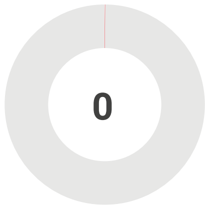
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Marketplace	NASDAQ Stockholm
CEO	Gudmundur Palmason
Chairman	Bertil Villard

Share information

Share price (SEK)	1.3
Number of shares (M)	120.6
Market cap (MSEK)	157
Net debt (2023E, MSEK)	50

Analyst

Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Strax: No

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

Financials

			Redeye Estimates	
	2021	2022E	2023E	2024E
Revenue, MSEK	124	106	112	117
Growth	*10.8%*	*-14.3%*	*5.7%*	*4.6%*
EBITDA	5	3	7	8
EBITDA margin	*3.8%*	*3.3%*	*6.0%*	*6.9%*
EBIT	2	1	4	6
EBIT margin	*1.6%*	*1.2%*	*4.0%*	*5.0%*
Pre-tax earnings	-3	-5	-2	-1
Net earnings	-1	-7	-2	3
Net margin	*Neg*	*Neg*	*Neg*	*2.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.11	-0.38	-0.14	-0.09
P/E adj.	-33.1	-7.5	-20.7	-32.7
EV/S	0.4	0.3	0.3	0.3
EV/EBITDA	9.8	10.6	5.4	4.3

Last updated: 2022-11-25

Owner	Equity	Votes
Gudmundur Palmasson	26.0%	26.0%
Ingvi Tyr Tomasson	25.9%	25.9%
Per-Arne Åhlgren	19.3%	19.3%
Luxembourg Branch, W8imy/Nqi J.P. Morgan Se	12.4%	12.4%
SEB Investor World Global Custody	6.2%	6.2%
Merril Lynch Int.	5.4%	5.4%
Anders Lönnqvist	4.9%	4.9%
Avanza Pension	3.1%	3.1%
Landsbankinn Hf	2.4%	2.4%

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 thesis

Case

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 points of sales. The stock market, however, seems to think that Urbanista and Gear4 are two-hit wonders.

Evidence

Divestment of brands/parts to unlock value

The M&A landscape is very active and the valuation multiples in the transactions are generally high. Divesting some of its business, such as a brand, would thus likely unlock shareholder value.

Challenge

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.

Challenge

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, sometimes slip in one of the areas, which could lead to a period of hampered growth and profitability.

Valuation

Base Case at SEK 2.90

We value STRAX at SEK 2.90 per share, Bear Case at 0.9, and Bull Case at 6.1. The main difference between our cases comes from different expectations of growth for own brands.

Catalyst types

Rebound of physical sales after covid-lockdowns

Covid-related lockdowns have put pressure on physical retail sales. Physical retail is very important for STRAX, both for sales and margins. As physical retail rebounds as societies re-open after the corona pandemic, we believe STRAX will report strong Y/Y growth with improved margins. We think, this will be the main driver for the shares going forward.

Development or divestment 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. However, we also believe a divestment of Urbanista could unlock more value than the market thinks.

Divestment of individual brands

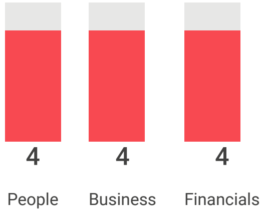
In late 2018, the brand Gear4 was sold for a valuation that exceeded the whole market cap at the time, resulting in an explosion in the share price. We think further divestment of one or several brands can unlock similar value.

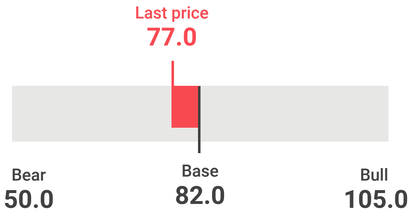
Systemair SYSR

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

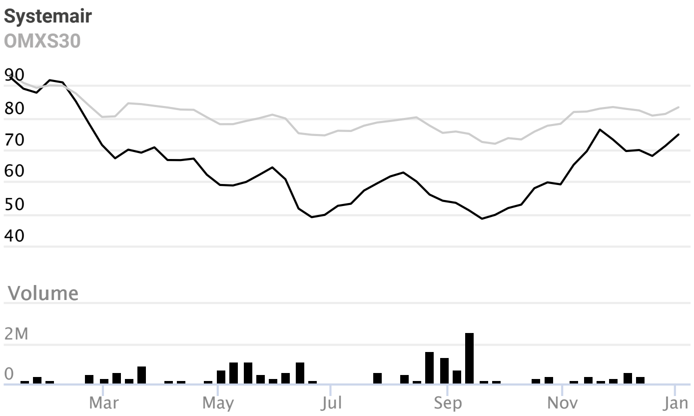
Publication date
January 11 2023

Redeye Rating





Snapshot



Marketplace	NASDAQ Stockholm
CEO	Roland Kasper
Chairman	Gerald Engström

Share information

Share price (SEK)	77.0
Number of shares (M)	208.0
Market cap (MSEK)	16,016
Net debt (2023E, MSEK)	1,376

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

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

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	9,635	11,593	11,960	12,603
Growth	*13.1%*	*20.3%*	*3.2%*	*5.4%*
EBITDA	1,178	1,908	1,579	1,739
EBITDA margin	*12.2%*	*16.5%*	*13.2%*	*13.8%*
EBIT	770	1,332	1,136	1,273
EBIT margin	*8.0%*	*11.5%*	*9.5%*	*10.1%*
Pre-tax earnings	742	1,284	1,108	1,249
Net earnings	544	970	809	916
Net margin	*5.7%*	*8.4%*	*6.8%*	*7.3%*
Dividend/Share	0.92	1.63	1.36	1.54
EPS adj.	2.62	3.18	3.89	4.38
P/E adj.	38.9	21.0	17.1	15.2
EV/S	2.4	1.4	1.3	1.2
EV/EBITDA	19.5	8.3	9.7	8.4

Last updated: 2022-12-10

Owner	Equity	Votes
Gerald Engström	42.8%	42.8%
ebm-papst AB	10.7%	10.7%
Swedbank Robur Fonder	10.0%	10.0%
Alecta Pensionsförsäkring	5.5%	5.5%
Didner & Gerge Fonder	4.7%	4.7%
Nordea Fonder	4.5%	4.5%
Lannebo Fonder	4.1%	4.1%
Luxembourg Branch, W8imy/Nqi J.P. Morgan Se	3.0%	3.0%
C WorldWide Asset Management	2.7%	2.7%
Handelsbanken Fonder	2.1%	2.1%

Company description

Systemair is a leading global supplier of high-quality ventilation, heating and cooling products and systems for industrial, commercial and residential buildings. The company was founded in 1974 by the current chairman, Gerald Engström, and has shown solid and persistent organic growth for many years and combined this with an aggressive acquisition strategy.

Today, the group consists of over 90 subsidiaries and houses over 6000 employees all over the world with Europe being the largest geographic market (app 60% of total sales). Systemair has production facilities in 29 countries and sales offices in 54 countries. The company's clients are contractors and constructions companies and over time business has a fairly even split between new builds and renovation projects.

Investment thesis

Case

High-quality compounder

Systemair is a high-quality business with the potential to continue generating excellent returns to shareholders over a medium- and long-term investment horizon. The company is, and has always been, truly growth oriented. Partly thanks to good fundamentals in the ventilation market. But in addition, Systemair is reinvesting the majority of profits in its expansion. Over the last two decades Systemair has posted double digit CAGR and stable profitability. Certainly, some of the growth is related to acquisitions, but these have entirely been financed by own funding. Hence, no dilution for shareholders. We believe this expansion will continue over the next decade and we also expect a gradual improvement in margins in the next few years.

Evidence

Global footprint

Systemair's global presence gives them opportunities to grow in markets and regions less affected by a general recession. Moreover, normally renovation activity picks up when new build slows down. Hence, the company's growth prospects over time is significantly higher than GDP.

Challenge

Profitability

Systemair's own EBIT margin target of 10% was announced several years ago but has still not been achieved yet. This is of course reason for some concern, particularly as industry peers like Swegon and Lindab are around or above 10%. We believe Systemair's priority has been growth rather than profitability. We argue that 10% is attainable and expect to see margins moving in the right direction. But admittedly we have previously been a little too optimistic about margins.

Challenge

Market going south

With rising interest rates and global challenges to the economy, many investors fear a drastic slow down in the construction market. Systemair is not immune to such factors. But historically the company has managed recessions well.

Valuation

Trading close to our Base case

The share has recovered significantly lately and is currently (Jan 2023) trading just below our Base case fair value around SEK 80 per share. This assumes 6% organic growth and sustainable EBIT margins of 10%. Our valuation range is SEK 50-105 per share. Bear case assumptions: 4% CAGR and 7% EBIT margins. Our Bull case assumes 10% CAGR and 10% EBIT margins, which is in line with Systemair's own financial targets.

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.

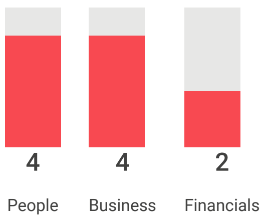
TagMaster TAGM B

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

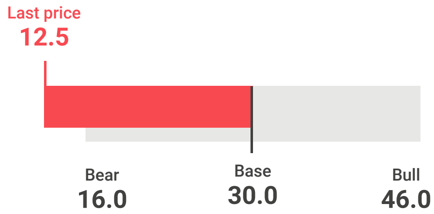
Publication date
January 10 2023

Redeye Rating

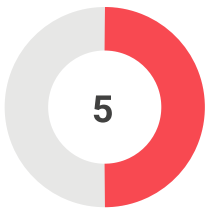
COMPANY QUALITY



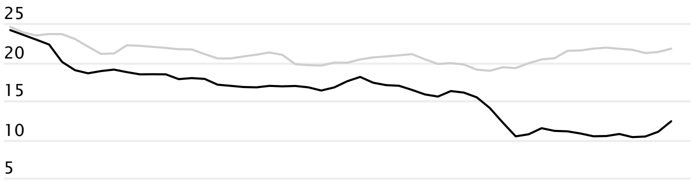
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Jonas Svensson
Chairman	Bernt Ingman

Share information

Share price (SEK)	12.5
Number of shares (M)	14.6
Market cap (MSEK)	183
Net debt (2023E, MSEK)	-28

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

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	327	345	385	420
Growth	*14.1%*	*5.4%*	*11.6%*	*9.3%*
EBITDA	34	20	46	63
EBITDA margin	*10.4%*	*5.7%*	*12.0%*	*15.0%*
EBIT	10	-10	12	29
EBIT margin	*2.9%*	*Neg*	*3.0%*	*7.0%*
Pre-tax earnings	7	-18	9	25
Net earnings	6	-17	7	20
Net margin	*1.8%*	*Neg*	*1.8%*	*4.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.40	-1.13	0.47	1.38
P/E adj.	62.7	-10.4	24.8	8.5
EV/S	1.1	0.5	0.4	0.2
EV/EBITDA	10.7	9.0	3.1	1.6

Last updated: 2022-11-01

Owner	Equity	Votes
Ålandsbanken AB	15.2%	15.2%
Gert Sviberg med bolag	13.7%	13.7%
Ribbskottet AB	13.0%	13.0%
Societe Generale Securities Service	10.9%	10.9%
Eiffel Investment Group SAS	10.9%	10.9%
Tomas Brunberg inklusive bolag	10.1%	10.1%
Didrik Hamilton	6.9%	6.9%
Avanza Pension	4.0%	4.0%
Nordic Cross Asset Management	3.7%	3.7%
Skandinaviska Enskilda Banken S.A	3.7%	3.7%

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 and Citilog in 2021.

Investment thesis

Case

Strong M&A and integration track record

Tagmaster has grown considerably during the last three years, both by acquisition and organic growth. The company is active as a provider of Intelligent Transportation Solutions (ITS), and Tagmaster is a play on the ramp-up in Smart Cities investments. The Smart City is a response to being at the intersection of several megatrends: urbanization, sustainability, security, and digitalization. As part of the growth strategy, Tagmaster has acquired and integrated several large entities during the last years with some success. Tagmasters' model of buying companies in a fragmented market with attractive opportunities for improving margins and organic growth has proven successful. The credible leadership with its deep acquisition expertise is one of the main attractive points as the market is still highly fragmented and with many potential targets to be explored. The earnings power has earlier been misunderstood, but with improving margins and growth, the market should recognize this. The extensive infrastructure programs initiated in the US should benefit development in this important market.

Evidence

Market-leading technology

Through both the acquisition and internal development, the technology level is high and, in some cases, market-leading. The inclusion of more software and AI has given them an edge in the market for their complete solutions in the ITS market. The increasing efficacy of being a consolidator in its fragmented high-growth markets is shown by the improving growth rates and margins post-acquisition.

Challenge

Integration of acquisitions

As Tagmaster is a highly acquisitive company, some challenges are attached to this strategy. Even with an impressive track record, it remains challenging to realize synergies, restructure organizations and combine cultures. An eventual failure to integrate, overpaying, or underperform targets could hurt Tagmaster. To a certain degree, there is also a challenge to differentiate when adding new technologies, brands, and businesses through acquistions. A too broad offering could make Tagmaster more complex and harder to understand from an investor's point of view.

Valuation

Base Case at SEK 30 - Riding the Smart City trend

The long-term mega trends that influence the Smart Cities create an interesting foundation for long-term organic growth for Tagmaster. The stated acquisition strategy adds additional potential as it is still a very fragmented market. We model a revenue CAGR of 9% for 2022-2026E with an average EBIT margin of 5%. We have not factored in any additional acquisitions in our estimates, even though this should be expected as the market consolidates. We hope revenues in around SEK 494m by 2026E, with a gross margin of 67% and an EBIT margin of 9%. Our DCF model arrives at a fair value range of SEK 16 - 46 per share for the respective Bear and Bull case and a Base case at SEK 30 per share.

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

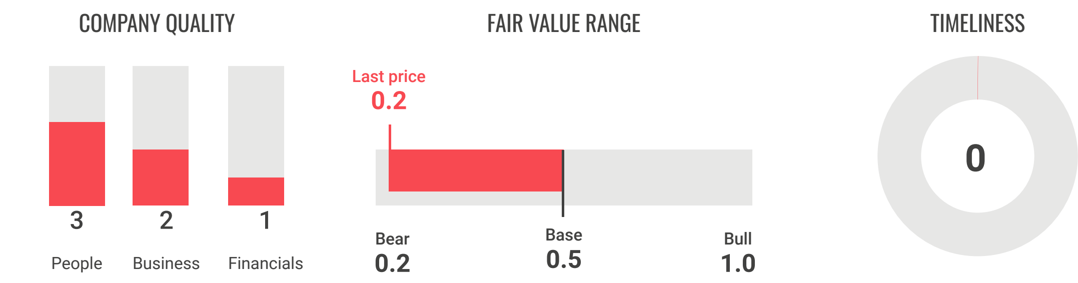
M&A should not surprise investors, as TagMaster's acquisition-driven growth strategy is clearly communicated. Even so, it proves the strategy. In a longer perspective, we argue that investors underestimate TagMaster's ability to buy and integrate value-adding firms.

Tessin Nordic Holding

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

Publication date
January 16 2023

Redeye Rating



Snapshot

Marketplace	First North Stockholm
CEO	Heidi Wik
Chairman	Eva de Falck

Share information

Share price (SEK)	0.2
Number of shares (M)	247.3
Market cap (MSEK)	43
Net debt (2023E, MSEK)	-35

Analyst

Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Tessin Nordic Holding: No

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

Financials

		Redeye Estimates		
	2021	**2022E**	**2023E**	**2024E**
Revenue, MSEK	44	55	65	75
Growth	*18.5%*	*24.9%*	*16.9%*	*16.3%*
EBITDA	-76	-23	13	24
EBITDA margin	*Neg*	*Neg*	*20.7%*	*32.3%*
EBIT	-82	-29	8	18
EBIT margin	*Neg*	*Neg*	*12.0%*	*24.2%*
Pre-tax earnings	-85	-31	6	16
Net earnings	-83	-31	6	16
Net margin	*Neg*	*Neg*	*9.2%*	*21.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.22	-0.27	0.05	0.14
P/E adj.	-8.0	-1.9	9.9	3.6
EV/S	3.6	0.9	0.4	0.1
EV/EBITDA	-2.1	-2.2	1.7	0.2

Last updated: 2022-10-28

Owner	Equity	Votes
NFT Ventures	22.1%	22.1%
Nordnet Pensionsförsäkring	12.7%	12.7%
Alpcot AB	12.0%	12.0%
Futur Pension	10.2%	10.2%
Stronghold Invest AB	6.4%	6.4%
AB POM Sandelius	5.3%	5.3%
Ilija Batljan	4.1%	4.1%
Jonas Björkman	2.7%	2.7%
Avanza Pension	1.5%	1.5%
Coeli AB	1.2%	1.2%

Company description

Tessin is a Swedish fintech company and one of Europe's largest peer-to-peer lenders within real estate financing. The company is present in Sweden and Finland, and the core business is to connect smaller independent property developers with investors on its own-developed platform. The company was founded in conjunction with the BASEL III directive and the finance gap the directive gave rise to. The directive resulted in traditional banks decreasing their financing to smaller property developers due to higher capital reserve constraints. This led to a gap in the market that Tessin has utilized.

Investment thesis

Case

Market leader in a market with robust underlying growth

Tessin is one of the largest peer-to-peer (P2P) companies in the Nordic region, operating in a market with strong underlying growth. The company is set to take its operations to the next level, having secured capital to handle more and larger loans. The company can triple the number of loans handled by its current organization without needing to add additional resources, providing it with scalable growth. Tessin has also added a new recurring revenue stream that bolsters its stability. We believe the combination of scalable growth and increased recurring revenues will change investors' perception of the company and lead to a higher valuation.

Evidence

A solid track record that demonstrates an effective business model

Tessin has financed more than 350 projects and brokered in excess of SEK 4bn in loans, evidence of its long track record in the market. In addition, Tessin has a stated goal of brokering larger loans, which positively contributes to its margin by Tessin taking an arrangement fee based on the loan size. Since the credit assessment process takes the same time, regardless of loan size, Tessin's margins are higher on larger loans. Historically, Tessin has primarily brokered loans of SEK 5-25m. It has mentioned, however, that it can tackle loans up to SEK 150m, demonstrating the potential scalability of its business model.

Challenge

A business model that must prove itself in a more challenging environment

One of the biggest concerns about Tessin at present is its vulnerability to external factors beyond its control, such as the number of started real estate projects, inflation, building costs, and investors' risk sentiment. We believe this is a core reason the share price has suffered on the stock market when fears of higher inflation and interest rates have abounded. As much as this is a potential risk, a more challenging environment can also lead to stricter financing from the banks, which would benefit companies like Tessin. We consider it also a short-term trigger should Tessin prove that its business model works in more challenging market conditions.

Challenge

Tougher competition

Tessin is the largest P2P platform for real estate financing, with accumulated capital raised in the Nordic region. However, Kameo, Tessin's most obvious competitor, has gained market share and shown higher growth rates than Tessin in recent years. We have also seen price pressure in the market, implying increased competition. Since the underlying market looks set for a long growth runway, Tessin can lose market share and still show healthy growth. We thus believe Tessin still holds good growth prospects despite more competition in the field.

Valuation

The current share price reflects the current uncertainty

Based on our DCF valuation, we see a fair value of SEK0.53. Our fair value range of SEK0.15-1.0 reflects the uncertainty in the case where the company must prove that its business model is resilient to more challenging market conditions. To achieve our Base Case, Tessin must continue to show top-line growth and prove that the business is scalable. We also believe that Tessin will achieve a higher valuation if it convinces the market that its business model can perform in a more challenging environment of higher interest rates and inflation.

Catalyst types

Higher scalability due to loan size

We consider Tessin showing significantly higher scalability thanks to larger loans and fully utilized resources to be a short-term catalyst. Currently, Tessin can triple the number of loans on its platform without adding additional employees. Tessin's resources are thus not fully used as of now.

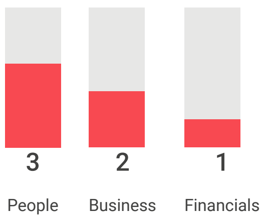
TH1NG

Company page
https://www.redeye.se/company/th1ng

Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY



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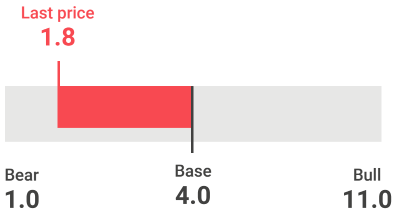
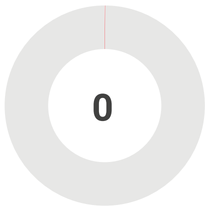


TIMELINESS



Snapshot

Marketplace	First North Stockholm
CEO	Klas Westholm
Chairman	Daniel Källenfors

Share information

Share price (SEK)	1.8
Number of shares (M)	27.8
Market cap (MSEK)	51
Net debt (2023E, MSEK)	23

Analyst

Alexander Flening
alexander.flening@redeye.se

Conflict of interests

Alexander Flening owns shares in TH1NG: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	70	46	38	49
Growth	*100.0%*	*-33.9%*	*-17.0%*	*27.7%*
EBITDA	-35	0	-15	-13
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-39	-2	-17	-15
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-40	-1	-16	-15
Net earnings	-40	-4	-16	-11
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-3.12	-0.33	-0.74	-0.67
P/E adj.	-1.1	-8.8	-4.0	-4.4
EV/S	0.2	1.0	2.4	2.1
EV/EBITDA	-0.4	-49.7	-5.9	-7.6

Last updated: 2022-05-24

Owner	Equity	Votes
Nils Andersson	18.5%	18.5%
Klas Westholm	15.5%	15.5%
Miradot AB	8.0%	8.0%
Kim Liljegren	7.7%	7.7%
Avanza Pension	6.0%	6.0%
Nordea Liv & Pension	2.5%	2.5%
Måns Flodberg	2.3%	2.3%
Nordnet Pensionsförsäkring	2.1%	2.1%
Robert Eklann	2.1%	2.1%
Balog Holding AB	1.8%	1.8%

Company description

A capital market transaction has been announced in the company with Redeye acting as financial advisor. During the duration of the transaction the research team will not publish research notes or valuation updates.

IoT platform supplier TH1NG, which enables the development of smart cities, was founded in May 2018. It has two business areas: IoT provider, delivering ready-made services, support, and tools for other players in the industry; and as a challenger in the operator area, providing internet and other communication. Combining these two business areas creates competitive advantages in product innovation, provides unique offers to customers, and easily adds IoT sales to existing internet customers.

Its business is growing rapidly, and TH1NG recently sold its 20,000 individual customers to Bredband2, leaving it to focus entirely on its 1,000-plus corporate customer services, municipal companies, property owners, operators, and a digital healthcare company.

In addition to sales, the operator business creates a market base for the IoT services. TH1NG also develops relationships with tens of thousands of customers—both private individuals and companies—in this business. These relationships can then spur additional sales of IoT services.

Investment thesis

Case

Platform provider for smart cities and growth
TH1NG is a platform supplier at the forefront of the fast-growing market for IoT-based smart cities in Sweden. This rapid growth leads us to believe that TH1NG will grow its high gross margin revenues for many years to come. In the best case, TH1NG can first scale its platform in Sweden and then in other countries. The primary catalysts for this are indications of projects and those that have materialized, new partnerships, and quarterly reports.

Evidence

Projects up and running
TH1NG has a strong market position in Sweden and has far-reaching projects in Skellefteå municipality, the county of Jönköping, among other customers. The company has also grown its B2B business from 600 to more than 1,000 paid services in just a year. Moreover, the business model, with its recurring revenues, high margins, and increasingly simple implementation after services are developed, can quickly be scaled to additional cities and regions.

Challenge

Fighting the giants
As an IoT platform provider, TH1NG must compete with some of the world's largest companies, along with the smaller players. However, TH1NG has some competitive advantages. First, the customer-led "pay as you grow" approach is an excellent way to acquire customers. Second, TH1NG already has several projects and a broad set of contacts in the Swedish IoT industry. Third, EU data regulations are a significant barrier for US players.

Challenge

Capital injection approaching
TH1NG is not yet profitable and has historically had a high burn rate. The likelihood that it will need to conduct a rights issue this year is relatively high. However, since TH1NG recently sold all its private customers, the company has closed some offices and cut the number of employees. In addition, we believe costs will come down in the near term due to slimmed organization.

Valuation

Current Valuation does not Reflect Future Potential
Our 2022E-2037E DCF model suggests a SEK 4 Base Case, while our Bull Case stands at SEK 11 and our Bear Case at SEK 1. All our scenarios include the company having to raise capital in the coming quarters. As TH1NG ramps up its revenues, we expect the share to close its valuation gap and for our Base Case to approach our more optimistic Bull Case.

Catalyst types

Materialized agreements and projects
TH1NG has agreements and projects with several municipalities and companies. Results from these that indicate a significant increase in sales will be appreciated by the market. The most apparent catalyst in this category is the project in Skellefteå, which is set to start generating revenues in late 2022.

Top-line growth
Quarterly reports will be vital in demonstrating TH1NG's organizational and financial development to investors and stakeholders. We expect TH1NG to steadily increase its top line, which is essential for the value of the Company, given high operating leverage and recurring revenues.

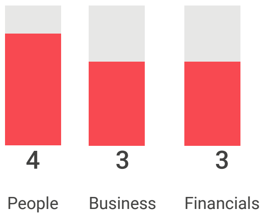
Thunderful Group THUNDR

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

Publication date
January 11 2023

Redeye Rating

COMPANY QUALITY



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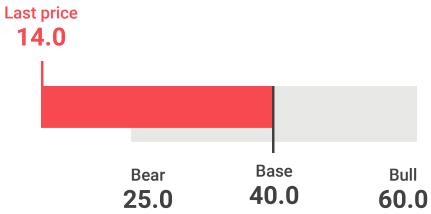
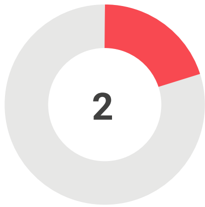
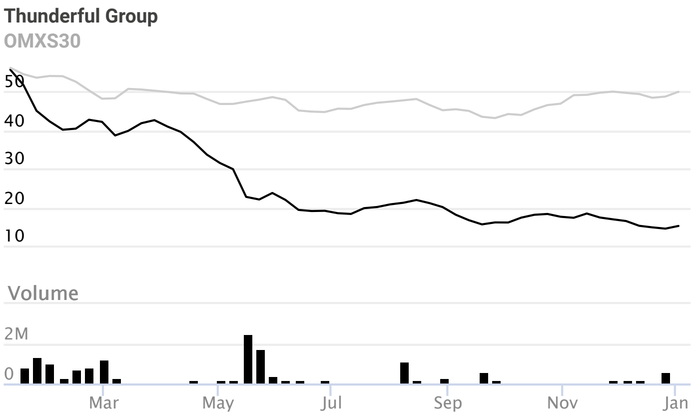


TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Anders Maiqvist
Chairman	Mats Lönnqvist

Share information

Share price (SEK)	14.0
Number of shares (M)	70.3
Market cap (MSEK)	984
Net debt (2023E, MSEK)	307

Analyst

Danesh Zare
danesh.zare@redeye.se

Conflict of interests

Danesh Zare owns shares in Thunderful Group: Yes

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	3,141	3,107	3,254	3,426
Growth	*1.9%*	*-1.1%*	*4.8%*	*5.3%*
EBITDA	336	375	447	498
EBITDA margin	*10.7%*	*12.1%*	*13.7%*	*14.5%*
EBIT	209	184	291	337
EBIT margin	*6.6%*	*5.9%*	*8.9%*	*9.8%*
Pre-tax earnings	169	119	276	327
Net earnings	132	81	218	259
Net margin	*4.2%*	*2.6%*	*6.7%*	*7.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	2.88	2.39	3.93	4.51
P/E adj.	30.5	14.1	5.3	4.4
EV/S	1.5	0.5	0.4	0.4
EV/EBITDA	14.0	4.3	3.2	2.6

Last updated: 2022-12-14

Owner	Equity	Votes
Bergsala Holding AB	25.1%	25.1%
Swedbank Robur Fonder	8.2%	8.2%
Brjann Sigurgeirsson	6.2%	6.2%
Klaus Lyngeled	6.1%	6.1%
ODIN Fonder	4.4%	4.4%
Knutsson Holdings AB	3.1%	3.1%
ÖstVäst Capital Management	2.4%	2.4%

Company description

Thunderful Group ("Thunderful," "The company" or the group") was formed in 2019 after the corporate groups Bergsala and Thunderful were consolidated to create a strong player in the market regarding the distribution of Nintendo products games, gaming accessories, and toys. Thunderful Group today consists of two business segments, namely Thunderful Games ("Games") and Thunderful Distribution ("Distribution"). In 2020, the business had sales of SEK 3082m (2116.4), a growth of 46% compared to 2019, and generated an operating profit of SEK 215m, corresponding to an operating margin of 7.1%. The company has a market capitalization of approximately SEK 4,000m.

Thunderful Group's revenue streams are well-diversified through its two business segments. The distribution segment accounted for 95% of sales, 82% of EBIT, and 80% EBITDA in 2020, while Games accounted for the remaining share.

Investment thesis

Case

Organic growth at low risk

Thunderful games has a solid pipeline of games and built a strong network with platform owners. Thus, we believe Thunderful games will be managed to grow sales by 25% YoY and reach EBIT margins in excess of 30% in the medium term. Large investments are made to capitalize on future opportunities, which should be bolstered by newly released premium games and attractive exposure to the VR market. Additionally, the distribution unit's market position within its respective niece provides healthy cash flows. This could be reinvested into the games segment. Thus, we gradually expect the game's ratio of sales and earnings to grow. Leading to higher margins and, in our opinion, a higher motivated multiple for the company. We forecast Adj EBITA to reach SEK 457m in 2024, equivalent to a CAGR of 15%.

Evidence

Long history of game development and distribution

Thunderful's internal development studios have long experience in creating successful games. Its high-quality development capacity has enabled platform deals with Meta, EA, and Microsoft. This reduces the game segment's risk as it provides stable cash flow at high margins. Bergsala has had a relationship with Nintendo since 1981 and has been one of Nintendo's best-performing markets across Europe.

Challenge

Limited M&A experience and poor reception from latest game releases

Thunderful's latest internal game releases have received a poor reception from users and have not lived up to expectations. While this is clearly negative for the investment case, we still believe the key upcoming internal games deserved a chance as the other ones were developed and financed by external publishers. Thunderful made three acquisitions last year, and it still remains to be seen how good the capital allocation is.

Valuation

Multiple expansion expected

We derive our base case on the back of a DCF model, blended with an earnings multiple approach. We apply an EV/EBITA multiple of 16x for games, and 6x for distribution. All in all, the weighted multiple should increase going forward as games become larger in terms of the entire group.

Catalyst types

Investments into Games begin to bear fruit

Upcoming game launches have a high degree of optionality, accelerating the margin mix we already have forecasted. The growing games portfolio increases the likelihood of a big hit. The Company is investing in larger games as well as increasing the number of games in its portfolio. Currently, Thunderful has 14 internally developed games in its portfolio and 29 externally developed games.

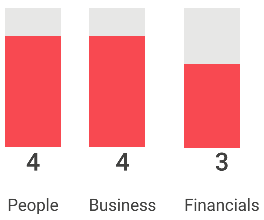
Tobii Dynavox TDVOX

Company page
https://www.redeye.se/company/tobii-dynavox

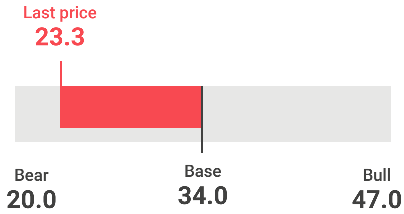
Publication date
January 11 2023

Redeye Rating

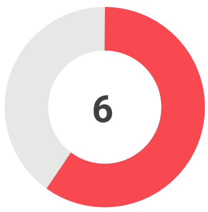
COMPANY QUALITY



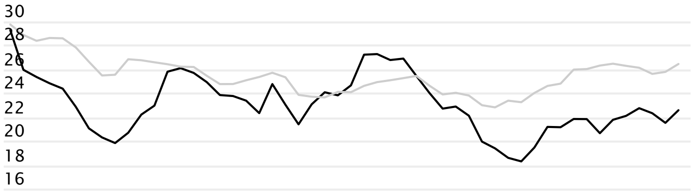
FAIR VALUE RANGE

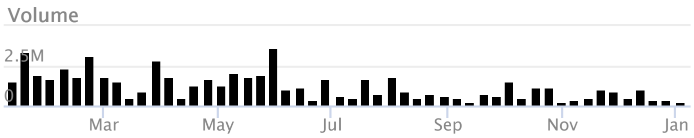


TIMELINESS



Snapshot





Marketplace	NASDAQ Stockholm
CEO	Fredrik Ruben
Chairman	Per Norman

Share information

Share price (SEK)	23.3
Number of shares (M)	104.9
Market cap (MSEK)	2,441
Net debt (2023E, MSEK)	377

Analyst

Mats Hyttinge
mats.hyttinge@redeye.se

Conflict of interests

Mats Hyttinge owns shares in Tobii Dynavox: No

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

Financials

	2021	2022E	2023E	2024E	2025E
		Redeye Estimates			
Revenue, MSEK	872	1,192	1,350	1,465	1,589
Growth	*-2.6%*	*36.7%*	*13.3%*	*8.5%*	*8.5%*
EBITDA	155	211	270	331	372
EBITDA margin	*17.8%*	*17.7%*	*20.0%*	*22.6%*	*23.4%*
EBIT	60	88	136	189	218
EBIT margin	*6.9%*	*7.3%*	*10.1%*	*12.9%*	*13.7%*
Pre-tax earnings	42	61	116	173	202
Net earnings	31	53	93	137	160
Net margin	*3.6%*	*4.5%*	*6.9%*	*9.4%*	*10.1%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	0.30	0.51	0.89	1.31	1.53
P/E adj.	109.0	42.1	25.7	17.4	14.9
EV/S	4.2	2.3	2.0	1.8	1.5
EV/EBITDA	23.5	13.0	10.2	7.8	6.4

Last updated: 2023-01-11

Owner	Equity	Votes
Swedbank Robur Fonder	9.8%	9.8%
Handelsbanken Fonder	8.8%	8.8%
Lannebo Fonder	7.2%	7.2%
Henrik Eskilsson	4.3%	4.3%
Case Kapitalförvaltning	3.7%	3.7%
Öhman Fonder	3.6%	3.6%
Fondita Fonder	2.4%	2.4%
Luxembourg Branch, W8imy/Nqi J.P. Morgan Se	2.4%	2.4%
Carnegie Fonder	2.3%	2.3%
Länsförsäkringar Fonder	2.2%	2.2%

Company description

Tobii Dynavox was a former member of the Tobii-concern. In 2021, the (mostly) independent operation within Tobii left the concern. It was listed on Nasdaq as it was recognized that Dynavox and the rest of Tobii were quite different, and synergies have decreased over time. It was recognized that Dynavox would benefit from being a separate entity and creating substantial shareholder value.

Tobii Dynavox is the global market leader in developing and selling assistive technology for communication. These solutions are primarily used by people with disabilities, such as cerebral palsy, ALS, and spinal cord injury, to name a few. Their solutions include hardware, software, clinically developed language systems, education tools, training, and dedicated support. These solutions enable disabled people to communicate, develop literacy skills, and live independently. Hundreds of thousands of disabled people have benefitted from Tobii Dynavox's solutions, and with an underserved market, there is ample room to grow. With over 100 000 users worldwide, the base is large, and the potential for replacement sales is high.

The strong market position has come through a long development history, with one of the primary drivers being that assistive technology would be an early adopter market for eye control. In 2005 Tobii AB launched the D10, which was their first solution in the assistive technology market. Another important step was taken in 2014 when DynaVox Systems LLC was acquired, the main competitor in this field. This acquisition opened up the US market with DynaVox Systems' broad insurer access and a well-developed software range

Investment thesis

Case

A market leader with a stable long-term growth potential

Tobii Dynavox is the market leader in the overall AAC market, with a market share of over 36%. In the eye-gaze segment in the AAC market, the share is around 70%. The pandemic has hurt sales, this effect is now fading away, and the growth is coming back and edging closer to the company target of growth of over 10% per year. We believe that Tobii Dynavox is trading at a significant discount to its fundamental value. In our view, the current valuation offers a favorable entry point for the long-term investor. The stable market growth and relative safety of the third-party payers (public & private insurers) are appealing in the current market climate. We believe that the current valuation gap will be gradually closed during the coming 12 months on the back of improving and profitable growth.

Evidence

Appealing market fundamentals with an M&A flavor

The AAC market is expected to grow around 2% globally and to be worth around USD 4.7 Bn (TAM, 2020). (Arthur D. Little). The serviceable obtainable market (SOM) is expected to grow at a +9% rate until 2030E and represents a value of USD 230m in 2020, and is expected to reach USD 550m by 2030E. The well-funded markets, like the US, are expected to grow around 6% annually, so that the higher growth will occur in the less well-funded countries. Compared to many other MedTech target markets, the market growth may be seen as modest. However, we see a value in a market that shows steady growth and where the incidence and prevalence are very stable in the target groups. In addition to this stable growth, the market is a potential M&A activity. We do not see any more significant acquisitions in the near term, but we would not be surprised to see additional bolt-on acquisitions like those done during 2022.

Challenge

Limited improvement in the Reimbursement processes

One of the critical factors that we have identified for driving long-term growth is improving reimbursement support systems globally. Tobii Dynavox is putting a lot of effort into educating and creating awareness in the different markets. The risk is that healthcare systems and reimbursement are slow-moving entities due to several factors. In general, healthcare decisions are, in many cases, conservative and take time.

Challenge

New technical solutions

The challenge for Tobii Dynavox is to maintain its leading edge in technology. We currently do not see a significant threat on the horizon; however, as technology is a fast-moving business, it cannot be entirely ruled out. The user loyalty and a market that needs a lot of know-how, like reimbursement and regulatory processes, create a bit of a moat.

Valuation

Current valuation does not reflect the fundamental value

Our DCF model indicates a Base Case of SEK 34 per share. (Bull: SEK 47; Bear: SEK 20) based on an expectation that Tobii Dynavox will grow above the growth rates of the major markets but slightly below the overall market. We expect operational improvements to increase the gross margin to 67% in 2025 with an EBITDA margin of 23%. Our expectations are slightly below the company's financial targets (>10% growth, >15% EBIT). If the company reaches these goals, the value of the company will be closer to our Bull case value of SEK 47 per share.

Catalyst types

Quarterly reports

Tobii Dynavox was listed in the end of 2021 and thus have only published a few quarterly reports. Each report going forward is important as to show investors the important factors in what drives the company

Reimbursement changes

The reimbursement system is vital for individuals to be able to pay for the systems. There are still a large number of countries with under funded systems. Any news from a larger market will have significant positive signal value.

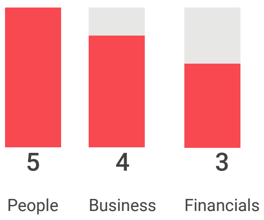
Transtema TRANS

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

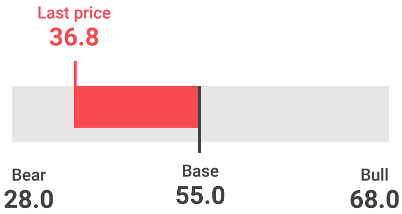
Publication date
January 9 2023

Redeye Rating

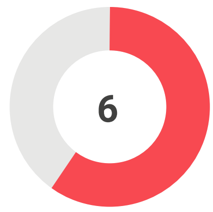
COMPANY QUALITY



FAIR VALUE RANGE

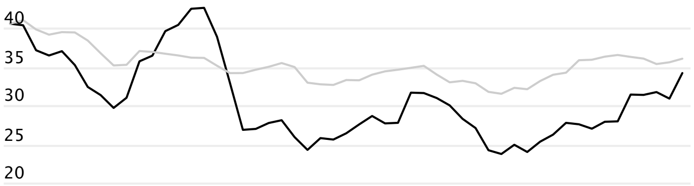


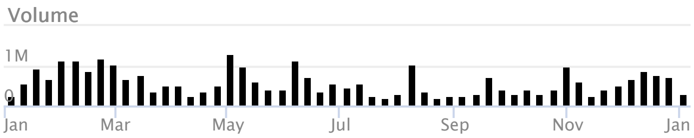
TIMELINESS



Snapshot

Transtema
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Henning Sveder
Chairman	Magnus Johansson

Share information

Share price (SEK)	36.8
Number of shares (M)	38.9
Market cap (MSEK)	1,431
Net debt (2023E, MSEK)	-110

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Transtema: No

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	1,690	2,348	3,083	3,176
Growth	*20.3%*	*38.9%*	*31.3%*	*3.0%*
EBITDA	202	247	325	336
EBITDA margin	*12.0%*	*10.5%*	*10.5%*	*10.6%*
EBIT	124	141	175	186
EBIT margin	*7.4%*	*6.0%*	*5.7%*	*5.8%*
Pre-tax earnings	115	121	159	170
Net earnings	92	98	126	135
Net margin	*5.4%*	*4.2%*	*4.1%*	*4.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	2.40	2.48	3.19	3.41
P/E adj.	19.8	14.1	11.0	10.3
EV/S	1.0	0.6	0.4	0.3
EV/EBITDA	8.3	5.4	3.9	3.2

Last updated: 2023-01-09

Owner	Equity	Votes
Magnus Johansson	24.6%	24.6%
Göran Nordlund	10.1%	10.1%
Efg Bank / Geneva	8.3%	8.3%
Jonas Nordlund	8.3%	8.3%
Nordnet Pensionsförsäkring	5.3%	5.3%
Per Anders Bendt	4.0%	4.0%
Sune Tholin	3.9%	3.9%
Jovitech Invest AB	3.0%	3.0%
Avanza Pension	2.9%	2.9%
Futur Pension	1.8%	1.8%

Company description

Transtema provides installation, operations, and maintenance for communications networks in Sweden and Norway. Telia and Telenor are the largest customers and generate ~50% and ~25% of Transtema's revenue, respectively. Transtema's offering spans a wide range of communication networks like fiber, copper, 3G, 4G, and 5G, as well as coax and communications for EV chargers following recent acquisitions.

Revenue from operations and maintenance make up about 45% of total sales and are recurring. While installations are an important contributor to sales, they are also a way to receive operations and maintenance deals as the solutions are installed. Although growing sales volumes typically require more feet on the ground, Transtema can scale its network- and service operation centers (NOC & SOC) and nationwide presence.

Investment thesis

Case

From construction to installations, operations, and maintenance
Following a few years with a focus on Fiber-To-The-Home (FTTH) construction which ended badly, Transtema has reshaped its business, concentrating on stable installations, operations, and maintenance markets. With its nationwide reach in Sweden and substantial presence in Norway, Transtema has a solid position to capture growth stemming from structural trends driving the need for the availability and reliability of communication networks. In addition, recent EV charging and coax acquisitions allow for higher utilization of the nationwide service network and reduced customer concentration.

Evidence

Stability, margins, and growth in place following the recent transformation
Since the transformation towards installations, operations, and maintenance in 2020, Transtema has delivered stable EBITA margins of ~7%, among the highest levels in the industry. Despite the eroding copper business, Transtema has achieved solid organic growth fueled by 5G and fiber installations. The acquisition of Tessta has been a success so far. Combined with the offering-expanding acquisitions of North Projects and Bäcks, Transtema has reduced customer concentration and improved its growth prospects.

Challenge

Exposure to legacy technology
With about 20% of sales stemming from copper, Transtema will experience a growth headwind as copper is expected to erode over the next few years. However, the decline of legacy technology and the rise of new solutions is a normality in the communications industry. Although Transtema needs to compensate with revenue from newer technologies, following recent acquisitions in, for example, the surging EV charging sector, and the site-management deal, we believe the prospects are solid.

Challenge

Significant customer concentration
Although the customer concentration has decreased following recent acquisitions, Transtema generates about 40% of its sales from Telia. While a few huge players characterize the telecommunications market, we believe customer concentration is a risk in Transtema. On the other hand, Telia also depends on Transtema, as it would be challenging for a competitor to provide similar services, at least in the short term. Following the recent acquisitions, we believe the customer concentration will decrease further.

Valuation

Fair Value SEK 55
Our DCF model shows a fair value of SEK 55, which is also supported by a peer valuation. We believe Transtema's high share of recurring non-cyclical revenues and solid track record of healthy margins support a relatively high valuation multiple. In contrast, a high customer concentration mitigates that effect somewhat.

Catalyst types

Preserve the Improvement
Transtema has improved its EBITA margin significantly in recent years. We believe there is a high likelihood Transtema will preserve the recent operational improvements, which combined with recent acquisitions should attract investors' attention.

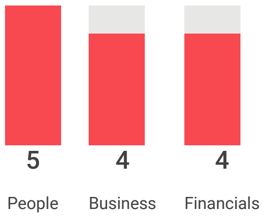
Truecaller TRUE B

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

Publication date
January 16 2023

Redeye Rating

COMPANY QUALITY



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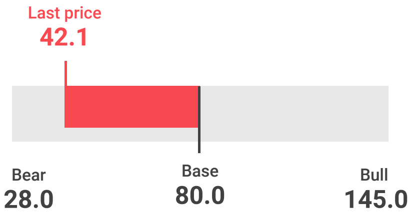
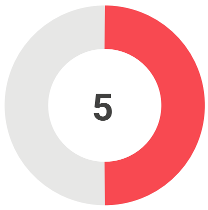


TIMELINESS



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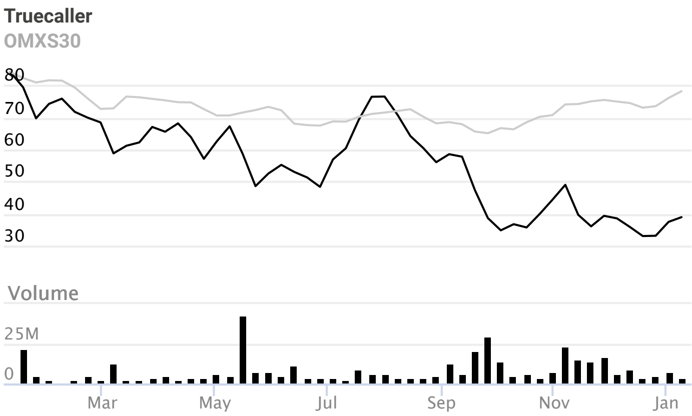


Marketplace	NASDAQ Stockholm
CEO	Alan Mamedi
Chairman	Bing Gordon

Share information

Share price (SEK)	42.1
Number of shares (M)	379.1
Market cap (MSEK)	15,974
Net debt (2023E, MSEK)	-2,643

Analyst

Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Truecaller: Yes

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

Financials

	2021	2022E	2023E	2024E
		Redeye Estimates		
Revenue, MSEK	1,129	1,859	2,556	3,346
Growth	*>100%*	*64.7%*	*37.5%*	*30.9%*
EBITDA	345	818	1,133	1,514
EBITDA margin	*30.6%*	*44.0%*	*44.3%*	*45.3%*
EBIT	328	797	1,111	1,486
EBIT margin	*29.1%*	*42.9%*	*43.5%*	*44.4%*
Pre-tax earnings	300	801	1,106	1,481
Net earnings	258	625	852	1,125
Net margin	*22.9%*	*33.6%*	*33.3%*	*33.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.01	1.62	2.17	2.81
P/E adj.	112.2	22.3	16.7	12.8
EV/S	24.6	6.5	4.5	3.2
EV/EBITDA	80.4	14.8	10.2	7.1

Last updated: 2022-10-10

Owner	Equity	Votes
Sequoia Capital	16.0%	7.6%
Nami Zarringhalam	7.2%	29.7%
Alan Mamedi	7.2%	29.7%
Kleiner Perkins Caufield & Byers LLC	6.9%	3.3%
Cbny-Rja-Client Asset Acct	6.9%	3.3%
Handelsbanken Fonder	6.6%	3.1%
Första AP-fonden	5.6%	2.6%
Swedbank Robur Fonder	4.4%	2.1%
Malabar Investments	4.3%	2.1%
Ibkr Financial Services AG	4.0%	1.9%

Company description

Truecaller was founded in 2009 with the simple idea to help identify “who” is calling and a mission to create more trust in mobile communication by making this smarter, safer, and more efficient. Truecaller is today the world’s leading platform for verifying contacts and blocking unwanted calls and messages. The company enables safe and relevant conversations between people and makes it efficient for businesses to connect with consumers.

With hundreds of millions of daily active users in more than 175 countries, Truecaller is today one of the ten largest communication platforms in the World. In the company’s main market, India, only Facebook and WhatsApp surpass it among communication platforms.

Investment thesis

Case

Strong moats and high scalability set the scene for continued market dominance in a fast-growing and fragmented market

We argue that Truecaller is set to lever its more than 320m monthly active users. As the undisputed leader with strong moats in the rapidly growing spam-blocking market, Truecaller is poised for rapid growth for many years to come, we believe. The company has a proven playbook, having penetrated more than 50% of the Indian market and is now accelerating its efforts to build the same market dominance elsewhere. In recent years, Truecaller has demonstrated phenomenal growth (three-year CAGR of >80%) while simultaneously achieving high profitability (>40% EBITDA from Q4 2021), proving it is a rare asset. Looking ahead, we believe Truecaller will be able to achieve swift growth in revenues (2021-2025 CAGR of 38%) and net profits (2021-2025 CAGR of 51%) thanks to an attractive mix of user growth, increasing ARPU*, and high operating leverage.

Evidence

Under-estimated moat and under-monetized user base

Extensive dataset constitutes major moat A high caller-identification rate is crucial for a good user experience, making a good enough dataset essential for market dominance. Due to data regulations such as GDPR, consented data is required from users, constituting an important barrier for new entrants. Truecaller enjoys network effects that strengthens its moats the more users it gets.

Challenge

Watch out for the giants: Apple, Meta, and Alphabet

Truecaller is dependent on the giant tech players in several ways, including direct competition, as ad exchanges, and as the platforms on which Truecaller exists.

Challenge

Regulatory risks: Over-emphasized or real threats?

Truecaller is, to some extent, in the hands of the Indian government as well as other governing entities, such as the EU. New data protection legislations such as GDPR could pose a threat to Truecaller by limiting the company’s ability to display the names of people who have not given their consent. While some of the effect would be managed by users having consented to leave their data, we do not believe this would prevent the damage.

Valuation

Significant upside potential

In our Base Case, we estimate a 2021–2025 sales CAGR of 38% and an average EBIT margin of 41% between 2022–2025. Using a DCF, we value Truecaller to a Base Case of SEK 80, corresponding to a P/E ratio of 28 for 2024e and 22 for 2025e. Our Bear Case is SEK 28, and Bull Case is SEK 145.

Catalyst types

Improved ad load

Ad load, or DAIDAU (daily ad impressions per daily active user), is one of two levers of Advertising ARPU. The current level of c.12 impressions per day should be compared to 19 daily interactions with the Truecaller app per DAU. We think a 1:1 ratio between these is possible, indicating substantial upside.

Increased uptake/conversion to premium subscriptions

Today, only c.0.5-0.6% of DAUs are premium subscribers - a very low figure compared to peers. Still, subscriptions account for as much as c.10% of total revenues, indicating a significant upside potential. Better penetration in the USA through the new iPhone version of the app (launched Q3'22) could be the key to improving the subscriber/DAU ratio.

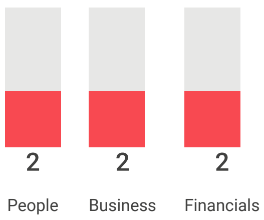
Urb-it URBIT

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

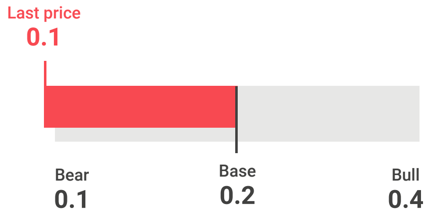
Publication date
January 16 2023

Redeye Rating

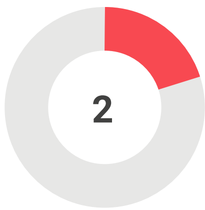
COMPANY QUALITY



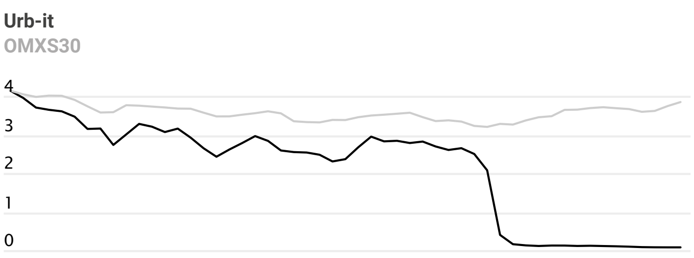
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Kevin Kviblad
Chairman	Jan Berg

Share information

Share price (SEK)	0.1
Number of shares (M)	2,202.8
Market cap (MSEK)	134
Net debt (2023E, MSEK)	-63

Analyst

Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in Urb-it: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	34	59	97	149
Growth	*>100%*	*71.3%*	*65.5%*	*53.3%*
EBITDA	-89	-129	-59	-39
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-100	-140	-76	-58
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-97	-133	-76	-58
Net earnings	-101	-134	-76	-58
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-10.9	-0.2	-0.4	-0.6
EV/S	28.9	2.8	2.5	2.1
EV/EBITDA	-11.2	-1.3	-4.2	-8.0

Last updated: 2023-01-12

Owner	Equity	Votes
Lage Jonason	10.0%	10.0%
Ingka Investments BV	9.1%	9.1%
Fjärde AP-fonden	8.3%	8.3%
Erik Mitteregger	5.2%	5.2%
Fiducian Group Ltd	4.2%	4.2%
Adrigo Asset Management	4.2%	4.2%
Skandia Fonder	3.5%	3.5%
Gerald Engström	2.7%	2.7%
Ilja Batljan	1.8%	1.8%
Joachim Odqvist	1.4%	1.4%

Company description

Urb-it provides green and sustainable last-mile deliveries in urban areas for carriers and/or retailers. The deliveries are made from hub-to-end-consumer or store-to-end-consumer – performed by Urb-it's delivery assistants (independent contractors), taking place either by cargo bike, bike, or foot. Urb-it's main markets are France and the UK.

Investment thesis

Case

Rapid market growth
Last mile deliveries are growing rapidly as more commerce is completed online. Due to its complexity, last-mile deliveries account for 40-50% of total costs in the supply chain. Furthermore, end-consumers demand more from their last mile-delivery operators, as deliveries are expected to be fast, flexible, and sustainable. Urb-it has been growing rapidly to capture market share and we expect it to keep a high topline growth rate as it signs up high volume retailers like Zara and more delivery network services.

Evidence

New contracts paving the way for further sales ramp-up
Urb-it has partnerships with giants like DHL, Amazon, Aliexpress, and Zara. The partnerships result from successful pilots, which have been expanded into new regions, as Urb-it is now making deliveries in three counrties, france (c70%), the UK (c30%), Spain (c0%) serving 13 cities. These partnerships will help Urb-it cover its fixed cost base while higher margin, lower volume retailers can be added on top.

Challenge

Competition
Low entry barriers characterize the last-mile delivery industry in terms of limited levels of CAPEX and product differentiation. We believe the French and UK market is underserved, and the quality of delivery is suffering, which reduces the immediate effects of competition. However, once the industry matures, we believe additional competition backed by investors with “deep pockets” could seize significant market shares at the cost of short-term profitability – which has been seen in the Swedish market with new players such as Airmee and Budbee.

Challenge

Price pressure from large customers
We believe Urb-it, and the last-mile industry, in general, will suffer from price pressure from large customers. As the market matures in 10 years' time, it will become difficult for Urb-it to differentiate its offering from competitors. Therefore, we expect large customers to pressure price levels. This is further backed by last-mile logistics accounting for 40-50% of total supply chain costs, which we believe is too high in the long term.

Valuation

Low margin of error
Our base case indicates a valuation of SEK0.24 per share, based on continued rapid volume and revenue growth while keeping costs in check. Our bull case shows a value of SEK0.39 per share and is based on Urb-it managing to keep its cost lower while growing slightly faster than the base case. Our bear case show SEK0.7 per share; based on that, it takes longer than expected to reach profitability.

Catalyst types

Additional partnerships with retailers
We view additional partnerships with both carriers and retailers to be catalysts in the near term, as it will provide a foundation to drive delivery volumes, sales, and margins.

Expansion into new geographies
We believe new expansions into new geographies (cities in the near-term and countries in the long-term) to be catalysts in the near term as it will both increase parcel deliveries per day but also the likelihood of attracting new partnerships.

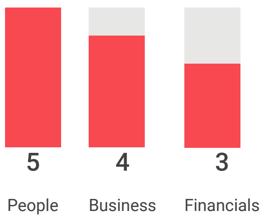
Vertiseit VERT B

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

Publication date
January 9 2023

Redeye Rating

COMPANY QUALITY



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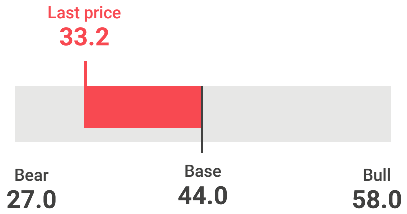
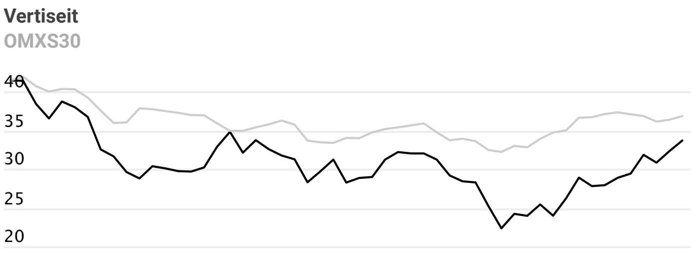
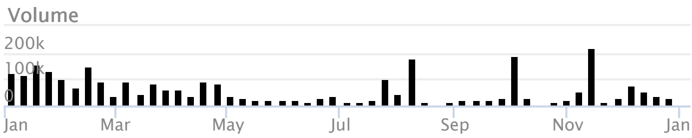


TIMELINESS

Snapshot





Marketplace	First North Stockholm
CEO	Johan Lind
Chairman	Vilhelm Schottenius

Share information

Share price (SEK)	33.2
Number of shares (M)	20.2
Market cap (MSEK)	670
Net debt (2023E, MSEK)	71

Analyst

Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Vertiseit: Yes

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	131	301	357	376
Growth	*70.3%*	*>100%*	*18.5%*	*5.3%*
EBITDA	17	35	66	84
EBITDA margin	*12.9%*	*11.5%*	*18.5%*	*22.4%*
EBIT	4	14	42	58
EBIT margin	*3.4%*	*4.5%*	*11.7%*	*15.3%*
Pre-tax earnings	3	9	36	52
Net earnings	2	7	29	41
Net margin	*1.8%*	*2.4%*	*8.0%*	*11.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.13	0.36	1.41	2.04
P/E adj.	286.7	84.7	21.7	15.0
EV/S	5.2	2.7	2.1	1.9
EV/EBITDA	40.3	23.2	11.6	8.6

Last updated: 2022-11-10

Owner	Equity	Votes
Johan Lind	11.7%	19.4%
Adrian Nelje	10.8%	19.0%
Due HSBC Trinkhaus And Burkhardt AG	8.8%	3.8%
Telion Og	8.8%	3.8%
Schottenius Gruppen	8.4%	12.5%
Oskar Edespong	6.5%	10.1%
Jonas Lagerqvist med bolag	5.9%	8.2%
Nordea Fonder	5.8%	2.5%
KL Capital AB	5.6%	2.4%
SEB Life International	5.6%	2.4%

Company description

Vertiseit is a Swedish digital signage group focusing on digital in-store founded in 2008, consisting of Grassfish, a so-called Independent Software Vendor + (ISV+), and Dise, an ISV. Vertiseit is the largest ISV(+) in the DACH region and among the top 5 globally. Its headquarter is located in Varberg with offices in Vienna, Karlstad, Stockholm, and London. The group has a strong position within automotive, which is a front runner in digital signage, with customers including BWM, Volvo, and VAG.

Vertiseit has three different revenue streams, SaaS, Agency/Consulting, and Systems – basically, hardware, sourced from Samsung and LG, and installations. SaaS constitutes about 50% of sales on the current run-rate, and, thus, Vertiseit has a significant share of recurring revenue. Interestingly, during the Corona pandemic, hitting many customers severely, Vertiseit managed to increase its SaaS revenues by ~16% annually. Also, the Net Revenue Retention (NRR) in Dise was >100%. Thus, its SaaS revenues have proven they are recurring.

Investment thesis

Case

The platform first strategy allows for scalable growth as retail digitalizes
As the number one In-store Experience Management (IXM) platform in the DACH region and among the top five globally, we believe Vertseit is set for solid and profitable growth over the coming years as the retail-sector digitalizes its stores. We believe its platform first strategy, focusing on software and consulting, lowering the share of hardware, will gradually make Vertiseit a “true” SaaS business. We believe upcoming reports highlighting how well the recent acquisitions are integrated, along with ARR growth will be the main catalysts in the owner-operate company.

Evidence

Impressive customer list and solid SaaS growth track record
With over 40 quarters of consecutive ARR growth, a strong position within automotive, which is at the forefront of digital in-store, and an active M&A agenda, Vertseit has established itself as a major player within digital in-store. BMW, Volvo, Volksvagen and Porsche are all found on Vertiseit’s customer list. The company has self-financed its organic growth for several years and the SaaS metrics (regarding Dise) are solid, indicating the potential for high profitability going forward.

Challenge

Must have or nice to have?
While the automotive and QSR sectors, for example, embrace the digitalization of physical stores, for good reasons, in our view, the fashion retails are seemingly unwilling to invest in digital in-store except for prime location stores. Today, we get the impression that digital in-store is rather a nice to have than a must have in some segments. However, we would not rule out that new solutions make digital in-store as import for fashion as we believe it is for automotive today. Also, the automotive and QSR sectors alone are huge markets from Vertiseit’s perspective.

Challenge

The Big Four Remains in Charge
The Big Four, ZetaDisplay, Trison, Stratacache, and M-Cube, generally favor a full-service strategy, offering in-house software, consulting, and installations. This model dominates today and might continue to do so, which contradicts Vertiseit's vision of one leading platform. However, Trison focuses on integration, working together with Grassfish and its platform in the BMW project. Although, we do not expect the other Big Four to mimic Trison's platform-agnostic approach.

Valuation

Fair Value SEK 44
Based on our DCF model we see a fair value of SEK 44, which is also supported by a peer valuation. While Vertiseit has rather low profitability currently, following integrations of acquisitions and growth investments, considering its high share of SaaS revenue with strong metrics, we believe strong profitability will come, making EV/EBIT multiples attractive a few years out.

Catalyst types

Continued growth in recurring revenues
The recurring SaaS revenues, with gross margins of 90-95%, is the key to increase Vertiseit’s profits. If Vertiseit can continue to grow its SaaS revenues at a steady pace – which we find likely – margins and profits will gradually increase. While Vertiseit never becomes a pure SaaS business, we believe that the market will reward the company with higher multiples as the SaaS revenue grows.

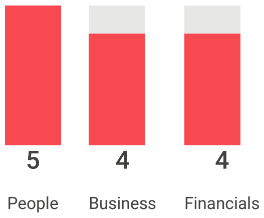
Vitec Software Group VIT B

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

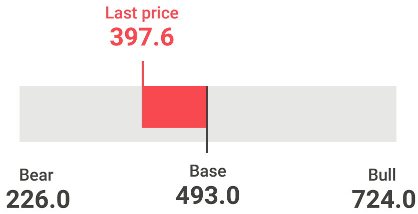
Publication date
January 11 2023

Redeye Rating

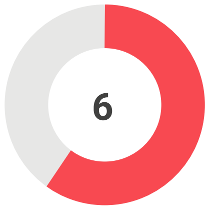
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Vitec Software Group
OMXS30

Marketplace	NASDAQ Stockholm
CEO	Olle Backman
Chairman	Lars Stenlund

Share information

Share price (SEK)	397.6
Number of shares (M)	37.3
Market cap (MSEK)	14,842
Net debt (2023E, MSEK)	1,438

Analyst

Christian Binder
christian.binder@redeye.se

Conflict of interests

Christian Binder owns shares in Vitec Software Group: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	1,571	1,945	2,447	2,897
Growth	*19.7%*	*23.8%*	*25.8%*	*18.4%*
EBITDA	569	710	908	1,097
EBITDA margin	*36.2%*	*36.5%*	*37.1%*	*37.9%*
EBIT	284	357	467	575
EBIT margin	*18.1%*	*18.4%*	*19.1%*	*19.9%*
Pre-tax earnings	262	314	406	503
Net earnings	207	249	321	397
Net margin	*13.2%*	*12.8%*	*13.1%*	*13.7%*
Dividend/Share	0.00	2.00	2.44	3.01
EPS adj.	5.90	6.68	8.59	10.64
P/E adj.	94.3	62.6	46.9	37.8
EV/S	12.4	8.4	6.7	5.9
EV/EBITDA	34.1	22.9	18.1	15.5

Last updated: 2023-01-11

Owner	Equity	Votes
SEB Fonder	7.3%	4.4%
Capital Group	6.3%	3.6%
Didner & Gerge Fonder	4.6%	2.8%
Thomas Eklund	4.5%	2.7%
Första AP-fonden	4.5%	2.7%
Lannebo Fonder	3.9%	2.4%
Invesco	3.8%	2.2%
Lars Stenlund	3.6%	19.4%
Olov Sandberg	3.1%	18.4%
Martin Gren (Grenspecialisten)	2.8%	1.7%

Company description

Founded in 1985 by Lars Stenlund and Olov Sandberg, Vitec is a vertical market software (VMS) company and serial acquirer. VMS is usually tailored to a customer's specific industry needs and is deeply integrated into their operations, fostering considerable switching costs and strong customer lock-ins. Headquartered in Umeå, Sweden, the company has subsidiaries across the Nordic region and the Netherlands.

The company formalized its acquisition-driven growth strategy in 2003, making its first deal outside Sweden in 2011 and its first acquisition outside the Nordic region in 2021. Vitec's financial goals comprise expanding its operating margins over time to achieve at least 20% on a group basis. Moreover, the company aims to distribute at least one-third of net profits as dividends to shareholders.

Investment thesis

Case

Serial acquirer in the European VMS market
Vitec is a software company and serial acquirer of European VMS companies—asset-light businesses with strong moats, providing high-margin revenue streams the parent company can re-deploy for additional acquisitions and limited investments in organic growth. We believe the multiple arbitrage of Vitec's valuation relative to private market small-scale acquirees positions it for premium-growth prospects (c16% per annum on average) in the coming years.

Evidence

Acquired growth
Vitec has grown recurring revenues from some SEK211m in 2011 to around SEK1.3bn in 2021, representing a CAGR of about 20% (16% per share). At the same time, the company has increased free cash flow (FCF) per share at a CAGR of some 24%. It has derived this growth mainly from acquisitions, with low to mid-single-digit organic sales growth in most years. Since its founding, Vitec has completed 46 M&A deals, reaching pro-forma LTM sales of some SEK2.1bn in Q3 2022, with 80% of this being recurring revenues. We believe Vitec can efficiently scale M&A volume in coming years and continue its growth trajectory in the coming decade.

Challenge

Betting on prudent capital allocation
Vitec does (and should) reinvest most of its cash in acquisitions. As cash returns to shareholders in the coming decade(s) are likely to remain limited, even considering dividends, Vitec primarily represents an investment in its management's ongoing prudent capital allocation. Several members of management have joined the company in recent years and have not led public companies before. While they have posted solid results until now, their long-term capital allocation track record in public markets is in its early stages. Although CEO Olle Backman only joined in 2019, the company has closed 20 of its 46 M&A deals since that year.

Challenge

Challenge II: Scaling acquisition volume
Vitec's M&A volume is still relatively modest, with some four to five acquisitions per annum in recent years. We believe the company must efficiently scale deal volume to maintain its historical growth trajectory. Another alternative is larger acquisitions, but those tend to come with higher valuations. In the long term, scaling M&A volume will likely require decentralizing (smaller) M&A deals. We thus believe Vitec must successfully promote the most competent capital allocators to key positions. Best-in-class peer Constellation Software has shown it is possible to carry out some 100 VMS acquisitions per year.

Valuation

Quality at a reasonable price
Our base case fair value estimate amounts to some SEK493 per share. Our bull and bear cases equal some SEK724 and SEK226 per share, respectively. We judge the share could reach our Base Case within c12 months provided additional acquisitions are made and sales growth and margin expansion materialise in quarterly reports. We believe the most significant catalysts for the share are new acquisitions, quarterly reports, and broadening the geographical scope of the company's M&A agenda.

Catalyst types

Quarterly reports
We judge quarterly reports constitute another critical catalyst for Vitec, confirming the company's inorganic and organic growth trajectories. Moreover, we expect Vitec to improve margins moderately in the medium to long term, posting reported sales of some SEK1.9bn and SEK2.4bn for 2022e and 2023e, respectively, up from some SEK1.6bn in 2021. We estimate Vitec will increase its EBIT margin from some 18% in 2021 to around 24% in 2030e. Note that our margin estimates include Vitec capitalizing development costs equal to some 13% of net sales, in line with historical numbers.

Acquisitions
We believe acquisitions constitute Vitec's primary growth engine, making additional M&A deals the chief catalyst for the stock. Importantly, we believe no specific transaction will alone comprise a huge catalyst. Instead, we judge that Vitec consistently making new acquisitions at reasonable valuations will be the key to ongoing strong returns from here.

Expansion into additional countries/markets
We understand that Vitec's current geographical focus is on VMS companies in the Nordic region and the Netherlands, geographies that we believe provide enough acquisition targets to keep it busy for years and even decades. Still, should the company scale its acquisitions dramatically from the current level (some five per year), expanding into more European markets might be a rational move to increase the number of acquisition targets without becoming overly reliant on any specific geography.

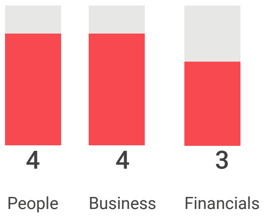
W5 Solutions

Company page
https://www.redeye.se/company/w5-solutions-2

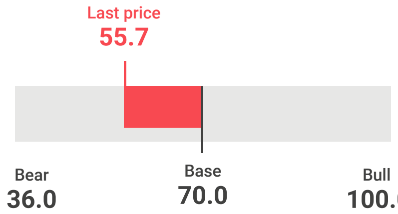
Publication date
January 10 2023

Redeye Rating

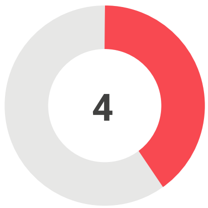
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



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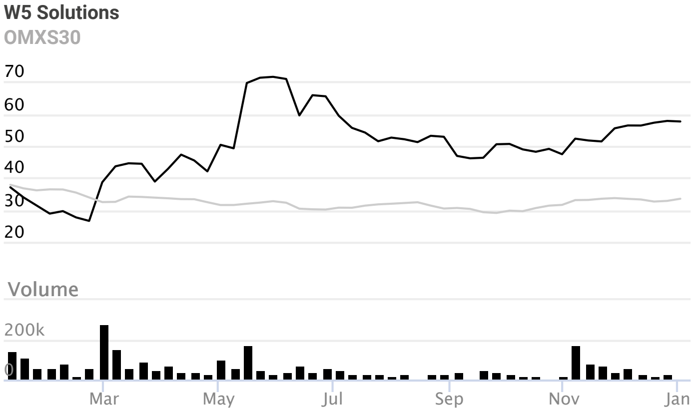


Marketplace	First North Stockholm
CEO	Daniel Hopstadius
Chairman	Anders Lundström

Share information

Share price (SEK)	55.7
Number of shares (M)	12.6
Market cap (MSEK)	704
Net debt (2023E, MSEK)	-139

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in W5 Solutions: Yes

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	142	173	244	293
Growth	*24.5%*	*21.8%*	*41.2%*	*20.0%*
EBITDA	25	33	43	53
EBITDA margin	*17.4%*	*18.8%*	*17.8%*	*18.0%*
EBIT	22	25	35	42
EBIT margin	*15.6%*	*14.3%*	*14.3%*	*14.4%*
Pre-tax earnings	15	24	35	42
Net earnings	13	19	26	32
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.74	1.51	2.07	2.51
P/E adj.	26.2	33.1	24.1	19.9
EV/S	3.3	3.1	2.0	1.6
EV/EBITDA	19.1	16.5	11.4	8.9

Last updated: 2022-12-23

Owner	Equity	Votes
Swedish Defense Group AB	34.2%	34.2%
DT2W Invest AB	19.6%	19.6%
MSE Holding AB	16.3%	16.3%
Camila Rydin	13.2%	13.2%
GRIT Fondbolag Ab	2.8%	2.8%
Avanza Pension	1.9%	1.9%
Mikael Lönn	1.1%	1.1%
Ingvar Jensen	1.1%	1.1%
Nordnet Pensionsförsäkring	0.9%	0.9%
Anders Lundström	0.5%	0.5%

Company description

W5 Solutions is a well-established defense tech powerhouse with a focus on training and simulation products. The company has a broad range of customers and partners, mainly in the defense industry and civil protection. W5's core market is Sweden, but it is also active elsewhere in Europe and in North America. However, its ambition is to be active in all democratic countries. W5's business model is attractive, with long contracts (sometimes 20+ years) and aftermarket sales are coupled with mid-cycle upgrades. The company enjoys high barriers to entry thanks to certification requirements and long-term relationships

Investment thesis

Case

Attractive growth potential with M&A optionality
Redeye expects W5 to show continued growth over the coming years as it benefits from growing demand for defense training and simulation bolstered by expansion into new regions and customer segments, and new product development. We expect revenue growth of 20 percent organically in 2022-25E and believe the company will complement this growth with acquisitions. All in all, we believe W5 will achieve its revenue target of SEK500m by 2025 (it reported SEK139m in revenues in 2021). We also expect profitability to improve in line with the company's target to achieve a 15 percent EBITA margin (2021 EBIT-margin was 11 percent) as W5 is likely to see ongoing benefits of scale.

Evidence

Extensive history, high barriers to entry, and strong partnerships
W5 has an extensive history in the defense industry and its solid management team holds core expertise in simulation and training, growing niches with limited competition from the major defense contractors. The defense industry has high barriers of entry, which, together with long-term contracts, render high revenue visibility. W5 can also lever on its several major partnerships, including with Saab, L3Harris, Lockheed Martin, and KMW.

Challenge

Limited M&A experience, risk through geographical expansion, and production capacity
The main challenges we see for W5 are its geographical expansion into new markets and M&A. Breaking into new markets could be challenging, but W5's partnerships with larger players reduce this risk. While W5 has limited M&A experience, the merger of the companies to create W5 has been a success. Furthermore, a decentralized approach to acquisitions typically reduces the M&A risk. W5 could also face capacity challenges that could limit its growth if the company cannot produce to meet growing demand. Given a focus on complementary M&A, acquisitions could ease this challenge.

Valuation

Valuation based on DCF and upside optionality from M&A
On the back of a DCF-valuation we derive a fair value of SEK70 in our base case which implies a multiple of 25x EBIT 2023E. Our valuation also includes upside potential from M&A where we see an upside range of SEK10-30 per share depending on the valuation multiple for future acquisitions (we assume a range of 5-10x EBIT). The average for the range is SEK17 per share which we include as M&A upside our base case while we use the high-end of SEK30 per share for the bull case and low-end of SEK10 per share for the bear case.

Catalyst types

Acquisitions
W5 has a strategy to complement organic growth with acquisitions. With a strong balance sheet and a fragmented market, we see potential for acquisitions in both near term and long term.

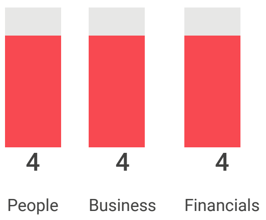
New orders
W5 has seen strong order intake on the back of growing defence budgets and there should be potential for more orders supporting a positive share price development,

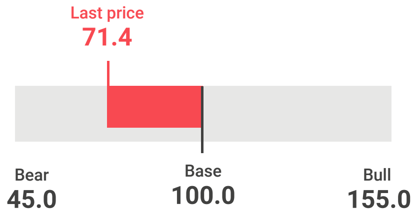
Waystream Holding WAYS

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

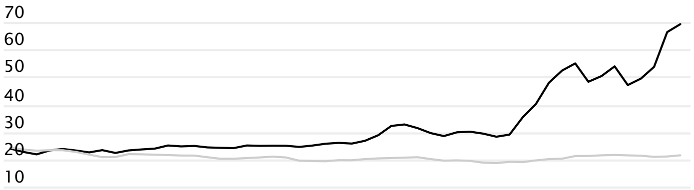
Publication date
January 10 2023

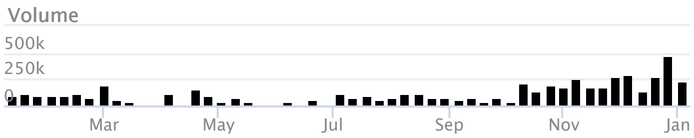
Redeye Rating





Snapshot





Marketplace	First North Stockholm
CEO	Fredrik Lundberg
Chairman	Matthias Trygg

Share information

Share price (SEK)	71.4
Number of shares (M)	8.1
Market cap (MSEK)	576
Net debt (2023E, MSEK)	-40

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

	2021	2022E	Redeye Estimates 2023E	2024E	2025E
Revenue, MSEK	91	127	185	259	342
Growth	*5.8%*	*38.5%*	*46.3%*	*40.0%*	*32.0%*
EBITDA	25	27	46	66	96
EBITDA margin	*27.3%*	*21.4%*	*24.7%*	*25.4%*	*28.0%*
EBIT	19	20	37	50	74
EBIT margin	*20.7%*	*15.8%*	*20.1%*	*19.4%*	*21.5%*
Pre-tax earnings	19	20	41	54	78
Net earnings	15	15	32	43	61
Net margin	*16.2%*	*11.8%*	*17.2%*	*16.6%*	*17.9%*
Dividend/Share	0.00	0.00	0.00	0.00	1.52
EPS adj.	1.83	1.85	3.95	5.34	7.59
P/E adj.	13.2	36.2	17.5	12.9	9.1
EV/S	1.9	4.1	2.8	1.9	1.4
EV/EBITDA	6.8	19.0	11.3	7.6	4.8

Last updated: 2023-01-10

Owner	Equity	Votes
Robert Idegren Holding AB	17.4%	17.4%
Severin Invest AB	11.3%	11.3%
Nordnet Pensionsförsäkring	10.6%	10.6%
Avanza Pension	6.9%	6.9%
John Löfström	5.3%	5.3%
Dahltec AB	4.9%	4.9%
Mh Köhler Invest AB	4.1%	4.1%
Robert Lundberg	2.3%	2.3%
Fredrik Lundberg	2.2%	2.2%
Ibkr Financial Services AG	2.2%	2.2%

Company description

Waystream is a Swedish company that sells software-based switches and routers for broadband infrastructure via fiber. The company's CEO since mid 2021 is Fredrik Lundberg which has been a board member for a while. 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.

Investment thesis

Case

Set to ride the FTTH expansion wave in Europe

The Waystream case is primarily attributable to successful international expansion (to drive long-term growth) and successful future product launches (to improve product mix and profitability). Other factors 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, paired with increased profitability, has just begun and see Waystream riding on an expected 5–10-year growth wave driven by European fiber expansion. The Telia agreement has the potential to be a substantial growth push in the mature Nordic market.

Evidence

Long-term structural growth in the FTTH/B market is evident

The European market is expected to have long-term structural growth. Countries must improve their FTTH coverage regardless of investing in fixed FTTH or 5G. Many markets in Europe are only at the beginning of their digitalization journey. Waystream has with their product line excellent opportunities to take market share. The EU goals for digitalization by 2025 and 2030 are ambitious and will drive demand for network hardware, consumers' need for increased speed and reliability will also contribute. The fiber installation companies continue to show strong growth in Europe, benefiting equipment suppliers with a delay.

Challenge

Relatively small compared to global competitors

With expected strong growth in a vast European market, competition is high. Global companies such as Cisco, Alcatel-Lucent, and Huawei are the most significant competitors. Waystream's strategy is not based on directly competing with the above leading competitors. The company distinguishes itself as a flexible and customer-oriented supplier that niches itself toward smaller players. The smaller players operate networks that are often too small to be prioritized by companies such as Cisco. It is here, among other things, that the opportunities exist for Waystream.

Challenge

Keeping up with technical development

Waystream has been very successful with its product line during the last few years. However, it is still not that long ago that the products were not up to par for the market. Waystream is a very lean company; they do not have infinite resources for development which could pose a risk on the 5 to 10-year horizon.

Valuation

Base Case SEK 100

Our DCF model indicates a Base Case of SEK 100 per share. (Bull: SEK 155; Bear: SEK 45) based on an expectation that Waystream will continue to show strong growth on the back of the FTTH expansion in Europe. The Telia addition will, in our view, also drive growth to further highs in short to medium term. We expect margins to improve to an EBIT margin of 21.5% in 2025e. We find 11.3x EBITDA 2023e appealing, given Waystream's expected sales and profit 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).

New Tier 1 clients

With the Telia framework agreement there is a possibility that other Tier 1 clients start to consider Waystream as a supplier.

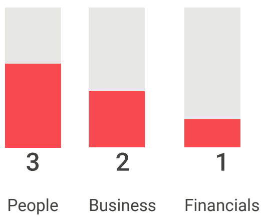
Westpay WPAY

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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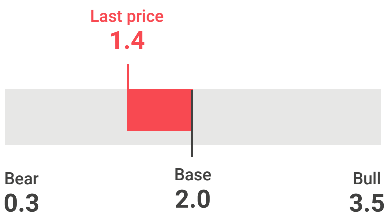
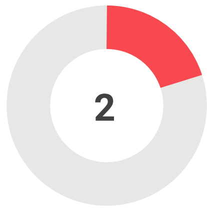
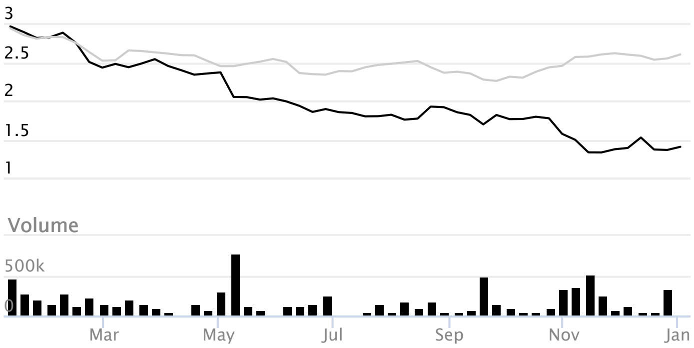


TIMELINESS



Snapshot

Westpay
OMXS30



Marketplace	First North Stockholm
CEO	Sten Karlsson
Chairman	Christina Detlefsen

Share information

Share price (SEK)	1.4
Number of shares (M)	39.7
Market cap (MSEK)	56
Net debt (2023E, MSEK)	24

Analyst

Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof 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

			Redeye Estimates	
	2021	2022E	2023E	2024E
Revenue, MSEK	54	71	81	89
Growth	*1.9%*	*32.4%*	*13.3%*	*10.7%*
EBITDA	-11	-1	6	15
EBITDA margin	*Neg*	*Neg*	*7.9%*	*17.3%*
EBIT	-19	-9	-3	3
EBIT margin	*Neg*	*Neg*	*Neg*	*3.3%*
Pre-tax earnings	-19	-9	-4	3
Net earnings	-19	-9	-4	3
Net margin	*Neg*	*Neg*	*Neg*	*2.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.48	-0.24	-0.09	0.06
P/E adj.	-6.5	-7.3	-18.7	27.6
EV/S	2.2	1.1	1.2	1.1
EV/EBITDA	-10.3	-145.9	14.7	6.4

Last updated: 2022-10-31

Owner	Equity	Votes
Nordnet Pensionsförsäkring	13.6%	13.6%
Avanza Pension	10.5%	10.5%
Jörgen Nordlund (med bolag)	7.5%	7.5%
Ålandsbanken AB	5.7%	5.7%
Malte Roggentin	4.7%	4.7%
Without Bank Julius Baer & co LTD	4.5%	4.5%
Per-Anders Wärn	3.4%	3.4%
Carl Ragnar Torbernt Hjelmvik	3.3%	3.3%
Handelsbanken Liv Försäkring AB	3.0%	3.0%
Göran Sparrdal	2.7%	2.7%

Company description

Westpay is a Fintech company and a supplier of smart transaction- and payment solutions. The company primarily targets merchants who have operations in retail and hospitality, such as hotels, restaurants, and events. Westpay's offering aims to create and improve the efficiency of payment flow for the merchants and the end consumers.

Westpay is mainly present in the Nordics, where Sweden is the largest market. Clients include Trivec, Extenda, MAX Burgers, Kicks, Axfood, and more. Westpay products are fully certified and approved by the payment industry (PCI). The company has been listed on Nasdaq Stockholm First North since 2007.

Investment thesis

Case

Long growth runway with good scalability
During the last years, Westpay has improved its business model and added new, highly potent services to its offer, leading to higher recurring revenues. We also believe that these improvements should continue to generate growth and stronger margins ahead. Moreover, Westpay has expanded its market reach substantially by signing agreements with leading POS partners in the Nordic, which allows the company to have a long growth runway in the years to come.

Evidence

Recurring revenues continue to increase quarter over quarter
Westpay has proven its competitive offering by signing agreements with leading POS partners and prominent merchants. The management has also delivered on its outspoken strategy of increasing recurring revenues and gross margins. If Westpay gets traction with its transaction-based revenues, the company should be able to increase its margins significantly. Besides, as Westpay increases its recurring revenues, we argue that the stock deserves to trade at higher multiples.

Challenge

Further dilutions should not be excluded
Westpay is still suffering losses despite higher gross margins, and further dilutions should not be excluded. The new business model also requires more working capital in the short term as Westpay receives payments over a more extended period. However, Westpay has a good return on these investments, and the new business model will increase both cash flow and margins in the coming years.

Valuation

We see an upside where we estimate a long-term EBIT margin of 14%
Based on our DCF model, we see an upside in the share price. We have also complemented our DCF model with a multiple valuation where we value the recurring revenues at 3x sales and the non-recurring revenues at 1x sales. We believe this is good complementation as Westpay deserves to trade at higher multiples when the recurring revenues increases. We estimate that Westpay will reach a long-term EBIT margin of 14% in our base case.

Catalyst types

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

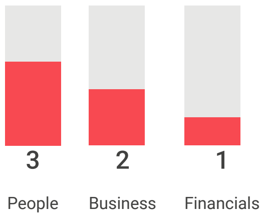
Wyld Networks WYLD

Company page
https://www.redeye.se/company/wyld-networks

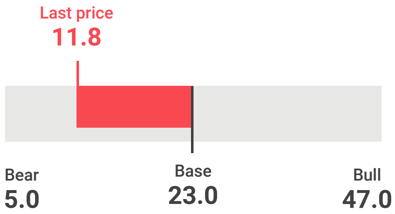
Publication date
January 11 2023

Redeye Rating

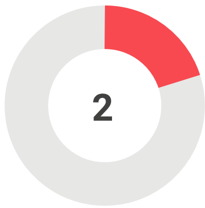
COMPANY QUALITY



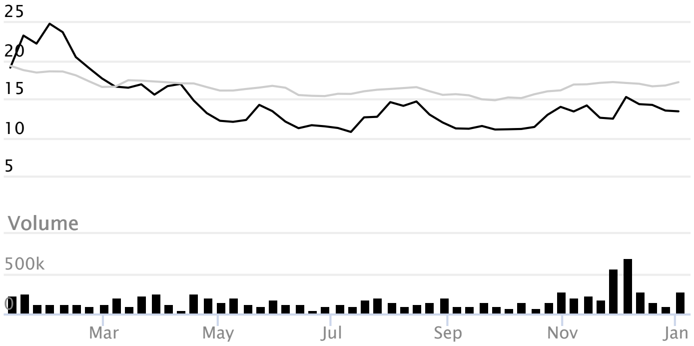
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Alastair Williamson
Chairman	Mats L Andersson

Share information

Share price (SEK)	11.8
Number of shares (M)	13.3
Market cap (MSEK)	158
Net debt (2023E, MSEK)	-12

Analyst

Jessica Grunewald
jessica.grunewald@redeye.se

Conflict of interests

Jessica Grunewald owns shares in Wyld Networks: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	2	2	37	83
Growth	*-0.1%*	*-23.1%*	*>100%*	*>100%*
EBITDA	-26	-34	-32	-15
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-26	-34	-32	-16
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-26	-34	-32	-16
Net earnings	-26	-34	-32	-12
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-3.25	-3.28	-3.11	-1.59
P/E adj.	-6.4	-3.4	-3.5	-6.9
EV/S	66.9	53.7	2.8	1.4
EV/EBITDA	-6.3	-3.0	-3.2	-7.5

Last updated: 2022-09-21

Owner	Equity	Votes
Tern PLC	49.2%	49.2%
Wardhaman Family	14.3%	14.3%
Ubp Clients Assets - Sweden	11.8%	11.8%
UBS Switzerland AG	2.9%	2.9%
Philip Andersson	2.4%	2.4%
Avanza Pension	2.2%	2.2%
Martin David	1.9%	1.9%
Tuvedalen Ltd	1.9%	1.9%
Clearstream Banking S.A. W8imy	1.4%	1.4%
Alastair Williamson	1.4%	1.4%

Company description

Founded in 2016 and headquartered in Cambridge, UK, Wyld Networks is active in the IoT and technology industries. It was publicly listed in May 2021. Wyld currently has 28 employees, including consultants (a majority working in sales and engineering). The company specializes in the development of network applications. Its software is self-developed and is mainly used to collect information via sensors to satellites and to transmit this back to Earth. Wyld aims to offer low-power, low-cost global connectivity for the IoT via low-earth-orbitsatellites using the LoRa protocol. The hybrid solutions enable IoT objects to connect to both existing LPWANnetworks and LEO satellites seamlessly. Furthermore, Wyld offers flexible/simple integrations and connectivity tounconnected parts of the world, enabling customers to collect data from even the most hard-to-reach locations,bringing agriculture, maritime, environment, transportation, oil, gas and mining project data together on a straightforward platform. Its customers comprise of corporate clients operating in several sectors. Wyld operates globally and launched its services commercially in December 2022.

Investment thesis

Case

Set for High Growth

This year, Wyld is embarking on a significant growth journey with the launch of its product offering. We estimate a sales CAGR of 145% for the next five years. Thanks to an attractive underlying business model with inherent high gross margins (from both hardware sales and recurring data revenues), Wyld's business model is set to scale. We consider the market's current expectations for the company's future growth too defensive. We believe the investment offers unique exposure to the frontier techniques of LEO satellites, LoRaWAN, and the IoT. Wyld also closed the TO1 warrant subscription in Q1 2022 and the TO2 warrant subscription in Q4, securing SEK44.7m. In addition, Wyld has a third series of warrants, the Warrants of series T03, with a subscription period in 2023, ensuring financing and setting the company on the road to profitability. Assuming Wyld's launch plan stays on track, we believe its current cash position and the cash injection from the TO3 will be enough to take Wyld to positive net cash flows in 2025.

Evidence

Order Book of cSEK30m Suggests Robust Demand

Wyld has received several commercial orders, and its order book for hardware is currently at cSEK30m, originating from four customers. We estimate the current order book value is equivalent to around 92,000 modules. The list of customers in the pilot phase is steadily ramping up; the company currently has a list of c20 potential commercial customers (pilot customers). Wyld is also a part of a consortium with Eutelsat, TrakAssure, and Senet that combines Senet's ground LoRaWAN network with the satellite LoRaWAN networks of Wyld and Eutelsat to supply across the globe. Furthermore, Wyld has partnered with Dubai government-owned LEO satellite company Space D, exclusively providing Wyld's product offering. These orders, the list of pilot customers, and the partnerships indicate high demand, in our view.

Challenge

Building the Market

As Wyld uses frontier technology and methods, there is a proof-of-concept demand in the market. Educating the markets is both time- and resource-consuming. We thus argue that joining the LoRa alliance and the Multimodal IoT Infrastructure Consortium™ could enable Wyld to build awareness more rapidly and drive proof-of-concept via proven pilot cases with prominent partners.

Challenge

Materializing Orders to Ramp up Revenues

Wyld's revenues and profitability lie further in the future, and orders are typically set to be deployed over several years. As a result, investors will want to see both the order book ramping up quickly and orders materializing and converting into revenues. The underlying SAAS business model (for the data packages) and the project-based sales (hardware) depend entirely on the number of deployed modules to ramp up revenues. However, we view the successful pilot cases and the securing of a supply chain as indicators that Wyld can execute on its strategy.

Valuation

Base Case of SEK23

We value Wyld Networks based on three different DCF scenarios. Our fair value range is cSEK5-SEK47, with a Base Case of SEK23 per share. We use a 13% discount rate (WACC) based on Redeye's Rating model. We project its current cash position and the cash injection from the TO3 will be enough to take Wyld to positive net cash flows in 2025 in our Base and Bull cases. Our Bear Case includes an equity issuance of SEK12-SEK17m before the company reaches break-even.

Catalyst types

Sales/distribution agreements with terrestrial LoRaWAN operators

Sales/distribution agreements with terrestrial LoRaWAN operators would be a clear milestone for Wyld to achieve. We predict such agreements could generate high volume orders since the terrestrial LoRaWAN operators already have a broad customer base using the same type of sensors needed for the satellite connection for their IoT devices.

Ramp-up and conversion of the order book

The ramp-up of the order book for hardware (modules and sensors), along with the conversion of the order book into actual sales, will further prove product-market fit and underpin the growth story.

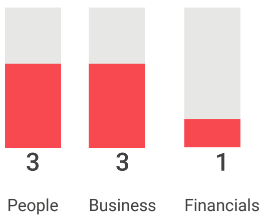
Xavi Solutions XAVI B

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

Publication date
January 10 2023

Redeye Rating

COMPANY QUALITY



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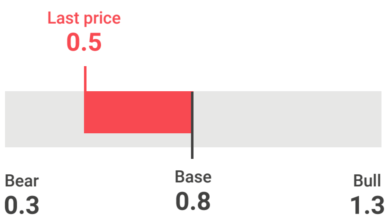

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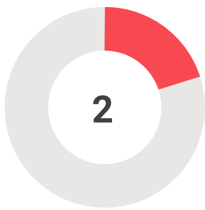
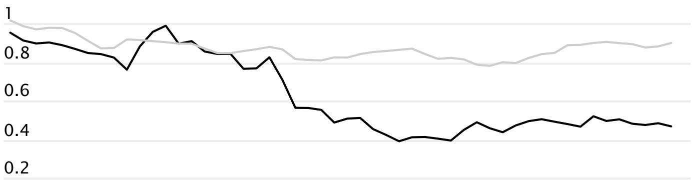
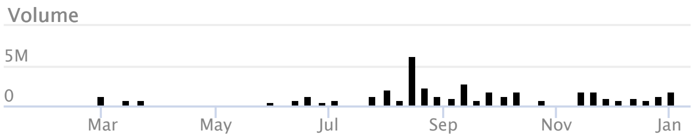


Snapshot

Xavi Solutions
OMXS30





Marketplace	Nordic SME
CEO	Nicklas Raask
Chairman	Marcus Pettersson

Share information

Share price (SEK)	0.5
Number of shares (M)	124.9
Market cap (MSEK)	57
Net debt (2023E, MSEK)	-30

Analyst

Jacob Svensson
jacob.svensson@redeye.se

Conflict of interests

Jacob Svensson owns shares in Xavi Solutions: No

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

Financials

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	119	116	127	154
Growth	*>100%*	*-2.2%*	*9.4%*	*21.5%*
EBITDA	4	4	6	11
EBITDA margin	*3.8%*	*3.1%*	*4.4%*	*7.4%*
EBIT	0	0	2	7
EBIT margin	*0.3%*	*0.1%*	*1.4%*	*4.3%*
Pre-tax earnings	-2	-1	1	6
Net earnings	-2	-1	1	5
Net margin	*Neg*	*Neg*	*1.0%*	*3.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.05	-0.01	0.01	0.04
P/E adj.	-18.6	-61.6	49.0	13.0
EV/S	0.2	0.3	0.3	0.2
EV/EBITDA	5.6	9.9	6.2	2.5

Last updated: 2022-11-23

Owner	Equity	Votes
Empir Group AB	23.4%	23.3%
Avanza Pension	15.0%	14.8%
P Rehn Investment AB	6.1%	6.4%
S-Bolagen AB	5.9%	5.9%
Svensk, Filial Alandsbanken Abp (Finland)	4.9%	4.9%
Fredrik Crafoord	3.8%	3.8%
SEB Life International Assurance	3.2%	3.2%
Nordea Liv & Pension	2.4%	2.4%
Bank Julius Baer & co. ltd, w8imy without	2.3%	2.2%
Almgren Invest AB	2.2%	2.2%

Company description

Xavi Solutions is a Swedish IT consulting group with the aim to acquire and develop IT consultancy operations and make its customers more competitive through digital solutions. Resource and competence reinforcement is offered in all phases of the system development process, overall commitments regarding the development and management of large customer-specific IT systems and support. The business is conducted in independent subsidiaries and ventures operated through different brands.

Investment thesis

Case

A Swedish IT consulting group ready to scale up

As a Swedish IT consulting group providing specialised know-how in the structurally growing IT space, Xavi Solutions and its team of experts add value to clients by making them more competitive with digital solutions. With the recent strategic shift to a complete IT consultancy following divestments and operational streamlining, and with group functions that we believe can handle larger volumes at limited cost increases, we see Xavi Solutions poised for growth with improved profitability. As such, solid quarterly reports and M&A will act as future catalysts.

Evidence

The transformation is starting to materialise

Given its solid customer base and recently sharply increased sales through acquisitions, we note that Xavi Solution has validated its business model with a competitive strategy while the company now has the scale to execute its strategic transition to a complete IT consulting group. Moreover, we believe its current EBIT levels around breakeven and its headroom to scale up at limited incremental cost increases suggest solid profitability as Xavi Solutions grows.

Challenge

In need of coveted employees

Attracting and retaining coveted employees, the most valuable asset for any IT consulting firm, is critical, which is a challenge for Xavi Solutions. However, Xavi Solutions works actively with the company culture, which signifies by its Great Place to Work certification. We argue that this certification, combined with the use of Talent Acquisition Specialists (TAS), ensures a good corporate culture with satisfied employees while it supports the company in attracting and retaining skilled and experienced employees.

Challenge

Will it succeed in transforming into a profitable IT consultancy?

While IT consulting companies are generally cash-flow-generating businesses, one challenge for Xavi Solutions is to succeed in transforming into a profitable one. Moreover, the competition for talented employees has driven up salaries in the industry over the years, which could harm margins. However, with its possibility of handling larger volumes with limited overhead, we believe that Xavi Solutions has set the foundation to become profitable, implying scalability and profitability improvements as the company grows.

Valuation

Low EV/S does not reflect its potential

Our DCF model indicates a Base Case of SEK0.75 per share and Bear and Bull cases of SEK0.25 and SEK1.30, respectively. We argue that Xavi Solutions' shift towards a complete IT consulting company has not been seen fully fundamentally yet, creating an interesting opportunity based on its current EV/S multiple. As this shift materialises to a greater extent, we argue that Xavi Solutions can shrink the valuation gap to its peers.

Catalyst types

M&A

Xavi Solutions has stated M&A aspirations even though organic growth is its primary focus. Consequently, we believe future M&A activities will act as potential share price catalysts.

Solid quarterly reports

In Xavi Solutions' current phase, we believe it is important for the company to build a solid track record to demonstrate a stable and robust business to investors. Consequently, we believe quarterly reports serve as catalysts, where each operational improvement builds trustworthiness and thus can reward Xavi Solutions with higher multiples.

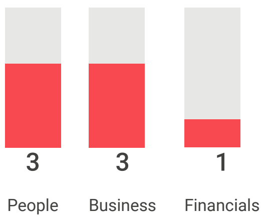
XMReality XMR

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

Publication date
January 11 2023

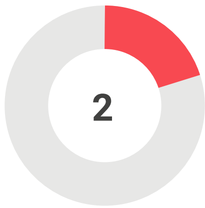
Redeye Rating

COMPANY QUALITY



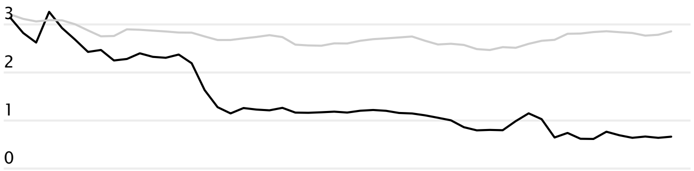
FAIR VALUE RANGE

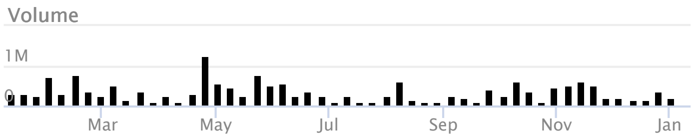
TIMELINESS



Snapshot

XMReality
OMXS30





Marketplace	First North Stockholm
CEO	Jörgen Remmelg
Chairman	Björn Persson

Share information

Share price (SEK)	0.6
Number of shares (M)	88.5
Market cap (MSEK)	57
Net debt (2023E, MSEK)	17

Analyst

Alexander Flening
alexander.flening@redeye.se

Conflict of interests

Alexander Flening owns shares in XMReality: No

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

Financials

	2021	Redeye Estimates 2022E	2023E	2024E
Revenue, MSEK	22	19	24	36
Growth	*6.2%*	*-15.1%*	*28.5%*	*49.2%*
EBITDA	-28	-32	-28	-20
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-33	-38	-35	-26
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-33	-38	-35	-26
Net earnings	-33	-38	-35	-26
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.82	-0.92	-0.50	-0.38
P/E adj.	-4.3	-1.3	-2.4	-3.2
EV/S	4.5	2.6	4.2	3.7
EV/EBITDA	-3.5	-1.5	-3.6	-6.8

Last updated: 2022-10-25

Owner	Equity	Votes
Investment AB Spiltan	23.5%	23.5%
Avanza Pension	7.6%	7.6%
Lars Svensson	5.0%	5.0%
Nordnet Pensionsförsäkring	4.0%	4.0%
Björn Persson	3.6%	3.6%

Company description

XMReality is the company behind Remote Guidance, a software that enables advanced video calls, to a large extent, for industrial remote work. The video calls revolve around hardware issues in industrial environments, such as a faulty production line on the shop floor that needs servicing. When there is an issue, a worker on the shop floor seeks support from e.g., a technician or superior at the home base, which possesses knowledge on how to solve the issue. Through Remote Guidance, the guiding person is able to overlay information (e.g., hands or tools) to the guided person through augmented reality. Press here for a demonstration of Remote Guidance.

Investment thesis

Case

Scalable business model

Once XMReality completes a customer's initial deployment and onboarding, the marginal cost of adding more licensed users is negligible. The potential of achieving operating leverage and high profitability is reflected, in our opinion, in the company's 90%+ gross profit margins. We have a favourable view of the strategy of creating a large installed base, which can scale its usage and licenses with time. We forecast a 2021–25 sales CAGR of 23% and EBIT breakeven from 2025/26. We think this growth will stem (evenly split) from scaling deployments with existing customers and winning new agreements. Partnerships (e.g., Atea, NTT and Microsoft) currently account for ~10% of sales. We understand that there is upside optionality to expanding the partner network, which would grant XMReality a global reach at a limited customer acquisition cost.

Evidence

Focused core business areas

XMReality has gained a strong market position in several verticals, including (1) the food and beverage industry with customers such as Nestlé, AB InBev, and Heineken, (2) the packaging industry with customers such as Sidel, and (3) the Swedish energy sector with customers such as Tekniska Verken Linköping and Borås Energi. Two additional exciting verticals are facility management and medtech - especially medical equipment, sharing similarities with the packaging industry.

Challenge

Delayed adoption

So far, the adoption of Remote Guidance has been somewhat slow, and the company hasn't achieved the critical mass required to become profitable. Perhaps, some customers and employees prefer legacy models and are unwilling to receive AR-based assistance.

Challenge

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.

Valuation

Low EV/sales

Our DCF analysis indicates a Base Case of SEK0.85 per share (Bull: SEK5; Bear: SEK0.1) based on a 20% sales CAGR during our forecast period (until 2032) and a 20% terminal EBIT margin.

Catalyst types

Significant ARR and Top-Line Growth

Solid quarterly reports, demonstrating significant top-line growth, and thus a path to profitability should have a significant impact on the share price.

Additional Go-To-Market Partners

Strategic alliances could help XMReality expand its international reach and increase its installed base at a modest customer acquisition cost. One such partnership is its existing agreement with Japan-based NTT, establishing a presence in the APAC region.

Lighthouse Customer Agreements

We see great potential in a high-volume rollout of Remote Guidance throughout a large customer's service organization. Apart from yielding a significant ARR at high margins, it could indicate that its industry is truly ready to adopt the technology on a larger scale.

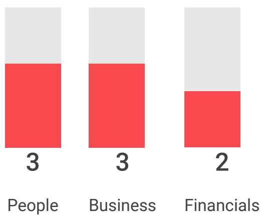
Zordix ZORDIX B

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

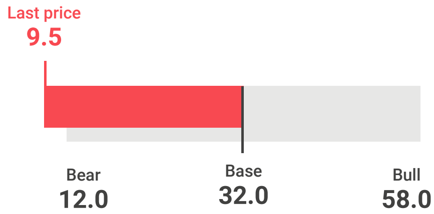
Publication date
January 10 2023

Redeye Rating

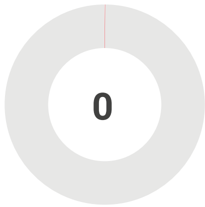
COMPANY QUALITY



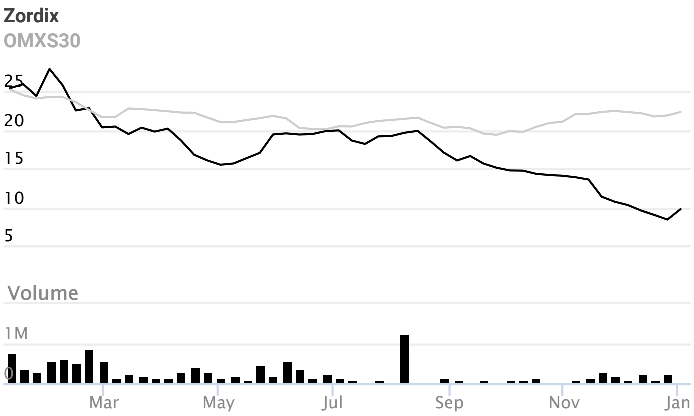
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Christina Seelye
Chairman	Stefan Lindeberg

Share information

Share price (SEK)	9.5
Number of shares (M)	42.9
Market cap (MSEK)	407
Net debt (2023E, MSEK)	-29

Analyst

Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Zordix: Yes

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

Financials

	2021	2022E	Redeye Estimates 2023E	2024E
Revenue, MSEK	465	1,135	1,316	1,480
Growth	*>100%*	*>100%*	*16.0%*	*12.5%*
EBITDA	72	104	164	228
EBITDA margin	*15.4%*	*9.1%*	*12.5%*	*15.4%*
EBIT	51	77	124	184
EBIT margin	*10.9%*	*6.8%*	*9.5%*	*12.4%*
Pre-tax earnings	17	2	2	66
Net earnings	3	-10	2	53
Net margin	*0.5%*	*Neg*	*0.1%*	*3.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.92	2.09	2.17	3.35
P/E adj.	31.6	4.8	4.6	3.0
EV/S	2.4	0.5	0.3	0.2
EV/EBITDA	15.8	5.0	2.4	1.2

Last updated: 2022-12-09

Owner	Equity	Votes
Avanza Pension	11.1%	7.8%
Matti Larsson	11.0%	37.3%
Christina Seelye	8.5%	6.0%
Philippe Cohen	8.4%	5.9%
Prioritet Finans	5.6%	4.0%
Knutsson Holdings AB	4.7%	3.3%
David Wallsten	3.8%	2.7%
Viktor Vallin	3.4%	2.4%
Patrik Bloch	3.0%	2.1%

Company description

Zordix started out as a game studio focused on publishing and work-for-hire projects which historically has been most known for its racing games Aqua Moto Racing Utopia and Snow Moto Racing Freedom. It has since then evolved through acquisitions and today, Zordix is a multinational developer, publisher, and distributor of games. The company has a strategy to acquire companies across the whole value chain of the games market, everything from game development to publishing and distribution. While the company has a long history, having been founded in 2009, most of its current revenue is generated by the acquisitions of Merge Games, Just for Games and Maximum Games carried through in 2021.

Investment thesis

Case

Growth focused gaming group active in the whole value chain
Zordix is in the early stage of a new growth phase after concluding three large acquisitions, Merge Games, Just for Games and Maximum Games in 2021. With the acquisitions Zordix has built a sizable gaming group generating solid cash flow as well as a network for further M&A-driven growth. This follows the revamp of the company's strategy in 2019, with an increased long-term focus on in-house IPs and publishing to control the full value chain. One of Zordix's unique propositions versus other gaming companies focused on M&A-driven growth is that Zordix targets the whole value chain. We consider this positive since it increases the universe of potential acquisitions and diminishes the competition for the targets. Finally, the company also has a strong game pipeline which can support improving profitability if the game releases are successful. Overall, we consider Zordix organic and M&A-based growth prospects attractive which supports our view of topline growth and margin expansion going forward.

Evidence

Well diversified low risk gaming portfolio and motivated management team
Zordix has a broad gaming portfolio consisting of more than 300 games where the largest represent around 5% of sales. With a focus on AA games that has much lower budgets than AAA games the dependence on success for individual games is low. Furthermore, the company's revenue is also geographically diversified coming mainly from North America and Europe and small share from South America and RoW. Finally, the company's management team are also highly motivated with the CEO Christina Seelye holding around 10% of shares while the founder Matti Larsson holds around 12% of shares.

Challenge

Highly competitive market
We believe the main challenge for Zordix is the high competition seen in the gaming market with several games released each day. However, the company's niche focus on the AA segment which is underserved means the company is well positioned in our view. Furthermore, as the company controls the whole value chain this helps the company to promote its games vs competition.

Valuation

Base case DCF supported low risk stable revenue and solid cash generation
We find a base case valuation of SEK32 per share for Zordix which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of 11x on our 2023E EBITDA. Our base case assumes growth of 11% between 2023-27E and 6% between 2028-37E with a terminal growth of 2%. We assume a margin expansion to around 20% by 2027 which gradually declines to 15% in the terminal period.

Catalyst types

Growth from in-house games
Zordix has a growing game portfolio of own IP's with a handful of games for which we see substantial growth potential in our positive scenarios. One of the most exciting is Smalland, which is expected to launch in early access soon. Another IP with strong potential is Bramble, which has generated a positive reception in early glimpses and has a similar potential revenue contribution. Finally, the acquisition of Maximum Games has added additional potential with around 15 games in its pipeline.

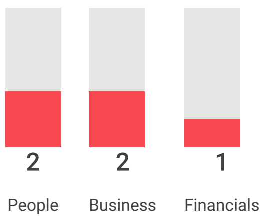
Zwipe ZWIPE

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

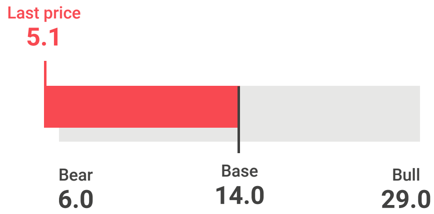
Publication date
January 12 2023

Redeye Rating

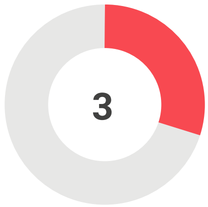
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Marketplace	First North Stockholm
CEO	Robert Puskaric
Chairman	Jörgen Lantto

Share information

Share price (SEK)	5.1
Number of shares (M)	37.6
Market cap (MSEK)	190
Net debt (2023E, MNOK)	-27

Analyst

Niklas Sävås
niklas.savas@redeye.se

Conflict of interests

Niklas Sävås 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

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MNOK	3	4	52	443
Growth	*38.3%*	*57.4%*	*>100%*	*>100%*
EBITDA	-75	-113	-90	35
EBITDA margin	*Neg*	*Neg*	*Neg*	*7.9%*
EBIT	-83	-114	-91	35
EBIT margin	*Neg*	*Neg*	*Neg*	*7.9%*
Pre-tax earnings	-83	-110	-91	35
Net earnings	-83	-110	-91	35
Net margin	*Neg*	*Neg*	*Neg*	*7.9%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-2.25	-2.95	-1.73	0.66
P/E adj.	-12.9	-2.8	-4.7	12.3
EV/S	362.3	47.4	7.7	0.8
EV/EBITDA	-12.3	-1.7	-4.5	10.4

Last updated: 2022-10-31

Owner	Equity	Votes
Vasastaden Holding AB	16.4%	16.4%
Erik Selin	10.7%	10.7%
Bengt Eriksson	5.4%	5.4%
Lars Windfeldt	4.5%	4.5%
Skandinaviska Enskilda Banken AB	2.9%	2.9%
Avanza Pension	2.9%	2.9%
Coeli AB	2.7%	2.7%
Jörgen Lantto	2.3%	2.3%
Skandinaviska Enskilda Banken AB	1.5%	1.5%

Company description

Founded in 2009, Zwipe is a first mover in biometric smart cards (“BSCs”). It develops fingerprint authentication technology, at the moment focusing on payment cards and access cards. The company is still essentially pre-revenue, but has an exclusive technology distribution agreement with the world´s second-largest card manufacturer, Idemia. Zwipe has a long list of prominent partners on a global basis and is well-positioned for the anticipated market ramp-up for biometric smart cards.

Zwipe is located in Norway but it has offices in Munich and Colorado. Aside from its listing on the Norwegian Merkur Market, Zwipe dual-listed on First North in Sweden during 2019.

Investment thesis

Case

Opportunistic with great value proposition
In 2019 Zwipe 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, which is imperative to the success of BSCs. Zwipe has consistently built on its position by partnering up with lots of actors in the payments ecosystem while the larger card manufacturers have moved slowly. Zwipe has nothing to protect while the larger ones have their cash cows in the existing payment cards without biometrics and are therefore ripe for disruption. We see continuous signs of a market take-off. We believe, however, that the cheaper card stemming from the Idemia/Zwipe solution can facilitate commercial volumes from 2022.

Evidence

Lower card costs and strong IP
Through the partnership with Idemia, Zwipe targets a reduction of card costs by over 50%, implying potential cost leadership. We view Idemia and Zwipe’s intellectual property 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.

Challenge

Road blocks on the way
There are other solutions than cards such as mobile phones which already have strong authentication solutions through biometrics and an increasing share of the younger population are using their mobile phones as the primary way to pay. Another challenge is around the actual user-friendliness of biometric cards.

Challenge

Potential delay in market take-off
Further delays in the market take-off can lead to competitors being able to close in on disruptors such as Zwipe. Furthermore, it risks impacting the financing situation as the company's cash burn per month is around NOK 8m.

Valuation

Commercial orders to drive the stock
Commercial orders can drive the stock towards our base case of NOK14 where we model biometric payment cards to reach 10% of total cards in 2026 and a market share for Zwipe of around 10%, turning into sales of around NOK 1.2 billion. Our bear case is based on a fire sale of the IP at NOK 6 per share. In our bull case, we see a major upside to NOK29 based on higher BSC penetration. The wide fair value range illustrates the uncertainty in the case.

Catalyst types

Commercial orders
The most important catalyst during the next 6 months, in our view, is commercial orders, from existing and new partnerships. The company already announced a pilot with a Global Tier-1 Bank at the beginning of September and we expect further news. There were a total of 14 pilots initiated for Zwipe Pay in 2021 and we think successful results are triggers for commercial orders. This is also a risk for the case where unsuccessful pilots would be concerning.

Large commercial order for Zwipe Pay ONE
Pilots are one thing, but commercial orders from the Idemia collaboration will prove that there is a substantial value in Zwipe´s offering. The first commercial orders have arrived which have led to a valuation at our base case and we are awaiting news for further substantial orders.

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.

Proven breakthrough in production costs
The costs are expected to come down with scale in production. The goal is to get the costs down to USD 5 per card which we think is likely to happen in the next couple of years.

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