REDEYE

# Nordic Technology Report 2022

Acconeer
Addnode
Adverty
Alelion Energy Systems
Arise
Artificial Solutions
Aspire Global
Avtech Sweden
aXichem
Azelio
Bambuser
Beijer Electronics Group
Better Collective
Bioservo Technologies
BIMobject
Bredband2
Carasent
Careium
CI Games
Clavister Holding
Doro
EG7
Embracer Group
Enea
Ericsson
ES Energy Save
Evolution Gaming Group
Flexion Mobile
FlexQube
Formpipe Software
Fortnox
G5 Entertainment
Gaming Innovation Group
Gapwaves
Hanza Holding
Heliospectra
Hexatronic Group
Hoylu
I-Tech
Image Systems
IMINT Image Intelligence
Impact Coatings
Infracom Group
Invisio
Inzile
JonDeTech Sensors
KebNi
Lagercrantz Group
Media and Games Invest
M.O.B.A. Network
Neonode Inc
Netmore Group
Ngenic
Nitro Games
Northbaze
OXE Marine
Paynova
Penneo
PiezoMotor Uppsala
PowerCell Sweden
Proact IT Group
QleanAir
Railcare Group
Remedy Entertainment
Safello Group
Safeture
SaveLend Group
Scandinavian Enviro Systems
Sdiptech
Seamless Distribution Systems
Sensys Gatso Group
Sivers Semiconductors
Smart Eye
Speqta
SSH Communications
Starbreeze
Stillfront Group
Strax
Systemair
TagMaster
Thunderful Group
Transtema
Urb-it
Vertiseit
Waystream
Westpay
XMReality
Zordix
Zwipe




2022

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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: 25
Corporate Advisory: 20

**Redeye.se** 140,000+

Attracting 140,000+ unique visitors monthly

**Corporate Broking** 160+

160+ public corporates as clients

**Corporate Finance** 150+

150+ transactions executed over the last five years

**Key Specialties** Tech & Life Science

**Focused themes** 10+

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

# Redeye Corporate Advisory

## Leading Advisor for Growth Companies

### Corporate Broking

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

### Corporate Finance

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

### Certified Adviser

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

### ECM

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



**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.



**Gustav Olin Månsson**
Client Manager

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



**Tomas Otterbeck**
Head of Research

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

# THE REDEYE TECHNOLOGY TEAM



**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.



**Douglas Forsling**
Analyst

Douglas is an equity analyst in the technology team with a focus on the online gambling sector and fintech sector. He holds a Bachelor's degree in finance and an unfinished Master's degree in Operational Management and Control from Stockholm University, School of Business. In addition, he has studied abroad in Hong Kong, Beijing, and Oxford. He has had positions in SEB, Nordic Capital, and Danone. He has also produced a finance podcast for nearly two years.



**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.



**Jesper von Koch**
Analyst

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



**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.



**Oskar Vilhelmsson**
Analyst

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



**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.



**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.



**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



**Niklas Sävås**
Analyst

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



**Hjalmar Ahlberg**
Analyst

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



**Jacob Svensson**
Analyst

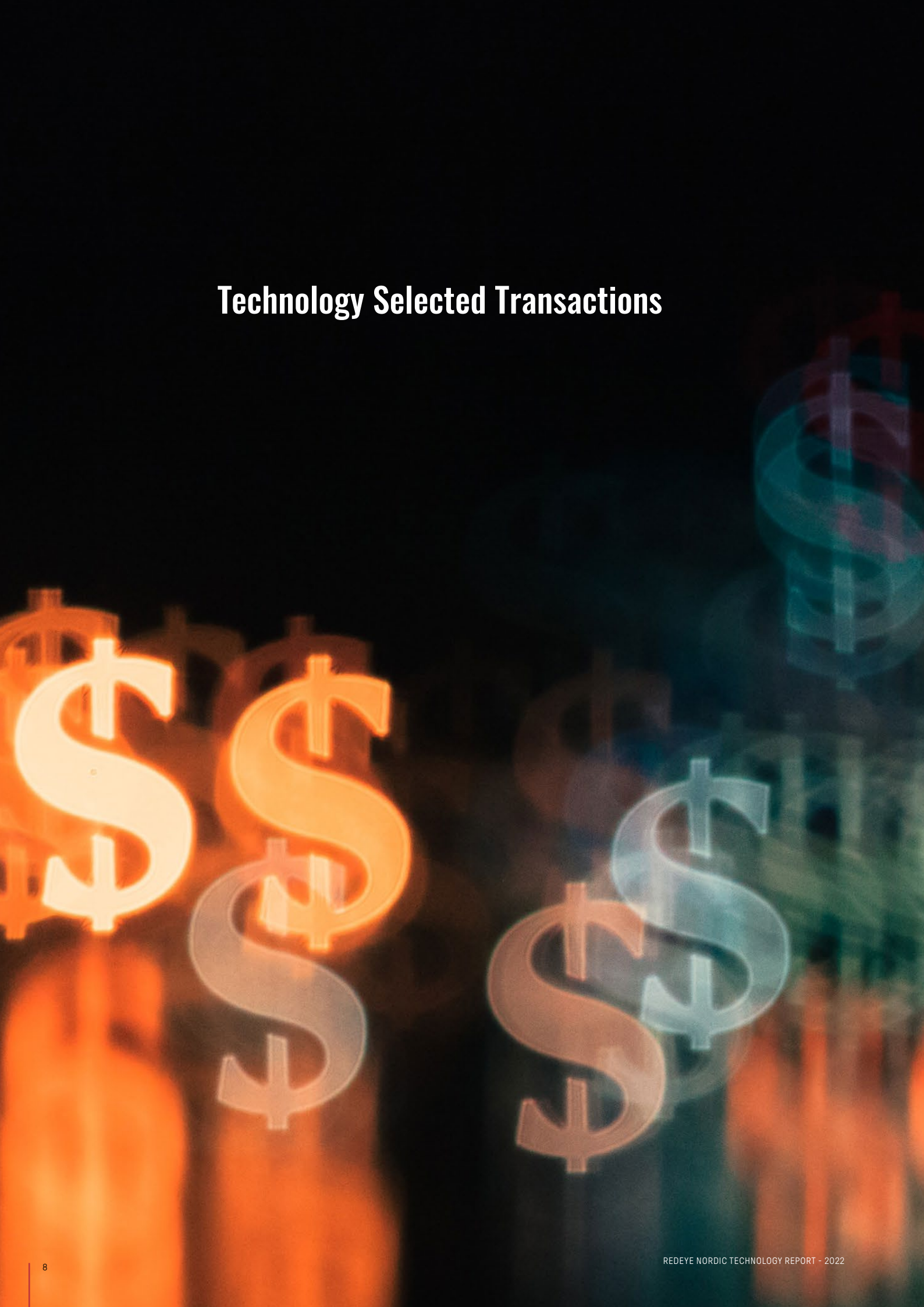
Jacob Svensson is an equity analyst within the technology team, focusing on software companies. He holds a BSc in Business Administration and a Master's in Finance from Lund University and has previously worked within the banking industry and asset management.



**Viktor Lindström**
Analyst

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

# Technology Selected Transactions



## RECENT

| | | | | |
|---|---|---|---|---|
| | CSEC<br>**DECEMBER 2021**<br>Rights Issue<br>30 MSEK | W5<br>**DECEMBER 2021**<br>IPO<br>35 MSEK | netmore<br>**DECEMBER 2021**<br>Rights Issue<br>43 MSEK | Mestro<br>**DECEMBER 2021**<br>IPO<br>40 MSEK |
| COM PODIUM<br>**NOVEMBER 2021**<br>IPO<br>65 MSEK | CombinedX<br>**OCTOBER 2021**<br>Private Placement<br>124 MSEK | BEYOND FRAMES<br>**JULY 2021**<br>Directed Issue<br>45 MSEK | NFO DRIVES<br>**JULY 2021**<br>Directed Issue<br>15 MSEK | Physitrack<br>**JUNE 2021**<br>IPO<br>Selling Agent<br>201 MSEK |
| xenergic<br>**JUNE 2021**<br>Private Placement<br>40 MSEK | Alelion<br>**MAY 2021**<br>Rights Issue<br>25 MSEK | Corpia<br>**MAY 2021**<br>Private Placement<br>30 MSEK | NGENIC<br>**MAY 2021**<br>IPO<br>60 MSEK | OMBORI<br>**FEBRUARY 2021**<br>Private Placement<br>60 MSEK |

## 2017–2020

| | | | | |
|---|---|---|---|---|
| | | | | SAVR<br>**DECEMBER 2020**<br>Private Placement<br>52 MSEK |
| clavister<br>**NOVEMBER 2020**<br>Directed Issue + Rights Issue<br>204 MSEK | KebNi<br>**OCTOBER 2020**<br>Rights Issue<br>50 MSEK | OXEMARINE<br>**OCTOBER 2020**<br>Directed Issue<br>66 MSEK | Alelion<br>**OCTOBER 2020**<br>Rights Issue<br>57 MSEK | xmreality<br>**MARCH 2020**<br>Rights Issue<br>36 MSEK |
| COM PODIUM<br>**DECEMBER 2019**<br>Pre-IPO<br>18 MSEK | MOBA NETWORK<br>**NOVEMBER 2019**<br>IPO<br>26 MSEK | CIMCO<br>**OCTOBER 2019**<br>Rights Issue<br>51 MSEK | JAYS<br>**JUNE 2019**<br>Rights Issue<br>40 MSEK | TagMaster<br>**MAY 2019**<br>Directed Issue + Rights Issue<br>139 MSEK |
| Alelion<br>**MAY 2019**<br>Rights Issue<br>Co-Lead Manager<br>135 MSEK | ATARI<br>**APRIL 2019**<br>Dual Listing<br>10 MSEK | CIMCO<br>**APRIL 2019**<br>Rights Issue<br>102 MSEK | Teqnion<br>**MARCH 2019**<br>IPO<br>80 MSEK | zwipe<br>**JANUARY 2019**<br>IPO<br>Joint Bookrunner<br>120 MSEK |
| LightAir<br>**NOVEMBER 2018**<br>Rights Issue<br>25 MSEK | SIVERS IMA<br>**OCTOBER 2018**<br>Direced Issue<br>43 MSEK | xmreality<br>**OCTOBER 2018**<br>Directed Issue<br>21 MSEK | crunchfish<br>**OCTOBER 2018**<br>Right Issue<br>39 MSEK | GOODBYE KANSAS<br>**JUNE 2018**<br>Private Placement<br>108 MSEK |
| ALLGON<br>**JUNE 2018**<br>Rights Issue<br>Join Lead Manager<br>127 MSEK | captario<br>**JUNE 2018**<br>Private Placement<br>50 MSEK | JONDETECH<br>**MAY 2018**<br>IPO<br>30 MSEK | Teqnion<br>**APRIL 2018**<br>Private Placement<br>20 MSEK | FSPORT<br>**FEBRUARY 2018**<br>Private Placement<br>20 MSEK |
| SCOUT gaming group<br>**NOVEMBER 2017**<br>IPO<br>60 MSEK | acconeer<br>**NOVEMBER 2017**<br>IPO<br>180 MSEK | gambling.com group<br>**NOVEMBER 2017**<br>Private Placement<br>9 MSEK | GLOBAL GAMING<br>**OCTOBER 2017**<br>22 MSEK | xmreality<br>**APRIL 2017**<br>IPO<br>60 MSEK |



# Executive Summary

# Introduction

Redeye tech team has expanded its coverage to some 90 companies listed on the exchanges in the Nordic countries. The team consists of 16 analysts, which probably makes it the biggest team in the Nordics fully dedicated to tech companies.

In this Nordic Technology Report, we highlight some of the main trends and themes we currently see in the market, including Cybersecurity, Fintech, Artificial Intelligence, Gaming and Autotech. We have also compiled and evaluated last year's tech IPO's and M&A activity in the sector. Furthermore, we look into valuations and expectations for tech companies in the Nordics versus the global tech sector. We screen the companies in our universe based on various criteria and finally highlight 3 shares that we find particularly interesting going into 2022.

# Technology market drivers and M&A

In this section we look at some of the main trends that will shape and disrupt businesses over the next decade and will offer several good investment opportunities. These include areas: Fintech, Autotech, Gaming, Cybersecurity, and Artificial Intelligence. Some of these are already USD 100bn+ markets growing at a solid pace. Moreover, in this space we find an abundance of listed companies and the number is growing.

The M&A activity in Redeye's tech universe increased during 2021. As usual, gaming companies and serial acquirers top the M&A activity list. However, the M&A activity in 2021 was widespread, as more than one third of our tech companies under coverage made acquisitions. Thus, fears that Covid-related restrictions would hurt M&A in 2021 were unwarranted, at least in our Tech universe.

*M&A activity expected to remain high in 2022*

For 2022, we expect a slight decline in M&A activity, although remaining at high levels, following a narrowing valuation multiple gap between listed and unlisted companies, and a more cautious stock market.

## Tech IPO's

*122 Nordic tech IPO's*

In 2021, the strong IPO trend of 2020 accelerated further. The number of companies listed increased to 122, from 56 in 2020, whereas total capital raised doubled to SEK 33.5bn (SEK 15.4bn in 2020). Most of the companies are early stage with a median 2020 revenue of SEK 35m and still not profitable. However, in total, the companies listed in 2021 were very similar to, or slightly more mature than the 2020 IPOs.

*On average poor relative performance after IPO*

The performance of the listed tech companies was relatively poor. Only 42% of the companies yielded a positive absolute return over the year, putting the average absolute return at 5%, with a couple of high performing outliers. Also, compared to OMX Nordic Small Cap Index, the median excess return was -22%, implying a weak relative performance for tech IPOs in 2021, as opposed to the strong relative performance for tech IPOs in 2020.

## Market expectations regarding tech companies

*US tech stocks vastly outperformed the Nordic peers*

Global Technology stocks continued to be a high performing sector during 2021, although not record breaking like 2020 which was an extraordinary year for tech stocks. S&P 500 was up 27% in 2021, compared to 33% for S&P 500 Information Technology. Nordic and Swedish tech stocks, on the other hand, had a rather mediocre performance. The aggregated group ended the year in positive territory, but only just.

2021 was a year when investors were rewarded for holding mature or "value" tech companies, most prominently for the Nordic and Swedish stocks. Generally, the prior years' Corona winners were losers in 2021. Consumer oriented sectors like Gaming and igaming had a hard time. Among the worst performing stocks on the global scene in 2021 were also the big corona winners of 2020, such as Amazon, Netflix, Uber, Paypal, Salesforce, and Adobe.

*Mature Nordic tech outperformed growth*

Looking forward the market expects higher growth in Swedish and Nordic companies, which makes sense as these are generally smaller than the global companies. However, the global companies are expected to show higher EBITDA margins than its Nordic and Swedish peers.

## Redeye screening

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

**Top tech picks 2022**

- *Better Collective*
- *Embracer*
- *Smart Eye*

Screening should not be viewed as a portfolio suggestion, but instead as a smart way to narrow down the "research subjects." Qualitative factors and timing must also be taken into account. Redeye focuses on key catalysts for timing and risk limitation. Catalysts are defined as triggers that are likely to materialize in the near future with an impact on the share price. Our screenings do not "capture" these possible catalytical events and must be evaluated case by case, which we do in our portfolio of top picks. Our three top picks for 2022: Embracer, Smart Eye and Better Collective, all occurred in our screenings. Most notably in the Deep value strategy, which was the strongest performing category in 2021.

## Redeye Top Picks portfolio

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

*Top picks gained 28% in 2021 but not beating OMXSPI*

Redeye's Top Picks portfolio gained 28% in 2021, while the comparative index OMXSPI rose by a whopping 35%. Consequently, our portfolio underperformed the market by 7 percentage points. Our three top tech picks for 2021 (Enea, Better Collective and Carasent) underperformed the market as well and returned on average a relatively measly 22%.

However, over a five-year period Top Picks has returned +350%, compared to about 90% for OMXSPI. Thus, the portfolio outperformed by ~260 percentage points between the years 2017 to 2021. We believe our bottom-up approach can continue to achieve long-term positive returns exceeding the market.

Our hurdle for portfolio inclusion remains high, with a disciplined assessment of companies' qualitative factors and economic cycle dependency. Our cash level is currently higher than one year ago. For 2022, our three top tech picks are: Embracer, Smart Eye and Better Collective. Brief motivations are provided for these investment cases on page 50.



# Technology Market Drivers

In this section we highlight some of the main trends that will shape and disrupt businesses over the next decade and will offer several good investment opportunities. These include areas: Fintech, Autotech, Gaming, Cybersecurity, and Artificial Intelligence. Some of these are already USD 100bn+ markets growing at a solid pace. Moreover, in this space we find an abundance of listed companies and the number is growing.

# Fintech

**Companies to watch**

- *Arcane Crypto*
- *Avanza*
- *CoinShares*
- *FundedByMe*
- *Goobit*
- *Nordnet*
- *Paynova*
- *Qliro*
- *Quickbit*
- *Safello*
- *Savelend*
- *Tessin*
- *Westpay*

Recent innovations such as investor sharing communities, zero-cost transactions, and crypto have helped disrupt the fintech industry. 2021 demonstrated that retail investors represent an essential force in the stock market, especially when coordinated. However, regulation will have to become more transparent. Fintech stakeholders, government agencies, and consumers agree that regulation increases the acceptance and usage of fintech services.

## Democratizing Investing

Saving and investing have become a lot more accessible for people with modest funds. The cost of purchasing stocks, options, and ETFs has dropped considerably. While consumers have historically paid high flat fees or percentages on each trade, these are highly reduced and free of charge in some cases. Another significant change is the availability of financial securities information. An increasing number of companies are launching services that compile information for investors, such as Quartr. On a final note, information sharing communities on Discord and Reddit have enabled retail investors to become a serious force in the stock market, not the least as in the GameStop short-squeeze.

## Cryptocurrency and Blockchain

Cryptocurrencies, i.e., digital money that is not backed by an economy (unlike FIAT currencies), had a wild year in 2021. Bitcoin, the largest and most established cryptocurrency, hit several all-time-highs. At the time of writing, Bitcoin has increased some 78 percent year-to-date, trading around $51,500. Some of its success owes to a skyrocketing public interest. Apart from making its way into popular culture such as WallStreetBets, and receiving public support from Elon Musk, some fund managers have begun to include cryptocurrencies in their portfolios. Additionally, the first Bitcoin ETF started trading in October, facilitating buying and selling the cryptocurrency directly from traditional investment brokerages.

For broader institutional adoption, regulation will have to become clearer. Regulation will likely be a hot topic in 2022 and could impact prices materially. In September, China declared all cryptocurrency transactions illegal. The ban succeeded other restrictions such as mining in a move by the Chinese state to exert additional control over the economy. While the US has had a hands-off approach, an outright ban is unlikely. The SEC and the Biden administration have indicated that more regulation should be expected.

## Buy Now Pay Later

Payments and credit are becoming increasingly intertwined thanks to Buy Now Pay Later (BNPL), a phenomenon more and more stakeholders are taking an interest in. BNPL represents one of the fastest-growing and most M&A-intensive payment segments. Earlier in 2021, Block (formerly Square) acquired Afterpay, an Australian BNPL incumbent, for a $29B consideration. BNPL has gained the most traction within e-commerce, thanks to properties such as receiving the product before paying. However, it has also led to some controversy, domestically and abroad. Essentially, BNPL companies benefit from consumers taking on debt rather than paying upfront. While credit cards are an alternative, they often have high-interest rates and remain inaccessible for consumers with bad creditworthiness. BNPL will likely continue to be a hot topic in 2022, and some focus might shift to regulation. The regulating bodies will need to address questions such as ‘to what extent can BNPL companies promote credit payments?’.

# Autotech

**Companies to watch**

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

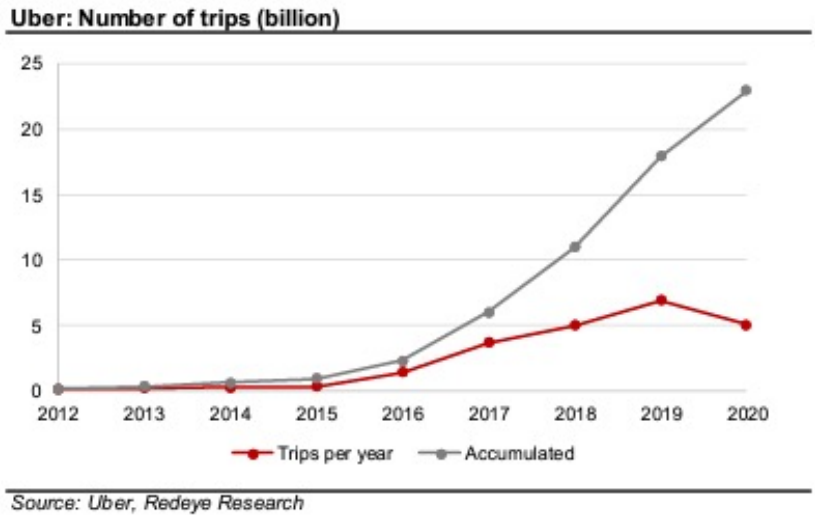
The automotive market is currently in a tech revolution that has barely started. Most notably, the cars of the future will be electrified, autonomous, connected, smart, and shared.

## Smart connected cars

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

## Sharing economy & ridesharing

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




*Source: Uber, Redeye Research*

## (Semi)-autonomous cars & driver assistance

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

Some OEMs are moving directly to level 4 (high automation), where the car drives by itself almost the whole time. Others believe it is important first to develop semi-autonomous level 2+ or level 3 (conditional automation) cars where the driver is expected to intervene from time to time. In 2021, Honda became the first carmaker to sell a vehicle equipped with certified level 3 self-driving technology. Though we already have the first L3 cars on the roads, it will take time before penetration becomes relevant. In 2030, Europe is estimated to reach 29% of L3 or higher of new vehicles sold. Fully automated cars, i.e., level 5, are expected to arrive in 2035, but only at a modest 1% share of all new cars sold. All this according to PwC Autofacts and Strategy&.

# Gaming

**Companies to watch**

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

Gaming companies enjoyed a significant revenue boost during 2020, as the coronavirus pandemic pushed many people to stay at home. However, growth in 2021 has been softer and fluctuated depending on different gaming segments. Essentially, mobile gaming companies saw the largest momentum in 2020 but faced a much more challenging 2021. Premium gaming companies are more dependent on their pipeline while platform companies that generate revenue from all segments are more stable/resilient.

## Hardware will drive the market

Facebook has its sights on dominating the Virtual Reality (VR) and the Augmented Reality (AR) space. It acquired Oculus in 2014 and has now accelerated investments into the segment. About 20% of Facebook's 60,000 strong workforces reportedly work on VR. Apple, Google, and Microsoft are also making entries into the AR/VR space as they recognize it as the next big computational platform. The space will likely grow at an explosive rate as all the tech giants enter the space within the next 1-2 years. However, the popularity has already reached a mainstream adoption rate. The standalone headset, Oculus Quest 2, has sold over 5 million units to date, selling in line with PS5 and Xbox Series X in Q4'20-Q1'21. Pre-bookings for the Oculus Quest 2 were five times higher than the Quest 1.

## Content is king — platform owners like Oculus Store are desperate for content

Hardware will drive the XR market, but the software must follow as a lack of content will hinder hardware sales growth. Both markets will have to grow in parallel, creating a positive spiral. Platform owners such as Facebook (Oculus Store) are offering VR developers very beneficial development deals, in where they typically fully finance the development of games, and the developer still retains IP rights and a revenue share. Facebook has also started development studios focused on VR software and has acquired several upcoming VR developers.

## The price of games will increase over time

AAA IP:s like Half-Life, Assassins Creed, and Splinter Cell are entering the VR space, driving hardware sales and increasing the average sales price (ASP) as consumers become more willing to pay up for VR games. A trend that will likely continue and affect the indie and AA segments of VR "The Walking Dead: Saints and Sinners" had grossed USD 29m in February 2021. Super Data market research estimates that Half-Life: Alyx sold 1.9m digital copies in its first six months. These numbers were unheard of for VR games previously.

## Subscription services – Microsoft is winning

Microsoft is estimated to have approximately 25 million subscribers currently on its Game Pass service. For SEK 99 a month, gamers can pick up all Microsoft Studios games at launch. Around 100 games from third-party studios are also available for subscribers. During the first half of 2021, the service grew by 37% year-over-year, a bit softer than Microsoft's goal of 48%. In the last two months this year, Microsoft releases games within three of the biggest game franchises on console, namely Forza Motorsport, Halo, and a GTA remaster. We believe Microsoft will reach 30 million subscribers with this lineup of games soon.

# Cybersecurity

**Companies to watch**

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

The World Economic Forum lists cyberattacks as among the most likely and impactful risks in its Global Risks Report (2021), expected to inflict damage totaling USD 6 trillion this year. Measured as a country, global cybercrime would be the world's third-largest economy, after the US and China. Furthermore, according to Cybersecurity Ventures, global cybercrime is forecast to grow at a 15% CAGR over the next five years, largely based on increased state-sponsored and organized hacking activities and a greater cyberattack surface.

## Ransomware in focus 2021

Cybercriminals wreaked havoc on organizations and companies through ransomware attacks in 2021. In particular, supply chain attacks became more common, causing more widespread damage than ever. The REvil gang targeted Kaseya, a US software firm, resulting in a $70M ransom in July. The incident affected c. 1,500 organizations, including Coop, a Swedish supermarket chain. Coop had to close more than half of its 800 stores due to the attack. While Coop doesn't use Kaseya's software directly, it appears one of its software providers did. This highlights, in our opinion, how vulnerable our systems become once we outsource some of our supply chain control to third parties.

## SASE – the new kid on the block

Gartner introduced secure access service edge (SASE) in 2019. It was first considered a niche term – about one percent of enterprises used it. However, industry experts expect some 40 percent of businesses to implement SASE as a security strategy by 2024. Gartner defines it as a package of technologies with SD-WAN, SWG, CASB, ZTNA, and FWaaS as core abilities. Essentially, it uses essential security elements as a single service for high-quality, reliable networking. Organizations can scale increasingly flexible security operations by moving security functions from the network edge to the cloud.

## Privileged Access Management – a serious issue for large organizations

Privileged Access Management (PAM) monitors, controls, and isolates access to "superuser" accounts to log into critical IT infrastructures, such as database servers, applications, and firewalls. It has become one of the most important cybersecurity and risk management areas due to the surge in non-traditional privileged access users in organizations. Unprotected privileged access accounts are one of the easiest routes for cybercriminals to access an organization. Furthermore, the landscape has become more complex due to migration to the cloud, the rise of DevOps and employees requiring access for specific projects, and third-party developers. There are about 40 PAM vendors, according to KuppingerCole, some of which are Scandinavian.

## Post-Quantum Cryptography – preparing for the future

Once quantum computers become available, it will take them no time to break encryptions that are currently considered unbreakable. Governments and large organizations have great incentives to invest in Post-Quantum Cryptography (PQC). PQC products include next-generation firewalls and Virtual Private Network (VPN) appliances that provide quantum-ready encryption software for transporting internet and IP traffic across networks. We already see public and private organizations engaging with these types of products through multi-year agreements worth tens of millions of dollars. State-run organizations will have to increase expenditure and knowledge in this area with a mandate to safeguard data.

# Artificial Intelligence

**Companies to watch**

- *Artificial Solutions*
- *Captario*
- *Coala Life*
- *Eliptic Labs*
- *Ericsson*
- *Imagimob*
- *Mycronic*
- *Optomed*
- *Peltarion*
- *Scibase*
- *Sleep Cycle*

Tortoise released its global AI index recently. The US, China, the UK, Canada, and Israel top the list. However, Sweden, which tends to rank high in global innovation and start-up lists, only made it to place 19. Sweden scores particularly well in the availability of talent and extensive specialist research being carried out. However, the country's regulation and public opinion (operating environment), and government strategy weigh on the score.

## Increased global AI adoption

The state of AI in 2021, a survey by McKinsey, concludes that AI adoption continues to increase – 56 percent of respondents attest to implementing AI in at least one business function. Most notably, the greatest increase is noted in companies headquartered in emerging markets. The business functions where AI adoption is the highest include service operations, product and service development, and marketing and sales. In general, we note that service-oriented use cases are the most prone to investing in AI. Contact-center automation is a common example. Additionally, the survey points to AI having a significant impact on the adoptee's bottom line. The share of respondents reporting a >5 percent EBIT attributable to AI has increased from 22 to 27 percent.

Conversational AI

The Conversational AI Market is a $50B industry, while its software segment represents a $14B opportunity growing at a 22% CAGR. The most common use cases focus on automating customer service. For example, a mobile network operator seeks to replace its tone-controlled IVR (e.g., press one for billings, two for repairs, and so on) with a conversational IVR (e.g., describe in one sentence what you need help with). Using the right solution, operators can save costs and increase customer satisfaction. In the future, we anticipate more organizations adopting this technology to address internal use cases, resulting in greenfield opportunities for conversational AI providers.

## AI to have a natural place in other industries – cybersecurity example

AI cybersecurity will become a $46 billion market in 2027, according to Meticulous Research. Cyber attackers are increasingly using AI/ML tools and capabilities to, e.g., explore vulnerabilities in existing defense systems. Thus, to a greater extent, cybersecurity providers must adopt AI/ML tools to create standalone solutions and augment existing offerings. In particular, AI/ML can help analyze patterns, detect anomalies and proactively respond to threats. Some of the main market drivers include 1) greater adoption of IoT, generally resulting in more connected devices, creating a broader attack surface; and 2) regulations and directives. Increasingly, we should expect AI/ML to have a natural place in other industries.

# M&A in Redeye's Tech universe

- The M&A activity in Redeye's tech universe increased during 2021. As usual, gaming companies and serial acquirers top the M&A activity list. However, the M&A activity in 2021 was widespread, as more than 1/3 of our tech companies under coverage made acquisitions.

- For 2022, we expect a slight decline in M&A activity, although remaining at high levels, following a narrowing valuation multiple gap between listed and unlisted, and a more cautious stock market.



# M&A in Redeye's universe

The total number of deals increased by 40% compared to last year, which was a doubling relative to 2019. While Redeye's Tech universe has expanded with more companies, the underlying activity also increased. Of our ~90 tech companies under coverage, 35 acquired during 2021. Thus, fears that Covid-related restrictions could hurt M&A in 2021 were unwarranted, at least in our Tech universe.

Like last year, gaming companies, especially Embracer, as always, had a very high M&A activity. Interestingly, gaming companies made 40% of all acquisitions in Redeye's Tech universe, and their average deal value was above the total average. Thus, despite being active in a market with structural growth, many gaming companies aim to boost growth by substantial M&A activity.

Next were the serial acquirers, particularly Lagercrantz and Sdiptech, showing high M&A activities during 2021. Interestingly, most acquisitions were made outside of Sweden, so the discussion about increasing valuations in the Swedish market makes sense. Also, Hexatronic had high activity in 2021, including several significant acquisitions management has been interested in for years.

Besides the high activity among typical acquirers, many companies with limited M&A history made acquisitions in 2021. Fortnox is one example, making two significant acquisitions during the year. While this might be changing (more on that later), we believe the stock market's positive view on most acquisitions has inspired additional companies to consider growing by M&A. However, in most cases, there was also an operational logic,

Mainly during the later part of 2021, we believe the market became more cautious towards acquisitions. While most acquisitions were celebrated by the market for large parts of 2021, we noticed mixed reactions as we approached 2022. In general, we believe that is a sound development. Nevertheless, many potentially emerging M&A-compounders have been heavily awarded following their high M&A activities. However, many acquisitions are the first and "easy" step; the operational performance over the following years will tell who is ready to join the ranks of Addnode and Largercrantz, etc.

For 2022, we expect a slight decline in M&A activity, although remaining at high levels, for the following reasons:

- The stock market seems to have gained a more mixed attitude towards acquisitions, likely making management teams more cautious regarding price and quality.

- While still being significant in many cases, we believe the narrowing valuation multiple gap between listed and unlisted companies will make it harder to find targets at attractive price tags.

## M&A activity in Redeye's Tech universe

| Acquirer | Target | Sales | Deal Size | Earnouts |
|---|---|---|---|---|
| Addnode | S-GROUP | SEK 144m | Unknown | Unknown |
| | Elpool | SEK 6m | Unknown | Unknown |
| | Budsoft | SEK 20m | Unknown | Unknown |
| Bambuser | Relatable | Unknown | USD 24m | |
| Beijer Electronics | ELTEC | SEK 65m | SEK 105m | |
| Better Collective | Rekatochklart.com | EUR 1.2m | EUR 3.8m | |
| | Action Network | USD 40m | USD 240m | |
| | Soccernews.nl | EUR 3m | EUR 5.9m | EUR 3.75m |
| Carasent | Metodika | SEK 28m | SEK 114m | |
| | Medrave | SEK 23m | SEK 134m | |
| Careium | FirstCall 24/7 | GBP 0.5m | GBP 1 | |
| | Innocom | EUR 4.9m | SEK 72m | |
| | Helpline | GBP 0.075m | GBP 1 | |
| Clavister | Omen Technologies | Unknown | SEK 15m | |
| EG7 | Piranha Games | Unknown | CAD 31.4m | CAD 63.4m |
| | Innova Intellectual Properties | Unknown | EUR 109.8m | |
| Embracer* | Gearbox | SEK 1 052m | USD 363m | USD 1 015m |
| | Aspyr Media | USD 40.6m | USD 100m | USD 40m |
| | Easybrain | USD 210m | USD 640m | USD 125m |
| | Appeal Studios et al | Unknown | SEK 71m | SEK 53m |
| | CrazyLabs | USD 152.9m | Unknown | Unknown |
| | Demiurge | USD 15m | Unknown | Unknown |
| | Jufeng Studio | SEK 50m | Unknown | Unknown |
| | Perfect World Entertainment | SEK 700m | USD 125m | |
| | Asmodee | EUR 1 100m | EUR 2 750m | |
| | Shiver Entertainment | SEK 40m | Unknown | Unknown |
| | Dark Horse | Unknown | Unknown | Unknown |
| Enea | AdaptiveMobile Security | EUR 17m | EUR 45m | |
| Evolution | Big Time Gaming | Unknown | EUR 220m | EUR 230m |
| | DigiWheel | Unknown | EUR 1m | |
| Fortnox | Offerta | SEK 85m | SEK 300m | |
| | Bolagspartner | SEK 20m | SEK 45m | |
| | Capcito (78%) | SEK 36m | SEK 410m | |
| GIG | Sportnco | EUR 9m | EUR 50.8m | EUR 23m |
| Hanza | SLP | SEK 150m | SEK 48m | |
| | Beyers | EUR 18m | EUR 2.7m | EUR 2.5m |
| Hexatronic | TK-KONTOR-FREITAG | Unknown | Unknown | Unknown |
| | Mpirical | Unknown | Unknown | Unknown |
| | Weterings | EUR 15m | EUR 5.6m | EUR 2.8m |
| | REHAU Telecom | EUR 35m | EUR 40.5m | EUR 6.0m |
| | OSA & FOS | AUD 45m | AUD 47.4m | AUD 6.8m |
| | DCS | Unknown | USD 17.2m | USD 2.7m |

* Excluding minor acquistions

## M&A activity in Redeye's Tech universe

| Acquirer | Target | Sales | Deal Size | Earnouts |
|---|---|---|---|---|
| Infracom | Advoco & Frontnode | SEK 50m | SEK 45.5m | SEK 9.5m |
| | Condere | SEK 4.2m | SEK 5.3m | |
| | Nic of Time (customers) | SEK 6.9m | SEK 3m | SEK 2m |
| Inzile | QEV | SEK 0 | SEK 494m | |
| Lagercrantz | Vihab | SEK 5m | Unknown | Unknown |
| | Proagria | DKK 40m | Unknown | Unknown |
| | CW Lundberg | SEK 185m | Unknown | Unknown |
| | Libra | NOK 177m | Unknown | Unknown |
| | AC Atennas | DKK 16m | Unknown | Unknown |
| | Geonor | NOK 30m | Unknown | Unknown |
| | GM Scientific | Unknown | Unknown | Unknown |
| | Westmatic | SEK 175m | Unknown | Unknown |
| | ARAS Security | DKK 50m | Unknown | Unknown |
| MGI | KingsIsle | USD 32m | USD 126m | USD 84m |
| | Smaato | EUR 39m | EUR 140m | |
| | Match2One | Unknown | Unknown | Unknown |
| M.O.B.A | Magic Find | SEK 296m | USD 12m | |
| | ResetRea.com | USD 0.7m | USD 4.55m | |
| Ngenic | iEnergy solutions | Unknown | SEK 8m (inc. earn-out) | |
| | AirPatrol OÜ | EUR 0.46m | EUR 0.932m (inc. earn-out) | |
| Northbaze | Copter | SEK 50m | SEK 62.5m | Yes |
| PiezoMotor | Sensapex | SEK 20.5m | EUR 13.6m | EUR 4m |
| | TPA | USD 11m | USD 24m | USD 2m |
| Proact | Conoa | SEK 80m | SEK 105m | |
| | ahd | EUR 30m | EUR 26.2m | |
| SaveLend | Fixura | SEK 20m | SEK 25m | |
| Sdiptech | Rolec | GBP 23m | GBP 65.2m | GBP 14.8m |
| | Ficon | EUR 1.8m | Unknown | Unknown |
| | IDE Systems | GBP 8m | Unknown | Unknown |
| | Certus | EUR 19m | EUR 45m | Yes |
| SDS | Riaktr | EUR 4.9m | EUR 10.4m | |
| SSH Communications | Deltagon Oy | EUR 4.7m | EUR 15.4 | |
| Sivers Semiconductors | MixComm | Unknown | USD 135m | USD 20m |
| Smart Eye | Affectiva | USD 5m | USD 73.5m | |
| | iMotions | SEK 95m | SEK 400m | SEK 50m |
| Stillfront | Moonfrog | USD 21m | USD 90m | Yes |
| | Games Labs | SEK 70-80m | USD 32.5m | Yes |
| | Jawaker | SEK 270-310m | USD 205m | USD 20m |
| | Iron Throne: The Firstborn | Unknown | Unknown | Unknown |
| TagMaster | Citilog | EUR 5.8m | EUR 3.8m | |
| Thunderful Group | Headup | EUR 4.2m | EUR 5m | EUR 6m |
| | To The Sky & Tussilago | Unknown | Unknown | Unknown |
| | Stage Clear Studios | EUR 2.0-2.3m | EUR 1m | EUR 1.5m |
| | Robot Teddy | Unknown | GBP 7m | GBP 15m |
| | Early Morning Studio | SEK 17-19m | SEK 80m | SEK 270m |
| Vertiseit | Grassfish | SEK 57.5m | EUR 13.5m | |
| Zordix | Just For Games | EUR 29.8m | EUR 14m | Yes |
| | Merge Games | SEK 147m | GBP 10m | Yes |
| | Maximum Games & MG Team | SEK 630m | USD 42m | Yes |

*Source: Redeye Research, MFN*

# Nordic Tech IPOs of 2021: A Review

- In 2021, the strong IPO trend of 2020 accelerated further. The number of companies listed increased to 122, from 56 in 2020, whereas total capital raised doubled to SEK 33.5bn (SEK 15.4bn in 2020).

- The performance of the listed tech companies was weak. 42% of the companies yielded a positive absolute return over the year from their listing date, with a couple of high-performing outliers, putting the average absolute return at 5%. Also, compared to OMX Nordic Small Cap Index, the median excess return was -22%, implying poor relative performance for tech IPOs in 2021.



**IPOs covered**

ACAST
ADTRACTION GROUP
ADVANCED SOLTECH
AKER CLEAN HYDROGEN
ALPCOT
ALTERNUS ENERGY GROUP
AQUAPORIN
ASTROCAST
AUTOSTORE
BERGEN CARBON SOLUTIONS
BETOLAR
BRICKNODE
BW IDEOL
BYGGFAKTA GROUP NORDIC
CAMBI
CHECKIN.COM
CINT GROUP
CO2 CAPSOL
CODEMILL
COINSHARE INTERNATIONAL
COMPODIUM
COPYRIGHT AGENT
CTEK
DIGITAL WORKFORCE SERVICES
DIGIZUITE
DLABORATORY SWEDEN
DONKEY REPUBLIC
ECIT
ECOONLINE
ECOUP
EEDUCATION ALBERT
EKOBOT
ENVIPCO
EUROAFRICA DIGITAL VENTURES
FANTASMA GAMES
FRACTAL GAMING GROUP
FRAGBITE GROUP
FREEMELT
FSPORT
GODSINLÖSEN NORDIC
GOOBIT GROUP
GREEN HYDROGEN SYSTEMS
HARMONYCHAIN
HAV GROUP
HEMNET GROUP
HEXICON
HUDDLY
HYNION
IMPERO
INDERES
INTEGRATED WIND SOLUTIONS
JS SECURITY
KILIARO
KVIX
KYOTO GROUP
LADY LUCK GAMES
LAMOR CORPORATION
LEMONSOFT
LINKFIRE
LOIHDE
LOYAL SOLUTIONS
MAPSPEOPLE
MAVEN WIRELESS
MEDHELP CARE
MERUS POWER
MESTRO
MILDEF GROUP

# Record number of IPO's

In 2021, 122 tech companies were listed on the Nordic stock exchanges. 66 companies were listed in Sweden, 29 in Norway, 17 in Denmark and 10 in Finland. These numbers can be compared to the 56 tech companies listed in 2020, of which 29 companies in Norway, 18 in Sweden, 8 in Denmark and 1 in Finland.

The high IPO activity in H2 2020 continued in 2021, with roughly 60% of the IPOs (76 companies) taking place in H1, relative to the nearly 40% (46 companies) in H2. This figure for H1'20 was only 20% - likely due to Covid-19 affecting the capital markets negatively in H1'20 but recovering greatly in H2'20. The largest subgroup among listed companies was once again software (44 companies), followed by renewables (8 companies) and IT-Services (7 companies).

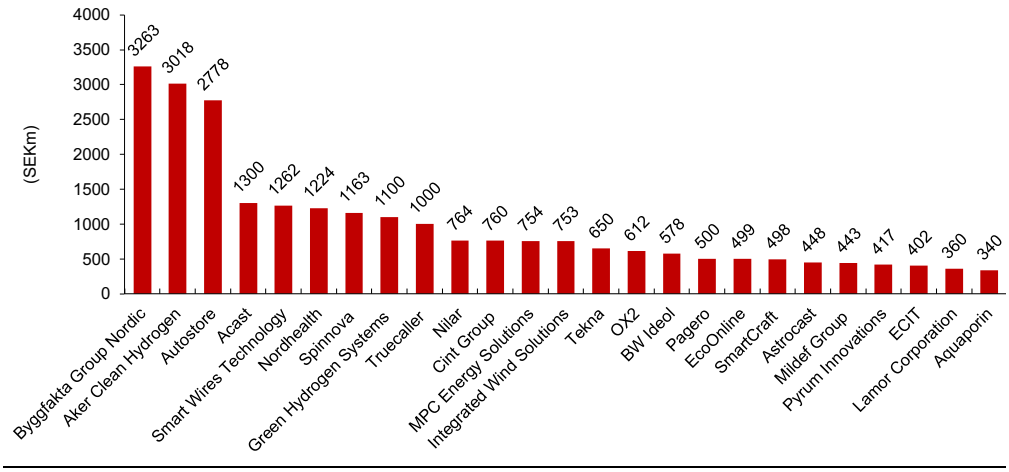
The sentiment for Nordic tech companies has been very positive in terms of valuation, capital raised, and returns – but not returns for companies going public in 2021. The Nordic Technology Index rose 20% in 2021, relative to the Nordic Small Cap Index, which rose 34% - while the median absolute return for companies going public in 2021 was -9%. While tech companies underperformed 2021, this could be seen in the light of last year's strong performance, returning 58% relative to the Nordic Small Cap Index 30%.

In 2020, Norway accounted for most Nordic listings, primarily due to the Euronext Growth Market having a brief listing process due to lower requirements relative to Oslo Axess and Oslo Børs. Therefore, it could list companies quicker once capital markets recovered after the immediate effects of Covid-19. In 2021, Sweden accounted for the majority of listings, which is likely a result of the recovery and outlook of capital markets, and Sweden's relative size in the Nordics.

# Capital raised

In total, the capital raised (from share issues in conjunction with the listing) in Nordic tech IPOs amounted to SEK 33.5bn, roughly twice the amount vs 2020 (SEK 15.4bn). Average amount was SEK 274m (SEK 291m in 2020), whereas the median was SEK 83m (SEK 78m in 2020). Average amount raised was affected by a few large transactions, especially Byggfakta Group (SEK 3.3bn), Aker Clean Hydrogen (SEK 3.0bn) and Autostore (SEK 2.8bn). Also, we note that 9 transactions (3 in 2020) raised over SEK 1bn, and 17 transactions (8 in 2020) raised over SEK 500m.

**Capital raised - 25 largest listings (SEKm)**




*Source: Redeye Research*

**IPOs covered (cont.)**

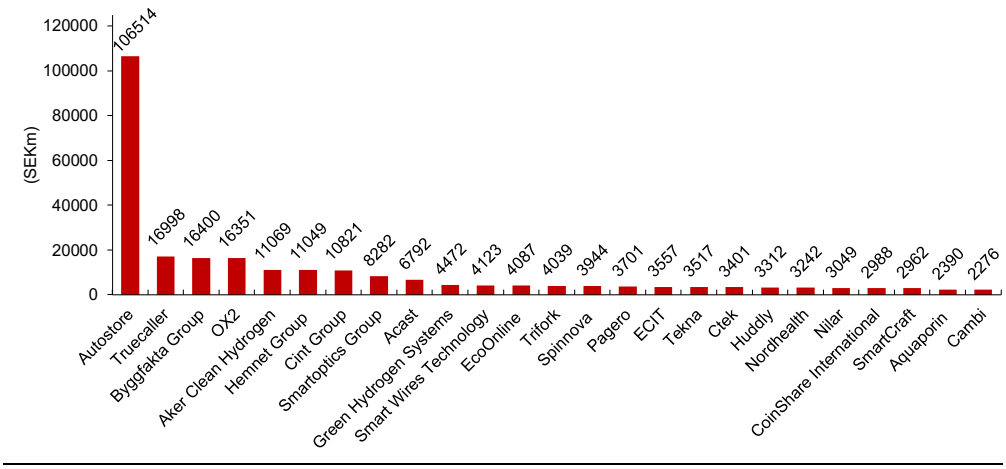
MODELON
MOMENTUM SOFTWARE GROUP
MPC ENERGY SOLUTIONS
NETUM GROUP
NEXCOM
NGENIC
NILAR
NORD.INVESTMENTS
NORDHEALTH
NORDITEK GROUP
NORSK SOLAR
NORWEGIAN BLOCK EXCHANGE
NOWONOMICS
OPTER
ORDERYOYO
OX2
PAGERO
PERMASCAND
PHYSITRACK
PLEXIAN
PRYME
PYRUM INNOVATIONS
QBRICK
Q-INTERLINE
QLUCORE
QUESTBACK GROUP
RELESYS
RESQUNIT
RISMA SYSTEMS
SAFELLO GROUP
SAMESYSTEM
SAVELEND GROUP
SHT SMART HIGH-TECH
SIGNUP SOFTWARE
SKANDIA GREENPOWER
SLEEP CYCLE
SMART WIRES TECHNOLOGY
SMARTCRAFT
SMARTOPTICS GROUP
SOUND DIMENSION
SOZAP
SPINNOVA
SUN4ENERGY GROUP
TEKNA
TH1NG
TRANSFER GROUP
TRIFORK
TROPHY GAMES DEVELOPMENT
TRUECALLER
TWIIK
VALUER
W5 SOLUTIONS
WICKET GAMING
WYLD
XPECUNIA NORDIC
ZESEC OF SWEDEN
ØRN SOFTWARE

# Valuations

The size of listed companies in 2021 was larger compared to in 2020. The average post-money valuation amounted to SEK 2 528m (SEK 1 914m in 2020), and the median was SEK 513m (SEK 471m in 2020). The primary reason for this deviation is that 39 companies had a valuation above SEK 1bn in 2021, compared to 22 in 2020. Also, the largest IPO, Autostore, had a post-money valuation of more than SEK 100bn. This can be put in relation to the largest IPO of 2020. (Nordnet), amounting to SEK 24bn.

The largest of the listed tech companies, based on post-money valuation, were Autostore (SEK 106.5bn), Truecaller (SEK 17.0bn), Byggfakta Group (SEK 16.4bn), and OX2 (SEK 16.0bn).

**Post-money valuations - 25 largest listings (SEKm)**




*Source: Redeye Research*

# Financials

An overview of the 2020 financials tells us that, once again, most of the listed companies are early-stage companies. The average revenue is SEK 205m, but a few outliers distort the average. The median reported revenue the year before the IPO was SEK 35m. Hence, the median P/S'20 multiple, based on post-money valuation, was 10.7x (11.2x in 2020) if we exclude firms with no revenues (< SEK 5m).

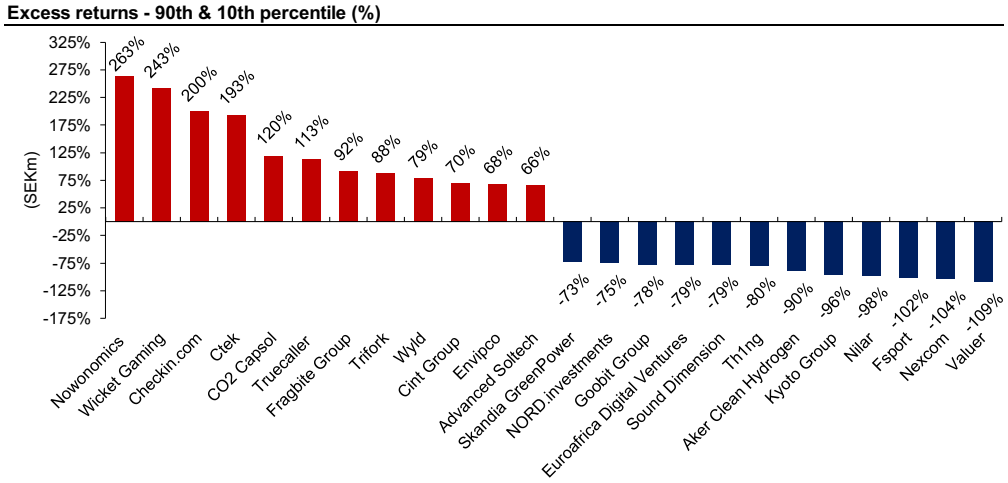
The average EBIT was SEK -0.7m, whereas the median amounted to SEK –3.5m. The companies also reported an average net income of SEK -11.3m in 2020, with median earnings of SEK -4.3m. We can conclude that the companies listed in 2021 were somewhat more profitable in terms of margins compared to the companies listed the year before. During 2020, 21% of the listed companies reported positive EBIT and earnings, compared to 35% this year. Based on post-money valuation, this means that the implied median P/E'20 was 57x (131x in 2020), given that we only include companies that made a profit. The valuation multiples have decreased but are still at high levels, possibly indicating a slowdown in the IPO-mania we saw last year

# Share performance

The absolute performance of tech IPO's was worse in 2021 compared to the year before, and the relative stock performance compared to OMX Nordic Small Cap Index was not better. This is a major decline from the previous year, where tech IPOs have clearly overperformed in relative terms.

The average absolute return of the listed companies was 5% in 2021 from the effective listing date to year-end. However, a couple of strong outperformers skewed the average, putting the median at -9%. 42% of the companies generated a positive return if held from IPO to the end of the year. We note that 30 companies traded within +/- 20% of the offered price at IPO at year-end.

The average excess return amounted to -8%, with a median excess return of -22%. Here we use the OMX Nordic Small Cap Index as a benchmark. We conclude that tech IPO's underperformed in relative terms, in contrast to the very strong relative performance in 2020. For the full year 2021, the OMX Nordic Small Cap Index increased by 34%.




The best performing shares in comparison to the benchmark were Nowonomics (263%), Wicket Gaming (243%), Checkin.com (200%), and Ctek (193%). The worst performing shares in comparison to the benchmark were Valuer (-109%), Nexcom (-104%), Fsport (-102%), and Nilar (-98%).

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

# Market expectations regarding technology companies

Technology stocks continued to be a high performing sector during 2021, although not record breaking like 2020 which was an extraordinary year for tech stocks. S&P 500 was up 27% in 2021, compared to 33% for S&P 500 Information Technology. The performance was mostly driven by multiple expansion. This is not without merit. The valuations have increased as all three regional groups (Global, Nordics and Sweden) showed stronger EBITDA growth (R12M) than sales growth.

When looking at growth vs. value, S&P 500 Growth (42%) had almost twice the performance of S&P 500 Value (22%). We see a different story in our three regions as the maturing companies had better performance than the fast growers.

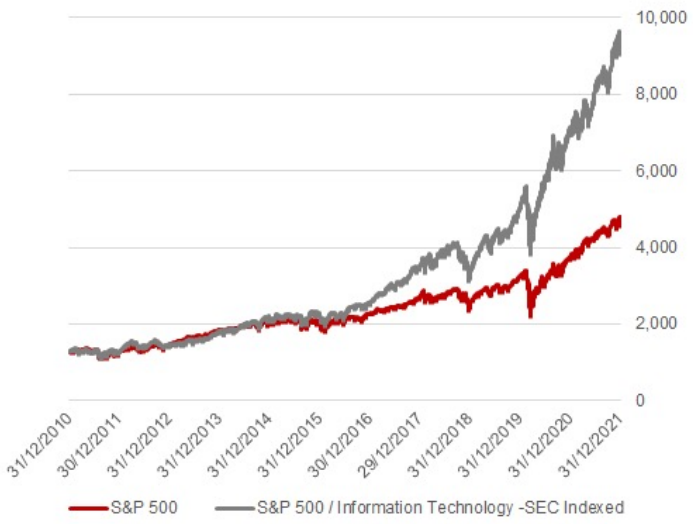
While 2020 for many of our companies was a break-through year as digitalization took steps similar to years under normal circumstances, 2021 was a year characterized by slower growing companies' valuation catching up with the fast growers. Valuation of maturing companies also got support from inflation and FED signaling it will start to raise the interest rate and commence tapering

# Sector Performance

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

Compared to 2020, 2021 was a much smoother ride for the broader S&P 500 index. However, S&P 500 Information Technology stocks were a lot more volatile. Tech stocks had a rougher first half year lagging S&P 500, but a strong finish after the dip in Q3. The year ended 33% higher for S&P 500 Information Technology and 27% for S&P 500.

**S&P 500 vs.S&P 500 / Information Technology -SEC Indexed 2011-2021**




Looking at the different sectors in the S&P 500, Information Technology has been one of the strongest sectors after Energy and Real Estate. With a performance of 33.4%, which is 6.5% above S&P 500.

| Sectors | Performance | vs. S&P 500 |
|---|---|---|
| Energy | 47.7% | 20.8% |
| Real Estate | 42.5% | 15.6% |
| IT | 33.4% | 6.5% |
| Financials | 32.5% | 5.7% |
| S&P 500 | 26.9% | 0.0% |
| Materials | 25.0% | -1.9% |
| Health Care | 24.2% | -2.7% |
| Industrials | 19.4% | -7.5% |
| Consumer Staples | 15.6% | -11.3% |
| Utilities | 14.0% | -12.9% |

Source: Redeye Research, Factset

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

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

## Global technology companies

In the table on the next page, we list the 25 largest global tech companies, by market cap size. All players from last year remained on the list.

The strongest performing stocks were Nvidia (107%), Alphabet (54%), Microsoft (44%), Broadcom (43%), and Oracle (43%). All the highest performers have been driven by trading to higher multiples, only Nvidia is in the top five in terms of R12M growth in EBITDA with 54%. The highest growth in EBITDA was Tesla and as the share did not outperform its own growth numbers, Tesla's multiples have decreased vs. a year ago.

The global companies are showing higher growth in EBITDA R12M than sales. Looking at Factset consensus, the EBITDA margins are expected to continue to be higher than last year, while the growth is only slightly above. Resulting in the performance during the year mostly being explained by increased profits, as the multiples have stayed steady compared to last year. Among the worst performing stocks are the big corona winners of the prior year such as Amazon, Netflix, Uber, Paypal, Salesforce, and Adobe. Tencent and Alibaba have also been underperforming due to the Chinese government's measures against big tech in the country to work against corruption and unfair competition. Some are of the opinion they have been too hard in their measures. Especially around Jack Ma and his ownership of Alibaba.

**Largest Global Tech Companies: Consensus Estimates & Valuation**

| Company | Industry | Mkt cap USD bn | Share pr. 1 yr ch. | P/E 22E | P/E 23E | EV/EBITDA 22E | EV/EBITDA 23E | EV/S 22E | EV/S 23E | CAGR grow. sales 21-23E | EBITDA avr. 21-23E | Growth R12M EBITDA | Growth R12M Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1: Fast growers (10 % or more)** | | | | | | | | | | | | | |
| MICROSOFT | Packaged Software | 23,595 | 44% | 34 | 30 | 24 | 21 | 12.0 | 10.5 | 15% | 50% | 19% | 15% |
| ALPHABET | Internet Software/Services | 17,149 | 54% | 26 | 21 | 15 | 13 | 6.0 | 5.2 | 16% | 41% | 37% | 18% |
| AMAZON | Internet Retail | 16,379 | 1% | 81 | 43 | 21 | 16 | 3.2 | 2.7 | 17% | 15% | 24% | 14% |
| TESLA | Motor Vehicles | 10,626 | 20% | 171 | 87 | 71 | 54 | 15.5 | 12.6 | 34% | 22% | 136% | 66% |
| META | Internet Software/Services | 7,763 | 23% | 24 | 20 | 13 | 12 | 6.5 | 5.5 | 18% | 50% | 18% | 17% |
| NVIDIA | Semiconductors | 6,850 | 107% | 64 | 45 | 43 | 37 | 22.1 | 19.0 | 18% | 51% | 54% | 26% |
| TSMC | Semiconductors | 6,027 | 13% | 29 | 20 | 13 | 10 | 8.6 | 7.3 | 20% | 69% | 20% | 21% |
| TENCENT | Internet Software/Services | 5,586 | -21% | 24 | 20 | 17 | 15 | 5.8 | 4.9 | 17% | 34% | 28% | 17% |
| ALIBABA | Internet Retail | 3,550 | -43% | 16 | 11 | 11 | 9 | 2.0 | 1.7 | 17% | 19% | 41% | 17% |
| ADOBE | Packaged Software | 2,502 | 8% | 39 | 33 | 29 | 25 | 14.2 | 12.4 | 14% | 49% | 45% | 14% |
| NETFLIX | Internet Software/Services | 2,391 | 6% | 51 | 32 | 31 | 25 | 7.6 | 6.6 | 15% | 25% | -59% | 15% |
| SALESFORCE | Packaged Software | 2,262 | 3% | 50 | 42 | 23 | 20 | 7.3 | 6.2 | 19% | 31% | 68% | 22% |
| PAYPAL | Data Processing Services | 2,150 | -25% | 41 | 29 | 26 | 21 | 7.4 | 6.1 | 20% | 29% | 38% | 15% |
| QUALCOMM | Telecommunications Equipment | 2,012 | 17% | 17 | 16 | 13 | 13 | 5.4 | 5.0 | 13% | 40% | 43% | 19% |
| AMD | Semiconductors | 1,594 | 40% | 52 | 34 | 33 | 28 | 8.7 | 7.7 | 16% | 26% | 40% | 26% |
| UBER | Packaged Software | 826 | -20% | | 118 | 62 | 24 | 3.4 | 2.7 | 37% | 4% | -128% | 63% |
| **Weighted mean: group 1** | | **12,750** | **27%** | **52** | **35** | **26** | **21** | **9.0** | **7.7** | **18%** | **38%** | **37%** | **22%** |
| **Mean: group 1** | | **6,954** | **14%** | **48** | **38** | **28** | **21** | **8.5** | **7.3** | **19%** | **35%** | **27%** | **24%** |
| **Median: group 1** | | **4,568** | **11%** | **39** | **31** | **24** | **20** | **7.3** | **6.1** | **17%** | **33%** | **37%** | **18%** |
| **Group 2: Maturing companies (less than 10 % growth)** | | | | | | | | | | | | | |
| APPLE | Telecommunications Equipment | 28,126 | 31% | 30 | 28 | 25 | 23 | 7.9 | 7.3 | 6% | 32% | 2% | 4% |
| SAMSUNG | Telecommunications Equipment | 4,370 | -11% | 13 | 10 | 5 | 4 | 1.4 | 1.3 | 9% | 31% | 18% | 14% |
| CISCO | Information Technology Services | 2,607 | 41% | 18 | 17 | 13 | 12 | 4.8 | 4.5 | 5% | 37% | 24% | 5% |
| BROADCOM | Semiconductors | 2,565 | 43% | 19 | 17 | 16 | 15 | 9.7 | 9.2 | 9% | 61% | 27% | 12% |
| ORACLE | Packaged Software | 2,384 | 43% | 18 | 15 | 14 | 13 | 7.0 | 6.7 | 5% | 49% | 15% | 4% |
| INTEL | Semiconductors | 2,245 | 10% | 11 | 15 | 8 | 7 | 3.2 | 3.1 | 2% | 43% | -15% | -7% |
| TEXAS INSTRUMENTS | Semiconductors | 1,690 | 9% | 23 | 21 | 17 | 16 | 9.1 | 8.6 | 5% | 53% | 5% | 4% |
| SAP | Packaged Software | 1,679 | 16% | 19 | 21 | 16 | 15 | 5.2 | 4.9 | 6% | 32% | 18% | 5% |
| IBM | Information Technology Services | 1,211 | 16% | 13 | 11 | 9 | 9 | 2.5 | 2.3 | 2% | 27% | 24% | -15% |
| **Weigthed mean: group 2** | | **18,724** | **28%** | **25** | **24** | **20** | **19** | **7.1** | **6.6** | **6%** | **36%** | **6%** | **4%** |
| **Mean: group 2** | | **5,209** | **22%** | **18** | **17** | **14** | **13** | **5.7** | **5.3** | **5%** | **41%** | **13%** | **3%** |
| **Median: group 2** | | **2,384** | **16%** | **18** | **17** | **14** | **13** | **5.2** | **4.9** | **5%** | **37%** | **18%** | **4%** |
| **Weighted mean (total)** | | **14,323** | **27%** | **44** | **32** | **24** | **20** | **8.4** | **7.3** | **15%** | **37%** | **34%** | **21%** |
| **Mean (total)** | | **6,326** | **17%** | **37** | **30** | **23** | **18** | **7.5** | **6.6** | **14%** | **37%** | **22%** | **16%** |
| **Median (total)** | | **2,565** | **16%** | **25** | **21** | **17** | **15** | **7.0** | **6.1** | **15%** | **34%** | **24%** | **15%** |

Source: Redeye Research, Factset

## Nordic technology companies

In the table on the next page, we list the 25 largest Nordic tech companies, by market cap size. All players from last year remained on the list.

Nordic technology companies have a similar valuation as their global peers on EV/EBITDA, however valued higher on P/E but lower on EV/S. The Nordic group is expected to grow faster than the global companies but with lower EBITDA margins.

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

Nordic tech stocks are breaking the streak of outperforming their global peers after a three-year win streak. Like the global peers, the maturing companies had better performance than the fast growers. But in the Nordics, fast growers had a lot worse performance than the global fast growers. Fast growers returned 0% and maturing companies returned better with 8%. The group as a whole returned a modest 3%.

2020 was a strong year for Nordic stocks especially the fast growers. These stocks may have been overshooting their financial performance, resulting in a year with low performance in 2021. Despite the low performance it seems that fast growers have increased multiples. But if we exclude Spotify, which had no estimates for P/E and EV/EBITDA the multiple has in fact decreased. E.g. the mean of the one year forward EV/EBITDA multiple is 44% lower than a year ago, if we exclude Spotify.

The mature tech companies have outperformed their fast-growing peers by 8% but clearly worse performance than last year of 24%. The weighted mean is heavily affected by Nokia's run of 71%.

Looking at the different segments we see a pattern where the technology companies targeting consumer customers have been the biggest losers. Especially gaming and igaming companies but also Spotify, Kahoot, and Simcorp. This group included the biggest corona winners in 2020. Companies with businesses as its targeted customer group have performed better, with the exception of Pexip and Admicom. The top five performers are found in different sectors (Nordic Semiconductor 85%, QT Group 82%, Veoneer 74%, Nokia 71%, Evolution 43%). And we really don't find any common denominator as to why they have had the highest return the past year.

**Largest Nordic Tech Companies: Consensus Estimates & Valuation**

| Company | Industry | Mkt cap SEK bn | Share pr. 1 yr ch. | P/E 22E | P/E 23E | EV/EBITDA 22E | EV/EBITDA 23E | EV/S 22E | EV/S 23E | CAGR grow. sales 21-23E | EBITDA avr. 20-22E | Growth R12M EBITDA | Growth R12M Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1: Fast growers (10 % or more)** | | | | | | | | | | | | | |
| SPOTIFY | Internet Software/Services | 428 | -36% | | 127 | 124 | 64 | 3.3 | 2.8 | 19% | 3% | 62% | 15% |
| EVOLUTION (GAMING) | Casinos/Gaming | 272 | 43% | 41 | 25 | 25 | 20 | 17.5 | 14.2 | 27% | 70% | 50% | 44% |
| ADEVINTA | Advertising/Marketing Services | 146 | -18% | 79 | 34 | 19 | 15 | 6.6 | 5.8 | 31% | 36% | | |
| EMBRACER | Packaged Software | 97 | -14% | 25 | 13 | 7 | 6 | 2.9 | 2.5 | 38% | 42% | | 89% |
| SINCH | Specialty Telecommunications | 84 | -23% | 71 | 32 | 19 | 15 | 2.5 | 2.2 | 37% | 12% | 161% | 67% |
| NORDIC SEMICONDUCTOR | Semiconductors | 56 | 85% | 87 | 39 | 33 | 24 | 6.8 | 5.3 | 32% | 21% | 69% | 41% |
| NETCOMPANY | Information Technology Services | 45 | -2% | 48 | 27 | 24 | 20 | 5.3 | 4.5 | 36% | 23% | | |
| VEONEER | Auto Parts: OEM | 40 | 74% | | | | 35 | 1.8 | 1.5 | 23% | -5% | -46% | 15% |
| FORTNOX | Packaged Software | 34 | 24% | 118 | 60 | 52 | 39 | 24.1 | 18.4 | 32% | 46% | | |
| QT GROUP | Packaged Software | 32 | 82% | 125 | 53 | 59 | 40 | 18.4 | 14.1 | 33% | 31% | | |
| KAHOOT! | Packaged Software | 23 | -65% | 192 | 39 | | | | | 57% | 29% | | |
| STILLFRONT | Packaged Software | 21 | -49% | 14 | 11 | 8 | 7 | 3.2 | 2.9 | 13% | 39% | 36% | 19% |
| PARADOX INTERACTIVE | Packaged Software | 19 | -32% | 60 | 29 | 14 | 13 | 8.9 | 8.0 | 21% | 60% | | |
| CRAYON | Information Technology Services | 16 | 27% | 56 | 24 | | | | | 26% | 2% | 74% | 34% |
| PEXIP | Packaged Software | 4 | -56% | | | | | 2.7 | 2.0 | 33% | -16% | | |
| ADMICOM | Packaged Software | 4 | -44% | 41 | 30 | 25 | 21 | 11.7 | 10.1 | 17% | 45% | | |
| **Weighted mean: group 1** | | **231** | **-1%** | **40** | **60** | **54** | **33** | **7.6** | **6.2** | **27%** | **29%** | **44%** | **28%** |
| **Mean: group 1** | | **83** | **0%** | **74** | **39** | **34** | **24** | **8.3** | **6.7** | **30%** | **27%** | **58%** | **41%** |
| **Median: group 1** | | **37** | **-16%** | **60** | **31** | **24** | **20** | **6.0** | **4.9** | **31%** | **30%** | **62%** | **37%** |
| **Group 2: Maturing companies (less than 10 % growth)** | | | | | | | | | | | | | |
| HEXAGON | Electronic Equipment/Instruments | 372 | 21% | 35 | 28 | 19 | 18 | 7.3 | 6.8 | 9% | 38% | 15% | 16% |
| ERICSSON | Telecommunications Equipment | 370 | 4% | 17 | 13 | 8 | 7 | 1.3 | 1.3 | 4% | 17% | | 2% |
| NOKIA | Telecommunications Equipment | 350 | 71% | 16 | 14 | 8 | 7 | 1.2 | 1.2 | 3% | 15% | -13% | 2% |
| SIMCORP | Information Technology Services | 41 | -23% | 37 | 30 | 23 | 21 | 6.9 | 6.4 | 8% | 30% | -7% | 3% |
| TIETOEVRY | Information Technology Services | 35 | 4% | 12 | 10 | 7 | 7 | 1.4 | 1.3 | 3% | 18% | -15% | 3% |
| MYCRONIC | Electronic Production Equipment | 22 | -18% | 24 | 26 | 17 | 16 | 4.2 | 4.0 | 3% | 26% | | 5% |
| ATEA | Information Technology Services | 19 | 33% | 21 | 16 | 10 | 9 | 0.4 | 0.4 | 4% | 5% | 18% | 3% |
| VAISALA | Electronic Equipment/Instruments | 17 | 19% | 37 | 31 | 21 | 20 | 3.9 | 3.7 | 6% | 18% | | 9% |
| BETSSON | Casinos/Gaming | 7 | -37% | 7 | 9 | 6 | 5 | 1.1 | 1.0 | 5% | 20% | | -2% |
| **Weigthed mean: group 2** | | **326** | **27%** | **23** | **19** | **12** | **11** | **3.3** | **3.2** | **5%** | **23%** | **0%** | **6%** |
| **Mean: group 2** | | **137** | **8%** | **23** | **20** | **13** | **12** | **3.1** | **2.9** | **5%** | **21%** | **0%** | **4%** |
| **Median: group 2** | | **35** | **4%** | **21** | **16** | **10** | **9** | **1.4** | **1.3** | **4%** | **18%** | **-7%** | **3%** |
| **Weighted mean (total)** | | **277** | **12%** | **32** | **40** | **34** | **22** | **5.5** | **4.7** | **17%** | **26%** | **23%** | **17%** |
| **Mean (total)** | | **102** | **3%** | **53** | **31** | **25** | **19** | **6.2** | **5.2** | **21%** | **25%** | **34%** | **21%** |
| **Median (total)** | | **35** | **-2%** | **39** | **28** | **19** | **17** | **3.9** | **3.7** | **21%** | **23%** | **27%** | **15%** |

Source: Redeye Research, Factset

## **Swedish technology companies** (and companies listed in Sweden)

In the table on the next page, we list the 25 largest Swedish tech companies, by market cap size. All players from last year remained on the list.

The aggregated Swedish technology sector now has a lower EV/S multiple than both global and Nordic companies. The EV/EBITDA multiple is similar to global and Nordic peers, and on P/E the Swedish group is trading higher than global peers but lower than Nordic peers.

Performance for the Swedish group has been similar to the Nordic. Fast growers have a negative return and maturing companies have middle digit return saving the group from ending up in negative territory.

As many Swedish tech companies are found in the Nordic group of tech companies, we find similarities in how the different sectors have performed. The same situation as with Nordic companies the B2B companies have performed better than consumer focused companies, mainly again due to gaming and igamings' low performance.

**Largest Swedish Tech Companies: Consensus Estimates & Valuation**

| Company | Industry | Mkt cap SEK bn | Share pr. 1 yr ch. | P/E 22E | P/E 23E | EV/EBITDA 22E | EV/EBITDA 23E | EV/S 22E | EV/S 23E | CAGR grow. sales 21-23E | EBITDA avr. 20-22E | Growth R12M EBITDA | Growth R12M Sales |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group 1: Fast growers (10 % or more)** | | | | | | | | | | | | | |
| SPOTIFY | Internet Software/Services | 428 | -36% | | 127 | 124 | 64 | 3.3 | 2.8 | 19% | 3% | 62% | 15% |
| EVOLUTION (GAMING) | Casinos/Gaming | 272 | 43% | 41 | 25 | 25 | 20 | 17.5 | 14.2 | 27% | 70% | 50% | 44% |
| EMBRACER | Packaged Software | 97 | -14% | 25 | 13 | 7 | 6 | 2.9 | 2.5 | 38% | 42% | | 89% |
| SINCH | Specialty Telecommunications | 84 | -23% | 71 | 32 | 19 | 15 | 2.5 | 2.2 | 37% | 12% | 161% | 67% |
| VEONEER | Auto Parts: OEM | 40 | 74% | | | | 35 | 1.8 | 1.5 | 23% | -5% | -46% | 15% |
| FORTNOX | Packaged Software | 34 | 24% | 118 | 60 | 52 | 39 | 24.1 | 18.4 | 32% | 46% | | |
| HMS NETWORKS | Information Technology Services | 24 | 75% | 66 | 52 | 37 | 34 | 10.1 | 9.3 | 13% | 28% | 23% | 20% |
| STILLFRONT | Packaged Software | 21 | -49% | 14 | 11 | 8 | 7 | 3.2 | 2.9 | 13% | 39% | 36% | 19% |
| PARADOX INTERACTIVE | Packaged Software | 19 | -32% | 60 | 29 | 14 | 13 | 8.9 | 8.0 | 21% | 60% | | |
| VITEC | Information Technology Services | 16 | 42% | 53 | 40 | | | | | 11% | 39% | | |
| STORYTEL | Publishing: Books/Magazines | 11 | -44% | | | | 81 | 2.2 | 1.9 | 42% | -2% | -31% | 34% |
| MTG | Financial Conglomerates | 11 | -30% | 31 | 10 | 9 | 8 | 1.8 | 1.6 | 22% | 18% | | |
| KEMBI | Casinos/Gaming | 8 | -46% | 16 | 12 | 9 | 7 | 4.1 | 3.4 | 13% | 48% | -2% | -6% |
| INVISIO | Telecommunications Equipment | 7 | -41% | 216 | 36 | 31 | 22 | 7.6 | 6.1 | 30% | 22% | | |
| FINGERPRINT CARDS | Information Technology Services | 6 | 16% | | 22 | 25 | 12 | 3.7 | 2.2 | 39% | 13% | 135% | 12% |
| ENEA | Packaged Software | 6 | 31% | 24 | 20 | 14 | 13 | 5.2 | 4.6 | 16% | 38% | | |
| LIME | Packaged Software | 5 | -11% | 55 | 36 | 28 | 24 | 9.6 | 8.3 | 16% | 34% | | |
| **Weighted mean: group 1** | | **256** | **-3%** | **27** | **65** | **60** | **37** | **7.6** | **6.2** | **25%** | **29%** | **49%** | **32%** |
| **Mean: group 1** | | **64** | **-1%** | **61** | **35** | **29** | **25** | **6.8** | **5.6** | **24%** | **30%** | **43%** | **31%** |
| **Median: group 1** | | **19** | **-14%** | **53** | **29** | **22** | **17** | **3.9** | **3.1** | **22%** | **31%** | **36%** | **20%** |
| **Group 2: Maturing companies (less than 10 % growth)** | | | | | | | | | | | | | |
| HEXAGON | Electronic Equipment/Instruments | 372 | 21% | 35 | 28 | 19 | 18 | 7.3 | 6.8 | 9% | 38% | 15% | 16% |
| ERICSSON | Telecommunications Equipment | 370 | 4% | 17 | 13 | 8 | 7 | 1.3 | 1.3 | 4% | 17% | | 2% |
| KINDRED | Casinos/Gaming | 27 | 19% | 8 | 10 | 7 | 6 | 1.4 | 1.2 | 8% | 22% | -50% | -7% |
| MYCRONIC | Electronic Production Equipment | 22 | -18% | 24 | 26 | 17 | 16 | 4.2 | 4.0 | 3% | 26% | | 5% |
| ADDNODE | Information Technology Services | 14 | 40% | 53 | 41 | 24 | 23 | 3.1 | 2.9 | 8% | 13% | | |
| KARNOV | Miscellaneous Commercial Services | 7 | 10% | 24 | 21 | 18 | 17 | 7.9 | 7.7 | 3% | 44% | | |
| BETSSON | Casinos/Gaming | 7 | -37% | 7 | 9 | 6 | 5 | 1.1 | 1.0 | 5% | 20% | | -2% |
| TOBII | Electronic Production Equipment | 4 | 9% | | 292 | 28 | 16 | 3.1 | 2.6 | 1% | 12% | | |
| **Weigthed mean: group 2** | | **340** | **12%** | **26** | **21** | **14** | **12** | **4.2** | **4.0** | **7%** | **27%** | **5%** | **8%** |
| **Mean: group 2** | | **103** | **6%** | **24** | **55** | **16** | **14** | **3.7** | **3.4** | **5%** | **24%** | **-18%** | **3%** |
| **Median: group 2** | | **18** | **10%** | **24** | **23** | **17** | **16** | **3.1** | **2.8** | **5%** | **21%** | **-18%** | **2%** |
| **Weighted mean (total)** | | **291** | **3%** | **27** | **46** | **40** | **26** | **6.1** | **5.3** | **17%** | **28%** | **30%** | **21%** |
| **Mean (total)** | | **76** | **1%** | **48** | **42** | **24** | **21** | **5.7** | **4.9** | **18%** | **28%** | **32%** | **22%** |
| **Median (total)** | | **19** | **4%** | **33** | **26** | **18** | **16** | **3.5** | **2.9** | **16%** | **26%** | **23%** | **15%** |

Source: Redeye Research, Factset

# Regional comparisons & concluding remarks

Comparing and summarizing the three tables above we first note that the global stocks is the only group which has had a high performance, while the Swedish and Nordic companies have performed slightly above zero. General winner in all three geographic regions were mature companies primarily within B-2-B, which is probably explained by their relative position and exposure to the pandemic.

**Average Valuation Multiples & Share Performance Per Region**

| Region | Share pr. 1 yr ch. | P/E | | EV/EBITDA | | EV/S | |
|---|---|---|---|---|---|---|---|
| | | 22E | 23E | 22E | 23E | 22E | 23E |
| **Leading Global Tech Companies** | **17%** | **36.8** | **30.3** | **22.7** | **18.3** | **7.5** | **6.6** |
| Fast growers | 14% | 47.9 | 37.6 | 27.9 | 21.4 | 8.5 | 7.3 |
| Maturing companies | 22% | 18.4 | 17.3 | 13.6 | 12.8 | 5.7 | 5.3 |
| **Leading Nordic Tech Companies** | **3%** | **52.9** | **31.3** | **25.2** | **19.5** | **6.2** | **5.2** |
| Fast growers | 0% | 73.8 | 38.8 | 34.1 | 24.5 | 8.3 | 6.7 |
| Maturing companies | 8% | 22.9 | 19.6 | 13.3 | 12.3 | 3.1 | 2.9 |
| **Leading Swedish Tech Companies** | **1%** | **47.9** | **41.9** | **24.0** | **21.1** | **5.7** | **4.9** |
| Fast growers | -1% | 60.9 | 35.0 | 28.7 | 24.9 | 6.8 | 5.6 |
| Maturing companies | 6% | 23.9 | 54.9 | 15.8 | 13.5 | 3.7 | 3.4 |

Source: Redeye Research, Factset

Most notably there is no clear trend in the multiples across the groups. The EV/Sales multiples for Nordic and Swedish companies have fallen, meanwhile the global multiples have been steady. On EV/EBITDA multiples Swedish companies are steady compared with last year, with the mix that multiples of fast growers are up and maturing companies are down. Nordic tech companies EV/EBITDA multiples have increased, with the same mix as Swedish companies. Global companies have similar multiples in one year forward, but the two years forward are decreasing. The P/E multiples have increased compared with last year, except for the Nordic companies. To be noted is that if we exclude Tobii from the Swedish companies, the two years forward P/E is same as last year.

| Changes From last year in Average Valuation Multiples | | | | | | |
|---|---|---|---|---|---|---|
| | P/E | | EV/EBITDA | | EV/S | |
| Region | 22E (%) | 23E (%) | 22E (%) | 23E (%) | 22E (%) | 23E (%) |
| **Leading Global Tech Companies** | **33%** | **8%** | **3%** | **-15%** | **1%** | **2%** |
| Fast growers | 27% | 3% | -2% | -18% | 1% | 2% |
| Maturing companies | 1% | 2% | 0% | -4% | 3% | 2% |
| **Leading Nordic Tech Companies** | **45%** | **-12%** | **20%** | **29%** | **-20%** | **-21%** |
| Fast growers | 27% | -27% | 21% | 35% | -23% | -25% |
| Maturing companies | -5% | -11% | -9% | -11% | -14% | -14% |
| **Leading Swedish Tech Companies** | **46%** | **38%** | **8%** | **1%** | **-25%** | **-27%** |
| Fast growers | 16% | -17% | 10% | 10% | -24% | -27% |
| Maturing companies | 4% | 152% | -19% | -31% | -15% | -17% |

Source: Redeye Research, Factset

2021 was a year when investors were rewarded for holding mature or "value" tech companies, most prominently for the Nordic and Swedish stocks. Generally, the prior years' Corona winners, which were consumer oriented, were losers in 2021. The big winners were the business-to-business technology companies, reflecting the short- and long-term effects of the pandemic. Digitalization has taken giant leaps forward while the consumers which are adapting quickly have started to go back to their old habits as pandemic restrictions have eased up.

Looking forward the market expects higher growth in Nordic and Swedish companies, which makes sense as these are generally smaller than the global companies. However, the global companies are expected to have higher EBITDA margins than its Nordic and Swedish peers.

# Redeye Screening

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

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

- Our three top picks for 2022: Embracer, SmartEye and Better Collective, all occurred in our screenings. Most notably in the Deep value strategy, which was the strongest performing category in 2021.

# Review of last year's screen output

In this chapter, we include last year's screen output and the return of those stocks during 2021. In the table below, we cover the top 10 companies in each strategy that we presented in last year's tech-report.

On average, we saw much better performance on the more value-oriented stocks, compared to the growth stocks. The return of our different strategies varied from -9% to +89%, with an average return of +40%. This was slightly above the overall market performance (OMXS30 +23%) outperforming more comparable index's as OMX Stockholm Technology around +16%. Unlike the years 2017-2020, the GARP strategy was not the best performing strategy, but still performed OK with +21%. Instead, Deep Value performed best with +89%, followed by Jockey Stocks with +59%. On last place came Growth Junkies with -9%. This reflected the general market sentiment, which became much more pessimistic about the prior year's rallying growth stocks.

**Stock return of screen output from last year**

| GARP | Return | Deep Value | Return | Growth junkies | Return | Jockey Stocks | Return |
|---|---|---|---|---|---|---|---|
| Sdiptech | 9% | Hanza Holding | 362% | Better Collective | 30% | Beijer Electronics | 92% |
| Embracer | -2% | Vertiseit | 169% | BIMobject | -55% | ZetaDisplay | Acquired |
| Carasent | 0% | Strax | -11% | Smart Eye | -9% | Strax | -11% |
| Enea | 43% | Christian Berner Tech Trade | 30% | Sivers Semiconductors | -37% | Bredband2 | 3% |
| Better Collective | 30% | Tagmaster | 1% | Piezo Motor | 68% | Hanza Holding | 362% |
| Vertiseit | 169% | ZetaDisplay | Acquired | Flexion Mobile | -32% | BIMobject | -55% |
| Smart Eye | -9% | Clavister | -16% | Neonode | 30% | Vertiseit | 169% |
| BIMobject | -55% | Acconeer | 293% | I-Tech | -28% | Westpay | 8% |
| PiezoMotor | 68% | Doro | 27% | XMReality | -50% | Speqta | -5% |
| Sensys Gatso | -43% | Heliospectra | -52% | Speqta | -5% | Christian Berner | 30% |
| | | | | | | G5 Entertainment | -2% |
| **Average return** | **21%** | | **89%** | | **-9%** | | **59%** |

*Source: Redeye Research*

# Our universe of companies

The screens are based on the 89 tech companies that currently exist in the Redeye Universe. Redeye has full research coverage of these companies where we present quarterly research updates, more extended analysis, ongoing comments, investment thesis, valuation range, company ratings, and more.

**Tech companies in Redeye Universe**

| | | Valuation range | | | Redeye Rating | | |
|---|---|---|---|---|---|---|---|
| **Company** | **Share price** | **Bear case** | **Base case** | **Bull case** | **People** | **Business** | **Financials** |
| Acconeer | 75.0 | 21.0 | 58.0 | 104.0 | 3 | 2 | 2 |
| Addnode Group | 388.5 | 170.0 | 305.0 | 410.0 | 5 | 5 | 4 |
| Adverty | 5.6 | 0.0 | 12.0 | 28.0 | 3 | 3 | 2 |
| Alelion Energy Systems | 1.2 | 0.1 | 0.7 | 3.1 | 4 | 2 | 1 |
| Arise | 45.3 | 35.0 | 60.0 | 80.0 | 4 | 4 | 2 |
| Artificial Solutions | 6.1 | 2.0 | 11.0 | 36.0 | 4 | 3 | 1 |
| Aspire Global | 77.4 | 57.0 | 90.0 | 128.0 | 4 | 3 | 3 |
| Avtech Sweden | 2.2 | 0.8 | 2.2 | 5.0 | 3 | 3 | 2 |
| Axichem | 24.1 | 18.0 | 57.0 | 140.0 | 4 | 3 | 1 |
| Azelio | 24.1 | 15.0 | 45.0 | 70.0 | 4 | 3 | 1 |
| Bambuser | 15.3 | 5.0 | 22.0 | 40.0 | 3 | 4 | 2 |
| Beijer Electronics Group | 83.0 | 40.0 | 82.0 | 115.0 | 4 | 4 | 2 |
| Better Collective | 175.6 | 160.0 | 290.0 | 410.0 | 5 | 4 | 3 |
| BIMobject | 6.5 | 4.5 | 9.0 | 22.5 | 4 | 5 | 2 |
| Bioservo | 9.9 | 10.0 | 18.0 | 28.0 | 4 | 3 | 1 |
| Bredband2 | 2.1 | 1.8 | 2.7 | 3.4 | 5 | 4 | 4 |
| Carasent | 35.1 | 25.0 | 58.0 | 75.0 | 5 | 4 | 3 |
| Careium | 29.6 | 27.0 | 36.0 | 47.0 | 3 | 4 | 3 |
| CI Games | 1.7 | 2.7 | 3.7 | 5.5 | 3 | 4 | 3 |
| Clavister Holding | 5.9 | 4.0 | 11.0 | 25.0 | 4 | 4 | 2 |
| Doro | 30.2 | 30.0 | 37.0 | 47.0 | 3 | 3 | 3 |
| EG7 | 37.0 | 30.0 | 45.0 | 130.0 | 4 | 3 | 2 |
| Embracer Group | 88.3 | 97.0 | 155.0 | 175.0 | 5 | 4 | 4 |
| Enea | 258.0 | 193.0 | 278.0 | 310.0 | 5 | 5 | 3 |
| Energy Save | 28.0 | 19.0 | 28.0 | 60.0 | 4 | 3 | 2 |
| Ericsson | 103.0 | 95.0 | 119.0 | 130.0 | 4 | 4 | 4 |
| Evolution | 1213.2 | 1075.0 | 1945.0 | 2500.0 | 5 | 5 | 4 |
| Flexion Mobile | 15.1 | 11.0 | 28.0 | 42.0 | 4 | 3 | 2 |
| FlexQube | 70.2 | 32.0 | 73.0 | 123.0 | 4 | 3 | 2 |
| Formpipe Software | 39.4 | 27.0 | 41.0 | 49.0 | 4 | 5 | 4 |
| Fortnox | 502.1 | 260.0 | 550.0 | 870.0 | 4 | 5 | 5 |
| G5 Entertainment | 397.2 | 320.0 | 630.0 | 850.0 | 4 | 3 | 4 |
| Gaming Innovation Group | 17.8 | 16.0 | 29.0 | 42.0 | 3 | 3 | 2 |
| Gapwaves | 47.9 | 20.0 | 76.0 | 115.0 | 4 | 4 | 2 |
| Hanza Holding | 51.8 | 29.0 | 45.0 | 58.0 | 5 | 3 | 3 |
| Heliospectra | 1.3 | 1.5 | 3.2 | 8.0 | 3 | 3 | 2 |
| Hexatronic Group | 401.0 | 190.0 | 290.0 | 500.0 | 5 | 4 | 4 |
| Hoylu | 1.3 | 0.3 | 1.8 | 8.0 | 3 | 3 | 1 |
| Image Systems | 1.5 | 0.8 | 2.0 | 3.0 | 4 | 4 | 2 |
| IMINT Image Intelligence | 44.0 | 20.0 | 71.0 | 110.0 | 4 | 3 | 3 |
| Impact Coatings | 13.2 | 12.0 | 20.0 | 45.0 | 4 | 2 | 2 |
| Infracom Group | 24.5 | 17.0 | 31.0 | 41.0 | 5 | 3 | 4 |
| Invisio | 161.0 | 125.0 | 240.0 | 360.0 | 4 | 5 | 5 |
| Inzile | 17.6 | 20.0 | 47.0 | 84.0 | 3 | 4 | 2 |
| I-Tech | 59.7 | 45.0 | 92.0 | 154.0 | 4 | 3 | 2 |
| JonDeTech Sensors | 6.5 | 4.0 | 9.0 | 30.0 | 2 | 1 | 1 |

*Source: Redeye research*

**Tech companies in Redeye Universe**

| | | Valuation range | | | Redeye Rating | | |
|---|---|---|---|---|---|---|---|
| **Company** | **Share price** | **Bear case** | **Base case** | **Bull case** | **People** | **Business** | **Financials** |
| KebNi | 0.8 | 0.8 | 1.3 | 2.2 | 3 | 4 | 2 |
| Lagercrantz Group | 108.3 | 80.0 | 112.0 | 130.0 | 5 | 5 | 4 |
| M.O.B.A Network | 31.1 | 15.0 | 30.0 | 42.0 | 3 | 4 | 4 |
| Media and Games Invest | 39.7 | 45.0 | 85.0 | 110.0 | 5 | 4 | 3 |
| Neonode Inc | 7.8 | 4.0 | 20.0 | 62.0 | 4 | 3 | 2 |
| Netmore Group | 1.4 | 0.7 | 2.4 | 4.2 | 3 | 4 | 2 |
| Ngenic | 25.9 | 20.0 | 38.0 | 61.0 | 4 | 3 | 2 |
| Nitro Games | 26.5 | 6.0 | 16.0 | 37.0 | 4 | 3 | 1 |
| Northbaze | 1.3 | 0.5 | 1.2 | 2.0 | 3 | 2 | 2 |
| OXE Marine | 2.2 | 1.0 | 2.1 | 4.0 | 3 | 3 | 2 |
| Paynova | 7.8 | 10.0 | 30.0 | 50.0 | 4 | 3 | 1 |
| Penneo | 19.4 | 17.0 | 46.0 | 107.0 | 4 | 4 | 2 |
| PiezoMotor Uppsala | 45.5 | 45.0 | 95.0 | 152.0 | 4 | 4 | 2 |
| PowerCell Sweden | 170.0 | 80.0 | 200.0 | 350.0 | 3 | 3 | 2 |
| Proact IT Group | 88.0 | 65.0 | 93.0 | 125.0 | 4 | 4 | 4 |
| QleanAir | 63.4 | 46.0 | 88.0 | 130.0 | 4 | 5 | 4 |
| Railcare Group | 22.6 | 22.0 | 31.0 | 43.0 | 4 | 4 | 3 |
| Remedy Entertainment | 34.9 | 22.0 | 50.0 | 70.0 | 4 | 4 | 3 |
| Safello Group | 6.7 | 6.0 | 11.0 | 20.0 | 4 | 2 | 2 |
| Safeture | 8.3 | 5.0 | 11.0 | 18.0 | 4 | 3 | 2 |
| SaveLend Group | 8.8 | 6.3 | 12.4 | 30.0 | 5 | 4 | 2 |
| Scandinavian Enviro Systems | 1.6 | 1.1 | 4.1 | 9.6 | 4 | 3 | 2 |
| Sdiptech | 429.0 | 285.0 | 525.0 | 725.0 | 5 | 5 | 4 |
| Seamless Distribution Systems | 49.4 | 32.0 | 80.0 | 115.0 | 4 | 4 | 3 |
| Sensys Gatso Group | 0.9 | 1.0 | 1.9 | 3.1 | 4 | 4 | 2 |
| Sivers Semiconductors | 18.2 | 16.0 | 38.0 | 65.0 | 5 | 4 | 2 |
| Smart Eye | 176.8 | 180.0 | 350.0 | 420.0 | 5 | 4 | 2 |
| Speqta | 4.1 | 4.5 | 7.5 | 14.0 | 4 | 3 | 2 |
| SSH Communications | 76.5 | 0.8 | 2.8 | 4.5 | 4 | 4 | 2 |
| Starbreeze | 1.0 | 0.8 | 2.2 | 5.0 | 3 | 3 | 1 |
| Stillfront Group | 49.6 | 57.0 | 85.0 | 133.0 | 5 | 4 | 4 |
| Strax | 3.7 | 3.3 | 5.4 | 10.0 | 4 | 3 | 2 |
| Systemair | 91.8 | 60.0 | 95.0 | 115.0 | 5 | 4 | 4 |
| TagMaster | 24.0 | 22.0 | 42.0 | 54.0 | 4 | 3 | 2 |
| Thunderful Group | 54.8 | 55.0 | 95.0 | 140.0 | 5 | 4 | 4 |
| Transtema | 41.0 | 22.0 | 45.0 | 60.0 | 5 | 4 | 3 |
| Urb-it | 4.5 | 0.8 | 3.2 | 6.5 | 3 | 2 | 2 |
| Vertiseit | 42.5 | 26.0 | 42.0 | 56.0 | 5 | 4 | 3 |
| Waystream Holding | 24.1 | 14.0 | 30.0 | 36.0 | 4 | 3 | 2 |
| Westpay | 3.0 | 1.8 | 3.9 | 6.6 | 5 | 3 | 1 |
| XMReality | 3.5 | 1.5 | 7.0 | 12.0 | 4 | 3 | 2 |
| Zordix | 25.3 | 24 | 44 | 68 | 3 | 3 | 2 |
| Zwipe | 26.9 | 6 | 34 | 48 | 4 | 3 | 2 |

*Source: Redeye research*

# The screening




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

# GARP




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

## Criteria:

- Price < Base case
- Sales CAGR of 10-45% for the coming three years (2020-2023)
- Ranking: Average Redeye Rating

**GARP screen output**

| | Criteria parameter | | Ranking parameter | |
|---|---|---|---|---|
| Company | 3 year forward CAGR | Distance to Base | Redeye rating | Screen Rank |
| Invisio | 27% | 49% | 4.7 | 1 |
| Sdiptech | 29% | 23% | 4.7 | 2 |
| Stillfront Group | 18% | 69% | 4.3 | 3 |
| Media and Games Invest | 37% | 110% | 4.0 | 4 |
| Infracom Group | 18% | 27% | 4.0 | 5 |
| Seamless Distribution Systems | 10% | 60% | 3.7 | 6 |
| Remedy Entertainment | 18% | 40% | 3.7 | 7 |
| Penneo | 45% | 137% | 3.3 | 8 |
| Sensys Gatso Group | 15% | 105% | 3.3 | 9 |
| Clavister Holding | 13% | 86% | 3.3 | 10 |

*Source: Redeye Research*




# Deep value

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

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

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

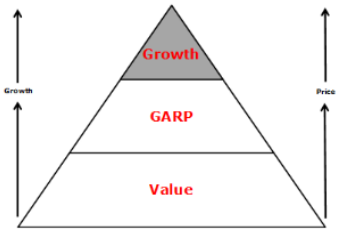
## Criteria:

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

**Deep value screen output**

| | Criteria parameter | Ranking parameter | |
|---|---|---|---|
| Company | Distance to Bear | People rating | Screen Rank |
| Stillfront Group | 14% | 5 | 1 |
| Media and Games Invest | 11% | 5 | 2 |
| Embracer Group | 11% | 5 | 3 |
| Thunderful Group | 0% | 5 | 4 |
| Smart Eye | 3% | 5 | 5 |
| Evolution | -11% | 5 | 6 |
| Sivers Semiconductors | -12% | 5 | 7 |
| Better Collective | -12% | 5 | 8 |
| Railcare Group | -3% | 4 | 9 |
| Sensys Gatso Group | 8% | 4 | 10 |

*Source: Redeye Research*




# Growth junkies

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

## Criteria:

- Three-year forward sales CAGR>25% (2020-2023)
- Business rating ≥ 3
- Ranking:
  - Average Redeye rating
  - Distance to Base case

**Growth junkies screen output**

| | Criteria parameter | | Ranking parameter | | |
|---|---|---|---|---|---|
| Company | 3 year forward CAGR | Business rating | Redeye rating | Distance to Base | Screen Rank |
| Evolution | 56% | 5 | 4.7 | 61% | 1 |
| Invisio | 27% | 4 | 4.7 | 49% | 2 |
| Media and Games Invest | 37% | 5 | 4.0 | 109% | 3 |
| Sivers Semiconductors | 131% | 5 | 3.7 | 109% | 4 |
| Smart Eye | 132% | 5 | 3.7 | 99% | 5 |
| Carasent | 49% | 5 | 4.0 | 65% | 6 |
| Better Collective | 48% | 5 | 4.0 | 60% | 7 |
| Sdiptech | 29% | 5 | 4.7 | 22% | 8 |
| PiezoMotor Uppsala | 120% | 4 | 3.3 | 109% | 9 |
| SaveLend Group | 53% | 5 | 3.7 | 41% | 10 |

*Source: Redeye Research*




# Jockey stocks

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

## Criteria:

- People rating ≥ 4
- Ranking:
  - Twelve-month net insiders' buy
  - Distance to Base case

**Jockey stocks screen output**

| | Criteria parameter | Ranking parameter | | |
|---|---|---|---|---|
| Company | People rating | Distance to Base | Insider net buy (msek) | Screen rank |
| Stillfront Group | 5 | 70% | 136 | 1 |
| PiezoMotor Uppsala | 4 | 109% | 43 | 2 |
| Embracer Group | 5 | 77% | 119 | 3 |
| Azelio | 4 | 90% | 33 | 4 |
| Clavister Holding | 4 | 86% | 10 | 5 |
| Artificial Solutions | 4 | 80% | 10 | 6 |
| I-Tech | 4 | 61% | 17 | 7 |
| Railcare Group | 4 | 37% | 44 | 8 |
| Seamless Distribution Systems | 4 | 60% | 8 | 9 |
| XMReality | 4 | 100% | 2 | 10 |

*Source: Redeye Research*

# Top Picks-portfolio

- Top Picks gained 28% in 2021, while the comparative index OMXSPI rose by a whopping 35%. Consequently, our portfolio underperformed the general index by 7 percentage points. Over a five-year period, however, Top Picks has returned +350%, compared to the OMXSPI index, which has gained about 90%. Thus, the portfolio outperformed by ~260 percentage points between the years 2017 to 2021.

- Our three top tech picks for 2021 underperformed the market as well and returned on average a relatively measly 22%. We hope and expect our new top tech picks to outperform the market going forward.

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

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

- The underlying strategy relies on high-conviction cases found through Redeye's fundamental analysis (+25 strong equity analyst team). Each respective holding's inclusion and portfolio size depends on the attractiveness of the company qualities, risk/reward ratio, and catalysts.

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

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

# Portfolio Performance

2021 proved to be a tough year for Top Picks, which underperformed the OMXSPI index with 7 percentage points and Carnegie Small Cap Index with 9 percentage points. In total, Top Picks returned 28% compared to OMXSPI's 35% and the small-cap index's 37%. We only surpassed the general index briefly two times during the year, in early September and in mid-November. Of course, the results were non-satisfactory on a relative basis, and we deserve some soft fruits. But we also would like to remind the readers that we have outclassed the index by around 260 percentage points over a five-year period (which is a time interval we are much more comfortable with).

In 2020, we accomplished a 100% return, compared to the general index's 28%. Looking back, it would have been reasonable to think that the upside had been exhausted in many of the stocks following such an impressive run. Given that our 2021 end-portfolio overlapped with the 2020 end-portfolio by 70%, a breathing pause would have been warranted. We have a substantial amount of quality companies in the portfolio, and most of them had solid 2020 and 2021 years operationally. But matching a 100% stock gain on average (if the stock was not severely under-valued/misunderstood beforehand) is challenging even for the very best high-quality company. Multiple expansion was one of the main reasons for the extreme outperformance in 2020, and we put our Top Picks readers on guard that it was an erratic friend that could quickly reverse for good, bad, and no reason whatsoever. That set the stage for 2021's underperformance. Still, one should remember that even if the overlapping was 70%, the position sizes have been changing over the years.

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



# Stock Performance in 2021

The clear tech breadwinner for the Top Picks' portfolio last year was Hexatronic with an astonishing 545%, followed by Media and Games Invest's 97% and Enea's 37%. The worst-performing stocks were Sensys Gatso (-43%), Sivers Semiconductor (-41%), and Invisio (-34%). Unfortunately, two of our largest holdings were also underperforming: Embracer and Smart Eye. 2021 thus became a real lesson of the power of single stocks' impact on the overall result. The median return of all the tech stocks we had in the portfolio in 2021 was 0%, but the average amounted to 39% (!). It is worth noting that some of the names above have not been in the portfolio for the whole year, and therefore, the yearly share price results could be a bit misleading to what impact it had on the portfolio. An excellent example of this is Sensys Gatso, which we sold in mid-February (albeit still with a slight loss).

As shown in the table below, our top tech picks underperformed as a group. Only Enea's return surpassed the general index. A side note worth mentioning: Hexatronic was a top tech pick in both 2020 and 2019 (as was Embracer). We had vastly outperformed had we not decided to 'spice it up' a little, as we believed investors would appreciate some new names (we have a vast universe of interesting companies). Thus, we think that decision serves as a good lesson in patience and how fast the market can rerate a stock.

| Redeye Top Tech Picks 2021 | |
|---|---|
| **Company** | **Return 2021** |
| Enea | 37% |
| Better Collective | 24% |
| Carasent | 6% |
| **Average** | **22%** |
| **Median** | **24%** |
| OMXSPI | 35% |

Source: Nasdaq Stockholm, Redeye Research

**Enea,** which performed the best of the top tech picks, is more or less a brand-new company (a specialist in software for telecommunications and cybersecurity) following several successful acquisitions. The company is growing upwards in the software stack, positioning itself within virtualization and getting closer to the end customer. Its new, more diversified customer base in the Network Solutions segment is set to outgrow the declining Operating System segment, which was the 'old Ericsson and Nokia-subcontractor Enea.' The new and misunderstood Enea is a promising investment case. The affiliate company **Better Collective's** investment case is built on its quality communities and brands, focus on sports betting that is growing fast, value-adding M&A, and management with plenty of skin in the game. Despite solid organic growth and excellent EBIT margins, it is not trading at demanding levels. Lastly, Carasent had a phenomenal 2020, both share-price and business-wise. In 2021, the latter continued to progress while the former took a breather. **Carasent** is building a one-stop shop for mostly private healthcare and has made three acquisitions in the last thirteen months, solidifying its position in the Scandinavian market. The company is well-capitalized, and catalysts for 2022 include a Norwegian launch of the primary EMR system and more value-adding M&A activity.

# Top Picks Portfolio for 2022

Our hurdle for portfolio inclusion remains high, with a disciplined assessment of companies' qualitative factors and economic cycle dependency. At the moment, our cyclical exposure is about 23% of the portfolio, compared to 33% a year ago. The rest is in stocks with more defensive characteristics. On the macro front, we keep a close eye on:

- **The prevailing monetary policy tailwind, which might turn as inflation is on the rise and economies are growing (higher interest rates, tapering, etc.)**
- **Worldwide component shortages**
- **China's wobbling real estate market**
- **'The new normal economy'**
- **The expected recovery of stocks in sectors that were initial 'winners' in the Covid pandemic, but where investors locked in profits in 2021 (gaming, online gambling, e-commerce, etc.)**

We believe our bottom-up approach can continue to achieve long-term positive returns exceeding the market. The portfolio has ~7% in cash (a higher level than a year ago, when it was less than 1%).

# Top Tech Picks for 2022

In this section, we provide our top three tech picks for 2022. They are based on our current positioning sizing in the Top Picks portfolio. All Redeye Universe companies are briefly described in the appendix of this report.

### Embracer (Redeye base case SEK 155)

We add opportunistically back Embracer, as the stock has been hurt by a change in investor sentiment regarding the M&A approach and longevity of the model. We still think Wingefors & Co got it, and it is a top position in our portfolio. Moreover, we believe Embracer, with its Disney-like '360 strategy', can monetize several overlapping verticals. Today the group has a strong AAA game pipeline, movie franchises, board games, and stable cash-flow generation from a mobile arm under its umbrella. The company is cheaply priced, given its M&A record, organic pipeline, and excellent management (including the various subsidiary entrepreneurs).

### Smart Eye (Redeye base case SEK 350)

Smart Eye offers rapid, predictable growth at a low price, thanks to a total of 89 design wins from 13 OEMs and an emerging market pushed by regulatory tailwinds. Although the exact ramp-up is hard to predict, sales growth in the 100's % between 2022 and 2026 is likely. The company has a pole position within eye tracking for mandated driver monitoring. It is also quickly establishing itself in the interior sensing (cabin) market, which will likely extend the growth period and the average selling price substantially (i.e., removing the 'one-trick-pony' stamp). We want to join Smart Eye on its upcoming journey.

### Better Collective (Redeye base case SEK 290)

Better Collective offers attractive growth prospects (both organic and in-organic) coupled with excellent margins to a cheap price tag. It is the No. 1 sports betting affiliate in the world and a leading developer of educational platforms in the online gambling industry. Moreover, the US and LatAm markets offer exciting growth prospects in the near to medium term.

# Investment Strategy

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

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

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

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

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

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

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

# Redeye Research & Ratings



# Making educated investment decisions

## How we cut the deck when it comes to investing

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

# Focus on Business Quality

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




## The company qualities rating

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

## People

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

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

### Business

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

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

### Financials

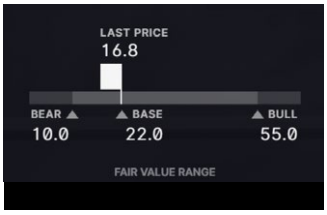
Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether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

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

## The fair Valuation Range approach/Margin of Safety

### Account for the unforeseen

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




In order to better assess the risk/reward we use a valuation range, which ranges from a bull-case (upside) to a bear-case (downside) scenario. It is critical to ensure that the scenarios are within the realm of reasonableness, and not once-in-a-century events. Looking more closely at the bear-case scenario will help you to have a more balanced view than just focusing on the potential upside in the bull-case scenario, i.e. a sobering reminder that the bull-case always faces a headwind.

## When to buy

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

## When to sell

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

## A word about risk

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

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

# Timeliness approach

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

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




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

## How Timeliness works

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

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

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

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

# Covered Companies



# A-Z

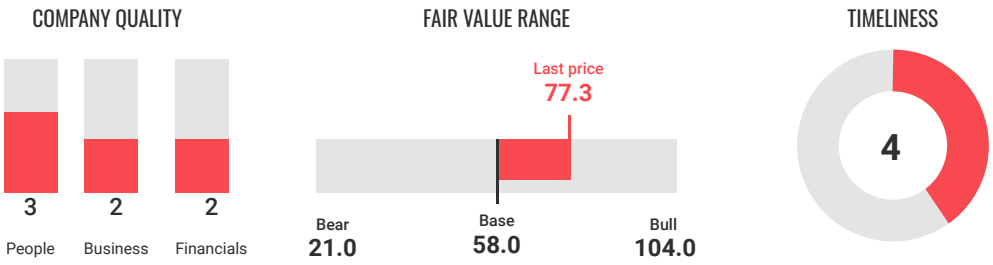
Acconeer
Addnode
Adverty
Alelion Energy Systems
Arise
Artificial Solutions
Aspire Global
Avtech Sweden
aXichem
Azelio
Bambuser
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Better Collective
Bioservo Technologies
BIMobject
Bredband2
Carasent
Careium
CI Games
Clavister Holding
Doro
EG7
Embracer Group
Enea
Ericsson
ES Energy Save
Evolution Gaming Group
Flexion Mobile
FlexQube
Formpipe Software
Fortnox
G5 Entertainment
Gaming Innovation Group
Gapwaves
Hanza Holding
Heliospectra
Hexatronic Group
Hoylu
I-Tech
Image Systems
IMINT Image Intelligence
Impact Coatings
Infracom Group
Invisio
Inzile
JonDeTech Sensors
KebNi
Lagercrantz Group
Media and Games Invest
M.O.B.A. Network
Neonode Inc
Netmore Group
Ngenic
Nitro Games
Northbaze
OXE Marine
Paynova
Penneo
PiezoMotor Uppsala
PowerCell Sweden
Proact IT Group
QleanAir
Railcare Group
Remedy Entertainment
Safello Group
Safeture
SaveLend Group
Scandinavian Enviro Systems
Sdiptech
Seamless Distribution Systems
Sensys Gatso Group
Sivers Semiconductors
Smart Eye
Speqta
SSH Communications
Starbreeze
Stillfront Group
Strax
Systemair
TagMaster
Thunderful Group
Transtema
Urb-it
Vertiseit
Waystream
Westpay
XMReality
Zordix
Zwipe

# Acconeer ACCON

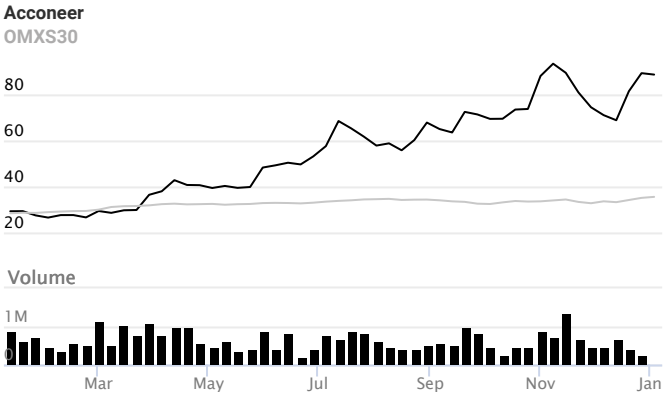
**Company page**
https://www.redeye.se/company/acconeer

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Lars Lindell |
| **Chairman** | Thomas Rex |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 77.3 |
| **Number of shares (M)** | 25.7 |
| **Market cap (MSEK)** | 1,988 |
| **Net debt (2022E, MSEK)** | 34 |

**Analyst**



Jesper von Koch
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**Conflict of interests**

Jesper von Koch owns shares in Acconeer: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 10 | 33 | 106 | 353 |
| *Growth* | *72.6%* | *>100%* | *>100%* | *>100%* |
| EBITDA | -65 | -48 | -38 | 55 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *15.7%* |
| EBIT | -65 | -69 | -41 | 53 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *15.0%* |
| Pre-tax earnings | -68 | -69 | -41 | 53 |
| Net earnings | -68 | -69 | -32 | 41 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *11.8%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -3.58 | -2.92 | -1.35 | 1.72 |
| P/E adj. | -23.9 | -29.3 | -63.3 | 49.6 |
| EV/S | 200.7 | 59.9 | 19.6 | 6.1 |
| EV/EBITDA | -29.0 | -40.8 | -53.5 | 38.8 |

Last updated: 2021-11-02

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Bengt Adolfsson | 11.6% | 11.6% |
| Avanza Pension | 9.1% | 9.1% |
| Smbc Nikko Securities Inc. | 7.9% | 7.9% |
| Swedbank Försäkring | 4.3% | 4.3% |
| Nordnet Pensionsförsäkring | 3.4% | 3.4% |
| Mikael Egard | 2.5% | 2.5% |
| Mats Ingvar Ärlelid | 2.4% | 2.4% |
| Lars-Erik Wernersson | 2.4% | 2.4% |
| Skandinaviska Enskilda Banken S.A | 1.2% | 1.2% |
| DTX i Sverige AB | 1.1% | 1.1% |

## Company description

Acconeer is a semiconductor company in Lund, Sweden, who went public in December 2017. It develops and sells radar sensors, with a fabless business model, to manufacturers of electronics. The manufacturing partners are some of the World's largst (Global Foundries & Amkor). Acconeer has developed a radar with a minimal footprint (5x5x1 mm) that is 10 times smaller and comes at a 10 times lower cost, compared to competing radars. Its real claim to fame though is that the power consumption is 50 times lower than competition.
As for competitive disadvantages, radar technology is complex in general and requires a lot of education of the customer but at the same time Acconeer is company of minor size that competes with giants. Acconeer needs to start building revenue sources in order to be seen as a reliable supplier for larger companies. The growth strategy is based on a few important pillars such as selling on Digi-Key, World's largest online distributor (450 000 customers) and a vast, global network of local, niche distributors. The company's current focus areas are robotics, smart presence, child presence detection, parking sensors, level measurement (incl.waste management) and automotive.

## Investment case

- Strong unique product offering & scalability from unmatched cost
- Automotive has the largest potential
- Large design wins to drive the share price
- Main bear point

### Strong unique product offering & scalability from unmatched cost

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

### Automotive has the largest potential

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

### Large design wins to drive the share price

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

### Main bear point:

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

## Catalyst types

**Larger deals to drive the share price**

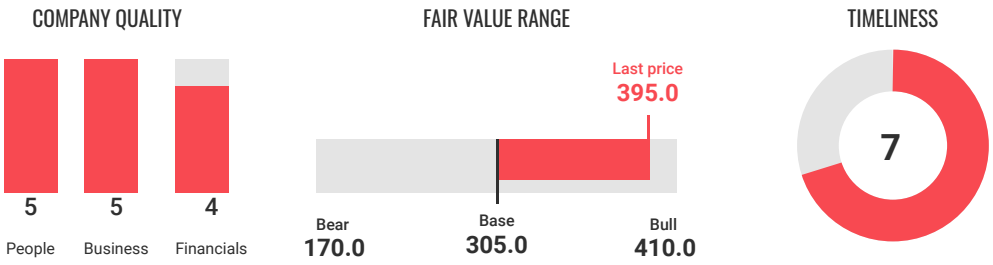
Today's valuation has discounted a bunch of deals for Acconeer but since lead times are long we assume the deals will start to gradually come. Smaller customers are moving faster. While news of orders gradually will de-risk the case we assume certain larger deals are key catalysts. They are more worth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

# Addnode Group ANOD B

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

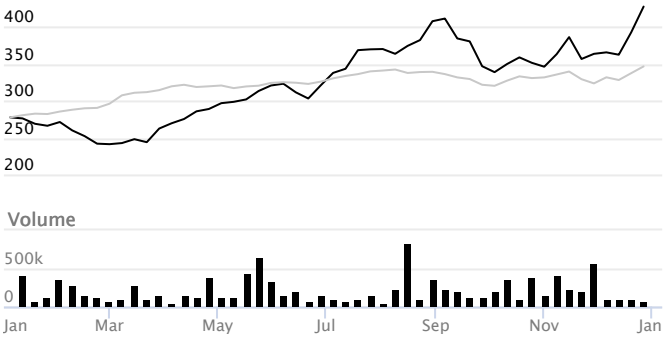
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**Addnode Group**
OMXS30




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Johan Andersson |
| **Chairman** | Staffan Hanstorp |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 395.0 |
| **Number of shares (M)** | 33.6 |
| **Market cap (MSEK)** | 13,285 |
| **Net debt (2022E, MSEK)** | 313 |

**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

| | 2020E | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 3,807 | 4,182 | 4,867 | 5,322 |
| *Growth* | *10.9%* | *9.9%* | *16.4%* | *9.3%* |
| EBITDA | 444 | 414 | 596 | 572 |
| *EBITDA margin* | *11.7%* | *9.9%* | *12.2%* | *10.8%* |
| EBIT | 229 | 307 | 392 | 430 |
| *EBIT margin* | *6.0%* | *7.4%* | *8.1%* | *8.1%* |
| Pre-tax earnings | 211 | 290 | 378 | 417 |
| Net earnings | 163 | 225 | 295 | 325 |
| *Net margin* | *4.3%* | *5.4%* | *6.1%* | *6.1%* |
| Dividend/Share | 2.50 | 3.00 | 3.50 | 4.00 |
| EPS adj. | 4.85 | 6.68 | 8.78 | 9.66 |
| P/E adj. | 77.1 | 55.9 | 42.6 | 38.7 |
| EV/S | 3.3 | 3.1 | 2.6 | 2.4 |
| EV/EBITDA | 28.5 | 31.2 | 21.6 | 22.6 |

Last updated: 2021-07-22

| Owner | Equity | Votes |
|---|---|---|
| SEB Fonder | 10.3% | 8.1% |
| Swedbank Robur Fonder | 8.9% | 7.0% |
| ODIN Fonder | 6.5% | 5.2% |
| Handelsbanken Fonder | 5.6% | 4.4% |
| Staffan Hanstorp & Jonas Gejer | 5.4% | 15.1% |
| Lannebo Fonder | 5.0% | 4.0% |
| Fjärde AP-fonden | 4.4% | 3.5% |
| Andra AP-fonden | 4.4% | 3.4% |
| Nordea Fonder | 4.3% | 3.4% |
| AMF Pension & Fonder | 3.6% | 2.9% |

## 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 25% 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 60% 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

**Increase in SaaS orders**

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

**Economic downturn**

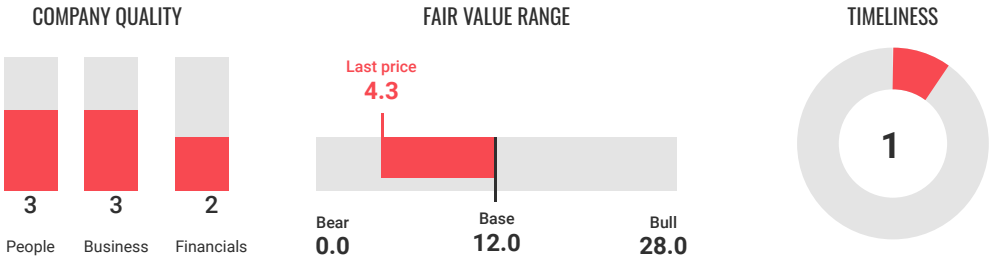
While we believe Addnode diversification in terms of markets and regions as well as the digitalization help making the company rather resilient to economic downturns, software revenue is generally related to the number of users. Thus, layoff of engineers likely has a negative effect on Addnode's revenue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

# Adverty ADVT

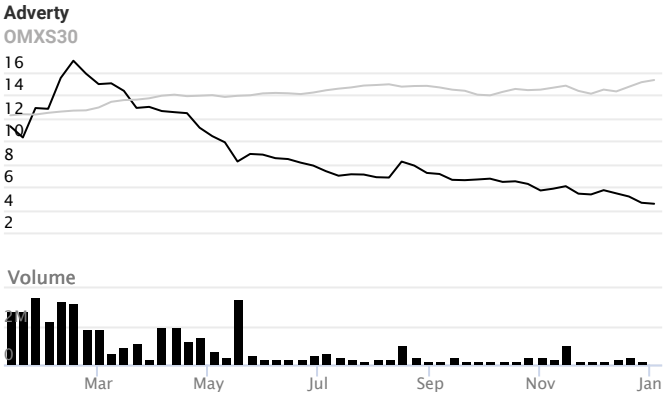
**Company page**
https://www.redeye.se/company/adverty

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Nordic SME |
| **CEO** | Tobias Knutsson |
| **Chairman** | Joachim Roos |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 4.3 |
| **Number of shares (M)** | 34.0 |
| **Market cap (MSEK)** | 145 |
| **Net debt (2022E, MSEK)** | 48 |

**Analyst**



Danesh Zare
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**Conflict of interests**

Danesh Zare owns shares in Adverty: No

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

## Financials

| | 2020E | 2021E | Redeye Estimates 2022E |
|---|---|---|---|
| Revenue, MSEK | 1 | 7 | 22 |
| *Growth* | *>100%* | *>100%* | *>100%* |
| EBITDA | -14 | -12 | -7 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* |
| EBIT | -14 | -13 | -9 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -14 | -13 | -9 |
| Net earnings | -14 | -11 | -7 |
| *Net margin* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.69 | -0.52 | -0.35 |
| P/E adj. | -12.8 | -17.0 | -25.2 |
| EV/S | 253.7 | 33.2 | 10.4 |
| EV/EBITDA | -14.0 | -18.1 | -32.5 |

Last updated: 2020-12-11

| Owner | Equity | Votes |
|---|---|---|
| Niclas Kjellgren | 15.7% | 15.7% |
| Niklas Bakos | 10.0% | 10.0% |
| Avanza Pension | 8.0% | 8.0% |
| Pontus Dahlström med familj | 3.5% | 3.5% |
| Nordnet Pensionsförsäkring | 1.8% | 1.8% |
| Johan Fagerström | 1.6% | 1.6% |
| Marie Arrestam | 1.5% | 1.5% |
| Mats Kullstedt | 1.4% | 1.4% |
| Håkan Åberg | 1.0% | 1.0% |
| Bruno Barcella | 0.9% | 0.9% |

## Company description

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

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

## Investment case

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

### The largest entertainment industry in the world

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

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

### There is a new advertising sheriff in town

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

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

### First mover advantage

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

### Scaling up

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

### Reaching the unreachables

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

### Counter-thesis

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

## Catalyst types

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

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

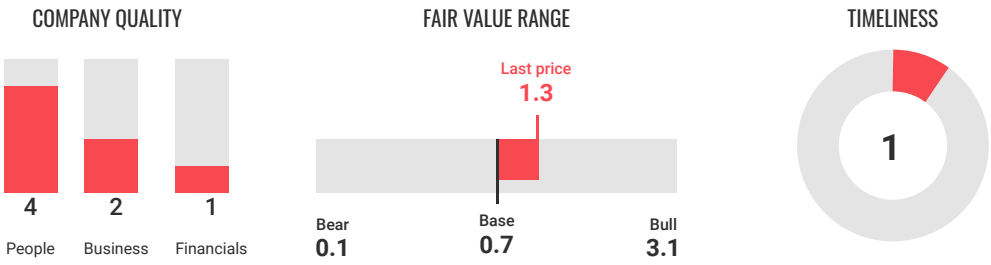
**Reaching proftiability**
Adverty is will reach profitability in 2023

# Alelion Energy Systems ALELIO

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

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Åsa Nordström |
| **Chairman** | Alf Blomqvist |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1.3 |
| **Number of shares (M)** | 291.3 |
| **Market cap (MSEK)** | 366 |
| **Net debt (2022E, MSEK)** | 111 |

**Analyst**



Mattias Ehrenborg
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**Conflict of interests**

Mattias Ehrenborg owns shares in Alelion Energy Systems: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 19 | 65 | 103 | 207 |
| *Growth* | *-79.5%* | *>100%* | *58.1%* | *>100%* |
| EBITDA | -58 | -43 | -37 | -5 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -93 | -57 | -47 | -15 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -96 | -62 | -54 | -25 |
| Net earnings | -96 | -62 | -54 | -25 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.43 | -0.25 | -0.22 | -0.10 |
| P/E adj. | -1.9 | -4.7 | -5.3 | -11.5 |
| EV/S | 10.3 | 5.5 | 3.9 | 2.0 |
| EV/EBITDA | -3.4 | -8.3 | -10.9 | -81.6 |

Last updated: 2021-11-29

| Owner | Equity | Votes |
|---|---|---|
| Fouriertransform AB | 19.9% | 19.9% |
| Alf Blomqvist | 16.9% | 16.9% |
| Pegroco Invest AB (Publ) | 14.9% | 14.9% |
| Avanza Pension | 2.3% | 2.3% |
| Sammaj AB | 1.6% | 1.6% |
| Gunvald Berger | 1.4% | 1.4% |
| Nordnet Pensionsförsäkring | 1.2% | 1.2% |
| Edgar Sesemann | 0.8% | 0.8% |
| Elsy Brylde | 0.8% | 0.8% |
| JRS Asset Management AB Client Account | 0.7% | 0.7% |

## Company description

Alelion Energy Systems provides industrial battery modules, currently based on lithium-ion technology. It also develops a software system for smart energy management; AIES. Alelion sells globally via OEMs, which in turn have industrial end customers around the world. The company's two segments are batteries for Material Handling vehicles (primarily forklifts) and Special Vehicles.

## Investment case

- Attractive growth prospects
- Impressive customer base and increasing order intake
- Industrialisation improves efficiency
- Rising demand for energy reductions

**Attractive growth prospects**

As a pioneer in introducing lithium-ion technology in the Warehouse Logistics segment, Alelion is now concentrating its efforts on Special vehicles at airports, ports, mines, and logistics, all necessary to electrify. The market is expected to grow at a 50-60% CAGR over the coming decade and is characterised by customer-specific solutions. The demanding environments require relatively few vehicles but specialised solutions – enabling Alelion to capitalise on its know-how and charge higher prices. We are optimistic about the opportunities supported by the high order intake until this point in time.

**Impressive customer base and increasing order intake**

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

**Industrialisation improves efficiency**

Alelion made a breakthrough and reached SEK 100+m in sales in 2017. It is now automating manufacturing in a proprietary facility to scale up sales and lower production costs. We believe the transformation will reduce component costs significantly while improving its competitiveness and time to market in its niches. Furthermore, the production facility is fully invested, and we believe limited CAPEX is required until it reaches some SEK 250m in sales.

**Rising demand for energy reductions**

Alelion is fulfilling its end customers' desires and regulatory requirements to lower energy consumption. Its products have proved to both reduce power costs and environmental impact. We view the company's value proposition and business case as attractive.

### Bear points

**Capital intensive business**

In-house manufacturing is a competitive strength, while it is also capital intensive with assembly lines, testing stations, and inventory. To fund the production, Alelion has relatively recently conducted a rights issue of SEK 68m + 24m. We view additional funding as likely before break-even.

**Challenging market dynamics**

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

**Customer concentration risk**

95% of Alelion’s revenues in 2018 came from two of the world’s leading OEMs within Warehouse Logistics. These are valuable reference customers, validating the products. However, as seen in the most recent year, it also creates a high dependence and risk as they now seem to have ceased orders. Alelion is now focusing on special vehicles, which gradually could reduce the customer concentration risk, as order intake has come from a wider range of customers. However, if serial production starts ramping up, the risk of customer concentration is likely to increase rapidly.

## Catalyst types

**New orders and large customers**

Alelion can handle ever larger and more complex orders in its battery module factory. At the same time, investors are thirsting for new orders and customers. We expect that Alelion gains new customers primarily within Special Vehicles, and serial production to ramp up in existing projects, within the coming 12 months. Customer diversification and validation from large players, coupled with new orders and serial production for existing clients, are possible catalysts for the stock.

**Improving margins**

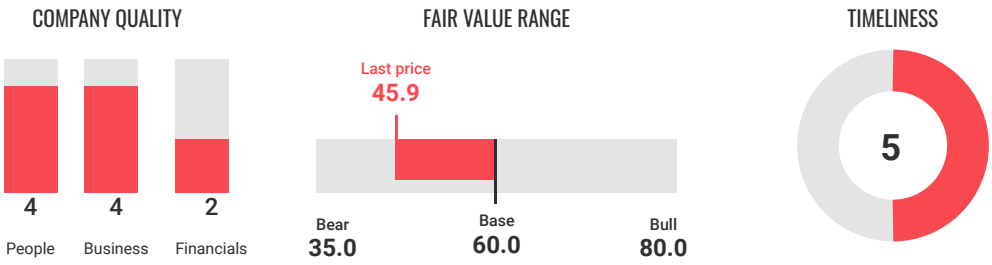
Alelion is working hard to optimize its costs. It cuts sourcing expenses, automates production, reduces costs for leasing personnel, and launches a new product generation. The closure of the German subsidiary also reduces losses. On the sales side, Alelion expands to new niche segments where products have higher margins. We believe that sales growth, efficiency measures and better pricing conditions gradually will improve Alelion's margins.

# Arise ARISE

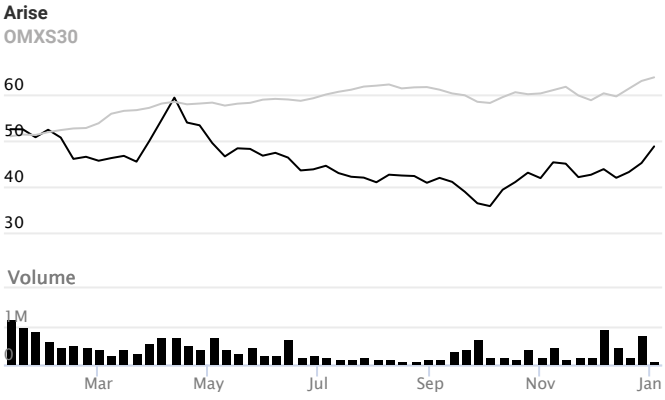
**Company page**
https://www.redeye.se/company/arise

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Per-Erik Eriksson |
| **Chairman** | Joachim Gahm |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 45.9 |
| **Number of shares (M)** | 38.6 |
| **Market cap (MSEK)** | 1,771 |
| **Net debt (2022E, MSEK)** | 83 |

**Analyst**



Henrik Alveskog
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**Conflict of interests**

Henrik Alveskog owns shares in Arise: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 130 | 291 | 699 | 521 |
| *Growth* | *-71.4%* | *>100%* | *>100%* | *-25.6%* |
| EBITDA | 33 | 172 | 430 | 298 |
| *EBITDA margin* | *25.4%* | *59.1%* | *61.6%* | *57.3%* |
| EBIT | -37 | 108 | 368 | 236 |
| *EBIT margin* | *Neg* | *37.1%* | *52.6%* | *45.4%* |
| Pre-tax earnings | -108 | 84 | 350 | 225 |
| Net earnings | -108 | 84 | 350 | 225 |
| *Net margin* | *Neg* | *28.9%* | *50.0%* | *43.3%* |
| Dividend/Share | 0.00 | 0.22 | 1.96 | 2.02 |
| EPS adj. | -1.58 | 2.18 | 7.85 | 5.05 |
| P/E adj. | -25.6 | 21.1 | 5.9 | 9.1 |
| EV/S | 14.2 | 7.6 | 2.6 | 3.2 |
| EV/EBITDA | 55.9 | 12.8 | 4.3 | 5.6 |

Last updated: 2021-11-15

| Owner | Equity | Votes |
|---|---|---|
| Claesson & Anderzén | 19.2% | 19.2% |
| Axel Johnson Gruppen | 10.2% | 10.2% |
| Svenska Handelsbanken AB for PB | 10.2% | 10.2% |
| Länsförsäkringar Fonder | 8.6% | 8.6% |
| Tredje AP-fonden | 8.4% | 8.4% |
| Johan Claesson | 6.2% | 6.2% |
| DNB Fonder | 2.9% | 2.9% |
| Skandinaviska Enskilda Banken S.A | 2.8% | 2.8% |
| Andra AP-fonden | 2.3% | 2.3% |
| Skandia Fonder | 2.1% | 2.1% |

## Company description

Arise was founded in 2007 and made its IPO on Nasdaq Stockholm's main market in 2010. The company has around 30 employees plus a number of hired staff in conjunction with the various development projects. Head office is in Halmstad, in southern Sweden.

Arise is an electric utility producing renewable electricity from its own wind farms. Since the new strategy was implemented around year 2015, Arise main growth area is in business segment Development and management, addressing external investors and owners of wind farm assets. Arise covers the entire value chain, from development, permits, construction and grid access to operations and management of the wind farms when completed. The business concept is to "be the obvious partner for investors in wind power and create added value throughout the life cycle" and maximize the value of green electricity generation in own wind farms as well as assets under management.

## Investment case

- A proven market leader
- Attractive project portfolio
- High international interest for Nordic wind power
- Hidden values in own wind farms

**A proven market leader**

Arise is one of the leading wind power companies in Sweden with an efficient organization for project development, construction and wind farm management. The company's own wind power assets have a total capacity of 139 MW and annual production of around 340 GWh. This provides recurring revenues and cash flows. Also, with electricity prices being high, the production enjoys good leverage in terms of profitability.

**Attractive project portfolio**

Business segment Development and management is Arise primary growth area. The pipeline of new wind farm projects is strong. Over 800 MW in late development phases, scheduled to be sold in 2021-23. The entire portfolio is around 2 500 MW, with projects primarily Sweden but also in Scotland and Norway. Using historical multiples of SEK 1-2m per MW, the gross profit potential lies between SEK 2-5bn over the coming decade.

**High international interest for Nordic wind power**

International investors show great interest in wind farm assets in Sweden and the Nordic region, which is viewed as a stable market with good long-term potential. In the last few years, advances in turbine technology have made it possible to build profitable wind farms without subsidies. Arise has a solid track record of successful projects with renowned investors (such as Blackrock), which puts them in a good position to leverage further from their pipeline of development projects.

**Hidden values in own wind farms**

Arise own wind farm assets (139 MW) are not new and consequently not as efficient as modern turbines. However, they still make a good cash flow contribution, although profitability has been rather modest in the last few years due to low electricity prices. However, with increasing domestic demand for electricity due to the electrification of vehicles and industries, coupled with the shut down of nuclear plants in Sweden – the electricity price outlook is very favourable. Furthermore, given low-interest rates and yield compression, the market price for wind farms has increased during the last couple of years. This is even further positive for Arise, as it has the majority of its assets based in middle- and southern Sweden, where electricity prices are higher than in the north. Arise's wind farms have a book value of SEK 1.1bn, but we argue that the market price should significantly exceed this figure.

**Bear points:**

- Risks are primarily related to future electricity prices (and to some extent green certificates). This is an important yet unknown variable that the company cannot influence.
- There is also a political risk that should not be underestimated. Political decision will impact the business conditions for wind energy and the energy sector at large.

## Catalyst types

**Rising certificate prices**

Prices for green certificates are trading at very depressed levels as new investments will flood the market with an over supply of certificates. The market is now hoping for and expecting the government to put an end date to new certificates, which would support higher prices.

**New projects**

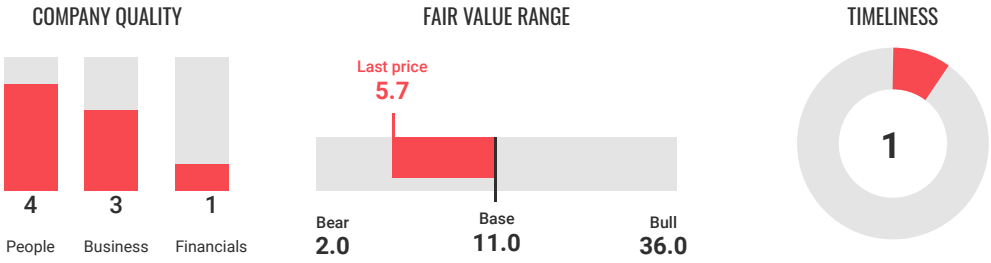
At current price levels Arise is not making further investments in own wind farms. But they continue to build, sell and operate new farms for other owners, such as BlackRock and Fortum. New major projects like these are potentially very profitable for Arise.

# Artificial Solutions ASAI

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

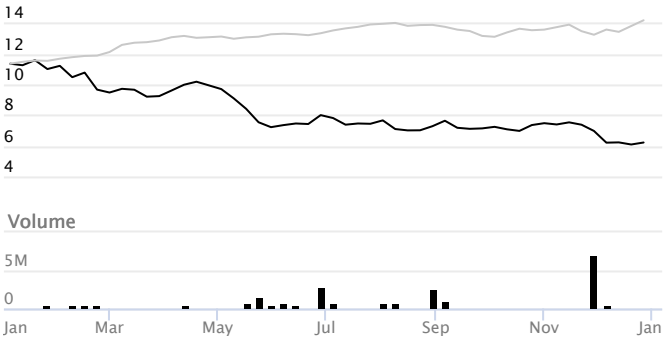
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**Artificial Solutions**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Per Ottosson |
| **Chairman** | Åsa Hedin |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 5.7 |
| **Number of shares (M)** | 65.7 |
| **Market cap (MSEK)** | 375 |
| **Net debt (2022E, MSEK)** | 214 |

**Analyst**



Forbes Goldman
forbes.goldman@redeye.se

**Conflict of interests**

Forbes Goldman owns shares in Artificial Solutions: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 54 | 40 | 57 | 80 |
| *Growth* | *9.6%* | *-24.7%* | *41.3%* | *40.4%* |
| EBITDA | -85 | -60 | -52 | -39 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -97 | -73 | -65 | -52 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -154 | -75 | -88 | -78 |
| Net earnings | -154 | -75 | -88 | -78 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -3.62 | -1.15 | -1.35 | -1.20 |
| P/E adj. | -3.2 | -6.6 | -5.6 | -6.3 |
| EV/S | 12.4 | 15.4 | 12.4 | 9.8 |
| EV/EBITDA | -7.8 | -10.3 | -13.5 | -20.1 |

Last updated: 2021-11-01

| Owner | Equity | Votes |
|---|---|---|
| Scope | 25.6% | 25.6% |
| UBS Switzerland AG | 9.0% | 9.0% |
| Banque Cantonale Vaudoise | 6.9% | 6.9% |
| Nice & Green | 5.6% | 5.6% |
| AFA Försäkring | 5.0% | 5.0% |
| SEB-Stiftelsen | 4.4% | 4.4% |
| ATS Finans AB | 3.0% | 3.0% |
| JP Morgan Bank Luxembourg S.A. | 2.6% | 2.6% |
| C WorldWide Asset Management | 2.6% | 2.6% |
| Avanza Pension | 2.6% | 2.6% |

## Company description

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

## Investment case

- Scalable SaaS Business Model
- Major Partners to Drive Growth
- Attractive Exposure to the Conversational AI Market

**Scalable SaaS Business Model**

Artificial Solutions announced its transition to a SaaS business and delivery model in Q1 2021. In contrast to its previous model, the SaaS model is inherently scalable, owing to its usage-based revenues. Additionally, the company expects to transition most of its installed base from the legacy to the SaaS model in 2022, representing a SEK >75m ARR opportunity.

**Major Partners to Drive Growth**

Since Q3 2021, Artificial Solutions has an IP Co-Sell Incentivized Partnership with Microsoft. Essentially, it means that Microsoft's sales team is incentivized through commissions to promote Teneo to enterprise clients on Microsoft Azure. The agreement marks a vote of confidence in Teneo and could enable significant lead-generation among the 1,700+ organizations using Microsoft Azure and LUIS.

Artificial Solutions relies on systems integrators and channel partners such as Tech Mahindra, CGI, and Deloitte to drive sales and usage. These partners have a global profile and could reach many potential customers at a limited customer acquisition cost.

**Attractive Exposure to the Conversational AI Market**

The Conversational AI Market is a $50B industry, while its software segment represents a $14B opportunity growing at a 22% CAGR. As one of the leading companies in this space, and one of the only publicly listed peers, Artificial Solutions provides attractive exposure to this sought-after market.

**Solid Financial Position**

In Q3 2021, Artificial Solutions agreed to a long-term SEK 250m financing agreement with Capital Four, a leading credit asset management firm in the Nordics (€15 billion AUM). Essentially, the company will not need to make cash interest payments during the five-year tenure, in addition to interest expenses decreasing by 7ppts. Near- and mid-term financing issues are out of the picture, providing management ample room to execute on its SaaS model and sales ramp-up.

## Catalyst types

**Early Signs of Significant Usage Revenue Potential**

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

**Significant ARR and Top-Line Growth**

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

**Lighthouse Customer Agreements**

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

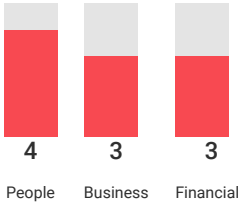
# Aspire Global ASPIRE

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

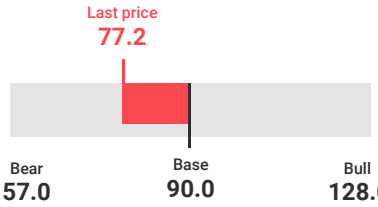
**Publication date**
January 10 2022

## Redeye Rating

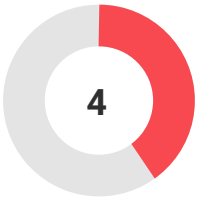
COMPANY QUALITY




FAIR VALUE RANGE

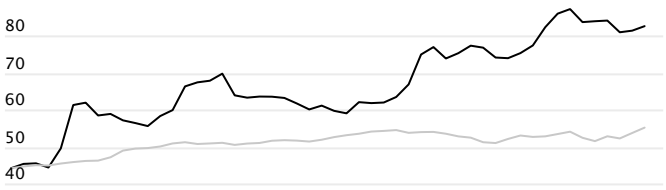



TIMELINESS




## Snapshot

**Aspire Global**
OMXS30




Volume




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

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 77.2 |
| **Number of shares (M)** | 46.5 |
| **Market cap (MSEK)** | 3,593 |
| **Net debt (2022E, MEUR)** | -43 |

**Analyst**



Hjalmar Ahlberg
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**Conflict of interests**

Hjalmar Ahlberg owns shares in Aspire Global: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E |
|---|---|---|---|
| Revenue, MEUR | 162 | 216 | 242 |
| *Growth* | *23.2%* | *33.3%* | *12.2%* |
| EBITDA | 27 | 37 | 41 |
| *EBITDA margin* | *16.7%* | *17.4%* | *17.0%* |
| EBIT | 20 | 28 | 31 |
| *EBIT margin* | *12.9%* | *13.4%* | *13.0%* |
| Pre-tax earnings | 16 | 28 | 31 |
| Net earnings | 13 | 25 | 28 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.28 | 0.31 |
| EPS adj. | 0.28 | 0.55 | 0.62 |
| P/E adj. | 13.9 | 13.1 | 11.7 |
| EV/S | 1.1 | 1.4 | 1.2 |
| EV/EBITDA | 6.7 | 8.3 | 7.1 |

Last updated: 2021-09-16

| Owner | Equity | Votes |
|---|---|---|
| Barak Matalon | 25.9% | 25.9% |
| Pinhas Zahavi | 16.2% | 16.2% |
| Azur Elyahu | 16.1% | 16.1% |
| Aharon Aran | 6.5% | 6.5% |
| Avanza Pension | 2.9% | 2.9% |
| Janne Pakarinen | 2.3% | 2.3% |
| Nordnet Pensionsförsäkring | 1.8% | 1.8% |
| Tsachi Maimon | 1.7% | 1.7% |
| Aki Pyysing | 0.8% | 0.8% |
| Roundhill Investments | 0.7% | 0.7% |

## Company description

Aspire Global is an online gambling company operating in the B2B segment. The company offers a platform solution targeting non-gambling companies as well as established gambling operators. In addition to the platform solution, the company offers a gaming aggregation solution as well as proprietary games and a sportsbook.

## Investment case

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

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

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

Aspire Global´s proprietary platform, and strong financial position is the perfect combination for future growth. The scalable platform gives it a very strong incentive to grow, and its strong financial position gives it the means of doing so. The platform allows growth to be realized both organically and through acquisitions. Furthermore, Aspire Global´s platform is also ready to attract larger operators without their own platform.

## Catalyst types

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

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

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

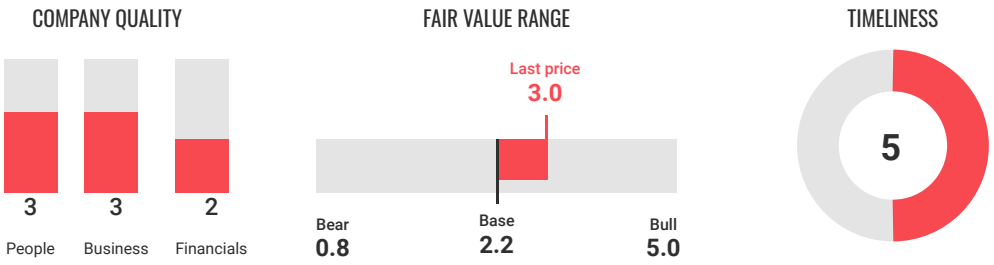
**Successfully executed M&A activities**
Successful acquisition of a content supplier that could improve the group´s B2B offering further. We expect that Aspire Global can make additional acquisitions with its strong financial position.

# Avtech Sweden AVT B

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

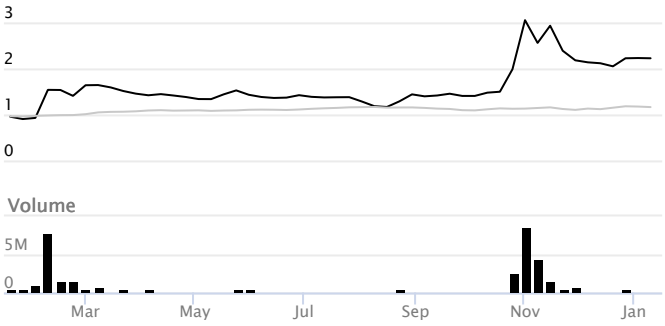
**Publication date**
January 18 2022

## Redeye Rating




## Snapshot

**Avtech Sweden**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | David Rytter |
| **Chairman** | Bo Redeborn |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 3.0 |
| **Number of shares (M)** | 56.5 |
| **Market cap (MSEK)** | 169 |
| **Net debt (2022E, MSEK)** | -12 |

**Analyst**



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

**Conflict of interests**

Mattias Ehrenborg owns shares in Avtech Sweden: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020E** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 12 | 12 | 17 | 24 |
| *Growth* | *-23.8%* | *2.3%* | *38.0%* | *43.0%* |
| EBITDA | 0 | -2 | 1 | 5 |
| *EBITDA margin* | *Neg* | *Neg* | *5.1%* | *20.8%* |
| EBIT | -2 | -3 | -1 | 5 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *18.7%* |
| Pre-tax earnings | -2 | -3 | -1 | 5 |
| Net earnings | -2 | -3 | -1 | 4 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *14.9%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.04 | -0.06 | -0.02 | 0.06 |
| P/E adj. | -41.1 | -25.4 | -79.0 | 22.3 |
| EV/S | 6.1 | 6.6 | 4.1 | 2.7 |
| EV/EBITDA | -194.1 | -52.4 | 79.3 | 13.1 |

Last updated: 2022-01-17

| Owner | Equity | Votes |
|---|---|---|
| Avanza Pension | 14.2% | 6.4% |
| Christer Fehrling | 6.4% | 11.4% |
| Johnny Olsson | 6.1% | 19.0% |
| Christian Dahl | 5.3% | 2.4% |
| Lars Bäckvall | 3.0% | 4.7% |
| Mats Tonsjö | 3.0% | 2.8% |
| Saxo Bank A/S Client Assets | 2.4% | 1.1% |
| Lars Wahlund | 1.9% | 0.9% |
| Bo Redeborn | 1.8% | 5.5% |
| Peter Muth | 1.6% | 0.7% |

## Company description

AVTECH is the current world-leader in software solutions for a full flight and time-based operations. After years of significant research and commercialization issues, the company has materialized contracts with Southwest Airlines, Easyjet, Norweigan, Eurowings, Lufthansa Cargo etcetera.

Southwest Airlines (SWA) is one of the largest commercial airlines in the world and AVTECH's biggest revenue contributor.

## Investment case

- Attractive market outlook & trends
- High operating leverage
- Southwest Airlines partnership
- Met Office Partnership

**Attractive market outlook & trends**

Squeezed profit margins characterise the airline industry, and Jet fuel accounts for a significant share of airline operators' OPEX. Through AVTECH's offering, customers can achieve fuel savings of around 3%, which immediately affects the margin from day 1. Furthermore, a significant reduction of CO2 emissions is made. AVTECH's value proposition is further supported by increasing high-level recruitment of sustainability experts – to whom AVTECH's offering should be considered a low hanging fruit – especially since it is easy to install and has a short payback period. We understand AVTECH is in several discussions with a variety of airlines and is receiving positive feedback from the ones who have tested the product. As such, we believe additional contracts could be signed in the near term.

**High operating leverage**

AVTECH currently has SEK 12m in sales and enjoys high gross margins (close to 100%). It currently employs 8 FTE, and given no CAPEX or Working capital needs and limited R&D spending – we see the OPEX base being relatively intact in coming years. When AVTECH signs new customer contracts, the proceeds have a high drop-through rate to the EBITDA. As such, we see the EBITDA margin scaling from 9% in 2021 to 42% in 2023

**Southwest Airlines partnership**

Southwest Airlines is the largest low-cost carrier in the world, and it has been AVTECH's largest customer since 2014. We believe the partnership truly verifies AVTECH's offering, making it easier to approach new customers with credibility. Also, the contract generates significant revenues for AVTECH. In October 2021, a 3-month trial period for Aventus Cruise was utilised on Southwest's fleet, and a contract was formalised in January 2022 after the trial ended. The total combined revenue of these contracts amounts to SEK 11 - SEK 15m p.a.

**Met Office Partnership**

The partnership with Met Office creates a long term value for AVTECH. The product offering becomes more valuable on the market at the same time as the cost is reduced for AVTECH. This collaboration will also create value in new additional services in the product offering.

**Investment Risks**

The company's largest single risk is that of full flight planning system providers searching for less competitive arenas and successfully developing equivalent products, thereby bypassing the patent protection. This would significantly impair the projected intake of contracts and revenue estimates. Other significant risks include; prolonged procurement processes due to regulatory or organizational circumstances, risk of significant estimation deviation due to limited pricing transparency of current contracts, and the possibility of extended procurement processes due to priorities of cost-savings actions.

## Catalyst types

**Commercial launch of AVTECH's tablet app**

The company currently awaits approval from EASA (European Union Aviation Safety Agency). This enables AVTECH to launch a premium version of the app. It is always uncertain how well freemium-users convert to paying users. Before we know when the premium version is ready for launch and how well users convert at launch, we will have fairly low expectations on the commercial impact.

**New contracts within the Lufthansa Group**

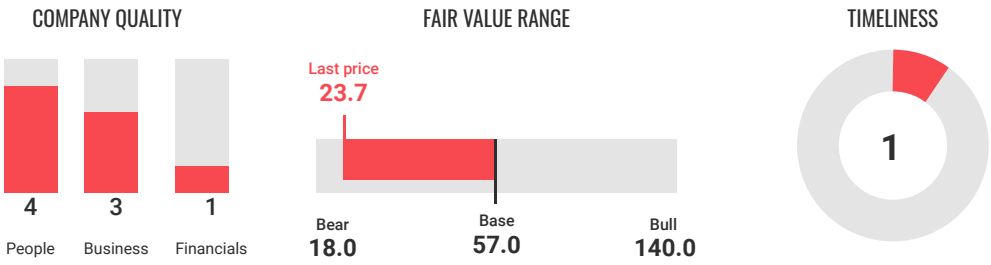
We expect AVTECH to sign 1-3 contracts with airlines within the Lufthansa Group between 2021-2022. These events will most likely move the stock upward, but we estimate the financial impact will occur earliest in H2 2021. There are also several other potential customers in the pipeline.

# Axichem AXIC A

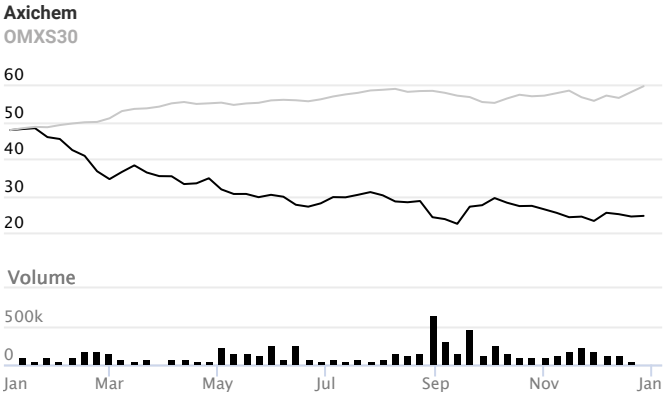
**Company page**
https://www.redeye.se/company/axichem

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Torsten Helsing |
| **Chairman** | Jan Gustavsson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 23.7 |
| **Number of shares (M)** | 16.5 |
| **Market cap (MSEK)** | 392 |
| **Net debt (2022E, MSEK)** | -52 |

**Analyst**



Erik Nordström
erik.nordstrom@redeye.se

**Conflict of interests**

Erik Nordström owns shares in Axichem: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E |
|---|---|---|---|
| Revenue, MSEK | 1 | 3 | 50 |
| *Growth* | *>100%* | *>100%* | *>100%* |
| EBITDA | -11 | -15 | 13 |
| *EBITDA margin* | *Neg* | *Neg* | *27.9%* |
| EBIT | -13 | -25 | 6 |
| *EBIT margin* | *Neg* | *Neg* | *12.1%* |
| Pre-tax earnings | -13 | -25 | 6 |
| Net earnings | -13 | -25 | 6 |
| *Net margin* | *Neg* | *Neg* | *12.1%* |
| Dividend/Share | -0.85 | -1.59 | 0.38 |
| EPS adj. | -0.85 | -1.59 | 0.38 |
| P/E adj. | N/A | N/A | N/A |
| EV/S | N/A | N/A | N/A |
| EV/EBITDA | N/A | N/A | N/A |

Last updated: 2021-09-09

| Owner | Equity | Votes |
|---|---|---|
| Manakin Ltd | 11.8% | 11.8% |
| SIX SIS AG | 11.5% | 11.5% |
| LMK-bolagen & Stiftelse | 10.9% | 10.9% |
| Avanza Pension | 8.3% | 8.3% |
| Futur Pension | 3.5% | 3.5% |
| Nordnet Pensionsförsäkring | 3.1% | 3.1% |
| Per Vasilis | 2.5% | 2.5% |
| Rolf Kraft | 2.0% | 2.0% |
| Redotem AB | 1.9% | 1.9% |
| Hans Sköld | 1.1% | 1.1% |

## Company description

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

## Investment case

- The potential of the products
- Beneficial market trends
- Compelling study results
- Regulatory approvals in place

### Investment Case

**The potential of the products**

aXiphen as an additive in animal feed has two main advantages. On the one hand it prevents salmonella and on the other hand it increases the growth of chickens. The fact that aXiphen prevents salmonella makes the product particularly interesting for chicken and pig breeders. Furthermore, aXichem's product aXivite recently displayed good results in a clinical study, proving that it has a significant effect in decreasing the percentage of body fat while also improving muscle weight - a combination that consumers of weight management products highly appreciate.

**Beneficial market trends**

The regulatory restrictions on antibiotics are being tightened, especially in the EU, which is increasing the need for aXiphen. High demand means that the company can charge well for the product and thereby reach high margins. We believe that the current market situation strengthens the investment case.

**Compelling study results**

In 2016, the company focused on producing data that proves the effectiveness of aXiphen as an additive in chicken feed. An extensive field study was conducted and the final report was positive and surpassed previous studies regarding aXiphen as an inhibitor against salmonella as well as its property as a growth promoter for chickens. aXichem conducted two studies in China, where the climate in the first study became too cold to confirm possible salmonella effects. However, the study showed that chickens that received aXiphen in the feed had a weight gain of about 5 percent compared with chickens that did receive traditional feed. A new study was later conducted to evaluate the salmonella effect. In that study, an average increase in growth of 9 percent was shown as well as a clear positive effect in reducing the incidence of salmonella. The results from the study showed neither salmonella in the appendix nor the spleen of the chickens that received aXiphen in the feed. This can be compared with 28 percent and 8 percent in the control group, respectively. Furthermore, aXichem communicated positive results in 2017 from the tests that the company carried out togetherwith feed manufacturers in Europe. In chicken breeding, the tests showed positive results both as a growth promoter and as a salmonella inhibitor.

**Regulatory approvals in place**

During the last three years, the company has taken several important steps towards commercialization. In 2018, aXichem received a GRAS Food approval, which opens up the US market where aXiphen can be used as an additive in, for example, dietary supplements and food. Furthermore, at the end of 2019, aXichem achieved a decisive milestone in the form of a Novel Food approval for the very important EU market. According to the company, the process with GRAS Feed is expected to move on to the next step during the second half of 2021, which would open up the large US market for feed. In addition, aXichem is working for a registration in Thailand, which is also a very interesting feed market.

## Catalyst types

**GRAS Feed approval**

The GRAS Feed approval has taken longer than we initially expected. Regulatory processes are always difficult to assess but we expect that it should come in 2022. With an approval in place, aXichem can begin to process the US market for feed. The company received GRAS Food approval in April 2018 and the probability for receiving a Feed approval is high, in our view. Although an approval is expected by the market, we still believe that it will act as a catalyst for the stock.

**Commercial breakthrough**

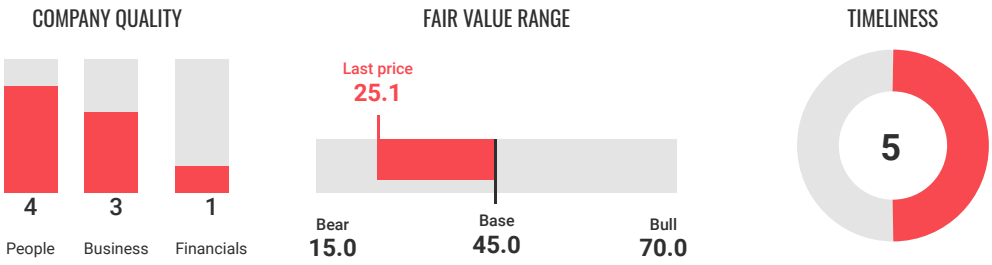
aXichem has during 2021 an order of 10 tonnes of aXiphen feed to its distribution partner Chr. Olesen, and the awaited commercialization is approaching. When companies go from research phase to market and sales phase, large shareholder values can be created. At the same time, it is often hard to estimate the time it takes and the resources it requires. We have a positive view of the progress made by aXichem, the study data that exists and the production problems that the company has resolved. Demand is high and the product is unique. We foresee a sales ramp-up in 2022 and believe that new orders will act as strong catalysts for the stock.

# Azelio AZELIO

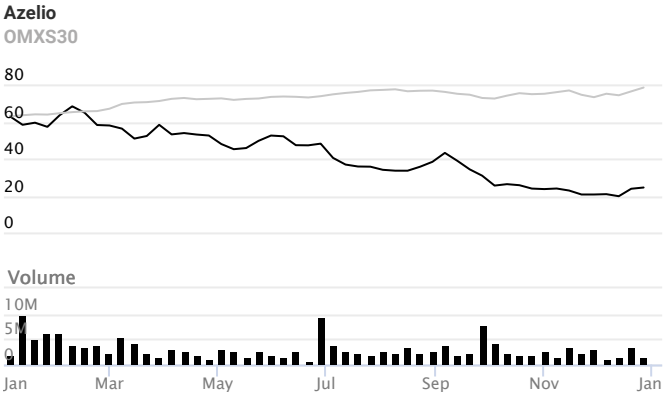
**Company page**
https://www.redeye.se/company/azelio

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Jonas Eklind |
| **Chairman** | Bo Dankis |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 25.1 |
| **Number of shares (M)** | 115.9 |
| **Market cap (MSEK)** | 2,913 |
| **Net debt (2022E, MSEK)** | 11 |

**Analyst**



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

**Conflict of interests**

Mattias Ehrenborg owns shares in Azelio: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 1 | 56 | 1,401 | 4,019 |
| *Growth* | *-35.7%* | *>100%* | *>100%* | *>100%* |
| EBITDA | -171 | -282 | -157 | 447 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *11.1%* |
| EBIT | -192 | -318 | -206 | 396 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *9.9%* |
| Pre-tax earnings | -193 | -321 | -212 | 374 |
| Net earnings | -193 | -251 | -165 | 292 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *7.3%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -1.85 | -2.18 | -1.43 | 2.54 |
| P/E adj. | -7.6 | -9.4 | -14.2 | 8.0 |
| EV/S | 1,090.6 | 35.0 | 1.7 | 0.6 |
| EV/EBITDA | -6.8 | -6.9 | -15.0 | 5.5 |

Last updated: 2021-11-29

| Owner | Equity | Votes |
|---|---|---|
| Kent Janér | 15.4% | 15.4% |
| Avanza Pension | 5.2% | 5.2% |
| Capital Group | 5.0% | 5.0% |
| Braginsky Family Office AG | 3.5% | 3.5% |
| Jim O'Neill | 2.9% | 2.9% |
| Argenta Asset Management SA | 2.1% | 2.1% |
| Nordnet Pensionsförsäkring | 1.6% | 1.6% |
| RAM Rational Asset Management | 1.3% | 1.3% |
| Alfred Berg Fonder | 1.1% | 1.1% |
| Byggmästare Anders J Ahlström Holding | 1.0% | 1.0% |

## Company description

Azelio offers a renewable energy storage solution, based on either thermal energy such generated from concentrated solar power (CSP) or electricity generated from photovoltaics (PV) and wind power. The company, listed on NASDAQ First North in December 2018, has around 180 employees and a market cap of around SEK 2.4bn.

The company's core technology is a thermal energy storage (TES) that efficiently converts thermal energy to electricity and heat via a Stirling engine at all hours of the day. The solution is modular, and adaptable in different scale and is offered as an off-grid solution to communities or industries, weak grids for the commercial and industrial sectors. On grid installations are also relevant for balancing of the grid – a challenge that arises as renewable technologies are growing in traditional grid systems. As for example in California.

## Investment case

- Huge potential market
- Strong value proposition
- Geared for substantial growth
- At an inflection point

**Huge potential market**

During the last decade, investments into renewable energy sources have soared, spurred by environmental awareness and lower costs for solar and wind power. However, the increased degree of renewable electricity generation creates issues by its intermittent production while the population grows in remote parts of the world. Today, about 1 billion people lack access to electricity and another two billion people lack access to a stable grid. To solve this major issue, about 220 billion USD needs to be invested to bring about 500m people onto microgrids by 2030.

**Strong value proposition**

Azelio offers a unique 24h dispatchable thermal energy storage solution at a projected LCOE of 93MWh, which is estimated to be 30% respectively >50% cheaper than comparable Li-ion and diesel gensets in many cases. The solution is now also partly verified in commercial scale, with investments of more than SEK 1bn into its solution. The very large interest is further verified by around 110 interest enquiries received so far, amounting to SEK 170bn.

**At an inflection point**

The stock market's interest in the share has been volatile so far, following the surge in 2020, and decline in 2021. We believe investors are cautious about a new solution that is yet to see significant order intake. We argue that Azelio is at an inflection point, where the commercial verification of the solution will emerge into an even increased interest from the potential customer pipeline as well as larger institutional investors at the stock market looking for an ESG-play. Anyhow, at this point, we find the business case attractive, based on the solid financial outlook further sparred by, in our view, a solid management team.

**Counter thesis**

In our view, the case in Azelio faces certain challenges increasing the risk;

i) Working towards verification in real life conditions
ii) Risk of delays
iii) Large ambitions - High burn rate
iiii) Market dynamics

## Catalyst types

**Additional orders**

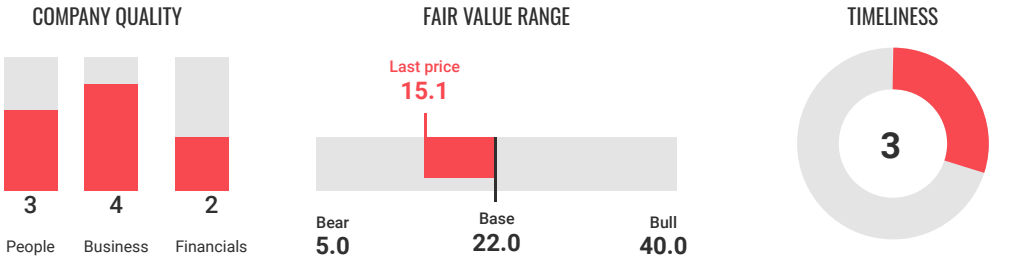
We regard additional orders as the most likely catalyst in the near term. Azelio has reached its final step ahead of commercialisation, which is initiating production. It is now ready to build an order book that is ready to be converted into deliveries and sales. Already existing MoUs should be the main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

# Bambuser BUSER

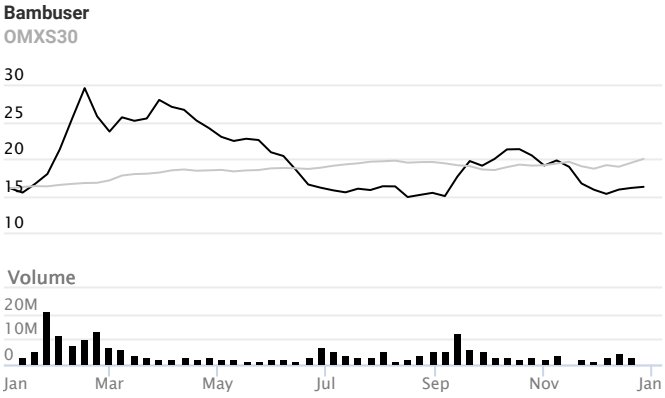
**Company page**
https://www.redeye.se/company/bambuser

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Maryam Ghahremani |
| **Chairman** | Joel Citron |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 15.1 |
| **Number of shares (M)** | 207.0 |
| **Market cap (MSEK)** | 3,124 |
| **Net debt (2022E, MSEK)** | -469 |

**Analyst**



Mats Hyttinge
mats.hyttinge@redeye.se

**Conflict of interests**

Mats Hyttinge 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

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 31 | 137 | 277 | 408 |
| *Growth* | *>100%* | *>100%* | *>100%* | *47.2%* |
| EBITDA | -58 | -147 | -38 | 9 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *2.2%* |
| EBIT | -63 | -192 | -122 | -81 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -63 | -191 | -122 | -81 |
| Net earnings | -63 | -192 | -122 | -81 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.38 | -0.93 | -0.56 | -0.36 |
| P/E adj. | -43.7 | -22.1 | -36.9 | -56.6 |
| EV/S | 79.7 | 27.1 | 14.6 | 10.4 |
| EV/EBITDA | -42.5 | -25.2 | -106.1 | 464.9 |

Last updated: 2021-11-10

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Muirfield Invest Aktiebolag | 10.3% | 10.3% |
| Brightfolk A/S | 9.7% | 9.7% |
| Handelsbanken Fonder | 6.2% | 6.2% |
| TIN Fonder | 6.2% | 6.2% |
| Avanza Pension | 5.9% | 5.9% |
| Harmony Partners LLC | 5.1% | 5.1% |
| JP Morgan Clearing Corp W9 | 5.1% | 5.1% |
| Goldman Sachs & Co. | 4.6% | 4.6% |
| TAH Management LP | 4.4% | 4.4% |
| State Street Bank And Trust co | 4.3% | 4.3% |

## 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

- Scalable SaaS Business Model
- Market Leadership
- Attractive Exposure to the Live Shopping Market
- Accelerated Demand in Light of Covid-19

**Scalable SaaS Business Model**

Bambuser announced its transition to a SaaS business and delivery model in late 2019. Due to software license renewals/upsells, usage-based sales, and low churn, the current model is highly scalable. Based on some disclosed agreements, we reason that one enterprise license could be worth >100,000 SEK in fixed MRR. We anticipate meaningful usage-based sales once the market matures in some years, providing added optionality.

**Market Leadership**

Bambuser enjoys market leadership as a live shopping software provider in the B2B segment. Essentially, industry peers have not managed to keep up in 1) attracting as much capital; 2) gaining as many/qualitative customers; 3) increasing their headcount; and 4) generating as much media recognition. Bambuser expects to continue capitalizing on its first-mover advantage.

**Attractive Exposure to the Live Shopping Market**

Live shopping is relatively novel in the West – perhaps 5-10 years behind China. According to analyst reports, live shopping initiated sales in the US will account for single-digit ppts of the overall e-commerce market in 2022. If China is to provide some guidance, the industry could become a >$100bn opportunity in some years.

**Accelerated Demand in Light of Covid-19**

Global retail took a severe beating in 2020 following the pandemic and its lockdowns. The value of live shopping becomes evident in this setting – an interactive and innovative solution for brands and retailers to communicate with their customers remotely. Since recovering from the pandemic and transitioning to steady states, it is clear that consumer behavior and digitalization have matured years ahead of time. Traditional retail locations feel an urge to invest in digital capabilities, benefitting Bambuser.

## Catalyst types

**Significant MRR and Top-Line Growth**

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

**M&A**

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

**Lighthouse Customer Agreements**

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

**Early Signs of Significant Usage Revenue Potential**

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

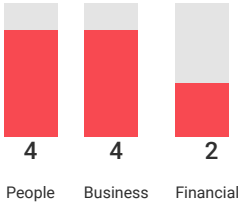
# Beijer Group BELE

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

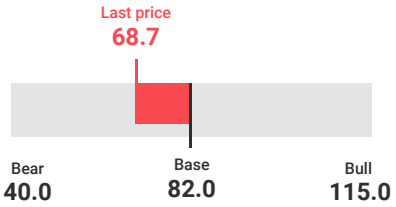
**Publication date**
January 11 2022

## Redeye Rating

COMPANY QUALITY




FAIR VALUE RANGE




TIMELINESS




## Snapshot

**Beijer Group**
OMXS30




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Per Samuelsson |
| **Chairman** | Bo Elisson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 68.7 |
| **Number of shares (M)** | 29.0 |
| **Market cap (MSEK)** | 1,989 |
| **Net debt (2022E, MSEK)** | 385 |

**Analyst**



Mark Siöstedt
mark.siostedt@redeye.se

**Conflict of interests**

Mark Siöstedt owns shares in Beijer Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 1,438 | 1,616 | 1,925 | 2,124 |
| *Growth* | *-7.8%* | *12.4%* | *19.1%* | *10.4%* |
| EBITDA | 164 | 205 | 370 | 521 |
| *EBITDA margin* | *11.4%* | *12.7%* | *19.3%* | *24.5%* |
| EBIT | 15 | 88 | 221 | 342 |
| *EBIT margin* | *1.1%* | *5.5%* | *11.5%* | *16.1%* |
| Pre-tax earnings | -5 | 72 | 208 | 335 |
| Net earnings | -6 | 56 | 165 | 265 |
| *Net margin* | *Neg* | *3.5%* | *8.6%* | *12.5%* |
| Dividend/Share | 0.00 | 0.00 | 1.71 | 2.75 |
| EPS adj. | -0.21 | 1.97 | 5.70 | 9.16 |
| P/E adj. | -538.4 | 56.6 | 19.5 | 12.2 |
| EV/S | 2.6 | 2.3 | 1.9 | 1.6 |
| EV/EBITDA | 22.7 | 18.2 | 9.7 | 6.6 |

Last updated: 2021-11-15

| Owner | Equity | Votes |
|---|---|---|
| Stena | 29.4% | 29.6% |
| Svolder | 15.1% | 15.2% |
| Nordea Fonder | 12.4% | 12.5% |
| Fjärde AP-fonden | 9.4% | 9.5% |
| Cliens Fonder | 3.6% | 3.6% |
| Humle Fonder | 2.5% | 2.5% |
| Tredje AP-fonden | 2.5% | 2.5% |
| Torsten Bjurman | 2.0% | 2.0% |
| Nicolas Hassbjer | 1.8% | 1.9% |
| Avanza Pension | 1.0% | 1.1% |

## Company description

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

## Investment case

- Favorable profitability prospects: We see room for additional profitability improvements through higher sales volumes and improved gross margins thanks to its updated product portfolios and many design wins.
- Digitalization to drive growth. Beijer Group is well-positioned to profit from increased digitalization investments in the industry and general infrastructure. The group's target segments are forecasted to grow at a CAGR of between 7% and 15% over the coming years.
- Strengthened by recent acquisitions: The three latest additions to Westermo are enhancing the entity's offering and the group's long-term competitiveness in key areas such as train networks, trackside, and power distribution.

**Little optimism priced in**

Redeye argues that Beijer Group offers investors a compelling combination of steady organic growth (and some acquired), coupled with margin expansion and a good chance of multiple rerating. The company trades at a significant discount compared to both Nordic industrial peers and international peers in the same industry.

**Operating leverage and volume**

We expect Beijer Group to achieve significantly better EBIT margins (~15%), on the back of increased volumes and operational excellence. Further efficiencies in the supply chain could improve the gross margin by a couple of percentage points, and the current SG&A levels are capable of handling sales volumes that are ~30% above today's levels (i.e., SEK >2bn).

**Reasons to why volumes are on the way**

Beijer Group's management has invested heavily into R&D since 2016 and it has, as a percentage of revenues, been around 11-13% per year (expensed and capitalized). The company has also made several bolt-on acquisitions (Neratec, Virtual Access, and most recently ELTEC) that have added both new products and valuable customer relations. The combination of focused R&D spending and bolt-on acquisitions have led Beijer Group to have one of the most complete and competitive product portfolios out in the market, translating into evermore and larger design wins and a network of pleased customers. Almost 70% of all sales derive from new products that have been launched in the last five years and the payback time is on average 2-3 years (i.e., good return on investment on the R&D).

Beijer Group's business model builds on a high degree of close collaborations with customers in long-term development projects. Finished products (HMIs, ethernet switches, routers, etc.) are often specific to and embedded in the customers' end-products/solutions. A design win can generate repeatable and stable revenues for a long time (product cycles can be up to ten years). Beijer Group does not typically need any major sales efforts after a win, as its customers sell the complete products/solutions to their end customers. Thus, Beijer Group grows with its customers. Moreover, ongoing collaborations also offer an opportunity for business expansion, for example, in the form of software upgrades or new design wins.

**Counter-thesis points**

Beijer Group has a lackluster history of profitability with low return on invested capital numbers. It operates in cyclical industries, which became especially evident during the Covid-19 pandemic, where sales shrunk and profits vanished. It also operates in highly competitive markets where cheaper alternatives often are available (Beijer Group competes mainly on quality, operational safety, and functionality).

## Catalyst types

**New acquisition**

Beijer Group has a history of acquisitions and continuously evaluates new prospects. As we deem its turnaround to be a fact and see a strengthened balance sheet, there is an increased likelihood of new acquisitions during the coming years. Virtual Access, Neratec, and ELTEC are all value-accretive bolt-on acquisitions adding to the group's long-term competitiveness. The last three have targeted the WeGrow initiative: train networks, trackside, and power distribution.

**Traction leading to profitable volumes**

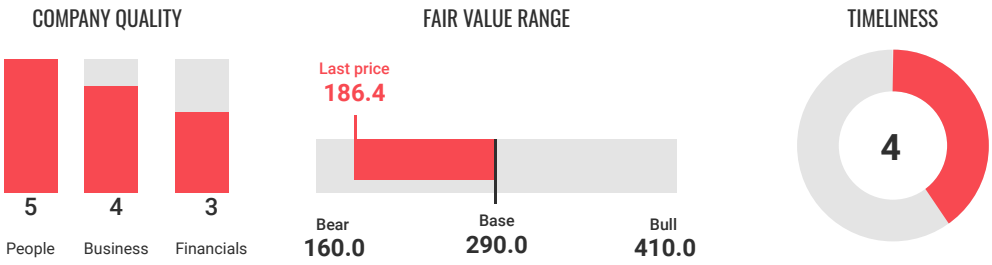
Redeye is optimistic about Beijer Group in the long term and wants to emphasize the rejuvenation of the product portfolio, which seems to gain traction among demanding customers. We argue that the most relevant share price drivers are reports showing greater profitability improvements. We will keep our eyes open on any news regarding the inroads into new segments, such as power distribution and rail infrastructure.

# Better Collective BETCO

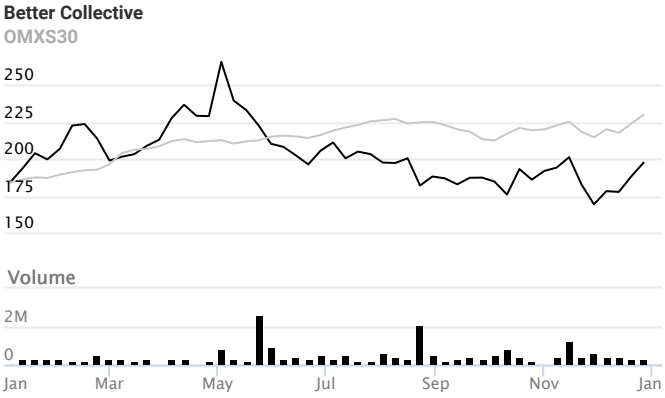
**Company page**
https://www.redeye.se/company/better-collective

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Jesper Søgaard |
| **Chairman** | Jens Bager |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 186.4 |
| **Number of shares (M)** | 54.8 |
| **Market cap (MSEK)** | 10,221 |
| **Net debt (2022E, MEUR)** | 50 |

**Analyst**



Hjalmar Ahlberg
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**Conflict of interests**

Hjalmar Ahlberg owns shares in Better Collective: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MEUR | 91 | 181 | 245 | 295 |
| *Growth* | *35.2%* | *98.8%* | *35.1%* | *20.4%* |
| EBITDA | 38 | 56 | 78 | 100 |
| *EBITDA margin* | *41.9%* | *31.1%* | *32.0%* | *34.0%* |
| EBIT | 30 | 48 | 71 | 94 |
| *EBIT margin* | *33.3%* | *26.6%* | *29.1%* | *32.1%* |
| Pre-tax earnings | 28 | 40 | 69 | 94 |
| Net earnings | 21 | 29 | 52 | 69 |
| *Net margin* | *23.9%* | *19.0%* | *21.3%* | *23.6%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.47 | 0.64 | 0.97 | 1.30 |
| P/E adj. | 31.8 | 28.0 | 18.5 | 13.9 |
| EV/S | 8.1 | 5.8 | 4.1 | 3.3 |
| EV/EBITDA | 19.4 | 18.8 | 13.0 | 9.6 |

Last updated: 2021-09-22

| Owner | Equity | Votes |
|---|---|---|
| Jesper Søgaard | 19.7% | 19.7% |
| Christian Kirk Rasmussen | 19.7% | 19.7% |
| Diff För Xdb I Ägares Ställe | 12.0% | 12.0% |
| Chr. Augustinus Fabrikker A/S | 4.7% | 4.7% |
| State Street Bank And Trust co | 4.5% | 4.5% |
| Tredje AP-fonden | 3.9% | 3.9% |
| Andra AP-fonden | 3.6% | 3.6% |
| The Bank of New York Mellon SA/NV | 2.7% | 2.7% |
| Ålandsbanken I Ägares Ställe | 2.5% | 2.5% |
| Danica Pension | 2.5% | 2.5% |

## Company description

Better Collective is the No. 1 sports betting affiliate in the world and a leading developer of educational platforms in the online gambling industry. In total, the group has a vast network of educational sites and several thousand content sites as well as paid media products. Through its products, the company aims to make sports betting and gambling entertaining, transparent, and fair for the global network of online bettors.

## Investment case

- Quality communities and brands
- Strong vertical
- Value-adding M&A
- 'Skin in the game'

Through sites like bettingexpert.com that create real value for customers, Better Collective is building its affiliate network for the long term and attracting revenue share-based partnership agreements. Its community sites are also creating a network effect. The company is also focusing on locally strong brands/domains with strong traffic volumes that the company can increase as well as capitalize on. Moreover, much of the traffic to the sites is direct, leading to limited dependence on Google.

Better Collective's focus on sports betting positions it in an area with significant potential. Sports betting is growing faster than the casino segment and is less challenging from a regulatory perspective. The main driver is the shift from land-based to online and smartphones, which suites sports betting very well. The sports betting vertical is also suitable for communities as tips and knowledge-sharing are beneficial for the users. Moreover, the US market is opening up and could exceed its European counterpart within 10 years. In addition, several high potential markets are opening in South America too.

Better Collective´s good reputation within the industry and solid financial position enable it to acquire superior targets than competitors, in our view. To create long-term value Better Collective makes sure to integrate the employees and creators responsible for its acquisitions' past success. Keeping them on board is key to maintaining high performance. In addition, Better Collective's platform enables swift and smooth integration of the acquired site network.

Better Collective's ownership structure involves almost all of senior management and the board having 'skin in the game'. The CEO and COO control close to 50%, while the CFO also owns a substantial stake. The board holds close to 5%. With this level of shareholder alignment in the business, we anticipate dedication and shareholder-friendly decisions.

## Catalyst types

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

**Improved multiples**
Investors value the affiliate industry at very low multiples since they expect EPS to decline. If EPS is maintained or improved, however, we believe the multiples will increase.

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

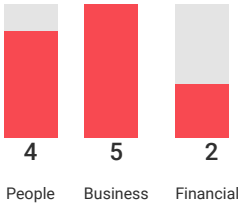
# BIMobject BIM

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

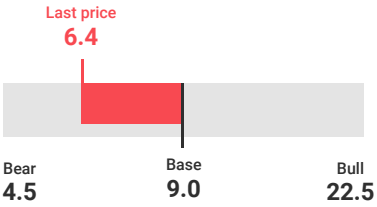
**Publication date**
January 10 2022

## Redeye Rating

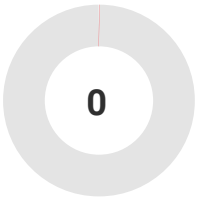
COMPANY QUALITY




FAIR VALUE RANGE

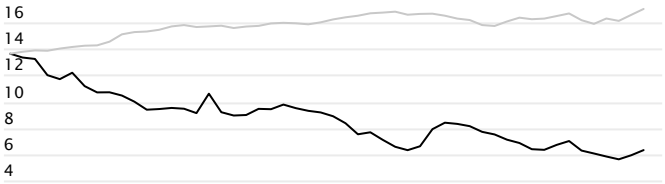



TIMELINESS




## Snapshot

**BIMobject**
OMXS30







| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Carl Silbersky |
| **Chairman** | Johan Svanström |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 6.4 |
| **Number of shares (M)** | 139.3 |
| **Market cap (MSEK)** | 892 |
| **Net debt (2022E, MSEK)** | -222 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in BIMobject: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 137 | 123 | 145 | 179 |
| *Growth* | *2.0%* | *-10.0%* | *18.0%* | *22.9%* |
| EBITDA | -63 | -77 | -49 | -35 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -72 | -85 | -57 | -43 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -82 | -81 | -57 | -43 |
| Net earnings | -82 | -81 | -57 | -43 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.59 | -0.58 | -0.42 | -0.31 |
| P/E adj. | -23.9 | N/A | N/A | N/A |
| EV/S | 11.9 | N/A | N/A | N/A |
| EV/EBITDA | -25.6 | N/A | N/A | N/A |

Last updated: 2021-11-11

| Owner | Equity | Votes |
|---|---|---|
| Euroclear Bank S.A/N.V | 13.5% | 13.5% |
| EQT | 11.1% | 11.1% |
| Swedbank Robur Fonder | 8.6% | 8.6% |
| Avanza Pension | 8.0% | 8.0% |
| TIN Fonder | 7.4% | 7.4% |
| Jan Karlander | 5.4% | 5.4% |
| Stefan Larsson | 5.0% | 5.0% |
| Berenberg Funds | 3.4% | 3.4% |
| Phillippe Butty | 2.5% | 2.5% |
| Nordnet Pensionsförsäkring | 2.5% | 2.5% |

## Company description

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

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

## Investment case

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

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

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

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

**The most important initiatives include;**

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

The cost reduction program has been successfully implemented. While the other initiatives have not resulted in increasing ARR growth yet, management has implemented several changes that we believe will result in faster ARR from now on.

**High earnings potential**
With i) attractive sales growth opportunities, ii) a competitive product offering for manufacturers and iii) a scalable business model with a high degree of recurring revenues, we argue that BIMobject is well-positioned for high profitability in the long-term. As the global leading BIM-library provider, acting as the market consolidator, growth will be the main focus in the next coming years.

## Catalyst types

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

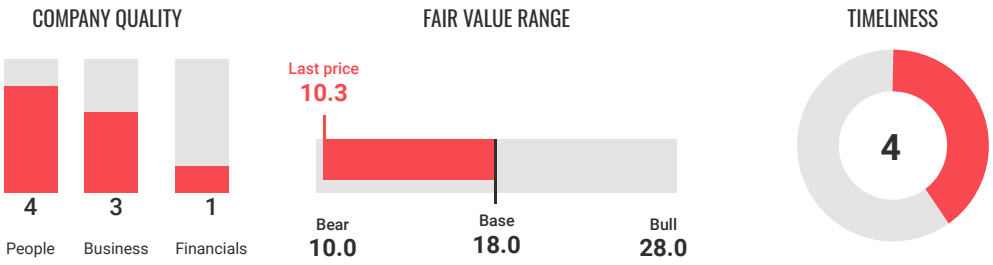
**Profitable growth**
Historically, BIMobject has been growing sales significantly but also raised its OPEX at the same pace. The company is now at a point where increased sales can emerge into improved profitability, and later on to black numbers. Turning the trend around in a first step, and secondly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

# Bioservo Technologies BIOS

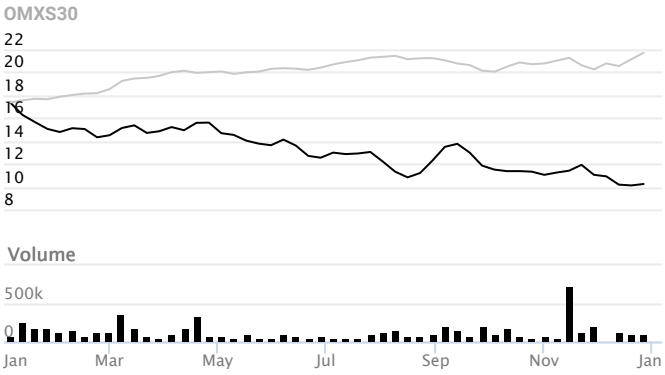
**Company page**
https://www.redeye.se/company/bioservo-technologies

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Petter Bäckgren |
| **Chairman** | Anders Lundmark |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 10.3 |
| **Number of shares (M)** | 19.0 |
| **Market cap (MSEK)** | 195 |
| **Net debt (2022E, MSEK)** | -43 |

**Analyst**



Mats Hyttinge
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**Conflict of interests**

Mats Hyttinge owns shares in Bioservo Technologies: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 12 | 8 | 30 | 48 |
| *Growth* | *25.8%* | *-28.8%* | *>100%* | *61.8%* |
| EBITDA | -22 | -29 | -23 | -20 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -26 | -33 | -26 | -23 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -26 | -33 | -24 | -22 |
| Net earnings | -26 | -33 | -19 | -17 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -1.82 | -1.77 | -1.04 | -0.93 |
| P/E adj. | -9.5 | -6.9 | -11.7 | -13.2 |
| EV/S | 18.9 | 21.2 | 6.4 | 4.3 |
| EV/EBITDA | -9.9 | -5.9 | -7.9 | -9.9 |

Last updated: 2021-11-09

| Owner | Equity | Votes |
|---|---|---|
| Tellacq AB | 20.8% | 20.8% |
| Anders Lundmark | 9.7% | 9.7% |
| Avanza Pension | 6.7% | 6.7% |
| Tomas Ward | 4.2% | 4.2% |
| Adrigo Asset Management | 3.3% | 3.3% |
| Magnus Lundberg | 2.8% | 2.8% |
| Simon Josefsson Datakonsult AB | 2.7% | 2.7% |
| Dobono AB | 2.0% | 2.0% |
| Bfcm P/C Bfcm Sweden Opcvm Lt | 1.9% | 1.9% |
| Jens Miöen | 1.2% | 1.2% |

## Company description

Bioservo is a tech/MedTech company founded in 2006 by collaborating with Kungliga Tekniska Högskolan and doctors at Karolinska Hospital in Stockholm. The SEM™ technology was developed during the 2000s and patented in 2006 and is the base of the company's products.

Through collaborations and partnerships, the company has continued to develop its products within the soft exoskeleton field with applications that are suitable both in an industrial setting and in the medical area to prevent injuries in the industry and work as a rehabilitation tool in the medical environment. The company has entered into agreements and partnerships with reputable industrial players to develop and test the products. The primary fields have been within Automotive, with such companies as GM and Toyota. Within the aerospace field, collaborations with NASA and Airbus are the main parties. The technology development has taken time, and the actual commercialization process started in 2017 when the company was also listed at First North.

## Investment case

- Inflection point gettting closer
- Adressing two huge markets
- Strong position in the soft exoskeleton market for hands
- Strong partnerships should make the difference

### Inflection point getting closer

Bioservo has continued to develop its soft exoskeleton solutions for both industrial and healthcare use. There have been both clinical trials and trials with partners to build the product/solutions further. The commercialization process has been delayed by the Covid pandemic that brought the targeted industries to a standstill. With the ihand clinical trial soon to be completed and finalization of GM trials and positive feedback from Toyota, paired with a return to more normal business conditions,  we believe that Bioservo is approaching an inflection point regarding growth in the coming 6-12 months.

### Addressing two huge markets

The two markets targeted by Bioservo are huge. The TAM of the Industrial and Lifesscience market exceeds EUR xx bn and is expected to grow in high double-digit numbers in the coming years. The fundamentals, with increasing Musculoskeletal Disorders (MSD) or load damages in the industrial sector, are a real cost issue both for society and the employer. The aging population requires new solutions to deal with the effects of such problems as weak hands due to aging and Stroke, to name a few.

### Strong position in the soft exoskeleton market for hands

Bioservo has a very strong position in the soft exoskeleton market, especially regarding hands. Some competition addresses some of the same issues, but they are relatively alone in their niche in the soft solution, where most other competitors have rigid systems. The SEM™ technology has a strong patent with additions made with the new developments in sensors and other technologies introduced during last years.

### Strong partnerships should make the difference

The partnership list is very impressive. The SEM™ glove technology is a joint development project with GM and NASA, which is attractive regarding sales potential. Bioservo has entered into partnerships or collaborations with large companies in their focus verticals in the industry sector. In Automotive, Toyota is testing and providing feedback for development; in aerospace, in addition to Nasa, Airbus is also a partner. In the very large industry, Construction, the French construction company Eiffage is a partner. We believe that this will start to pay off in order in the coming years, even if the start has been a bit slow regarding orders.

## Catalyst types

**Finalizing GM trials**
The long term General Motors trials are to be finalized towards the end of 2021. Good signal value.

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

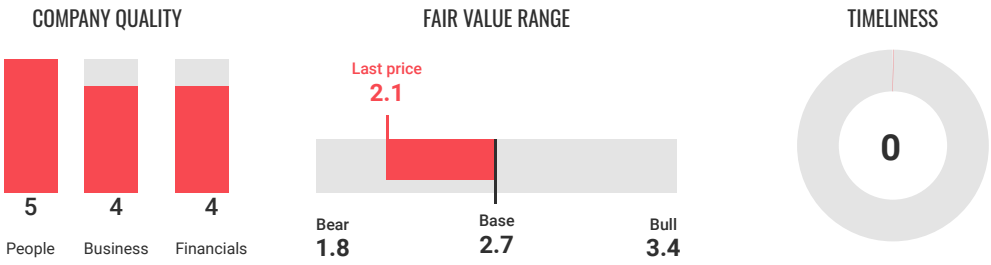
**Finalizing Toyota trials**
During 2022 the long term trials at Toyota are to be finalized. Potential large scale implementation.

# Bredband2 BRE2

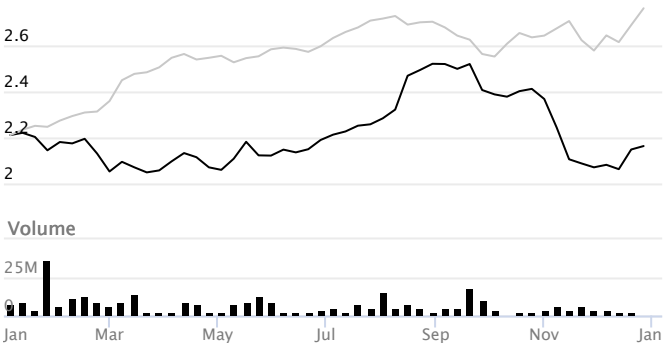
**Company page**
https://www.redeye.se/company/bredband2

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Daniel Krook |
| **Chairman** | Anders Lövgren |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 2.1 |
| **Number of shares (M)** | 957.1 |
| **Market cap (MSEK)** | 2,053 |
| **Net debt (2022E, MSEK)** | 295 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in Bredband2: No

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

## Financials

| | 2020E | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 788 | 1,523 | 1,667 | 1,784 |
| *Growth* | *17.5%* | *93.3%* | *9.4%* | *7.0%* |
| EBITDA | 50 | 93 | 159 | 125 |
| *EBITDA margin* | *6.3%* | *6.1%* | *9.5%* | *7.0%* |
| EBIT | 43 | 95 | 149 | 206 |
| *EBIT margin* | *5.4%* | *6.3%* | *8.9%* | *8.9%* |
| Pre-tax earnings | 42 | 53 | 137 | 201 |
| Net earnings | 39 | 49 | 107 | 157 |
| *Net margin* | *5.0%* | *3.2%* | *6.4%* | *8.8%* |
| Dividend/Share | 0.02 | 0.04 | 0.06 | 0.08 |
| EPS adj. | 0.04 | 0.05 | 0.11 | 0.16 |
| P/E adj. | 52.2 | 41.8 | 19.0 | 13.0 |
| EV/S | 3.4 | 1.7 | 1.4 | 1.2 |
| EV/EBITDA | 53.1 | 27.2 | 14.7 | 16.8 |

Last updated: 2021-11-23

| Owner | Equity | Votes |
|---|---|---|
| Anders Lövgren | 13.4% | 13.4% |
| Mark Hauschildt | 9.7% | 9.7% |
| Alcur Fonder | 9.6% | 9.6% |
| ODIN Fonder | 9.1% | 9.1% |
| Aeternum Capital AS | 4.9% | 4.9% |
| BI Asset Mgmt Fondsmaeglerselskab A/S | 3.0% | 3.0% |
| Futur Pension | 2.3% | 2.3% |
| State Street Bank And Trust co | 2.1% | 2.1% |
| Berenberg Funds | 2.1% | 2.1% |
| The Bank of New York Mellon SA/NV | 1.9% | 1.9% |

## Company description

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

## Investment case

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

### Surfing the fibre wave

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

### Integrating A3

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

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

### Higher dividend

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

### Main risks

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

## Catalyst types

**REVENUE GROWTH OUTPERFORM ESTIMATES**

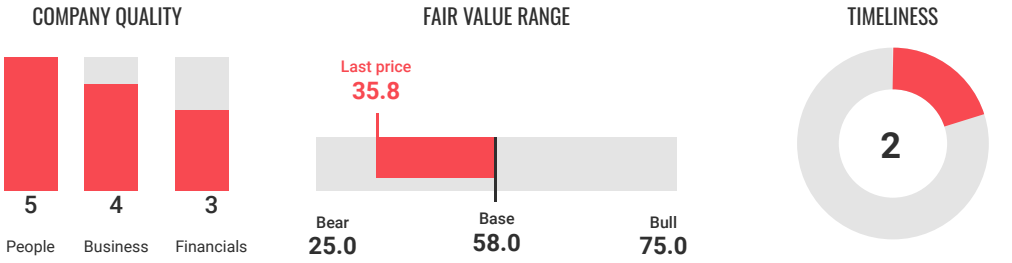
Higher growth rates than estimates would mean that the company handles the new market dynamics (mature fiber market) better than expected. Higher sales on the corporate side would also explain the higher growth rate.

# Carasent CARA

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

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Oslo Børs |
| **CEO** | Dennis Höjer |
| **Chairman** | Johan Lindqvist |

**Share information**

| | |
|---|---|
| **Share price (NOK)** | 35.8 |
| **Number of shares (M)** | 78.6 |
| **Market cap (MNOK)** | 2,811 |
| **Net debt (2022E, MNOK)** | -958 |

**Analyst**



Mark Siöstedt
mark.siostedt@redeye.se

**Conflict of interests**

Mark Siöstedt owns shares in Carasent: Yes

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **20/21** | **21/22E** | **22/23E** | **23/24E** |
| Revenue, MNOK | 71 | 138 | 219 | 268 |
| *Growth* | *47.3%* | *95.9%* | *58.1%* | *22.7%* |
| EBITDA | 23 | 50 | 83 | 108 |
| *EBITDA margin* | *33.0%* | *36.5%* | *38.0%* | *40.5%* |
| EBIT | 10 | 29 | 55 | 80 |
| *EBIT margin* | *15.1%* | *21.7%* | *25.3%* | *30.0%* |
| Pre-tax earnings | -35 | 3 | 59 | 85 |
| Net earnings | -38 | 3 | 50 | 72 |
| *Net margin* | *Neg* | *8.6%* | *25.0%* | *28.6%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.56 | 0.15 | 0.68 | 0.95 |
| P/E adj. | -202.6 | 735.2 | 164.1 | 117.1 |
| EV/S | 85.5 | -6.5 | 36.6 | 29.6 |
| EV/EBITDA | 258.8 | -17.8 | 96.4 | 73.1 |

Last updated: 2022-01-11

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| BNP Paribas Securities Services | 15.3% | 15.3% |
| Vitruvian Partners | 15.3% | 15.3% |
| Aeternum Capital AS | 13.3% | 13.3% |
| Swedbank AB | 10.3% | 10.3% |
| Avanza Bank AB | 5.4% | 5.4% |
| Danske Bank A/S | 5.0% | 5.0% |
| Swedbank AB | 4.9% | 4.9% |
| Swedbank Försäkring | 4.7% | 4.7% |
| BMO Global Asset Management | 4.4% | 4.4% |
| N.A., London Jpmorgan Chase Bank | 4.1% | 4.1% |

## Company description

Carasent is building a house of brands, focusing on e-health solutions such as EMR/EHR systems, health- and social care ERP, quality software, general IT, and add-ons. It acquired Evimeria in April 2018 (the purchase price was NOK 75m, or EV/S ~2.7x), Avans Soma in December 2020 (the price was NOK 126.7m, or EV/S ~5.3x), Metodika in May 2021 (the price was SEK 108m, or EV/S ~3.9x), and lastly, Medrave in December 2021 (the price was SEK 125m, or EV/S ~5.4x).

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. Avans Soma is a developer of leading medical record systems and IT solutions in the Norwegian health care market. Metodika is a leading provider of Enterprise Practice Management (EPM) solutions to independent hospitals and clinics across 10 European countries. Lastly, Medrave is a quality assurance software company mainly selling to primary care units (both private and public) in Sweden.

## 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 social care, 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. The reinvestments are both organic and inorganic.
- 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.

Carasent is an investment management company with a special focus on businesses that develop entrepreneurial and e-health solutions (EMR systems, IT solutions, and add-on software). The software as a service (SaaS) company has excellent unit economics (such as low churn, high net retention numbers, low customer acquisition cost, high customer lifetime value, etc.) giving it a solid base to grow from. In Q3’21, it had 811 units (specialists, general practitioners, rehabilitation, smaller hospitals, etc.) connected to its platforms, mainly in Sweden and Norway.

At the moment, Carasent has three operating assets: Evimeria, Metodika, and Avans Soma. However, with a fortress balance sheet and a consolidator mindset, management is setting out to bring in more software companies under its umbrella. 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.

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

**Norwegian Webdoc launch**

We expect Evimeria to launch a Norwegian Webdoc version in late 2021 or early 2022, thereby expanding its geographical print. Both Avans Soma and Metodika have operations in Norway and a combined customer base of around <200 units.

**M&A**

Carasent has identified M&A targets in all three growth dimensions: geographical, segmental, and adjacent product/service areas. In December 2020, it used some of the proceeds from the rights issue in September in order to acquire the Norwegian company, Avans Soma. In May 2021, Carasent purchased the Swedish peer Metodika, consolidating the Scandinavian market even further. Carasent has around NOK 900m in cash (after another private placement), and we expect at least two more acquisitions in 2021.

**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.

**Stockholm regional council's modular approach**

Stockholm regional council has chosen a modular approach, benefiting EMR developers such as Evimeria. Signs of larger customer intake from Stockholm will serve as a catalyst for the stock, especially in the primary care segment.

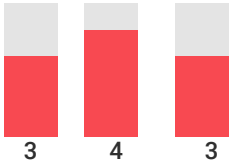
# Careium CARE

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

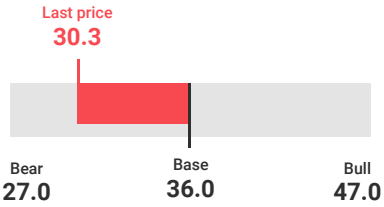
**Publication date**
January 10 2022

## Redeye Rating

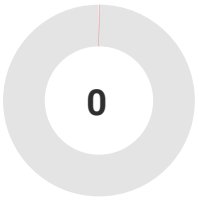
COMPANY QUALITY




FAIR VALUE RANGE

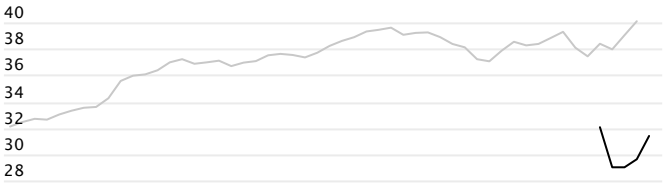



TIMELINESS




## Snapshot

**Careium**
OMXS30




Volume




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

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 30.3 |
| **Number of shares (M)** | 24.3 |
| **Market cap (MSEK)** | 736 |
| **Net debt (2022E, MSEK)** | -288 |

**Analyst**



Niklas Sävås
niklas.savas@redeye.se

**Conflict of interests**

Niklas Sävås owns shares in Careium: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 524 | 570 | 654 | 733 |
| *Growth* | *5.9%* | *8.7%* | *14.8%* | *12.0%* |
| EBITDA | 24 | 13 | 42 | 50 |
| *EBITDA margin* | *4.7%* | *2.3%* | *6.4%* | *6.9%* |
| EBIT | 24 | 13 | 42 | 50 |
| *EBIT margin* | *4.7%* | *2.3%* | *6.4%* | *6.9%* |
| Pre-tax earnings | 22 | 11 | 42 | 50 |
| Net earnings | 14 | 9 | 33 | 40 |
| *Net margin* | *2.8%* | *1.7%* | *5.1%* | *5.5%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.60 | 0.40 | 1.39 | 1.68 |
| P/E adj. | 187.9 | 276.4 | 80.1 | 66.3 |
| EV/S | 5.0 | 4.3 | 3.7 | 3.2 |
| EV/EBITDA | 108.2 | 187.0 | 57.2 | 46.6 |

Last updated: 2021-11-30

| Owner | Equity | Votes |
|---|---|---|
| Accendo Capital | 15.4% | 15.4% |
| Nordea Fonder | 12.4% | 12.4% |
| Rite Ventures | 10.2% | 10.2% |
| Lazard Frères Gestion | 6.8% | 6.8% |
| Dimensional Fund Advisors | 3.2% | 3.2% |
| eQ Asset Management Oy | 2.6% | 2.6% |
| Peter Lindell | 2.4% | 2.4% |
| Aktieinvest Fonder | 0.2% | 0.2% |
| Lennart Jacobsen | 0.1% | 0.1% |
| Carl-Johan Zetterberg Boudrie | 0.1% | 0.1% |

## Company description

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

## Investment case

- Addressing key challenges
- A strong brand with forecastable cash flows
- Historical organic growth has not impressed
- Likable characteristics

### Addressing key challenges

Careium is well-positioned in a sector that is under structural growth: Healthcare for the elderly. To summarize, Careium taps into three significant challenges:

- The elderly population is increasing.
- Demand for care rises – higher requirements on services.
- Resource challenges in the society – both financially and staffing.

Careium taps into three large challenges for society: The elderly population is increasing, demand for care rises, with labor in tight supply. Careium offer alarms, a connected software platform and people who care for patients and operate the alarm centers. It is uniquely suited to tackle the structural challenges. The solutions have long been reactive, but Careium aims to enable solutions where help comes before there is an emergency, not after. Healthcare and not todays “Sickcare”.

### A strong brand with forecastable cash flows

Careium has a history in the elderly care market stretching back to 1975 and has built a strong brand since then. The company has a stable base of customers under long-term contracts that brings reliable cash flows. Careium can use its position to invest for the future in terms of new digital solutions and selected acquisitions. Each local market is surrounded by a wide moat making it difficult for entrants to compete. The reliable cash flows further ensure that the company can utilize the debt market to finance its growth while not risking the future.

### Historical organic growth has not impressed

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

### Likable characteristics

Careium has a set of quality characteristics many investors search for with recurring revenues, a structurally growing market, and opportunities for organic growth and bolt-on acquisitions. Our Base Case fair value is SEK 36.

## Catalyst types

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

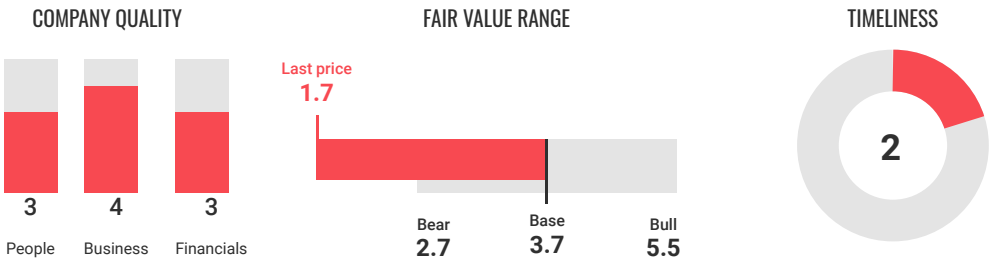
**Expansion into further geographies**
The Care acquisitions are Careium's chance to build scale at a faster space. Through their larger scale, they are able to leverage their research and development efforts and current hardware suite. Careiums foreign care expansion will lead to margin and multiple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

# CI Games CIG

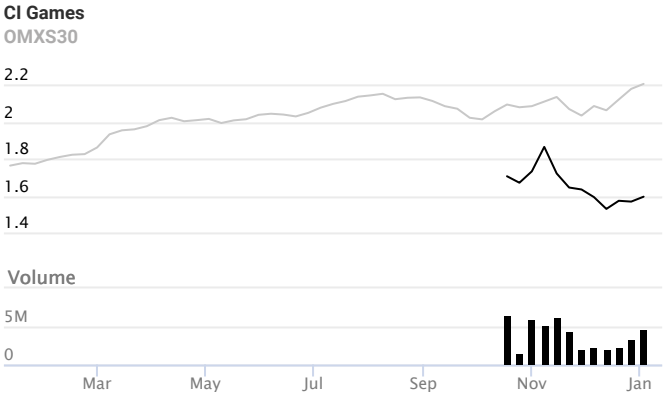
**Company page**
https://www.redeye.se/company/ci-games-2

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Warsaw Stock Exchange |
| **CEO** | Marek Tyminski |
| **Chairman** | Ryszard Bartkowiak |

**Share information**

| | |
|---|---|
| **Share price (PLN)** | 1.7 |
| **Number of shares (M)** | 182.9 |
| **Market cap (MPLN)** | 302 |
| **Net debt (2022E, MPLN k)** | -61,199 |

**Analyst**



Viktor Lindström
viktor.lindstrom@redeye.se

**Conflict of interests**

Viktor Lindström owns shares in CI Games: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MPLN k | 46,010 | 103,962 | 71,229 | 225,250 |
| *Growth* | *-3.1%* | *>100%* | *-31.5%* | *>100%* |
| EBITDA | 27,829 | 61,609 | 47,826 | 110,428 |
| *EBITDA margin* | *60.5%* | *59.3%* | *67.1%* | *49.0%* |
| EBIT | 8,729 | 38,099 | 25,057 | 70,020 |
| *EBIT margin* | *19.0%* | *36.6%* | *35.2%* | *31.1%* |
| Pre-tax earnings | 8,532 | 40,499 | 24,757 | 69,720 |
| Net earnings | 7,097 | 32,820 | 20,053 | 56,473 |
| *Net margin* | *15.4%* | *31.5%* | *28.2%* | *25.1%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.04 | 0.18 | 0.11 | 0.31 |
| P/E adj. | 30.6 | 9.0 | 14.7 | 5.2 |
| EV/S | 4.1 | 2.5 | 3.3 | 0.9 |
| EV/EBITDA | 6.8 | 4.2 | 4.9 | 1.8 |

Last updated: 2021-11-24

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

## Company description

City Interactive, förkortade CI Games, är verksamma inom teknikbranschen. Bolaget är idag specialiserade inom dataspelsutveckling. Utbudet består av spel inom olika genren och inkluderar exempelvis Sniper Ghost Warrior och Alien Rage, anpassade för Playstation och Xbox. Bolaget grundades under 2002 och har störst verksamhet inom Europa.

## Investment case

- CI Games is a high-quality studio
- Increased digital distribution enhances gross margins
- CI Games has a solid net cash position
- CI Games trades at a significant discount versus peers

### Game quality shining through

CI Games' two key IPs have sold more than 15 million copies worldwide and have a rock-solid, engaged player base to capitalize on. The latest releases have gained strong reception from the sector and player reviews. Redeye believes the massive investments in its game production will pay off and enhance the IPs even further upon new launches. Further sequels will likely remain in the forthcoming future, contributing to solid revenues and earnings over a long time. Moreover, the strong user base mitigates the need for marketing expenditures, thus strengthening the possibility of a strong return on investments. CI Games primarily target "hardcore" gamers who invest significantly of money and time by playing them. Strong IPs could also provide optionalities in terms of licensing, thus yielding stable revenues at a marginal incremental cost.

Furthermore, its publishing entity, United Label's latest releases, has seen impressive reviews and has been fully reimbursed shortly after release. United Label prioritizes quality and mitigates commercial risks. Further releases or platform expansions within the portfolio will contribute to the group while decreasing the game portfolio's concentration risk. All in all, we believe CI Games has reached a new, higher standard within its game portfolio which will contribute to solid earnings growth over time. Redeye estimates 20-24e sales and Ebit CAGR of **~21%**, respectively ~**39**%.

**Accretive margin mix**

CI Games wholly owns their IPs, and no royalties are needed to be paid. Hence incremental digital sales have very high margins, illustrate its strong profitability. Moreover, increased focus on DLCs and expansion packs on current games will create more stable revenues over time, decreasing the volatility between periods and increasing visibility.

### Positioned For Further Growth

CI Games barely has any interest-bearing debt except for financial lease liabilities, implying a hefty net cash position. We estimate enhanced earnings growth in the following years, yielding an even healthier net cash position. The net cash could be used for further investments in its internal game development, resulting in newly created IPs that could contribute to earnings over a long time. Moreover, the net cash position could also be allocated towards share buy-backs, dividends, or potential acquisitions, even though potential acquisitions are not something management has communicated.

Importantly, the creation of new key IPs or potential acquisitions could increase the growth runway, reduce earnings volatility, and lower the concentration risk in its game portfolio, in turn potentially increasing investors' confidence and leaving room for expansion of multiples ahead.

**Attractive valuation**

CI Games is a high-quality studio with a loyal player base. Its wholly own their IPs which enables strong profitability. On our estimates, it trades at a significant discount to peers, despite outperforming on growth expectations and profitability metrics. We believe the market underestimates its strong game portfolio and loyal player base and sees an attractive buy opportunity. Our current base case is 3.7 PLN / share

## Catalyst types

**Buy-backs/Dividends/Acquisitions**

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

**Strong quarterly results**

Solid quarterly results that prove its back catalog sales and profitability levels shall support the share.

**Platform Fees**

In 2020, ~75 percent of revenues came from digital sales, while 70 percent of revenues were generated through console platforms. Redeye expects this trend to continue and so potential cuts to platform fees could be a massive catalyst going forward.

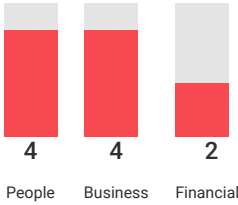
# Clavister Holding CLAV

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

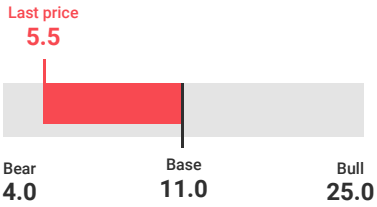
**Publication date**
January 10 2022

## Redeye Rating

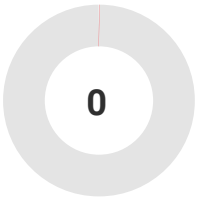
COMPANY QUALITY




FAIR VALUE RANGE

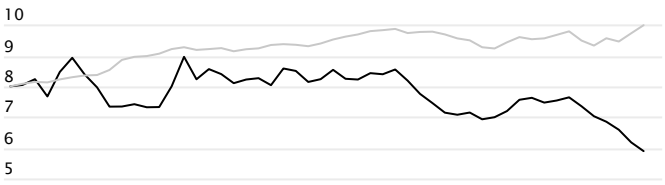



TIMELINESS




## Snapshot

**Clavister Holding**
OMXS30




Volume




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | John Vestberg |
| **Chairman** | Viktor Kovacs |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 5.5 |
| **Number of shares (M)** | 56.5 |
| **Market cap (MSEK)** | 311 |
| **Net debt (2022E, MSEK)** | 223 |

**Analyst**



Forbes Goldman
forbes.goldman@redeye.se

**Conflict of interests**

Forbes Goldman owns shares in Clavister Holding: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 128 | 128 | 154 | 185 |
| *Growth* | *3.8%* | *0.0%* | *20.1%* | *20.3%* |
| EBITDA | -19 | -15 | -1 | 15 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *8.3%* |
| EBIT | -56 | -52 | -38 | -23 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -80 | -82 | -58 | -43 |
| Net earnings | -81 | -82 | -58 | -43 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -2.10 | -1.46 | -1.04 | -0.77 |
| P/E adj. | -3.3 | -5.3 | -7.4 | -10.0 |
| EV/S | 2.9 | 4.7 | 4.3 | 3.8 |
| EV/EBITDA | -18.9 | -38.7 | -359.2 | 45.8 |

Last updated: 2021-11-16

| Owner | Equity | Votes |
|---|---|---|
| Duesseldorf, HSBC Trinkhaus And Burkhardt AG | 11.4% | 11.4% |
| Avanza Pension | 7.7% | 7.7% |
| SPSW Capital | 7.3% | 7.3% |
| Goldman Sachs International LTD | 6.2% | 6.2% |
| ÖstVäst Capital Management | 6.2% | 6.2% |
| Nordnet Pensionsförsäkring | 4.5% | 4.5% |
| Per Anders Bendt | 3.8% | 3.8% |
| Stena | 3.2% | 3.2% |
| Swedbank Försäkring | 3.2% | 3.2% |
| Rbc Investor Services Bank S.A | 2.7% | 2.7% |

## Company description

Headquartered in Sweden, Clavister is a leading European cybersecurity vendor. It has invested >€60m into its Aurora framework - a versatile and comprehensive security platform supporting over 40 use cases. Additionally, it targets customers in three core verticals: public administration, defense, and service providers. Some of its high-profile accounts include Nokia, BAE Systems, and IWG.

## Investment case

- Set to benefit from stringent EU laws that benefit European cybersecurity vendors.
- Cybersecurity is a growing market and provides plenty of headroom for Clavister to grow.
- Considerably improved financial position

**Unique position – European trademark**

Clavister's position as a European cybersecurity vendor is in itself a competitive advantage. In a global context, where competition is dominated by a number of countries (predominantly the US, China and Israel), the European trademark is a manifestation of reliance. To a greater extent, we see how EU institutions are announcing laws and policies (NIS Directive & EU Cybersecurity Act) that regulate purchases and certifications of cybersecurity products – benefitting EU vendors.

**A large (and growing) market**

The World Economic Forum lists cyberattacks as the 6th most likely and 8th most impactful in its Global Risks Report (2020) – expected to incur damages amounting to US 6 trillion by 2021. While cyberattacks are expected to increase in scope, frequency, and intensity, so will demand for cybersecurity products. The global cybersecurity market is already huge, estimated to be worth USD 251 billion by 2023.

**Large equity issuance**

Clavister undertook a large equity issuance during 2020, raising in excess of SEK 200m. Fully capitalized, Clavister will be able to use the net proceeds for the development of sales, marketing (including a likely build-up of working capital) in addition to strengthening its balance sheet (reduce debt). We expect that investments in its go-to-market capabilities will yield a continuation of agreements with customers and partners.

**Strong financial key metrics and customer portfolio**

Clavister has i) a record order book balance - most of which will generate sales in the coming twelve months, ii) a steady growth of recurring revenues, accounting for 60%+ of the company's revenues, iii) 80%+ gross margins, iv) 90%+ software license retention rate (last three years), and v) positive traction and a growing funnel of potential deals in all three core business areas: 5G, Defense, and Public Sector.

Some of its high-profile customers to date include Nokia, Ericsson, IWG, BAE Systems, NTTBP, and E.ON. Furthermore, it has managed to create a healthy mix of large accounts and thousands of smaller customers – demonstrating strong independence.

### Counter-Thesis

A broad product portfolio is a prerequisite to maintain competitiveness in the long-term and Clavisters development into a comprehensive solution should of course be seen as a positive. However, one major setback Clavister faces versus its bigger competitors are the lack of financial muscles for acquisitions as a mean of broadening its product portfolio. We believe the high level of M&A activity in the cybersecurity market will continue in the coming years as a result of an ever-increasing need for a broader product portfolio.

## Catalyst types

**Lighthouse Customer Agreements**
We see great potential in Clavister entering large-scale, multi-year agreements with customers in its core verticals: public administration, defense, and service providers. Deep engagements should result in high switching costs, providing a long runway for growth.

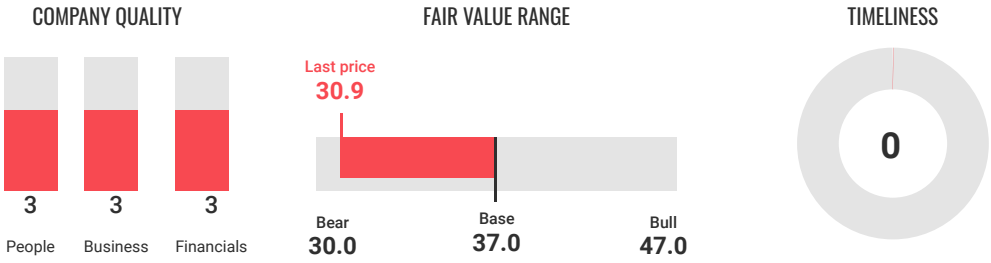
**Top-Line Growth and EBITDA Profitability**
Solid quarterly reports demonstrating significant (20%+) top-line growth, and thus a path to profitability should positively impact the share price.

# Doro DORO

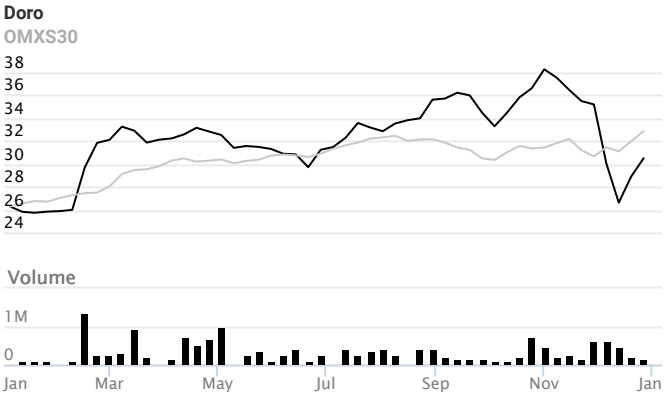
**Company page**
https://www.redeye.se/company/doro

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Jörgen Nilsson |
| **Chairman** | Henri Österlund |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 30.9 |
| **Number of shares (M)** | 24.5 |
| **Market cap (MSEK)** | 757 |
| **Net debt (2022E, MSEK)** | -90 |

**Analyst**



Niklas Sävås
niklas.savas@redeye.se

**Conflict of interests**

Niklas Sävås owns shares in Doro: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 1,689 | 1,534 | 1,059 | 1,112 |
| *Growth* | *-18.1%* | *-9.2%* | *-30.9%* | *5.0%* |
| EBITDA | 203 | 218 | 131 | 138 |
| *EBITDA margin* | *12.1%* | *14.2%* | *12.4%* | *12.4%* |
| EBIT | 85 | 96 | 100 | 103 |
| *EBIT margin* | *5.1%* | *6.3%* | *9.5%* | *9.3%* |
| Pre-tax earnings | 68 | 93 | 90 | 93 |
| Net earnings | 49 | 70 | 66 | 68 |
| *Net margin* | *2.9%* | *4.6%* | *6.3%* | *6.2%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 2.01 | 2.93 | 2.77 | 2.86 |
| P/E adj. | 23.3 | 22.2 | 23.4 | 22.7 |
| EV/S | 0.6 | 1.0 | 1.4 | 1.3 |
| EV/EBITDA | 5.2 | 6.9 | 11.2 | 10.1 |

Last updated: 2021-12-06

| Owner | Equity | Votes |
|---|---|---|
| Accendo Capital | 15.5% | 15.5% |
| Nordea Fonder | 12.2% | 12.2% |
| Rite Ventures | 10.3% | 10.3% |
| Lazard Frères Gestion | 6.8% | 6.8% |
| Avanza Pension | 6.6% | 6.6% |
| Dimensional Fund Advisors | 3.2% | 3.2% |
| Peter Lindell | 2.5% | 2.5% |
| Nordea Bank Ab(Publ) Nordea Bank Abp | 2.4% | 2.4% |
| Originat AB | 2.2% | 2.2% |

## Company description

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

## Investment case

- Doro is a value play that is strengthening its market-leading position by adding products and buying its peers.
- Generating plenty of cash with the potential to grow which is not reflected in the market price.
- Doro is no longer a fast grower and investors shouldn't count on that to change.
- The downside is limited while the current price offering at least 20% upside at the current price.

### Strong Market Position in Select Markets

Doro sells its phones to retailers and telecom companies who favor Doro's products as they incur a higher margin for the companies, in turn giving Doro favorable shelf space. The resellers don't want multiple brands for elderly phones and we think the deep relations is a strong advantage. Doro has a history of being the market leader for the senior phones segment, which is driven by its willingness to be attentive to the specific needs of seniors. We believe Doro will be able to defend its market position in the select markets the company operates with solid profitability. Doro has exited unprofitable geographies during the last year which has been a turbocharger for profits.

### A Cash Cow with Legs

Doro's focus has shifted back to the core business of delivering technical solutions for seniors after the spin-off of business area Care. Since Doro decided to invest in its Care offering starting in 2014 Doro Phones has been down-prioritized. With the focus back on Phones, we believe that the company will invest in both product development and bolt-on acquisitions to widen the moat. Doro is a cash cow who could have turned into a dividend machine, but we believe the company sees better potential in investing in the business during the next years. Due to the underinvestment in the sector and the clear market need, we also see potential ahead for Doro to consolidate its niche market through M&A. We think this potential is underappreciated by investors who don't count with any growth at all and operating margins around 6% over the long term at the current price.

### This is no Fast Grower

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

### Good Business at a Compelling Price

We model low- to mid-single-digit top-line growth and operating margins ranging between 6% to 10% in our DCF-scenarios. Our valuation range is SEK 30 to SEK 47 per share with a base case fair value of SEK 37. Doro has over the last seven years communicated its focus on business area Care, which many investors have bought into, explaining the selling pressure since the spin-off. The stock is trading around our bear case with 20% + upside to the current price and we believe this leads to a compelling entry point for investors who would like to add some stability to their portfolios.

## Catalyst types

**M&A**

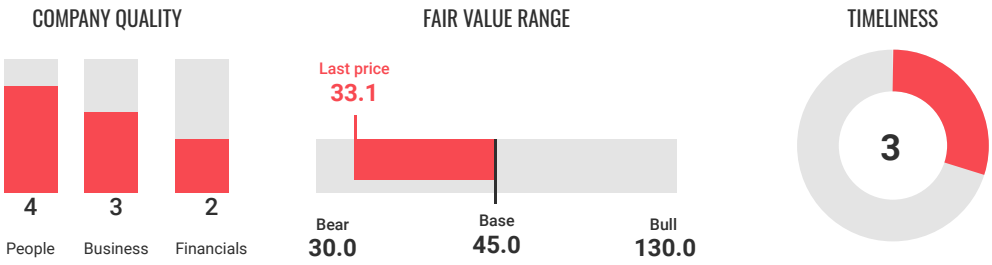
We have not included any M&A in our forecasts for Doro. We think acquiring one of its smaller competitors in Europe would be positive from a competitive standpoint. Depending on the price paid, it could be a positive for the stock.

# EG7 EG7

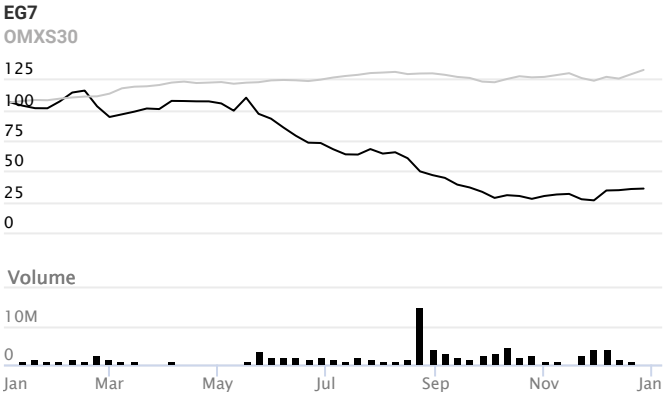
**Company page**
https://www.redeye.se/company/eg7

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Ji Ham |
| **Chairman** | Alexander Albedj |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 33.1 |
| **Number of shares (M)** | 87.1 |
| **Market cap (MSEK)** | 2,884 |
| **Net debt (2022E, MSEK)** | -479 |

**Analyst**



Tomas Otterbeck
tomas.otterbeck@redeye.se

**Conflict of interests**

Tomas Otterbeck owns shares in EG7: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 657 | 1,677 | 1,737 | 1,903 |
| *Growth* | *>100%* | *>100%* | *3.6%* | *9.6%* |
| EBITDA | 48 | 381 | 390 | 487 |
| *EBITDA margin* | *7.4%* | *22.8%* | *22.5%* | *25.6%* |
| EBIT | -59 | 117 | 128 | 229 |
| *EBIT margin* | *Neg* | *7.0%* | *7.4%* | *12.1%* |
| Pre-tax earnings | -153 | 38 | 128 | 229 |
| Net earnings | -160 | 2 | 100 | 179 |
| *Net margin* | *Neg* | *0.1%* | *5.8%* | *9.4%* |
| Dividend/Share | 76.63 | 87.12 | 87.12 | 87.12 |
| EPS adj. | -2.10 | 0.02 | 1.15 | 2.06 |
| P/E adj. | -58.2 | 1,217.9 | 25.3 | 14.1 |
| EV/S | 15.2 | 1.3 | 1.2 | 0.9 |
| EV/EBITDA | 205.4 | 5.8 | 5.2 | 3.6 |

Last updated: 2021-11-25

| Owner | Equity | Votes |
|---|---|---|
| Settecento LTD | 10.4% | 10.4% |
| Media and Games Invest SE | 8.2% | 8.2% |
| Jason Epstein | 7.9% | 7.9% |
| Dan Sten Olsson med familj och stiftelse | 7.9% | 7.9% |
| Swedbank Robur Fonder | 5.3% | 5.3% |

## Company description

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

## Investment case

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

EG7 has transformed itself from a small gaming studio focused on work-for-hire to a presence across the whole gaming value chain.

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

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

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

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

### Counter Thesis

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

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

## Catalyst types

**More acquisitions**
Likeable acquisitions were the most important catalyst for the stock during 2020, which resulted in a stock price soaring approximately 500% during the year. EG7 aggressive acquisition approach is an obvious stock catalyst in 2022 as well.

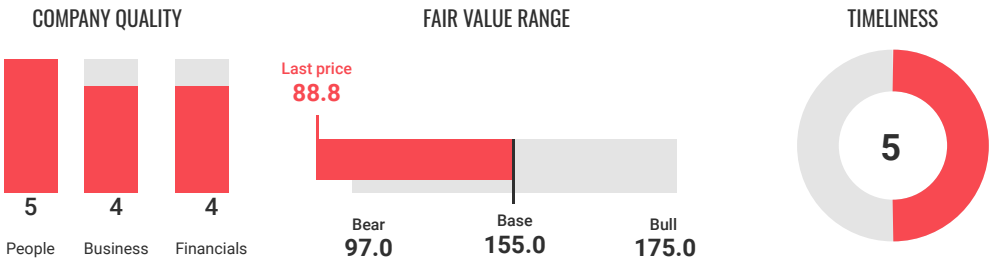
**EvilvEvil release and news flow**
EvilvEvil is the largest game project in EG7's history, with a development budget in the region of EUR 15m. The game is expected to be released in 2022. News flow regarding the title and, obviously, the release is a significant catalyst during 2022 we believe.

# Embracer Group EMBRAC B

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

**Publication date**
January 18 2022

## Redeye Rating




## Snapshot




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

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 88.8 |
| **Number of shares (M)** | 1,084.3 |
| **Market cap (MSEK)** | 96,312 |
| **Net debt (2022E, MSEK)** | 11,754 |

**Analyst**



Tomas Otterbeck
tomas.otterbeck@redeye.se

**Conflict of interests**

Tomas Otterbeck owns shares in Embracer Group: Yes

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

## Financials

| | 20/21 | 21/22E | Redeye Estimates 22/23E | 23/24E |
|---|---|---|---|---|
| Revenue, MSEK | 9,028 | 15,238 | 35,047 | 42,772 |
| *Growth* | *71.9%* | *68.8%* | *>100%* | *22.0%* |
| EBITDA | 2,655 | 6,012 | 11,649 | 16,147 |
| *EBITDA margin* | *29.4%* | *39.5%* | *33.2%* | *37.8%* |
| EBIT | 2,874 | 4,836 | 8,830 | 12,285 |
| *EBIT margin* | *31.8%* | *31.7%* | *25.2%* | *28.7%* |
| Pre-tax earnings | -650 | -2,939 | -5,585 | -1,892 |
| Net earnings | -1,043 | -3,608 | -7,351 | -4,348 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 3.37 | 4.02 | 6.22 | 8.65 |
| P/E adj. | 29.2 | 24.0 | 14.0 | 10.0 |
| EV/S | 7.6 | 6.1 | 2.8 | 2.6 |
| EV/EBITDA | 25.7 | 15.5 | 8.5 | 6.9 |

Last updated: 2022-01-18

| Owner | Equity | Votes |
|---|---|---|
| Lars Wingefors AB | 25.8% | 45.3% |
| S3D Media Inc | 8.2% | 12.3% |
| Canada Pension Plan Investment Board (CPP) | 5.5% | 3.4% |
| Swedbank Robur Fonder | 5.3% | 3.3% |
| Didner & Gerge Fonder | 2.7% | 1.7% |
| Handelsbanken Fonder | 2.4% | 1.5% |

## Company description

Embracer Group is a gaming company focused on developing and publishing games on the global market. Embracer has since Lars Wingefors founded the company in 2011, established a strong platform and product portfolio under high growth and profitability. The Group has an extensive catalog of over hundreds of owned franchises, such as Borderlands, Saints Row, Goat Simulator, Dead Island, Darksiders, Satisfactory, Valheim and World War Z amongst many others. Embracer Group has a global presence through its ten operative groups: THQ Nordic, Koch Media, Saber Interactive, Coffee Stain, DECA Games, Gearbox, Easybrain, Asmodee, Dark Horse and Amplifier Game Invest.

## Investment case

- A Majority of the Business is Recurring Revenue
- Most of the Asset Value is still Untapped
- Focus on long-term Value and (most often) buying Cheap

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

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

**Focus on long-term Value and (most often) buying Cheap**
Embracer Group is what we like to call an owner-operator company where the management team owns 40%+ of capital, has extensive experience from the industry, and is highly committed to building “something big.” We find long-term thinking as a distinct advantage to other peers.

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

## Catalyst types

**No Risk only Reward**
Gearbox first AAA-game as a part of the Embracer-family is yet another game in the Borderlands-universe and is planned to be release March 25, 2022. Redeye estimate the game budget is SEK 900-1000 million. However, the game is entirely financed by Take-Two Interactive. We estimate a healthy royalty cut around 30-50% of the profits.

**Release of first self-financed AAA-game**
In late August Embracer is planned to release the new installment in the highly popular series Saints Row. We estimate a development budget more than SEK 1 Billion and a marketing budget of at least SEK 200 million.

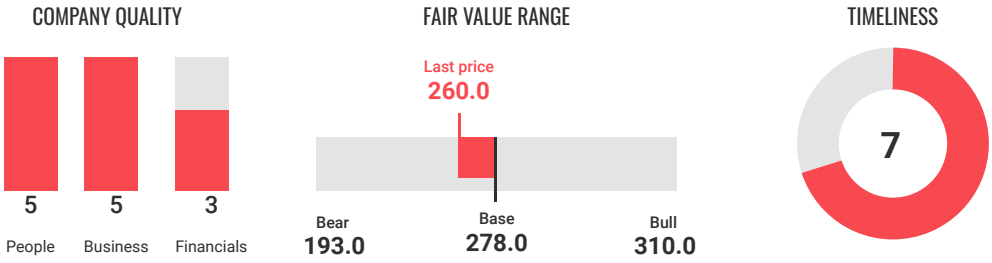
**More value adding acquisitions**
Embracer Group has a strong focus on acquiring IPs, franchises, and companies at low prices. They can do this by utilizing one of the best characteristics of a great investor; patience. Larger acquisitions of well-known IPs could and should enhance the valuation of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

# Enea ENEA

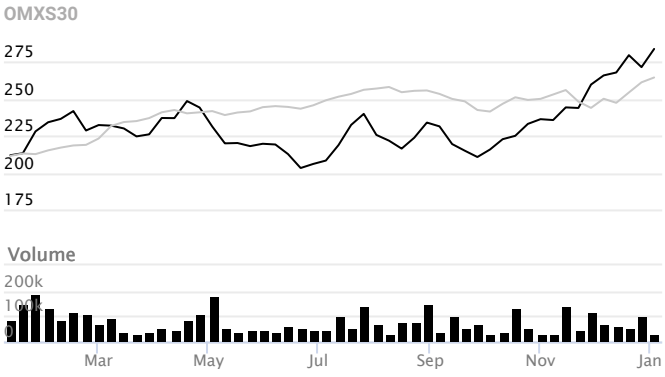
**Company page**
https://www.redeye.se/company/enea

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Jan Häglund |
| **Chairman** | Anders Lidbeck |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 260.0 |
| **Number of shares (M)** | 21.6 |
| **Market cap (MSEK)** | 5,620 |
| **Net debt (2022E, MSEK)** | 248 |

**Analyst**



Jesper von Koch
jesper.vonkoch@redeye.se

**Conflict of interests**

Jesper von Koch owns shares in Enea: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 929 | 1,010 | 1,225 | 1,387 |
| *Growth* | *-8.2%* | *8.7%* | *21.3%* | *13.2%* |
| EBITDA | 296 | 374 | 456 | 530 |
| *EBITDA margin* | *31.9%* | *37.1%* | *37.3%* | *38.2%* |
| EBIT | 188 | 233 | 318 | 395 |
| *EBIT margin* | *20.3%* | *23.2%* | *26.0%* | *28.5%* |
| Pre-tax earnings | 164 | 237 | 295 | 372 |
| Net earnings | 142 | 205 | 232 | 292 |
| *Net margin* | *15.3%* | *20.4%* | *19.0%* | *21.1%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 6.57 | 9.50 | 10.75 | 13.53 |
| P/E adj. | 28.8 | N/A | N/A | N/A |
| EV/S | 4.7 | N/A | N/A | N/A |
| EV/EBITDA | 14.6 | N/A | N/A | N/A |

Last updated: 2021-10-27

| Owner | Equity | Votes |
|---|---|---|
| Per Lindberg | 34.1% | 34.1% |
| Avanza Pension | 11.2% | 11.2% |
| Swedbank Robur Fonder | 9.8% | 9.8% |
| Handelsbanken Fonder | 7.2% | 7.2% |
| JP Morgan Bank Luxembourg S.A. | 4.9% | 4.9% |
| C WorldWide Asset Management | 4.9% | 4.9% |
| Enter Fonder | 3.0% | 3.0% |
| TIN Fonder | 2.7% | 2.7% |
| HSBC Bank Plc | 2.7% | 2.7% |
| Canaccord Genuity Wealth Management | 2.7% | 2.7% |

## Company description

Enea is one of the world's leading specialists in software for telecommunications and cybersecurity. The company's cloud-native products are used to enable and protect services for mobile subscribers, enterprise customers, and the Internet of Things. More than 3 billion people rely on Enea technologies in their daily lives. Enea's previous main competitive disadvantage was related to its large key accounts exposure (Ericsson & Nokia), but this dependency has decreased over time, following larger acquisitions. Now, these accounts only account for about 10% of revenues. Enea has transitioned to SaaS in many contracts, which has resulted in more stable recurring revenues - over 50% of total sales. The customers pay a license fee per engineer when developing its products with Enea's technology. The company also in most cases earns royalty revenue per sold unit with integrated Enea technology. Enea invests over 20% of sales in R&D within the many growth areas mentioned above.

## Investment case

- New diversified customer base outgrowing decline of Operating Systems
- The stock market is underestimating the acquisitions
- Earnings releases and further M&A drives the share price

### New diversified customer base outgrowing decline of Operating Systems

Enea's operating profit has increased by an average of almost 20% annually since 2013, even though revenue from Ericsson and Nokia has decreased from 60 percent to about 20-25 percent. We argue that Qosmos, Openwave, Atos and the smaller customers will offset the decline in Operating Systems but that the stock market has not yet grasped this dynamic. Network Solutions, where most of the acquired, fast-growing businesses are included, is already more than twice the size of Operating Systems. One relevant counter argument is that the acquisitions were made to conceal a steeper decline in Ericsson revenues, but this does not take away from the fact that the acquired companies are of high quality. They represent new examples of Enea's long and successful track record in building billion-kronor software companies through acquisitions.

### The stock market is underestimating the acquisitions

Following the acquisitions Enea is a brand new company. The acquisitions follow a clear agenda to grow upwards in the software stack, positioning Enea within virtualization and get the company closer to the end customers. In particular, we do not think the stock market understands or appreciates the strong position in telecom operator sales that Enea gained from its acquisitions. This position is now being leveraged in the new Stratum offering that has already won two contracts worth over EUR +40m in total. We believe there is a lot more to come in this space. Common to the Qosmos, Atos, Aptilo and Openwave acquisitions is that they are all critical components of the telecom networks of the future. Atos provides application software for policy and control in handling subscriber information, which is essential for the operators when it comes to building new business models and create tailor-made services. Openwave's technology helps telecom operators handle the explosive growth in mobile video. 90% of the 5G traffic will be related to video. Qosmos has carved out a niche where it conducts internet traffic flow analysis/ deep packet inspection (DPI), which is predicted to grow by around 20 percent annually.

### Earnings releases and further M&A drives the share price

Shares have constanly been underappreaciated as the stock market has neglected and misunderstood the company and its position as a growing, global software powerhouse with a strong historical track record and an even brigheter future, considering the 5G positioning. We assume the stock will be driven by more value-creating acquisitions and, above all, changed perception when it becomes obvious to the stock market in conjunction with the interim report that the acquisitions and the smaller customers are outgrowing the decline in Operating Systems sales.

## Catalyst types

**The market discovers the growth in Qosmos, Openwave etc.**
As Qosmos, Openwave and Network Solutions continue to grow larger it should at some point be obvious for the stock market that the growth in the new areas and the smaller customers together can offset and outgrow the declining Key Accounts business.

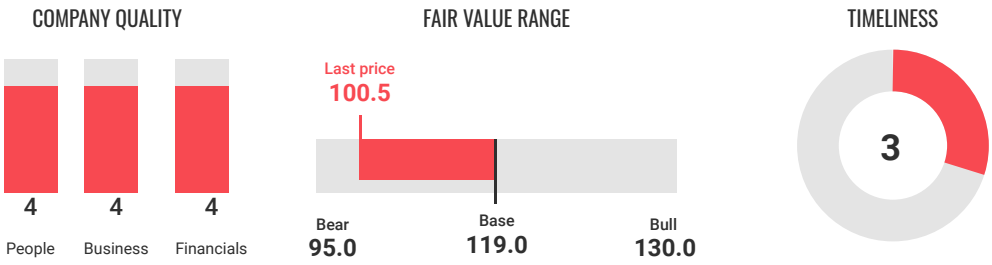
**Major 5G contracts**
Enea has won two major 5G contracts related to subscription data management, for total contract values of over EUR 40m. We believe there is a lot more to come in this space.

# Ericsson ERIC B

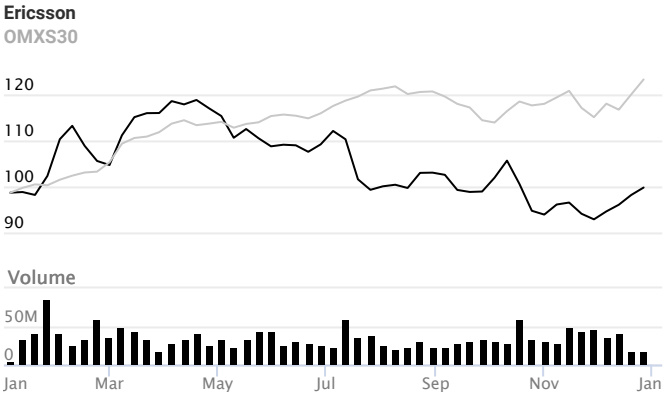
**Company page**
https://www.redeye.se/company/ericsson

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Börje Ekholm |
| **Chairman** | Ronnie Leten |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 100.5 |
| **Number of shares (M)** | 3,334.2 |
| **Market cap (MSEK)** | 335,216 |
| **Net debt (2022E, MSEK)** | -39,801 |

**Analyst**



Greger Johansson
greger.johansson@redeye.se

**Conflict of interests**

Greger Johansson owns shares in Ericsson: No

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 232,390 | 229,414 | 240,367 | 247,575 |
| *Growth* | *2.3%* | *-1.3%* | *4.8%* | *3.0%* |
| EBITDA | 34,048 | 35,946 | 40,547 | 43,746 |
| *EBITDA margin* | *14.7%* | *15.7%* | *16.9%* | *17.7%* |
| EBIT | 27,808 | 29,870 | 35,397 | 39,146 |
| *EBIT margin* | *12.0%* | *13.0%* | *14.7%* | *15.8%* |
| Pre-tax earnings | 27,212 | 27,985 | 34,197 | 38,146 |
| Net earnings | 17,483 | 19,417 | 24,172 | 27,015 |
| *Net margin* | *7.5%* | *8.5%* | *10.1%* | *10.9%* |
| Dividend/Share | 3,323.25 | 3,329.25 | 3,329.25 | 3,329.25 |
| EPS adj. | 5.26 | 5.83 | 7.26 | 8.11 |
| P/E adj. | 18.6 | 16.3 | 13.1 | 11.7 |
| EV/S | 1.3 | 1.3 | 1.2 | 1.1 |
| EV/EBITDA | 9.0 | 8.2 | 6.8 | 6.0 |

Last updated: 2021-11-30

| Owner | Equity | Votes |
|---|---|---|
| Deutsche Bank Trust Company America | 11.0% | 6.4% |
| State Street Bank And Trust co | 8.4% | 5.0% |
| Investor | 7.7% | 23.6% |
| Cevian Capital | 4.6% | 2.7% |
| UBS AG London Branch | 3.9% | 2.3% |
| Swedbank Robur Fonder | 3.8% | 2.3% |
| W8imy/Qdd J.P. Morgan Securities Plc | 3.5% | 2.1% |
| BlackRock | 3.3% | 1.9% |
| PRIMECAP | 3.2% | 1.9% |
| Vanguard | 3.1% | 2.0% |

## Company description

Ericsson, with a history of over 140 years and operations in 180 countries, is one of three large global players in the mobile networks market. Ericsson's main business areas are Networks (mainly mobile), Digital Services, Managed Services and Emerging Business/Other, with the first two areas responsible for the majority of revenues. Ericsson had a turnover in 2020 of roughly SEK 232 billion and an adjusted EBIT margin of around 12.5%.

Ericsson faced a tough market in 2010s, with negative growth triggering major cost cutting, divestment of Sony Mobile and EMP/modems, and changes in senior management. This has also activated investments in new growth areas such as Cloud Services, IP Networks, TV/Media, OSS/BSS etc. However, these new areas have not performed well. Moreover, in 2018 the mobile network market started to turn around and in 2019 showed good growth of 12%. Growth for 2020 was 2%. We also expect growth to continue in 2021 & 2022.

Ericsson is headquartered in Kista (Stockholm), Sweden, and has roughly 102203 employees. The company's share is listed on NASDAQ.

## Investment case

- Ericsson has under delivered during 2016/2017 and the market has been in decline during these years. However with the strong reports in most quarters in 2018-2021 and a turning market, the expectations on the company is now somewhat low
- Ericsson is still top 3 in the world (in telecommunication equipment) with a solid customer base
- We think the margin going forward will continue to increase due to 5G revenue growth and effects from efficiency programs. In addition, the valuation of EV/S 1.2x indicates that the valuation is somewhat low
- Our DCF-model generates an upside and our fair value of SEK 119 which is higher than the share price is trading at

**A recovering company in an improving market…**

Ericsson has faced a very tough market in 2010s, with its key customers (operators) holding back their investment due to slow growth and sliding margins. The markets for mobile communication and mobile networks have contracted in mid 2010s, while Ericsson still believed there would be a lot of growth. The company started several new initiatives (Cloud Services, Media etc.) and was very late in adjusting its organization. We have seen (from 2018) that the company have turned around. This has taken the company back to a more realistic adjusted EBIT margin of almost 12.5% during 2020.

Ericsson's CEO Börje Ekholm (since 2017) and Christer Gardell did take a new grip on the company. They have started to execute the new strategy and Börje has performed very well during 2018-2021. Ericsson has also started a new M&A-journey with Vonage and Cradlepoint (Enterprise segment).

**…still top 3 in the world and growing market share…**

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

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

**…and expectations is more attactive after weak Q3'21 report**

After a rough 2016 and 2017, the share has tumbled and confidence in both the management team and the Ericsson share have been low. However, after mainly good reports during 2018-2021 (not Q3'21), the valuation (EV/S multiple around 1.2x) is low. And if we examine estimates going forward, we believe the market expectations is now somewhat low after the sluggish Q3'21-report and problems with the DOJ. Although we do not expect any significant growth (a few percent) going forward, we still estimate that Ericsson can return to a 13-16% adjusted operating margin (in 2021-2023) and a decent dividend. In addition, Ericsson most imortant segment, Networks, showed growth in Q1'18-Q2'21 which were very positive.

**Bear Points:**

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

- continued weak/low revenue growth
- continued problems in China
- intense competition (Huawei, Nokia, Samsung, ZTE) and Open RAN
- problems and high valuation on their latest M&A: Vonage

## Catalyst types

**New patent deals**

Revenues from patents has decreased during 2021 and even though Ericsson reached a new deal with Samsung, we still think that revenues are lower than before. New patent deals from other customers would be good news.

**Cutting cost/improved operational efficiencies**

Ericsson cost cutting program proceed better than expected and/or they announce further cost cutting.

**Growth long term, returns in the telecom industry**

The underlying long term growth returns in the industry (not only 2018-2021).

**Open RAN gets traction**

In the last couple of years there has been a lot of talks about Open RAN. This is a initiative that their customers are driving (i.e. operators) which means that instead of buying all proprietary hardware/software from one vendor (ex. Ericsson), there could be a possibility to split up the value chain and put pressure on the price. On the other hand, we think this will take considerable time until this will happen due to huge complexity in the Networks.

**Large contracts/business deals**

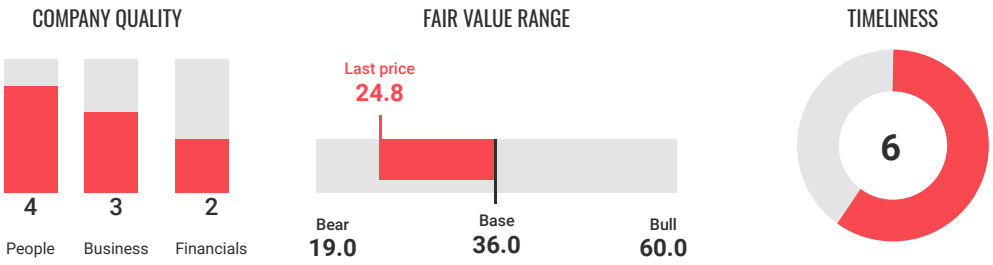
Deals in billion USD for 4G, 5G, services etc.

# ES Energy Save Holding ESGR B

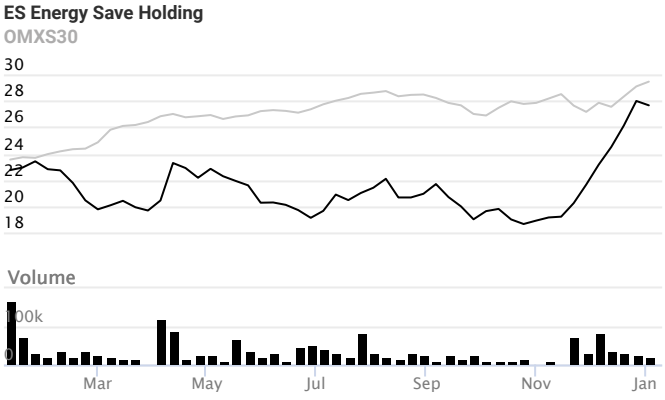
**Company page**
https://www.redeye.se/company/es-energy-save-holding

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Spotlight Stock Market |
| **CEO** | Fredrik Sävenstrand |
| **Chairman** | Per Wassén |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 24.8 |
| **Number of shares (M)** | 4.8 |
| **Market cap (MSEK)** | 120 |
| **Net debt (2022E, MSEK)** | 14,627 |

**Analyst**



Viktor Lindström
viktor.lindstrom@redeye.se

**Conflict of interests**

Viktor Lindström owns shares in ES Energy Save Holding: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 39,172 | 55,083 | 69,711 | 103,845 |
| *Growth* | *3.1%* | *40.6%* | *26.6%* | *49.0%* |
| EBITDA | -4,108 | -5,701 | -7,100 | 285 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *0.3%* |
| EBIT | -4,373 | -7,046 | -8,697 | -3,343 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -4,787 | -7,898 | -9,362 | -4,068 |
| Net earnings | -4,795 | -7,943 | -9,392 | -4,227 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | | -2.16 | -1.94 | -0.87 |
| P/E adj. | N/A | -9.2 | -10.2 | -22.8 |
| EV/S | 2.0 | 1.4 | 1.6 | 1.0 |
| EV/EBITDA | -19.1 | -13.5 | -15.6 | 350.3 |

Last updated: 2021-11-24

| Owner | Equity | Votes |
|---|---|---|
| Christian Gulbrandsen | 24.7% | 42.8% |
| Project Air AB | 24.7% | 42.8% |
| Nordnet Pensionsförsäkring | 6.9% | 2.0% |
| Partner Fondkommission AB | 6.1% | 1.7% |
| Cormac Invest AB | 3.5% | 1.0% |
| Henrik Nilsson | 3.0% | 0.9% |
| Bo Westerberg | 2.7% | 0.8% |
| Annette Wallén | 1.9% | 0.5% |
| Jan Olsson | 1.9% | 0.5% |
| Theodor Jeansson | 1.8% | 0.5% |

## Company description

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

## Investment case

- Structural growing market
- Attractive Niches
- Slimmed organization
- Management with skin in the game

### Structural growing market

The energy market is under transition, supported by structural tailwinds. The European heat pump market is expected to grow by a CAGR of 10 percent until 2030, according to EHPA, supported by Subsidy's, legislation, and enhanced technology. This will most likely accelerate the adoption rate of heat pumps, highly positive for Energy Save, as its products could reduce the energy consumption up to 70 percent, depending on geographies. Furthermore, Energy Save's reversible product range enables full integration with other complementary energy sources, such as electricity, oil, firewood, pellets, or district heating. Thereby, a hybrid heating system is created, supported by digital control systems that optimize energy consumption and cost level. We forecast a 2020/2021 – 2025/2026 sales CAGR of **34** percent.

### Attractive Niches

Energy Save's product range is tilted towards the air/water segment, the fastest-growing segment for heat pumps. The reversible products indicate that the heat pumps can provide heating and cooling, positive in European countries where cooling is demanded in warm periods. Its newly launched product range is especially functional for commercial properties. The construction and renovation of buildings require massive amounts of energy and mineral resources. The fact is that buildings account for 40 percent of the energy consumption. Currently, the renovation rate of the building stock is low, around 1 percent in the EU member states. However, this rate needs to catch up to keep track of the EU's energy efficiency and climate objectives.

Energy Save has developed a digital sales system called the configurator, which collects data from respective buildings. This system enables that distributors and partners could easily dimension and design quality systems. This reduces the time for entering the market and accelerates growth opportunities. Also, one of the bottlenecks in Europe is the lack of skilled plumbing consultants. Thus, the configurator is a great complementing tool for the market.

**Slimmed organization**

Energy Save works actively with distributors as long-term partners across the world. This enables a lean internal organization at a relatively fixed cost base. Thus, incremental sales at a further scale enable EBIT margins at 15 percent over time.

**Management with skin in the game**

Energy Save is entrepreneur-led, and its two co-founders own approximately 50 percent of the outstanding shares. Moreover, the remaining management and board are also among the top shareholders. This is positive in our view and strengthens the case of long-term shareholder value.

## Catalyst types

**Additional incentives and legislation**

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

**Follow-up orders**

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

**Breakthrough orders**

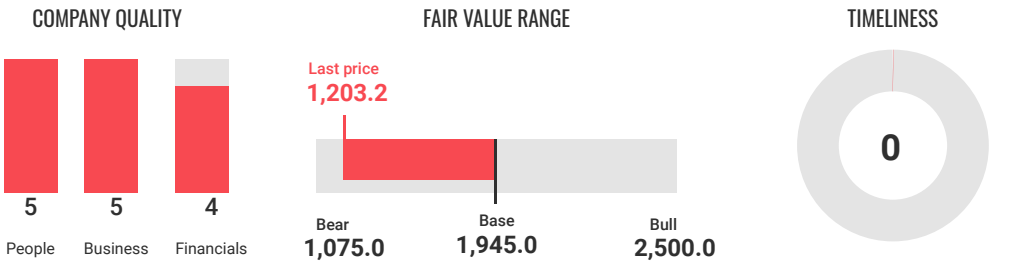
New potential orders, such as the latest from Skanska OY, will be a positive catalyst. These validate the product range, increase visibility, and diversify the customer base.

# Evolution Gaming Group EVO

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

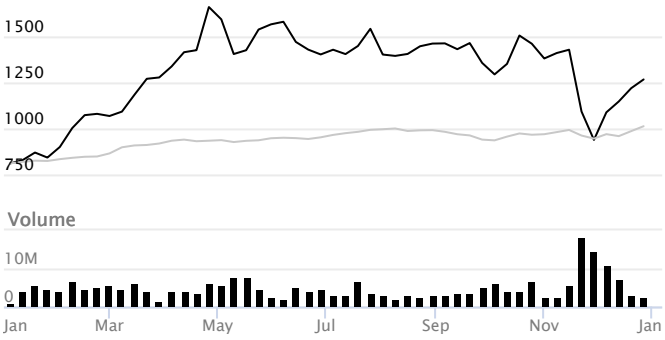
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**Evolution Gaming Group**
OMXS30




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Martin Carlesund |
| **Chairman** | Jens Von Bahr |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1,203.2 |
| **Number of shares (M)** | 215.1 |
| **Market cap (MSEK)** | 258,822 |
| **Net debt (2022E, MEUR)** | -1,546 |

**Analyst**



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MEUR | 561 | 1,108 | 1,576 | 2,124 |
| *Growth* | *53.4%* | *97.4%* | *42.2%* | *34.8%* |
| EBITDA | 332 | 748 | 1,092 | 1,475 |
| *EBITDA margin* | *59.2%* | *67.5%* | *69.3%* | *69.4%* |
| EBIT | 299 | 670 | 992 | 1,353 |
| *EBIT margin* | *53.4%* | *60.5%* | *63.0%* | *63.7%* |
| Pre-tax earnings | 298 | 666 | 992 | 1,353 |
| Net earnings | 284 | 622 | 922 | 1,258 |
| *Net margin* | *50.7%* | *56.2%* | *58.6%* | *59.2%* |
| Dividend/Share | 0.68 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 1.55 | 3.39 | 5.02 | 6.84 |
| P/E adj. | 57.2 | 43.5 | 29.4 | 21.5 |
| EV/S | 28.6 | 24.0 | 16.2 | 11.4 |
| EV/EBITDA | 48.4 | 35.5 | 23.4 | 16.4 |

Last updated: 2021-09-16

| Owner | Equity | Votes |
|---|---|---|
| Capital Group | 16.3% | 16.3% |
| Österbahr Ventures AB | 12.9% | 12.9% |
| Richard Livingstone | 8.6% | 8.6% |
| Black Rock | 2.4% | 2.4% |
| Cat Rock Capital | 2.0% | 2.0% |
| Vanguard | 1.8% | 1.8% |
| Norges Bank | 1.7% | 1.7% |
| Avanza Pension | 1.6% | 1.6% |
| Fidelity Investments (FMR) | 1.3% | 1.3% |
| Futur Pension | 1.2% | 1.2% |

## Company description

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

## Investment case

- Market leader in the DNA
- Living up to its name
- Strong momentum
- M&A opportunities

Evolution Gaming Group (Evolution) is undeniably the No.1 Live Casino provider, globally. It is highly focused on maintaining this lead, with the drive to stay ahead of the competition a vital part of its corporate DNA. We are confident that the company's skilled founders and management will enable it to maintain its leadership position for the foreseeable future. We also believe that the moats Economic of scale, Brand, Switching cost, Lock-in effects and Product quality & range protects the market-leading position

Evolution is living up to its name by evolving the gambling experience. Not only is it pushing the Live Casino experience into new territory, with games like Lightning Roulette, but it is also adding new types of games such as the game show monopoly. Its capability to evolve the gambling experience and attract new players is key to Evolution's success and will be a vital growth driver for it in the years to come, we believe. Moreover, the highly scalable new games could improve that operating margins further.

While Evolution faces some challenges due to its large market share, we expect the company's very strong underlying momentum to continue driving growth in all game types over the coming years. The underlying market growth together with new B2B agreements, new markets and increased player activity should continue to fuel this performance. Moreover, the company's scalability should translate strong momentum into improved margins and continued rapid EPS growth.

We view the company's strong financial position and vast distribution network as a perfect mix for making the most of M&A opportunities. The cash position, together with strong cash flows and limited risk, should enable the company to obtain low-interest debt to leverage its return on equity. Moreover, its distribution capacity should enable Evolution to achieve synergies with other gambling content players. After discussions with the management, Evolution seems to have an opportunistic approach to M&As.

## Catalyst types

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

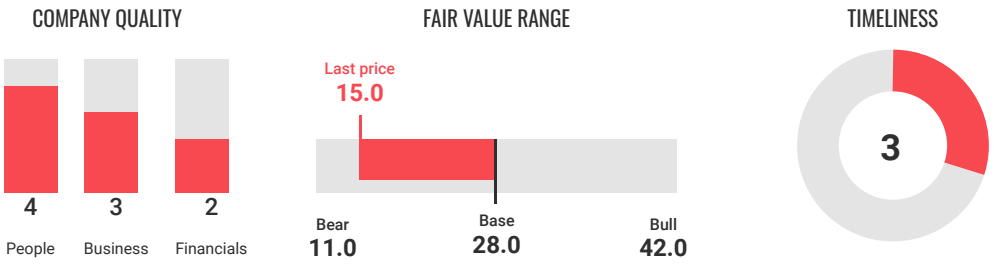
**M&A**
We believe that Evolution Gaming's strong financial position and distribution network will enable it to make major value-adding acquisitions.

# Flexion Mobile FLEXM

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

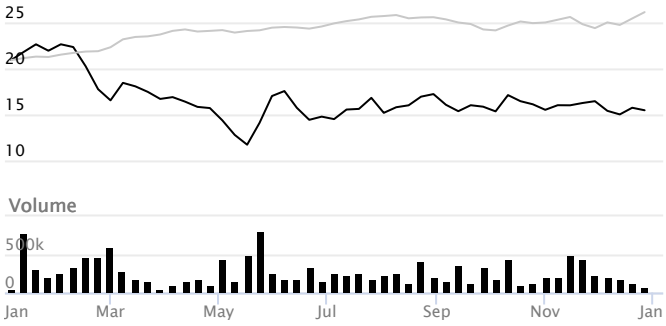
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**Flexion Mobile**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Jens Lauritzson |
| **Chairman** | Carl Palmstierna |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 15.0 |
| **Number of shares (M)** | 50.0 |
| **Market cap (MSEK)** | 748 |
| **Net debt (2022E, MGBP)** | -16 |

**Analyst**



Tomas Otterbeck
tomas.otterbeck@redeye.se

**Conflict of interests**

Tomas Otterbeck owns shares in Flexion Mobile: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MGBP | 21 | 31 | 45 | 63 |
| *Growth* | *>100%* | *49.9%* | *45.7%* | *39.9%* |
| EBITDA | -1 | 0 | 2 | 4 |
| *EBITDA margin* | *Neg* | *Neg* | *6.0%* | *7.8%* |
| EBIT | -1 | -1 | 1 | 3 |
| *EBIT margin* | *Neg* | *Neg* | *3.5%* | *5.1%* |
| Pre-tax earnings | -1 | -1 | 1 | 3 |
| Net earnings | -1 | -1 | 1 | 2 |
| *Net margin* | *Neg* | *Neg* | *3.2%* | *4.6%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.03 | -0.03 | 0.03 | 0.06 |
| P/E adj. | -418.5 | -620.5 | 567.0 | 280.0 |
| EV/S | 24.2 | 25.6 | 17.5 | 12.4 |
| EV/EBITDA | -482.5 | -898.2 | 293.5 | 160.4 |

Last updated: 2021-11-24

| Owner | Equity | Votes |
|---|---|---|
| Mobile Sensations Ltd | 22.0% | 22.0% |
| Carl Palmstierna | 6.8% | 6.8% |
| Fredrik Palmstierna | 4.6% | 4.6% |
| Odey Asset Management LLP | 4.4% | 4.4% |
| Joachim Odqvist | 3.1% | 3.1% |
| eQ Asset Management Oy | 3.1% | 3.1% |
| Sjätte AP-fonden | 2.4% | 2.4% |
| Avanza Pension | 2.1% | 2.1% |
| Aktia Asset Management | 0.8% | 0.8% |
| Claes Kalborg | 0.3% | 0.3% |

## Company description

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

## Investment case

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

**Content is King... and Flexion has it**
Like all platform companies, Flexion needs blockbuster content. During the last year the company has signed contracts with some of the global market's highest grossing games. Their network effects are most important – strengthening Flexion's future market position.

**Duopoly in doubt... a trend that benefits Flexion**
With content giants such as Netflix, Spotify and Epic Games neglecting Apple's and Google's mobile marketplaces, a major change is under way. As Flexion is particularly suited to a more fragmented market, this shift could create new opportunities such as strategic partnerships.

**Risk-Control... Flexion can bet on "sure things"**
Unlike other companies in mobile gaming, Flexion is able to control its risk – for example, by choosing games with proven monetization and replacing those that do not perform. Moreover, its primary strategy is organic growth, not user acquisition.

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

## Catalyst types

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

**Takeover Target**
With Flexion's established position in this niche market, we believe the company is a takeover target. The alternative Android market is growing rapidly, fuelled by major tech companies.

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

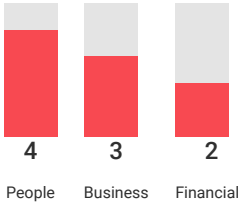
# FlexQube FLEXQ

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

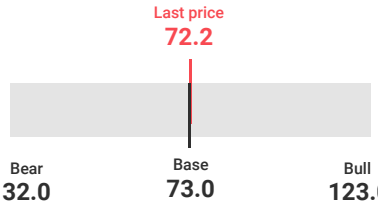
**Publication date**
January 10 2022

## Redeye Rating

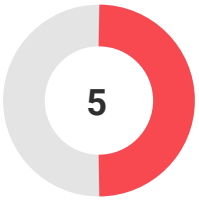
COMPANY QUALITY




FAIR VALUE RANGE

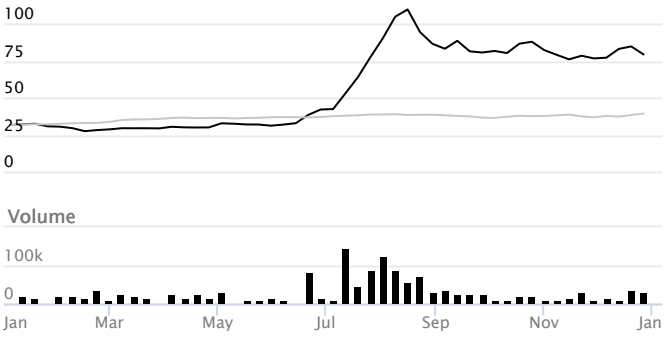



TIMELINESS




## Snapshot

**FlexQube**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Anders Fogelberg |
| **Chairman** | Christian Thiel |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 72.2 |
| **Number of shares (M)** | 8.2 |
| **Market cap (MSEK)** | 594 |
| **Net debt (2022E, MSEK)** | -7 |

**Analyst**



Niklas Sävås
niklas.savas@redeye.se

**Conflict of interests**

Niklas Sävås owns shares in FlexQube: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 84 | 112 | 150 | 200 |
| *Growth* | *9.6%* | *33.0%* | *34.4%* | *33.3%* |
| EBITDA | -15 | -19 | -10 | -2 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -19 | -24 | -14 | -8 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -20 | -24 | -15 | -8 |
| Net earnings | -20 | -24 | -12 | -7 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -2.71 | -3.29 | -1.70 | -0.96 |
| P/E adj. | -10.4 | -28.2 | -54.6 | -97.1 |
| EV/S | 2.5 | 5.9 | 4.6 | 3.5 |
| EV/EBITDA | -13.5 | -33.4 | -65.0 | -352.7 |

Last updated: 2021-11-29

| Owner | Equity | Votes |
|---|---|---|
| Christian Thiel | 26.2% | 26.2% |
| Per Augustsson | 19.6% | 19.6% |
| Anders Fogelberg | 16.9% | 16.9% |
| Håkan Roos (RoosGruppen) | 15.0% | 15.0% |
| Nils-Robert Persson | 5.1% | 5.1% |
| Avanza Pension | 1.9% | 1.9% |
| Nordnet Pensionsförsäkring | 1.2% | 1.2% |
| Ulf Ivarsson | 1.1% | 1.1% |
| Ålandsbanken I Ägares Ställe | 1.0% | 1.0% |
| Anders Ströby | 0.9% | 0.9% |

## Company description

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

## Investment case

- Innovative player adapted to the fourth industrial revolution with no commitments to the old world
- Owner-operators at the helm with a strong outside industrial owner
- With the organizational challenges and the COVID-19 pandemic out of the way. Focus is on long-term growth.
- The market has not recognized that the company has turned into a robotics business with the eQart

**The landgrab has started**

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

**Agile and owner-operated**

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

**Speed bumps out of the way**

Rapid growth has been the baseline for the company, but it has slowed in the last two years, driven by organizational challenges as the company had extraordinarily strong growth in 2018 and then the Covid-19 pandemic. While the pandemic hurt the short-term prospects for FlexQube the long-term prospects has improved. E-commerce has been a huge beneficiary leading to higher demand for warehousing- and logistics solutions. Robotization in the sector is driven by a shortage of skilled workers – which is likely to accelerate. FlexQube have won orders from Amazon, Tesla, Oda (formerly Kolonial) and Apotea recently which solidifies the view. With the organization back in full gear and the progress in vaccinating the world, the future looks brighter as the customers can switch focus from near-term problems to long-term value creation. FlexQube estimated that they would be break-even in 2020, but then the pandemic hit, and those estimates had to be revised. Focus is on growth, and we expect it to take a few more years before the company reaches stable profitability, and further capital is likely to be necessary until then.

**Investors have started to recognize the transformation**

We argue that investors have now started to recognize FlexQube's transformation to a robotics with the stock now trading above our base case. The new product portfolio will enable significantly higher value per unit sold. Backing the positive view is the ramping up we have seen in orders for the eQart with the one from Amazon as a shining example.

## Catalyst types

**Takeover attempt**

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

**eQart taking off**

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

**Dependency on key people**

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

**Established customer relations leading to quicker ramp up**

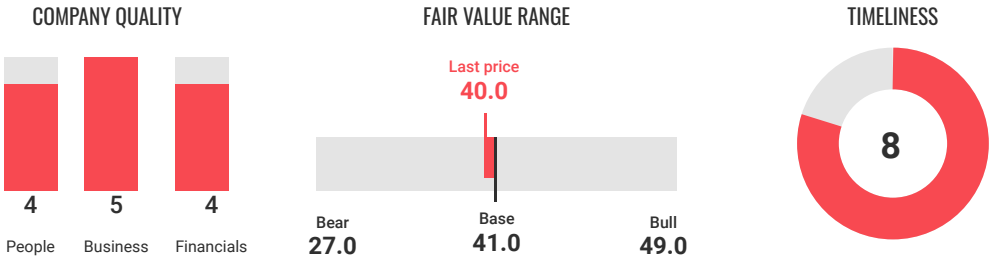
FlexQube already has established relations with more than 800 customers which speeds up the sales process. One of the key reasons for the competitor Fetch Robotics to be sold to Zebra Technologies was to get exposure to their large existing customer base

# Formpipe Software FPIP

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

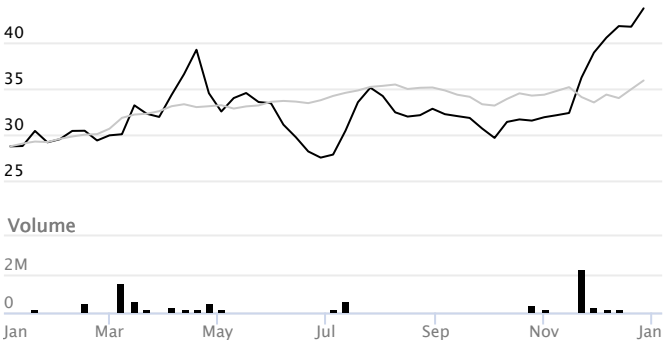
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**Formpipe Software**
OMXS30




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Christian Sundin |
| **Chairman** | Bo Nordlander |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 40.0 |
| **Number of shares (M)** | 53.7 |
| **Market cap (MSEK)** | 2,146 |
| **Net debt (2022E, MSEK)** | -124 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in Formpipe Software: No

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

## Financials

| | 2020E | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 403 | 465 | 480 | 494 |
| *Growth* | *2.4%* | *15.3%* | *3.2%* | *3.0%* |
| EBITDA | 104 | 130 | 117 | 133 |
| *EBITDA margin* | *25.9%* | *28.0%* | *24.4%* | *26.9%* |
| EBIT | 53 | 63 | 67 | 83 |
| *EBIT margin* | *13.2%* | *13.6%* | *14.0%* | *16.7%* |
| Pre-tax earnings | 52 | 62 | 67 | 83 |
| Net earnings | 41 | 47 | 52 | 64 |
| *Net margin* | *10.1%* | *10.2%* | *10.8%* | *12.9%* |
| Dividend/Share | 0.60 | 0.40 | 0.44 | 0.54 |
| EPS adj. | 0.76 | 0.89 | 0.97 | 1.20 |
| P/E adj. | 41.9 | 36.0 | 32.9 | 26.7 |
| EV/S | 4.2 | 3.5 | 3.3 | 3.1 |
| EV/EBITDA | 16.3 | 12.5 | 13.5 | 11.6 |

Last updated: 2021-11-01

| Owner | Equity | Votes |
|---|---|---|
| Martin Gren (Grenspecialisten) | 10.4% | 10.4% |
| SEB Fonder | 9.8% | 9.8% |
| Martin Bjäringer | 7.7% | 7.7% |
| Swedbank Robur Fonder | 7.6% | 7.6% |
| Alcur Fonder | 7.0% | 7.0% |
| Nordea Fonder | 6.8% | 6.8% |
| TIN Fonder | 6.0% | 6.0% |
| Thomas Wernhoff | 5.2% | 5.2% |
| UBS Switzerland AG | 3.4% | 3.4% |
| Avanza Pension | 3.0% | 3.0% |

## 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 270 employees and is headquartered in Stockholm, but also has a big part of its workforce in Denmark.

The ECM market comprises systems that capture, process, store, archive and deliver information in a systematic way. This allows companies, organizations and public authorities to manage the continuously increasing flow of information in a connected, digital world. Through using ECM solutions, they can therefore increase their productivity, efficiency and even reduce risks in their business.

Formpipe's key market segments, the Swedish and Danish public sector, are regarded as relatively advanced in their use of ECM solutions. They are ahead of the private sector, mostly due to regulatory pressure.

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

## Investment 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 the majority 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.

**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

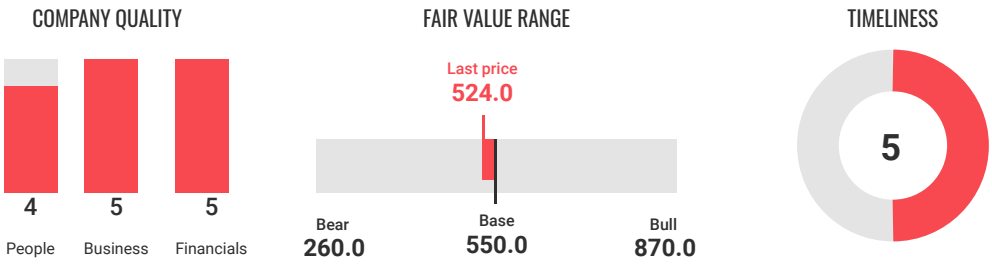
**Increase in SaaS orders**
The shift towards more SaaS orders may affect sales and earnings negatively in the short run. However, we believe that the shift will have a positive impact on profitability in the long term.

# Fortnox FNOX

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

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Nordic SME |
| **CEO** | Tommy Eklund |
| **Chairman** | Olof Hallrup |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 524.0 |
| **Number of shares (M)** | 61.0 |
| **Market cap (MSEK)** | 31,951 |
| **Net debt (2022E, MSEK)** | -885 |

**Analyst**




Fredrik Nilsson
fredrik.nilsson@redeye.se


**Conflict of interests**

Fredrik Nilsson owns shares in Fortnox: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 694 | 935 | 1,256 | 1,666 |
| *Growth* | *30.4%* | *34.8%* | *34.4%* | *32.6%* |
| EBITDA | 332 | 413 | 597 | 819 |
| *EBITDA margin* | *47.9%* | *44.3%* | *47.5%* | *49.2%* |
| EBIT | 265 | 329 | 504 | 728 |
| *EBIT margin* | *38.3%* | *35.2%* | *40.2%* | *43.7%* |
| Pre-tax earnings | 262 | 325 | 504 | 728 |
| Net earnings | 205 | 255 | 393 | 568 |
| *Net margin* | *29.6%* | *27.3%* | *31.3%* | *34.1%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 3.39 | 4.19 | 6.46 | 9.32 |
| P/E adj. | N/A | N/A | N/A | N/A |
| EV/S | N/A | N/A | N/A | N/A |
| EV/EBITDA | N/A | N/A | N/A | N/A |

Last updated: 2021-10-27

| Owner | Equity | Votes |
|---|---|---|
| Olof Hallrup | 20.6% | 20.6% |
| State Street Bank And Trust co | 7.9% | 7.9% |
| Swedbank Robur Fonder | 6.8% | 6.8% |
| Morgan Stanley & co Intl Plc | 4.0% | 4.0% |
| The Northern Trust Company | 2.9% | 2.9% |
| BNY Mellon NA (Former Mellon) | 2.6% | 2.6% |
| Spiltan Fonder | 2.3% | 2.3% |
| AMF Pension & Fonder | 2.2% | 2.2% |
| Invesco | 2.1% | 2.1% |
| Peder Klas-Åke Bengtsson | 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.

**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

**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

**Increasing ARPC**

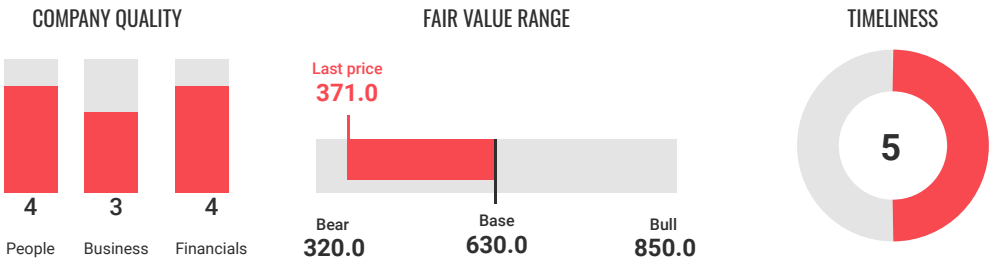
We forecast the ARPC to continue to increase, mainly due to a higher penetration for Fortnox Finance. However, small changes in the penetration rate of lead to significant differences in ARPC and, thus, valuation. We believe there is a possibility for the ARPC do deviate significantly both on the up-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

# G5 Entertainment G5EN

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

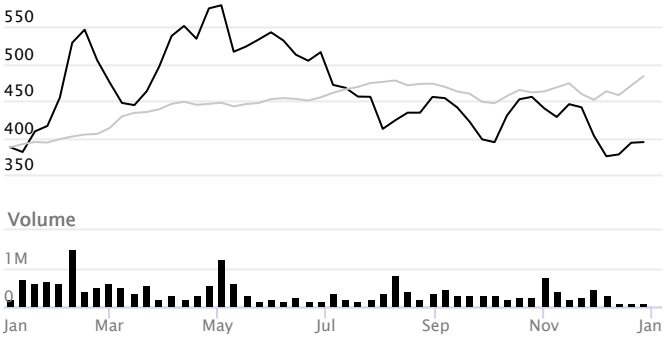
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**G5 Entertainment**
OMXS30




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Vladislav Suglobov |
| **Chairman** | Petter Nylander |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 371.0 |
| **Number of shares (M)** | 9.1 |
| **Market cap (MSEK)** | 3,378 |
| **Net debt (2022E, MSEK)** | -483 |

**Analyst**



Tomas Otterbeck
tomas.otterbeck@redeye.se

**Conflict of interests**

Tomas Otterbeck owns shares in G5 Entertainment: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 1,356 | 1,353 | 1,520 | 1,660 |
| *Growth* | *9.9%* | *-0.2%* | *12.3%* | *9.2%* |
| EBITDA | 310 | 361 | 459 | 501 |
| *EBITDA margin* | *22.9%* | *26.7%* | *30.2%* | *30.2%* |
| EBIT | 189 | 222 | 274 | 346 |
| *EBIT margin* | *14.0%* | *16.5%* | *18.1%* | *20.9%* |
| Pre-tax earnings | 189 | 223 | 277 | 350 |
| Net earnings | 165 | 210 | 221 | 280 |
| *Net margin* | *12.2%* | *15.6%* | *14.6%* | *16.9%* |
| Dividend/Share | 2.50 | 6.25 | 7.00 | 8.00 |
| EPS adj. | 18.14 | 23.13 | 24.37 | 30.84 |
| P/E adj. | 22.3 | 22.7 | 21.6 | 17.0 |
| EV/S | 2.6 | 3.3 | 2.8 | 2.5 |
| EV/EBITDA | 11.3 | 12.5 | 9.4 | 8.1 |

Last updated: 2021-11-24

| Owner | Equity | Votes |
|---|---|---|
| G5 Entertainment AB (Publ) | 7.3% | 5.7% |
| Wide Development Ltd | 6.4% | 6.5% |
| Purple Wolf Ltd | 5.5% | 5.6% |
| Swedbank Robur Fonder | 5.2% | 5.3% |
| Tommy Svensk | 4.4% | 4.5% |
| Proxima Ltd | 3.6% | 3.6% |

## Company description

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

## Investment case

- High Growth in line with the Industry
- Loyal User Base
- Increasing Gross Margins

**High Growth in line with the Industry**
We expect G5 to show an average annual revenue of 8-10% in 2022-2024 a higher market share in “Match-3” games are one of G5's major growth drivers. The mobile games industry as a whole is expected to grow with a CAGR of approximately 10 percent during the same period according to Newzoo.

**Loyal User Base**
G5 earns a majority of total revenues in Hidden Object games. G5 has found its niche within the target group of women aged 35 years and older. According to research, this target group is loyal, affluent and women usually make more in-app purchases than men.

**Increasing Gross Margins**
The company is nowadays fully focused on self-developed games. One of the benefits of fully-owned games is that the company does not have to pay any royalties to the developer, which means that the profitability will increase when the proportion of revenue from fully owned gaming increases.

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

## Catalyst types

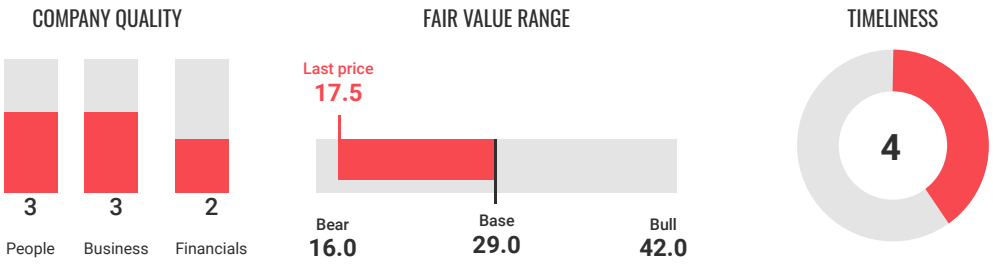
**Gross Margin Expansion**
The financial development visible in the quarterly reports is one of the major catalysts for the stock going forward. We estimate G5 generate around 30% of its revenue from the Microsoft Store where the distribution fee recently (August 2021) was lowered from 30% to 12%. The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

# Gaming Innovation Group GIG

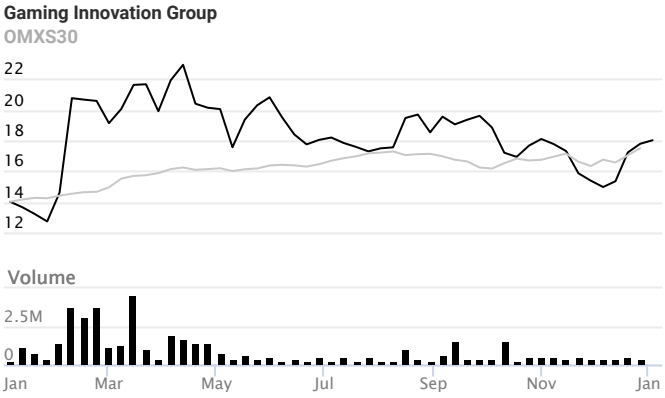
**Company page**
https://www.redeye.se/company/gaming-innovation-group

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Oslo Børs |
| **CEO** | Richard Brown |
| **Chairman** | Petter Nylander |

**Share information**

| | |
|---|---|
| **Share price (NOK)** | 17.5 |
| **Number of shares (M)** | 96.7 |
| **Market cap (MNOK)** | 1,690 |
| **Net debt (2022E, MSEK)** | 17 |

**Analyst**



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

**Conflict of interests**

Hjalmar Ahlberg owns shares in Gaming Innovation Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 52 | 66 | 76 | 88 |
| *Growth* | *19.2%* | *26.4%* | *14.8%* | *15.6%* |
| EBITDA | 10 | 21 | 27 | 33 |
| *EBITDA margin* | *20.5%* | *32.0%* | *36.8%* | *38.7%* |
| EBIT | -8 | 7 | 15 | 22 |
| *EBIT margin* | *Neg* | *12.1%* | *20.1%* | *25.5%* |
| Pre-tax earnings | -15 | 2 | 12 | 20 |
| Net earnings | -15 | 3 | 9 | 15 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.18 | 0.03 | 0.09 | 0.16 |
| P/E adj. | -6.4 | 43.7 | 15.3 | 9.2 |
| EV/S | 2.5 | 2.6 | 2.1 | 1.6 |
| EV/EBITDA | 12.1 | 8.1 | 5.7 | 4.1 |

Last updated: 2021-12-13

| Owner | Equity | Votes |
|---|---|---|
| Andre Lavold | 7.9% | 7.9% |
| Kjetil Myrlid Aasen | 6.8% | 6.8% |
| Henrik Persson Ekdahl | 5.1% | 5.1% |
| Swedbank Robur Fonder | 4.8% | 4.8% |
| Nordea Liv & Pension | 4.7% | 4.7% |
| Jesper Ribacka | 4.7% | 4.7% |
| Formue Nord A/S | 4.0% | 4.0% |
| Hans Michael Hansen | 3.9% | 3.9% |
| Symmetry Invest A/S | 3.1% | 3.1% |
| G.F. Invest AS | 2.6% | 2.6% |

## Company description

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

## Investment case

- Platform and omnichannel
- More focused business
- Upside potential in US

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

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

Finally, there is solid upside potential for GiG in US which currently generates limited revenue. In the short term this growth could be driven by the media segment while there is also longer-term upside from the platform and sports betting services.

## Catalyst types

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

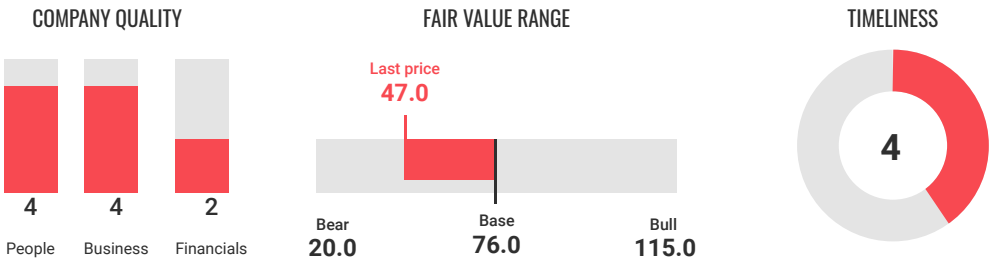
**Growth in Platform Clients and Brands**
GiG has signed several smaller and some larger clients in its platform business including the land-based giant SkyCity. Additional and extended deals like these together will clear effects on the revenue levels should take the valuation to a new level.

# Gapwaves GAPW B

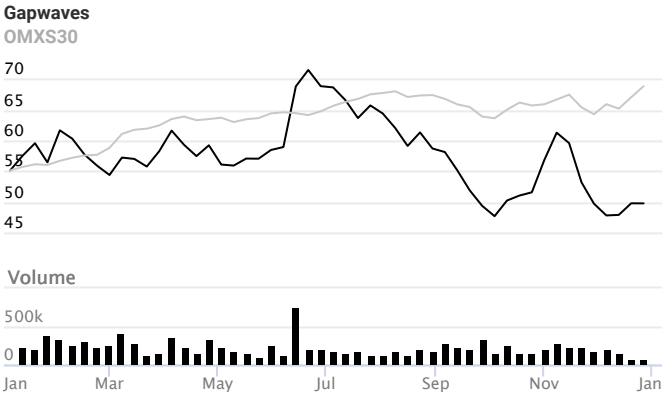
**Company page**
https://www.redeye.se/company/gapwaves

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




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

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 47.0 |
| **Number of shares (M)** | 30.7 |
| **Market cap (MSEK)** | 1,443 |
| **Net debt (2022E, MSEK)** | -189 |

**Analyst**



Forbes Goldman
forbes.goldman@redeye.se

**Conflict of interests**

Forbes Goldman owns shares in Gapwaves: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 22 | 40 | 51 | 116 |
| *Growth* | *7.7%* | *80.4%* | *28.7%* | *>100%* |
| EBITDA | -36 | -30 | -29 | 6 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *5.4%* |
| EBIT | -42 | -35 | -35 | 0 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *0.1%* |
| Pre-tax earnings | -44 | -35 | -35 | 0 |
| Net earnings | -44 | -35 | -35 | 0 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *0.1%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -1.61 | -1.29 | -1.28 | 0.00 |
| P/E adj. | -36.7 | N/A | N/A | N/A |
| EV/S | 70.5 | N/A | N/A | N/A |
| EV/EBITDA | -42.5 | N/A | N/A | N/A |

Last updated: 2021-09-29

| Owner | Equity | Votes |
|---|---|---|
| Cécile Schilliger | 19.6% | 56.7% |
| HELLA | 10.1% | 3.1% |
| Avanza Pension | 4.9% | 1.5% |
| Lars-Inge Sjöqvist | 3.3% | 8.7% |
| Nordnet Pensionsförsäkring | 2.8% | 0.9% |
| Alfred Berg Fonder | 2.6% | 0.8% |
| BNP Paribas Sec Serv Luxembourg | 2.4% | 0.8% |
| SIX SIS AG | 1.8% | 0.6% |
| Bright Peter Leo Ebenezer | 1.8% | 0.6% |

## Company description

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

## Investment case

- Validated by Tier 1 Automotive Suppliers
- More Promising Use Cases
- Unique and Innovative Technology…
- …Manifested in Market Leadership – Only One Competitor in Sight

**Validated by Tier 1 Automotive Suppliers**

Gapwaves' offering has received the most traction from the automotive industry. So far, it has entered long-term license agreements with Veoneer and Hella. Both customers expect to integrate Gapwaves' 77 GHz antenna into their next-generation radar modules. As such, the company will receive royalties (license sales) for each sold unit. The start of production is scheduled for 2022/23 with Veoneer and 2024 with Hella. Due to the price-sensitive automotive industry, we assume that Gapwaves receives fairly modest royalties – about 1-2 SEK per unit. We expect volumes to scale with time – the automotive radar market could comprise more than 400 million units by 2027/28. Gapwaves' ambition is to gain a 50%+ market share as an antenna supplier. As things stand, we think it is well-positioned to do so.

**More Promising Use Cases**

The company has strengthened its position within 'new radar verticals,' tapping into large industries such as last mile delivery (LMD) and the internet of things (IoT). In particular, we distinguish three large accounts driving growth: Uhnder, Smartmicro, and an undisclosed tech giant. Some of the main benefits in this space, in contrast to automotive, include 1) faster time to market due to less regulation; 2) higher revenue per unit – not as cost-driven stakeholders; and 3) control over the value chain due to in-house production – lower volumes. Furthermore, there is a compelling telecom/5G use case – but a ramp-up will take time.

**Unique and Innovative Technology…**

Gapwaves' antennas function well at high frequencies, such as 30 to 300 GHz. Essentially they are more power-efficient than traditional PCB antennas and more cost-efficient to produce than traditional waveguide antennas. The company has more than 30 product families in the space.

**…Manifested in Market Leadership – Only One Competitor in Sight**

At this time, Huber+Suhner is the only competitor commercializing a similar antenna based on mm-wave technology. Our understanding is that Gapwaves, so far, has been more successful in developing the manufacturing and assembly process and can reach higher volumes. The limited competition is, in our opinion, a manifestation of the high barriers to entry into the market.

## Catalyst types

**Additional Automotive Long-Term Agreements**

Gapwaves has two license agreements in place, with Veoneer and Hella. Additionally, it has received development agreements from the vast majority of other Tier 1 suppliers. Another long-term agreement should have a positive share price reaction.

**An Initial 'New Radar Vertical' Long-Term Agreement**

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

**Initial License Sales from Existing Agreements**

The first license sales are expected from 2022/23 when the Veoneer project enters production. License sales would depict a successful product launch, apart from predictable revenue streams at a 100% gross margin.

**5G Market Take-Off**

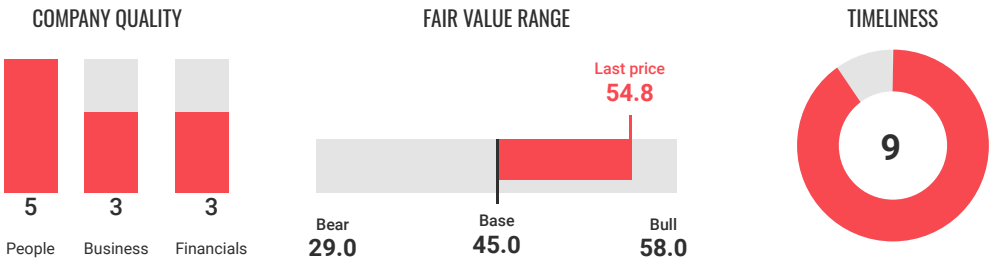
The transformation of the telecom industry is already taking place and will continue well into the future. Gapwaves will be well-positioned to attract customers from this segment in addition to automotive, meaning a significant upside potential in the stock.

# Hanza Holding HANZA

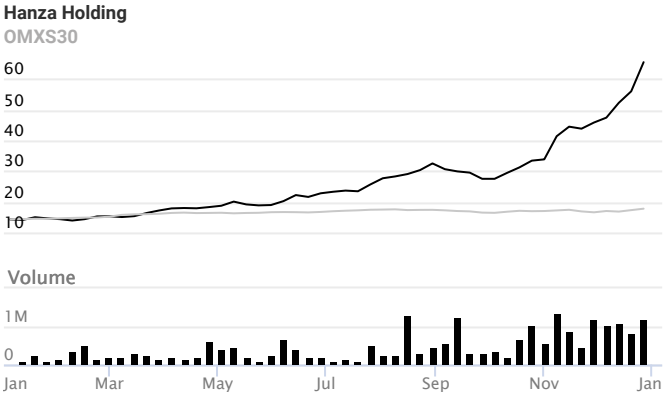
**Company page**
https://www.redeye.se/company/hanza-holding

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Erik Stenfors |
| **Chairman** | Francesco Franzé |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 54.8 |
| **Number of shares (M)** | 35.8 |
| **Market cap (MSEK)** | 1,961 |
| **Net debt (2022E, MSEK)** | 364 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in Hanza Holding: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 2,155 | 2,436 | 2,799 | 2,916 |
| *Growth* | *4.2%* | *13.0%* | *14.9%* | *4.2%* |
| EBITDA | 56 | 228 | 281 | 237 |
| *EBITDA margin* | *2.6%* | *9.4%* | *10.0%* | *8.1%* |
| EBIT | 31 | 125 | 182 | 137 |
| *EBIT margin* | *1.5%* | *5.1%* | *6.5%* | *6.9%* |
| Pre-tax earnings | 9 | 98 | 154 | 112 |
| Net earnings | -22 | 83 | 120 | 88 |
| *Net margin* | *Neg* | *3.4%* | *4.3%* | *3.0%* |
| Dividend/Share | 0.25 | 0.70 | 1.01 | 0.73 |
| EPS adj. | -0.64 | 2.33 | 3.36 | 2.45 |
| P/E adj. | -21.5 | 19.8 | 13.7 | 18.8 |
| EV/S | 0.4 | 0.9 | 0.7 | 0.7 |
| EV/EBITDA | 16.6 | 9.1 | 7.2 | 8.4 |

Last updated: 2021-11-22

| Owner | Equity | Votes |
|---|---|---|
| Gerald Engström | 23.9% | 23.9% |
| Francesco Franzé | 10.0% | 10.0% |
| Clearstream Banking S.A. W8imy | 9.2% | 9.2% |
| Ritter Beteiligungs Gmbh | 8.8% | 8.8% |
| Håkan Halén | 6.6% | 6.6% |
| Nordnet Pensionsförsäkring | 6.6% | 6.6% |
| Massimiliano Franzé | 5.8% | 5.8% |
| Svenska Handelsbanken AB for PB | 4.9% | 4.9% |
| Avanza Pension | 4.3% | 4.3% |
| Nordea Bank Ab(Publ) Nordea Bank Abp | 3.5% | 3.5% |

## Company description

Hanza Holding is a Swedish manufacturing service company founded in 2008. Its main differentiator, called 'All you need is one' by the company, is its use of manufacturing clusters, combining several manufacturing technologies in one location. This creates a one-stop-manufacturing-shop for product companies. Hanza can thus serve a product company's entire manufacturing needs, reducing lead times and the environmental footprint, and, according to Hanza, also cutting costs for its customers. Hanza also offers advisory services, called MIG (Manufacturing Solutions for Increased Growth and Earnings) and MCS (Material Compliance Solutions).

Hanza's customer portfolio is impressive, including several well-known European product companies across a number of different industries. We argue that its solid customer portfolio indicates that Hanza's cluster strategy is attractive to product companies.

## Investment case

- Unique take on manufacturing
- Expanding into Germany
- Backsourcing benefit

### Investment case

#### Unique take on manufacturing

With its 'All you need is one' cluster-based strategy, Hanza and its experienced management take a unique approach that differentiates it among manufacturing service companies. By gathering several manufacturing technologies in a single location (often near the end-customer), Hanza can reduce costs, lead times and environmental footprint.

Hanza offers consultant services, such as MIG, that help product companies streamline their use of manufacturing services. MIG plays an important role in acquiring new customers but has not yet reached its full potential.

While our meetings with cluster management suggest that 'All you need is one' has yet to be fully implemented, we are positive to Hanza's unique, long-term strategy. While its stock market journey had a bumpy start, industry-leading margins in its Nordic segment and an impressive customer list prove the strength of its concept.

#### Expanding into Germany

By the acquisition of Ritter in 2019, Hanza established presence in Germany. Europe's industrial powerhouse, Germany offers Hanza significant growth opportunities with its so-called Mittelstand (Hanza's focus segment). Also, as many German businesses are cautious about entering China directly, Hanza's Chinese factories offer a smooth outsourcing alternative. Some have already moved production to its cluster in China. In 2021, Hanza intensifed its German expansion by acquiring Beyers.

**Backsourcing benefit**

Hanza benefits from several trends that are moving manufacturing back to Europe, such as Environmental, Social and Governance (ESG) issues, trade wars and increasing labor costs in distant regions. With the bulk of its manufacturing facilities within the EU, we believe Hanza can meet high ESG standards better than most production in distant, often undemocratic regions. Moreover, its cluster strategy has an inherently lower environmental footprint.

### Counter-thesis

#### Lack of transferability

Hanza's success in the Nordics may not result from its 'All you need Is one' cluster strategy, but rather follow from smart acquisitions and a management team with close connections to several Nordic product companies. If so, it may struggle to achieve solid profitability outside of the Nordics. However, it has already established successful presences outside the Nordics, such as in Tartu, Estonia.

#### Unsuccessful expansion

In the summer of 2019 Hanza acquired Ritter in Germany and expanded its central European cluster significantly. As Hanza is aiming for a full integration, the risk and potential reward is higher than on a typical decentralized acquisition. Employees, management and/or customers could oppose Hanza's plans. However, as Hanza has experience of taking over businesses successfully, we view the risk as limited.

## Catalyst types

**Higher profitability in Other Markets**

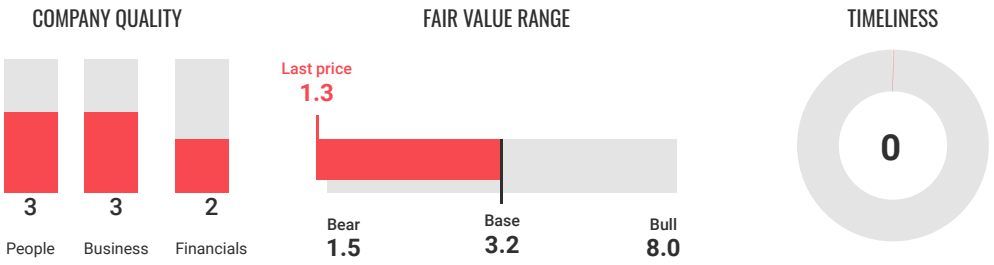
With over 50% of run-rate revenues but only around 30% of 2019 EBITA, a margin increase in the Rest of the World segment stands out as an obvious potential catalyst in the coming years. Even a small increase in the RotW margin level – up from an adjusted ~2.6% in 2019 – would be enough for significant earnings growth at the group level. In 2020, Hanza changed its reporting, but RotW is approximatley equal to Other Markets.

# Heliospectra HELIO

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

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Ali Ahmadian |
| **Chairman** | Andreas Gunnarsson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1.3 |
| **Number of shares (M)** | 77.3 |
| **Market cap (MSEK)** | 102 |
| **Net debt (2022E, MSEK)** | 25 |

**Analyst**



Henrik Alveskog
henrik.alveskog@redeye.se

**Conflict of interests**

Henrik Alveskog owns shares in Heliospectra: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 39 | 36 | 57 | 92 |
| *Growth* | *51.2%* | *-7.0%* | *60.0%* | *60.0%* |
| EBITDA | -36 | -38 | -25 | -10 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -40 | -42 | -31 | -17 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -40 | -42 | -31 | -18 |
| Net earnings | -40 | -42 | -31 | -18 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.52 | -0.54 | -0.41 | -0.24 |
| P/E adj. | -10.6 | -4.2 | -5.6 | -9.7 |
| EV/S | 9.6 | 4.6 | 3.5 | 2.4 |
| EV/EBITDA | -10.3 | -4.4 | -8.0 | -22.2 |

Last updated: 2021-10-31

| Owner | Equity | Votes |
|---|---|---|
| Gösta Welandson med bolag | 41.1% | 41.1% |
| Greg Dingizian | 15.5% | 15.5% |
| Mohammed Al Amoudi | 11.5% | 11.5% |
| Avanza Pension | 3.0% | 3.0% |
| Corpora The Bank Of New York Mellon | 1.6% | 1.6% |
| Livförsäkringsbolaget Skandia | 1.1% | 1.1% |
| Nordnet Pensionsförsäkring | 0.9% | 0.9% |
| Magowny Invest AB | 0.7% | 0.7% |
| Swedbank Försäkring | 0.6% | 0.6% |
| SPP Fonder | 0.6% | 0.6% |

## Company description

Heliospectra was founded in 2006 and specializes in intelligent lighting systems for plant research, greenhouse cultivation and controlled environment agriculture. The company is a global leader in LED grow lights for advanced research applications and has patented technology. Operations are mainly focused on R&D, product development and marketing and sales. Production is outsorced to contract manufacturers and thus flexible. Heliospectra has a network of sales agents in Europe, North America and Asia as well as its own dedicated sales staff.

## Investment case

- At the inflection point: The focus on attracting larger growers is gradually paying off and will in our view pave the way for substantial growth in 2022-2023.
- Rapid market growth driven by global trends: The market for LED grow light is projected to grow rapidly. Heliospectra is well-positioned to harvest from this booming market.
- Strong technological offering: Heliospectra possess a strong offering which add significant value to customers' cultivations. The strength of the company's offering is proven by the recently introduced control system HelioCORE.

**At the inflection point.** Heliospectra has transitioned from a research company to become a leading player in the growing market for intelligent lighting solutions. The focus on attracting larger growers is starting to pay off. We expect the average order size to continue to increase following an inflow of substantially larger orders from large commercial growers of food and cannabis.

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

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

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

### Bear points (counter-thesis)

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

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

## Catalyst types

**Additional large orders**
We see good potential for further follow-up orders in the range SEK 10 million+ from undisclosed AgTech players and marijuana growers who have previously placed large orders, for example The Grove. Moreover, we see good opportunities of landing additional orders from the commercial greenhouse segment.

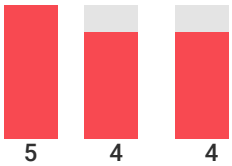
# Hexatronic Group HTRO

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

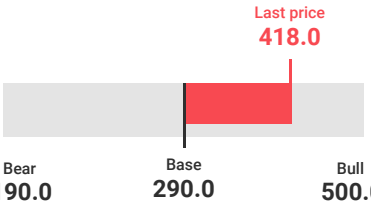
**Publication date**
January 10 2022

## Redeye Rating

COMPANY QUALITY




FAIR VALUE RANGE

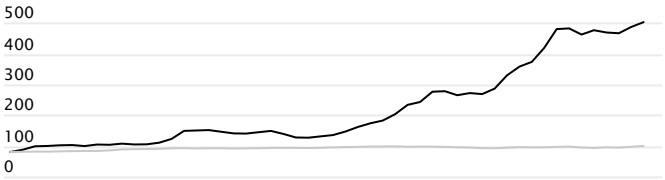



TIMELINESS




## Snapshot

**Hexatronic Group**
OMXS30




Volume




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Henrik Larsson Lyon |
| **Chairman** | Anders Persson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 418.0 |
| **Number of shares (M)** | 40.6 |
| **Market cap (MSEK)** | 16,981 |
| **Net debt (2022E, MSEK)** | -16 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in Hexatronic Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 2,081 | 3,334 | 4,626 | 5,644 |
| *Growth* | *12.9%* | *60.2%* | *38.8%* | *22.0%* |
| EBITDA | 273 | 485 | 675 | 829 |
| *EBITDA margin* | *13.1%* | *14.5%* | *14.6%* | *14.7%* |
| EBIT | 177 | 349 | 515 | 658 |
| *EBIT margin* | *8.5%* | *10.5%* | *11.1%* | *11.7%* |
| Pre-tax earnings | 165 | 333 | 502 | 646 |
| Net earnings | 127 | 253 | 382 | 491 |
| *Net margin* | *6.1%* | *7.6%* | *8.3%* | *8.7%* |
| Dividend/Share | 0.00 | 0.50 | 0.55 | 1.23 |
| EPS adj. | 3.34 | 6.33 | 9.54 | 12.26 |
| P/E adj. | 19.7 | 77.6 | 51.5 | 40.0 |
| EV/S | 1.4 | 6.0 | 4.2 | 3.4 |
| EV/EBITDA | 10.3 | 40.9 | 29.1 | 23.3 |

Last updated: 2021-11-21

| Owner | Equity | Votes |
|---|---|---|
| Handelsbanken Fonder | 8.5% | 8.6% |
| Efg Bank / Geneva | 7.3% | 7.4% |
| Jonas Nordlund | 7.3% | 7.4% |
| Accendo Capital | 6.9% | 7.0% |
| Rbc Investor Services Bank S.A | 6.9% | 7.0% |
| Swedbank Robur Fonder | 5.0% | 5.0% |
| Chirp AB | 4.5% | 4.6% |
| AMF Pension & Fonder | 4.4% | 4.4% |
| Avanza Pension | 2.6% | 2.6% |
| Länsförsäkringar Fonder | 2.5% | 2.5% |

## Company description

Hexatronic is a technology group which specializes in fiber communications and is listed on Mid Cap Stockholm. The company supply fibre optic products and solutions and provide a complete range of passive infrastructure for telecom companies. The Group consists of 16 companies with a total of around 800 employees with headquarters in Gothenburg.

Hexatronic develops and manufactures its own products and services, as well as sell and manufacture solutions based on products from leading manufacturers worldwide. The business has developed to provide more own products and complete system deliveries - this will provide higher margins and longer customer agreements. Growth has and will be driven organically and by acquisitions in its international markets.

## Investment case

- Excellent position in exciting segment
- A real quality name in Redeye's universe
- Core markets poised for structural growth
- Strong momentum likely to further accelerate

**Excellent position in exciting segment**
Hexatronic has a strong and complete product offering in the attractive FTTH segment, with an excellent geographic market mix. High quality, unique yet cost-efficient solutions and a focus on systems sales, distinguish the company. It has managed to build a strong platform in its chosen growth markets, the US, UK, and Germany, through a series of successful acquisitions, and appears very well positioned to capitalise on the expected acceleration of growth.

**A real quality name in Redeye's universe**
Applying Redeye's company rating model, we rate Hexatronic as a true quality name. It scores very well in all key areas, such as business fundamentals, financials, and people. It has a strong position and brand in the market, it is profitable and cash generative with a strong outlook and is also backed by a strong balance sheet. We feel the company is very well run, mixing favourable organic growth prospects with acquired growth for promising compounding effects. In addition, its ESG credentials are outstanding, in our view

**Core markets poised for structural growth**
We believe the key, large, international markets, the US, UK, and Germany, are in an early stage of a prolonged and strong growth period. Activity levels are currently high and increasing, and we expect demand to continue to strengthen going forward.

**Strong momentum likely to further accelerate**
Hexatronic enjoyed growing momentum in 2020, topped by a very strong final quarter – the order backlog is now extremely strong. We believe these trends have continued into the early part of 2021 and predict a strong demand environment for multiple years. Indeed, we may be observing an inflection point – should the corona crisis begin to fade, a further boost is, in fact, likely as Hexatronic has faced significant challenges due to the imposed restrictions.

## Catalyst types

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

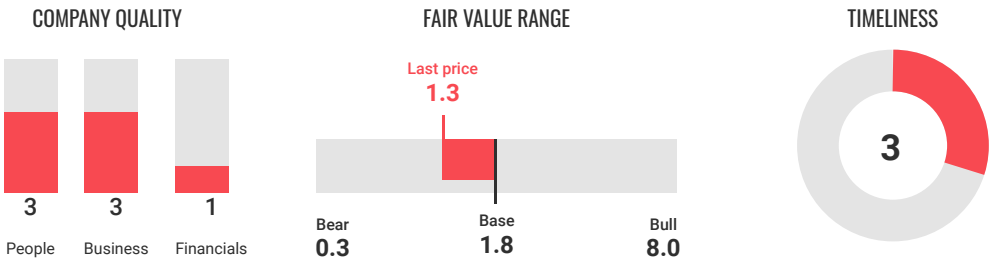
**Scope for earnings surprises**
A strong demand environment is helpful for operating margins. High capacity utilisation, a strong product offering and thoughtful but low touch efforts to extract synergies throughout the structure (in areas such as marketing, procurement and supply-chain optimisation) are all supportive for the EBITA margin, the company's target for which was just raised (to 10.0% on a rolling 12-month basis). We believe there could be more upside in this area as growth accelerates.

# Hoylu HOYLU

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

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Stein Revelsby |
| **Chairman** | Johan Lindqvist |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1.3 |
| **Number of shares (M)** | 91.7 |
| **Market cap (MSEK)** | 123 |
| **Net debt (2022E, MSEK)** | 44 |

**Analyst**



Jacob Svensson
jacob.svensson@redeye.se

**Conflict of interests**

Jacob Svensson owns shares in Hoylu: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 29 | 33 | 42 | 56 |
| *Growth* | *8.4%* | *14.2%* | *25.0%* | *33.5%* |
| EBITDA | -22 | -36 | -33 | -24 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -29 | -46 | -46 | -36 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -32 | -47 | -46 | -37 |
| Net earnings | -32 | -47 | -46 | -37 |
| *Net margin* | *Neg* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.40 | 0.00 | 0.00 | 0.00 |
| P/E adj. | -5.4 | N/A | N/A | N/A |
| EV/S | 5.7 | 3.9 | 3.8 | 2.8 |
| EV/EBITDA | -7.4 | -3.6 | -4.7 | -6.4 |

Last updated: 2021-12-14

| Owner | Equity | Votes |
|---|---|---|
| Fougner Invest AS | 19.5% | 19.5% |
| Edvin Austbø | 14.9% | 14.9% |
| Arctic Securities AS | 14.7% | 14.7% |
| TTC Invest AS | 11.5% | 11.5% |
| Bimo Kapital | 7.9% | 7.9% |
| Camelback | 3.0% | 3.0% |
| Kristianro AS | 2.5% | 2.5% |
| Skadi AS | 2.3% | 2.3% |
| Pareto Securities AS | 2.2% | 2.2% |
| Citibank NA London | 2.1% | 2.1% |

## Company description

Hoylu is a Swedish business-to-business (B2B) company founded in 2016 to build a business focusing on the next-generation enterprise collaboration platform. The mission is to deliver an innovative solution for digital workspaces to do remote work and information change easily accessible, more productive, transparent and engaging. Hoylu's digital whiteboard, called Connected Workspaces, is a cloud-based hardware-agnostic platform that integrates easily with third-party applications and is sold as software as a service (SaaS). The target customer is large global enterprises, such as the Fortune 500 and the customer base includes several well-known customers, such as FedEx, Procter & Gamble, AF Gruppen, Wallbridge, Holland America Line, Skanska, the U.S. Air Force, etc. Hoylu has been listed on Nasdaq First North Growth Market since the beginning of 2017. In 2020, the group had a total ARR of SEK 26.7m.

## Investment case

- Improved ARR mix will Increase Margins and De-risk the Business
- Large Well-known Enterprises have Validated Hoylu's Solution
- Niche Product Offering within Construction and Engineering

### Improved ARR mix will Increase Margins and De-risk the Business

While Hoylu did not initially employ a fully SaaS business model, it is now transforming to one, which could arguably reward it with higher multiples. According to management, the ARR - SaaS segment has gross margins of >90% compared to the consultant-like ARR - Mobile Product's ~50%. We estimate that the ARR - SaaS segment will account for a more significant share than ARR - Mobile Product going forward, driving future margins.

This shift is visible historically, as the ARR - SaaS business has increased relative to the stable ARR - Mobile Product. In 2019, about one-third of total ARR stemmed from ARR - SaaS compared with more than half in Q3 2021. We believe that, all else being equal, a more significant ARR - SaaS share will de-risk the operations thanks to the broader customer distribution in this segment than in ARR - Mobile Products.

### Large Well-known Enterprises have Validated Hoylu's Solution

Hoylu has attracted a wide spectrum of well-known customers, and we believe these solid reference customers demonstrate the solution's value proposition, validating the product. As the customers often start as free users or as premium customers only deploying to a fraction of their operations, there are growth opportunities to scale up when the platform is integrated into its customers' day-to-day business.

The company has seen several examples of increased usage, including Procter & Gamble, which scaled up its use to ~2,700 paying users, having started small, and AF Gruppen, which has included Hoylu's platform in several new projects following its initial order. We thus see further upselling potential in the future.

### Niche Product Offering within Construction and Engineering

Hoylu has recently announced a narrower focus, concentrating on large construction and engineering enterprises, where it sees solid value and vast growth potential. We consider this clearer focus the right move, giving Hoylu a strong value proposition in this target. In addition, these customers provide Hoylu with a marketing effect towards its subcontractors in each project, resulting in potential future leads. We also see switching costs once the platform is integrated.

## Catalyst types

**Continued Growth in ARR**

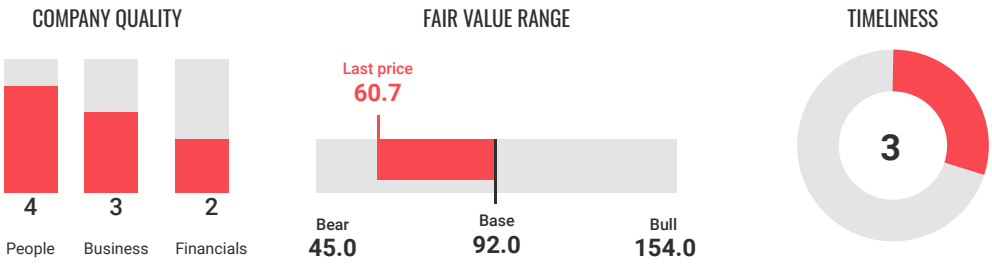
As Hoylu has recently transitioned into a pure SaaS business model, its focus is to grow the ARR. If Hoylu can increase the ARR, this will attract investors' attention and be a potential catalyst going forward.

# I-Tech ITECH

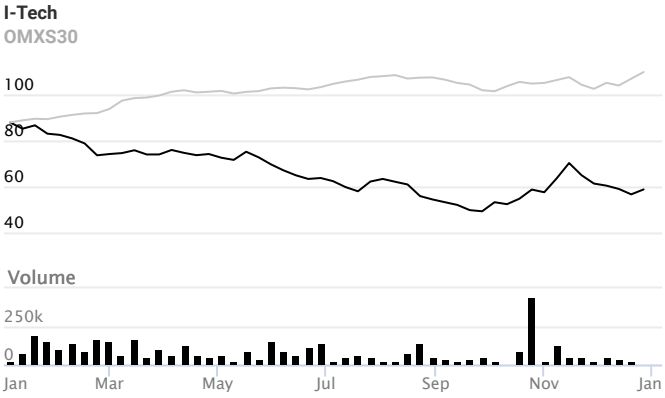
**Company page**
https://www.redeye.se/company/i-tech

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Philip Chaabane |
| **Chairman** | Stefan Sedersten |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 60.7 |
| **Number of shares (M)** | 11.9 |
| **Market cap (MSEK)** | 723 |
| **Net debt (2022E, MSEK)** | -29 |

**Analyst**



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

**Conflict of interests**

Mattias Ehrenborg owns shares in I-Tech: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 53 | 54 | 74 | 107 |
| *Growth* | *15.9%* | *3.0%* | *35.1%* | *45.6%* |
| EBITDA | 3 | 4 | 7 | 17 |
| *EBITDA margin* | *6.8%* | *7.6%* | *10.4%* | *16.6%* |
| EBIT | -5 | -5 | 0 | 10 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *9.8%* |
| Pre-tax earnings | 0 | -4 | -1 | 10 |
| Net earnings | -4 | -6 | -1 | 10 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *9.6%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.40 | -0.52 | -0.09 | 0.86 |
| P/E adj. | -203.2 | -111.1 | -641.3 | 66.6 |
| EV/S | 17.9 | 12.1 | 8.9 | 6.0 |
| EV/EBITDA | 262.3 | 158.5 | 85.7 | 36.2 |

Last updated: 2021-11-09

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

## Company description

I-Tech is a biotechnology company founded in the year 2000, as a result of research at the University of Gothenburg. It offers an active antifouling ingredient, Selektope®, used in coating for large commercial ships. I-Tech's direct customers are the large, international paint manufacturers that incorporate the molecule in their coatings that are then sold to ship owners and boat makers, the end customers. The company has currently signed two customers among the 6 largest; Chugoku Marine Paints (CMP) and Hempel. I-Tech entered Nasdaq First North in May 2018.

## Investment case

- Commercially proven – set to capture market share
- Moats protecting the business
- High earnings growth potential
- Strong owner base

**Commercially proven – set to capture market share**

I-Tech has collaborated 10+ years with a leading company in the marine paint market. The relation has resulted in larger orders, in August 2019 of SEK 57m, followed by a frame order in May 2021 of SEK 53m. Other top six market players are currently evaluating I-Tech's innovative antifouling solution. We believe the company's strong reference customers improve the odds of winning new major contracts.

**Moats protecting the business**

Selektope is approved in the EU and is used at hundreds of ships worldwide, while: 1) The antifouling market is shielded by high regulatory barriers; to register a new biocidal active substance and reach market is costly and takes about ten years, 2) The shipping and marine paint industry is conservative; new coatings must be strictly tested, causing switching costs, 3) The company's key customer is promoting I-Tech's solution as "Powered by Selektope", potentially creating brand recognition.

**High earnings growth potential**

With 1) attractive sales growth opportunities, 2) a strong competitive offering, and 3) a scalable business model, we view I-Tech as well-positioned for high profitability. The record gross margin of 52% in Q1'21 & Q3'21 underlines the potential. We believe limited OPEX and CAPEX with a sales CAGR of 28% 2019-2024, enables 20% EBIT margin 2024, in our base case.

**Strong owner base**

I-Tech is at the inflection point of profitability but has already attracted well-renowned owners. Seven institutions represent 44% of the capital, visualizing the high interest in the company. Stock price appreciation is common as institutions enter a stock, but as there have also been large sellers (ALMI, Cambrex), we do not view the stock as over-crowded.

**Counter thesis**

In our view, the case in I-Tech faces certain challenges increasing the risk;
i) high customer dependency
ii) possible threats from new solutions
iii) risk of slow market adoption due to a conservative market and limited incentives among shipowners.

## Catalyst types

**The pace of CMP scale-up**

CMP's first major commitment of SEK 50m was fulfilled one quarter earlier, with a follow-up order of SEK 57m for 2020 – around 60 % higher than for 2019. Furthermore, in May 2021, a frame order of SEK 53m for delivery in 2021-2022 was announced. We view the pace of CMP's scale-up as a key driver for I-Tech's stock price in the near term.

**New official customer agreement**

CMP is currently I-Tech's main customer, accounting for a majority of the current sales. The partnership has proved symbiotic and successful. I-Tech now is in the evaluation phase with several of the other top six players in the marine paint market. Jotun and Hempel are already signed, while Akzo, KCC, and PPG remain interesting targets for I-Tech. We believe an announcement of the fourth, yet undisclosed customer to be a catalyst for the share.

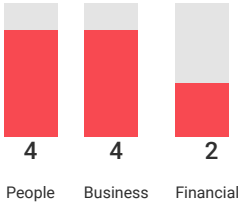
# Image Systems IS

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

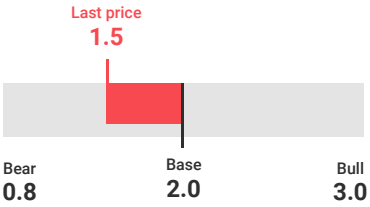
**Publication date**
January 10 2022

## Redeye Rating

COMPANY QUALITY




FAIR VALUE RANGE

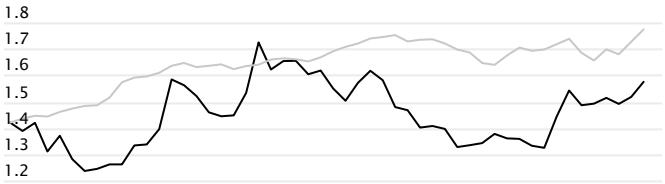



TIMELINESS




## Snapshot

**Image Systems**
OMXS30




Volume




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Johan Friberg |
| **Chairman** | Thomas Wernhoff |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1.5 |
| **Number of shares (M)** | 89.2 |
| **Market cap (MSEK)** | 132 |
| **Net debt (2022E, MSEK)** | -8 |

**Analyst**



Henrik Alveskog
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**Conflict of interests**

Henrik Alveskog owns shares in Image Systems: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 163 | 158 | 169 | 187 |
| *Growth* | *-21.3%* | *-3.2%* | *7.5%* | *10.2%* |
| EBITDA | 5 | 17 | 23 | 28 |
| *EBITDA margin* | *2.8%* | *10.7%* | *13.7%* | *15.1%* |
| EBIT | -13 | -2 | 7 | 18 |
| *EBIT margin* | *Neg* | *Neg* | *4.1%* | *9.4%* |
| Pre-tax earnings | -16 | -3 | 7 | 18 |
| Net earnings | -18 | -3 | 6 | 16 |
| *Net margin* | *Neg* | *Neg* | *3.6%* | *8.6%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.21 | -0.03 | 0.07 | 0.18 |
| P/E adj. | -6.9 | -53.6 | 23.4 | 8.9 |
| EV/S | 0.8 | 0.9 | 0.8 | 0.6 |
| EV/EBITDA | 29.0 | 8.6 | 5.8 | 4.1 |

Last updated: 2021-11-17

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Tibia Konsult AB | 32.0% | 32.0% |
| Thomas Wernhoff | 15.0% | 15.0% |
| Hans Malm | 8.5% | 8.5% |
| LMK-bolagen & Stiftelse | 6.2% | 6.2% |
| Avanza Pension | 5.5% | 5.5% |
| Dnb Luxembourg SA | 2.0% | 2.0% |
| Gunvald Berger | 1.8% | 1.8% |
| Anders Fransson | 1.5% | 1.5% |
| Jan Lundström | 1.4% | 1.4% |
| Ålandsbanken I Ägares Ställe | 1.4% | 1.4% |

## Company description

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

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

## Investment case

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

**Investment case**

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

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

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

**Bear points**

**Sales growth necessary for turn-around**

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

**New markets tough to penetrate**

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

**Changing business model is difficult**

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

## Catalyst types

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

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

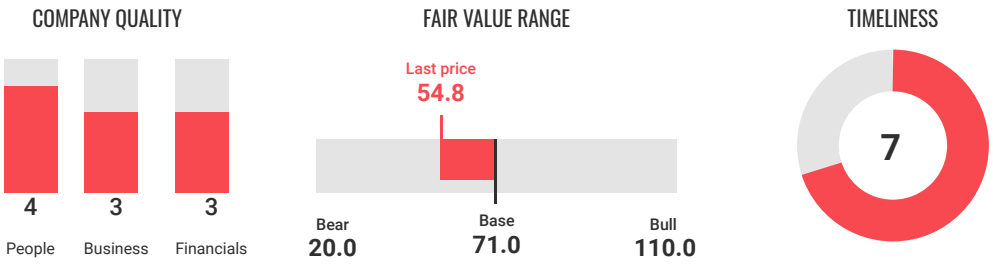
**Breakthrough order from North America**
US sawmills are major players that have the potential to implement several of RemaSawcos systems in a large order. The potential value of one single contract could be up to SEK 40-60m.

# IMINT Image Intelligence IMINT

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

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Spotlight Stock Market |
| **CEO** | Andreas Lifvendahl |
| **Chairman** | Peter Ekerling |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 54.8 |
| **Number of shares (M)** | 9.2 |
| **Market cap (MSEK)** | 502 |
| **Net debt (2022E, MXXX)** | -71 |

**Analyst**



Mark Siöstedt
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**Conflict of interests**

Mark Siöstedt owns shares in IMINT Image Intelligence: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MXXX | 60 | 76 | 88 | 102 |
| *Growth* | *13.1%* | *25.9%* | *17.1%* | *15.2%* |
| EBITDA | 17 | 29 | 32 | 37 |
| *EBITDA margin* | *29.5%* | *39.1%* | *37.0%* | *37.0%* |
| EBIT | 2 | 15 | 20 | 25 |
| *EBIT margin* | *4.9%* | *20.6%* | *22.9%* | *25.5%* |
| Pre-tax earnings | 1 | 16 | 21 | 28 |
| Net earnings | 1 | 16 | 19 | 22 |
| *Net margin* | *2.8%* | *22.4%* | *22.3%* | *21.8%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.19 | 1.85 | 2.15 | 2.43 |
| P/E adj. | 595.4 | 60.2 | 51.7 | 45.9 |
| EV/S | 16.2 | 12.8 | 10.7 | 9.1 |
| EV/EBITDA | 54.9 | 32.6 | 29.0 | 24.7 |

Last updated: 2021-12-07

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Avanza Pension | 14.0% | 14.0% |
| Nordnet Pensionsförsäkring | 5.5% | 5.5% |
| Without Bank Julius Baer & co LTD | 5.0% | 5.0% |
| Öjvind Norberg | 3.2% | 3.2% |
| Peter Ekerling | 2.4% | 2.4% |
| Johan Qviberg | 2.3% | 2.3% |
| Andreas Lifvendahl | 1.8% | 1.8% |
| Pierre Alexander Willihard Ullman | 1.6% | 1.6% |
| Swedbank Försäkring | 1.6% | 1.6% |
| Nevrokiro Invest AS | 1.4% | 1.4% |

## Company description

Imint Image Intelligence is a software company based in Uppsala, Sweden. The company provides software for analyzing, optimizing, and enhancing video in real-time. It is primarily targeting mobile device OEM's in Asia and has license agreements with a number of market-leading customers. Its software has been installed in about 600 million smartphones worldwide.

## Investment case

- Imint is a small and profitable company (quarters in a row with positive net income in Q3'21) with multiple avenues for further growth. It is a truly hidden champion with stellar management.
- Video stabilization software for smartphones is high-demand, and Imint's solutions are world-class. Good camera quality is becoming an ever-important selling point for smartphone brands, greatly benefitting Imint.
- Imint has a strong customer portfolio of both best-selling smartphone manufacturers and market-leading chipset makers, putting it in an incumbent position that is hard for any outsiders to challenge successfully.

**Imint is a front-runner in video stabilization software.** Its primary customer segment is smartphones, a significant market with hundreds of millions of devices sold every year. Video quality has become an ever more critical part of the smartphone, as influencers, TikTok, Instagram, Snapchat, etc., drive demand. Although the smartphone market is growing slowly, Imint's market share is steadily increasing. We assess that around 70 million smartphones were shipped with Imint's Vidhance software in Q3 2021 (i.e., ~20% of all new smartphones worldwide were equipped with the software last quarter).

**The efforts are starting to pay off.** Imint has signed with many of the largest smartphone OEMs globally, such as OPPO, Vivo, Xiaomi, Motorola, etc. It also has a close collaboration with the chipset manufacturers like Qualcomm and MediaTek, which is critical in order to optimize the software and sell it. It is imperative for Imint to constantly reinvent itself and be on top in this fast-paced market with short product cycles of around 2-7 years. Consequently, for any long-term investor, an investment in Imint includes faith in, and extensive execution by, the management (and the overall organization).

Imint has several ways of increasing its net sales. Among other things, more mid-range smartphones are being equipped with the Vidhance core features (larger phone volumes, but with a lower amount of Vidhance software per design win). Simultaneously, more high-end and premium phones are supplied with an ever-increasing amount of Vidhance features (lower phone volumes, but more software per design win). Moreover, newly launched chipsets and recent design wins from smartphone manufacturers suggest to us that these trends will continue into the foreseeable future and counteract an expected price pressure from older features.

**New verticals with different business logic.** Imint has invested more outside of the smartphone segment in areas such as wearables (AR glasses, body-worn cameras, etc.). In Q3'21, Rokid, a developer of augmented-and mixed-reality glasses and headwear for industrial applications, was signed as a second wearable customer (after RealWear). Imint has made joint-marketing efforts with both RealWear and Rokid following the launches of their AR glasses, and Imint has carved out a first-mover advantage in this emerging segment. Although the AR market is significantly smaller (the number of smartphones worldwide is expected to be almost 900x the size of AR glasses even in 2025, following the latter's explosive growth), it offers a new vertical with a different business logic (improved price levels) and longer product cycles.

**Counter thesis**

**China may close itself to foreign technological influence.** Imint is highly exposed to Chinese smartphone OEMs, and a further relation-deterioration between China and neighboring countries/Western countries could threaten the business.

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

**Failing to broaden its market.** To achieve high growth and improved profitability, Imint must increase its market share of the smartphone market by penetrating low- and mid-range segments and entering into new verticals. If the company fails to do this, it will be challenging to grow and strengthen the margins.

## Catalyst types

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

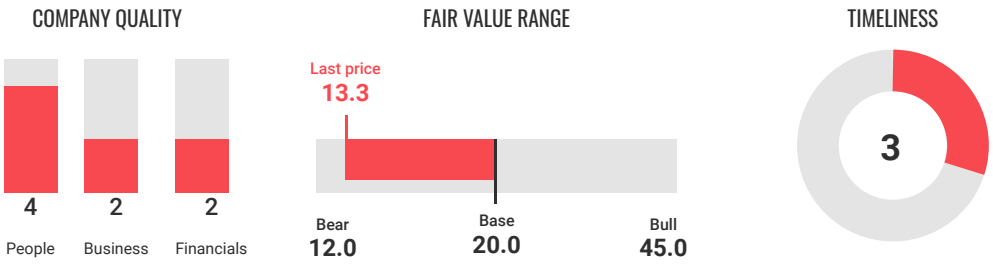
**New verticals**
Imint is broadening its revenue base by venturing to adjacent markets to the smartphone sector. Its well-recognized brand and know-how have helped to close deals with market leaders in certain segments, such as RealWear. We expect to see more of these kinds of partnerships going forward, with potentially better pricing.

# Impact Coatings IMPC

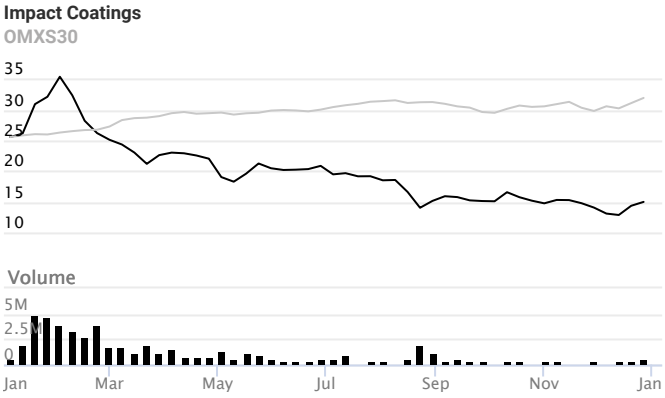
**Company page**
https://www.redeye.se/company/impact-coatings

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




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

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 13.3 |
| **Number of shares (M)** | 56.6 |
| **Market cap (MSEK)** | 752 |
| **Net debt (2022E, MSEK)** | -122 |

**Analyst**



Henrik Alveskog
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**Conflict of interests**

Henrik Alveskog owns shares in Impact Coatings: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 40 | 59 | 89 | 133 |
| *Growth* | *-19.5%* | *50.2%* | *50.0%* | *49.4%* |
| EBITDA | -19 | -30 | -13 | 9 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *6.8%* |
| EBIT | -23 | -33 | -15 | 7 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *4.9%* |
| Pre-tax earnings | -23 | -33 | -15 | 7 |
| Net earnings | -23 | -33 | -15 | 7 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *4.9%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.44 | -0.58 | -0.27 | 0.12 |
| P/E adj. | -49.0 | -26.5 | -56.4 | 132.5 |
| EV/S | 27.3 | 12.2 | 8.3 | 5.6 |
| EV/EBITDA | -55.3 | -24.5 | -57.0 | 81.9 |

Last updated: 2021-10-25

| Owner | Equity | Votes |
|---|---|---|
| Accendo Capital | 12.0% | 12.0% |
| Hyundai Motor Company | 9.5% | 9.5% |
| Avanza Pension | 9.5% | 9.5% |
| Nordnet Pensionsförsäkring | 2.8% | 2.8% |
| Clearstream Banking S.A. W8imy | 2.6% | 2.6% |
| Länsförsäkringar Fonder | 2.1% | 2.1% |
| Henrik Ljungcrantz | 1.9% | 1.9% |
| Svenska Handelsbanken AB for PB | 1.5% | 1.5% |

## Company description

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

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

## Investment case

- Partnership with Hyundai Motor Company
- Rewriting its history
- New strategy - not just fuel cells

### Partnership with Hyundai Motor Company

In October 2019, Impact Coatings entered into a Joint Development Agreement (JDA) with Hyundai Motor Company. First, it is evidence of Impact Coatings leading technology for fuel cell coatings. Hyundai, as one of the frontrunners in the field, should, if anyone, be able to assess the technology. Also, the agreement raises the probability of Impact Coatings reaching commercial success and capturing a more significant share of the long-term potential within the FC segment. Lastly, the related share issue to Hyundai (and Accendo) means that Impact Coatings gets an industrial owner with invaluable knowledge and distribution channels.

Although it's still a few years before the partnership with Hyundai reaches commercial phase, the fact remains that Impact Coatings has secured a strategic alliance with one of the leading players in the field. Even in the face of several uncertain variables, the conditions for Impact Coatings has improved significantly and reduced the uncertainty concerning the FC vertical. The agreement raises the probability of Impact Coatings capturing a bigger share of the long-term potential within the FC segment, which is now reflected in our valuation.

### Rewriting its history

The company's history is characterized by hefty promises met with minimal success. These failures led to the loss of the investment community's trust and regular capital injections – of which one, in December 2017, brought in Accendo Capital (12% ownership). As an owner, Accendo practices 'collaborative activism' – its agenda and initiatives are driving Impact Coatings' turnaround. In this regard, the agreement with Hyundai shows that the management team and the board have the capacity and expertise enough to drive through complex commercial business. Investors' confidence in Impact Coatings ability to realise future opportunities (sales, partnerships, M&A etc.) has increased significantly.

### The new strategy - not just fuel cells

The notable change is the new strategy, where more resources are allocated to the core business of D/M/R to complement the future potential in FC. According to Impact Coatings, unexploited potential in the core business has been overlooked due to the heavy focus on FC. D/M/R is key to building a profitable business with existing customers, whereas FC has substantial long-term upside potential.

### Counter-Thesis

**Strategic failure and need for further capital**

The most obvious risk is that the new strategy (and agreement with Hyundai) does not deliver the desired result. Failure to deliver would probably mean further rights issues.

## Catalyst types

**Improved order flow**
Machine sales are the key metric investors should follow. Multiple large orders would strengthen investors' confidence in Impact Coatings' strategy. Current capacity is estimated at 10 machines/year.

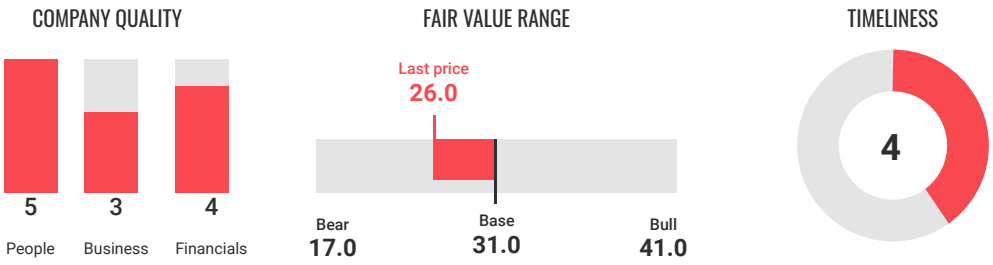
**Fuel cell progress**
Our near- and medium-term expectations for the FC segment are quite low. If the industry solves its current challenges faster than anticipated this segment could be a significant value driver.

# Infracom Group INFRA

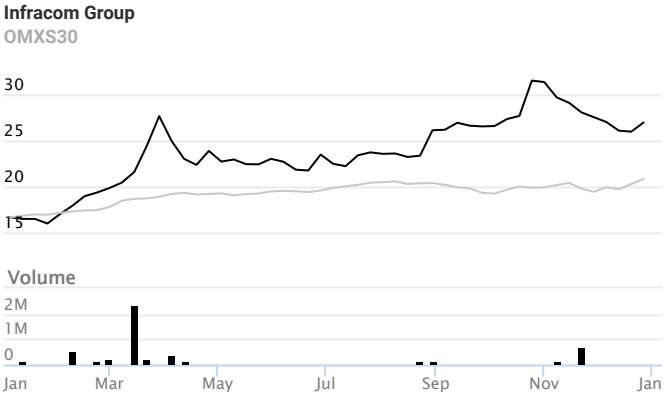
**Company page**
https://www.redeye.se/company/infracom-group

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Spotlight Stock Market |
| **CEO** | Bo Kjellberg |
| **Chairman** | Oskar Säfström |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 26.0 |
| **Number of shares (M)** | 31.1 |
| **Market cap (MSEK)** | 809 |
| **Net debt (2022E, MSEK)** | -215 |

**Analyst**



Fredrik Nilsson
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**Conflict of interests**

Fredrik Nilsson owns shares in Infracom Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 224 | 274 | 325 | 365 |
| *Growth* | *8.4%* | *22.4%* | *18.5%* | *12.2%* |
| EBITDA | 54 | 61 | 24 | 78 |
| *EBITDA margin* | *24.3%* | *22.4%* | *7.3%* | *21.3%* |
| EBIT | 31 | 58 | 67 | 75 |
| *EBIT margin* | *14.0%* | *21.2%* | *20.7%* | *20.7%* |
| Pre-tax earnings | 30 | 57 | 67 | 75 |
| Net earnings | 20 | 46 | 53 | 59 |
| *Net margin* | *8.9%* | *16.7%* | *16.2%* | *16.1%* |
| Dividend/Share | 0.00 | 0.60 | 0.70 | 0.80 |
| EPS adj. | 0.65 | 1.47 | 1.69 | 1.89 |
| P/E adj. | 31.6 | 19.7 | 17.1 | 15.4 |
| EV/S | 2.8 | 2.8 | 2.1 | 1.9 |
| EV/EBITDA | 11.5 | 12.6 | 28.8 | 8.9 |

Last updated: 2021-11-24

| Owner | Equity | Votes |
|---|---|---|
| Bo Kjellberg | 58.7% | 58.7% |
| Oskar Säfström | 5.4% | 5.4% |
| Alcur Fonder | 4.5% | 4.5% |
| Avanza Pension | 3.8% | 3.8% |
| Jens Larsson | 3.0% | 3.0% |
| FE Fonder | 2.4% | 2.4% |
| Rbc Investor Services Trust | 2.2% | 2.2% |
| Sune Tholin | 2.1% | 2.1% |
| Nordea Liv & Pension | 1.0% | 1.0% |
| Sven-Erik Nowicki | 0.9% | 0.9% |

## Company description

Infracom is a Gothenburg-based business-to-business provider of internet access, telephone services (UCaaS), and IT as a Service. The Company's vision is to be the recognized market leader of IT-infrastructure in the Nordics.

The Company was listed on Spotlight in early 2018 and had since then acquired several businesses. Acquisitions have driven Infracom's sales CAGR of ~18% 2018-2020, and we expect that to continue, although management has recently recruited additional sales personnel to drive organic growth. While most of Infracom's markets are rather mature, limiting growth mainly to acquisitions, there is an interesting opportunity in expanding its UCaaS platform in European markets, mainly through partners.

## Investment case

- Continuing the consolidation
- Leveraging the UCaaS
- Non-cyclical recurring revenues
- One-stop-shop for small/mid-sized businesses

### Investment Case

### Continuing the consolidation

Infracom has a solid track-record of consolidating smaller peers in the Swedish market, making Infracom one of the largest players in its niche. Since the listing in 2018, Infracom has acquired six businesses, adding about SEK 180m in sales, while simultaneously increasing its margins. We believe Infracom's M&A track-record highlights management's ability to acquire and integrate companies into the group successfully. We believe Infracom will continue to grow its earnings by successfully consolidating the Swedish market.

We assume Infracom will add SEK 30m in sales annually from future acquisitions, slightly below the historical average, which we find sensible for our Base case. We believe Infracom's current valuation does not consider any future acquisitions, which we, considering its track record, is a mistake, leaving an interesting opportunity.

### Leveraging the UCaaS

As one of only two players in Sweden with a proprietary UCaaS solution, we identify growth opportunities for Infracom. While there is cross-selling potential in the Swedish market, as most customers only use one product category, we believe the major growth potential is European expansion. Telia closing the ISDN in Sweden in 2015 resulted in significant growth for Infracom. As large parts of Europe face a similar shutdown in 2025, there are large markets in need of a solution such as Infracom's.

We expect Infracom to use a strategy like its Swedish one in Europe, i.e., mainly selling through resellers and white labels. Using partners, Infracom can leverage its UCaaS platform without needing too many boots on European soil, which we believe is a low-risk/high-reward strategy. According to management, Germany and the UK are the most interesting markets. The best way to drive growth is to establish a presence by acquiring a European firm, to attract resellers and partners.

While not included in our Base case, we believe Infracom leveraging its UCaaS platform on some key European markets is Infracom's best growth opportunity along with consolidating the Swedish market.

### Non-cyclical recurring revenues

While it is hard to differentiate products and services in Infracom's markets', the markets also have some very favorable characteristics. Almost 100% of Infracom's revenues are recurring, resulting in good predictability and low risk. Also, internet access, phones, and IT-support are necessary for any modern-day business, making Infracom's revenue streams highly resilient to economic downturns.

### One-stop-shop for small/mid-sized businesses

While other non-major players target small/mid-sized businesses with internet access, phone, and IT as a Service, few can match Infracom in terms of in-house capabilities. Owning a large share of the infrastructure for most of its internet access customers and having a proprietary UCaaS platform makes Infracom unique and means it can add customers at low marginal costs. However, at this point, most customers are only using one service, leaving a large potential for cross-selling.

## Catalyst types

**Swedish Acquisitions**

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

**European UCaaS deals**

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

**European Acquisitions**

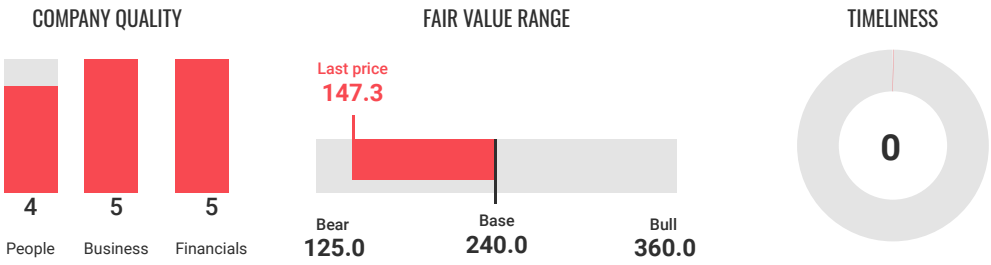
To increase the likelihood of a substantial growth contribution from selling UCaaS to European customers as the ISDN shuts down in 2025, we believe Infracom will look for acquisitions in Germany or the UK. While such acquisition is likely to add sales and EBIT, the main purpose is to generate European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

# Invisio IVSO

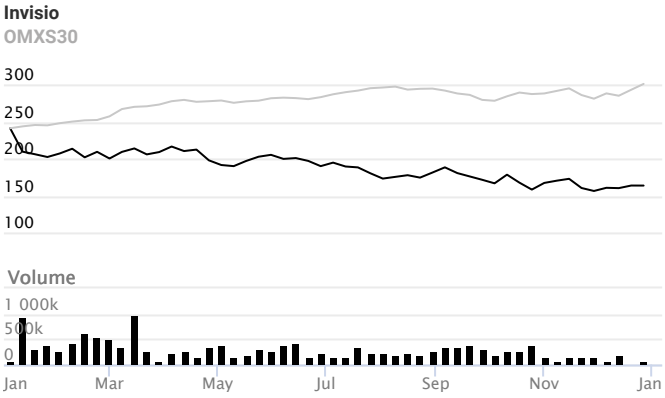
**Company page**
https://www.redeye.se/company/invisio-communications

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Lars Højgård Hansen |
| **Chairman** | Annika Andersson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 147.3 |
| **Number of shares (M)** | 44.5 |
| **Market cap (MSEK)** | 6,561 |
| **Net debt (2022E, MSEK)** | -61 |

**Analyst**



Hjalmar Ahlberg
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**Conflict of interests**

Hjalmar Ahlberg owns shares in Invisio: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 532 | 614 | 866 | 1,082 |
| *Growth* | *3.5%* | *15.3%* | *41.1%* | *25.0%* |
| EBITDA | 108 | 90 | 216 | 309 |
| *EBITDA margin* | *20.3%* | *14.8%* | *25.1%* | *28.6%* |
| EBIT | 95 | 45 | 162 | 247 |
| *EBIT margin* | *18.0%* | *7.4%* | *18.8%* | *22.9%* |
| Pre-tax earnings | 84 | 41 | 158 | 243 |
| Net earnings | 61 | 28 | 118 | 182 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.32 | 1.33 | 2.05 |
| EPS adj. | 1.39 | 0.64 | 2.67 | 4.10 |
| P/E adj. | 180.1 | 253.0 | 60.8 | 39.5 |
| EV/S | 20.4 | 11.8 | 8.3 | 6.6 |
| EV/EBITDA | 100.5 | 79.4 | 33.0 | 22.9 |

Last updated: 2021-11-23

| Owner | Equity | Votes |
|---|---|---|
| SEB Fonder | 9.9% | 9.9% |
| Swedbank Robur Fonder | 9.7% | 9.7% |
| Novo Holdings A/S | 9.0% | 9.0% |
| The Bank of New York Mellon SA/NV | 8.1% | 8.1% |
| State Street Bank And Trust co | 7.5% | 7.5% |
| Arbejdsmarkedets Tillægspension (ATP) | 6.5% | 6.5% |
| William Demant Fonden | 5.3% | 5.3% |
| Handelsbanken Fonder | 4.8% | 4.8% |
| JP Morgan Bank Luxembourg S.A. | 4.6% | 4.6% |
| C WorldWide Asset Management | 4.6% | 4.6% |

## Company description

Invisio develops and offers advanced communication systems for professionals in high noise environments. The products include headsets, control units, intercom systems, cables and other accessories. The majority of the customers are in the military segment and a smaller part are in public safety.

## Investment case

- A top class business on all parameters
- The next growth wave is materializing out of several new billion markets
- Major procurements can be settled overnight

In our view, Invisio is a long-term quality and growth case. Invisio's business basically meets all the quality requirements you could wish for. The company dominates a niche market with high barriers that is growing structurally from greater awareness of the costs of hearing loss, amounting to several billion USD per year in the US alone, and increased radio penetration. There is extensive confidentiality, but we are not aware of Invisio having lost any procurement since 2007. The many and large deals that the company is regularly winning, most recently the high-profile US Marines procurement, indicate that Invisio has an attractive overall offering that no one can match at present. The procurement processes generally last several years, but happily so do the contracts once they are won. The protracted and tough procurements also mean it is difficult to be subsequently rejected provided things are done correctly. Since it is not possible to join the 40-50 procurements retrospectively, we believe that Invisio will own the military market over the next few years, and will do everything to strengthen this position. Creating an equivalent offering would require a long-term focus and major investment, while the order intake is volatile.

Invisio has entered several new billion-value markets that are now gaining momentum. These are: 1) new regions (Asia, Middle East, South America); 2) new users (police); and 3) new products (intercom solution). The procurement activity is more intense than ever before, not least from the new regions. The police market is a billion-dollar market, and important breakthrough deals have been won in Sweden and Germany. Finally, the intercom for vehicles is a game changer. Invisio Intercom is a unique solution that is significantly more cost effective than traditional competing products. All this means that Invisio, according to our calculations, should be able to charge a price seven times higher than the company's traditional hearing protection, which means that only minimal volumes of 3,000 units could lead to sales in excess of SEK 200m.

Of the approximately 50 procurements that Invisio is involved in, we estimate that a number are major procurements worth in excess of SEK 100m, and that some of these (given the secrecy) could be announced more or less overnight, which, in our interpretation, could drive the share price.

## Catalyst types

**Order related to the new intercom solution**
Invisio launched a new product category in September 2017 following tight development together with customers. Smaller orders have been received while larger orders are a trigger that will confirm the potential for the Intercom product.

**Order from the 50 modernization programs**
Since several years back, Invisio has been participating in procurement processes in about 50 military modernization programs in various sizes across the world. Our belief is that a few of these contracts are at a stage where they could be settled overnight.

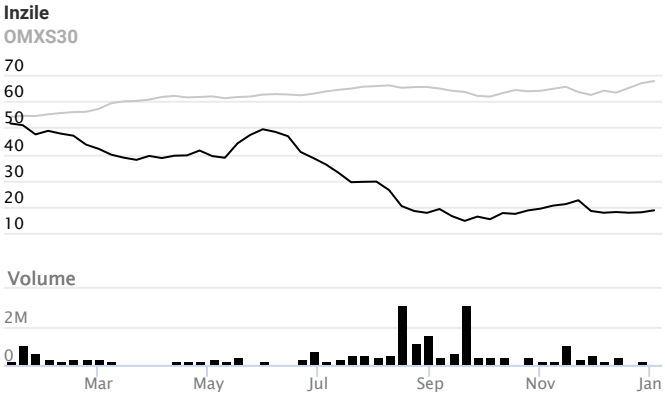
# Inzile INZILE

**Company page**
https://www.redeye.se/company/inzile

**Publication date**
January 11 2022

## Redeye Rating There is currently no analytical data on this company

## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Yago Mendez |
| **Chairman** | Håkan Örtenholm |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 19.0 |
| **Number of shares (M)** | 53.6 |
| **Market cap (MSEK)** | 1,016 |
| **Net debt (2022E, MSEK)** | -22 |

**Analyst**



Henrik Alveskog
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**Conflict of interests**

Henrik Alveskog owns shares in Inzile: No

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

## Financials

| | 2020 |
|---|---|
| **Revenue, MSEK** | **4** |
| *Growth* | *>100%* |
| EBITDA | -50 |
| *EBITDA margin* | *Neg* |
| EBIT | -57 |
| *EBIT margin* | *Neg* |
| Pre-tax earnings | -57 |
| Net earnings | -57 |
| *Net margin* | *Neg* |
| Dividend/Share | 0.00 |
| EPS adj. | -3.32 |
| P/E adj. | -17.2 |
| EV/S | 237.9 |
| EV/EBITDA | -19.4 |

| Owner | Equity | Votes |
|---|---|---|
| eFashion Championship | 60.0% | 60.0% |
| Ragnar Åhgren | 11.4% | 11.4% |
| Lars Göran Bäckvall | 2.0% | 2.0% |
| Klas Åhgren | 1.9% | 1.9% |
| Hakan Koc | 1.7% | 1.7% |
| Avanza Pension | 1.4% | 1.4% |
| Li Ru | 1.2% | 1.2% |
| S.E. Pettersson Invest AB | 1.2% | 1.2% |

## Company description

Inzile is a Swedish based manufacturer of electric utility vehicles (EUV). The company was founded in 2012 and based in Västervik, Sweden, where the main assembly plant and headquarters are situated. The shares have been listed on Nasdaq First North since 2019.

Inzile's business concept is to provide fossil-free and sustainable modular transport and service solutions in a circular business model. The first product launched, the Pro 4, is a versatile all-electric utility vehicle developed by Inzile's own design.

In the summer of 2021 Inzile acquired 80% of Spanish company QEV Tech Holdings, through a reversed take-over. The merger will give Inzile access to a wide international business network and hopefully a fast-track to several new important clients. Also, the associated company QEV Technologies (19.6% interest), has strong engineering capabilities that will benefit Inzile's future product development.

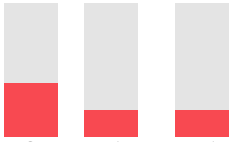
# JonDeTech Sensors JDT

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

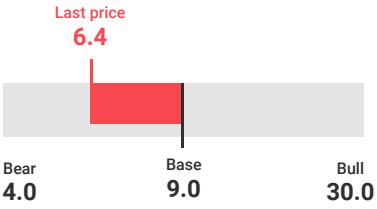
**Publication date**
January 11 2022

## Redeye Rating

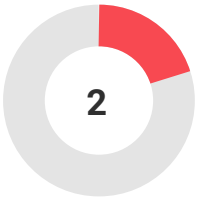
COMPANY QUALITY




FAIR VALUE RANGE




TIMELINESS




## Snapshot

**JonDeTech Sensors**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Dean Tosic |
| **Chairman** | Erik Hallberg |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 6.4 |
| **Number of shares (M)** | 30.2 |
| **Market cap (MSEK)** | 192 |
| **Net debt (2022E, MSEK)** | 37 |

**Analyst**



Jesper von Koch
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**Conflict of interests**

Jesper von Koch owns shares in JonDeTech Sensors: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 0 | 0 | 38 | 152 |
| *Growth* | *>100%* | *-100.0%* | *N/A* | *>100%* |
| EBITDA | -40 | -27 | -18 | 14 |
| *EBITDA margin* | *Neg* | | *Neg* | *9.8%* |
| EBIT | -45 | -28 | -23 | 12 |
| *EBIT margin* | *Neg* | | *Neg* | *7.9%* |
| Pre-tax earnings | -45 | -28 | -23 | 10 |
| Net earnings | -45 | -22 | -18 | 8 |
| *Net margin* | *Neg* | | *Neg* | *5.3%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -1.46 | | | |
| P/E adj. | -6.7 | N/A | N/A | N/A |
| EV/S | N/A | N/A | N/A | N/A |
| EV/EBITDA | N/A | N/A | N/A | N/A |

Last updated: 2021-08-10

| Owner | Equity | Votes |
|---|---|---|
| O&G Innovation AB | 14.9% | 14.9% |
| Mikael Lindeberg | 9.3% | 9.3% |
| Nordnet Pensionsförsäkring | 8.4% | 8.4% |
| Didier Pineau-Valencienne | 7.9% | 7.9% |
| Novel Unicorn Ltd | 6.5% | 6.5% |
| Bfcm P/C Cic Sweden Opcvm Lt | 5.8% | 5.8% |
| Avanza Pension | 5.1% | 5.1% |
| Thomas Krishan | 4.6% | 4.6% |
| Per Nordström | 2.6% | 2.6% |
| Swedbank Försäkring | 2.2% | 2.2% |

## Company description

Jondetech is a nanotechnology company that started out in 2003 as a research project at Uppsala University. In 2008, it was spun off into a commercial company. After filing for bankruptcy in 2012, however, the IP assets were sold and Jondetech was effectively relaunched in 2013. The company has now reached the face of seeking to commercialize its thermopile IR sensor technology, zooming in on the presence detection use case (see further our investment case). the sensor also enables measurement of heat flow and contactless temperature. The fabless business model mirrors Fingerprint Cards as Jondetech is looking to partner with major, Asian module manufacturers. Jondetech's sensor has several exciting, important advantages. The cost is 20% of the traditional, competing IR sensors. The sensors has several unique characteristics, e.g. being bendable and robust, without need for encapsulation due to the plastic material (as opposed to silicon or ceramics in competing sensors). It is easy to integrate due to 0.17 mm thickness. The disdvantages is related to the typical small supplier credibility issues in addition to being unproven; the company has so far only received one order of SEK 19 000.

## Investment case

- Scalable & disruptive technology
- We detect presence of prerequisites similar to Fingerprint ahead of its breakthrough
- Share performance should require deals

### Scalable & disruptive technology

Jondetech (JDT) benefits from an exciting, disruptive nanotechnology, but has yet to make a commercial breakthrough. The go-to-market strategy has become clear recently as the company has partnered with O-Film – the world's largest manufacturer of touch, fingerprint and camera modules. JDT provides a sensor with unique advantages at cost levels we believe are several times lower than traditional IR sensor alternatives on the market. As opposed to competition, JDT's product has a minimal footprint, can be bent and does not require encapsulation or calibration. Together with JDT's highly scalable fabless model, this allows for high gross margins of 60% (Redeye's estimate), when the production challenges have been completely solved.

### We detect presence of prerequisites similar to Fingerprint ahead of its breakthrough

Strongly growing demand for sensors supports the story. JDT has zoomed in on presence detection as Intel's Athena initiative is seeking to make this standard in all laptops. Since five of the six largest manufacturers (~80% of the market) participate in Athena, the potential here is notable - Intel chips are in around 120m new laptops a year (excl. PCs). There are several other potential application areas, even if some of the use cases suggested are somewhat gimmicky. Overall, there are clear opportunities for JDT whose scalable model means that it would not take much traction for it to break through. To sum it up, we recognize several of JDT's prerequisites from Fingerprint Cards ahead of its breakthrough.

### Share performance should require deals

A sustained share performance requires execution and sizeable orders. We see a chance for such orders from especially laptop manufactures.

## Catalyst types

**O-Film order for access control**

O-Film sells 15m biometric access control systems each year. We believe Jondetech could receive a large order related to this opportunity.

**Order related to a laptop OEM**

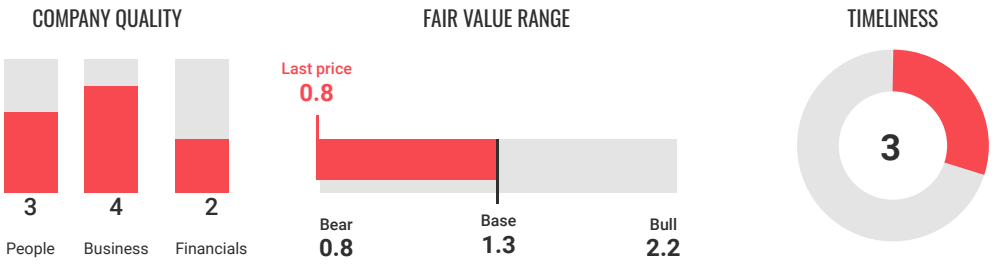
If Jondetech receives a large ODM contract related to a big laptop OEM (HP, Lenovo, Dell, Acer or Asus) it could cement the share price above our base case and move it closer to bull case.

# KebNi KEBNI B

**Company page**
https://www.redeye.se/company/kebni

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Torbjörn Saxmo |
| **Chairman** | David Svenn |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 0.8 |
| **Number of shares (M)** | 96.7 |
| **Market cap (MSEK)** | 76 |
| **Net debt (2022E, MSEK)** | -8 |

**Analyst**



Henrik Alveskog
henrik.alveskog@redeye.se

**Conflict of interests**

Henrik Alveskog owns shares in KebNi: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 39 | 21 | 56 | 111 |
| *Growth* | *10.6%* | *-46.2%* | *>100%* | *98.2%* |
| EBITDA | -26 | -28 | -19 | 0 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *0.3%* |
| EBIT | -35 | -37 | -28 | -9 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -37 | -37 | -28 | -9 |
| Net earnings | -38 | -37 | -28 | -9 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.59 | -0.28 | -0.21 | -0.07 |
| P/E adj. | -2.2 | -2.9 | -3.9 | -12.3 |
| EV/S | 1.9 | 3.3 | 1.8 | 1.0 |
| EV/EBITDA | -2.8 | -2.4 | -5.3 | 360.0 |

Last updated: 2021-11-24

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Jan Robert Pärsson | 18.3% | 17.8% |
| Maida Vale Capital AB | 11.7% | 14.0% |
| Avanza Pension | 7.4% | 7.2% |
| Anders Danielsson | 2.1% | 2.1% |
| Nordnet Pensionsförsäkring | 2.1% | 2.1% |
| Patrick Bergström | 2.1% | 2.0% |
| Swedbank Försäkring | 2.0% | 2.0% |
| Per Erik Lennart Boman | 1.9% | 1.8% |
| Mikael Lönn | 1.7% | 1.7% |
| Requtech AB | 1.7% | 1.6% |

## Company description

Kebni is a small high-tech company in the SatCom and IMU markets. SatCom is providing stabilized antenna systems for satellite communication. Inertial Measurement Units (IMU's) are used to determine movement and position of an object. Kebni has three business areas, two within SatCom (KebNi Maritime and KebNi Land Mobile) and one within IMU (KebNi Inertial Sensing). The latter is closely interconnected with SatCom, since the IMU's are a vital part of the stabilizing platform systems. But IMU's are also used in a multitude of other applications and Kebni has customers from various industries.

The origin of Kebni was a small investment company dating back to the early years of the new millennium. C2Sat (KebNi Maritime) was acquired in year 2004, AIMS (KebNi Inertial Sensing) in 2011 and ReQuTech and Satmission (KebNi Land Mobile) in 2020. The shares have been listen on NGM-MTF since 2014 and on Nasdaq First North since 2020.

## Investment case

- 2019, a major financial turning point with positive EBITA for the first time in company history.
- Multi billion dollar addressable market expected to show robust growth over the next decade. Kebni has strong reference clients giving good opportunities to leverage on market momentum.
- Additional funding through rights issues are likely, before KebNi reaches sustainable profitability.

The company's history has been a rather bumpy ride. Some +10 years of development and up until 2019, limited sales. Also, in terms of strategic direction the company has been wandering and shifting focus a few times. During the last couple of years, the limited resources have mainly been focused on delivering a large contract of satellite antennas to Israeli Aerospace Industries (IAI), which they have done successfully. This is very promising as it confirms the quality of Kebni's flagship product and serves as an excellent reference in the market. IAI is a very demanding customer. Also, a major development project with SAAB is progressing well and will be another significant milestone for the IMU business going forward.

**New management, new hope**

During the last year, Kebni has made significant improvements in some respects. 2020 was somewhat of a turning point with significant deliveries to IAI. This is encouraging and we are quite hopeful that the new management will be able to execute on its ambitious plan. However, there are still several important steps that need to be confirmed before we are confident that Kebni will be successful from a commercial point of view. More firm orders are the best indicator that the company is on the right track. Larger business deals normally have lead times of at least one year and the company has limited recurring revenues. KebNi needs to level up significantly in terms of business-flow and sales before it will reach sustainable profitability.

**New growth strategy**

In the fall of 2019, a new expansion strategy for Kebni was presented. This is based on:

i) Growing sales of the current product portfolio.
ii) Diversify technology and product portfolio.
iii) Acquire new businesses to leverage existing technology.

The vision is to create a new major Nordic company, within satellite communication and technologies for stabilization and movement, by year 2025. KebNi is expecting to reach break-even in the second half of 2023 and to be cash-flow positive in 2024.

We believe the new strategy makes a lot of sense and recognize that there is great potential to build on Kebni's current technology. But the company does not have a war chest and we can quite easily conclude that this expansion will require additional funding. Particularly when it comes to the M&A part of the growth strategy. We expect to see more rights issues in the coming years. In 2020, Kebni made three directed rights issues to finance two acquisitions. So, it has certainly started to execute on the plan. As far as we can tell, management seems well equipped and committed to the task. The Board of Directors also appear to be a good mix with in-depth knowledge in relevant business segments and with a broad experience. When it comes to ownership, we would have liked to see more in terms of major shareholders with deep pockets and long-term commitment to support the new growth strategy.

### Counter Thesis

- In general, the lead times are long and historically the deals have been far apart. The company needs more stable revenues or else several rights issues are probably required.
- The new strategy is partly based on acquisitions to leverage on existing technology. We are not expecting any mega sized M&A's but acquisitions always come with some degree of uncertainty and risk.
- Kebni is still a very small company with limited marketing resources in an eco-system with huge global players and comprehensive government procurements. Even if the products are top-notch, it may have difficulties winning new orders due to its size.

## Catalyst types

**Turkish partner starting to generating major deals**

The new Turkish partner is expecting to sell significant amounts of Satmission drive away antennas (SEK 90 million over the next three years).

**IMU development project**

Progress in the IMU development project with SAAB.

**Maritime satellite orders**

A new large order for the maritime satellite platform.

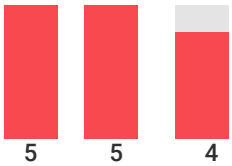
# Lagercrantz Group LAGR B

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

**Publication date**
January 10 2022

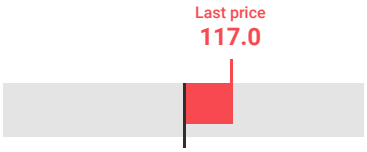
## Redeye Rating

COMPANY QUALITY




People Business Financials

FAIR VALUE RANGE



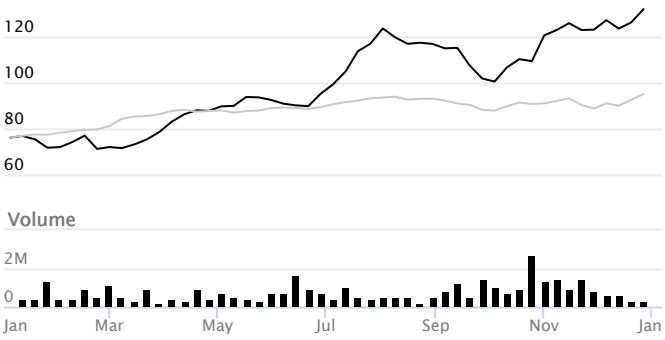

Bear **80.0** Base **112.0** Bull **130.0**

TIMELINESS




## Snapshot

**Lagercrantz Group**
OMXS30




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Jörgen Wigh |
| **Chairman** | Fredrik Börjesson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 117.0 |
| **Number of shares (M)** | 208.6 |
| **Market cap (MSEK)** | 24,401 |
| **Net debt (2022E, MSEK)** | -2,691 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in Lagercrantz Group: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020E** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 4,091 | 5,223 | 5,751 | 6,287 |
| *Growth* | *-2.1%* | *27.7%* | *10.1%* | *9.3%* |
| EBITDA | 542 | 827 | 942 | 1,272 |
| *EBITDA margin* | *13.3%* | *15.8%* | *16.4%* | *20.2%* |
| EBIT | 530 | 750 | 845 | 965 |
| *EBIT margin* | *13.0%* | *14.4%* | *14.7%* | *14.7%* |
| Pre-tax earnings | 526 | 750 | 845 | 965 |
| Net earnings | 523 | 572 | 647 | 739 |
| *Net margin* | *12.8%* | *11.0%* | *11.2%* | *11.8%* |
| Dividend/Share | 0.95 | 1.34 | 1.52 | 1.74 |
| EPS adj. | 2.57 | 2.81 | 3.18 | 3.63 |
| P/E adj. | 27.5 | 25.2 | 22.2 | 19.5 |
| EV/S | 3.1 | 2.3 | 2.0 | 1.7 |
| EV/EBITDA | 23.5 | 14.4 | 12.4 | 8.4 |

Last updated: 2021-10-25

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| SEB Fonder | 14.6% | 10.3% |
| Swedbank Robur Fonder | 12.6% | 8.8% |
| The Northern Trust Company | 6.5% | 4.6% |
| Fidelity Investments (FMR) | 6.4% | 4.5% |
| Anders Börjesson & Tisenhult-Gruppen | 5.6% | 28.8% |
| Lannebo Fonder | 4.4% | 3.1% |
| ODIN Fonder | 4.2% | 3.0% |
| Handelsbanken Fonder | 3.6% | 2.6% |
| Didner & Gerge Fonder | 2.8% | 2.0% |
| Lagercrantz Group AB | 2.4% | 1.7% |

## Company description

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

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

## Investment case

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

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

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

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

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

**Bear points:**

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

## Catalyst types

**Organic growth will drive margins**

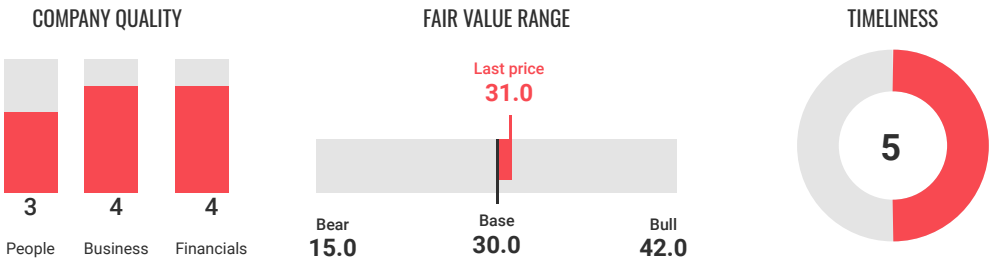
Several subsidiaries with proprietary products have a good potential to expand into new markets. Lagercrantz organic growth and margins should benefit from this since these companies are more profitable than group average.

# M.O.B.A. Network MOBA

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

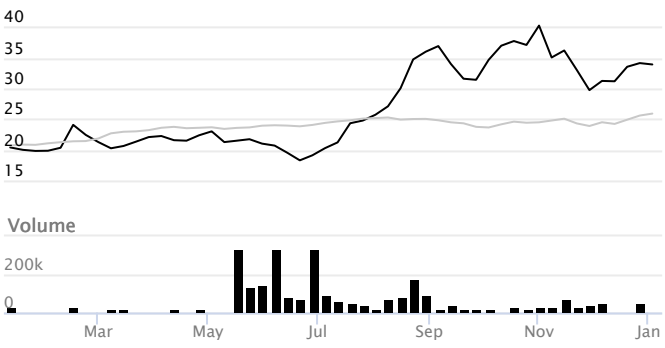
**Publication date**
January 11 2022

## Redeye Rating




## Snapshot

**M.O.B.A. Network**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Björn Mannerqvist |
| **Chairman** | Fredrik Burvall |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 31.0 |
| **Number of shares (M)** | 22.4 |
| **Market cap (MSEK)** | 694 |
| **Net debt (2022E, MSEK)** | -39 |

**Analyst**



Danesh Zare
danesh.zare@redeye.se

**Conflict of interests**

Danesh Zare owns shares in M.O.B.A. Network: No

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

## Financials

| | 20/21 | 21/22E | Redeye Estimates 22/23E | 23/24E |
|---|---|---|---|---|
| Revenue, MSEK | 32 | 40 | 56 | 72 |
| *Growth* | *42.4%* | *25.4%* | *40.1%* | *28.3%* |
| EBITDA | 15 | 20 | 28 | 37 |
| *EBITDA margin* | *45.4%* | *49.2%* | *50.3%* | *50.8%* |
| EBIT | 13 | 17 | 25 | 33 |
| *EBIT margin* | *40.3%* | *42.6%* | *44.5%* | *46.1%* |
| Pre-tax earnings | 13 | 17 | 25 | 33 |
| Net earnings | 8 | 11 | 16 | 21 |
| *Net margin* | *24.9%* | *27.1%* | *28.5%* | *29.6%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 4.68 | 6.42 | 9.29 | 12.40 |
| P/E adj. | 42.4 | 35.1 | 24.3 | 18.2 |
| EV/S | 9.9 | 8.9 | 6.1 | 4.5 |
| EV/EBITDA | 21.8 | 18.1 | 12.2 | 8.8 |

Last updated: 2021-02-27

| Owner | Equity | Votes |
|---|---|---|
| New Equity | 23.0% | 23.0% |
| Henrik Kvick | 16.5% | 16.5% |
| Jonas Bertilsson | 10.5% | 10.5% |
| Thomas Jansson | 10.3% | 10.3% |
| TIN Fonder | 9.7% | 9.7% |
| Alcur Fonder | 9.5% | 9.5% |
| Cloverhill Holdings Ltd | 7.0% | 7.0% |
| Without Bank Julius Baer & co LTD | 3.5% | 3.5% |
| Björn Mannerqvist | 2.2% | 2.2% |
| Mikael Gottschlich | 2.0% | 2.0% |

## Company description

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

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

## Investment case

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

**Communities**

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

**A fast-growing company in a fast-growing sector**

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

**Strong gaming IPs**

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

**Adding communities and economies of scale**

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

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

### Counter-Thesis – Bear Points

### M&A integration and Goodwill impairments

There is a risk that the integration of past acquisitions could be an issue. Thus, failing to realize synergies that could harm the financials. Hence, this could potentially lead to goodwill impairments.

**Dependent on ads**

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

**Low stock liquidity**

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

### FX Exposure

The bulk of revenues is generated in USD and EUR. Thus large movements within the exchange rates could significantly affect the financial performance.

## Catalyst types

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

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

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

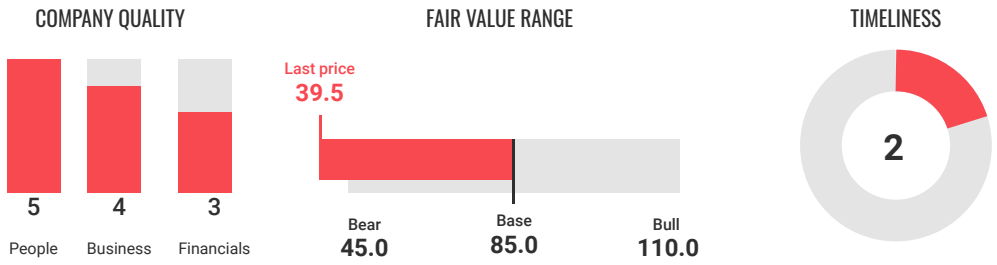
**Acquisitions**
M.O.B.A. has a clear M&A strategy and have started to execute on this strategy with the acquisition of MMORPG.com. The company also benefits from extensive experience in adding value via M&A in the Board (Fredrik Burvall, Jonas Bertilsson, and Maria Andersson Grimaldi) and the CEO. Delivering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

# Media and Games Invest M8G

**Company page**
https://www.redeye.se/company/media-and-games-invest

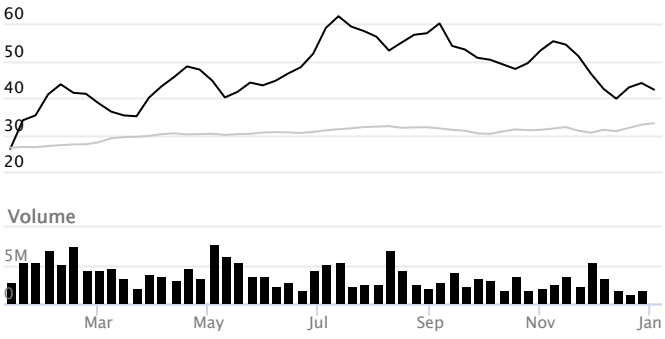
**Publication date**
January 11 2022

## Redeye Rating




## Snapshot

**Media and Games Invest**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Remco Westermann |
| **Chairman** | Remco Westermann |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 39.5 |
| **Number of shares (M)** | 149.7 |
| **Market cap (MSEK)** | 5,909 |
| **Net debt (2022E, MEUR m)** | 173 |

**Analyst**



Danesh Zare
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**Conflict of interests**

Danesh Zare owns shares in Media and Games Invest: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MEUR m | 140 | 247 | 311 | 364 |
| *Growth* | *67.1%* | *76.0%* | *26.0%* | *17.2%* |
| EBITDA | 26 | 63 | 96 | 110 |
| *EBITDA margin* | *18.9%* | *25.8%* | *31.0%* | *30.2%* |
| EBIT | 11 | 35 | 62 | 77 |
| *EBIT margin* | *7.8%* | *14.5%* | *20.1%* | *21.3%* |
| Pre-tax earnings | 3 | 16 | 56 | 70 |
| Net earnings | 2 | 13 | 50 | 63 |
| *Net margin* | *1.9%* | *5.3%* | *16.2%* | *17.3%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.06 | 0.13 | 0.36 | 0.45 |
| P/E adj. | 37.9 | 39.5 | 14.3 | 11.5 |
| EV/S | 1.4 | 3.6 | 2.9 | 2.5 |
| EV/EBITDA | 31.5 | 14.1 | 9.3 | 8.1 |

Last updated: 2021-11-24

| Owner | Equity | Votes |
|---|---|---|
| Germany Branch, Caceis Bank | 38.0% | 38.0% |
| Remco Westermann | 27.8% | 27.8% |
| Oaktree Capital Management LP | 9.1% | 9.1% |
| Janus Henderson Investors | 4.0% | 4.0% |
| HSBC Bank Plc | 1.6% | 1.6% |
| BNP Paribas Sec Serv Luxembourg | 1.5% | 1.5% |
| Avanza Pension | 1.5% | 1.5% |
| UBS Switzerland AG | 1.4% | 1.4% |
| Nordnet Pensionsförsäkring | 1.1% | 1.1% |
| State Street Bank And Trust co | 1.1% | 1.1% |

## Company description

Media and Games Invest är verksamma inom spelindustrin. Koncernen är specialiserade inom digitala medier och spelutveckling, och verksamheten drivs via flertalet varumärken. Utöver huvudverksamheten återfinns ett stort fokus mot digitala lösningar och rådgivning för utveckling av sociala medier. Störst verksamhet återfinns inom den europeiska marknaden, där kunderna består av privata aktörer.

## Investment case

- An entrepreneur with skin in the game. The CEO and founder Remco Westermann own 34% of the Company's capital. The whole management team's incentives are aligned with shareholders as they own large amounts of phantom stock and regular shares.
- MGI's main focus in the gaming division is MMOGs. Games with a very loyal user base with higher barriers to entry.
- Gaming and Media synergies lead to very efficient media buying and the UA is 200% more efficient as UA cost is lower and advertising-income is higher when done in-house.
- MGI offers a platform to grow from as it integrates and improves acquired assets. Leading to a high Return on Investment (ROI).

### An entrepreneur with skin in the game

The CEO and founder Remco Westermann have a lot at stake as he owns 34% of the Company's capital. The whole management team's incentives are aligned with the shareholders as they own large amounts of phantom stock and regular shares, which we view as very positive as it indicates that all of them have a long-term view. The CFO and board member Tobias Weitzel acquired a considerable amount of shares in MGI in Q1'21.

**MMOGs - Loyal player base**

MGI is focused on the MMOG market, which is a market with higher barriers to entry due to the high initial development cost and recurring costs associated with MMOGs. MMOGs tend to have a very long lifespan, and the player base typically shows a high degree of stickiness, in contrast to casual games where "easy come, easy go" applies. It is not unusual for revenues from MMOGs to be generated from players that have been active for over five years, which lowers the operational risk of the Company as revenues are stable.

### Games and Media synergies

User Acquisition (UA) is an important piece of the gaming puzzle, and the media segment has a natural fit with the gaming segment. UA is 200% more efficient through synergies as the UA cost (UAC) is lower, and the advertising-income is higher when it is done in-house. There are clear cost and data advantages gained via synergies. Data on important metrics are valuable for evaluating M&A targets when improving and monetizing current games in the portfolio and advertising within games. MGI has a lot of know-how in both segments.

### Growth platform - Buy, Integrate and Improve.

MGI has a platform to grow from, which enables a low-risk business model. Acquired games have already been developed, and the bulk of the costs are behind them. The risk is lower since the game is already developed and has been proven in the market. MGI achieves a very high return on investment. It can integrate and improve these games via its platform and UA capabilities, leading to efficiency gains, economies of scale, and improved profitability for its portfolio of games.

### Diversified and stable income streams

MGI's income streams are highly diversified, with income from both the games and media segments. MGI has a broad games portfolio and is not "hit-driven," and the concentration risk is low, as the largest game represents less than 25% of total revenues. MGI has over 30 MMOGs (Massive Multiplayer Online Games) and over five thousand casual games in its portfolio that are played by over five million active players. The game's revenues are very stable and predictable in nature as the games have a very long lifetime, lowering the overall risk profile as a gaming company.

### A growing market with structural tailwinds

The gaming industry is the largest entertainment industry in the world today. Over 2.7 billion people play games, and the market is expected to grow with a CAGR of 8% between 2020 and 2023, and the total market is expected to surpass USD 159bn in 2020. It is eventually forecasted to exceed USD 200bn by the end of 2023. Mobile gaming is the largest gaming segment and is expected to grow the fastest. The opportunity is huge, and the gaming market is very fragmented with a vast amount of independent developers. MGI has recognized this and has carved out a niche in the market.

## Catalyst types

**MGI continues to be a successful gaming consolidator**

MGI has carried out over 30 acquisitions and to great effect. The operational results show that the strategy is working and that the acquisitions, overall, are value-accretive. MGI has an outspoken M&A strategy and there is more to come.

**Synergies across the portfolio**

MGI has a history of integrating and improving purchased assets, KingsIsle and Smaato should be no different. There is potential for reaching synergies across its two-segment which will enhance earnings.

**Organic growth**

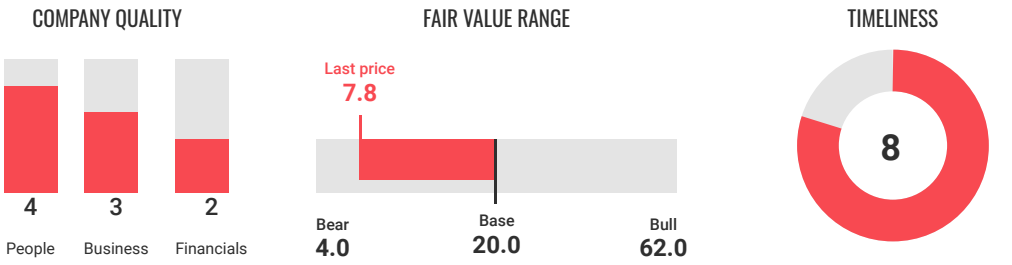
There is a lot of potential for organic growth within MGI's gaming portfolio through localization and porting (cross-platform). MGI already pursues this today but there are more opportunities for this in the future.

# Neonode Inc NEON

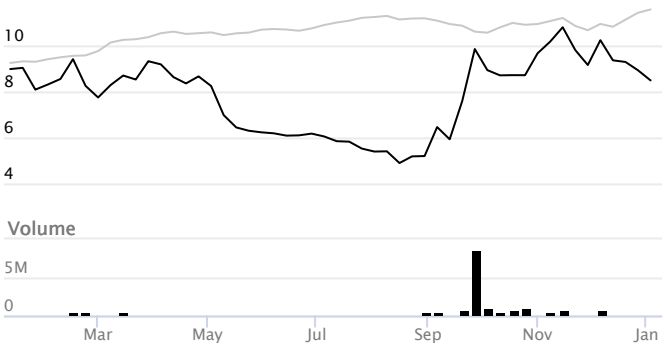
**Company page**
https://www.redeye.se/company/neonode-inc

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | Nasdaq |
| **CEO** | Urban Forssell |
| **Chairman** | Ulf Rosberg |

**Share information**

| | |
|---|---|
| **Share price (USD)** | 7.8 |
| **Number of shares (M)** | 13.6 |
| **Market cap (MUSD)** | 105 |
| **Net debt (2022E, MUSD)** | -170 |

**Analyst**



Jesper von Koch
jesper.vonkoch@redeye.se

**Conflict of interests**

Jesper von Koch owns shares in Neonode Inc: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MUSD | 6 | 6 | 208 | 31 |
| *Growth* | *-9.2%* | *1.0%* | *>100%* | *-84.9%* |
| EBITDA | -5 | -5 | 189 | 6 |
| *EBITDA margin* | *Neg* | *Neg* | *91.1%* | *21.8%* |
| EBIT | -6 | -6 | 187 | 4 |
| *EBIT margin* | *Neg* | *Neg* | *90.1%* | *14.4%* |
| Pre-tax earnings | -6 | -6 | 187 | 4 |
| Net earnings | -7 | -6 | 149 | 3 |
| *Net margin* | *Neg* | *Neg* | *72.1%* | *11.5%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.81 | -0.49 | 11.18 | 0.27 |
| P/E adj. | -141.1 | -22.4 | 1.0 | 40.6 |
| EV/S | 165.4 | 21.2 | -0.1 | -0.9 |
| EV/EBITDA | -194.9 | -24.1 | -0.1 | -4.1 |

Last updated: 2021-11-16

| Owner | Equity | Votes |
|---|---|---|
| Ulf Rosberg | 13.9% | 13.9% |
| Peter Lindell | 13.5% | 13.5% |
| Avanza Pension Försäkring AB | 8.7% | 8.7% |
| Carl Grevelius | 3.6% | 3.6% |
| AWM Investment | 2.8% | 2.8% |
| Fidelity Management & Research | 1.7% | 1.7% |
| Wellington Management | 1.3% | 1.3% |
| Royce & Associates | 1.3% | 1.3% |
| Cooper Creek Partners | 1.0% | 1.0% |
| Urban Forssell | 0.9% | 0.9% |

## Company description

Neonode, not only works with technology for touch displays but with human interaction in numerous ways, e.g. gesture control.. In addition, Neonode is surface independent, meaning it does not even need displays or glass. The business model for Neonode's touch technology is manufacturing and selling of hardware modules as well as licenses. The modules together with the ramp-up of new car and printer models on the won platforms is the key parts of the growth strategy. Besides its many competitive advantages in its unique technology, Neonode has wide barriers to entry in its automotive business (see further the investment case section). The headquarter is in Stockholm, Sweden but sales have a global reach.

## Investment case

- Solid license business, growth in contactless touch, and new credible main owners & management
- The lawsuit against Apple and Samsung could 10x the share price
- Market adoption of contactless touch constitutes big uncertainty
- Base Case at USD 20 – lawsuit makes up two-thirds of the value

### Solid license business, growth in contactless touch, and huge optionality in lawsuit vs Apple & Samsung

First, Neonode's license business constitutes a solid foundation with high-margin recurring revenue. As of now, this is not growing nor declining. Looking ahead, we see good growth potential for new business segments for this part.

The strong cash flow from the licensing business is currently supporting the promising opportunity within contactless touch. Neonode sells touch-sensor modules directly to OEMs and indirectly through partners towards self-service kiosks and elevators. The demand for this is helped by the corona pandemic and fear of touching buttons. While Neonode's market position looks strong, it will take some time before sales reach large volumes.

Last, Neonode has valuable patents which constitute a very large potential. Currently, there is an ongoing lawsuit against Apple and Samsung for infringing on Neonode's patent for "swipe-to-unlock". This lawsuit constitutes major optionality to the case, with the potential to make Neonode a ten-bagger.

### New owners and management bode well for a turnaround

The Neonode turnaround case has now turned credible, due to a promising set of new people. The company has a new CEO with a successful track record and a new management team. The new owners and board members are very engaged and involved in the company, which is good considering their track records in business and investing. New Neonode has narrowed its focus and closed several far-fetched, non-core projects initiated by previous Management. Despite Neonode's failures in the past, the company has only lost a handful of customers, which is remarkable and implies a strong value proposition for the customers. Our conclusion is that the technology and customer benefits are fantastic while execution and communication have been lousy.

### Lawsuit against Apple and Samsung could 10x the share price

Neonode has let Aequitas, a so-called "patent troll", sue Apple and Samsung for infringing on two old Neonode patents for the swipe functionality. Aequitas' business model is 100% based on successfully winning or settling the lawsuits that they take on. Aequitas receives 50% of the net proceeds from monetizing the patents.

Should Neonode/Aequitas win the lawsuit against Apple and Samsung, we estimate Neonode would earn USD 121 per share after tax. Hence, just the lawsuit has the potential to make Neonode a ten-bagger. For a deep dive in the lawsuit, read this research update.

### Market adoption of contactless touch constitutes big uncertainty

Rather than filling an already existing demand, Neonode is creating demand for its solutions for contactless touch. Though market adoption has been propelled by the corona pandemic and the fear of touching buttons, the market penetration for contactless touch is difficult to estimate. We believe the general market adoption is the key between Neonode heading towards success or failure.

### Base Case at USD 20 – lawsuit makes up two thirds of the value

The valuation range between Bear Case and Bull Case for Neonode is huge – from USD 4 to 62, with Base Case at USD 20. The wide range mainly comes from the different outcomes of the lawsuit. For the operations related to contactless touch, our valuation range is between USD 4 and USD 11, with Base Case at USD 7. Regarding the lawsuit, we put a 20% probability for a successful outcome in our Base Case, equal to USD 12 per share. For our Bear Case, we estimate a complete loss, meaning zero value. In our Bull Case, we estimate the lawsuit to be settled with a settlement rate of 50%, equal to USD 51 per share.

## Catalyst types

**Patent Monetization**

Neonode has a contract with Aequitas which tries to monetize two of Neonode's patents for a 50/50 share of net proceeds. If Aequitas succeeds in monetizing the patents, the law firm involved will first take a cut of about 15%. Then Aequitas and Neonode will share the remaining 85% equally. The ownership of this patent portfolio, related to the slide-to-unlock technology has been transitioned to Aequitas. In May 2020, Neonode had the chance to revoke the patents if Aequitas did not meet certain milestones. As Neonode did not revoke the patents, we believe it has a good case in receiving license payments from patent infringers. Though very hard to estimate the probability of success, we believe the chances of a successful outcome look promising.

**Announcement of big military customer**

Though communication about the pilot project of the announced customer within military and avionics has been scarce, we believe this to be either Airbus or Boeing, meaning full penetration on this only customer would imply a market share of about 25%. Confirmation of this speculation, combined with a successful onboarding, will secure a strong runway also for HMI Solutions.

**Major deals within HMI Products**

Since the start of the covid-19 pandemic, demand for Neonode's contactless touch solutions has surged. Partner pull followed by many small orders so far bodes well, but to break through, Neonode and its partners need to close larger deals that show proof of fast technology adoption.

**Break-even**

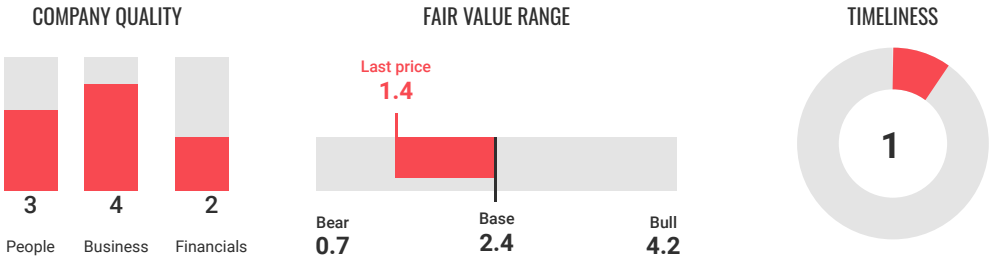
We expect the reaching of break-even in the end of 2022 which would be an important milestone for the stock market to grasp that Neonode has left the losses behind and hit the point of inflection.

# Netmore Group NETM B

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

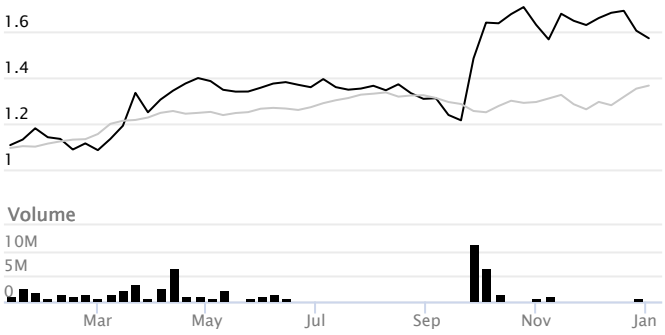
**Publication date**
January 12 2022

## Redeye Rating




## Snapshot

**Netmore Group**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Ove Anebygd |
| **Chairman** | Rolf Norberg |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1.4 |
| **Number of shares (M)** | 316.1 |
| **Market cap (MSEK)** | 453 |
| **Net debt (2022E, MSEK)** | -39 |

**Analyst**



Forbes Goldman
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**Conflict of interests**

Forbes Goldman owns shares in Netmore Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 32 | 47 | 62 | 89 |
| *Growth* | *>100%* | *44.9%* | *33.5%* | *43.0%* |
| EBITDA | -42 | -47 | -39 | -19 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -57 | -63 | -56 | -38 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -60 | -71 | -56 | -34 |
| Net earnings | -60 | -72 | -56 | -34 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.33 | -0.23 | -0.18 | -0.11 |
| P/E adj. | -3.3 | -7.5 | -9.6 | -15.7 |
| EV/S | 6.7 | 9.7 | 8.1 | 5.9 |
| EV/EBITDA | -5.0 | -9.5 | -12.8 | -26.5 |

Last updated: 2021-12-14

| Owner | Equity | Votes |
|---|---|---|
| **Buildroid** | 53.8% | 69.7% |
| **Polar Structure AB** | 17.7% | 11.6% |
| **Samhällsbyggnadsbolaget i Norden AB** | 6.4% | 4.2% |
| **Kapitopia AB** | 2.7% | 1.8% |
| **Avanza Pension** | 2.4% | 1.6% |

## Company description

Headquartered in Stockholm, Netmore is an Internet of Things (IoT) operator. The company operates three business areas: Netmore Property Network, Netmore IoT Network, and Netmore Open Access 5G Network. It drives digitalization by connecting properties, industrial facilities, and sensors, for example, with its purpose-built networks. Netmore takes on the role of an IoT enabler and works together with customers and partners to reap the benefits of digitalization.

## Investment case

- Solving a genuine need – high perceived value
- Excellent ownership supports fast commercialization
- Secular tailwinds pushing in the right direction

**Robust ownership structure – validated by property and infrastructure investors**

Netmore is owned and controlled by Buildroid Invest, a digitalization investment company backed by Vincero and Stronghold. Additionally, Polar Structure and SBB are amongst the three largest owners. We believe Netmore has amassed an impressive ownership structure, comprising some of the largest and most innovative property and infrastructure investors in the Nordic region and Europe. Together, Buildroid Invest, Polar Structure, and SBB provide financial backing and the strategic conditions to successfully commercialize a full-scale rollout of Netmore's products in Europe.

**Joint venture with Polar Structure enables rapid IoT expansion**

The joint venture that Netmore established with Polar Structure in Q3 2020 is essential, in our view, in securing and extending a first-mover advantage within IoT Networks. So far, Polar Structure has provided the joint venture with more than SEK 300m in credit facilities to support a fast buildout and commercialization of Netmore's IoT offering. Over time, Netmore expects to provide connectivity to millions of smart sensors – generating monthly recurring revenue (MRR) per connected sensor.

**Recurring revenue business model – connectivity as a service**

Netmore operates a subscription-based, shared-revenue model, partnering with asset owners such as property owners and municipalities. The long-term value Netmore creates for its customers is, in our opinion, the essence of its business model and enables "as-a-service" delivery of its solutions. We believe Netmore's property and IoT backlog are worth close to SEK 50m and SEK 8m in annual recurring revenue (ARR), respectively.

**High switching costs…**

Netmore provides a comprehensive service to facilitate and support the digitalization of properties and other mission-critical areas such as water and waste management systems. Thus, Netmore becomes a long-term strategic partner to its customers, with high switching costs. This notion is supported, in our view, by recent customer agreements typically of five years and more, and the extensive lifetime of smart sensors, which is often up to ten years.

**…but also network effects**

In addition to switching costs, we believe Netmore's IoT offering gives rise to network effects. Essentially, when Netmore IoT Networks expands, it results in positive externalities for the network's stakeholders, such as sensor providers, as these grow their addressable markets. Furthermore, we argue that a successful Property Network rollout could support a cost-efficient rollout of the IoT Network. We consider this particularly compelling as it would make it challenging for competitors to create a similar offering.

**Unique market position in a novel 5G landscape**

Secular trends drive increased mobile data traffic, especially in indoor environments. At the same time, modern building standards make it far more difficult for 5G radio signals to penetrate buildings. Netmore provides an innovative offering that fits well into this complex ecosystem. An indoor 5G coverage buildout, led by property owners (rather than operators), addresses these challenges, improving the total cost of ownership and capex savings. Employing an operator-neutral infrastructure implies that the property owner that owns or rents the hardware can offer 5G to its tenants. At the same time, mobile network operators (or other stakeholders) can use the infrastructure in the building to provide 5G to their customers.

**Secular market trends pushing in the right direction**

The shift to 5G enables a wide selection of cutting-edge technologies such as autonomous driving, VR, AR, and indoor asset tracking. We expect stakeholders such as property owners, industrial companies, and municipalities to strive to provide the latest access technologies. In many cases, 5G could result in new services and revenue streams. However, an increased sustainability focus will also result in a big push. Buildings account for about 40% of global greenhouse gas emissions. Digitalizing properties to connect thousands of smart sensors will be monumental in achieving different climate goals.

## Catalyst types

**IoT Networks expansion**
Netmore expects to expand its network to the UK and Ireland, providing the company with greenfield opportunities. High-profile partnerships and customer engagements in these geographies should bolster the share price sentiment.

**Positive news concerning existing accounts**
Netmore has engagements with more than five leading property investors. The existing backlog (>700 units) far exceeds the number of contracted units (40). Significant conversion to contracted units should prompt a positive share price correction.

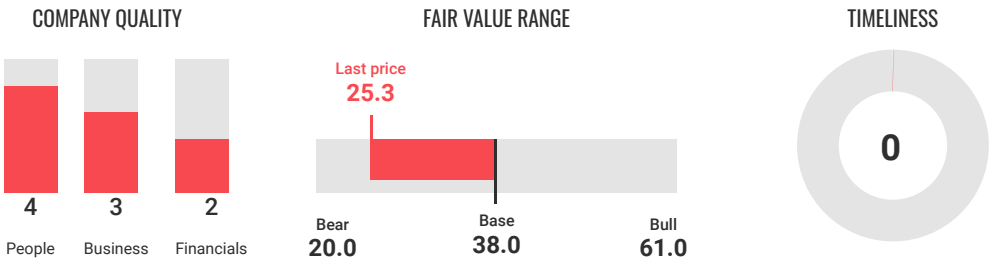
**Lighthouse customer agreements**
We see great potential in a high-volume rollout of Netmore's solutions throughout a large customer's property portfolio. In addition to yielding a significant ARR at high margins, it could indicate that the industry is truly ready to adopt the technology on a larger scale.

# Ngenic NGENIC

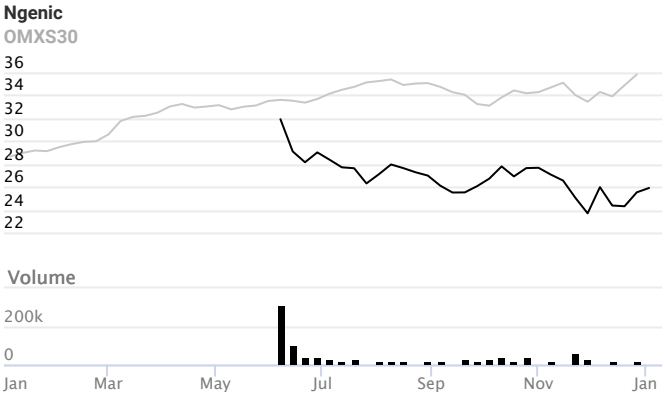
**Company page**
https://www.redeye.se/company/ngenic

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Björn Berg |
| **Chairman** | Roger Karlsson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 25.3 |
| **Number of shares (M)** | 4.5 |
| **Market cap (MSEK)** | 113 |
| **Net debt (2022E, MSEK)** | -19 |

**Analyst**



Niklas Sävås
niklas.savas@redeye.se

**Conflict of interests**

Niklas Sävås owns shares in Ngenic: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 19 | 24 | 40 | 49 |
| *Growth* | *7.9%* | *28.3%* | *61.6%* | *24.1%* |
| EBITDA | -7 | -9 | -7 | -3 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -11 | -14 | -11 | -8 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -12 | -14 | -11 | -8 |
| Net earnings | -12 | -14 | -9 | -6 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -4.20 | -3.24 | -2.09 | -1.53 |
| P/E adj. | -6.5 | -8.4 | -13.0 | -17.8 |
| EV/S | 4.3 | 4.0 | 2.6 | 2.3 |
| EV/EBITDA | -11.1 | -9.7 | -13.1 | -32.7 |

Last updated: 2021-11-29

| Owner | Equity | Votes |
|---|---|---|
| Polar Structure AB | 10.1% | 10.1% |
| Simon Josefsson | 8.2% | 8.2% |
| Fredrik Fernlund | 6.2% | 6.2% |
| Olof Lindbom | 6.2% | 6.2% |
| Björn Berg | 6.0% | 6.0% |
| Henrik Didner | 4.4% | 4.4% |
| Mikael Lönn | 4.3% | 4.3% |
| Clearstream Banking S.A. W8imy | 4.0% | 4.0% |
| KIC InnoEnergy SE | 4.0% | 4.0% |
| Uppsala Universitet Invest AB | 4.0% | 4.0% |

## Company description

Ngenic is a data-driven company offering products and services to the energy market. Through both hardware and software, they help energy companies to forecast the demand for electricity, ease the pressure on the grid when it is congested and consumers optimize their usage. The company was founded in 2010 by the engineers Einar Persson, Olof Lindbom and Fredrik Fernlund from Ångströmslaboratoriet in Uppsala together with the current CEO Björn Berg and COO Anders Nygren. The team saw that their innovations could solve many of the issues the energy market faced. Since then, the company has experienced slow market development, which is often the case in highly regulated markets. We are nearing a breakpoint where the technology is there, the market understands the issues, and the government agencies are waking up to the new reality.

## Investment case

- In 2021 we are nearing a potential breakpoint with pressure to force out fossil fuels, improved economics, new regulations, and congestion in the grid all happening at the same time. Ngenic is well-positioned.
- Ngenic has a broad range of products and services directed against property owners and energy companies. The USP stems from how they use insights from consumers, the price of electricity, and the congestion in the energy grid to sell a packaged solution to both consumers and energy companies.
- Ngenic raised more than SEK 40 million in the IPO in June of 2021, which will help accelerate the growth journey. M&A is also a possibility that could help Ngenic on the way to reach scale and profitability.
- In valuing the opportunity, we have used a DCF that generates a fair value of SEK 38 in our base case, offering 30% upside to the current price. Our range is wide with a bear case of 20 and bull case of 61 difficult to predict the future economics of the business.

### Riding the trend of electrification

Ngenic saw the issues in the energy market more than ten years ago, but developments have been slow. In 2021 we are nearing a potential breakpoint with pressure to force out fossil fuels, improved economics, new regulations, and congestion in the grid all happening at the same time. The energy grid in the Nordics is under severe pressure. Many companies that offer solutions to these challenges have a clear opportunity. The size of the market when only focusing on the Nordics is enormous. Re-build or adding to the current electricity grid is very costly, so complements such as those Ngenic provides through optimization and energy flexibility are necessary to solve the situation. Ngenic has confirmed its value-add in several projects, such as with Upplands Energi and Jämtkraft.

### Hard to grasp at first glance

Ngenic has a broad range of products and services directed against property owners and energy companies. The unique selling point stems from how they use insights from consumers, the price of electricity, and the congestion in the energy grid to sell a packaged subscription solution to both consumers and energy companies. It's been difficult for data-driven companies such as Ngenic to capitalize on the opportunity so far, but things are coming together. First of all, it has shown their value in various projects. Secondly, a market is being formed where their role as an intermediary between producers and consumers, called aggregator, will become clear. Thirdly, regulations force customers to switch to connected (smart) solutions offered by Ngenic and others.

### Large war chest to deploy

Ngenic raised more than SEK 40 million in the IPO in June of 2021, which will help accelerate the growth journey. Before the IPO, they couldn't ramp up at the desired speed due to lack of financing, but now they have been accelerating their hiring of salespeople and marketing efforts. M&A is also a possibility that could help Ngenic on the way to reach scale and profitability, which they have shown with two acquisitions as of late.

### Wide fair value range

In valuing the opportunity, we have used a DCF that generates a fair value of SEK 38 in our base case, offering 30% upside to the current price. We estimate a CAGR of 24% until 2026, where Ngenic will reach net sales of SEK 55m against 12m in 2020. In our forecast, we think the potential is considerable for the company to realize scale advantages. They don't need to re-create the software they have developed, meaning the per-unit cost per subscription will decrease over time, supporting our estimates of steady-state margins of 20%. Our valuation range is wide, with a bear case of 20 and bull case of 62, as it is difficult to predict the future economics of the business.

## Catalyst types

**Buy-out**

Ngenic offers technology that the larger energy companies don't have. The larger companies are therefore looking at if they should build or buy the capabilities Ngenic has.

**Reaching Profitablity**

We think the risk in the case will decrease when they show that they can grow without external financing. The company raised SEK 40m in the IPO to accelerate the growth. We see the likelihood to reach profitability in 2024 as promising. When the company continues to deliver on its goals, investors will realize the potential, which we think will lead to re-pricing of the stock.

**Agreement as an Aggregator**

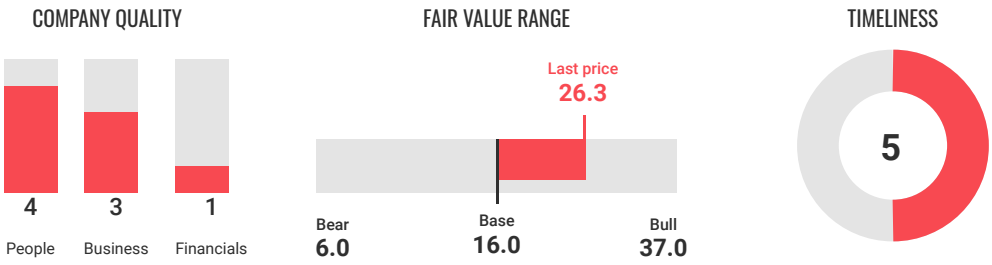
We think the first agreement for Ngenic in their role as an aggregator will be a breakpoint. The company aims to take a strong position in an emerging role in the energy market. At that point, the economics will become clearer for investors, thereby reducing the risk. If this takes slower to develop than expected, it also risks turning into a negative sentiment in the stock.

# Nitro Games NITRO

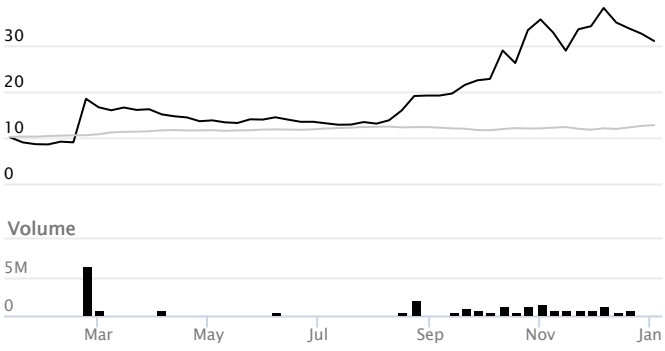
**Company page**
https://www.redeye.se/company/nitro-games

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Jussi Tähtinen |
| **Chairman** | Johan Biehl |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 26.3 |
| **Number of shares (M)** | 12.9 |
| **Market cap (MSEK)** | 339 |
| **Net debt (2022E, MEUR)** | 4 |

**Analyst**



Danesh Zare
danesh.zare@redeye.se

**Conflict of interests**

Danesh Zare owns shares in Nitro Games: Yes

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

## Financials

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

Last updated: 2021-01-08

| Owner | Equity | Votes |
|---|---|---|
| Egmont Holding Oy | 50.4% | 50.4% |
| SEB AB, LUXEMBOURG BRANCH | 6.2% | 6.2% |
| Avanza Pension | 4.6% | 4.6% |
| Coeli AB | 3.6% | 3.6% |
| Ludvig Strigéus | 2.6% | 2.6% |
| Nordnet Pensionsförsäkring | 2.3% | 2.3% |
| Feat Invest AB | 1.7% | 1.7% |
| Markus Johansson | 1.6% | 1.6% |
| Barbara Rubinstein | 1.4% | 1.4% |
| Zakaria Rtel Bennani | 1.3% | 1.3% |

## Company description

Nitro Games is a mobile game developer and as of recent a publisher with a decade of experience in developing games for the mid-core user segment. Nitro Games has a long history of stable cash flows from developing contracts from bigger publishers which minimise risk in the business model.

Nitro Games second business area is developing and publishing mobile games. Nitro Games has adapted its business model closely after market conditions. The company utilizes its own NG Platform -technology that allows it to develop and publish high-end mobile games with impressive graphics and modular design under a short period of time. This is, as well as the company's MVP-process, are according to Nitro Games, unique strengths as they allow a cost-effective development of the games portfolio.

## Investment case

- One of the biggest values in Nitro Games is the self-developed NG Platform. With the NG Platform combined with a proven creative process, Nitro Games can launch a mobile game in 5-10 months, typically this takes 6-18 months for most mobile games.
- April 15, 2020, Nitro Games announced that Nordisk Games becomes the largest shareholder (40% of total shares) in the company. SEK 25 million has been invested through in a directed share issue and SEK 20 million in a convertible loan.
- We believe it is likely Nordisk Games will acquire Nitro Games in 1-3 years.

**Investment risks**

According to a research made by Deloitte approximately 2.5 percent of the mobile game companies made over EUR 1 million in 2016. Most mobile game developers struggle with bad monetisation in their games.

The probability that it will take 2 years before Nitro Games will release a top grossing game is relatively high. We estimate the probability of this scenario is about 40-50 percent.  We believe the stock will be volatile on investor's hopes increasing risk in the stock.

It is also possible that the company never will succeed in the self-publishing mobile games industry. However, Nitro Games third-party development services are reducing the potential downside in the stock.  This is our Bear-case scenario with a probability of 25 percent.

## Catalyst types

**An Obvious Takeover Target**

We believe Nordisk Film Games will acquire Nitro Games in 1-3 years. The timing of the acquisition and the price tag will depend on how well Nitro Games will realize its vision. Nordisk Film Games own 40% of the capital in Nitro Games.

**Lootland soft-launch**

A new game release is always a catalyst in small studios. We have tested Lootland in an early stage and find that it is a promising game.

**New Publishing Agreements**

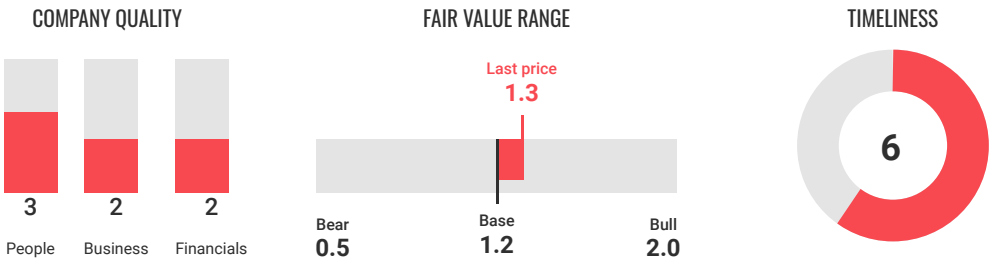
Netmarble and Nitro Games have signed two publishing agreements for both Medals of War and Heroes of Warland in the Middle-East and Africa . The first publishing deal generated an initial revenue of EUR 0.2 million and the second one generated EUR 0.5 million for Nitro Games. A potential catalyst for the stock is of course if new publishing deals for newly self-developed games would be signed.

# Northbaze NBZ

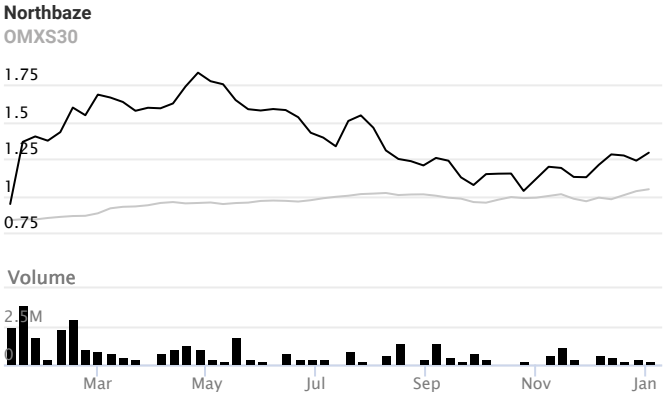
**Company page**
https://www.redeye.se/company/northbaze

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Henrik Andersson |
| **Chairman** | Anders W Bruzelius |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1.3 |
| **Number of shares (M)** | 107.8 |
| **Market cap (MSEK)** | 142 |
| **Net debt (2022E, MSEK)** | -11 |

**Analyst**



Jesper von Koch
jesper.vonkoch@redeye.se

**Conflict of interests**

Jesper von Koch owns shares in Northbaze: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 137 | 142 | 249 | 269 |
| *Growth* | *14.3%* | *3.6%* | *75.5%* | *7.9%* |
| EBITDA | 4 | 6 | 27 | 34 |
| *EBITDA margin* | *3.2%* | *4.2%* | *10.8%* | *13.0%* |
| EBIT | -3 | -1 | 14 | 21 |
| *EBIT margin* | *Neg* | *Neg* | *5.8%* | *8.0%* |
| Pre-tax earnings | -7 | -5 | 12 | 21 |
| Net earnings | -7 | -5 | 10 | 16 |
| *Net margin* | *Neg* | *Neg* | *4.0%* | *6.3%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.08 | -0.06 | 0.06 | 0.10 |
| P/E adj. | -9.8 | -17.8 | 17.2 | 10.2 |
| EV/S | 0.6 | 1.3 | 0.7 | 0.5 |
| EV/EBITDA | 20.2 | 29.7 | 6.0 | 4.0 |

Last updated: 2021-12-23

| Owner | Equity | Votes |
|---|---|---|
| Håkan Larsson | 15.3% | 15.3% |
| Novo Utbildning AB | 13.8% | 13.8% |
| Swedbank Försäkring | 9.4% | 9.4% |
| Folke Westerbrand | 5.2% | 5.2% |
| Anders Kristensson | 4.3% | 4.3% |
| Ulf Sandberg | 4.3% | 4.3% |
| Cbsg-Ocbc Sec Pte Ltd-Client A/C | 3.7% | 3.7% |
| David Sanpen | 3.3% | 3.3% |
| Ganelston Investments Ltd | 3.3% | 3.3% |
| Försäkringsbolaget Avanza Pension | 2.7% | 2.7% |

## Company description

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

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

## Investment case

- Promising strategy: market-matching organic growth through new product development by Jays Headphones, value-adding acquisitions, new business areas, and increased online sales to drive growth.
- Adiantes lead the way: B2B business without brand risk
- Limited expectations: In view of its improved business opportunity leading to profitability in the latest three quarters, we value the company at SEK 1.2 per share

Across Northbaze we see improved financial performance as the group establishes a suite of brands in an attractive though highly competitive market. Our conservative forecast for sales synergies from previous acquisitions in Smart Mobility and a new online sales strategy gives a group CAGR of 10% over the next five years. Cost synergies from consolidating office functions and moving Kavaj production to Adiantes, plus shifting the group's sales channels online, should reduce OPEX/sales from 58% (2018 pro forma) to around 38% by 2025. Blended gross margins of around 45% after the acquisitions should give a long-term competitive advantage against peers that average 25-40%.

### Adiantes leads the way

We believe Adiantes (previously Krusell's Thailand-based factory) is the largest and most valuable part of Northbaze. This business has already enjoyed solid growth and is set to grow handsomely for several years to come. We also believe Adiantes will contribute to increasing EBIT margins for the group.

### Counter-thesis

**Acquired uncertainties**

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

**Fragmented market, fragile position**

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

However, we believe Adiantes is much more resilient to brand risk as its customer base consists of a wide range of companies and brands.

**Earnings challenges**

The group operates in a low profitable industry and has in the past been struggling to reach profitability. In the history of Jays Headphones, profitability was only achieved in the fiscal years of 12/13 and 13/14 (EBIT 10m respectively 8m). Since then, sales have been declining from an all-time high of SEK 84m to approx. 50m in 2018.

In the history of Krusell, one of the group's largest sales contributors, the trend is not either satisfactory. Profitability was achieved in 2014 (20m EBIT) when sales reached an all-time high of 173m (73m 2018). When it comes down to the bottom line, results in cost-cutting, and efficiency will be a larger challenge than increasing sales.

## Catalyst types

**Full synergies**

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

**Value-adding acquisitions**

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

**Achieving profitability**

Better cash flows would merit higher multiples and valuation. The company has achieved profitability on EBITDA for several consecutive quarters. However, for the shares to take off, we believe a positive bottom line will be needed.

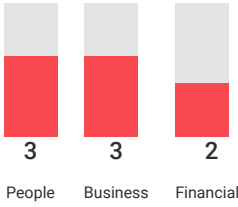
# OXE Marine OXE

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

**Publication date**
January 10 2022

## Redeye Rating

COMPANY QUALITY




FAIR VALUE RANGE

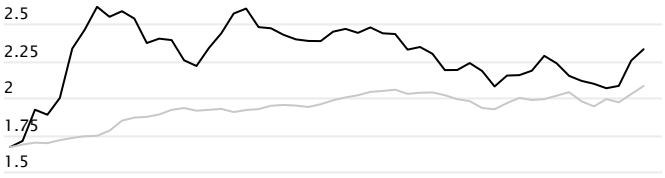



TIMELINESS




## Snapshot

**OXE Marine**
OMXS30




Volume




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Magnus Grönborg |
| **Chairman** | Anders Berg |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 2.3 |
| **Number of shares (M)** | 208.2 |
| **Market cap (MSEK)** | 477 |
| **Net debt (2022E, MSEK)** | 220 |

**Analyst**



Henrik Alveskog
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**Conflict of interests**

Henrik Alveskog owns shares in OXE Marine: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 40 | 103 | 232 | 340 |
| *Growth* | *-56.4%* | *>100%* | *>100%* | *46.6%* |
| EBITDA | -61 | -39 | -6 | 20 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *5.9%* |
| EBIT | -77 | -57 | -24 | 3 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *0.8%* |
| Pre-tax earnings | -86 | -67 | -35 | -7 |
| Net earnings | -86 | -67 | -35 | -7 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.43 | -0.32 | -0.15 | -0.03 |
| P/E adj. | -3.8 | -7.2 | -15.5 | -74.9 |
| EV/S | 12.2 | 6.6 | 3.0 | 2.1 |
| EV/EBITDA | -8.0 | -17.3 | -122.0 | 34.9 |

Last updated: 2021-11-01

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Per Lindberg | 14.8% | 14.8% |
| Avanza Bank AB | 12.9% | 12.9% |
| Theodor Jeansson | 12.1% | 12.1% |
| Arne Andersson | 10.1% | 10.1% |
| Christian von Koenigsegg | 10.0% | 10.0% |
| Jonas Wikström | 5.0% | 5.0% |
| Hagberg & Aneborn Fondkommission AB | 2.4% | 2.4% |
| Cbldn-Saxo Bank A/S | 2.3% | 2.3% |
| C&M Stockholm AB | 2.0% | 2.0% |
| Philip Carl Lennart Andén | 1.4% | 1.4% |

## Company description

OXE Marine is a Swedish developer of diesel outboard engines with a power range of 100-300 horsepower. It was the first company to commercially launch a 200 hp diesel-powered outboard engine. OXE was founded in 2012 based on technology spun off from Volvo Penta and VW. This included a combination of a belt propulsion technique, a horizontally mounted automotive engine, and a hydraulic gearbox. At that time, around SEK 50m had already been spent on the technique. OXE's first diesel outboard was finalized in the autumn of 2016 and was followed by small-scale production.

OXE has been listed on Nasdaq First North since July 2017 and employs around 40 people, mainly within research, product development and sales. Manufacturing has been outsourced to partners in Poland and in the US. The company aims to be a global market leader in diesel outboard engines primarily for commercial use. Its strategy is to develop a strong product offering, backed up by sales via a global network of established distributors.

## Investment case

- OXE is well-positioned for significant growth thanks to its first-mover advantage and favorable market drivers increasing demand for diesel outboards. We forecast sales to grow by a CAGR of ~40% 2019-24.
- Strong value proposition. OXE targets its diesel outboard engines at governmental and commercial users able to justify its higher purchase price. OXE outboards are superior in terms of i) fuel consumption and life time costs ii) performance and iii) safety.
- Market momentum. Several drivers are increasing demand for diesel outboards. Firstly, NATO's single fuel directive stipulates that all NATO equipment should be diesel-injected. Secondly, the marine industry is showing appetite for more environmentally-friendly alternatives.

OXE Marine is well-positioned for significant growth thanks to its first-mover advantage and favorable market drivers increasing demand for diesel outboards. We forecast sales to grow by a CAGR of ~40% 2019-24.

**Strong value proposition**

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

**Market momentum**

There are several drivers supporting a shift towards diesel outboards. Firstly, NATO's single fuel directive stipulates that all NATO equipment should be diesel-injected (if a diesel alternative is available) because of combustion risks. This is confirmed by the US Coast Guard and Navy's CRADA initiative to test OXE's OXE200 currently. Secondly, the marine industry is showing an appetite for more environmentally-friendly alternatives. OXE's diesel outboards produce some 45% less CO2 than conventional best-in-class outboards.

**Potential positive surprises**

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

**Counter thesis**

At this point the case is all about executing on the growth plan. OXE Marines' own financial targets include at least 50% annual organic growth. This is even higher than we expect. Major deviations from this growth trajectory, would probably cause the market to loose faith.

## Catalyst types

**Traction with US Government**

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

**Break through in China**

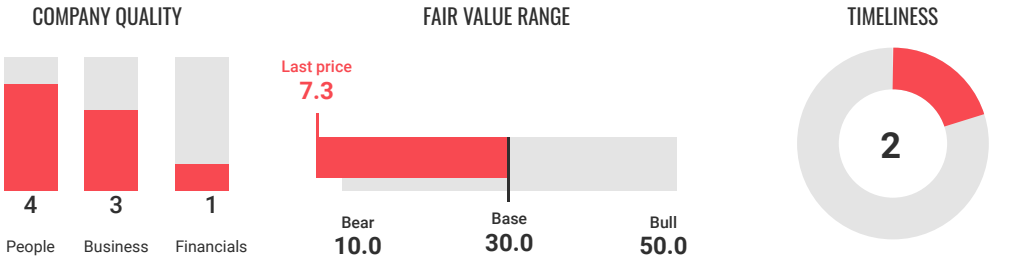
OXE entered into a distribution agreement with Chinese company Parsun in 2020. A break-through in the Chinese market could pave the way for significant volumes ahead.

# Paynova PAY

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

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NGM Main Regulated |
| **CEO** | David Larsson |
| **Chairman** | Daniel Ekberger |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 7.3 |
| **Number of shares (M)** | 16.9 |
| **Market cap (MSEK)** | 123 |
| **Net debt (2022E, MSEK)** | 114 |

**Analyst**



Douglas Forsling
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**Conflict of interests**

Douglas Forsling owns shares in Paynova: No

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

## Financials

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

Last updated: 2021-01-10

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

## Company description

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

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

## Investment case

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

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

### Product market fit now confirmed

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

### A market in tailwind and riding the platforms trend

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

### Market valuation skepticisms as an opportunity

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

### A possible acquisition target

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

### Bear-points

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

## Catalyst types

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

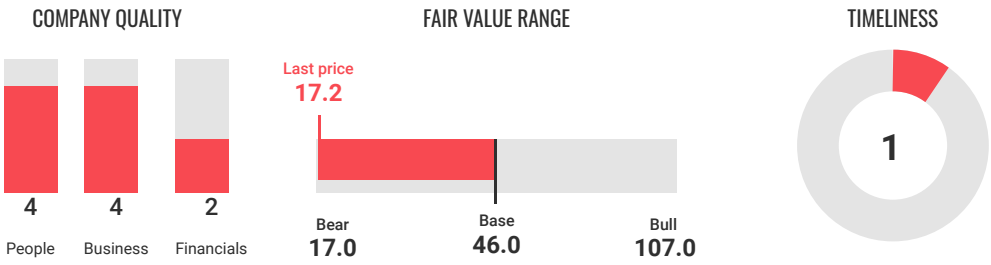
**Revenue ramp-up**
It will take some time before we will see a financial impact on revenue and profits from the new model, but it's rather evident that it's coming thanks to the multiple new customers Paynova has signed an agreement with. We find that their market puts a discount on Paynova due it's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

# Penneo PENNEO

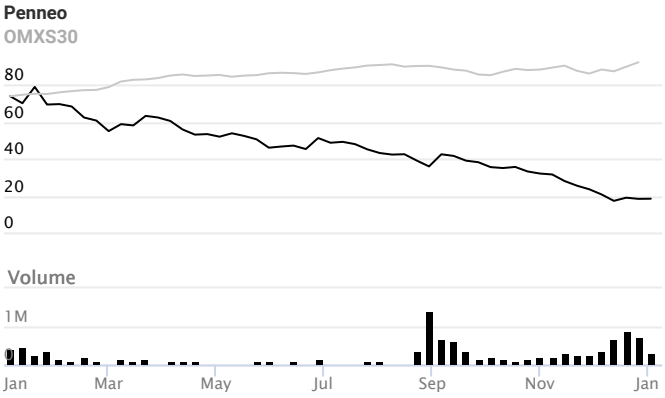
**Company page**
https://www.redeye.se/company/penneo

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Denmark |
| **CEO** | Christian Stendevad |
| **Chairman** | Christian Sagild |

**Share information**

| | |
|---|---|
| **Share price (DKK)** | 17.2 |
| **Number of shares (M)** | 27.1 |
| **Market cap (MDKK)** | 467 |
| **Net debt (2022E, MDKK)** | -67 |

**Analyst**



Jacob Svensson
jacob.svensson@redeye.se

**Conflict of interests**

Jacob Svensson owns shares in Penneo: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MDKK | 36 | 51 | 76 | 109 |
| *Growth* | *28.8%* | *43.9%* | *49.6%* | *42.2%* |
| EBITDA | -11 | -17 | -14 | -2 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -16 | -25 | -23 | -12 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -17 | -26 | -23 | -12 |
| Net earnings | -12 | -23 | -23 | -12 |
| *Net margin* | *Neg* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.65 | -0.93 | -0.95 | -0.51 |
| P/E adj. | -69.5 | N/A | N/A | N/A |
| EV/S | 24.3 | N/A | N/A | N/A |
| EV/EBITDA | -78.1 | N/A | N/A | N/A |

Last updated: 2021-11-28

| Owner | Equity | Votes |
|---|---|---|
| Michael Moesgaard Andersen | 12.6% | 12.6% |
| Nicolaj Højer Nielsen | 11.5% | 11.5% |
| Jan Flora | 8.4% | 8.4% |
| Mikkel Clausen | 8.1% | 8.1% |
| André Clement | 7.4% | 7.4% |
| Jakob Neua Nørgaard | 7.0% | 7.0% |
| Anders Eskholm | 7.0% | 7.0% |
| Niels Henrik Rasmussen | 5.4% | 5.4% |
| Janek Borgmann | 4.9% | 4.9% |
| Penneo A/S | 2.4% | 2.4% |

## Company description

Penneo is a Danish Software-as-a-Service (SaaS) company founded in 2014 and specializes in managing and automating the digital signing process for auditors. Penneo offers RegTech solutions, including digital signing, onboarding of clients (KYC), automation of workflows, compliance, security, and storage for over 2000 B2B customers. In 2020, when the share was listed on Nasdaq First North, the company had a total ARR of DKK 37m, and the aim is to become the software standard for auditors across Europe. The company is planning to migrate onto the Nasdaq Copenhagen main market in H1 2022.

Penneo has a strong presence within auditor firms and is positioned as the Nordic market leader, with several Big 10 audit customers across Denmark, Sweden and Norway. The company has a substantial existence in Denmark, where ~66% of the annual reports were signed with Penneo's platform. In 2021, the company expects to continue its internationalization through new market entries across the Nordic and Europe and improved its ARR guidance to DKK 56-60m, indicating solid growth prospects.

## Investment case

- Fast Growth Fueled by Digitalization and Regulations
- Cohort Analysis and NRR Suggests Customers are Satisfied
- Solid and Improving SaaS Metrics Indicates Potential for High Profitability
- Dominating Denmark – Heading for Europe

### Fast Growth Fueled by Digitalization and Regulations

Thanks to its low churn of ~2-4%, high uplift of ~25-32%, and ~25-30% growth from new customers, the ARR CAGR 2019-H1 2021 was >50%. We expect management to continue its focus on growth by entering new markets and new verticals, similar to auditors, as well as keeping the net revenue retention high.

We have identified several structural trends, such as increased digitalization, political ambitions to adopt digital legislation, and the striving for a sustainable business, driving the underlying market. Furthermore, the low penetration of eIDs outside the Nordics will result in structural growth for a long time.

### Cohort Analysis and NRR Suggests Customers are Satisfied

Penneo focuses on large auditors, typically starting out using Penneo in a fraction of the firm, and the net revenue retention (NRR) of 120-130% means the average customer is rapidly increasing its usage – clearly indicating satisfied customers. For example, the 2017 Cohort generated DKK 4m in ARR in H1 2018, which in H1 2021 had grown to DKK 7m.

### Solid and Improving SaaS Metrics Indicates Potential for High Profitability

Considering Penneo continues to increase the customer intake, partly driven by international expansion, combined with its solid NRR, we believe Penneo is set for many years of high ARR growth. While currently unprofitable, the high NRR and the improving CAC/Payback suggest Penneo will become highly profitable as it matures.

### Dominating Denmark – Heading for Europe

In Denmark, where 17 of the 20 largest auditors are Penneo customers, 66% of all annual reports are signed using Penneo. In Sweden and Norway, several of the top ten auditors are current customers, and considering Penneo's NRR track record; we believe the likelihood of them increasing their usage is high. Penneo also has a footprint on the Finnish and Belgian markets.

As Denmark is one of the most digitalized markets in Europe, we believe a product dominating the Danish market has a high likelihood of being competitive in all of Europe. As Europe matures and the adoption of eIDs (as BankID in Sweden) increases, we expect Penneo to enter new markets gradually.

### Niche Focus on Compliance-Heavy Sectors

While having customers in many sectors, Penneo focuses on the auditor vertical characterized by high regulatory requirements. Penneo is more than just a signing tool for auditors, as it automates the signing process and includes KYC functionalities. We believe the more comprehensive solution and Penneo's integrations to the major auditor ERPs raise the barriers to entry for competitors and increase its customers' switching costs. Also, as every sizable business is in contact with an auditor, the use of Penneo spreads through viral effects as the auditors' customers are encouraged to sign using Penneo.

Going forward, Penneo aims to broaden its solution to other heavily regulated verticals like the finance sector. While it limits the total addressable market, we believe the niche focus is a good way to limit competition from global players and local champions.

## Catalyst types

**Continued Growth in ARR**

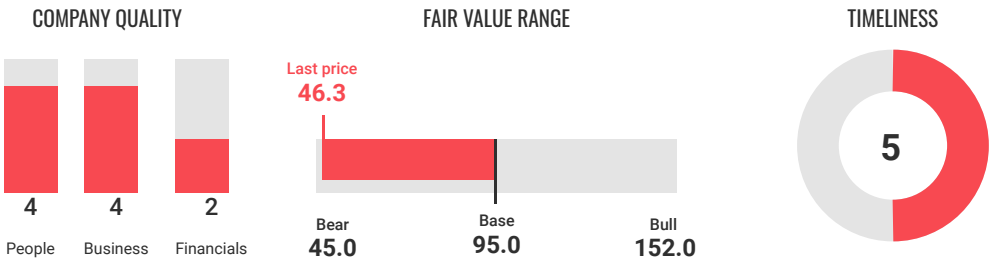
Penneo has historically shown strong organic growth in ARR, with an increase of 48% in 2020, and the recently improved ARR guidance for 2021 indicates solid growth prospects. If Penneo can continue to grow its ARR – which we find is likely – the following reliable performance will attract investors' attention.

# PiezoMotor Uppsala PIEZO

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

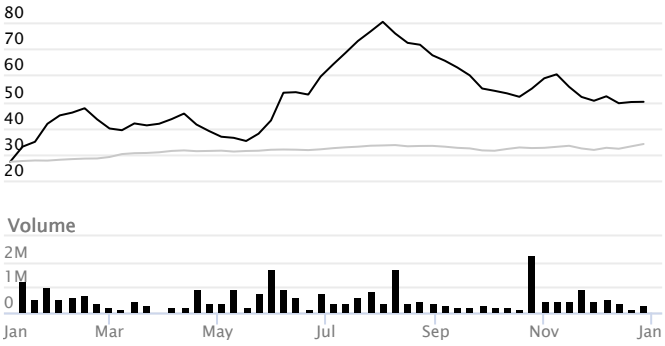
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**PiezoMotor Uppsala**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Anders Kottenauer |
| **Chairman** | Adam Dahlberg |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 46.3 |
| **Number of shares (M)** | 24.3 |
| **Market cap (MSEK)** | 1,124 |
| **Net debt (2022E, MSEK)** | 16 |

**Analyst**



Henrik Alveskog
henrik.alveskog@redeye.se

**Conflict of interests**

Henrik Alveskog owns shares in PiezoMotor Uppsala: Yes

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 27 | 49 | 215 | 292 |
| *Growth* | *-10.7%* | *77.0%* | *>100%* | *36.0%* |
| EBITDA | -23 | -47 | 10 | 47 |
| *EBITDA margin* | *Neg* | *Neg* | *4.7%* | *16.0%* |
| EBIT | -24 | -63 | -77 | -44 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -24 | -63 | -78 | -45 |
| Net earnings | -24 | -63 | -78 | -45 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -1.56 | -2.61 | -3.23 | -1.85 |
| P/E adj. | -19.1 | -19.9 | -16.1 | -28.0 |
| EV/S | 16.2 | 26.2 | 5.9 | 4.3 |
| EV/EBITDA | -19.6 | -26.9 | 127.0 | 26.8 |

Last updated: 2021-10-29

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Adam Dahlberg | 15.2% | 15.2% |
| Gaudium IVST, LLC | 11.8% | 11.8% |
| Swedbank Robur Fonder | 8.8% | 8.8% |
| Handelsbanken Fonder | 7.7% | 7.7% |
| Dr. Fritz Faulhaber Gmbh & Co.Kg | 7.7% | 7.7% |
| Avanza Pension | 4.8% | 4.8% |
| Mikko Vähäsöyrinki | 3.3% | 3.3% |
| Margareta Nilsson | 1.5% | 1.5% |
| Gunvald Berger | 1.3% | 1.3% |
| Lauri Törrö | 1.2% | 1.2% |

## Company description

PiezoMotors develops, manufactures, and sells motors based on piezo technology, for a number of different applications. The company has three product platforms – LEGS, WAVE and LINK, with different characteristics.

As of now, the company's largest customer segments are medtech and semiconductor companies, which constitute almost 40% of sales each. Other customer segments include advanced optics and automation. PiezoMotor manufactures the motors at its production facility in Uppsala and plans to expand the production capacity with a highly automated production line. Going forward, the focus is to continue to grow the business with existing customers and by moving more towards selling system solutions rather than piezo motors as single components.

## Investment case

- Strong market position within its niche of high quality and reliable piezo components. First commercial launch over ten years ago and today PiezoMotor is an established manufacturer with a global customer base.
- The overall micro motor market is showing good growth, at an estimated 5% per year. The piezo segment, which is growing somewhat faster than that, is gradually gaining ground over electromagnetic motors, as the technology matures and gets more mainstream.
- In the last 3-4 years, PiezoMotors' product sales have grown around 25% per year. We believe the company will grow even faster in the next few years, due to the launch of a new motor for the mass market and by gradually moving from a component supplier to a systems provider.

**Niche company with a strong moat**

PiezoMotor had its commercial launch of piezo motors in 2008. Since then, sales have grown continuously, and with a couple of exceptions, each year during 2008-19. Today, over 100 customers are buying a total of around 5,000 piezo motors annually. The customer base is truly global, with several large OEM's placing repeat orders. In our view, the company has a strong brand and an excellent position within its niche of high-end products. This position has been acquired over several years from focused R&D efforts into piezo material and the design of piezo motors and drives. In addition to this, the company has successfully developed integrated manufacturing processes. All and all, this know-how and IP, which to some extent is patented, is a great moat that will last for years, giving PiezoMotor an excellent competitive edge.

**New growth initiatives**

PiezoMotor is now planning for significantly stronger growth in the coming years. This is based on a number of strategic initiatives, including:

- Launch of an entirely new piezo motor for the mass market, Piezo LINK
- Partner deal for consumer products
- More dedicated sales resources
- More systems sales rather than components only

The company is enjoying high gross margins. The bill-of-materials margin is typically over 70%, hence operational leverage is significant. PiezoMotor is targeting a long-term EBITDA-margin of 25-30%. We believe the company will reach break-even in 2022.

**Growing niche market**

PiezoMotor estimates the total micro motor market to around 2bn units corresponding to a value of USD 30bn annually. The bulk is, however, still electromagnetic motors, while the TAM for piezo motors is estimated to exceed USD 1bn. Hence even in an unchanged market, the company can grow vigorously by just gaining market shares. While piezo motors have been around for decades, they are still, to some extent, considered a novelty. As the piezo technology gets more widespread, it is gradually gaining ground on electromagnetic motors. The advantages of piezo motors include higher accuracy with nanometer precision, compact design with no gearbox needed for linear solutions, lower energy consumption, high force vs. size and robustness in harsh environments. In addition to piezo replacing electromagnetic motors, there are new applications for smaller and more affordable piezo motors, which is addressed with the new Piezo LINK motor.

### Counter Thesis

**Too slow growth.** Strong top-line growth is required to justify current valuation. Some of the strategic growth initiatives outlined above could certainly be delayed or, in worst case, even fail.

**Bad acquisitions.** PiezoMotor has made two acquisitions in 2021 and there is likely more to come. Acquisitions always include some degree of risk, and the company does not have an extensive track record in this field.

**Dependence on a large distributor.** Faulhaber is a major shareholder but also their most important distributor, accounting for some 40% of sales. So far, this has not been a problem. On the contrary, it has benefitted PiezoMotor greatly. But being dependent on a single distributor to this degree constitutes a risk.

## Catalyst types

**Acquisitions to broaden the business scope**

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

**Large orders from strategic OEM's**

This is probably the most likely catalyst to materialize as PiezoMotor already has several large clients. It is more a question of when rather than if, this will happen. Orders are however needed to support our growth assumptions.

**Advancements in consumer electronics**

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

**Successful launch of PiezoLINK**

Since this is a low-cost motor targeting a mass market, the key to success is highly automated manufacturing. Confirmation that the start of production during 2021 is on schedule is important.

# PowerCell Sweden PCELL

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

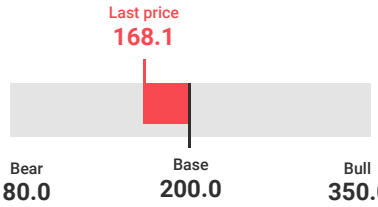
**Publication date**
January 10 2022

## Redeye Rating

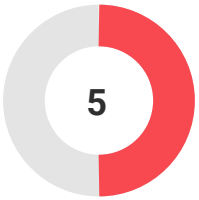
COMPANY QUALITY




FAIR VALUE RANGE

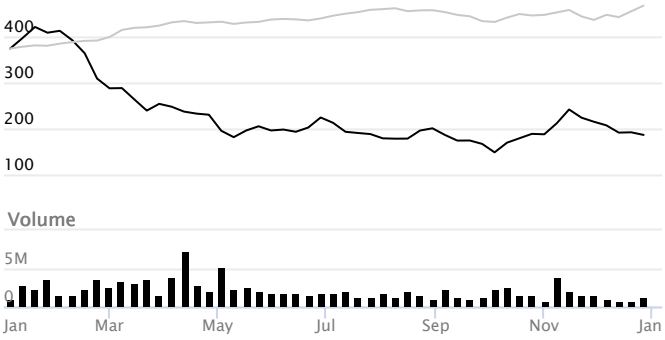



TIMELINESS




## Snapshot

**PowerCell Sweden**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Richard Berkling |
| **Chairman** | Magnus Jonsson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 168.1 |
| **Number of shares (M)** | 52.1 |
| **Market cap (MSEK)** | 8,765 |
| **Net debt (2022E, MSEK)** | -260 |

**Analyst**



Henrik Alveskog
henrik.alveskog@redeye.se

**Conflict of interests**

Henrik Alveskog owns shares in PowerCell Sweden: No

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 104 | 140 | 225 | 371 |
| *Growth* | *54.9%* | *35.2%* | *60.7%* | *65.0%* |
| EBITDA | -97 | -78 | -37 | 12 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *3.3%* |
| EBIT | -103 | -87 | -53 | -2 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -116 | -86 | -52 | -2 |
| Net earnings | -117 | -86 | -52 | -2 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -2.24 | -1.66 | -1.00 | -0.03 |
| P/E adj. | -145.3 | -106.9 | -176.7 | -5,780.7 |
| EV/S | 159.6 | 63.7 | 39.9 | 24.4 |
| EV/EBITDA | -170.1 | -114.6 | -242.3 | 732.4 |

Last updated: 2021-08-22

| Owner | Equity | Votes |
|---|---|---|
| Robert Bosch GmbH | 11.2% | 11.2% |
| State Street Bank And Trust co | 5.2% | 5.2% |
| Avanza Pension | 4.2% | 4.2% |
| BlackRock | 4.0% | 4.0% |
| SIX SIS AG | 2.8% | 2.8% |
| The Bank of New York Mellon SA/NV | 2.6% | 2.6% |
| Skandinaviska Enskilda Banken S.A | 1.9% | 1.9% |
| Nordnet Pensionsförsäkring | 1.1% | 1.1% |

## Company description

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

Since year 2016 Powercell has started launching its products in the market. Up until 2020 revenues have been somewhat sporadic and comes mainly from sales of prototypes. Sales have been growing continously in spite of no real business from repeat orders yet. The last couple of years the company has shown a loss of some SEK 60 million due to costs related to product developement. Powercell has a very strong balance sheet, thanks to the Bosch deal in the spring of 2019. With around SEK 400 million in net cash position there is plenty of financial flexibility and certainly enough to fund operations until break-even. Powercell has some 70 employees, primarily within development, construction and design, which is conducted in facilities adjacent to the head office in Gothenburg.

## Investment case

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

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

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

**Share price reflects rather high expectations**

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

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

**Bear points:**

- If it turns out that Powercell cannot offer competitive prices at high volume production.
- If several other manufacturers kan offer similar products which means Powercell has to compete with low prices.
- If the partnership with Bosch doesn't play out well.
- If Powercell doesn't present any more substantial orders during 2021-22.

## Catalyst types

**Volume orders for fuel cell stacks**

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

**Partnership with Siemens or ABB**

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

**Additional insight into the Bosch deal**

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

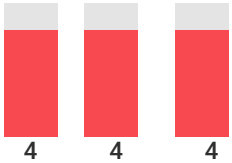
# Proact IT Group PACT

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

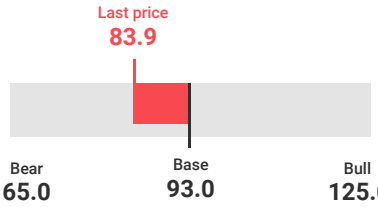
**Publication date**
January 14 2022

## Redeye Rating

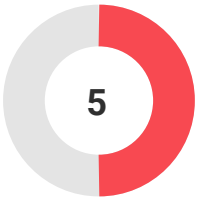
COMPANY QUALITY




FAIR VALUE RANGE

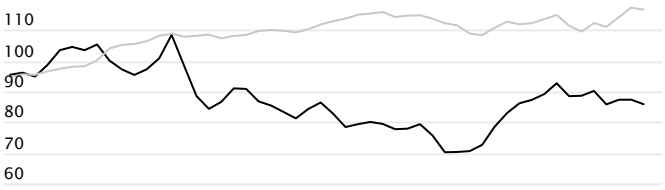



TIMELINESS




## Snapshot

**Proact IT Group**
OMXS30




Volume




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Jonas Hasselberg |
| **Chairman** | Eva Elmstedt |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 83.9 |
| **Number of shares (M)** | 28.0 |
| **Market cap (MSEK)** | 2,349 |
| **Net debt (2022E, MSEK)** | 115 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in Proact IT Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 3,633 | 3,457 | 4,111 | 4,227 |
| *Growth* | *6.6%* | *-4.8%* | *18.9%* | *2.8%* |
| EBITDA | 369 | 329 | 445 | 427 |
| *EBITDA margin* | *10.2%* | *9.5%* | *10.8%* | *10.1%* |
| EBIT | 182 | 156 | 248 | 229 |
| *EBIT margin* | *5.0%* | *4.5%* | *6.0%* | *5.4%* |
| Pre-tax earnings | 167 | 148 | 244 | 225 |
| Net earnings | 132 | 114 | 190 | 175 |
| *Net margin* | *3.6%* | *3.3%* | *4.6%* | *4.2%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 4.82 | 4.16 | 6.93 | 6.39 |
| P/E adj. | 18.9 | 20.3 | 12.2 | 13.2 |
| EV/S | 0.7 | 0.8 | 0.6 | 0.5 |
| EV/EBITDA | 6.8 | 8.1 | 5.5 | 5.2 |

Last updated: 2021-12-16

| Owner | Equity | Votes |
|---|---|---|
| Martin Gren (Grenspecialisten) | 11.2% | 11.2% |
| Livförsäkringsbolaget Skandia | 10.9% | 10.9% |
| Länsförsäkringar Fonder | 8.9% | 8.9% |
| Skandia Fonder | 7.1% | 7.1% |
| Euroclear Bank S.A/N.V | 7.1% | 7.1% |
| Triton | 7.0% | 7.0% |
| State Street Bank And Trust co | 6.3% | 6.3% |
| Alcur Fonder | 5.2% | 5.2% |
| HSBC Bank Plc | 3.5% | 3.5% |
| Unionen | 3.1% | 3.1% |

## Company description

Proact is one of Europe's leading independent integrators with regards to data centers and cloud services. The company covers everything from start to end regarding data centers - including analysis and design, implementation and support. The data centers and cloud solutions are built using hardware and software from leading suppliers such as Cisco, Dell EMC, Hitachi Datasystems, NetApp and Veritas. Proact focuses on business-critical data for large and medium-sized corporations and authorities.

## Investment case

- Cloud growth taking off again
- Acquisitions in prospect
- Misunderstood business

### Investment Case

**Cloud growth taking off again**

Proact achieved decent growth in cloud revenues from 2014, when it started to report its performance in this area, until 2018. Although its operational performance remained robust, the cloud revenue growth story vanished. However, in the fourth quarter of 2018 new cloud contracts sky-rocketed to SEK 176m – more than twice its previous best quarter on this measure (SEK 70m in Q3 18) – taking last year's new cloud contract growth versus 2017 to 84%. During the Corona crisis in 2020, the intake of new cloud contracts declined, while the organic growth has remained solid so far. We believe that the intake of new contracts will increase as uncertainty gradually fades.

As cloud contracts usually run for 3-5 years, their direct growth contribution is limited. However, thanks to the robust intake, which is set to continue this year, we expect revenue growth above 10% in this area over the coming years. We expect investors to reward the increasing share of recurring revenue at what we estimate will be higher margins than Proact's average with increasing multiples.

**Acquisitions in prospect**

In December 2018 Proact increased its growth target from 4% to 10%. We believe that its organic target remains approximately 4% and interpret the higher number as the company's way of signalling that more acquisitions are to be expected going forward.

Potential targets span from system-heavy businesses to cloud-centric companies. The first group has considerably lower multiples than the second. For a business with a revenue mix like Proact's, we judge 8x EBIT to be a reasonable level. In addition to multiple arbitrage, we believe Proact can realize synergies through co-ordinated purchases of hardware and software, as well as by adding its cloud and support services (system-heavy targets) and exporting acquired knowledge to other regions (cloud-centric targets).

As more complex variations of clouds and data centers – such as hybrid clouds and hyper-converged data centers – become more common, the need for specialist know-how in many fields is increasing. The changing market is likely drive a consolidation of smaller players.

**Misunderstood business**

Many investors still see Proact as a low-margin reseller of hardware struggling to compete with cloud giants as Amazon and Microsoft. As around two-thirds of its total sales are system revenues and public cloud services are expanding rapidly, there is some basis to this view.

However, Proact focuses on large and medium-sized companies that seldom put their business-critical data – its specialty – in the public cloud for security and compliance reasons. New regulations and recent events, like the US Cloud Act and data leaks such as those from the Swedish Transport Agency and 1177, make migration of data in Proact's niche to public clouds even more questionable.

Moreover, Proact's profits are mostly on its recurring revenue from cloud and support services – the areas where it generates the greatest value for its customers.

### Counter-Thesis

### Public cloud momentum

The public cloud giants are moving into private and hybrid solutions. If they were to attract business-critical data from large and medium-sized companies, this would represent a threat to Proact. However, as these firms generally lack in-house capacity to implement solutions for large businesses, they are likely to need specialist partners like Proact.

### Supplier expansion

Proact's suppliers, such as Dell EMC and Cisco, may establish or expand European service divisions. Competing against these large and powerful companies with hard-to-beat product knowledge would be challenging. However, Proact has the advantage of being an independent supplier, able to source the best technology from every supplier.

## Catalyst types

**Higher cloud growth**

Proact's cloud revenue growth slowed in 2018, as noted. However, new contract intake picked up significantly later in the year, paving the way for higher growth going forward. If the new higher level continues, this would give investors grounds to start discounting Proact reaching its margin target.

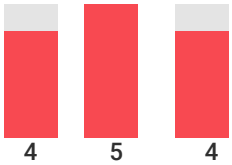
# QleanAir Holding QAIR

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

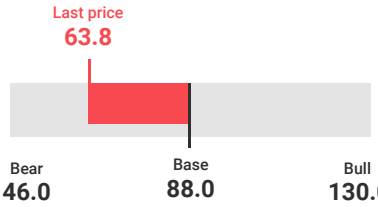
**Publication date**
January 10 2022

## Redeye Rating

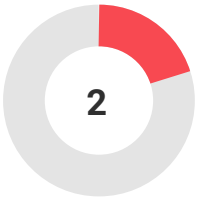
COMPANY QUALITY




FAIR VALUE RANGE

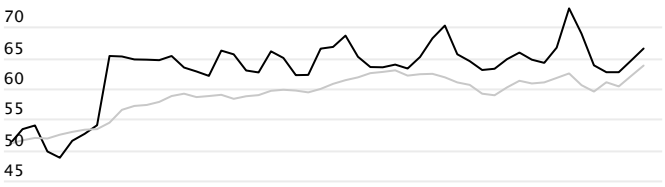



TIMELINESS




## Snapshot

**QleanAir Holding**
OMXS30




Volume




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Christina Lindstedt |
| **Chairman** | Bengt Engström |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 63.8 |
| **Number of shares (M)** | 14.9 |
| **Market cap (MSEK)** | 948 |
| **Net debt (2022E, MSEK)** | 118 |

**Analyst**



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

**Conflict of interests**

Mattias Ehrenborg owns shares in QleanAir Holding: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 493 | 446 | 522 | 580 |
| *Growth* | *7.9%* | *-9.5%* | *16.9%* | *11.3%* |
| EBITDA | 123 | 113 | 131 | 141 |
| *EBITDA margin* | *25.1%* | *25.4%* | *25.1%* | *24.4%* |
| EBIT | 95 | 84 | 109 | 117 |
| *EBIT margin* | *19.3%* | *19.0%* | *21.0%* | *20.2%* |
| Pre-tax earnings | 85 | 76 | 100 | 108 |
| Net earnings | 67 | 65 | 78 | 84 |
| *Net margin* | *13.6%* | *14.6%* | *15.1%* | *14.5%* |
| Dividend/Share | 0.00 | 1.30 | 1.50 | 1.70 |
| EPS adj. | 4.51 | 4.39 | 5.28 | 5.68 |
| P/E adj. | 11.8 | 16.1 | 13.4 | 12.5 |
| EV/S | 2.0 | 2.7 | 2.2 | 1.9 |
| EV/EBITDA | 8.0 | 10.8 | 8.9 | 7.9 |

Last updated: 2021-11-15

| Owner | Equity | Votes |
|---|---|---|
| Qevirp 41 | 23.6% | 23.6% |
| BankInvest | 13.1% | 13.1% |
| Brown Brothers Harriman | 5.5% | 5.5% |
| Enter Småbolagsfond | 4.9% | 4.9% |
| Taaleri Nordic Value Equity Fund | 4.8% | 4.8% |
| Livförsäkringsbolaget Skandia | 4.6% | 4.6% |
| LGT Bank Ltd | 2.7% | 2.7% |
| Avanza Pension | 2.5% | 2.5% |
| Sensor Sverige Select | 2.0% | 2.0% |
| BNP Paribas Lux. | 1.3% | 1.3% |

## Company description

QleanAir is a premium niche provider of air cleaning solutions. It develops, designs, and manufactures (outsourced) smoke cabins, standalone air cleaners, and cleanrooms based on over 25 years of experience. The products are offered to the customer as a service rather than a one-time sale. Contracts span over 3 years, and >75% are renewed at the end of the period. As a result, 57% of revenues are recurring.

The customers are based all over the globe. Smoke cabins (73% of sales) are primarily sold in Europe (mature market) and Japan (growth market) to airports, hotels, manufacturing industries, and offices. Air cleaners (15% of sales) are mainly sold in Europe and Asia, to industries, offices, and hospitals. Cleanrooms (11% of sales) are primarily sold in the US and the Nordics, targeting hospitals, pharmaceutics, and compounders. The customer base holds >3000 customers, and cross-selling opportunities between the segments are high.

## Investment case

- Attractive and profitable growth prospects
- Premium products and Clean air as a Service
- Widening the scope of business
- Valuation

**Attractive and profitable growth prospects**

Following QleanAir's recent product releases, combined with regulation, and Covid, demand for QleanAir's offering is increasing – and we forsee a long runway of growth in all product segments – especially in Japan. We believe there are great cross-selling opportunities for QleanAir – leveraging on its already broad customer base of 3000+ customers worldwide. We see a 13% organic sales CAGR in the coming 3 years, adding to QleanAir's recurring revenue base of 57% of sales.

**Premium products and Clean air as a Service**

One of the main reasons for the attractive growth opportunities mentioned above is increased awareness combined with "Clean Air as a Service" – which implies the customer does not invest heavily upfront and can instead pay a monthly fee. Therefore, we see a pent-up demand realising, as customers pay for clean air rather than a product (no headache). In combination with this, QleanAir offers state of the art air cleaning products with a long and credible track record, combined with performance guarantee commitments.

**Widening the scope of business**

73% of QleanAir's sales stem from Cabin Solutions, the only product segment until 2012. In 2012, QleanAir started investigating other product segments and established facility- and room solutions – which now account for 27% of total sales. We see attractive growth prospects in all 3 product segments as we advance.

**Valuation**

We believe the QleanAir share is undervalued – both in absolute and relative terms. Also, we do not find our estimates aggressive but rather conservative. QleanAir is trading at a significant discount to our selected peer groups, while it has twice the EBIT margin relative to its peer groups (20% vs 11%.), and according to our estimates, QleanAir will deliver a '21e-23'e EBIT CAGR of 20%, relative to the peer groups' average of 12%. We believe once the market realises this discrepancy, and understand QleanAir's business, the valuation spread will significantly decrease.

### Risks

**Deteriorating main end market**

73% of QleanAir's sales stem from Cabin Solutions, which correlates to smoking prevalence. Suppose the total number of smokers decrease, the potential end market decrease. However, the first step of stopping smoking is by restricting it – therefore, smoke cabins can be the first step. Smoking is bad for human health, but a smoke cabin prevents second-hand smoking. We believe the market for cabin solutions is mature and somewhat unsexy in the long term – but this should limit new entrants. In the foreseeable future, we still see good demand for the segment.

**New product segments fail to materialise fully**

A large part of the growth story comes from Facility Solutions and Room Solutions showing significant growth – where we see the segments growing 20% respectively 15% organically over the coming 3-year period. If this fails to materialise, our estimates are at great risk, and so is the growth story. However, recent years have shown the opposite. We believe Covid has been an underlying positive catalyst for QleanAir's markets, but we can only be certain once the situation is back to normal.

## Catalyst types

**New customers**

Along with new orders, we believe new customers will be likely catalysts. By comparison, when QleanAir announced Karolinska was a new customer, the stock price surged, likely because the potential is very high both at Karolinska and in general in the hospital sector. New customers in the same segment or industries with great potential should likely offer the same reaction.

**New orders**

We believe new orders will be likely catalysts as we proceed. When examining historical share price reactions, it is evident that this sort of news has caused the stock to move. We believe it also reinstates the growth story of QleanAir.

**Solid quarterly reports**

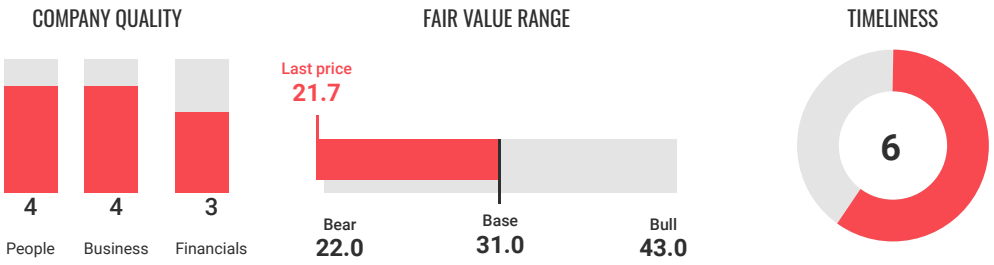
QleanAir has been listed for roughly 1.5 years and has posted 7 quarterly reports during this period. We believe every quarterly report that is somewhat in line with our expectations should increase the confidence in the story of QleanAir, thus reducing the valuation gap between the share price and our base case.

# Railcare Group RAIL

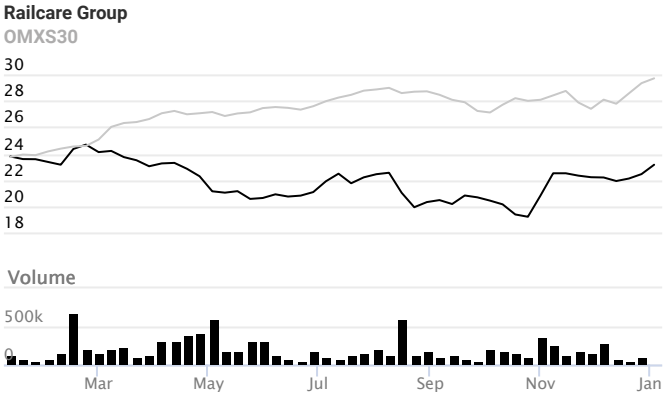
**Company page**
https://www.redeye.se/company/railcare-group

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Mattias Remahl |
| **Chairman** | Catharina Elmsäter-Svärd |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 21.7 |
| **Number of shares (M)** | 24.1 |
| **Market cap (MSEK)** | 523 |
| **Net debt (2022E, MSEK)** | 104 |

**Analyst**



Henrik Alveskog
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**Conflict of interests**

Henrik Alveskog owns shares in Railcare Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 401 | 413 | 424 | 475 |
| *Growth* | *8.1%* | *3.0%* | *2.6%* | *12.1%* |
| EBITDA | 114 | 102 | 104 | 115 |
| *EBITDA margin* | *28.4%* | *24.7%* | *24.5%* | *24.1%* |
| EBIT | 61 | 47 | 52 | 62 |
| *EBIT margin* | *15.2%* | *11.3%* | *12.2%* | *13.0%* |
| Pre-tax earnings | 56 | 42 | 46 | 57 |
| Net earnings | 44 | 33 | 36 | 44 |
| *Net margin* | *10.9%* | *8.0%* | *8.5%* | *9.4%* |
| Dividend/Share | 0.60 | 0.48 | 0.52 | 0.65 |
| EPS adj. | 1.81 | 1.37 | 1.50 | 1.85 |
| P/E adj. | 12.9 | 16.7 | 15.3 | 12.4 |
| EV/S | 1.8 | 1.6 | 1.5 | 1.3 |
| EV/EBITDA | 6.2 | 6.6 | 6.3 | 5.5 |

Last updated: 2021-11-08

| Owner | Equity | Votes |
|---|---|---|
| Norra Västerbotten Fastighets AB | 29.5% | 29.5% |
| TREAC AB | 10.0% | 10.0% |
| Avanza Pension | 3.6% | 3.6% |
| Bernt Larsson | 3.1% | 3.1% |
| Nordnet Pensionsförsäkring | 1.6% | 1.6% |
| Emil Burén | 1.3% | 1.3% |
| Futur Pension | 1.2% | 1.2% |
| Mikael Gunnarsson | 1.1% | 1.1% |

## Company description

Railcare is a niche player within railroad maintenance and special transport services. In the maintenance area it has a unique position based on proprietary vacuum technology and the Railvac machines. Scandinavia and the UK are home markets, with Sweden by far the largest and England number two. Railcare is carrying out construction work with its own staff and machinery. For the transport services, Railcare has locomotives, train cars and drivers. Moreover, the company has a locomotive workshop that offers repair and maintenance services inhouse as well as to external customers.

The Railvac systems are also sold to international customers. Over the years, a total of some 40 Railvacs have been sold, mainly to North America and Russia. They are primarily used for maintenance on the railroads, but also in mines and subways. The product portfolio also includes equipment for snow clearing with flexible snow ploughs and snow melting systems.

Railcare was founded in 1992 in Skellefteå in northern Sweden where the headquarter is still situated. It has around 140 employees in Scandinavia, the UL and most recently also in Hong Kong. The share is listed on Nasdaq Nordic's main market since 2018 and prior to that it was traded at Spotlight.

## Investment case

- Railcare has a unique offering well established with customers in the railroad industry. It is active in a small niche area where the technology has superior performance in terms of productivity.
- Railroad maintenance budgets in the two home markets, Sweden and the UK, are expected to be generous over the next few years. Railcare should be able to show profitable growth in the foreseeable future.
- Our valuation indicates an upside to current share price levels. We see significant potential in the export business, which could add further to our valuation. However, machine sales are unpredictable, and orders have been far apart in recent years.

**Strong market position**

Railcare is a niche player within railroad maintenance and special transport services. In the maintenance area it has a unique position based on proprietary vacuum technology and the Railvac machines. The company has developed efficient systems to handle ballast replacement that standard excavators are unable to perform. This means maintenance work can be done at a lower cost and with less interruptions in railroad traffic. Within this rather small niche, there are so far no competitors.

**Growing market**

In the two home markets, Sweden and UK, the governments have clearly stated that railroad maintenance is a top priority. The budgets for coming years are significantly higher than previously. Particularly in Sweden which has a national plan extending all the way until 2029. This plan is indicating up to 50% higher grants for reinvestments and maintenance compared to the previous plan.

**Well prepared for the next phase**

Declining volumes weighed on profitability during 2017-18. Business activity was low in some units but Railcare decided to keep most of its organization intact in anticipation of significantly higher future demand. Since 2019 volumes have increased considerably and margins are restored. In Skandinavia and the UK Railcare is well established and has a good reputation. The demand for its services in these markets will by all accounts continue to grow in the coming years.

**Bear Points/Counter thesis:**

- A significant part of the group's operations is exposed to contracts with the public utilities that maintain railroads, which in turn are dependent on government budgets in each country. Even if there is good support for more upkeep today, there is always a risk associated with political decisions.
- As a consequence of what is stated above, Railcare has a considerable exposure to a few end-customers. The three largest: Trafikverket, Network Rail and Kaunis Iron account for more than 50% of total revenues. This is not necessarily bad, but it implies a certain risk.

## Catalyst types

**Export orders for Railvacs**

Our Bull-case scenario includes sustainable progress for the segment Machine Sales. Railcare has sold some 40 machines in total, but not many in the last few years. The potential market is huge and as a rule this market segment has good profitability.

**Growth in the UK**

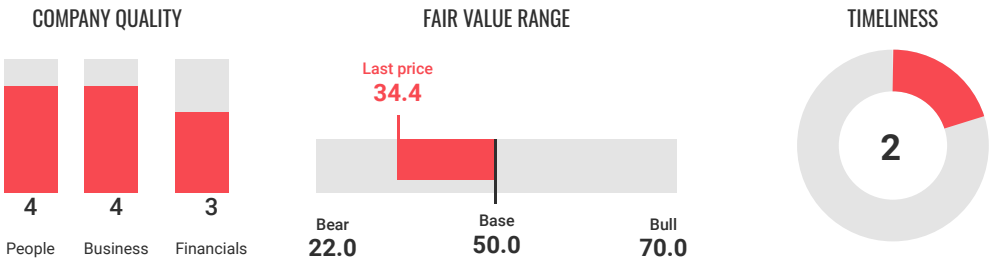
The UK operation has recovered since the low point in 2016. But there is still significant growth potential for Railcare in the UK market.

# Remedy Entertainment REMEDY

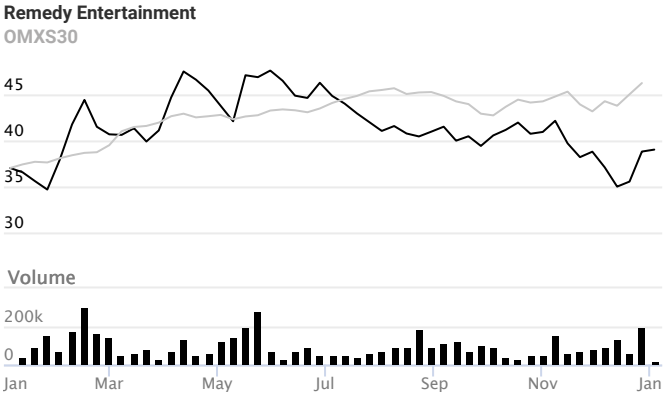
**Company page**
https://www.redeye.se/company/remedy-entertainment

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Finland |
| **CEO** | Tero Virtala |
| **Chairman** | Markus Mäki |

**Share information**

| | |
|---|---|
| **Share price (EUR)** | 34.4 |
| **Number of shares (M)** | 13.3 |
| **Market cap (MEUR)** | 457 |
| **Net debt (2022E, MEUR)** | -62 |

**Analyst**



Tomas Otterbeck
tomas.otterbeck@redeye.se

**Conflict of interests**

Tomas Otterbeck owns shares in Remedy Entertainment: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MEUR | 41 | 44 | 43 | 71 |
| *Growth* | *29.9%* | *6.6%* | *-1.1%* | *63.5%* |
| EBITDA | 14 | 16 | 14 | 38 |
| *EBITDA margin* | *34.9%* | *37.1%* | *33.5%* | *54.8%* |
| EBIT | 13 | 14 | 11 | 32 |
| *EBIT margin* | *32.1%* | *34.1%* | *25.5%* | *45.4%* |
| Pre-tax earnings | 13 | 14 | 11 | 32 |
| Net earnings | 13 | 12 | 8 | 30 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.49 | 0.34 | 1.16 |
| EPS adj. | 1.09 | 0.97 | 0.68 | 2.32 |
| P/E adj. | 9.0 | 76.1 | 109.3 | 31.8 |
| EV/S | 2.4 | 20.5 | 20.6 | 12.1 |
| EV/EBITDA | 6.8 | 55.1 | 61.5 | 22.2 |

Last updated: 2022-01-07

| Owner | Equity | Votes |
|---|---|---|
| Markus Mäki | 24.0% | 24.0% |
| Accendo Capital | 14.0% | 14.0% |
| Sami Järvi | 4.2% | 4.2% |
| Tencent | 3.8% | 3.8% |
| Working Capital Management Pte Ltd | 3.4% | 3.4% |
| Tero Virtala | 2.3% | 2.3% |
| Saku Lehtinen | 1.8% | 1.8% |
| Evli Fonder | 1.8% | 1.8% |

## Company description

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

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

## Investment case

- A Creative Powerhouse with more frequent Game Releases
- Less Expensive Games Suits Remedy Well
- An Epic Deal for Remedy
- An Obvious Takeover Target

**A Creative Powerhouse with more frequent Game Releases**
Remedy's business model has changed dramatically in the last few years. The company has moved from a pure "work for hire" model to a multi-project model. Working with 2-4 projects simultaneously, Remedy aims to release one game every year. The key will be to maintain its quality reputation among gamers.

**Less Expensive Games Suits Remedy Well**
The new business model suggests more risk for each project but considerably raises leverage if the game becomes a commercial success. Remedy focuses on developing high-quality games with a budget of less than EUR 30 million which means a game does not need to sell huge numbers to be profitable. As the competition is high in the industry and Remedy's games are a little bit niched, we believe this strategy is correct. Profitability could improve greatly in the coming years if Remedy succeeds in this new strategy.

**An Epic Deal for Remedy**
Remedy is one of three critically acclaimed game studios that have been hand-picked by Epic Games for the first strategic "publishing push" with favorable terms almost unheard of for developers. The agreement between Epic Games and Remedy announced at the end of March 2020 included a fully funded by Epic with at least a 50% profit share for Remedy and full ownership of the IP. In 2023 Alan Wake 2 will be released. We expect the total budget is approximately EUR 60 million (in comparison to the game Control with a budget of EUR 30 million). The higher budget, the financially strong publisher Epic Games, and the strength from the Alan Wake IP are three strong arguments that the game will likely generate twice as much royalty as the game Control. For these reasons, we believe investors should have high expectations of the company's growth prospects.

**An Obvious Takeover Target**
Only a few independent major game studios are left after the recent years accelerated consolidation in the industry. We are certain that Remedy has a high position in the shopping list amongst many major players. Potential buyers are Epic Games, Sony, Microsoft, and Take-Two Interactive we believe. This fact considerably de-risks an investment in Remedy we argue.

## Catalyst types

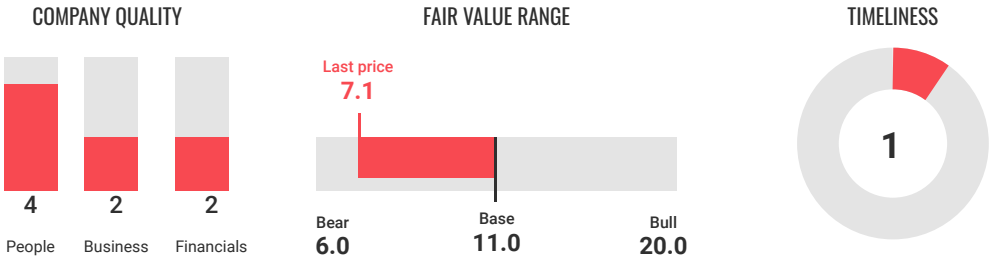
**Royalty from Crossfire Story Mode**
The Story Mode for Crossfire X is being developed by Remedy and will be released in February 10 2022. Crossfire is one of the major gaming brands in the world. We believe there is a variable aspect to this deal, with potential royalties.

# Safello Group SFL

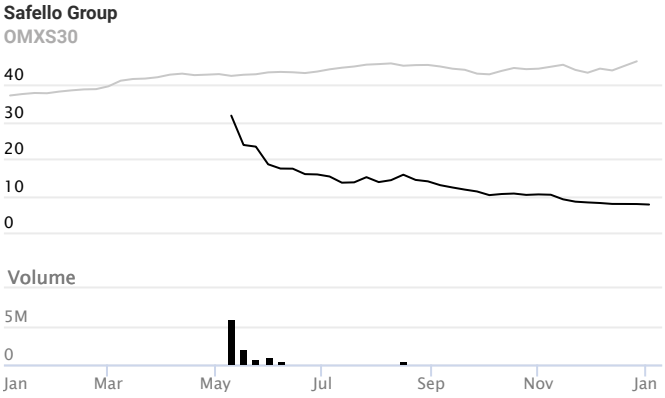
**Company page**
https://www.redeye.se/company/safello-group

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Frank Schuil |
| **Chairman** | Jacob Jacobsson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 7.1 |
| **Number of shares (M)** | 20.4 |
| **Market cap (MSEK)** | 146 |
| **Net debt (2022E, MSEK)** | -36 |

**Analyst**



Niklas Sävås
niklas.savas@redeye.se

**Conflict of interests**

Niklas Sävås owns shares in Safello Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 315 | 774 | 1,019 | 1,348 |
| *Growth* | *49.4%* | *>100%* | *31.7%* | *32.3%* |
| EBITDA | 2 | -8 | -2 | 0 |
| *EBITDA margin* | *0.9%* | *Neg* | *Neg* | *0.1%* |
| EBIT | 0 | -10 | -2 | 0 |
| *EBIT margin* | *0.3%* | *Neg* | *Neg* | *0.1%* |
| Pre-tax earnings | 0 | -10 | -2 | 0 |
| Net earnings | 0 | -10 | -2 | 0 |
| *Net margin* | *0.3%* | *Neg* | *Neg* | *0.1%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | | -0.52 | -0.11 | 0.05 |
| P/E adj. | N/A | -18.8 | -85.3 | 211.8 |
| EV/S | -0.1 | 0.2 | 0.2 | 0.1 |
| EV/EBITDA | -6.1 | -19.9 | -69.8 | 172.4 |

Last updated: 2021-11-10

| Owner | Equity | Votes |
|---|---|---|
| Frank Schuil BV | 19.7% | 19.7% |
| Brown Brothers Harriman & Co. | 13.6% | 13.6% |
| White Star Capital | 11.6% | 11.6% |
| Joakim Johansson | 10.3% | 10.3% |
| Nordnet Pensionsförsäkring | 8.2% | 8.2% |
| Northzone Ventures | 6.7% | 6.7% |
| Aqurat Fondkommission AB | 6.6% | 6.6% |
| Emil Oldenburg | 5.9% | 5.9% |
| Digital Currency Group | 4.9% | 4.9% |

## Company description

Safello is a cryptocurrency brokerage based in Sweden with a strategy of operating in select markets. The company's offering has been live in Sweden since 2013, making it one of the early adopters in the cryptocurrency space. There are hundreds of platforms worldwide enabling the exchange of cryptocurrencies, and while the industry is competitive, the competition is primarily local. There are a few rivals in Sweden but also a couple of strong global actors.

## Investment case

- The key drivers for exchanges and brokerage platforms to make money are substantial volumes and high volatility, and cryptocurrency platforms have been beneficiaries of both factors. We think the crypto-economy will continue to grow for several years, which Safello will benefit from.
- By being one of few crypto players in Sweden having a Swedish FSA registration and strong banking relationships, Safello has carved out a local first-mover advantage. Safello has managed to access Bank ID and Swish, thereby giving the product trustworthiness and increased usability.
- While Safello and its European peers argue that the EU's new regulations (Mica) will make it easier for them to enter other European countries, it could also lead to more competition at home for any local market leader. Fees are destined to trend down.
- Safello's future economics is highly dependent on the development of the cryptocurrencies market. We have modeled several future scenarios for the company, based on both optimistic and pessimistic market views and margin profiles, and have landed with a base case fair value of SEK 11 per share.

### Favorable market conditions

Safello and other platforms enabling exchange of cryptocurrencies primarily lived in the shadows until the bull market of 2017, when volumes took off. The key drivers for exchanges and brokerage platforms to make money are substantial volumes and high volatility, and cryptocurrency platforms have been beneficiaries of both factors during the last years as the mass market interest has surged. Other components are transaction size, which is helped by increased institutional interest and fees per transaction. The latter is still on high levels but in a downtrend because of competition. We think the crypto-economy is here to stay and that it will continue to grow for several years, which Safello will benefit from.

### Local advantage

One of Safello's guiding stars has been to be a safe alternative in the crypto-economy, which has seen many scandals tainting its reputation. By being one of few crypto players in Sweden having a Swedish FSA registration and strong banking relationships, Safello has carved out a local first-mover advantage. Safello has managed to access Bank ID and Swish, among many services, which local consumers heavily use, thereby giving the product trustworthiness and increased usability.

### Market to open up

While Safello and its European peers argue that the EU's new regulations (Mica) will make it easier for them to enter other European countries, it could also lead to more competition at home for any local market leader. Mica can, therefore, both be a plus and minus. On the positive side, Safello has an opportunity to take market share in foreign markets (primarily in neighboring countries). On the negative side, fees are destined to trend down, driven by higher competition. Safello has already proactively responded by lowering its fee structure.

### Wide open-ended possible outcomes

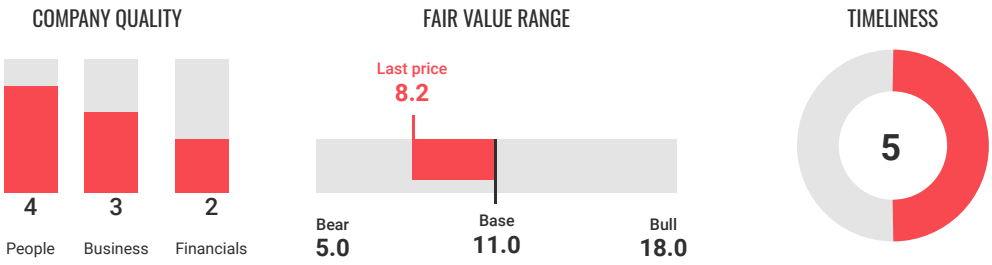
Safello's future economics is highly dependent on the development of the cryptocurrencies market. Hence, investors need to believe in the new asset class for the long term to be confident about Safello's future. We have modeled several future scenarios for the company, based on both optimistic and pessimistic market views and margin profiles, and have landed with a base case fair value of SEK 11 per share.

# Safeture SFTR

**Company page**
https://www.redeye.se/company/safeture

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Magnus Hultman |
| **Chairman** | Flemming Breinholt |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 8.2 |
| **Number of shares (M)** | 30.1 |
| **Market cap (MSEK)** | 246 |
| **Net debt (2022E, MSEK)** | 1 |

**Analyst**



Mark Siöstedt
mark.siostedt@redeye.se

**Conflict of interests**

Mark Siöstedt owns shares in Safeture: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 22 | 27 | 40 | 58 |
| *Growth* | *-6.0%* | *23.8%* | *47.7%* | *46.1%* |
| EBITDA | -21 | -17 | -9 | 3 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *5.4%* |
| EBIT | -25 | -21 | -12 | 0 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *0.7%* |
| Pre-tax earnings | -25 | -21 | -12 | 0 |
| Net earnings | -25 | -21 | -12 | 0 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *0.5%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -1.00 | -0.73 | -0.42 | 0.01 |
| P/E adj. | -113.9 | -153.0 | -264.2 | 10,982.2 |
| EV/S | 134.2 | 124.7 | 84.8 | 58.1 |
| EV/EBITDA | -131.9 | -185.7 | -340.4 | 1,075.2 |

Last updated: 2021-11-08

| Owner | Equity | Votes |
|---|---|---|
| Greg Dingizian | 38.2% | 38.2% |
| Ibkr Financial Services AG | 19.9% | 19.9% |
| Topline Capital Partners LP | 19.9% | 19.9% |
| Nordea Liv & Pension | 10.2% | 10.2% |
| Futur Pension | 5.0% | 5.0% |
| Semmy Rülf | 4.1% | 4.1% |
| Daniel Oredsson | 1.7% | 1.7% |
| Flemming Breinholt | 1.7% | 1.7% |
| Andreas Rodman | 1.6% | 1.6% |
| Joseph Aroyan | 1.3% | 1.3% |

## Company description

Safeture offers a cloud-based SaaS platform, managing risk, safety, and crises involving employees. The service unifies employee communication, information, and location in one tool. Safeture's open platform architecture allows customers to seamlessly integrate internal processes and features with external suppliers, such as assistance providers, travel agencies or other software, including internal employment databases or intranets.

Safeture's platform offers a range of functions and components that can be used off the shelf, such as mobile apps, travel tracking, flight updates, global real-time alerts, e-learning, bulk messaging, country and medical information. Companies can pick and choose the number of licenses and modules and thereby create something that suits their specific need. The customizable platform can be seamlessly integrated with current human resources/security/assistance setups.

## Investment case

- Safeture is going from being an engineering-focused organization to a SaaS business, with well-experienced management that has scaled similar-sized companies before.
- Safeture's strong value proposition makes it a good partner, both for larger companies seeking to have all employee safety tools under one roof, and for assistance companies that want to focus on their core competency, and outsource the technical platform.
- There is an ongoing consolidation in the market, where larger assistance/security companies acquire smaller software providers, like Safeture. We believe Safeture could be a possible target.
- Although Safeture is in a 'land-grabbing phase' where growth should be paramount and profitability secondary, signs of scalability would greatly boost the market's confidence in the company and ease the possibility to attract long-term and well-financed investors.

### Large installed customer base with low churn

Safeture is a category leader in a fast-growing (>10% a year) niche market. It has a large installed base of ~4,000 medium to large-sized corporations and organizations. This has been accomplished despite its engineering-focused legacy, which points toward a strong value proposition. Our channel checks and the low churn do as well.

Safeture has an underappreciated market position in an area receiving more attention after the Covid-19 pandemic. A record amount of proposal requests indicates a potential 'ketchup effect' in the coming years, as more companies look over their duty of care responsibilities.

### Focus on selling

Safeture's transformation to a SaaS business also coincides with a new focus on selling. Since the new management joined in 2019, an organizational build-up has happened, which has greatly expanded the lead generation, onboarding, and activation of new customers.

### Well-experienced management

Safeture's management and board are full of experienced company-builders that have scaled businesses before. CEO Magnus Hultman, for example, has a long history of doing it, including SaaS companies. Safeture needs good execution, and we believe the company is in the right hands.

## Catalyst types

**Signs of scalability**
Although Safeture is in a 'land-grabbing phase' where growth should be paramount and profitability secondary, we still would like to see scalability signs. It would greatly boost the market's confidence in the company and promote the possibility to attract long-term and well-financed investors. Safeture does not necessarily have to become profitable but only be able to show that it could if wanted. This is often a significant catalyst for smaller, less followed companies. In 2021, we have seen the gross profit exceed the total investments in sales and marketing, thus indicating the business model's scalability.

**Partnership with a larger assistance/security company (partnership)**
Around ~70% of net sales come from partnerships (including white label). Should Safeture enter a large agreement with a security company such as Securitas (Pinkerton) or G4S, it would obtain access to a large customer base, fueling the growth.

**New contract with a sizeable customer**
Safeture received orders from Siemens and International Paper in 2020, two big corporations with ~300,000 and ~55,000 employees, respectively. Any customer (or order value) in the same range would act as a positive catalyst for the stock, and we expect such news in 2022.

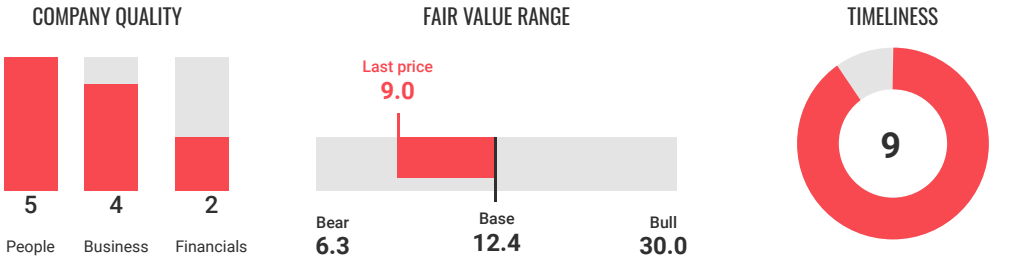
**Acquisition target**
There is an ongoing consolidation in the market, where larger assistance/security companies acquire smaller software providers, like Safeture. We believe Safeture could be a possible target.

# SaveLend Group YIELD

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

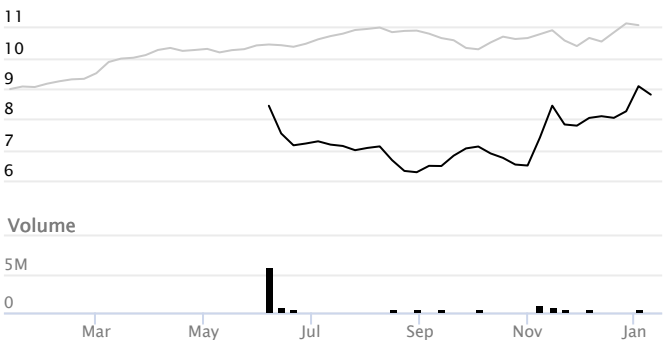
**Publication date**
January 14 2022

## Redeye Rating




## Snapshot

**SaveLend Group**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Ludwig Pettersson |
| **Chairman** | Bo Engström |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 9.0 |
| **Number of shares (M)** | 47.5 |
| **Market cap (MSEK)** | 427 |
| **Net debt (2022E, MXXX)** | -16 |

**Analyst**



Douglas Forsling
douglas.forsling@redeye.se

**Conflict of interests**

Douglas Forsling owns shares in SaveLend Group: Yes

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | 2020 | 2021E | 2022E | 2023E |
| Revenue, MXXX | 56 | 92 | 151 | 204 |
| *Growth* | *26.0%* | *63.8%* | *64.0%* | *34.4%* |
| EBITDA | -7 | -13 | 1 | 11 |
| *EBITDA margin* | *Neg* | *Neg* | *1.2%* | *5.4%* |
| EBIT | -14 | -21 | -7 | 0 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -15 | -22 | -8 | -1 |
| Net earnings | -14 | -21 | -6 | -1 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -4.23 | -0.45 | -0.15 | -0.03 |
| P/E adj. | -1.8 | -14.4 | -43.9 | -216.3 |
| EV/S | 0.8 | 3.2 | 1.9 | 1.4 |
| EV/EBITDA | -6.7 | -21.8 | 164.3 | 25.8 |

Last updated: 2021-11-10

| Owner | Equity | Votes |
|---|---|---|
| Ludwig Pettersson | 21.3% | 21.3% |
| Halomont Oü | 10.0% | 10.0% |
| P&N Wolf Marketing AB | 8.3% | 8.3% |
| Jonas Ahlberg | 7.0% | 7.0% |
| Jacob Gevcen | 7.0% | 7.0% |
| Nordnet Pensionsförsäkring | 6.4% | 6.4% |
| Sellers of Fixura Ab Oy | 5.8% | 5.8% |
| Avanza Pension | 3.5% | 3.5% |
| TNGN Invest AB | 2.9% | 2.9% |
| Niklas Braathen | 2.2% | 2.2% |

## Company description

SaveLend Group is a fintech company founded in 2014 that is active in two defined niche markets: alternative financing and invoice transactions. The CEO and founder, Ludwig Petterson, saw a possibility for private investors to receive good returns by investing in credits, which had previously not been possible and only some banks could profit from. Since 2014, SaveLend has grown to have more than 45 FTEs across offices in Sweden, Finland, and Poland.

## Investment case

- High Growth and Accelerating
- Scalable Business Model
- Reaching Critical Mass of Credit Volume
- Founder Lead and High Insider Ownership

SaveLend Group is a fintech company that focuses on helping companies and people with loans and matching this need with investors' need for return on their capital. Its investing platform creates synergies with invoicing platform Billecta by assisting with financing services through automating its customers' invoicing process. Billecta's collection license provides synergies in sourcing credits, collecting the credits on the platform, and invoicing customers.

### High Growth and Long Runway

Both SaveLend and Billecta have recently seen good business events, signing their biggest customers to date and having the largest inflow of AuM ever. The group's expansion into the Finnish and Polish markets has just started. Important agreements have been signed and an acquisition made in the Finnish market that looks certain to offer a large footprint early in its market expansion. The Finnish market expansion makes it possible for the group to find more customers and investors and access EUR credits, rendering the investing platform more attractive for European investors, many of whom do not want investments in SEK.

Both platforms have three growth areas:

- Growing with their customers' thanks to returns on the platform and the growth in Billecta's customers
- New customers on the platforms
- Existing customers increasing their engagement with new deposits on the investing platform or an invoicing platform customer adding a geographical region – Maiden General Försäkring, for example.

The group has announced financial targets: net sales of SEK 300m by 2025 and organic growth of 25% per year.

### Scalable Business Model

Both platforms are scalable, and costs do not increase with net sales, with around 90% in gross margins testifying to the platform's scalability. The company's financial target is an adjusted EBITDA margin of 25%, versus other investing platforms and business intelligence platforms of more than 30% and estimated to increase. We see the potential for the group's EBITDA margins to surpass its financial target of 25% in the long run.

### Reaching Critical Mass of Credit Volume

The volume of credits has started to reach an attractive level for institutional investors. At present, only one institutional investor is on the platform and only financing one Billecta product. Given the trend in other, more mature alternative financing markets, we believe that institutional capital will be critical in the future as the supply of credits is enough for the institutions to invest on the platform.

### Founder Lead and High Insider Ownership

The founders of SaveLend and Billecta are all still active in the group and are highly motivated to achieve the platform's full potential. The founder of SaveLend is the largest shareholder with 21.32% ownership. The two founders of Billecta, Jonas Ahlberg and Jacob Gevcen, are the fifth- and sixth-largest shareholders with around 6.95% ownership each. The total insider ownership of the board and management is 36.76%.

### Long-Term Optionality

Both the investing and invoicing platforms have high optionality to add new products and increase the value of the media. At present, the investing products are only simple credits, but there is an opportunity to increase the product suite with more complicated products available in the professional debt markets: products with different tranches and claims order on credit, debt connected to financing enterprises, funds, and more debt-related products. There are considerable opportunities, with the biggest hindrance being regulatory approval.

## Catalyst types

**Showing positive EBITDA margins**

We see the event of SaveLend Group haveing a positive EBITDA margin as a catalyst due to investors changing their view of the company.

**Becomes free cash flow positive**

We see the event of SaveLend Group being free cash flow positive as a catalyst, due to investors changing their view of the company and not seeing the need for additional funding

**Expansion to new markets**

SaveLend Group has a clear ambition to expand to other Nordic markets (Norway and Denmark) and to close European countries (most probably Poland and Germany)

**M&A**

SaveLend Group has an outspoken strategy to conduct M&A activities. We see the possibility to do horizontal, vertical, and acquisition of collection portfolios. One acquisition could be transformational for the group and expand its geographical addressable market or add on a new market segment which creates synergies with the existing segments.

**Signing of Large Billecta Customers**

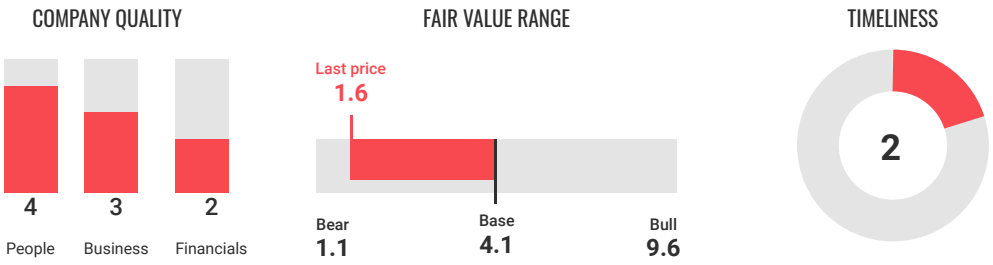
Billecta has in the past signed big customers which have increased its segment and group net sales significantly.

# Scandinavian Enviro Systems SES

**Company page**
https://www.redeye.se/company/scandinavian-enviro-systems-2

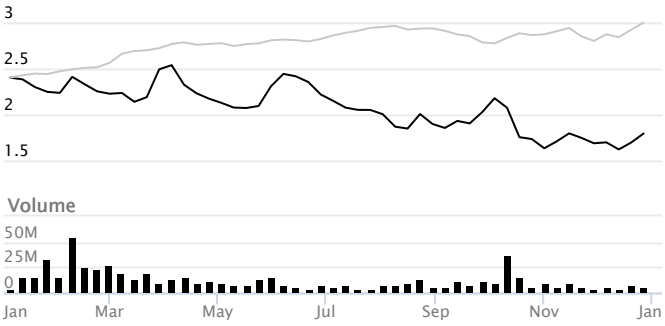
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**Scandinavian Enviro Systems**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Thomas Sörensson |
| **Chairman** | Alf Blomqvist |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1.6 |
| **Number of shares (M)** | 656.6 |
| **Market cap (MSEK)** | 1,083 |
| **Net debt (2022E, MSEK)** | 59 |

**Analyst**



Mattias Ehrenborg
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**Conflict of interests**

Mattias Ehrenborg owns shares in Scandinavian Enviro Systems: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 2 | 2 | 2 | 2 |
| *Growth* | *38.5%* | *13.6%* | *15.0%* | *15.0%* |
| EBITDA | -37 | -38 | -41 | -26 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -50 | -51 | -54 | -39 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -50 | -52 | -57 | -44 |
| Net earnings | -50 | -52 | -57 | -44 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.09 | -0.09 | -0.10 | -0.08 |
| P/E adj. | 0.0 | -23.5 | -21.5 | -27.9 |
| EV/S | -23.6 | 725.0 | 655.0 | 594.1 |
| EV/EBITDA | 1.0 | -33.0 | -31.5 | -51.1 |

Last updated: 2021-03-22

| Owner | Equity | Votes |
|---|---|---|
| Michelin | 20.0% | 20.0% |
| Avanza Pension | 6.5% | 6.5% |
| Nordnet Pensionsförsäkring | 2.7% | 2.7% |
| Lennart Persson | 2.1% | 2.1% |
| Pegroco Invest | 0.9% | 0.9% |
| Conatum | 0.8% | 0.8% |
| Leif Rydén | 0.6% | 0.6% |
| Swedbank Försäkring | 0.6% | 0.6% |
| Thomas Larsson | 0.6% | 0.6% |
| Lars Thunell | 0.5% | 0.5% |

## Company description

Enviro provides industrialised processes able to handle 30k ton of end-of-life tyres (ELT), which are pyrolysed (heated) using its patented technology. The ELTs are decomposed into recycled, valuable, and high-quality raw materials, such as carbon black (rCB), oil (TPO), and steel. The tyre- and petrochemical industry are expected to constitute close to 100% of the demand for Enviro's products, and it will be key for Enviro that the industries adopt the materials in the production to fully realise the potential. The customer base is divided into two segments: Plant investors could be recycling companies or financial investors, and raw material purchasers, being companies within the tyre- and/or the petrochemical industry.

## Investment case

- Offering a highly attractive solution for unsolved ELT recovery issue.
- Massive untouched market potential
- First mover advantage
- Michelin partnership

**Offering a highly attractive solution for unsolved ELT recovery issue**
Tyres are a very complex composite material, containing over 200 materials forged together. The main materials are rubber (50%) and carbon black (25%) – which are both very valuable, even after a tyre has reached its end of life (ELT). Over the years, many attempts have been made to recover the materials once a tyre has reached its ELT, but failed due to the material complexity, which makes it very difficult to produce high-quality materials for commercial use. Enviro has proved it possible, using a patented technology that allows for full ELT material recovery (rCB, TPO, steel) that can be sold, and re-introduced to a wide range of applications. With ELTs being considered a waste issue, the ELTs can be obtained at a very low cost – yielding gross profits of 65% (Redeye estimate). The business idea is to sell and/or co-own recycling plants capable of handling 30k tons of ELT p.a. while receiving a royalty on revenues, offering an attractive payback time of 5 years (Redeye estimate).

**Massive untouched market potential**
The market for virgin CB was around 15m tons p.a. valued at USD 20bn in 2018. In addition to this, global ELT arisings amount to 26m tons, causing a great waste handling issue. Production of rCB using ELT would offer a sustainable material in the form of recovered CB, and oil that could go into several lines of production and applications – while the ELT waste issue is being dealt with. If all vCB were to be substituted for rCB, roughly 1600 Enviro 30 kton plants would be required, implying CAPEX of SEK 640bn and annual EBITDA streams of roughly SEK 128bn (Redeye estimate).

**First mover advantage**
Enviro has developed its patented technology for ELT recovery since 2001, making them one of the pioneers in the industry. R&D activities combined with trial and error over time is key to fully understand the nature of ELT pyrolysis. Furthermore, incorporating the technology in commercial production is also a process that takes time and experience to fully master. Therefore, we believe Enviro is many years ahead of its competitors. We understand Michelin has made vast material testing of Enviros' products, verifying the technology. Michelins' equity stake and partnership with Enviro, reinforce our belief in the technology, product quality, and Enviro as a company.

**Michelin partnership**
The strategic partnership with Michelin was signed in 2020. In February '21, it was announced that Enviro and Michelin would build and co-own a 25-30 kton plant in Chile for finalisation in 2023. Michelin produces 18m tyres p a, and around 20-25% of a tyre consists of carbon black. They seek to increase their recycled materials in their tyre production and believe Enviro offers the solution. Michelin appears to be the perfect match for Enviro as they should contribute to product development – while providing a solid CB demand that will grow over time. We conclude around 60 Enviro 30k plants would be required, just in Europe, to meet Michelin's carbon black demand.

### Counter thesis:

**Capital intensive business**
Enviro is planning to co-own the production facilities it builds. CAPEX for one plant is expected to be around SEK 400m, which is a sizeable figure for a company of Enviro's current size. Even a 20% share in the venture (SEK 80m) is a significant amount, which may require future capital injections into Enviro.

**rCB fails to take off**
One of our greatest concerns is that rCB-demand fails to take off, which would harm the calculation of Enviro's plants and/or the pace of the roll out phase.

**The market is slow adopting ELT pyrolysis as a waste handling**
We believe ELT pyrolysis offers a great opportunity to fully recover valuable materials whilst solving an environmental issue. Today, a vast majority of ELT goes to energy recovery. If the market does not, for any reason, implement ELT pyrolysis, it would be a risk for Enviro as it could see less demand for its services, while it could find it more difficult sourcing tyres.

## Catalyst types

**Michelin updates**
The production facility in Chile, together with Michelin, will be the first full-scale commercial production facility. We believe if all goes well, it will increase the confidence in Enviro, and vice versa. Positive talks would be a likely catalyst.

**New partnerships**
Enviro has signed a partnership with Michelin, partly regarding the development of rCB. We believe another partnership could take place, but this time with a company from the petrochemical industry, which would enhance the product development of TPO. Any communication regarding this would be a catalyst.

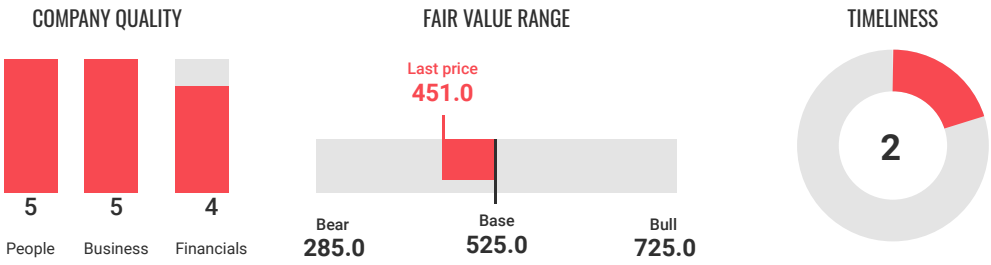
**Additional plant orders**
We believe additional plant orders will be catalysts for Enviro, as it will both increase our confidence in our short- and long-term forecasts.

# Sdiptech SDIP B

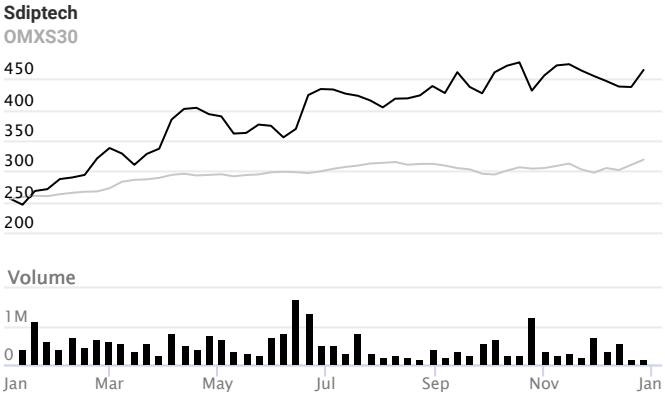
**Company page**
https://www.redeye.se/company/sdiptech

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Jakob Holm |
| **Chairman** | Jan Samuelson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 451.0 |
| **Number of shares (M)** | 35.4 |
| **Market cap (MSEK)** | 15,949 |
| **Net debt (2022E, MSEK)** | 2,174 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in Sdiptech: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 2,088 | 2,675 | 3,470 | 4,500 |
| *Growth* | *14.4%* | *28.1%* | *29.7%* | *29.7%* |
| EBITDA | 403 | 555 | 751 | 931 |
| *EBITDA margin* | *19.3%* | *20.7%* | *21.7%* | *20.7%* |
| EBIT | 311 | 425 | 702 | 858 |
| *EBIT margin* | *14.9%* | *15.9%* | *20.2%* | *20.2%* |
| Pre-tax earnings | 321 | 418 | 668 | 763 |
| Net earnings | 252 | 310 | 503 | 576 |
| *Net margin* | *12.1%* | *11.6%* | *14.5%* | *12.8%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 7.26 | 8.35 | 13.56 | 15.53 |
| P/E adj. | 40.2 | 49.8 | 30.7 | 26.8 |
| EV/S | 5.7 | 6.6 | 5.1 | 4.0 |
| EV/EBITDA | 29.5 | 31.6 | 23.8 | 19.4 |

Last updated: 2021-10-28

| Owner | Equity | Votes |
|---|---|---|
| State Street Bank And Trust co | 11.3% | 7.6% |
| Swedbank Robur Fonder | 9.2% | 6.2% |
| Vulcan Value Partners, LLC | 9.1% | 6.1% |
| Ashkan Pouya | 8.5% | 22.1% |
| Euroclear Bank S.A/N.V | 8.3% | 5.6% |
| Invesco | 6.9% | 4.7% |
| Handelsbanken Fonder | 5.7% | 3.9% |
| Saeid Esmaeilzadeh | 4.7% | 19.5% |
| Kabouter Management LLC | 4.4% | 3.0% |
| Goldman Sachs & Co. | 3.9% | 2.7% |

## Company description

Sdiptech is a Swedish infrastructure technology group with over 30 subsidiaries, offering specialized services and products. The demand is driven by aging infrastructure, growing consumption and urbanization as well as increasing requirements for sustainability and safety. The group's operations are in Sweden, the UK, Norway, Austria, and Croatia. The group consists of two Business Units, Water & Energy and Special Infrastructure Solutions.

Sdiptechs growth strategy relies heavily on acquisitions, and the company has a target of acquiring SEK 120-150m in EBITA annually. The group is using a decentralized model, where the overtaken entities keep most of their operational freedom.

## Investment case

- Still on discount despite a solid performance
- Infrastructure niches supporting organic growth
- Further value-adding acquisitions to be made

**Still on discount despite a solid performance**

While starting with a profit warning a few months after the IPO of its common share in May 2017, Sdiptech has since late 2018 had a solid operational performance showing significant organic and acquired profit growth. The share has a strong track-record since then, and we believe it is thanks to both solid operational performance and increasing investor confidence in the management team. However, Sdiptech is still trading on a discount to peers. While many peers have shown solid performance in the stock market for over ten years, we believe that Sdiptech is heading the same way. Thus, we believe there is potential for further multiple expansion if Sdiptech can stick to its solid operational performance – we believe there is a good chance they will.

**Infrastructure niches supporting organic growth**

Among the listed serial acquirers, steady organic growth is rare. Sdiptech has an organic EBITA growth target of 5-10%. After a short period of weak performance following the IPO in 2017, Sdiptech reached 8% organic EBITA* growth in 2019. W&E and SIS, with the bulk of revenue coming from product-based businesses in infrastructure niches, have driven the significant improvement. These segments benefit from structural growth trends such as sustainability, efficiency, and safety. The structural growth trends, combined with the business units' strong niche market positions, gives a potential for high-profit margins. Thanks to successful acquisitions and solid organic profit growth, W&E and SIS generated 80% of 2019 EBITA* and do now account for all of Sdiptech following divestments. While we find the upper limit of Sdiptech's target range ambitious, we forecast an organic sales growth of ~4% 2022-2028. Combining organic and acquired growth, we believe Sdiptech is heading towards becoming a much larger company.

**Further value-adding acquisitions to be made**

Acquisitions are an important part of Sdiptech's business model. Since the IPO of the preferred share in 2015, the company has made over 25 acquisitions. Usually, Sdiptech pays 6 - 7x EBITA for the acquired businesses. As Sdiptech itself is trading at higher multiples, the acquisitions should be value-adding regardless of synergies. Sdiptech is cautious about synergy realization from acquired companies, due to its decentralized strategy. Instead, they create value in the acquired companies through their industrial focus on infrastructure, where Sdiptech has both market insight and technical know-how to contribute to strategy and business development. So far, the average performance of its acquisitions has been strong, strengthening our confidence in management's ability to allocate capital. We argue that future acquisitions, although expected, will create additional value for Sdiptech shareholders, as the current valuation, in our view, does not discount a future flow of value-adding acquisitions to the full extent. Also, further acquisitions will make the group more diversified, thus, reducing risk.

### Counter-Thesis – Bear Points

**Profitability issues spreading to new areas**

If a situation like the problems in the elevator business was to occur again, we believe the share would take another hit due to deteriorating investor confidence. On the other hand, as Sdiptech becomes more and more diversified the likelihood of such scenario decreases.

**Competition making acquisitions more expensive**

Sdipech's value creation is dependent on the ability to acquire businesses cheaper than its valuation. A higher difference in valuation creates more value and vice versa. Thus, if acquisition multiples were to increase, it would be harder for Sdiptech to create value for its shareholders through its M&A strategy.

**A weak construction market hitting harder than expected**

The direct exposure to the Swedish construction market is <10% of sales, while several subsidiaries are exposed to infrastructure investments. These, at least to some extent, are driven by construction of new buildings and structures, which could be adversely affected by a weak construction market.

## Catalyst types

**Organic growth in line with Sdiptech's financial target**

Sdiptech has a financial target of a 5-10% organic grow in EBITA per annum. The goal corresponds to a 5-10% organic sales growth, assuming constant margins in the long run. We forecast about 5% organic growth and we believe a higher level would be a catalyst.

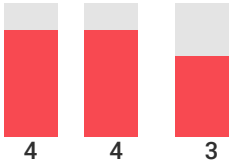
# Seamless Distribution Systems SDS

**Company page**
https://www.redeye.se/company/seamless-distribution-systems

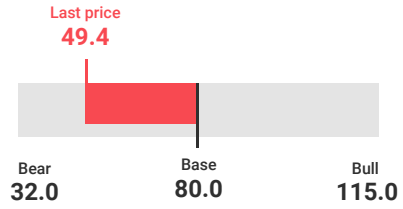
**Publication date**
January 10 2022

## Redeye Rating

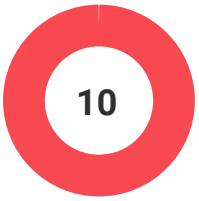
COMPANY QUALITY




FAIR VALUE RANGE

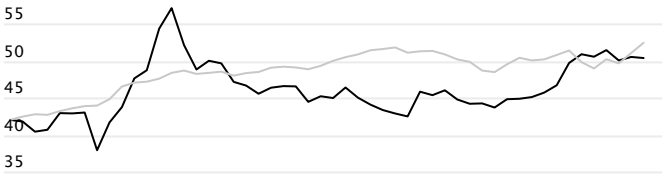



TIMELINESS




## Snapshot

**Seamless Distribution Systems**
OMXS30







| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Mats Victorin |
| **Chairman** | Leif Frykman |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 49.4 |
| **Number of shares (M)** | 9.9 |
| **Market cap (MSEK)** | 490 |
| **Net debt (2022E, MSEK)** | 127 |

**Analyst**



Forbes Goldman
forbes.goldman@redeye.se

**Conflict of interests**

Forbes Goldman owns shares in Seamless Distribution Systems: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 296 | 291 | 351 | 399 |
| *Growth* | *20.4%* | *-1.7%* | *20.8%* | *13.5%* |
| EBITDA | 50 | 64 | 90 | 106 |
| *EBITDA margin* | *17.0%* | *22.3%* | *25.8%* | *26.8%* |
| EBIT | 21 | 24 | 42 | 54 |
| *EBIT margin* | *7.3%* | *8.5%* | *12.1%* | *13.6%* |
| Pre-tax earnings | 15 | 7 | 21 | 32 |
| Net earnings | 12 | 3 | 16 | 26 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 1.51 | 0.37 | 1.72 | 2.67 |
| P/E adj. | 30.3 | 121.8 | 26.5 | 17.1 |
| EV/S | 1.6 | 2.1 | 1.6 | 1.4 |
| EV/EBITDA | 9.2 | 9.5 | 6.4 | 5.1 |

Last updated: 2021-10-23

| Owner | Equity | Votes |
|---|---|---|
| Avanza Pension | 17.2% | 17.2% |
| ÖstVäst Capital Management | 9.5% | 9.5% |
| Saxo Bank A/S Client Assets | 9.2% | 9.2% |
| Swedbank Försäkring | 9.0% | 9.0% |
| Goldman Sachs International LTD | 8.3% | 8.3% |
| Veronica Wallman | 6.5% | 6.5% |
| Gunnar Jardelöw | 6.4% | 6.4% |
| Tomas Klevbo | 5.7% | 5.7% |
| Leif Brandel | 4.6% | 4.6% |
| Martin Roos | 3.3% | 3.3% |

## Company description

Seamless Distribution Systems ("SDS") is a Swedish software company that provides solutions for digital sales, distribution, and financial services to private individuals through telecom operators in emerging countries. To a large extent, it operates solutions that are business-critical for its customers, managing the monetary flows throughout the value chain. Its systems are responsible for, in many cases, channeling up to 80-90% of its customers' revenues. In 2020, 15 billion transactions were generated in its systems, to a value of USD 15bn.

SDS has launched a series of solutions, which aim to leverage the data from the billions of transactions in its systems. By applying big data analytics and AI tools, in what the Company refers to as "Business Intelligence", it aims to help its customers make better business decisions. Its broad portfolio of solutions includes Sales Force Optimization and Micro Credits, to name a few. These are forecast to significantly increase SDS' recurring revenues, which in 2020, accounted for ~30% of total sales. The acquisition of Riaktr, the most significant acquisition to date, seriously demonstrates SDS's focus on strengthening this offering.

## Investment case

- Business-critical systems
- Large and stable customers
- Attractive secular trends
- Transitioning to SaaS

### Business-critical systems

SDS is responsible for managing the product and monetary flows in its customers' value chains – in some cases accounting for 80-90% of their revenue streams. Its systems are indeed business-critical, creating high switching costs for its customers, in addition to a loyal customer base. SDS's business relationship with MTN, its most significant customer to date, has been running steadily for more than a decade.

### Large and stable customers

SDS's customers include some of the largest telecom operator groups in Africa and the Middle East, e.g., MTN, Safaricom, Zain, and Ooredoo. The telecom networks represent, to a large extent, the best (and sometimes only) reliable infrastructure throughout extensive land areas, servicing hundreds of millions of people. Essentially, the telecom operators play a crucial role in these societies, representing highly stable and reliable business partners. Also, the telecom operator groups comprise dozens of regional mobile network operators - providing a great platform for organic growth.

### Attractive secular trends

The global prepaid and top-up market is worth around USD 600bn, fueled by the exceptional prepaid penetration rates (+90%) in Africa. This is a large and growing market, set to benefit from the population growth, improved connectivity, and user penetration in Africa. The digitalization of Africa enables SDS to launch additional (and more advanced) services and solutions.

### Transition to a SaaS business model - boosted by Riaktr

SDS has begun to employ a SaaS business model for some of its most recent solutions. While recurring revenues accounted for ~30% of sales in 2020, this figure is bound to increase. A successful rollout would see the Company generate substantial revenues and improved operating margins. The Riaktr acquisition is forecast to accelerate this transition further. It comprises a portfolio of pure-play SaaS solutions and ~50% of its revenues are already recurring.

### Professional management and well-run business

SDS has seen consistent top-line growth, both organic and through acquisitions, and reports consistently in the black. It is a lean and cost-effective organization – management based in Stockholm and the remaining workforce dispersed in emerging and low-cost countries. Senior management has been in the Company for an extensive period of time and has successfully delivered on its strategic targets.

## Catalyst types

**Gaining Additional Customers**
Adding a new telecom operator group to the customer base is an important milestone. It enables SDS to expand within the group, potentially generating substantial income over a longer period of time.

**M&A activity**
SDS has a solid M&A track record, identifying targets where substantial synergies can be realized. The Riaktr acquisition is forecast to add double-digit growth to the core business. Future M&A announcements should have a significant impact on the share price.

**Increased Institutional Ownership**
We spot room for increased institutional ownership - which would strengthen the case further. At this point, SDS has one qualified investor - ÖstVäst Capital Management.

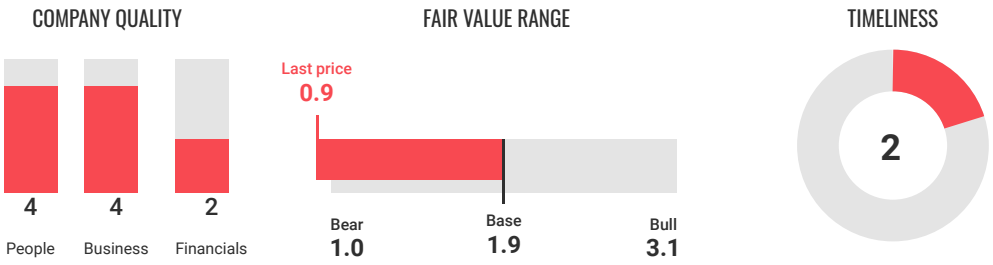
**Business Intelligence (BI)**
SDS applies a shared revenue model for its BI-solutions, which yields significantly higher potential than its traditional business model. The Bull case is strongly coupled to a successful BI-rollout. For this reason, we expect a positive news flow to have a substantial share price impact.

# Sensys Gatso Group SENS

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

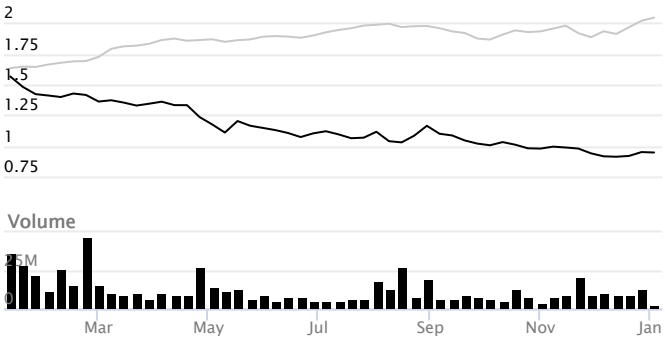
**Publication date**
January 11 2022

## Redeye Rating




## Snapshot

**Sensys Gatso Group**
OMXS30




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Ivo Mönnink |
| **Chairman** | Claes Ödman |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 0.9 |
| **Number of shares (M)** | 921.8 |
| **Market cap (MSEK)** | 858 |
| **Net debt (2022E, MSEK)** | -198 |

**Analyst**



Jesper von Koch
jesper.vonkoch@redeye.se

**Conflict of interests**

Jesper von Koch owns shares in Sensys Gatso Group: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 455 | 485 | 705 | 686 |
| *Growth* | *12.0%* | *6.5%* | *45.4%* | *-2.7%* |
| EBITDA | 59 | 71 | 130 | 143 |
| *EBITDA margin* | *13.1%* | *14.8%* | *18.6%* | *20.9%* |
| EBIT | 10 | 32 | 95 | 108 |
| *EBIT margin* | *2.4%* | *6.7%* | *13.6%* | *15.8%* |
| Pre-tax earnings | -17 | 36 | 89 | 102 |
| Net earnings | -15 | 30 | 70 | 80 |
| *Net margin* | *Neg* | *6.3%* | *10.0%* | *11.7%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.02 | 0.03 | 0.08 | 0.09 |
| P/E adj. | -92.9 | 30.4 | 13.1 | 11.4 |
| EV/S | 3.2 | 1.7 | 1.0 | 0.9 |
| EV/EBITDA | 24.1 | 11.7 | 5.5 | 4.4 |

Last updated: 2021-11-25

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| (Gc) BNP Paribas Sec Services Paris | 17.8% | 17.8% |
| Gatso Special Products B.V. | 17.7% | 17.7% |
| Avanza Pension | 4.5% | 4.5% |
| Nordnet Pensionsförsäkring | 3.4% | 3.4% |
| Per Wall | 2.5% | 2.5% |
| Inger Bergstrand | 2.2% | 2.2% |
| Handelsbanken Fonder | 2.0% | 2.0% |
| Futur Pension | 0.9% | 0.9% |
| Swedbank Försäkring | 0.9% | 0.9% |
| Peter Hamberg | 0.8% | 0.8% |

## Company description

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

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

## Investment case

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

### The TRaaS story: Growing recurring revenue

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

### Potential in expanding its strong position

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

### Record order book

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

### Share price driven by big deals

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

## Catalyst types

**Quarterly reports showing strong Y/Y growth**

With a record-high order log, we believe the company will show strong growth in the quarters to come - both in terms of sales and profits. Apart from the strong order log, the company has a larger base of recurring TRaaS revenue, which acts as a good foundation. Also, we think revenue from managed services is somewhat depressed from covid lockdowns. The combination of these three factors will likely produce good Y/Y growth going forward - something we think will drive the share price.

**Large Managed Services contracts**

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

**Large system orders**

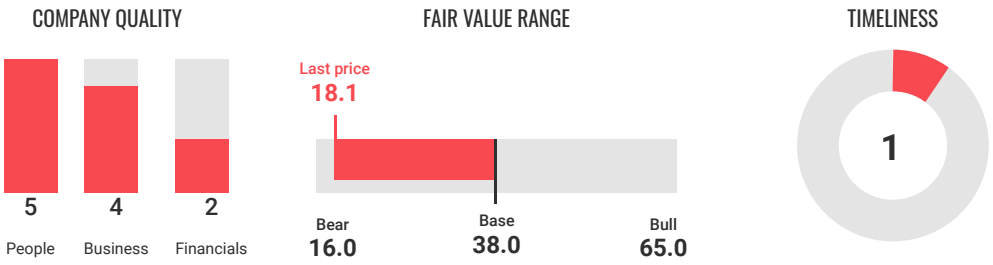
The share price is largely driven by the announcement of major orders. For the next quarters we see larger orders from several geographies, especially related to the competitive offering within in-vehicle solutions

# Sivers Semiconductors SIVE

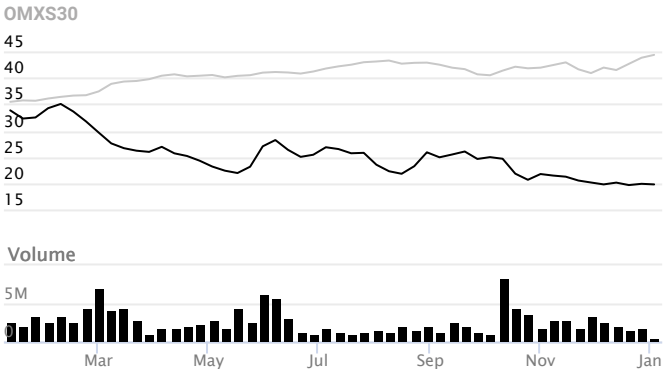
**Company page**
https://www.redeye.se/company/sivers-semiconductors

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Anders Storm |
| **Chairman** | Thomas Duffy |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 18.1 |
| **Number of shares (M)** | 174.8 |
| **Market cap (MSEK)** | 3,162 |
| **Net debt (2022E, MSEK)** | 105 |

**Analyst**



Jesper von Koch
jesper.vonkoch@redeye.se

**Conflict of interests**

Jesper von Koch owns shares in Sivers Semiconductors: Yes

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 96 | 102 | 286 | 1,186 |
| *Growth* | *-0.2%* | *6.3%* | *>100%* | *>100%* |
| EBITDA | -55 | -95 | -75 | 402 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *34.0%* |
| EBIT | -85 | -128 | -119 | 370 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *31.2%* |
| Pre-tax earnings | -207 | -125 | -120 | 362 |
| Net earnings | -201 | -124 | -95 | 285 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *24.0%* |
| Dividend/Share | -1.53 | -0.58 | -0.44 | 1.31 |
| EPS adj. | -1.53 | -0.58 | -0.44 | 1.31 |
| P/E adj. | -20.2 | -36.7 | -48.9 | 16.3 |
| EV/S | 47.2 | 44.3 | 16.6 | 3.9 |
| EV/EBITDA | -81.6 | -47.3 | -62.9 | 11.5 |

Last updated: 2021-11-16

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Rothesay Ltd | 23.4% | 23.4% |
| Danske Bank International S.A. | 13.0% | 13.0% |
| Keith Halsey | 12.1% | 12.1% |
| Swedbank Robur Fonder | 11.1% | 11.1% |
| Avanza Pension | 6.7% | 6.8% |
| AMF Pension & Fonder | 4.2% | 4.2% |
| Duesseldorf, HSBC Trinkhaus And Burkhardt AG | 2.3% | 2.3% |
| Nordnet Pensionsförsäkring | 2.1% | 2.1% |
| Sivers Semiconductors AB | 1.9% | 1.3% |
| SPSW Capital | 1.5% | 1.5% |

## Company description

Sivers Semiconductors has extensive experience from developing micro- and millimeter wave products. The company is focused on the development and sales of radio frequency components and modules for data- and communication systems. The most significant area of application is 5G, which is expected to bring substantial opportunities. In 2017, Sivers Semiconductors acquired the Scottish foundry CST Global, which produces optical semiconductors. Common for both business units is that they grow with the demand for improved data and communication systems.

## Investment case

- Strong structural 5G market growth
- Scalable business model with important major partnerships
- Opportunity of Photonics orders from two Fortune 100 companies
- We value Sivers Semiconductors to SEK 38 in a base case scenario

**Strong structural 5G market growth**

In the coming years, the market for 5G network equipment is forecasted to, more or less, explode when the industry is preparing for the launch of the new technology. This will require not only large investments in current networks but also densification of networks. The market outlook for fiber-to-the-home applications is also good, with increased usage of fiber in the networks in general, worldwide. Thus, the market outlook for Sivers Semiconductors's two product segments in the coming years is great. We think Sivers Semiconductors's first major 5G contract of SEK 480m verifies the strong 5G position. It is a good indication of what is coming.

**Scalable business model with important major partnerships**

Sivers Semiconductors has partnered up with some of World's largest telecom equipment suppliers. We think this is a major difference compared to the company's history. The partners Ampleon and NXP together have a combined RF power market share of ~80% and sell to all major players. Thus, Sivers Semiconductors is in a good position when it comes to reaching large potential customers, and potentially also gaining one or several Tier 1 customers. There are however also smaller equipment vendors, the Tier 2 players, that would be attractive as potential customers as well. Sivers Semiconductors's SEK 480m contract also indicates that the company can win larger customers without intermediaries.

**Opportunity of Photonics orders from two Fortune 100 companies**

A large Fortune 100 company interested in semiconductor components from the Photonics division has placed several pre-series orders totaling over SEK 100m. We believe that if the customer decides to proceed, it will imply very large volumes (more than 10x the pre-series orders), representing a significant growth opportunity, albeit rather binary in nature. It is difficult to assess whether the customer will move forward with Sivers Semiconductors or not. However, considering the two follow-up orders and the increase of partnership during the process, it looks promising thus far. Moreover, in April 2020, Sivers Semiconductors signed its second Fortune 100 customer.

**We value Sivers Semiconductors to SEK 38 in a base case scenario**

We currently value Sivers Semiconductors in the base case to SEK 38 per share, in a fair value range of SEK 16-65 per share. Additional design wins and contracts will move the share price.

## Catalyst types

**5G market takes off**

Many industry experts voice the opinion that 5G is happening faster than they had expected. When the market for 5G telecom equipment in the higher frequencies takes off, Sivers Semiconductors is in a good position to take part in the transformation. It would lead to strong growth and would act as a catalyst for the stock.

**New design-wins with large telecom players**

As of now, Sivers Semiconductors is not profitable and is awaiting its first large volume orders within wireless. The company's focus has been to build an ecosystem of partners and are currently teamed up with two partners that are suppliers to Tier 1 telecom players – Ampleon and NXP Semiconductors. If the combined offering of Sivers Semiconductors and its partners were integrated into one the Tier 1 players' system, it would mean a real take-off in Sivers Semiconductors's sales.

**Large orders from Fortune-100 customer**

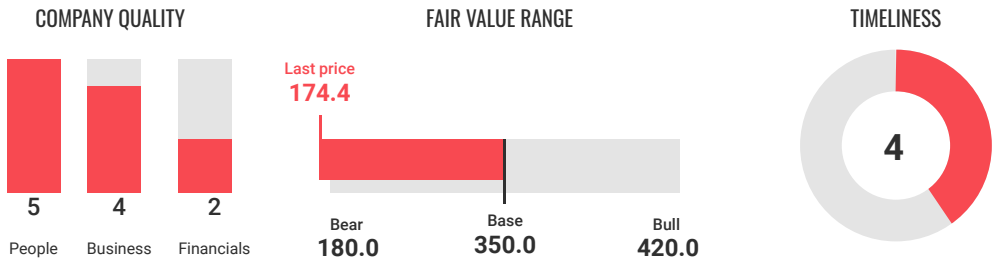
Sivers Semiconductors has, as mentioned above, received substantial Photonics orders from a Fortune 100 company over the last year, and in addition signed another Fortune 100 customer. If one or both of these customers moves forward and decides to integrate Sivers Semiconductors's components in their final product, this would entail very large orders and strong growth for the fiber division. Even though we would expect that such a large customer would use its bargaining power to put pressure on margins, we expect that the orders would increase the bottom line and create a substantial upside in the stock.

# Smart Eye SEYE

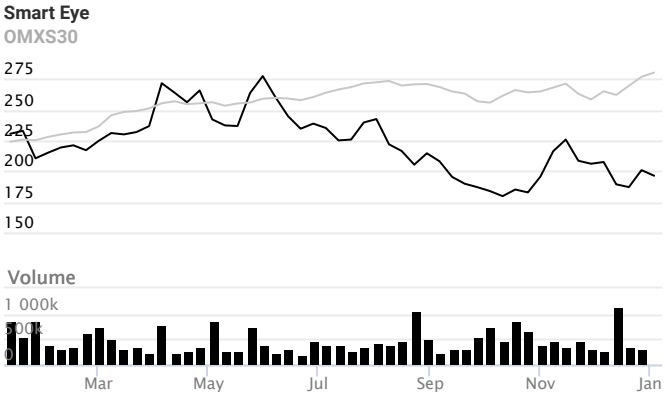
**Company page**
https://www.redeye.se/company/smart-eye

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Martin Krantz |
| **Chairman** | Anders Jöfelt |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 174.4 |
| **Number of shares (M)** | 22.1 |
| **Market cap (MSEK)** | 3,863 |
| **Net debt (2022E, MSEK)** | -111 |

**Analyst**



Jesper von Koch
jesper.vonkoch@redeye.se

**Conflict of interests**

Jesper von Koch owns shares in Smart Eye: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 61 | 104 | 391 | 762 |
| *Growth* | *8.3%* | *68.9%* | *>100%* | *95.2%* |
| EBITDA | -51 | -99 | 3 | 304 |
| *EBITDA margin* | *Neg* | *Neg* | *0.8%* | *39.9%* |
| EBIT | -75 | -141 | -111 | 189 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *24.9%* |
| Pre-tax earnings | -75 | -141 | -111 | 189 |
| Net earnings | -75 | -141 | -87 | 149 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *19.5%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -4.54 | -7.14 | -3.98 | 6.78 |
| P/E adj. | -25.0 | N/A | N/A | N/A |
| EV/S | 27.3 | N/A | N/A | N/A |
| EV/EBITDA | -32.4 | N/A | N/A | N/A |

Last updated: 2021-10-29

| Owner | Equity | Votes |
|---|---|---|
| Sellers of Affectiva | 10.2% | 10.2% |
| Swedbank Robur Fonder | 8.0% | 8.0% |
| Första AP-fonden | 7.0% | 7.0% |
| Handelsbanken Fonder | 6.9% | 7.3% |
| Mats Krantz inklusive närstående | 6.5% | 6.5% |
| Svensk, Filial Alandsbanken Abp (Finland) | 6.2% | 6.2% |
| Avanza Pension | 5.0% | 5.0% |
| Niclas Eriksson med närstående | 5.0% | 5.0% |
| Martin Krantz | 4.8% | 4.8% |
| Anders Jöfelt | 4.7% | 4.7% |

**Design wins and follow-up orders in general**

The major key catalyst in general is won contracts from the many RFQ's worth in total SEK 6 billion, which should drive the share price. In addition, we expect follow-up orders from existing customers

research as well. In the Research Instruments segment, where Smart Eye has a market share of 4-5 percent, it provides systems consisting of hardware, software and accessories. Our investment case, however, is fully based on the Automotive Solutions segment, which is an OEM business where Smart Eye provides tier 1 automotive suppliers with algorithms and software for embedding eye tracking in products that are later sold to the car OEM manufacturers. When a car model with Smart Eye's technology is launched Smart Eye will receive a royalty based license fee per car. Within Automotive Solutions Smart Eye has won designs from about half of the customers that has procured eye tracking thus far. The automotive market has high barriers to entry as it is costly and time consuming to develop products that meet the customers' high standards and switching costs are high, meaning important competitive advantages for Smart Eye.Listing: Stockholm Stock Exchange (First North) since year 2016.Locations: HQ in Sweden. Offices in Detroit, China and Japan.

## Investment case

- In pole position within eye tracking for mandated driver monitoring
- Driver monitoring translating into interior sensing - strong position expected
- Design wins and ramp-up of sales to move the share price
- Rapid, predictable growth to a low price

### In pole position within eye tracking for mandated driver monitoring

Due to EU and Euro NCAP's decisions to mandate driver monitoring, the market for driver monitoring systems (DMS) is about to explode. This expected growth is a known fact for the stock market but we believe many do not understand Smart Eye's strong positioning. Smart Eye has devoted ~20 years of 100 percent focus to and investments in this very niche. The company is in pole position with an unmatched 84 design wins for 13 car OEMs. As for barriers to entry, the technology needs to cope with e.g. changing light conditions, tunnels, sunshine, darkness, vibrations, etc. and at the same time never fail. Competition is therefore basically limited to one other tier-2 player aside from the tier-1 customers' own solutions. However, we believe it is unlikely that the customers, in the long run, are willing to put up with all investments and maintain the focus necessary for in-house sourcing. Smart Eye states that being platform-independent and hardware agnostic, it has a competitive edge as its technology can be locked late in the development process.

### Driver monitoring translating into interior sensing - strong position expected

While DMS only monitors the driver, the market and regulators are moving towards also mandating monitoring of the whole cabin and all its passengers. This combination of driver and cabin monitoring is referred to as interior sensing.

From H2'22, we believe design wins will start to be awarded for interior sensing. From that point, we expect an initial period where design wins will be awarded both for driver monitoring individually as well as for interior sensing. In time, we believe all OEMs will start procuring the whole interior-sensing package, but in the beginning, we expect European premium OEMs to be first with adopting interior sensing. Revenue from interior sensing is likely to start from 2025. We believe the average selling price (ASP) per car will double as OEMs include the whole interior-sensing package vs only DMS.

### Design wins and ramp-up of sales to move the share price

We expect a steady news flow going forward with design wins from already won procurements as well as RFQ's worth SEK billions in progress for the next few quarters, which should drive the share price.

Also, we expect 2022 to be the year where several design wins will move into production, leading to strong sales growth. We believe this will be the most important driver for the market to regain trust in Smart Eye's long-term earnings potential.

### Rapid, predictable growth to a low price

Even though the exact ramp-up of sales is hard to predict, we believe rapid sales growth in the 100's % between 2022 and 2026 is rather safe. Our confidence in the ramp-up of sales stems from already awarded design wins and expected design wins on existing platforms. Considering an estimated mid-single-digit EBIT multiple for 2025, combined with the highly predictable ramp-up of sales, we think Smart Eye has a good journey ahead. Redeye's Base Case is at SEK 340, Bear Case at SEK 170, and Bull Case at SEK 405.

## Catalyst types

**Ramp-up of automotive sales**

We expect automotive sales will experience Y/Y growth in the 100's % between 2022 and 2026. This is an effect of design wins moving into production of car models that include Smart Eye's DMS. Whether the true acceleration in sales growth will come in 2022 or 2023 remains to be seen, but when it happens, we think it will be a major catalyst for the shares.

**Toyota win**

The Toyota procurement will be finished imminently. Toyota sells around 11 million vehicles per year and is the World's largest car OEM, meaning significant catalyst potential if Smart Eye would win Volkswagen.

**Design wins in China**

We believe there are design wins overdue in China where Smart Eye's tier-1 partner has been selected and only paperwork remains before Smart Eye is officially nominated.

**Design wins and follow-up orders in general**

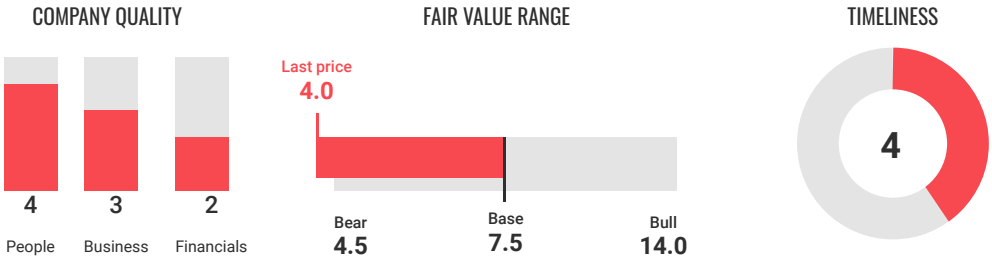
The major key catalyst in general is won contracts from the many RFQ's worth in total SEK 6 billion, which should drive the share price. In addition, we expect follow-up orders from existing customers

# Speqta SPEQT

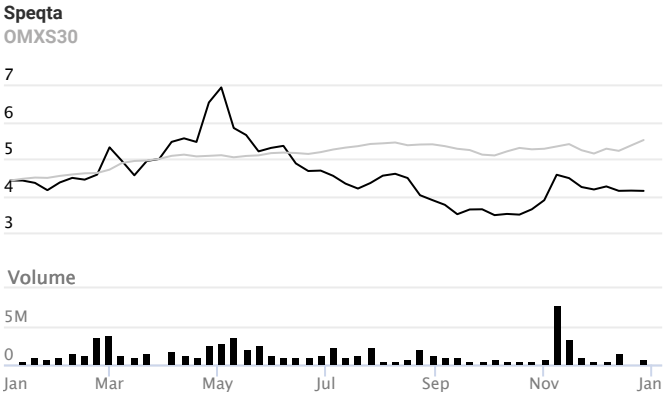
**Company page**
https://www.redeye.se/company/speqta

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Fredrik Lindros |
| **Chairman** | Fredrik Burvall |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 4.0 |
| **Number of shares (M)** | 65.9 |
| **Market cap (MSEK)** | 266 |
| **Net debt (2022E, MXXX)** | 82 |

**Analyst**



Fredrik Nilsson
fredrik.nilsson@redeye.se

**Conflict of interests**

Fredrik Nilsson owns shares in Speqta: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MXXX | 178 | 170 | 93 | 113 |
| *Growth* | *74.2%* | *-4.1%* | *-45.4%* | *22.0%* |
| EBITDA | 26 | 57 | 3 | 13 |
| *EBITDA margin* | *15.1%* | *33.8%* | *3.8%* | *11.8%* |
| EBIT | -12 | 25 | -11 | -1 |
| *EBIT margin* | *Neg* | *15.1%* | *Neg* | *Neg* |
| Pre-tax earnings | 30 | 33 | -13 | -5 |
| Net earnings | 27 | 30 | -10 | -4 |
| *Net margin* | *Neg* | *9.7%* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.22 | 0.25 | -0.16 | -0.06 |
| P/E adj. | -506.9 | N/A | N/A | N/A |
| EV/S | 42.6 | N/A | N/A | N/A |
| EV/EBITDA | 281.6 | N/A | N/A | N/A |

Last updated: 2021-11-25

| Owner | Equity | Votes |
|---|---|---|
| Skandinaviska Enskilda Banken S.A | 17.5% | 17.5% |
| Evli Bank Plc | 15.4% | 15.4% |
| Eone Holding Oy | 15.4% | 15.4% |
| Andre Lavold | 7.9% | 7.9% |
| Henrik Persson Ekdahl | 7.3% | 7.3% |
| Swedbank Robur Fonder | 7.3% | 7.3% |
| Swedbank Försäkring | 6.9% | 6.9% |
| Henrik Kvick | 6.7% | 6.7% |
| Avanza Pension | 6.4% | 6.4% |
| Nordnet Pensionsförsäkring | 3.6% | 3.6% |

## Company description

Speqta is a digital media house headquartered in Stockholm, Sweden. The company excels in constructing scalable and auto-generated web products. The concepts behind the products are language independent, which means they can be applied on a multinational level. Speqta was founded in 2003, and the share is traded on Nasdaq Stockholm First North. Speqta has two divisions; AdTech and Content & Comparison. The Group has a focus on performance-based marketing and lead generation.

## Investment case

- Attractive exposure to e-commerce
- Acquired growth
- Innovations
- Scalability

Our investment case in Speqta is based on the vast opportunities within performance-based marketing and e-commerce. The company has a strong presence in the e-commerce market and expanding within the finance vertical. Furthermore, the company is launching new and innovative, in-house developed products like BidBrain.

**Attractive exposure to e-commerce**

The European e-commerce market is growing rapidly, and the COVID-19 pandemic has boosted the growth further. Speqta has an attractive exposure to the European e-commerce industry that will help drive rapid growth for many years to come.

**Acquired growth**

The e-commerce sector offers several exciting growth opportunities, and M&A is one. The company has experience from several acquisitions and is backed up by several wells capitalized owners. We believe that Speqta is in a strong position to make value-adding acquisitions.

**Innovations**

Speqta continues to sow its innovative flair. We find the new product BidBrain very interesting and things look promising. We believe that the company will continue to innovate and add new attractive products to its offering.

**Scalability**

Speqta has a highly digital and scalable business. Therefore, we expect that the growth efforts will lead to a strong and improving profit margin.

**Bear points (Counterarguments to our thesis)**

- To not overpay and achieve successful integration and performance of acquisitions is often challenging. As Speqta scales up, acquisitions are likely to increase in size. Optimizer Invest and the Chairman of the Board have good track records and are adding crucial competencies, which limits the risks.
- Acquisitions in general most often need a healthy financial market, a downturn could lead to less possibilities to acquire more exciting companies within the Shopping segment. The Nordea financing and with Optimizer Invest on board, we believe the company is more likely to attract capital and convince sellers even in a weaker market.

## Catalyst types

**AffiliJet expansion**

The collaboration with Expressen develops well and has expanded from performance-based marketing of discount coupons to loans and iGaming. Speqta has also acquired a similar collaboration with the Norwegian newspaper Nettavisen as well as Aller Dagbladet. Large publishers are searching for new income streams and AffiliJet is a flexible and profitable solution. We believe that new deals are likely within the coming months, both organically and through acquisitions.

**Improved fundamental performance changing the market perception**

The acquisitions within Content & Comparison should lead to gradually enhanced growth and profitability. Speqta shows positive EBITDA results and can the company demonstrate further profitability, we believe the market perception and valuation will appreciate.

**Value-adding acquisitions**

The company is open with its high acquisition ambitions and thus, it should not come as a surprise for the stock market. We still believe new M&A deals could be positive catalysts as it would validate the strategy. We also have confidence in Optimizer Invest's ability to negotiate attractive terms and thereby, create shareholder value.

**In-house product innovations**

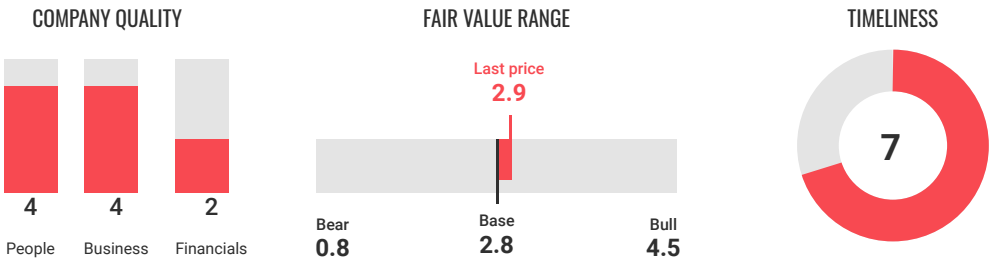
Speqta has a history of entrepreneurship and business creativity. The founders are still active in the operations, and the company is adding interesting competence as it grows. We believe the innovative in-house organization will generate new exciting products to capitalize on the opportunities within performance-based marketing.

# SSH Communications SSH1V

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

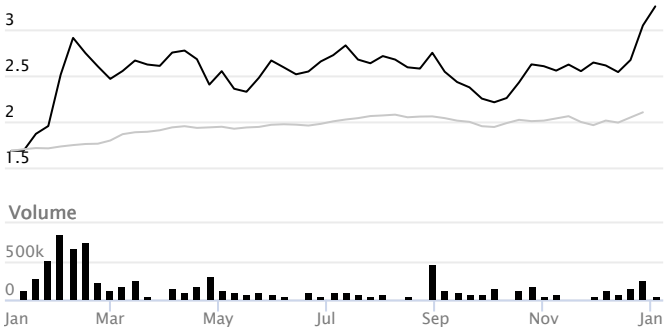
**Publication date**
January 10 2022

## Redeye Rating




## Snapshot

**SSH Communications**
OMXS30




| | |
|---|---|
| **Marketplace** | NASDAQ Helsinki |
| **CEO** | Teemu Tunkelo |
| **Chairman** | Henri Österlund |

**Share information**

| | |
|---|---|
| **Share price (EUR)** | 2.9 |
| **Number of shares (M)** | 39.3 |
| **Market cap (MEUR)** | 115 |
| **Net debt (2022E, MEUR)** | -3 |

**Analyst**



Forbes Goldman
forbes.goldman@redeye.se

**Conflict of interests**

Forbes Goldman owns shares in SSH Communications: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MEUR | 11 | 14 | 20 | 25 |
| *Growth* | *-21.7%* | *27.5%* | *40.6%* | *26.2%* |
| EBITDA | 0 | 0 | 3 | 7 |
| *EBITDA margin* | *Neg* | *3.4%* | *19.0%* | *30.1%* |
| EBIT | -2 | -2 | 0 | 3 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *13.1%* |
| Pre-tax earnings | -3 | -2 | 0 | 2 |
| Net earnings | -2 | -2 | 0 | 1 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.07 | -0.07 | -0.01 | 0.04 |
| P/E adj. | -23.3 | -35.1 | -477.6 | 59.5 |
| EV/S | 5.2 | 6.6 | 4.8 | 4.0 |
| EV/EBITDA | -150.1 | 195.0 | 25.1 | 13.3 |

Last updated: 2021-10-25

| Owner | Equity | Votes |
|---|---|---|
| Accendo Capital | 29.2% | 29.2% |
| Tatu Ylönen | 18.0% | 18.0% |
| Timo Syrjälä | 8.4% | 8.4% |
| Juha Mikkonen | 5.2% | 5.2% |
| Elo Mutual Pension Insurance Company | 4.0% | 4.0% |
| Sauli Kiuru | 2.5% | 2.5% |
| Ilmarinen Mutual Pension Insurance Company | 2.3% | 2.3% |
| Varma Mutual Pension Insurance Company | 2.0% | 2.0% |
| Risto Juhani Kettunen | 1.2% | 1.2% |
| AC Invest Oy | 0.9% | 0.9% |

## Company description

In essence, SSH provides best-of-breed IT security products to a large (5,000+) installed customer base, comprising international Fortune 500 companies, small and medium-sized enterprises (SMEs), and governmental agencies. Historically, it has operated two on-premise flagship products:

Tectia – a solution to protect connections to critical IT environments and enable secure file transfers Universal Key Management (UKM) – a key management solution to prevent digital keys from being breached and causing damage in the wrong hands

To cater to the shift to the cloud, increasingly complex IT infrastructures, and more stringent regulation, to name some, SSH has continued to develop its product portfolio. It is a recognized leader and innovator in the Privileged Access Management (PAM) space with PrivX while also bolstering its position within cryptography through NQX and the acquisition of Deltagon.

Since 2020, SSH has 1) appointed a new management team; 2) received a new largest owner in Accendo Capital; 3) launched an updated strategic direction; and 4) acquired Deltagon. Pursuing a coherent recurring revenue model across all products will be the most critical strategic target in the coming years – recurring revenues from subscription sales are expected to amount to ~30% of total sales on our 2021 forecasts.

Headquartered in Helsinki, SSH was listed on the Small Cap Helsinki in 2000 and currently has ~120 employees.

## Investment case

- Best-of-breed products from SSH protocol inventor
- Accendo seal of approval
- Building on Deltagon acquisition
- More to follow NQX 'lighthouse' deal

**Best-of-breed products from SSH protocol inventor**

The Secure Shell (SSH) protocol created by SSH Communications founder Tatu Ylönen is the global standard for operating network services securely. With 95% of global servers having it installed, SSH stands out as one of the industry's strongest and most respected brands. In addition to its innovative approach to cybersecurity, the company's best-of-breed products have also received recognition.

**Accendo seal of approval**

Accendo Capital, a hedge fund specializing in listed Northern European companies with a successful track record of active ownership in technology firms like Remedy Entertainment, Hexatronic and Doro, acquired its stake in SSH in May/June 2020. We view Accendo's ownership as a vote of confidence in SSH's qualities and significant future potential.

**Building on Deltagon acquisition**

Acquired at modest valuation multiples in January 2021, Deltagon is a significant growth prospect. This reflects its 100% recurring revenues, 16% historical revenue CAGR and 50%+ EBIT margins. It achieved all of these with no sales and marketing budget.

**More to follow NQX 'lighthouse' deal**

While details of the EUR20m breakthrough agreement remain undisclosed, we assume the customer is a Finnish government agency and the application is to secure a substantial part of its critical infrastructure. The agreement is pivotal for SSH, in our view, as it 1) validates NQX, the company's next-generation cryptographic product; 2) opens the door to similar customers with similar needs; and 3) highlights the company's substantial governmental opportunity.

**Transitioning to recurring revenues**

Increasing recurring revenues through subscription sales is SSH's key strategic target. The SaaS business model creates stability and predictability at high margins, while lowering risk. PrivX and NQX, the company's two growth 'speedboats', are already part of this model, which Deltagon will accelerate. We could also see Tectia and UKM being delivered as a service in the future as this would benefit customers.

**Tailwind from long-term trends**

SSH benefits from a strong position in a fast-growing industry: Quince Market Insights forecasts that cybersecurity will grow at a compound 13% in the years ahead (2020-28 CAGR). The secular trends that underpin this growth include 1) the shift to the cloud; 2) increased focus on digital transformation initiatives in the wake of the coronavirus pandemic; 3) material security vulnerabilities due to increasingly complex hybrid IT environments; and 4) heavier governance and regulatory requirements.

## Catalyst types

**Further best-of-breed validation**
SSH could receive positive traction from end customers and partners.

**Acquisitions that strengthen the core business**
Apart from strengthening the belief in the management's abilities to pursue meaningful M&A, future acquisitions could bolster the company's long-term strategy and build on its competitive advantage.

**Good consecutive quarterly reports**
As SSH aims to reverse years of declining growth, quarterly reports will be particularly important in regaining investor confidence.

**Scaling deployments with existing customers**
The increased customer-centric focus and revitalization of Prof. Services aims to go after the significant organic growth that is near at hand.

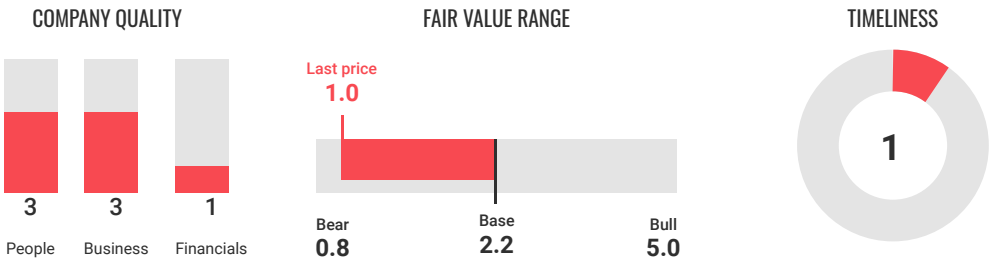
**Additional deals with 'lighthouse' customers**
Should be regarded as a vote of confidence towards SSH's qualities, in addition to generating large contract values.

# Starbreeze STAR B

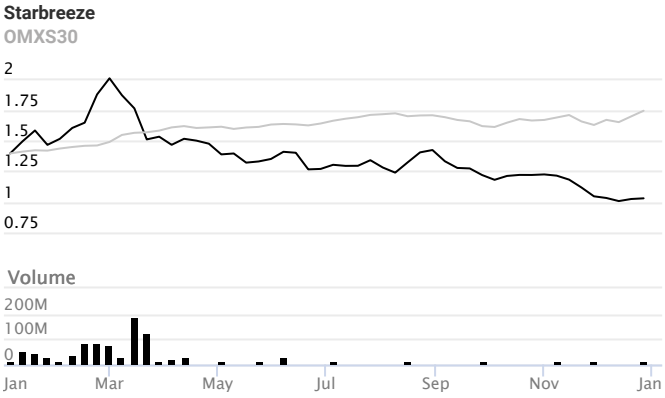
**Company page**
https://www.redeye.se/company/starbreeze

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Tobias Sjögren |
| **Chairman** | Torgny Hellström |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 1.0 |
| **Number of shares (M)** | 724.6 |
| **Market cap (MSEK)** | 714 |
| **Net debt (2022E, MSEK)** | -208 |

**Analyst**



Tomas Otterbeck
tomas.otterbeck@redeye.se

**Conflict of interests**

Tomas Otterbeck owns shares in Starbreeze: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 118 | 126 | 127 | 974 |
| *Growth* | *-57.9%* | *7.0%* | *0.5%* | *>100%* |
| EBITDA | 43 | 1 | 92 | 396 |
| *EBITDA margin* | *36.4%* | *1.4%* | *72.4%* | *40.7%* |
| EBIT | 4 | -50 | 38 | 339 |
| *EBIT margin* | *3.8%* | *Neg* | *30.2%* | *34.8%* |
| Pre-tax earnings | -130 | -90 | 46 | 339 |
| Net earnings | -130 | -93 | 46 | 339 |
| *Net margin* | *Neg* | *Neg* | *36.4%* | *34.8%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.19 | -0.13 | 0.06 | 0.47 |
| P/E adj. | -5.3 | -10.6 | 21.6 | 2.9 |
| EV/S | 7.2 | 7.2 | 6.2 | 0.6 |
| EV/EBITDA | 19.8 | 512.7 | 8.6 | 1.4 |

Last updated: 2021-11-24

| Owner | Equity | Votes |
|---|---|---|
| Swedbank Robur Fonder | 14.8% | 13.1% |
| Digital Bros | 12.0% | 28.9% |
| Första AP-fonden | 10.2% | 9.6% |
| Avanza Pension | 5.5% | 3.1% |
| Fjärde AP-fonden | 3.1% | 9.6% |
| Nordnet Pensionsförsäkring | 1.6% | 1.0% |
| Handelsbanken Fonder | 0.9% | 0.3% |
| Deka Investments | 0.8% | 0.3% |

## Company description

Starbreeze is an independent developer & creator of PC and console games targeting the global market, with studios in Stockholm, Barcelona and Paris. Housing the smash hit IP PAYDAY, Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers.

## Investment case

- Masters of "Game as a Service"
- Payday-brand Equals the Market Cap in Starbreeze
- Payday 3 Shapes the Future

**Masters of "Game as a Service"**
Payday 2 has generated net revenues of SEK 1.1 billion to Starbreeze in less than eight years. An interesting aspect is that Payday 2 brought in "only" SEK 120 million in net income during the initial period after launch (in this case four and a half months) which shows how well Starbreeze manages the business model "Game as a Service". Payday 2 has since release (2013) generated SEK 25-35 million on a quarterly basis.

**Payday-brand Equals the Market Cap in Starbreeze**
Payday 2 has over 7.5 million members on Steam and the number of members is still growing steadily. In the past year, the game has had 40-45,000 simultaneous daily players on average. Monthly active users are more than 1 million and generated revenue from the game is close to all-time highs "post-release". Currently, we believe the market cap of Starbreeze can be broadly equated with the value of the Payday brand.

**Payday 3 Shapes the Future**
Payday 3 will be released in 2023. Unlike its predecessor, it will be a multi-platform release which is expected to increase sales. Other significant drivers for higher sales are the brand's increased strength since 2013, a higher development and marketing budget, and a significantly larger gaming market. When all direct costs are taken, we expect Payday 3 to give a gross profit of approx. SEK 400 million in 2023. If Starbreeze manages to maintain high recurring revenue in the coming years after launch it will create significant shareholder value.

## Catalyst types

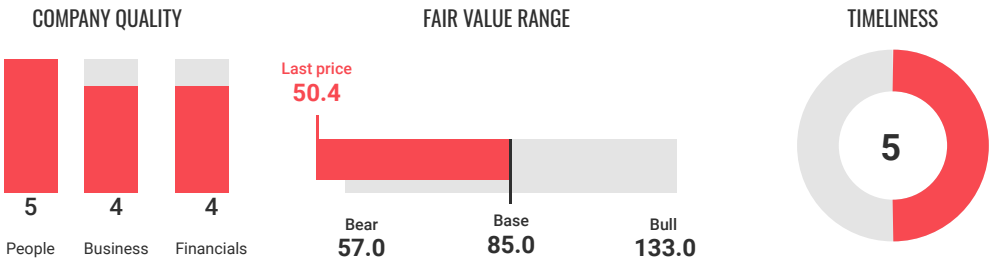
**The release of Payday 3 in 2023**
Payday 3 will be released on more platforms than PC already at release unlike its predecessor which is expected to increase sales. Other significant drivers for higher sales are the brand's increased strength since 2013, a higher development and marketing budget, and a significantly larger gaming market. When all direct costs are taken, we expect Payday 3 to give a gross profit of approx. SEK 400 million in 2023.

# Stillfront Group SF

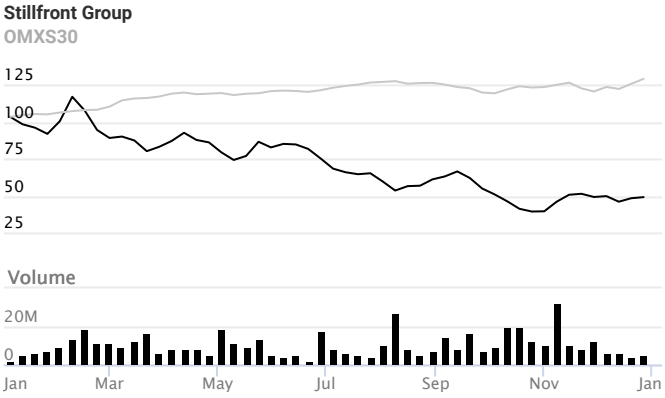
**Company page**
https://www.redeye.se/company/stillfront-group

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Jörgen Larsson |
| **Chairman** | Jan Samuelson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 50.4 |
| **Number of shares (M)** | 387.1 |
| **Market cap (MSEK)** | 19,512 |
| **Net debt (2022E, MSEK)** | 2,334 |

**Analyst**



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

**Conflict of interests**

Hjalmar Ahlberg owns shares in Stillfront Group: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 4,334 | 5,879 | 6,452 | 7,142 |
| *Growth* | *99.3%* | *35.6%* | *9.8%* | *10.7%* |
| EBITDA | 1,552 | 1,995 | 2,342 | 2,622 |
| *EBITDA margin* | *35.8%* | *33.9%* | *36.3%* | *36.7%* |
| EBIT | 992 | 1,073 | 1,378 | 1,630 |
| *EBIT margin* | *22.9%* | *18.3%* | *21.4%* | *22.8%* |
| Pre-tax earnings | 799 | 848 | 1,156 | 1,409 |
| Net earnings | 580 | 614 | 867 | 1,056 |
| *Net margin* | *13.4%* | *10.4%* | *13.4%* | *14.8%* |
| Dividend/Share | 1.67 | 1.71 | 2.42 | 2.95 |
| EPS adj. | 1.67 | 1.71 | 2.42 | 2.95 |
| P/E adj. | 59.7 | 48.0 | 34.0 | 27.9 |
| EV/S | 8.4 | 5.6 | 4.9 | 4.3 |
| EV/EBITDA | 23.5 | 16.5 | 13.6 | 11.7 |

Last updated: 2021-11-24

| Owner | Equity | Votes |
|---|---|---|
| Laureus Capital GmbH | 12.3% | 12.3% |
| Swedbank Robur Fonder | 10.3% | 10.3% |
| SEB Fonder | 7.8% | 7.8% |
| AMF Pension & Fonder | 5.1% | 5.1% |
| Handelsbanken Fonder | 5.1% | 5.1% |
| Första AP-fonden | 3.1% | 3.1% |
| Fidelity Investments (FMR) | 2.5% | 2.5% |
| Man Hay Tam | 1.6% | 1.6% |
| TIN Fonder | 1.3% | 1.3% |
| Avanza Pension | 1.3% | 1.3% |

## Company description

Stillfront is a leading free-to-play powerhouse that has grown substantially over the past years through acquisitions and organically. The majority of revenue is derived from mobile games coming from in-app purchases while a smaller part of revenue comes from advertising. The game portfolio is evenly split between strategy, RPG/simulation and casual games.

## Investment case

- Strong focus on diversified portfolio and return on investments
- Organic growth potential from existing and new titles
- Continued M&A opportunities

We believe Stillfront will continue to deliver profitable growth as the company focus on bringing low-risk titles to the market. The company has a strong focus on delivering strong and stable returns on marketing investments with a solid track record in live-ops management.

Stillfront has several growing titles in its game portfolio where there is untapped potential from geographic expansion as well as increased monetization including a low share of advertising revenue. The company also continues to add new products to its portfolio which together with underlying growth in the gaming market supports organic growth.

Stillfront is likely to continue its M&A journey going forward as the mobile gaming market is very fragmented. This is also important for diversification of the game portfolio as well as finding new growing titles which can be further accelerated from marketing and operational synergies within Stillfront.

## Catalyst types

**M&A growth**

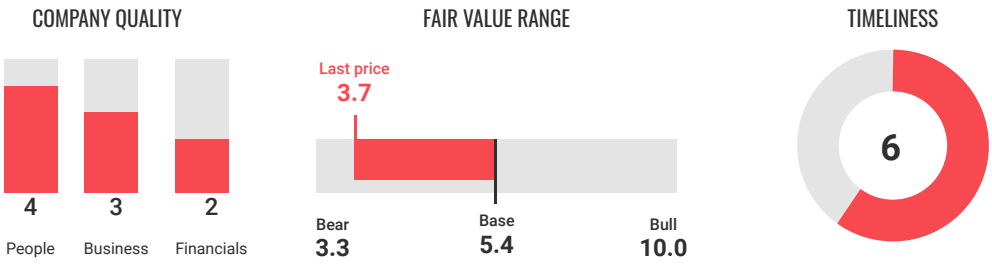
Stillfront is likely to continue to add inorganic growth with both small and large acquisitions with potential to create shareholder value.

# Strax STRAX

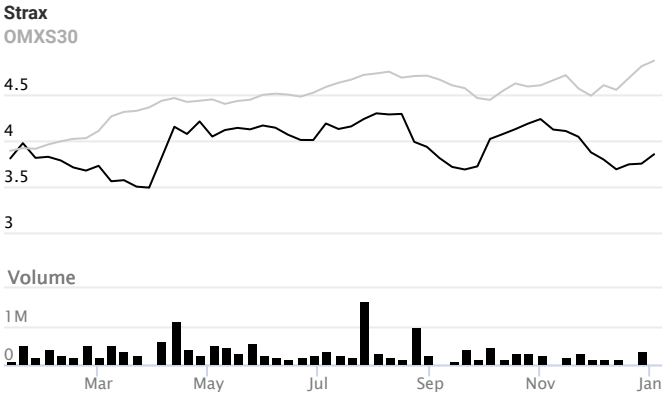
**Company page**
https://www.redeye.se/company/strax

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Gudmundur Palmason |
| **Chairman** | Bertil Villard |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 3.7 |
| **Number of shares (M)** | 120.6 |
| **Market cap (MSEK)** | 449 |
| **Net debt (2022E, MEUR)** | 63 |

**Analyst**



Jesper von Koch
jesper.vonkoch@redeye.se

**Conflict of interests**

Jesper von Koch owns shares in Strax: No

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

## Financials

| | | | Redeye Estimates | | |
|---|---|---|---|---|---|
| | **20/21** | **21/22E** | **22/23E** | **23/24E** | **24/25E** |
| Revenue, MEUR | 112 | 114 | 167 | 147 | 157 |
| *Growth* | *-0.2%* | *1.9%* | *47.0%* | *-12.1%* | *6.5%* |
| EBITDA | 8 | 5 | 12 | 15 | 16 |
| *EBITDA margin* | *7.5%* | *4.8%* | *7.5%* | *10.5%* | *10.7%* |
| EBIT | 6 | 3 | 10 | 13 | 14 |
| *EBIT margin* | *6.0%* | *2.7%* | *6.0%* | *8.9%* | *9.2%* |
| Pre-tax earnings | 0 | -1 | 3 | 6 | 7 |
| Net earnings | 0 | 0 | 2 | 5 | 6 |
| *Net margin* | *0.5%* | *Neg* | *1.7%* | *3.5%* | *4.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.00 | 0.00 | 0.02 | 0.04 | 0.05 |
| P/E adj. | 909.3 | N/A | N/A | N/A | N/A |
| EV/S | 4.8 | N/A | N/A | N/A | N/A |
| EV/EBITDA | 63.3 | N/A | N/A | N/A | N/A |

Last updated: 2022-01-06

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Clearstream Banking S.A. W8imy | 39.3% | 39.3% |
| Gudmundur Palmasson | 26.0% | 26.0% |
| Ingvi Tyr Tomasson | 25.9% | 25.9% |
| Per-Arne Åhlgren | 18.5% | 18.5% |
| JP Morgan Bank Luxembourg S.A. | 12.4% | 12.4% |
| Merril Lynch Int. | 5.4% | 5.4% |
| Ålandsbanken I Ägares Ställe | 5.2% | 5.2% |
| Anders Lönnqvist | 3.8% | 3.8% |
| Anchor Secondary 4 AS | 3.8% | 3.8% |
| Avanza Pension | 3.1% | 3.1% |

## Company description

Strax is one of Europe's largest specialized distributors in mobile accessories. Strax combines its distribution with proprietary brands, which is a unique strategy that provides Strax's own brands immediate exposure to a vast distribution network of 40 000 point of sales. It designs and sells mobile phone accessories, such as headphones, portable speakers, chargers, power banks, cases, covers, other protective gear, and more. Strax's distribution network has over 600 B2B partners Worldwide. It represents 40 of the largest global brands in mobile accessories and e.g. has distriution agreements with 50 telecom operators. The distribution network is a key advantage and barrier to entry. Distribution is a local business and hard to scale as the contract periods are usually ten years. The distribution gives Strax early leads of new trends, which is vital in the fashion-centric accessories indsutry. The high speed and constant need for finding the latest trends and adopting new solutions etc. is the main drawback of Strax's business, but the company has a solid track record in acquiring and growing brands. Urbanista and Gear4 e.g., grew sales by CAGR 54% and 45% to EUR 15m and 34m, respectively, during 2013-2018.

## Investment case

- Underestimated track record & business model
- Growth of own brands will expand margins
- Divestment of brands/parts to unlock value
- Migration to online could reduce margins

### Underestimated track record & business model

Strax has a proven track record in acquiring, managing, and growing brands. Urbanista and Gear4 e.g., grew sales by CAGR 54% and 45% to EUR 15m and 34m, respectively, during 2013-2018. We believe the distribution platform is a vital part that will allow for more successful own brands as they get immediate exposure to a vast distribution network of 40 000 points of sales. The stock market, however, seems to think that Urbanista and Gear4 are two-hit wonders.

### Growth of own brands will expand margins

For 2020, own brands accounted for 36% of total sales. The underlying gross margin for this part is roughly double that of distribution. We believe the faster growth from Strax's own brands will expand the group margin, as own brands become an increasingly larger part of total sales.

### Divestment of brands/parts to unlock value

The M&A landscape is very active and the valuation multiples in the transactions are generally high. Divesting some of its business, such as a brand, would thus likely unlock shareholder value.

### Counter thesis (Bear points)

**Failures in the processes of managing & growing brands**

Accessories are a fashion business where players have a constant need to invent and follow the latest trends. At the same time, it is hard to find unique brands with strong potential and acquire them at a reasonable price. Strax needs to follow all of these steps continuously. Strax could, in our view, sometimes slip in one of the areas, which could lead to a period of hampered growth and profitability.

**Migration to online**

We believe online retail is becoming more challenging and therefore expect acquisition costs to increase over time. However, there is still a need to migrate to more online sales. Thus, we see a risk for lower margins from online sales.

### Base Case at SEK 5.4

We value STRAX at SEK 5.4 per share, Bear Case at 3.3, and Bull Case at 10.0. The main difference between our cases comes from different expectations on growth for own brands.

## Catalyst types

**Rebound of physical sales after covid-lockdowns**

Covid-related lockdowns have put pressure on physical retail sales. Physical retail is very important for STRAX, both for sales and margins. As physical retail rebounds as societies re-open after the corona pandemic, we believe STRAX will report strong Y/Y growth with improved margins. We think, this will be the main driver for the shares going forward.

**Development or divestment of Urbanista**

Urbanista does represent a significant part of sales in the Brands segment. Its success (measured by sales scale-up) will play an important role in the company's success which will be reflected in the valuation of the company. However, we also believe a divestment of Urbanista could unlock more value than the market thinks.

**Brand acquisitions**

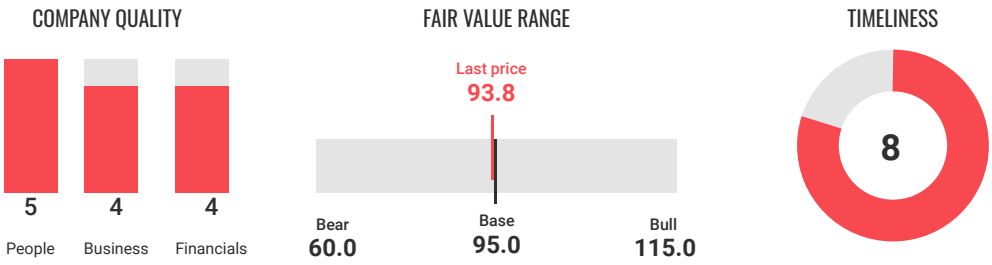
Strax targets one M&A transaction per year. Given the track record in growing acquired brands (e.g., Urbanista and Gear4), we believe coming M&A is a significant, positive catalyst for the stock.

# Systemair SYSR

**Company page**
https://www.redeye.se/company/systemair

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Roland Kasper |
| **Chairman** | Gerald Engström |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 93.8 |
| **Number of shares (M)** | 208.0 |
| **Market cap (MSEK)** | 19,510 |
| **Net debt (2022E, MSEK)** | 618 |

**Analyst**



Henrik Alveskog
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**Conflict of interests**

Henrik Alveskog owns shares in Systemair: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 8,519 | 9,276 | 9,995 | 10,750 |
| *Growth* | *-4.4%* | *8.9%* | *7.7%* | *7.6%* |
| EBITDA | 1,077 | 1,233 | 1,418 | 1,535 |
| *EBITDA margin* | *12.6%* | *13.3%* | *14.2%* | *14.3%* |
| EBIT | 677 | 863 | 1,039 | 1,172 |
| *EBIT margin* | *7.9%* | *9.3%* | *10.4%* | *10.9%* |
| Pre-tax earnings | 564 | 819 | 1,011 | 1,146 |
| Net earnings | 411 | 589 | 738 | 836 |
| *Net margin* | *4.8%* | *6.4%* | *7.4%* | *7.8%* |
| Dividend/Share | 0.75 | 0.80 | 0.90 | 1.21 |
| EPS adj. | 1.97 | 2.83 | 3.55 | 4.02 |
| P/E adj. | 32.4 | 134.8 | 107.6 | 95.0 |
| EV/S | 1.7 | 8.7 | 8.1 | 7.4 |
| EV/EBITDA | 13.6 | 65.8 | 56.8 | 52.1 |

Last updated: 2021-12-13

| Owner | Equity | Votes |
|---|---|---|
| Gerald Engström | 42.8% | 42.8% |
| ebm-papst AB | 10.7% | 10.7% |
| Swedbank Robur Fonder | 10.3% | 10.3% |
| Didner & Gerge Fonder | 4.7% | 4.7% |
| Nordea Fonder | 4.4% | 4.4% |
| Lannebo Fonder | 4.2% | 4.2% |
| Alecta Pensionsförsäkring | 4.0% | 4.0% |
| C WorldWide Asset Management | 2.7% | 2.7% |
| JP Morgan Bank Luxembourg S.A. | 2.7% | 2.7% |
| Handelsbanken Fonder | 2.2% | 2.2% |

## Company description

Systemair was founded in 1974 by Gerald Engstöm who is still the principal owner and since 2015 chairman of the board. The original product and business idea was a round duct fan that improved the air flow in ventilation systems. Since then, step by step, the company has added to their range and today Systemair probably has the most extensive offering in the European market. Availability and reliable deliveries are important key values. That means a broad range of standard products should always be ready for delivery. The products must be robust and easy to install and operate. Systemair is also a quality brand but they are not into tailor made solutions.

The group has some 20 production facilities in Europe, Asia and North America. More than 6 000 employees and subsidiaries in more than 40 countries on all continents. Head office is located in Skinnskatteberg, Sweden. The shares are listed on Nasdaq Nordic main market since year 2007.

## Investment case

- Good growth opportunities for the foreseeable future and a history of stable profitability make Systemair an interesting long term investment.
- Systemair's own target of 10% annual growth and 10% EBIT margin is not at all impossible to reach although our growth assumtions are a bit more conservative. If they reach these targets there is further potential for revaluation.
- For the moment we consider the valuation to be fairly reasonable. Currently, we do not see any major short-term catalysts.

Systemair is, and always has been, truly growth oriented. Since the early 1990's sales have increased in every year except 2009 (financial crisis) and 2020 (Covid pandemic). Its growth has certainly come partly from acquisitions, but organic growth has also been solid, on average around 6-7 percent over the past 10 years. Despite its expansion, which has sometimes involved the acquisition of unprofitable companies and entering into new markets, Systemair has never shown a full-year loss. Its profitability has naturally varied, but not by as much as most other expanding manufacturing companies.

For a few years, operating margin slipped down to around 6%, mainly because some of its new units have yet to show adequate profitability. Since 2019 margins have started to improve. During the company's historical profitability peaks in 2006-08, its margins were around 12-13% and Systemair is well placed to get there again. In its current corporate structure, the level of technology and the product mix is better than ever. If these margin gains are fully achieved, earnings will grow significantly in the coming years. However, some of this potential has probably already been factored in by the market today.

Even with more conservative assumtions of sustained profitability, the share is attractive thanks to the company's good groth prospects. The need for energy efficient ventilation is increasing in several parts of the world, even in northern Europe which is a mature market. The EU directive on energy savings in buildings plus requirements on the working environment are spurring a growing market for Systemair, which was an early investor in energy-efficient solutions. In the longer term, however, the major growth will certainly come from regions outside of Europe. In several of these (Eastern Europe, the Middle East and parts of Latin America), Systemair has already established strong positions. The stock has something of a premium valuation, which is also well deserved, partly thanks to historical strong growth and stable profits, but also because of the good long-term growth prospects for the ventilation industry and Systemair's strong market position.

**Bear points:**

- Regarding some of its largest acquisitions, the Airwell companies in Italy and France and Menerega, Systemair under estimated the challenges of restoring profitability. Regarding these companies there is still a risk for setbacks.
- The company's is focused on reaching the 10% EBIT margin target. If we don't see further progress this ambition will be questioned.

## Catalyst types

**Progress towards the 10% EBIT margin target**

Lately management is showing a stronger comittment to reach the margin target of 10 percent on EBIT level. Further progress on this path would be a significant catalyst for revaluation.

**Turn around in the under performers**

A few units within the group are loss making or at least performing poorly. These are primarily the AC companies in France and Italy and the subsidiary Menerga. All of these should be able to reach double digit margins which would drive group EBIT margins towards their own target of 10 per cent.

**Major acquisitions**

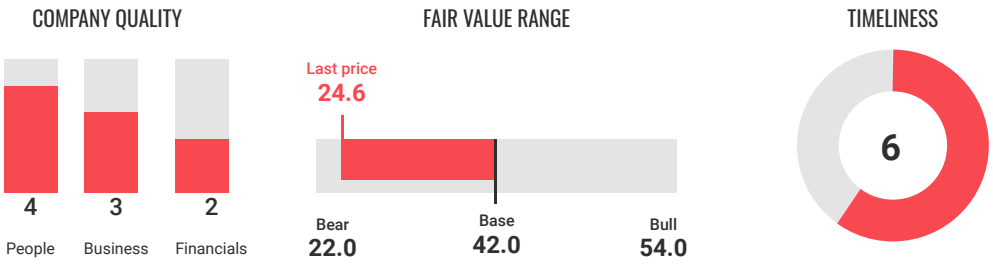
Systemair acquires a number of smaller companies as a natural part of their expansion strategy. If they were to buy something more substantial (annual sales > SEK 300 m) it would call for some attention. Most likely they are able to buy these companies at lower multiples than their own.

# TagMaster TAGM B

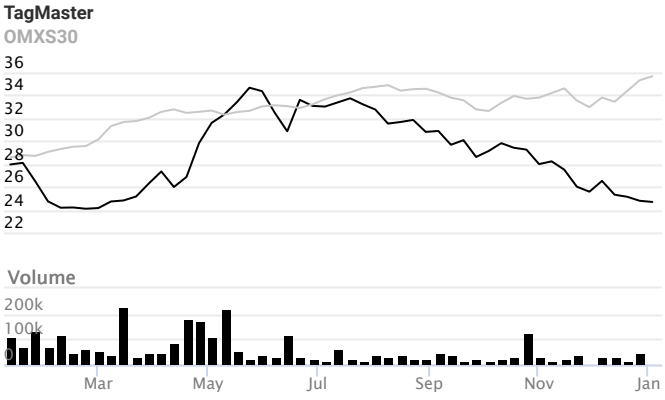
**Company page**
https://www.redeye.se/company/tagmaster

**Publication date**
January 12 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Jonas Svensson |
| **Chairman** | Bernt Ingman |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 24.6 |
| **Number of shares (M)** | 14.6 |
| **Market cap (MSEK)** | 360 |
| **Net debt (2022E, MSEK)** | -48 |

**Analyst**



Mats Hyttinge
mats.hyttinge@redeye.se

**Conflict of interests**

Mats Hyttinge owns shares in TagMaster: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 286 | 340 | 421 | 482 |
| *Growth* | *8.9%* | *18.6%* | *24.0%* | *14.3%* |
| EBITDA | 8 | 40 | 54 | 74 |
| *EBITDA margin* | *2.9%* | *11.9%* | *13.0%* | *15.5%* |
| EBIT | -14 | 16 | 30 | 53 |
| *EBIT margin* | *Neg* | *5.0%* | *7.3%* | *11.1%* |
| Pre-tax earnings | -18 | 15 | 28 | 52 |
| Net earnings | -20 | 14 | 23 | 41 |
| *Net margin* | *Neg* | *4.3%* | *5.5%* | *8.7%* |
| Dividend/Share | 0.04 | 0.05 | 0.05 | 0.05 |
| EPS adj. | -0.06 | 0.99 | 1.57 | 2.85 |
| P/E adj. | -444.4 | 30.4 | 19.1 | 10.5 |
| EV/S | 31.6 | 1.3 | 0.9 | 0.7 |
| EV/EBITDA | 1,081.0 | 10.8 | 7.1 | 4.7 |

Last updated: 2021-10-27

| Owner | Equity | Votes |
|---|---|---|
| Ålandsbanken AB | 15.2% | 15.2% |
| Gert Sviberg med bolag | 13.7% | 13.7% |
| Ribbskottet | 12.2% | 12.2% |
| Societe Generale Nantes | 11.9% | 11.9% |
| Eiffel Investment Group SAS | 11.9% | 11.9% |
| Tomas Brunberg inklusive bolag | 10.1% | 10.1% |
| Didrik Hamilton | 6.9% | 6.9% |
| Skandinaviska Enskilda Banken S.A | 3.9% | 3.9% |
| Nordic Cross Asset Management | 3.8% | 3.8% |
| Mikael Aronowitsch | 3.3% | 3.3% |

## Company description

TagMaster is a provider of identification technology and data systems for Intelligent Transport Systems and Smart Cities. Its value proposition is to offer solutions with outstanding performance that meet demanding customer needs and are easy to use.

The company's two segments, Traffic Solutions and Rail Solutions, sell across much of the world. The US and EMEA are the largest markets. It primarily makes sales via system integrators, with TagMaster's contribution often a small but crucial component of the offering.

TagMaster embarked on an acquisition-driven growth strategy in 2015. M&A is scaling up sales and expanding the technology portfolio, especially with the large acquisition of the US company Sensys Networks in 2019.

## Investment case

- Promising M&A strategy
- Credible leadership
- Strong underlying market drivers

**Strong underlying market drivers**

TagMaster offers solutions for intelligent transport systems (ITS), which is a market that is driven by several megatrends. Urbanization, digitalization, sustainability, and security are the underlying drivers that support strong market growth. With TagMaster's well-rounded product offering that includes ANPR, RFID, magnetic and radar technology, we believe that TagMaster is in an excellent position to both grow with the market as well as increasing its market share. This should translate into a growth of around 8-15% annually over an extended period for the company.

**Promising M&A strategy**

After initially focusing on turnaround targets, TagMaster is now able to acquire larger and better companies. The group operates in fragmented markets underpinned by structural forces, which offers attractive opportunities for consolidation and organic growth. Acquisition prices are higher for larger and better companies, but an increasing market share, benefits of scale, and additional cross-selling should lift TagMaster's profitability and valuation.

**Credible leadership**

There are risks with M&A, but we argue that investors are overlooking the firm's deep acquisition expertise. The strategic roadmap is driven by board members from successful M&A organizations like Securitas and ASSA ABLOY. The keys to those organizations' value-adding acquisitions were freedom with responsibility, keeping the right people, and monthly financial follow-ups. In our view, TagMaster's leadership demonstrates a cost-conscious mindset, transparent communication, and genuine long-term commitment. This has taken the firm to a promising position in its niche and supports our conviction going forward. TagMaster also has a solid ownership structure with long holding periods, which is another positive factor in the case.

### Counter Thesis

Below we consider the most relevant risks and uncertainties in the case.

**Integrating acquisitions**

Takeovers are an essential component of TagMaster's growth. Although the company's acquisitions have been successful over the past years, it remains challenging to realize synergies, restructure organizations and combine cultures. Accordingly, failure to integrate acquisitions, overpaying, or underperforming targets could hurt TagMaster. However, we believe the company's acquisition skills and long-term perspective limit the downside risk.

**Margins under pressure**

The firm's ambition is to address the upper market segment, but competition is still fierce in the Traffic unit. Barriers to entering are relatively low, which increases the need for innovation and puts pressure on margins. Commoditization, new technologies, or low-cost producers could hurt TagMaster's business. It also depends on system integrators, has considerable hardware exposure and low recurring revenues. We still believe R&D abilities, reliable brands, and high-quality solutions will keep its offering competitive and attractive for clients.

**Struggling to differentiate**

Diversification is recommended, to a certain extent. TagMaster works in two business segments and several application areas. It has a broad portfolio of technologies, products and solutions. The company is also adding brands, technologies and businesses through acquisitions. Too broad an offering could make TagMaster more complex and, in turn, less attractive for investors.

**Additional capital needs**

Despite its positive cash flow, TagMaster's acquisition-driven growth requires external funding. In 2015, 2017, and 2019 it has issued new shares to buy companies. As a result, uncertainty over dilution will potentially affect the stock. On the other hand, TagMaster is profitable, has relatively low debt and a solid ownership structure that may ensure additional capital needs.

## Catalyst types

**Improving fundamental performance**

TagMaster is integrating its large US acquisition, and we view the outlook as promising for gradually enhanced organic growth and higher profitability in 2021 and beyond. We argue that fundamental improvements should improve market perception and raise the valuation multiples.

**Substantial order flow**

Several large orders would strengthen investors' confidence in TagMaster's organic growth. Potential boosts are large-scale rollouts in Sensys Networks, ANPR systems or Rail Solutions.

**Value-adding acquisitions**

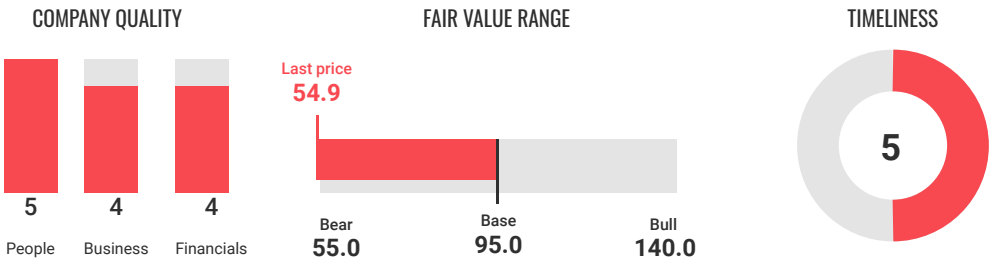
M&A should not surprise investors, as TagMaster's acquisition-driven growth strategy is clearly communicated. Even so, it proves the strategy. In a longer perspective, we argue that investors underestimate TagMaster's ability to buy and integrate value-adding firms.

# Thunderful Group THUNDR

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

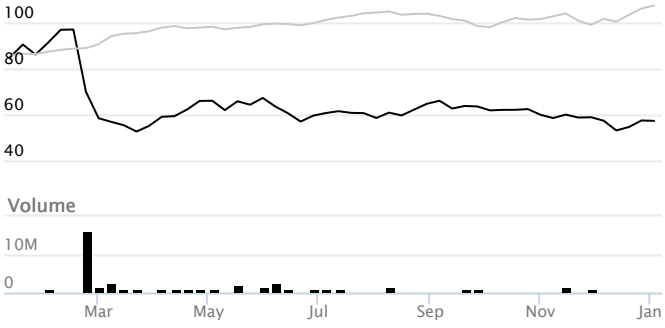
**Publication date**
January 11 2022

## Redeye Rating




## Snapshot

**Thunderful Group**
OMXS30




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Brjann Sigurgeirsson |
| **Chairman** | Mats Lönnqvist |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 54.9 |
| **Number of shares (M)** | 70.2 |
| **Market cap (MSEK)** | 3,855 |
| **Net debt (2022E, MSEK)** | -461 |

**Analyst**



Danesh Zare
danesh.zare@redeye.se

**Conflict of interests**

Danesh Zare owns shares in Thunderful Group: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 3,082 | 2,921 | 3,414 | 3,425 |
| *Growth* | *45.6%* | *-5.2%* | *16.9%* | *0.3%* |
| EBITDA | 277 | 386 | 486 | 525 |
| *EBITDA margin* | *9.0%* | *13.2%* | *14.2%* | *15.4%* |
| EBIT | 215 | 274 | 388 | 420 |
| *EBIT margin* | *7.0%* | *9.4%* | *11.4%* | *12.3%* |
| Pre-tax earnings | 173 | 244 | 388 | 420 |
| Net earnings | 137 | 208 | 307 | 332 |
| *Net margin* | *6.6%* | *7.6%* | *9.0%* | *9.7%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 3.91 | 3.26 | 4.45 | 4.82 |
| P/E adj. | 20.7 | 17.8 | 13.0 | 12.0 |
| EV/S | 1.7 | 1.3 | 1.0 | 0.9 |
| EV/EBITDA | 18.9 | 10.0 | 7.3 | 6.1 |

Last updated: 2021-11-24

| Owner | Equity | Votes |
|---|---|---|
| Bergsala Holding AB | 24.5% | 24.5% |
| Swedbank Robur Fonder | 8.2% | 8.2% |
| Brjann Sigurgeirsson | 6.2% | 6.2% |
| Klaus Lyngeled | 6.1% | 6.1% |
| UBS Switzerland AG | 4.7% | 4.7% |
| Knutsson Holdings AB | 3.2% | 3.2% |
| Tudor Investment Corp | 2.9% | 2.9% |
| Cbldn-Op Custody LTD Clt | 2.1% | 2.1% |
| Naventi Fonder | 2.1% | 2.1% |
| Consensus Asset Management | 1.9% | 1.9% |

## Company description

Thunderful Group (“Thunderful,” “The company” or the group”) was formed in 2019 after the corporate groups Bergsala and Thunderful were consolidated to create a strong player in the market regarding the distribution of Nintendo products games, gaming accessories, and toys. Thunderful Group today consists of two business segments, namely Thunderful Games (“Games”) and Thunderful Distribution (“Distribution”). In 2020, the business had sales of SEK 3082m (2116.4), a growth of 46% compared to 2019, and generated an operating profit of SEK 215m, corresponding to an operating margin of 7.1%. The company has a market capitalization of approximately SEK 4,000m.

Thunderful Group's revenue streams are well-diversified through its two business segments. The distribution segment accounted for 95% of sales, 82% of EBIT, and 80% EBITDA in 2020, while Games accounted for the remaining share.

## Investment case

- A company in an attractive transformation
- High quality at low risk
- A great journey for a small company

**A company in an attractive transformation**

We anticipate that this core will grow significantly in the coming years, both organically and through acquisitions. As an increasing part of the income and, above all, the profitability consists of its gaming studios, the attractiveness of the share will increase among investors according to our assessment. At present, we believe that the quality level in the group's game development is very high, something that the ratings from game critics and players are proof of.

**A great journey for a small company**

Thunderful Group is expected to grow even faster with the help of acquisitions. Assuming that Thunderful uses shares as half of the purchase, as the latest major acquisition, the total acquisitions amount to double, SEK 2.3 billion according to our calculations. The total multiple arbitrages the company can make in the short term is thus significant. Given our trust in management, these acquisitions should create even greater shareholder value in the longer term.

**High quality at low risk**

The two games already announced in their pipeline are "The Gunk" and "Lost in Random" (both will be released in the second half of 2021) and are Thunderful's most ambitious game project to date with a budget thereafter. Microsoft and EA pay all development costs for these two games, which means that the games already have a healthy margin before release. We expect that these games will put Thunderful on the map from a much larger international perspective.

## Catalyst types

**Investments into Games begin to bear fruit**

Upcoming game launches have a high degree of optionality, accelerating the margin mix we already have forecasted. The growing games portfolio increases the likelihood of a big hit. The Company is investing in larger games as well as increasing the number of games in its portfolio. Currently, Thunderful has 14 internally developed games in its portfolio and 29 externally developed games.

**M&A — could add 29–57% to 2021E EBITA per share**

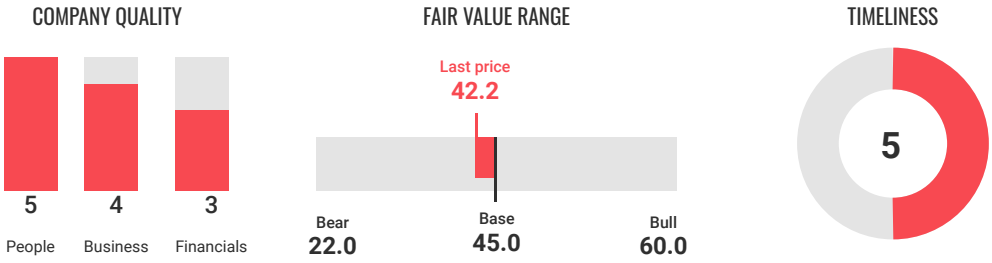
We estimate that Thunderfuls M&A firepower could amount up to SEK 2300m and that Thunderful aims to acquire companies within the Games segment. Our estimates indicate that the Company can add ~120-290m to 2021E EBITA.

# Transtema TRANS

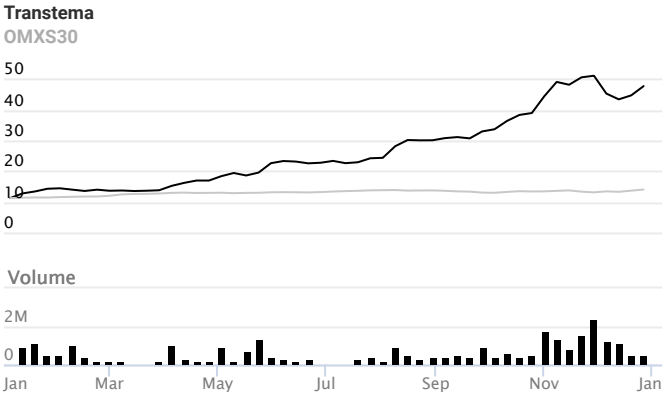
**Company page**
https://www.redeye.se/company/transtema

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | NASDAQ Stockholm |
| **CEO** | Magnus Johansson |
| **Chairman** | Göran Nordlund |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 42.2 |
| **Number of shares (M)** | 38.4 |
| **Market cap (MSEK)** | 1,619 |
| **Net debt (2022E, MSEK)** | -233 |

**Analyst**



Fredrik Nilsson
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**Conflict of interests**

Fredrik Nilsson owns shares in Transtema: No

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 1,405 | 1,687 | 1,757 | 1,809 |
| *Growth* | *-6.2%* | *20.1%* | *4.2%* | *3.0%* |
| EBITDA | 118 | 205 | 206 | 212 |
| *EBITDA margin* | *8.4%* | *12.2%* | *11.8%* | *11.7%* |
| EBIT | 16 | 125 | 123 | 129 |
| *EBIT margin* | *1.2%* | *7.4%* | *7.0%* | *7.1%* |
| Pre-tax earnings | 7 | 115 | 115 | 121 |
| Net earnings | 3 | 89 | 90 | 94 |
| *Net margin* | *0.3%* | *5.3%* | *5.1%* | *5.2%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.10 | 2.34 | 2.36 | 2.47 |
| P/E adj. | 2,834.9 | N/A | N/A | N/A |
| EV/S | 7.8 | N/A | N/A | N/A |
| EV/EBITDA | 92.8 | N/A | N/A | N/A |

Last updated: 2021-11-12

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Magnus Johansson | 25.2% | 25.2% |
| Göran Nordlund | 9.7% | 9.7% |
| Efg Bank / Geneva | 8.4% | 8.4% |
| Jonas Nordlund | 8.4% | 8.4% |
| Nordnet Pensionsförsäkring | 6.8% | 6.8% |
| Per Anders Bendt | 4.3% | 4.3% |
| Avanza Pension | 3.5% | 3.5% |
| Sune Tholin | 3.2% | 3.2% |
| Jovitech Invest AB | 3.0% | 3.0% |
| Carlsson Eriksson Holding AB | 2.7% | 2.7% |

## Company description

Transtema is a Gothenburg-based company founded in 1997. The company is involved in communication infrastructure and offers design, construction, operations, and maintenance, and is thus involved in the whole value chain. Transtema is listed on the First North Growth Market and plans a listing on Nasdaq Stockholm's main market – Small-Cap in H2 2021. In 2020, Transtema had sales of SEK 1405m and an EBITA of 42m, corresponding to an EBITA margin of 3.0%.

The company is recognized as one of the market leaders in field service and communication networks with a clear strategy - "Makes the net work". With two Network Operating Centers (NOC:s), the ~900 technicians can reach the entire Swedish population within 60 minutes 24/7. This extensive geographical coverage and established organization make the group competitive in signing large deals.

## Investment case

- Transtema 2.0
- Scale Advantages
- Demand for Availability and Reliability

### Transtema 2.0

Following a few years with frequent acquisitions and focus mainly on Fiber-To-The-Home (FTTH) construction which ended badly, Transtema has reshaped its business, concentrating on the stable operations and maintenance market. Recent country-wide contracts with Telia and 3GIS, combined with impressive margin development in the last three quarters, indicate that the renewed strategy is a success. In addition to so far generating solid profits, the new focus has several advantages. ~70% of Transtema's revenues are recurring and, thus, independent of investments in new FTTH/B, which significantly increases the predictability and duration of its revenues. In the mean time, Transtema has improved its working capital substantially, now hitting negative net levels. We believe the market has not yet fully priced in Transtema's transformation to a stable and profitable company.

### Scale Advantages

While Transtema is a personnel-dependent service business without substantial intangible assets, we believe the company has durable competitive advantages. Considering the importance of reliable communication networks and the limited acceptance for downtime, reaching all populated Sweden fast is vital – especially for large country-wide contracts.

Established in 85 locations and with ~900 technicians, Transtema reaches all populated Sweden in an hour. Establishing a similar organization is a substantial investment and a significant deal, like Transtema's Telia and 3GIS (Telenor and 3) deals, is probably necessary to justify running operations in all of Sweden. Thus, we believe market characteristics limit the risk of new players entering the market, which should support Transtema's long-term profitability.

Also, we believe Transtema's nationwide organization can handle increasing volumes at limited cost increases, paving the way for higher margins if signing new substantial deals.

### Demand for Availability and Reliability

Several structural trends, like digital health services, autonomous driving, the internet of things, and decentralized working, are driving demand for increased availability and reliability of communication networks. The acceptance for downtime is gradually decreasing as internet access is becoming increasingly vital for consumers and businesses alike and, going forward, unacceptable in some cases. We believe Transtema's services' rising importance will drive growth and reduce price pressure, as we assume network owners favor quality and comprehensive Service Level Agreements (SLA).

## Catalyst types

**Preserve the Improvement**

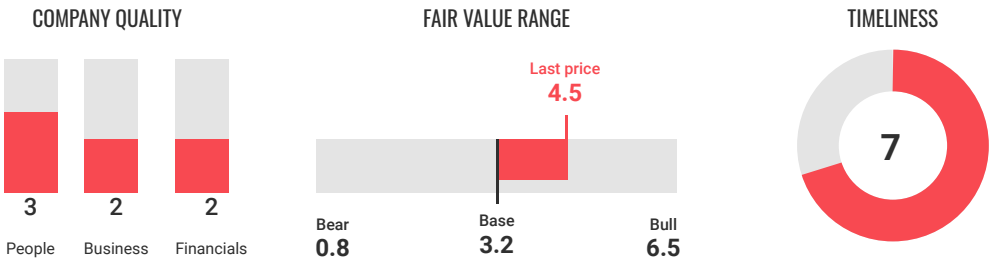
Transtema has improved its EBITA margin significantly, with several consecutive quarters outnumbering the company's margin target of >5% EBITA. The organic growth has also picked up following several major orders, and the growth is set to continue in 2021. We believe there is a high likelihood Transtema will preserve the recent operational improvements, and we believe solid performance will attract investors' attention.

# Urb-it URBIT

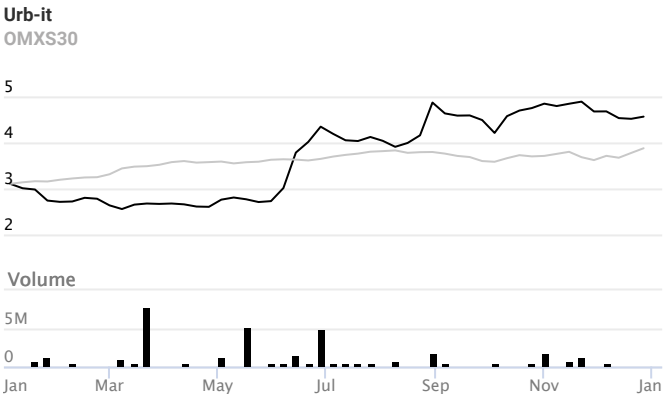
**Company page**
https://www.redeye.se/company/urb-it

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Kevin Kviblad |
| **Chairman** | Lage Jonason |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 4.5 |
| **Number of shares (M)** | 234.5 |
| **Market cap (MSEK)** | 1,055 |
| **Net debt (2022E, MSEK)** | -138 |

**Analyst**



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

**Conflict of interests**

Mattias Ehrenborg owns shares in Urb-it: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 13 | 34 | 102 | 230 |
| *Growth* | *>100%* | *>100%* | *>100%* | *>100%* |
| EBITDA | -44 | -66 | -43 | 13 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *5.7%* |
| EBIT | -57 | -77 | -52 | 9 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *3.7%* |
| Pre-tax earnings | -65 | -77 | -52 | 9 |
| Net earnings | -65 | -77 | -52 | 9 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *3.7%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.33 | -0.33 | -0.22 | 0.04 |
| P/E adj. | -8.3 | -14.3 | -21.3 | 128.5 |
| EV/S | 35.8 | 27.2 | 9.4 | 4.1 |
| EV/EBITDA | -10.2 | -13.9 | -22.5 | 73.3 |

Last updated: 2021-12-06

| Owner | Equity | Votes |
|---|---|---|
| Lage Jonason | 39.9% | 39.9% |
| Gerald Engström | 7.4% | 7.4% |
| Astrid Jonason | 7.3% | 7.3% |
| Erik Mitteregger | 6.5% | 6.5% |
| Fjärde AP-fonden | 6.4% | 6.4% |
| Consensus Asset Management | 5.2% | 5.2% |
| Swedbank Robur Fonder | 3.6% | 3.6% |
| Adrigo Asset Management | 3.3% | 3.3% |
| Ålandsbanken I Ägares Ställe | 2.5% | 2.5% |
| Handelsbanken Fonder | 2.0% | 2.0% |

## Company description

Urb-it provides green and sustainable last-mile deliveries in urban areas for carriers and/or retailers. The deliveries are made from hub-to-end-consumer or store-to-end-consumer – performed by Urb-it's delivery assistants (independent contractors), taking place either by cargo bike, bike, or foot. Urb-it's main markets are France and the UK.

## Investment case

- Above-average KPIs – improves economic value add
- Value proposition is gaining traction - paving the way for further sales ramp-up
- Huge market potential coupled with strong market trends

### Above-average KPIs – improves economic value add

We consider Urb-it to be in an exciting position in a complex and growing market. Last-mile deliveries account for 40-50% of total costs in the supply chain, due to its complexity. Furthermore, end-consumers demand more and more from their last mile-delivery operators, as deliveries are expected to be fast, flexible, and sustainable. Urb-it ticks all these 3 boxes whilst reporting well-above industry average KPIs, when comparing to Trustpilot ratings of its competitors. Urb-it allows its customers to increase their end-consumer satisfaction (4.91/5), and improve first attempt delivery success rate (99%) – whilst doing CO2-free deliveries. All in all, these factors prove to be very valuable for customers as they increase end-consumer spending and loyalty.

### Value proposition is gaining traction - paving the way for further sales ramp-up

Urb-it has since 2020 signed partnerships with giants DHL and La Poste in France, that have a total market share of 70-80% in the French market. The partnerships are a result of successful pilots, which have been expanded into new regions, as Urb-it is now doing deliveries in Paris and Strasbourg. While Urb-it is typically guaranteed a range of parcel volumes per month, we see a great likelihood of increasing volumes per hub and also expansion into other regions as time proceeds. Furthermore, we believe these partnerships verify Urb-it's business model, and offering, towards customers, whilst it also allows greater volumes.

### Huge market potential coupled with strong market trends

The last-mile delivery market in France and the UK is worth several EUR bn and has shown solid double-digit growth in recent years due to increasing e-commerce penetration and changing consumer habits, further spurred by covid-19. Furthermore, there are several trends for different market participants relevant to Urb-it, such as local authorities, carriers, and retailers who all seek to increase the share of green and sustainable deliveries whilst promoting end-consumer satisfaction.

## Catalyst types

**Additional partnerships with retailers**

We view additional partnerships with both carriers and retailers to be catalysts in the near term, as it will provide a foundation to drive delivery volumes, sales, and margins.

**Expansion into new geographies**

We believe new expansions into new geographies (cities in the near-term and countries in the long-term) to be catalysts in the near term as it will both increase parcel deliveries per day but also the likelihood of attracting new partnerships.

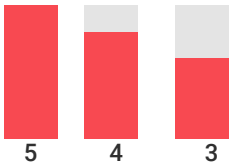
# Vertiseit VERT B

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

**Publication date**
January 10 2022

## Redeye Rating

COMPANY QUALITY




People Business Financials

FAIR VALUE RANGE




Bear **26.0** Base **42.0** Bull **56.0**

TIMELINESS




## Snapshot

**Vertiseit**
OMXS30




Volume




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Johan Lind |
| **Chairman** | Vilhelm Schottenius |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 43.6 |
| **Number of shares (M)** | 18.6 |
| **Market cap (MSEK)** | 809 |
| **Net debt (2022E, MSEK)** | -13 |

**Analyst**



Fredrik Nilsson
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**Conflict of interests**

Fredrik Nilsson owns shares in Vertiseit: Yes

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 77 | 127 | 184 | 225 |
| *Growth* | *-7.9%* | *65.3%* | *45.2%* | *22.2%* |
| EBITDA | 11 | 12 | 22 | 43 |
| *EBITDA margin* | *15.4%* | *9.7%* | *12.2%* | *19.2%* |
| EBIT | 6 | 3 | 13 | 33 |
| *EBIT margin* | *9.0%* | *2.5%* | *7.1%* | *14.8%* |
| Pre-tax earnings | 6 | 1 | 11 | 31 |
| Net earnings | 6 | 1 | 8 | 24 |
| *Net margin* | *7.9%* | *1.2%* | *4.7%* | *10.9%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.47 | 0.10 | 0.60 | 1.70 |
| P/E adj. | 31.6 | N/A | N/A | N/A |
| EV/S | 2.2 | N/A | N/A | N/A |
| EV/EBITDA | 14.4 | N/A | N/A | N/A |

Last updated: 2021-11-03

| Owner | Equity | Votes |
|---|---|---|
| Johan Lind | 15.1% | 21.5% |
| Adrian Nelje | 13.9% | 21.1% |
| (Rbi), Raiffeisen Bank International AG | 11.3% | 4.2% |
| Telion Og | 11.3% | 4.2% |
| Schottenius Gruppen | 10.8% | 13.8% |
| Oskar Edespong | 8.4% | 11.1% |
| Jonas Lagerqvist med bolag | 7.6% | 9.1% |
| Jan Kjellman med familj | 5.5% | 8.3% |
| Nordea Liv & Pension | 3.0% | 1.1% |
| Avanza Pension | 2.2% | 0.8% |

## 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

- Platform First
- From Integrator to SaaS
- Low market penetration

### Platform First

Following the acquisition of Grassfish and Vertiseit embracing Grassfish's so-called ISV+ (Independent software vendor) strategy outside of Sweden, Vertseit is all in on the platform first strategy. Management believes Digital In-store software will head the same way as other software verticals like ERP, CRM, and PIM, where customers generally first choose a platform then the integrator, resulting in one or a few leading global platforms. Vertiseit is currently the number one digital signage platform in the DACH region and among the top five Digital In-store platforms globally. By 2026, Vertiseit aims to become the leading global Digital In-store platform. While having most of its business in the Nordics and DACH, Vertiseit has a global footprint today, including a global deal with BMW of over 8 000 touchpoints.

Interestingly, Vertiseit's main competitors generally stick to the currently dominating Technical Service Integrator (TSI) strategy, offering in-house software, consulting, and installations (like Vertiseit in Sweden). Thus, Vertiseit's platform first strategy is unique in its space. Given that Digital In-store will imitate other software verticals, which as least, in the long run, seems reasonable, we believe Vertiseit is in pole position. While Digital In-store software is a small niche, it is a significant market from Vertiseit's perspective on a European or even global scale.

### From Integrator to SaaS

Before the acquisition of Grassfish, Vertiseit's sales mix was about 50% hardware, 35% SaaS, and 15% consulting. With Grassfish and the new ISV+ strategy, we expect Vertseit to gain a more attractive sales mix gradually, with >50% SaaS, ~25% consulting, and <25% hardware. We believe this change in sales mix will change investors' perception of Vertiseit, as it will resemble a consulting-heavy SaaS company rather than an integrator with some SaaS revenues. We believe such a change in perception would trigger a revaluation of Vertiseit, considering the valuation of the consulting-heavy, generally successful SaaS businesses listed in Sweden.

### 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 Vertiseit 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 implementing 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.

### The Big Four Remains in Charge

The Big Four, ZetaDisplay, Trison, Stratacache, and M-Cube, are all generally favoring a Technical Service Integrator (TSI) strategy, offering in-house software, consulting, and installations. This model is dominating today and might continue to do so, which contradicts Vertiseit's vision of one leading platform. However, Trison focuses on integration, working together with Grassfish and its platform in the BMW project. Although, we do not expect the other Big Four to mimic Trison's platform-agnostic approach.

## Catalyst types

**Continued growth in recurring revenues**

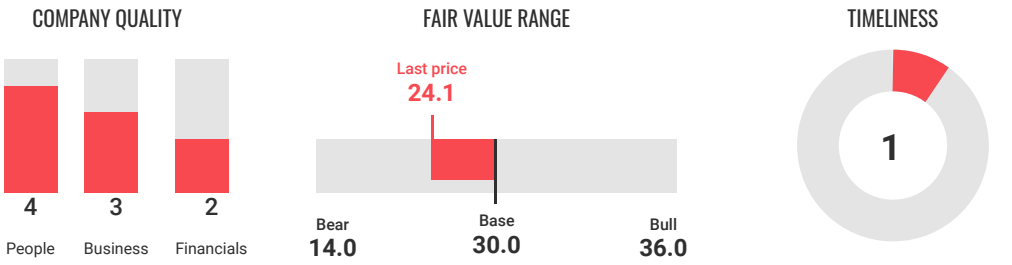
The recurring SaaS revenues, with gross margins of 90-95%, is the key to increase Vertiseit’s profits. If Vertiseit can continue to grow its SaaS revenues at a steady pace – which we find likely – margins and profits will gradually increase. While Vertiseit never becomes a pure SaaS business, we believe that the market will reward the company with higher multiples as the SaaS revenue grows.

# Waystream Holding WAYS

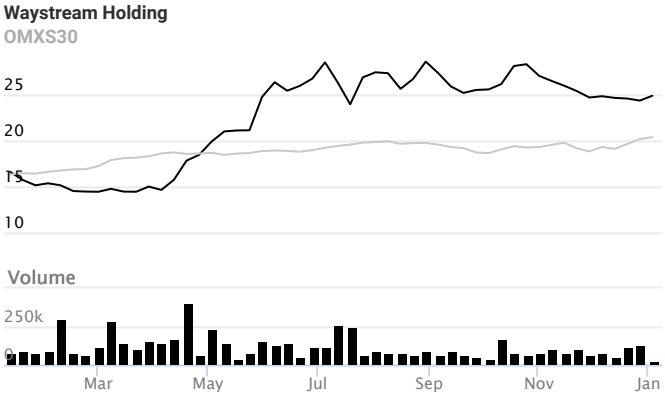
**Company page**
https://www.redeye.se/company/waystream-holding

**Publication date**
January 12 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Fredrik Lundberg |
| **Chairman** | Matthias Trygg |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 24.1 |
| **Number of shares (M)** | 8.1 |
| **Market cap (MSEK)** | 194 |
| **Net debt (2022E, MSEK)** | -51 |

**Analyst**



Mats Hyttinge
mats.hyttinge@redeye.se

**Conflict of interests**

Mats Hyttinge owns shares in Waystream Holding: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 90 | 100 | 120 | 139 |
| *Growth* | *21.2%* | *11.3%* | *19.5%* | *15.9%* |
| EBITDA | 20 | 26 | 27 | 30 |
| *EBITDA margin* | *23.3%* | *25.9%* | *23.2%* | *22.0%* |
| EBIT | 15 | 19 | 22 | 24 |
| *EBIT margin* | *16.8%* | *19.8%* | *18.4%* | *17.8%* |
| Pre-tax earnings | 15 | 19 | 22 | 25 |
| Net earnings | 11 | 15 | 17 | 20 |
| *Net margin* | *12.9%* | *15.6%* | *15.0%* | *14.7%* |
| Dividend/Share | 0.02 | 0.02 | 0.02 | 0.02 |
| EPS adj. | 1.45 | 1.94 | 2.23 | 2.53 |
| P/E adj. | 12.5 | 13.0 | 11.3 | 10.0 |
| EV/S | 1.6 | 1.7 | 1.3 | 0.9 |
| EV/EBITDA | 6.7 | 6.7 | 5.5 | 4.2 |

Last updated: 2021-10-15

| Owner | Equity | Votes |
|---|---|---|
| Robert Idegren Holding AB | 17.4% | 17.4% |
| Severin Invest AB | 11.3% | 11.3% |
| Nordnet Pensionsförsäkring | 11.0% | 11.0% |
| Avanza Pension | 8.5% | 8.5% |
| Dahltec AB | 4.9% | 4.9% |
| Mh Köhler Invest AB | 4.1% | 4.1% |
| Thomas Wernhoff | 3.1% | 3.1% |
| Ibkr Financial Services AG | 3.0% | 3.0% |
| Johnny Hedlund | 2.2% | 2.2% |
| Djupedalinvest AB | 1.5% | 1.5% |

## Company description

Waystream is a Swedish company that sells software-based switches and routers for broadband infrastructure via fiber. The company's CEO since mid 2021 is Fredrik Lundberg which has been a board member for a while. Customers can be city networks, service providers, energy companies, operators, and other organizations that build, install, and operate networks. Waystream has been listed on NASDAQ First North. Waystream is headquartered in Kista, Stockholm, and has a subsidiary in Shanghai focusing on research and development.

Net sales in 2020 amounted to SEK 86.4 million. Sweden and the rest of the Nordic region are the company's largest markets (Waystream has a market share of about 25% of municipally-owned city networks in Sweden). After a successful launch of a new product portfolio during H2'19, the business has taken off in earnest (the corona crisis also contributes to increased demand for the company's products) – growth during Q2'20 / Q3'20 / Q4'20 amounted to 89% / 46% / -8%. The new product platform and a geographical expansion to northern Europe are the most important growth drivers as we look ahead. We expect that the international investment will contribute with larger volumes only in 12-24 months - until then, however, the company must succeed in landing smaller deals.

## Investment case

- International expansion will pave the way for long-term growth.
- New product portfolio is expected to contribute to profitable growth.
- Base case amounts to SEK 30 per share and a fair value range of SEK 14 - 36 per share

The investment case is primarily attributable to a successful international expansion (to drive long-term growth) and successful future product launches (to improve product mix and profitability). Other factors that are expected to contribute to a positive development are an increased sales focus (more effective sales strategy and more sales/partners).

Redeye believes that the probability of a successful geographical expansion is reasonable. The new product portfolio has already achieved great success in the Nordic region (which led to increased growth and higher gross margins). We believe that the growth journey, with increased profitability, has just begun and see Waystream riding on an expected 5-10 year growth wave driven by fiber expansion in Europe - a scenario that has not been fully priced in by the market.

The major risks are associated with:

- Company size: In competition with other giants such as Cisco, Huawei, HP, Alcatel Lucent / Nokia, Juniper, it is a challenge to convince a potential customer to shop from Waystream (despite competitive products).
- Success in international expansion fails: We do not see delayed/missed successes solely due to its competitiveness, but the company's execution and sales strategy are not successful. A failed geographical expansion would significantly limit growth opportunities. The company's home markets (Sweden and the rest of the Nordic region) are mature today. Sales are primarily driven by upgrades/exchanges and not sufficient to drive long-term growth.
- Customer concentration: Although the company has not communicated any figures, we expect that Waystream is dependent on a few customers who today account for a significant part of the revenue (based on our research and the company's press releases that almost exclusively refer to existing customers). New customers are one of the most important key figures to follow, partly to reduce the risk in revenue and continued growth.

## Catalyst types

**New customers (primarily international but also the Nordic region)**
Waystream needs higher customer growth than has previously been the case, partly to diversify risks but also to increase growth.

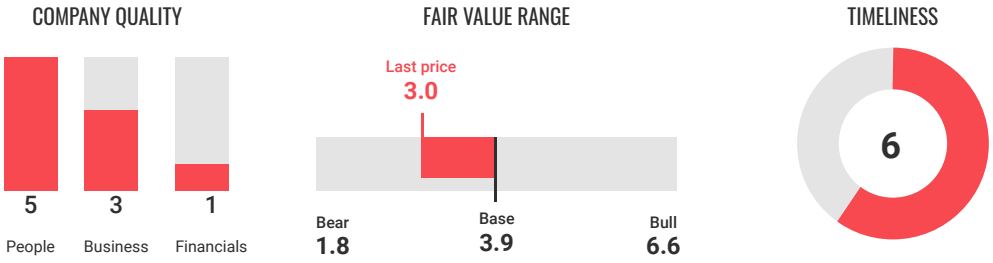
**Geographic expansion**
Breakthroughs in new geographic markets, preferably in Europe, should increase the value of Waystream. We expect that the international investment will contribute to higher volumes for 12-24 months - until then, it is important that the company succeeds in landing smaller deals (exploration phase).

# Westpay WPAY

**Company page**
https://www.redeye.se/company/westpay

**Publication date**
January 11 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Sten Karlsson |
| **Chairman** | Christina Detlefsen |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 3.0 |
| **Number of shares (M)** | 39.7 |
| **Market cap (MSEK)** | 119 |
| **Net debt (2022E, MSEK)** | -7 |

**Analyst**



Douglas Forsling
douglas.forsling@redeye.se

**Conflict of interests**

Douglas Forsling owns shares in Westpay: Yes

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

## Financials

| | | | Redeye Estimates | |
|---|---|---|---|---|
| | **2020** | **2021E** | **2022E** | **2023E** |
| Revenue, MSEK | 63 | 62 | 71 | 81 |
| *Growth* | *-0.5%* | *-2.1%* | *14.9%* | *13.6%* |
| EBITDA | -4 | -3 | 1 | 6 |
| *EBITDA margin* | *Neg* | *Neg* | *2.3%* | *8.1%* |
| EBIT | -11 | -9 | -7 | -2 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -11 | -10 | -6 | -2 |
| Net earnings | -13 | -10 | -6 | -2 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -13.86 | -10.32 | -6.87 | -2.08 |
| P/E adj. | -0.2 | -0.3 | -0.5 | -1.5 |
| EV/S | 1.5 | 1.8 | 1.7 | 1.5 |
| EV/EBITDA | -19.5 | -34.4 | 70.6 | 18.1 |

Last updated: 2021-12-06

| **Owner** | **Equity** | **Votes** |
|---|---|---|
| Nordnet Pensionsförsäkring | 15.9% | 15.9% |
| Jörgen Nordlund (med bolag) | 7.5% | 7.5% |
| Avanza Pension | 7.4% | 7.4% |
| Malte Roggentin | 5.5% | 5.5% |
| Without Bank Julius Baer & co LTD | 5.3% | 5.3% |
| Ålandsbanken AB | 4.4% | 4.4% |
| Per-Anders Wärn | 4.0% | 4.0% |
| Göran Sparrdal | 3.2% | 3.2% |
| Carl Ragnar Torbernt Hjelmvik | 3.0% | 3.0% |
| Sten Karlsson (med bolag) | 2.7% | 2.7% |

## Company description

Westpay is a Fintech company and a supplier of smart transaction- and payment solutions. The end-customer has operations within retail, hotels, restaurants, and retail banking. Westpay's offering aims to create and improve the efficiency of payment flow for the end-consumers within the retail space. Westpay has a global presence; The Nordics, Europe, Africa, South- and East Asia, and Australia, where the Nordics are the largest market today. Clients include among others, Open, MAX Burgers, ABSA Bank, Svenska Handelsbanken, and more. The company has been listed on Nasdaq Stockholm First North since 2007.

## Investment case

- New business model
- High barriers to entry
- Moving up the value chain

### New business model

During the last years, Westpay has improved its business model and added new highly potent services to its offer. These improvements should generate growth as well as stronger margins and created a more sustainable business, which is highly attractive for investors.

- Increased focus on recurring revenues rather than system sales
- Addition of SaaS services like Payment-as-a-Service
- Increased focus on adding PoS partnerships to increased market reach
- New revenue stream based on transactions

### High barriers to entry

In Sweden, in addition to Westpay, there are only 3-4 other players in the Card Terminal market. The most prominent player is Verifone and Ingenico is number two. These two players strongly dominate the world market. One of the main reasons why there are only a few players in such a big market is that existing players, such as Westpay, are protected by high barriers to entry. The regulatory requirements on Card Terminals are very high. The terminals must be approved according to the card companies regulations and a number of regional and international safety standards. This creates real barriers to entry. There is also a strong lock-in effect with customers, which creates high switching costs. Customers to Westpay are PSPs. A PSP has developed software in the form of a gateway that needs to be integrated with the software in the card terminal provided by Westpay; then they must be certified together according to different security standards. After a PSP, which sells the terminal to merchants, has begun to sell a terminal from a supplier, they would prefer to avoid changing it. This leads to a lock-in effect on Westpay's customers as they do not like to change a supplier of terminals.

### Moving up the value chain

Westpay is a company that has changed sharply in recent years. Thanks to investments in the Card Terminal segment, the company has significantly improved its profitability in terms of gross margin expansion. The company has managed to achieve significant traction with their competitive offering and is now one of the largest PoS suppliers in Sweden. Westpay's Card Terminals are at the forefront of technology, security, and function and are competitively priced. We believe that the company has excellent opportunities to continue to gain market share in Sweden.

### Counter-arguments (Bear points)

New regulations can affect and change: The banking industry as a whole undergoes a number of changes. New laws and regulations may lead to complications in the establishment of new markets or possibly simplification for competitors.

Subdued technology investments: Continued investment in payment infrastructure is important to Westpay. Should the economic decline, there is a risk that planned expenditures by Westpay end customers will be postponed in the future.

## Catalyst types

**Stabile increase in sales**
The sales have been on the decline during the last few years and somewhat volatile. However, the increased focus on adding PoS partners and new services together with large partnerships, like the one with Axfood, should drive growth in the coming year.

**Margin improvement**
With the new business model, with an increased focus on recuring revenues and PoS partners, we expect to see a margin improvement.

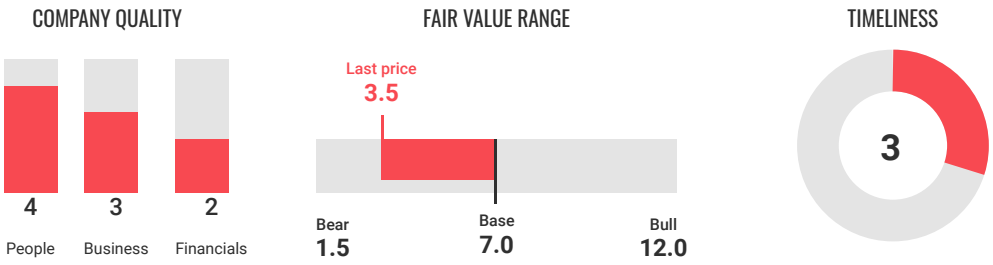
**Transaction revenue on the rise**
In 2021 has agreements been signed with Klarna and Swish to offer Alternative Payments Methods through Westpay's Swipe2Pay solution and generates revenue for Westpay every time it is used. Also are agreements in place to monetize when customers to Westpay choose to the acquiring services of chosen acquire supplier's.

# XMReality XMR

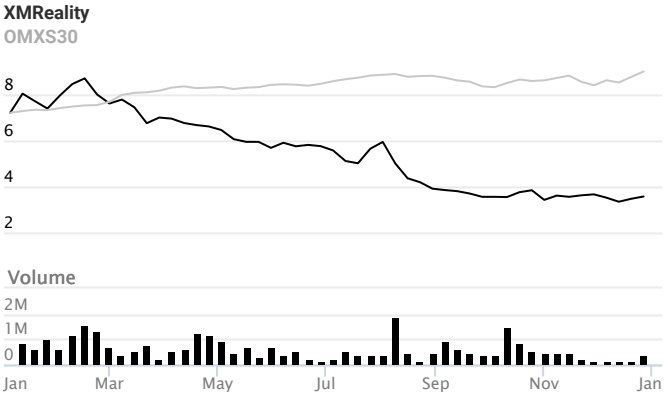
**Company page**
https://www.redeye.se/company/xmreality

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Jörgen Remmelg |
| **Chairman** | Björn Persson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 3.5 |
| **Number of shares (M)** | 40.9 |
| **Market cap (MSEK)** | 142 |
| **Net debt (2022E, MSEK)** | -28 |

**Analyst**



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**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

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 21 | 24 | 36 | 58 |
| *Growth* | *73.6%* | *16.4%* | *49.7%* | *62.0%* |
| EBITDA | -19 | -22 | -16 | 0 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| EBIT | -24 | -27 | -22 | -8 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *Neg* |
| Pre-tax earnings | -24 | -27 | -22 | -8 |
| Net earnings | -24 | -27 | -22 | -8 |
| *Net margin* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -0.73 | -0.68 | -0.55 | -0.20 |
| P/E adj. | -9.7 | -5.5 | -6.9 | -18.7 |
| EV/S | 10.7 | 4.4 | 3.5 | 2.2 |
| EV/EBITDA | -11.4 | -4.8 | -7.7 | -2,036.7 |

Last updated: 2021-10-26

| Owner | Equity | Votes |
|---|---|---|
| Investment AB Spiltan | 23.5% | 23.5% |
| Avanza Pension | 6.5% | 6.5% |
| Lars Svensson | 4.8% | 4.8% |
| Adrigo Asset Management | 4.4% | 4.4% |
| Nordnet Pensionsförsäkring | 4.0% | 4.0% |
| Björn Persson | 2.9% | 2.9% |
| Nils-Robert Persson | 2.8% | 2.8% |
| Christer Svensson | 2.0% | 2.0% |
| Göran Gustavsson | 1.7% | 1.7% |
| Formue Nord A/S | 1.5% | 1.5% |

## Company description

XMReality is the company behind Remote Guidance, a software that enables advanced video calls, to a large extent, for industrial remote work. The video calls revolve around hardware issues in industrial environments, such as a faulty production line on the shop floor that needs servicing. When there is an issue, a worker on the shop floor seeks support from e.g., a technician or superior at the home base, which possesses knowledge on how to solve the issue. Through Remote Guidance, the guiding person is able to overlay information (e.g., hands or tools) to the guided person through augmented reality. Press here for a demonstration of Remote Guidance.

## Investment case

- Scalable and asset-light business model
- Accelerated market growth to be expected
- Strong value proposition
- Focused core business areas

**Scalable Business Model**

Once XMReality has completed the initial deployment and onboarding of a customer, the marginal cost of adding more licensed users is negligible. The potential of achieving significant operating leverage and high profitability is reflected, in our opinion, in the company's 90%+ gross profit margins. We have a positive view on the strategy of creating a large installed base, which is able to scale its usage and licenses with time.

**Accelerated Market Growth**

Demand for Remote Guidance saw a significant uplift on the back of the pandemic, and the question is if interest will continue to be as strong going forward. Less business travel and a greater focus on CO2 control are to be expected, in our opinion. Research firms expect the Enterprise AR Software Market to grow at a 56% CAGR from 2019-2025E. We have a positive outlook on XMReality's prospect to grow in excess of the market due to its 1) user-friendliness, 2) scalability, and 3) strong IP.

**Strong Value Proposition**

We have a positive view on Remote Guidance's 1) unique hands overlay technology, 2) excellent functionality in areas of weak network capacity, and 3) the feature of inviting users 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.

**Focused Core Business Areas**

XMReality has gained a strong market position in several verticals, especially in 1) the food and beverage industry with customers such as Nestlé, InBev, and Heineken, and 2) the packaging industry with customers such as Sidel. Two additional interesting verticals are facility management, and medtech - especially medical equipment, sharing several similarities with the packaging industry.

### Counter-thesis

**Delayed Adoption**

So far, the adoption of Remote Guidance has been somewhat slow, and the company hasn't achieved the critical mass required to become profitable. Perhaps, some customers and employees prefer legacy models and are unwilling to receive AR-based assistance.

**Increased Competition**

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 i f 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.

## Catalyst types

**Significant ARR and Top-Line Growth**
Solid quarterly reports, demonstrating significant top-line growth, and thus a path to profitability should have a significant impact on the share price.

**Additional Go-To-Market Partners**
Strategic alliances could help XMReality expand its international reach and increase its installed base at a modest customer acquisition cost. One such partnership is its existing agreement with Japan-based NTT, establishing a presence in the APAC region.

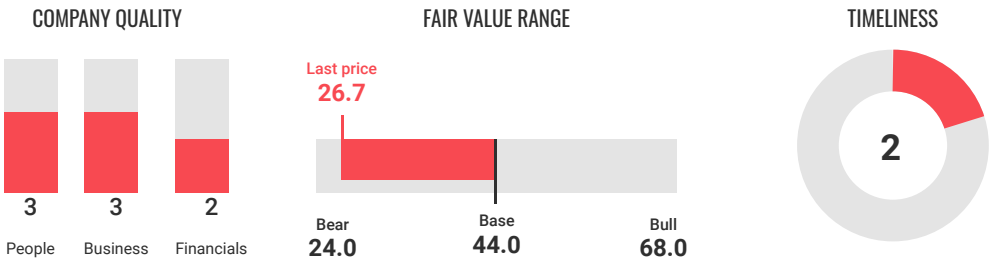
**Lighthouse Customer Agreements**
We see great potential in a high-volume rollout of Remote Guidance throughout a large customer’s service organization. Apart from yielding a significant ARR at high margins, it could indicate that its industry is truly ready to adopt the technology on a larger scale.

# Zordix ZORDIX B

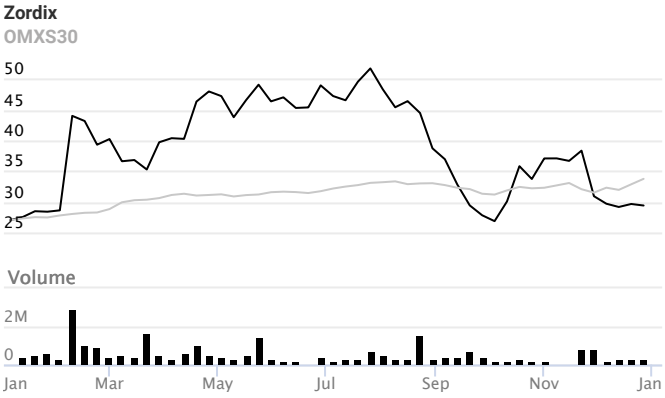
**Company page**
https://www.redeye.se/company/zordix

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Matti Larsson |
| **Chairman** | Malin Jonsson |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 26.7 |
| **Number of shares (M)** | 40.5 |
| **Market cap (MSEK)** | 1,079 |
| **Net debt (2022E, MSEK)** | 12 |

**Analyst**



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**Conflict of interests**

Hjalmar Ahlberg owns shares in Zordix: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MSEK | 11 | 364 | 1,325 | 1,491 |
| *Growth* | *-11.2%* | *>100%* | *>100%* | *12.5%* |
| EBITDA | 6 | 43 | 160 | 215 |
| *EBITDA margin* | *60.2%* | *11.8%* | *12.1%* | *14.5%* |
| EBIT | 4 | 34 | 120 | 171 |
| *EBIT margin* | *43.1%* | *9.5%* | *9.1%* | *11.5%* |
| Pre-tax earnings | 4 | 2 | 78 | 129 |
| Net earnings | 3 | -5 | 63 | 103 |
| *Net margin* | *31.3%* | *Neg* | *4.8%* | *6.9%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | 0.19 | 0.59 | 2.35 | 3.34 |
| P/E adj. | 125.7 | 47.2 | 11.9 | 8.4 |
| EV/S | 36.7 | 3.1 | 0.9 | 0.8 |
| EV/EBITDA | 61.0 | 25.9 | 7.1 | 5.2 |

Last updated: 2021-12-20

| Owner | Equity | Votes |
|---|---|---|
| Matti Larsson | 18.1% | 51.6% |
| Avanza Pension | 11.4% | 6.7% |
| Ålandsbanken I Ägares Ställe | 7.1% | 4.2% |
| Philippe Cohen | 6.9% | 4.1% |
| (Gcs) BNP Paribas Sec Services Paris | 6.9% | 4.1% |
| David Wallsten | 6.3% | 3.7% |
| Viktor Vallin | 5.7% | 3.2% |
| Patrik Bloch | 5.3% | 3.0% |
| Prioritet Finans | 4.2% | 2.5% |
| Knutsson Holdings AB | 3.8% | 2.3% |

## Company description

Zordix started out as a game studio focused on publishing and work-for-hire projects which historically has been most known for its racing games Aqua Moto Racing Utopia and Snow Moto Racing Freedom. It has since then evolved through acquisitions and today, Zordix is a multinational developer, publisher, and distributor of games. The company has a strategy to acquire companies across the whole value chain of the games market, everything from game development to publishing and distribution. While the company has a long history, having been founded in 2009, most of its current revenues is generated by this year's acquisitions of Merge Games and Just for Games.

## Investment case

- Diversified business across the value chain
- Key acquisitions build a base for the next phase
- Early entry offers potential but also risks

Zordix is in the early days of building a diversified gaming group covering the entire value chain from gaming development to distribution. Its 2019 strategy switch has broadened its scope from project-financed titles to building a larger library of own titles, in-house publishing and distribution.

The organic growth will be complemented by additional M&A-supported growth. The company made three major acquisitions in 2021 – Merge Games, Just for Games and Maximum Games – that provide a base for further growth.

The key to Zordix's success in the next couple of years depends on its ability to find additional acquisitions and build a games development portfolio of successful games that can yield strong revenues. This leaves a broad range of scenarios for the coming years reflected in our valuation range.

## Catalyst types

**Growth from in-house games**

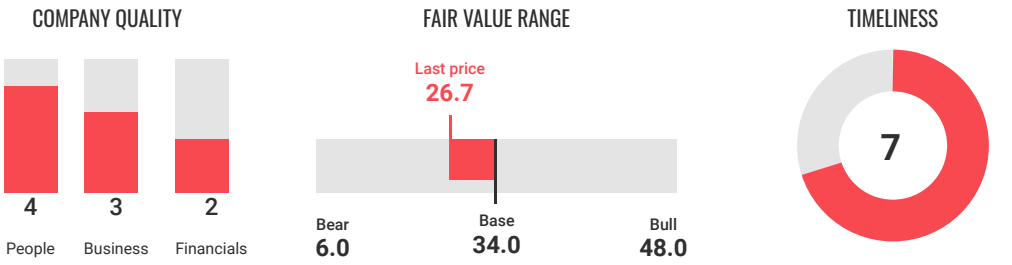
Zordix has a growing game portfolio of own IP's with a handful of games for which we see substantial growth potential in our positive scenarios. One of the most exciting is Smalland, which is expected to launch in early access soon, followed by a full release in 2022. Another IP with strong potential is Bramble, which has generated a positive reception in early glimpses and has a similar potential revenue contribution. Finally, the acquisition of Maximum Games has added additional potential with around 15 games in its pipeline.

# Zwipe ZWIPE

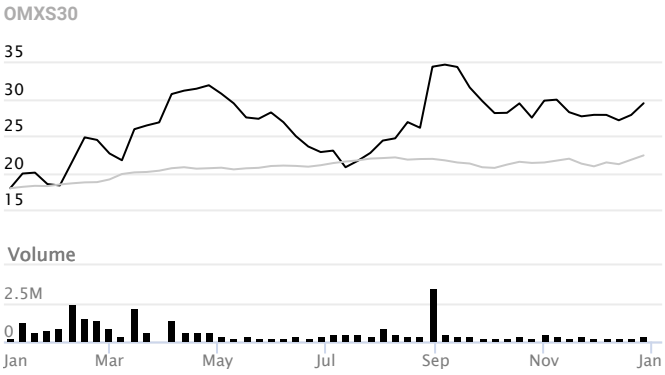
**Company page**
https://www.redeye.se/company/zwipe

**Publication date**
January 10 2022

## Redeye Rating




## Snapshot




| | |
|---|---|
| **Marketplace** | First North Stockholm |
| **CEO** | Andre Løvestam |
| **Chairman** | Jörgen Lantto |

**Share information**

| | |
|---|---|
| **Share price (SEK)** | 26.7 |
| **Number of shares (M)** | 37.0 |
| **Market cap (MSEK)** | 986 |
| **Net debt (2022E, MNOK)** | -149 |

**Analyst**



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**Conflict of interests**

Niklas Sävås owns shares in Zwipe: No

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

## Financials

| | 2020 | 2021E | Redeye Estimates 2022E | 2023E |
|---|---|---|---|---|
| Revenue, MNOK | 2 | 4 | 76 | 468 |
| *Growth* | *21.1%* | *>100%* | *>100%* | *>100%* |
| EBITDA | -59 | -70 | -47 | 40 |
| *EBITDA margin* | *Neg* | *Neg* | *Neg* | *8.7%* |
| EBIT | -61 | -73 | -48 | 40 |
| *EBIT margin* | *Neg* | *Neg* | *Neg* | *8.6%* |
| Pre-tax earnings | -61 | -73 | -43 | 40 |
| Net earnings | -62 | -73 | -43 | 40 |
| *Net margin* | *Neg* | *Neg* | *Neg* | *8.6%* |
| Dividend/Share | 0.00 | 0.00 | 0.00 | 0.00 |
| EPS adj. | -1.89 | -1.99 | -1.18 | 1.09 |
| P/E adj. | -10.1 | -13.6 | -22.9 | 24.9 |
| EV/S | 273.6 | 184.0 | 11.3 | 1.7 |
| EV/EBITDA | -8.4 | -11.4 | -17.8 | 20.0 |

Last updated: 2021-12-21

| Owner | Equity | Votes |
|---|---|---|
| Vasastaden Holding AB | 16.6% | 16.6% |
| Erik Selin | 10.8% | 10.8% |
| Lars Windfeldt | 4.6% | 4.6% |
| Avanza Pension | 3.1% | 3.1% |
| Jörgen Lantto | 2.3% | 2.3% |
| Energetic AS | 1.9% | 1.9% |
| Nordnet Pensionsförsäkring | 1.8% | 1.8% |
| Futur Pension | 1.0% | 1.0% |
| Nils-Olov Jönsson inkl. bolag/stiftelser | 0.8% | 0.8% |
| Feat Invest AB | 0.7% | 0.7% |

## Company description

Founded in 2009, Zwipe is a first mover in biometric smart cards ("BSCs"). It develops fingerprint authentication technology, at the moment focusing on payment cards. However, we expect access cards to follow eventually. The company is still essentially pre-revenue, but has an exclusive technology distribution agreement with the world´s second-largest card manufacturer, Idemia.

Zwipe is located in Norway but it has offices in Munich and Colorado. Aside from its listing on the Norwegian Merkur Market, Zwipe dual-listed on First North in Sweden during 2019.

## Investment case

- Benefits from strong IP & game-changing deal with Idemia. Other strengths are its focus and having no old business to protect.
- Advantages of biometrics too great for the market not to take off
- The market delay together with the adoption of mobile phone payments is a cause for concern.
- Commercial orders to drive the stock

### Opportunistic with Great Value Proposition

In 2019 Zwipe partnered with the world's second-largest card manufacturer, Idemia – a clear indication of its competitiveness. This improves the ability to manufacture biometric smart cards ("BSCs") cost efficiently, in turn imperative to the success of BSCs. Zwipe has consistently built on its position by partnering up with lots of actors in the payments ecosystem while the larger card manufacturers have moved slowly. Zwipe has nothing to protect while the larger ones have their cash cows in the existing payment cards without biometrics and are therefore ripe for disruption.

### Strong IP and a market moving in the right direction

Through the partnership with Idemia, Zwipe targets a reduction of card costs by over 50%, implying potential cost leadership. We view Idemia and Zwipe's IP as strong cards up Zwipe's sleeve. Zwipe has been granted wide patent protection for how terminals identify a biometric card, a prerequisite for processing biometric contactless payments. In an emerging market, technology in and of itself is not sufficient. We see continuous sign for a market take off. We believe, however, the cheaper card stemming from the Idemia/Zwipe solution can facilitate commercial volumes from 2022. Contactless BSCs combine state-of-the-art security and the highest convenience, i.e. there is no need for a cap (using PIN codes), meaning faster retail checkout. This should render more transactions and revenue for the issuing banks. Thus, BSCs are simply too good not to happen. However, we are cautious about market projections claiming a +50% penetration, as banks seem reluctant to pay a high premium compared to the price of a standard contactless card of USD 2-4. We expect the initial relevant market to be limited to 25% of the 4 bn payment cards shipped a year and based primarily on premium cards that account for the highest transaction volumes.

### Road blocks on the way

One of the challenges for Zwipe and the market as a whole are further delay in take-off. There are other solutions than cards such as mobile phones which already have strong authentication solutions through biometrics or face recognition and a larger share of the younger population are using their mobile phones as the primary way to pay. Another challenge is around the actual user friendliness of biometric cards. With the current technology it takes up to a second to finish a transaction which is not much. However, the authentication using a biometric card may not always be smooth and there is risk for the shoppers having to re-authenticate several times before finishing a transaction thereby increasing friction.

### Commercial orders to drive the stock

Commercial orders can drive the stock towards our base case of NOK 27. Our bear case is based on failed market traction and a fire sale of the IP at NOK 6 per share. In our bull case, we see a major upside to NOK 46 based on higher BSC penetration. The wide fair value range illustrates the uncertainty of Zwipe's market.

## Catalyst types

**Pilots and certification**
The most important catalyst during the next 6 months, in our view, is card pilots, from existing and new partnerships. The company already announced a pilot with a Global Tier-1 Bank at the beginning of September and we expect further news. We are also awaiting the necessary certification expected before year-end 2021.

**Large commercial order for Zwipe Pay ONE**
Pilots are one thing, but commercial orders from the Idemia collaboration will prove that there is a substantial value in Zwipe´s offering. The first commercial orders have arrived which have led to a valuation at our base case and we are awaiting news for further substantial orders.

**Increased hygiene focus**
The important hygiene aspects of contactless biometric cards have been highlighted to a large extent by the Coronavirus as people are becoming reluctant to touch the terminals. We see a chance that this could prove to be a game changer for Zwipe in the long term.

**Proven breakthrough in production costs**
The costs are expected to come down with scale in production. The goal is to get the costs down to USD 5 per card which we think is likely to happen in the next couple of years.

### Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.
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- An analyst may not engage in corporate finance transactions without the express approval of management and may not receive any remuneration directly linked to such transactions.
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### Redeye Rating (2022-01-14)

| Rating | People | Business | Financials |
|---|---|---|---|
| 5p | 33 | 15 | 4 |
| 3p - 4p | 136 | 122 | 43 |
| 0p - 2p | 5 | 37 | 127 |
| Company N | 174 | 174 | 174 |

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REDEYE

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