

Acconeer

Sector: Semiconductors

Strong Module Demand Could Not Be Processed

Redeye maintains its view of Acconeer, following the company's Q4 report. We reiterate our valuation.

Inability to deliver on all module orders

Acconeer reported Q4 sales growing 6% sequentially to SEK 3.0m (expected 3.5m), although we estimate non-EVK sales to be in line with Q3'20, at best. The reason is processor shortages, meaning Acconeer could not deliver on the strong demand for the new entry level module that especially manifested in record delivery of EVKs (501 units). The lead times for receiving processors are six months. There is also a general pecking order where big customers are allotted a larger part of the volumes they are asking for, while the allocation for smaller players (like Acconeer) is typically significantly lower. We are therefore lowering our sales estimate for the coming quarters, albeit only marginally.

Customer launches could increase in 2021

Seven customers launched in Q4, bringing the total to 34. Looking at the 18-month trailing EVK to customer launch conversion of 2-4%, we believe the number of quarterly launches in 2021 could surprise on the upside and be about twice as high as the target of five. Our 2021 estimates assume average sales per new customer follow the historical trend, which we think is an appropriate, conservative measure, given that the chance for larger customer launches in the pipeline increases with time. Larger customers typically move a bit slower, meaning they might not follow the 18-month launch pattern. The indirect business model has worked well in building a broad interest and a highly diversified base of many smaller customers, but it is still unproven with regards to large volume deals, in our view.

Short-term profit taking on lack of material news

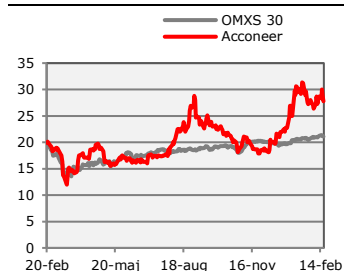
In 2021, the ACCON stock entered another bull run (+20% YTD), being just SEK 1 away from touching our base case of SEK 33 on January 22. In general, the stock has traded up on higher volume and down on low volume. We assume there has been short-term profit taking during the past weeks, in lack of material news. A larger contract, most likely from Alps Alpine, is needed to change the stock sentiment, in our view.

KEY FINANCIALS (SEKm)	2019	2020	2021E	2022E	2023E	2024E
Net sales	6	10	30	69	249	625
EBITDA	-57	-51	-39	-36	29	166
EBIT	-69	-62	-52	-46	17	147
EPS (adj.)	-3.6	-2.7	-2.2	-1.9	0.7	6.0
EV/Sales	59.7	47.1	21.0	10.2	3.1	1.2
EV/EBITDA	-5.8	-8.9	-16.0	-19.7	26.2	4.5
EV/EBIT	-4.8	-7.2	-12.3	-15.4	44.0	5.0
P/E	-5.9	-8.5	-12.4	-14.3	38.3	4.5

FAIR VALUE RANGE

BEAR	BASE	BULL
18.0	33.0	60.0

ACCON.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	ACCON.ST
Market	First North
Share Price (SEK)	27.4
Market Cap (MSEK)	641
Net Debt 21E (MSEK)	-9
Free Float	64 %
Avg. daily volume ('000)	0

ANALYSTS

Viktor Westman
viktor.westman@redeye.se

Strong Module Demand Could Not Be Processed

Acconeer keeps a lot of wafers in its die bank, meaning it is not worried about the reports of general component shortages. This condition primarily affects customers and end customers of Acconeer, but there is still partly a direct effect for Acconeer as well since it could not get enough processors to deliver on the module orders. Sales still managed to grow to SEK 3m, albeit not quite as fast as we expected, as seen in the table below.

Expected vs. Outcome				
SEKm	Q419	Q4'20E	Outcome	Diff
Net sales	1.8	3.5	3.0	-0.5
EBITDA	-16.6	-11.7	-12.5	-0.8
EBIT	-19.5	-14.7	-15.5	-0.8
PTP	-19.5	-14.7	-15.5	-0.8
EPS, SEK	-1.01	-0.63	-0.66	-0.03
Salesgrowth	314%	88.8%	61.6%	
EBITDA margin	n/a	n/a	n/a	
EBIT margin	n/a	n/a	n/a	
EPS growth	n/a	n/a	n/a	

Source: Acconeer, Redeye Research

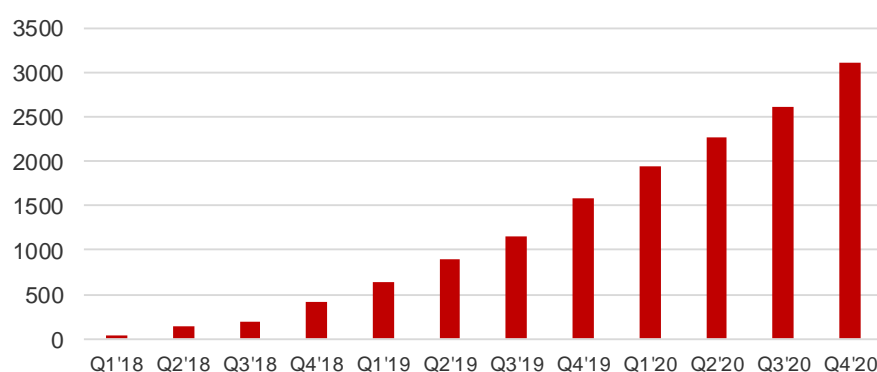
The operating loss was in line with expected. Following operating cash flow plus CAPEX of in total SEK -14m, cash amounted to SEK 82m, meaning a runway of almost six quarters, on current sales. However, considering the incoming NRE payments from Alps Alpine, we are quite positive that sales will increase.

Let us now look at some of the key data points for the quarter.

Record EVKs and customer launches

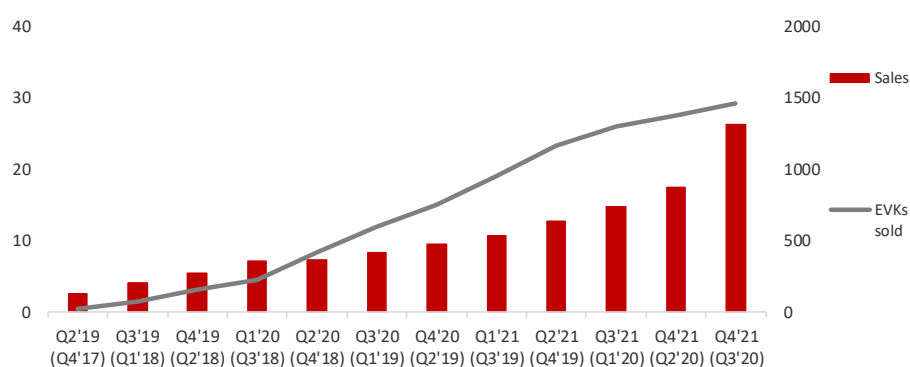
The record of 501 sold EVKs is related to the launch of the new entry level module and we think it will be hard to maintain ~5.5 EVKs per day, after this initial boost (as also suggested by Acconeer). The interest for the new module vastly surpassed the two other modules, which was according to Acconeer's expectations. The company decided to launch the module with the most advanced processor (M7) first as it could demonstrate all kinds of use cases, while the possible applications for the new module are rather limited, in comparison. Thus, starting with the M7 processor and finishing with M0 was the logical way to do it, although many customers might have preferred different priorities.

The acceleration in EVK sales is shown in the graph below, on the next page. It is a good indicator of the interest in the sensor. One should note that there is a significant lag between EVKs and eventual sales, since finishing and launching a product generally takes at least 18 months.

Total accumulated evaluation kits sold (excl. Sparkfun)

Source: Acconeer

We therefore see EVKs as a leading 18-month indicator of sales, as indicated in the graph below (N.B. that the graph does not include Alps Alpine NRE). The accelerating EVK sales that we saw in 2019 should be a good foundation for accelerated growth in 2021.

R12M Sales in relation to EVKs trailing 18-month

Source: Acconeer, Redeye Research

Acconeer had seven customer launches in Q4 (whereof 3 in China), up from five each in Q2 and Q3. The launched types of applications (see the table below) were mostly same old, same old.

Launched products per application area and region in Q4'20

Application	N.o. launches	Regions
Parking	17	South Korea (4), China (7), Europe (5) and Taiwan (1)
Level measurement	8	China (3), New Zealand (1), and Europe (4)
Other (online retail)	1	US (Sparkfun)
Robotics	2	Japan (2 - Lovot & Bocco)
Waste management	1	Europe (1)
Smart presence	5	China (4), Europe (1)

Source: Acconeer

However, there was one entirely new use case in smart presence detection for office environments. We believe the application is related to smart lighting. Typically, the smart, automatic lighting of today is not particularly smart, since large movements, such as waiving of the arms, or even walking around, are required to turn the light back on. We believe this is a flaw in competing technologies, like e.g. ultrasound or infrared, whereas a radar can detect the tiniest movement, like breathing or heartbeats. So as long as the user's heart keeps

beating, there is no need to worry about the lights going out. This is a pretty strong value proposition, in our opinion. Acconeer believes it has a very interesting pipeline here. One related smart presence area where Acconeer does not play is laptops, where e.g. detecting presence and absence of the user is becoming an important way of improving battery life.¹

The company says there would have been more customer launches than 12 in H2'20 without the pandemic, which makes us speculate if e.g. ten launches per quarter will perhaps be a more reasonable target for a Covid-free world. Acconeer warns that it is a bit premature to look at EVK conversion in this relatively early stage, due to the lead times. With that caveat, let us still try, but by using 18-month trailing figures. In Q1'19 and Q2'19, a total of 617 and 890 EVKs had been sold. 18 months later (in Q3'20 and Q4'20), these EVKs had a 4% EVK to customer launch ratio, i.e. four launches per 100 EVKs. Looking instead at the new EVKs sold in Q1'19 and Q2'19 (224 & 249), the EVK to new customer launches ratio is about 2%. These rates imply 9-14 new customers on average per quarter in 2021.

Comparing the sales delta per quarter since Acconeer started announcing the number of new customers per quarter (excluding estimated EVK sales), we calculate that each new customer has contributed with an average incremental sales of SEK 45 000 per quarter, although one should note that there are of course several unknowns in this equation. Nonetheless, applying this figure to our expected number of new customers above suggests SEK 400 000 – 650 000 in incremental sales increase per quarter. Our 2021 estimates are in line with this. We think this is an appropriate conservative method as we expect a bit larger customer launches on average in 2021, since larger customers move slower.

As expected, Acconeer in 2021 will focus a fair amount on adding new customers and helping existing customers grow, including more design wins with Alps Alpine. We also especially note that Acconeer is looking to launch new, advanced use cases, such as gesture control, frequency of breathing, and speed measurement. We do not know, if any one of those areas is the big one. We think the value proposition in especially breathing can be quite strong for applications in e.g. baby monitoring, sleep apnea and nursing homes.

The partnership with Imagimob and OSM Group is also a potential wild card. The in-ear headphone prototype is scheduled for this quarter, with imminent commercialization. OSM Group has a large network of headphone brand companies that we assume it will approach. The tiny sizes of earbuds make physical buttons cumbersome. Acconeer and Imagimob are about to show that their gesture control technology can be integrated in devices with minimal footprint, which has previously been considered hard, or impossible. This reference is also what we have thought of as the key aspect of this launch, but headphones are a major market in its own. Moreover, Acconeer says it is looking at other potential areas with Imagimob.

Extending the wide distribution network

Acconeer's business model is heavily reliant on indirect sales from its distis. To some extent end customers need to find out about Acconeer on their own. Acconeer says the demand has been proven and one way to think about this is that the company has more customers than it can handle. However, for large volume customers, we argue that the business model is still unproven.

¹ Norwegian start-up Novelda has recently won follow-up orders for laptops from Lenovo. See also our [Jondetech](#) research, where the laptop market is the number one growth opportunity. Coming from the consumer electronics and smartphones industry, we think Acconeer professionals were aware of the laptop trend and could have acted on it, but it eventually decided it was not worth their while, passing on the opportunity.

Following the recent additions of Marubun and Future Electronics, the distribution partner list looks like the table below. The list excludes system integrators and technology partners like e.g. Imagimob or Packwise.

Distribution partners		
Distributor	Region	Comments
Uniquet	South Korea	South Korea's largest electronics supplier. Owns 3.2 % of Acconeer
Dreamtech	South Korea	Subsidiary of Uniquet. A leading South Korean module supplier. Owns 3.2 % of Acconeer
Digi-Key	Global (online)	Largest online electronics distributor. 450 000 customers globally. Guaranteed 48-72h delivery globally
Sparkfun	US (online)	150 employees. Found Acconeer on Digi-Key and has integrated the sensor on a break out board that can be connected to a Raspberry Pi, i.e. it is an online distributor selling cheaper alternatives of the evaluation kits
Micro Summit	Japan	Sells semiconductors to many large consumer electronics giants like Yamaha, NEC, Toshiba, Murata, Sony, Mitsubishi, Konica Minolta, Sharp, Fujitsu, Ricoh, Panasonic, Canon and Oki
Scanti	Russia	Texas Instruments distributor, focusing on Russia and CIS countries like e.g. Ukraine & Belarus
BEYD	China	Niche distributor, specializing in radar technology
Chip Power Tech.	Taiwan	Small but Acconeer dependent disti. Radar is a focus area and Acconeer is one of few partners
Glyn Limited	New Zealand/Australia	Its customers have a strong interest in Acconeer. Acconeer is sole radar supplier out of nine sensor suppliers
CODICO	Europe	Big (EUR 160m sales 2018), Pan-European disti. 42 offices, 80+ manufacturers and 70+ product categories
Restar Electronics	Japan, US	Focuses on Consumer Electronics and serves several of the large Japanese players in that sector.
Alps Alpine	Global	A major automotive tier-1s. It has sales of USD 7-8 bn and over 40 000 employees.
Future Electronics	Global	One of the world's largest electronics component distributors.
Marubun	Japan	Marubun is one of the larger distributors in Japan. It has sales of about USD 2-3 bn

Source: Redeye Research Acconeer

Marubun is one of the largest distis in Japan. As mentioned before, the Japanese market is unique in the sense that it requires working with a lot more distributors than other markets, as Japanese distis work close to a lower number of customers.

The Future Electronics partnership was signed in September and commented in our last update. It is too early to evaluate as Future is still building its pipeline.

Auto: Taking a co-operative approach in FCC waivers

A lot is going on in automotive. During the past months, Acconeer has been involved in a lot of correspondence with the FCC, commenting on several waiver requests from e.g. Tesla, among others. Currently the discussion is if the interior sensing solutions should be classified as fixed or short-range interactive motion sensor (SRIMS), alternatively both. Acconeer thinks it can be both, referring to e.g. the detection of a child left behind or the intruder alarm that are only activated when the vehicle is stationary. If some solutions would be classified as fixed, we think it would be positive for Acconeer, considering its power advantages.

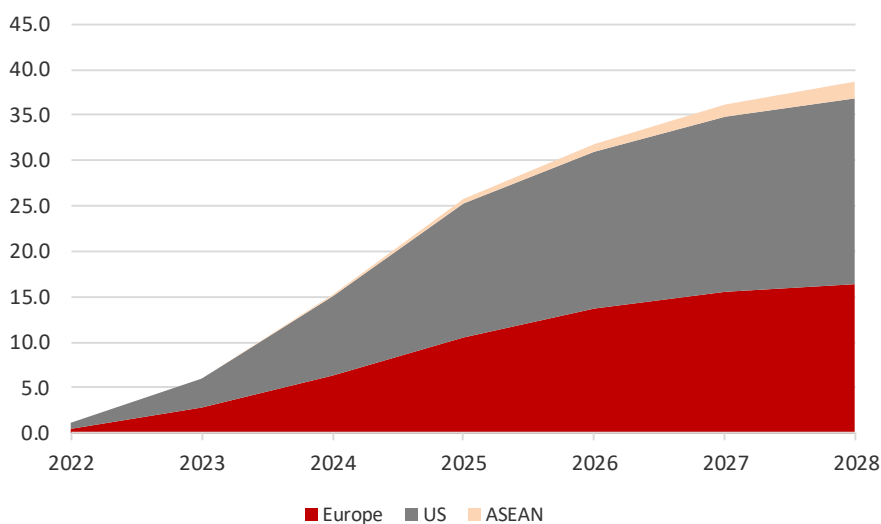
Acconeer has also requested a waiver of its own. Acconeer says that while it is possible to perform high accuracy measurements with low false positive rates, it added that the allowed power levels are insufficient for providing an acceptable signal to noise ratio for accurate detection. This surprised us a bit, as we thought Acconeer could operate flawlessly within today's limits, but we think it is possible that Acconeer has have taken a co-operative approach to help the market move forward. The company e.g. supports granting the waiver request from Tesla, and other requests from Infineon, Vayyar and Valeo. In other words, a lot of companies are seeking waivers from the FCC and everyone is pointing towards the waiver for Google Project Soli. Administrating individual waivers all day is not something the FCC is keen on. We therefore find it likely that the regulation will change (as also suggested by Acconeer in its FCC correspondence), allowing a higher power output. However, if this takes a long time (certainly not a big surprise), it could be favorable for Acconeer, in our view, given the company's advantages in power output. We think several potential end customers value the comfort and security in choosing the solution with the best power advantages today, disregarding eventual positive FCC intervention.

While certainly not the only interesting segment, the area of arguably most activity is within the so-called interior sensing or occupancy monitoring space. This is what we have previously referred to as child presence detection or CPD. CPD is still a key driver, or rather the key driver, for this trend, but from now on, to capture the whole width, we will also call it interior sensing or occupancy monitoring (it is so early on that the jury is still out, considering which one of these two names that should be used).

As previously mentioned, Vayyar has won an interior sensing contract for a US OEM. Xperi Fotonation has 15 design wins for a major European OEM, expected go into mass production in 2021. Xperi’s solution, DTS Autosense, uses a single camera and no radar. However, we think the general view is that radar is the way forward. As for Vayyar, it has a larger radar with a lot more antennas, whereas Acconeer’s solution with Alps Alpine consists of several, smaller distributed systems. The different standards, requirements and tastes of the OEMs are quite complex, suggesting there will likely be a mix of solutions, which is already evident in the three announced contracts thus far, as mentioned above. From the waiver requests, it seems that tier-1 players like Valeo and Faurecia have their own in-house radars, suggesting a vivid competitive radar landscape. However, as we have previously mentioned, we view the radar merely as a small, albeit important component of the entire solution, and the best radar does not necessarily equal the best system.

Below, we include our expected market TAM for interior sensing from our last update and repeat a short summary on how we think about the roll-out: *“CPD is not only a Euro NCAP mandate. All OEMs in the US market have agreed to voluntarily make it a standard by 2025, in parallel with the legislative work on mandatory fitment in the Hot Car Act (included in the Moving Forward Act). CPD is also a part of the ASEAN NCAP road map. The ASEAN NCAP members include the Southeast Asian countries Malaysia, Singapore, and Philippines. Total vehicles sold in this region are only just above 1m, which can be seen in our expectations of vehicles with CPD per region in the graph below, on the next page. Nevertheless, we assume there could be solid ASEAN growth ahead. 80% of the ASEAN volumes come from Japanese OEMs, which we think is interesting in the context of Alps Alpine’s Japanese home market. All in all, the CPD trend actually seems even stronger than driver monitoring, in particular in the US.”*

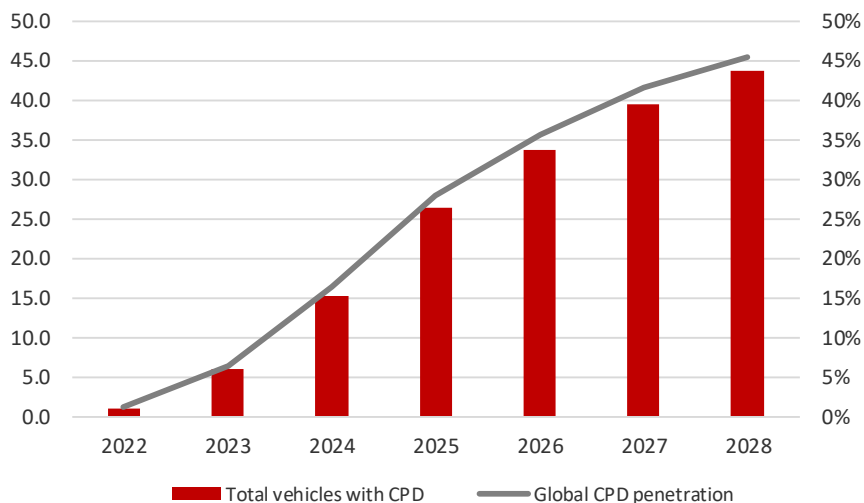
Interior sensing market per region (million vehicles)



Source: Redeye Research, various industry sources

The CPD and interior sensing adoption rate of all vehicles in the world, by our estimates, is summarized in the following graph. Our Acconeer interior sensing estimates imply an average 13% market share of this market. However, interior sensing is about 75% of our total auto estimates, which indicates a major upside from including other automotive solutions in our estimates. We find such future inclusions to be very likely, although they are typically only driven by consumer taste and not mandatory regulation.

Total interior sensing market (mil. vehicles) & global penetration (%)



Source: Redeye Research, various industry sources

Financial Estimates

We continue to expect sequential growth, although we lower our short-term sales estimates slightly due to the shortage of processors, which should continue to affect module sales (see the table below). The lead times for receiving processors are six months. There is also a general pecking order, where larger customers are allotted a larger part of the volumes they are asking for, while the allocation for smaller players (like Acconeer) is typically significantly lower. We have been positively surprised by the high and steady gross margins and therefore make some short-term upward review of our expected gross margins.

Forecast adjustments				
(SEKm)		2021E	2022E	2023E
Sales	Old	33	75	249
	New	30	69	249
% change		-10%	-7%	0%
EBIT	Old	-62	-56	17
	New	-52	-46	17
% change		-18%	-18%	0%
Profit before tax	Old	-62	-56	17
	New	-52	-46	17
% change		-18%	-18%	0%
Earnings per share	Old	-2.67	-2.35	0.72
	New	-2.20	-1.92	0.72
% change		-17%	-18%	0%

Source: Redeye Research, Acconeer

We expect SEK 13m in NRE payments from Alps Alpine in H2'21, whereof 75% related to Q4, meaning a strong finish (see below).

Quarterly estimates (million SEK)											
SEKm	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021
Net sales	5.5	2.2	1.6	2.8	3.0	9.5	3.3	3.7	8.0	15.1	30.0
Sales growth (%)	478%	291%	13%	64%	62%	73%	55%	128%	186%	410%	216%
EBIT	-68.5	-17.7	-16.8	-12.3	-15.5	-62.3	-16.3	-16.4	-12.1	-6.7	-51.5
EBITDA	-57.0	-14.8	-13.9	-9.3	-12.5	-50.5	-13.3	-13.4	-9.1	-3.6	-39.4
PTP	-68.5	-17.7	-16.8	-12.3	-15.5	-62.3	-16.3	-16.4	-12.1	-6.7	-51.5
EPS (SEK)	-3.6	-0.7	-0.7	-0.6	-0.6	-2.7	-0.7	-0.7	-0.5	-0.3	-2.2
EBIT margin (%)	-1164%	-823%	-1040%	-443%	-523%	-656%	-488%	-441%	-152%	-44%	-171%
EBITDA margin (%)	-968%	-689%	-860%	-336%	-422%	-532%	-398%	-360%	-114%	-24%	-131%
EPS growth (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Redeye Research, Acconeer

Investment Case

Strong unique product offering & scalability from unmatched cost

Automotive has the largest potential

Large design wins to drive the share price

Main bear point

Strong unique product offering & scalability from unmatched cost

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

Automotive has the largest potential

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

Large design wins to drive the share price

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

Main bear point:

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

Valuation

Bear Case 18.0 SEK

The differences in our bear case assumptions for years 2019-2026 compared to our base scenario are the following: Sales growing by a CAGR of about 100 % to around SEK 750 million based on volumes of 22 million. Break-even in 2023 and hereafter an average EBIT margin of 15 % and a 10 % long-term EBIT margin. The difference from our base case is that we expect that Acconeer fails to penetrate automotive in a meaningful scale. Thus, robotics and level measurement (incl. waste management) account for 21 and 49% respectively, i.e. two thirds of total sales. Other than that, the other segments perform the same as in our base case.

Base Case 33.0 SEK

Our base case assumptions for years 2019-2026 are summarized below. In all our valuation scenarios we are using a required rate of return of 13.0 % based on our Redeye Rating and a terminal sales CAGR of 2 %. Sales growing by a CAGR of 115 % reaching about SEK 1.2bn in 2026 while the 2026 volumes amount to 36 million. Sensor prices dropping from USD 5 by on average 15 % per year (although faster in the first years), somewhat offset by modules and increased sensor penetration in robotics and automotive. Cumulative sales to 12% related to robotics, 59% automotive, 13% level measurement sensors (incl. waste management) and 0% smartphones/wearables. Average gross margin of about 43%; higher during the first years and substantially lower during the second half as gross margin drops to levels around 40 % in 2026. OPEX growing at a CAGR of 16%. Average EBIT margin of 14% and a 15 % long-term EBIT margin

Bull Case 60.0 SEK

The differences in our bull case assumptions for years 2019-2026 compared to our base scenario are the following: Sales growing by a CAGR of about 130% to around SEK 2 billion based on volumes of 52 million. Same gross margins as in our base scenario but costs grow faster (27 % CAGR) although not as fast as the stronger top line growth, meaning higher margins. Average EBIT of 27 % and a long-term EBIT margin of 20 %. The big difference from our base case is that we estimate Acconeer to be able to enter some premium smartphones and therefore also subsequently get a few Chinese players on board. We assume 15 million smartphones and wearables in 2026 – equal to about 1% of today's volumes of 1.5 billion. We also forecast stronger growth in automotive as we expect 50 % larger volumes in automotive over the whole period (in total 30 million sensors).

Catalysts

Larger deals to drive the share price

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

IMPACT					
Downside		Upside		Time Frame	
Significance	Likelihood	Significance	Likelihood		
Moderate	Possible	Moderate	Possible	Long	

Summary Redeye Rating

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

People: 3

Acconeer, founded as late as 2011, is in an early stage with sales of its radar technology just getting started, making it hard to rate the management. We see no big screw-ups thus far but there are not much signs of deals yet, suggesting that things are taking a bit longer. Acconeer also has a short history of being a listed company (IPO in Dec. 2017) in terms of communication to shareholders etc. Given the short history we therefore especially evaluate the experience in the Board and Management, which overall is solid with people from previous executive positions at companies like Ericsson and Sony Mobile. The CEO was e.g. the President of Japan at ST Ericsson during 2009-2014. Acconeer has active main owners represented on the Board and in general the Board own lots of shares. We would prefer a bit higher commitment from insiders in Management though. However, we note that the two co-founders own 3 percent each and we like the fact that they are still working in the company as CTO and COO respectively. Aside of insider buying another potential upside to the ownership score is institutional investors eventually discovering Acconeer and buying into the company.

Business: 2

The power efficient sensor has minimal cost and footprint, which together with Acconeer's fabless business model will make Acconeer scale rapidly with high margins when sales kick in. Adding the major, global partners in manufacturing and distribution, Acconeer seems ready to meet the demand and ride the strong, structural trends in e.g. automotive, IoT and robotics, although these trends will of course entice severe competition down the road. The interest for Acconeer's solution is strong with a large group of customers testing the technology. However, the jury is still out in the sense that it is still early stage and there are not much news of won deals yet, which is a risk factor.

Financials: 2

Since Acconeer is not yet profitable our fully retrospective profitability rating can be no more than zero at the moment. The scalability and the low cost base imply a good outlook for profitability in the future. At that point the rating would start to gradually increase. The rather early stage with a limited product portfolio and no stable earnings or revenue weighs on the financial stability score. In addition, it is too soon to understand what the customer base will look like in terms of differentiation etc., which adds uncertainty. However, the company has a large cash position and an MoU deal with financing from its partner Alps Alpine. We think the cash will suffice at least 2.5 years.

INCOME STATEMENT	2019	2020	2021E	2022E	2023E
Net sales	6	10	30	69	249
Total operating costs	-63	-60	-69	-105	-220
EBITDA	-57	-51	-39	-36	29
Depreciation	-2	-2	-2	-2	-2
Amortization	-9	-9	-10	-8	-10
Impairment charges	0	0	0	0	0
EBIT	-69	-62	-52	-46	17
Share in profits	0	0	0	0	0
Net financial items	0	0	0	0	0
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-69	-62	-52	-46	17
Tax	0	0	0	0	0
Net earnings	-69	-62	-52	-46	17

BALANCE SHEET	2019	2020	2021E	2022E	2023E
Assets					
<i>Current assets</i>					
Cash in banks	78	82	9	0	0
Receivables	5	7	23	36	85
Inventories	6	8	30	97	187
Other current assets	0	0	0	0	0
Current assets	89	97	62	133	272
<i>Fixed assets</i>					
Tangible assets	4	3	3	3	7
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
0 intangible rights	36	27	23	31	55
0 non-current assets	1	1	1	1	1
Total fixed assets	41	31	27	34	63
Deferred tax assets	0	0	0	0	0
Total (assets)	130	128	89	168	335
Liabilities					
<i>Current liabilities</i>					
Short-term debt	0	0	0	67	123
Accounts payable	10	8	20	36	105
0 current liabilities	0	0	0	0	0
Current liabilities	10	8	20	103	228
Long-term debt	0	0	0	0	0
0 long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	10	8	20	103	228
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	120	120	69	65	107
Minority interest (BS)	0	0	0	0	0
Minority & equity	120	120	69	65	107
Total liab & SE	130	128	89	168	335

FREE CASH FLOW	2019	2020	2021E	2022E	2023E
Net sales	6	10	30	69	249
Total operating costs	-63	-60	-69	-105	-220
Depreciations total	-12	-12	-12	-10	-12
EBIT	-69	-62	-52	-46	17
Taxes on EBIT	0	0	0	0	0
NOPLAT	-69	-62	-52	-46	17
Depreciation	12	12	12	10	12
Gross cash flow	-57	-51	-39	-36	29
Change in WC	-4	-6	-26	-64	-70
Gross CAPEX	-1	-2	-8	-17	-40
Free cash flow	-61	-58	-73	-118	-81

CAPITAL STRUCTURE	2019	2020	2021E	2022E	2023E
Equity ratio	92%	94%	77%	39%	32%
Debt/equity ratio	0%	0%	0%	102%	115%
Net debt	-78	-82	-9	66	123
Capital employed	42	38	60	132	230
Capital turnover rate	0.0	0.1	0.3	0.4	0.7

GROWTH	2019	2020	2021E	2022E	2023E
Sales growth	445%	73%	216%	131%	259%
EPS growth (adj)	94%	-25%	-18%	-13%	-137%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	12.0 %	NPV FCF (2020-2021)	-182
		NPV FCF (2022-2028)	358
		NPV FCF (2029-)	522
		Non-operating assets	82
		Interest-bearing debt	0
		Fair value estimate MSEK	780
Assumptions 2020-2026 (%)			
Average sales growth	84.7 %	Fair value e. per share, SEK	33.4
EBIT margin	-20.0 %	Share price, SEK	27.4

PROFITABILITY	2019	2020	2021E	2022E	2023E
RDE	-45%	-52%	-54%	-69%	20%
ROCE	-45%	-52%	-54%	-46%	10%
ROIC	-140%	-148%	-134%	-77%	13%
EBITDA margin	-1036%	-532%	-131%	-52%	12%
EBIT margin	-1245%	-656%	-171%	-66%	7%
Net margin	-1244%	-656%	-171%	-66%	7%

DATA PER SHARE	2019	2020	2021E	2022E	2023E
EPS	-3.56	-2.67	-2.20	-1.92	0.72
EPS adj	-3.56	-2.67	-2.20	-1.92	0.72
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-4.05	-3.53	-0.39	2.77	5.05
Total shares	19.24	23.30	23.38	23.98	24.28

VALUATION	2019	2020	2021E	2022E	2023E
EV	328.9	447.9	631.7	707.1	763.3
P/E	-5.9	-8.5	-12.4	-14.3	38.3
P/E diluted	-5.9	-8.5	-12.4	-14.3	38.3
P/Sales	73.9	55.8	21.3	9.5	2.7
EV/Sales	59.7	47.1	21.0	10.2	3.1
EV/EBITDA	-5.8	-8.9	-16.0	-19.7	26.2
EV/EBIT	-4.8	-7.2	-12.3	-15.4	44.0
P/BV	3.4	4.4	9.3	9.8	6.0

SHARE PERFORMANCE		GROWTH/YEAR	18/20E
1 month	-6.6 %	Net sales	133.6 %
3 month	46.7 %	Operating profit adj	-13.3 %
12 month	37.7 %	EPS, just	-21.4 %
Since start of the year	20.4 %	Equity	-24.2 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Bengt Adolfsson	11.7 %	11.7 %
Avanza Pension	8.4 %	8.4 %
Smbc Nikko Securities Inc.	8.0 %	8.0 %
Nordnet Pensionsförsäkring	3.9 %	3.9 %
Tord Wingren	3.3 %	3.3 %
Nord Fondkommission AB	2.9 %	2.9 %
Mikael Egard	2.5 %	2.5 %
Mats Ingvar Ärlelid	2.5 %	2.5 %
Lars-Erik Wernersson AB	2.4 %	2.4 %
Peak Asset Management	1.2 %	1.2 %

SHARE INFORMATION	
Reuters code	ACCON.ST
List	First North
Share price	27.4
Total shares, million	23.4
Market Cap, MSEK	640.7

MANAGEMENT & BOARD	
CEO	Lars Lindell
CFO	Björn Bengtsson
IR	Lars Lindell
Chairman	Bengt Adolfsson

ANALYSTS		Redeye AB
Viktor Westman		Mäster Samuelsgatan 42, 10tr
viktor.westman@redeye.se		111 57 Stockholm

Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

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

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

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

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

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

Redeye Equity Research team

Management

Björn Fahlén

bjorn.fahlen@redeye.se

Håkan Östling

hakan.ostling@redeye.se

Technology Team

Jonas Amnesten

jonas.amnesten@redeye.se

Henrik Alveskog

henrik.alveskog@redeye.se

Fredrik Nilsson

fredrik.nilsson@redeye.se

Tomas Otterbeck

tomas.otterbeck@redeye.se

Oskar Vilhelmsson

oskar.vilhelmsson@redeye.se

Viktor Westman

viktor.westman@redeye.se

Forbes Goldman

forbes.goldman@redeye.se

Mark Siöstedt

mark.siostedt@redeye.se

Danesh Zare

danesh.zare@redeye.se

Mattias Ehrenborg

mattias.ehrenborg@redeye.se

Editorial

Mark Siöstedt

mark.siostedt@redeye.se

Joel Karlsson

joel.karlsson@redeye.se

Life Science Team

Gergana Almquist

gergana.almquist@redeye.se

Oscar Bergman

oscar.bergman@redeye.se

Anders Hedlund

anders.hedlund@redeye.se

Ludvig Svensson

ludvig.svensson@redeye.se

Niklas Elmhammer

niklas.elmhammer@redeye.se

Mats Hyttinge

mats.hyttinge@redeye.se

Filip Einarsson

filip.einarsson@redeye.se

Fredrik Thor

fredrik.thor@redeye.se

Disclaimer

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Redeye Rating (2021-02-21)

Rating	People	Business	Financials
5p	23	18	3
3p - 4p	105	87	41
0p - 2p	6	29	90
Company N	134	134	134

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Westman owns shares in the company : No

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