



REDEYE

# Profitable Microcap Growth Companies 2023



09.00	<b>Introduction Redeye</b>	Mats Hyttinge, analyst
09.01	<b>Waystream</b>	Anna Idbrant, CMO
09.20	<b>Sensys Gatso</b>	Ivo Mönnink, CEO
09.40	<b>Northbaze</b>	Henrik Andersson, CEO
10.00	Short break	
10.05	<b>Avtech</b>	David Rytter CEO
10.25	<b>IMINT</b>	Andreas Lifvendahl, CEO
10.45	<b>Image Systems</b>	Johan Friberg, CEO
11.05	Short break	
11.10	<b>Gomero Group</b>	Jan-Eric Nilsson, CEO
11.30	<b>SSH Communications</b>	Michael Kommonen, CFO
11.50	<b>Nepa</b>	Ulrich Boyer, CEO
12.10	The end	
12.10	Lunch for all speakers & investors	



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## Leading Nordic Investment Bank

Leading Advisor for Growth Companies

### Founded

1999

Under supervision of the Swedish FSA

### Corporate Broking

175+

175+ public corporates as clients

### Ownership

Partner owned

### Corporate Finance

160+

160+ transactions executed over the last five years

### Employees

80+

Analysts: 30+  
Corporate Advisory: 25

### Key Specialties

Tech & Life Science

### Redeye.se

150,000+

Attracting 150,000+ unique visitors monthly

### 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
- Strategic 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 advisers 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

# 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**

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.



### **Eddie Palmgren**

Client Manager & Host of Investing by the Books Podcast

Eddie has a Bachelor of Science in finance from Stockholm University, with an additional Master's Year in Taiwan. He has been an investor for nearly 15 years and joined Redeye in 2014, working as an Equity Analyst and Editor. Currently, Eddie is a Client Manger and the host of Investing by the Books Podcast.



**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.



**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.



**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.



**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. He works as an equity analyst at Redeye, with a particular interest in serial acquirers.



**Mattias Ehrenborg**  
Analyst

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



**Alexander Flening**  
Analyst

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.



**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.



### **Anton Hoof**

Analyst

Anton is an equity analyst within the technology team at Redeye. He holds a Master of Science in Business and Economics from Linnaeus University. Anton has previously worked at EY as an auditor.



### **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.



### **Rasmus Jacobsson**

Analyst

Rasmus is an equity analyst within Redeye's technology team. He has a BSc from KTH Royal Institute of Technology.



### **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.



### **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.



### **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.



### **Fredrik Reuterhäll**

Analyst

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.



**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.

**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.

**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.

**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 consultant within Investor Relations. Oskar works as an equity analyst, covering companies in the tech sector with a prime focus on cleantech and consumer discretionary.





















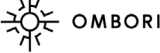


























**Danesh Zare**

Analyst

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

## Technology Selected Transactions



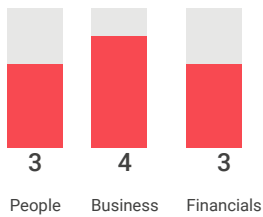
2023				
			 <b>FEBRUARY 2023</b> Directed Issue & Secondary Pl. 279 MSEK	 <b>JANUARY 2023</b> Directed & Rights Issue 30 MSEK
2022				
 <b>JULY 2022</b> Rights Issue SEK 66 MSEK	 <b>JUNE 2022</b> Private Placement SEK 27 MSEK	 <b>JUNE 2022</b> Rights Issue SEK 25 MSEK	 <b>APRIL 2022</b> Public Take-Over on MultiQ 197 MSEK	 <b>MARCH 2022</b> IPO 60 MSEK
2018-2021				
 <b>DECEMBER 2021</b> Rights Issue 30 MSEK	 <b>DECEMBER 2021</b> IPO 35 MSEK	 <b>DECEMBER 2021</b> Rights Issue 43 MSEK	 <b>DECEMBER 2021</b> IPO 40 MSEK	 <b>NOVEMBER 2021</b> IPO 65 MSEK
 <b>OCTOBER 2021</b> Private Placement 124 MSEK	 <b>JULY 2021</b> Directed Issue 45 MSEK	 <b>JULY 2021</b> Directed Issue 15 MSEK	 <b>JUNE 2021</b> IPO Selling Agent 201 MSEK	 <b>JUNE 2021</b> Private Placement 40 MSEK
 <b>MAY 2021</b> Rights Issue 25 MSEK	 <b>MAY 2021</b> Private Placement 30 MSEK	 <b>MAY 2021</b> IPO 60 MSEK	 <b>FEBRUARY 2021</b> Private Placement 60 MSEK	 <b>DECEMBER 2020</b> Private Placement 52 MSEK
 <b>NOVEMBER 2020</b> Directed Issue + Rights Issue 204 MSEK	 <b>OCTOBER 2020</b> Rights Issue 50 MSEK	 <b>OCTOBER 2020</b> Directed Issue 66 MSEK	 <b>OCTOBER 2020</b> Rights Issue 57 MSEK	 <b>MARCH 2020</b> Rights Issue 36 MSEK
 <b>DECEMBER 2019</b> Pre-IPO 18 MSEK	 <b>NOVEMBER 2019</b> IPO 26 MSEK	 <b>OCTOBER 2019</b> Rights Issue 51 MSEK	 <b>JUNE 2019</b> Rights Issue 40 MSEK	 <b>MAY 2019</b> Directed Issue + Rights Issue 139 MSEK
 <b>MAY 2019</b> Rights Issue Co-Lead Manager 135 MSEK	 <b>APRIL 2019</b> Dual Listing 10 MSEK	 <b>APRIL 2019</b> Rights Issue 102 MSEK	 <b>MARCH 2019</b> IPO 80 MSEK	 <b>JANUARY 2019</b> IPO Joint Bookrunner 120 MSEK
 <b>NOVEMBER 2018</b> Rights Issue 25 MSEK	 <b>OCTOBER 2018</b> Directed Issue 43 MSEK	 <b>OCTOBER 2018</b> Directed Issue 21 MSEK	 <b>OCTOBER 2018</b> Right Issue 39 MSEK	 <b>JUNE 2018</b> Private Placement 108 MSEK
 <b>JUNE 2018</b> Rights Issue Join Lead Manager 127 MSEK	 <b>JUNE 2018</b> Private Placement 50 MSEK	 <b>MAY 2018</b> IPO 30 MSEK	 <b>APRIL 2018</b> Private Placement 20 MSEK	 <b>FEBRUARY 2018</b> Private Placement 20 MSEK

# Covered Companies

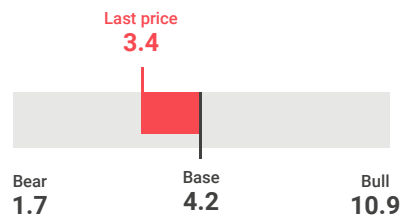


## Redeye Rating

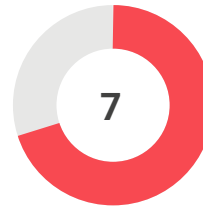
### COMPANY QUALITY



### FAIR VALUE RANGE



### TIMELINESS



## Snapshot

Avtech Sweden  
OMXS30



Marketplace First North Stockholm

CEO David Rytter

Chairman Bo Redeborn

### Share information

Share price (SEK) 3.4

Number of shares (M) 56.5

Market cap (MSEK) 192

Net debt (2023E, MSEK) -26

### Analyst



**Rasmus Jacobsson**  
rasmus.jacobsson@redeye.se

### Conflict of interests

Rasmus Jacobsson 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	
	2021	2022	2023E	2024E
Revenue, MSEK	12	21	27	31
Growth	-3.3%	81.4%	26.2%	15.0%
EBITDA	2	9	13	16
EBITDA margin	12.7%	41.6%	46.6%	50.9%
EBIT	-2	5	8	11
EBIT margin	Neg	23.5%	30.4%	35.2%
Pre-tax earnings	-2	5	8	11
Net earnings	-2	5	8	11
Net margin	Neg	23.5%	30.4%	35.2%
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-80.8	33.1	27.5	20.7
EV/S	10.1	7.1	7.4	6.0
EV/EBITDA	79.4	17.1	15.8	11.8

Last updated: 2023-02-21

Owner	Equity	Votes
Avanza Pension	14.5%	6.7%
Christer Fehrling	6.6%	11.8%
Johnny Olsson	6.3%	19.5%
Christian Dahl	5.3%	2.5%
Lars Bäckvall	3.0%	4.9%
Mats Tonsjö	2.7%	1.3%
Ibkr Financial Services AG	2.4%	1.1%
Saxo Bank A/S Client Assets	2.2%	1.0%
Lars Wahlund	2.0%	0.9%
Bo Redeborn	1.8%	5.6%

## Company description

AVTECH is the world leader in flight and time-based software solutions. After years of research and commercialization, the company has contracts with Southwest, Volotea, TUI, Norwegian, and EasyJet. The Company services about 1,300 aircrafts out of c25,600 aircrafts globally, or about a 5% market share.

Southwest Airlines (SWA) is AVTECH's largest revenue contributor.

## Investment thesis

### Case

#### Attractive market outlook & trends

Fuel-saving technology is core for airline profitability with fuel representing 23% of airlines cost per available seat mile (CSAM) on average over the past five years. AVTECH is well positioned to capture this niche market of cSEK1bn with its guaranteed fuel savings offering at no start up cost. AVTECH has a software offering and shows great operating leverage. We believe up selling its five customers to use AVTECH's entire suite of software, would double its revenue but increase EBITDA by 5x. According to the Company, five airlines, totaling approximately 300 aircraft, are currently testing AVTECH's services. In addition, six more airlines have signed up for tests this year, amounting to c1290 aircraft. We estimate the 300 planes to have a net sales potential between SEK1.5m–SEK6.5m. We estimate the average contract size to be between SEK0.3m–SEK1.3m. The 1290 aircraft could be worth SEK6.5–SEK28.3m.

### Evidence

#### Southwest Airlines partnership

Since 2014, Southwest has been AVTECH's biggest customer. This proves AVTECH's value proposition. Southwest recently expanded its contract with AVTECH by adding Aventus Enroute Winds Service, showing they're willing to buy more when it pays for itself.

### Challenge

#### Airlines are slower than airplanes

The airline industry adopts new solutions slowly, making it difficult for AVTECH to expand. Low-cost carriers are AVTECH's main customers because they must save money to be competitive. Higher fuel prices and sustainability experts within airlines will push even business airlines to explore fuel-saving options.

### Challenge

#### Giants knocking on the door

Full-flight planning system providers potentially bypassing AVTECH's patent is another challenge. This would reduce contract and revenue projections. However, we believe, the market is too small for giants to invest in, resulting in a good niche for AVTECH.

## Valuation

### More contracts!

Our Base case is SEK4.2 with a range of SEK1.7–SEK10.9. This translates to an EV/EBITDA of 14.9x, a slight premium to peers on 2023e. The Base case is build of c50% of the current airlines trialing AVTECH to convert to sales over 2023-2024. If the velocity of new contracts increases, we see the potential for the shares to trade in line with our Bull case. Likewise, as our bear case builds on existing customers staying, a disappointment in new contracts would likely result in the share price trading in line with our Bear case.

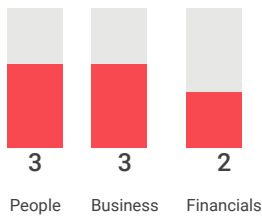
## Catalyst types

### Pipeline of 1000+ aircrafts to test the product

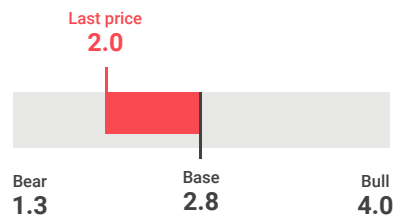
According to the Company, five airlines, totaling approximately 300 aircraft, are currently testing AVTECH's services. In addition, five more airlines have signed up for tests this year, amounting to c1150 aircraft. We estimate the 300 aircraft to have a net sales potential between SEK1.5m–SEK6.5m. We estimate the average contract size to be between SEK0.3m–SEK1.3m. The 1150 aircraft could be worth SEK5.8–SEK25.2m. Here, we expect the average contract size to be SEK1.2m–SEK5.1m. We expect each new contract to close the valuation gap.

## Redeye Rating

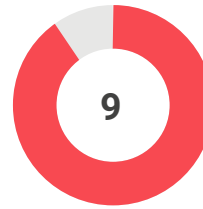
### COMPANY QUALITY



### FAIR VALUE RANGE



### TIMELINESS



## Snapshot

### Image Systems OMXS30



**Marketplace** NASDAQ Stockholm

**CEO** Johan Friberg

**Chairman** Thomas Wernhoff

### Share information

**Share price (SEK)** 2.0

**Number of shares (M)** 89.2

**Market cap (MSEK)** 180

**Net debt (2023E, MSEK)** -35

### Analyst



**Henrik Alveskog**  
henrik.alveskog@redeye.se

### 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

	2021	2022	2023E	2024E
Revenue, MSEK	152	171	183	205
Growth	-6.5%	12.4%	6.9%	11.8%
EBITDA	19	28	31	37
EBITDA margin	12.7%	16.6%	16.9%	18.3%
EBIT	1	9	16	22
EBIT margin	0.5%	5.3%	8.5%	10.5%
Pre-tax earnings	-1	8	16	22
Net earnings	0	9	16	19
Net margin	0.0%	5.0%	8.5%	9.5%
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.10	0.17	0.22
P/E adj.	140,951.8	17.8	12.3	9.8
EV/S	0.9	0.8	0.9	0.7
EV/EBITDA	7.3	4.8	5.0	3.6

Last updated: 2023-02-14

Owner	Equity	Votes
Tibia Konsult AB	32.0%	32.0%
Thomas Wernhoff	15.7%	15.7%
Hans Malm	8.5%	8.5%
LMK-bolagen & Stiftelse	6.2%	6.2%
Avanza Pension	5.3%	5.3%
Dnb Luxembourg SA	2.0%	2.0%
Gunvald Berger	1.8%	1.8%
Per Anders Thorsell	1.8%	1.8%
Anders Fransson	1.7%	1.7%
Hans Olsson	1.3%	1.3%



## Company description

The group consists of two business segments: RemaSawco and Motion Analysis, with contactless measurement technology being the common denominator. RemaSawco develops and sells modern automation system to sawmills. This enables digitalization of the entire process which in turn offers potential for significant productivity improvements. The product range covers the more high-tech end of equipment such as log sorting- and optimization, X-rays, board measurement- and sorting. Clients are primarily sawmills in Northern Europe where RemaSawco has a direct sales model. A few other markets, e.g. the US, are covered by sales partners. Recurring revenues from service and maintenance is rather limited. However, customer relationships tend to be long-term.

Motion Analysis offers systems for analysis of images from high-speed cameras. Clients are primarily in the aerospace, defense, automotive and material-testing industries. The customer base is global, and sales are mainly conducted through a network of partners around the world. The core offering is based on a software sold either as a license or as-a-Service. Hence gross margins are very high and the business has excellent scalability.

## Investment thesis

### Case

#### Well positioned to enter growth phase

The Covid pandemic has taken its toll on Image Systems, with lower volumes in both business segments (RemaSawco and Motion Analysis). With more stable market conditions, we believe the company is well positioned to grow with improving profitability. The dominating segment, RemaSawco, offers measurement systems for the highly competitive sawmill industry, with the ambition to improve productivity while decreasing Opex. As far as we know RemaSawco is way ahead of their competitors in terms of offering a viable solution for the digital sawmill.

### Evidence

#### Improved productivity

Net sales were down around 25% in 2021 vs. 2019, in the wake of the Corona pandemic. Despite the drop, earnings improved, thanks to significant restructuring measures. And the positive trend continued in 2022. Both segments have sound core businesses with healthy gross margins. Motion Analysis being mainly a software company obviously has very high gross margins. Order bookings are improving and the overall market climate now appears more stable. We believe there is a fair amount of pent-up demand for investments in the sawmill industry, as capex has been rather low in recent years.

### Challenge

#### Proof is still in the pudding

RemaSawco has historically been struggling with low profitability. Currently, the company is certainly in much better shape, following several initiatives to enhance efficiency. But we still don't know how well the company will be able to handle higher volumes and generate profitable growth over time.

### Challenge

#### Motion Analysis facing challenges for sustainable growth

Motion Analysis is already a global market leader with high velocity video analysis for the defense and crash testing industries. Gaining further market shares in these segments is challenging. Progress in new application areas, like the DIC for material testing, are important for sustainable growth.

### Valuation

#### We see considerable potential

Our valuation range spans from ~SEK1.3-4 per share, with a Base case fair value around SEK2.8. Our Base case scenario includes a CAGR of 6% 2022-30 and sustainable EBIT margins around 10%. We are applying a WACC of 11.5%.

## Catalyst types

#### Profitable growth in RemaSawco

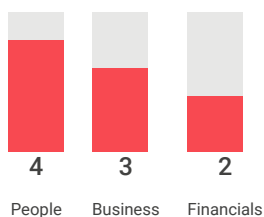
RemaSawco has shown an encouraging improvement in 2021 and 2022. We hope and expect to see further progress in terms of profitable growth.

#### Good traction for Motion Analysis DIC

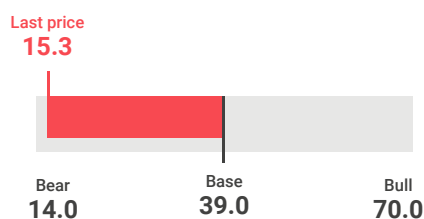
The offering of complete DIC-systems is fairly new but seems to be gaining traction. More sales resources are dedicated and we hope to see tangible results in the coming years.

## Redeye Rating

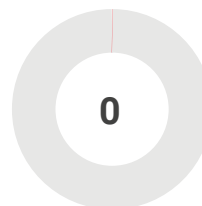
### COMPANY QUALITY



### FAIR VALUE RANGE

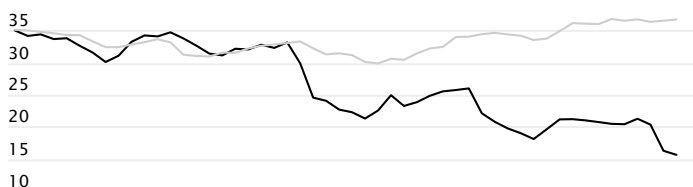


### TIMELINESS



## Snapshot

### IMINT Image Intelligence OMXS30



### Volume



**Marketplace** Spotlight Stock Market

**CEO** Andreas Lifvendahl

**Chairman** Peter Ekerling

### Share information

**Share price (SEK)** 15.3

**Number of shares (M)** 9.2

**Market cap (MSEK)** 140

**Net debt (2023E, MSEK)** -82

### Analyst



**Mark Siöstedt**  
mark.siostedt@redeye.se

### 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

	2021	2022	2023E	2024E
Revenue, MSEK	64	67	65	74
Growth	30.4%	4.3%	-2.5%	14.0%
EBITDA	31	23	21	28
EBITDA margin	47.9%	33.9%	32.7%	37.2%
EBIT	16	9	6	13
EBIT margin	25.2%	12.9%	8.5%	17.4%
Pre-tax earnings	20	14	7	15
Net earnings	20	14	7	12
Net margin	31.5%	20.7%	10.9%	16.3%
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	2.20	1.51	0.78	1.32
P/E adj.	28.5	13.2	19.7	11.6
EV/S	8.0	1.6	0.9	0.7
EV/EBITDA	16.8	4.6	2.7	1.9

Last updated: 2023-03-14

Owner	Equity	Votes
Avanza Pension	14.9%	14.9%
Nordnet Pensionsförsäkring	5.3%	5.3%
Bank Julius Baer & co. Ltd, w8imy without	5.0%	5.0%
Johan Qviberg	2.9%	2.9%
Caceis Bank Spain Sau	2.3%	2.3%
Peter Ekerling	2.3%	2.3%
Öjvind Norberg	1.8%	1.8%
Andreas Lifvendahl	1.7%	1.7%
Nevrokiro Invest AS	1.7%	1.7%
Alexander Ullman	1.6%	1.6%

## Company description

Imint is a Swedish software provider focusing on video stabilization. The core of the Imint offering is the Vidhance software library containing algorithms for sensor analysis, and various types of image and video enhancements. At the beginning of FY2023, Imint will start reporting two business segments: Consumer and Professional. The former will be consumer electronics, where smartphones dominate. From 2016 until today, about 850 million smartphones have been equipped with Imint's video stabilization, and in a given quarter, about ~15-20% of all new smartphones shipped worldwide have the software pre-installed. The second business segment is Professional, and it will focus more on applications such as body cameras, industrial and surgical AR, etc. The Consumer business (smartphones) constitutes >95% of Imint's sales, but the financial goal targets a 50/50 split by 2025.

## Investment thesis

### Case

#### Small but Fierce 'Hidden Champion'

Imint is a niched software market leader with good connections to both global chipset makers and smartphone manufacturers. Over the last couple of years, Imint has built moats in the hyper-competitive smartphone market, which now seem to be transferable to adjacent markets, including wearables. Its brand and know-how open new avenues for profitable growth, which is essential for the investment case's durability concerns (or its over-reliance on the smartphone market). Imint's advantages can be condensed to 1) chipset integration expertise, 2) trusting customer relations/high switching costs, and 3) technical/software know-how. Together, they form an overarching competitive advantage that is simply the ability to efficiently create a complete well-integrated product that 'just works' as planned in the fast-paced market.

### Evidence

#### A strong brand and well-recognized expertise

Although somewhat hidden in the value chain, Imint has supplied more than 850 million smartphones with video stabilization software since late 2016. In Q4'22, about 50 million smartphones were equipped with Vidhance, giving Imint a market share of about 17%. Imint's track record in the smartphone industry is a competitive advantage since many of the AR/head-mounted camera companies investigate the camera quality of smartphones. For example, one of the current prospects had benchmarked its much more expensive product to a newly obtained vivo phone, only to conclude that the video quality was superior in the latter. This induced the prospect to 'investigate backward', which led it to the software developer Imint.

### Challenge

#### A saturated smartphone market and an unproven Professional segment

The smartphone market topped on a rolling-twelve basis in late 2016/early 2017, and has since then been rather saturated, especially in the developed part of the world. Some emerging markets in Africa and Latin America have grown in the past few years as many consumers buy their first smartphones. Nevertheless, Imint primary market does not have a volume growth and the

Android-based smartphones have an estimated CAGR of less than 0.5% in the coming five years. Instead, most growth will come from the Professional business segment, which is a rather unproven part of the company. The Consumer segment (and Imint as a whole) could also suffer if the software becomes commoditization which would impact the IP royalties negatively and thus the overall top line.

### Challenge

#### The 'China risk'

Imint has partnered up with chipset makers such as Qualcomm and MediaTek, as well as with major smartphone manufacturers like vivo, OPPO, Xiaomi, and Motorola, to name a few. Many of these partners are Chinese, and Imint carries a geopolitical risk factor that is hard to assess clearly. Some of the new partners in the Professional segment are also Chinese, as it is the world's manufacturing hub, where much of the hardware is built. Imint is, however, trying to broaden its customer base, and in the emerging Professional segment, Europe and the US will be more in focus.

### Valuation

#### Not pricey given the track record

Notwithstanding the last quarter, where Imint was pressured from cost-cutting in the supply chain due to the abysmal smartphone sales worldwide, Imint has been able to report EBIT margins of >20% and grow quite rapidly, thanks to a mix of new customers and upsell on existing. Since 2020, the smartphone business has added about SEK50m in cash to the company. However, the market discounts a lot of risk in the share price, such as the China risk and the chances of successfully venturing out into new markets that can compare to the old smartphone hit. On a normalized earnings level, Imint would be trading at a single-digit EV/EBIT multiple.

## Catalyst types

### M&A

Imint has a cash position of around SEK80m, and management has discussed the prospects of M&A. A good acquisition that can speed up the Professional side could be a powerful catalyst.

### A stable Consumer segment

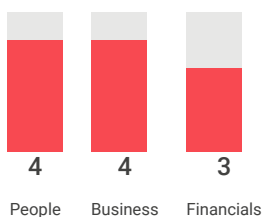
The Consumer segment has more IP licenses with royalties, short product cycles (2-3 years), and volatile end markets in the consumer electronics space. However, the smartphone market is the largest consumer electronics market in the world, providing Imint good cash flows that it can re-invest in the Professional segment. A stable development in this segment should also be a catalyst, given that Imint seeks to accomplish an EBIT margin of >30%. This is not included in the current share price.

### Successful venture into the Professional space

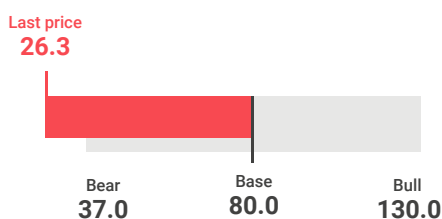
The Professional business segment will have to carry Imint's growth rate in the future. The business model is quite different as well, with more recurring revenues (Imint will focus on verticals with subscription models), longer business and product cycles (multi-year-periods), and less volatile end-markets (B2B). Signs of success will be clear catalysts for the stock, not least in the reported numbers.

## Redeye Rating

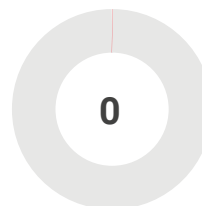
### COMPANY QUALITY



### FAIR VALUE RANGE



### TIMELINESS



## Snapshot



<b>Marketplace</b>	First North Stockholm
<b>CEO</b>	Ulrich Boyer
<b>Chairman</b>	Katarina Bonde
<b>Share information</b>	
<b>Share price (SEK)</b>	26.3
<b>Number of shares (M)</b>	7.9
<b>Market cap (MSEK)</b>	207
<b>Net debt (2023E, MSEK)</b>	-76

### Analyst



**Jesper Von Koch**  
jesper.vonkoch@redeye.se

### Conflict of interests

Jesper Von Koch owns shares in Nepa: **Yes**  
Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

## Financials

	2021	2022	Redeye Estimates		
			2023E	2024E	2025E
Revenue, MSEK	295	312	301	324	353
Growth	14.2%	5.7%	-3.7%	7.6%	9.2%
EBITDA	50	31	46	55	68
EBITDA margin	17.0%	9.9%	15.2%	16.9%	19.3%
EBIT	40	20	32	40	52
EBIT margin	13.5%	6.3%	10.7%	12.4%	14.8%
Pre-tax earnings	42	22	33	41	53
Net earnings	39	18	26	33	42
Net margin	13.1%	5.6%	8.6%	10.1%	11.9%
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	4.91	2.23	3.30	4.14	5.34
P/E adj.	33.4	11.9	8.1	6.4	5.0
EV/S	4.1	0.5	0.4	0.3	0.2
EV/EBITDA	23.9	4.7	2.9	2.0	1.1

Last updated: 2023-03-20

Owner	Equity	Votes
Ulrich Boyer	18.4%	18.4%
Elementa Management	16.5%	16.5%
Swedbank Robur Fonder	12.1%	12.1%
Alcur Fonder	4.9%	4.9%
Aktia Asset Management	4.8%	4.8%
Clens Fonder	3.8%	3.8%
Per-Ola Westerlund	3.8%	3.8%
Avanza Pension	3.7%	3.7%
Luxembourg Branch, W8imy/Nqi J.P. Morgan Se	2.9%	2.9%
Schroders	2.9%	2.9%

## Company description

Nepa offers a software platform delivering customer insights to clients to optimise their marketing strategies and campaigns. Its software platform includes automated processes for continuous data collection, data analysis, and distribution of actionable insights to help customers execute more successful marketing campaigns. In Sweden, Nepa has a ~50% market share for its core offering, its brand-tracking software.

The company splits its offerings into three areas: Marketing Optimization (MO), Innovation Acceleration (IA), and Customer Experience (CX). MO constitutes almost 80% of total revenues, with IA and CX at around 10% each. As reflected in its revenue distribution, Nepa's core focus is MO, and this is the most scalable unit with the greatest stickiness.

Historically, Nepa has sold its software as part of a package that also included hands-on consulting. It now aims to sell more dashboard-only trackers, i.e., without consulting, to improve the scalability of its business model.

## Investment thesis

### Case

#### **Sticky, recurring software revenues with pending margin expansion**

Having completed its turnaround in 2020, closing unprofitable business units and migrating customers to its new software platform, Nepa stands on a solid foundation. Its recurring revenue base (67% of the total) is very sticky and has close to no churn – even in difficult times. After poor cost control in 2022, profitability has come down and investors' confidence in Nepa is currently at bottom lows. This provides a good foundation for an interesting opportunity, we think. The company's savings program will start to be realized in Q1 and fully realized in Q2 - setting the scene for yet another margin expansion. Nepa is targeting a minimum 20% EBIT margin by growing recurring software revenues without expanding its workforce meaningfully. While we expect 2023 growth to be non-existing, we then expect Nepa to return to solid growth from 2024. We estimate sales growth of 2023e–2027e CAGR of 9%. At the same time, we expect earnings per share to grow even faster (2023e–2027e CAGR of 21%) thanks to the company's scalable business model and high operating leverage.

### Evidence

#### **Customers migrated to highly automated platform – scalability and pricing power**

The completion of the platform migration implies two factors that are likely to improve margins: 1) The new platform is more automated, meaning some reports that previously required employee time to complete are now generated by a simple click, meaning less human resources are required. Moreover, the employees required for certain tasks previously were expensive hires with PhDs, but these tasks can now be performed by more junior colleagues. 2) Less manual work means less room for human error, with the elimination of previous, time-consuming mistakes, reducing the required personnel. As customers have moved to the new platform, Nepa has introduced price increases (est. +10-12%) for recurring subscriptions as of Q1 2022. These will be almost fully implemented in Q1 2023, we believe. Despite the price hikes, no customer has been unwilling to switch, indicating a solid value proposition and good pricing power.

### Challenge

#### **Scaling the business in a recession – but the company will cut cost base by almost 15%**

Nepa is now moving into the second phase of its strategy: Expansion. Here, much more emphasis is placed on marketing and sales efforts. The additional sales personnel have naturally added to the company's cost base. The company has also expanded its R&D efforts, further adding to its cost base. As the recession became obvious in Q4'22, the company announced cost savings of SEK31m per year, equivalent to almost 15% of its cost base. From this cost base (cost saving to be fully realized starting in Q2), Nepa aims to improve profitability by increasing its revenues while keeping its cost base relatively stable (two-thirds of cost base is scalable. While Nepa has a long and robust growth history, as the economy now appears to be heading into a recession, growth will naturally become more challenging. While we think the market is currently not anticipating the cost-saving program to bear any fruit, we think it will.

### Challenge

#### Valuation

#### **Scalable software priced as a poorly run consultancy**

In our Base Case, we estimate a 2023e–2027e sales CAGR of 9%, with the EBIT margin expanding from 6% in 2022 to 16% by 2027e. Using a DCF model, we value Nepa at a Base Case of SEK80, corresponding to a P/E ratio of 15x for 2025e. Our Bear Case is SEK37, and our Bull Case is SEK130. We believe the stock market's perception of Nepa is far from ours. We see Nepa as a reasonably fast-growing (except for 2023), scalable software company on the verge of a long and strong margin expansion. In our view, the stock market prices Nepa as a poorly run consultancy.

## Catalyst types

#### **Improved investor communication by providing relevant SaaS metrics**

Incl.ARR and churn, to demonstrate to investors that Nepa is primarily a software company.

#### **Revealing scalability**

Ongoing growth in recurring software revenues, leading to margin expansion.

#### **Being acquired by YouGov or an ad-tech company that wants to expand into brand tech.**

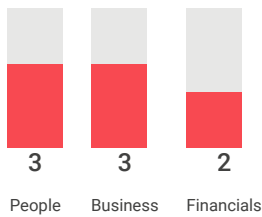
YouGov could pay a big premium for Nepa and still make considerable multiple arbitrage. Bolt-on acquisitions is a core part of its strategy.

#### **Successful packaging and launch of AI-powered prediction offering**

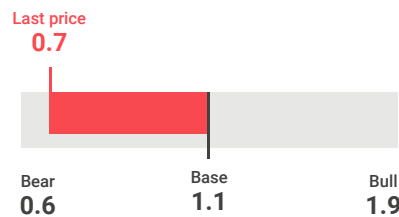
This could meaningfully increase the average revenue per customer.

## Redeye Rating

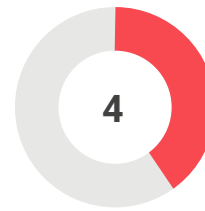
### COMPANY QUALITY



### FAIR VALUE RANGE

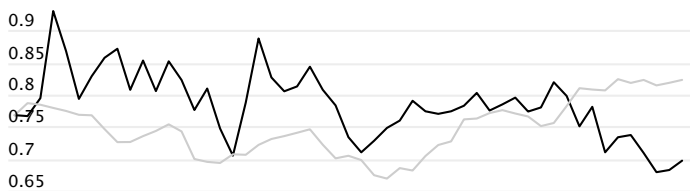


### TIMELINESS

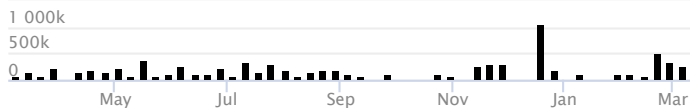


## Snapshot

### Northbaze OMXS30



### Volume



**Marketplace** First North Stockholm

**CEO** Henrik Andersson

**Chairman** Anders W Bruzelius

### Share information

**Share price (SEK)** 0.7

**Number of shares (M)** 157.0

**Market cap (MSEK)** 106

**Net debt (2023E, MSEK)** -13

### Analyst



**Alexander Flening**  
alexander.flening@redeye.se

### Conflict of interests

Alexander Flening 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

		Redeye Estimates		
	2021	2022E	2023E	2024E
Revenue, MSEK	133	168	186	202
Growth	-2.3%	26.3%	10.9%	8.3%
EBITDA	3	2	23	29
EBITDA margin	2.1%	1.2%	12.4%	14.3%
EBIT	-5	-13	5	14
EBIT margin	Neg	Neg	2.4%	7.1%
Pre-tax earnings	-10	-18	2	14
Net earnings	-10	-20	1	11
Net margin	Neg	Neg	0.8%	5.7%
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.10	-0.13	0.01	0.07
P/E adj.	-12.3	-6.1	83.8	10.7
EV/S	1.0	0.5	0.3	0.2
EV/EBITDA	46.8	43.1	2.7	1.5

Last updated: 2023-02-27

Owner	Equity	Votes
NEA Partners	17.9%	17.9%
Håkan Larsson	10.5%	10.5%
Novo Utbildning AB	9.3%	9.3%
Erik Fischbeck med bolag	8.3%	8.3%
Swedbank Försäkring	6.5%	6.5%
Jon Lööf Invest AB	5.7%	5.7%
Drömvärlden AB	4.0%	4.0%
Folke Westerbrand	3.9%	3.9%
Anders Kristensson	2.7%	2.7%
Ulf Sandberg	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.

Today, the Group offers products within three business areas: Adiantes, Copter, Audio & Sound and Mobility. Adiantes is a one-stop shop for leather goods and packaging solutions. Copter manufactures screen protection for smartphones and tablets. Audio & Sound consisting of the brand Jays. The fourth area, Mobility, offers mobile leather accessories represented by Krusell and Kavaj.

## Investment thesis

### Case

#### **Transformation from brand dependent consumer-electronics into a stable company with higher margins**

Since 2016, Northbaze has evolved from a one-brand consumer-electronics company into a much more stable company with less brand- and product risk, and a much higher margin profile. Until a few years ago, Northbaze was a tiny player in a highly competitive market. Now, the company has built up a strong product portfolio and a much more attractive customer mix. As the improved product mix with more stable B2B sales emerges, the share price is likely to accelerate.

### Evidence

#### **Adiantes and Copter constitute stability and higher margins**

We think Adiantes is the most solid and highest-quality business of Northbaze Group. With Adiantes, the brand risk is reduced and almost eliminated as revenues are split between a wide range of brands and products within each brand. With a high-quality offering and a rather low-cost personnel base in Thailand, we think Adiantes over time can deliver solid margins surpassing the group target of 10% EBITDA. See supportive analysis for thoughts on Copter.

### Challenge

#### **Fragmented market, fragile position in brands**

The markets for both Audio & Sound and Smart Mobility are highly fragmented with some established brands and many smaller companies operating locally or globally. Easy access to OEMs makes entry barriers low - both in terms of capital requirements and technology challenges. The lack of moat pressures Northbaze for constant innovation. However, we believe Adiantes and Copter are much more resilient to brand risk as those customer bases consist of a wide range of companies and brands.

## Valuation

### **Base Case at SEK 1.1**

Our valuation range spans between SEK 0.6 and SEK 1.9, with Base Case at SEK 1.1. With a growing base of more stable and higher-margin revenue, we believe continued growth and margin expansion will fuel the share price.

## 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**

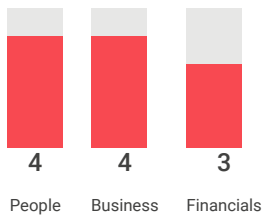
Additional acquisitions are likely. Management has a proven ability to find targets with good value-adding potential at relatively low multiples around or below 0.5x sales

### **Achieving profitability**

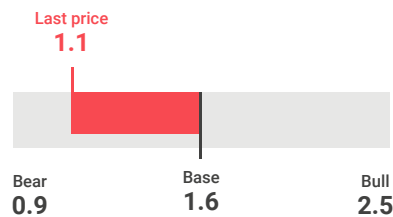
Better cash flows would merit higher multiples and valuation. The company has achieved profitability on EBITDA for several consecutive quarters. However, for the shares to take off, we believe a positive bottom line will be needed.

## Redeye Rating

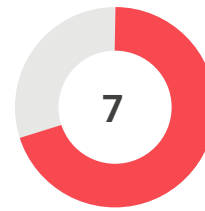
### COMPANY QUALITY



### FAIR VALUE RANGE

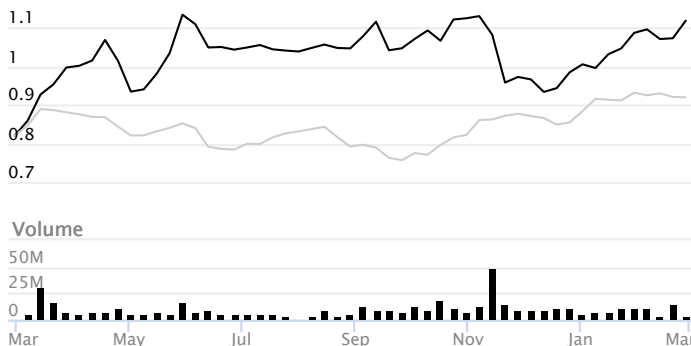


### TIMELINESS



## Snapshot

### Sensys Gatso Group OMXS30



Marketplace NASDAQ Stockholm

CEO Ivo Mönnink

Chairman Claes Ödman

### Share information

Share price (SEK) 1.1

Number of shares (M) 921.8

Market cap (MSEK) 1,029

Net debt (2023E, MSEK) 8

### 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		
	2021	2022	2023E	2024E	2025E
Revenue, MSEK	507	495	623	672	747
Growth	11.4%	-2.4%	25.9%	7.9%	11.1%
EBITDA	78	74	91	110	138
EBITDA margin	15.4%	14.9%	14.6%	16.4%	18.4%
EBIT	40	31	45	65	92
EBIT margin	7.9%	6.3%	7.3%	9.6%	12.3%
Pre-tax earnings	44	33	45	61	88
Net earnings	36	20	36	52	74
Net margin	7.1%	4.1%	5.8%	7.8%	9.9%
Dividend/Share	0.02	0.01	0.02	0.03	0.04
EPS adj.	0.04	0.02	0.04	0.05	0.08
P/E adj.	27.8	49.7	27.9	20.9	14.4
EV/S	1.9	1.9	1.6	1.5	1.3
EV/EBITDA	12.1	12.7	11.2	8.9	6.9

Last updated: 2023-02-23

Owner	Equity	Votes
(Gc) BNP Paribas SA Paris	17.8%	17.8%
Gatso Special Products B.V.	17.7%	17.7%
Avanza Pension	4.2%	4.2%
Nordnet Pensionsförsäkring	4.0%	4.0%
Per Wall	2.5%	2.5%
Inger Bergstrand	2.2%	2.2%
Handelsbanken Fonder	1.4%	1.4%
Dimensional Fund Advisors	1.2%	1.2%
Claes Mellgren	1.0%	1.0%
Peter Hamberg	0.9%	0.9%



## 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 thesis

### Case

#### **Growing recurring revenue with higher margin**

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 sustainable growth and will determine the stock's long-term performance. 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 straightforward and steadily spreading across the World. The Company has never lost a Managed Services contract, but has taken over several contracts from competitors.

### Evidence

#### **Potential in expanding its strong position**

The strongest market driver in Managed Services is school zones, where Sensys Gatso can leverage its expertise and competitive advantages in other adjacent areas and opportunities e.g. distracted driving, parking, 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 of approval procedures in each country.

### Challenge

#### **Cost base for two business areas has historically been hard to handle**

Sensys Gatso has during the last few years had poor profitability despite growing its revenue base. We believe this is due to the large cost base it has received from building up its two separate business areas - system sales and the US TRaaS business. However, we are now seeing improved profitability as the US TRaaS business seems to have grown into its cost suit.

## Valuation

### **Base Case at SEK 1.6**

Our valuation range spans between SEK0.9 and SEK2.5, with Base Case at SEK1.6. With a growing base of recurring revenue with a higher margin profile, we believe continued growth and margin expansion will fuel the share price.

## 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 system orders**

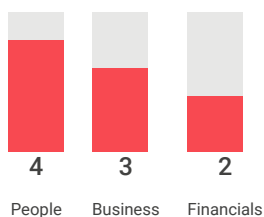
The share price is largely driven by the announcement of major orders. For the next quarters we see larger orders from several geographies, especially related to the competitive offering within in-vehicle solutions

### **Large Managed Services contracts**

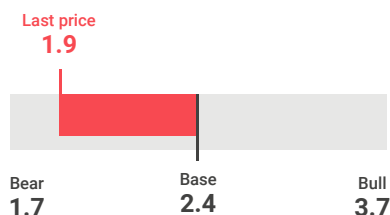
The most important catalyst for the stock is large Managed Services orders related to e.g. school zones, given the margin profile and the recurring revenue. We especially look forward to orders from new adjacent areas.

## Redeye Rating

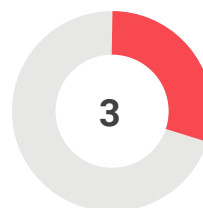
### COMPANY QUALITY



### FAIR VALUE RANGE

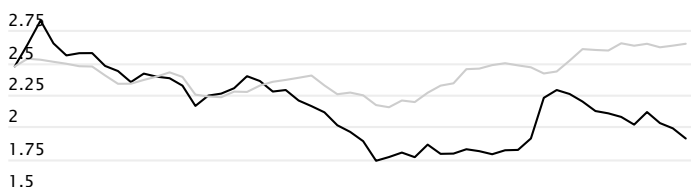


### TIMELINESS



## Snapshot

### SSH Communications OMXS30



### Volume



Marketplace NASDAQ Helsinki

CEO Teemu Tunkelo

Chairman Henri Österlund

### Share information

Share price (EUR) 1.9

Number of shares (M) 40.2

Market cap (MEUR) 75

Net debt (2023E, MEUR) 3

### Analyst



**Fredrik Reuterhäll**  
fredrik.reuterhall@redeye.se

### Conflict of interests

Fredrik Reuterhäll owns shares in SSH Communications: **No**

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

## Financials

	2021	2022E	2023E	2024E
Revenue, MEUR	16	19	23	27
Growth	41.5%	20.8%	20.1%	17.5%
EBITDA	1	3	4	6
EBITDA margin	6.6%	13.3%	17.0%	20.9%
EBIT	-2	0	1	2
EBIT margin	Neg	Neg	3.0%	7.9%
Pre-tax earnings	-2	0	1	2
Net earnings	-2	-1	1	2
Net margin	Neg	Neg	3.7%	7.4%
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.05	-0.02	0.02	0.05
P/E adj.	-57.9	-89.6	88.7	37.5
EV/S	7.8	4.3	3.9	3.3
EV/EBITDA	117.5	32.2	22.9	16.0

Last updated: 2022-10-30

Owner	Equity	Votes
Accendo Capital	28.9%	28.9%
Tatu Ylönen	17.7%	17.7%
Timo Syrjälä	8.2%	8.2%
Juha Mikkonen	5.1%	5.1%
Elo Mutual Pension Insurance Company	3.9%	3.9%
Ilmarinen Mutual Pension Insurance Company	2.6%	2.6%
Varma Mutual Pension Insurance Company	1.9%	1.9%
Eva Syrjänen	1.2%	1.2%
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 ~52% of total sales on our 2023 forecasts.

Headquartered in Helsinki, SSH was listed on the Small Cap Helsinki in 2000 and currently has ~144 employees.

## Investment thesis

### Case

#### Back to profitable growth

After seeing sales decline in 2019 and 2020, SSH has taken meaningful actions to reposition itself as a growth prospect. In 2021 SSH grew sales with 42%. It has, among other things, appointed a new CEO, launched a new strategy – where a prioritized area is transitioning all product families to a subscription model – and announced its first-ever acquisition. These actions have borne fruit – sales rose by 21% in 2022, with EBITDA margin of 14%. This is particularly impressive considering the ongoing transition to a subscription model – this tends to dampen revenue recognition. We forecast a 2023e–25e sales CAGR of 17% and an average EBITDA margin of 21% between 2023e–25e. This will primarily be driven by (1) scaling current deployments with existing customers, (2) engaging in cross-selling to the installed base, and (3) winning additional high-value contracts with government entities and operational technology businesses, among others.

### Evidence

#### (1) Certifications, (2) acquisitions, and (3) compelling macro trends

See supportive analysis

### Challenge

#### Competition

The rapid cybersecurity market growth (particularly in the pockets where SSH has a meaningful presence) attracts competitors. Moreover, the shift to cloud infrastructures brings adjacent markets closer – for instance, (1) Privileged Access Management and (2) Identity and Access Management. This means heightened competition from small innovative players and leading vendors in adjacent markets.

### Challenge

#### Foreign government contracts

We assess that SSH is in pole-position to win significant government contracts in Finland. However, this is more challenging abroad – most countries have domestic vendors and local certifications/regulations. We understand that a Finnish NATO membership would facilitate government contracts abroad (at least to member countries).

### Valuation

#### Growth outlook justifies high near-term multiples

Our DCF analysis indicates a Base Case of EUR2.4 per share (Bull: EUR3.7; Bear: EUR1.7) based on a 19% sales CAGR during our forecast 2023e-2027e and a 15% terminal EBIT margin. Our Base Case translates into EV/sales and EV/EBITDA multiples of about 3.2x and 15x in 2024e. While multiples may appear high in the immediate term, we think SSH is poised to see stable growth and operating leverage for many years to come.

## 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

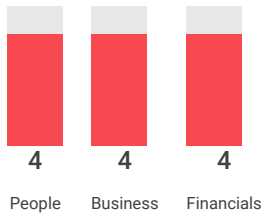
The increased customer-centric focus and revitalization of Prof. Services aims to go after the significant organic growth that is near at hand.

#### Additional deals with 'lighthouse' customers

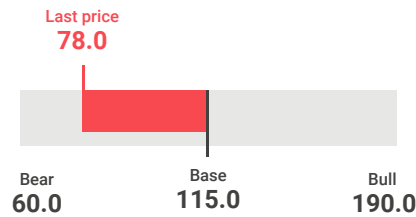
Should be regarded as a vote of confidence towards SSH's qualities, in addition to generating large contract values.

## Redeye Rating

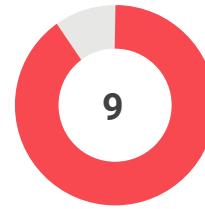
### COMPANY QUALITY



### FAIR VALUE RANGE

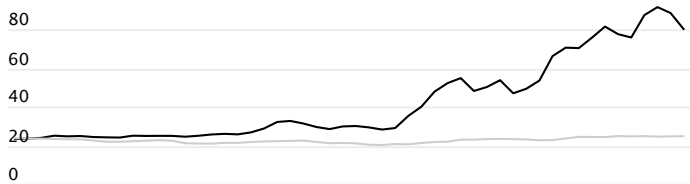


### TIMELINESS



## Snapshot

### Waystream Holding OMXS30



### Volume



**Marketplace** First North Stockholm

**CEO** Fredrik Lundberg

**Chairman** Matthias Trygg

### Share information

**Share price (SEK)** 78.0

**Number of shares (M)** 8.1

**Market cap (MSEK)** 629

**Net debt (2023E, MSEK)** -37

### Analyst



**Mats Hyttinge**  
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### 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

			Redeye Estimates		
	2021	2022	2023E	2024E	2025E
Revenue, MSEK	91	139	211	295	390
Growth	5.8%	51.8%	52.1%	40.0%	32.0%
EBITDA	25	33	55	78	105
EBITDA margin	27.3%	23.7%	26.0%	26.3%	27.0%
EBIT	19	26	47	66	90
EBIT margin	20.7%	18.9%	22.3%	22.3%	23.0%
Pre-tax earnings	19	26	51	70	94
Net earnings	15	21	40	55	74
Net margin	16.2%	14.8%	18.9%	18.8%	19.0%
Dividend/Share	0.00	0.75	1.06	1.47	1.83
EPS adj.	1.83	2.55	4.94	6.88	9.17
P/E adj.	13.2	26.3	18.4	13.2	9.9
EV/S	1.9	3.7	3.3	2.3	1.7
EV/EBITDA	6.8	15.7	12.7	8.7	6.2

Last updated: 2023-02-16

Owner	Equity	Votes
Robert Idegren Holding AB	16.1%	16.1%
Nordnet Pensionsförsäkring	11.8%	11.8%
Severin Invest AB	11.1%	11.1%
Avanza Pension	5.7%	5.7%
John Löfström	5.2%	5.2%
Dahltec AB	4.9%	4.9%
Mh Köhler Invest AB	4.1%	4.1%
Robert Lundberg	2.4%	2.4%
Fredrik Lundberg	2.3%	2.3%
Ibkr Financial Services AG	2.3%	2.3%

## 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.

## Investment thesis

### Case

#### Set to ride the FTTH expansion wave in Europe

The Waystream case is primarily attributable to successful international expansion (to drive long-term growth) and successful future product launches (to improve product mix and profitability). Other factors 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, paired with increased profitability, has just begun and see Waystream riding on an expected 5–10-year growth wave driven by European fiber expansion. The Telia agreement has the potential to be a substantial growth push in the mature Nordic market.

### Evidence

#### Long-term structural growth in the FTTH/B market is evident

The European market is expected to have long-term structural growth. Countries must improve their FTTH coverage regardless of investing in fixed FTTH or 5G. Many markets in Europe are only at the beginning of their digitalization journey. Waystream has with their product line excellent opportunities to take market share. The EU goals for digitalization by 2025 and 2030 are ambitious and will drive demand for network hardware, consumers' need for increased speed and reliability will also contribute. The fiber installation companies continue to show strong growth in Europe, benefiting equipment suppliers with a delay.

### Challenge

#### Relatively small compared to global competitors

With expected strong growth in a vast European market, competition is high. Global companies such as Cisco, Alcatel-Lucent, and Huawei are the most significant competitors. Waystream's strategy is not based on directly competing with the above leading competitors. The company distinguishes itself as a flexible and customer-oriented supplier that niches itself toward smaller players. The smaller players operate networks that are often too small to be prioritized by companies such as Cisco. It is here, among other things, that the opportunities exist for Waystream.

### Challenge

#### Keeping up with technical development

Waystream has been very successful with its product line during the last few years. However, it is still not that long ago that the products were not up to par for the market. Waystream is a very lean company; they do not have infinite resources for development which could pose a risk on the 5 to 10-year horizon.

### Valuation

#### Base Case SEK 115

Our DCF model indicates a Base Case of SEK 115 per share. (Bull: SEK 190; Bear: SEK 60) based on an expectation that Waystream will continue to show strong growth on the back of the FTTH expansion in Europe. The Telia addition will, in our view, also drive growth to further highs in short to medium term. We expect margins to improve to an EBIT margin of 24% in 2026e. We find 12.7x EV/EBITDA 2023e appealing, given Waystream's expected sales and profit 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).

#### New Tier 1 clients

With the Telia framework agreement there is a possibility that other Tier 1 clients start to consider Waystream as a supplier.

## Gomero Group

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Gomero Group AB (publ) is a company that helps customers in the energy sector to achieve long-term sustainable economic growth through the development of systems and services for predictive maintenance - an area with very strong global growth. With connected products, sensors, AI and data analysis, we ensure that maintenance work can be carried out optimally and with a high degree of automation. For customers, this means increased reliability, reduced costs and more opportunities to work with predictive maintenance. Gomero's customers include Ellevio, Vattenfall, Skagerak Energi, Fingrid and Deutsche Bahn. Gomero Group AB (publ) – based in Gothenburg, Sweden, and listed on Spotlight stock market.

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