REDEYE

Fintech Report 2022



AGENDA FINTECH 2021

10:20	**Intro and Fintech report presentation**
10:40	**Westpay** – Sten Karlsson, CEO
11:00	**Pagero –** Bengt Nilsson, CEO
11:20	**Zwipe –** Robert Puskaric, CEO
11:40	Lunch Break
12:40	**SaveLend Group –** Ludwig Pettersson, CEO & Founder
12:55	**Tessin** – Heidi Wik, CEO
13:10	**Kameo –** Sebastian Harung, CEO & founder
13:25	***Panel:*** *Alternative investments*
13:45	**Nordnet –** Ara Mustafa, Investment Coach
14:00	**Savr –** Daniel Aarenstrup, CEO
14:15	***Panel:*** *Challenging the big banks*
14:35	Break
14:55	**VEF –** Henrik Stenlund, CFO
15:15	**Aura Cloud –** Premkumar Bhagwatsaran, CEO
15:35	Redeye Wrap-up – The End

THE REDEYE TECHNOLOGY TEAM



Erik Kramming
Client Manager & Head of Technology

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



Greger Johansson
Client Manager & Co-head Technology

Greger has a background from the telecom industry, both from large companies as well as from entrepreneurial companies in Sweden (Telia and Ericsson) and USA (Metricom). He also spent 20+ years in investment banking (Nordea and Redeye). Furthermore, at Redeye Greger advise growth companies within the technology sector on financing, equity storytelling and getting the right shareholders/investors (Corporate Broking). Coder for two published C64-games. M.Sc.EE and M.Sc.Econ.



Johan Ekström
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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
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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.



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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



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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.



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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.



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



Douglas Forsling
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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
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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.



Jessica Grunewald
Analyst

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



Jesper von Koch
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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.

THE REDEYE TECHNOLOGY TEAM



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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.



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



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



Niklas Sävås
Analyst

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

THE REDEYE TECHNOLOGY TEAM



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



Danesh Zare
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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

THE REDEYE LIFE SCIENCE TEAM



Oscar Bergman
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Oscar has a Master's degree in Operations Management and Control at Stockholm University. He joined Redeye's equity research team in 2019 as a life science analyst focusing on medtech and diagnostics.



Christian Binder
Analyst

Christian has a Master of Science in biology from Uppsala University and a Master of Business Administration from Edinburgh University. Previous positions included roles in public healthcare, academia, and the pharmaceutical industry.



Filip Einarsson
Analyst

Filip is focusing primarily on the biotech segment. He has a background as an investor in life science-oriented companies and previously worked at Biostock. He holds a BSc in Business and Economics from Lund University. In addition, he also studied Management and Economics at WU Vienna.

THE REDEYE LIFE SCIENCE TEAM



Mats Hyttinge
Analyst

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



Ethel Luvall
Analyst

Ethel holds a Master of Science (M.Sc.) in Engineering Biotechnology from Kungliga Tekniska Högskolan (KTH). Prior to her position at Redeye, Ethel worked as a patent consultant within the life science team at AWA. Furthermore, she has worked at Karolinska Institutet Innovations AB, Expisoft AB and Immune Therapy Holdings AB. Ethel has extensive experience in life science research and development, business development and commercialization, and intellectual property.



Gustaf Meyer
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Gustaf is an equity analyst within Redeye's life science team. He holds a Bachelor's degree in Business administration from Stockholm University, a Bachelor's degree in Statistics from Uppsala University, and a Master's degree in finance and accounting from Uppsala University. In addition, he has studied abroad in Amsterdam and has previously worked at Norron asset management and Brummer & Partners.



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Richard Ramanius
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Richard Ramanius is an equity analyst in Redeye´s life science team life, focusing primarily on biotech and oncology. He has a BSc in Engineering Physics from the KTH Royal Institute of Technology. He has also completed the CFA level III exam.

Technology Selected Transactions



2022

			VERTISEIT **ONGOING** Public Take-Over on MultiQ 197 MSEK	CombinedX **MARCH 2022** IPO 60 MSEK

2017-2021

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



Fintech Report 2022



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“Tools to democratise the world”

Financial services have made a considerable amount of human development possible, from creating money to the banking system. Combining technology with financial services will further enable our society to continue to grow and develop. Sweden is far ahead on both financial services inclusion and digitalisation, meaning it is not a good proxy for the rest of the world. For example, in a well-developed country such as Germany, 58% (bundesbank.de) of its total payments are still made in cash, while the equivalent number in Sweden is about 12% (Statista). Digital distribution and tools make it possible to reach populations that have not been reached before. Some 1.6 billion people do not have access to a bank account and worse, a large part of the global population has no trust in the financial system due to hyperinflation and corruption.

The Fintech theme offers very favourable opportunities

Fintech has the potential to solve many of these problems, with smartphones and even regular phones allowing access to banking services for those it was not previously accessible. One of the primary factors with cryptocurrencies is that it is impossible to print more, free from corruption, and fully transparent by being decentralised. Also, consumer behaviours have changed in the last decade thanks to the millennial generation, with consumers now far more keen on switching to the actor with the best offering. Combining this with solving the world's big problems and the area has powerful business models with moats such as network effects, regulations, and economics of scales, creating attractive financial opportunities.

Fintech drivers and trends

The fintech market has multiple drivers for the future, making the spaces appealing and offering considerable growth potential, not only as a standalone product but also as a service to other fintech and sectors. The key drivers are:

- Digital distribution and digital onboarding
- More efficient processes
- Better data
- Lower operational costs
- Better risk assessment thanks to better data

In conjunction with these drivers, we believe the following trends in the fintech market will have an impact in the short to long term:

- Digitalisation
- Unbanked population
- Divestment of offices
- Democratisation of the financial system
- Regulations



Financial services are those we use daily as consumers and corporations. They are the bloodstream of the economy; if they stop, the world will also stop. We have all experienced, to some extent or other, how dependent our society is on the financial system working as it should do. The financial sector is often seen as a conventional industry with a low level of innovation and a generally weak level of trust from its customers. This consideration is severe because of how often we use a financial service and how customers' money and valuable assets are managed. Fintech attempts to tackle these and many more problems in the world of financial services.

What is Fintech?

Fintech or financial technology is the disruption of traditional financial services through technology. Fintech companies are disrupting several areas of financial services thanks to technology that makes it possible to digitally distribute and improve services, making it more affordable to reach customers and to offer better and cheaper services.

Digitalisation has made it possible to provide services through desktops and tablets, but primarily through phones, services previously only provided by a bank branch. The number of services has also increased compared with the number a bank branch can provide. Today, we can pay bills, trade securities, exchange foreign currency, send money around the globe, and much more via the phone or even a single app.

Traditional financial services are in the past or remain in some developing countries for the more wealthy in society. For example, before M-Pesa launched in 2006, only 14% of Kenya's population had a bank account; by 2020, this number was 72%. This change made financial services available to those who could not access them before, while also lowering the costs of providing these services and empowering the otherwise underserved parts of the population.

Providing financial services in a digitalised environment makes one other major thing possible: data collection. More and better data allows for better services for the consumer, but mainly for the financial institution. With better data comes better risk management – an important factor in financial services. With a better understanding of risks, financial institutions can make better decisions with lower risk. Consumers are rewarded, too, as lower risk makes services cheaper.
The benefits of technology in financial services

- Digital distribution and digital onboarding
- More efficient processes
- Better data
- Lower operational costs
- Better risk assessment due to better data



Typically, in a market with such regulations as financial services, being a new player would be a weakness, but it is the reverse in financial services. Due to the legacy tech stack and as traditional financial services not being mobile-native, they immediately fall behind the competition in meeting the consumer in their environment, especially as they have a very high cost of IT maintenance for systems built on an old programming language.

The strength of being a legacy player in the market with an existing customer base is to cover compliance costs, have a user base, and have the capital to handle a large volume of mortgages. It is only a matter of time before the new players catch up with the legacy players. Meanwhile, knowing they are behind, the legacy players are trying to solve this by collaborating with technology providers and other fintech companies, or by acquiring the needed technology. Often, this does not solve anything, since they are just adding the acquirer's tech onto the existing tech stack, causing other problems.

Financial services are a crucial part of everyday life. Fintech can make these services accessible to a greater population, at a cheaper price, and with better services. This could change the life of all socioeconomic classes for the better, making it easier for people to escape poverty. The benefits of adopting technology in financial services can be a change in living standards, with cryptocurrencies aiding in escaping hyperinflation or corruption in the financial system.

We believe the financial services sector and banks will change considerably in the coming years owing to fintech innovation, and legacy players will need to keep up with the rapid changes. Financial services can also come from non-financial services players with an extensive user base, meaning the competition comes from beyond the immediate field of those today seen as financial services providers. Historically, financial services have been provided by a local company or local branch office, but today the competition field is global, although different national preferences and technology setups give local companies an advantage.

As the millennial generation starts to pass into their 30s, we see consumers in the financial sector becoming more willing to move their financial commitments than previous generations and to conduct the majority of their services via their phones. The traditional banks need to keep up with market changes and use their existing edge to protect their position from new players.



Market Trends

Digitalisation

How most financial services consumers have accessed financial services has evolved from in an analogue environment (an office), to the phone, then the desktop, and today to the smartphone. Payments have seen a similar evolution, from cash to cheques, debit and credit cards, and payments via the phone. These changes have largely occurred in just the last 20 years, although some regions have leap-frogged steps in this process, moving directly to the phone in various ways. For example, digital payments and accounts in non-smartphones in some African countries, where the unbanked population is larger than the global average. New fintech players have led this evolution, driving the process onward by offering services in the environment where they meet their users today (the smartphone) and improving user experience.

Unbanked population

1.6 billion people in the world do not have access to a bank account, according to the World Bank. This means not only a debit and checking account but also all other financial services, such as insurance, savings account, loans and mortgages, cheques, and ATMs. The poor stay poor, resulting in lower quality of life and no access to the tools to rise out of poverty. Without access to financial services, the unbanked population is a target for predatory lenders and other unethical players. Giving access to the unbanked population can bring significant socio-economic benefits.

Divestment of offices

Banks have decreased the numbers of branch offices for many years owing to high costs and as the digital channel is superior to meeting consumers where they are. This poses a problem for other stakeholders, such as small and medium-sized enterprises, to access financial services even in a highly digitalised market. Traditional banks are still struggling with their onboarding processes, due to AML (Anti-Money Laundering) and KYC (Know Your Customer). This shift is an opportunity for agile fintech players to offer the services that traditional financial service providers are losing during this transition.

Democratisation of the financial system

The financial system and its services have been undergoing large changes, with platforms for asset groups not previously available for non-institutional investors owing to the blockchain and cryptocurrency revolution –everything from bitcoin, smart contracts (ethereum), and stablecoins (tether), to Central Bank produced stable coins, tokenisation of assets, and much more. Many would say blockchain and cryptocurrencies are a completely new trajectory in the market, but we see them as a continuation of the democratisation of the financial system.

nvesting was one of the first sub-sectors of fintech to be democratised. Investing is no longer only for the wealthy and well connected. Today, the cost of investing is close to zero, and consumers have access to the public market through phones. Even private markets and alternative investing assets, such as real estate and credits, are readily available to investors. Not only have public, private, and alternative investments become more accessible, but information has also become accessible at affordable prices. Combining the data with algorithms, AI, and machine learning has allowed wealth management services to become available at affordable prices, overcoming the issue of fee transparency for the advisors.

Cryptocurrencies and all they bring with them are a contender to the centralised manner in which our financial system is set up with central banks and so on, and the goal is a decentralised financial system based on the blockchain network, free from the risk of fraud. Bitcoin has also started to become a real monetary substitute for FIAT currencies as countries begin to adopt it as their official currency, disconnecting their 'currencies from other FIAT currencies or economies.

Regulations

Regulations hinder and help push progress onward. AML and KYC are very costly for financial services providers. Meanwhile, PSD2 has created enormous opportunities for fintech to create products for users and access more data about their customers to make better risk assessments. In other words, regulation can hinder some companies but create new opportunities for others. For instance, to follow AML and KYC regulations, companies must implement new processes that are both costly and risk creating more friction in the customer journey. However, this has led to new solutions, such as regtech, which helps companies to follow regulations in different countries while ensuring a smoother customer experience.

While regulation can create opportunities for some and headaches for others, it is clear the regulators operate in a fast-evolving environment where new business models create uncertainty. For example, this year, when we have seen higher interest rates and stressed consumers, voices have been raised that new credits (such as BNPL) are a hidden risk. This has impacted regulators around the world; more regulations should be expected.



Fintech segments

Payments

Payments are as crucial a part of everyday life for the individual as for global organisations. If the international payment systems stop working, global commerce would stand still. Payments have evolved considerably in recent decades, on both local and global levels, due to less complex infrastructure. Local payment projects, such as Swish, have taken payments and made them instant, but global payments are trailing behind, although projects such as P27 and the European Payments Initiative (EPI, https://www.epicompany.eu/) make payments within a region instantaneously. Most instant solutions are not instant transactions and instant settlement, as parties in the payment scheme keep reserves to handle the flow of the payments and other parties settle the net in the regular payment schedule.

Payments and credit have become more integrated with each other due to the phenomenon of Buy Now, Pay Later. BNPL is one of the fastest-growing payment segments and among the most active M&A sectors, the most prominent acquisition in the field being Square's acquisition of Australian BNPL player Afterpay for USD29bn. BNPL mainly targets the e-commerce sector and is a very controversial topic since it puts the payer in debt. Meanwhile, the payment method has beneficial properties suitable for an e-commerce transaction, as it allows the purchaser to receive a product before paying. Today, the alternative is credit cards, which are inaccessible to some and have a very high interest rate. The buyer is still put into debt but has more security in the transaction, as they can withhold the payment until a product is received.

E-commerce and commerce are driving forces in the payment experience and insecurity, with regulations such as 3D Secure (https://3dsecure2.com/) in the PSD2 EU directive. Digital payments, which have been solely online in the past, have started to move to the store environment. In-store technology has also been digitised, with payment terminals running Android as the operating system, essentially equipping the payment terminal with the same capabilities as a smartphone. In conjunction with the digitalisation of the payment terminal, points of sale (POS) have been digitalised and integrated with the payment terminal. The POS have also been transferred from a dedicated device to tablets and smartphones, with the payment terminal in the same application.

The next big frontier in payments has not progressed much since the Society for Worldwide Interbank Financial Telecommunication (SWIFT, https://www.swift.com/about-us) system some 40 years ago. Payments take roughly the same time today as they did in 1973, and the problem of counterpart risks remains. Making cross-border payments instant would eliminate many risks associated with the transfer and would increase efficiency, putting the money into use faster than today.

Saving/investing

Saving and investing have undergone a renaissance during the past 20 years, making it possible for consumers with small means to invest in securities that were previously only accessible to wealthier individuals. The cost of purchasing equities or funds has dropped to and is in some instances free of transaction fees, while fees for mutual funds have also decreased.

The most significant change has been the availability of financial securities information, from equities and funds to derivatives and more complicated products. Twenty years ago, an investor would need to be sent an annual report by post. Today, there are several services that compile information for investors. Also, companies have become far more accessible, and information that was not available for those outside of a financial institution is available and affordable for average retail investors.

Investing platforms have made securities, such as public tradable equities, mutual funds, and derivatives, available for investors at an affordable price. Investments that were not previously available are now easily accessible, such as private equities and credits. Retail investors can now create a diversified portfolio that was previously only available for high-net-worth individuals through a wealth management service or their network.

The increased information about publicly traded securities makes it possible for retail investors to automate their portfolio management and, with individuals' input, to customise a portfolio of mutual funds and/or equities. Lowering the threshold and the cost for investors to access wealth management services is especially important when ensuring that pensions are large enough for the later stages of life.

Cryptocurrency and blockchain

Cryptocurrency and blockchains go together hand in hand. It is impossible to talk about one without mentioning the other being. But they are also totally different, one being like a financial instrument and the other a technology enabling the instrument.

What are cryptocurrencies? This seems to be a question many have asked at one point in time. The simple way to explain it is as a form of digital money that can be used to pay for goods and services and can be traded like currencies. However, they are not backed by any economy like our regular FIAT currencies are. The price of cryptocurrency is subject to the market's supply and demand dynamics, causing high volatility in the price.

Meanwhile, blockchain is a technology with fascinating characteristics. The tech is decentralised, distributing the technology and its network on millions of connected devices, resulting in a decentralised ledger where all network transactions are recorded transparently. This makes it impossible to defraud the system, as everyone else knows how many units of the cryptocurrency everyone else has, making it incredibly secure.

Cryptocurrencies have been rising in popularity for many reasons, while their high volatility make them a good asset for traders to trade, protecting against inflation, and most prominently hyperinflation (Venezuela). They can be seen as a form of digital gold, holding similar characteristics with the supply capped and indestructible, offering a network with smart contracts that can be set up according to the involved parties' requirements for full traceability and transparency in the transaction.

There are more than 10,000 different currencies traded publicly, according to CoinMarketCap.com (as of 20 October 2022), with the highest market capitalisations being in Bitcoin (USD368bn), Ethereum (USD158bn), Tether (USD68bn), USD Coin (USD44bn), BNB (USD43bn), XRP (USD23bn), Binance USD (USD22bn), Cardano (USD12bn), and Dogecoin (USD7.9bn).

DeFi or decentralised finance is a collective term for financial services applied on the blockchain and geared towards disrupting financial intermediaries. An example of DeFi is Stablecoins, which are backed by an asset and are designed to have a relatively stable price.

Non-Fungible Tokens (NFTs) are a unique and non-interchangeable unit of data stored on blockchain. Often, NFTs are used to prove the ownership of a unique item; for example, pieces of art and NBA moments have been minted as NFTs.

Lending

The lending space has two driving forces (especially in Europe): all other loans except mortgages are unprioritised by banks, and data is king. Due to capital coverage rules, banks have a higher cost of loans that are not mortgages, causing a vacuum for certain loans. Most often, loans without collateral hold the highest risk, and banks must have more capital to cover said risk. Smaller corporate loans are under-prioritised types of loans, offering an opportunity for fintech players to service this customer segment.

The data is king driver is seen especially in the lending sector, where the business model is to take a risk on capital that is lent out. More and as recent as possible data makes it possible for lenders to assess the risk better and to price it. Thanks to the PSD2 directive, lenders can access borrowers' bank accounts to view their borrowers' activities and patterns, creating a picture of a borrower's financial situation rather than based on year-old data from a centralised credit score facilitator.

With this comes a better experience for the borrower, as the time for a loan to be approved or denied is shortened significantly.



Insuretech

Data is king is also valid for insuretech. Like the lending sector, insurers must weigh the risks and price them to take enough in premiums to cover future insurance claims. Better data will make it possible for insuretech players to offer lower premiums since they can calculate future insurance claims better. Legacy insurers have a bad reputation of trying to wriggle out of paying out for claims and the policy of their claims process is not transparent. Insuretech can offer an entirely digital process, making it convenient and transparent every step of the process. Since data is vital for insurance companies, the use of AI has increased rapidly in recent years, being used, for instance, to optimise risk levels and for risk prevention and to track customer behaviour.

The new technology has also reduced the barriers to entry, making it easier for new companies to take market share. However, in recent years, the largest insuretechs have clearly attracted most of the capital, and the number of newly founded insuretechs has decreased since 2016. This could indicate a stagnation in the pace of innovation in this field. Looking at the number of deals and the amount of capital invested into insuretechs, however, there is no sign of weaker sentiment. Global investments in insuretechs reached USD10bn in 2021, an increase of 38% on 2020 (Insurtech Global Outlook 2022).

Regtech

As mentioned earlier, regulation continues to increase year by year, and regulators are demanding more from the companies when it comes to knowing their customers. This has increased companies' control requirements of new customers, as they must ensure they know their customers and the sources of their money. This has harmed the customer experience, and onboarding new customers has become more complex and time-consuming, further impacting the intake of new customers.

As AML and KYC are high hurdles for many companies in and beyond the financial services space, companies specialising in registration technology are vital to fintech players' ability to onboard customers and to grow. Since fintech companies often operate in an international space and handle other people's money, the onboarding process is even more complex, as every country has different digital identity solutions. Having a smooth onboarding process while following all laws and regulations is crucial. This is where regtech comes in, by focusing on technologies that improve the onboarding process and follow regulatory requirements in a more efficient way. According to the UK's Financial Conduct Authority (FCA): "In simple terms it refers to any technology that ensures companies comply with their regulatory requirements". As the complexity of the regulatory landscape increase, with heavy fines for non-compliance growing higher, it is clear that companies are looking for technology solutions to reduce the risk of being not compliant. For instance, according to CB Insights, non-compliant companies have paid more than USD320bn in fines since the 2008 financial crisis, and according to Jupiter Research, regtech spending is expected to increase significantly and reach USD76bn in 2022.

The fintech market

In a ranking of the top 250 private fintech companies globally by CBinsight, the US was the clear leader at 132 names on the list. The results may have a slight home bias, but the US is still the leader in fintech companies. The other top four were the UK (with 31), India (14), Brazil (nine), and Germany (seven).

Of the top 250 fintech companies, 33 companies are found in Payments Processing and Networks, 28 in Cryptocurrency, 26 in Insurance, 24 in Core Banking & Infrastructure, and 17 in Business Lending & Finance. The data reflect the different levels of market maturity, market opportunity, and what is "hot" in fintech at the moment (especially in terms of crypto-currency).

The majority of the companies can be classified into two sectors: Internet Software & Services, and Mobile Software & Services.

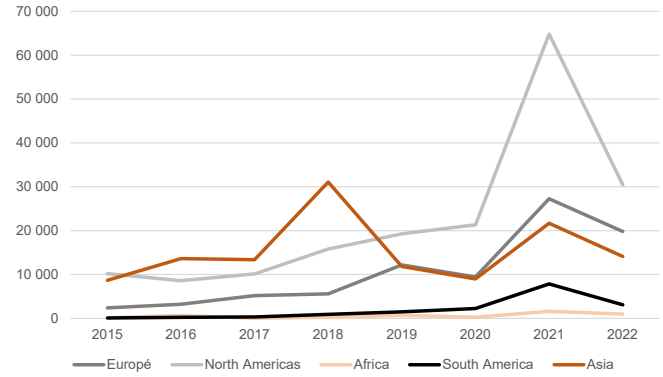
Top 250 Private Fintech companies by Country



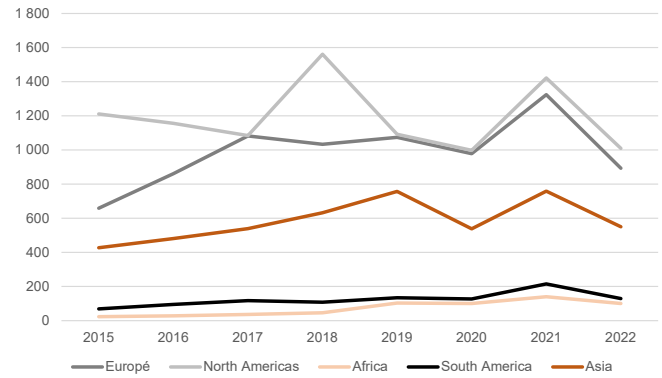
Source: Redeye Research & CBinsight

The number of financing rounds has gone up slightly, and here, the US and Canada have increased the most, which can translate into the Americas having the most fintech start-ups.

Private markets: Value (m EUR)



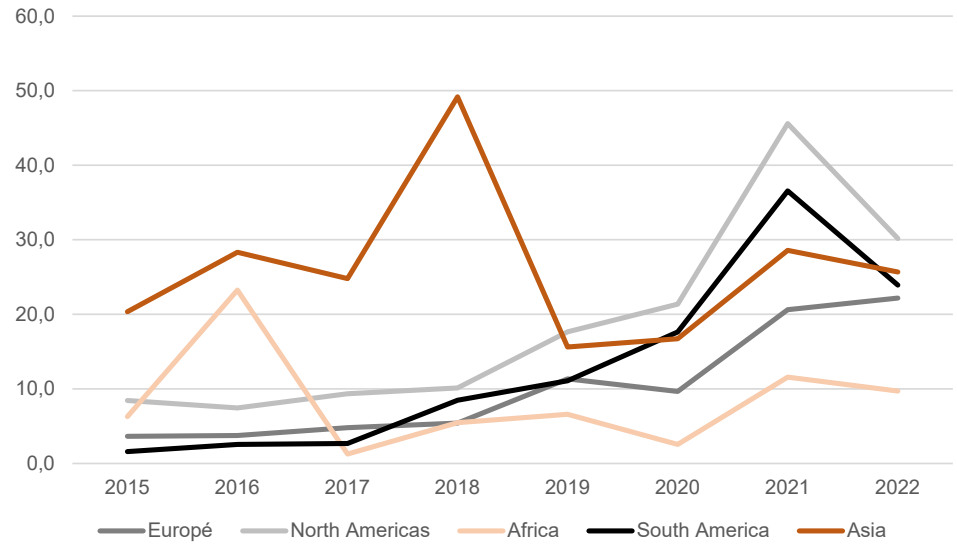
Private markets: Number of rounds



Source: Redeye Research & Dealroom.com

More interesting is that the average financing round has gone up sharply for all regions since 2020, showing the momentum in the sector and that investors' risk appetite is increasing.

Private markets: Average per round (m EUR)



Source: Redeye Research & Dealroom.co

Latin America stands out with its increase versus other regions, meaning a few companies' funding rounds represent most of the capital. Africa has seen the biggest increase from 2020 to YTD 2021.

Recent years in fintech

Looking at last year in fintech, we can conclude the boom in 2021 has translated into a bust for several of the largest fintech companies, especially in terms of market capitalisation. In fact, 2022 has been the year when the valuation trend stopped for many companies even though they continued to show high growth rates. For instance, Klarna's valuation increased every consecutive year from USD 2.5bn in 2018 to 2021 when it reached USD45bn in 2021, but it decreased to USD 6.7bn in the latest fundraising in July 2022.

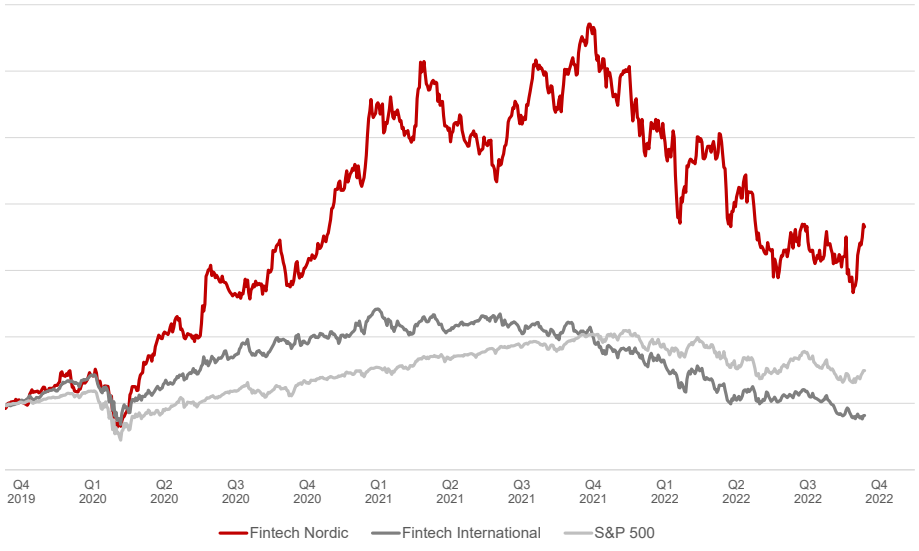
That valuation has compressed in 2022 could be seen as an external factor that does not impact the companies; however, the restricted capital also affects their daily operations as they must convince investors they can reach profitability in the foreseeable future. This has led to layoffs and a more restricted growth strategy, where cash flows have been more on top of the mind than winning market share.

Although 2022 has been a tough year for fintech, the big trends are still there, and if we expand our view, the underlying tailwinds will continue for many years to come. However, given the increased cost of capital and investors' focus on profitable companies, it is easy to assume that fintech start-ups will attract less capital, while larger investments are postponed, slowing down the innovation in the short to medium term.

All in all, while fintech still has a bright future ahead, this has been a somewhat dramatic year for the industry, hurting both valuation and how companies operate. We believe this will lead to companies focusing on their core business rather than of expanding into new verticals.

Over the past three years, Nordic fintechs have outperformed international fintechs and the S&P 500 (marked weighted, see which one is included in the valuations tables) as the Nordic players are less mature than their international peers and as Avanza and Nordnet – both of which have seen tremendous growth in the recent years' bull markets –are the largest contributors in the Nordic fintech index.

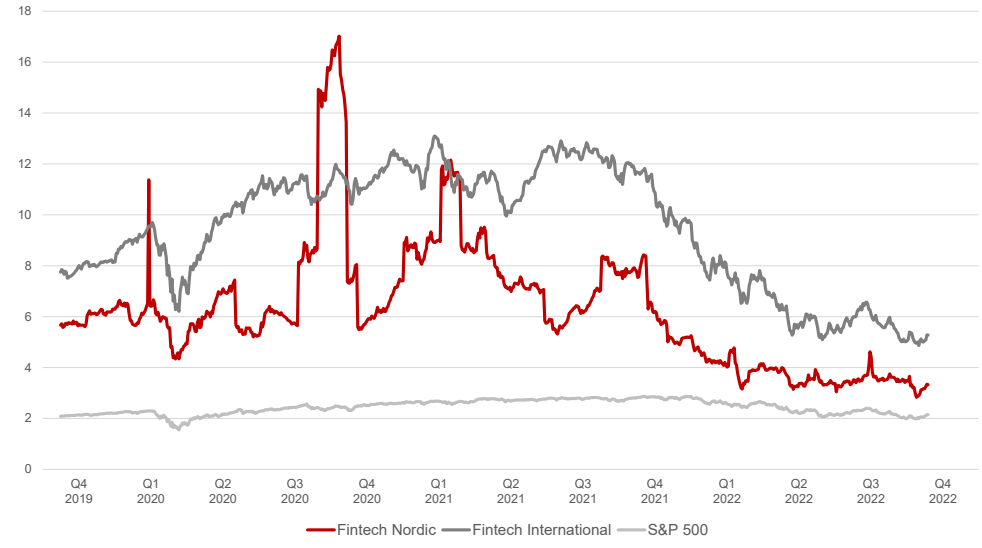
Performance: Nordic Fintechs vs International Fintechs vs S&P500



Source: Factset

Valuations of Nordic fintechs have always been lower than their international peers', while the valuations had seen a high correlation. Valuations at present are at their lowest point in the past three years.

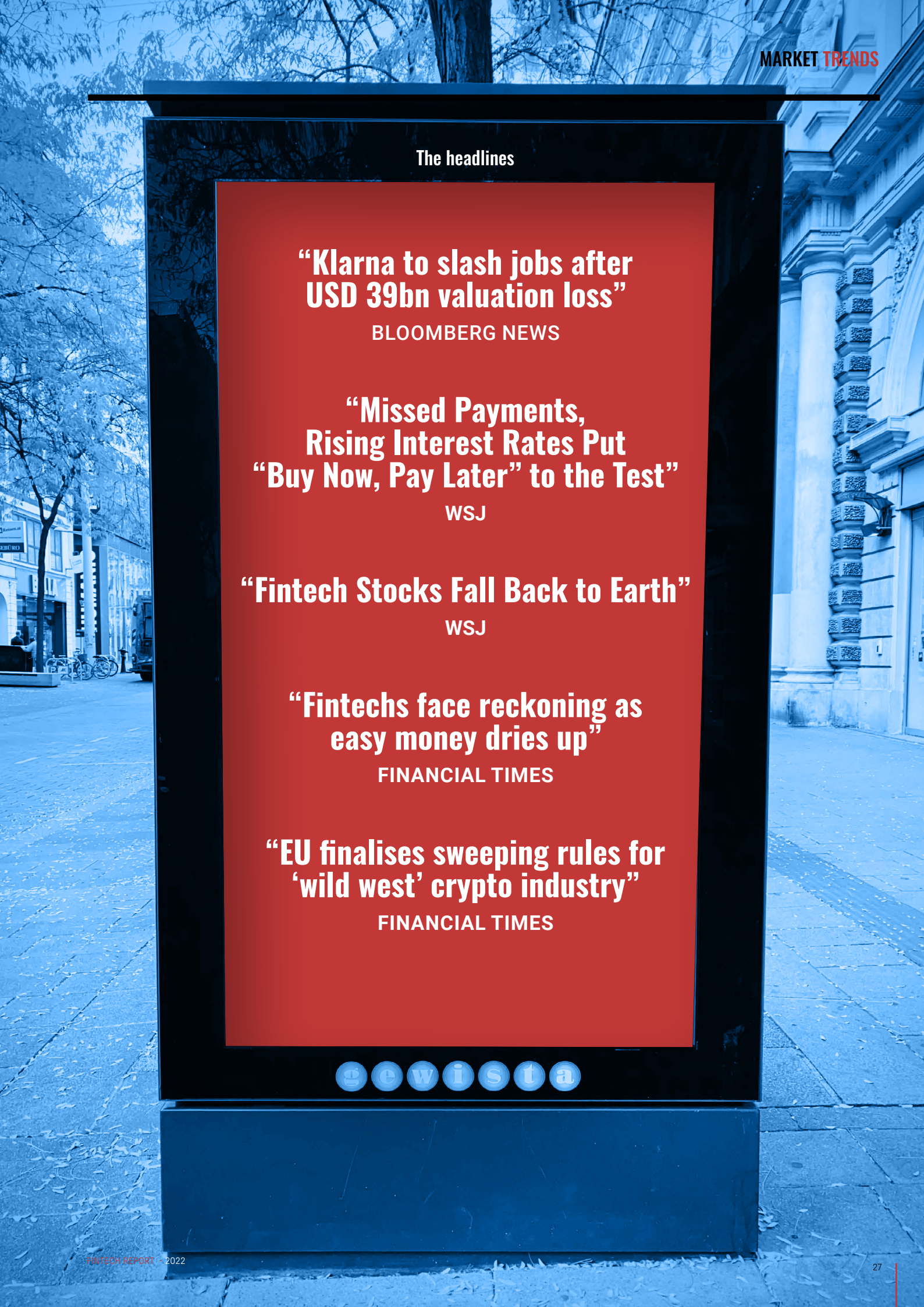
Valuation: P/S NTM last three years



Source: Factset

Some headlines from the past year

During 2022, we have seen a few interesting headlines affecting the whole fintech market, in particular the slashing of Klarna's valuation by 85% and the impact of that on the Nordic start-up scene. BNPL has been in focus as interest rates have risen, begging the question about its sustainability. Due to the changing market conditions (e.g., higher interest rates) the valuations of fintechs have plummeted and funding has been scarce, affecting early fintechs' situations quite harshly. In Sweden, we have seen almost every major start-up needing to let staff go, with Klarna cutting 10% of its headcount. And finally, we are seeing crypto regulations being agreed upon in the Eurozone, setting a precedent for other countries to follow suit or benchmark against. It is, to say the least, exciting times for the fintech market.


The headlines
“Klarna to slash jobs after USD 39bn valuation loss”
BLOOMBERG NEWS
“Missed Payments, Rising Interest Rates Put “Buy Now, Pay Later” to the Test”
WSJ
“Fintech Stocks Fall Back to Earth”
WSJ
“Fintechs face reckoning as easy money dries up”
FINANCIAL TIMES
“EU finalises sweeping rules for ‘wild west’ crypto industry”
FINANCIAL TIMES
gewista

Listed Fintech companies (SEKm)											
			P/Sales		EV/EBIT		Sales CAGR	EBIT CAGR	EBIT margin		
Nordic	M Cap	EV	2022	2023	2022	2023	21-24E	21-24E	2021	2022	2023
Payment											
Westpay*	70	69	1,7x	1,5x	N/A	N/A	14%	-28%	-14%	-3%	-4%
Paynova*	139	24	2,3x	1,5x	N/A	N/A	54%	N/A	-131%	27%	-27%
Qliro	234	418	0,9x	0,8x	6,8x	4,2x	4%	-5%	34%	28%	20%
Investing											
Savelend*	428	391	2,6x	1,9x	N/A	N/A	31%	N/A	-17%	21%	-1%
Avanza*	29 773	23 912	17,8x	17,1x	27,7x	26,9x	-1%	-1%	65%	83%	66%
Nordnet*	31 788	27 293	13,7x	13,0x	19,8x	18,5x	-2%	3%	58%	92%	70%
Tessin*	69	248	3,0x	2,0x	N/A	N/A	20%	-41%	-43%	-4%	-17%
Pepins*	41	8	N/A	N/A	N/A	N/A	N/A	N/A	-94%	N/A	N/A
Crypto											
Safello	87	63	0,2x	0,1x	N/A	N/A	N/A	N/A	-2%	N/A	N/A
Goobit*	55	40	N/A	N/A	N/A	N/A	N/A	N/A	-3%	N/A	N/A
Coinshares*	2 207	-12 358	4,6x	4,9x	N/A	N/A	N/A	-37%	101%	-653%	-886%
Arcane Crypto*	231	212	N/A	N/A	N/A	N/A	N/A	N/A	-7%	N/A	N/A
Quickbit*	181	81	0,0x	N/A	3,5x	N/A	20%	16%	1%	1%	0%
Median	***181***	***81***	***2,4x***	***1,9x***	***13,3x***	***18,5x***	***17,1%***	***-5,4%***	***-3,3%***	***20,6%***	***-1,2%***

*Source: Redeye Research & Factset (2022-10-24) *No estimates available or noted in the recent year*

Publicly traded companies

The Nordic public companies are very small in market cap and early in their journey versus most publicly traded companies. Meanwhile, the US market is the predominant leader, its fintechs having higher valuations even when compared to European peers (except Adyen).

The Nordic fintech market is strong, especially per capita, with companies such as Klarna, Nets, Tink, Izettle, and Trustly. Only Nets has been attracted to the public markets and was then split into pieces by MasterCard and Nexi. Rumours about Klarna's IPO have been ongoing for some time, but the chances of it being listed on a Nordic stock exchange are slim. Trustly was on its way to the Swedish stock market, but those plans were halted when Finansinspektionen (the Swedish financial supervisory authority) raised concerns about the company's KYC procedure. Tink and Izettle have been bought by Visa and PayPal, respectively.

In general, the Nordic publicly listed companies lack analyst coverage, although this has improved somewhat since last year.

International	M Cap	EV	P/Sales 2022	P/Sales 2023	EV/EBIT 2022	EV/EBIT 2023	Sales CAGR 21-24E	EBIT CAGR 21-24E	EBIT margin 2021	EBIT margin 2022	EBIT margin 2023
Payments											
Visa	3 511 874	4 640 567	16,5x	16,5x	25,1x	21,6x	18%	19%	69%	85%	68%
Mastercard	3 270 614	3 401 071	15,7x	15,7x	28,2x	23,4x	20%	20%	58%	79%	58%
AMEX	1 180 665	1 324 684	2,6x	2,6x	12,8x	10,6x	18%	N/A	27%	N/A	N/A
PayPal	1 095 278	1 113 701	7,4x	7,4x	30,1x	23,9x	17%	15%	23%	28%	21%
Square	334 522	366 664	3,9x	3,9x	360,1x	130,6x	16%	N/A	4%	0%	-2%
Shift4Payment	26 154	48 632	6,8x	6,8x	40,7x	25,5x	N/A	N/A	8%	34%	18%
Pagseguro	31 410	68 977	3,6x	3,6x	15,5x	11,2x	32%	N/A	28%	24%	17%
Affirm*	47 275	84 006	3,9x	3,9x	N/A	N/A	N/A	N/A	-66%	4%	-6%
Fiserv	698 108	930 597	4,1x	4,1x	15,6x	14,2x	11%	13%	34%	42%	36%
Western Union	59 323	74 497	1,4x	1,4x	8,1x	7,7x	N/A	N/A	28%	18%	20%
ACI Worldwide	28 965	39 795	2,9x	2,9x	22,0x	19,4x	9%	-1%	27%	19%	18%
Global Payments Inc	357 281	468 802	4,5x	4,5x	13,8x	12,4x	10%	12%	43%	54%	45%
Adyen	450 192	437 934	51,5x	51,5x	84,8x	61,9x	-19%	24%	11%	105%	58%
Paysafe*	13 087	12 730	1,8x	1,8x	21,0x	15,0x	N/A	N/A	N/A	N/A	N/A
Dlocal Limited	37 966	65 455	26,1x	26,1x	72,4x	43,7x	N/A	N/A	38%	N/A	N/A
Stoneco	32 996	37 884	3,8x	3,8x	12,5x	8,5x	59%	N/A	-12%	62%	45%
Bill.com	151 860	137 812	18,4x	18,4x	N/A	N/A	N/A	N/A	-99%	12%	3%
Wordline	139 014	192 686	3,1x	3,1x	21,1x	17,6x	11%	11%	23%	28%	21%
Nexi	127 030	204 094	5,4x	5,4x	12,3x	10,7x	8%	36%	17%	48%	39%
Median	***139 014***	***192 686***	***4,1x***	***4,1x***	***21,1x***	***17,6x***	***16,0%***	***15,5%***	***25,1%***	***31,0%***	***21,4%***
Investing platforms											
Robinhood*	86 078	4 966	6,8x	6,8x	N/A	N/A	N/A	N/A	-198%	N/A	N/A
Charles Schwab	1 442 256	734 455	8,1x	8,1x	9,7x	8,1x	14%	17%	49%	64%	52%
Interactive brokers	88 966	-422 623	12,2x	12,2x	-15,0x	-14,5x	N/A	N/A	71%	100%	78%
Coinbase*	132 441	140 406	N/A	N/A	22,0x	20,0x	N/A	N/A	40%	N/A	N/A
Median	***88 966***	***4 966***	***8,1x***	***8,1x***	***-2,7x***	***-3,2x***	***14,3%***	***16,8%***	***48,8%***	***81,9%***	***64,6%***
Lending											
Lending Club	13 251	5 915	2,1x	2,1x	9,4x	6,2x	N/A	N/A	31%	57%	40%
Funding Circle	2 335	201	1,8x	1,8x	16,7x	9,5x	2%	N/A	37%	12%	-2%
Median	***7 793***	***3 058***	***2,0x***	***2,0x***	***13,0x***	***7,8x***	***1,9%***	***N/A***	***33,9%***	***34,6%***	***19,3%***
Hybrid Fintechs											
SEA Ltd	268 967	250 034	8,7x	8,7x	N/A	N/A	25%	N/A	-16%	-1%	-9%
Mercardolibre	479 869	495 562	7,2x	7,2x	104,5x	63,9x	32%	N/A	8%	15%	8%
Shopify	334 735	364 562	25,9x	25,9x	229,3x	158,1x	25%	-6%	9%	4%	-1%
Kaspi	132 483	133 098	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tencent	3 215 231	3 443 279	5,4x	5,4x	20,5x	17,7x	10%	6%	31%	33%	26%
Alibaba	2 118 855	1 806 494	2,0x	2,0x	18,6x	14,3x	17%	4%	21%	16%	11%
Median	***407 302***	***430 062***	***7,2x***	***7,2x***	***62,5x***	***40,8x***	***25,1%***	***4,3%***	***8,5%***	***15,4%***	***8,4%***
Technology and Intelligence provider											
Thomson Reuters	554 751	595 926	9,0x	9,0x	40,0x	31,2x	10%	8%	34%	35%	29%
FIS	533 893	711 172	4,4x	4,4x	15,8x	14,4x	12%	-6%	44%	24%	16%
Factset	174 904	195 823	9,0x	9,0x	29,6x	26,2x	17%	7%	49%	44%	34%
Broadridge	187 146	227 865	3,0x	3,0x	20,1x	18,2x	13%	5%	27%	24%	19%
Envestnet Inc	28 959	35 473	3,2x	3,2x	66,6x	36,0x	14%	-15%	16%	6%	2%
MSCI	364 665	407 468	21,8x	21,8x	43,9x	38,7x	15%	14%	59%	68%	54%
S&P Global	1 113 572	1 249 175	13,1x	13,1x	23,8x	22,1x	22%	20%	53%	58%	48%
MarketAxess	103 207	99 834	19,7x	19,7x	38,8x	34,4x	14%	8%	57%	58%	46%
SS&C Technologies	138 203	216 417	4,0x	4,0x	12,0x	11,5x	11%	10%	38%	40%	38%
Dun and Bradstreet	55 993	92 644	3,9x	3,9x	15,4x	15,3x	N/A	N/A	38%	40%	36%
Green Dot	10 898	3 123	1,4x	1,4x	7,5x	5,4x	N/A	N/A	11%	9%	6%
Black Knight	106 110	134 621	8,1x	8,1x	46,8x	41,6x	13%	-3%	46%	29%	25%
Moodys	501 100	573 222	11,0x	11,0x	25,5x	23,4x	9%	7%	50%	54%	43%
Intuit	1 326 756	1 380 203	10,2x	10,2x	29,9x	25,3x	23%	21%	39%	51%	36%
WEX	71 163	75 084	3,1x	3,1x	15,2x	12,6x	17%	13%	34%	34%	28%
Median	***174 904***	***216 417***	***8,1x***	***8,1x***	***25,5x***	***23,4x***	***13,7%***	***8,3%***	***39,2%***	***39,8%***	***34,0%***

*Source: Redeye Research & Factset (2022-10-24) *No estimates available or noted in the recent year*



Covered Companies

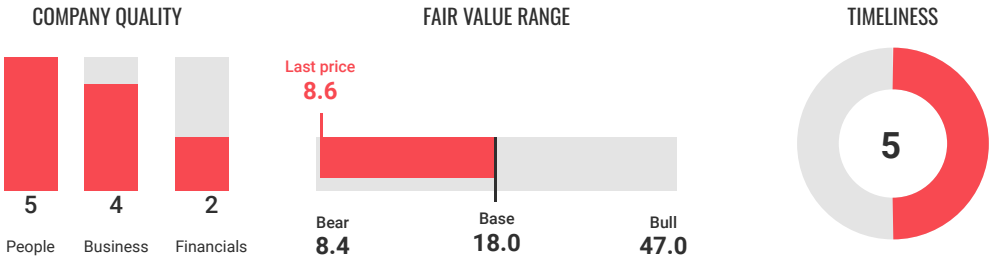


SaveLend Group YIELD

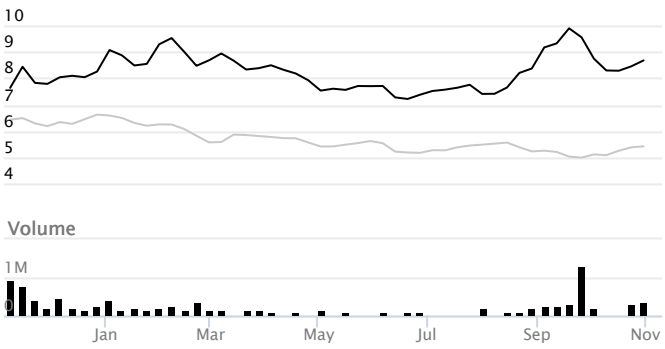
Company page
https://www.redeye.se/company/savelend-group

Publication date
November 9 2022

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Ludwig Pettersson
Chairman	Bo Engström

Share information

Share price (SEK)	8.6
Number of shares (M)	51.6
Market cap (MSEK)	442
Net debt (2022E, MSEK)	32

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	**2021**	**2022E**	**2023E**	**2024E**
Revenue, MSEK	56	94	152	230	310
Growth	*26.0%*	*66.8%*	*61.0%*	*52.1%*	*34.7%*
EBITDA	-7	-18	-14	27	70
EBITDA margin	*Neg*	*Neg*	*Neg*	*12.0%*	*22.9%*
EBIT	-15	-28	-35	3	40
EBIT margin	*Neg*	*Neg*	*Neg*	*1.3%*	*13.2%*
Pre-tax earnings	-13	-29	-36	4	42
Net earnings	-14	-29	-36	2	33
Net margin	*Neg*	*Neg*	*Neg*	*1.3%*	*10.7%*
Dividend/Share	0.00	-0.19	-0.21	0.02	0.19
EPS adj.		-0.61	-0.69	0.07	0.65
P/E adj.	N/A	-13.5	-13.4	142.1	14.3
EV/S	N/A	3.9	3.4	2.2	1.5
EV/EBITDA	N/A	-20.5	-34.4	18.2	6.7

Last updated: 2022-09-08

Owner	**Equity**	**Votes**
Ludwig Pettersson	985,421,900.0%	19.1%
Claes Hallén	441,666,700.0%	8.6%
P&N Wolf Marketing AB	368,914,900.0%	7.2%
Jonas Ahlberg	313,666,800.0%	6.1%
Jacob Gevcen	312,173,400.0%	6.1%
Nordnet Pensionsförsäkring	266,892,400.0%	5.2%
Thoren Tillväxt AB	242,723,000.0%	4.9%
Avanza Pension	163,521,800.0%	3.2%
TNGN Invest AB	131,076,700.0%	2.5%
Alexander Lidén	114,765,400.0%	2.2%

Company description

SaveLend Group is a fintech company founded in 2014 that is active in two defined niche markets: alternative financing and invoice transactions. The CEO and founder, Ludwig Petterson, saw a possibility for private investors to receive good returns by investing in credits, which had previously not been possible and only some banks could profit from. Since 2014, SaveLend has grown to have more than 60 FTEs across offices in Sweden, Finland, and Poland.

Investment thesis

Case

A high growth company in the beginning of its scalability

SaveLend Group has had a high growth year over year since 2019 and the growth has accelerated, we estimate the growth will continue and the scalability will start to be shown as the organization is built. The growth will be mainly driven by the Swedish and Finnish markets, while an expansion to additional 13 European countries and acquisitions can further increase the growth. Backed by an exceptional CEO and high ownership from the board, management, and other operatives

Evidence

The bus is full and the foundation is built

In the past years has focus been on growth and building the company, resulting in negative profit margins. Since the first quarter of 2022 has the focus been to become profitable and cash flow positive, meanwhile still growing. The group has had high double-digit growth and there are many more pockets of growth to further increase the growth, institutional investors have only been a small part of the AUM on the investing platform. Growth is coming from three factors on both platforms: New customers, existing customers growing, returns on the investing platform, and additional services connected to the invoices issued. The two platforms have been updated and there is no more need to increase the headcount in order to grow.

Challenge

Credit losses

A high amount of credit losses on the investing platform would maybe deter and slow down the growth in assets under management or even have an outflow of the capital from the platform. The credit losses wouldn't affect the company directly as the investors are taking the risk, however, the loss in reputation and brand badwill could be enough for the growth to stagnate or be negative.

Challenge

Bad market sentiment

SaveLend Group has only been operating during a period when the economy has been good, so both platforms have not been stress tested. A downturn in the economy and market sentiment could deter investors from investing and cause companies to send fewer invoices, which would affect both SaveLend's platforms negatively. Meanwhile, it could be a blessing in disguise, letting the platforms show their resilience could be the best thing for the company in the long run.

Valuation

Low valuation for the growth and potiential in profitability

Trading at 2.9 times sales (EV/S) of 2022 estimates and 9.2 times EBITDA (EV/EBITDA) on 2024 estimates, is SaveLend Group cheaply valued in relations to the growth. Peers are valued at 3.8 and 6.4 times sales, on median and average respetively. With a lot higher growth expectations on our estimates than peers, do we find it very attractively valued. Our fair value range is from 8.4 to 47. We find our base case based on a DCF valuation to be 18 SEK per share and it leaves a lot more on the profitability as the terminal EBIT level is set to 25%, meanwhile peers has a lot higher EBIT margins (30-65%).

Catalyst types

M&A

SaveLend Group has an outspoken strategy to conduct M&A activities. We see the possibility to do horizontal, vertical, and acquisition of collection portfolios. One acquisition could be transformational for the group and expand its geographical addressable market or add on a new market segment which creates synergies with the existing segments.

Signing of Large Billecta Customers

Billecta has in the past signed big customers which have increased its segment and group net sales significantly.

Showing positive EBITDA margins

We see the event of SaveLend Group haveing a positive EBITDA margin as a catalyst due to investors changing their view of the company.

Expansion to new markets successful

The expansion to 13 new European markets was successful and resulted in higher growth of the AUM and new investors.

Tessin Nordic Holding TESSIN

Company page
https://www.redeye.se/company/tessin-nordic-holding

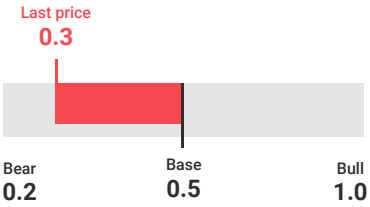
Publication date
November 8 2022

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

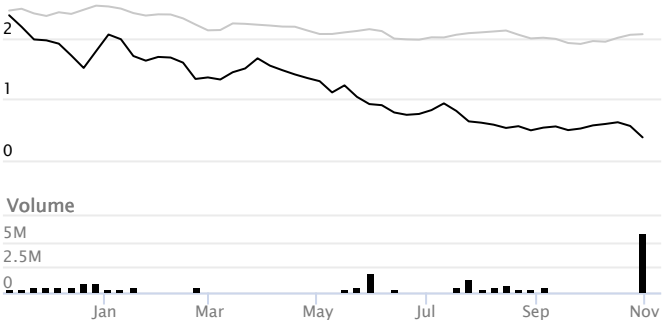


TIMELINESS



Snapshot

Tessin Nordic Holding
OMXS30



Marketplace	First North Stockholm
CEO	Heidi Wik
Chairman	Eva de Falck

Share information

Share price (SEK)	0.3
Number of shares (M)	116.7
Market cap (MSEK)	30
Net debt (2022E, MSEK)	-8

Analyst



Anton Hoof
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Conflict of interests

Anton Hoof owns shares in Tessin Nordic Holding: No

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

Financials

			Redeye Estimates		
	2020	**2021**	**2022E**	**2023E**	**2024E**
Revenue, MSEK	37	44	55	65	75
Growth	*22.2%*	*18.5%*	*24.9%*	*16.9%*	*16.3%*
EBITDA	-8	-76	-23	13	24
EBITDA margin	*Neg*	*Neg*	*Neg*	*20.7%*	*32.3%*
EBIT	-15	-82	-29	8	18
EBIT margin	*Neg*	*Neg*	*Neg*	*12.0%*	*24.2%*
Pre-tax earnings	-15	-85	-31	6	16
Net earnings	-14	-83	-31	6	16
Net margin	*Neg*	*Neg*	*Neg*	*9.2%*	*21.7%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.		-0.22	-0.27	0.05	0.14
P/E adj.	N/A	-8.0	-1.9	9.9	3.6
EV/S	N/A	3.6	0.9	0.4	0.1
EV/EBITDA	N/A	-2.1	-2.2	1.7	0.2

Last updated: 2022-10-28

Owner	Equity	Votes
NFT Ventures	22.1%	22.1%
Nordnet Pensionsförsäkring	12.7%	12.7%
Alpcot AB	12.0%	12.0%
Futur Pension	10.2%	10.2%
Stronghold Invest AB	6.4%	6.4%
AB POM Sandelius	5.3%	5.3%
Ilija Batljan	4.1%	4.1%
Jonas Björkman	2.7%	2.7%
Avanza Pension	1.5%	1.5%
Coeli AB	1.2%	1.2%

Company description

Tessin Nordic Holding är verksamma inom fastighetsbranschen. Bolaget erbjuder en digital plattform som används för placering och investering av kapital direkt i fastigheter. Tjänsten används således som en crowdfunding plattform där investerare kan låna ut pengar till olika typer av fastighetsprojekt. Störst verksamhet återfinns runtom den nordiska marknaden. Huvudkontoret ligger i Stockholm.

Investment thesis

Case

Market leader in a market with robust underlying growth

Tessin is one of the largest peer-to-peer (P2P) companies in the Nordic region, operating in a market with strong underlying growth. The company is set to take its operations to the next level, having secured capital to handle more and larger loans. The company can triple the number of loans handled by its current organization without needing to add additional resources, providing it with scalable growth. Tessin has also added a new recurring revenue stream that bolsters its stability. We believe the combination of scalable growth and increased recurring revenues will change investors' perception of the company and lead to a higher valuation.

Evidence

A solid track record that demonstrates an effective business model

Tessin has financed more than 350 projects and brokered in excess of SEK 4bn in loans, evidence of its long track record in the market. In addition, Tessin has a stated goal of brokering larger loans, which positively contributes to its margin by Tessin taking an arrangement fee based on the loan size. Since the credit assessment process takes the same time, regardless of loan size, Tessin's margins are higher on larger loans. Historically, Tessin has primarily brokered loans of SEK 5-25m. It has mentioned, however, that it can tackle loans up to SEK 150m, demonstrating the potential scalability of its business model.

Challenge

A business model that must prove itself in a more challenging environment

One of the biggest concerns about Tessin at present is its vulnerability to external factors beyond its control, such as the number of started real estate projects, inflation, building costs, and investors' risk sentiment. We believe this is a core reason the share price has suffered on the stock market when fears of higher inflation and interest rates have abounded. As much as this is a potential risk, a more challenging environment can also lead to stricter financing from the banks, which would benefit companies like Tessin. We consider it also a short-term trigger should Tessin prove that its business model works in more challenging market conditions.

Challenge

Tougher competition

Tessin is the largest P2P platform for real estate financing, with accumulated capital raised in the Nordic region. However, Kameo, Tessin's most obvious competitor, has gained market share and shown higher growth rates than Tessin in recent years. We have also seen price pressure in the market, implying increased competition. Since the underlying market looks set for a long growth runway, Tessin can lose market share and still show healthy growth. We thus believe Tessin still holds good growth prospects despite more competition in the field.

Valuation

The current share price reflects the current uncertainty

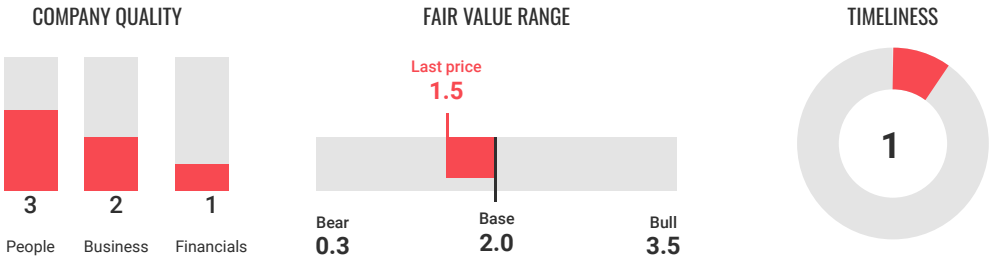
Based on our DCF valuation, we see a fair value of SEK0.53. Our fair value range of SEK0.15-1.0 reflects the uncertainty in the case where the company must prove that its business model is resilient to more challenging market conditions. To achieve our Base Case, Tessin must continue to show top-line growth and prove that the business is scalable. We also believe that Tessin will achieve a higher valuation if it convinces the market that its business model can perform in a more challenging environment of higher interest rates and inflation.

Westpay WPAY

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

Publication date
November 8 2022

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Sten Karlsson
Chairman	Christina Detlefsen

Share information

Share price (SEK)	1.5
Number of shares (M)	39.7
Market cap (MSEK)	60
Net debt (2022E, MSEK)	11

Analyst



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Conflict of interests

Anton Hoof owns shares in Westpay: No

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

Financials

			Redeye Estimates		
	2020	**2021**	**2022E**	**2023E**	**2024E**
Revenue, MSEK	53	54	71	81	89
Growth	*-10.0%*	*1.9%*	*32.4%*	*13.3%*	*10.7%*
EBITDA	-5	-11	-1	6	15
EBITDA margin	*Neg*	*Neg*	*Neg*	*7.9%*	*17.3%*
EBIT	-12	-19	-9	-3	3
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*3.3%*
Pre-tax earnings	-12	-19	-9	-4	3
Net earnings	-14	-19	-9	-4	3
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*2.8%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.41	-0.48	-0.24	-0.09	0.06
P/E adj.	-7.1	-6.5	-7.3	-18.7	27.6
EV/S	1.8	2.2	1.1	1.2	1.1
EV/EBITDA	-19.1	-10.3	-145.9	14.7	6.4

Last updated: 2022-10-31

Owner	**Equity**	**Votes**
Nordnet Pensionsförsäkring	13.6%	13.6%
Avanza Pension	10.5%	10.5%
Jörgen Nordlund (med bolag)	7.5%	7.5%
Ålandsbanken AB	5.7%	5.7%
Malte Roggentin	4.7%	4.7%
Without Bank Julius Baer & co LTD	4.5%	4.5%
Per-Anders Wärn	3.4%	3.4%
Carl Ragnar Torbernt Hjelmvik	3.3%	3.3%
Handelsbanken Liv Försäkring AB	3.0%	3.0%
Göran Sparrdal	2.7%	2.7%

Company description

Westpay is a Fintech company and a supplier of smart transaction- and payment solutions. The 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 thesis

Case

Long growth runway with good scalability

During the last years, Westpay has improved its business model and added new, highly potent services to its offer, leading to higher recurring revenues. We also believe that these improvements should continue to generate growth and stronger margins ahead. Moreover, Westpay has expanded its market reach substantially by signing agreements with leading POS partners in the Nordic, which allows the company to have a long growth runway in the years to come.

Evidence

Recurring revenues continue to increase quarter over quarter

Westpay has proven its competitive offering by signing agreements with leading POS partners and prominent merchants. The management has also delivered on its outspoken strategy of increasing recurring revenues and gross margins. If Westpay gets traction with its transaction-based revenues, the company should be able to increase its margins significantly. Besides, as Westpay increases its recurring revenues, we argue that the stock deserves to trade at higher multiples.

Challenge

Further dilutions should not be excluded

Westpay is still suffering losses despite higher gross margins, and further dilutions should not be excluded. The new business model also requires more working capital in the short term as Westpay receives payments over a more extended period. However, Westpay has a good return on these investments, and the new business model will increase both cash flow and margins in the coming years.

Challenge

Valuation

We see an upside where we estimate a long-term EBIT margin of 14%

Based on our DCF model, we see an upside in the share price. We have also complemented our DCF model with a multiple valuation where we value the recurring revenues at 3x sales and the non-recurring revenues at 1x sales. We believe this is good complementation as Westpay deserves to trade at higher multiples when the recurring revenues increases. We estimate that Westpay will reach a long-term EBIT margin of 14% in our base case.

Catalyst types

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

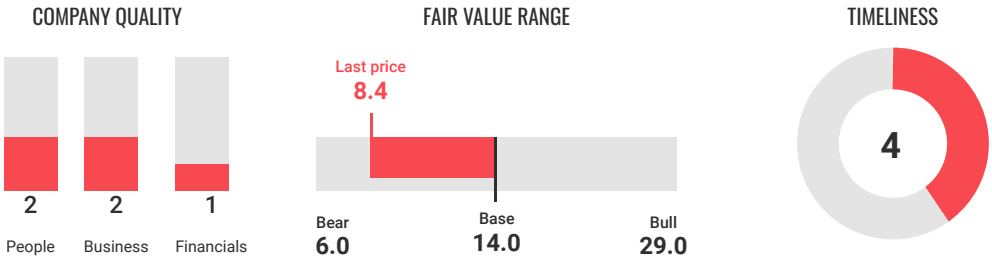
In 2021 has agreements been signed with Klarna and Swish to offer Alternative Payments Methods through Westpay's Swipe2Pay solution and generates revenue for Westpay every time it is used. Also are agreements in place to monetize when customers to Westpay choose to the acquiring services of chosen acquire supplier's.

Zwipe ZWIPE

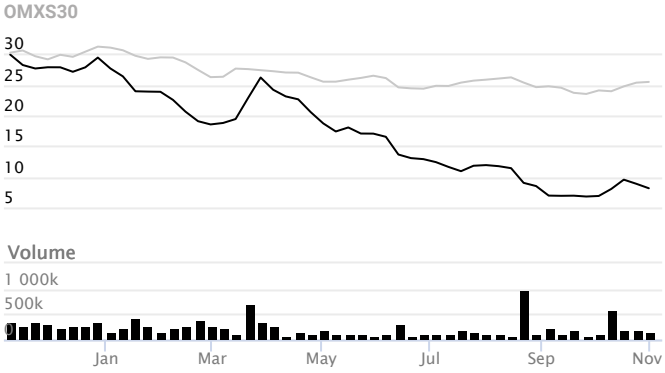
Company page
https://www.redeye.se/company/zwipe

Publication date
November 8 2022

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Robert Puskaric
Chairman	Jörgen Lantto

Share information

Share price (SEK)	8.4
Number of shares (M)	37.6
Market cap (MSEK)	314
Net debt (2022E, MNOK)	-117

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

			Redeye Estimates		
	2020	**2021**	**2022E**	**2023E**	**2024E**
Revenue, MNOK	2	3	4	52	443
Growth	*21.1%*	*38.3%*	*57.4%*	*>100%*	*>100%*
EBITDA	-60	-75	-113	-90	35
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*	*7.9%*
EBIT	-62	-83	-114	-91	35
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*	*7.9%*
Pre-tax earnings	-62	-83	-110	-91	35
Net earnings	-62	-83	-110	-91	35
Net margin	*Neg*	*Neg*	*Neg*	*Neg*	*7.9%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-1.89	-2.25	-2.95	-1.73	0.66
P/E adj.	N/A	-12.9	-2.8	-4.7	12.3
EV/S	N/A	362.3	47.4	7.7	0.8
EV/EBITDA	N/A	-12.3	-1.7	-4.5	10.4

Last updated: 2022-10-31

Owner	**Equity**	**Votes**
Vasastaden Holding AB	16.4%	16.4%
Erik Selin	10.7%	10.7%
Bengt Eriksson	5.4%	5.4%
Lars Windfeldt	4.5%	4.5%
Skandinaviska Enskilda Banken AB	2.9%	2.9%
Avanza Pension	2.9%	2.9%
Coeli AB	2.7%	2.7%
Jörgen Lantto	2.3%	2.3%
Skandinaviska Enskilda Banken AB	1.5%	1.5%

Company description

Founded in 2009, Zwipe is a first mover in biometric smart cards ("BSCs"). It develops fingerprint authentication technology, at the moment focusing on payment cards and access cards. The company is still essentially pre-revenue, but has an exclusive technology distribution agreement with the world´s second-largest card manufacturer, Idemia. Zwipe has a long list of prominent partners on a global basis and is well-positioned for the anticipated market ramp-up for biometric smart cards.

Zwipe is located in Norway but it has offices in Munich and Colorado. Aside from its listing on the Norwegian Merkur Market, Zwipe dual-listed on First North in Sweden during 2019.

Investment thesis

Case

Opportunistic with great value proposition

In 2019 Zwipe partnered with the world's second-largest card manufacturer, Idemia – a clear indication of its competitiveness. This improves the ability to manufacture biometric smart cards ("BSCs") cost-efficiently, which is imperative to the success of BSCs. Zwipe has consistently built on its position by partnering up with lots of actors in the payments ecosystem while the larger card manufacturers have moved slowly. Zwipe has nothing to protect while the larger ones have their cash cows in the existing payment cards without biometrics and are therefore ripe for disruption. We see continuous signs of a market take-off. We believe, however, that the cheaper card stemming from the Idemia/Zwipe solution can facilitate commercial volumes from 2022.

Evidence

Lower card costs and strong IP

Through the partnership with Idemia, Zwipe targets a reduction of card costs by over 50%, implying potential cost leadership. We view Idemia and Zwipe's intellectual property as strong cards up Zwipe's sleeve. Zwipe has been granted wide patent protection for how terminals identify a biometric card, a prerequisite for processing biometric contactless payments.

Challenge

Road blocks on the way

There are other solutions than cards such as mobile phones which already have strong authentication solutions through biometrics and an increasing share of the younger population are using their mobile phones as the primary way to pay. Another challenge is around the actual user-friendliness of biometric cards.

Challenge

Potential delay in market take-off

Further delays in the market take-off can lead to competitors being able to close in on disruptors such as Zwipe. Furthermore, it risks impacting the financing situation as the company's cash burn per month is around NOK 8m.

Valuation

Commercial orders to drive the stock

Commercial orders can drive the stock towards our base case of NOK14 where we model biometric payment cards to reach 10% of total cards in 2026 and a market share for Zwipe of around 10%, turning into sales of around NOK 1.2 billion. Our bear case is based on a fire sale of the IP at NOK 6 per share. In our bull case, we see a major upside to NOK29 based on higher BSC penetration. The wide fair value range illustrates the uncertainty in the case.

Catalyst types

Commercial orders
The most important catalyst during the next 6 months, in our view, is commercial orders, from existing and new partnerships. The company already announced a pilot with a Global Tier-1 Bank at the beginning of September and we expect further news. There were a total of 14 pilots initiated for Zwipe Pay in 2021 and we think successful results are triggers for commercial orders. This is also a risk for the case where unsuccessful pilots would be concerning.

Large commercial order for Zwipe Pay ONE
Pilots are one thing, but commercial orders from the Idemia collaboration will prove that there is a substantial value in Zwipe´s offering. The first commercial orders have arrived which have led to a valuation at our base case and we are awaiting news for further substantial orders.

Increased hygiene focus
The important hygiene aspects of contactless biometric cards have been highlighted to a large extent by the Coronavirus as people are becoming reluctant to touch the terminals. We see a chance that this could prove to be a game changer for Zwipe in the long term.

Proven breakthrough in production costs
The costs are expected to come down with scale in production. The goal is to get the costs down to USD 5 per card which we think is likely to happen in the next couple of years.

DISCLAIMER

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