REDEYE

Software as a Service (SaaS) Report 2020



AGENDA

08:30	Introduction Redeye and summary of SaaS-report
	BLOCK 1 CRM/MARKETING
08:40	**Younium**
08:55	**Lime**
09:10	**Agillic**
09:25	**Panel Q&A, Fredrik Nilsson and Johan Crona***
	BLOCK 2 ERP
09:40	**24SevenOffice**
09:55	**Briox**
10:10	**Carasent**
10:25	**Panel Q&A, Mark Siöstedt and Johan Crona***
	BLOCK 3 RETAIL/E-COMMERCE
10:40	**Bambuser**
10:55	**Litium**
11:10	**Vertiseit**
11:25	**ZetaDisplay**
11:40	**Panel Q&A, Forbes Goldman och Johan Crona***
	BLOCK 4 VARYING SAAS
11:55	**Formpipe**
12:10	**BIMobject**
12:25	**Qbank**
12:40	**Irisity**
12:55	**Pexip**
13:10	**Panel Q&A, Fredrik Nilsson and Johan Crona***
13:30	Summary and thank you – Redeye

*Johan Crona is the founder of Cloud Capital, a company specializing in financing SaaS companies in the size of SEK 10-50 million in sales. Cloud Capital was started to offer financing solutions so that SaaS entrepreneurs can retain more ownership in their company and avoid unnecessary dilution during a growth journey. He also runs a SaaS network with 700 members and since the summer of 2019 a SaaS podcast where he interviews entrepreneurs and experts in the sector.

The video link to the SaaS-event: https://www.redeye.se/events/793615/redeye-software-as-a-service-saas-seminar-autumn-2020

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Leading Nordic Investment Bank

Leading Advisor for Growth Companies

Founded 1999

Under supervision of the Swedish FSA

Ownership Partner owned

Employees 65+

Analysts: 20
Corporate Advisory: 20

Redeye.se 140,000+

Attracting 140,000+ unique visitors monthly

Corporate Broking 130+

130+ public corporates as clients

Corporate Finance 150+

150+ transactions executed over the last five years

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Focused themes 10+

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

Redeye Corporate Advisory

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- Investor events & activities
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- One of the most active advisors within the segment
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- The most relevant investor network for growth companies
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- Broad network of investors including institutional investors, family offices and retail investors



Erik Kramming
Client Manager & Head of Technology

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



Greger Johansson
Client Manager & Co-head Technology

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



Johan Ekström
Client Manager

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



Erik Rolander
Client Manager

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



Niklas Blumenthal
Client Manager

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



Håkan Östling
Head of Research & Sales

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

THE REDEYE TECHNOLOGY TEAM



Jonas Amnesten
Analyst

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



Henrik Alveskog
Analyst

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



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



Forbes Goldman
Analyst

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



Mats Hyttinge
Analyst

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



Fredrik Nilsson
Analyst

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



Tomas Otterbeck
Analyst

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



Mark Siöstedt
Analyst

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



Oskar Vilhelmsson
Analyst

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



Viktor Westman
Analyst

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



Danesh Zare
Analyst

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

Technology Selected Transactions



RECENT

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

2017–2019

C2M **DECEMBER 2019** Pre-IPO SEK 18m	MOBA NETWORK **NOVEMBER 2019** IPO SEK 26m	CIMCO **OCTOBER 2019** Rights Issue SEK 51m	JAYS **JUNE 2019** Rights Issue SEK 40m	TagMaster **MAY 2019** Directed Issue + Rights Issue SEK 139m
Allelion **MAY 2019** Rights Issue Co-Lead Manager SEK 135m	ATARI **APRIL 2019** Dual Listing SEK 10m	CIMCO **APRIL 2019** Rights Issue SEK 102m	Teqnion **MARCH 2019** IPO SEK 80m	zwipe **JANUARY 2019** IPO Joint Bookrunner NOK 120m
LightAir **NOVEMBER 2018** Rights Issue SEK 25m	SIVERSIMA **OCTOBER 2018** Direced Issue SEK 43m	xmreality **OCTOBER 2018** Directed Issue SEK 21m	crunchfish **OCTOBER 2018** Right Issue SEK 39m	GOODBYE KANSAS **JUNE 2018** Private Placement SEK 108m
ALLGON **JUNE 2018** Rights Issue Join Lead Manager SEK 127m	captario **JUNE 2018** Private Placement SEK 50m	JONDETECH **MAY 2018** IPO SEK 30m	Teqnion **APRIL 2018** Private Placement SEK 20m	FSPORT **FEBRUARY 2018** Private Placement SEK 20m
SCOUT gaming group **NOVEMBER 2017** IPO SEK 60m	aconeer **NOVEMBER 2017** IPO SEK 180m	gambling.com group **NOVEMBER 2017** Private Placement EUR 9m	GLOBAL GAMING **OCTOBER 2017** SEK 22m	xmreality **APRIL 2017** IPO SEK 60m

Why invest in SaaS & the Cloud

In this report we dig deeper into:

- SaaS adoption rates by country and application vertical
- Cloud IT spending percentage
- Projected growth rates for SaaS
- Public market valuation implications
- The Corona crisis's impact on ARR



SaaS and Cloud companies provide investors the opportunity to benefit from ongoing secular growth trends, including: Shift from on-premise enterprise infrastructure to the Cloud, Consumerization of IT, and the rise of the subscription economy and investors craving for recurring revenue.

The BIG one: The shift to the Cloud

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

Global Cloud Service Revenue (bn$)				
Year	**´19**	**´20**	**´21E**	**´22E**
BPaaS	45.212	43.438	46.287	49.509
PaaS	37.512	43.498	57.337	72.022
SaaS	102.064	104.672	120.99	140.629
CLD. Mng & sec	12.836	14.663	16.089	18.387
IaaS	44.457	50.393	64.294	80.98
Daas	0.616	1.203	1.951	2.535
Total	**242.697**	**257.867**	**306.948**	**364.062**

Source: Gartner

Consumerization of IT

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

The rise of subscription economy

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

Investors and recurring revenue

What can be better than always starting with an almost full bucket every month? Well, according to investors, nothing is better than recurring revenue. The SaaS pricing model creates:

- **Stability**
- **Predictability**
- **High margins**
- **Lower business risk**

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

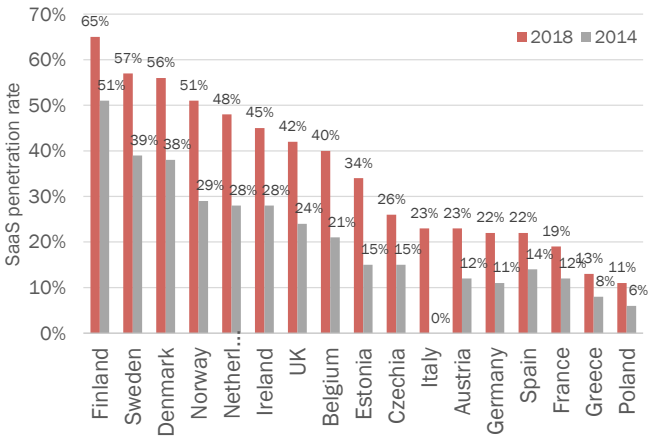
We have gathered Cloud service market data which highlights that in many areas, the shift to the Cloud is just in its early days, the transition will continue for many years to come.

Large variations in SaaS adoption rates

The adoption of SaaS among businesses in Europe varies substantially from country to country. The Nordic countries are frontrunners in the migration towards SaaS. All Nordic countries had a penetration rate above 50% in 2018 – twice the EU-28 average of 26%. UK, Ireland, and Benelux have rather high penetration rates of ~45%. DACH and southern Europe lagged with a penetration rate around 20%.

Interestingly, the increase in penetration from 2014 to 2018 was, on average, larger in countries with high adoption rates, widening the gap in the SaaS penetration rate even further.

Use of cloud computing services in Europe

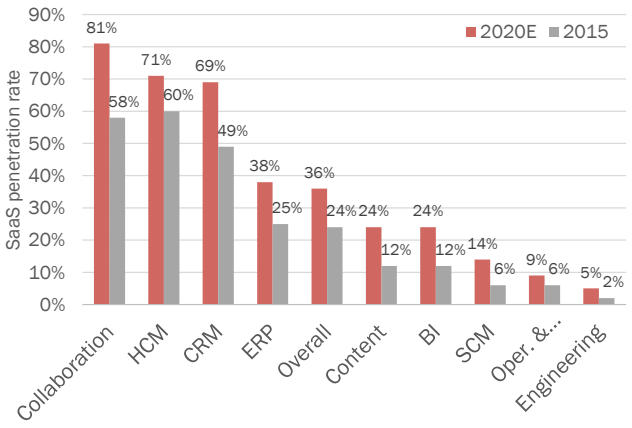


Source: Redeye Research, Eurostat

The difference in SaaS adoption among different types of software is even greater than the regional difference. Collaboration, Human Capital Management (HCM), and Customer Relationship Management (CRM) are estimated to have a SaaS penetration of 70-80% this year. Thus, these software segments are arguably close to reaching maturity in terms of SaaS penetration. At the bottom, with estimated SaaS adoption rates of below 10%, we find operations, manufacturing, and engineering-related software. Thus, industrial software is lagging in SaaS adoption.

Interestingly, the increase in penetration from 2015 to 2020 is, on average, expected to be larger in segments that had a high adoption level in 2015. Thus, similar to the regions, the gap between early adopters and laggards is expected to have increased since the mid-10s.

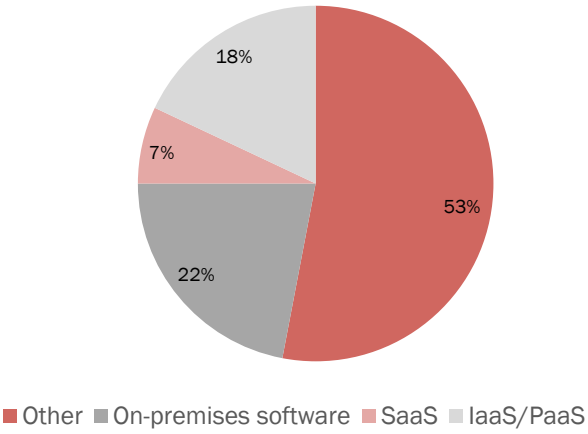
Global SaaS penetrations rate 2015-2020, by application



Source: Redeye Research, Statista, IDC

Only 25% of IT spend heading for the Cloud

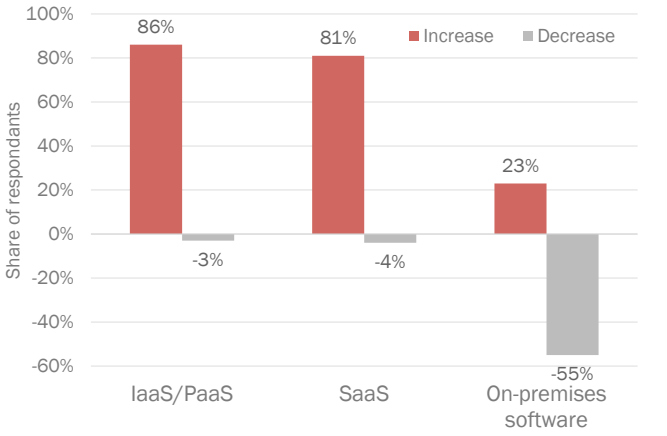
IT Spend



Source: Redeye Research, Flexera 2020 State of Tech Spend

While the adoption of SaaS is significant in several regions and segments, only 25% of IT spend is currently allocated to the cloud (SaaS and IaaS/PaaS), according to Flexera. For comparison, 22% of IT spend is allocated to On-premises software, suggesting that SaaS still can gain significant market shares.

Expected Change in IT Spend

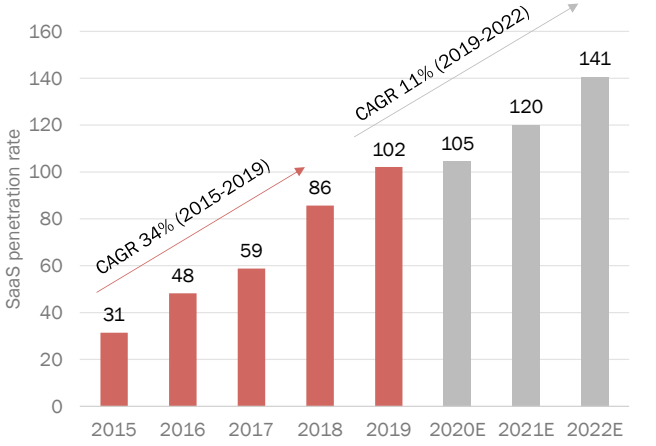


Source: Redeye Research, Flexera 2020 State of Tech Spend

The numbers show a clear trend towards IT spend moving from On-premises to cloud. ~80% of respondents expect to increase their spend on IaaS/PaaS and SaaS while ~50% expect to lower their spending on On-premise software.

Solid growth trend expected to continue

Global public cloud application services (SaaS) bnS



Source: Redeye Research, Statista, Gartner

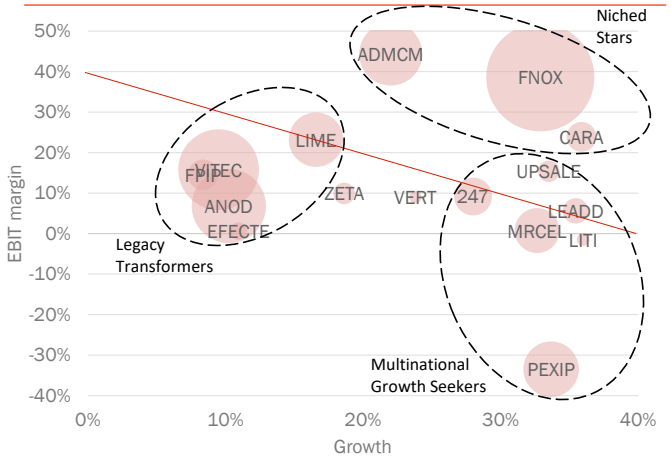
While Gartner expects a slowdown from an impressive CAGR of 33% 2015-2019 – although, from low levels, SaaS growth is expected to remain healthy, as Gartner forecasts a 11% CAGR 2019-2022.

Given a current SaaS adoption of +60% in several software segments and regions, SaaS has reached a more mature state and slower – although still substantial – overall market growth seems reasonable. However, in many software segments and regions, the SaaS adoption rate is modest. As mentioned earlier, EU28 had a SaaS penetration rate of only 26% in 2018. The growth potential going forward is likely to vary substantially depending on the software segment and region.

Rule of 40 – when the best metrics are missing

Like for most companies, there is typically a tradeoff between sales growth and profitability for SaaS businesses as well. As a SaaS business has its customer acquisition costs (CAC) upfront, while the revenues are recognized over time, sales growth usually hurts margins even more for a SaaS business. The best way to assess the underlying profitability in growing SaaS businesses is to look at unit economics such as CAC and CAC-payback period and net revenue retention. However, most listed Nordic SaaS businesses do not disclose these figures. Thus, the "Rule of 40" is used as a proxy for the listed SaaS businesses' underlying unit economics.

Rule of 40 2021E



Source: Redeye Research, Company reports, Bloomberg, Inderes

We have identified three clusters, often sharing similar backgrounds, strategies and efficiency in terms of growth and EBIT margins. The "Niched Stars", including Fortnox, Admicom and Carasent, have been able to combine strong growth with high margins and, thus, easily reaching the Rule of 40. The three companies share several common characteristics. First, they were all born as SaaS companies – missing any legacy software needing maintenance. Second, they are all focused on niche markets – limiting competition from international blue chips. Third, their products are all more or less must haves. Also, the founders of both Fortnox and Admicom have a background from starting traditional license software companies that later were sold to Visma.

The second group, the "Legacy Transformers," including, Addnode, Formpipe, Lime, Vitec and Efecte, have gradually transformed into SaaS businesses. While most of them still offer traditional licenses, they are small shares of the companies' sales. This group also shares several other common characteristics. First, they tend to have a significant percentage (20-40%) of professional services in their sales mix. Second, acquisitions are an important growth driver. Third, their markets are generally rather mature – limiting the organic growth potential.

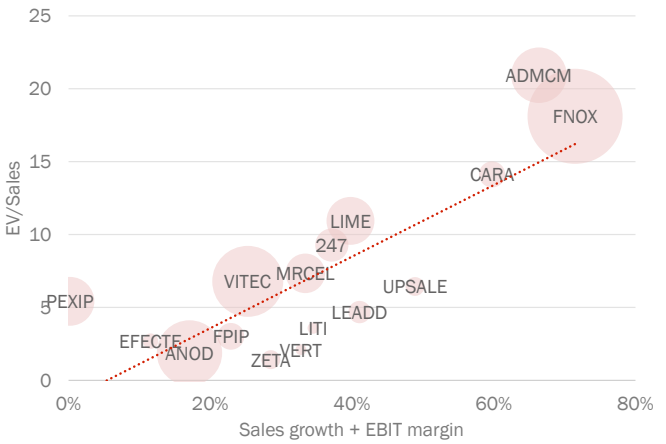
The third group, the "Multinational Growth Seekers," consists of 24SevenOffice, LeadDesk, Litium, Mercell, Pexip and Upsales. While being more diverse than the first two groups, they also share several common characteristics. Most of these companies have solutions that are relatively easy to implement in a foreign market. Thus, despite the small size of most, this group favors international expansion to grow their sales. However, the easy cross-borders implementation is a two-edged sword, as it increases competition from international tech giants. Also, this group favors growth over margins to a larger extent. Considering the larger and more international markets with tougher competition, favoring growth seems reasonable.

Solid operational performance results in significant premiums

Companies that can combine high growth with decent margins or vice versa are unsurprisingly valued at high multiples. High growth and margins combined indicate that the company can grow its sales efficiently. Companies with a combined sales growth and EBIT margin of 40% or above are generally considered to be successful SaaS companies – i.e., the "Rule of 40". However, several other essential factors determine valuation—for example, company size, competitive advantages, recurring revenue share, and total addressable market.

Fortnox and Admicom, among the largest companies in our comparison with a high share of recurring revenue and impressive operational performance, are trading at significant premiums relative to the rest. Smaller companies, often with a considerable share of non-SaaS revenue, mainly professional services, are generally trading at a discount.

EV/S vs Sales Growth + EBIT margin 2021E



Source: Redeye Research, Company reports, Bloomberg, Inderes

The graph above is only a snapshot of the total sales growth rate and margin, in this case, the estimates for 2021. The long-term sales growth and margin outlooks are likely more important to the businesses' valuation than the 2021E snapshot. However, there tends to be a high serial correlation regarding both sales growth and margins over the years in most SaaS businesses. That is likely one reason behind the high correlation between EV/Sales multiples and the sales growth + EBIT margin. Note that most Nordic SaaS companies are covered only by one or a couple of analysts, which likely decreases the estimates' accuracy.

	Enterprise Value	EV/SALES			EV/EBIT (x)			Sales growth			EBIT margin		
Company	(SEKm)	20E	21E	22E	20E	21E	22E	20E	21E	22E	20E	21E	22E
24SevenOffice	2 080	11.9	9.3	7.3	nmf	101	50	22%	28%	27%	4%	9%	15%
Addnode	8 048	2.1	1.9	1.7	37	28	22	13%	10%	11%	6%	7%	8%
Admicom	5 818	25.5	20.9	16.9	65	47	36	43%	22%	24%	39%	44%	47%
Bambuser	1 284	40.1	17.1	8.6	nmf	nmf	nmf	900%	134%	100%	-97%	-79%	-14%
Briox	392	78.4	49.0	26.1	nmf	nmf	nmf	25%	60%	88%	-440%	-375%	-100%
Carasent	1 291	19.2	14.1	11.9	97	59	44	40%	36%	18%	20%	24%	27%
Efecte	449	3.0	2.7	2.2	nmf	nmf	31	7%	11%	22%	-3%	1%	7%
Formpipe	1 351	3.3	3.0	2.8	25	21	18	3%	8%	5%	13%	15%	16%
Fortnox	17 075	24.6	18.1	13.5	72	47	33	31%	33%	31%	34%	39%	41%
LeadDesk	944	6.3	4.7	3.8	nmf	84	48	18%	35%	23%	5%	6%	8%
Lime	4 332	12.8	10.9	9.5	55	47	38	17%	17%	15%	23%	23%	25%
Litium	244	4.9	3.6	2.8	nmf	nmf	19	22%	36%	29%	-28%	-1%	15%
Mercell	2 952	9.7	7.3	6.1	nmf	974	38	82%	33%	19%	-16%	1%	16%
Pexip	4 505	7.2	5.4	4.0	nmf	nmf	nmf	68%	34%	36%	-1%	-33%	-28%
Upsales	670	8.6	6.4	5.2	67	42	25	15%	34%	23%	13%	15%	21%
Vertiseit	220	2.9	2.1	1.8	41	23	15	-10%	24%	14%	7%	9%	12%
Vitec	9 509	7.4	6.8	6.2	49	43	37	11%	10%	10%	15%	16%	17%
XMReality	102	5.1	3.0	1.8	nmf	nmf	nmf	67%	70%	71%	-110%	-47%	-16%
ZetaDisplay	676	1.7	1.4	1.2	nmf	14	10	-10%	19%	11%	1%	10%	13%
Average	**3 260**	**14.5**	**9.9**	**7.0**	**56**	**118**	**31**	**72%**	**34%**	**30%**	**-27%**	**-17%**	**7%**
Median	**1 291**	**7.4**	**6.4**	**5.2**	**55**	**47**	**33**	**22%**	**33%**	**23%**	**5%**	**9%**	**15%**

The peer table above shows the estimated multiples, growth, and EBIT margins for a large portion of the Nordic SaaS businesses. Some companies are not included in the "Rule of 40" and the "EV/S vs. Sales Growth + EBIT margin" as they are outliers.

SaaS Companies and Economic Downturns



As of this writing, we are hopefully past the worst of the corona crisis, while the virus continues to spread the stock markets and particularly SaaS-shares have recovered sharply. In our last Redeye Nordic SaaS report (April 2020), we discussed SaaS and economic downturns, looking mainly at the outcome of the financial crisis in 2008. This time, we examine how the Corona crisis has affected the listed Nordic SaaS businesses so far.

Robert Smith, CEO and founder of Vista Equity Partners, famously said: "Software contracts are better than first-lien debt." In the coming months, this claim will certainly be put to the test. We assume that software contracts will at best be comparable to first-lien debt and should by no means be immune to economic downturns, due to the following reasons:

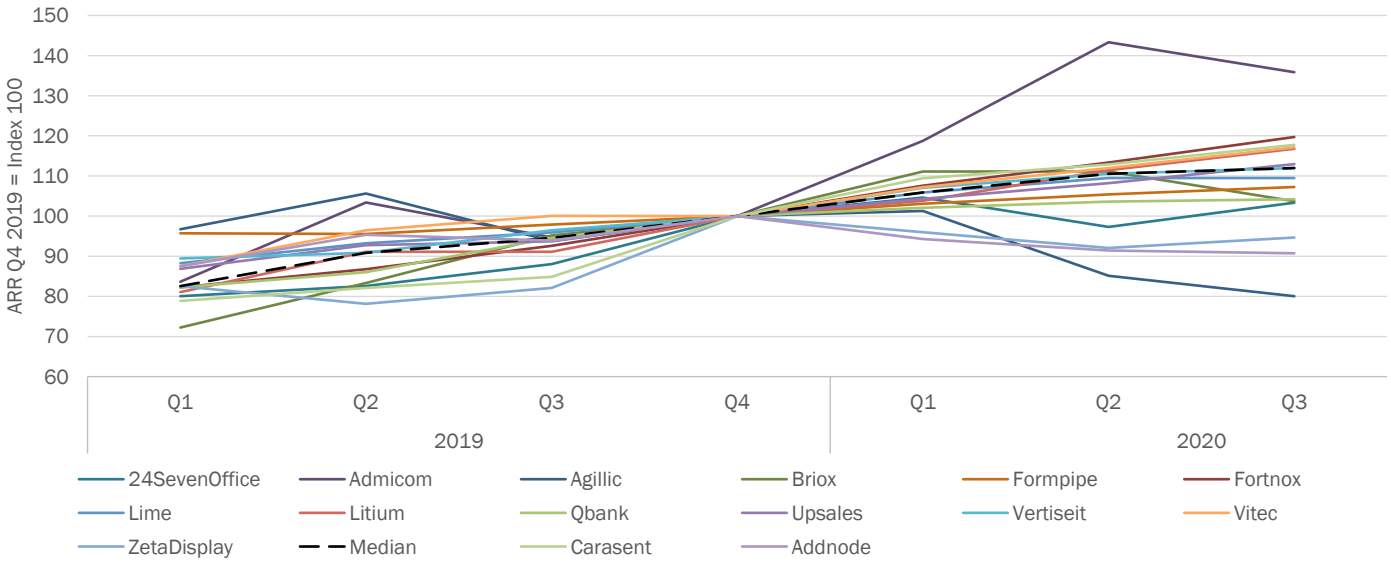
- Software payment terms will change significantly as fewer customers will pay cash upfront and payment terms should lengthen, impacting working capital. Accompanied by growth slowdown, it will have a big impact on SaaS companies.
- Bankruptcies among SMBs are already a fact and the number is likely to increase, and this group will not be paying their software bills. Also, businesses that are effectively shut down (i.e., retailers, hotels, airlines, etc.) will probably not be paying their software bills on time.
- To help customers and to reduce churn, discounting will probably go up.
- More broadly, software contracts will be adjusted to reflect lower utilization rates and fewer seats.
- Usage-based models billed in arrears were gaining ground at the expense of multi-year subscription models billed upfront. The current recession will accelerate this transition, which will impact working capital and cash flow.

The overall impact (or cyclicality) will be a multivariate output of different variables, we highlight some of them below:

- Customer size: large companies (i.e., customers) will be much more resilient than SMBs.
- Industry mix: i.e., travel-related companies are going to be under much more pressure than companies benefiting from working from home such as SVOD, gaming, etc.
- Go to market: a company that has a true enterprise sales motion is going to be challenged, while those that have freemium or e-commerce-like distribution models are going to be advantaged. Net revenue retention has always been one of the important software metrics — but it will be even more critical over the next months.
- ROI: This will differ by customer, by industry and by where each software company sits in the "stack" for each customer and industry. We will find out which software companies actually are "systems of record" without which companies cannot function.
- Pricing model: It is hard to frame the impact by pricing model but it will ultimately come down to utilization. Seat based, transactional and workload based pricing models should be more cyclical — one way or another.

ARR Through the Corona Crisis

ARR Growth 2019 - 2020 Q3



Relative to Q4 2019, where the Coronavirus was not an issue, the listed Nordic SaaS businesses have, on average, continued to grow their annual recurring revenue (ARR) during the first half of 2020. The median ARR growth during Q1-Q3 2020 was 12% -- corresponding to an annualized growth rate of ~16%, which is in line with the median growth in 2019 of ~17%. Thus, there has not been any impact from the Corona crisis on the ARR for the median Nordic SaaS businesses so far. Considering that the worst likely is behind us, in economic terms, we do not expect any Corona Crisis related downturn in ARR going forward.

While there are a few outliers, 12 out of 15 businesses grow its ARR during Q1-Q3 2020. Two of the outliers, Agillic and ZetaDisplay, suffered from their exposure to retail and travel & leisure, resulting in falling ARRs during the first three quarters of 2020. However, most of the declines were related to transactional revenue due to frozen subscriptions as some of their customers had to shut down their businesses temporarily.

The third negative outlier is Addnode, where PLM's exposure to the automotive industry resulted in lowered demand. The lower volumes are a result of customers reducing their number of active licenses and not a consequence of customer churn. Note that regarding Addnode, we exclude the recurring revenue from Design Management in our ARR calculation. As Design Management recognizes its revenue upfront, we cannot estimate an ARR based on reported revenue.

Admicom stands out on the positive side and we see two reasons behind its outperformance. First, during Q1 2020, Admicom acquired Tocoman Oy, adding about 20% in sales. Second, Admicom reports its share of recurring revenue – which we have based the ARR on – as yearly averages. Thus, we likely overestimate the ARR in quarters with above-average non-recurring revenue – like Q2, for example – and vice versa.

Our conclusion is that most Nordic SaaS businesses have not seen any significant negative impact from the Corona crisis so far. However, some businesses with substantial exposure to the most affected sectors like retail and travel & leisure have seen a decline in its recurring revenues. Thus, in most cases, recurring revenues have remained recurring during this crisis.

There are many metrics to use when evaluating the strength of a SaaS business. Data on CAC, retention, and churn are crucial to look at. Public SaaS companies in the USA most often report their CAC, ARR, gross margin, and retention rates. Sadly in the Nordic's, we are not aware of any publicly listed companies reporting both their CAC and retention rates. We hope we will see an improvement in metric disclosure. The tables below explain different kinds of SaaS metrics and provide benchmarks to look at when evaluating recurring revenue business.

Key SaaS Metrics

Metric	Definition	Calculation
MRR & Implied ARR	Measurment of monthly/annual recurring revenue.	**MRR** = Number of customers * (ARPU / Month) **Implied ARR** = Actual MRR * 12
Customer Acquisition Cost (CAC)	All S&M costs for new customers.	S&M / Number of new customers
Customer Lifetime Value (CLTV)	CLTV is the net present value of the recurring profit streams of a given customer less the acquisition cost.	(ARPU * Gross margin) / Churn
Customer Acquisition Cost Payback Period	The CAC payback period is a statement in months, of the time to fully payback sales and marketing investment.	Total S&M costs last quarter / (New MRR added last quarter * Gross margin)
Customer Gross/Logo Churn	This is a percentage calculation of all customer names ("logos") that have churned over the measured time period.	Customers lost over time period / Customers at the beginning of time period
Retention	**Gross Dollar Retention:** Looks at how much of the customer ARR are kept over the measured time period. As such it's always below 100%. **Net Dollar Retention:** As above, but including upgrades. As such it's can be higher than 100% (and should be for a healthy business).	ARR – downgrades – churn / Beginning ARR (ARR + upgrades – downgrades – churn) / Beginning ARR

Source: Redeye Research

SaaS Metrics for different customer segments

	SMB	Midmarket	Enterprise
ARR growth	40-50%+	50-60%+	30-50%+
Gross Retention	70-80%	80-90%	90%+
Net Retention	80-100%	90-120%	110%+
LTV/CAC	3-5x	4-6x	4-6x
CAC Payback Period	3-6 Mos	12 Mos	18-24 Mos
Gross Margin		50-75%+	

Source: Redeye Research

Bessemer Venture Partners Efficiency Score (< $30 million ARR)

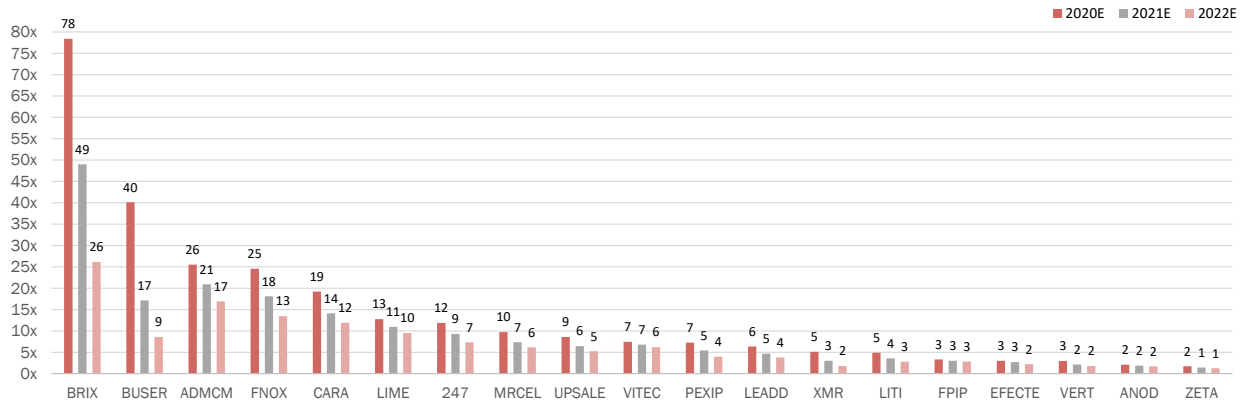


Source: Bessemer Venture Partners

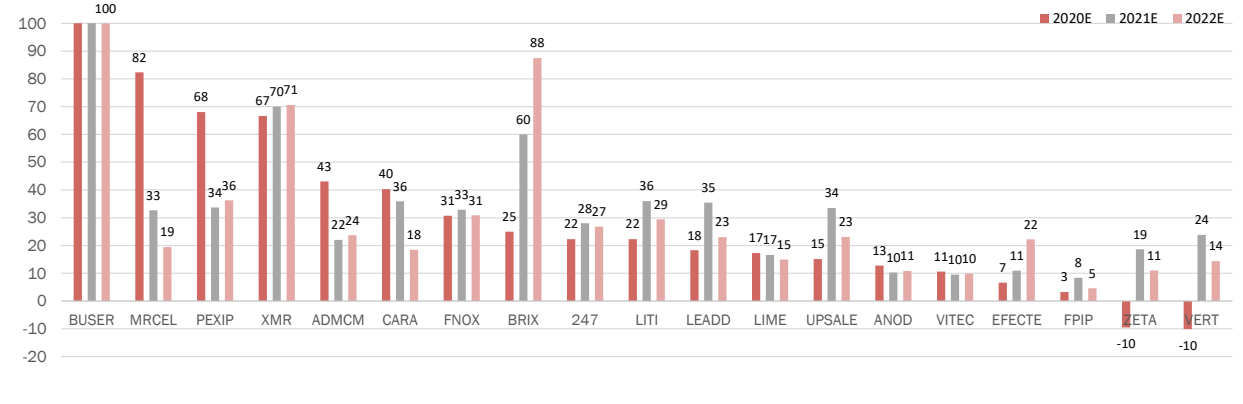
Nordic Public Metrics Benchmarks

In this section, we present different valuation and operational metric benchmarks. Data from Redeye and Bloomberg (2020-11-11)

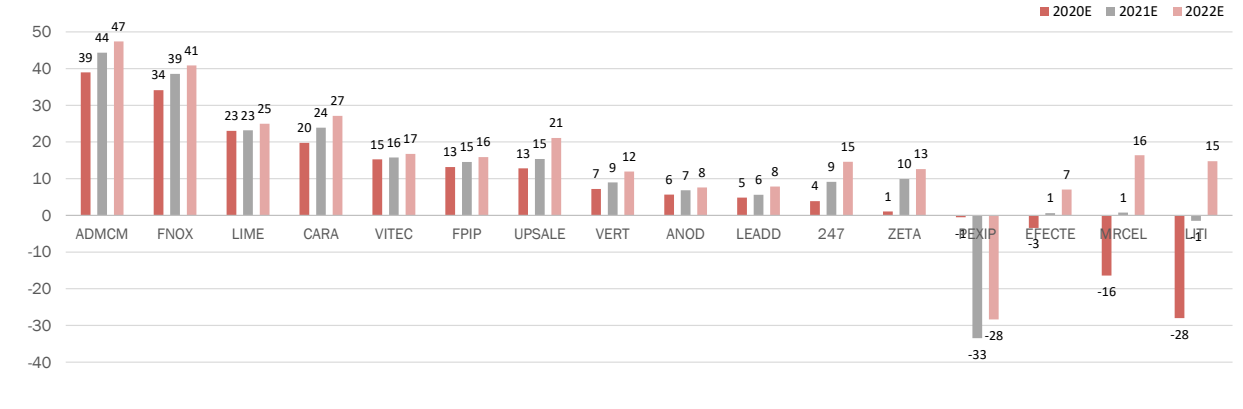
EV/S 2020E, 2021E, 2022E



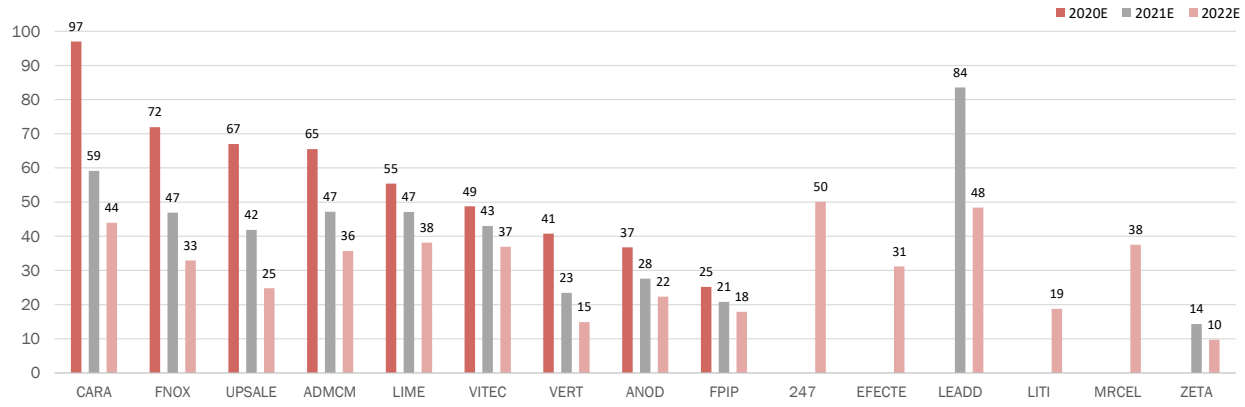
Sales growth (%) 2020E, 2021E, 2022E



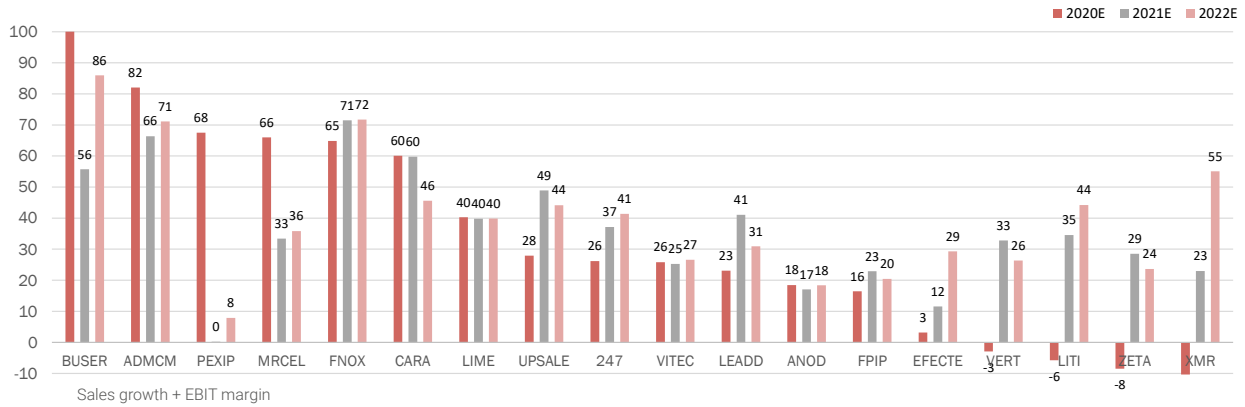
EBIT margin (%) 2020E, 2021E, 2022E



EV/EBIT (x) 2020E, 2021E, 2022E

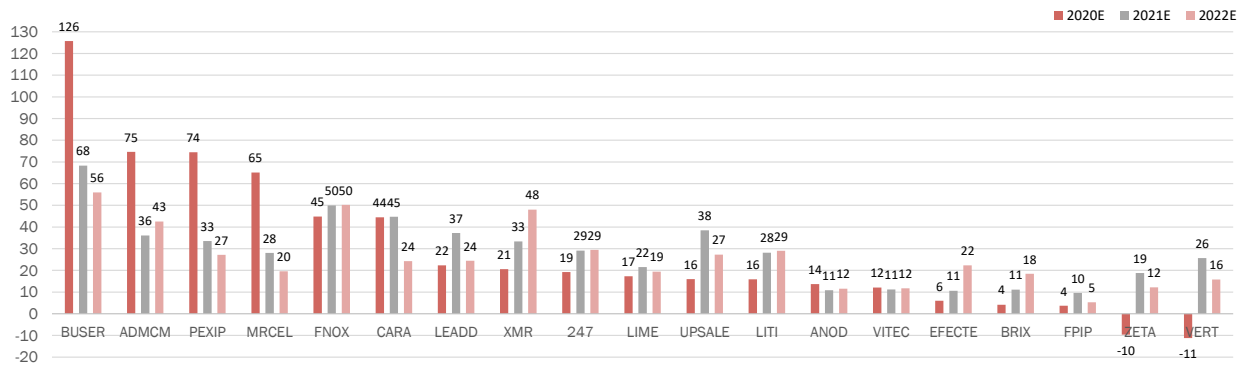


G+P ratio (%) 2020E, 2021E, 2022E



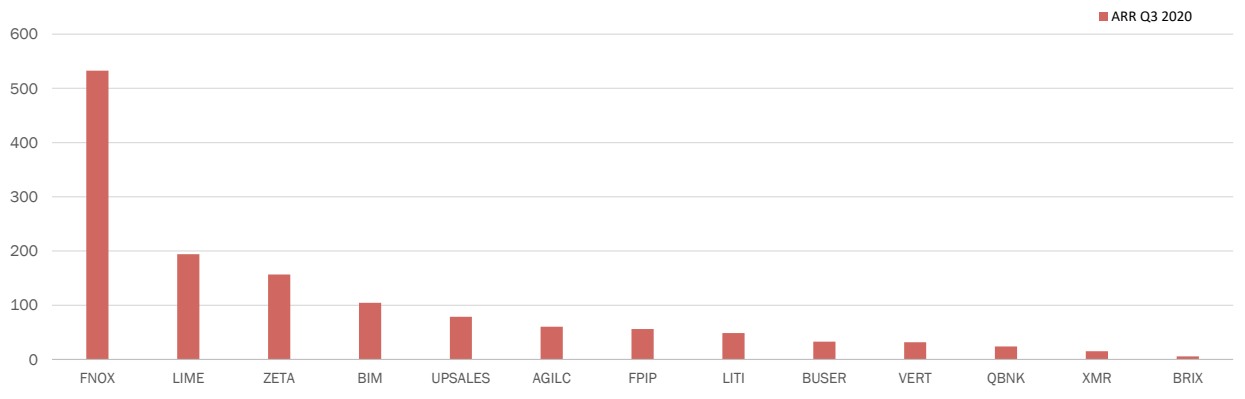
Sales growth + EBIT margin

Growth Efficiency (%) 2020E, 2021E, 2022E



Absolute OPEX divided by absolute net sales growth

ARR (SEKm)



Covered Companies



Addnode Group 24

Bambuser 26

Carasent 28

Formpipe Software 30

Fortnox 32

Vertiseit 34

XMReality 36

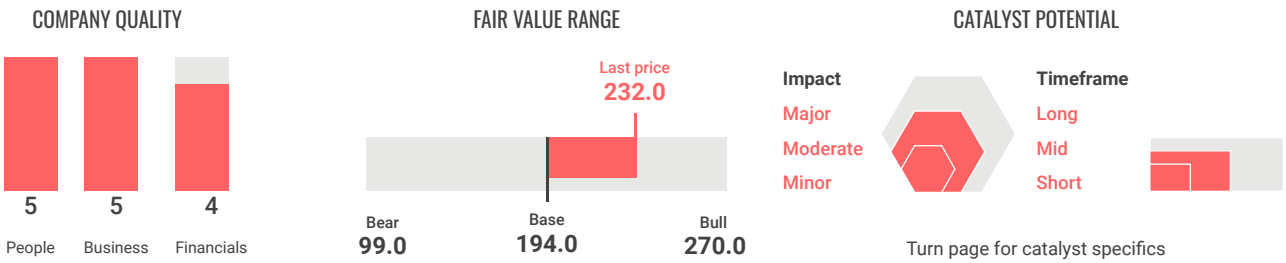
ZetaDisplay 38

Addnode Group ANOD B

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

Publication date
November 12 2020

Redeye Rating



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Johan Andersson
Chairman	Staffan Hanstorp

Share information

Share price (SEK)	232.0
Number of shares (M)	33.4
Market cap (MSEK)	7,755
Net debt (MSEK)	176

Analyst



Fredrik Nilsson
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Conflict of interests

Fredrik Nilsson owns shares in Addnode Group: No

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

Financials

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

Last updated: 2020-10-25

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

Company description

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

Investment case

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

Investment case

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

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

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

Counter-Thesis – Bear points

Dependent on the economy and the willingness to invest

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

Acquisition-led growth always risky

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

Catalyst types

Acquisitions

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

International expansion

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

Economic downturn

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

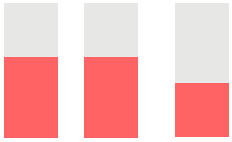
Bambuser BUSER

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

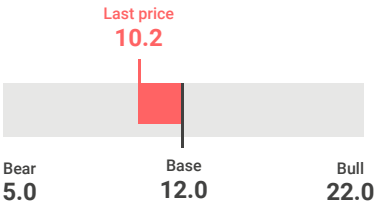
Publication date
November 12 2020

Redeye Rating

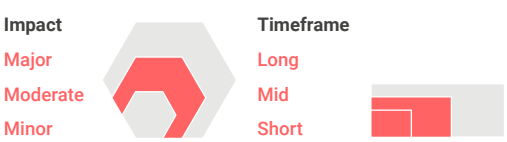
COMPANY QUALITY



FAIR VALUE RANGE



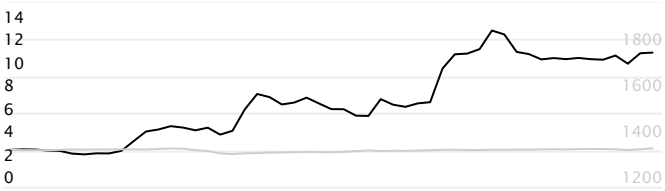
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Bambuser
OMXS30





Marketplace	First North Stockholm
CEO	Maryam Ghahremani
Chairman	Joel Citron

Share information

Share price (SEK)	10.2
Number of shares (M)	164.5
Market cap (MSEK)	1,678
Net debt (MSEK)	-340

Analyst

Forbes Goldman
forbes.goldman@redeye.se

Conflict of interests

Forbes Goldman owns shares in Bambuser: No

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

Financials

	2019	2020E	Redeye Estimates 2021E	2022E
Revenue, MSEK	3	32	75	150
Growth	*>100%*	*>100%*	*100.0%*	
EBITDA	-18	-32	-57	-16
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-20	-32	-59	-21
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-20	-32	-60	-23
Net earnings	-20	-27	-47	-18
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	-0.17	-0.28	-0.10
P/E adj.	0.0	-62.1	-36.9	-99.5
EV/S	-4.6	43.0	18.9	9.6
EV/EBITDA	0.8	-43.1	-24.9	-89.1

Last updated: 2020-11-12

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

Company description

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

Investment case

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

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

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

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

Counter Points

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

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

Catalyst types

Top-line growth

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

Customer acquisitions

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

M&A strategy

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

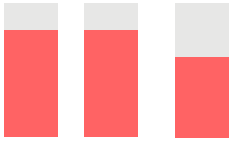
Carasent CARA

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

Publication date
November 12 2020

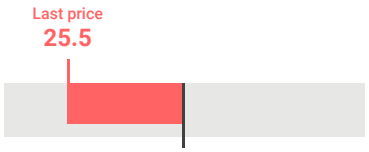
Redeye Rating

COMPANY QUALITY



People | Business | Financials

FAIR VALUE RANGE



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

CATALYST POTENTIAL



Impact
Major
Moderate
Minor

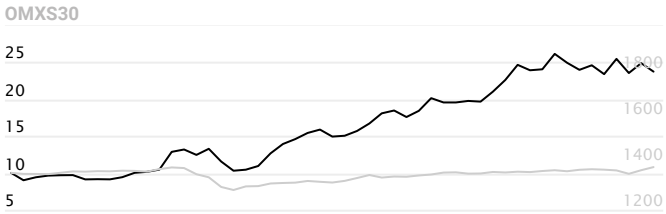
Timeframe
Long
Mid
Short



Turn page for catalyst specifics

Snapshot

Carasent
OMXS30





Marketplace	Oslo Børs
CEO	Dennis Höjer
Chairman	Johan Lindqvist

Share information

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

Analyst



Mark Siöstedt
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Conflict of interests
Mark Siöstedt owns shares in Carasent: Yes
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

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

Last updated: 2020-11-11

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

Company description

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

Investment case

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

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

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

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

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

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

Catalyst types

Stable quarterly reports

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

Norwegian expansion

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

M&A

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

Stockholm regional EMR system procurement

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

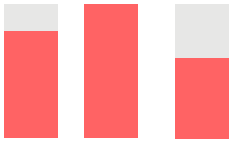
Formpipe Software FPIP

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

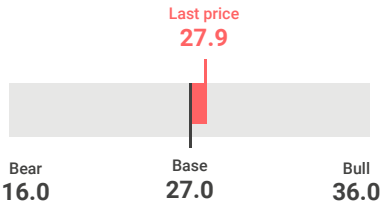
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Redeye Rating

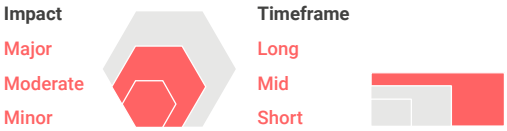
COMPANY QUALITY



FAIR VALUE RANGE



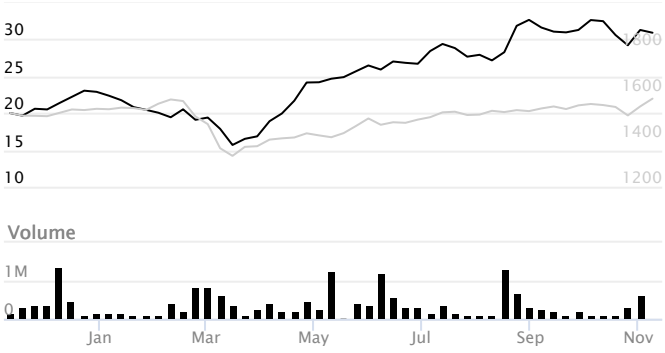
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Formpipe Software
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Christian Sundin
Chairman	Bo Nordlander

Share information

Share price (SEK)	27.9
Number of shares (M)	53.5
Market cap (MSEK)	1,492
Net debt (MSEK)	-52

Analyst



Fredrik Nilsson
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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

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	406	394	407	441	461
Growth	*4.1%*	*-3.1%*	*3.2%*	*8.4%*	*4.5%*
EBITDA	100	103	104	113	122
EBITDA margin	*24.5%*	*26.2%*	*25.5%*	*25.7%*	*26.6%*
EBIT	53	48	54	64	73
EBIT margin	*13.1%*	*12.1%*	*13.2%*	*14.5%*	*15.9%*
Pre-tax earnings	51	44	53	64	73
Net earnings	40	35	41	49	56
Net margin	*9.8%*	*8.9%*	*10.0%*	*11.2%*	*12.2%*
Dividend/Share	0.50	0.60	0.60	0.42	0.48
EPS adj.	0.75	0.66	0.77	0.93	1.06
P/E adj.	0.0	34.6	35.4	29.3	25.7
EV/S	-0.1	3.2	3.4	3.1	2.9
EV/EBITDA	-0.5	12.2	13.4	12.0	10.7

Last updated: 2020-10-27

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

Company description

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

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

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

Investment case

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

Investment Case

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

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

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

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

Counter-Thesis - Bear Points

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

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

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

Catalyst types

Increase in SaaS orders

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

New acquisitions for geographic and/or product expansion

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

Fortnox FNOX

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

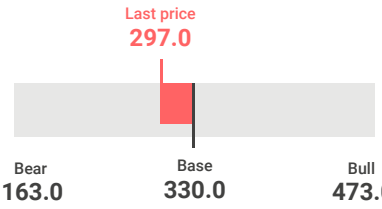
Publication date
November 12 2020

Redeye Rating

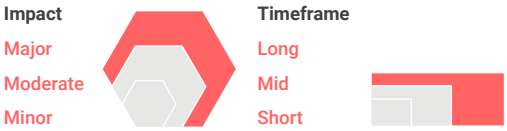
COMPANY QUALITY



FAIR VALUE RANGE

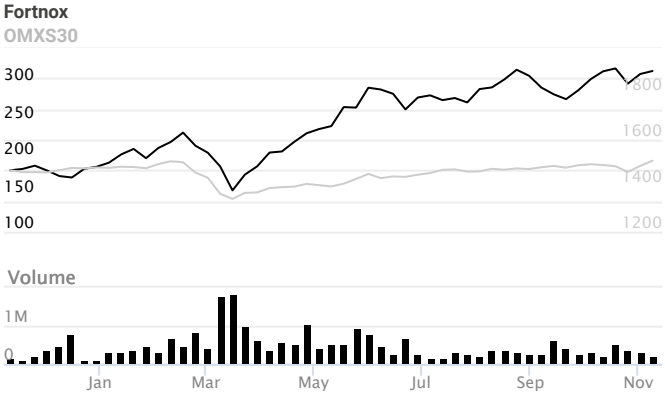


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	Nordic SME
CEO	Tommy Eklund
Chairman	Trond Dale

Share information

Share price (SEK)	297.0
Number of shares (M)	60.1
Market cap (MSEK)	17,860
Net debt (MSEK)	-545

Analyst



Fredrik Nilsson
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Conflict of interests

Fredrik Nilsson owns shares in Fortnox: Yes

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

Financials

	2018	2019	Redeye Estimates 2020E	2021E	2022E
Revenue, MSEK	374	532	695	924	1,209
Growth	*37.5%*	*42.1%*	*30.7%*	*32.9%*	*30.9%*
EBITDA	127	205	295	393	502
EBITDA margin	*33.9%*	*38.5%*	*42.5%*	*42.6%*	*41.5%*
EBIT	102	172	237	357	494
EBIT margin	*27.3%*	*32.4%*	*34.1%*	*38.6%*	*40.9%*
Pre-tax earnings	102	172	237	357	494
Net earnings	79	135	182	278	385
Net margin	*21.1%*	*25.4%*	*26.1%*	*30.1%*	*31.9%*
Dividend/Share	0.46	0.50	1.00	1.38	1.91
EPS adj.	1.32	2.26	3.04	4.66	6.45
P/E adj.	50.6	74.4	99.2	64.7	46.7
EV/S	10.1	18.3	25.1	18.6	13.9
EV/EBITDA	29.9	47.6	59.1	43.7	33.6

Last updated: 2020-10-22

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

Company description

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

Investment case

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

Investment case

Riding the SaaS-migration a few more years

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

Exploiting data

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

Significant barriers to enter

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

Counter-thesis – Bear Points

Underestimating the current SaaS-penetration

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

The death of the accounting offices

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

A major accounting office leaving Fortnox

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

Absence of significant ARPC increases

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

Catalyst types

Increased penetration rates in the subsidiaries

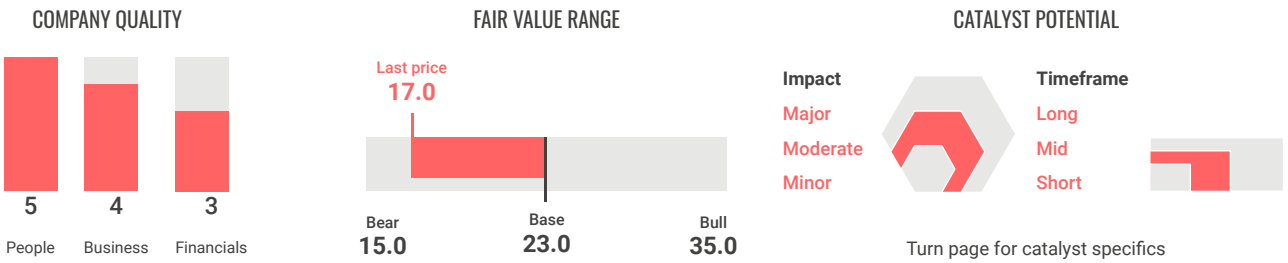
The penetration rate for both Fortnox Finance and Fortnox Insurance is currently at below 3%. However, the ARPC of those customers are much higher than for the group. Thus, slight increases in penetration rate has a large impact in overall sales growth.

Vertiseit VERT B

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

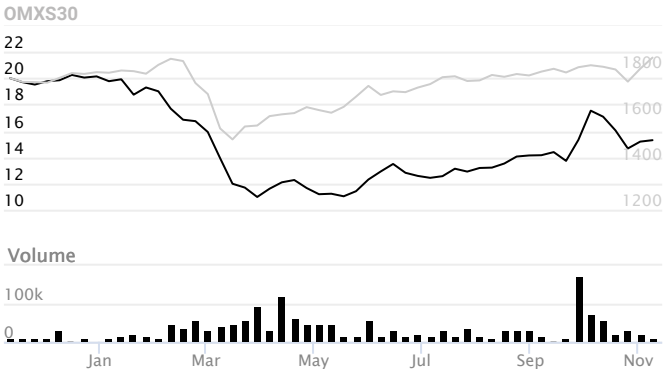
Publication date
November 12 2020

Redeye Rating



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Johan Lind
Chairman	Vilhelm Schottenius

Share information

Share price (SEK)	17.0
Number of shares (M)	12.8
Market cap (MSEK)	217
Net debt (MSEK)	-43

Analyst



Fredrik Nilsson
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Conflict of interests

Fredrik Nilsson owns shares in Vertiseit: No

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

Financials

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

Last updated: 2020-11-11

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

Company description

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

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

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

Investment case

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

Corona mismatch creating an interesting opportunity

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

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

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

Strong position in Sweden with a global footprint

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

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

Low market penetration

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

Counter-thesis

Retail digitalization not taking off

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

International players taking over

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

Long-term Corona impact on the leisure industry

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

Catalyst types

Adding more partners to DISE

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

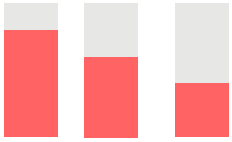
XMReality XMR

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

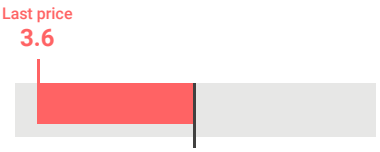
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Redeye Rating

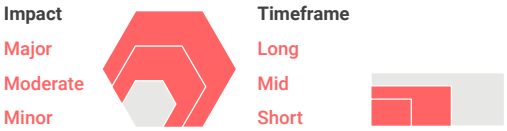
COMPANY QUALITY



FAIR VALUE RANGE

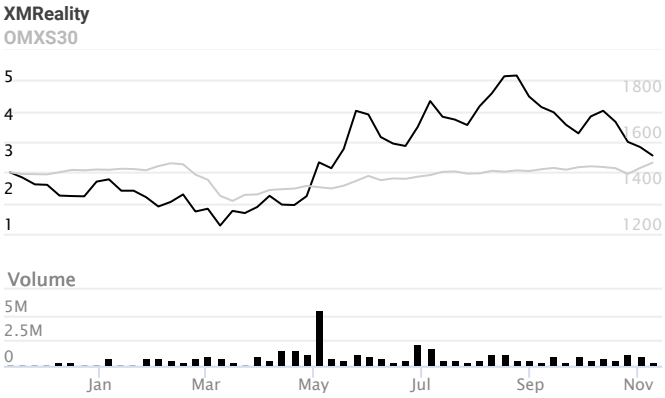


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Jörgen Remmelg
Chairman	Björn Persson

Share information

Share price (SEK)	3.6
Number of shares (M)	34.1
Market cap (MSEK)	122
Net debt (MSEK)	-24

Analyst

Forbes Goldman
forbes.goldman@redeye.se

Conflict of interests

Forbes Goldman owns shares in XMReality: Yes

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

Financials

			Redeye Estimates	
	2019	**2020E**	**2021E**	**2022E**
Revenue, MSEK	12	20	34	58
Growth	*64.6%*	*75.0%*	*70.0%*	
EBITDA	-23	-17	-12	-4
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-27	-22	-16	-9
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-27	-22	-16	-9
Net earnings	-27	-22	-16	-9
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.60	-0.66	-0.47	-0.26
P/E adj.	-2.3	-5.5	-7.6	-13.8
EV/S	4.6	5.0	3.3	2.2
EV/EBITDA	-2.4	-5.6	-9.6	-29.3

Last updated: 2020-11-12

Owner	**Equity**	**Votes**
Investment AB Spiltan	24.3%	24.3%
Avanza Pension	6.1%	6.1%
Lars Svensson	5.8%	5.8%
Handelsbanken Fonder	4.8%	4.8%
Nordnet Pensionsförsäkring	4.1%	4.1%
Björn Persson	2.7%	2.7%
Christer Svensson	2.4%	2.4%
Göran Gustavsson	1.8%	1.8%
Euroclear Bank S.A/N.V	1.3%	1.3%
Peter Norman Eggers	1.3%	1.3%

Company description

XMReality has developed and offered augmented reality solutions since 2007. The company is offering software and hardware for remote guidance towards field service companies where clients either implement the solution throughout their internal service organization or in their service offering towards clients.

Investment case

- Scalable business model: XMReality's solution is offered towards customers that incorporate XMReality's solution in their own offering. The company further faces fractional marginal costs of adding additional users to the platform.
- The Corona crisis has sped up the market's adoption of new remote solutions.
- Good potential for large roll-outs: We remain confident of its potential among its list of customers, and expect the company to reveal this over the coming year through announcements of larger orders (with software values exceeding SEK 2m).

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

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

Corona crisis accelerating AR adoption. XMReality has experienced an explosion in customer interest since the onset of the Corona crisis. With the pandemic increasing the interest in digital, remote technical solutions, the company's sales development has taken off. The crisis has increased the speed at which the market is adopting the new technology, and we now see a quickly maturing market.

In connection with the Corona crash, XMReality's share outperformed the market and surged by more than 200%. With the company's fundamental performance quickly improving, the outlook going forward is excellent. We currently see a significant upside to our base case of SEK 8 per share. We still deem additional, and especially larger (>SEK 2m), software orders to be the most critical share catalysts over the coming year as it would reveal the potential within the rapidly growing customer base.

Counter Points

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

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

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

Catalyst types

Announcement of large agreement

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

New channel partner(s)

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

ZetaDisplay ZETA

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

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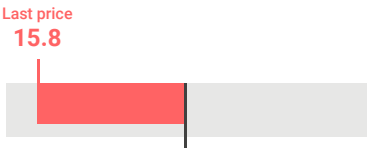
Redeye Rating

COMPANY QUALITY



People | Business | Financials

FAIR VALUE RANGE



Bear **14.0** | Base **25.0** | Bull **37.0**

CATALYST POTENTIAL



Impact
Major
Moderate
Minor

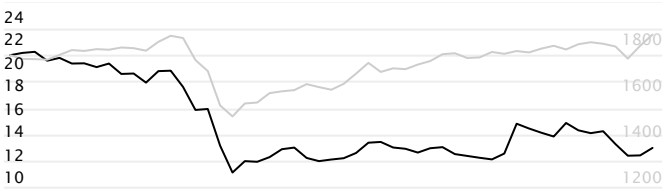
Timeframe
Long
Mid
Short



Turn page for catalyst specifics

Snapshot

ZetaDisplay
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Per Mandorf
Chairman	Mats Johansson

Share information

Share price (SEK)	15.8
Number of shares (M)	27.3
Market cap (MSEK)	431
Net debt (MSEK)	209

Analyst



Fredrik Nilsson
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Conflict of interests

Fredrik Nilsson owns shares in ZetaDisplay: No

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

Financials

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

Last updated: 2020-11-04

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

Company description

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

Investment case

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

Investment case

Leading European position in Digital Signage

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

Growing market

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

Successful acquisition history

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

Counter-thesis

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

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

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

Catalyst types

Additional acquisitions at attractive valuation

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

Communicates greater share of recurring revenues

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

COMPANY DESCRIPTIONS AND SEMINAR PARTICIPANTS

Currently not covered companies

24SevenOffice

24SevenOffice, founded in 1997, offers a web-based ERP system with everything from CRM, finance and accounting software, payroll, project management, time registration, reporting and travel expenses. The company has large customer base consists of more than 56,000 companies using its services. In 2019, the sales were around SEK 140m. 24SevenOffice is one of few Nordic companies that reports SaaS unit economics.

Agillic

Agillic is a Danish best-of-breed customer marketing platform that enables companies to capitalize on the growing amount of consumer data using personalized communication across channels. They serve brands within retail, finance, travel & leisure, NGO & charity and subscriptions businesses across industries. Agillic was listed on Nasdaq First North Copenhagen in March 2018.

Briox

Briox markets and sells its self-developed business system for e.g. accounting, invoicing, sales support and time reporting. Briox's main markets are today in Finland, Estonia, Latvia and Lithuania. The company is headquartered in Växjö, where it was founded in 2010, and is listed on Nordic SME.

BIMobject

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

Irisity

Irisity develops and markets intelligent video surveillance systems. The SaaS service IRIS, which is based on the company's patented self-learning AI algorithms, helps security service companies to increase efficiency. Irisity was founded in 2006 and has been listed since 2013 on First North. Sales were around SEK 35m in 2019.

Litium

Litium provides a cloud-based digital commerce platform that helps large and medium-sized businesses in both B2C and B2B accelerate their sales. Lindex, NordicFeel and Jollyroom are some of Litium's customers who together have a turnover of more than SEK 7 billion annually on Litium's platform. Litium operates through its partner network in the Nordic market and is listed on Spotlight in Stockholm. In 2019, sales were around SEK 41m.

Lime Technologies

Lime Technologies, a Lund based company, develops, distributes and sells software, so-called CRM systems, and provides consultancy services. Lime has sales offices in Sweden, Denmark, Finland and Norway and employs more than 250 people. Lime's CRM system is used by more than +5,000 customers. Lime is listed on Nasdaq Stockholm and had sales of around SEK 290m in 2019 (58% recurring).

Pexip

Pexip is the result of a merger in 2019 between a company called Pexip (founded in 2012), specializing in video infrastructure and Videxio (founded in 2011), a cloud video service provider. Pexip offers both self-hosted and as-a-service deployment options for enterprise video conferencing. In Q3 2020, Pexip hade users in 190 countries, +300 partners in 75 countries and 97% of the revenues were subscription based. The company has around +300 employees in +20 countries and is headquartered in Oslo.

Qbank

QBank is a Digital Asset Management (DAM) SaaS solution targeting the enterprise market, helping customers managing their digital assets, such as pictures and movies, in a structured and efficient way. The company has several well-known customers such as Electrolux, LG, and Swedish Match. In 2019, Qbank had net sales of SEK 28.5m and an EBIT of SEK 2.4m.

Younium

Younium was established in 2017 in order to help SaaS companies to take control over their recurring revenues and increase their profitability. Younium has a complete platform for subscription management, subscription billing, financials, insights as well as subscription products and pricing. The company has offices in Stockholm, Malmö and Amsterdam and serves 2,000 customers in seven countries.

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Redeye Rating (2020-11-15)

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

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REDEYE

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