

# XMReality

Sector: Human Interaction

## Corona Crisis Sparks Interest

Redeye makes an in-depth research update on XMReality after the recent rights issue. The Corona crisis has already increased customer interest in the company's Remote Guidance solution, but we are still awaiting existing customers to place larger software orders. We keep our positive stance on the share.

### Corona crisis yields interest, but adoption still slow

With the Corona crisis highlighting the advantages of remote services, XMReality has experienced an increased interest in its AR field service solution. The company has consequently received a number of smaller orders from new customers. We see this activity as a positive signal. However, we are still not seeing existing customers scaling up their use and its number of software licenses. Hence, we believe that customers will adopt XMReality's solution at a slower pace than previously expected.

In addition to the increased customer activity, XMReality has published its Q4'19 report, which came in slightly better than expected. The company has also appointed a new CEO, Jörgen Rimmelg, and raised SEK 35.8m before transaction costs in the recent rights issue.

### We value XMReality to SEK 3 per share

Due to the impact of the Corona crisis, we raise our expectations for 2020 somewhat and increase our sales estimate with 5% for the year. However, with the slow adoption rate, we lower our expectations for the coming years and decrease our sales estimates with around 12-20%. Even though we view the increased customer interest as positive for sales growth development going forward, we believe that our previous expectations have simply been too high. We would like to see some customers place larger orders before raising our expectations.

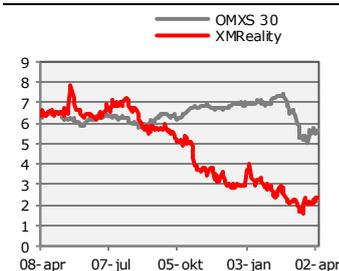
Given the new number of shares after the issue, we revise our valuation to SEK 3 per share in a base case scenario. We find a fair value range of SEK 1 to SEK 7 per share. With the share trading at around SEK 2.5 per share, we think there is an upside of about 20% from current levels.

KEY FINANCIALS (SEKm)	2018	2019	2020E	2021E	2022E	2023E
Net sales	10	12	15	21	33	58
EBITDA	-25	-23	-23	-25	-22	-9
EBIT	-29	-27	-28	-30	-27	-13
EPS (adj.)	-1.7	-1.6	-0.8	-0.9	-0.9	-0.5
EV/Sales	8.4	4.6	6.7	6.5	5.1	3.3
EV/EBITDA	-3.4	-2.4	-4.4	-5.3	-7.6	-21.2
EV/EBIT	-2.9	-2.0	-3.7	-4.4	-6.2	-14.3
P/E	-4.2	-2.3	-3.0	-2.6	-2.7	-4.7

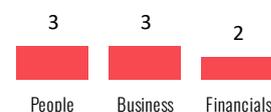
### FAIR VALUE RANGE

BEAR	BASE	BULL
1	3	7

### VERSUS OMXS30



### REDEYE RATING



### KEY STATS

Ticker	XMR.ST
Market	First North
Share Price (SEK)	2.5
Market Cap (MSEK)	84
Net Debt 20E (MSEK)	19
Free Float	77 %
Avg. daily volume ('000)	123

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## In-depth analysis: Virtual Corona Interest

We recently resumed our coverage of XMReality after the rights issue, where Redeye acted as a financial advisor. Since our last update, many things have happened for XMReality. The company's Remote Guidance solution has continued to attract new customers, and XMReality appointed a new CEO before the year-end 2019. During the time of the paused coverage, the company published its Q4'19 report, in addition to successfully raising SEK 35.8m before transaction costs in the issue. In this update, we will cover all these events more in detail.

In addition, the macro environment has substantially deteriorated over the last couple of months due to the Corona crisis. Hence, we discuss the impact of the crisis on XMReality and what the financial implications are for the company. To conclude, we revise our forecasts and valuation of the company.

### Financials Q4'19

*Q4'19 was slightly better than expected*

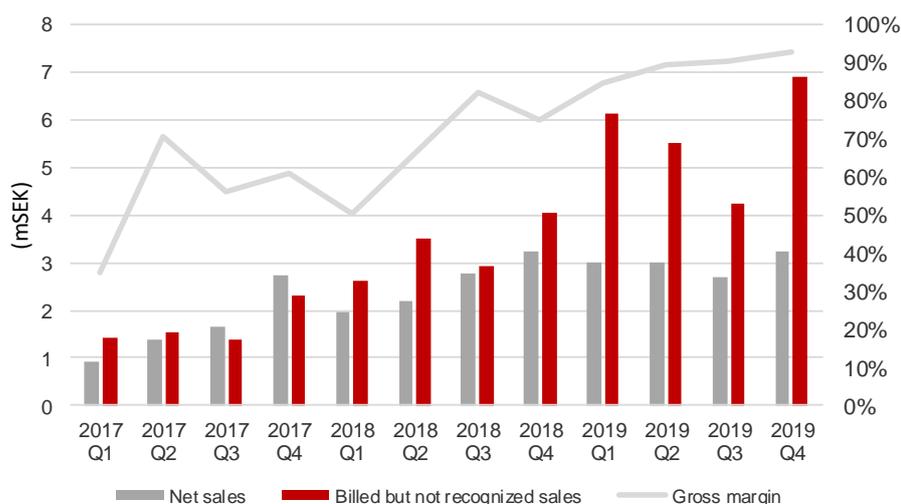
Overall, XMReality's Q4'19 came in slightly better than expected. Sales were SEK 3.2m (SEK 3.3m), which can be compared to our estimate of SEK 3.0m. This means that sales growth in the Q4 was 20% q/q, but -1% y/y.

The gross margin for the quarter came in better than expected at 93%, due to a more favorable hardware/software mix. XMReality also reported slightly lower OPEX than expected, yielding an EBIT of SEK -7.7m (SEK -8.3m). This can be compared to our estimate of SEK -8.2m.

<b>XMReality: Historical Financials</b>							
<b>(SEKm)</b>	<b>2017</b>	<b>2018</b>	<b>Q1'19</b>	<b>Q2'19</b>	<b>Q3'19</b>	<b>Q4'19</b>	<b>2019</b>
Net sales	6.7	10.2	3.0	3.0	2.7	3.2	11.9
CoGS	-2.8	-3.0	-0.5	-0.3	-0.3	-0.2	-1.3
Gross margin (%)	58%	70%	84%	89%	91%	93%	89%
Staff costs	-13.9	-20.4	-5.0	-5.2	-4.2	-5.1	-19.5
External costs	-17.6	-16.9	-3.9	-5.5	-4.7	-5.8	-19.9
EBITDA	-20.7	-25.2	-4.8	-6.6	-5.3	-6.5	-23.1
D&A	-1.9	-4.1	-0.9	-1.0	-1.1	-1.1	-4.2
EBIT	-22.6	-29.2	-5.7	-7.6	-6.4	-7.7	-27.3
Growth (%)	30%	52%	-7%	-1%	-10%	20%	17%

*Source: Redeye Research*

Hence full-year sales for 2019 were SEK 11.9m (SEK 10.2m), putting sales growth at 17%. The gross margin on a full-year basis reached 89%, yielding a substantial improvement compared to the 70% gross margin of the previous year. Together with only a small increase in costs, this improved EBIT somewhat for the full year.

**XMReality: Net sales, billed but not recognized sales and gross margin**

Source: XMReality

In Q4'19, the downward trend in billed but not recognized sales, that had persisted for three quarters, was broken. This key figure amounted to SEK 6.9m (SEK 4.0m) in Q4'19. We believe that this indicates stronger growth in the coming quarters.

At year-end, XMReality had cash of around SEK 9, and through the completed rights issue, the company has raised an additional SEK 30m after costs. Given a maintained annual burn rate of SEK -28m in cash flow before financing activities, this means that the company has enough cash to continue its operations for more than five quarters.

## Take-off in customer interest

XMReality has continued to attract new customers. XMReality reported in Q4'19 that a total of 55 customers now are subscribing to Remote Guidance. In December, the company announced that it had signed a contract with Sidel, a leading packaging group. Sidel is a provider of equipment, services and solutions for the packaging of foods, liquids, home and personal care products.

The contract gives Sidel access to XMReality Remote Guidance Software and XMReality Web Client over the next 12 months. The value of this deal amounts to SEK 0.8m, which will be recognized during 2020. Furthermore, the contract includes an integration of XMReality's software into Sidel's systems. This, we believe, may increase customer switching costs and is hence a very positive signal.

We have also seen continued interest from other parties. Before the end of 2019, XMReality signed a contract with Anheuser-Busch Inbev, one of the world's largest brewing companies. Anheuser-Busch Inbev will use XMReality's Remote Guidance at three of its support centers to improve the technical support to its breweries. Some weeks ago, Minebea Intec, an existing customer to the company, announced that it is expanding its use of XMReality's software. Most recently, the company announced that the Scottish association, Kingdom Housing Association, has placed a smaller order and will start using Remote Guidance to help its tenants with routine repairs. Unfortunately, we do not know the value of these contracts.

XMReality has also announced that it has signed a contract with Electrolux, a leading home appliance manufacturer. The deal concerns a three-year contract, with a total value of SEK

1m. Electrolux will include XMReality Remote Guidance in its offering to improve customer service within its Electrolux Professional division.

Recently XMReality announced that the British industrial company IMI Plc placed its first order, amounting to SEK 0.8m. Half of the value is said to pertain to software and will thus be recurring. IMI will use XMReality Remote Guidance to improve its customer service primarily towards the oil and gas sector.

Announced software orders		
Date	Customer	ARR (SEKm)
12-09-2018	Mineabea Intec	0.4
12-12-2018	SACMI	0.4
17-12-2018	Strömsholmen	0.5
28-01-2019	Bühler Consumer Food	0.5
15-03-2019	American defense company	1.5
24-06-2019	Global engineering group	1.6
20-12-2019	Sidel	0.8
01-04-2020	Electrolux	0.33
02-04-2020	IMI Plc	0.4

Source: XMReality

We view it as positive that we continue to see customer activity from both new and existing customers. However, the order values are still quite small. We would like to see an increase in the annual recurring revenue from some customers going forward.

We continue to see that customers are scaling up slower than we previously expected. We believe that this is due to that the market is not maturing as quickly as we expected. Hence, when it does, XMReality's growth should accelerate. We have adjusted our estimates accordingly in this update.

## Organizational changes and strengthened financing

In addition to winning new customers, XMReality has also made changes within the management team and raised capital since our latest update. The company announced in December that Jörgen Rimmelg would take over from the previous CEO Johan Castevall on March 30, 2020. Rimmelg has previous experience from business unit manager positions for several industrial companies and is hence particularly well versed within international sales in the global industrial market.

XMReality: Management			
Name	Position	Since	Equity
Jörgen Rimmelg	CEO	2020	0.29%
Claes Pettersson	CFO	2017	0.01%
Per Unell	CTO	2018	0.00%
Marcin Szymanski	CSO	2018	0.41%

Source: XMReality

It is too soon to evaluate the new CEO, but we do think it is positive that he already owns 100,000 shares or 0.29% of the equity in XMReality. Although, we would have liked to see that the CEO, and the rest of top management, held even more shares than they currently do.

*Capital raise of SEK 35.8m before costs*

At the beginning of 2020, XMReality announced that it intended to do a rights issue to raise the capital needed to continue growing its business. In the middle of March, the company completed the issue and successfully raised SEK 35.8m before transaction costs. After costs, this equals around SEK 30m in additional cash for XMReality. As previously mentioned, this means that the company has enough cash on hand to continue its operations for at least five quarters months given a maintained burn rate.

In the transaction, 17.05m new shares were issued, increasing the number of shares from 17.05m to 34.1m. XMReality's main owner, Investment AB Spiltan participated in the issue and thus increased its holdings from 14.5% to 24.3% of equity. Spiltan also acted as a guarantor in the issue. Of the 3.7m shares in the issue that were subscribed by guarantors, a majority was subscribed by Spiltan. This means that we do not expect a selling pressure from guarantors since Spiltan is more of a long-term owner in the company.

Furthermore, we note that the Spiltan's representative on the board, Björn Persson, is nominated to take over as chairman of the board after the AGM. We, therefore, believe that Spiltan means to take an active part in developing XMReality going forward. We think it is positive that the company has a strong, long-term main owner.

## Corona Impact

*Increased interest from new customer following Corona crisis*

With the COVID-19 outbreak reaching Europe and the U.S. about a month ago, the macroeconomic outlook has been negatively affected by the Corona crisis. Given the high uncertainty of the pandemic development over the next couple of quarters, it is difficult to estimate how the crisis will affect the economy in general, and XMReality in particular.

Our current view is that the crisis will, in all likelihood, result in a slight positive short-term effect during the next couple of quarters. The crisis has increased the customers' awareness of the benefits of digital solutions such as XMReality's Remote Guidance, enabling remote customer and field service, completely unaffected by, for example, travel restrictions. Thus, we believe that it is likely that many new customers are going to show an interest in XMReality's offering in the coming quarters.

Even though economic outlook looks worse in the short- and mid-term, we continue to see great potential for XMReality's and its remote guidance solutions in the long term. We believe that the underlying growth drivers for the company are intact and unaffected by the crisis.

However, the market seems to be maturing slower compared to what we previously have been expecting, despite the fact that the AR market is still forecasted to show strong growth going forward. Thus, we have chosen to revise our forecasts. However, we still believe that XMReality is well-positioned to capture some of the market growth with its unique product offering.

Hence, we see a Corona impact primarily in the short term. We have outlined the effect on our estimates in the section below.

## Forecasts & Valuation

With a basis in the reasoning in the sections above regarding XMReality's traction in winning new customers and scaling up existing customers and our thoughts on the Corona crisis, we have adjusted our forecasts.

XMReality: Estimates in Base case									
(SEKm)	2018	2019	Q1'20E	Q2'20E	Q3'20E	Q4'20E	2020E	2021E	2022E
Net sales	10.2	11.9	3.2	3.7	4.2	4.2	15.3	20.7	33.0
CoGS	-3.0	-1.3	-0.3	-0.3	-0.3	-0.3	-1.2	-2.1	-3.3
Gross margin (%)	70%	89%	92%	92%	92%	92%	92%	90%	90%
Staff costs	-20.4	-19.5	-5.1	-5.1	-5.1	-5.1	-20.4	-23.5	-27.0
External costs	-16.9	-19.9	-5.8	-5.8	-5.8	-5.8	-23.0	-26.5	-30.4
EBITDA	-25.2	-23.1	-6.4	-6.0	-5.5	-5.5	-23.4	-25.4	-22.1
D&A	-4.1	-4.2	-1.1	-1.1	-1.1	-1.1	-4.6	-5.1	-5.1
EBIT	-29.2	-27.3	-7.6	-7.1	-6.6	-6.6	-28.0	-30.5	-27.1
Growth (%)	52%	17%	-1%	16%	14%	0%	28%	35%	60%
EBIT Margin (%)	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.

Source: Redeye Research

Slower large-scale adoption  
lowers expectations

We expect that the Corona crisis effect will start to kick in Q2'20, boosting sales somewhat. The full-year 2020 hence ends up slightly better than previously expected. However, despite the increase in interest, we still believe that it may take some time for these customers to reach maturity and scale up the number of active users. From what we have seen so far, this takes quite some time, and thus we believe that our previous expectations have been too high.

XMReality: Estimate changes in base case						
(SEKm)	2020E	2021E	2022E	2023E	2024E	2025E
Net sales (new)	15.3	20.7	33.0	57.8	95.4	138.4
Net sales (old)	14.6	23.4	42.1	73.7	110.6	154.8
Change (%)	5%	-12%	-22%	-22%	-14%	-11%
EBIT (new)	-28.0	-30.5	-27.1	-13.1	7.2	29.0
EBIT (old)	-31.8	-31.0	-19.8	1.3	22.5	50.1

Source: Redeye Research

Hence, we decrease our sales estimates with 12-22% between 2021 and 2025. Despite that we also forecast somewhat lower costs, the revisions delay breakeven with one year from 2023 to 2024.

We still recognize that XMReality has established a relationship with many large, attractive customers such as ABB. However, we want to see signals that some of these customers are increasing the number of active users, resulting in higher annual recurring revenue, before increasing our estimates.

#### Our key valuation assumptions can be summarized as:

- With 55 paying customers at the end of 2019, including large companies such as ABB, we believe that there is room for substantial growth going forward.
- ARR for some of these customers could amount to SEK 10m annually.
- We expect sales growth to begin to take off in 2022-2024 when the market starts to mature somewhat.
- The number of active users increases up to around 30,000 users at the end of the forecast period.
- The scalable business model, based on mostly software, yields high gross margins of 90%.
- Breakeven is reached in 2024.
- EBIT-margin increases and peaks at 23% at the end of the forecast period.
- Terminal growth rate is 2%.
- Terminal EBIT-margin is 18%.
- Tax rate is 21%.
- We use a WACC of 13%.

<b>XMReality: Base case assumptions</b>				
<b>Assumptions:</b>	<b>2020-22</b>	<b>2023-28</b>	<b>DCF-value</b>	
CAGR Sales	40%	29%	WACC	13%
EBIT-margin (avg.)	-138%	12%	NPV of FCF	10
			NPV of Terminal Value	80
<b>Terminal</b>			Sum of NPV	90
Sales growth	2%		Net cash	-8
EBIT-margin	18%		<b>DCF-value</b>	<b>98</b>
			<b>Fair value per share</b>	<b>3</b>
			Current share price	2.5

Source: Redeye Research

Based on these assumptions and the increased number of shares after the issue, we value XMReality to **SEK 3 per share in a base case scenario**. We estimate the **fair value range to SEK 1 to SEK 7 per share**. To be able to argue for a valuation closer to our bull case, we would like to see larger orders from some customers, of at least > SEK 2m. With the share trading around SEK 2.5 per share, we see an upside of about 20% from current levels.

## Bear Case 1 SEK

The bear case reflects the scenario where the expected breakthrough is delayed due to a general reluctance to invest in new AR-technology. We have also incorporated tougher competition and a general price pressure on AR solutions for remote guidance.

We assume a slower adoption of XMReality's Remote Guidance, leading to lower sales growth. However, we still expect some larger orders in a few years.

*Sales CAGR '20-'22E: 28%*  
*Sales CAGR '23-'28E: 30%*  
*Avg. EBIT-margin '20-'22E: -180%*  
*Avg. EBIT-margin '23-'28E: -2%*  
*Terminal growth: 2%*  
*Terminal EBIT-margin: 14%*

## Base Case 3 SEK

The base case assumes that the AR market matures faster than in the bear case. XMReality's customers adopt the Remote Guidance solution at a more rapid pace, and we also expect fewer competitors to appear posing as serious threats to the company. This leads to that there is less price pressure in the market, translating into higher growth for XMReality.

The forecasts in the base case imply that several companies reach larger numbers of active users, generating revenue of up to SEK 10m annually per customer.

The higher growth results in high margins for the company, due to the scalability of the software and that additional users can be added to its platform at negligible marginal costs.

*Sales CAGR '20-'22E: 40%*  
*Sales CAGR '23-'28E: 34%*  
*Avg. EBIT-margin '20-'22E: -138%*  
*Avg. EBIT-margin '23-'28E: 12%*  
*Terminal growth: 2%*  
*Terminal EBIT-margin: 18%*

## Bull Case 7 SEK

The bull scenario is based on that XMReality's Remote Guidance solutions is remains competitive for many years and that it attracts many large customers. These large customers find the Remote Guidance solution to be useful, resulting in a large number of software licenses sold.

We assume that few competitors with similar offerings emerge and that XMReality hence maintain its technological advantage over a longer period. This translates into a higher pricing power for the company, as well as a lower churn. Together this yields high and sustainable margins for the company.

*Sales CAGR '20-'22E: 58%*  
*Sales CAGR '23-'28E: 37%*  
*Avg. EBIT-margin '20-'22E: -115%*  
*Avg. EBIT-margin '23-'28E: 17%*  
*Terminal growth: 2%*  
*Terminal EBIT-margin: 22%*

## Investment Case

**Highly scalable offering with potential customer lock-in.** XMReality targets industrial players that incorporate its software in their service offerings. The company faces negligible marginal costs of adding additional licensed users to the platform, and the potential to achieve high profitability is reflected by the gross margins exceeding 90%. The use case further opens up for lock-in effects as customers incorporate XMReality's solution in their large-scale service operations.

**XMReality's technique is unique** in combining hand overlay, excellent functionality in areas of weak network capacity, and that you can invite customers to new sessions through a weblink, i.e., eliminating the need to run sessions through an installed app on the customer side. Not having to download software is an important feature mitigating the potential problem of this new technique being perceived as complicated and complex. The company launched this new feature rather recently, and with sales cycles often exceeding a year, we believe that the full scope of this introduction is yet to be seen.

**ABB-case indicates positive progress.** XMReality has increased its collaboration with ABB throughout 2019 and has so far announced software orders worth SEK 1.6m. The deals with other large industrials mostly regard smaller testing user bases, whereas this is a larger deal pointing towards a commercial breakthrough and an interest to adopt the solution on a grander scale. It will further be an important reference when approaching new prospective customers.

The absence of additional substantial orders and high growth have, together with dilution from the recent capital raise, put pressure on the share that now trades around SEK 2.5 per share. While we argue that the company has failed to meet growth expectations, we still see factors suggesting positive long-term prospects and expect the company to generate roll-outs over the coming years. We currently see an upside to our base case at SEK 3 per share from the current depressed levels. We deem additional, and especially larger (>SEK 2m) software orders to be the most critical share catalysts over the coming year as it would reveal the potential within the customer base.

## Key Catalysts

**Announcement of large agreement.** We see great potential in an extensive roll-out of XMReality's Remote Guidance solution throughout a large client's service organization after running tests for an extended period. Apart from yielding recurring revenues and high margins, it would indicate that the industry truly is ready to adopt the solution and use it on a larger scale.

**New channel partner(s).** There is further potential for a new channel partner(s) that incorporate XMReality's solution in their offering toward clients. We, however, believe this to be more relevant as the company has shown larger volumes of software sales.

**New technology partner(s).** We believe that new technology partners in hardware developers such as Microsoft or RealWear would strengthen XMReality's case. Such a partnership would increase the potential user base and further strengthen XMReality's positioning as a leading provider of industrial AR-solutions.

## Counter Points

**Slow adoption brings uncertainty.** The adoption of Remote Guidance has so far been slow. One of the reasons could be that the service personnel are reluctant to change their way of working. The customers of XMReality's customers may also be unwilling to receive service through an AR-based solution that requires some work by themselves, instead of someone physically coming over and conducting all work for them.

**New competitor(s) with superior solution.** There is a risk of superior solutions introduced by competitors emerging on the market. For the company to keep its competitive edge, it is vital to continue to invest in R&D.

**Price pressure.** XMReality applies a premium price strategy that could be difficult to retain if new competitors can offer solutions with a similar value proposition as XMReality. It becomes even more relevant in the long run if the technology becomes a standardized solution within industrial service operations. It is, therefore, essential that XMReality retains its technological advantage through continuing to develop its software.

## Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

### Rating changes in the report

#### People: 3

Management shows a solid understanding of the market and is focused on the field service industry, although the areas of application are boundless. XMReality's board possesses a broad area of expertise covering experience from start-ups, the IT industry, and management positions for large global companies. With the recent rights issue, the company's main owner, Investment AB Spiltan also increased its holdings, strengthening the ownership structure. The management team, however, comprises a relatively new constellation where a majority of the positions have been appointed from 2017 and onwards. We also would like to see management own more shares.

#### Business: 3

The company is active in a rapidly growing market, where numerous globally leading industrials are showing interest in technologies that can rationalize their service operations. XMReality's offering is scalable, and the company applies a licensing model for its software offering, which opens up for recurring revenues and high margins.

#### Financials: 2

XMReality is currently exhibiting negative earnings and cash flow. Hitherto, the customers have seemed hesitant to adopt the company's AR solution. We believe that it may take some time before the market matures, and sales growth takes off. Therefore, we forecast break-even to be reached in 2024, meaning that XMReality may have to raise additional capital. We see room for an increased rating as the company starts generating positive cash flows and reach positive earnings.

INCOME STATEMENT	2018	2019	2020E	2021E	2022E
Net sales	10	12	15	21	33
Total operating costs	-35	-35	-39	-46	-55
EBITDA	-25	-23	-23	-25	-22
Depreciation	0	0	0	0	0
Amortization	-4	-4	-5	-5	-5
Impairment charges	0	0	0	0	0
EBIT	-29	-27	-28	-30	-27
Share in profits	0	0	0	0	0
Net financial items	0	0	0	-2	-3
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-29	-27	-28	-32	-31
Tax	0	0	0	0	0
Net earnings	-29	-27	-28	-32	-31

BALANCE SHEET	2018	2019	2020E	2021E	2022E
<b>Assets</b>					
<i>Current assets</i>					
Cash in banks	38	9	0	0	0
Receivables	6	7	6	6	8
Inventories	0	0	0	1	1
Other current assets	0	0	0	0	0
Current assets	44	16	7	7	9
<i>Fixed assets</i>					
Tangible assets	1	0	1	1	1
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	15	16	16	16	16
O non-current assets	0	0	0	0	0
Total fixed assets	15	17	17	17	17
Deferred tax assets	0	0	0	0	0
Total (assets)	59	33	24	24	26
<b>Liabilities</b>					
<i>Current liabilities</i>					
Short-term debt	1	1	11	29	49
Accounts payable	10	12	12	12	12
O current liabilities	0	0	0	0	0
Current liabilities	11	12	23	42	60
Long-term debt	1	0	8	22	37
O long-term liabilities	0	0	0	0	0
Convertible	0	0	0	0	0
Total Liabilities	12	13	31	64	97
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	48	20	-8	-40	-71
Minority interest (BS)	0	0	0	0	0
Minority & equity	48	20	-8	-40	-71
Total liab & SE	59	33	24	24	26

FREE CASH FLOW	2018	2019	2020E	2021E	2022E
Net sales	10	12	15	21	33
Total operating costs	-35	-35	-39	-46	-55
Depreciations total	-4	-4	-5	-5	-5
EBIT	-29	-27	-28	-30	-27
Taxes on EBIT	0	0	0	0	0
NOPLAT	-29	-27	-28	-30	-27
Depreciation	4	4	5	5	5
Gross cash flow	-25	-23	-23	-25	-22
Change in WC	2	1	1	0	-3
Gross CAPEX	-5	-5	-5	-5	-5
Free cash flow	-28	-28	-27	-31	-30

CAPITAL STRUCTURE	2018	2019	2020E	2021E	2022E
Equity ratio	80%	62%	-33%	-169%	-270%
Debt/equity ratio	3%	4%	-246%	-128%	-121%
Net debt	-36	-8	19	51	85
Capital employed	11	12	11	11	15
Capital turnover rate	0.2	0.4	0.6	0.9	1.3

GROWTH	2018	2019	2020E	2021E	2022E
Sales growth	52%	17%	28%	35%	60%
EPS growth (adj)	10%	-7%	-49%	15%	-5%

PROFITABILITY	2018	2019	2020E	2021E	2022E
ROE	-56%	-81%	0%	0%	0%
ROCE	-54%	-78%	-172%	-269%	-209%
ROIC	-228%	-241%	-237%	-269%	-239%
EBITDA margin	-248%	-194%	-153%	-123%	-67%
EBIT margin	-288%	-229%	-183%	-148%	-82%
Net margin	-289%	-230%	-183%	-156%	-92%

DATA PER SHARE	2018	2019	2020E	2021E	2022E
EPS	-1.72	-1.60	-0.82	-0.95	-0.90
EPS adj	-1.72	-1.60	-0.82	-0.95	-0.90
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-2.13	-0.50	0.56	1.51	2.50
Total shares	17.05	17.05	34.10	34.10	34.10

VALUATION	2018	2019	2020E	2021E	2022E
EV	85.6	55.3	102.6	134.9	168.7
P/E	-4.2	-2.3	-3.0	-2.6	-2.7
P/E diluted	-4.2	-2.3	-3.0	-2.6	-2.7
P/Sales	12.0	5.3	5.5	4.0	2.5
EV/Sales	8.4	4.6	6.7	6.5	5.1
EV/EBITDA	-3.4	-2.4	-4.4	-5.3	-7.6
EV/EBIT	-2.9	-2.0	-3.7	-4.4	-6.2
P/BV	2.6	3.1	-10.7	-2.1	-1.2

SHARE PERFORMANCE	GROWTH/YEAR	18/20E
1 month	6.5 %	Net sales
3 month	-27.9 %	Operating profit adj
12 month	-61.2 %	EPS, just
Since start of the year	-17.0 %	Equity

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Investment AB Spiltan	14.5 %	14.5 %
Handelsbanken Fonder	9.4 %	9.4 %
AMF Försäkring & Fonder	7.3 %	7.3 %
Avanza Pension	5.6 %	5.6 %
Lars Svensson	5.3 %	5.3 %
Claes Nylander	3.2 %	3.2 %
LMK-bolagen & Stiftelse	3.0 %	3.0 %
Nordnet Pensionsförsäkring	2.8 %	2.8 %
Christer Svensson	2.4 %	2.4 %
SIX SIS AG	2.4 %	2.4 %

SHARE INFORMATION	
Reuters code	
List	First North
Share price	2.5
Total shares, million	34.1
Market Cap, MSEK	83.5

MANAGEMENT & BOARD	
CEO	Jörgen Rimmelg
CFO	Claes Pettersson
IR	
Chairman	Claes Nylander

FINANCIAL INFORMATION	

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## Redeye Rating and Background Definitions

### Company Quality

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.

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## Disclaimer

### Important information

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### Redeye Rating (2020-04-09)

Rating	People	Business	Financials
5p	12	10	3
3p - 4p	98	75	30
0p - 2p	8	33	85
Company N	118	118	118

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### CONFLICT OF INTERESTS

Erika Madebrink owns shares in the company : No

Eddie Palmgren owns shares in the company : No

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