REDEYE

Nordic Technology Report 2024

Acconeer
Addnode
Advenica
Arise
Artificial Solutions
Avensia
Avtech
Beammwave
Better Collective
Beyond Frames
Binero Group
Bredband2
Carasent
Chromogenics
Coala Life
CombinedX
Doro
Efecte
EG7
Embracer Group
Enea
Energy Save
Eniro
Ependion
Evolution
Fantasma Games
Flexion Mobile
FlexQube
Formpipe Software
Fortnox
Fragbite Group
Freemelt
G5 Entertainment
Gaming Innovation Group
Gapwaves
Gasporox
Hanza Holding
Heliospectra
Hexatronic Group
Hoylu
Image Systems
Impact Coatings
Infracom Group
Invisio
I-Tech
Kontigo Care
Lagercrantz Group
Lifco
Maximum Entertainment
Media and Games Invest
Mestro
Modelon
Neonode
Nepa
Netmore
Ngenic
Nitro Games
Northbaze
OXE Marine
Pagero
Physitrack
Powercell
Proact IT Group
QleanAir
Railcare
Raketech
Safeture
Scandinavian Enviro Systems
Sdiptech
Seamless Distribution Systems
Sensys Gatso Group
Sivers Semiconductors
Sleep Cycle
Smart Eye
Sozap
Speqta
SSH Communications Security
Starbreeze
Stillfront Group
Strax
Systemair
TagMaster
TECO 2030
Tessin Nordic Holding
TH1NG
Thunderful
Tobii Dynavox
Transtema
Truecaller
W5 Solutions
Vertiseit
Vidhance
Vitec Software Group
Waystream
Wyld Networks
Xavi Solutions

Table of contents

About Redeye 3

Redeye Technology Team 4

Technology Selected Transactions 9

Executive Summary 11

Redeye Themes 14

M&A in Redeye's Tech Universe 30

Nordic Tech IPOs 2023 36

Redeye Screening 40

Top Picks-portfolio 46

Redeye Research & Ratings 51

Covered Companies 56

Disclaimer 249

Leading Nordic Investment Bank

Leading Advisor for Growth Companies

Founded 1999

Under supervision of the Swedish FSA

Ownership Partner owned

Employees 80+

Analysts: 25
Corporate Advisory: 25

Redeye.se 100,000+

Attracting 100,000+ unique visitors monthly

Corporate Broking 170+

170+ public corporates as clients

Corporate Finance 160+

160+ transactions executed over the last five years

Key Specialties Tech & Life Science

Focused themes 10+

Includes 5G, Autotech, CNS, Cybersecurity, Diabetes, Digital Entertainment, Envirotech, Fight Cancer, Orthodepy, SaaS and Serial Acquirers.

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 advisors within the segment
- Leading adviser within private and public transactions
- Highly skilled team with vast experience from private and public transactions
- Over 160+ 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

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.

THE REDEYE 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.



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.



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.



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.

THE REDEYE TECHNOLOGY TEAM



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.



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.



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.



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.

THE REDEYE TECHNOLOGY TEAM



Martin Wahlström
Analyst

Martin holds a BSc in Accounting and Finance from the Stockholm School of Economics. He is an equity analyst in the technology and life science teams at Redeye.



John Westborg
Analyst

John holds a BSc in Business and Economics from Stockholm University. He is an equity analyst in the technology and life science teams at Redeye.



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.

Technology Selected Transactions



TECHNOLOGY SELECTED TRANSACTIONS

2023

OXEMARINE **DECEMBER 2023** Directed Issue 30 MSEK	Mestro **SEPTEMBER 2023** Directed Issue SEK 12 MSEK	JUMPGATE **APRIL 2023** Rights Issue 63 MSEK	ES ENERGY SAVE **FEBRUARY 2023** Directed Issue and Secondary Placement – Joint Bookrunners and Joint Lead Manager 279 MSEK	THING **JANUARY 2023** Directed Issue - Rights Issue 27 MSEK

2018-2022

advenica **JULY 2022** Rights Issue SEK 66 MSEK	SOFTHOUSE **JUNE 2022** Private Placement SEK 27 MSEK	NGENIC **JUNE 2022** Rights Issue SEK 25 MSEK	VERTISEIT **APRIL 2022** Public Take-Over on MultiQ 197 MSEK	CombinedX **MARCH 2022** IPO 60 MSEK
VERTISEIT **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 **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 **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



Executive Summary

Introduction

Redeye's coverage in the tech space includes around 100 companies listed on the exchanges in the Nordic countries. The team consists of 17 analysts, making it one of the biggest teams in the Nordics fully dedicated to tech companies.

In this Nordic Technology Report, we summarize trends and events in some of the major subsectors in the Redeye tech space: Gaming, SaaS, Serial Acquirers and Renewable Energy. We have also compiled and evaluated last year's tech IPO's and M&A activity in the sector. Similar to previous years, we screen the companies in our universe based on various criteria for different investment strategies. Finally, we outline and examine the performance of our Top-Pick portfolio and highlight 3 shares that we find particularly interesting going into 2024.

Tech IPOs and M&A in Redeye's tech universe

Only 1 tech IPO in 2023

2023 was probably the least eventful year ever in terms of tech IPOs in the Nordic markets. Only one proper IPO and a handful of companies listed via reversed takeovers, SPACs or direct listing. A quick recap of 2022 IPOs is also rather discouraging in terms of share price performance. From the IPO dates in 2022 until year end 2023, only 6 out of 27 shares yielded a positive return. 13 stocks were down by 70% or more!

Slowdown in M&A activity in 2023

M&A activity in the Redeye tech universe took a breather in 2023 after its blockbuster years in 2020 and 2021. While 2021 set records for transaction volume and value, and 2022 kept the party going, the overall pace was slower in 2023. 20% of the companies in our coverage engaged in acquisitions during the year vs around 33% in 2022. The number of deals decreased, most notably within the Gaming sector. However, Serial Acquirers like Lifco, Vitec and Lagercrantz remained busy in the M&A space.

The decline in M&As within the Redeye universe is not isolated. From a broader perspective, global M&A is projected to have decreased by 20% in 2023 compared to 2022, according to advisory firm Bain & Co. For 2024, we maintain a cautiously optimistic outlook for M&A activity, albeit at levels lower than the frenzy witnessed in 2021 and 2022.

Redeye screening

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

Again, GARP beats them all

In the screenings of last year's Tech Report, on average, only the GARP strategy managed to show a positive performance of 7%, while other strategies showed poor performance in the range of -8% down to -23% on average. This was well below the overall market performance (OMXSPI 16%), and also underperforming more comparable index's as OMX Stockholm Technology (9%). The best performance was the GARP strategy. Interestingly, this strategy has been the best performing one in six out of the last seven years.

Top tech picks 2024

- *Vertiseit*
- *Carasent*
- *Smart Eye*

In general, the more mature companies with positive cash flows and solid growth with reasonable debt levels showed a better performance. The companies with the worst performance were the ones with weak financial strength, many of which needed to bring in new capital during the year. Growth Junkies and Deep Value were tied for second and third place, while Jockey Stocks came in last. Our three top picks for 2024 are: Vertiseit, Carasent and Smart Eye. Vertiseit and Carasent are ranking high (top 10) in Deep Value and Smart Eye likewise in the Growth Junkies category.

Redeye Top Picks portfolio

Top-Picks made a solid comeback in 2023

Top Picks gained 24% in 2023, while the comparative index OMXSPI was up 16%. Hence, our portfolio outperformed the general index by 8 percentage points. Over a five-year period, Top Picks has returned around 200% compared to the OMXSPI index, which has gained about 63%. Thus, the portfolio outperformed by ~136 percentage points between the years 2019 to early 2024.

Meanwhile, our three top tech picks for 2023 significantly underperformed the market and returned on average -12%. We hope and expect our new top tech picks to outperform the market going forward. Our timing has sometimes been off by a year.

Our hurdle for portfolio inclusions remains high, with a disciplined assessment of companies' qualitative factors and economic cycle dependency. The portfolio structure is tilted towards quality companies rather than special situations and solid balance sheets rather than leveraged players. We believe our bottom-up approach can continue to achieve long-term positive returns exceeding the market. For 2024, our three top tech picks are: Vertiseit, Carasent and Smart Eye. Brief motivations are provided for these investment cases on pages 51-52.

Redeye Technology Themes

In this section we follow up on four of our major subsectors in Redeye's tech universe: Gaming, SaaS, Serial Acquirers and Renewable Energy, addressing the latest market trends and relevant companies. These are all multi billion-dollar markets with underlying growth and a dynamic landscape. In this space we find a large and growing number of listed companies that offer interesting investment opportunities.

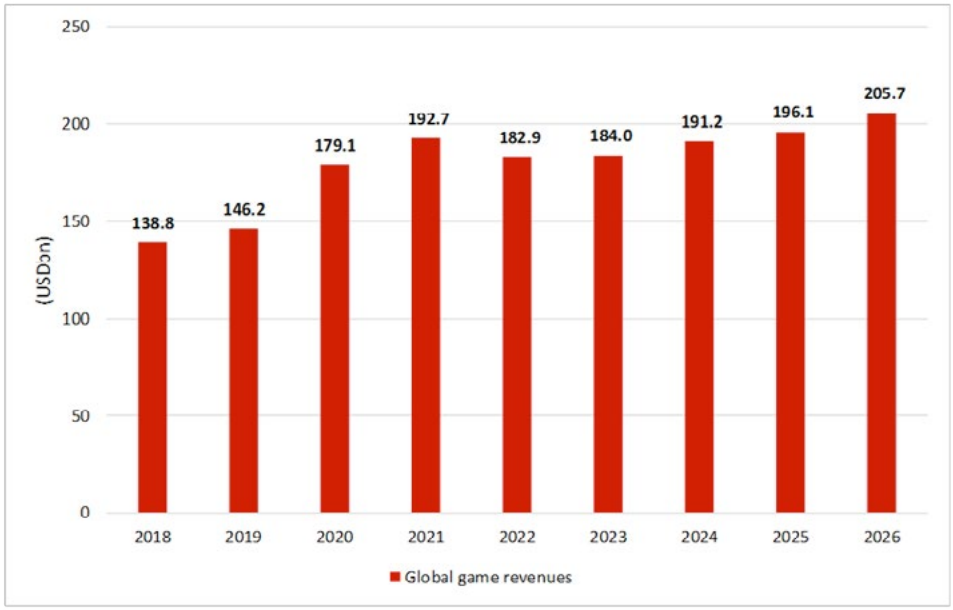
Gaming: Challenges under the surface

Companies to watch

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

The gaming industry continues to present attractive long-term growth trends as the barrier to becoming a gamer continues to decline. However, after experiencing abnormal growth during the COVID-19 pandemic, the gaming industry has had two challenging years where growth has been more muted. While the overall gaming market is expected to be flat year-over-year, according to Newzoo, the growth dynamics have shifted. PC/Console is projected to emerge as the primary growth driver for the year, with low single-digit growth. In contrast, mobile, which has been the leading growth segment in recent years, is expected to experience negative growth due to the challenging privacy landscape.

Global game revenues



Source: Newzoo, Redeye research

Key trends for PC/Console segment

Tough year for A and AA games

Despite the gaming market being flat year-over-year and low single-digit growth in the PC/Console segment, 2023 has proven to be far from a calm year, contrary to surface appearances. The uneven distribution of growth within the PC/Console segment has been a key factor. Smaller publishers/ developers within the A and AA segments, particularly, have had a challenging year, marked by notably lower returns on investments, while AAA games have taken a larger share of the market growth.

Demand is not the problem

While growth is good, it is only one part of the equation, and while the number of global players is expected to reach 3.4bn in 2023, a year-over-year growth of 6.3%, a player can only consume a limited amount of content. In the aftermath of the COVID-19 pandemic, during which game companies experienced significant returns, the inflow of capital into the sector has triggered an oversupply of games. Consequently, this oversupply has resulted in much lower returns than expected, particularly affecting smaller publishers and developers lacking AAA franchises, resulting in several smaller gaming studios going out of business. Hence, 2023 has proven to be a more challenging year for PC/console companies than it might seem at first glance.

Key trends for Mobile segment

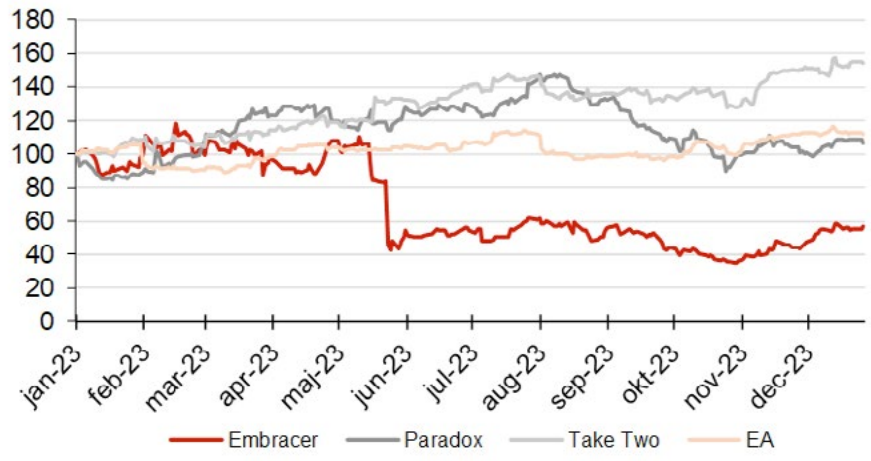
Challenges persist

Mobile stands out as the largest gaming segment, contributing over 50% to the total gaming revenues. It has also been the leading growth driver in recent years, expanding the gaming community through its accessibility and low monetization. However, the clear growth trend has stagnated since 2021, and 2023 has been another challenging year for the segment. The main challenges stem from the privacy landscape, making it harder to attract new users and resulting in higher customer acquisition costs. Consequently, 2023 marks a year of structural adjustments for mobile gaming companies as they seek new monetization models suitable for this changing environment.

Stock performance and valuation trends

Gaming stocks in the Nordics saw another year of soft performance during 2023. For example, the largest Nordic gaming company, Embracer, was down almost 50% in 2023 as the company struggled with the cancellation of a large project deal and growing debt on its balance sheet. Mobile focused gaming companies such as G5 and Stillfront also performed weakly as they saw muted growth on the back of a soft mobile games market. However, some stocks performed better such as Paradox and Remedy that saw solid performance from new game releases. Larger US-listed peers also performed strongly with EA being up around 10% and Take-Two up by more than 50% reflecting the earlier mentioned increased market share of AAA games.

Gaming: Selected shares performance 2023



Source: FactSet

Premium games-focused companies valued higher than mobile-focused

Looking at the valuation of gaming companies, we find that the difference between premium games-focused and mobile-focused remained similar to 2022. Premium games-focused companies trade at around 15-16x 2024E EBIT while mobile-focused trade at around 10-11x 2024E EBIT (in 2022 premium-focused traded at 14x 2023E EBIT and mobile-focused at 9x 2023E EBIT). We believe the valuation difference partly reflects the lower growth expectations for mobile-focused companies which also has seen expectations coming down additionally vs 2022 (next two-year growth down to 6% vs 8% previously).

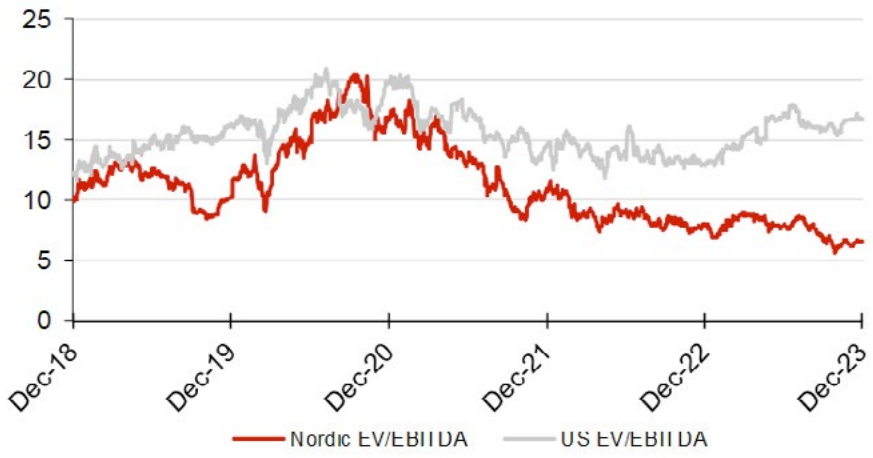
Valuation remains on below historical levels

Comparing the current valuation to historical levels of Nordic gaming stocks, it is on the low-end of the historical range at around 6-7x vs an average of c10x and a peak of c20x. However, this follows an above-average valuation trend for the gaming sector which saw expanding EV/EBITDA multiples during 2018-20. This was driven by strong growth in the sector which peaked during the covid-19 lockdown where demand for stay-at-home stocks also increased. Thereafter valuation levels have declined although it appears to have bottomed out with a more flattish trend during 2022-23 as seen the in chart below.

Larger than normal discount for Nordic vs US

Coming to the valuation difference between Nordic gaming companies (exemplified by Embracer, Stillfront and Paradox) compared to larger US peers (exemplified by Activision, EA Games and Take Two) the groups almost traded at similar multiples during 2020 while the discount for the Nordic group has thereafter gradually widened to the current record high discount of more than 50%. While the US sector trades at around 14-15x EBITDA the Nordic sector trades at c. 6-7x EBITDA. We believe this is mostly due to the longer history of the US peers coupled with a higher dependence on M&A-driven growth for the Nordic companies (which is also the main factor for the strong EPS increase for the Nordic group). However, we also find it interesting that the US group has seen a recovery in valuation which could potentially be an indication for the future direction of the Nordic group.

Gaming: EV/EBITDA NTM Nordic vs US



Source: Factset (Nordic: Embracer, Stillfront & Paradox. US: EA, Activision & Take Two)

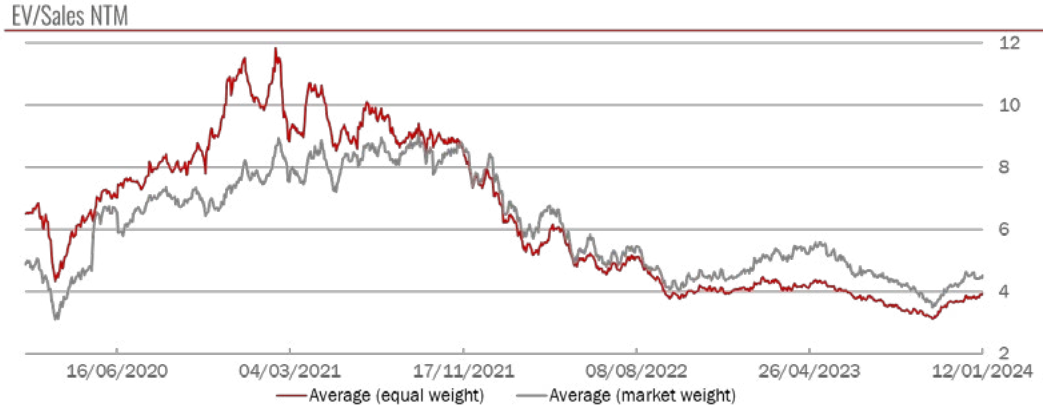
Companies to watch

- *4C*
- *Addnode*
- *Admicom*
- *Artificial Solutions*
- *Avtech*
- *Carasent*
- *CheckIn*
- *Efecte*
- *Formpipe*
- *Fortnox*
- *Hoylu*
- *Lemonsoft*
- *Lime*
- *Mestro*
- *Modelon*
- *Nepa*
- *NordHealth*
- *Opter*
- *Pexip*
- *Physitrack*
- *Safeture*
- *SmartCraft*
- *Speqta*
- *Upsales*
- *Vertiseit*
- *Vitec*
- *Volue*

SaaS

Valuations Improving Broadly

Valuations continued to increase since our last SaaS Update (4 December), setting a bottom in late October, both the market-weighted index (currently at 4.5x sales NTM vs. 4.2x in December) and the equal-weighted index (currently at 4.0x sales NTM vs. 3.7x in December) are now above the early December levels. Although it is too early to tell if it is a bear-market rally or a bottom, we believe there are several reasons to assume we have passed the bottom. First, the weak spot for most SaaS companies, profitability, is going in the right direction on average. Second, despite many companies' focus on profitability and macroeconomic headwinds, the median growth remains in a healthy 15-20% range. Third, although that is beyond our knowledge yet important to valuations, interest rates seem to have peaked.



Listed Nordic SaaS M&A Targets in 2023 and 2024

During 2023, several Nordic listed SaaS companies were targets of acquisitions, with an average premium of ~65%. The typical target company has a product offering that is scalable globally and is running its operations at negative margins or, at least, substantially below potential profitability. As the stock market has favoured profitability over growth in recent years, valuations on some more growth-focused companies have apparently become attractive, according to the acquirers. Given that valuations on globally scalable companies running at negative-to-low profitability remain low, we believe this segment is where we will most likely see takeovers in 2024 as well.

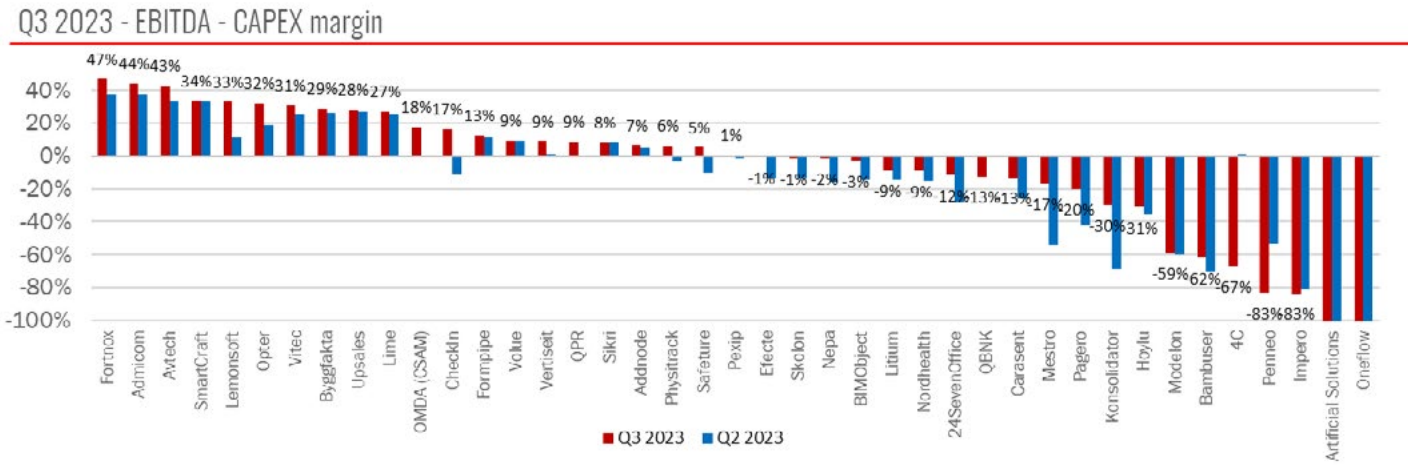
M&A deals

Company	Date	Bidder	Market cap	Premium	EV/sales multiple (TTM)	EV/EBIT multiple (TTM)	
Meltwater	January, 2023	Altor, Marlin Equity	SEK6000m	39%	1.4	neg	
Patientsky	March, 2023	EG A/S	NOK900m	110%	4.6	neg	
SignUp Software	April, 2023	Insight Partners	SEK2360m	39%	8.5	97	
Precio Fishbone (Omnia)	December, 2023	Monterro	SEK210m	-	2.0	12.2	(EBITDA)
Pagero	January, 2024	Avalara Inc	SEK7300m	114%	10		
Byggfakta Group	January, 2024	Macquarie, SSCP, TA	SEK3200m	31%	2.4	21	

Source: Redeye, Company reports, FactSet

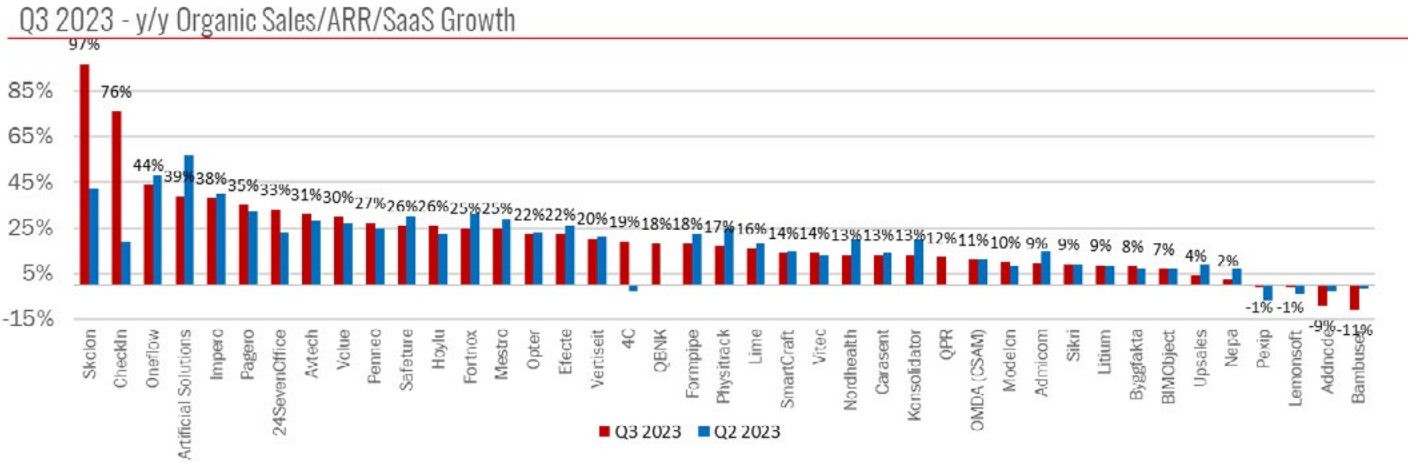
Profitability Focus Trickling Down to Margins…

While Q3 usually has a strong margin in most SaaS companies due to vacations (and thus lower personnel expenses), the median EBITDA – CAPEX improved significantly from -7.6% in Q2 to 0.7% this quarter. Thus, the median company is now profitable (although at a low level) on EBITDA – CAPEX – which we have not seen before. Also, it is a clear sign that the profitability focus seen in many companies is now starting to show in the numbers. In a sense, SaaS companies are becoming more like "normal" companies, where profitability and sales growth are important, not only sales growth. While we forecast a slight backlash in Q4 – due to seasonality – we expect the trend to continue as we believe the more balanced focus on profitability vs sales growth will remain. That makes sense in an environment where debt and equity financing costs have skyrocketed.



…With Only Minor Negative Effects on Growth

Although the median organic revenue/SaaS/ARR growth declined from 20% in Q2 to 17% y/y in Q3, considering the softer macroeconomic environment, the profitability focus seen in many companies had a minor negative impact on growth. The growth is broad, with only four companies showing negative y/y numbers. As in recent SaaS Updates, longer sales cycles remain, and certain sectors, such as construction, see tough market conditions. As we are talking about y/y figures, index-based price increases still boost growth rates. On the other hand, considering the inflation in 2023, we will likely see a meaningful growth boost from index adjustments in 2024 as well.



Valuations and Expectations

Analyst consensus, which in many cases constitutes one or a few analysts, expects a median sales growth of 16% in 2024, down from 18% in 2023. For 2025, consensus expects an increase of 19%. As some companies have a higher SaaS growth than overall sales growth, the expectations for the underlying SaaS growth are slightly higher. Regarding profitability, consensus expects margins to continue to improve, from 0% median EBIT margin in 2023 to 8% in 2024 and 12% in 2025. Thus, consensus estimates continue to have a positive view on the Nordic SaaS space, assuming roughly sustained growth rates combined with significant improvements in profitability.

SaaS	EV	EV/SALES			EV/EBIT			Sales growth			EBIT margin		
Company	(SEKm)	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E
4C Group	526	1.6	1.3	1.0	neg	16	9	1%	21%	18%	-1%	8%	12%
Addnode	11 883	1.6	1.4	1.3	29	20	16	17%	18%	12%	6%	7%	8%
Admicom	2 606	6.4	6.1	5.4	19	18	15	8%	4%	9%	34%	34%	35%
AVTECH	212	7.3	5.9	4.3	19	14	9	35%	15%	25%	38%	41%	49%
Bambuser	16	0.1	0.5	0.7	neg	neg	neg	-8%	4%	22%	-88%	-65%	-39%
BIMobject	426	2.8	2.6	2.2	neg	neg	neg	14%	17%	20%	-29%	-17%	-6%
Byggfakta	13 002	5.1	4.4	3.9	34	25	20	16%	10%	8%	15%	18%	20%
Carasent	763	3.0	2.7	2.3	neg	136	23	25%	15%	15%	-9%	2%	10%
CheckIn	1 206	8.8	5.5	3.4	121	36	14	96%	58%	56%	7%	15%	24%
CSAM	1 102	2.6	2.5	2.1	12	16	15	13%	14%	24%	21%	16%	14%
Efecte	622	2.1	1.9	1.5	neg	43	16	14%	12%	16%	-4%	4%	10%
Formpipe	1 469	2.8	2.6	2.4	neg	neg	neg	9%	8%	9%	0%	0%	0%
Fortnox	32 405	19.9	15.7	12.5	49	36	27	28%	25%	24%	40%	44%	46%
Hoylu	101	1.8	1.3	n/a	neg	neg	n/a	34%	36%	n/a	-102%	-44%	n/a
Irisity	243	2.0	1.6	1.4	neg	neg	neg	41%	31%	23%	-104%	-61%	-44%
Pagero	8 189	10.3	7.9	6.0	neg	neg	168	7%	33%	33%	-25%	-14%	4%
LeadDesk	490	1.4	1.3	n/a	neg	66	n/a	5%	6%	8%	0%	2%	8%
Lemonsoft	1 363	4.3	3.9	3.6	16	14	13	17%	10%	6%	28%	28%	28%
Lime	4 385	7.6	6.4	5.5	38	30	25	18%	15%	13%	20%	21%	22%
Litium	146	2.1	1.7	1.4	neg	neg	48	6%	22%	25%	-9%	0%	3%
Mestro	91	2.4	1.8	1.2	neg	50	8	40%	33%	30%	-21%	4%	14%
Modelon	60	0.7	0.8	0.5	neg	neg	46	19%	33%	35%	-66%	-31%	1%
Nepa	185	0.6	0.5	0.4	neg	5	4	-4%	6%	7%	-3%	11%	10%
NordHealth	1 745	4.1	3.4	2.8	neg	neg	neg	18%	21%	19%	-27%	-17%	-5%
Oneflow	566	5.7	4.4	3.1	neg	neg	neg	44%	44%	49%	-93%	-46%	-22%
Opter	417	5.3	4.3	3.5	23	17	13	19%	16%	14%	24%	26%	28%
Penneo	443	3.1	2.5	2.1	neg	neg	neg	24%	29%	27%	-30%	-16%	-5%
Pexip	2 287	2.2	2.0	1.8	80	20	13	15%	9%	11%	3%	10%	13%
Physitrack	303	1.8	1.3	0.9	55	9	5	26%	25%	20%	3%	14%	18%
Safeture	308	5.4	4.2	3.4	neg	85	25	33%	26%	25%	-17%	5%	14%
Sikri	1 525	1.4	1.2	1.0	22	13	9	-1%	8%	8%	6%	9%	12%
SmartCraft	4 183	10.0	8.3	6.9	30	23	19	21%	16%	15%	33%	36%	37%
Speqta	398	n/a	3.9	2.8	n/a	neg	neg	n/a	64%	39%	n/a	0%	0%
Upsales	623	4.1	3.6	3.0	19	20	16	19%	14%	20%	21%	18%	18%
Vertiseit	610	1.8	1.9	1.6	29	13	9	7%	-8%	9%	6%	15%	18%
Vitec	24 203	8.7	7.6	6.8	39	33	28	41%	16%	13%	22%	23%	24%
Volue	3 238	2.2	1.8	1.4	27	14	8	18%	14%	14%	8%	13%	17%
XMReality	25	0.7	0.7	0.4	neg	neg	neg	79%	9%	54%	-82%	-41%	-7%
Average	**3 220**	**4.2**	**3.5**	**2.9**	**37**	**31**	**23**	**22%**	**20%**	**21%**	**-10%**	**2%**	**11%**
Median	**616**	**2.8**	**2.5**	**2.3**	**29**	**20**	**15**	**18%**	**16%**	**19%**	**0%**	**8%**	**12%**

Source: Redeye, Company reports, FactSet

Serial Acquirers: M&A set to recover with economy

Companies to watch

- *Lifco*
- *Indutrade*
- *Addtech*
- *Lagercrantz*
- *Addlife*
- *Vitec*
- *Sdiptech*
- *Beijer Alma*
- *Volati*
- *Bergman & Beving*
- *Momentum Group*
- *Nova24*
- *Instalco*
- *NCAB*
- *Green Landscaping*
- *Fasadgruppen*
- *Addnode*
- *ADDvise*
- *Teqnion*

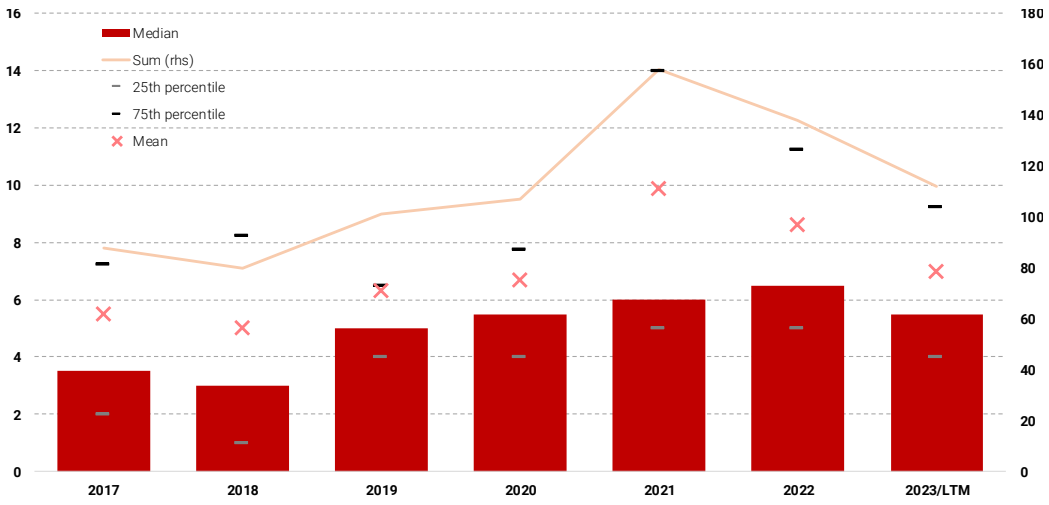
Median net debt/EBITDA of c2.2x at the end of Q3 2023

We have assessed how companies in the Redeye Serial Acquirer (SA) index have fared recently. Specifically, we have looked at how M&A volume, leverage and capital allocation have developed since our last deep dive (read it in our *serial acquirers update for Q4 2022*). Subscribe *here* to receive future serial acquirers updates. Further, do not miss our serial acquirers conference in early March 2024 (sign up *here*).

M&A volume: Resilient growth and margins

The 16 constituents of the Redeye SA index have collectively made 112 acquisitions in calendar 2023, down from 138 in 2022 and 158 in 2021. However, the 2023 figure still represents a notable increase from 88 in 2017. Median annual M&A volume per constituent increased from c3.5 acquisitions in 2017 to c6.0 in 2021 and c5.5 in 2023. There exist notable variations among companies. For example, Lifco made 18 acquisitions in 2023, representing its highest annual M&A volume since inception. In contrast, Fasadgruppen and Instalco went from 21 and 27 acquisitions in 2021 to five and 10 M&A deals in 2023, respectively.

Redeye SA index: M&A volume 2017-2023

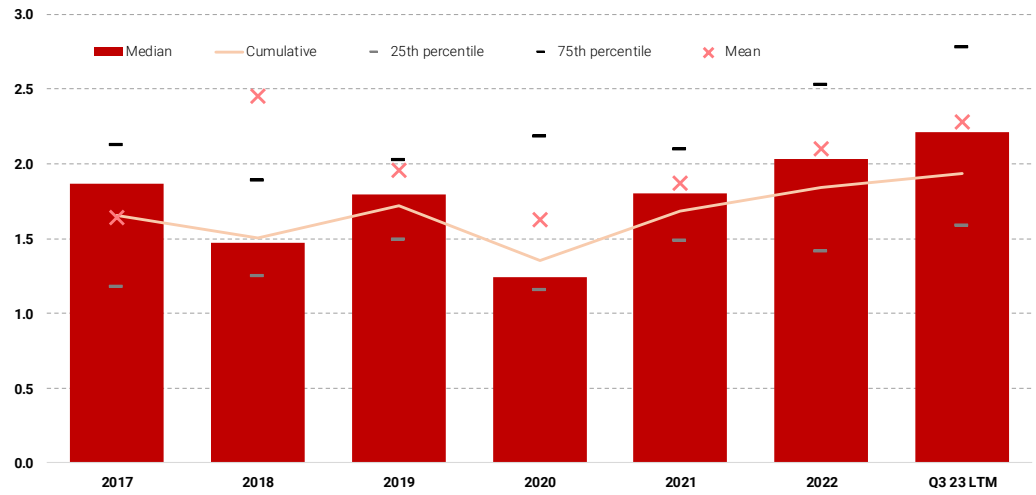


Note: Six latest fiscal years and LTM figures for constituents with split fiscal year
Source: Company filings (number of acquisitions), Redeye Research (chart structuring)

Leverage: Higher interest rates have not discouraged the use of debt

Interest rates have increased markedly in the last two years. For example, three-month STIBOR has increased from c0% in early 2022 to c4%. Still, median net debt/EBITDA for Redeye SA index constituents has increased from c1.9x in 2017 and c1.8x in 2021 to c2.2x LTM in Q3 2023. As we will explore in the next section, acquisition spend has decelerated for most constituents. However, working capital builds have weakened net operating cash flow. We expect leverage to decrease in 2024e as lower organic growth will lead to working capital releases, thus strengthening net operating cash flow. Indeed, we have observed a similar pattern in 2020.

Redeye SA index: Net leverage 2017-Q3 2023



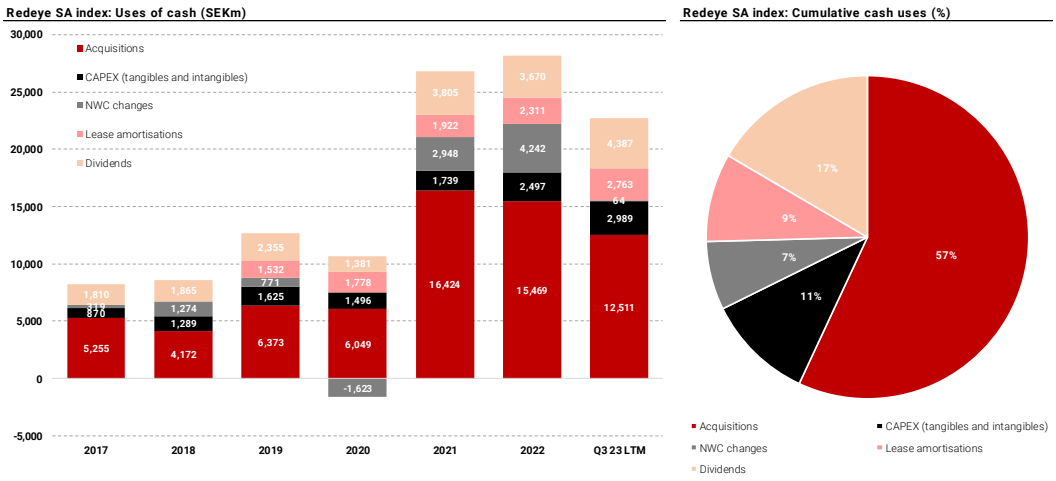
Note: Fasadgruppen included from 2018, Norva24 from 2020, and Momentum Group from 2021
Source: Company filings and FactSet (historical figures), Redeye Research (chart structuring)

Capital deployed on acquisitions has continued to decrease in 2023

Capital allocation: M&A spend mirrors M&A volume trend

The primary use of cash for serial acquirers usually constitutes acquisitions. Indeed, c57% of Redeye SA index constituents' cumulative uses of cash in 2017-LTM Q3 2023 comprised acquisitions. Dividends and Capex constituted c17% and c11% of cumulative uses of cash over that period. Further, lease liability amortisation and net working capital (NWC) changes made up c9% and c7%, respectively. Capital deployed on acquisitions increased from cSEK5.3bn in 2017 to a peak of cSEK16.4bn in 2021. It has since declined to cSEK12.5bn LTM in Q3 2023, though it still represents a notable increase from 2017. We believe two primary reasons exist for this decrease.

Redeye SA index: Uses of cash 2017-LTM Q3 2023



Source: Company filings and FactSet (historical figures), Redeye Research (chart structuring)

Capital deployed on acquisitions has continued to decrease in 2023

First, more cash went to NWC builds in recent years, comprising c11% of cash uses in 2021 and c15% in 2022. Higher inflation-fuelled organic growth and supply chain problems were primary reasons for these working capital builds. This figure has declined to c0% of cash uses LTM as slower organic growth led to NWC releases. We expect this trend to continue in 2024e. Indeed, we could see a similar scenario as in 2020, when NWC changes comprise c-14% of uses of cash.

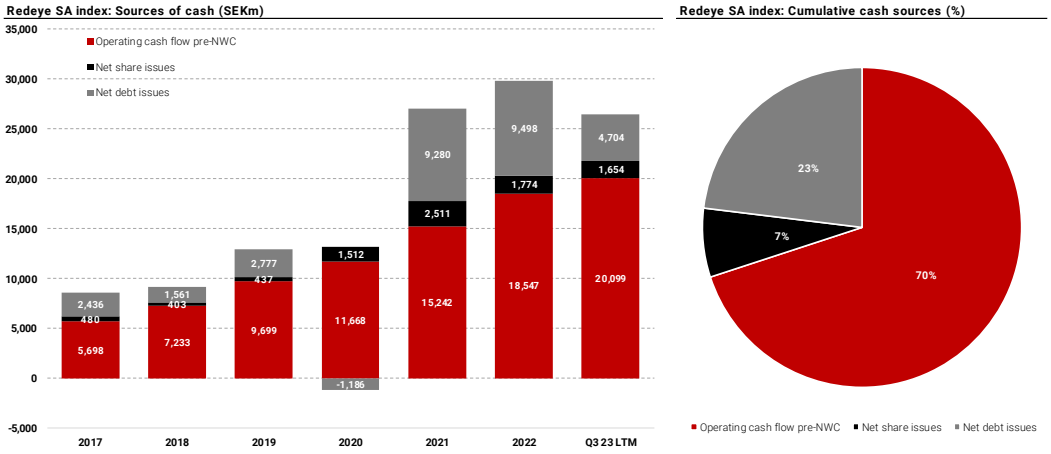
Owners tend to defer selling their companies in recessions

Second, sellers of companies tend to become more cautious in recessions. Indeed, the niche companies many serial acquirers seek out usually feature stable customer demand. They might see a decline in profitability in recessions, though they are unlikely to face significant liquidity problems. Thus, many hold off selling their company until growth and profitability recover. NWC releases will likely reduce net leverage, thus endowing Redeye SA index constituents with additional M&A firepower. We expect them to deploy increasing amounts of cash once sellers become less cautious in H2 2024e-2025e.

NWC releases will likely lead to decreased leverage in 2024e

Operating cash flow before NWC changes comprised c70% of cumulative cash sources for Redeye SA index constituents in 2017-LTM Q3 2023. It constituted c76% of cash sources LTM in Q3 2023, primarily due to reduced debt issuance. Indeed, debt issuances contributed c18% of cash sources LTM in Q3 2023 versus c23% cumulatively in 2017-LTM Q3 2023. Thus, while higher interest rates seemingly did not lead serial acquirers to reduce net debt thus far, debt issuance has declined from cSEK9.3bn-9.5bn in 2021-2022 to cSEK4.7bn LTM in Q3 2023. We suspect that 2024e will shape up similarly to 2020, i.e., NWC releases combined with a slow M&A market will likely result in a net debt reduction.

Redeye SA index: Uses of cash 2017-LTM Q3 2023



Source: Company filings and FactSet (historical figures), Redeye Research (chart structuring)

Market commentary and valuations

Redeye SA index: Long-term outperformance versus OMXSPI

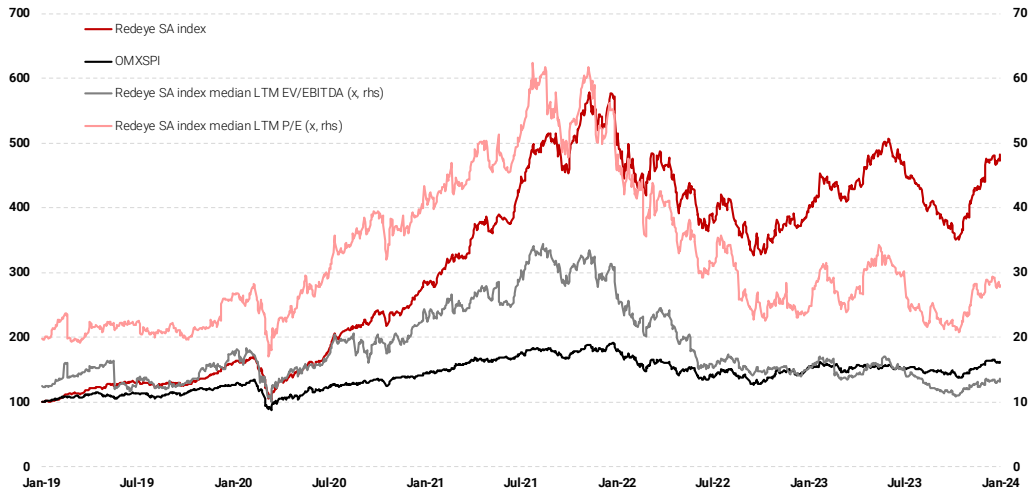
Redeye SA index has outperformed OMXSPI by over 300%-points L5Y

We have constructed an equal-weighted index of companies listed in the peer table displayed below (Redeye SA index). On a last twelve-month (LTM) basis, this index is up c21%, outperforming the broader OMXSPI index (up c5%) (13 January 2023 = 100 for both indexes). Over the last five years (L5Y) (base 11 January 2019), the Redeye SA index has increased by c382%. In contrast, OMXSPI posted an increase of c62% L5Y.

LTM EV/EBITDA of c13x and P/E of c28x

The Redeye SA index currently trades at a median LTM EV/EBITDA multiple of c13.5x, lower than its L5Y median of c15.8x and down c10% LTM. Further, it trades at a median LTM P/E multiple of c28.0x, roughly aligning with its L5Y median of c28.7x and up c17% LTM. We suspect that the divergent LTM developments of EV/EBITDA and P/E mainly derive from increasing interest rates depressing net income but not EBITDA.

Redeye SA index: Price development and EV/EBITDA multiple over time



11 January 2019 = 100 for both indexes
Source: FactSet (retrieved 12 January 2024), Redeye Research

Redeye SA index: Reasonable valuations following recent rally

Below, we provide an overview of select serial acquirers' current valuation multiples sourced from FactSet. While we believe that EBITA is one of the better measures to compare different serial acquirers given their considerable acquisition-related amortisation charges, historical data is often hard to access or incomplete. Therefore, we use EV/EBITA multiples to compare serial acquirers' current valuations, but EV/EBITDA multiples to illustrate the valuations they traded at over time. Despite acquisition-related amortisations, net income tends to represent a reasonable proxy for normalised free cash flow to equity over time. Thus, we believe P/E is an important metric even for serial acquirers. We judge the aggregate valuation of Redeye SA index constituents is roughly fair, though some multiple contraction risk might exist in the short term.

Peer table: Redeye SA index

Niche acquirers	EV	EV/Sales			EV/EBITA			Sales Growth			EBITA margin			P/E		
Company	(SEKm)	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e
Lifco	123,916	5.0	4.7	4.4	22.1	21.5	19.6	14%	5%	6%	23%	22%	22%	36.1	36.2	32.6
Indutrade	102,997	3.2	3.1	2.9	22.2	21.5	19.9	18%	3%	4%	15%	14%	14%	33.8	32.9	29.6
Addtech	62,513	3.1	2.9	2.7	22.1	21.4	19.7	9%	3%	6%	14%	14%	14%	36.6	34.6	31.0
Lagercrantz	29,938	3.7	3.4	3.2	21.3	20.1	18.5	12%	5%	6%	17%	17%	17%	32.6	30.6	28.1
Addlife	18,998	2.0	1.8	1.6	18.2	16.2	14.1	6%	5%	6%	11%	11%	12%	56.7	45.1	31.2
Vitec	24,203	8.7	7.6	6.8	26.3	22.3	19.6	41%	16%	13%	33%	34%	35%	60.7	43.8	37.2
Sdiptech	13,807	2.9	2.6	2.4	15.0	13.4	11.7	34%	10%	9%	20%	20%	20%	22.3	20.9	17.4
Beijer Alma	13,626	2.0	1.8	1.7	13.6	12.5	11.2	13%	5%	6%	15%	15%	15%	20.0	17.3	15.1
Volati	11,644	1.5	1.4	1.3	15.0	14.0	12.7	2%	2%	3%	10%	10%	10%	25.3	23.7	19.9
Bergman & Beving	6,790	1.4	1.3	1.3	15.3	13.9	12.7	1%	3%	3%	9%	10%	10%	24.3	21.5	19.6
Momentum Group	7,548	3.3	2.8	2.7	28.1	24.1	22.4	32%	13%	4%	12%	12%	12%	41.3	36.2	33.8
Mean	**37,816**	**3.3**	**3.0**	**2.8**	**19.9**	**18.3**	**16.6**	**17%**	**6%**	**6%**	**16%**	**16%**	**16%**	**35.4**	**31.2**	**26.9**
Median	**18,998**	**3.1**	**2.8**	**2.7**	**21.3**	**20.1**	**18.5**	**13%**	**5%**	**6%**	**15%**	**14%**	**14%**	**33.8**	**32.9**	**29.6**

Roll-ups	EV	EV/Sales			EV/EBITA			Sales Growth			EBITA margin			P/E		
Company	(SEKm)	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e	2023e	2024e	2025e
Norva24	5,696	1.8	1.6	1.4	15.9	12.9	11.4	26%	10%	5%	11%	12%	13%	20.2	18.4	16.2
Instalco	14,834	1.0	1.0	0.9	13.7	13.3	11.3	18%	-1%	5%	8%	8%	8%	20.1	20.7	16.2
NCAB	13,146	3.1	2.8	2.5	19.7	18.6	16.7	-6%	10%	9%	16%	15%	15%	29.6	27.0	23.9
Green Landscaping	6,020	1.0	1.0	0.9	11.4	10.5	9.6	22%	1%	4%	9%	9%	9%	21.3	19.9	14.9
Fasadgruppen	4,439	0.9	0.8	0.7	10.0	9.1	7.3	12%	2%	7%	9%	9%	10%	14.6	10.8	8.3
Mean	**8,827**	**1.6**	**1.4**	**1.3**	**14.1**	**12.9**	**11.3**	**15%**	**4%**	**6%**	**11%**	**11%**	**11%**	**21.2**	**19.4**	**15.9**
Median	**6,020**	**1.0**	**1.0**	**0.9**	**13.7**	**12.9**	**11.3**	**18%**	**2%**	**5%**	**9%**	**9%**	**10%**	**20.2**	**19.9**	**16.2**

Source: FactSet (retrieved 12 January 2024), Redeye Research

Renewable energy

Companies to watch

- *Vestas*
- *OX2*
- *Arise*
- *Eolus Vind*
- *Orrön Energy*
- *Orsted*
- *Hexicon*
- *Minesto*
- *Climeon*
- *SolTech Energy*
- *Advanced SolTech*
- *Biokraft International*
- *Cloudberry*
- *Cortus Energy*
- *SeaTwirl*
- *Absolicon*

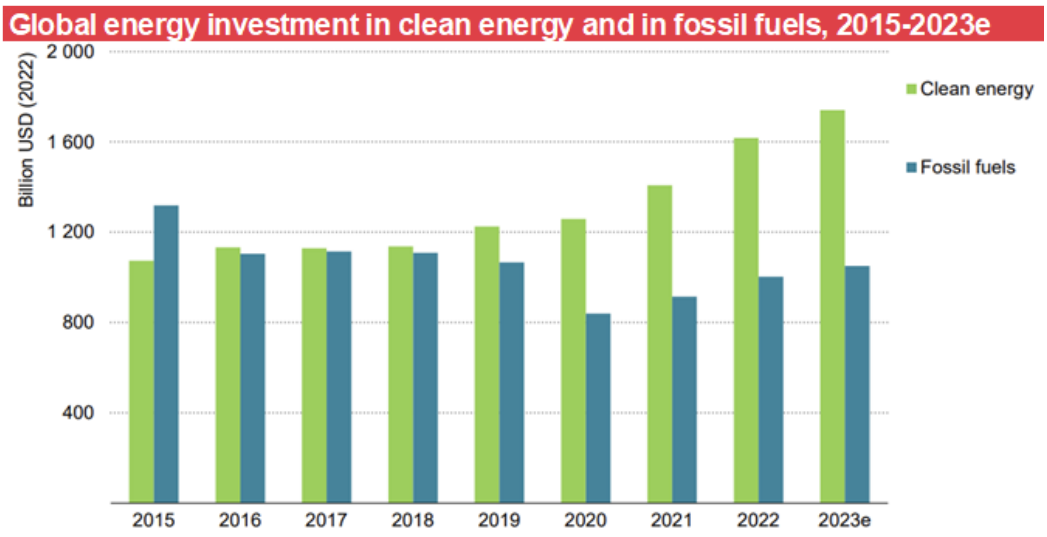
Why renewable energy is one of the biggest global secular growth trends

According to IPCC, the burning of fossil fuels, such as oil, coal, and natural gas, is responsible for nearly 90% of global carbon emissions. Releasing greenhouse gases (primarily CO2 and methane) into the air traps heat in the atmosphere - causing climate change (which refers to long-term shifts in temperatures and weather patterns). The consequences of climate change include droughts, water scarcity, fires, rising sea levels, storms, and declining biodiversity – to name a few – consequences that could severely affect billions of people and communities.

With this in mind, policies around the globe have been formed to reduce greenhouse gas emissions and global warming. One of the most central policies is the Paris Agreement, signed by 194 countries, which aims to keep the long-term temperature rise well below 2 degrees, aiming at 1.5 degrees. EU also has a net-zero target by 2050, with an interim target of 55% reduction by 2030. To reach these targets, greenhouse gas emissions must be significantly reduced relatively quickly.

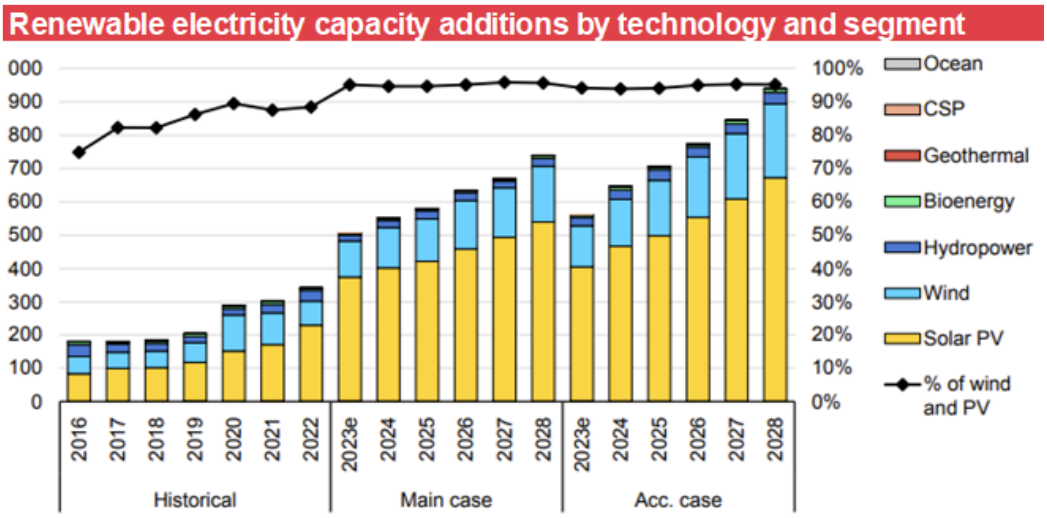
The challenge is massive, but many solutions are already known. For instance, a huge decline in the use of coal, oil, and gas is needed, which means that over 2/3 of today's proven reserves of fossil fuels need to be kept in the ground by 2050. This fact presents a massive opportunity for fossil-free energy production, such as renewables and new technologies within the space. Renewable energy sources are available in abundance all around us, provided by the sun, wind, water, waste, and heat from the Earth – and emit little or no greenhouse gases.

Not only is renewable energy good for the climate, but it also presents the lowest cost of energy in most parts of the world today, thanks to technological developments and declining costs. This offers significant business opportunities for companies and investors in a wide range of aspects, which also feeds the ground for new innovations. This is further supported by annual clean energy investments that have increased significantly since 2020 (according to IEA).



Source: IEA

In 2023 alone, renewable electricity capacity additions reached an estimated 507GW, almost 50% higher than in 2022, according to IEA. Looking ahead, IEA expects significant renewables growth, with 2023 marking a step change for the coming five years.



Source: IEA

Share price and market developments in the Nordic renewable sector

Compared to many other sectors, the playing field for renewable energy companies is favorable from an ESG perspective, as the companies aim to provide end products for the better good. However, many struggle to generate profits and rely on external financing.
ESG stocks performed very well in 2020 and modestly in 2021, followed by big reported inflows for ESG-related funds (Environmental, Social, Governance) during the period, which makes renewable energy investments attractive as they tick many boxes. Since the highs in 2021, share prices have on average decreased, step by step - especially for the still unprofitable companies relying on external financing.

However, several renewables saw good share price development when the war in Ukraine emerged in February 2022, and energy prices increased even further. This was also when awareness of decentralised and fossil-free power production was increased. The share price development for renewable energy shares has been poor in 2023, following a relatively strong 2022. High inflation and interest rates continue to make the environment challenging for many renewable companies. Especially the ones who are still unprofitable and without a proven business model.

This also affects new renewable projects, where wind farms require significant CAPEX and projects are financed mostly with debt. Furthermore, as the expected lifetime of these assets is above 30 years, the NPV of a project is, all else equal, reduced when the cost of capital increases. All in all, this puts pressure on the OEMs, project developers, and the final purchaser of a plant.

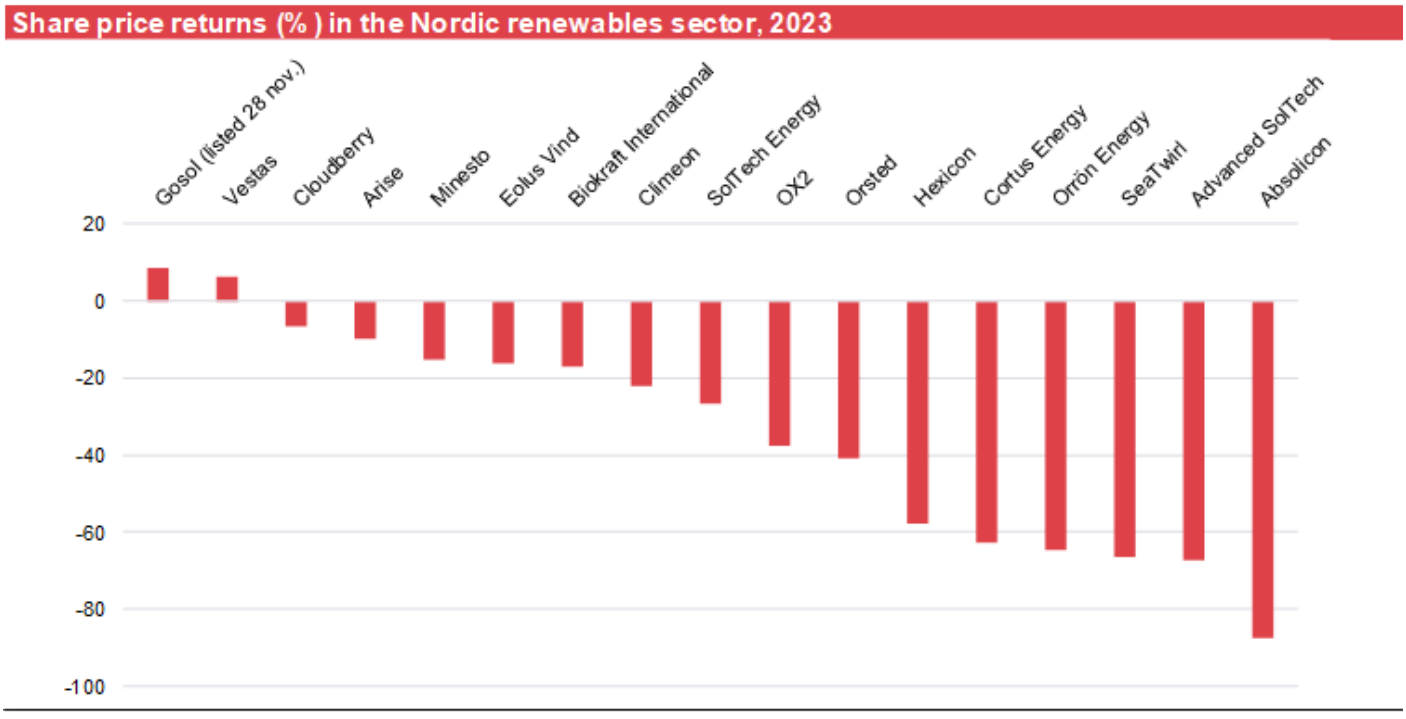
2023 Relative winners and losers

When we look at what type of shares were relative winners within the space, it was profitable energy producers, typically within wind- and hydropower. This is likely explained by high energy prices during the period, although not as high as in 2022. The companies are also profitable, as opposed to several of the relative losers.

A few of the bigger companies, such as OX2 and Orsted, lost nearly 50% of their market cap, which also stems from the fact that their shares surged after the Russian invasion of Ukraine and, therefore, came from elevated levels. Orsted has also seen struggles with its offshore business, primarily in the US, which has been greatly impacted by inflation – leading to several profit warnings. This has likely spilt over to other companies active within offshore, even if they are not in the same markets.

Looking at relative losers, we find companies that are still unprofitable, have made share issues, or are still to commercialise their business model. The financial markets have generally been tough for small unprofitable companies, but it has been very hard on companies that provide new technologies. We have also seen a few bankruptcy/liquidation processes in the Nordic cleantech sector, including Azelio (bankruptcy) and Swedish Stirling (under liquidation).

In our view, the biggest driver for the general negative share price developments within the sector is that there are now more turbulent business conditions than before. Also, increased inflation (which affects CAPEX for projects) and increased interest rates increase the cost of capital for companies in need of it. Furthermore, long-term electricity prices have come down during 2023 relative to 2022 (although at historically high levels). Altogether, this affects projects negatively from both the cost and revenue sides, leaving the developer with a lower margin.



Source: Factset

Hydrogen and Fuel Cells

Companies to watch

- *Ballard*
- *Plug Power*
- *Bloom Energy*
- *Ceres Power*
- *PowerCell*
- *Nel*
- *Hydrogen Purus*
- *TECO 2030*
- *HydrogenPro*
- *Impact Coatings*
- *Cell Impact*
- *Everfuel*
- *Green Hydrogen Systems*

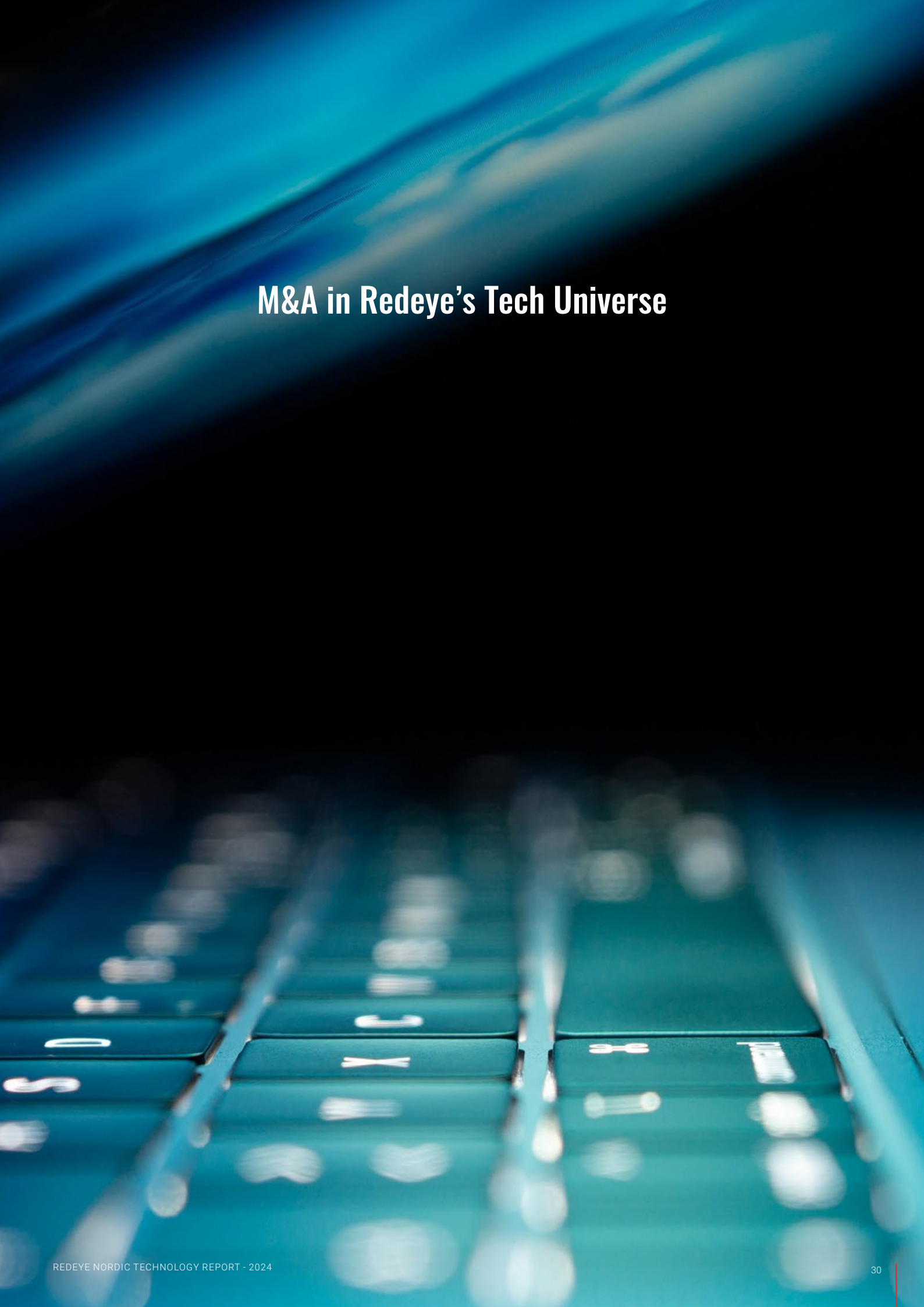
One of the major pain points with renewable energy is storage. Particularly for mobile applications, where batteries are expensive and heavy. But also medium- and long-term storage, where todays battery technology is less optimal. Hydrogen storage and fuel cell engines is a viable solution that has gained significant ground lately. Not a silver bullet, but at least applicable in many areas. This has been recognized in several countries lately. More than 30 countries now have a national hydrogen plan, including USA, EU, China, Japan, South Korea and India.

EU presented "The Green Deal/REPower EU" in 2022. This is partly aiming at combatting climate change but also to a great extent to improve energy security, in the wake of Russia's full-scale invasion of Ukraine. And recently the US Government announced the "Inflation Reduction Act". Both include plans for massive investments into the hydrogen energy sector. Despite this support and a positive momentum in the industry, share prices have tumbled in the past year. Our Index of hydrogen and fuel cell companies were down around 30% in 2023, severely underperforming the global stock market (MSCI World Index). It appears that the sector was still suffering from a correction in the market, following the 2020 hydrogen bonanza.



Source: Factset Prices

M&A in Redeye's Tech Universe

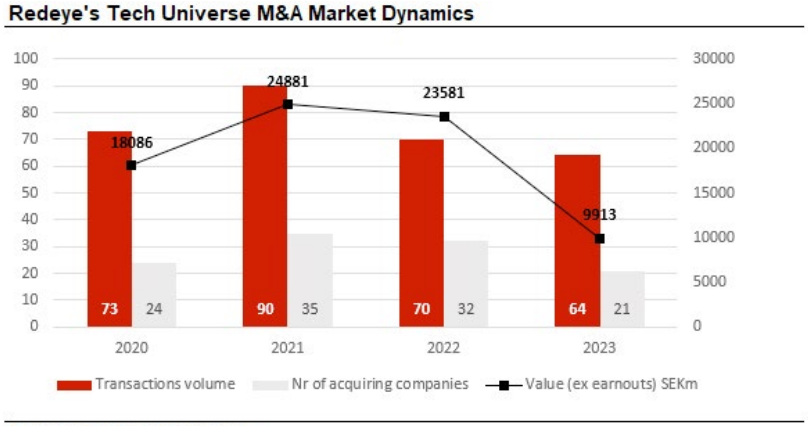


M&A in Redeye's universe

In the Redeye tech universe, the M&A scene decided to take a breather in 2023 after its blockbuster years in 2020 and 2021. While 2021 set records for transaction volume and value, and 2022 kept the party going 2023 chose a different tempo. The overall deal value (excluding earn-outs) witnessed a substantial 58% decrease compared to the previous year, representing a 60% decline from the record figures of 2021.

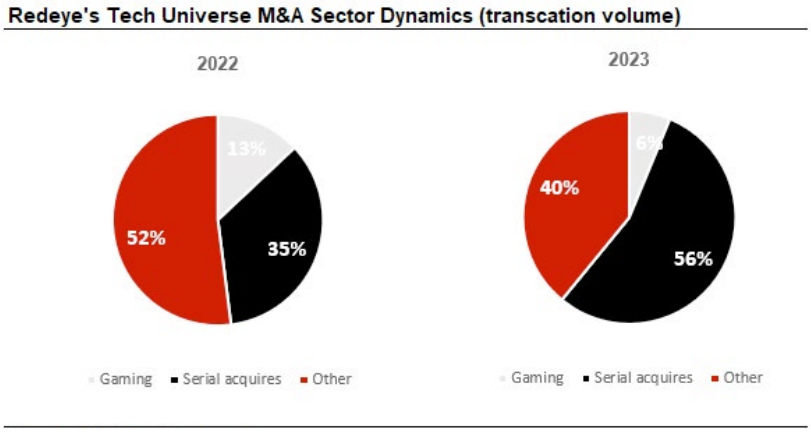
The number of companies under coverage within Redeye's Tech universe remained relatively stable year-on-year, similar to 2022. Although the number of tech companies under coverage remained consistent, the action beneath the surface told a different story. Of the approximately 100 tech companies within our coverage, only 21 were in the acquisition game in 2023—a 35% dip from the previous year. Deal volume also took a 10% dip from the 2022 levels.

In summary, the number of acquiring companies was notably lower in 2023 compared to 2022. Additionally, the overall number of deals decreased slightly, accompanied by a significant compression in deal sizes.



Source: Redeye Research

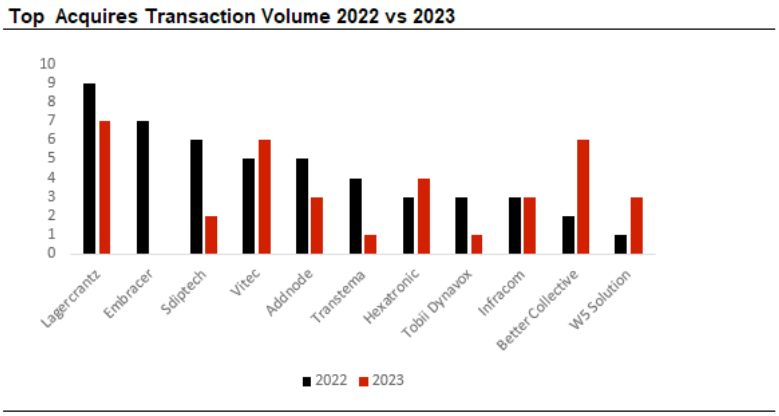
Examining more sector-specific figures reveals a notable shift in the dynamics. In 2023, serial acquirers took center stage, progressing from representing 35% of the deals in 2022 to a dominating 56% in 2023. It is worth noting that Lifco joined the Redeye Tech universe in 2023 and contributed significantly, representing 18 out of the 35 deals originating from the serial acquirers sector. In this scenario, Vitec witnessed an increase in deal volume, while Lagercrantz, Sdiptech, and Addnote experienced a decline in their deal volumes. Without Lifco's contribution, the landscape would have looked considerably different, essentially playing the role of the party saver in this sector.



Source: Redeye Research

In 2021, gaming stood tall as the frontrunner in terms of deal volume, commanding over 40% of the total volume within Redeye's tech universe. However, the M&A momentum within the sector took a considerable hit in 2022, accounting for approximately 13% of the total deal volume. The trend continued in 2023, with the sector's share further compressing to 6%. The gaming M&A landscape, once dominated by Embracer's strategic moves, experienced a noticeable recalibration in 2023. The former heavyweight in M&As, Embracer, abstained from acquisitions entirely in 2023. This is a significant departure from the preceding years, where Embracer acquired six targets in 2022 and a staggering 16 in 2021. With Embracer absent from the scene, the overall average deal size witnessed a substantial compression in 2023 compared to the levels observed in 2022.

A noteworthy observation is that tech companies outside the gaming and serial acquirer sectors displayed a decrease in transaction activity from 2022 to 2023, transitioning from representing 52% of the deals in 2022 to a diminished share of 40% in 2023. Despite this general trend, companies like W5, Hexatronic, and Better Collective defied the norm by intensifying their M&A agendas.



Source: Redeye Research

The decline in M&As within the Redeye universe is not isolated. From a broader perspective, global M&A is projected to have decreased by 20% in 2023 compared to 2022, as the advisory firm Bain & Co reported. Despite not reaching the nearly 60% reduction observed in the Redeye tech universe, it is essential to note that the lack of the Embracer effect significantly impacted 2023, adding over SEK11bn in deal value to 2022 figures.

In 2024, we maintain a cautiously optimistic outlook for M&A activity, albeit at levels lower than the frenzy witnessed in 2021 and 2022. This sentiment is grounded in the following reasons:

- **It Takes Two To Tango:** Differences in pricing expectations between sellers and buyers have hindered dealmaking throughout the past year. Fortunately, various factors affecting prices, such as inflation levels, financing costs, and uncertainty, are stabilizing. We believe that sellers are acclimating to both these new conditions and to the buyer's price points. Consequently, we expect the gap between the seller and the buyer's expectations to close during 2024, leading to more intense M&A activities.
- **The Resilience of the Mighty:** With Sweden officially in recession, the impact of challenging market conditions on many listed companies is evident. Larger companies, endowed with robust balance sheets and a range of financing alternatives, are better equipped to navigate recessions compared to their smaller counterparts. Historical market trends support this notion, revealing that periods of market adversity present opportunities for prominent and prudent players to acquire distressed targets strategically. In 2024, we anticipate larger entities seizing this advantageous environment to engage in more assertive M&A activities.
- **Rate cuts:** The previous year's rate hikes have changed the economics around what the acquiring companies are willing to pay and have contributed to a more uncertain economic environment for buyers and sellers. While we refrain from making specific macroeconomic predictions, numerous indicators suggest the likelihood of rate cuts in 2024. Given this potential scenario, we anticipate a revival of merger and acquisition activities, fostering renewed confidence in the business environment.

M&A activity in Redeye's Tech universe

Acquirer	Target	Sales	Deal Size	Earnouts
Serial Acquirers				
Addnode	Team D3	USD120m	USD31m	USD28m
Addnode	Key Performance	SEK25m		
Addnode	FAST2	SEK80m		
Vitec	Memorix BV	SEK46m		
Vitec	Codea/Navicode Oy	SEK16m		
Vitec	Neagen Oy	SEK58m		
Vitec	Entry Event Sweden AB	SEK14m	SEK330m	SEK169m
Vitec	DL Systems AB	SEK8m		
Vitec	Enova	SEK309m	SEK519m	SEK507m
Lifco	Doxa Dental	SEK12m		
Lifco	Welte Dentallabor	SEK15m		
Lifco	Alwayse Engineering	SEK72m		
Lifco	Broughton Plant Hire and Sales	SEK281m		
Lifco	Didsbury Engineering	SEK83m		
Lifco	Kohler Medizintechnik	SEK79m		
Lifco	The Real Spirit of Coffee	SEK307m	**SEK2172m**	**SEK252m**
Lifco	Datamed	SEK23m		
Lifco	Aura Electric	SEK38m		
Lifco	Geax	SEK169m		
Lifco	Amayse	SEK77m		
Lifco	Emilplastica	SEK12m		
Lifco	Astro	SEK103m		
Lifco	Kefla	SEK372m		
Lifco	Ortho-Care	SEK128m		
Lifco	Sailmakers Group	SEK81m		
Lifco	HGT	SEK214m		
Lifco	Green Instruments	SEK293m		
Lagercrantz	Letti	SEK30.9m		
Lagercrantz	Fireco	SEK94.5m		
Lagercrantz	Supply Plus Limited	SEK97.2m		
Lagercrantz	Glova Rail A/S	SEK87m	**SEK560m**	**SEK80m**
Lagercrantz	Sassenus Packaging	SEK15m		
Lagercrantz	DP Seals	SEK65m		
Lagercrantz	Material Handling Modules	SEK90m		
Sdiptech	Kemi-tech	SEK60m	SEK450m	SEK75m
Sdiptech	HeatWork	SEK124m		

M&A activity in Redeye's Tech universe				
Acquirer	**Target**	**Sales**	**Deal Size**	**Earnouts**
Gaming				
Fragbite Group	Fall Damage		SEK20m	SEK400m
M.O.B.A. Network	Wargraphs S.A.S	EUR12.3	EUR25m	EUR25m
Gaming Innovation Group	KaFe Rocks	EUR23m	EUR35m	
Maximum Entertainment	Funlabs			
Other				
Tagmaster	Image Sensing Systems	Est SEK 40m for 2022	SEK 53m	
Tobii Dynavox	Rehadapt AG	Est EUR 10m for 2022	EUR 15m	
W5 Solutions	BoxModul	SEK120m	SEK180m	SEK50m
W5 Solutions	Kongsberg Target	SEK43m	SEK45m	SEK40m
W5 Solutions	ArcQor	SEK87m	SEK65m	SEK45m
Hanza	Orbti One	SEK1100m	SEK367m	SEK91m
Hexatronic	USNet	USD10m		
Hexatronic	ATG	SEK20m		
Hexatronic	Fibron	SEK694m	SEK343m	SEK96m
Hexatronic	Rochester	SEK580m	USD55m	
Transtema	UBConnect	SEK350m	NOK94m	NOK108m
Speqta	BrightBid	SEK46m (CARR)	SEK259m	
Efecte	Sysart Oy	EUR0.5m	EUR0.36m	
CombinedX	Absfront	SEK35m	SEK31m	SEK7.5m
Infracom	ComCenter	SEK54m	SEK55m	SEK10m
Infracom	Datatal	SEK8m	SEK3.3m	
Infracom	Connect	SEK406	SEK195	SEK40m
Better Collective	Playmaker Capital	EUR55m	EUR176m	
Better Collective	Tipsbladet	EUR2.6m	EUR6.5m	
Better Collective	Torcedores			
Better Collective	SvenskaFans	EUR2.5m	EUR3.7m	
Better Collective	Playmaker HQ	EUR9m	EUR14m	EUR35m
Better Collective	Skycon	EUR20m	EUR29m	EUR24m
Systemair	Group SCS	GBP12m		
Systemair	Sales company Morocco	SEK120m		

Source: Redeye Research

Nordic Tech IPOs of 2023



The IPO music band left the stage in 2023

Overview

2023 was a very non-eventful year for tech IPOs as we can only report 1 tech IPO taking place in 2023 (RanLOS) – making it the worst year for tech IPOs in terms of activity since we first started to publish the Redeye technology report back in 2017.

In last year's IPO review of 2022, we noted that the high IPO activity in 2020 and 2021 was abruptly disrupted – with only 29 tech IPOs taking place in 2022 relative to 122 in 2021 and 56 in 2020. This negative trend did not stop by the end of 2022. Instead, it continued to worse in 2023, a year which only managed to see 1 tech IPO (by the definition of offering shares to the public while becoming a listed company).

RanLOS, 2023's only tech IPO, raised a total of SEK17m with a post money valuation of SEK52m. The company had 2022 sales of SEK1m and reported a net profit of SEK-5m. The P/E and P/S based on 2022 figures were -11 and 51 respectively. The IPO took place in March (Q1) and the company is active in the Scientific & Technical Instruments sector according to Morningstar. The shares returned -66% from IPO date to year-end, relative to the OMX Nordic Small Cap Index which returned -11%.

However, we do note 5 tech listings that have taken place either via reversed takeover, SPAC, or direct listing. See the listed companies below.

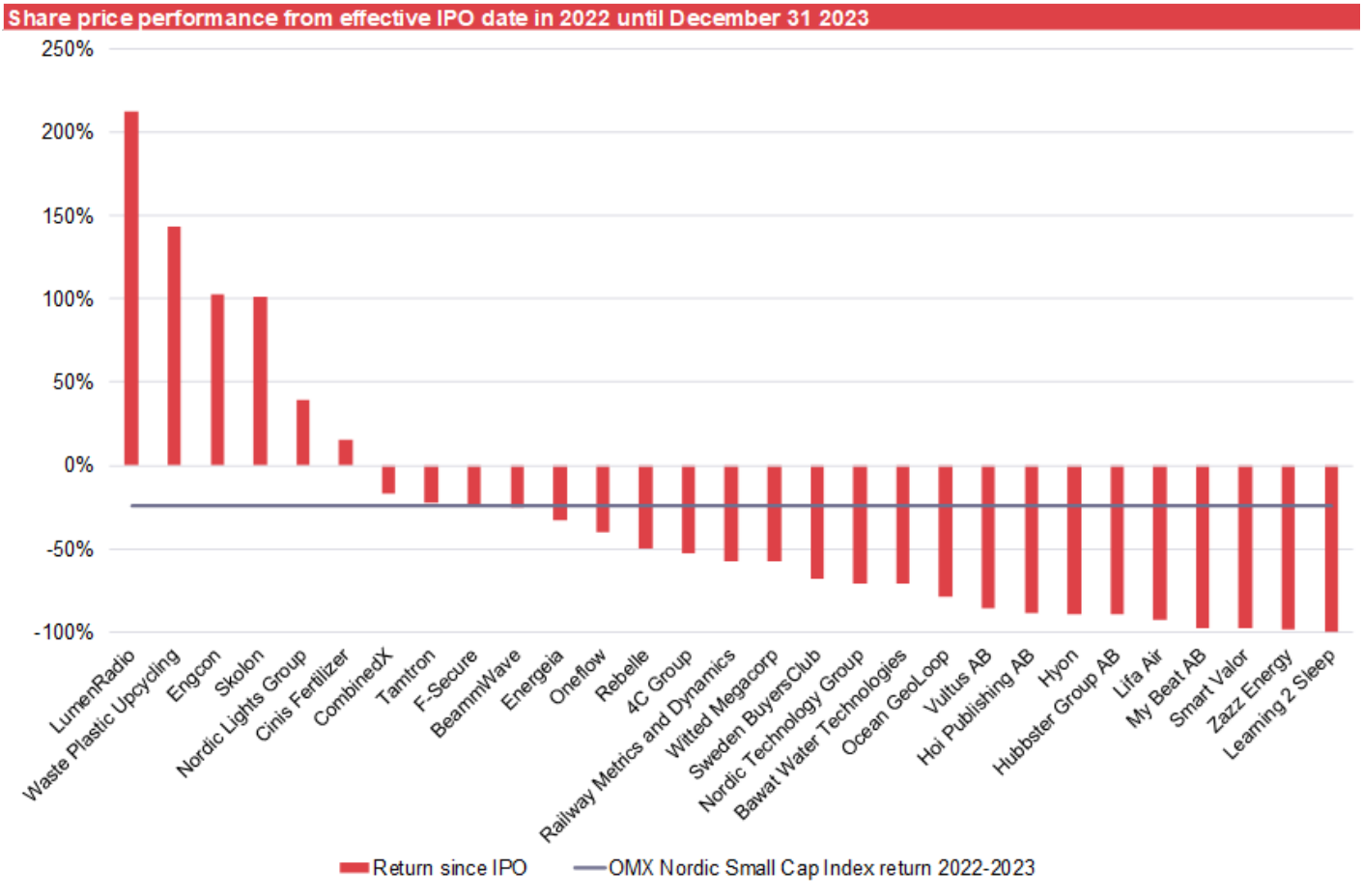
- **Yubico:** 31 Dec 2023 mcap: SEK11bn. 2022 sales: SEK659m. Net profit: SEK262m.
- **Scandinavian Astor Group:** 31 Dec 2023 mcap: SEK0.3bn. 2022 sales: SEK53m. Net profit: SEK-10m.
- **Gosol Energy Group:** 31 Dec 2023 mcap: SEK0.2bn. 2022 sales: SEK177m. Net profit: SEK4m.
- **MindArk:** 31 Dec 2023 mcap: SEK0.1bn. 2022 sales: SEK93m. Net profit: SEK9m.
- **Observit:** 31 Dec 2023 mcap: SEK0.1bn. 2022 sales: SEK37m. Net profit: SEK1m.

In this year's edition, we have decided to shift focus to the IPOs of 2022 rather than the one of 2023 (due to the lack of significant amount of data points), to see how they performed in 2023, with the aim to see if it could give us further answers to why the number of IPOs in 2023 was so low.

The IPOs of 2022 continued to underperform in 2023

A quick recap of 2022 tells us that the average absolute return of the listed companies was -22% from the effective listing date to year-end. However, a few strong outperformers skewed the average, putting the median at -33%. The average excess return (when compared to the OMX Nordic Small Cap Index as a benchmark) amounted to -11% with a median excess return of -23%. 38% of the listings managed to generate a positive excess return from the date of listing when compared to index, which is very similar to the 36% from the previous year.

In 2023, the same companies (adjusted for Rebelle that was delisted in 2022) produced an average return of -28% and a median return of -40%, which compares to the average and median excess return of -23% and -34% respectively relative to the OMX Nordic Small Cap Index (which returned -6%). All in all, 8 of the now 28 companies (due to Rebelle's delisting in 2022) managed to outperform index. As such, 20 companies, or 71%, underperformed index. 10 companies declined more than 50%, and 5 companies declined more than 80%. As such, the companies IPOd in 2022 continued to underperform significantly in 2023.



Source: Factset, Nasdaq, Redeye Research

Furthermore, from IPO date in 2022 to the year-end 2023, only 6 companies generate a positive return. 12 companies returned -70% or worse, 9 companies returned -80% or worse, and 5 companies returned -90% or worse.

Main reasons for the low activity

We believe the main reasons for the low IPO activity are the turbulent macroeconomic situation, which includes increased interest rates, increased inflation. Also, the stock market development has been relatively poor, especially for small caps, and overall transaction volumes are significantly down. We also believe that many IPOs that might have been planned for H1 2023 were postponed/ cancelled as the hopes for increased investors' appetite recovered in H2 2023. - But it didn't. While 2020 and 2021 saw historically low interest rates, and historically high valuations and investor appetite – which fueled the IPO market – the opposite has happened in 2022 and continued in 2023. One could also interpret this data as many early-stage companies seized the opportunity to go public during the heydays of 2020 and 2021, rather than waiting a couple of years for the business to mature.

We believe that this development has taken a harden toll on tech companies (who often are characterized by low revenues and poor profitability and high growth) rather than value stocks (with solid cash flows and low growth). This also shows when looking at tech companies share of total listings, which has diminished since 2021.

This is understandable since a larger part of growth companies' valuation are derived from more distant future earnings than of value stocks, which, all else equal, are greater impacted by increasing interest rates (as the NPV of the cash flows becomes lower). Also, many still unprofitable companies, who will likely require additional capital, do not become particular attractive in the listed environment as positive operational development might be overlooked by financing needs and the risks related to that.

We also note that while a small number of additional listings have taken place in 2023, it is not primarily through a traditional IPO where shares are offered to the public. Instead, we have seen a few reversed takeovers and direct listings (5 in total). What these listings have in common is that the financing has been in place ahead of the listing, and that additional public capital has not been required (thus removing the risk of an offering of new shares being under-subscribed).

Redeye Screening

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

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

- Our top-picks for 2024, Vertiseit, Carasent and Smart Eye all appeared on our screenings. Vertiseit and Carasent in Deep Value and Smart Eye in the Growth Junkies category.

Review of last year's screen output

In this chapter, we include last year's screen output and the return of those stocks during 2023. In the table below, we cover the top 10 companies in each strategy that we presented in last year's tech-report.

On average, only the GARP strategy managed to show a positive performance of 7%, while other strategies showed poor performance in the range of -8% down to -23% on average. This was well below the overall market performance (OMXS30 17%), and also underperforming more comparable index's as OMX Stockholm Technology (9%). The best strategy (GARP) has been the best-performing one in six out of the last seven years – only in 2021 did GARP not perform best (Deep Value won). The better performance came from the more mature companies with positive cash flows and solid growth with reasonable debt levels. The companies with the worst performance were the ones with weak financial strength, many of which needed to bring in new capital during the year. Growth Junkies and Deep Value were tied for second and third place, while Jockey Stocks came in last at -23%.

Stock return of screen output from last year

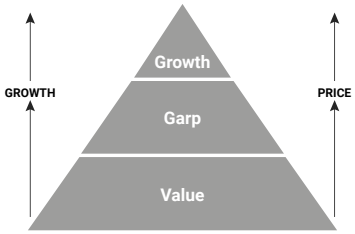
GARP	Return	Deep Value	Return	Growth junkies	Return	Jockey Stocks	Return
Evolution	14%	Evolution	14%	Truecaller	0%	Thunderful Group	-65%
Addnode Group	-13%	Sdiptech	18%	Embracer Group	-45%	Bioservo Technologies	-99%
Lagercrantz Group	28%	Lagercrantz Group	28%	Smart Eye	90%	BIMobject	15%
Truecaller	0%	Transtema	-52%	Carasent	-34%	Sdiptech	3%
Fortnox	29%	Vertiseit	-30%	Evolution	14%	SaveLend Group	-33%
Invisio	21%	Truecaller	0%	SaveLend Group	-33%	QleanAir Holding	46%
Vitec Software Group	44%	QleanAir Holding	46%	Acuvi	-55%	Sivers Semiconductors	-1%
Sdiptech	18%	Thunderful Group	-65%	Vertiseit	-30%	G5 Entertainment	-27%
Vertiseit	-30%	Embracer Group	-45%	Fortnox	29%	Modelon	-32%
Embracer Group	-45%	Stillfront	-32%	Arise	-11%	Stillfront	-32%
Average return	**7%**		**-12%**		**-8%**		**-23%**

Source: Redeye Research

Our universe of companies

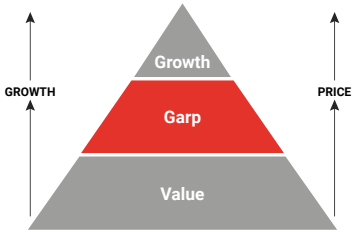
The screens are based on the ~100 tech companies that currently exist in the Redeye Universe. Redeye has full research coverage of these companies where we present quarterly research updates, more extended analysis, comments on major business news/events, investment thesis, valuation range, company ratings, and more.

The screening



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

GARP



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

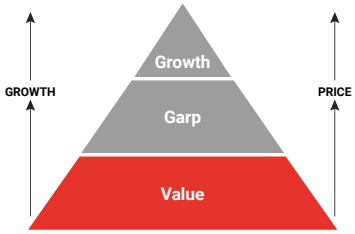
Criteria and ranking

- Criteria
  - Price below Base Case
  - Sales CAGR of 10-45% for the coming three years.
- Ranking
  - Primary: Average Redeye Ranking
  - Secondary: Highest sales CAGR next three years

GARP screen output

	Criteria parameter		Ranking parameter	
Company	3 year forward CAGR	Distance to Base	Redeye rating	Screen Rank
Lagercrantz Group	14%	9%	4.7	1
Invisio	26%	28%	4.3	2
Evolution	19%	25%	4.3	3
Truecaller	19%	93%	4.3	4
Better Collective	21%	49%	4.0	5
Sdiptech	18%	49%	4.0	6
Sleep Cycle	17%	18%	4.0	7
Addnode Group	15%	22%	4.0	8
Lifco	14%	1%	4.0	9
ADDvise Group	33%	85%	3.7	10

Source: Redeye Research



Deep value

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

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

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

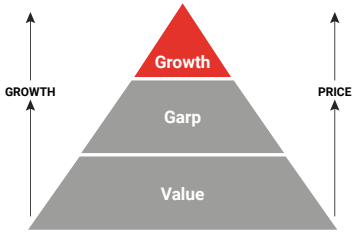
Criteria & ranking

- Criteria: Price not higher than 30% above Bear Case
- Ranking: People rating

Screening output Deep value

Deep value screen output			
	Criteria parameter	Ranking parameter	
Company	Distance to Bear	People rating	Screen Rank
Truecaller	-11%	5	1
Lagercrantz Group	-15%	5	2
Vertiseit	-22%	5	3
Invisio	-28%	5	4
G5 Entertainment	22%	4	5
Waystream Group	15%	4	6
Energy Save	13%	4	7
Modelon	2%	4	8
Carasent	-2%	4	9
Embracer Group	-5%	4	10

Source: Redeye Research



Growth junkies

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

Criteria & ranking

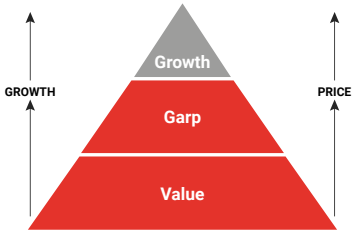
- Criteria:
  - Three-year sales CAGR above 25%
  - Business rating 4 or higher
- Ranking – combined score of:
  - Average Redeye rating
  - Distance to Base Case

Screening output Growth junkies

Growth junkies screen output

	Criteria parameter		Ranking parameter		
Company	3 year forward CAGR	Business rating	Redeye rating	Distance to Base	Screen Rank
Fortnox	26%	5	4.7	-2%	1
Invisio	26%	4	4.3	28%	2
ADDvise Group	33%	4	3.7	85%	3
W5 Solutions	56%	4	3.7	30%	4
Modelon	29%	4	3.3	337%	5
Acconeer	80%	4	3.3	142%	6
Smart Eye	44%	4	3.3	79%	7
Safeture	28%	4	3.3	51%	8
Pagero	33%	4	3.3	0%	9
Advenica	28%	4	3.0	28%	10

Source: Redeye Research



Jockey stocks

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

Criteria & ranking

- Criteria: People rating 4 or higher
- Ranking – combined score of:
  - Net insider buying from 1 January to 31 December
  - Distance to Base Case

Screening output Jockey stocks

Jockey stocks screen output

	Criteria parameter	Ranking parameter		
Company	People rating	Distance to Base	Insider net buy (msek)	Screen rank
Media and Games Invest	4	141%	30	1
Arise	4	89%	25	2
Flexion Mobile	4	122%	6	3
Modelon	4	337%	0	4
Embracer Group	4	44%	189	5
Gasporox	4	63%	5	6
Hexatronic Group	4	57%	6	7
Bredband2	4	42%	10	8
Scandinavian Enviro Systems	4	211%	0	9
CombinedX	4	58%	3	10

Source: Redeye Research, Holdings (insider buying per 31 Dec 2023)

Top Picks-portfolio

- Top Picks gained 24% in 2023, while the comparative index OMXSPI rose by 16%. Consequently, our portfolio outperformed the general index by 8 percentage points. Over a five-year period, Top Picks has returned c200%, compared to the OMXSPI index, which has gained about 63%. Thus, the portfolio has outperformed by ~136 percentage points between the years 2019 to early 2024.

- Meanwhile, our three top tech picks for 2023 significantly underperformed the market and returned on average -12%. We hope and expect our new top tech picks to outperform the market going forward. Our timing has sometimes been off by a year.

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

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

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

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

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

Portfolio Performance

In 2023, Top Picks experienced volatility but ultimately had a successful year, outperforming the OMXSPI index by 8 percentage points and the Carnegie Small Cap Index by 9 percentage points. Overall, Top Picks delivered a return of 24%, surpassing OMXSPI's 16% and the small-cap index's 15%. We steadily outperformed both benchmarks throughout most parts of the year, with a significant spike in December 2023, where our portfolio returned close to 15% in a month's time. Top Picks has built a respectable long-term track record that we take pride in. Over the last ten years, Top Picks has achieved a total return of around 950%, representing a CAGR of approximately 26%.

This ten-year period has encompassed various extremes, including the challenges posed by Covid-19, the era of zero interest rates, and subsequent rate hikes. During this time, we have witnessed both fear and euphoria in the market, experiencing both solid multiple expansions and severe contractions. Currently, our portfolio comprises 11 holdings, the majority of which are profitable, boast solid balance sheets, and are under capable management. Our focus has shifted towards proven business models and companies with the potential for compounding earnings internally, rather than special situations and turnarounds. Still, sometimes we venture into these areas as well. Although our holding companies are now slightly larger than before, the portfolio still mainly consists of small and mid-cap stocks (worth noting is that the last three years have been exceptionally harsh for small cap growth stocks). To enhance diversification, we have also included a couple of large caps where we identified a good margin of safety.

Below, we show the performance of our Top Picks portfolio versus the OMXSPI index over five years (as of the time of this writing). We are still below our all-time highs in 2021. A description of the investment criteria for our portfolio is presented at the end of this chapter. For additional information, we refer to:
https://www.redeye.se/premium/top-picks



Stock Performance in 2023

Our four clear breadwinners in the Top Picks' portfolio for 2023 were Better Collective, XVIVO, BONESUPPORT and Smart Eye. Although Smart Eye (+139%) and BONESUPPORT (+134%) performed the best, both Better Collective (+102%) and XVIVO (+80%) were large positions in the portfolio and thus contributed significantly to the overall performance. Better Collective was, for example, our largest holding throughout H1 2023, where most of the returns materialized. Meanwhile, our biggest losses stemmed from Hexatronic (which returned -81% in 2023), Waystream (-58%), Embracer (-42%), Carasent (-24%). We also had some smaller positions that we traded poorly (i.e., miss timing in buys and sells), thereby impacting our returns negatively without the stocks themselves having a terrible year. We have also been able to boost and trim some positions well. For example, we timed Smart Eye well right before its biggest design win order in its history.

As shown in the table below, our top tech picks underperformed as a group. Only W5 Solutions' return surpassed the general index, while Carasent and Transtema had a bad year return-wise. Last year we decided to spice it up a little, as we believed investors would appreciate some new names. Thus, we did not have our largest Top Picks holdings as the top tech picks, which unfortunately led to a poorer result. An interesting side note that we observed was that our top tech picks for 2022 included names such as Smart Eye and Better Collective and both underperformed the index in the year where they were selected to be top tech picks. However, in 2023, a year where we did not include them, both outperformed the index with a wide margin (and added greatly to our Top Picks portfolio's return). This shows how hard timing can be and the challenges to predict which stock will become the winner in a single year.

Redeye Top Tech Picks 2023	
Company	**Return 2023**
Carasent	-24%
Transtema	-54%
W5 Solutions	41%
Average	**-12%**
Median	**-24%**
OMXSPI	16%
Top Picks	24%

W5 Solutions, which performed the best of the top tech picks, has an extensive history in the defense industry and its management team holds core expertise in simulation and training, growing niches with limited competition from the major defense contractors. Many defense companies expect to see good order flows in the coming years. In **Transtema** we saw a cheap company that had reshaped its business, concentrating on installations, operations, and maintenance markets. We thought it would experience solid growth, mainly from acquisitions. 2023 turned out to be a rough year instead, with declining margins and a softer market than we had expected. The company continues to be cheap, but unfortunately, cheaper can always become cheaper. Lastly, **Carasent**, which we believed would have its turnaround year in 2023, proved to take a little longer than anticipated. Although the core business is moving along nicely, the company's margins are still subpar and negative. Meanwhile, some investors appear to question the overall M&A strategy and would rather see a large part of the cash pile to be paid out in the form of a special dividend. Moreover, Carasent also proves that timing is hard, as 2024 has started on a stellar note.

Top Picks Portfolio for 2024

Our hurdle for portfolio inclusion remains high, with a disciplined assessment of companies' qualitative factors and economic cycle dependency. At the moment, our cyclical exposure is about 14% of the portfolio, compared to 7% a year ago. The rest is in stocks with more defensive characteristics. On the macro front, we keep a particularly close eye on:

- **In 2024, a record-breaking 40-plus countries (incl. the US, the UK and India), which collectively represent more than 40% of the world's population and a significant portion of global GDP, are scheduled to hold national elections.**
- **Interest rates may be coming down in 2024.**
- **Will there be a soft landing or a harsher economic recession?**
- **AI's everlarge impact on society.**

We believe our bottom-up approach can continue to achieve long-term positive returns exceeding the market. The portfolio has ~14% in cash (a high level compared to our average).

Top Tech Picks for 2024

In this section, we present our top three tech picks for 2024. Please note that they are not based on our current position sizing in the Top Picks portfolio. This time, we are keeping one pick from last year, introducing a new one, and revisiting an old pick from 2022. Additionally, the analysts will provide more in-depth explanations of each case.

Carasent (Redeye base case NOK26)

Carasent was one of the top tech picks' last year and the investment case is more or less the same. With an organic growth rate of about 15% and a scalable business model which we expect will become cash flow positive again in 2024 (and then move towards the target of an EBITDA – Capex margin of 15%), we see a good chance of a multiple rerating of this company. It currently trades as if it is a "lousy business" with bleak prospects at an EV/s of 2x in 2024e. On normalized earnings, this company is cheap in our opinion, at a quite low risk (given the cash position). There are some political risks and execution risks (M&A-wise), however.

Vertiseit (Redeye base case SEK39)

The owner-operated digital in-store SaaS company has a strong track record of ~20% annual organic ARR growth for many years despite challenging markets (COVID-19 and weak consumers). Following soft cash flows and weak profitability combined with a rather high net debt, the stock had a rough journey in 2023. However, Q3 did mitigate those issues, laying the foundation for further improvements in profitability during 2024. We believe the current valuation of 2x sales 2024e is attractive, considering Vertiseit's growth and profitability prospects and its strong global position in its niche.

Smart Eye (Redeye base case SEK145)

Smart Eye had a stellar 2023, and we believe 2024 could become a good year as well. The main catalyst is the ramp-up of sales in the driver monitoring systems (DMS) business, from already awarded design wins and expected design wins on existing platforms. Due to EU and Euro NCAP's decisions to mandate driver monitoring, the market for DMS is about to explode. Near-term EV/sales multiples are 5.5x and c4x on 2024e and 2025e, but very soon, the sales convert into strong EBIT, thanks to gross margins of ~90% and steady volume growth with comparably limited OPEX needs. Redeye's analysts believe that Smart Eye will become cash flow positive in 2024. The ramp-up and cash flow in 2024 de-risks the investment case.

Investment Strategy

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

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

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

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

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

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

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

Redeye Research & Ratings



Making educated investment decisions

How we cut the deck when it comes to investing

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

Focus on Business Quality

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

The company qualities rating



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

People

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

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

Business

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

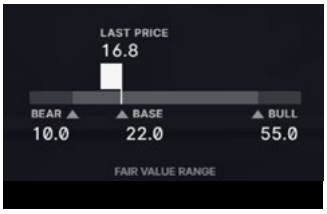
- **Business Scalability, Market Structure, Value Proposition, Economic Moat and Operational Risks**

Financials

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

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

The fair Valuation Range approach/Margin of Safety



Account for the unforeseen

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

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

When to buy

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

When to sell

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

A word about risk

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

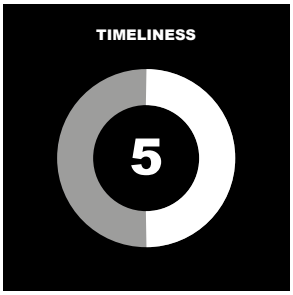
Share price volatility works both ways and to investors who have a margin of safety built into what they are buying and holding, price fluctuations will become opportunities to buy cheap and sell dear. Fundamentals generally don't change from day to day, so market moves are often driven by emotions.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

Timeliness approach

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

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

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



How Timeliness works

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

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

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

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



Covered Companies

A-Z

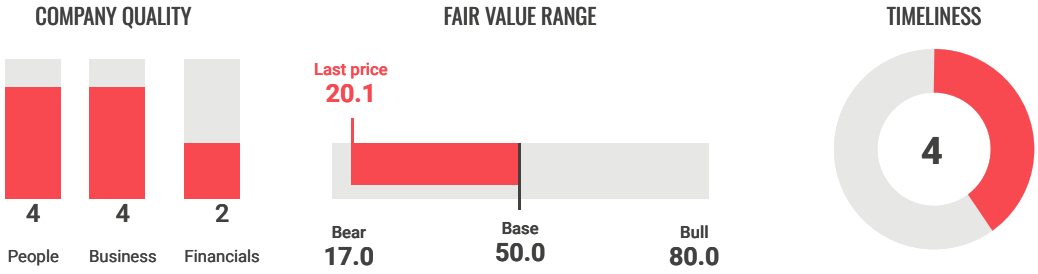
Acconeer
Addnode
Advenica
Arise
Artificial Solutions
Avensia
Avtech
Beammwave
Better Collective
Beyond Frames
Binero Group
Bredband2
Carasent
Chromogenics
Coala Life
CombinedX
Doro
Efecte
EG7
Embracer Group
Enea
Energy Save
Eniro
Ependion
Evolution
Fantasma Games
Flexion Mobile
FlexQube
Formpipe Software
Fortnox
Fragbite Group
Freemelt
G5 Entertainment
Gaming Innovation Group
Gapwaves
Gasporox
Hanza Holding
Heliospectra
Hexatronic Group
Hoylu
Image Systems
Impact Coatings
Infracom Group
Invisio
I-Tech
Kontigo Care
Lagercrantz Group
Lifco
Maximum Entertainment
Media and Games Invest
Mestro
Modelon
Neonode
Nepa
Netmore
Ngenic
Nitro Games
Northbaze
OXE Marine
Pagero
Physitrack
Powercell
Proact IT Group
QleanAir
Railcare
Raketech
Safeture
Scandinavian Enviro Systems
Sdiptech
Seamless Distribution Systems
Sensys Gatso Group
Sivers Semiconductors
Sleep Cycle
Smart Eye
Sozap
Speqta
SSH Communications Security
Starbreeze
Stillfront Group
Strax
Systemair
TagMaster
TECO 2030
Tessin Nordic Holding
TH1NG
Thunderful
Tobii Dynavox
Transtema
Truecaller
W5 Solutions
Vertiseit
Vidhance
Vitec Software Group
Waystream
Wyld Networks
Xavi Solutions

Acconeer ACCON

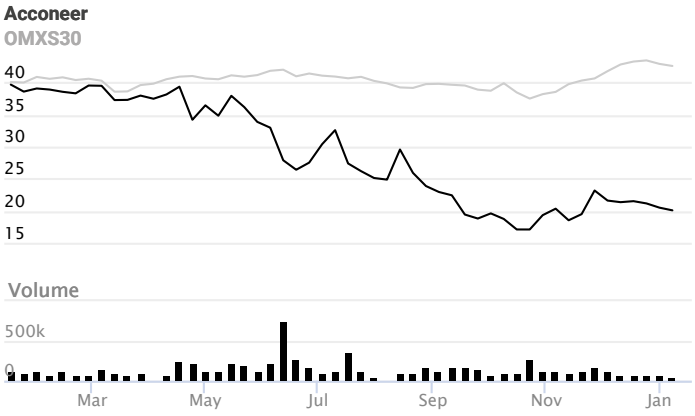
Company page
https://www.redeye.se/company/acconeer

Publication date
January 16 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Lars Lindell
Chairman	Thomas Rex

Share information

Share price (SEK)	20.1
Number of shares (M)	26.6
Market cap (MSEK)	534
Net debt (2024E, MSEK)	32

Analyst



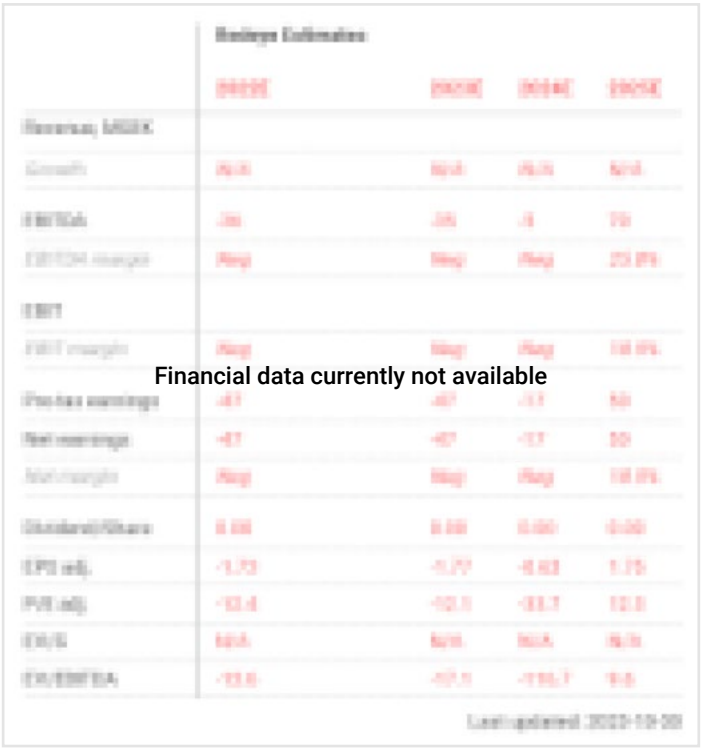
Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Acconeer: No

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

Financials



Owner	Equity	Votes
Bengt Adolfsson	11.2%	11.2%
Avanza Pension	8.1%	8.1%
Alps Alpine co LTD	7.0%	7.0%
Lars Ingvarsson	5.1%	5.1%
Swedbank Försäkring	3.9%	3.9%
Nordnet Pensionsförsäkring	3.7%	3.7%
Lars-Erik Wernersson	2.1%	2.1%
Mikael Egard	2.1%	2.1%
Mats Ärlelid	2.1%	2.1%
Skandinaviska Enskilda Banken S.A	1.1%	1.1%

Company description

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

Investment thesis

Case

Strong unique product offering & scalability from unmatched cost

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

Evidence

Automotive has the largest potential

Acconeer is working on ten use cases in automotive with its tier-1 partner Alps Alpine, of which the most exciting is child presence detection (CPD) since it is being mandated by in Europe from 2022 to 2023, and likely soon in the US. Thus, most OEMs are procuring or are about to procure CPD. We believe Acconeer has a strong competitive advantage in CPD. Acconeer has won four design wins with at least four OEMs - Volvo (incl. Polestar), General Motors, Stellantis (Redeye est.) and one Japanese OEM. We estimate the TAM in automotive to be c.SEK5bn.

Challenge

Minor size than competitors

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

Challenge

More financing needed before turning cash-flow positive?

Acconeer has built up a big inventory of wafers in advance of its anticipated revenue acceleration. This, together with a somewhat postponed inflection point in revenues, have put pressure on Acconeer's balance sheet. In Q2'23, Acconeer was provided a loan facility of SEK60m to be called on from 1 October 2023. We assess that Acconeer's inventory level will not go higher than cSEK55m (in the near term), which is close to today's level. From Q4'23 or Q1'24, we assess that Acconeer's inventory will decrease throughout the year, leading to improved cash flow. Stemming from reduced inventory and accelerated sales, we expect Acconeer to reach breakeven on a cash-flow basis in Q3 or Q4 2024. In our Base and Bull Cases, we do not anticipate the need of additional financing, wherase we include a 10% dilution in our Bear Case.

Valuation

A case that will likely keep surprising on the upside

Acconeer's technology is new, and it is yet difficult to assess all use cases that will adopt this technology in the future - and the TAM for these. This makes Acconeer very hard to predict revenue wise. However, we do see a clearly defined TAM in Automotive, combined with relative ease about asseissing future market share for Acconeer. Only this segment account for 2026e sales of more than SEK300m, and more than two thirds of our total estimated revenue for that year. Acconeer's CEO has however said that he cannot see any scenario in which Automotive account for such big share of total revenues. As such and especially in the long run, we believe revenue growth can surprise on the upside as more use cases appear.

Catalyst types

Larger deals to drive the share price

While news of orders gradually will de-risk the case we assume certain larger deals are key catalysts. They are more worth than others and have the potential to substantially move the shares; especially big deals within automotive like Child Presence Detection.

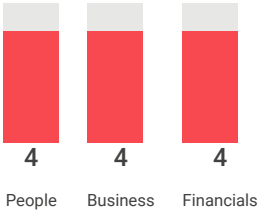
Addnode Group ANOD B

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

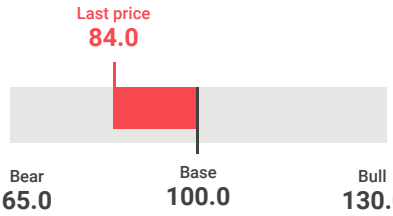
Publication date
January 12 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Addnode Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Johan Andersson
Chairman	Staffan Hanstorp

Share information

Share price (SEK)	84.0
Number of shares (M)	134.5
Market cap (MSEK)	11,300
Net debt (2024E, MSEK)	480

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Addnode Group: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	6,225	7,279	8,556	9,583
Growth	*52.7%*	*16.9%*	*17.5%*	*12.0%*
EBITDA	810	762	978	1,131
EBITDA margin	*13.0%*	*10.5%*	*11.4%*	*11.8%*
EBIT				
EBIT margin	*8.5%*	*5.6%*	*7.1%*	*7.8%*
Pre-tax earnings	490	312	523	663
Net earnings	382	238	415	527
Net margin	*6.1%*	*3.3%*	*4.9%*	*5.5%*
Dividend/Share	0.00	0.54	0.93	1.18
EPS adj.	0.00	1.79	3.11	3.94
P/E adj.	N/A	39.4	22.6	17.8
EV/S	2.2	1.3	1.2	1.0
EV/EBITDA	16.8	12.8	10.1	8.9

Last updated: 2023-12-12

Owner	Equity	Votes
Lannebo Fonder	9.9%	7.8%
SEB Fonder	8.6%	6.8%
Swedbank Robur Fonder	8.6%	6.8%
Cliens Fonder	6.1%	4.8%
Andra AP-fonden	5.6%	4.4%
Staffan Hanstorp & Jonas Gejer	5.4%	17.5%
Fjärde AP-fonden	4.7%	3.7%
ODIN Fonder	3.9%	3.1%
Nordea Funds	3.7%	2.9%
Vanguard	3.2%	2.5%

Company description

Addnode is a Swedish Value-Added Reseller (VAR) / Software-as-a-Service (SaaS) company operating within three Divisions: Design Management (DM), Product Lifecycle Management (PLM), and Process Management (PM). While having operations around the globe, the bulk is concentrated in Northern Europe and the Nordics in particular. Addnode is among the leading global partners to Autodesk (DM) and Dassault Systemes (PLM), where Addnode sells the partners software, adding its own expertise, services, and proprietary add-on software. Besides the partnerships, PM and parts of DM have proprietary software and related services targeting the public sector (PM) and the construction, industrial and real estate sectors (DM), which have higher margins and scalability compared to partnership-related areas. All three Divisions generate most of its sales from recurring revenue related to SaaS, support, and maintenance.

Investment thesis

Case

Consolidating VAR/SaaS niches in more markets

With a strong position in the Nordics, the UK, and Germany and a foothold in other European markets and the US, Addnode is among the largest VARs to its key partners Autodesk and Dassault Systemes. We expect Addnode to continue consolidating local Autodesk/Dassault partners in additional markets, where the recent entry to the US market opens vast opportunities. In addition, Addnode's proprietary software, focusing on the Nordics, has similar opportunities. We believe additional high-quality acquisitions are the main catalyst going forward.

Evidence

Strong track record of acquiring, integrating, and improving

During the last ten years, Addnode has made about 40 acquisitions with the vast majority being successful. The acquisitions have allowed Addnode to expand into major markets like the UK, Germany and most recently the US. In many cases, Addnode has increased the acquisitions' margins by, for example, adding its proprietary add-ons. The story is similar for Addnode's proprietary software, built by a stream of bolt-on acquisitions. With historical acquisition multiples of about 4-8x EBITA, Addnode has created a lot of shareholder value through M&A.

Challenge

Dependent on Autodesk and Dassault Systemes

Addnode generates about 70% of its sales and roughly half of its EBITA from products and services related to its partnerships with Autodesk and Dassault Systemes. While the rather high dependency on two partners is a risk, Addnode has long and stable relationships with both. Also, Addnode is among their leading partners, adding a lot of customer value to the software platforms through its expertise and add-ons.

Challenge

Modest organic growth

While having an excellent M&A track record, Addnode's markets are largely mature, resulting in modest organic growth. Although all three Divisions have seen an improvement in organic growth in recent years, we believe 3-5% is reasonable going forward, which is modest compared to most software businesses.

Valuation

Fair Value SEK 100

Our DCF model shows a fair value of SEK 100, which is also supported by a peer valuation. While that implies a multiple that is rather high compared to the organic growth and margins, the strong track record and future M&A opportunities motivate a high multiple on current earnings.

Catalyst types

Increase in SaaS orders

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

Quarterly reports

Strong quarterly reports with solid growth and improving margins could cause increases in our Fair Value Range

Economic downturn

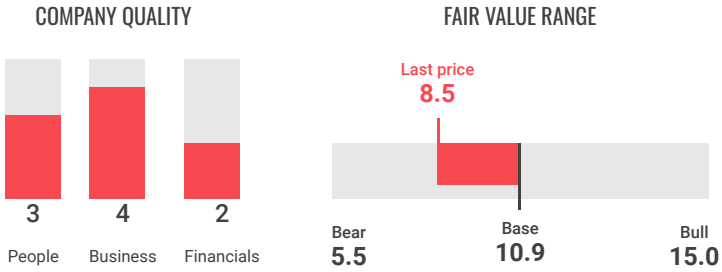
While we believe Addnode diversification in terms of markets and regions as well as the digitalization help making the company rather resilient to economic downturns, software revenue is generally related to the number of users. Thus, layoff of engineers likely has a negative effect on Addnode's revenue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

Advenica ADVE

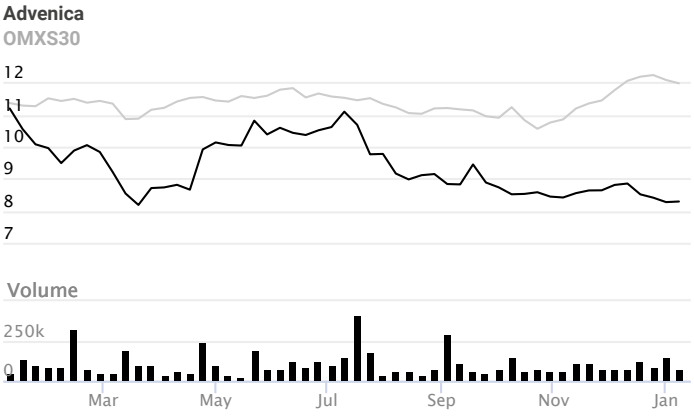
Company page
https://www.redeye.se/company/advenica

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Marie Bengtsson
Chairman	Per Wargéus

Share information

Share price (SEK)	8.5
Number of shares (M)	44.0
Market cap (MSEK)	373
Net debt (2024E, MSEK)	-64

Analyst



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Advenica: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	118	148	213	247
Growth	*16.9%*	*25.2%*	*43.8%*	*15.9%*
EBITDA	-3	-5	3	9
EBITDA margin	*Neg*	*Neg*	*1.3%*	*3.8%*
EBIT				
EBIT margin	*Neg*	*Neg*	*1.5%*	*4.0%*
Pre-tax earnings	-2	-6	3	10
Net earnings	-3	-6	3	8
Net margin	*Neg*	*Neg*	*1.2%*	*3.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.07	-0.15	0.06	0.18
P/E adj.	-145.9	-59.1	148.2	48.3
EV/S	3.1	2.1	1.5	1.3
EV/EBITDA	-144.9	-55.7	112.8	33.9

Last updated: 2023-12-19

Owner	Equity	Votes
Familjen Linde	33.2%	33.2%
Fredrik Rapp	22.0%	22.0%
Avanza Pension	4.7%	4.7%
Fjärde AP-fonden	4.3%	4.3%
Mikael Sandberg	3.7%	3.7%
Nordnet Pensionsförsäkring	2.2%	2.2%
Hans Hillberg	1.0%	1.0%
Pei-Quan Ye	0.9%	0.9%

Company description

Advenica, a leading Swedish cybersecurity firm, has established itself as a trusted provider of advanced encryption systems and products for network segmentation solutions. With 30 years of experience in developing high-quality technical solutions and hardware, the company has garnered an impeccable reputation among demanding clients, including governments and European defense industries. As one of only four companies in the world with EU-approved producing SECRET VPN technology, Advenica occupies a unique position in the market.

The company has demonstrated a strong order inflow past years and improved gross margin, which increased from 37% in 2014 to 84% today. This trend suggests that Advenica is well-positioned to capitalize on the growing demand for cybersecurity solutions in the years to come. Furthermore, the company's operational profit has steadily improved over the last five years, with Advenica posting a profit in last two quarters. This performance indicates that the company is poised for profitable growth moving forward.

As digitalization accelerates across critical infrastructure systems, for example power distribution and air traffic control, there is an increasing need for robust security measures to protect high-value data. With 80% of its revenue currently derived from the defense industry, Advenica is well-positioned to meet the surging demand from governments and private organizations seeking to bolster their IT defenses against the rising threat of cyberattacks.

Investment thesis

Case

Advenica, a leading Swedish cybersecurity firm

Advenica, a leading Swedish cybersecurity firm, has established itself as a trusted provider of advanced encryption systems and products for network segmentation solutions. With 30 years of experience in developing high-quality technical solutions and hardware, the company has garnered an impeccable reputation among demanding clients, including governments and European defense industries. As one of only four companies in the world with EU-approved producing SECRET VPN technology, Advenica occupies a unique position in the market. The company has demonstrated a strong order inflow past years and improved gross margin, which increased from 37% in 2014 to 82% today. This trend suggests that Advenica is well-positioned to capitalize on the growing demand for cybersecurity solutions in the years to come. Furthermore, the company's operational profit has steadily improved over the last five years, with Advenica posting a profit in last two quarters. This performance indicates that the company is poised for profitable growth moving forward. As digitalization accelerates across critical infrastructure systems, for example power distribution and air traffic control, there is an increasing need for robust security measures to protect high-value data. With 80% of its revenue currently derived from the defense industry, Advenica is well-positioned to meet the surging demand from governments and private organizations seeking to bolster their IT defenses against the rising threat of cyberattacks.

Evidence

Growth prospects for the coming years are likely to remain resilient

Advenica's growth prospects for the coming years are likely to remain resilient, even in the face of a potential recession. The company's product cycles span multiple years, and the robust demand for its offering should continue to drive revenue growth.

Challenge

Lack of transparency of orders and clients

Advenica operates in a highly secretive industry, which can mean limited visibility into its order pipeline and client base. This lack of transparency can make it difficult for investors to accurately assess the company's future prospects and potential risks. However, the historical order book builds trust and should prove just as robust in the future.

Challenge

High R&D costs and scalability issues

The company produces both cutting-edge hardware and software products, and the need for continuous research and development can elevate costs, making it challenging to scale the business. However, Advenica receives funding when developing specific new products together with clients mitigating high R&D costs on their own books.

Valuation

Base case: SEK10.9

In our base case, we assume FMV will remain Advenica's largest client for the foreseeable future, while private costumers will increase slightly over time. Continuously stable order intake will smooth out future revenue and support organic growth. Revenues for 2023: SEK148m Revenue CAGR for 2023–2027: 23% Terminal growth: 3% Avg. EBIT margin for 2023–2027: 2.8% Terminal EBIT margin: 9%

Catalyst types

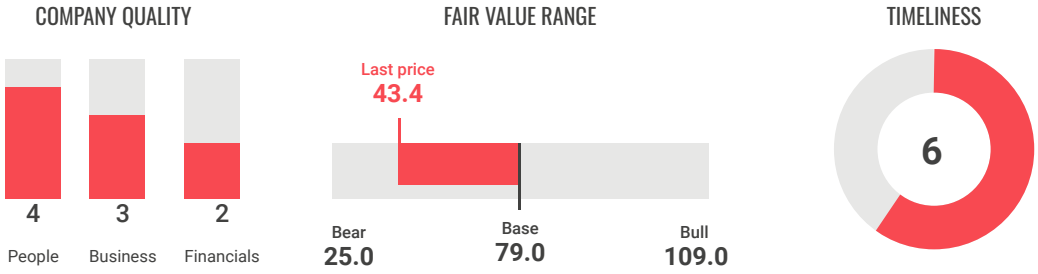
Developing partnerships with large IT consultant companies
By forging strategic partnerships with established IT consulting firms, Advenica can potentially broaden its reach and expand its customer base. These partnerships can also provide access to additional resources and expertise, which could enhance the company's offering and fuel its growth.

Arise ARISE

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

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Per-Erik Eriksson
Chairman	Joachim Gahm

Share information

Share price (SEK)	43.4
Number of shares (M)	44.5
Market cap (MSEK)	1,931
Net debt (2024E, MSEK)	156

Analyst



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in Arise: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,164	499	452	815
Growth	*>100%*	*-57.1%*	*-9.5%*	*80.2%*
EBITDA	851	322	233	540
EBITDA margin	*72.8%*	*64.3%*	*51.6%*	*66.2%*
EBIT				
EBIT margin	*67.6%*	*51.9%*	*38.2%*	*58.8%*
Pre-tax earnings	772	224	150	459
Net earnings	772	203	117	358
Net margin	*66.0%*	*40.4%*	*25.8%*	*43.9%*
Dividend/Share	0.00	1.00	1.00	1.00
EPS adj.	17.37	4.56	2.62	8.05
P/E adj.	3.1	9.8	17.0	5.5
EV/S	1.8	4.3	4.7	1.4
EV/EBITDA	2.5	6.6	9.1	3.1

Last updated: 2023-12-18

Owner	Equity	Votes
Claesson & Anderzén	28.9%	28.9%
AltoCumulus	12.5%	12.5%
Tredje AP-Fonden	9.8%	9.8%
Andra AP-Fonden	2.5%	2.5%
Handelsbanken Fonder	2.0%	2.0%
Nordea Fonder	1.8%	1.8%
Arise AB	1.8%	1.8%
Storebrand Fonder	1.5%	1.5%
Avanza Pension	1.5%	1.5%
Monega	1.3%	1.3%

Company description

Arise is a renewable energy project developer, power producer, and asset manager. The business model is to develop, construct, and divest onshore wind- and solar PV projects to external investors and provide asset management services for these assets, but also to produce electricity through own wind farms (139MW, producing 343 GWh pa). Founded in Sweden 2007, Arise has constructed 8% of Sweden's total installed wind power capacity (by the end of 2022). The proportionate project portfolio amounts to >5 GW and stretches beyond 2030, including geographies such as the Nordics and the UK. The figures include a 51% ownership in Finnish project developer Pohjan Voima which holds a project portfolio of 1800 MW.

Investment thesis

Case

A Swedish renewable energy producer and developer

Arise is one of Sweden's leading wind power companies regarding project development, construction, and asset management. The company's own wind power assets have a total capacity of 139 MW and annual production of around 343 GWh. This provides recurring revenues and strong cash flows. Also, with high electricity prices, the production enjoys good leverage in terms of profitability, given it has a >95% gross margin. We argue there are hidden values in the own wind farms as the book value is based on the depressed electricity price outlook made in 2019, and since the outlook has improved significantly. Project Development is Arise's primary growth area, and the project portfolio of wind- and solar PV projects is strong. The entire proportionate portfolio is >5GW of which >500MW is in late-stage development. Using historical profit multiples of SEK1m-2m per MW, the gross profit potential lies between SEK5bn-SEK10bn over the coming decade. Furthermore, Arise has nearly SEK1bn in cash which could spur M&A activity (i.e. acquiring project rights or power assets) which could spur further growth.

Evidence

A proven market leader

Arise has a long and solid track record of developing, constructing, and divesting onshore wind power projects and has constructed 8% of Sweden's total installed wind power capacity by the end of 2022. In 2022, Arise made its largest project divestment to date in the form of Kölvallen (260MW), which generated a record profit of EUR90m, and a cash payment of EUR75m has been received upfront. Arise's own production produces 343 GWh pa and generates significant cash flow – especially in recent times when electricity prices have increased rapidly. In recent years, financials have improved on the back of successful project divestments and Arise now has a big cash position and should therefore be able to be more opportunistic in terms of M&A and investments in its own additional production.

Challenge

Complex permitting processes, long lead times, and construction risks

We consider Arise's project development business as the clear growth driver in the coming years. Developing and constructing a project typically takes 5-10 years and is characterised by long lead times and runs the risk of not receiving permits. We consider Arise to have a good track record of bringing projects to the market, but investors should be aware of the risks when assessing the potential project portfolio-value. There is also a risk that cost overruns or delays can erode the profit potential. Arise is typically de-risking construction and earnings risk by structuring deals so it receives an up-front payment + an earn-out if specific conditions are met. The construction risk is then on the investor of the wind farm. We have seen examples where cost overruns, especially since 2020, have eroded the profit potential of projects. There is also a political risk that should not be underestimated, as Political decisions impacts the business conditions for the energy sector at large.

Challenge

Realised electricity prices

High electricity prices are good for Arise. Both for its electricity production, but also for its development business as it increases the profit potential of each wind farm. However, when electricity prices are volatile, and Arise has hedged parts of its production, there is a risk that realised electricity price would be hurt in hours where production is low and not sufficient to cover. Also, in hours where production is high, electricity prices are low, as wind power becomes the dominant production source for the hour –hurting the weighted realised price for a specific time period.

Valuation

Signficant upside potential and limited downside risk

We have a fair value range of SEK25 - SEK109 with a base case of SEK79 per share. Our valuation is based on the value of Arises wind farms and the estimated value of its project portfolio. The main differences between our base, bear and bull cases are the fair value of Arise's own wind farms (Driven by electricity price assumptions) and the gross profit from the project portfolio (driven by MW delivered pa and profit multiple).

Catalyst types

M&A

Arise has nearly SEK1bn on its balance sheet, which could generate additional profitable growth if it were to acquire renewable energy project rights. Arise has also highlighted that it is in various M&A talks, and we, therefore, consider any transaction as a likely trigger.

New project sales

Arise has several projects in the late development stage, which will eventually mature and be ready to sell, which will likely function as a catalyst.

Potential farm-out of existing wind farms

In 2021, Arise highlighted it was seeking to partly farm out its existing wind farms. We understand this process was initiated, but following the increasing electricity prices and improved outlook, Arise decided to pause the process somewhat and to benefit from the high cashflows from its production. We believe any divestment could realise significant value.

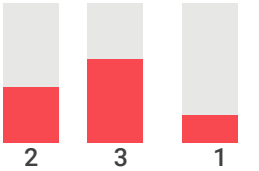
Artificial Solutions ASAI

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

Publication date
January 15 2024

Redeye Rating

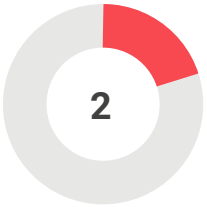
COMPANY QUALITY



FAIR VALUE RANGE

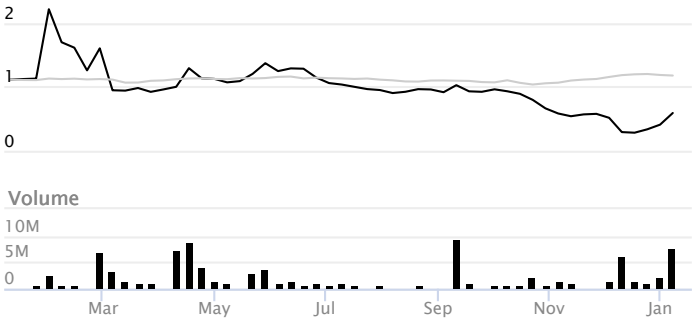


TIMELINESS



Snapshot

Artificial Solutions
OMXS30



Marketplace	First North Stockholm
CEO	Per Ottosson
Chairman	Åsa Hedin

Share information

Share price (SEK)	0.8
Number of shares (M)	102.4
Market cap (MSEK)	82
Net debt (2024E, MSEK)	254

Analyst



Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Artificial Solutions: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	46	63	88	133
Growth	*17.8%*	*37.1%*	*40.6%*	*51.1%*
EBITDA	-76	-61	-27	11
EBITDA margin	*Neg*	*Neg*	*Neg*	*7.9%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-85	-62	-51	-15
Net earnings	-85	-62	-51	-15
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-13.00	-0.60	-0.19	-0.06
P/E adj.	-0.1	-0.6	-2.0	-6.9
EV/S	7.2	4.3	4.1	2.7
EV/EBITDA	-4.3	-4.5	-13.4	34.5

Last updated: 2023-12-15

Owner	Equity	Votes
Scope	15.9%	15.9%
UBS Switzerland AG	10.2%	10.2%
SEB-Stiftelsen	7.5%	7.5%
SIX SIS AG	7.3%	7.3%
Nice & Green	6.2%	6.2%
The Bank of New York Mellon SA/NV	3.6%	3.6%
C WorldWide Asset Management	2.9%	2.9%
Avanza Pension	2.7%	2.7%
Ulf Johansson	2.3%	2.3%
Skandinaviska Enskilda Banken S.A	2.2%	2.2%

Company description

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

Investment thesis

Case

One of the market leaders in the fast-growing conversational AI market

Artificial Solution offers attractive exposure to the fast-growing conversational AI market, which is expected to grow by a CAGR of 48% until 2031e. Supported by enhanced efficiencies, cost reductions, and stronger NPS (net promoter scores) from customers, yielding stronger customer satisfaction and reduced churn. Artificial Solutions held a market share of 10-15% of the world's total number of automated call center interactions in 2022. In December 2022, the implied annual SaaS API calls reached 166m, while the volume in January 2023e was up 14% versus December 2022. Suggesting implied annual SaaS API calls of 189m. According to our understanding, no other competitor has reached the same volumes. In addition, The Teneo platform support applications in 86 different languages, which makes the platform easy to implement across geographies.

Evidence

Recruiting an all-star team

All management positions (but the CTO) have been reassigned since 2020. Per Ottosson, CEO since late 2020, spent about ten years at Amelia (fka IPsoft), a much larger conversational AI vendor, most recently as Chief Revenue Officer for its EMEA division. Since becoming CEO, Ottosson has recruited several former colleagues to Artificial Solutions' management. Other appointees have backgrounds from fast-growing SaaS companies in common. We think the team's successful track record and excellent industry understanding support our long-term outlook.

Challenge

High leverage and negative cash flows

We don't expect Artificial Solution to post positive EBITDA until 2025e. Artificial Solutions has debt terms at 4% - which will be accumulated to principal at maturity in December 2026e. Given the net debt position of SEK242m, versus its market cap of cSEK105m, the leverage ratio is high and will take time before it can repay its debt position. However, the refinancing is due in 2026e and there are changes of more favourable capital markets in the coming years, especially if the company delivers on its growth agenda.

Challenge

Large and time-consuming projects

Management commentary (Q3 2021 earnings call) states that, on average, large-scale conversational AI implementations with Teneo require 10–15 developers and take 6–9 months to go live. Moreover, it takes another nine months to ramp up from 0–100% of the desired traffic in a project. However, once a solution goes live, it only requires one or two developers to maintain it.

Valuation

Uncertainty remains

Considering the company's leading position in the fast-growing market, the scalable business model, and its high net debt. We apply a rather wide valuation range to illustrate the different scenarios if the company succeeds in reaching its targets. Our base case corresponds to 11x EV/EBITDA(26e) and 2.5x EV/S(26e), rather modest multiples for a SaaS company with >90% gross margins at scale. Thus, should the company deliver on its financial targets, there is further potential on the upside.

Catalyst types

Early Signs of Significant Usage Revenue Potential

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

Lighthouse Customer Agreements

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

Significant ARR and Top-Line Growth

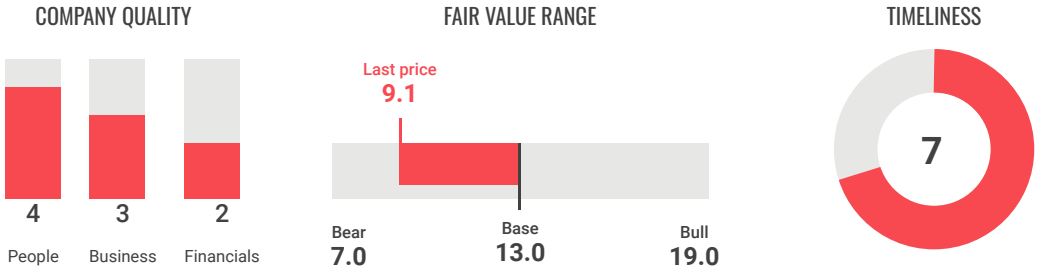
Solid quarterly reports demonstrating significant top-line growth, and thus a path to profitability should positively impact the share price.

Avensia AVEN

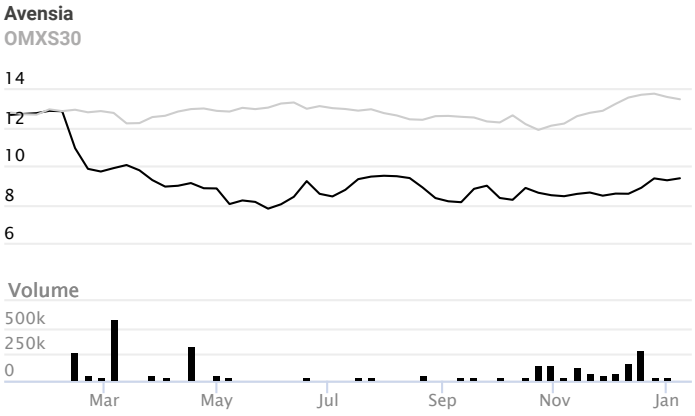
Company page
https://www.redeye.se/company/avensia

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Robin Gustafsson
Chairman	Per Wargéus

Share information

Share price (SEK)	9.1
Number of shares (M)	37.1
Market cap (MSEK)	339
Net debt (2024E, MSEK)	-67

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Avensia: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	431	416	436	466
Growth	*10.6%*	*-3.6%*	*4.8%*	*6.8%*
EBITDA	2	18	50	62
EBITDA margin	*0.4%*	*4.3%*	*11.4%*	*13.3%*
EBIT				
EBIT margin	*Neg*	*0.8%*	*8.6%*	*10.9%*
Pre-tax earnings	-14	2	38	51
Net earnings	-12	2	30	40
Net margin	*Neg*	*0.4%*	*6.8%*	*8.7%*
Dividend/Share	0.00	0.03	0.64	0.87
EPS adj.	-0.33	0.04	0.80	1.09
P/E adj.	-38.3	202.9	10.6	7.8
EV/S	1.0	0.7	0.6	0.5
EV/EBITDA	255.3	15.8	5.0	3.6

Last updated: 2024-01-12

Owner	Equity	Votes
A5 Invest AB	25.6%	25.6%
Valid Asset Management i Skåne AB	21.6%	21.6%
Anders Wehtje	11.7%	11.7%
Northern Trust Company London Branch	5.5%	5.5%
Chelverton Asset Management	5.5%	5.5%
Aktia Asset Management	4.6%	4.6%
Cliens Fonder	3.1%	3.1%
Enter Fonder	2.2%	2.2%
Avanza Pension	2.0%	2.0%
Jesper Lyckeus	1.9%	1.9%

Company description

Avensia är ett IT-bolag som implementerar och levererar e-handelslösningar och digital infrastruktur för produktinformation samt strategisk rådgivning och affärsutveckling till detaljhandlare inom både B2B och B2C. Avensia erbjuder digitala lösningar och produkter som kopplar ihop den fysiska och digitala handeln till det som kallas omnikanal – sömlösa och enhetliga handelsupplevelser i alla kanaler. Avensia har huvudkontor i Lund och finns även representerat runtom Europa och Nordamerika.

Investment thesis

Case

Pioneering e-commerce integrator set to rebound

With its focus on fast and feature-heavy e-commerce solutions, Avensia has attracted well-known B2C and B2B customers in the structurally growing e-commerce sector. The relationships with its customers, such as NA-KD, Lyko, Kjell & Company, and Ahlsell, typically span at least 5–7 years, as the solutions require ongoing improvements. While using leading software tools like Optimizely and Commercetools, Avensia strengthens and differentiates its offering with extensive know-how and proprietary integration solutions. We believe solid quarterly reports, where the profit per employee along with margins rebounds to the robust levels seen some years ago, are the primary catalyst from now on.

Evidence

Proven track record and solid customer list

Despite a mixed track record due to the tough market conditions for e-commerce in 2022, Avensia combined high growth (sales CAGR of 24% for 2016–2022) with solid margins (~8–10%) in 2016–2019. Its impressive customer list and top-tier partner ranking (Optimizely and Commercetools) highlight Avensia's ability to build solid e-commerce solutions. Considering Avensia's ~80% recurring revenues and its track record of strong growth from current customers, data suggests most customers are satisfied.

Challenge

When will e-commerce rebound?

While we and market forecasters expect the e-commerce market to rebound in 2024, this might not happen. Avensia suffered heavily from the weak e-commerce market in late 2022 and early 2023, as the company was set for growth having undertaken heavy net recruitment. While we believe the slimmer and more profitability-focused Avensia can navigate a weak market decently enough, a market rebound would most likely help it to return to growth and strong profitability (~10% EBIT margin or better).

Challenge

What is left for shareholders?

While customers are willing to pay high rates for specialists, the specialists typically want their fair share. In a competitive market for talent, as has been the case in the IT consulting sector for years, shareholders might find there is not much left to them. However, considering Avensia's EBIT margins of 6–10% (excluding the most recent quarters), we believe it has handled the challenge well so far, and we believe the focus on teams and solutions rather than single consultants increases the company's resilience.

Valuation

Fair value: SEK13

Our DCF model shows a fair value of SEK13, which is also supported by a peer valuation. While its margins are temporarily depressed, Avensia's strong position in its niche and track record of robust data per employee and working day support ~10% EBIT margins or better, in our view.

Catalyst types

Solid quarterly reports with improving margins

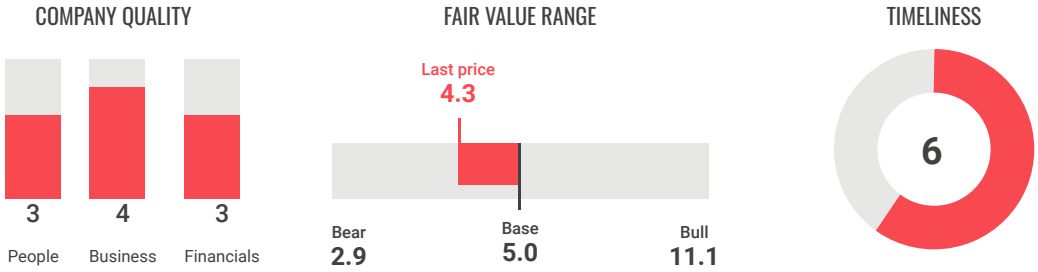
We believe the main catalyst for Avensia is solid quarterly reports showing the company back on track to reach healthy profitability: an EBIT margin around 10% or above. Following several quarters of weak and sometimes negative profitability, gradual improvements are necessary, we believe, for Avensia to regain investors' confidence.

Avtech Sweden AVT B

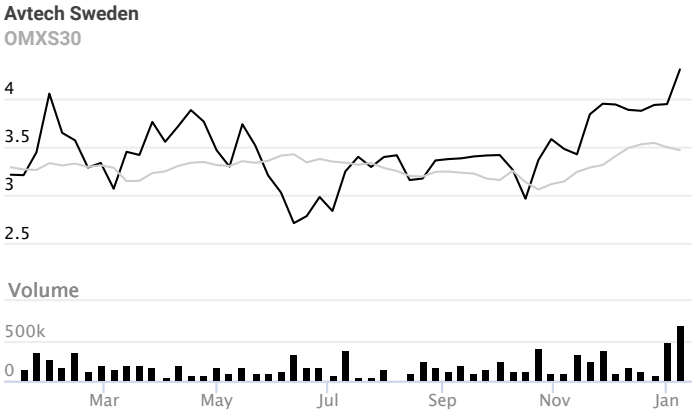
Company page
https://www.redeye.se/company/avtech-sweden

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	David Rytter
Chairman	Bo Redeborn

Share information

Share price (SEK)	4.3
Number of shares (M)	56.5
Market cap (MSEK)	243
Net debt (2024E, MSEK)	-43

Analyst



Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson owns shares in Avtech Sweden: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	21	27	35	43
Growth	*81.4%*	*27.9%*	*26.7%*	*23.5%*
EBITDA	9	13	20	27
EBITDA margin	*41.6%*	*48.4%*	*56.7%*	*62.8%*
EBIT				
EBIT margin	*24.5%*	*32.7%*	*41.1%*	*49.3%*
Pre-tax earnings	5	9	14	21
Net earnings	5	9	14	17
Net margin	*24.5%*	*32.7%*	*41.1%*	*39.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	31.7	25.9	16.3	13.9
EV/S	8.5	9.4	7.9	6.8
EV/EBITDA	20.4	19.5	13.9	10.9

Last updated: 2024-01-08

Owner	Equity	Votes
Avanza Pension	14.2%	6.6%
Christer Fehrling	6.6%	11.8%
Johnny Olsson	6.4%	19.6%
Christian Dahl	5.3%	2.5%
Lars Bäckvall	3.0%	4.9%
Ibkr Financial Services AG	3.0%	1.4%
Mats Tonsjö	2.7%	1.3%
Lars Wahlund	2.0%	0.9%
Saxo Bank A/S Client Assets	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 1,500 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

Mispriced growth potential with short-term catalyst

We believe the market is mispricing AVTECH's growth potential as it trades at a 13.3x EV/EBIT multiple under a no-growth scenario, well below the past two years' NTM EV/EBIT multiple of 17.8x. Thus, we do not believe AVTECH's growth potential is priced in. Furthermore, we believe AVTECH's downside risk over the next two years is limited due to existing agreements with key players such as Southwest, Volaris, and Volotea not expiring until 2025-2026. These agreements are estimated to account for approximately 67% of the current annual run-rate at SEK30.0m, providing a measure of stability and predictability to AVTECH's financial performance.

Evidence

Over 1.500 aircraft schedueld to trial

AVTECH has a pipeline of approximately 1,500 aircraft that are either trialed or scheduled to be trialed in 2023-2024. AVTECH stated that 300 aircraft have trialed the services, and an additional 350 (200 last quarter) aircraft are conducting or will conduct trials soon. Another 900 aircraft are scheduled to trail in 2024. We estimate the total pipeline's sales potential to be SEK29m-46m. Trials take three months to complete, and we expect airlines to decide whether to proceed within two quarters after the trial has ended.

Challenge

Airlines are slower than airplanes

The airline industry adopts new solutions slowly, making it difficult for AVTECH to expand. Low-cost carriers are AVTECHs 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

Heavy USD exposure

AVETCHs share is partly driven by the USD/SEK exchange rate, as more than 50% of its revenue is earned in USD, with Southwest as the most significant customer.

Valuation

Re-rate to factor in growth potential

Our estimates imply that approximately 9.5% of the pipeline potential will convert by the end of 2024, and the current run rate of SEK7.5m per quarter constitutes 89% of our 2024e. As a result, AVTECH's current valuation shows that it is trading at 12.2x NTM EV/EBIT on our estimate vs. a median of 17.8x for the NTM. We anticipate AVTECH to re-rate to its historical median as the market starts incorporating AVTECH's growth potential. Additionally, we see the potential for upside risk as a stronger-than-expected pipeline conversion is possible. This could further bolster AVTECH's growth prospects and lead to a positive market response.

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.

Southwest starts with ClearPath

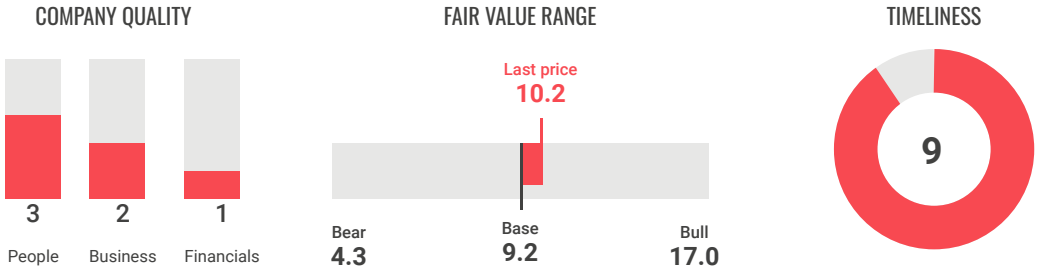
We estimate Southwest using ClearPath could be worth SEK24m annually, most of which would flow to the bottom line.

Beammwave BEAMMW B

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

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Stefan Svedberg
Chairman	Fredrik Rosenqvist

Share information

Share price (SEK)	10.2
Number of shares (M)	13.2
Market cap (MSEK)	134
Net debt (2024E, MSEK)	-9

Analyst



Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson owns shares in Beammwave: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	0	0	11	18
Growth	*N/A*	*N/A*	*N/A*	*63.6%*
EBITDA	-16	-17	-11	-17
EBITDA margin	*0.0%*	*0.0%*	*Neg*	*Neg*
EBIT				
EBIT margin	*0.0%*	*0.0%*	*Neg*	*Neg*
Pre-tax earnings	-16	-17	-12	-18
Net earnings	-16	-17	-12	-18
Net margin	*0.0%*	*0.0%*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-8.8	-3.6	-5.2	-3.4
EV/S	N/A	N/A	4.7	3.1
EV/EBITDA	-5.3	-2.7	-4.5	-3.4

Last updated: 2023-12-14

Owner	Equity	Votes
Per-Olof Brandt	10.7%	23.7%
Markus Törmänen	10.6%	23.5%
Nordnet Pensionsförsäkring	10.4%	2.4%
ALMI	8.4%	13.8%
LU Holding AB	6.9%	1.6%
Stefan Svedberg	5.4%	10.4%
Concejo AB	5.1%	1.2%
Bengt Lindoff Innovation AB	3.7%	8.1%
Bengt Walerud	2.7%	0.6%
Claes Mellgren	1.9%	0.4%

Company description

Beammwave, established in 2017 by Per-Olof Brandt and Dr. Markus Törmänen, is a pre-revenue company based in Lund, Sweden, with 25 full time equivalent (FTE) employees. BeammWave specializes in developing digital beamformers for 5G millimeter wave (mmWave) applications. mmWave includes frequencies above 24 GHz. Utilization of the mmWave spectrum in 5G networks necessitates beamformers due to the short wavelengths' susceptibility to propagation losses. Beamformers enhance the transceiver's energy direction, thereby extending its range.

Investment thesis

Case

Attractive 5G exposure with idiosyncratic upside

BeammWave's digital beamformers are theoretically superior, but their commercial success is unproven. Positioned as a Qualcomm competitor in the mmWave handset market, BeammWave's products could offer Qualcomm's rivals a differentiated, cost-effective, and high-performance solution. We anticipate BeammWave may win at least one smaller volume-related customer by 2027. Currently, BeammWave has secured a joint development agreement with Molex (a subsidiary of Koch Industries).

Evidence

Disrupting the market with digital beamformers

While analog beamformers offer inadequate performance, this technology has been the only alternative in a market where digital beamformers are seen as commercially unviable from cost and power efficiency perspectives. mmWave has been seen as a "nice to have" feature, with network operators driving its adoption in handsets. As mmWave becomes more persuasive and consumers gain awareness of it, we believe OEMs and network operators will demand adequately performing beamformers. We argue Qualcomm has little incentive to disrupt itself. Instead, we believe BeammWave offers a compelling technology for Qualcomm's competitors to differentiate their offerings with better mmWave performance through which to gain market share.

Challenge

Ahead of the market opportunity and dependent on the ecosystem

mmWave remains a niche market within the broader 5G landscape, primarily available in the US, Japan, and South Korea due to mmWave being uneconomical in most other regions. Device availability is limited, with Apple launching its mmWave device in select areas in 2020. However, the market is expected to take off as mmWave becomes necessary to meet growing data consumption needs, forecasted to be crucial in average US-dense urban areas by 2023.

Challenge

Digital beamformers still new to the market

BeammWave believes it is the only company announcing digital beamformers for commercial use. Analog beamformers are perceived as offering better power consumption performances than digital beamformers. BeammWave thus faces the challenge of convincing the market that its digital-based beamformer can provide the same or better power consumption performance as the commonly used analog beamformers. As a small company with limited resources, this is a significant challenge. However, given the availability of prototypes for customer testing, there is no longer a need to rely solely on BeammWave's claims. A positive catalyst in this regard would be one of the large handset makers, such as Apple, announcing its intention to use digital beamformers. Even if this handset maker developed a proprietary digital beamformer, it would pressure the remaining handset makers to follow suit to remain competitive performance-wise.

Valuation

Reasonable odds

While we agree the market potential for BeammWave is significant, we see limited re-rating potential before a concrete customer announcement and industry validation. Our estimates imply about one smaller volume-related customer by 2027. The main factor we look for in validating our thesis is industry validation, with a handset vendor or supplier adopting the technology. While we expect BeammWave's current funding to last three to four quarters, it could weigh on the share price. Our fair value range is SEK4.3–17.0 with a base case of SEK9.2. We do not expect significant revenues for BeammWave until 2026/2027.

Catalyst types

Commercial partners validating the technology

BeammWave is a pre-revenue company offering a technology built on entirely different principles than currently available. Thus, to validate our thesis, we believe it is essential for established industry partners to validate the technology. We expect progress on this front during 2023.

Handset vendors validating digital beamformers

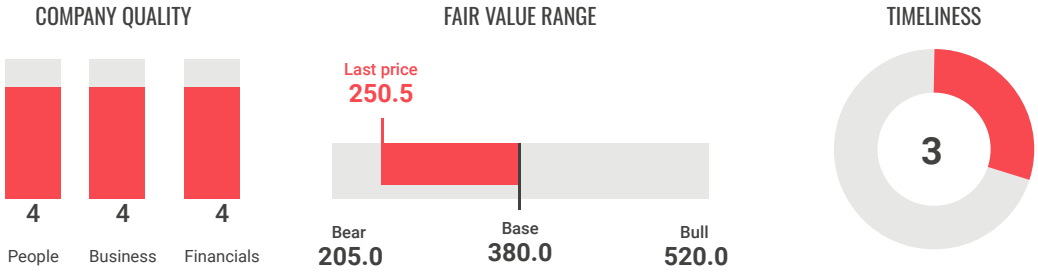
We believe a catalyst for the Company could be if one of the large handset makers announces a proprietary digital beamformer. Such a situation could be analogous to when Apple bought the fingerprint sensor maker, AuthenTech, in 2012, forcing Android handset makers to implement a similar feature to stay competitive. As Fingerprint was the only other supplier of such a sensor, a few years later, sales boomed. However, we believe this would only be applicable if a handset maker such as Apple or Samsung does it. For instance, if Qualcomm announced a digital beamformer, it would likely capture most of the value from accelerated market adoption.

Better Collective BETCO

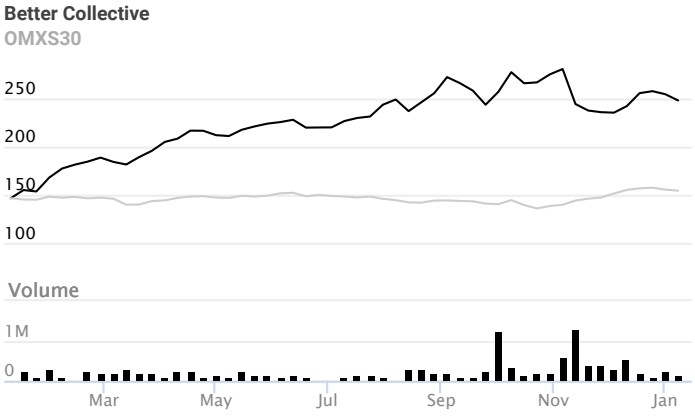
Company page
https://www.redeye.se/company/better-collective

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Jesper Søgaard
Chairman	Jens Bager

Share information

Share price (SEK)	250.5
Number of shares (M)	55.4
Market cap (MSEK)	13,870
Net debt (2024E, MEUR)	166

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Better Collective: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MEUR	269	322	410	477
Growth	*52.1%*	*19.4%*	*27.4%*	*16.5%*
EBITDA	85	105	138	168
EBITDA margin	*31.6%*	*32.6%*	*33.6%*	*35.1%*
EBIT	70	79	99	124
EBIT margin	*26.2%*	*24.7%*	*24.1%*	*26.0%*
Pre-tax earnings	65	58	83	114
Net earnings	48	43	62	85
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.88	0.82	1.07	1.48
P/E adj.	16.7	24.5	18.7	13.5
EV/S	3.6	4.0	3.2	2.5
EV/EBITDA	11.5	12.3	9.6	7.2

Last updated: 2023-12-15

Owner	Equity	Votes
Jesper Søgaard	19.4%	19.4%
Christian Kirk Rasmussen	19.4%	19.4%
Chr. Augustinus Fabrikker A/S	4.6%	4.6%
Tredje AP-fonden	4.5%	4.5%
Andra AP-fonden	3.9%	3.9%
JP Morgan Chase Bank NA	3.7%	3.7%
Danica Pension	3.3%	3.3%
Svensk, Filial Alandsbanken Abp (Finland)	3.3%	3.3%
State Street Bank And Trust co	3.1%	3.1%
Jesper Ribacka	2.2%	2.2%

Company description

Better Collective is a digital sports media group with a global footprint focusing on sports betting. The group has a vast network of educational sites, sports communities and sport content sites providing betting tips. Better Collective also provides paid media products to sports betting operators to help them acquire new customers. Through its products, the company aims to make sports betting and gambling entertaining, transparent, and fair for the global network of online bettors.

Investment thesis

Case

Profitable growth supported by booming sports betting market in Americas

Better Collective is in a solid position to yield profitable growth over several years on the back of the structurally growing online gambling market coupled with an attractive business model generating strong margins. We expect the company to generate organic growth of 15-30% over 2022-24E as it benefits from regulation of the US sports betting market coupled with an emerging position in South America while the more mature European business continues to generate stable performance. The company should also see operating leverage as it reaps the benefit from its strong product portfolio of online educational and informational sports betting content.

Evidence

Solid track record by owner operated management team

Our positive view on Better Collective is supported by its strong track record. The company's management team which are also founders and large shareholders of the company (CEO owns c. 20%) have grown the company substantially since it was listed in 2018 (revenue increase from EUR40m in 2018 to EUR269m in 2022). Better Collective has also built a strong position in the US through acquisitions that has this far delivered on expectations. Finally, the company has delivered on its financial targets which gives credit to believe in future growth targets.

Challenge

High growth in US will drive increased competition

The strong growth in US will likely drive increased competition in the online sports betting and casino marketing segment. However, Better Collective focus on building quality products which should put it ahead of competition in our view. Additionally, it has also been able to strike partnerships with traditional media outlets which further strengthens its competitive position.

Valuation

Base case DCF driven by US growth – implies valuation in higher end of historic EV/EBITDA range

We find a base case valuation of SEK380 per share for Better Collective which is derived from a DCF-valuation using a discount rate of 8.0%. The base case implies an EV/EBITDA multiple of 21x on our 2023E and 16x 2024E EBITDA while the share has historically traded in a range of 8x to 20x twelve months forward EBITDA. Our base case assumes growth of 12% between 2024-28E and 5% between 2029-38E supported by the structural growth in the US market. We assume a slight margin expansion as the company enjoys operating leverage.

Catalyst types

Acquisitions

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

Improved multiples

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

US market

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

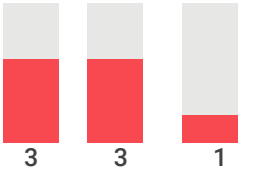
Beyond Frames BEYOND

Company page
https://www.redeye.se/company/beyond-frames

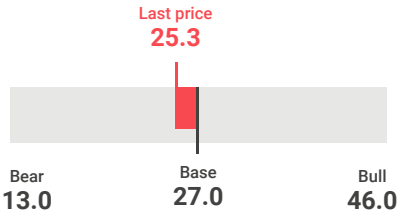
Publication date
January 15 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

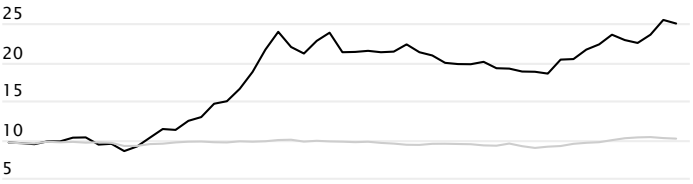


TIMELINESS



Snapshot

Beyond Frames
OMXS30





Marketplace	Spotlight Stock Market
CEO	Ace St. Germain
Chairman	Mikael Söderström

Share information

Share price (SEK)	25.3
Number of shares (M)	17.2
Market cap (MSEK)	434
Net debt (2024E, MSEK)	-9

Analyst



Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Beyond Frames: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	25	132	148	160
Growth	*4.1%*	*>100%*	*12.4%*	*8.2%*
EBITDA	-15	7	15	30
EBITDA margin	*Neg*	*5.4%*	*10.1%*	*18.6%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*5.6%*
Pre-tax earnings	-23	-7	-4	9
Net earnings	-23	-7	-4	7
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.35	-0.40	-0.24	0.42
P/E adj.	-7.2	-54.2	-90.9	52.0
EV/S	4.8	2.7	1.4	0.9
EV/EBITDA	-8.0	49.1	24.2	11.8

Last updated: 2023-12-15

Owner	Equity	Votes
Arvr Holding AB	15.5%	15.5%
Magnus Unger	14.6%	14.6%
Avanza Pension	13.8%	13.8%
Mathias Fredriksson	9.4%	9.4%
Futur Pension	7.4%	7.4%
Ricky Helgesson	5.5%	5.5%
Catherine Ehrensvärd	4.4%	4.4%
Timmy Jansson	1.3%	1.3%
Mikael Söderström	1.2%	1.2%

Company description

Founded in 2014, Beyond frames is an XR-focused publisher, currently consisting of three internal studios, Cortopia (100% owned), Moon Mode (55% owned), and Odd Raven (38% owned). Through creative and technical consulting, funding and publishing services, Beyond Frames partners with studios to create stunning products in the rapidly growing VR/AR/MR segments.

Investment thesis

Case

Attractive exposure towards the growing VR industry

Beyond Frames is a game developer and publisher niched towards the VR market, an area still in its infancy but expected to grow by a CAGR of 18 percent until 2028, driven by hardware and software investments. Moreover, VR games tend to have a long life-span and lower development budgets than traditional premium PC/console games. This, in combination with their solely digital distribution, brings high operating margins and a healthy return on investments. Beyond Frames aims to expand its game portfolio tenfold.

Evidence

Tech giants entering the field

Meta, the current market leader in the VR space, spent more than USD 15bn in 2023 on capitalizing on the market opportunities. Its VR headset product line, Oculus Quest , has sold ~20 million units. In addition, Sony released its PSVR2 in 2023, and several other major tech players are investing in the field such as Apple. This trend is an additional catalyst for expanding the user base.

Challenge

Commercialization

The VR industry is still in its infancy and remains dependent on large hardware investments to make VR headsets more affordable to the wider audience. There are risks that the commercialization of VR headsets will take longer than expected, which would naturally affect the global user base. Additionally, VR headsets could be used for other functions, particularly in several work applications and in education. There is no guarantee of gaming as the killer application for VR headsets.

Valuation

Superior growth

Following strong momentum for the game portfolio, driven by especially one publishing title, we raised our sales estimates at least two times in 2023. Our valuation range is between SEK13-46, with a base case of SEK27. Our base case of SEK27 corresponds to c15x EV/EBITDA in 2025e.

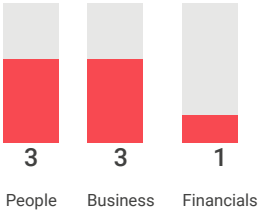
Binero Group BINERO

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

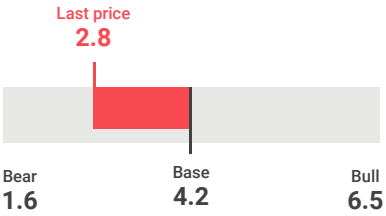
Publication date
January 12 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

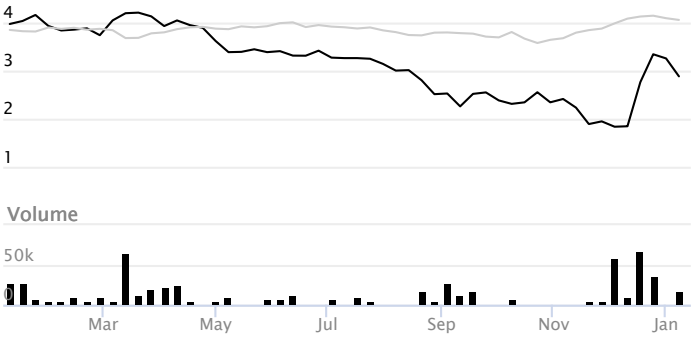


TIMELINESS



Snapshot

Binero Group
OMXS30



Marketplace	First North Stockholm
CEO	Stefan Andersson
Chairman	Carl-Magnus Hallberg

Share information

Share price (SEK)	2.8
Number of shares (M)	34.7
Market cap (MSEK)	99
Net debt (2024E, MSEK)	39

Analyst



Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson owns shares in Binero 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		
	2022	2023E	2024E	2025E
Revenue, MSEK	104	100	110	123
Growth	*97.7%*	*-3.6%*	*10.0%*	*12.0%*
EBITDA	-1	7	11	20
EBITDA margin	*Neg*	*6.6%*	*10.4%*	*16.3%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*10.7%*
Pre-tax earnings	-18	-9	-5	11
Net earnings	-18	-9	-5	10
Net margin	*Neg*	*Neg*	*Neg*	*8.3%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-6.9	-6.5	-12.4	6.0
EV/S	1.3	0.4	0.3	0.3
EV/EBITDA	-180.1	14.1	8.7	4.6

Last updated: 2023-12-22

Owner	Equity	Votes
Richard Göransson	12.6%	12.6%
Arbona AB (publ)	10.2%	10.2%
Pejoni Ventures I AB	9.7%	9.7%
Nordic Issuing AB	8.5%	8.5%
Stefan Andersson	8.1%	8.1%
Jonas Feist	7.8%	7.8%
Björn Rodeholt	5.4%	5.4%
Blibros AB	5.0%	5.0%
Whistler AB	4.9%	4.9%
Mölna Spar AB	4.6%	4.6%

Company description

Binero is a Sweden-based B2B cloud service and digital infrastructure provider headquartered in Stockholm. The company's offering includes, among other things, the development and operation of companies' IT infrastructure, public cloud services and modern application development. Its Binero.Cloud is a Swedish cloud infrastructure solution based on open source, sustainability and data integrity that conforms to European laws and regulations. Customers are offered an easy-to-use, standardized solution for consuming services through a platform as a service (PaaS) business model. Binero is the first publicly listed Swedish company to focus on a public cloud built on open source and open standards. The company delivers cloud services from its award-winning data centre, DCS01, and the Fossil Free Data eco-label indicates that DCS01 meets strict energy efficiency requirements, has low carbon dioxide emissions, and uses 100% renewable energy. The share is listed on the Nasdaq First North Growth Market.

Investment thesis

Case

Transformative acquisition paving the way for stable profitability

With the transformative acquisition of RedBridge, Binero has improved its application development offering significantly while more than doubling its revenues. We see RedBridge's niche offering as an exceptional fit with Binero's cloud offering, expanding the merged entity's services and adding value for customers. Moreover, the acquisition increases the growth prospects and supports Binero's path to stable profitability; two key catalysts we argue are not reflected in the current share price.

Evidence

Solid growth prospects with improved profitability support our view

By acquiring RedBridge, Binero has substantially increased its revenues and expanded its customer base, which, combined with a strengthened offering, gives rise to continued solid growth prospects. At the same time, RedBridge's positive EBIT margin has boosted the merged company's earnings. We argue this lays the foundations for Binero to continue growing while approaching stable profitability, and as it executes, we believe the share can close in on our Base Case.

Challenge

Increased organic growth following the RedBridge integration

While the RedBridge integration has been Binero's primary focus recently, we believe one short-term challenge will be to show solid organic growth post-merger, which could reroute its path to stable profitability. However, we believe Binero's strengthened and more comprehensive offering creates significant organic growth prospects through both upselling and cross-selling its existing customer base, as well as sales to new customers.

Challenge

Competition from local and global players

Binero faces competition from local and global players, with Amazon (AWS) and Microsoft (Azure) dominating the cloud market. However, we consider Binero's offering and its climate-smart and European-compliant data centre competitive advantages. European customers seem to demand sustainability with stricter regulations and data privacy to a greater extent. Moreover, on average, companies tend to use multiple cloud solutions, reducing customer barriers and increasing Binero's chances of grabbing market share in its niche.

Valuation

Low EV/S does not reflect future potential

Based on our DCF model, we see a fair value of SEK4.2 in our Base Case, with Bear and Bull Cases of SEK1.6 and SEK6.5, respectively. Given Binero's growth and margin prospects, we do not believe its current EV/S multiple reflects the intrinsic value at the current share price levels.

Catalyst types

Growth Taking Off with Stable Profitability

Another catalyst is that Binero manages to grow the business and sustain long-term profitability. This will be particularly positive if the growth occurs organically.

RedBridge Continues to Impact Fundamentally

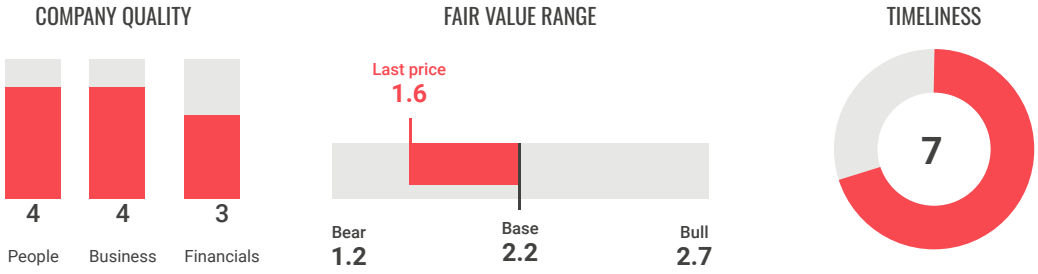
We argue that the RedBridge acquisitions are a continued catalyst as synergies materialize to a greater extent, which can significantly enrich Binero's fundamentals.

Bredband2 BRE2

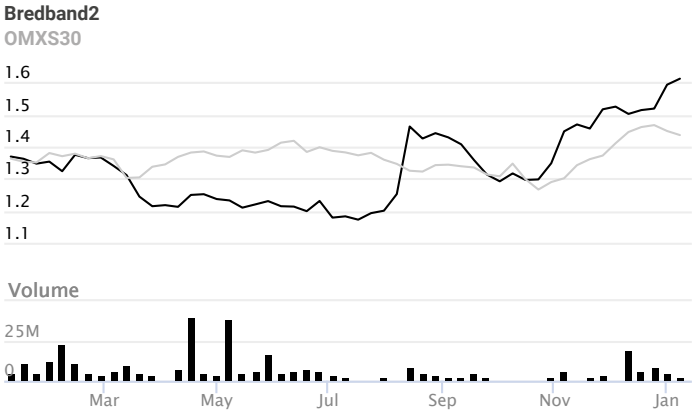
Company page
https://www.redeye.se/company/bredband2

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Daniel Krook
Chairman	Anders Lövgren

Share information

Share price (SEK)	1.6
Number of shares (M)	957.1
Market cap (MSEK)	1,533
Net debt (2024E, MSEK)	-150

Analyst



Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Bredband2: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,531	1,578	1,686	1,734
Growth	*1.3%*	*3.1%*	*6.8%*	*2.8%*
EBITDA	241	260	291	297
EBITDA margin	*15.8%*	*16.5%*	*17.3%*	*17.1%*
EBIT				
EBIT margin	*6.2%*	*7.4%*	*8.3%*	*8.5%*
Pre-tax earnings	84	104	127	137
Net earnings	73	83	101	109
Net margin	*4.8%*	*5.2%*	*6.0%*	*6.3%*
Dividend/Share	0.08	0.08	0.10	0.11
EPS adj.	0.08	0.09	0.11	0.11
P/E adj.	17.9	17.7	14.5	13.5
EV/S	0.8	0.9	0.8	0.7
EV/EBITDA	5.1	5.2	4.5	4.3

Last updated: 2023-12-18

Owner	Equity	Votes
Anders Lövgren	13.5%	13.5%
Alcur Fonder	10.3%	10.3%
Mark Hauschildt	9.7%	9.7%
ODIN Fonder	9.1%	9.1%
Protector Forsikring ASA	5.9%	5.9%
Avanza Pension	4.6%	4.6%
Futur Pension	2.1%	2.1%
Ulf Östberg	2.0%	2.0%
Nordnet Pensionsförsäkring	2.0%	2.0%
State Street Bank And Trust co	1.8%	1.8%

Company description

Bredband2 supplies communication services to consumers and corporate customers throughout Sweden, offering internet, telephony, data centres and mobile broadband. The company is Sweden's third-largest provider of internet access using fibre technology, with over 450,000 private customers. The company's business model is based on using other providers' networks open to the market — so-called open city networks, which means it avoids upfront investments in infrastructure. Thus, the market is characterized by free competition and allows different players to share the infrastructure, enabling the end-user to choose freely among suppliers. Bredband2 also has customers within exclusive networks, where a single supplier delivers services to the entire property.

Investment thesis

Case

Growth through the fibre wave, with subsequent margin expansion

Considering Bredband2's strong market position in the structural growing fibre market, we believe the company has a solid chance to grow thanks to the fibre wave and the phasing-out of outdated technologies. As Bredband2 is an operator solely with fibre technology and has a scalable, non-cyclical, recurring business, we argue the company is well-positioned to grow sales stable over time with expanded margins. Solid reports and potential acquisitions serve as the key catalysts.

Evidence

Strong market position and scalability support our view

Bredband2 has a clear market position in the Swedish fibre niche, being the no.3 with over 450,000 private customers. Thanks to its strong position in a market where scale matters and a track record of organically expanded customer base and ARPC (average revenues per customer), we see both cross- and up-selling potential to drive future growth. In addition, its history of internal efficiency improvements and scalability hints that growth can derive from minimal cost increases, implying future margin expansion.

Challenge

Intense competition and maturing market

The market is characterised by intense competition, where larger players can cause growth and margin pressure. However, we argue Bredband2 has strengthened its position on the latter, not least through the A3 acquisition in 2020, taking a clear market position. In addition, as selling such a generic product makes customers' decisions highly price-based, we claim that Bredband2's low investment needs, internal efficiency and lower price strategy provide a solid competitive advantage.

Challenge

Dependence on network owners

Market players depend highly on the network owners, implying that increased network fees (COGS) can pressure gross margins. At the same time, as customers' buying decisions are largely price-based, this instead applies gross margin pressure in the other direction. However, Bredband2 has historically managed to offset reduced gross margins superbly by improving its internal efficiency as revenues have grown, thanks to its scalability in OPEX.

Valuation

Low valuation does not reflect its market position

Based on our DCF model, we see a fair value of SEK2.2 per share in our Base Case and SEK1.2 and SEK2.7 per share in our Bear and Bull Cases, respectively. Given Bredband2's robust market position and potential to capitalise on its substantial customer base, we argue that Bredband2 is well-positioned to grow stable sales over time with future margin expansion. Consequently, we do not believe the current valuation multiples reflect its full potential.

Catalyst types

Revenue growth outperforms estimates

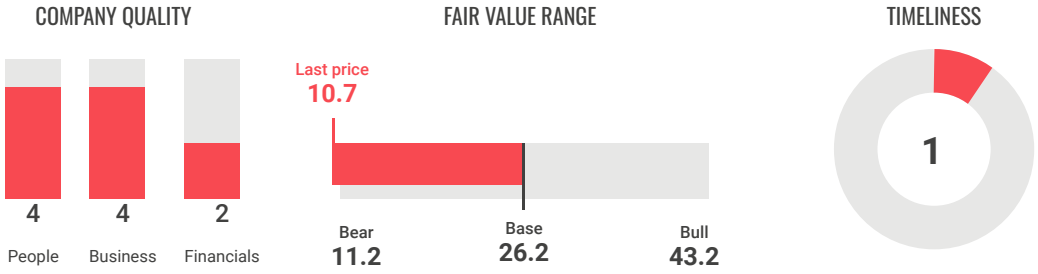
Higher growth rates than estimates would mean that the company handles the new market dynamics (mature fibre market) better than expected. Higher sales on the corporate side would also explain the higher growth rate.

Carasent CARA

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

Publication date
January 31 2024

Redeye Rating



Snapshot



Marketplace	Oslo Børs
CEO	Daniel Öhman
Chairman	Petri Niemi

Share information

Share price (NOK)	10.7
Number of shares (M)	79.6
Market cap (MNOK)	854
Net debt (2024E, MNOK)	-442

Analyst



Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Carasent: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MNOK	195	243	280	324
Growth	*42.4%*	*24.4%*	*15.2%*	*15.7%*
EBITDA	33	16	51	69
EBITDA margin	*16.8%*	*6.4%*	*18.4%*	*21.3%*
EBIT				
EBIT margin	*Neg*	*Neg*	*3.4%*	*8.5%*
Pre-tax earnings	34	-56	22	40
Net earnings	31	-57	18	31
Net margin	*16.0%*	*Neg*	*6.5%*	*9.6%*
Dividend/Share	0.00	1.84	0.00	0.00
EPS adj.	0.39	-0.79	0.25	0.43
P/E adj.	43.3	-14.0	42.4	24.8
EV/S	3.4	1.6	1.2	0.9
EV/EBITDA	20.0	24.4	6.5	4.3

Last updated: 2024-01-31

Owner	Equity	Votes
Acapital Cara Holdco AS	16.7%	16.7%
Vitruvian Partners	15.1%	15.1%
Carasent ASA	9.2%	9.2%
Swedbank AB	7.9%	7.9%
Avanza Bank AB	7.3%	7.3%
SEB Fonder	3.8%	3.8%
Dennis Höjer	3.5%	3.5%
Niclas Hugosson	3.2%	3.2%
State Street Bank And Trust Comp	3.0%	3.0%
Swedbank Robur Fonder	3.0%	3.0%

Company description

Carasent is a Nordic software provider with a core value proposition consisting of cloud-based electronic health record (EHR) solutions (with Webdoc as the main product) and a broad ecosystem of integrated services supporting the digital transformation of healthcare and improving the everyday life of healthcare staff. The customers are primarily private providers within primary and specialist care, mental health, and occupational health. Carasent's many subsidiaries target smaller niche markets, with TAMs ranging from NOK1.3bn to NOK100m, limiting competition from larger international players. These smaller markets often have local regulations and considerations that are important to adhere to in order to attract customers. The company employs around 165 people and is listed on the Oslo Stock Exchange.

Investment thesis

Case

A niche industry leader in a non-cyclical market

Carasent is an investment management company with a special focus on businesses that develop entrepreneurial and e-health solutions (EHR systems, IT solutions, quality assurance, and add-on software). The software as a service (SaaS) company has excellent unit economics (such as low churn, stable net retention numbers, low customer acquisition cost, high customer lifetime value, etc.), giving it a solid base to grow from. Carasent has about 1150 customers (specialists, general practitioners, rehabilitation, smaller hospitals, etc.), mainly in Sweden and Norway. These include well-recognized healthcare providers such as Capio, Aleris, and Doktor.se. In its home market of Sweden, Carasent has steadily gained market share over the last decade thanks to its unique product offering and great service. Growth stems from both organic initiatives and acquisitions.

Evidence

Good reinvestment opportunities give a long growth runway

Management's growth strategy is built on three dimensions: expanding products & services, new segments, and new geographies. These are pursued both by organic initiatives and through acquisitions. The healthcare industry needs digitization to improve workflow, reduce waiting lists, and upgrade care. It has a chronic staff shortage, and Carasent's solutions assist clinics in their effort to provide care to all those in need. As the Nordic region is at the forefront of digitized healthcare, with Carasent being a market leader, we see a potential possibility to roll out the offering in Europe as a first mover. On Carasent's Capital Markets Day in November 2023, the company expressed interest in entering the German market.

Challenge

Butchered expansion

Carasent operates in the vertical market software (VMS) space, where introducing new software in novel markets poses significant barriers. Carasent initially attempted to adapt its Swedish Webdoc product for the Norwegian market but abandoned the project due to challenges in modifying the software. However, Carasent is currently developing a new product, named Webdoc X, which is modular and specifically designed for international markets. Its success will serve as a litmus test to determine whether Carasent can effectively build and sell competitive products outside of its core markets. There are also risks associated with Carasent acquiring new companies, utilizing its cash position, which may prove challenging to integrate and manage. Excessive management focus on international expansion and new acquisitions might adversely impact the company's position in its home markets.

Challenge

Political risks

Some of Carasent's subsidiaries face political risks indirectly, particularly Carasent Sweden (Evimeria). With its customer base in private healthcare in Sweden, it is influenced by how local politicians perceive private healthcare and whether they prefer local clinics to adopt the same EHR systems as the public healthcare system.

Valuation

Cheap quality SaaS company

Carasent has undergone a severe multiple contraction in the past years, leading to non-strained multiples. Carasent is priced well below many other SaaS companies with similar growth and margin profiles. On top of that, Carasent holds a sizeable cash position that lowers the financial risks.

Catalyst types

Stable organic growth and a way back to profitability

We argue that one of the main reasons for Carasent's decline is its negative earnings trend, although the investments have been conducted voluntarily. Thus, we believe that when Carasent once more reaches an EBITDA - Capex that is above 0 again, it will act as a positive catalyst for the share price. Then we expect continuous profitable growth again. Moreover, a stable organic growth rate in line with the financial goals will also act as a "stabilizing catalyst" for the share price. Large clinics in the customer intake is one key factor.

New special dividend

A group of shareholders argued that Carasent should opt for a special dividend of NOK300m (north of NOK4 per share) and abandon the German expansion plans. The decision was voted down on an EGM. However, it seems like the market liked the proposal and if some middle-ground could be met, it could be a catalyst.

German expansion

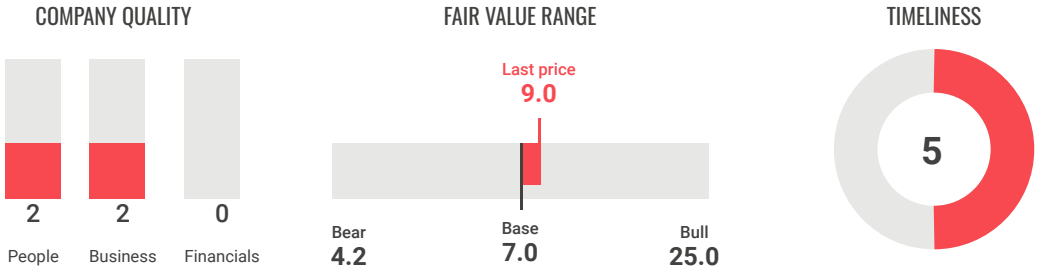
A clear highlight of the CMD was Carasent's announcement that it will focus on Germany with its new Webdoc X EHR system. The German healthcare market is Europe's largest, with more than 150,000 private clinics and on-prem solutions mainly serving it. Carasent plans to acquire a local on-prem system with a customer base and migrate the customers over to its own Webdoc X system in order to spearhead its market entry. This could be a major catalyst.

Chromogenics CHRO

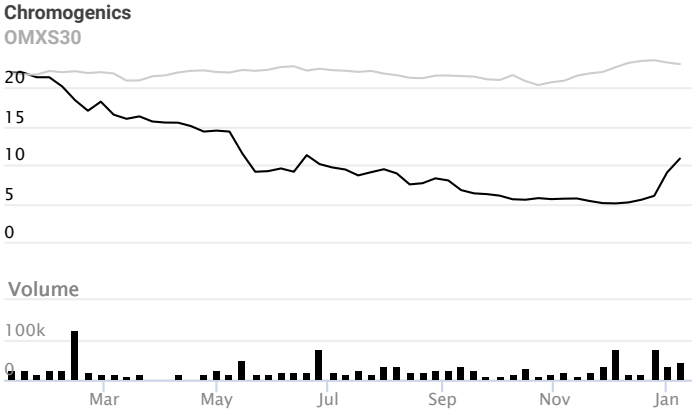
Company page
https://www.redeye.se/company/chromogenics

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Fredrik Fränding
Chairman	Johan Hedin

Share information

Share price (SEK)	9.0
Number of shares (M)	4.1
Market cap (MSEK)	37
Net debt (2024E, MSEK)	116

Analyst



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Chromogenics: No

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

Financials

	2022	Redeye Estimates 2023E	2024E	2025E
Revenue, MSEK	18	16	35	55
Growth	*-26.0%*	*-13.5%*	*>100%*	*58.0%*
EBITDA	-53	-49	-31	-20
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-57	-54	-36	-26
Net earnings	-57	-54	-29	-21
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-13.83	-13.13	-6.93	-4.98
P/E adj.	-1.5	-0.5	-1.5	-2.1
EV/S	7.0	8.4	4.6	3.2
EV/EBITDA	-2.4	-2.7	-5.1	-8.6

Last updated: 2024-01-12

Owner	Equity	Votes
Gerald Engström	20.2%	20.2%
Parment Förvaltning AB	14.1%	14.1%
Theodor Jeansson Jr.	5.3%	5.3%
Gunvald Berger	4.4%	4.4%
Barbro Brandt	3.4%	3.4%
Bengt Josefsson	2.8%	2.8%
Avanza Pension	2.7%	2.7%
Formue Nord A/S	1.5%	1.5%
Johan Ek	1.1%	1.1%
Jarl Wikberg	1.0%	1.0%

Company description

ChromoGenics develops, produces, and sells intelligent dynamic glass primarily for commercial properties with controllable optic characteristics to improve energy efficiency, indoor comfort, and architectural freedom in buildings. ChromoGenics is the only producer of dynamic glass through its own sputter machines in Europe.

Dynamic glass makes it possible to reduce the energy for cooling while also optimising incoming daylight through the windows. As buildings are designed for daily human activity and many people spend up to 90% of their time indoors, daylight and outside view are very important for people's well-being. Buildings with dynamic glass improve the working environment and can improve productivity for co-workers with up to 40% increased cognitive ability and 20% increased productivity, plus a reduced risk of depression and better sleep.

ChromoGenics is now moving into the commercialisation phase, ramping up production at its site in Uppsala, Sweden. The company is on the path to refining its production line of electrochromic dynamic foil for delivery to established glass processors. By working more extensively with a number of established manufacturers, ChromoGenics will be seen as an integrated part of glass processors' marketing, production, and distribution strategies. Moreover, by collaborating with established actors and reprocessed logistics chains, ChromoGenics can focus on the actual strengths of its offering: delivering a competitive dynamic foil that also strengthens the insulation glass manufacturer's offering.

Investment thesis

Case

A new dawn

ChromoGenics is a turnaround case. Initial production outsourced key components to subcontracts, but these did not meet the precision needed for electrochromic glass. Following three years of investment and more than SEK170m spent on moving production in-house, ChromoGenics is scaling up its sales activities. We expect this to result in a 2023e—2027e sales CAGR of 42% while scaling its fixed-cost. This puts ChromoGenics on a path to profitability.

Evidence

Commercial ramp up after heavy investments

In 2019, ChromoGenics invested in two larger sputter machines, plus a smaller one, and is now scaling up the commercial production of its patented electrochromic dynamic foil with one of the large sputter machines. As its high internal know-how builds moats, the lower operating expenses from eliminating subcontractors and switching to in-house production will boost gross margins. We argue that demand for dynamic glass, although a niche product, will increase.

Challenge

Deliver top of the line products

In the past, ChromoGenics delivered electrochromic foils that were shown to have quality issues. The problem – uneven electrochromic layer on the foils, causing them to fail – stemmed from a subcontractor. There have also been delays in the production line because of technical issues. ChromoGenics had to stop production for three weeks in November 2021. There is a risk this will happen again, but the production line should prove more stable over time. As ChromoGenics is now in full control and has taken over the whole production line after investing in its sputter machines and has trimmed the machines, the risk of delivering bad products should be much lower.

Challenge

High cost products

The longer-term challenge is to scale up robust production capacity from today's 10,000 square metres per year to 250,000 square metres. We argue the high demand for new, more energy-efficient glass will continue thanks to the broad political consensus that greenhouse gas emissions need to be cut over the coming years. Dynamically controllable glass is up to eight times more expensive than non-dynamic glass, so there is a hurdle to pass in terms of high cost.

Valuation

A potential turnaround with high risk

Cost structuring, in combination with in-house production of the electrical polyester foil (ITO) pushes up the gross margin to around 50%, and the company continues to ramp up its commercial production. We expect ChromoGenics to grow by 28% in 2023e, improving its gross margin to 48%, and be on a path to profitability. Our valuation range is quite broad, at SEK4.2 to SEK25, with a base case of SEK7, on account of revenue growth uncertainty.

Catalyst types

Large project

Finishing the delivery for a large project, such as the Gullhaugs Torg 5 in Oslo, ChromoGenics can prove it has the skill and ability to deliver large projects.

Reduction of input prices

Reduction of input prices after eliminating third-party producers will, according to our estimates, increase the gross margin substantially to some 45% in 2023e, with a gross margin of around 60% and an EBIT margin of 7% in 2025e.

In-house production

An in-house production line with its sputter machine ensures a better and more robust process, communicating stability to customers and investors as quality products are distributed, thus reducing the risk in the case.

Coala Life COALA

Company page
https://www.redeye.se/company/coala-life

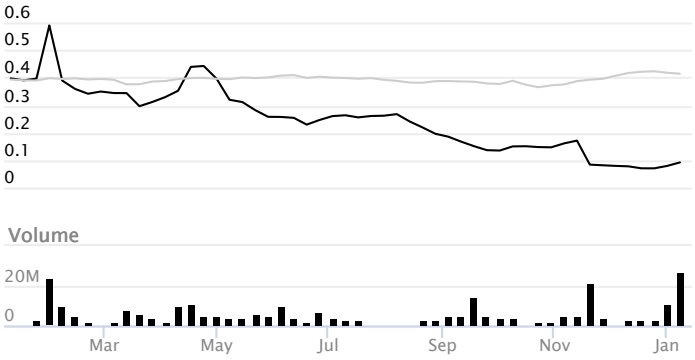
Publication date
January 12 2024

Redeye Rating

There is currently no analytical data on this company

Snapshot

Coala Life
OMXS30



Marketplace	First North Stockholm
CEO	Dan Pitulia
Chairman	Per Carendi

Share information

Share price (SEK)	0.1
Number of shares (M)	1,570.7
Market cap (MSEK)	124

Analyst



Jessica Grunewald
jessica.grunewald@redeye.se

Conflict of interests

Jessica Grunewald owns shares in Coala Life: No

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

Financials

	2022
Revenue, MSEK	17
Growth	*>100%*
EBITDA	-134
EBITDA margin	*Neg*
EBIT	
EBIT margin	*Neg*
Pre-tax earnings	-139
Net earnings	-142
Net margin	*Neg*
Dividend/Share	0.00
EPS adj.	-1.79
P/E adj.	-0.3
EV/S	3.1
EV/EBITDA	-0.4

Last updated: 2023-12-14

Owner	Equity	Votes
20 North Street co AB	18.8%	18.8%
Otiva J/F AB	13.3%	13.3%
Åke Sundvall Holding AB	7.3%	7.3%
Dan Pitulia	5.8%	5.8%
eQ Asset Management Oy	5.0%	5.0%
Avanza Pension	2.9%	2.9%
Nils-Holger Olsson	2.4%	2.4%
JRS Asset Management AB Client Account	1.8%	1.8%
Klas Anders Magnus Sörlander	1.7%	1.7%

Company description

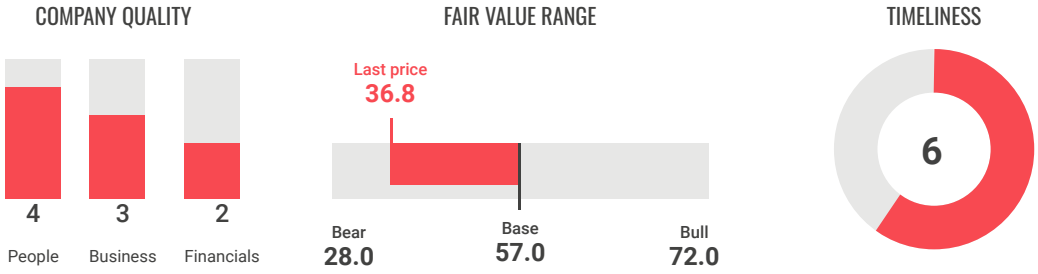
Coala Life Group AB was founded in 2015, and is a cloud-based software as a service (SaaS) provider and medical device company. The company focuses on B2B solutions for managed remote patient monitoring (RPM), providing medical care providers, mainly in the US, with a scalable platform to remotely manage large volumes of patients with chronic diseases. The company has its headquarters in Uppsala, Sweden, and employs around 70 staff, including in the US. Since 2019, Coala Life has had a US subsidiary, Coala Life Inc, responsible for the US market from its base in California. Coala's RPM services are offered via the Quorum Partners and Vitrics brands in the US, the latter having been acquired in H2 2022. Coala Life went public in November 2021 through a reverse acquisition of RNB Retail and Brands, and its shares are listed on Nasdaq First North.

CombinedX CX

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

Publication date
January 9 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Jörgen Qwist
Chairman	Niklas Hellberg

Share information

Share price (SEK)	36.8
Number of shares (M)	17.1
Market cap (MSEK)	630
Net debt (2024E, MSEK)	-167

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in CombinedX: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	651	765	814	852
Growth	*16.1%*	*17.7%*	*6.4%*	*4.6%*
EBITDA	81	113	117	126
EBITDA margin	*12.4%*	*14.7%*	*14.4%*	*14.8%*
EBIT	53	76	83	94
EBIT margin	*8.1%*	*10.0%*	*10.2%*	*11.1%*
Pre-tax earnings	47	83	83	94
Net earnings	35	67	66	74
Net margin	*5.4%*	*8.7%*	*8.1%*	*8.7%*
Dividend/Share	1.05	1.95	1.92	2.17
EPS adj.	2.08	3.90	3.85	4.35
P/E adj.	13.5	8.7	8.8	7.8
EV/S	0.6	0.6	0.5	0.4
EV/EBITDA	5.1	4.4	3.5	2.9

Last updated: 2023-12-14

Owner	Equity	Votes
Edastra AB	7.3%	7.3%
Martin Gren (Grenspecialisten)	6.8%	6.8%
Niklas Hellberg	4.7%	4.7%
Joakim Alkman	4.7%	4.7%
Kvarnvik Holding AB	4.5%	4.5%
Nordnet Pensionsförsäkring	4.5%	4.5%
Björn Alpberg	4.2%	4.2%
Investment AB Spiltan	3.8%	3.8%
Unionen	3.7%	3.7%
Bostrom Consulting AB	3.4%	3.4%

Company description

CombinedX is a Swedish IT consulting group with the vision to become the leading Nordic group of specialist companies. The group consists of "a family" of nine fully owned subsidiaries, mainly operating in Sweden, where each has specialist competence within its specific niche. CombinedX is headquartered in Karlstad, where it also was founded in 2013, with traces back to 1993. The company has been listed on Nasdaq First North Stockholm since March 2022 and had ~390 employees by the end of 2021.

Investment thesis

Case

Emerging M&A compounder in the IT consulting space.

As a group of niched IT consulting companies providing specialized know-how in various segments, CombinedX attracts and deploys teams of experts operating at above-average rates. The decentralized group is set for M&A adding new niches, which increases the diversification and drives sales growth. M&A and solid quarterly reports will act as catalysts in the company, run by experienced management with skin in the game.

Evidence

Decentralized, specialized, and highly profitable.

Considering its solid customer list and EBIT margins above 10% CombinedX proves that its decentralized and specialized team-based strategy is competitive and profitable. With the most specialized businesses having even higher margins, we believe there is potential for more going forward. Regrading M&A, CombinedX follows the successful template of niched decentralized entities, which several listed businesses have showcased, providing diversification and solid margins.

Challenge

The employees are almost the only asset.

While customer relationships are important, the employees are almost the only asset for any IT consulting company. Thus, attracting and retaining employees is key for the sector. We believe CombinedX, as a group of smaller specialized companies, has a sound approach to the challenge, as the impact of each employee is clear in that setting. Also, we believe the opportunity to work with a group of experts with deep know-how in a particular software platform strengthens the attractiveness further.

Challenge

What is left for shareholders?

While customers are willing to pay high rates for specialists, the specialists typically want their fair share. In an environment with tough competition for talent, which has been the case in the IT consulting sector for years, shareholders might find there is not much left. However, considering CombinedX profitability, it has handled the challenge well so far, and we think the focus on teams and solutions rather than CV:s increases the company's resilience.

Valuation

Base Case SEK 57

Our Base Case values CombinedX at SEK 57 a share. We expect organic growth of ~5% and some margin increases for the coming years. While we believe M&A likely will be a major value driver in CombinedX going forward, we do not include future M&A in our Base Case at this point.

Catalyst types

Solid Quarterly Reports

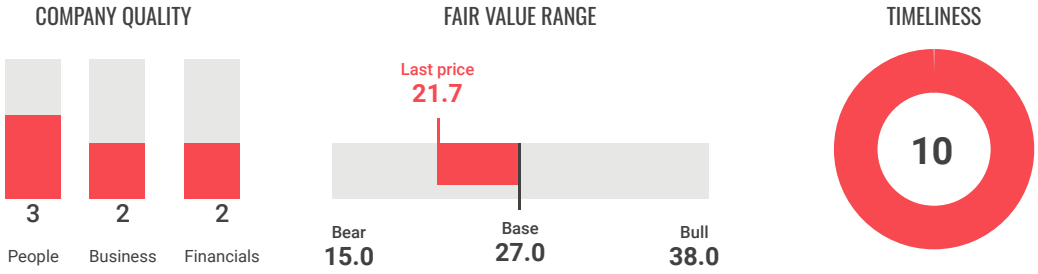
As a newly listed company, we believe it is important for CombinedX to build a solid track record to convince investors' that it is a stable business. Every quarterly report showing solid operational performance will gradually build a track record for CombinedX, which we believe will reward the company with a higher multiple – at least in line with the IT consulting median.

Doro DORO

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

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Jörgen Nilsson
Chairman	Henri Österlund

Share information

Share price (SEK)	21.7
Number of shares (M)	24.5
Market cap (MSEK)	532
Net debt (2024E, MSEK)	-188

Analyst



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Doro: No

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

Financials

	2022	Redeye Estimates 2023E	2024E
Revenue, MSEK	909	968	1,000
Growth	*-12.5%*	*6.5%*	*3.2%*
EBITDA	100	114	124
EBITDA margin	*11.0%*	*11.7%*	*12.4%*
EBIT			
EBIT margin	*6.1%*	*7.2%*	*8.6%*
Pre-tax earnings	46	55	86
Net earnings	32	41	68
Net margin	*3.5%*	*4.3%*	*6.8%*
Dividend/Share	0.00	0.00	0.00
EPS adj.	1.31	1.72	2.83
P/E adj.	11.4	9.3	5.6
EV/S	0.3	0.3	0.2
EV/EBITDA	3.0	2.2	1.6

Last updated: 2023-12-15

Owner	Equity	Votes
Accendo Capital	17.0%	17.0%
Peter Lindell	13.7%	13.7%
Nordea Funds	11.6%	11.6%
Peter Gyllenhammar	7.1%	7.1%
Nordnet Pensionsförsäkring	7.0%	7.0%
Lazard Frères Gestion	6.9%	6.9%
Avanza Pension	5.4%	5.4%
Nordea Liv & Pension	3.8%	3.8%

Company description

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

Investment thesis

Case

A value play with a great market position

Doro's focus has shifted back to its core business of delivering technical solutions for seniors following the spin-off of business area Care (now Careium). When Doro decided to invest in its Care offering in 2014, it prioritised the senior phones segment less. While feature phones are undergoing a long-term downwards trend, the company has great knowledge about the seniors market and is in a favourable position to tackle the structural trend of an ageing population. We also believe Doro will be able to defend its market position in senior phones with acceptable profitability. Doro has exited unprofitable geographical regions, a move that has been a turbocharger for profits. Doro is a cash-positive generating business that could have turned into a dividend machine, but we believe it sees better potential in investing in its business in the coming years. Because of underinvestment in the sector and the clear market need, we also see potential for Doro to consolidate its niche market through M&A. We believe this potential is underappreciated by investors and can be a potential catalyst for the stock in the medium term. We believe the DACH countries will be important for Doro's growth. Currently, the company is building up its own sales organisation in the region, and we argue this should bear fruit in the coming quarters and throughout 2024.

Evidence

Strong market position in a small niche

Doro has a history as the market leader in senior phones, driven by its attentiveness to the specific needs of seniors. The company sells its phones to retailers and telecom companies that favour its products as they offer a higher margin, in turn giving Doro advantageous shelf space. The resellers do not want multiple brands for senior phones, and we think such deep relationships are a winning advantage.

Challenge

No fast grower

The market for seniors has been growing at a strong clip over the past decade because the seniors population is expanding and as group demand for technology has been growing. The general shift from feature phones to smartphones, driven largely by Apple and Samsung, has led to Doro's key product, the feature phone, potentially losing relevance. Doro has long struggled to grow organically in the shrinking market for feature phones. We do not see this reversing in the years to come, and while the company may be able to come up with innovative products, it will be challenging for it to achieve substantial growth. Despite this, we are not concerned, as the market sets no value on growth in the years ahead.

Valuation

Good business at a compelling price

Good business at a compelling price Doro is a typical value company with low growth and stable profitability. We model low single-digit top-line growth and operating margins at 7–9% in our DCF scenarios. For 2023E, we forecast EBIT margins of around 7%, leading to an operating income of SEK70m. Our valuation range is SEK15–38 per share with a base case fair value of SEK27, and we believe the company is undervalued based on the discounted value of its cash flows. At today's price of SEK19.35, Doro trades at a 2024e P/E of 5.6 and an EV/EBIT 2.3. This is too pessimistic, especially considering its net cash position of SEK130m, or SEK3.20 per share.

Catalyst types

Growth in DACH

When the new DACH sales team is up and running and starts to deliver sales growth, and larger market share over time, this should be a trigger for the stock. The key market is Germany, which has more than 80m inhabitants. Compared with Doro's other regions and markets, Germany has a low market penetration. We believe this will change. The question is when, and at what pace.

Buy backs and/or dividend payments

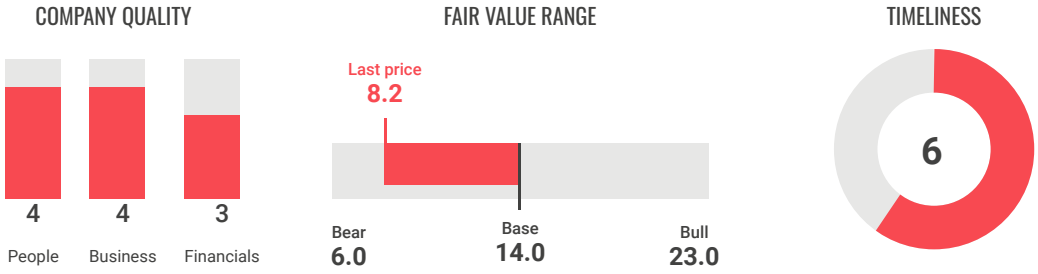
Doro would be more attractive to investors either by starting to buy back its own shares or paying out a dividend. This is not anything the company has communicated, but we argue it would be a positive trigger for the stock.

Efecte EFECTE

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

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Finland
CEO	Niilo Fredrikson
Chairman	Pertti Ervi

Share information

Share price (EUR)	8.2
Number of shares (M)	6.5
Market cap (MEUR)	53
Net debt (2024E, MEUR)	-1

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Efecte: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MEUR	22	25	28	32
Growth	*21.7%*	*14.0%*	*11.7%*	*15.6%*
EBITDA	0	0	3	5
EBITDA margin	*Neg*	*1.4%*	*9.9%*	*15.2%*
EBIT				
EBIT margin	*Neg*	*Neg*	*4.4%*	*9.7%*
Pre-tax earnings	-2	-1	1	3
Net earnings	0	-1	1	2
Net margin	*Neg*	*Neg*	*3.1%*	*7.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	-0.17	0.14	0.37
P/E adj.	N/A	-44.4	55.5	20.0
EV/S	2.9	1.9	1.7	1.4
EV/EBITDA	-4,890.3	133.9	17.2	9.0

Last updated: 2023-12-11

Owner	Equity	Votes
First Fellow Oy	12.6%	12.6%
SEB Fonder	8.0%	8.0%
Oy Fincorp Ab	7.6%	7.6%
Aktia Asset Management	7.3%	7.3%
Herald Investment Management	4.6%	4.6%
Ilmarinen Mutual Pension Insurance Company	4.5%	4.5%
Alcur Fonder	4.4%	4.4%
Markku Montonen	3.3%	3.3%
Danske Bank A/S Helsinki Branch	3.2%	3.2%

Company description

Efecte is a Finnish cloud-based Service Management provider focusing on the European market, mainly targeting the mid-and upper-mid markets (roughly companies with 1 000 – 10 000 employees). The company was founded in 1998 under the name Bitmount Systems, moved to cloud-based operations in 2013, and was listed on Nasdaq Helsinki First North in 2017. Efecte is headquartered in Espoo in the Greater Helsinki area, has ~125 employees, and was ranked among the top ten Finnish employers in 2020 in its size category.

Efecte's offering consists of one platform with three solution areas, IT Service Management (ITSM), Identity Governance and Administration (IAM), and Enterprise Service Management (ESM). Following the acquistion of InteliWISE, Efecte also offers conversational AI on its platform. Each solution area offers a variety of use cases, which we will discuss further in the Business Overview section. Efecte's background is in ITSM and has expanded into IAM and ESM following customer demand. While the company does not disclose the sales split, ITSM generates most of Efecte's sales, with both IAM and ESM having a substantial share.

Efecte views itself as the European alternative to the global goliaths and focuses on three key areas to differentiate. We will get back to what they mean in practice in our Business Overview segment.

Agility Experience The total cost of ownership
Efecte's churn rate of 2-5%, 110-115% net revenue retention (NRR), and 98% recommendation rate in an industry survey highly suggest its customers are happy with Efecte's offerings. As explored in detail in our Financials segment, Efecte is well above average when retaining customers, while its relatively low new sales result in an average total sales growth.

Investment thesis

Case

While running at zero margins favoring growth, Efecte is set to become highly profitable.

Considering Efecte's solid position in the growing European ITSM market, we believe Efecte can sustain SaaS revenue growth of ~20% for many years. While currently running at zero margins favoring sales growth, thanks to its strong SaaS metrics, highlighting Efecte's scalability, we believe Efecte is set to become highly profitable over time. Additional quarterly reports with solid growth and strong SaaS metrics are the main catalyst.

Evidence

A solid track record supports our view.

Efecte has a strong position in the Nordics and is expanding in Germany, where it is seen as one of the market leaders, and elsewhere in Europe, where the SaaS adoption is low. Its SaaS metrics are solid with 4-5% churn, 110-115% net revenue retention, and a lifetime value to customer acquisition costs of >5, indicating satisfied customers growing their usage of Efecte's platform and healthy unit economics supporting high margins over time.

Challenge

Fighting the giants and local champions.

Although Efecte faces tough competition in the European markets from both global and local players, we believe Efecte has several competitive advantages. First, Efecte has a more customer-friendly approach to pricing, focusing on transparency and predictability. Second, against the US players, being European and complying with EU regulations are key. Third, Efecte's knowledge and experience about cloud platforms gained in the Nordic market is important when competing with the German players.

Challenge

Mediocre new sales limiting overall SaaS growth.

While Efecte has solid growth among current customers with its net revenue retention of 110-115%, the growth contribution from new sales is a mere ~10% - low compared to most SaaS businesses. However, Efecte has established a European partner network which has started to gain momentum. Also, Efecte plans to enter additional European countries with in-house resources. Thus, we see the potential for higher new sales going forward.

Valuation

Low EV/S does not consider future margin expansion.

Based on our DCF model, we see a fair value of EUR 14. We believe Efecte is a low-risk, financed, nearly profitable and attractively valued growth story. We believe improving margins over the coming years will trigger a higher multiple valuation of Efecte in terms of EV/S.

Catalyst types

SaaS Growth and Metrics
We beleive contiuned SaaS growth and solid SaaS metrics, as churn and NRR, are the key drivers to further increases in the share price.

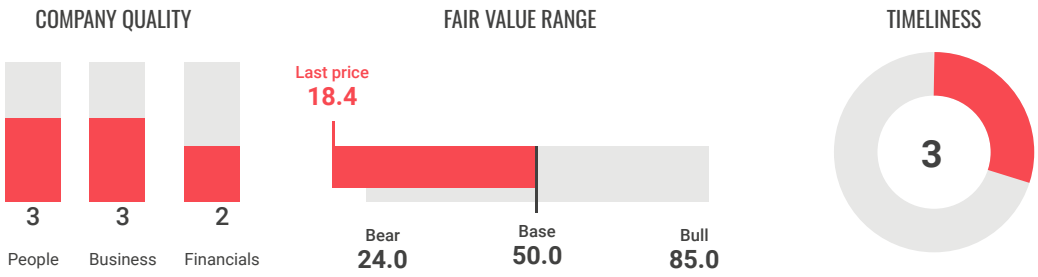
Quarterly reports
Solid quarterly reports with solid growth and improving margins could cause increases in our Fair Value Range

EG7 EG7

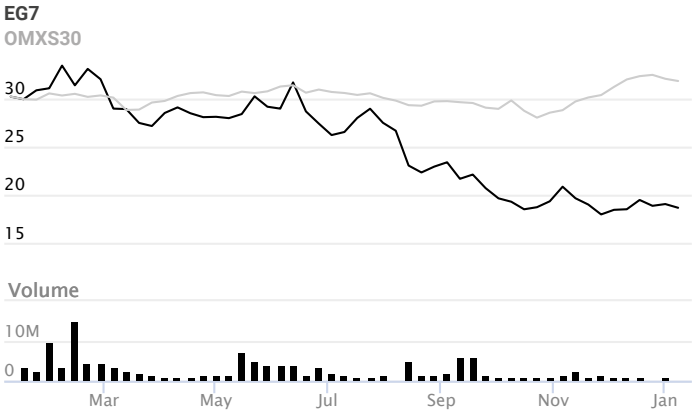
Company page
https://www.redeye.se/company/eg7

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Ji Ham
Chairman	Jason Epstein

Share information

Share price (SEK)	18.4
Number of shares (M)	88.6
Market cap (MSEK)	1,634
Net debt (2024E, MSEK)	-436

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in EG7: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,866	2,086	1,975	2,224
Growth	*11.7%*	*11.8%*	*-5.3%*	*12.6%*
EBITDA	483	571	478	535
EBITDA margin	*23.6%*	*26.0%*	*23.3%*	*23.1%*
EBIT	395	454	379	388
EBIT margin	*19.3%*	*20.7%*	*18.5%*	*16.8%*
Pre-tax earnings	-310	252	251	260
Net earnings	-281	152	188	195
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.45	0.50	0.50
EPS adj.	4.48	3.71	3.57	3.64
P/E adj.	6.7	5.4	5.6	5.5
EV/S	1.1	0.6	0.7	0.5
EV/EBITDA	4.8	2.4	2.8	2.4

Last updated: 2023-12-14

Owner	Equity	Votes
Settecento LTD	10.1%	10.1%
Jason Epstein	9.7%	9.7%
Avanza Pension	9.2%	9.2%
Alta Fox Capital	6.0%	6.0%
Rasmus Davidsson	3.2%	3.2%
Alexander Albedj	3.0%	3.0%
Handelsbanken Liv Försäkring AB	2.4%	2.4%
Ji Ham	2.3%	2.3%
Aguja Capital GmbH	2.2%	2.2%
Dan Sten Olsson med familj och stiftelse	2.2%	2.2%

Company description

EG7 is global gaming group with focus on live service games as well as indie/ AA game publishing and marketing. The majority of its revenue is derived from the Game segment (c. 60-70%) which in turn is dominated by Daybreak Studios and Big Blue Bubble. The service segment (c. 30-40% of revenue) includes the publisher Fireshine Games and the marketing company Petrol.

Investment thesis

Case

Solid live game portfolio with upside from new franchises

With an active history of M&A, EG7 has built a solid portfolio of live service games which is dominated by titles from its Daybreak studio including among other DC Universe, Everquest 1&2, Lord of The Rings and Magic the Gathering Online. This is complemented by the mobile games-focused studio Big Blue Bubble and a service segment focusing on publishing and marketing. This creates a low-risk diversified game portfolio with solid cash generation. Going forward, the company aims to add growth by building game franchises on proven IPs from its own portfolio and external IPs. On the back of this, the company targets to achieve revenue of SEK3bn and EBITDA of SEK1bn by 2026.

Evidence

Long life games and stable profitability

With a large part of EG7's revenue being derived from its Game segment (c. 60-70%) and the majority of this coming from long-life games with recurring revenue, EG7 can generate stable revenue and profitability. The games have strong brands and have been enjoyed for many years by its players supporting the stable revenue generation. The company's service segment has also seen strong performance on the back of successful games in its publishing business further improving the company's overall profitability. Coming to growth from the new game franchises, the company has built a pipeline of three games that will be released during 2024-26E.

Challenge

Limted growth in live games and unproven model for game franchises

We think the main challenge for EG7 is to grow its live service Games portfolio. While this generates stable profitability and strong cash generation, the inflow of new players is limited in our view and implies low overall growth potential for EG7. While the new game franchises are set to improve growth, the company has not proven this business model yet.

Valuation

DCF-valuation supported by strong cash generation and growth upside from game franchises

We find a base case valuation of SEK50 per share for EG7 which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of 8x on our 2024E EBITDA. Our base case assumes growth of 14% between 2024-28E and 6% between 2029-38E with a terminal growth of 2%. We assume EBITDA-margin to be around 26% in 2024-28 and 29% for 2029-38E while the terminal EBITDA-margin is set to 28%.

Catalyst types

Deployment of excess capital

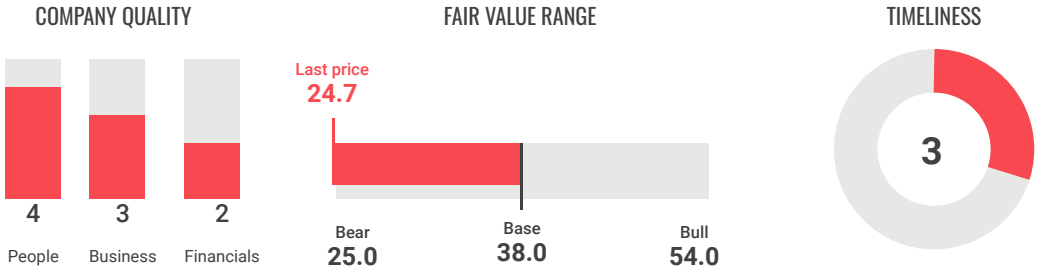
EG7 has a strong balance sheet which can either be invested in growth of its game portfolio or distributed to shareholders which could be a trigger for the share.

Embracer Group EMBRAC B

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

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Lars Wingefors
Chairman	Kicki Wallje-Lund

Share information

Share price (SEK)	24.7
Number of shares (M)	1,339.5
Market cap (MSEK)	33,105
Net debt (2024E, MSEK)	9,296

Analyst



Viktor Lindström
viktor.lindstrom@redeye.se

Conflict of interests

Viktor Lindström owns shares in Embracer 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		
	22/23	23/24E	24/25E	25/26E
Revenue, MSEK	37,665	44,104	47,330	49,596
Growth	*>100%*	*17.1%*	*7.3%*	*4.8%*
EBITDA	6,717	9,186	11,505	12,773
EBITDA margin	*17.8%*	*20.8%*	*24.3%*	*25.8%*
EBIT	6,367	7,648	8,935	9,703
EBIT margin	*16.9%*	*17.3%*	*18.9%*	*19.6%*
Pre-tax earnings	5,014	2,296	4,058	5,335
Net earnings	5,515	5,617	6,611	7,295
Net margin	*14.6%*	*12.7%*	*14.0%*	*14.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	4.41	4.30	4.94	5.45
P/E adj.	11.0	5.0	4.4	4.0
EV/S	2.2	1.0	0.9	0.7
EV/EBITDA	12.2	4.7	3.5	2.9

Last updated: 2023-11-16

Owner	Equity	Votes
Lars Wingefors AB	19.6%	37.8%
JP Morgan Chase Bank NA	8.6%	5.9%
Savvy Gaming Group	7.5%	5.2%
S3D Media Inc	6.2%	10.2%
State Street Bank And Trust co	5.2%	3.6%
Pierce, Fenner & Smi, Th Incorpor Merrill Lynch	4.1%	2.9%
DNB Asset Management AS	3.4%	2.4%
UBS Switzerland AG	3.4%	2.3%
Canada Pension Plan Investment Board (CPP)	3.2%	2.2%
Alecta Tjänstepension	3.1%	2.1%

Company description

Embracer Group is a digital entertainment company comprising 12 different operative groups across four segments, PC/Console, Mobile, Tabletop, and Enterprise and services. The company was founded back in 2011 by the CEO, Lars Wingefors, and has emerged as a global powerhouse across the industry, both through organic investments as well as transformative acquisitions. The Group is the homeowner of over 860 IPs, such as Borderlands, Saints Row, Goat Simulator, Dead Island, Darksiders, Satisfactory, Valheim, Lord of the Rings, and Tomb Raider, among others. On an R12m basis, Net sales and Adj EBIT reached SEK33,537m and SEK6,521m respectively.

The company is investing heavily in organic growth and has 224 games in its pipeline, whereof 31 are AAA. This should build the foundation for organic growth in the coming years.

Investment thesis

Case

Diversified growth

Embracer Group offers diversified exposure to the global video games industry, expected to grow at a CAGR of 4% until 2025e. Recent acquisitions strengthen the cash conversion despite somewhat dilutive margins. However, with a pipeline of +220 games, whereof +30 is AAA, the PC/console segment will be the key driver for achieving double-digit earnings growth until 2025/26e. The management has implemented initiatives for improving the ROI on future games releases, and should it move back to historical levels at c2.5x, there are optionalities for delivering even higher earnings growth.

Evidence

Most of the assets value are still untapped

Embracer invested cSEK6,000m in game development projects in FY 2022/23, which will be the foundation for organic growth in the coming years. Embracer has a games pipeline of +200 games, whereof +30 is AAA. We believe that the market is still to fully grasp the underlying value and cash flow-generating capabilities of Embracer's growing IP portfolio, but argue that the coming major game releases will be important to improve its ROI back to historical average levels of c2.5x, versus current at c0.9x.

Challenge

Investor perception

Improved cash flow generation from recently acquired units (Tabletop and mobile) comes with dilutive margins. In addition, recent miscommunication with the market has led to lower confidence in the market, leading to multiple contraction. Thus, we believe the PC/console segment and further synergies across the group is a key elements for once again reaching higher margins, improving the cash flow, and proving the moats for Embracer.

Challenge

Management is paramount

Just as much we love a strong and committed management team, it is also a fact that relying on a few key individuals also poses a risk. Incentive programs are somewhat of a black box to investors and the long-term commitment from key personnel will always be a key risk in an entrepreneur-driven powerhouse such as Embracer.

Valuation

Trading at historical low multiples

The Embracer stock is traded around historically low multiples. We expect earnings to grow double digits until 2025/26e with improved cash flow generation. At our base case, we value Embracer at 9x EV/Adj EBIT, clearly below current levels.

Catalyst types

Releases of coming AAA games

Embracer Group has 25 AAA games under development, which are scheduled for release until 2025. On average, such games have a development budget of cSEK 1.0Bn. Embracer's internal target is to achieve an ROI of c2.0, which should realize shareholder value in the coming periods.

Coming platform deals

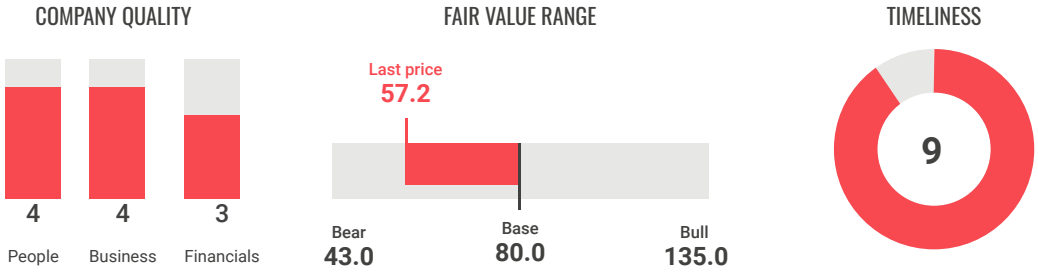
In its Q2 2022/2023 report, Embracer communicated that it was in discussions with several industry partners for a range of large-budget games for the coming six years. In December 2022, Embracer announced that one of its subsidiaries, Crystal Dynamics / Eidos Montreal, entered into a development and publishing agreement with Amazon Games regarding an upcoming Tomb Raider title. Such agreements indicate that the partner will finance the deal, and Embracer will receive milestone payments during the development phase, which comes with high margins. Moreover, such partnerships mitigates the project risk and enhance the free cash flow.

Enea ENEA

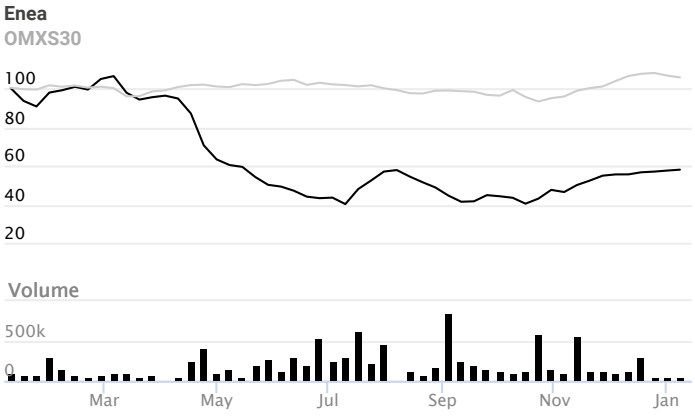
Company page
https://www.redeye.se/company/enea

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Anders Lidbeck
Chairman	Kjell Duveblad

Share information

Share price (SEK)	57.2
Number of shares (M)	21.9
Market cap (MSEK)	1,250
Net debt (2024E, MSEK)	75

Analyst



Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Enea: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	959	926	911	986
Growth	*-3.4%*	*-3.5%*	*-1.6%*	*8.2%*
EBITDA	292	222	256	276
EBITDA margin	*30.5%*	*24.0%*	*28.1%*	*28.0%*
EBIT				
EBIT margin	*12.3%*	*Neg*	*9.4%*	*10.8%*
Pre-tax earnings	101	-543	59	79
Net earnings	203	-567	47	63
Net margin	*21.2%*	*Neg*	*5.1%*	*6.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	4.94	-26.22	2.16	2.90
P/E adj.	17.4	-1.7	21.2	15.8
EV/S	2.3	1.3	1.2	1.0
EV/EBITDA	7.5	5.6	4.2	3.4

Last updated: 2023-12-17

Owner	Equity	Votes
Per Lindberg	34.1%	34.4%
Avanza Pension	12.3%	12.4%
Första AP-fonden	7.8%	7.8%
W The Bank Of New York Mellon Sa/Nv	6.3%	6.3%
C WorldWide Asset Management	4.9%	4.9%
Handelsbanken Fonder	4.2%	4.3%
Fondita Fund Management	2.6%	2.6%
Enea AB	2.6%	1.6%
HSBC Bank Plc	2.4%	2.5%
Canaccord Genuity Wealth Management	2.4%	2.5%

Company description

Enea is a leading software expert in telecommunications and cybersecurity, with cloud-native solutions benefiting over 100 communication service providers and 4.5 billion users globally. The company's primary market segments are Network Solutions (constituting around 80% of sales) and Operating Systems.

Having shifted focus from Operating Systems to Network Solutions, Enea now targets primarily telecom operators instead of network providers like Nokia and Ericsson. Over 50% of revenue is recurring, involving license fees per engineer and royalty revenue for units with integrated Enea technology.

Network Solutions, Enea's core, has been strengthened through annual acquisitions since 2016, offering software products in 5G, IoT, cloud, and cybersecurity subsegments.

Once a core focus until 2016, Enea's Operating Systems provides mobile network operating systems for Ericsson and Nokia. However, the trend toward open source poses a threat, leading to rapid revenue decline and eventual discontinuation.

Investment thesis

Case

Scalable software company with market-leading positions in 5G and cybersecurity - ready for turnaround

Enea, with a rich history in the telecom industry, underwent a significant shift since 2016, transitioning from an Operating Systems software company serving mainly Nokia and Ericsson to a forward-focused business unit called Network Solutions. Specializing in niche software for telecom, including 5G (50-60%) and cybersecurity (40-50%), Enea historically maintained strong EBIT margins exceeding 20% and healthy growth. However, recent years witnessed poor organic growth and declining profitability in Network Solutions, leading to a drop in the share price. With the return of Anders Lidbeck as Interim CEO, there is optimism for a potential turnaround.

Evidence

New-old CEO, Anders Lidbeck, back in the driver's seat - proftiability actions already taken, and growth initiatives are underway

Anders Lidbeck, who led Enea from 2011 to 2019, contributed to the company's high-quality reputation. However, poor operational execution from 2020 to mid-2023 prompted the board (led by Lidbeck) to take decisive action, resulting in the dismissal of the old CEO and Lidbeck stepping in again. In July 2023, an initial cost-savings program of SEK60m per year was announced, with additional savings already implemented. Lidbeck has also enhanced sales efficiency by focusing on high-probability leads. With 40-50% of revenues in Network Solutions coming from cybersecurity, Enea aims to resume growth, even in a low-capex environment for telecom operators.

Challenge

Low organic growth in the 'growth leg' and pressure on profitability

Despite facing challenges in transitioning from Operating Systems to Network Solutions, Enea has struggled to achieve significant organic growth in the latter. Acquisitions, despite high valuation multiples, have not yielded substantial results, with organic growth in Network Solutions estimated at around 5% since 2016. The combination of poor organic growth and a gradually expanding cost base led to a trailing 12-month EBIT margin falling below Enea's 20% target for the first time in years. However, in Q3 2023, even with limited license revenues, the adjusted EBITDA margin reached 34%. Taking into account CAPEX, the underlying cash-flow margin (EBITDA - CAPEX margin) remained healthy at 23%.

Challenge

Uncertainty around the rollout of 5G

Enea states that it will benefit from the change from 4G to 5G - while 5G will drive new income streams, it does not expect 4G revenues to be held up by less developed markets going from 2G or 3G to 4G. Regarding 5G, Enea will participate in the 'core network' buildout, which implies the latter part of the rollout. 5G has been substantially delayed compared to industry expectations, so Enea's 5G investments have not yet paid off. If or when it does, Enea will likely regain its former margins and growth rates.

Valuation

Depressed share price does not include any market tailwind from 5G - nor that cost cuts themselves will lift proftiability

Enea's share price has sharply dropped from SEK280 to the current SEK57, partly due to a lower-than-expected share of reliable recurring revenue. The current valuation doesn't account for potential 5G-related growth, as Enea's exposure to 5G core network rollout has just begun. While the company was early in its 5G preparations, macroeconomic factors delayed the rollout. Despite potential 5G delays, the solid base of recurring revenues and implemented cost savings should uplift profitability. Redeye estimates Enea is trading at 11x cash flow (excluding WC changes) for 2024e, a seemingly low valuation for a software company with significant secular tailwinds.

Catalyst types

Value-accretive acquisitions

Enea has a strong history of making value accretive acquisitions. Since 2016, Enea has made roughly one acquisition per year. Due to Enea's strong cash conversion, the company is likely to keep acquiring businesses to strengthen its position in 5G and cybersecurity. Acquiring new companies to attractive multiples with the following sales and cost synergies is a clear trigger for the valuation.

Major 5G contracts

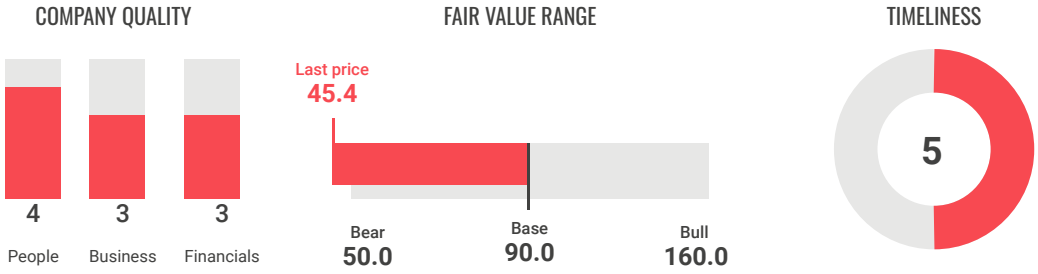
Enea has won two major 5G contracts related to subscription data management, for total contract values of over EUR 40m. We believe there is a lot more to come in this space.

Energy Save ESGR B

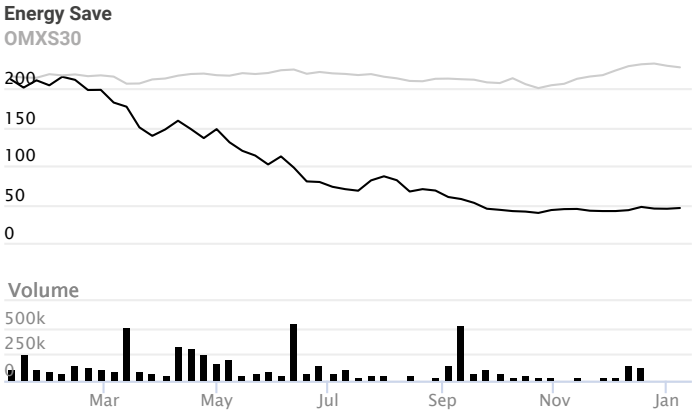
Company page
https://www.redeye.se/company/energy-save

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Fredrik Sävenstrand
Chairman	Per Wassén

Share information

Share price (SEK)	45.4
Number of shares (M)	6.6
Market cap (MSEK)	299
Net debt (2024E, MSEK)	-80

Analyst



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in Energy Save: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	298	190	350	431
Growth	*>100%*	*-36.2%*	*84.6%*	*23.1%*
EBITDA	47	-2	42	63
EBITDA margin	*15.9%*	*Neg*	*12.0%*	*14.6%*
EBIT				
EBIT margin	*14.3%*	*Neg*	*9.9%*	*12.4%*
Pre-tax earnings	42	-9	34	53
Net earnings	33	-10	27	42
Net margin	*11.2%*	*Neg*	*7.8%*	*9.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	5.07	-1.39	4.17	6.46
P/E adj.	22.7	-33.6	11.2	7.2
EV/S	2.0	1.2	0.6	0.5
EV/EBITDA	12.4	-96.4	5.3	3.6

Last updated: 2023-12-20

Owner	Equity	Votes
Christian Gulbrandsen	13.8%	37.3%
Project Air AB	13.7%	37.3%
Nordea Funds	8.0%	2.8%
Sniptind Invest AS	4.8%	1.7%
Ålandsbanken AB	3.6%	1.3%
Avanza Pension	3.2%	1.1%
Didner & Gerge Fonder	3.0%	1.0%
Fondita Fund Management	2.9%	1.0%
Henrik Nilsson	2.9%	1.0%
Theodor Jeansson Jr.	2.4%	0.8%

Company description

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

Investment thesis

Case

Market propelled by structural tailwinds

Energy Save operates in a market supported by structural tailwinds. The European heat pump market is expected to grow by a CAGR of 20% until 2025, supported by subsidies, legislation, and enhanced technology. Energy Save's products are tilted toward the fastest-growing segment (air-water), and its prefabricated and hybrid heating systems indicate that end consumers could optimize their energy consumption. We believe the company is well-positioned to gain market share and capitalize on the growing market. Furthermore, its outsourced business model enables operating margins of around 15%.

Evidence

The EU Green deal and RePowerEU initiatives should support the acceleration

Currently, many subsidies and legislations are implemented across Europe. The European Commission estimated that EUR 260bn in additional annual investments should be mobilized towards the ambition of the European green deal and the current 2030 climate and energy target. Based on the outstanding building stock of 120 million, the number of required appliances would be ~40 million units, supporting the underlying market. In addition, the number of heat pumps are expected to increase from c12m units in 2021 to c60m units in 2031.

Challenge

Lagging infrastructure and fierce competition

The transition towards green electricity in the EU could face some bottlenecks based on the lack of installers and components. In addition, there are risks that the infrastructure in large European markets (UK & Germany) is too old, and thus, heat pumps may not be as efficient as they could be. In addition, the competition is fierce and may impose price pressure over time.

Valuation

Room for multiple expansion

We argue there is ample room for Energy Save to grow by entering new markets and growing on existing customers. However, we believe the margin expansion in the coming years will be muted, and we estimate that sales volume will bethe major value-adding driver going forward. At our base case, Energy Save would trade at 15x EV/EBIT.

Catalyst types

Additional incentives and legislation

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

Follow-up orders

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

Breakthrough orders

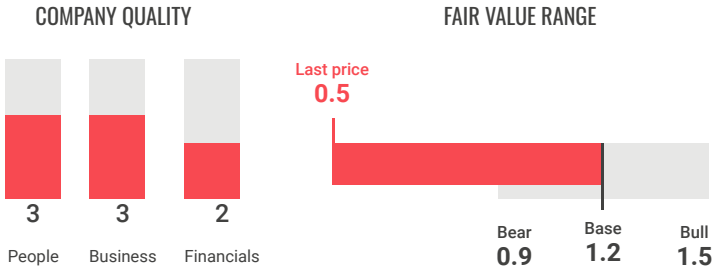
New potential orders, such as the latest from Skanska OY, will be a positive catalyst. These validate the product range, increase visibility, and diversify the customer base.

Eniro ENRO

Company page
https://www.redeye.se/company/eniro-2

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Hosni Teque-Omeirat
Chairman	Fredric Forsman

Share information

Share price (SEK)	0.5
Number of shares (M)	746.2
Market cap (MSEK)	395
Net debt (2024E, MSEK)	-396

Analyst



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Eniro: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	930	964	1,000	1,063
Growth	*12.3%*	*3.6%*	*3.8%*	*6.3%*
EBITDA	149	81	147	167
EBITDA margin	*16.0%*	*8.4%*	*14.7%*	*15.7%*
EBIT				
EBIT margin	*7.1%*	*Neg*	*5.8%*	*7.8%*
Pre-tax earnings	45	-11	58	83
Net earnings	47	-9	46	66
Net margin	*5.1%*	*Neg*	*4.6%*	*6.2%*
Dividend/Share	0.05	0.00	0.03	0.04
EPS adj.	0.06	-0.01	0.06	0.09
P/E adj.	11.8	-42.6	8.6	6.0
EV/S	0.4	0.1	0.0	-0.1
EV/EBITDA	2.3	1.4	0.0	-0.8

Last updated: 2024-01-12

Owner	Equity	Votes
SpectrumOne AB	27.1%	27.1%
Mats Gabrielsson & Bolag	21.2%	21.2%
Theodor Jeansson Jr.	4.1%	4.1%
Fredrik Crafoord	2.6%	2.6%
Avanza Pension	3.6%	3.6%
Thomas Krishan	3.4%	3.4%
Eniro Group AB	2.4%	2.4%
Nordnet Pensionsförsäkring	2.0%	2.0%
Vio Ljusfabrik Aktiebolag	1.7%	1.7%

Company description

Eniro Group is a Swedish company that started as a break-out of Telia in the 2000s. Early on, its focus was on publishing issues, with it issuing both white and yellow pages. The trend towards digitalisation has changed the market fundamentals for Eniro. The company's journey has been eventful, to say the least, with high debt levels and reconstruction in 2020, followed by the cleaning up of the shareholder structure in the first half of 2021, and finally, in 2023, the change in the share structure with the conversion of all preference shares into ordinary shares.

The fundamental transformation towards today's Eniro started in 2015 and 2017. The operational move from the former publishing and search company was to become a player in the Nordic digital marketing services market started in 2015 with a new sales organisation and increased cooperation with Google.

The company operates in two distinct business areas: Marketing Partner and Dynava.

Eniro's transformation into a SaaS company focusing on marketing technology (Martech) is well underway and promises a brighter future for the Marketing Partner business area. Dynava, primarily a customer care business, is growing and includes the structurally declining directory assistance business in combination with the outsourcing trend.

Investment thesis

Case

Implementing a modern, astute digital platform – real effects emerging

Eniro's largest segment has, since 2017, been undergoing a transformation through digitalisation into a SaaS business in the Martech (marketing and technology) field. While the process has been somewhat slower than the company expected, there are signs it is beginning to generate growth and improve margins. The whole European ad spending market is worth EUR 129bn, and digital recently overtook other media as the largest market; given a CAGR of 18% since 2006, it will support future growth. Eniro could be a potential turnaround case with high rewards from these levels if top-line growth returns. Our base case assumes a 2023e–2027e sales CAGR of 4%, with a 15% EBITDA margin. Our valuation range is SEK0.93–1.46, with a base case of SEK1.23, or SEK919m. Our SOTP valuation of SEK1,126m, 22% higher than our DCF valuation.

Evidence

A large customer base is Eniro's prime asset; favourable market conditions

Despite the substantial strategic changes, Eniro still has a Nordic customer base of 50,000 corporate clients. The potential market exceeds 1.2 million SMEs in the region, leaving plenty of room to grow. The new and improved offering – i.e., an easier to understand and better packaged product – should also generate better growth and margins thanks to the subscription model, in our view. The share of annual recurring revenues (ARR) in Marketing Partner is 70%.

Challenge

Change takes time, convincing people even longer

Eniro has had a turbulent history. Even if much has changed in its operations and capital structure, the burden of proof rests with the company. Its strategic changes should, however, be enough to return Eniro to decent growth levels and sustainable margins – a seemingly important start. Indeed, we expect Eniro's quarterly progression to demonstrate progress from here on.

Challenge

Short-term uncertainty given high turnover of CEOs

After Magdalena Bonde departed as CEO in March 2021, Robert Puskaric took over that July, but by May 2022, Hosni Teque-Omeirat had been appointed the new CEO. For the organisation and the personnel, high CEO turnover creates instability in the business. Only the future will show if the new CEO can gather the company together and take it to the next level. For now, the burden of proof remains on Eniro.

Valuation

Valuation: a potential turnaround

Eniro could be a potential turnaround case with high reward from these levels if top-line growth returns. Our base case assumes a 2023e–2027e sales CAGR of 4%, with an average Ebit margin of 5%. Our valuation range is SEK0.93 –1.46, with a base case of SEK1.23 per share, or equity value of SEK919m.

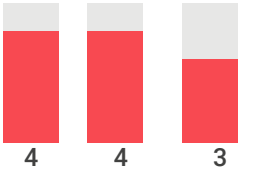
Ependion EPEN

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

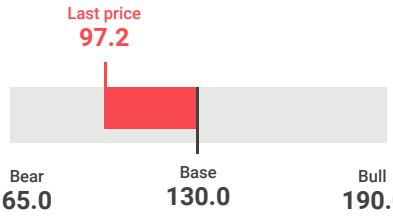
Publication date
January 31 2024

Redeye Rating

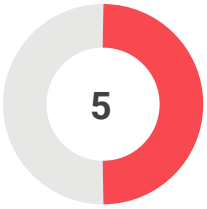
COMPANY QUALITY



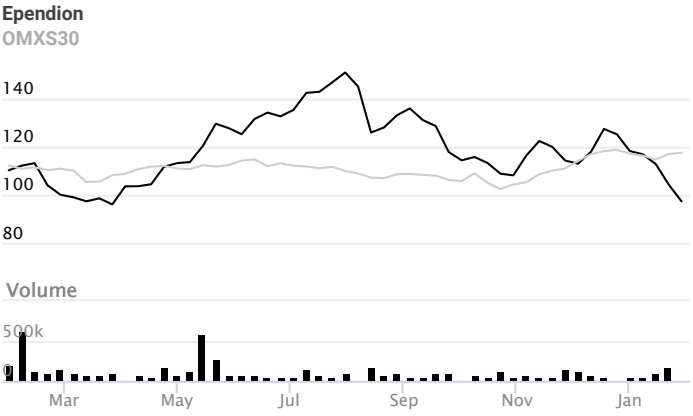
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Jenny Sjödahl
Chairman	Bo Elisson

Share information

Share price (SEK)	97.2
Number of shares (M)	29.2
Market cap (MSEK)	2,842
Net debt (2024E, MSEK)	213

Analyst



Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Ependion: No

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

Financials

	2022	2023	Redeye Estimates 2024E	2025E	2026E
Revenue, MSEK	2,128	2,471	2,471	2,688	2,932
Growth	*31.5%*	*16.1%*	*0.0%*	*8.8%*	*9.1%*
EBITDA	355	474	481	546	467
EBITDA margin	*16.7%*	*19.2%*	*19.5%*	*20.3%*	*15.9%*
EBIT					
EBIT margin	*9.4%*	*13.0%*	*13.0%*	*13.9%*	*14.5%*
Pre-tax earnings	186	275	282	346	405
Net earnings	146	200	223	273	320
Net margin	*6.9%*	*8.1%*	*9.0%*	*10.2%*	*10.9%*
Dividend/Share	0.00	1.00	2.29	2.80	3.28
EPS adj.	5.04	6.85	7.63	9.34	10.95
P/E adj.	21.9	18.3	12.7	10.4	8.9
EV/S	1.8	1.7	1.2	1.1	0.9
EV/EBITDA	10.6	8.8	6.4	5.2	5.8

Last updated: 2024-01-31

Owner	Equity	Votes
Stena	28.6%	28.9%
Svolder	15.1%	15.3%
Nordea Funds	13.8%	13.9%
Fjärde AP-fonden	8.4%	8.5%
Cliens Fonder	3.6%	3.6%
Avanza Pension	3.3%	3.4%
Torsten Bjurman	2.0%	2.0%
Carnegie Fonder	1.7%	1.7%
Handelsbanken Fonder	1.3%	1.4%
Nordea Funds (Lux)	1.0%	1.1%

Company description

Ependion traces its origins back to the establishment of Beijer Electronics in 1981, initially serving as a dedicated distributor of cutting-edge automation products for various industrial sectors. Since then, the company has grown organic investments as well as through acquisitions to become a global supplier of industrial automation, smart networking, and connectivity solutions. From 2022 & onward, Ependion has consisted of two business units: Westermo, which itself was acquired, (including Virtual Access, Neratec, ELTEC) and Beijer Electronics (including Korenix, Smart HMI).

Investment thesis

Case

Volume and operational excellence with a rejuvenated product portfolio

Ependion is a high technology company active in industrial automation and data communication. The group has undergone a large transformation in the past six years; when Ependion and Mitsubishi Electric terminated their 33-year long partnership agreement at the turn of the year 2015/16, Ependion's product portfolio was, to a large degree, end of life. Management spearheaded a portfolio renewal program with substantial investments in R&D, as well as new recruitments in marketing, sales, and support. In 2022 and 2023, these investments have been bearing fruit and the order intakes are at all-time highs. Volume and operational excellence are the keywords for Ependion when it comes to achieving good profitability.

Evidence

A trusted supplier to world-leading companies

Ependion's business model builds on close collaborations with customers in long-term development projects. Finished products (HMIs, ethernet switches, routers, etc.) are often specific to and embedded in the customers' end-products/solutions. A design win can generate repeatable and stable revenues for a long time (product cycles can be up to ten years). Ependion thus has a large share of repeatable revenues stemming from world-leading (and demanding) customers.

Challenge

History of subpar profitability

Ependion has a lacklustre history of low profitability and sluggish quarters. However, in the past two years, Ependion has steadily shown that it has been able to transform increased sales into strong earnings, and its EBIT margin has been close to achieving the goal of 15%. A sustained solid margin and reliable dividends will be the best way for Ependion to show that the past is firmly behind.

Challenge

Cyclical markets

Ependion is a cyclical company, where volumes will fluctuate depending on the general economy. Beijer Electronics, which sells HMIs to, for example, manufacturing companies and oil & gas companies, is more cyclical than Westermo, which sells routers and ethernet switches, etc., to train manufacturers and energy companies, among other things. Ependion is backed by the long-term owners Stena Adactum and Svolder, decreasing any financial risk due to temporary headwinds in the markets.

Valuation

Valuation

Redeye's base case of SEK130 places Ependion at an estimated 1.8x sales and 13x P/E in 2024e. According to us, this is not a stretched valuation by any means, as Ependion is gaining market share and should continue to improve profitability over time thanks to volume, which follows the current order intake (the leading indicator).

Catalyst types

New acquisition
Ependion has a history of acquisitions and continuously evaluates new prospects. A new big acquisition could serve as an exciting catalyst for the stock.

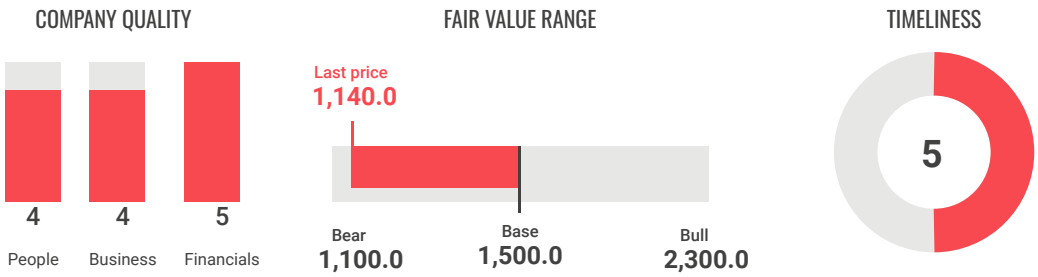
Continued stable sales volumes
Ependion's margins depend, to a large degree, on whether it can keep its sales volumes and efficiency up. Thus, stable and growing sales volumes in the coming quarters will likely act as an important catalyst.

Evolution EVO

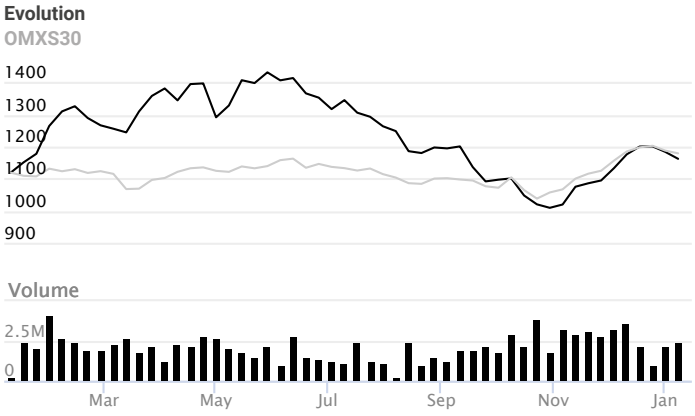
Company page
https://www.redeye.se/company/evolution

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Martin Carlesund
Chairman	Jens Von Bahr

Share information

Share price (SEK)	1,140.0
Number of shares (M)	215.6
Market cap (MSEK)	245,789
Net debt (2024E, MEUR)	-1,687

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Evolution: Yes

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MEUR	1,457	1,802	2,097	2,431
Growth	*36.3%*	*23.7%*	*16.4%*	*15.9%*
EBITDA	1,008	1,268	1,464	1,693
EBITDA margin	*69.2%*	*70.3%*	*69.8%*	*69.6%*
EBIT				
EBIT margin	*62.3%*	*63.5%*	*62.8%*	*62.6%*
Pre-tax earnings	907	1,149	1,318	1,523
Net earnings	843	1,067	1,120	1,294
Net margin	*57.9%*	*59.2%*	*53.4%*	*53.2%*
Dividend/Share	2.00	2.50	2.63	3.04
EPS adj.	3.96	5.01	5.25	6.07
P/E adj.	26.9	18.7	17.8	15.4
EV/S	15.2	10.5	8.7	7.2
EV/EBITDA	21.9	14.9	12.5	10.4

Last updated: 2023-12-14

Owner	Equity	Votes
Capital Group	16.0%	16.0%
Österbahr Ventures AB	10.4%	10.4%
BlackRock	5.2%	5.2%
WCM Investment Management	5.1%	5.1%
Vanguard	3.1%	3.1%
Norges Bank	2.1%	2.1%
Richard Livingstone	1.9%	1.9%
Avanza Pension	1.4%	1.4%
Tiger Global Management	1.4%	1.4%
Henric Wiman	1.1%	1.1%

Company description

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

Investment thesis

Case

Market leading platform company with long runway for growth

As the market leader in the online live casino supplier segment Evolution is well positioned for continued growth as the global casino market transitions from offline to online. The company has built a strong position by providing high-quality and innovative products which helps it to stay ahead of the competition. We expect Evolution to continue its growth journey driven by immature markets such as North America, Latin America and Asia while the more mature European market will see slower growth. Overall, we forecast average revenue growth of c. 20% over the next five years and around 15% in average over the next ten years. We expect profitability to remain stable yielding solid profit growth as well.

Evidence

Strong track record and large market opportunity

Evolution has a strong track record of growth and profitability. The company has increased revenue from EUR75m in 2015 when it was listed to around EUR1.4bn in 2022 which has largely been from organic growth. It has also increased profitability from an EBITDA-margin of 36% in 2015 to around 70% in 2022. The strong track record supports our view that the company should continue to capture growth from the ongoing transition from offline to online casino. The overall online gambling penetration is around 25% in 2022 with mature markets like Sweden and UK at around 50-60% implying a significant remaining growth potential for the total market.

Challenge

Emerging competition and regulatory risks

While Evolution remains the clear market leader in online live casino the competitors are gradually catching up. This could result in price pressure impacting growth negatively, however, Evolution has a strong brand among players which ensures that operators need to offer Evolution games or it might risk losing players to other operators. Another challenge is that Evolution also has a high share of revenue from non-regulated markets which creates a negative perception and could be a risk when they are regulated. However, we expect the share of regulated revenue to increase which should ease investor uncertainty and historically regulations have also typically been positive for Evolution.

Valuation

Base case DCF supported by strong growth and profitability

We find a base case valuation of SEK1,500 per share for Evolution which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of 22x on our 2023E EBITDA and 19x our 2024E EBITDA while the share has historically traded in a range of 15x to 45x twelve months forward EBITDA. Our base case assumes average growth of around 15% over the next five years and a gradual decline over 2028-38E to a terminal growth of 2% by 2038E. We estimate a stable EBITDA-margin until 2028E whereafter we assume a gradual decline towards a terminal EBITDA-margin of 60% by 2038E.

Catalyst types

Rapid US expansion

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

M&A

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

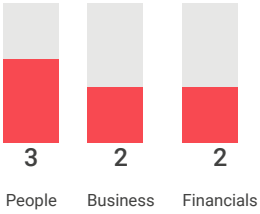
Fantasma Games FAGA

Company page
https://www.redeye.se/company/fantasma-games

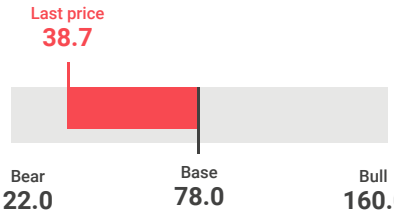
Publication date
January 12 2024

Redeye Rating

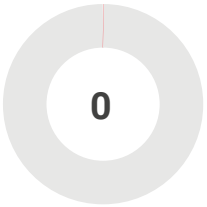
COMPANY QUALITY



FAIR VALUE RANGE

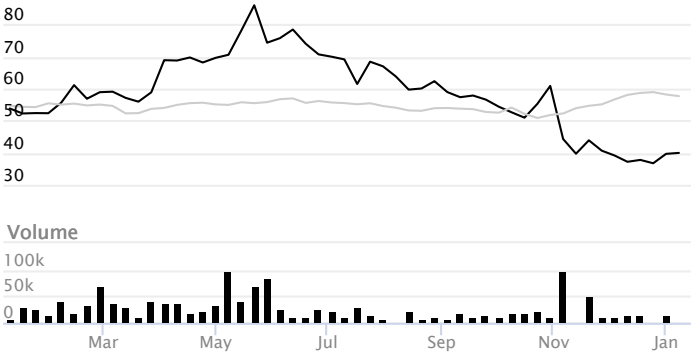


TIMELINESS



Snapshot

Fantasma Games
OMXS30



Marketplace	First North Stockholm
CEO	Fredrik Johansson
Chairman	Eric Holmberg

Share information

Share price (SEK)	38.7
Number of shares (M)	3.6
Market cap (MSEK)	138
Net debt (2024E, MSEK)	-4

Analyst



Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Fantasma Games: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	31	37	49	60
Growth	*>100%*	*19.9%*	*31.3%*	*23.7%*
EBITDA	5	10	17	26
EBITDA margin	*17.7%*	*27.8%*	*34.5%*	*43.3%*
EBIT				
EBIT margin	*Neg*	*1.7%*	*14.5%*	*23.3%*
Pre-tax earnings	-3	1	7	14
Net earnings	-3	0	6	11
Net margin	*Neg*	*1.0%*	*11.6%*	*18.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.89	0.11	1.59	3.16
P/E adj.	-46.3	380.7	25.1	12.6
EV/S	4.6	3.8	2.8	2.3
EV/EBITDA	25.7	13.8	8.2	5.4

Last updated: 2023-12-18

Owner	Equity	Votes
Fredrik Johansson	15.0%	15.0%
Karl Lindstedt	9.2%	9.2%
Martin Fagerlund	6.8%	6.8%
KL Capital AB	5.8%	5.8%
Christina Andersson	5.7%	5.7%
Oliver Jönsson	5.3%	5.3%
Tianzhi Zhou	3.7%	3.7%

Company description

Fantasma Games is a Swedish slot developer focused on developing games beyond gambling. The company was founded by the current CEO (Fredrik Johansson) and Chairman of the board (Eric Holmberg) in 2016 and launched its first game in 2017. Already from the beginning, the idea was to develop slots with game mechanics from the gaming world, adding an extra dimension to traditional slot games. The company distributes its games through distributors (aggregators) and reaches +200 operators in +50 countries. The revenues are primarily based on revenue share contracts, meaning that revenue increases when the players' total wagers increase. This also makes the revenue highly scalable, and a big part can be seen as recurring. The company consists of two business units, a gaming studio in Stockholm under the same name and Wiener Games, a gaming studio based in Sofia, Bulgaria, which Fantasma Games in Q3 2021 acquired. The studio in Stockholm only develops internal games, while Wiener Games primarily focuses on developing external games for third parties. As Fantasma Games continue to grow, Wiener Games will focus more on internal projects, supporting the group with more internal resources.

Investment thesis

Case

An emerging growth story

Fantasma Games is an attractive case with significant potential thanks to it being well-positioned to yield high returns from the growing online casino market. The company is run by industry veterans with skin in the game and is early in its growth journey, with its size offering it plenty of room for further expansion and a long growth runway. Thanks to its strategy of using aggregators, Fantasma Games effectively distributes its games and reaches +250 operators in more than 50 countries, making its business model highly scalable.

Evidence

Increased traction and scalability starting to be visible

The company has proven it can produce high-quality games on limited resources that can compete with the giants in the industry. In 2022, the US became its largest market, despite only being live with four games at two operators (BetMGM & Hardrock Casino). This demonstrates that Fantasma Games can attract the most prominent operators in the industry. The US market alone provides the company with significant growth potential, since it can add more games and operators while expanding into new states as they become regulated. Compared with its peers, we believe the company can reach high margins on relatively low sales levels, and we expect the stock to gain momentum as the business model scalability begins to show in the P&L.

Challenge

Brief history

Fantasma Games is still a relatively immature company with a limited track record. This increases the risk, since it is hard to judge if the company's growth is thanks to short-term game successes alone or whether it can reinvest its earnings into new high-performing games and maintain its growth.

Challenge

Regulation and competition

The online gambling market is highly regulated, and the company is dependent on distributors/aggregators' local licenses. If this were to change, Fantasma Games would be unable to distribute its games efficiently, as it would need to apply for local licenses. The company also operates in a highly competitive market, where the relatively low barriers to entry make it hard to build long-term competitive advantages.

Valuation

We see a healthy upside from current levels

Our DCF valuation suggests that Fantasma Games has a healthy potential upside, with a fair value of SEK78 per share. This implies an EV/EBITDA (2025e) multiple of 9x. However, to realize this potential, the company must continue to generate traction with its new game releases and expand into new markets and operators. In our Base Case scenario, we expect Fantasma Games to achieve scalability from current levels, resulting in a terminal EBIT margin of 35%.

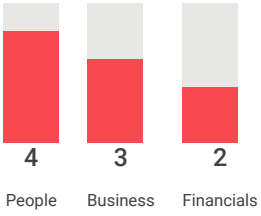
Flexion Mobile FLEXM

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

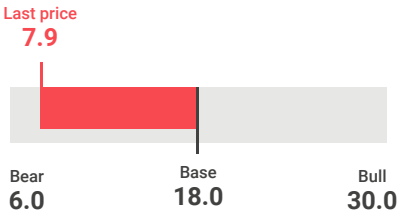
Publication date
January 12 2024

Redeye Rating

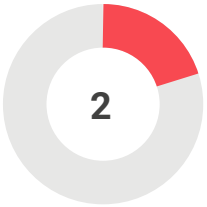
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot

Flexion Mobile
OMXS30



Marketplace	First North Stockholm
CEO	Jens Lauritzson
Chairman	Carl Palmstierna

Share information

Share price (SEK)	7.9
Number of shares (M)	56.2
Market cap (MSEK)	444
Net debt (2024E, MGBP)	-8

Analyst



Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Flexion Mobile: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MGBP	69	70	84	98
Growth	*>100%*	*2.1%*	*20.5%*	*16.0%*
EBITDA	4	3	7	10
EBITDA margin	*5.8%*	*4.4%*	*8.8%*	*9.9%*
EBIT				
EBIT margin	*2.1%*	*0.5%*	*5.6%*	*7.4%*
Pre-tax earnings	0	-1	5	7
Net earnings	0	-1	4	6
Net margin	*0.5%*	*Neg*	*4.5%*	*6.0%*
Dividend/Share	0.00	-0.01	0.03	0.05
EPS adj.	0.02	-0.02	0.07	0.10
P/E adj.	646.2	-615.3	138.6	90.4
EV/S	0.6	0.4	0.4	0.4
EV/EBITDA	9.7	9.0	4.2	3.9

Last updated: 2023-12-15

Owner	Equity	Votes
Mobile Sensations Ltd	20.2%	20.2%
Carl Palmstierna	6.3%	6.3%
Alta Fox Capital	4.6%	4.6%
Fredrik Palmstierna	3.5%	3.5%
Joachim Odqvist	2.8%	2.8%
Avanza Pension	2.8%	2.8%
eQ Asset Management Oy	2.7%	2.7%

Company description

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

Investment thesis

Case

Content is King

Like all platform companies, Flexion needs blockbuster content. During the last year the company signed contracts with some of the global market's highest grossing games. Their network effects are most important – strengthening Flexion's future market position. The signing of large platform titles increase Flexion's Average Monthly Grossing Revenues (AMGR) of its portfolio of titles which in turn makes the value proposition stronger for its potential customers. Another benefit for Flexion is that its portfolio of games enjoys survivorship bias. Flexion has the luxury to onboard already proven and successful games.

Evidence

Duopoly in doubt... a trend that benefits Flexion

With content giants such as Netflix, Spotify and Epic Games neglecting Apple's and Google's mobile marketplaces, a major change is under way. As Flexion is particularly suited to a more fragmented market, this shift could create new opportunities such as strategic partnerships. There are several other tailwinds benefiting Flexion in the near to mid-term, such as the Digital Markets Act. All of this together points to a more lucrative alternative app store market in the future. Changes to IDFA, GAID and Google's browser cookies is making it harder for mobile games' companies to monetize their games on iOS and Android, which in turn makes Flexion's value propositon look even stronger.

Challenge

Consolidation

For the last 10 years Apple and Google have had a duopoly in the western markets. The market is becoming more fragmented, which is benefiting Flexion, but in the longer term it is likely that 3-4 big players will dominate. In such a scenario, Flexion's value proposition would weaken. If the alternative app stores become big enough, large developers would likely self-publish its games.

Valuation

Low risk and low valuation

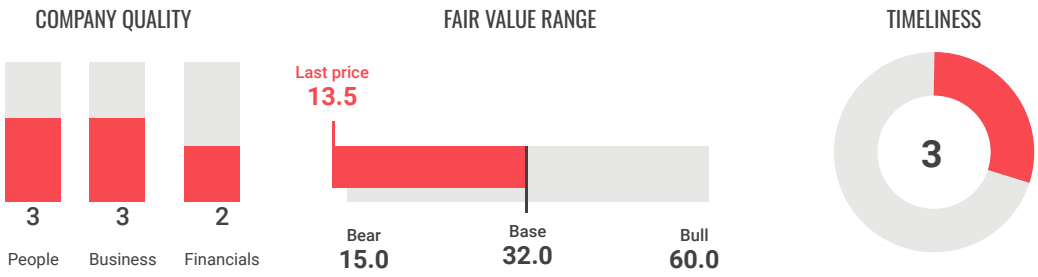
We belive Flexion offers an attractive opportunity as it is a fairly low-risk way to invest in the mobile games market. The portfolio of games are already proven and successful and Flexion has a large number of games so it is very diversified. On top of this, Flexion also has an asset light business, which leads to a high cash conversion. Flexion trades at a discount to mobile game developers.

FlexQube FLEXQ

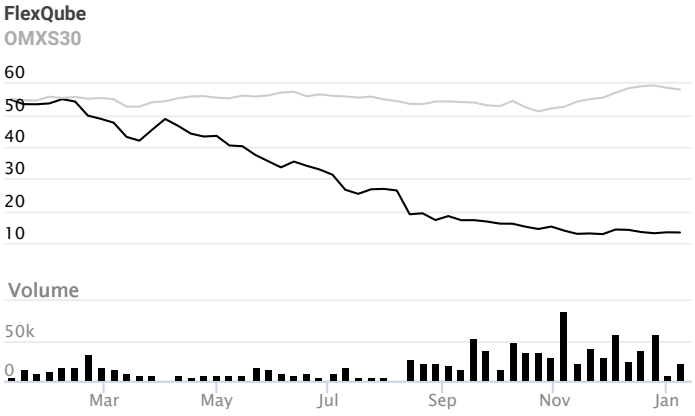
Company page
https://www.redeye.se/company/flexqube

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Mårten Frostne
Chairman	Christian Thiel

Share information

Share price (SEK)	13.5
Number of shares (M)	13.4
Market cap (MSEK)	181
Net debt (2024E, MSEK)	15

Analyst



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in FlexQube: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	205	115	190	285
Growth	*81.7%*	*-43.8%*	*65.0%*	*50.0%*
EBITDA	-2	-62	-15	23
EBITDA margin	*Neg*	*Neg*	*Neg*	*8.0%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*6.2%*
Pre-tax earnings	-70	-72	-21	17
Net earnings	-70	-72	-21	17
Net margin	*Neg*	*Neg*	*Neg*	*5.9%*
Dividend/Share				
EPS adj.	-8.45	-5.38	-1.59	1.25
P/E adj.	-6.5	-2.5	-8.4	10.7
EV/S	2.2	1.5	1.0	0.7
EV/EBITDA	-296.4	-2.7	-12.8	8.6

Last updated: 2023-12-17

Owner	Equity	Votes
Christian Thiel	19.3%	19.3%
Per Augustsson	17.7%	17.7%
Håkan Roos (RoosGruppen)	17.4%	17.4%
Anders Fogelberg	11.5%	11.5%
Nils-Robert Persson	6.6%	6.6%
Carnegie Fonder	2.3%	2.3%
Johan Karlsson	2.1%	2.1%
Avanza Pension	2.1%	2.1%
Anders Ströby	0.8%	0.8%
FE Fonder	0.7%	0.7%

Company description

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

Investment thesis

Case

The landgrab has started

The landgrab within robotics has started with a market that is expected to grow at a double-digit CAGR in the coming decade, and FlexQube is a David against Goliaths as competitors have significantly larger war chests and R&D teams. As FlexQube is not tied up by outdated legacy solutions it will not cannibalize on the old business to the same extent as the Goliaths, thereby handing it an edge in the swiftly moving industry. FlexQube differentiates itself from other robotics companies with its experience in material handling while the competitors are pure robotics players. Its range of robots is unique in that they are flexible and adaptable to different use cases while the products from competitors are static and built to carry a certain type of load. If a customer starts a new process and uses FlexQube they only need to order a few additional mechanical building blocks while using products from a competitor may mean a whole set of new robots and carts. That is the key differentiator of FlexQube's "lego-like" concept. Coupled with FlexQube's eQart line, an automated guided vehicle (AGV), and the upcoming launch of FlexQube's Navigator, an autonomous mobile robot (AMR), the new product portfolio has the potential to enable significantly higher value per unit sold - which we see as an important driver for shareholder returns.

Evidence

Agile and owner-operated

FlexQube is built for change both from a product perspective and from the company culture. The fact that the company has owner-operators at the helm secures a long-term focus, and they also have a solid industrial owner in RoosGruppen, which is the largest external investor in FlexQube with 17% of the shares.

Challenge

Cash strapped

FlexQube needs a lot of cash in order to grow as the company binds a lot of funds in working capital. We think this has been a hurdle at times. The company secured additional funding in Q3 2023 through a mix of a rights- and directed share issue, raising a total of SEK77m (post fees) and now has ample resources to grow.

Challenge

Small R&D team

FlexQube has managed to develop new products as a fast clip despite having small R&D resources. One could think the product development activity to be weak due to this but FlexQube has shown that the quality of the team matters most.

Valuation

Transformation is starting to get recognized

We argue that investors should start to recognize FlexQube's transformation into a robotics company once the Navigator has been successfully launched and order intake picks up. Our fair value range is SEK15 to SEK60 per share with a base case value of SEK32 per share.

Catalyst types

eQart taking off

The key catalyst for the next 12 months is large orders for the eQart. To this date, one commercial order has been put (USD0.5m), while the previous orders have been more in the form of testing out. A large industrial player could use hundreds of eQarts in a factory and an order of that scale would be placed it would be a very important signal.

Takeover attempt

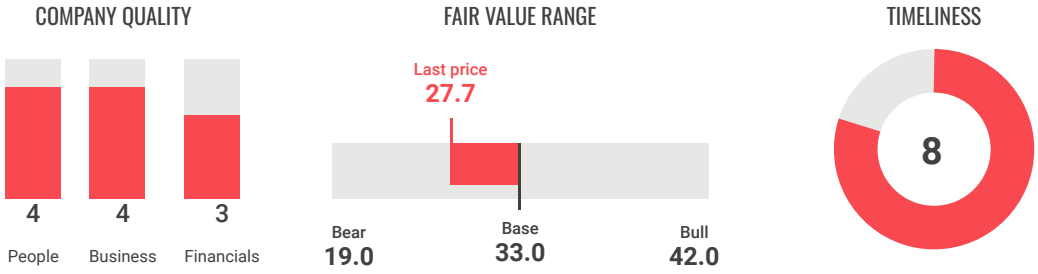
Many incumbent players are probably envious of FlexQube's offering and have deep pockets and the combination could lead to a future take-over attempt. There has been a number of acquisitions in the industry recently. The likelihood of a buy-out increased with Amazon's order for FlexQube's eQart's as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

Formpipe Software FPIP

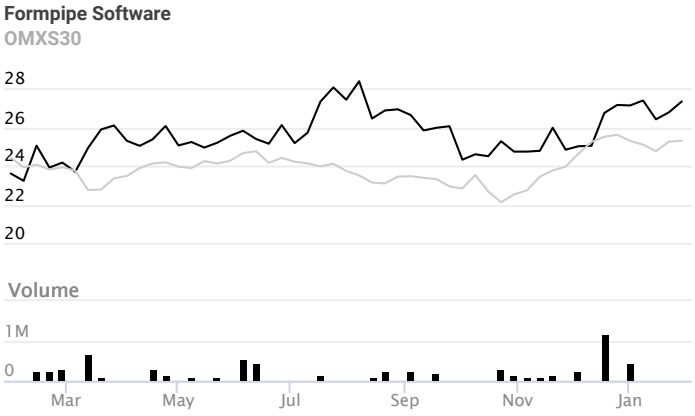
Company page
https://www.redeye.se/company/formpipe-software

Publication date
February 1 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Magnus Svenningson
Chairman	Annikki Schaeferdiek

Share information

Share price (SEK)	27.7
Number of shares (M)	54.2
Market cap (MSEK)	1,502
Net debt (2024E, MSEK)	-72

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Formpipe Software: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	485	527	569	622
Growth	*2.5%*	*8.6%*	*7.9%*	*9.5%*
EBITDA	72	117	156	187
EBITDA margin	*14.9%*	*22.2%*	*27.4%*	*30.0%*
EBIT				
EBIT margin	*3.3%*	*9.5%*	*15.4%*	*19.4%*
Pre-tax earnings	11	48	86	119
Net earnings	9	36	68	95
Net margin	*1.8%*	*6.8%*	*12.0%*	*15.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.16	0.66	1.26	1.75
P/E adj.	137.5	38.0	19.8	14.3
EV/S	2.5	2.6	2.3	1.9
EV/EBITDA	17.0	11.6	8.2	6.3

Last updated: 2023-12-18

Owner	Equity	Votes
Alcur Fonder	11.5%	11.5%
Martin Gren (Grenspecialisten)	10.9%	10.9%
Martin Bjäringer	9.2%	9.2%
Northern Trust Company London Branch	7.2%	7.2%
SEB Fonder	6.9%	6.9%
TIN Fonder	5.9%	5.9%
Thomas Wernhoff	5.5%	5.5%
Mission Trail Capital Management LLC	5.0%	5.0%
Swedbank Robur Fonder	5.0%	5.0%
UBS Switzerland AG	4.3%	4.3%

Company description

Formpipe is a Swedish provider of Content Management tools for the Swedish and Danish public sectors and the global private sector. Formpipe has a wide range of proprietary software targeting different parts of the content management market. Formpipe's offering towards the public sector targets municipalities, regions and authorities, and the company is one of the leading players in Sweden and Denmark. While it has some partners in Sweden, public customers are generally served by Formpipe's in-house consulting team. The Private segment focuses on Lasernet, which is sold as an add-on to ERP and banking systems, mainly Microsoft Dynamics and Temenos.

All three segments generate most of their sales from recurring revenue related to SaaS, and Support & Maintenance. While all segments are highly scalable thanks to proprietary software, the Public segments have lower scalability compared to a pure software company considering a rather high share of consulting and a wide range of products. The Private segment, based on a partner driven sales strategy, is, on the other hand, highly scalable.

Investment thesis

Case

Margins to Increase as Private Sector Initiatives Pays Off

Since 2021, Formpipe has invested most of the cash flow generated in the highly profitable non-cyclical segments Public SE and Public DK into growth in the Private segment – the company's most significant growth opportunity. As the investments have paid off in the form of higher SaaS growth and as we foresee a slowdown in the cost expansion, we expect Formpipe's margin to increase gradually, starting in 2023. We expect quarterly reports during 2023 and 2024 showing gradually improving margins to be the main catalyst.

Evidence

Substantial Improvements in SaaS Growth Suggest Efficient Investments

Following the growth investments in 2021, the ACV (absolute ARR growth) has increased from about SEK10m to SEK~30m yearly. We believe the substantial increase implies the investments into the Private segment have been a success so far, and we believe their full effect is still to come. With the Public segments SE and DK having a long track record of high profitability and strong cash flows, the group is set to return to solid margin levels.

Challenge

Limited Growth Compared to Average SaaS Business

Although Formpipe's SaaS revenues and Private segment have grown by over 20% for years, its total sales growth has been in the single digits for the last few years. While the relatively low growth is partly due to lower non-core consulting sales (Deliveries), the large Support & Maintenance revenue grows slowly. Although we do not expect Formpipe to become a high-growth SaaS company, we believe recent initiatives, such as the investments in the Private segment and increased delivering capacity in Public SE, pave the way for ~10% sales growth.

Challenge

Diversification or Diworsification?

With +20 products, although some are add-ons to others, Formpipe has a broad product portfolio, sometimes with overlapping functionality. While the broad portfolio provides diversification, it also reduces the scalability, as every product requires R&D. To improve scalability Formpipe develops new functionality jointly for all relevant products, such as for Platina, Acadre, and W3D3. In addition, the Private segment is gradually becoming dominated by the fast-growing Lasernet. Thus, we believe the diversification will decrease, and the scalability will improve.

Valuation

Fair Value SEK 33

Our DCF model shows a fair value of SEK 33, which is also supported by a peer valuation. While its margins are temporarily depressed, we believe Formpipe's non-cyclical recurring revenues combined with the growth in the Private segment support a higher valuation.

Catalyst types

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

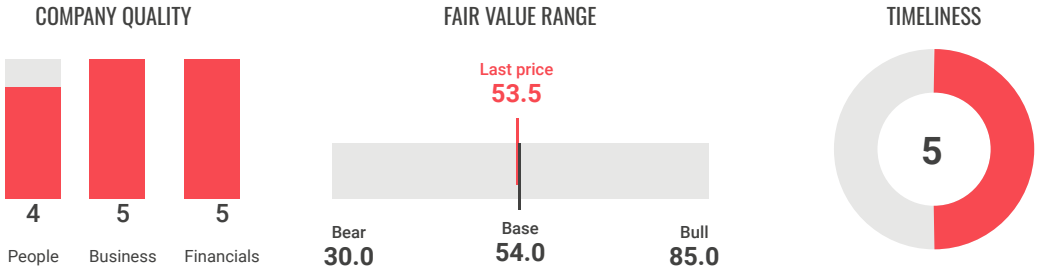
Quarterly reports
Strong quarterly reports with solid growth and improving margins could cause increases in our Fair Value Range

Fortnox FNOX

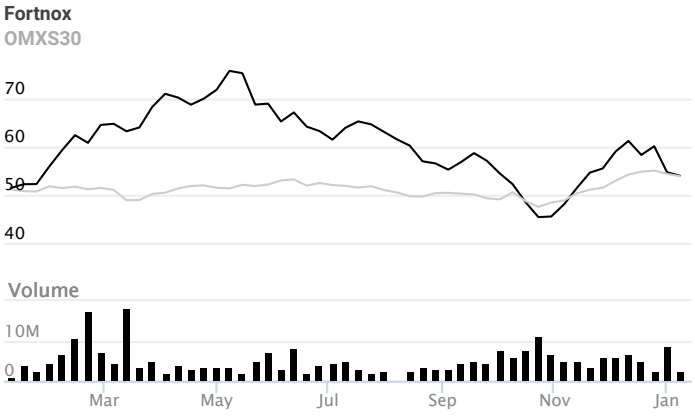
Company page
https://www.redeye.se/company/fortnox

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Tommy Eklund
Chairman	Olof Hallrup

Share information

Share price (SEK)	53.5
Number of shares (M)	609.7
Market cap (MSEK)	32,609
Net debt (2024E, MSEK)	-1,037

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Fortnox: Yes

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,276	1,628	2,029	2,517
Growth	*36.9%*	*27.6%*	*24.6%*	*24.0%*
EBITDA	593	809	1,042	1,323
EBITDA margin	*46.5%*	*49.7%*	*51.3%*	*52.6%*
EBIT				
EBIT margin	*36.4%*	*40.2%*	*43.7%*	*46.0%*
Pre-tax earnings	454	659	888	1,158
Net earnings	347	516	705	919
Net margin	*27.2%*	*31.7%*	*34.7%*	*36.5%*
Dividend/Share	0.12	0.21	0.29	0.38
EPS adj.	0.57	0.85	1.16	1.51
P/E adj.	82.6	63.2	46.3	35.5
EV/S	22.3	19.7	15.6	12.3
EV/EBITDA	47.9	39.6	30.3	23.4

Last updated: 2024-01-12

Owner	Equity	Votes
Olof Hallrup	18.8%	18.8%
State Street Bank And Trust co	7.4%	7.4%
Swedbank Robur Fonder	5.0%	5.0%
Vor Capital LLP	3.8%	3.8%
JP Morgan Chase Bank NA	3.7%	3.7%
Vanguard	3.1%	3.1%
The Bank Of New York Mellon	2.9%	2.9%
Morgan Stanley & co Intl Plc	2.7%	2.7%
Goldman Sachs International	2.3%	2.3%
Didner & Gerge Fonder	2.0%	2.0%

Company description

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

Investment thesis

Case

Swedish SME's leading software provider

With about 1/3 of all Swedish SMEs as customers, Fortnox has an unmatched position regarding data, integrations, and active accountants. While we believe Fortnox can continue to grow its customer base rapidly until ~2025, we believe the significant upside lies in increasing the revenue per customer. Providing a "must-have" SaaS product for a wide range of industries makes Fortnox both scalable and resistant to economic cycles.

Evidence

Impressive track record of cost-efficient growth

Fortnox turned profitable as a small company and has since then combined high sales growth with high margins for several years, with an R40 often above 60%. Despite its solid track record, the average revenue per customer remains far below the potential, both regarding the SaaS core offering and new areas such as financial services. Some offerings within financial service have ARPC of several thousand SEK but are currently used by less than 1% of Fortnox customers. Thus, the potential is huge.

Challenge

High profitability attracts competition

While new entrants threaten every profitable market, we believe Fortnox has several sustainable competitive advantages. First, we believe most SMEs focus on its core business rather than switching ERP software, resulting in switching costs. Second, thanks to its large number of integrations and active accountants using the software, we believe Fortnox's ecosystem has network effects.

Challenge

How many modules and services do the average SME need?

Although Fortnox has over ten different modules, the average customer uses about 2.5. Also, a few percent of customers use any financial service, the figure is even lower for the most lucrative financial services. The relatively low usage could indicate most SMEs are not interested in more than the basic "must-have" modules such as Accounting. However, we believe the usage of modules and service will increase as more SMEs mature digitally and Fortnox increases automation.

Valuation

Fair Value SEK 54

Based on our DCF model, we see a fair value of SEK 54. While our Base Case implies high EV/S and EV/EBIT multiples for the next few years, we believe that is fair considering Fortnox's scalability, competitive advantages, and growth prospects.

Catalyst types

Increasing ARPC

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

Quarterly reports

Strong quarterly reports with solid growth and improving margins could cause increases in our Fair Value Range

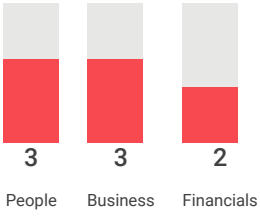
Fragbite Group FRAG

Company page
https://www.redeye.se/company/fragbite-group-2

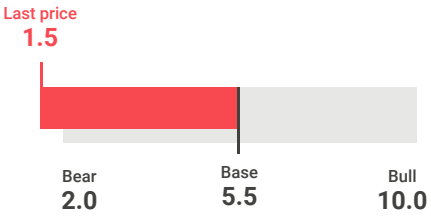
Publication date
January 12 2024

Redeye Rating

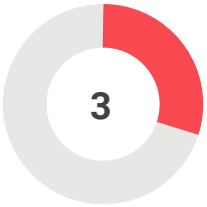
COMPANY QUALITY



FAIR VALUE RANGE

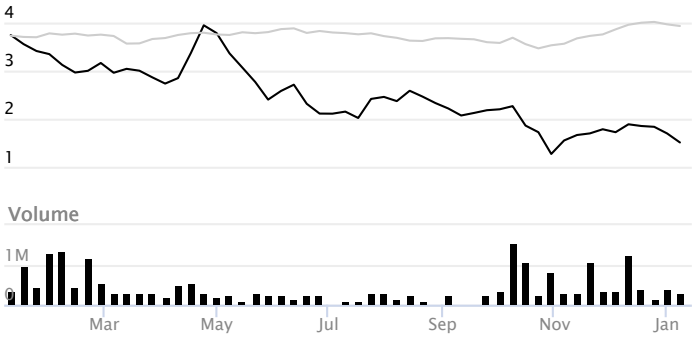


TIMELINESS



Snapshot

Fragbite Group
OMXS30



Marketplace	First North Stockholm
CEO	Marcus Teilman
Chairman	Stefan Tengwall

Share information

Share price (SEK)	1.5
Number of shares (M)	108.5
Market cap (MSEK)	163
Net debt (2024E, MSEK)	35

Analyst



Viktor Lindström
viktor.lindstrom@redeye.se

Conflict of interests

Viktor Lindström owns shares in Fragbite Group: No

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

Financials

	2022	Redeye Estimates 2023E	2024E
Revenue, MSEK	254	263	467
Growth	*>100%*	*3.6%*	*77.3%*
EBITDA	12	18	64
EBITDA margin	*4.7%*	*6.8%*	*13.8%*
EBIT			
EBIT margin	*2.7%*	*4.6%*	*3.0%*
Pre-tax earnings	-96	-89	8
Net earnings	-13	-5	7
Net margin	*Neg*	*Neg*	*1.4%*
Dividend/Share	0.00	0.00	0.00
EPS adj.	-0.14	-0.04	0.05
P/E adj.	-27.3	-38.8	31.0
EV/S	1.4	0.6	0.5
EV/EBITDA	30.3	9.3	3.7

Last updated: 2023-12-19

Owner	Equity	Votes
Swedbank Försäkring	9.2%	9.2%
Mikael A Pettersson	8.3%	8.3%
Avanza Pension	7.3%	7.3%
The Barbarian Group AB	6.7%	6.7%
Svensk, Filial Alandsbanken Abp (Finland)	5.9%	5.9%
W-8imy Caceis Bank	5.8%	5.8%
Santhe Dahl	5.1%	5.1%
Moongolde Ltd	5.1%	5.1%
Citi Switz AG AS Agent For Clients	4.8%	4.8%
Sellers of Lucky Kat B.V.	4.4%	4.4%

Company description

Fragbite Group is a global gaming group focused on mobile gaming, PC/Console, e-sports, and Web3 initiatives. The subsidiaries are well synergized and allow Fragbite Group to target the entire gaming market from multiple directions.

Investment thesis

Case

Diversified growth

Fragbite Group is a global gaming and e-sports company focusing on several niches, such as e-sports, Web3, and porting of proven PC/console games to mobile. The company has many growth possibilities, and all its submarkets are expected to grow in excess of 5% per year, according to Newzoo. We forecast Fragbite Group to outgrow the market thanks to: 1) its geographical exposure to China, the world's largest market for mobile gaming; 2) the distinct possibilities to cross-sell existing IPs and enter attractive new areas such as e-sports and Web3; and 3) a higher tempo for upcoming games releases with limited downside risk. 4) The recent acquisition of Fall Damage provides vast optionalities and synergies that should accelerate growth in terms of commercial success.

Evidence

Proven games and IPs despite tough competition

Playdigious—acquired last year—has ported the well-known Dead Cells, Northgard, and Evoland 2 games. Dead Cells is an action indie game launched in China in early 2021 and has since achieved more than two million paid downloads, holding steady among China's highly competitive top 30 popular games. In addition, the games from Lucky Kat—acquired in late 2022—have achieved more than 200 million downloads and are among the pioneers in Web3-related games. Fragbite Group's documented past performance should mitigate the risk of upcoming disappointments and ensure healthy ROI on its organic growth initiatives.

Challenge

Monetization

The monetization in e-sports remains particularly weak, while Web3 monetization is still highly uncertain. Moreover, the commercialization of Web3 and e-sports could also take longer than the market expects, especially as weaker macro sentiment can hinder growth acceleration. In addition, the lack of Playdigious's own IPs spells potential risks regarding future pricing power and monetization.

Valuation

Well diversified growth warrants a premium

We forecast accelerated growth until 2026e on the back of its acquisition of Fall Damage and diversified core portfolio. In total, we expect the EBITDA margin to reach 18% in 2026e up from 11% in 2021, driving accelerated earnings growth in the same period. At our base case, Fragbite Group trades at an EV/Adj EBIT multiple of c7.5x in 2026e.

Catalyst types

Token sales

Fragbite Group's underlying subsidiary is one of the pioneers in Web3 gaming. In 2022, issued token sales generated USD c3.35m. The company has stated that it intends to issue and sell further tokens, which could materialize in 2023.

New Game releases

New successful game releases could act as a catalyst for the share.

Additional sign platform deals

Further signed platform deals as those recent with Netflix, ensure revenues with healthy profitability levels at limited risks.

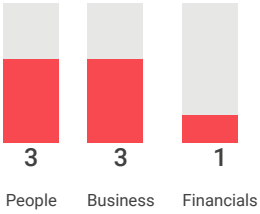
Freemelt FREEM

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

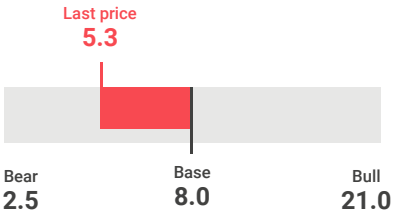
Publication date
January 12 2024

Redeye Rating

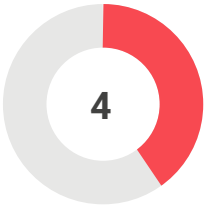
COMPANY QUALITY



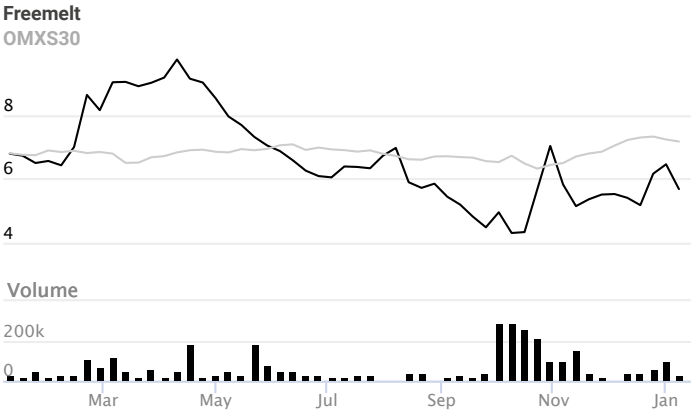
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Daniel Gidlund
Chairman	Carl Palmstierna

Share information

Share price (SEK)	5.3
Number of shares (M)	47.6
Market cap (MSEK)	252
Net debt (2024E, MSEK)	-8

Analyst



Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Freemelt: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	36	20	83	127
Growth	*>100%*	*-46.0%*	*>100%*	*52.4%*
EBITDA	-14	-37	-2	19
EBITDA margin	*Neg*	*Neg*	*Neg*	*14.7%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-68	-88	-55	-33
Net earnings	-68	-88	-55	-26
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.54	-0.86	-0.16	0.45
P/E adj.	-14.3	-7.0	-38.3	13.5
EV/S	7.6	12.9	3.3	2.2
EV/EBITDA	N/A	N/A	-123.6	14.6

Last updated: 2023-12-15

Owner	Equity	Votes
Stiftelsen Industrifonden	14.3%	14.3%
Carlbergssjön	13.7%	13.7%
Henrik Ohldin	7.5%	7.5%
Avanza Pension	6.7%	6.7%
Carl Palmstierna	5.1%	5.1%
Birger Ulrik Lindeblad	5.1%	5.1%
Martin Wildheim	5.1%	5.1%
Coeli Asset Management	4.8%	4.8%

Company description

Freemelt is a Swedish metal 3D printer developer that focuses on becoming a leading supplier of reliable technology, products, and solutions within the field. Freemelt was founded in 2017 by 3D printing veterans who have previously been working at GE/Arcam, the leading player in the metal 3D printing market using E-PBF (Electron Beam Powder Bed Fusion).

The headquarter is located in Mölndal, Gothenburg, and Freemelt has >30 employees. The company started to develop its first 3D printer (Freemelt ONE) in 2017 and received its first order in 2018. The company delivered its first 3D printer in February 2019.

The company focuses on E-PBF 3D printers, a technology where an electron beam melts metal powder; this can be compared to more traditional technology, L-PBF (Laser Powder Bed Fusion), where a laser beam melts the powder. Hence, Freemelt focuses on a niche market within the 3D printing market.

Investment thesis

Case

Superior management, with exponential growth ahead

We believe Freemelt is an attractive case with a superior management team and the potential for rapid growth ahead. We expect the company's growth rate to increase significantly as we estimate its 3D printer for industrial use will be released in 2024. As the industrial 3D printer should sell at a price around 2-3x its current 3D printer, we believe this launch will result in a significant revenue boost in the coming years. In addition to the near-term triggers, we argue that an investment in Freemelt also provides exposure to the fast-growing 3D printing market.

Evidence

A short but solid track record bolsters our view

Freemelt has proven its ability to innovate with new technology with its current 3D printer and patented technology. We believe the stock will gain momentum when the company launches the industrial 3D printer and particularly when the first orders are announced. In addition, as the company improves its growth rates, we believe the market will view Freemelt from a different perspective, leading to a higher valuation.

Challenge

The industrial 3D printer is still unproven

We expect Freemelt's future revenue growth to stem mainly from its industrial 3D printer, which is still under development. This implies a risk since it remains uncertain to what degree the industrial 3D printer will meet the market's expectations. It also creates uncertainty as to when revenues from the industrial 3D printer will be recognized. However, Freemelt's track record should ease investor concerns, as its current 3D printer proves that Freemelt has what it takes to succeed.

Challenge

The market needs to be educated

Since the 3D printing market is still relatively immature, Freemelt must not only develop an industrial 3D printer but must also educate the market and convince potential customers that 3D printing is the way to go. However, this was also the case with Freemelt's first 3D printer, which has since been sold to several universities, demonstrating Freemelt's ability to sell new products and educate the market.

Valuation

The current share price does not consider the future growth rate

Based on our DCF model, our Base case scenario indicates a fair value of SEK8. While the current multiples might appear somewhat stretched compared to peers, we believe they are reasonable given Freemelt's expected growth rate for the coming years. In our valuation, we estimate Freemelt will succeed with its industrial 3D printer and reach healthy gross margins, leading to long-term EBIT margins of 10-15%.

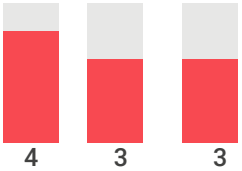
G5 Entertainment G5EN

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

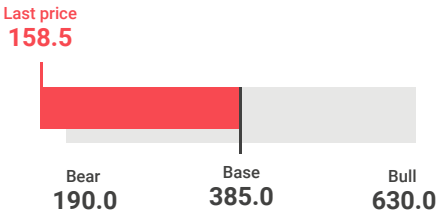
Publication date
January 14 2024

Redeye Rating

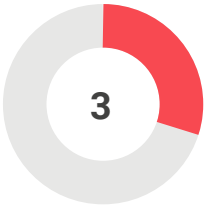
COMPANY QUALITY



FAIR VALUE RANGE

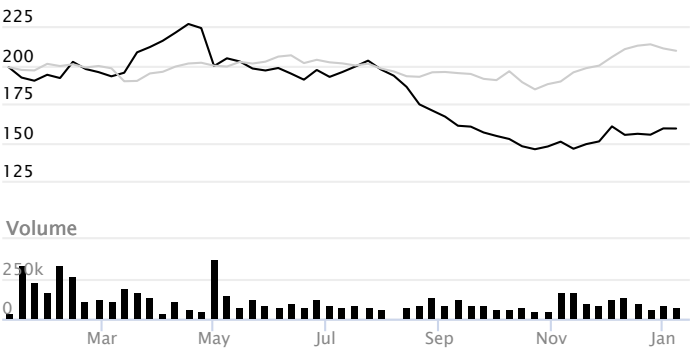


TIMELINESS



Snapshot

G5 Entertainment
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Vladislav Suglobov
Chairman	Petter Nylander

Share information

Share price (SEK)	158.5
Number of shares (M)	8.6
Market cap (MSEK)	1,356
Net debt (2024E, MSEK)	-449

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in G5 Entertainment: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,400	1,335	1,359	1,422
Growth	*6.4%*	*-4.6%*	*1.8%*	*4.6%*
EBITDA	318	305	324	356
EBITDA margin	*22.7%*	*22.9%*	*23.9%*	*25.0%*
EBIT	167	136	154	177
EBIT margin	*11.9%*	*10.2%*	*11.4%*	*12.5%*
Pre-tax earnings	76	161	154	177
Net earnings	67	151	139	155
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	8.00	9.00	10.00	11.00
EPS adj.	18.67	18.77	17.27	19.31
P/E adj.	11.2	8.0	8.7	7.8
EV/S	1.1	0.6	0.6	0.5
EV/EBITDA	4.9	2.8	2.3	1.8

Last updated: 2023-12-14

Owner	Equity	Votes
Wide Development Ltd	7.5%	7.6%
Avanza Pension	6.9%	7.0%
G5 Entertainment AB (Publ)	5.9%	4.2%
Purple Wolf Ltd	5.6%	5.7%
Swedbank Robur Fonder	5.1%	5.2%
Tommy Svensk	4.7%	4.8%
Proxima Ltd	3.3%	3.3%
Nordnet Pensionsförsäkring	3.2%	3.2%
Argenta Asset Management SA	2.9%	3.0%

Company description

G5 Entertainment is a developer and publisher of casual free-to-play games for smartphones and tablets with a strong position in its niche. Since the company's pivot towards own IPs in 2018, it has gradually built a portfolio of games with long lifetimes and devoted players which generates stable and recurring income.

Investment thesis

Case

Experienced free-to-play gaming group with strong position in its niche

G5 has a long history in gaming and since its foundation in 2001 it has created a strong position in its niche in the free-to-play gaming market. The company's games portfolio is mainly tilted towards Match-3, Solitaire, Hidden Object and Word games that are popular in its core customer group which are women in the age of 35 and above. With a clear target group, the company has built a strong knowledge of its users which gives it an advantage investing in user acquisition (UA). This has helped the company to launch several successful game franchises such as the Jewels family of games, Secret Society, Homicide Squad, Mahjong Journey, Sherlock and Hidden City (licensed game). Looking forward we expect the company to continue its growth journey supported by its existing games coupled with a growing portfolio of new games. Furthermore, the company's ongoing transition to a larger share of own games vs licensed games creates potential for margin improvement. Overall, we forecast that G5 will grow in line with the mobile gaming market with profit growing stronger than revenue.

Evidence

Solid growth in own games and improving profitability

While G5's overall growth has been muted since 2018 due to a transition to own games vs licensed games, its own games have seen solid growth with a CAGR 28% in 2018-21 (share of revenue increase from 28% to 73%). The company has also held its UA investments stable in line with its typical range at 17-22%, albeit with some quarterly variations depending on growth opportunities. Together with lower license costs due to a larger share of own games and lower platform costs this has yielded a margin expansion with an gross-margin of 62% in 2021 vs 49% in 2018. The solid growth track record for its own games supports our view of continued growth and profitability improvement going forward.

Challenge

Highly competitive free-to-play games market

The key challenge for G5 to continue generate profitable growth in our view is the high competition in the free-to-play gaming market. Several games are launched each day and larger gaming groups has also increased its focus in the segment. However, with a niche focus where the company has established a market leading position, we believe the company is well placed vs competition.

Valuation

Base case DCF supported by solid cash generation and margin expansion

We find a base case valuation of SEK385 per share for G5 which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of c. 9x on our 2024E EBITDA while the share has historically traded in a range of 3x to 12x twelve months forward EBITDA. Our base case assumes growth of around 5% over 2024-28 and 3% over 2029-38 with a terminal growth of 2% by 2038E. We estimate an expanding EBIT-margin reaching 25% by 2028E whereafter we assume a gradual decline towards a terminal EBIT-margin of 20% by 2038E.

Catalyst types

Gross Margin Expansion

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

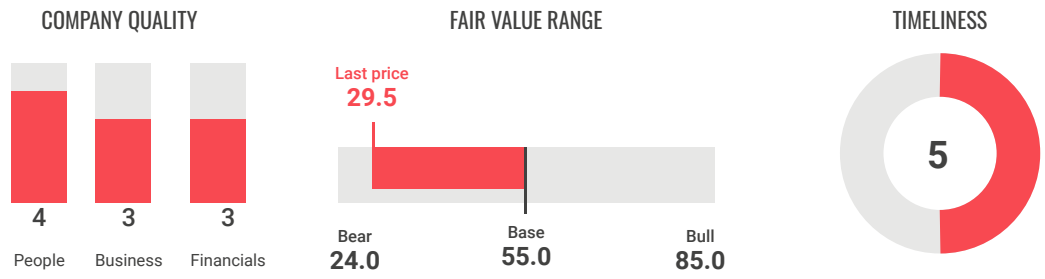
Gaming Innovation Gro...

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

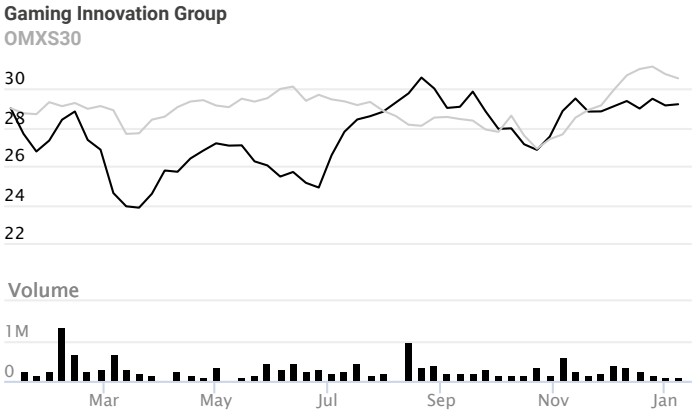
Publication date
January 14 2024

GIGSEK

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Jonas Warrer
Chairman	Petter Nylander

Share information

Share price (SEK)	29.5
Number of shares (M)	129.0
Market cap (MSEK)	3,806
Net debt (2024E, MEUR)	44

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Gaming Innovation 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		
	2022	2023E	2024E	2025E
Revenue, MEUR	90	126	171	203
Growth	*34.9%*	*39.6%*	*35.6%*	*18.7%*
EBITDA	32	63	79	98
EBITDA margin	*35.9%*	*49.8%*	*46.2%*	*48.4%*
EBIT	12	37	50	69
EBIT margin	*13.0%*	*29.1%*	*29.2%*	*34.1%*
Pre-tax earnings	8	27	42	65
Net earnings	6	24	33	52
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.05	0.19	0.26	0.40
P/E adj.	59.8	13.4	9.7	6.3
EV/S	4.3	3.1	2.2	1.7
EV/EBITDA	12.0	6.1	4.7	3.5

Last updated: 2023-12-14

Owner	Equity	Votes
SkyCity Entertainment Group	11.0%	11.0%
Andre Lavold	6.2%	6.2%
Kjetil Myrlid Aasen	5.8%	5.8%
Zbigniew Eugeniusz Juroszek With Companies	5.5%	5.5%
Jesper Ribacka	4.0%	4.0%
Henrik Persson Ekdahl	3.7%	3.7%
Symmetry Invest A/S	3.7%	3.7%
BNG Special Situations Fund	2.5%	2.5%

Company description

Gaming Innovation Group ("GiG") is an B2B company in the online gambling segment where it provides account management and sports betting services as well as marketing services to online gambling operators. The company's largest market is Europe while it is also active in South and North America.

Investment thesis

Case

Fast growing diversified online gambling B2B supplier

With a broad product offer in online gambling B2B services including player account management, sportsbook and front end together with a strong affiliate product, Gaming Innovation Group has an attractive and well diversified business. The company has a strong position in its market niche focusing on smaller operators as well as large traditional offline casino groups entering online markets and providing larger online operators with products for its non-core markets. Gaming Innovation Group is a high growth company targeting annual growth of 20% as well as highly profitable with a target to achieve an EBITDA-margin in excess of 50% during 2024 (2022 c36%). We view the financial targets as credible supporting a positive view based on strong earnings growth for several years ahead.

Evidence

Solid track record in Media and M&A synergies supporting margin improvements in Platform

Gaming Innovation Group has seen solid growth and profitability improvements after it divested its B2C operations in 2020 to become fully focused on B2B. The Media segment has been the strongest part of the business since then seeing annual growth of 30% in 2021-22 and EBITDA-margin of around 47-48% coupled with strong cash generation. The Platform business managed to become EBITDA-positive in 2021 and with the acquisition of Sportnco in 2022 it has achieved solid profitability with an EBITDA-margin of around 20% in 2022. GiG sees strong synergies from the acquisition with Sportnco supporting its ambition to achieve 50% EBITDA during 2024.

Challenge

Successful clients could migrate to own platforms

We believe a potential challenge for Gaming Innovation Group is that successful clients that become larger groups with more resources could opt to move their platform inhouse. This has been seen in some examples where large online gambling operators for example creates their own sportsbook operations instead of using suppliers. While this could happen to GiG, we believe its large client portfolio (41 clients in 2022) as well customer target group reduces this risk.

Valuation

Base case DCF supported by strong growth and improving margins

We find a base case valuation of SEK55 per share for GiG which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of c. 9x on our 2024E EBITDA while the share has historically traded in a range of 5x to 12x twelve months forward EBITDA. Our base case assumes growth of around 12% over 2024-28 and 4% over 2029-38 with a terminal growth of 2% by 2038E. We estimate an expanding EBITDA-margin reaching 50% by 2028E whereafter we assume a gradual decline towards a terminal EBITDA-margin of 45% by 2038E.

Catalyst types

Increased multiples

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

Growth in Platform Clients and Brands

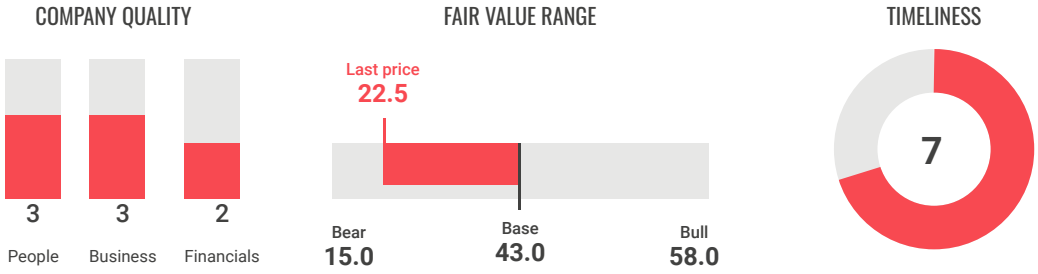
GiG has signed several smaller and some larger clients in its platform business including the land-based giant SkyCity. Additional and extended deals like these together will clear effects on the revenue levels should take the valuation to a new level.

Gapwaves GAPW B

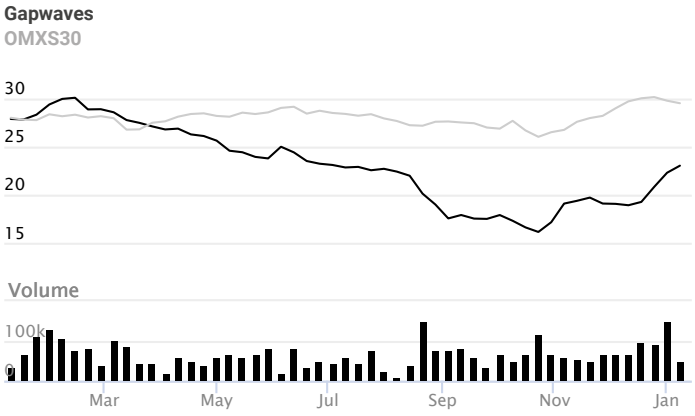
Company page
https://www.redeye.se/company/gapwaves

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Jonas Ehinger
Chairman	Magnus Jonsson

Share information

Share price (SEK)	22.5
Number of shares (M)	31.1
Market cap (MSEK)	699
Net debt (2024E, MSEK)	-113

Analyst



Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson owns shares in Gapwaves: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	64	31	52	127
Growth	*83.7%*	*-51.8%*	*68.6%*	*>100%*
EBITDA	-15	-47	-46	-21
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-23	-56	-55	-35
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-21	-53	-55	-35
Net earnings	-18	-63	-55	-35
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-48.2	-8.2	-9.4	-14.8
EV/S	10.7	11.5	7.7	3.3
EV/EBITDA	-46.1	-7.5	-8.7	-20.5

Last updated: 2023-12-14

Owner	Equity	Votes
Cécile Schilliger	19.6%	56.7%
HELLA	10.2%	3.1%
Avanza Pension	5.2%	1.6%
Svensk, Filial Alandsbanken Abp (Finland)	3.7%	8.8%
Lars-Inge Sjöqvist	3.3%	8.7%
Nordnet Pensionsförsäkring	2.9%	0.9%
Abbas Vosoogh	2.7%	3.2%
BNP Paribas Sa Luxembourg	2.1%	0.6%
BNP Paribas Asset Management	2.0%	0.6%

Company description

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

Investment thesis

Case

Validated by the automotive market

Shifting the global automotive standard from the 24GHz to the 77/79GHz frequency has increased demand for radar performance. E.g., vehicles must be equipped with automatic braking systems to receive five stars in the Euro NCAP tests, emphasizing the need for high-quality ADAS, and, thus, a powerful radar antenna. The global automotive radar market is expected to grow from 80m units in 2019 to more than 200m units by 2025 (source: Yolé). Leading automotive suppliers are already sourcing components for their next-generation radar modules. Gapwaves has entered high-volume production agreements with Veoneer, Hella, and Bosch. The first high-volume start of production (SOP) is expected by 2024, leading to predictable revenues for many years. Gapwaves is gaining traction beyond the traditional automotive market. Its technology is demanded by stakeholders developing robot taxis, autonomous trucks and vehicles for delivery applications. Customers in this segment are likely less price-sensitive than traditional automotive suppliers, and the time to market is much shorter.

Evidence

Manufacturing facilities and partners in place

Gapwaves has developed a fully automated solution for fast and qualitative assembly and testing of antennas. This is a prerequisite for establishing an automated high-volume production line. Gapwaves' in-house capabilities support assembly and testing of 150,000–200,000 units annually. The main focus lies on high-resolution radar antennas. The company has also entered production agreements with external automotive subcontractors (e.g., Frencken), supporting the assembly and testing of 1.5m–3m antennas annually.

Challenge

Significant dependencies on automotive Tier 1 suppliers

The automotive sector sets high standards for safety and quality. It is generally considered a capital-intensive and low-margin industry, which could limit Gapwaves' long-term profitability potential. Additionally, Chinese car manufacturers have become increasingly present in the global automotive market, with a higher penetration rate for electric vehicles. Currently, all of Gapwaves tier-1 suppliers are located in the western hemisphere and, presumably, have a strong position in the European and US automotive market. Thus, Gapwaves is dependent on its customers successfully navigating a changing market. Moreover, there are extensive lead times until actual manufacturing and additional lead times to ramp up volumes.

Challenge

Head-to-head vs a larger competitor

The market for advanced radar antennas appears to develop into a duopoly. Huber+Suhner (HS) offers strong competition and has been awarded contracts with Continental and Bosch. It is also a much larger company with a diverse product portfolio.

Valuation

SOP in 2024 supports accelerated revenue outlook

Gapwaves' first high-volume SOP is expected in 2024, with Bosch in 2026. This should contribute to a revenue ramp-up from 2024. There is some uncertainty regarding future profitability; this depends on the product mix and business model (licensing vs. product sales). Our DCF yields a Base Case of SEK43 per share (Bull: SEK58; Bear: SEK15) based on a 45% revenue CAGR during our forecast period (2023–2033) and a terminal EBIT margin between 12-17%. The fair value range is wide, owing to the unpredictable nature of Gapwaves' long-term growth and profitability.

Catalyst types

Additional Automotive Long-Term Agreements

Gapwaves has major long-term agreements with automotive Tier 1 suppliers. However, there are many suppliers left and additional partners should move the stock.

An Initial 'New Radar Vertical' Long-Term Agreement

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

Existing customers receiving DWs

Existing customers being awarded DWs increases predictability in Gapwaves' revenue ramp-up. After all, the OEMs need to buy this technology from the Tier 1s.

Seeing the revenue ramp-up at the SOP

The first licensing royalties are expected by 2023 in conjunction with Veoneer's SOP. Once this agreement and others enter high-volume production, Gapwaves should see an accelerated revenue ramp-up.

5G Market Take-Off

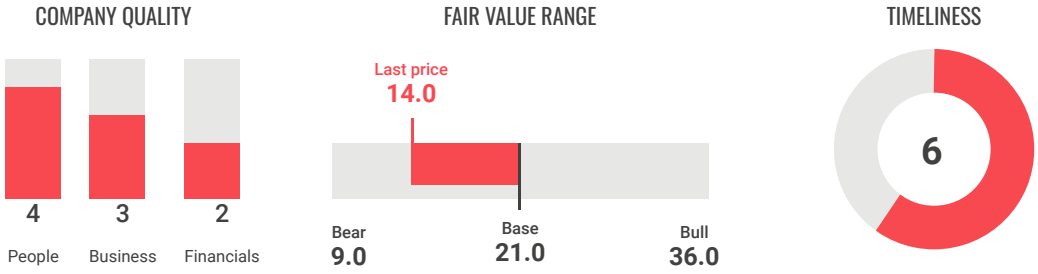
The transformation of the telecom industry is already taking place and will continue well into the future. Gapwaves will be well-positioned to attract customers from this segment in addition to automotive, meaning a significant upside potential in the stock.

Gasporox GPX

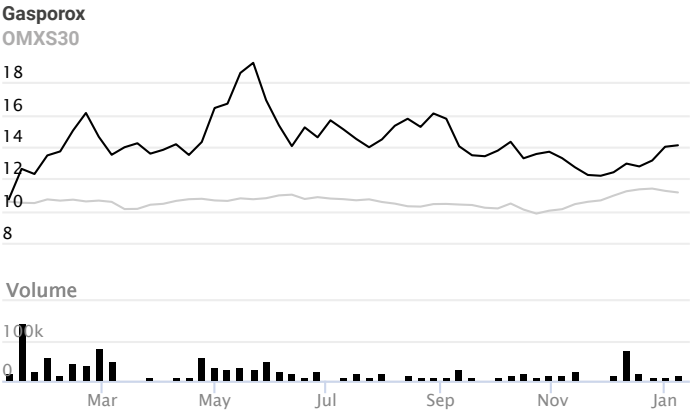
Company page
https://www.redeye.se/company/gasporox

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Märta Lewander Xu
Chairman	Per Nyström

Share information

Share price (SEK)	14.0
Number of shares (M)	8.6
Market cap (MSEK)	120
Net debt (2024E, MSEK)	-3

Analyst



Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson owns shares in Gasporox: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	21	31	35	47
Growth	*36.3%*	*44.9%*	*12.3%*	*35.0%*
EBITDA	-1	5	7	10
EBITDA margin	*Neg*	*16.8%*	*20.3%*	*21.2%*
EBIT	-4	1	2	4
EBIT margin	*Neg*	*3.0%*	*4.9%*	*8.2%*
Pre-tax earnings	-4	0	1	4
Net earnings	-4	0	1	3
Net margin	*Neg*	*0.6%*	*2.6%*	*6.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-19.9	569.8	123.7	37.2
EV/S	3.8	3.5	3.2	2.3
EV/EBITDA	-90.4	21.0	15.5	11.0

Last updated: 2023-12-14

Owner	Equity	Votes
Norsk Elektro Optikk AS	19.8%	19.8%
Gobia Enterprises AB	17.7%	17.7%
Fårö Capital AB	12.5%	12.5%
GPI Systems AB	4.9%	4.9%
Avanza Pension	3.9%	3.9%
Lars Hardell	1.9%	1.9%
Emanuel Eriksson	1.7%	1.7%
Nordnet Pensionsförsäkring	1.6%	1.6%
Försäkringsaktiebolaget Skandia	1.5%	1.5%
Pär Stigborg	1.4%	1.4%

Company description

Gasporox offers solutions for the quality assessment and inspection of packages based on optical spectroscopy. The company was born from a research group active at Lund University in 2005. Its primary focus was the medical application of sinus diagnostics and gas in scattering media absorption spectroscopy (GASMAS) technology. In 2008, the company received its first package-related patent, followed in 2011 by the start of its commercialization process. In 2010, Gasporox demonstrated its first proof-of-principle of the GASMAS technology for lung monitoring. This developed into GPX Medical, which it has since spun off to shareholders.

Investment thesis

Case

High incremental return

Gasporox is changing the market for quality assurance and testing in headspace analysis (HSA) and modified atmosphere packaging (MAP), moving away from the often destructive sample-based and manual tests (known as at-line tests) and toward testing all products directly on the production line in a non-destructive manner (known as in-line tests). Given the existing core technology, the economics of incremental products (i.e., line extensions) should be excellent. However, because the company is still developing its distribution and sales channels, we believe this is not yet fully transparent. We believe that once these are in place, Gasporox will achieve high returns on incremental capital, similar to what Colgate-Palmolive, Coca-Cola, Unilever, and Nestlé have done in their respective industries.

Evidence

Robust growth and customer interest

Over the last five years, the company's revenue has increased by 47% (or a 66% CAGR excluding the pandemic years of 2020-2021). The company's sales and support teams' productivity has increased as a result of a simplified offering, with installations now possible via over-the-phone support rather than physical presence. Furthermore, end-users have begun to request that the product be installed by themselves rather than by a typical machine integrator, demonstrating the simplicity of Gasporox's offering, which should allow for rapid scalability.

Challenge

Biting off More Than it Can Chew

Gasporox is a small company with only a few employees. The company targets pharma, food, and beverages. Gasporox may overextend itself in the food and beverage markets, despite their potential. For instance, a few years ago, it had one salesperson (two if you counted the CEO) handling global pharmaceutical and food sales. Gasporox has added sales heads for pharma and food, but its size may cause it to lose focus. If necessary, the company can pivot into an end-segment to succeed.

Challenge

Untested Expansion

Since 2016, Gasporox has focused on pharmaceutical growth. It wants to expand into food. However, execution remains critical, and in some markets, such as the United Kingdom, where supermarkets typically drive which packaging formats are used, there is a trend toward skin packs and vacuum packaging, where Gasporox may not be able to provide as much value. If vacuum packaging becomes mainstream, Gasporox may switch to other leak inspection methods. Vacuum only works on durable products, so pre-made meals and salads will always need MAP. Last, a successful food market expansion is not necessary for the Gasporox investment case, but it makes the difference between a good and a great investment.

Valuation

Growth Runway Not Priced In

We value Gasporox on the back of three difference DCF-scenarios. Our fair value range is SEK9-36 per share with a Base Case of SEK21. We use a discount rate of 11% based on Redeye's rating model.

Catalyst types

Large pharmaceutical Company finds GPX Porosity effective; starting to sell it
A large pharmaceutical company is evaluating Gasporox's drug porosity testing technology. Any announcement of favorable development on that front should lift the stock price as it would be a new segment and a confirmation of the multifaceted nature of Gasporox's core GASMAS technology.

Integrated into more regulatory frameworks
USP 1207 and EU Annex 1 prefer deterministic testing methods such as Gasporox, driving demand in the pharmaceutical end-market. South Korea, China, and Japan are reviewing and drafting new guidelines based on USP 1207.1 A positive revision should boost demand

Large customer signing orders
Gasporox announcing a large order should move the stock, as seen historically, and even more so if it were a large food manufacturer. Their endorsement would signal Gasporox's value proposition and greatly de-risk Gasporox's expansion into the food segment.

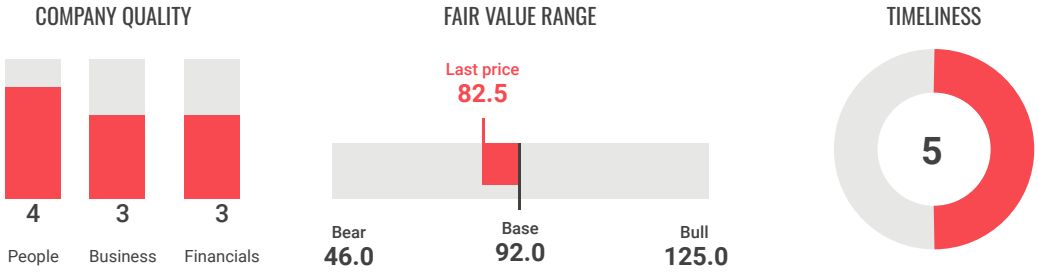
Continued strong performance
Gasporox is a micro-cap company and low free float (46 percent) with an implied average holding time of 5.6 years. We believe a solid financial performance would increase liquidity in the stock by pushing up the share price and thus reducing the liquidity discount. A higher market value could also result in larger investors considering the stock. Moreover, as company turns profitable it should put upside pressure on the stock

Hanza HANZA

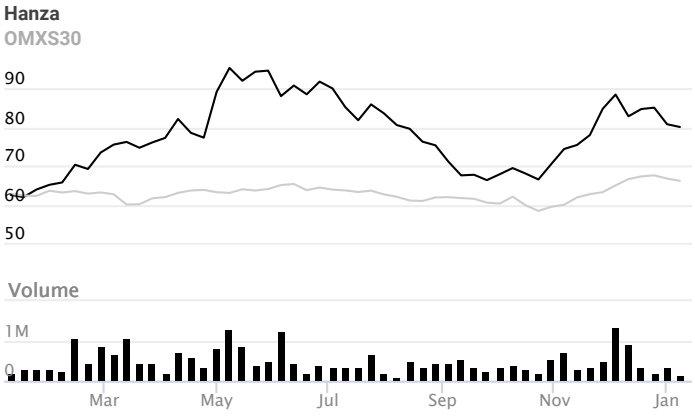
Company page
https://www.redeye.se/company/hanza-holding

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Erik Stenfors
Chairman	Francesco Franzé

Share information

Share price (SEK)	82.5
Number of shares (M)	43.2
Market cap (MSEK)	3,563
Net debt (2024E, MSEK)	237

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Hanza: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	3,549	4,191	5,698	6,154
Growth	*41.1%*	*18.1%*	*36.0%*	*8.0%*
EBITDA	316	483	611	686
EBITDA margin	*8.9%*	*11.5%*	*10.7%*	*11.1%*
EBIT				
EBIT margin	*5.4%*	*8.3%*	*8.0%*	*8.4%*
Pre-tax earnings	143	277	395	459
Net earnings	121	232	328	381
Net margin	*3.4%*	*5.5%*	*5.8%*	*6.2%*
Dividend/Share	0.75	1.33	1.88	2.18
EPS adj.	3.18	5.32	7.52	8.74
P/E adj.	16.1	16.4	11.6	10.0
EV/S	0.6	0.9	0.7	0.7
EV/EBITDA	6.7	7.6	6.6	5.8

Last updated: 2023-12-13

Owner	Equity	Votes
Gerald Engström	22.0%	22.0%
Clearstream Banking S.A. W8imy	9.9%	9.9%
Francesco Franzé	9.0%	9.0%
Ritter Beteiligungs Gmbh	7.6%	7.6%
Håkan Halén	5.9%	5.9%
Nordnet Pensionsförsäkring	4.4%	4.4%
Svenska Handelsbanken AB for PB	4.4%	4.4%
Rbcb Lux Ucits Ex-Mig	2.2%	2.2%
Avanza Pension	2.0%	2.0%
Berenberg Funds	1.9%	1.9%

Company description

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

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

Investment thesis

Case

Riding the Back-Shoring Trend with its Unique Cluster Strategy

With its 'All you need is one' cluster-based strategy, Hanza, and its experienced management take a unique approach that differentiates it from manufacturing service companies. By gathering several manufacturing technologies in a single location, Hanza can reduce costs, lead times, and environmental footprint. Having almost every cluster in the end market or in close-by low-cost countries, Hanza is set to benefit from the ongoing back-shoring trend. Quarterly reports with strong operational performance, particularly improvements in immature clusters, are the main catalysts.

Evidence

Proven Track-Record in Mature Clusters

The Main Markets segment, including the mature Swedish and Finnish clusters as well as the newly established German cluster, has an EBITA margin of about 8% - implying sector-leading margins in the mature Swedish and Finnish clusters. As the other clusters mature, we expect their margins to approach Swedish levels gradually. Since late 2021, Hanza has seen a surge in organic sales growth following the pandemic. While a rebound from the pandemic has a positive effect, we believe the strong numbers also result from increasing interest in back-shoring.

Challenge

Cyclical Exposure Through Customers' Volume Fluctuations

While Hanza seldom loses customers, its revenues depend on the customers' volumes. During the pandemic in 2020, organic sales fell by about 10%, putting pressure on margins. Thus, Hanza is, to some extent, exposed to market cycles. However, following recent acquisitions and organic customer intake, we believe the diversification between sectors has improved. In addition, the back-shoring trend should help Hanza attract new customers in economic downturns.

Challenge

Lack of transferability

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

Valuation

Fair Value SEK 92

Our DCF model shows a fair value of SEK 92, which is also supported by a peer valuation. While Hanza has been trading at a discount to peers historically, considering its improvements regarding organic sales growth and margins, we believe Hanza should trade on par with peers.

Catalyst types

Higher profitability in Other Markets
Other Markets has a lower EBITA margin then Main Markets, due to its high share of immature clusters. As more and more clusters in Other Markets mature, we expect its margins to approach Main Markets.

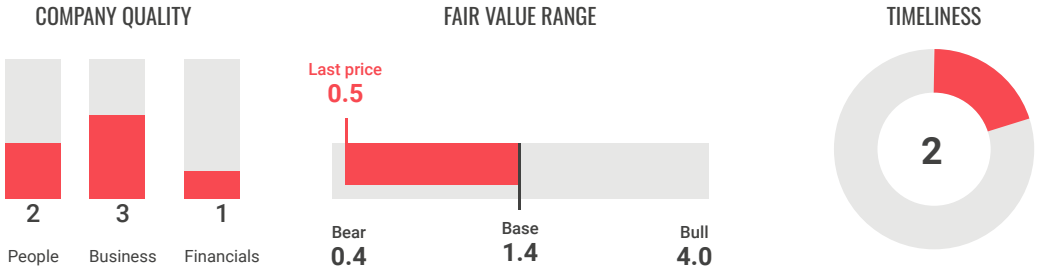
Quarterly reports
Strong quarterly reports with solid growth and improving margins could cause increases in our Fair Value Range.

Heliospectra HELIO

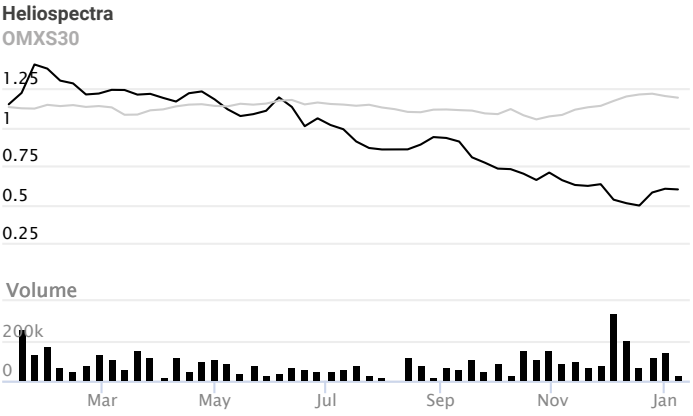
Company page
https://www.redeye.se/company/heliospectra

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Bonny Heeren
Chairman	Andreas Gunnarsson

Share information

Share price (SEK)	0.5
Number of shares (M)	122.0
Market cap (MSEK)	57
Net debt (2024E, MSEK)	1

Analyst



Jessica Grunewald
jessica.grunewald@redeye.se

Conflict of interests

Jessica Grunewald owns shares in Heliospectra: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	26	38	67	110
Growth	*-26.9%*	*46.3%*	*77.2%*	*65.0%*
EBITDA	-32	-15	-5	9
EBITDA margin	*Neg*	*Neg*	*Neg*	*8.6%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*5.6%*
Pre-tax earnings	-36	-17	-8	6
Net earnings	-36	-17	-8	6
Net margin	*Neg*	*Neg*	*Neg*	*5.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.34	-0.14	-0.06	0.05
P/E adj.	-3.3	-4.4	-9.2	11.8
EV/S	4.5	1.7	1.1	0.7
EV/EBITDA	-3.6	-4.3	-14.2	7.9

Last updated: 2023-12-14

Owner	Equity	Votes
Gösta Welandson med bolag	47.6%	47.6%
Greg Dingizian	18.0%	18.0%
Mohammed Al Amoudi & bolag	13.3%	13.3%
Avanza Pension	2.0%	2.0%
Swedbank Försäkring	1.0%	1.0%
Försäkringsaktiebolaget Skandia	0.7%	0.7%
Nordnet Pensionsförsäkring	0.7%	0.7%
Magowny Invest AB	0.5%	0.5%
Marita Levin	0.4%	0.4%
Johan Nilsson	0.4%	0.4%

Company description

Heliospectra was founded in 2006 and specializes in intelligent lighting systems for plant research, greenhouse cultivation, and, lately, also positing itself as a system supplier within data-driven smart farming. The company is a global leader in LED grow lights for advanced research applications and has patented technology. Operations mainly focus on R&D, product development, marketing, and sales. Production is outsourced to contract manufacturers and thus flexible.

Heliospectra has a network of sales agents in North America and Asia as well as its own dedicated sales team for the European market. Heliospectra sells its LED lights, biosensors, and control systems to greenhouses and indoor growers worldwide, with North America and Europe being the main markets. Additional revenues come from services that include system support, tests, and training courses.

Investment thesis

Case

Unique offering in expanding market

Heliospectra is in the process of repositioning itself from being mainly a supplier of LED lights to greenhouses to a system supplier within data-driven smart farming. 2022 was a transitional year for Heliospectra, dedicated to product development, cost-savings initiatives, and restructuring to become more robust in 2023 with best-in-class product offerings for Smart Farming. With their new product offering consisting of SMART lighting and MITRA LED lights, Heliospectra claims that they both can save up to 30% energy compared to regular LED lights and, in addition, optimize photosynthesis leading to better crops. We believe this implies an opportunity to go from a competitive cost-plus business to a very attractive value proposition that can enable high profitability if successful. As Heliospectra will be the first actor on the market to supply a smart LED solution, we expect they can target and gain larger volume orders than previously. Heliospectra's new offering includes unique features that allow growers to monitor and control crops down to the square meter, offering the unique potential to improve yields and reduce waste. The relevant market segment is valued to cUSD7b, expected to show double-digit annual growth over the next few years. We believe Heliospectra is in a favorable position to leverage on these strong market trends.

Evidence

First Smart LED Light Solution Order

This first commercial order for the smart LED solution came in November 2022 from an undisclosed customer in the Northeast of the US. The customer provides farmers with innovative solutions for crop growth, pests, and disease protection. We believe this is an order from the new distribution/partner network recently announced by Heliospectra. The order value of USD795,000 is quite significant for Heliospectra, which was delivered in H1'23 2023. We anticipate several orders being announced over the next year, validating that the company is on the right track.

Challenge

Limited commercial progress so far and instability in the European AgHort market

Historically, Heliospectra has been rather optimistic about market conditions and business opportunities, but commercial progress has overall been disappointing. Admittedly, it now has new management, which could turn things around. The company has a strong heritage in plant research and is renowned for its innovations. But the commercial track record needs to be more convincing. In addition, the current energy crisis negatively affects the European AgHort market as many companies are struggling financially and postponing investments.

Challenge

Instability in the European AgHort market

The current energy crisis negatively affects the European AgHort market as many companies struggle financially and might postpone investments. However, the same scenario can prove beneficial for Heliospectra. Thus, growers will likely switch directly to 100% LED lights instead of choosing a more traditional hybrid solution.

Valuation

Wide range

Our fair value range is quite wide: SEK0.5-4.0 per share, with a base case at SEK1.4 per share. However, this wide range is quite common for companies similar to Heliospectra. That is to say, high future growth expectations, a need for additional growth capital until Break-even, and a difficult-to-assess sustainable profitability level. Our Base case scenario assumes break-even in 2025, 21% CAGR 2026-31, and sustainable EBIT margin around 15%.

Catalyst types

Market traction

We hope to see a number of new orders announced in the coming year. Larger clients that are committing to Heliospectra's new product range would validate that the company is on the right track.

Partnership

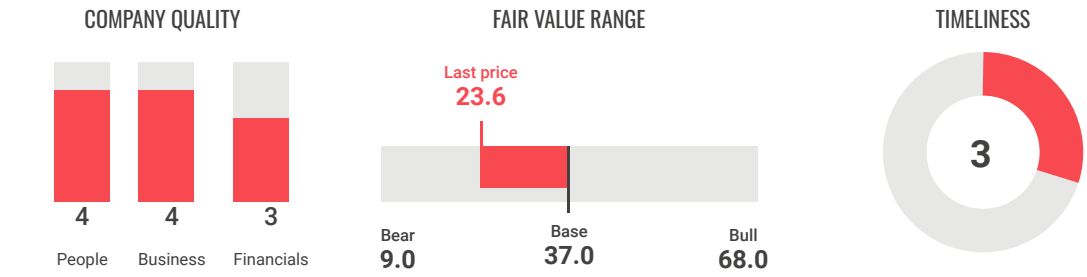
A partnership with one of the significant suppliers of greenhouse equipment in Europe would be a major milestone for Heliospectra. It would likely have a substantial impact on the share price.

Hexatronic Group HTRO

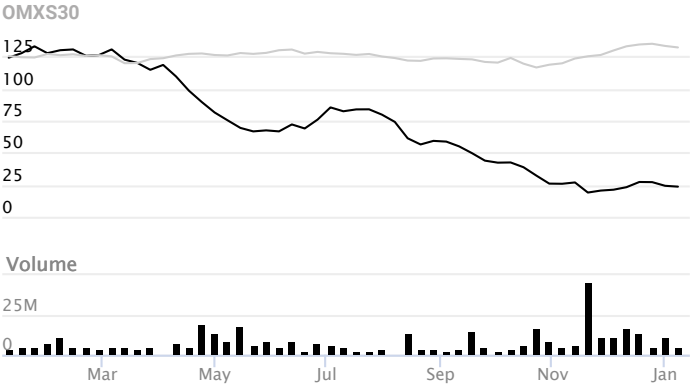
Company page
https://www.redeye.se/company/hexatronic-group

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Henrik Larsson Lyon
Chairman	Anders Persson

Share information

Share price (SEK)	23.6
Number of shares (M)	205.3
Market cap (MSEK)	4,854
Net debt (2024E, MSEK)	1,709

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Hexatronic 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		
	2022	2023E	2024E	2025E
Revenue, MSEK	6,574	8,048	7,448	8,283
Growth	*88.3%*	*22.4%*	*-7.5%*	*11.2%*
EBITDA	1,236	1,444	1,054	1,322
EBITDA margin	*18.8%*	*17.9%*	*14.2%*	*16.0%*
EBIT				
EBIT margin	*15.6%*	*13.9%*	*9.2%*	*11.5%*
Pre-tax earnings	1,029	997	539	808
Net earnings	793	730	420	630
Net margin	*12.1%*	*9.1%*	*5.6%*	*7.6%*
Dividend/Share	0.00	0.54	0.31	0.47
EPS adj.	1.32	3.59	2.07	3.11
P/E adj.	107.4	5.0	8.6	5.7
EV/S	4.6	0.7	0.7	0.6
EV/EBITDA	24.4	4.1	5.0	3.6

Last updated: 2023-12-13

Owner	Equity	Votes
Handelsbanken Fonder	7.2%	7.3%
AMF Pension & Fonder	6.9%	6.9%
Rbcb Client - Dub Nr N-Tr 30%-Mig	6.0%	6.0%
Accendo Capital	6.0%	6.0%
Jonas Nordlund	5.4%	5.4%
Efg Bank / Geneva	5.4%	5.4%
Chirp AB	4.4%	4.4%
Vanguard	3.5%	3.5%
Avanza Pension	3.4%	3.5%
Tredje AP-fonden	2.9%	2.9%

Company description

Hexatronic is a technology group which specializes in fiber communications and is listed on Large Cap Stockholm. The company supply fibre optic products and solutions and provide a complete range of passive infrastructure for telecom companies. The Group consists of ~50 companies with a total of around ~1300 employees with headquarters in Gothenburg.

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

Investment thesis

Case

Pole position in the boom for digital highways.

Considering Hexatronic's solid position in large immature markets like the US, UK, and Germany (~42x the Swedish market), we believe Hexatronic can sustain revenue growth of ~15% until 2028. To stay competitive, these countries need to improve their FTTH coverage, and regardless of investing in fixed FTTH or 5G, fiber is the foundation. Following the Covid-19 pandemic, investments have picked up significantly as the need for high-quality digital infrastructure became evident. Continuing sales growth and improving margins are the main catalysts.

Evidence

Proven track record in several major markets with its easy-deployed high-quality system solutions.

Following large investments and acquisitions in the US, UK, and Germany, the markets sales have surged and is now ~75% of group sales. Yet, these markets are only at the beginning of their fiber rollouts. Hexatronic has gained market share thanks to its high-quality and easy-deployed system solutions, especially among small- and mid-size customers with limited in-house know-how. The strong growth has been accompanied by rising margins following higher utilization rates in Hexatronic's factories.

Challenge

Boom and bust FTTH cycle put risks to the very long-term.

Hexatronic's sales from Sweden have declined by about 30% since the peak in 2017, yet about 50% of the sales are related to FTTH. While Hexatronic has other sources of sales, such as transportation networks, and submarine cables, FTTH is of major importance. Although the US, UK, and German FTTH markets likely will remain strong until 2030, at least, we believe finding new revenue streams will be crucial for the very long term. New markets and related verticals (like DCS) are possible options.

Challenge

Possible price pressure.

Hexatronic operates in fiercely competitive markets, and some of its customers are large players. Cost and price are always a delicate dimension, and there is always the risk that some of the margin improvements the company achieves simply will filter through to its customers. However, Hexatronic has an edge in its high-quality easy-deployed system solutions, especially in the current environment where shortages of technicians are slowing the rollouts.

Valuation

Base Case of SEK 37 implies ~11.5x EBITA 2024E

Our DCF model shows a Base Case fair value of SEK 62, corresponding to 1.2x sales and 11.5x EBITA 2024E. Our Bull Case, expecting Hexatronic to mitigate the expected decline in FTTH post-2035, is SEK 68 – 19x EBITA 2024E.

Catalyst types

Delivering the goods

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

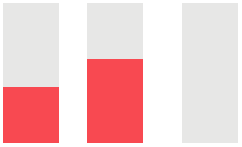
Hoylu HOYLU

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

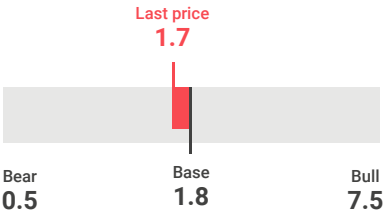
Publication date
January 12 2024

Redeye Rating

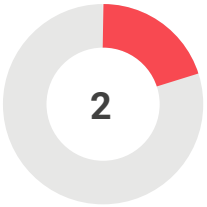
COMPANY QUALITY



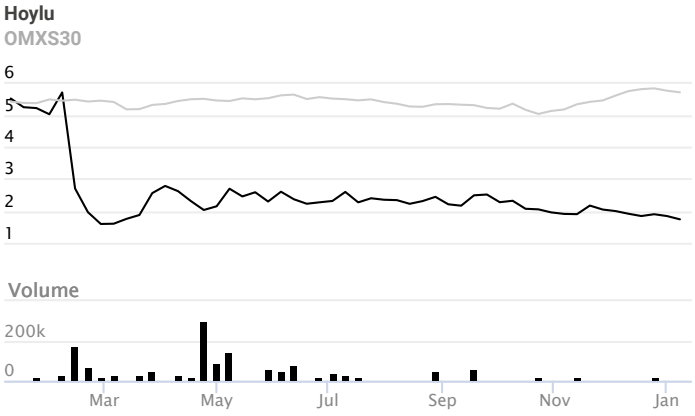
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Truls Baklid
Chairman	Johan Lindqvist

Share information

Share price (SEK)	1.7
Number of shares (M)	49.2
Market cap (MSEK)	82
Net debt (2024E, MSEK)	5

Analyst



Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in Hoylu: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	48	58	75	89
Growth	*43.0%*	*22.1%*	*28.3%*	*19.6%*
EBITDA	-31	-15	-1	9
EBITDA margin	*Neg*	*Neg*	*Neg*	*10.2%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-50	-29	-18	-7
Net earnings	-50	-29	-18	-7
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.54	-0.42	-0.27	-0.10
P/E adj.	-10.9	-4.2	-6.6	-16.8
EV/S	12.5	1.8	1.7	1.5
EV/EBITDA	-19.0	-7.2	-87.3	15.2

Last updated: 2023-12-16

Owner	Equity	Votes
Arctic Securities AS	21.2%	21.2%
Fougner Invest AS	18.9%	18.9%
Edvin Austbø	18.1%	18.1%
TTC Invest AS	14.4%	14.4%
Johan Lindqvist	7.1%	7.1%
Bimo Kapital	5.6%	5.6%
Truls Baklid	3.7%	3.7%
Camelback	2.5%	2.5%
Trellevika Invest AS	2.0%	2.0%
Cbldn-Barclays Bank Plc	2.0%	2.0%

Company description

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

Investment thesis

Case

Niche construction and engineering focus to drive future growth

Hoylu is currently transitioning into a fully SaaS business with an increased focus on the construction and engineering vertical. We consider this niche focus the right move, giving Hoylu a strong value proposition while limiting competitors. In addition, its well-known large enterprise customers often start as free users or initially deploy to only a fraction of its operations, suggesting future upselling potential. Additional quarterly reports with solid growth serve as the primary catalyst.

Evidence

Well-known enterprise validation through upselling

Hoylu's customer base includes several well-known enterprises that have validated its product, such as FedEx, Procter & Gamble and AF Gruppen. For example, Procter & Gamble has scaled up to ~2,700 paying users and AF Gruppen has included the platform in several new projects after the initial order. Furthermore, the ARR-SaaS has grown from one-third of the total ARR in 2019 to today's >50%, and we expect this transition to continue. Given the segment's gross margins of ~90%, this can drive future margins.

Challenge

Convert leads to accelerate growth

Although Hoylu is growing its annual recurring revenues (ARR), one challenge is to convert leads and free users into revenues to a greater extent to accelerate growth further. However, we believe the increased focus on the construction and engineering segment boosts Hoylu's value proposition and can improve its growth prospects. Furthermore, its well-known customer base can give rise to future growth opportunities through upselling.

Challenge

Approach profitability to avoid external financing

One other challenge is to approach profitability to avoid facing external financing challenges. Given Hoylu's current cash position, there is a likelihood of encountering such challenges, while a subsequent dilution effect is likely, which we argue can put pressure on the stock. However, if Hoylu can accelerate its growth, we believe it is possible to achieve long-term profitability with solid margins, which its scalable business suggest.

Valuation

Low EV/ARR if growth accelerating

Our DCF model indicates a Base Case of SEK1.8 per share and SEK0.5 and SEK7.5 in our Bear and Bull cases. Hoylu is currently traded at an attractive EV/ARR multiple versus peers. However, this can be justified to some extent by its low market cap and unprofitable phase, as reflected in our Base Case. At the same time, if Hoylu can capitalise on its large enterprise customers and grow its ARR, the upside is significant while approaching a median peer valuation, as reflected in our Bull Case.

Catalyst types

Continued Growth in ARR

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

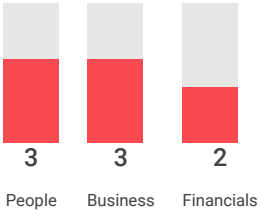
Image Systems IS

Company page
https://www.redeye.se/company/image-systems

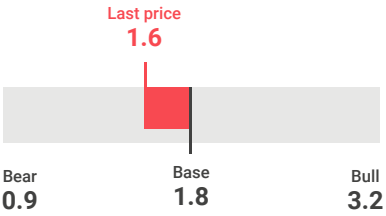
Publication date
January 12 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

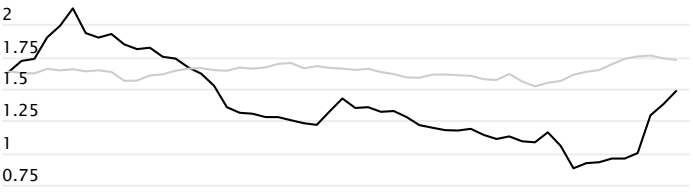


TIMELINESS



Snapshot

Image Systems
OMXS30



Volume



Marketplace	NASDAQ Stockholm
CEO	Johan Friberg
Chairman	Anders Fransson

Share information

Share price (SEK)	1.6
Number of shares (M)	89.2
Market cap (MSEK)	140
Net debt (2024E, MSEK)	-9

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

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	171	158	158	184
Growth	*12.4%*	*-7.9%*	*0.2%*	*16.7%*
EBITDA	28	16	15	27
EBITDA margin	*16.6%*	*10.2%*	*9.5%*	*14.7%*
EBIT				
EBIT margin	*5.3%*	*Neg*	*0.0%*	*6.2%*
Pre-tax earnings	8	-7	-1	11
Net earnings	9	-6	-1	10
Net margin	*5.0%*	*Neg*	*Neg*	*5.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.10	-0.07	-0.01	0.11
P/E adj.	17.8	-13.5	-80.4	8.5
EV/S	0.8	0.5	0.5	0.3
EV/EBITDA	4.8	5.3	5.0	2.3

Last updated: 2023-12-15

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	5.8%	5.8%
Anders Fransson	1.9%	1.9%
Gunvald Berger	1.8%	1.8%
Per Anders Thorsell	1.7%	1.7%
Dnb Luxembourg SA	1.2%	1.2%
Hans Olsson	1.2%	1.2%

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

In the largest business segment, RemaSawco, some major changes have been implemented in the past couple of years making us more optimistic about the company's long-term prospects. A reorganization, improved cost management and streamlining of the product portfolio, with a focus on long-term profitability and scalability. RemaSawco offers measurement systems for the highly competitive sawmill industry, with the ambition to improve productivity while decreasing Opex. We believe, the company is way ahead of most of its competitors in terms of offering a viable solution for the digital sawmill. Motion Analysis, the second business segment, is the dominating leader in the small market niche of high-speed film analysis. It has a very strong position and a solid base of long-term customers. The main challenge is to expand the scope of their TAM. A new product platform is about to be launched, sometime next year. This will better support product development and releases of new products in the coming years. The share is now (November 2023) trading around it's all-time-lows. This is most likely due to the gloomy situation in the sawmill industry with uncertainty regarding future investment. Admittedly, we don't know when the sawmill industry will see a recovery. But we believe the market has currently factored in too much on the downside and is not appreciating Motion Analysis' solid earnings nor the longer-term growth prospects for the Group.

Evidence

Improved productivity, and Motion Analysis standing strong

In 2021-22, RemaSawco's sales were down 20-25% compared to 2019, in the wake of the Corona pandemic. Despite the drop, earnings improved, thanks to significant restructuring measures. Certainly, in 2023 lower volumes are weighing on profits. Both segments have sound core businesses with healthy gross margins. Motion Analysis being mainly a software company, obviously has very high gross margins. And market demand is solid, partly supported by customers in the defense sector, which make up for around 50% of their sales. The high-margin business within Motion Analysis will to some extent balance RemaSawco's trough, supporting the Group's near-term outlook.

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 grow internationally, handle higher volumes and generate profitable growth over time.

Challenge

Market recovery or equity issue

Uncertainty in the sawmill industry, with high prices for raw material and weak demand, has postponed decisions for new investments. RemaSawco's order backlog has decreased significantly in 2023. If we don't see a recovery in the first half of 2024, we believe the company will have to raise additional capital.

Valuation

We see considerable potential

Following the share's recent poor performance (November 2023), we see significant potential. Our valuation range spans from ~SEK0.9-3.2 per share, with a Base case fair value around SEK1.8. Our Base case scenario includes a CAGR around 6% 2024-32 and sustainable EBIT margins around 12%. We are applying a WACC of 12%. No rights issue required. Our view is supported by attractive multiples. The share is trading around 6x EV/EBITDA on our 2023-24 estimates. EBIT is currently around zero, due to high amortizations. On our 2025-26 estimates, EV/EBIT multiples are 8 and 5 respectively.

Catalyst types

Removing the risk for an upcoming rights issue

Given the current situation (Nov '23), the stock market has probably factored in the risk for an upcoming rights issue. We can't rule it out, but we think the risk is quite low. Improved order intake in RemaSawco would most likely be reassuring. Larger orders come with pre-payments, improving the company's cash position.

Profitable growth in RemaSawco

RemaSawco has shown an encouraging improvement in 2021 and 2022. Further progress in terms of profitable growth in the coming years is in our view the major driver for revaluation. Hence, future quarterly reports will probably be catalysts.

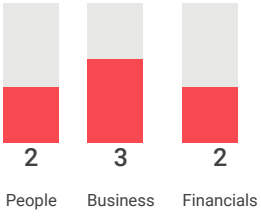
Impact Coatings IMPC

Company page
https://www.redeye.se/company/impact-coatings

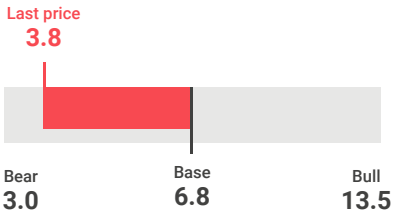
Publication date
January 12 2024

Redeye Rating

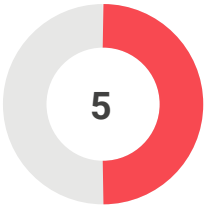
COMPANY QUALITY



FAIR VALUE RANGE

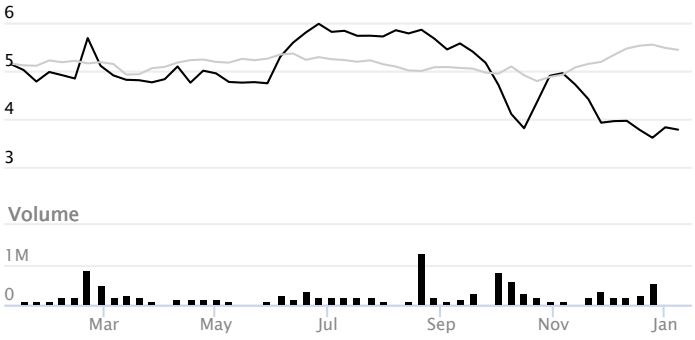


TIMELINESS



Snapshot

Impact Coatings
OMXS30



Marketplace	First North Stockholm
CEO	Jonas Nilsson
Chairman	Mark H. Shay

Share information

Share price (SEK)	3.8
Number of shares (M)	87.5
Market cap (MSEK)	330
Net debt (2024E, MSEK)	-96

Analyst



Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Impact Coatings: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	32	98	104	167
Growth	*-44.0%*	*>100%*	*6.2%*	*60.5%*
EBITDA	-44	-32	-14	8
EBITDA margin	*Neg*	*Neg*	*Neg*	*4.8%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-47	-36	-18	-1
Net earnings	-47	-36	-18	-1
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.83	-0.41	-0.21	-0.01
P/E adj.	-5.7	-9.2	-18.0	-393.0
EV/S	6.5	2.1	2.2	1.6
EV/EBITDA	-4.7	-6.4	-16.8	32.9

Last updated: 2023-12-22

Owner	Equity	Votes
Accendo Capital	34.4%	34.4%
Avanza Pension	6.8%	6.8%
Hyundai Motor Company	6.2%	6.2%
Hongkong & Shanghai Banking Corp	6.2%	6.2%
Nordnet Pensionsförsäkring	3.0%	3.0%
Clearstream Banking S.A. W8imy	2.0%	2.0%
Henrik Ljungcrantz	1.3%	1.3%
Svenska Handelsbanken AB for PB	1.0%	1.0%
Torsten Rosell	0.9%	0.9%

Company description

Impact Coatings is a Swedish manufacturer of PVD (Physical Vapor Deposition) systems. PVD is a method for vacuum coating thin films of metal or ceramics, providing enhanced performance for fuel cells, automotive radomes and reflectors, plastic metallization, electric connectors and more. Impact Coatings' clients are predominantly in the automotive sector. The production systems (InlineCoater) are sold to customers worldwide with an installed base of around 30 units (2021). HQ, development and manufacturing is located in Linköping, Sweden and a small team in South Korea working with the partner Hyundai. The company has its own sales representatives in Europe, Asia and the US.

As of today, the majority of revenues comes from sales of coating systems (InlineCoaters), which are priced at ~EUR 0.7-1m. Aftermarket sales inludes maintenance, upgrades and consumables (coating material), which is growing gradually along with the installed base. The company also offers in-house coating services to customers who are either too small to buy their own system or in the process of evaluating the InlineCoater for a future investment. This "contract manufacturing" is a strategically important sales tool and has often been the catalyst for a clients initial order for a coating system.

Investment thesis

Case

Well positioned to gain leverage

Impact Coatings has a strong value proposition for customers within two of its verticals: fuel cells and automotive radomes. Both segments have a huge addressable market and are expected to show significant growth over the next decade. Impact Coatings' gross margins of 50-60% offer good leverage and manufacturing capacity is no major restraint.

Evidence

Validated by key clients

The partnership with Hyundai within fuel cell coatings is a solid testimony to Impact Coatings technology. Hyundai's high growth ambitions within fuel cells, will also improve Impact Coatings' chances to capture a more significant share of the market in the longer term. The fact that HELLA is a repeat customer for application area automotive radomes, also validates Impacts Coatings' edge in this market segment.

Challenge

Still far from break-even

The first coating systems were launched in 2002 and the company has still not reached break-even. Order volumes have simply not been enough so far and it's difficult to predict when this will happen. The cash position is good, around SEK 200m after the proposed rights issue in Q1 2023. We believe this is sufficient to finance the company's expansion until it is turning cash flow positive.

Challenge

Hyundai can make it or break it

The partnership with Hyundai started in 2019. The joint development project has progressed since then and we have no indications of setbacks or disappointments. In fact, it was extended in early 2023. But we have zero transparency into the project and know nothing about the timeline or plans for commercialization. So at this point the leverage offered by Hyundai is a bit of a black box.

Valuation

Wide valuation range

Our fair value range spans from SEK 3-13.5 per share, with a Base case fair value around SEK 6.8. Our Base case scenario assumes success and expansion primarily within application areas fuel cells and radomes. Sales reaching ~SEK 500m in 2030 with EBIT margins around 15-20%. For the fuel cell segment, we see a combination of own sales and a licensing agreement as likely for the longer-term, which would support healthy sustainable margins.

Catalyst types

Improved order flow

Machine sales are a key metric investors should follow. Large orders would strengthen investors' confidence in the company, and with gross margins ~50%, it will have significant impact on earnings.

Progress in Coating Services

The new growth strategy is more focused on Coating Services which will be established in new regions. If this expansion goes to plan, Impact Coatings will gain a stronger market position while also enjoying significant amounts of recurring revenues.

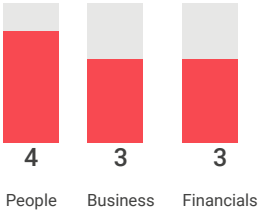
Infracom Group INFRA

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

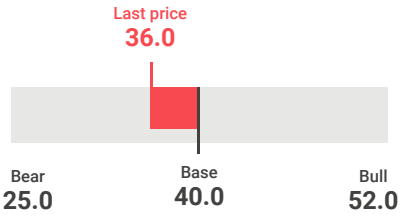
Publication date
January 12 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

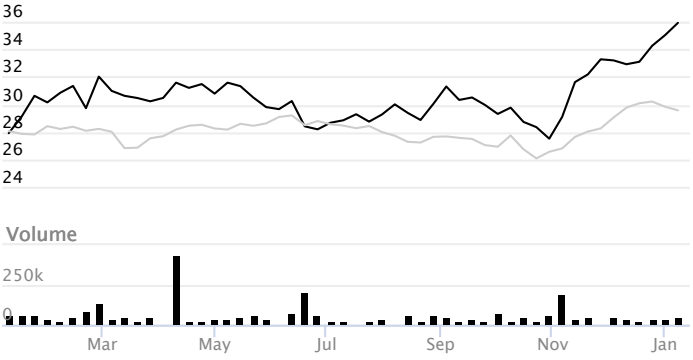


TIMELINESS



Snapshot

Infracom Group
OMXS30



Marketplace	Spotlight Stock Market
CEO	Bo Kjellberg
Chairman	Oskar Säfström

Share information

Share price (SEK)	36.0
Number of shares (M)	34.4
Market cap (MSEK)	1,239
Net debt (2024E, MSEK)	110

Analyst



Rasmus Jacobsson
rasmus.jacobsson@redeye.se

Conflict of interests

Rasmus Jacobsson owns shares in Infracom Group: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	352	720	917	967
Growth	*30.5%*	*>100%*	*27.4%*	*5.5%*
EBITDA	82	142	171	178
EBITDA margin	*23.2%*	*19.7%*	*18.6%*	*18.4%*
EBIT	68	113	152	158
EBIT margin	*19.3%*	*15.7%*	*16.5%*	*16.3%*
Pre-tax earnings	68	107	141	147
Net earnings	53	86	112	117
Net margin	*15.0%*	*12.0%*	*12.2%*	*12.1%*
Dividend/Share	-0.49	-0.55	-0.97	-1.02
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	15.6	12.4	9.7	9.3
EV/S	2.4	1.6	1.3	1.2
EV/EBITDA	10.5	8.3	7.0	6.4

Last updated: 2023-12-14

Owner	Equity	Votes
Bo Kjellberg	53.7%	53.7%
Oskar Säfström	5.0%	5.0%
Leeward Capital Holding AB	4.9%	4.9%
Alcur Fonder	4.7%	4.7%
Avanza Pension	4.1%	4.1%
FE Fonder	3.0%	3.0%
Nordnet Pensionsförsäkring	2.0%	2.0%
Cliens Fonder	1.7%	1.7%
Sune Tholin	1.5%	1.5%
Magnus Daneli	1.1%	1.1%

Company description

Infracom is a Gothenburg-based business-to-business (B2B) provider of telephone services (UCaaS), IT as a Service, internet access, document management and meeting technologies. Its vision is to be the recognised market leader in IT infrastructure in the Nordics. Since its listing in early 2018, the company has grown mainly through acquisitions with solid margins, indicating management's ability to make successful acquisitions and create value for its shareholders.

The selling derives through direct sales, resellers and white labels, while a large share of its revenues is recurring subscriptions (either fixed or per user), providing strong cash flows and scalability. The over 20,000 customers are small to medium-sized companies, generally tied to long contracts (usually 24-36 months). While most of Infracom's markets are relatively mature, limiting growth mainly to acquisitions, an interesting opportunity is to expand its UCaaS platform in the EU. Further options are to grow through cross-selling.

Investment thesis

Case

Continued growth through consolidating the Swedish market

Considering Infracom's solid track record of consolidating peers in the Swedish market, we believe it can continue to grow its sales by acquisitions with solid margins. We believe its M&A track record highlights management's ability to successfully acquire and integrate companies into the group, which we argue is not fully reflected in its current valuation. As such, acquisitions alongside new UCaaS deals (with a European option) and quarterly reports serve as the primary catalysts.

Evidence

A solid M&A track record with strong margins supports our view

Infracom has become one of the most significant players in its niche, offering comprehensive IT services within the digital workplace while being one of only two Swedish players with a proprietary UCaaS solution. Since the listing in 2018, Infracom has grown its sales with a CAGR of ~21% (until 2022), mainly through acquisitions. At the same time, it has maintained strong margins, which proves management's integration abilities and testifies to continued value creation for shareholders. Thus, we believe acquisitions will continue to drive sales growth, as we expect Infracom to add SEK30m in sales annually with maintained strong margins.

Challenge

Commoditization

Internet access, UCaaS, and IT as a service are all hard to differentiate, resulting in an increased risk of price pressure, making it difficult to achieve solid profits. However, Infracom has a track record of stable profitability with strong margins. Also, its proprietary UCaaS platform and a large share of in-house fibre infrastructure support Infracom in avoiding the most competitive market segments, with a large share of its revenues being of recurring nature.

Challenge

Expensive journey in Europe

While Infracom has a solid track record of acquiring in Sweden, going abroad would be new and riskier. However, considering the substantial growth potential for UCaaS in Europe and Infracom's low-risk reseller/partner approaches, we believe the potential reward is worth the risk of such a European expansion.

Valuation

Low EV/EBIT does not reflect its solid M&A track record

Based on our DCF model, we see a fair value of SEK40 per share in our Base Case and SEK25 and SEK52 per share in our Bear and Bull Cases, respectively. Given management's ability to successfully acquire and integrate companies into the group, we believe Infracom can continue to grow its sales by a continued consolidation with maintained solid margins. Consequently, we do not believe the current EV/EBIT multiple reflects its full potential.

Catalyst types

Swedish Acquisitions

Since the listing in early 2018, all Infracom's growth has come through acquisitions. Despite acquiring companies of varying quality, Infracom has managed to keep its industry-leading margins, indicating management's ability to make successful acquisitions. Thus, we believe acquisitions will continue to drive sales growth and create value for Infracom's shareholders.

European UCaaS deals

As Europe is heading towards shutting down ISDN, we believe Infracom is well suited to expand in the UK and Germany. While there are local competitors in those markets, the Nordics and Infracom are at the forefront of UCaaS platforms. We believe there is a good chance Infracom will attract additional local partners to its UCaaS platform.

European Acquisitions

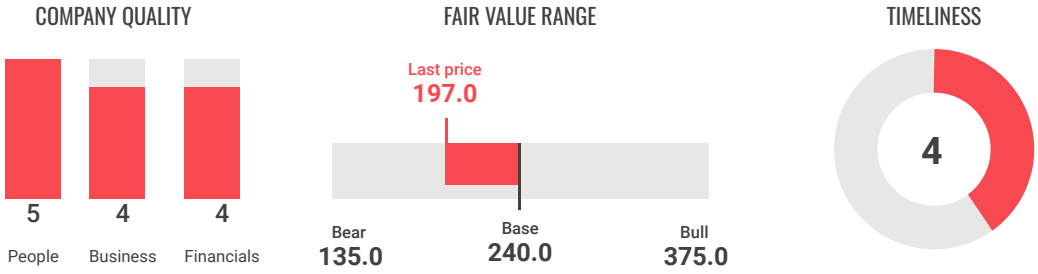
To increase the likelihood of a substantial growth contribution from selling UCaaS to European customers as the ISDN shuts down in 2025, we believe Infracom will look for acquisitions in Germany or the UK. While such acquisition is likely to add sales and EBIT, the main purpose is to generate European UCaaS deals, our next Catalyst.

Invisio IVSO

Company page
https://www.redeye.se/company/invisio-communications

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Lars Højgård Hansen
Chairman	Annika Andersson

Share information

Share price (SEK)	197.0
Number of shares (M)	45.6
Market cap (MSEK)	8,981
Net debt (2024E, MSEK)	-257

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Invisio: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	775	1,202	1,349	1,552
Growth	*30.8%*	*55.0%*	*12.2%*	*15.0%*
EBITDA	113	296	351	452
EBITDA margin	*14.5%*	*24.7%*	*26.0%*	*29.1%*
EBIT	65	238	288	387
EBIT margin	*8.4%*	*19.8%*	*21.3%*	*25.0%*
Pre-tax earnings	62	233	288	387
Net earnings	44	170	216	291
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.70	1.87	2.37	3.19
EPS adj.	0.98	3.74	4.74	6.37
P/E adj.	183.0	45.5	35.9	26.7
EV/S	10.4	6.3	5.6	4.7
EV/EBITDA	71.4	25.6	21.4	16.3

Last updated: 2023-12-14

Owner	Equity	Votes
William Demant Fonden	16.7%	16.7%
SEB Fonder	9.6%	9.6%
Swedbank Robur Fonder	7.1%	7.1%
Handelsbanken Fonder	6.6%	6.6%
Arbejdsmarkedets Tillægspension (ATP)	6.1%	6.1%
The Bank of New York Mellon SA/NV	5.4%	5.4%
Fjärde AP-fonden	4.7%	4.7%
C WorldWide Asset Management	4.6%	4.6%
JP Morgan Chase Bank NA	4.5%	4.5%

Company description

Invisio develops and offers advanced communication systems for professionals in high noise environments. The products include headsets (in-ear with hearing production as well as traditional over-the-ear), control units, intercom systems, cables and other accessories. The majority of the customers are in the military segment and a smaller part are in public safety.

Investment thesis

Case

Market leader in niche market with high barriers of entry

Invisio dominates a niche market with high barriers of entry that is growing structurally from greater awareness of the costs of hearing loss and increased radio penetration. The market is characterized by large procurements with framework agreements that can run over several years. With several procurements won over the last decade the company has established a strong position in North American and European defense customers. Ongoing modernization programs supports continued growth from established customers while Invisio also aims to increase the customer base among other in new segments such as the police market. The company has also been successful adding growing its products offer with more headsets as well as peripherals such as cables and the Intercom solution. Overall, this creates a strong growth outlook over many years which supports Invisio's growth target of 20% average annual sales growth.

Evidence

Strong market position and large market opportunity

Invisio has established a strong position in its segment and while there is extensive confidentiality we believe Invisio has won the majority of all larger relevant procurements which is evidence of its strong market position. This supports our view on potential growth from existing customers and its potential to continue winning new customers from ongoing procurements. The market opportunity for Invisio is also significant where the company in 2022 estimates the total addressable market to around SEK14bn implying ample growth potential with around SEK700m of revenue in 2022.

Challenge

Unpredictable intake of larger orders

Invisio has an unpredictable intake of larger orders which means that revenue can vary widely on a quarterly basis. With a large share of fixed costs this also means large swings in profitability depending on when orders are delivered. However, the company has slightly reduced the dependent on larger orders as it has increased in size and through the acquisition of Racal which typically has a longer orderbook.

Valuation

Base case DCF supported by long growth trajectory

We find a base case valuation of SEK240 per share for Invisio which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of c. 36x on our 2023E EBITDA and 30x on our 2024E EBITDA, while the share has historically traded in a range of 20x to 50x twelve months forward EBITDA. Our base case assumes growth of around 17% over 2024-28 and 9% over 2029-38 with a terminal growth of 2% by 2038E. We estimate an expanding EBITDA-margin reaching 35% by 2028E whereafter we assume a gradual decline towards a terminal EBITDA-margin of 30% by 2038E.

Catalyst types

Order related to the new intercom solution

Invisio launched a new product category in September 2017 following tight development together with customers. Smaller orders have been received while larger orders are a trigger that will confirm the potential for the Intercom product.

Order from the 50 modernization programs

Since several years back, Invisio has been participating in procurement processes in about 50 military modernization programs in various sizes across the world. Our belief is that a few of these contracts are at a stage where they could be settled overnight.

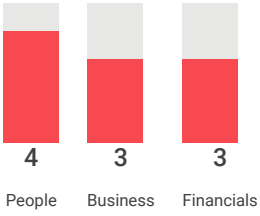
I-Tech ITECH

Company page
https://www.redeye.se/company/i-tech

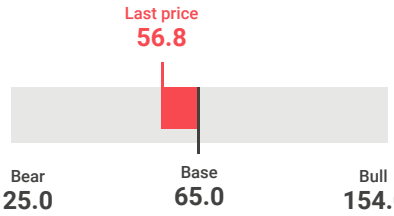
Publication date
January 16 2024

Redeye Rating

COMPANY QUALITY



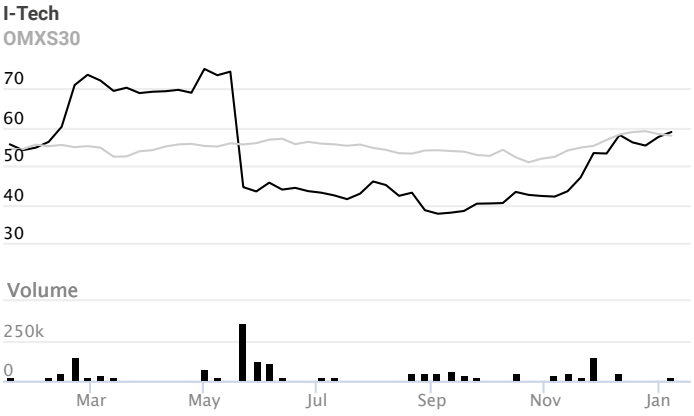
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Philip Chaabane
Chairman	Stefan Sedersten

Share information

Share price (SEK)	56.8
Number of shares (M)	11.9
Market cap (MSEK)	676
Net debt (2024E, MSEK)	-101

Analyst



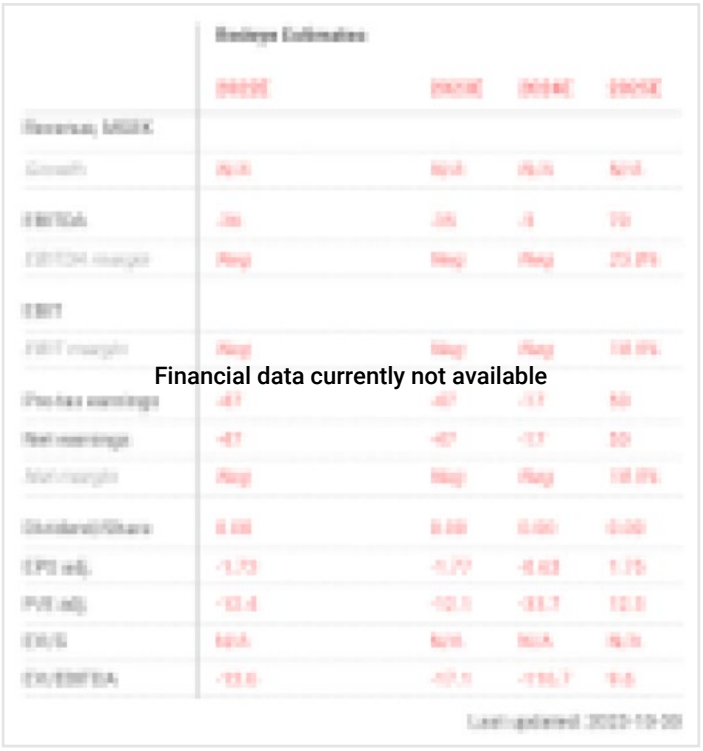
Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in I-Tech: No

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

Financials



Owner	Equity	Votes
Pomona-gruppen	14.8%	14.8%
Handelsbanken Fonder	9.2%	9.2%
Swedbank Robur Fonder	7.8%	7.8%
Futur Pension	7.5%	7.5%
NEA Partners	5.2%	5.2%
Sniptind Invest AS	4.2%	4.2%
Stefan Sedersten	3.8%	3.8%
Unionen	3.8%	3.8%
SEB Life International Assurance	3.7%	3.7%
Andra AP-fonden	3.3%	3.3%

Company description

I-Tech is a biotechnology company founded in the year 2000, as a result of research at the University of Gothenburg. It offers an active antifouling ingredient, Selektope®, used in marine coatings with high efficiency against sea barnacles. I-Tech's direct customers are large international paint manufacturers formulating and selling marine coatings. The company has six out of the ten largest paintmakers on its customer list today; among them Chugoku Marine Paints, Jotun, and Hempel. I-Tech entered Nasdaq First North in May 2018.

Investment thesis

Case

Commercially proven – set to capture market share

We see an attractive envirotech case with rapid growth and operational leverage, derived from a strong value proposition and key market drivers. Our valuation offers upside potential, supported by several catalysts which may improve the investor sentiment. I-Tech has collaborated 10+ years with Chugoku Marine Paints (CMO) which resulted in ever-larger orders, the latest frame order in August 2021 amounted to SEK 53m. In the meantime, I-Tech currently has six out of the total ten largest potential customers on its list today, while only CMP has started to contribute to sales in a signifcant way. We believe the company's strong product offering with a solid reference customer improve the odds of winning new major contracts.

Evidence

High earnings growth potential

With i) attractive sales growth opportunities, ii) a strong competitive offering, and iii) a scalable business model, we view I-Tech as well positioned for earnings growth. The gross margin averages around 52% with an organisation of about eleven people who can serve the full market niche underlines the potential. We expect very limited OPEX and CAPEX needs going forward enabling >30% EBIT margin for the coming years.

Challenge

Operational challenges

In our view, the case in I-Tech faces certain challenges increasing the risk; i) high customer dependency ii) reliant on one only ingredient for marine coatings iii) risk of slow market adoption due to a conservative market and limited incentives and challenging economics among shipowners iiii) possible threats from new solutions

Valuation

Solid upside potential

We expect I-Tech to deliver significant earnings momentum sparred by a 55% sales CAGR and an 30% EBITDA margin in 2024E, followed by avg. 30% EBITDA margin 2025-2036E. With, in our view, a solid management and a strong business case, we identify the right ingredients for high potential return in the I-Tech stock. Based on our DCF model, we value I-Tech to SEK 65 per share in our base case offering a solid upside potential.

Catalyst types

The pace of CMP scale-up

CMP's first major commitment of SEK 50m was fulfilled one quarter earlier, with a follow-up order of SEK 57m for 2020 – around 60 % higher than for 2019. Furthermore, in May 2021, a frame order of SEK 53m for delivery in 2021-2022 was announced. During 2022-2023 CMP has represented an extensive majority of I-Tech's sales and we continue to view the pace of CMP's scale-up as a key driver for I-Tech's stock price in the near term.

New official customer agreement

CMP is currently I-Tech's main customer, accounting for a majority of the current sales. The partnership has proved symbiotic and successful. I-Tech is now in signed or working with all the top six players in the marine paint market. Jotun, Hempel, and Akzo are already signed, while, KCC, and PPG remain interesting targets for I-Tech that not yet have announced partnerships. We believe that announcements of official partnership to be a catalyst for the share.

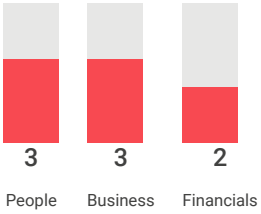
Kontigo Care KONT

Company page
https://www.redeye.se/company/kontigo-care

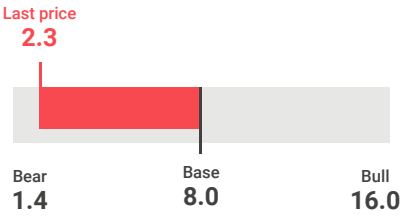
Publication date
January 12 2024

Redeye Rating

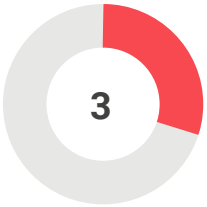
COMPANY QUALITY



FAIR VALUE RANGE

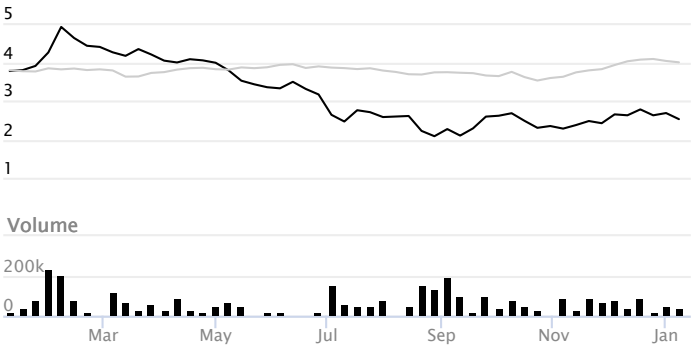


TIMELINESS



Snapshot

Kontigo Care
OMXS30



Marketplace	First North Stockholm
CEO	Ulrika Giers
Chairman	Ove Joanson

Share information

Share price (SEK)	2.3
Number of shares (M)	27.5
Market cap (MSEK)	64
Net debt (2024E, MSEK)	-12

Analyst



Jessica Grunewald
jessica.grunewald@redeye.se

Conflict of interests

Jessica Grunewald owns shares in Kontigo Care: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	28	29	36	43
Growth	*15.9%*	*1.9%*	*24.3%*	*20.0%*
EBITDA	7	5	9	10
EBITDA margin	*24.0%*	*16.8%*	*24.4%*	*23.7%*
EBIT				
EBIT margin	*10.2%*	*2.4%*	*12.8%*	*16.9%*
Pre-tax earnings	3	0	5	7
Net earnings	3	0	5	6
Net margin	*10.1%*	*1.5%*	*12.8%*	*14.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.20	-0.53	-0.01	0.07
P/E adj.	-20.3	-4.4	-166.3	33.8
EV/S	3.2	2.0	1.5	1.2
EV/EBITDA	13.6	11.8	6.0	4.9

Last updated: 2023-12-19

Owner	Equity	Votes
Christer Jönsson	9.9%	9.9%
Discover Capital GmbH	9.5%	9.5%
Mårten Karlsson	8.0%	8.0%
Nordnet Pensionsförsäkring	7.6%	7.6%
Avanza Pension	6.1%	6.1%
Fredrik Grevelius	3.7%	3.7%
Patrik Albinsson	2.2%	2.2%
Anders Niclas Andersson	2.1%	2.1%

Company description

Kontigo Care was founded in 2013 with the dream to create a new paradigm for addiction treatment: a continuous collection of data on the patient's wellbeing, choices and behaviours, on the basis of which future relapses can be predicted and handled before they happen. The objective is to train the patient with addiction for a permanent behaviour change, and productive habits, every day. Since its launch, this treatment platform has generated hundreds of thousands of drug-free days and is available via both private and public healthcare providers in the whole of Sweden and in other European countries.

The company is based in Uppsala. In 2021 Kontigo Care had a turnover of SEK 24.5m and 14 employees.

This treatment paradigm comprises several tools, one of which is the breathalyzer (alco-meter), an alcohol measurement tool, with which the patient must take regular tests, typically 2-4 times a day. This alcometer feeds information about the patient's alcohol consumption into an AI-driven system for data analysis. This system includes digital biomarkers that enable relapse prediction. The system can send out motivational messages, involve the patient's support network, or alert the therapist via a separate therapist interface.

The present revenue model is B2B and most of the income is from licenses sold to public entities, such as municipalities, in Sweden and Finland. The company has achieved remarkable success working with the public sector and now has over 50% of Swedish municipalities contracted. Collaborations have been initiated for the Dutch, Finnish, and German markets. In the Netherlands there is pilot project running since November 2021.

Investment thesis

Case

A game changer in addiction treatment(s)

Swedish health tech company Kontigo Care has a proven product-market fit with its disruptive addiction care offering in Sweden. This includes AI-driven treatment solutions for alcohol and gambling addiction, with the possible addition of solutions for drug addiction soon, too. We consider its software to be state-of-the-art, and its research backing is impressive. Its unique solution is available in more than half of the Swedish municipalities, bolstering confidence in the case. Thanks to the company's highly scalable business model, predictable revenues, and high gross margins (84% in Q3 2023), an investment in Kontigo Care, in our view, offers attractive exposure to the fast-growing RPM (remote patient monitoring) niche of the eHealth and addiction care segment. Moreover, the case's ESG (social) aspect is clear, while the addressable market suggests ample room for growth both in Sweden and internationally.

Evidence

Profitable SaaS solution with a growing customer base

Kontigo Care estimates it has reached about 10% of its potential market through its c170 municipality contracts, implying plenty of room to grow via existing and new municipality contracts. Kontigo Care has captured a chunk of this market, boosting our confidence in its ability to grab a potential new volume market: regional care in Sweden. Today, the municipalities alone are legally obliged to provide treatment services to those with alcohol and gambling addictions. However, there are strong indications this will soon switch to regional care, widening the addressable market significantly. Moreover, the pilot projects in the Netherlands and the distribution agreement in Finland hold great potential for Kontigo Care to grow further and scale its business model. We believe Kontigo Care can grow its top line by at least 50% without increasing personnel costs thanks to its scalable SaaS business model.

Challenge

Building the market and product awareness

Addictive care is traditional, and therapists in this area are not used to working with digital tools. The company must convince these therapists – its potential customers – of its value proposition. Patients also need to be aware of the brand and its offering to drive the market further by asking their therapists for it. We have noted that Kontigo Care has become more active and is using brand ambassadors and social media. We are encouraged by this and believe it can help drive awareness in Sweden.

Challenge

Internationalisation

In recent years, Kontigo Care has implemented an internationalisation strategy, although the COVID-19 pandemic has severely hindered this. Expanding its offering internationally is challenging owing to the different regulations and reimbursement systems across Europe. We believe Kontigo Care's use of distributor agreements is a sound strategy that de-risks the case. It will likely take longer, but it is safer than building an in-house sales team for each targeted country.

Valuation

Upside potential and limited downside risk

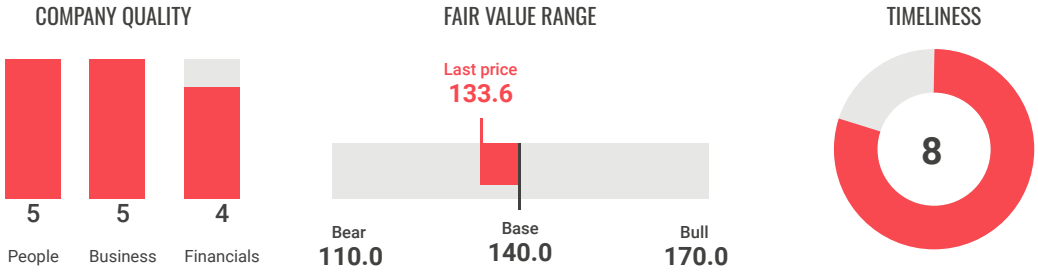
We value Kontigo Care using three different DCF scenarios. Our fair value range is SEK1.4–16, with a base case of SEK8 per share. In our base case, we estimate a 2023e–2027e sales CAGR of 18%, with an average EBIT margin of 17%. We use an 11.5% discount rate (WACC) based on Redeye's Rating model. The stock market's perception of Kontigo Care differs significantly from ours. The share is trading at a significant discount versus its peers on '24e-'25e EV/EBIT multiples. The most significant catalysts for the share are quarterly reports, the outcome of the drug study, and a broadening of the geographical scope for its Previct products.

Lagercrantz Group LAGR B

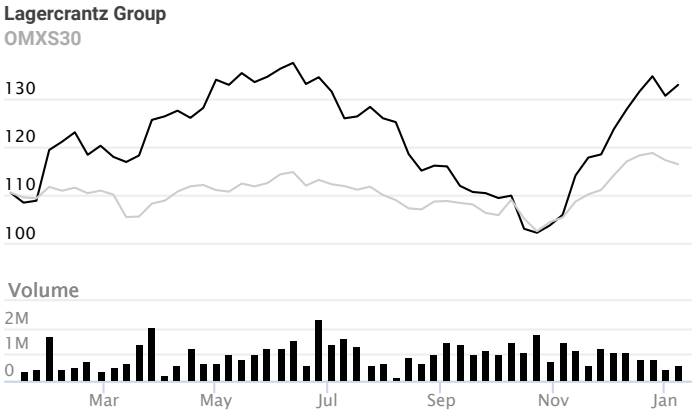
Company page
https://www.redeye.se/company/lagercrantz-group

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Jörgen Wigh
Chairman	Fredrik Börjesson

Share information

Share price (SEK)	133.6
Number of shares (M)	209.2
Market cap (MSEK)	27,952
Net debt (2024E, MSEK)	1,544

Analyst



Niklas Sävås
niklas.savas@redeye.se

Conflict of interests

Niklas Sävås owns shares in Lagercrantz 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		
	22/23	**23/24E**	**24/25E**	**25/26E**
Revenue, MSEK	7,246	8,304	9,472	11,412
Growth	*32.2%*	*14.6%*	*14.1%*	*20.5%*
EBITDA	1,452	1,732	1,941	2,269
EBITDA margin	*20.0%*	*20.9%*	*20.5%*	*19.9%*
EBIT				
EBIT margin	*14.7%*	*15.2%*	*15.3%*	*15.1%*
Pre-tax earnings	969	1,110	1,275	1,550
Net earnings	759	872	1,001	1,217
Net margin	*10.5%*	*10.5%*	*10.6%*	*10.7%*
Dividend/Share	1.47	1.68	1.91	2.29
EPS adj.	3.69	4.19	4.77	5.73
P/E adj.	35.2	29.1	25.6	21.3
EV/S	4.0	3.3	2.8	2.4
EV/EBITDA	20.1	15.6	13.9	12.0

Last updated: 2024-01-10

Owner	Equity	Votes
Fidelity Investments (FMR)	9.8%	6.9%
SEB Fonder	9.4%	6.6%
Swedbank Robur Fonder	9.1%	6.4%
Northern Trust Company London Branch	8.4%	5.9%
Lannebo Fonder	6.4%	4.5%
State Street Bank And Trust co	6.2%	4.4%
Anders Börjesson & Tisenhult-Gruppen	5.6%	28.7%
Vanguard	3.3%	2.3%
Cliens Fonder	3.2%	2.3%
Handelsbanken Fonder	3.0%	2.1%

Company description

Lagercrantz has a long history together with two other listed companies: Bergman & Beving and Addtech. Lagercrantz started in 1938 and was acquired by Bergman & Beving in 1967. Lagercrantz and Addtech were spun off in 2001 and have since been listed on Nasdaq Stockholms main market. Lagercrantz got the businesses within electronics, IT and Communication.

The strategic focus during the last decade is characterized by the changes that took place in the wake of the IT- and telecom crisis, during the first years of the new millennium. The product life cycles of electronic components became shorter and production was moving east. Lagercrantz new strategy is oriented towards higher value added products and an expansion into new market niches. Acquisitions have always been a natural part of the groups' evolution and focus is primarily on proprietary products rather than trading companies.

Investment thesis

Case

Durable growth at high returns

Lagercrantz has a strong track record of allocating internally generated free cash flow at high returns buying private companies. In addition, Lagercrantz has been able to improve its companies and has achieved mid-single-digit organic growth. With Lagercrantz as the new owner, the companies have better opportunities to expand into new markets and grow their business. This twin engine of acquisitive plus organic growth is likely to continue to generate stellar shareholder returns for the long-term investor.

Evidence

Proven acquisition model

The acquisition model is to buy companies with durable competitive advantages at low multiples, around EV/EBITA 6-8, leading to a yield of around 13-17% and then adding organic growth. The companies Lagercrantz buys typically have sales of around SEK 50-200 million and are well-managed and profitable with limited risk. Its aim is to continue to build up a large portfolio of successful companies, and Lagercrantz has undoubtedly succeeded in this in recent years. All the companies, as far as we can tell, have had stable profitability. Operating margins are around 15-20 percent.

Challenge

Big bad acquisitions

If Lagercrantz was to acquire a big company that runs into severe problems, it would cost money as well as management resources. The organization is rather streamlined and if there is a need for restructuring it may have consequences for the rest of the group, and obviously also the stock market's confidence. We think the risk of this is low as Lagercrantz has been disciplined over time.

Challenge

Valuation for private companies

In 2021, a few aggressive acquirers entered the market in a big way and caused prices to rise. If the acquisition multiples would rise from today's 6-8x EBITA to 9-11x it would lead to less attractive return on capital for Lagercrantz, thereby hurting its long-term prospects.

Valuation

Almost always attractive

The Lagercrantz share has clearly outperformed the stock market index over the years. Lagercrantz has a well-proven ability to buy and develop companies and provides a good potential to generate high returns over time. We think the business can generate a 15%+ return on capital over decades by being able to reinvest the majority of its cash flows at high returns, leading us to conclude that the stock is almost always attractive to own. Most large industrial companies are not able to re-invest their cash flows at high returns, leading to a high dividend ratio instead of the snowball effect Lagercrantz can achieve by its supreme reinvestment ability. Even though the Lagercrantz share is often trading at a premium, we think investors underestimate the long-term effect, meaning the premium is often too low.

Catalyst types

Organic growth will drive margins

Several subsidiaries with proprietary products have a good potential to expand into new markets. Lagercrantz organic growth and margins should benefit from this since these companies are more profitable than group average.

More of the same (acquisitions)

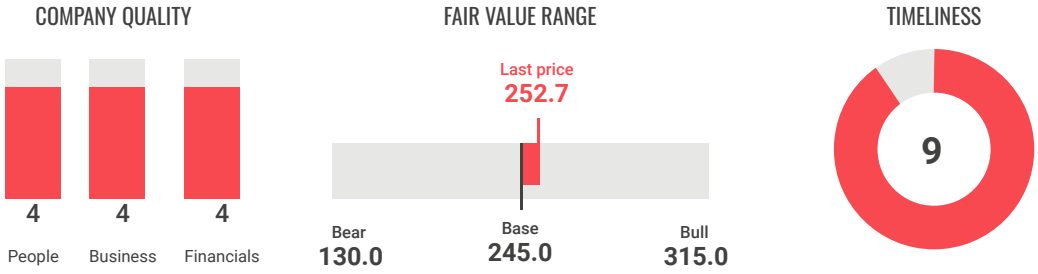
Focus on buying relatively small companies with proprietary products and good profitability at fairly low multiples has been successful. More acquisitions like this are likely and will continue to drive value.

Lifco LIFCO B

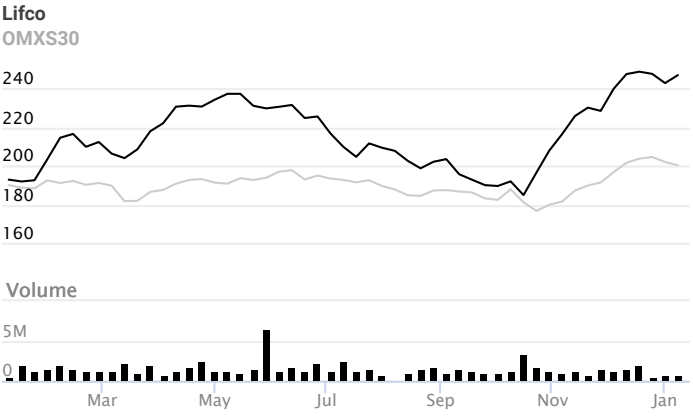
Company page
https://www.redeye.se/company/lifco

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Per Waldemarson
Chairman	Carl Bennet

Share information

Share price (SEK)	252.7
Number of shares (M)	454.2
Market cap (MSEK)	114,780
Net debt (2024E, MSEK)	10,324

Analyst



Christian Binder
christian.binder@redeye.se

Conflict of interests
Christian Binder owns shares in Lifco: Yes

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	21,552	24,516	27,674	31,545
Growth	*23.3%*	*13.8%*	*12.9%*	*14.0%*
EBITDA	5,104	6,228	7,029	8,170
EBITDA margin	*23.7%*	*25.4%*	*25.4%*	*25.9%*
EBIT				
EBIT margin	*18.3%*	*19.5%*	*19.6%*	*20.0%*
Pre-tax earnings	3,842	4,375	4,738	5,522
Net earnings	2,828	3,257	3,554	4,141
Net margin	*13.1%*	*13.3%*	*12.8%*	*13.1%*
Dividend/Share	1.50	1.80	2.15	2.35
EPS adj.	6.23	7.17	7.82	9.12
P/E adj.	28.0	33.5	30.7	26.3
EV/S	4.0	4.8	4.3	3.8
EV/EBITDA	16.8	18.9	17.0	14.8

Last updated: 2023-12-14

Owner	Equity	Votes
Carl Bennet	50.2%	68.9%
Fjärde AP-fonden	5.7%	3.6%
SEB Fonder	2.5%	1.6%
Spiltan Fonder	2.4%	1.5%
Capital Group	2.0%	1.2%
Vanguard	1.9%	1.2%
Carnegie Fonder	1.8%	1.1%
BlackRock	1.7%	1.1%
Handelsbanken Fonder	1.7%	1.0%
Lannebo Fonder	1.4%	0.9%

Company description

Lifco's Dental business area dates back to 1946 when Swedish county councils established a central purchasing entity for medical equipment and services. Lifco became part of Getinge in 1995, before being spun off to shareholders in 1998, the same year Fredrik Karlsson became CEO. After only two troublesome years as a listed company, majority owner Carl Bennet took the company private.

Following some internal clean-up, Lifco bought the industrial conglomerate Sorb Industri AB from Carl Bennet's holding company Carl Bennet AB in 2006. This sparked Lifco's serial acquirer journey, with Lifco going public again in late 2014. Since its 2014 IPO, the company's share count has remained unchanged, except for a 5:1 split in 2021. Per Waldemarson became Lifco's CEO in 2019.

The company grew net sales from cSEK2.6bn in 2006 to cSEK24.0bn LTM in Q3 2023, representing a CAGR of 14.1%. The company's EBITA increased from cSEK280m to cSEK5.5bn over the same period (CAGR: 19.4%). Net sales growth in 2006–Q3 2023 stemmed mainly from high-single-digit acquired growth (mean: 9.5% and median 8.4%) and mid-single-digit organic growth (4.8% and 5.1%). Lifco ramped up its deal volume from three acquisitions in 2006 to 18 in 2023. Importantly, the company has built its organisation to manage a growing number of subsidiaries well and to accommodate increasing M&A volume.

Investment thesis

Case

Lifco's business model is simple but not easy

Lifco's business model is simple but not easy: the company mainly redeploys growing operating cash flows, supplemented with debt, into growth through acquisitions. Specifically, Lifco grows through an increasing number of small- and medium-sized acquisitions rather than enlarging each M&A deal. The difficulty of this business model lies in maintaining discipline and durability, prioritising prudent and sustainable growth in the long term over rapid short-term growth. Internally promoted group managers oversee subsidiaries to ensure solid organic development. The strongest indicator for such a long-term orientation is track record, as most CEOs can talk the talk nowadays but fewer walk the walk.

Evidence

M&A-led growth and margin expansion

Lifco has grown net sales from cSEK2.6bn in 2006 to cSEK24.0bn LTM in Q3 2023 (CAGR 14.1%). The company grew EBITA from cSEK280m to cSEK5.5bn over that same period (CAGR 19.4%), i.e., its EBITA margin expanded from c11% to c23%. Growth and EBITA margin expansion mainly stemmed from M&A, supplemented with organic growth and margin initiatives. Median acquired and organic sales growth amounted to 8.4% and 5.1% per year, respectively, in 2006–Q3 2023. The company has, on average, paid 5.6–6.4x pro-forma acquisition-year EBITA. Management and the board have skin in the game, owning 50.5% of share capital and 69.1% of votes. Lifco has not issued new shares since its 2014 IPO.

Challenge

Taking M&A volume to the next level

We understand that Lifco works continually to adapt its organisational structure to accommodate increasing M&A volumes and more subsidiaries over time. However, we judge this process will never be complete. Instead, it constitutes ongoing work-in-progress, maintaining and building a culture of decentralisation that incentivises capital allocators to generate high returns without much involvement from headquarters. Should Lifco fail to implement this process continuously, it could cap the company's acquired growth and ability to manage an increasing number of subsidiaries well.

Challenge

Preserving culture

Lifco's sudden CEO change in 2019 indicates that decentralisation minimises key-person risk. We judge the company needs to continuously work to prevent its organisation from becoming overly bureaucratic and creating succession risk. Allowing such an adverse change might damage its culture and organic growth prospects, risking business decisions to become dominated by politics and ideology.

Valuation

Long-term upside potential with short-term multiple contraction risk

Our base case constitutes SEK245 per share, with a valuation range of SEK130–315 per share. Our base case corresponds to a valuation of c19x EV/EBITA and c31x P/E on our 2024e estimates. Lifco's solid track record endows the company with relatively high multiples, introducing short-term multiple contraction risk. However, we view long-term risks as limited should Lifco continue to execute in line with its track record. We view ongoing M&A activity and increasing growth and profitability in quarterly reports as the primary catalysts for the company's share.

Catalyst types

Acquisitions

We view acquisitions as Lifco's primary growth driver. Notably, we do not expect transformative acquisitions to act as a trigger. Instead, we look for the company to continue making an increasing number of smaller acquisitions. We view the evolution of its organisational structure as the critical factor allowing it to scale M&A volume. This in turn will enable the company to deploy increasing cash flows for acquisitions without buying larger companies at higher valuation multiples.

Quarterly reports

We view quarterly reports as a critical catalyst for Lifco's share. Specifically, we look for reports exhibiting acquired growth and margin expansion in the company's reported numbers. Moreover, we believe recovering and stable organic growth will provide an important secondary engine for Lifco's growth. Lastly, we will closely monitor cash conversion, ensuring that income statement earnings are converted to solid cash flows over time.

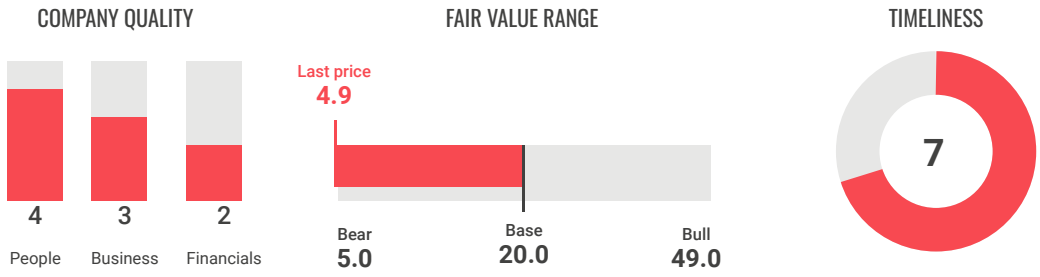
Maximum Entertainment

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

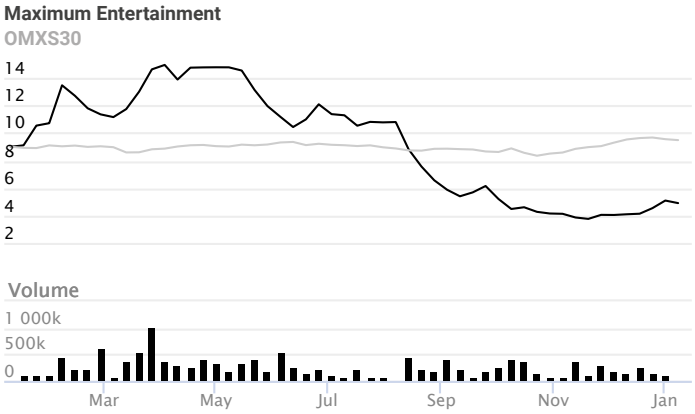
Publication date
January 14 2024

MAXENT B

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Christina Seelye
Chairman	Stefan Lindeberg

Share information

Share price (SEK)	4.9
Number of shares (M)	51.1
Market cap (MSEK)	251
Net debt (2024E, MSEK)	365

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Maximum Entertainment: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,138	1,156	1,215	1,306
Growth	*>100%*	*1.6%*	*5.1%*	*7.5%*
EBITDA	98	118	171	212
EBITDA margin	*8.6%*	*10.2%*	*14.0%*	*16.2%*
EBIT	68	68	111	142
EBIT margin	*6.0%*	*5.9%*	*9.1%*	*10.9%*
Pre-tax earnings	-62	-106	-43	4
Net earnings	-80	-124	-71	-31
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.33	0.47	1.11	1.85
P/E adj.	7.5	8.5	3.6	2.2
EV/S	0.4	0.4	0.5	0.5
EV/EBITDA	5.3	4.3	3.3	2.9

Last updated: 2023-11-17

Owner	Equity	Votes
Philippe Cohen	12.9%	9.6%
Avanza Pension	11.1%	8.2%
Christina Seelye	9.1%	19.7%
Prioritet Finans	4.7%	3.5%
Matti Larsson	4.2%	9.6%
Knutsson Holdings AB	3.9%	2.9%
Viktor Vallin	3.6%	2.7%
Joanne Keighran	3.4%	2.5%
Luke Keighran	3.4%	2.5%
David Wallsten	3.4%	2.5%
share of own IP's		

Company description

Maximum Entertainment is a global gaming group active across the whole value chain from game development to publishing and distribution. The majority of revenue is derived from publishing where the company is focused on the Indie/AA segment. Maximum also has four in-house studios focusing on development of own IPs from which the company aims to generate 30% of revenue by 2025.

Investment thesis

Case

Growth focused gaming group active in the whole value chain

Maximum Entertainment (MaxEnt) is in the early stage of a new growth phase after concluding three large acquisitions, Merge Games, Just for Games and Maximum Games in 2021. With the acquisitions, MaxEnt has built a sizable gaming group with organic growth potential from a pipeline of own IPs and a solid publishing business focused on AA games as well as a network for complementary M&A-driven growth. The company increased focus on own IPs supports upside potential in profitability in the coming years and overall we consider MaxEnt's growth prospects attractive which supports our view of topline growth and margin expansion going forward.

Evidence

Well diversified low risk gaming portfolio and motivated management team

Maximum Entertainment has a broad gaming portfolio consisting of more than 300 games where the largest represent around 5% of sales. With a focus on AA games that has much lower budgets than AAA games the dependence on success for individual games is low. Furthermore, the company's revenue is also geographically diversified coming mainly from North America and Europe and small share from South America and RoW. Finally, the company's management team are also highly motivated with the CEO Christina Seelye holding around 10% of shares.

Challenge

Highly competitive market

We believe the main challenge for Maximum Entertainment is the high competition seen in the gaming market with several games released each day. However, the company's niche focus on the AA segment which is underserved means the company is well positioned in our view. Furthermore, as the company controls the whole value chain this helps the company to promote its games vs competition.

Valuation

Base case DCF supported by improving profitability driven by an increased

We find a base case valuation of SEK20 per share for Maximum Entertainment which is derived from a DCF-valuation using a discount rate of 11%. The base case implies an EV/EBITDA multiple of c9x 2024E. Our base case assumes a growing share of revenue from own IP's supporting stronger EBITDA-margin that is forecasted to increase to around 23% by 2028E. The growth is estimated at 8% between 2024-28E and 5% between 2029-38E with a terminal growth of 2%.

Catalyst types

Growth from in-house games

Maximum Entertainment has a growing game portfolio of own IP's with a handful of games for which we see substantial growth potential in our positive scenarios. Smalland and Brabmle saw positive receptions in 2023 which

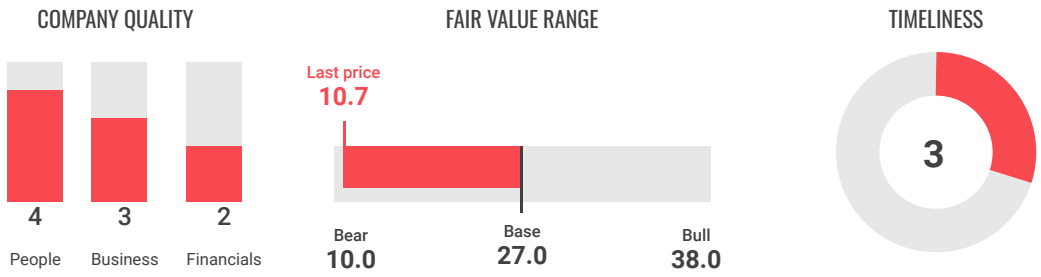
creates credibility for upcoming games where Maximum Games has around 15 games in its pipeline until 2025.

Media and Games Inves... M8G

Company page
https://www.redeye.se/company/media-and-games-invest

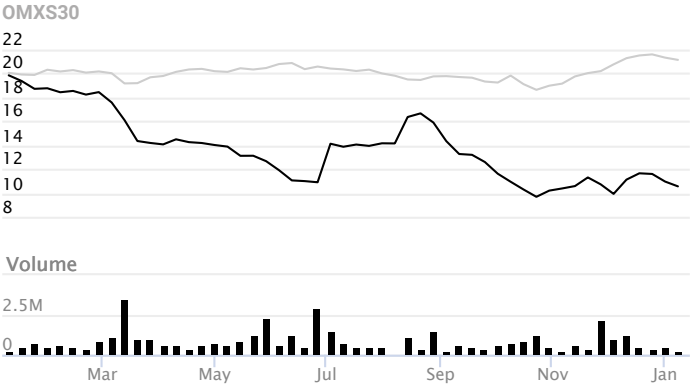
Publication date
January 12 2024

Redeye Rating



Snapshot

Media and Games Invest



Marketplace	First North Stockholm
CEO	Remco Westermann
Chairman	Tobias M. Weitzl

Share information

Share price (SEK)	10.7
Number of shares (M)	159.2
Market cap (MSEK)	1,710
Net debt (2024E, MEUR)	231

Analyst



Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Media and Games Invest: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MEUR	324	304	333	376
Growth	*28.7%*	*-6.4%*	*9.6%*	*12.9%*
EBITDA	85	126	103	119
EBITDA margin	*26.1%*	*41.6%*	*30.9%*	*31.6%*
EBIT				
EBIT margin	*8.2%*	*31.6%*	*20.8%*	*23.1%*
Pre-tax earnings	-11	47	31	49
Net earnings	-20	44	23	36
Net margin	*Neg*	*14.3%*	*6.9%*	*9.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.13	0.10	0.24	0.30
P/E adj.	12.9	9.8	4.3	3.4
EV/S	1.6	1.4	1.2	1.0
EV/EBITDA	6.3	3.4	3.8	3.1

Last updated: 2023-12-15

Owner	Equity	Votes
Bodhivas GmbH	27.7%	27.7%
Oaktree Capital Management LLP	17.7%	17.7%
Sterling Strategic Value Fund	5.1%	5.1%
Trend Finanzanalysen GmbH	1.6%	1.6%
Nordnet Pensionsförsäkring	1.5%	1.5%
Case Kapitalförvaltning	1.4%	1.4%

Company description

MGI – Media and Games Invest är verksamt inom teknikbranschen. Bolaget driver en annonsmjukvaruplattform som matchar den globala annonsörens efterfrågan med annonsutbud från utgivare som berikar processen med förstapartsdata från egna spel. MGI:s operativa närvaro finns i Nordamerika och Europa. Genom investeringar i organisk tillväxt och innovation, samt riktade M&A, har bolaget byggt en one-stop-shop för programmatisk annonsering, vilket gör det möjligt för bolag att köpa och sälja annonsutrymme på alla digitala enheter.

Investment thesis

Case

A leading ad-software platform with synergies

MGI is a leading ad-software platform enabling monetization and user acquisition for app and content developers. MGI operates in two subsegments games and media, of which the combined market is expected to grow in excess of 10% in the coming years. Furthermore, the two subsegments enable large synergies as the games could make its UA more efficient while the media platform retains a higher share of the spending. Furthermore, the games could maximize their ad revenues which come at almost 100% gross margins. In contrast, the media segment could leverage access to first-party data. Thereby, enhancing advertisers' targeting, which makes the platform more competitive. Leading the gain of market share, scale effects, and substantial network effects. We forecast a 22-25'e Adj EBITA CAGR of 11%.

Evidence

Proven scalability

MGI has transformed its business into a leading ad-software platform. In 2022, the number of ad impressions reached ~670 billion, up almost 6x compared to 2020. This is driven by innovative services that cover the customer's entire value chain. Leading to gained market share. Furthermore, the EBITDA margin increased from 10% in 2020 to 26% in 2022. Illustrating the scalable business model.

Challenge

IDFA implementations reduces market activity

Apple's recent IDFA identifier made it harder for advertisers and game publishers to attract consumers and players. Google is planning to implement a similar standard where similar challenges could occur. Thus, this could lead to a market slowdown where MGI's innovative solutions would not materialize in any returns.

Challenge

Valuation

The media segment should drive the multiple expansion

We forecast a 22-25'e sales and adj EBITA CAGR of 10-11%, respectively.
At our base case, MGI trades at 8.5x EV/adj EBITA.

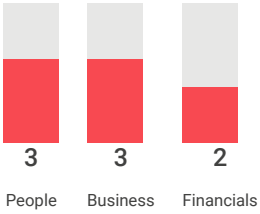
Mestro MESTRO

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

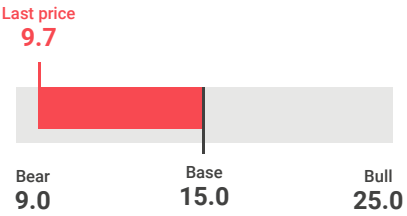
Publication date
January 15 2024

Redeye Rating

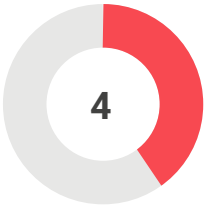
COMPANY QUALITY



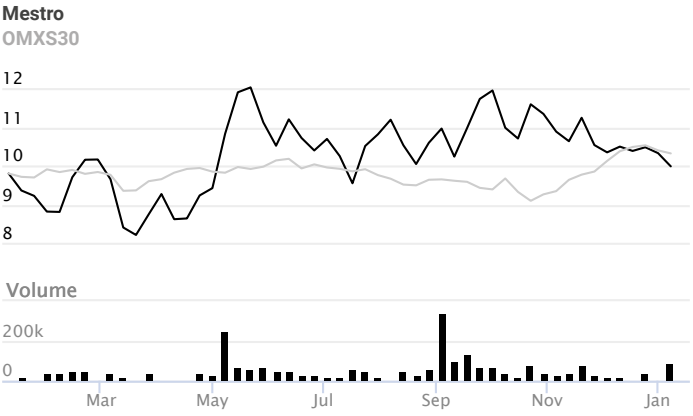
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Kristin Berg
Chairman	Rikard Östberg

Share information

Share price (SEK)	9.7
Number of shares (M)	10.2
Market cap (MSEK)	99
Net debt (2024E, MSEK)	-8

Analyst



Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Mestro: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	27	35	46	60
Growth	*35.0%*	*27.5%*	*32.0%*	*32.0%*
EBITDA	-14	-10	2	11
EBITDA margin	*Neg*	*Neg*	*3.6%*	*18.6%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*12.6%*
Pre-tax earnings	-18	-15	-2	8
Net earnings	-18	-15	-2	8
Net margin	*Neg*	*Neg*	*Neg*	*12.6%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-2.00	-1.65	-0.23	0.86
P/E adj.	-4.5	-6.6	-48.4	12.8
EV/S	N/A	N/A	N/A	N/A
EV/EBITDA	-4.7	-9.1	54.5	7.3

Last updated: 2023-11-27

Owner	Equity	Votes
Nordnet Pensionsförsäkring	16.9%	16.9%
RP Ventures AB	14.0%	14.0%
AB Företagsledare Rego	13.5%	13.5%
Magnus Astner	8.8%	8.8%
Samhällsbyggnadsbolaget i Norden AB	8.8%	8.8%
Erik Selin	6.5%	6.5%
Avanza Pension	3.8%	3.8%
Anders Palmgren	3.2%	3.2%
Johan Stern	2.0%	2.0%
Johan Stefan Åberg	1.8%	1.8%

Company description

Mestro offers a cloud-based energy monitoring service platform that automatically collects, analyses, and visualises real estate energy usage. Magnus Astner founded the Stockholm-based company in 2005, and Mestro has quickly grown to more than 100 customers and >10,000 properties connected to its platform. Most revenues stem from Sweden, but the company also now operates presently in Norway, Denmark, Finland, Poland, the Netherlands, and Germany. It has also signed customers with properties in the UK, Ireland, Belgium, and Austria.

Investment thesis

Case

Well-positioned software provider with excellent growth prospects

Mestro's cloud-based energy monitoring service is well-positioned in a world where going green is becoming a necessity, backed by legal requirements and various certifications. We estimate annual growth of about 30% until 2025, thanks to a widespread push towards digitalizing large parts of the property stock. Mestro's well-staffed organization and software-subscription-based revenues place the company in an excellent position to scale at higher volumes. We estimate a strengthening EBIT margin year over year that will reach >10% in our 2025 forecast.

Evidence

A strong customer base supports our view

Mestro has an impressive customer portfolio, including many of the Nordic region's largest property owners, such as Heimstaden, Balder, and PostNord, signalling that its value prop and competitiveness are at the forefront. Around 100 customers use its service, and >10,000 properties are connected to its platform.

Challenge

Many competitors want their slice of the cake

The barrier to entry is quite low. Several of property companies, property management companies, and niched software vendors (such as Mestro) have built different property-oriented software. This makes it hard to gain traction with property companies because they are likely already engaged in pilots or with other software vendors. Second, it is hard to differentiate itself from the competition. Third, the core technology is not exceedingly hard to replicate, increasing the risk of competition.

Challenge

Bargaining power

While Mestro has an impressive customer list that includes several of the Nordic region's largest property owners and managers, there is a notable size discrepancy between Mestro and its customers. Some key customers, such as SBB and Balder, have properties in the hundreds (and up to the thousands) connected to Mestro's platform, giving them a good price negotiating position. This, coupled with the fierce competition, could pose challenges for Mestro's ARPU development.

Valuation

Valuation

Redeye's base case of SEK15 places implies a forward EV/sales multiple on 2024e of around 2x, which we argue is rather undemanding given its growth outlook and clear scalability sources (software, currently well-staffed, etc.). It is currently valued well below the average Nordic SaaS business despite having in-line SaaS metrics, including a low churn and relatively good estimated NRR. Moreover, in conjunction with the Q1 2023 report, Mestro announced that it had received an indicative public takeover offer in the range of SEK15 to SEK17 per share on April 11, 2023, valuing Mestro at between SEK140m-158m on a fully diluted basis. Thus, industry players appear to be eyeing Mestro.

Catalyst types

A potential acquisition target

In conjunction with the Q1 2023 report, Mestro announced that it had received an indicative public takeover offer in the range of SEK15 to SEK17 per share on April 11, 2023, valuing Mestro at between SEK140m-158m on a fully diluted basis. The board did not accept the bid. Nevertheless, a clear catalyst is Mestro being acquired.

International expansion

Although most of Mestro's revenues stem from Sweden today, it has expanded and established itself in Norway, Denmark, Finland, Poland, the Netherlands, and Germany. It has also signed customers with properties in the UK, Ireland, Belgium, and Austria. New deals proving this part of the investment case are powerful catalysts.

Signs of scalability

Mestro's well-staffed organization and software-subscription-based revenues place the company in an excellent position to scale at higher volumes. We estimate a strengthening EBIT margin year over year that will reach >10% in our 2025 forecast. Signs of this happening are a catalyst.

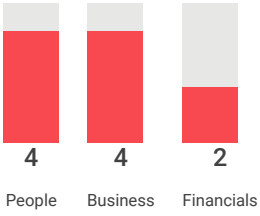
Modelon MODEL B

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

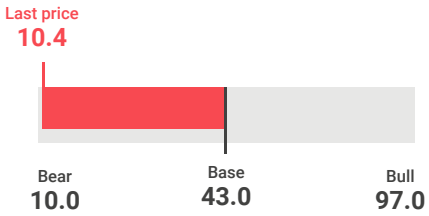
Publication date
January 15 2024

Redeye Rating

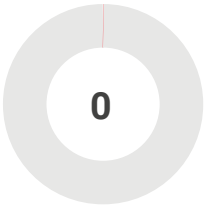
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Magnus Gäfvert
Chairman	Christer Ljungberg

Share information

Share price (SEK)	10.4
Number of shares (M)	11.0
Market cap (MSEK)	115
Net debt (2024E, MSEK)	-32

Analyst



Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Modelon: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	68	81	107	145
Growth	*-1.8%*	*19.2%*	*33.3%*	*34.9%*
EBITDA	-64	-53	-32	3
EBITDA margin	*Neg*	*Neg*	*Neg*	*1.7%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*1.0%*
Pre-tax earnings	-65	-53	-33	2
Net earnings	-64	-53	-33	1
Net margin	*Neg*	*Neg*	*Neg*	*0.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-5.89	-4.82	-3.01	0.10
P/E adj.	-2.5	-2.2	-3.5	99.1
EV/S	N/A	N/A	N/A	N/A
EV/EBITDA	-0.7	-1.1	-2.6	27.0

Last updated: 2023-11-27

Owner	Equity	Votes
Modelon Group AB	36.5%	47.2%
Accendo Capital	24.3%	24.3%
Rbcb Client - Lux N-Tr 30%-Mig	24.3%	24.3%
Håkan Roos (RoosGruppen)	10.2%	7.5%
Ansys Inc.	5.9%	7.6%
U.S. Bank National Association	5.9%	7.6%
Avanza Pension	3.0%	1.4%
Ålandsbanken AB	2.5%	1.1%
Nordnet Pensionsförsäkring	2.0%	0.9%
Cbny-Rja-Client Asset Acct	1.4%	1.8%

Company description

Modelon has been offering and developing Simulation & Analysis (S&A) software and services since it was founded in 2004. The company's flagship product: Modelon Impact allows customers to develop and test prototypes in a digital environment which plays a crucial role in the R&D process. Modelon addresses companies in all industries that develop complex and advanced products or technical processes with the largest share of customers in the automotive- and aerospace segments. Modelon operates worldwide with the largest sales in the Americas followed by Asia and Europe.

Investment thesis

Case

Well-established specialist in a market with high barriers to entry

Modelon is a Swedish B2B provider of tools used to model, simulate, and analyze products and systems in a digital environment. It also offers expert application-specific consulting. Modelon is offering its solution as SaaS (software-as-a-service) through the release of its new cloud-based Modelon Impact. Modelon is gaining market share in a sector that is estimated to grow 10% y/y, thanks to a broader adoption of S&A tools worldwide. Modelon is in pole position to scale in the coming years and to eventually achieve margins in line with its PLM peer group.

Evidence

Modelon's impressive Client list indicates a top-quality product

The many blue-chip companies such as Tesla, Carrier, and NASA found in Modelon's impressive client list indicates that the company has developed state-of-the-art products. Modelon has a unique model library asset which has been built over many years in close collaboration with its world-leading customers in their respective niche. Modelon's technology is also levered by several of the largest S&A players, such as Ansys and Siemens in their respective model solutions, further cementing Modelon's position in the market.

Challenge

Adoption of digital transformation within companies takes time

Despite its extensive model library, Simulation tools are complex and thus primarily used by niched and highly educated engineers. Although the ARR from Impact is growing and shows signs of product-market fit, one must bear in mind there are often only a handful of users, even for very large corporate customers. However, Impact is designed to target a broader category of engineers and capitalize on the potential of more mainstream usage beyond simulation experts.

Challenge

Dominant competitors with extensive resources

Modelon operates in a competitive market in which substantially larger companies offer comprehensive software solutions and have the capital to invest extensive funds in R&D and acquisitions to broaden their product offering. Other competitors consist of more niche companies, and although they offer similar software products, Modelon's cloud-based

Valuation

Upside potential

Using a fundamental DCF framework, we have derived a fair value range for Modelon under three scenarios: base case (most likely), bear case (pessimistic), and bull case (optimistic). We have used a WACC of 11% for all scenarios. Our analysis suggests a fair value range of SEK10 – 97, while our base case stands at SEK43. We believe that the key drivers for an increased market value for Modelon are accelerating ARR growth and signs of near-term scalability. Modelon Impact's growth rate will be paramount for this and the next couple of quarters as important verifiers for the investment case.

Catalyst types

Increased scalability

Reports that clearly demonstrate increasing upselling of Modelon Impact. In the near term, we would like to see Modelon consistently disclosing its NRR (net revenue retention) for Impact, as well.

Solid quarterly reports

Solid quarterly reports showing ARR growth in line with or above Modelon's financial goal.

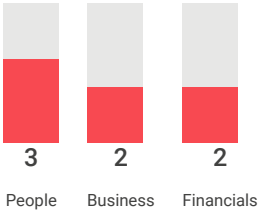
Neonode Inc NEON

Company page
https://www.redeye.se/company/neonode-inc

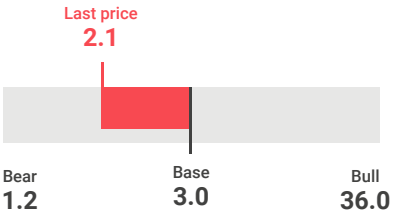
Publication date
January 17 2024

Redeye Rating

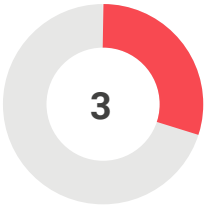
COMPANY QUALITY



FAIR VALUE RANGE

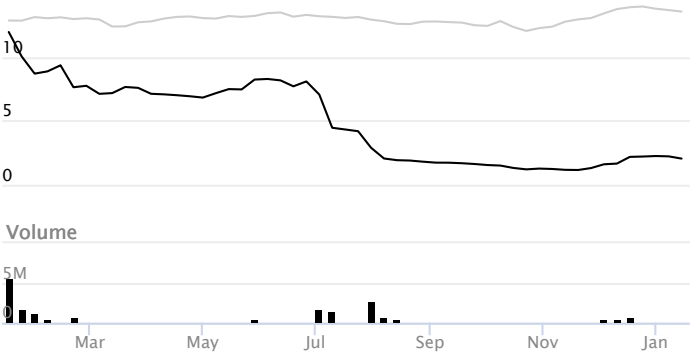


TIMELINESS



Snapshot

Neonode Inc
OMXS30



Marketplace	Nasdaq
CEO	Urban Forssell
Chairman	Ulf Rosberg

Share information

Share price (USD)	2.0
Number of shares (M)	15.4
Market cap (MUSD)	31
Net debt (2024E, MUSD)	-20

Analyst



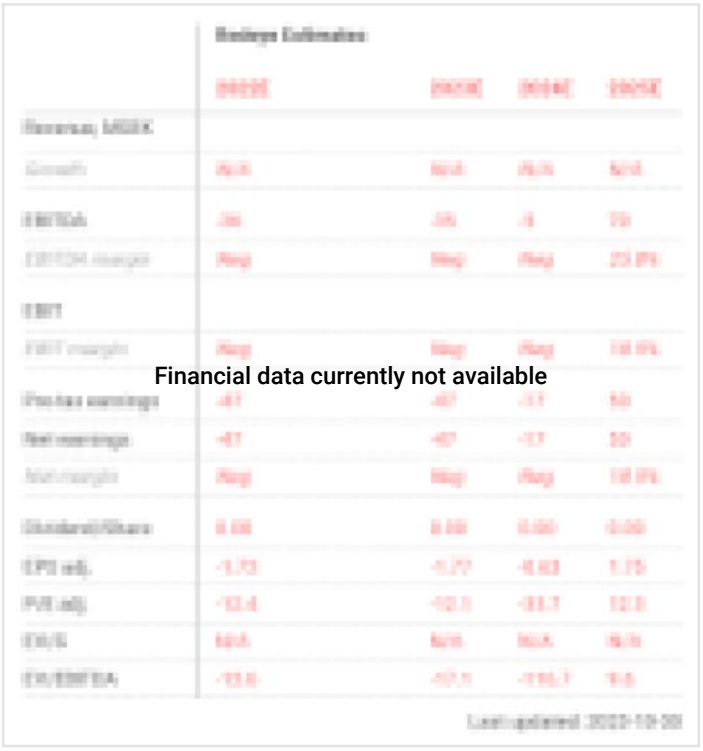
Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Neonode Inc: Yes

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

Financials



Company description

Neonode, not only works with technology for touch displays but with human interaction in numerous ways, e.g. gesture control. In addition, Neonode is surface independent, meaning it does not even need displays or glass. The business model for Neonode's touch technology is based on selling licenses. Especially driver monitoring and HUD displays are essential parts of the growth strategy. The headquarter is in Stockholm, Sweden but sales have a global reach.

Investment thesis

Case

Solid license business, big opportunity in Automotive, and huge optionality in lawsuit vs Apple & Samsung

Neonode's license business constitutes a solid foundation with high-margin recurring revenue. As of now, this is neither growing nor declining. Looking ahead, we see good growth potential for especially the Automotive segment within driver monitor systems (DMS) and head-up display (HUD). The strong cash flow from the licensing business is currently supporting the opportunity in Automotive. Neonode has valuable patents, which constitute an enormous potential. Currently, there is an ongoing lawsuit against Apple and Samsung for infringing on Neonode's patent for "swipe-to-unlock". This lawsuit constitutes a major optionality to the case, with the potential to make Neonode a multi-bagger.

Evidence

Lawsuit against Apple and Samsung could multiply the share price

Neonode has transfered touch technology patents to Aequitas, a so called non-practicing entity (a "patent troll" in the eyes of the opposed side), that has sued Apple and Samsung for infringing on two of its patents for "swipe-to-unlock. ". Hagens Berman is the law firm used in the lawsuit. Both Aequitas' and Hagens Berman's business models are 100% based on successfully winning or settling the lawsuits that they take on. We estimate Neonode to get around 40% of the gross proceeds from monetizing the patents. Should Neonode win the lawsuit, we estimate Neonode would earn around USD 70 per share.

Challenge

Stable license revenues not sufficient to carry the cost base

Neonode's stable license sales of cUSD4.5m annually provide a good and solid cash flow. However, with an annual cost base of cUSD10m, the revenue base must increase significantly to turn into positive cash flow. While we think the DMS and HUD use cases offer some promise, license revenues from these are at least 2-3 years out.

Valuation

Very cheap if any of the optionalities have a positive outcome

The valuation range between Bear Case and Bull Case for Neonode is huge. The wide range mainly comes from the different outcomes of the lawsuit. For the operations related to the existing stable license sales and the optionality in DMS and HUD, we see a wide variety of outcomes. Considering that the existing license revenues are not sufficient to carry the company to profitability on its own, it is dependent on success in either DMS or HUD. Should any of these succeed, the upside is significant, but the risk is high.

Catalyst types

Patent Monetization

Neonode has a contract with Aequitas which tries to monetize two of Neonode's patents for a 50/50 share of net proceeds. If Aequitas succeeds in monetizing the patents, the law firm involved will first take a cut of about 15%. Then Aequitas and Neonode will share the remaining 85% equally. The ownership of this patent portfolio, related to the slide-to-unlock technology has been transitioned to Aequitas. In May 2020, Neonode had the chance to revoke the patents if Aequitas did not meet certain milestones. As Neonode did not revoke the patents, we believe it has a good case in receiving license payments from patent infringers. Though very hard to estimate the probability of success, we believe the chances of a successful outcome look promising.

Break-even

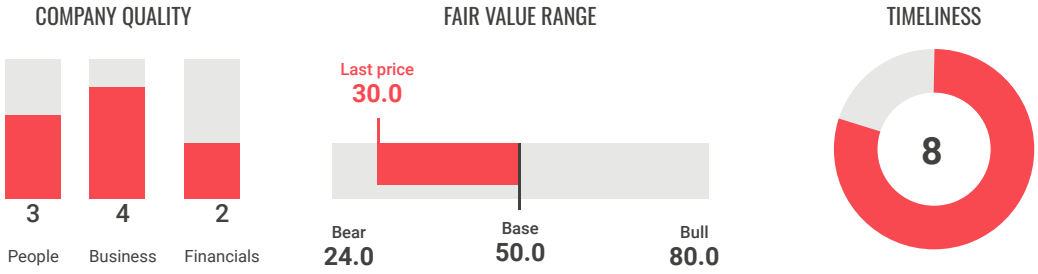
The reaching of break-even would be an important milestone for the stock market to grasp that Neonode has left the losses behind and hit the point of inflection.

Nepa NEPA

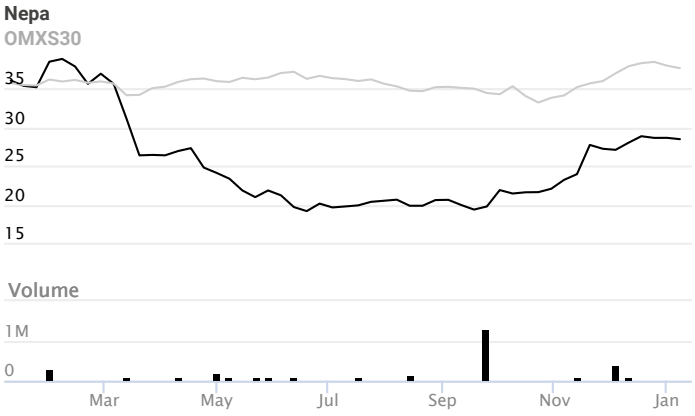
Company page
https://www.redeye.se/company/nepa

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Ulrich Boyer
Chairman	Katarina Bonde

Share information

Share price (SEK)	30.0
Number of shares (M)	7.9
Market cap (MSEK)	236
Net debt (2024E, MSEK)	-71

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

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	312	299	316	339
Growth	*5.7%*	*-4.2%*	*5.5%*	*7.4%*
EBITDA	31	6	49	52
EBITDA margin	*9.9%*	*2.1%*	*15.4%*	*15.3%*
EBIT				
EBIT margin	*6.3%*	*Neg*	*10.9%*	*10.5%*
Pre-tax earnings	22	-7	36	36
Net earnings	18	-8	28	29
Net margin	*5.6%*	*Neg*	*9.0%*	*8.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	2.23	-1.06	3.62	3.67
P/E adj.	11.9	-25.0	7.3	7.3
EV/S	0.5	0.5	0.4	0.3
EV/EBITDA	4.7	26.0	2.8	2.2

Last updated: 2023-12-13

Owner	Equity	Votes
Ulrich Boyer	18.4%	18.4%
Elementa Management	17.0%	17.0%
Avanza Pension	6.9%	6.9%
Alcur Fonder	5.0%	5.0%
Aktia Asset Management	4.8%	4.8%
Schroders	3.2%	3.2%
Nordnet Pensionsförsäkring	1.9%	1.9%
Peter Ahldin	1.5%	1.5%

COVERED COMPANIES

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 (60% 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. We think a turnaround has practically already taken place, but is yet to be shown in the financials, providing a good foundation for an interesting opportunity. Nepa is targeting a minimum 20% EBIT margin by growing recurring software revenues without expanding its workforce meaningfully. While we expect 2023 growth and profitability to be poor in 2023, and that Nepa will bounce back to solid profitability and growth from 2024. We estimate sales growth of 2023e–2027e CAGR of 8%. At the same time, we expect earnings per share to grow even faster (2024e–2027e CAGR of 13%) thanks to the company's scalable business model and high operating leverage.

Evidence

Cost-savings program underway

The company has introduced a cost-savings program to reach a total annualized cost base of SEK220m, which started in Q1'23 and is set to be reached by Q4. In the Q3 report, Nepa reported that it will manage to reach below SEK220m cost base in 2024 - setting the scene for yet another margin expansion. The company has a new board with the right type of profiles that are now taking action. A new COO, Anders Dahl, was appointed in August 2023. Being specialized in change management and efficiency improvement, we think he will be crucial to the ongoing cost-savings initiative. The company also aims to increase its staff utilization by using its resources that are free in other countries in the countries where they are needed. We believe this will be key for enabling Nepa to continue growing while reaching a higher baseline profitability.

Challenge

Historically weak cost control

Nepa has historically had poor cost control, and has always tended to invest for the future. However, with the recent acceleration into a recession, entering with a way-too-high cost base, it appears that the company has learnt its lesson. The company's firm action towards cutting its cost base, and better utilizing existing resources, are promising.

Valuation

Scalable software priced as a poorly run consultancy

In our Base Case, we estimate a 2023e–2027e sales CAGR of 8%, with the EBIT margin expanding from 6% in 2022 to 9% by 2027e. Using a DCF model, we value Nepa at a Base Case of SEK50, corresponding to a P/E ratio of 14x for 2025e. Our Bear Case is SEK24, and our Bull Case is SEK80. 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 form Nepa and still make considerable multiple arbitrages. 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.

Netmore Group NETM B

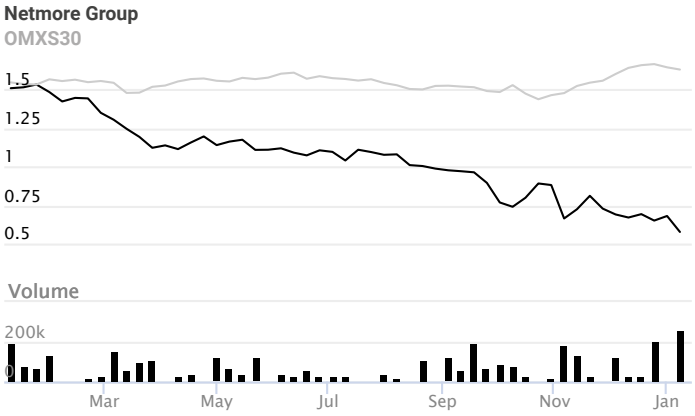
Company page
https://www.redeye.se/company/netmore-group

Publication date
January 12 2024

Redeye Rating

There is currently no analytical data on this company

Snapshot



Marketplace	First North Stockholm
CEO	Ove Anebygd
Chairman	Rolf Norberg

Share information

Share price (SEK)	0.4
Number of shares (M)	317.6
Market cap (MSEK)	131

Analyst



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in Netmore Group: No

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

Company description

Headquartered in Stockholm, Netmore is an Internet of Things (IoT) operator. The company operates three business areas: Netmore Property Network, Netmore IoT Network, and Netmore Open Access 5G Network. It drives digitalization by connecting properties, industrial facilities, and sensors, for example, with its purpose-built networks. Netmore takes on the role of an IoT enabler and works together with customers and partners to reap the benefits of digitalization. On 22 September 2022, Polar Structure communicated the outcome in its public tender offer. It stated that it owns about 81% of the shares and 87% of votes in Netmore. Should Polar Structure own >90% of Netmore's shares, it is likely to call for a compulsory redemption procedure for the remaining shares (per the Swedish Companies Act). Essentially, this would result in Netmore's shares being delisted from Nasdaq First North.

Financials

	2022
Revenue, MSEK	51
Growth	*18.3%*
EBITDA	-49
EBITDA margin	*Neg*
EBIT	
EBIT margin	*Neg*
Pre-tax earnings	-67
Net earnings	-67
Net margin	*Neg*
Dividend/Share	0.00
EPS adj.	-0.21
P/E adj.	-7.4
EV/S	9.0
EV/EBITDA	-9.3

Last updated: 2023-12-17

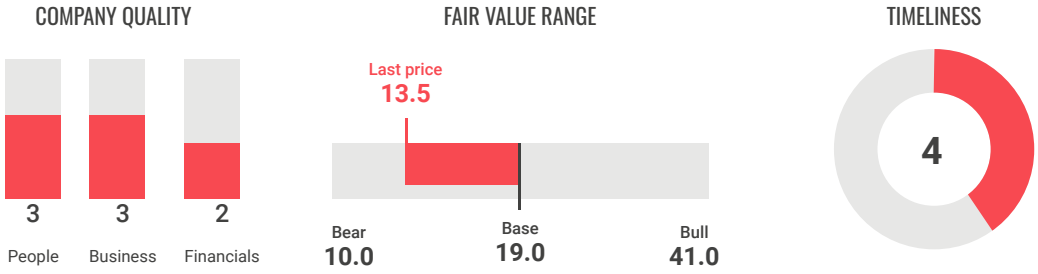
Owner	Equity	Votes
Polar Structure AB	80.9%	87.1%
Buildroid Invest AB	10.0%	6.8%
Kapitopia AB	2.7%	1.8%
Ove Anebygd	1.1%	0.7%
Avanza Pension	0.6%	0.4%
Qamcom Technology Holding AB	0.4%	0.3%
Klas Henrik Dahlbäck	0.3%	0.2%
iTeeCoach AB	0.2%	0.2%
Zumbri AB	0.2%	0.1%
Jarmo Juhani Asikainen	0.2%	0.1%

Ngenic NGENIC

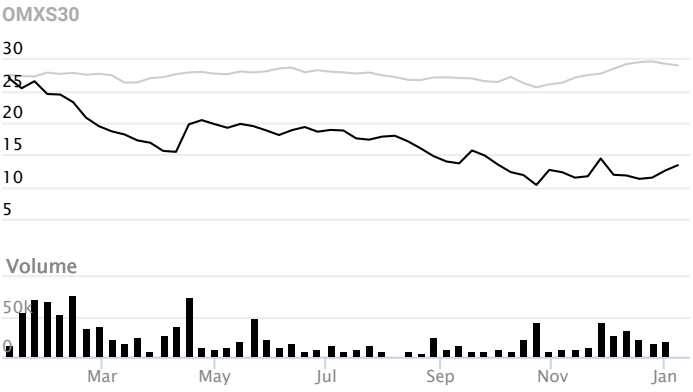
Company page
https://www.redeye.se/company/ngenic

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Björn Berg
Chairman	Roger Karlsson

Share information

Share price (SEK)	13.5
Number of shares (M)	6.8
Market cap (MSEK)	92
Net debt (2024E, MSEK)	10

Analyst



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in Ngenic: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	28	61	81	105
Growth	*40.3%*	*>100%*	*32.3%*	*29.6%*
EBITDA	-18	-12	8	20
EBITDA margin	*Neg*	*Neg*	*9.5%*	*19.5%*
EBIT				
EBIT margin	*Neg*	*Neg*	*0.1%*	*10.1%*
Pre-tax earnings	-26	-23	0	11
Net earnings	-26	-23	0	11
Net margin	*Neg*	*Neg*	*0.1%*	*10.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-3.48	-3.01	0.01	1.56
P/E adj.	-8.6	-5.1	1,445.2	9.9
EV/S	5.6	1.7	1.3	0.8
EV/EBITDA	-11.3	-10.6	15.1	4.7

Last updated: 2023-12-17

Owner	Equity	Votes
Polar Structure AB	12.5%	12.5%
Simon Josefsson	8.4%	8.4%
Henrik Didner	5.2%	5.2%
Björn Berg	5.2%	5.2%
Erik Martinson	5.2%	5.2%
Avanza Pension	4.9%	4.9%
Fredrik Fernlund	4.1%	4.1%
Olof Lindbom	4.1%	4.1%
Mikael Lönn	3.9%	3.9%
KIC InnoEnergy SE	2.6%	2.6%

Company description

Ngenic is a data-driven company offering products and services to the energy market. Through both hardware and software, it helps energy companies to forecast the demand for electricity, eases the pressure on the grid when it is congested, and assists consumers to optimize their usage. The company was founded in 2010 by the engineers Einar Persson, Olof Lindbom and Fredrik Fernlund from Ångströmslaboratoriet in Uppsala together with the current CEO Björn Berg and COO Anders Nygren. The team saw that their innovations could solve many of the issues the energy market faced. Since then, the company experienced a slow market development, which is often the case in highly regulated markets. We are now nearing a breakpoint where the technology is there, the market understands the issues, and the government agencies are waking up to the new reality.

Investment thesis

Case

Riding the trend of electrification

Ngenic saw the issues in the energy market more than ten years ago, but developments have been slow. In 2021 we are nearing a potential breakpoint with pressure to force out fossil fuels, improved economics, new regulations, and congestion in the grid all happening at the same time. The energy grid in the Nordics is under severe pressure. Many companies that offer solutions to these challenges have a clear opportunity. The size of the market when only focusing on the Nordics is enormous. Re-build or adding to the current electricity grid is very costly, so complements such as those Ngenic provides through optimization and energy flexibility are necessary to solve the situation. Ngenic has confirmed its value-add in several projects, such as with E.on, Upplands Energi and Jämtkraft.

Evidence

Hard to grasp at first glance

Ngenic has a broad range of products and services directed against property owners and energy companies. The unique selling point stems from how they use insights from consumers, the price of electricity, and the congestion in the energy grid to sell a packaged subscription solution to both consumers and energy companies. It's been difficult for data-driven companies such as Ngenic to capitalize on the opportunity so far, but things are coming together.

Challenge

Still a few years left

The company has ramped up growth in recent quarters especially driven by its hardware sales. We still think there is a few years until the company will be able to capitalize more on its main packaged subscription solution to consumers and energy companies.

Valuation

Wide fair value range

After reviewing Ngenic's Q3 2023 report and considering the current state of the company's cash reserves, external funding is likely necessary to support its ongoing operations and growth trajectory, even though it could be sufficient. Furthermore, based on insights from the report, we have made minor adjustments to our forecast projections. However, our fair value range remains intact. We derive our fair value range from a fundamental DCF framework for three scenarios: base case (most likely), bear case (pessimistic), and bull case (optimistic), using a WACC of 13% across all scenarios. Our updated fair value range is SEK10 – SEK41, and our base case is SEK19. The fair value range is wide, owing to the unpredictable nature of Ngenic's long-term growth and profitability.

Catalyst types

Agreement as an Aggregator

We think that establishing its role as an aggregator will be a breakpoint for Ngenic. The company aims to take a strong position in an emerging role in the energy market. At that point, the economics will become clearer for investors, thereby reducing the risk. If this takes slower to develop than expected, it also risks turning into a negative sentiment in the stock.

Buy-out

Ngenic offers technology that the larger energy companies don't have. The larger companies are therefore looking at if they should build or buy the capabilities Ngenic has.

Reaching Profitablity

We think the risk in the case will decrease when they show that they can grow without external financing. The company raised SEK 40m in the IPO to accelerate the growth. We see the likelihood to reach profitability in 2024 as promising. When the company continues to deliver on its goals, investors will realize the potential, which we think will lead to re-pricing of the stock.

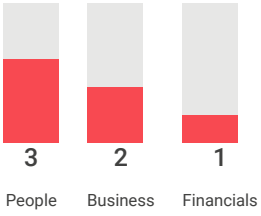
Nitro Games NITRO

Company page
https://www.redeye.se/company/nitro-games

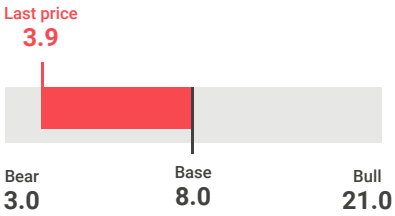
Publication date
January 12 2024

Redeye Rating

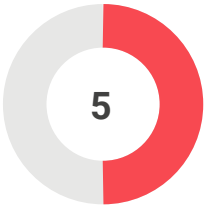
COMPANY QUALITY



FAIR VALUE RANGE

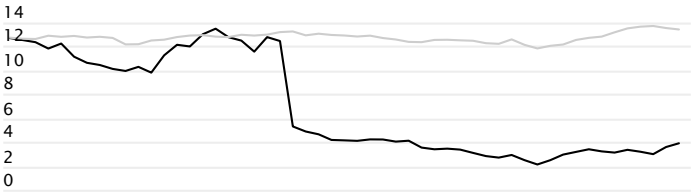


TIMELINESS



Snapshot

Nitro Games
OMXS30



Volume



Marketplace	First North Stockholm
CEO	Jussi Tähtinen
Chairman	Johan Biehl

Share information

Share price (SEK)	3.9
Number of shares (M)	24.9
Market cap (MSEK)	98
Net debt (2024E, MEUR)	4

Analyst



Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Nitro Games: No

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

Financials

	2022	Redeye Estimates 2023E	2024E	2025E
Revenue, MEUR	7	8	11	14
Growth	*>100%*	*15.3%*	*32.8%*	*24.8%*
EBITDA	-3	-3	1	2
EBITDA margin	*Neg*	*Neg*	*12.0%*	*16.0%*
EBIT				
EBIT margin	*Neg*	*Neg*	*2.0%*	*7.0%*
Pre-tax earnings	-3	-4	0	1
Net earnings	-3	-4	0	0
Net margin	*Neg*	*Neg*	*Neg*	*3.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.26	-0.16	-0.01	0.02
P/E adj.	-4.5	-1.4	-29.4	12.2
EV/S	2.6	1.1	0.5	0.3
EV/EBITDA	-7.2	-3.4	7.1	4.1

Last updated: 2023-12-15

Owner	Equity	Votes
Egmont Group	26.1%	26.1%
Avanza Pension	11.5%	11.5%
Jimmy Jonsson	4.2%	4.2%
Alexander Ivarsson	3.3%	3.3%
Emil Mattsson	2.2%	2.2%
Nordnet Pensionsförsäkring	1.5%	1.5%
Håkan Lejonkula	1.4%	1.4%
Johan Biehl	1.3%	1.3%
Nordic Marine Norden AB	1.3%	1.3%

Company description

Nitro Games is a mobile game developer and as of recent a publisher with a decade of experience in developing games for the mid-core user segment. Nitro Games has a long history of stable cash flows from developing contracts from bigger publishers which minimise risk in the business model.

Nitro Games second business area is developing and publishing mobile games. Nitro Games has adapted its business model closely after market conditions. The company utilizes its own NG Platform -technology that allows it to develop and publish high-end mobile games with impressive graphics and modular design under a short period of time.

Investment thesis

Case

A quality mobile games developer

Nitro Games is a mobile game developer and as of recent a publisher with a decade of experience in developing games for the mid-core user segment. Nitro Games has a long history of stable cash flows from developing contracts from bigger publishers which minimise risk in the business model. Nitro Games second business area is developing and publishing mobile games. Nitro Games has adapted its business model closely after market conditions. The company utilizes its own NG Platform -technology that allows it to develop and publish high-end mobile games with impressive graphics and modular design under a short period of time.

Evidence

Strong partnerships confirms Nitro's expertise

Nitro Games' partnerships with Hasbro, Snap, Supermassive and Digital Extremes illustrate that Nitro is a high-quality mobile game developer in its core market. Although the partnership with Snap has since been discountinued it still supports the case that Nitro is a highly regarded developer, able to attract large partners.

Challenge

Commercialization

There is a risk that Nitro Games fails to capitalize on its investments. The competition is fierce in the market, and there is a risk that released games will not meet expectations. This is especially true for the action & shooter segment of the mobile games market which Nitro is active in. There is no price segmentation when it comes to free-to-play games.

Valuation

Derisked investment case due to B2B cash flows

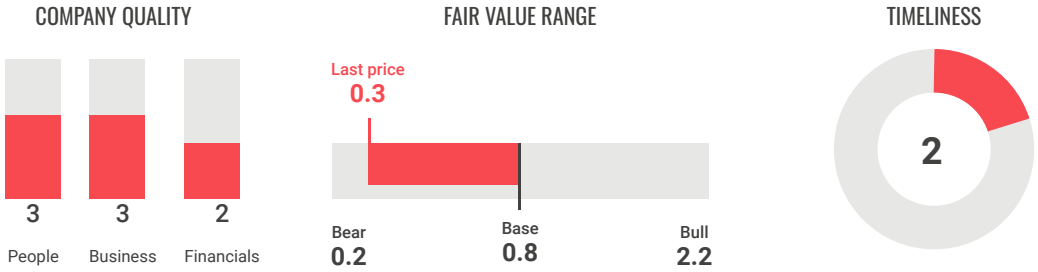
In our Base-case scenario, we assume that Nitro Games! will succeed in its! mobile self-publishing and enjoy healthy margins in its B2B segment. While the!B2B segment is anticipated to provide consistent cash flows, the self. publishing division is poised to deliver the highest returns and become the! primary contributor to sales, establishing a strong foundation for high-margin! business in the mid to long term.

Northbaze NBZ

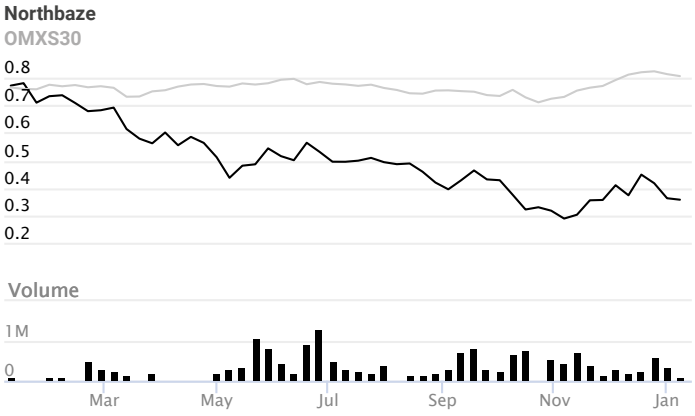
Company page
https://www.redeye.se/company/northbaze

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Henrik Andersson
Chairman	Anders W Bruzelius

Share information

Share price (SEK)	0.3
Number of shares (M)	157.0
Market cap (MSEK)	51
Net debt (2024E, MSEK)	26

Analyst



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll 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	
	2022	**2023E**	**2024E**
Revenue, MSEK	168	124	235
Growth	*26.3%*	*-26.0%*	*89.0%*
EBITDA	2	3	15
EBITDA margin	*1.2%*	*2.6%*	*6.6%*
EBIT			
EBIT margin	*Neg*	*Neg*	*0.1%*
Pre-tax earnings	-18	-23	0
Net earnings	-15	-24	0
Net margin	*Neg*	*Neg*	*0.1%*
Dividend/Share	0.00	0.00	0.00
EPS adj.	-0.10	-0.15	0.00
P/E adj.	-8.4	-2.5	338.5
EV/S	0.9	0.6	0.4
EV/EBITDA	73.7	22.2	5.7

Last updated: 2024-01-08

Owner	Equity	Votes
Håkan Larsson	29.3%	29.3%
Novo Utbildning AB	12.5%	12.5%
Henrik Andersson	7.4%	7.4%
Folke Westerbrand	3.9%	3.9%
Avanza Pension	3.3%	3.3%
Anders Kristensson	2.7%	2.7%
Ulf Sandberg	2.5%	2.5%
Villman & co AB	1.9%	1.9%

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-elctronics 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. The company has built a strong product portfolio and a more attractive customer mix. After the latest acquisition of Skalhuset.se, Northbaze will be one of the major players in Sweden, with the potential to increase sales in Finland, Norway and Denmark. Northbaze has transformed in recent years through streamlining and cost-reduction efforts to enable profitable growth in the coming years. After Northbaze acquired Lowwi AB (Skalhuset.se) in December 2023, its revenue increased by 71%.

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 can deliver solid margins over time, surpassing the group target of 10% EBITDA.

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 SEK0.8

Our valuation range spans between SEK 0.22 and SEK2.2, with Base Case at SEK0.8.The key drivers behind Northbaze's stock performance are the announcements of large customer contracts and accelerated growth coupled with a margin expansion following the establishment of productivity and cost-saving measures.

Catalyst types

Full synergies

Northbaze does not yet see the full synergy effects of its acquisitions. Its new strategy, with an improved offering from Jays headphones, sales and cost synergies between Krusell and Kavaj, and potential value-adding M&A, should position the group for better growth and profitability. In turn, this would enable a revaluation

Value-adding acquisitions

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

Achieving profitability

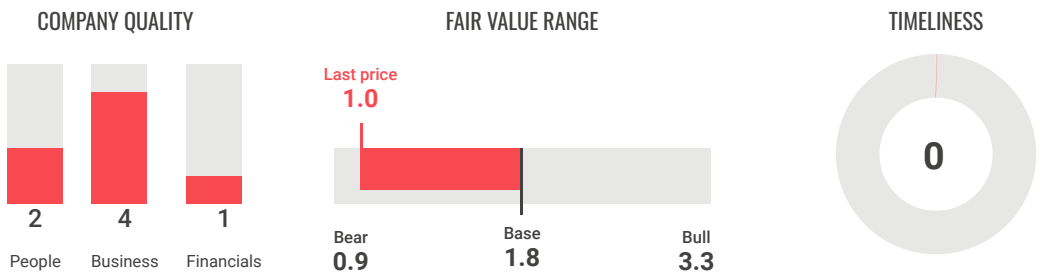
Better cash flows would merit higher multiples and valuation. The company has achieved profitability on EBITDA for several consecutive quarters. However, for the shares to take off, we believe a positive bottom line will be needed.

OXE Marine OXE

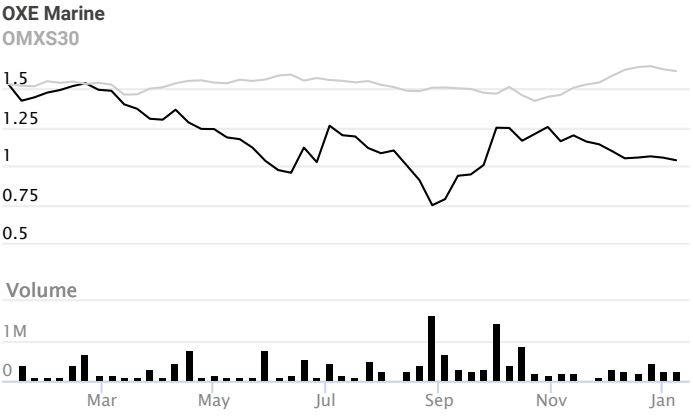
Company page
https://www.redeye.se/company/oxe-marine

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Paul Frick
Chairman	Jonas Wikström

Share information

Share price (SEK)	1.0
Number of shares (M)	333.3
Market cap (MSEK)	342
Net debt (2024E, MSEK)	218

Analyst



Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in OXE Marine: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	148	204	264	339
Growth	*48.7%*	*37.2%*	*29.7%*	*28.4%*
EBITDA	-61	-52	-9	16
EBITDA margin	*Neg*	*Neg*	*Neg*	*4.7%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-111	-96	-52	-24
Net earnings	-110	-96	-46	-21
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.36	-0.29	-0.14	-0.06
P/E adj.	-4.0	-4.3	-8.9	-19.2
EV/S	4.2	2.8	2.4	1.9
EV/EBITDA	-10.2	-10.9	-74.0	40.0

Last updated: 2023-12-15

Owner	Equity	Votes
Outdoor Network LLC	20.3%	20.3%
Theodor Jeansson Jr.	12.0%	12.0%
Per Lindberg	10.1%	10.1%
Christian von Koenigsegg med närstående	9.6%	9.6%
Arne Andersson	7.2%	7.2%
Jonas Wikström	3.4%	3.4%
Avanza Pension	2.4%	2.4%
Futur Pension	2.4%	2.4%
Carl Rosvall	2.3%	2.3%
SEB Life International Assurance	2.3%	2.3%

Company description

OXE Marine is a Swedish developer of diesel outboard engines with a power range of 100-300 horsepower. It was the first company to commercially launch a 200 hp diesel-powered outboard engine. OXE was founded in 2012 based on technology spun off from Volvo Penta and VW. This included a combination of a belt propulsion technique, a horizontally mounted automotive engine, and a hydraulic gearbox. At that time, around SEK 50m had already been spent on the technique. OXE's first diesel outboard was finalized in the autumn of 2016 and was followed by small-scale production.

OXE has been listed on Nasdaq First North since July 2017 and employs around 40 people, mainly within research, product development and sales. Manufacturing has been outsourced to partners in Poland and in the US. The company aims to be a global market leader in diesel outboard engines primarily for commercial use. Its strategy is to develop a strong product offering, backed up by sales via a global network of established distributors.

Investment thesis

Case

Unique solution enabling diesel outboards

Diesel inboard engines are common in the marine industry thanks to their durability and low fuel consumption. Outboard engines are however still petrol, as the power transmission to the lower leg and propeller is a major challenge for the high torque diesel engines. OXE Marine has developed a unique solution for power transmission based on a carbon belt. This allows for high powered diesel outboards (up to at least 300HP), without compromising on quality and durability. This opens up a large potential market, primarily within the commercial and government segments, where the higher purchase price for an OXE diesel engine is justified by: i) fuel consumption (around 40% lower) ii) performance (increased range, extended service intervals, increased durability estimated to 3x lifetime of a gasoline outboard) iii) safety (less flammable fuel leading to lighter restrictions on storage and handling).

Evidence

Stronger position in the US

Although sales have picked-up in the last year, OXE has not delivered on previous sales targets leading to low confidence and skepticism from the stock market. Following the merger with former distributor Diesel Outboards, OXE position in the US market has now improved considerably. Government agencies like the US Coast Guard and Navy are evaluating the OXE Diesel which is very encouraging as it could pave the way for substantial orders.

Challenge

Small fish in a big pond

The market is dominated by a few multinational brands like Yamaha, Mercury! and Evinrude. Many customers' main concern is how to fix the engine or get! spare parts when necessary. Hence, it is much easier to just stick with the big! manufacturers, even if OXE has a superior product. The company is gradually! gaining market traction, but it is still a bit of a catch 22 sit!uation, as large deals require more references.

Challenge

Potential take-over candidate

Competitors may enter the high power diesel outboard space. In fact, Mercury already has, but seems to have technical difficulties. OXE Marine has a patented technology for its belt transmission. We don't know if this will protect them in the long run. But we are quite certain that the company has a head start of several years. And if/when the major outboard manufacturers are considering launching a diesel engine, OXE will be a prime takeover candidate.

Valuation

Wide valuation range

Our valuation is based on a DCF-model only, for the lack of relevant peers. Our valuation range is SEK 0.9-3.3 per share, with a Base case of SEK 1.8. Our Base case scenario assumes continued strong growth in the coming years. CAGR ~30% until 2027 (reaching sales over SEK 500m), positive EBITDA in 2025 and sustainable EBIT margins around 12-15%.

Catalyst types

Traction with US Government

The US Coast Guard and Navy are both currently evaluating the OXE200 together with two competitor diesel outboards (the COX 300hp and a 175hp spark-ignited Mercury). If either institution favors OXE's outboard, this could lead to substantial orders over a long period and the excellent marketing endorsement of highly selective clients. The country's coast guard alone has an installed base of more than 1,600 150-350hp outboards.

Continued solid progress

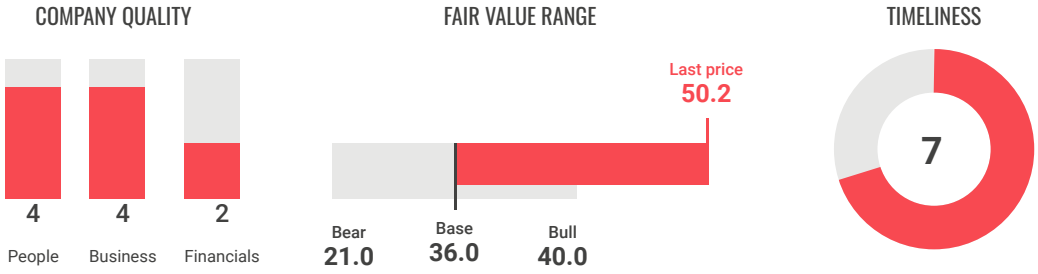
As the synergies from the US merger materialise, we expect to see continued robust top-line growth and improving gross margins.

Pagero PAGERO

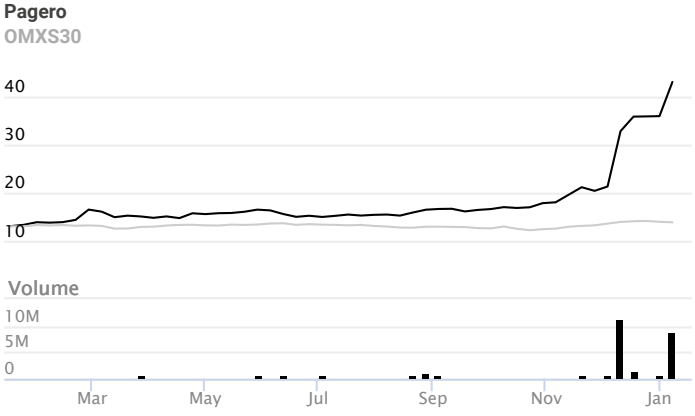
Company page
https://www.redeye.se/company/pagero

Publication date
January 16 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Bengt Nilsson
Chairman	Birger Steen

Share information

Share price (SEK)	50.2
Number of shares (M)	161.2
Market cap (MSEK)	8,091
Net debt (2024E, MSEK)	517

Analyst



Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Pagero: No

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

Financials

		Redeye Estimates		
	2022	**2023E**	**2024E**	**2025E**
Revenue, MSEK	600	795	1,054	1,402
Growth	*35.8%*	*32.5%*	*32.6%*	*32.9%*
EBITDA	-74	-17	32	244
EBITDA margin	*Neg*	*Neg*	*3.1%*	*17.4%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*3.6%*
Pre-tax earnings	-275	-277	-199	-4
Net earnings	-277	-278	-199	-3
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.79	-1.79	-1.28	-0.02
P/E adj.	-9.2	-9.2	-12.9	-815.4
EV/S	N/A	N/A	N/A	N/A
EV/EBITDA	-36.0	-173.0	95.5	13.0

Last updated: 2023-11-06

Owner	Equity	Votes
Summa Equity	32.8%	32.8%
Bengt Nilsson	7.5%	7.5%
Sjätte AP-fonden	6.7%	6.7%
Swedbank Robur Fonder	6.5%	6.5%
Pierce, Fenner & Smi, Th Incorpor Merrill Lynch	6.2%	6.2%
HarbourVest Partners LLC	6.2%	6.2%
Mats Ryding	4.2%	4.2%
Björn Hovstadius	3.1%	3.1%
W The Bank Of New York Mellon Sa/Nv	2.6%	2.6%
Investering & Tryghed A/S	2.6%	2.6%

Company description

Pagero is a software-as-a-service (SaaS) company that aims to simplify buying and selling processes for businesses. Purchase to pay (P2P) and order to cash (O2C) processes (illustrated below) are highly complex and involve a variety of business systems, specialised solutions, and outdated systems using different document formats depending on the country. These systems must be adapted to unique laws and protocols for handling electronic documents (e-documents or digital documents). Many organisations invest in new business systems and increased automation to streamline their buying and selling processes. However, these systems are not always compatible with suppliers' and customers' systems, leading to data interpretation issues.

Investment thesis

Case

Unique market position

Pagero believes that the traditional method of exchanging invoices and other documents between businesses, which involves using paper and manual processes, will be replaced by digital, system-to-system document exchange. Pagero's platform is built to simplify business document exchange for companies, regardless of system, country or company size, and is especially well-positioned for multinationals that have multi-system or multi-country needs. To accelerate growth, the solution is marketed both direct to end-users and through a partner community of resellers including names such as Thomson Reuters, Workday, and Ricoh. Pagero has carved out a market-leading position in a niche with high technological and regulatory complexity and disharmony in the market, both locally and on a global level, and thus, we argue the barriers to entry are high for new contenders. Consequently, there is a likely scenario where a handful of business networks with a core focus on this space will emerge as global leaders. We argue that Pagero has a strategic advantage, given its technological capabilities and geographic presence, to be one of those key players. In Q3 2023, Pagero had 93,800 customers connected to its network.

Evidence

Multiple drivers for growth and scalable business model

The introduction of mandatory electronic invoicing and tax reporting in numerous countries is accelerating an already robust trend towards digitalisation. Over 35 countries have enforced legal mandates for e-invoicing and/or tax reporting. In addition, more than 40 countries are in the process of planning or implementing such regulations. Although e-invoice is the document most rapidly replacing its physical paper version, there are a wide variety of business documents, approximately 40 major universal business documents, including purchase orders, credit/debit notes, dispatch advice, goods receipt notes, and payment instructions. This has significant ramifications, particularly for multinational corporations that must consistently adjust their financial procedures to conform to the intricate array of local regulations and demands.

Challenge

Strong focus on growth investments and unprofitable on an aggregate level Pagero is investing heavily in its platform and organisation in order to emerge as one of the global leaders in the digital document field. Consequently, it has sacrificed short-term profitability to focus on investing in growth, which led to losses of around SEK210m in 2022 (combining cash flows from operating and investing activities). Although the stock market has been somewhat cautious, recent cash offers for Pagero prove that the investments are valuable (and the right decision) in the eyes of industry players (and partners).

Challenge

(Un)expected competition and harmonisation of document standards

Pagero is swinging for the fences and operates on a global scene. We believe this carries both opportunities and risks. Opportunities include a large market with a long possible growth runway and significant earnings potential down the road—risks in the form of more potential competitors trying to parcel out a piece of that opportunity. Good opportunities can be a double-edged sword, and the digital document management market is such a big market that global players should be interested. This could lead to Pagero competing against payment providers like Visa and Mastercard in more and more niches and ERP systems providers like Microsoft and SAP in other areas. Since the market is global and challenging to get a perfect overview of, unexpected competition could also emerge.

Valuation

Valuation - hot acquisition target

On January 15, Thomson Reuters increased its offer from SEK40 to SEK50 per share, thus valuing Pagero at approximately SEK8bn. This raise follows an announced offer from Avalara of SEK45 per share on January 12, which exceeded Thomson Reuters' initial SEK40 offer by SEK5 or 12.5% (and Vertex's price of SEK36 by SEK9 or 25%). Thomson Reuters' SEK50 per share offer is 138% higher than the closing price on December 12, 2023, before Vertex announced its first offer and 108% higher than Pagero's IPO price in 2021. We argue that the SEK50 price is fair. The independent bid committee of the Board of Directors of Pagero unanimously recommends that shareholders of Pagero accept the increased public offer made by Thomson Reuters, while unanimously recommending that shareholders of Pagero not accept the public offer made by Avalara, Inc.

Catalyst types

- **Higher offer from acquirers**
- **Steps toward profitability and a stronger balance sheet**
- **An acceleration in the organic growth**

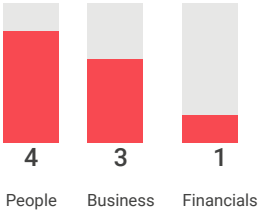
Physitrack PTRK

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

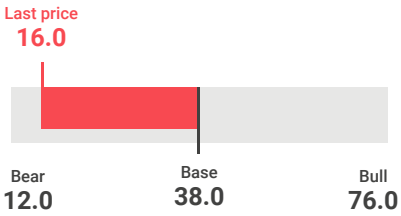
Publication date
January 12 2024

Redeye Rating

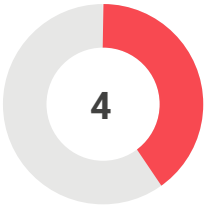
COMPANY QUALITY



FAIR VALUE RANGE

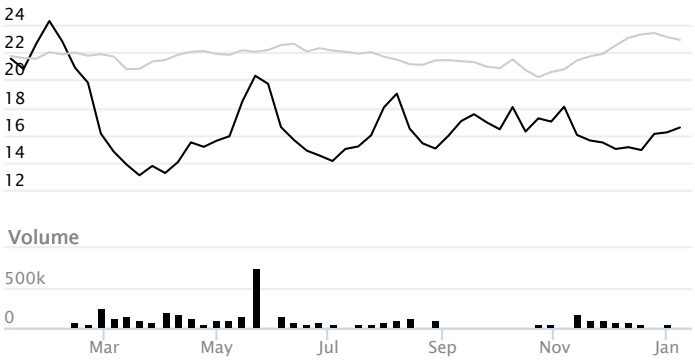


TIMELINESS



Snapshot

Physitrack
OMXS30



Marketplace	First North Stockholm
CEO	Henrik Molin
Chairman	Anne-Sophie d'Andlau

Share information

Share price (SEK)	16.0
Number of shares (M)	16.3
Market cap (MSEK)	260
Net debt (2024E, MEUR)	1

Analyst



Jessica Grunewald
jessica.grunewald@redeye.se

Conflict of interests

Jessica Grunewald owns shares in Physitrack: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MEUR	13	15	19	23
Growth	*56.6%*	*23.0%*	*24.5%*	*20.2%*
EBITDA	3	3	6	9
EBITDA margin	*20.3%*	*22.1%*	*32.5%*	*37.0%*
EBIT				
EBIT margin	*0.9%*	*Neg*	*14.3%*	*18.0%*
Pre-tax earnings	0	-1	2	4
Net earnings	0	0	2	4
Net margin	*0.7%*	*Neg*	*12.3%*	*17.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.06	0.02	0.14	0.24
P/E adj.	35.0	73.9	9.5	5.7
EV/S	2.8	1.7	1.2	0.9
EV/EBITDA	10.2	7.6	3.8	2.3

Last updated: 2023-12-19

Owner	Equity	Votes
Henrik Molin	24.8%	24.8%
Nathan Skwortsow	16.7%	16.7%
Consensus Asset Management	11.9%	11.9%
Dankea Oü	6.2%	6.2%
Breht McConville	5.1%	5.1%
Ocampo International SA	4.0%	4.0%
Kjetil Holta	3.7%	3.7%
Avanza Pension	3.1%	3.1%
Mathias Johansson	2.3%	2.3%
Martin Larsson	1.9%	1.9%

Company description

Founded in 2012, Physitrack is a global B2B digital healthcare provider targeting care providers and companies with its technology platform and virtual-first wellness solutions. Its legacy business line, the Lifecare division, enables practitioners to digitally deliver clinical home exercises, education prescriptions, progress tracking, and telehealth. Its new business division, Wellness, is powered by the Champion Health platform and marketed under the Champion Health brand. It offers a virtual-first platform enabling companies to tackle employee health challenges holistically. The Wellness business line includes care provision, such as physical and digital appointments with physiotherapists and mental health coaches. Physitrack has made six acquisitions, enabling expansion in the Lifecare division and allowing the formation of the Wellness division in 2021. Today, Physitrack is far from a one-trick pony, with seven companies contributing to revenues.

Based in the UK, the company has c19,200 customers in Lifecare and c400 in Wellness. However, Physitrack has over 200,000 subscribers on its combined platforms and an estimated 8-10m patient and employee users. Lifecare customers are globally spread, while the customer base in Wellness is centred in Europe, mainly the UK.

Investment thesis

Case

Strong growth, rising recurring revenues with approaching margin expansion

Physitrack is a rapidly growing e-health software company specialising in patient rehabilitation solutions (Lifecare) and assisting corporations in enhancing employee health (Wellness). The group comprises seven companies within two divisions: Lifecare and Wellness. The company is active in two fast-growing markets – telerehabilitation and corporate wellness – with a combined value of cUSD65bn as of 2022, further supporting its growth potential. Its scalable SaaS business model (90% gross margin, with revenue contributions from more than 180 countries), advanced technology, data utilisation to improve patient care and employee health, and strategic expansion plans render it a promising investment in the e-health sector. We expect the Lifecare division to grow organically by c10–15% y/y and to maintain its +45% EBITDA margins in 2023e-2027e. We forecast the Wellness division (contributing 37% of revenues in Q1'23) will surpass Lifecare's revenue contribution in 2025 and significantly expand its margins (2% adjusted EBITDA for 2022). On a group level, we forecast a sales CAGR of 21% 2023e-2027e. Co-founder and CEO Henrik Molin and his fellow co-founder Nathan Skwortsow (who is still active in the company) collectively own more than 42% of the shares, demonstrating their strong commitment to the company's success. We are optimistic about Physitrack's ability to deliver strong returns to investors, given the 70% in recurring revenues, organic growth of over 25%, and anticipated margin expansion in 2023. Despite a YTD decline of around 30% and modest market interest, we believe several catalysts, including quarterly reports, margin expansion, and more significant corporate agreements for the Wellness division, will increase investor interest as the company's story unfolds.

Evidence

Adopting a low-cost, tried-and-trusted growth strategy for Wellness

Through its Lifecare division, Physitrack has a proven model and platform for scaling the business at meagre costs. The legacy SaaS solution has financed the growth journey via own cash flows, and Physitrack was bootstrapped until its IPO in 2021, demonstrating its ability to deliver profitable growth. In our opinion, applying this proven strategy to a new business line (Virtual Wellness) in a neighbouring market segment and funding it with cash flows from Lifecare reduces the risk in the growth journey.

Challenge

Profitable growth

While the growing top line is crucial for Physitrack, focusing on improving profitability and delivering strong free cash flows is essential. Margin expansion and positive cash flow generation are vital challenges for Physitrack to ensure its long-term financial health and growth. Adjusting for earn-outs, the company has guided for positive free cash flows at the end of 2023, consistent with our expectations.

Challenge

Consolidation of Wellness

Physitrack offers a turnkey solution for employees' health called Champion Health. This solution aims to meet all of an employee's health needs, such as mental health, sleep, exercise, nutrition, smoking cessation, energy levels, and financial well-being. However, consolidating the Wellness division into the Champion brand and platform may pose several challenges for Physitrack, including integration, harmonising the business models, standardisation, customer retention, and brand awareness. It is also crucial that Physitrack turns around Fysiotest, which is currently underperforming and dragging down margins in the Wellness division. However, if executed effectively, success could provide significant benefits, including economies of scale, enhanced capabilities, and increased market share.

Valuation

Significant upside potential

In our Base Case, we estimate a 2023e–2027e sales CAGR of 21%, with the EBIT margin expanding from 14% by 2024e to 24% by 2027e. Using a DCF model, we value Physitrack at a Base Case of SEK38. Our Bear Case is SEK12, and our Bull Case is SEK76. Our perception of Physitrack differs significantly from that of the stock market. Physitrack is a rapidly growing and scalable software company positioned for significant margin expansion in our view. However, the stock market is pricing Physitrack as a one-division company with limited margin expansion potential. Moreover, the discount is also prominent when comparing median EV/EBIT multiples for 2024e, with Physitrack trading at a c45% discount relative to its Nordic SaaS peers.

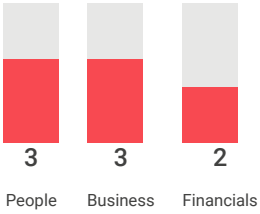
PowerCell Sweden PCELL

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

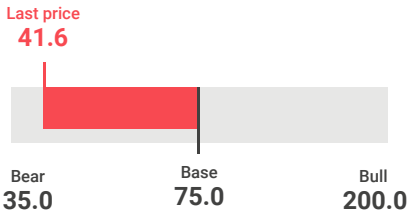
Publication date
January 12 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

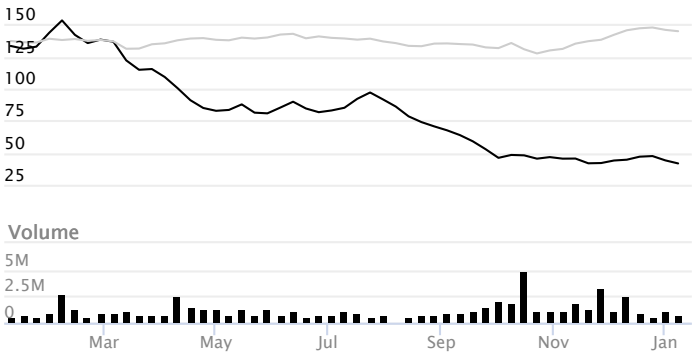


TIMELINESS



Snapshot

PowerCell Sweden
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Richard Berkling
Chairman	Magnus Jonsson

Share information

Share price (SEK)	41.6
Number of shares (M)	52.1
Market cap (MSEK)	2,167
Net debt (2024E, MSEK)	-66

Analyst



Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in PowerCell Sweden: No

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	245	293	410	574
Growth	*53.2%*	*19.7%*	*40.0%*	*40.0%*
EBITDA	-55	-50	-8	90
EBITDA margin	*Neg*	*Neg*	*Neg*	*15.8%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*8.8%*
Pre-tax earnings	-58	-62	-36	50
Net earnings	-58	-62	-36	50
Net margin	*Neg*	*Neg*	*Neg*	*8.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.12	-1.19	-0.70	0.97
P/E adj.	-106.6	-72.0	-122.8	88.7
EV/S	24.5	14.8	10.7	7.6
EV/EBITDA	-108.5	-87.1	-578.5	48.1

Last updated: 2023-12-15

Owner	Equity	Votes
Robert Bosch	11.2%	11.2%
BlackRock	5.3%	5.3%
State Street Bank And Trust co	4.4%	4.4%
Avanza Pension	3.0%	3.0%
SIX SIS AG	2.0%	2.0%
Skandinaviska Enskilda Banken S.A	1.9%	1.9%
W The Bank Of New York Mellon Sa/Nv	1.9%	1.9%
green benefit AG	1.9%	1.9%

Company description

Operations started as an R&D project within the Volvo Group in 1993. Powercell as a company was founded in 2008. The year after the ownership base was broadened with a rights issue to Midroc New Technologies, Fouriertransform and Finindus of Belgium. In December 2014 Powercell made an IPO and listed its shares on Nasdaq First North.

Since year 2016 Powercell has started launching its products in the market. Up until 2020 revenues have been somewhat sporadic and comes mainly from sales of prototypes. Sales have been growing continously in spite of no real business from repeat orders yet. The last couple of years the company has shown a loss of some SEK 60 million due to costs related to product developement. Powercell has a very strong balance sheet, thanks to the Bosch deal in the spring of 2019. With around SEK 400 million in net cash position there is plenty of financial flexibility and certainly enough to fund operations until break-even. Powercell has some 70 employees, primarily within development, construction and design, which is conducted in facilities adjacent to the head office in Gothenburg.

Investment thesis

Case

Well established in a fast-growing market

Powercell started developing fuel cells over 25 years ago and is by now one of the more seasoned companies in the industry. The stacks were originally designed for automotive applications with high requirements for durability, efficiency, low cost- and high-volume production. This suggests that Powercell has a technology that is competitive also in other market verticals. It's still difficult (too early) to determine Powercell's competitive edge, since the market is rather immature, and sales so far are on a project basis. We are however quite optimistic given Powercell's opportunities to leverage on the strong expected growth in the overall market for years to come. The company is well funded and has a rather capital light business model with outsourced manufacturing.

Evidence

Validated by Bosch

The partnership with Robert Bosch in 2019 is obviously a strong testimony to Powercell's technology. Bosch has a licensing agreement for the on-road segment and plans for high-volume production. This is an opportunity for Powercell to source production capacity and target other customers on a global scale.

Challenge

Market not taking off

Fuel cells have been around for decades, but the market adaptation has been rather slow. The lack of available hydrogen and high costs related to low volumes have created a bit of a catch 22 situation. In recent years we have seen major government initiatives in EU, USA, China and other regions that will support the transition to the hydrogen economy. This is encouraging, but the big shift could certainly take longer than anticipated. Without a strong tailwind from a growing market, it will be more difficult for Powercell to succeed.

Challenge

Not enough focus

Powercell is in many respects a small company on a global stage. It has customers on several continents and in several market segments. We are a bit concerned that it is spreading itself too thin. Hopefully, in the next couple of years, we will see stronger traction within some application areas and a more focused approach.

Valuation

Trading below our Base case

Our fair value range is wide: SEK35-200 per share. This is quite typical for companies similar to Powercell in terms of excellent long-term growth opportunities, still not break-even and difficult to assess sustainable profitability. Our Base case fair value is ~SEK75 per share based on our DCF-model. Assumptions include break-even in 2025, strong growth taking net sales to ~SEK10b in 2040 and sustainable EBIT margins of 15%.

Catalyst types

Additional insight into the Bosch deal

The partnership with Bosch in 2019 was the single most important news in several years. Additional insight into this deal could be significant. For example: Bosch's near-term expansion targets and the stipulated royalty terms.

Volume orders for fuel cell stacks

Additional volume orders from commercial clients will confirm that Powercell has a competitive offering.

Partnership with Siemens or ABB

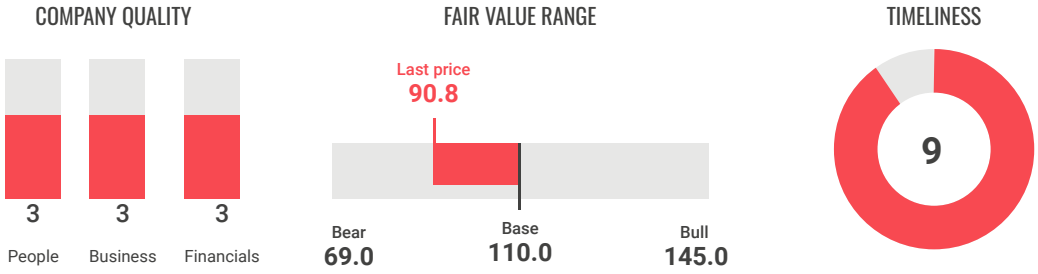
Powercell has an MoU with Siemens to develop fuel cell systems for marine applications and with ABB for the stationary segment. A partnership similar to the one with Bosch would be very positive. Certainly as a confirmation of Powercells technology, but most likely also in financial terms.

Proact IT Group PACT

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

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Jonas Hasselberg
Chairman	Anna Söderblom

Share information

Share price (SEK)	90.8
Number of shares (M)	28.0
Market cap (MSEK)	2,543
Net debt (2024E, MSEK)	-71

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Proact IT Group: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	4,757	4,772	4,979	5,125
Growth	*35.0%*	*0.3%*	*4.3%*	*2.9%*
EBITDA	480	466	540	565
EBITDA margin	*10.1%*	*9.8%*	*10.8%*	*11.0%*
EBIT				
EBIT margin	*5.7%*	*5.2%*	*5.9%*	*6.1%*
Pre-tax earnings	256	223	268	289
Net earnings	203	180	207	223
Net margin	*4.3%*	*3.8%*	*4.2%*	*4.3%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	7.40	6.54	7.52	8.10
P/E adj.	N/A	N/A	N/A	N/A
EV/S	N/A	N/A	N/A	N/A
EV/EBITDA	N/A	N/A	N/A	N/A

Last updated: 2023-12-15

Owner	Equity	Votes
Martin Gren (Grenspecialisten)	11.6%	11.6%
Livförsäkringsbolaget Skandia	10.9%	10.9%
Alcur Fonder	8.7%	8.7%
Ing Luxembourg SA	7.0%	7.0%
Bolero Holdings Sarl	7.0%	7.0%
Skandia Fonder	6.6%	6.6%
Länsförsäkringar Fonder	4.7%	4.7%
Canaccord Genuity Wealth Management	3.5%	3.5%
HSBC Bank Plc	3.5%	3.5%
State Street Bank And Trust co	3.2%	3.2%

Company description

Proact is one of Europe's leading independent integrators with regards to data centers and cloud services. The company covers everything from start to end regarding data centers - including analysis and design, implementation and support. The data centers and cloud solutions are built using hardware and software from leading suppliers such as Cisco, Dell EMC, Hitachi Datasystems, NetApp and Veritas. Proact focuses on business-critical data for large and medium-sized corporations and authorities.

Investment thesis

Case

Consolidating European Multi-cloud VAR players

As a Value-Added Reseller (VAR) Proact sources hardware and software from leading suppliers to create cloud and data center solutions. Proact's expertise in multi-cloud and business-critical data differentiates itself from the public cloud giants. We expect an increased focus on data regulations, control, and security to strengthen the demand for Proact's offering. We believe further acquisitions, where Proact expands its offering or geographical market, and solid growth in recurring revenues to be the potential catalysts.

Evidence

Strong customer base, solid M&A activity, and growing recurring revenues

Proact has an impressive customer list spanning many sectors, including cloud software front-runner Fortnox, Saab, Volvo, and Pensionsmyndigheten. We believe they highlight that Proact's offering is relevant for a wide range of customers with high requirements regarding reliability and security. Proact has also taken an active part in consolidating the space, expanding its presence in UK, Benelux, and Germany as well as in cloud in general. Coming from a history of a large share of volatile hardware revenue, 1/3 of Proact's sales are now recurring cloud and support revenues, improving the stability of its cash flows.

Challenge

Competition from the giants

The public cloud giants such as Amazon's AWS, Microsoft's Azure, and Google's Google Cloud are growing rapidly, taking a larger share of companies' data. However, as Proact focuses on business-critical data and multi-cloud solutions, we believe Proact and the cloud giants rarely compete for the same data. Also, Proact has partnerships with the public cloud giants to strengthen its multi-cloud. Thus, while Proact mainly focuses on niches other than the giants and partners with them, the long-term movement to the large clouds could pressure Proact's growth prospects.

Challenge

Expensive M&A

While most of Proact's acquisitions have had a higher share of cloud and service revenue than Proact, paying an average of 8x EBITA for its acquisitions since 2019, making the multiple arbitrage negligible. Although we believe the typically Proact acquisition adds a more attractive revenue mix (more cloud and services) and has potential synergies, we believe it is worth mentioning that Proact lacks much of the multiple arbitrage most listed businesses have.

Valuation

Fair Value SEK 110

Our DCF model shows a fair value of SEK 110, which is also supported by a peer valuation. Given that Proact's streak of strong reports continues, we believe the company should trade at a premium to the average IT consultant firm considering its high share of recurring revenues.

Catalyst types

Higher cloud growth

Proact's cloud revenue growth slowed in 2018, as noted. However, new contract intake picked up significantly later in the year, paving the way for higher growth going forward. If the new higher level continues, this would give investors grounds to start discounting Proact reaching its margin target.

Quarterly reports

Strong quarterly reports with solid growth and improving margins could cause increases in our Fair Value Range

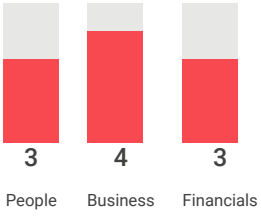
QleanAir Holding QAIR

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

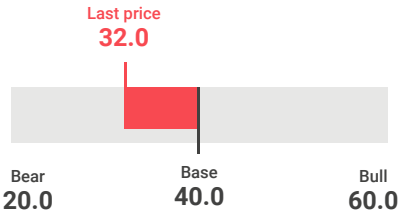
Publication date
January 16 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

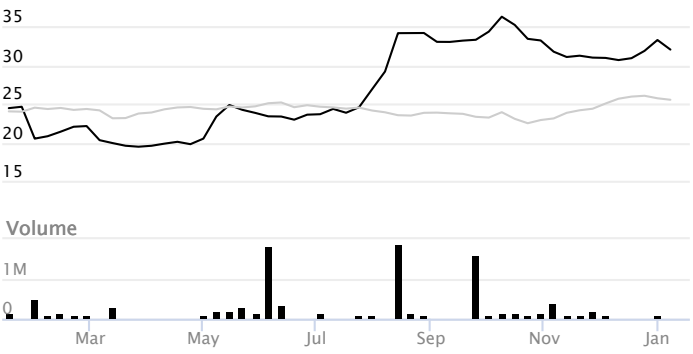


TIMELINESS



Snapshot

QleanAir Holding
OMXS30



Marketplace	First North Stockholm
CEO	Sebastian Lindström
Chairman	Bengt Engström

Share information

Share price (SEK)	32.0
Number of shares (M)	14.9
Market cap (MSEK)	475
Net debt (2024E, MSEK)	114

Analyst



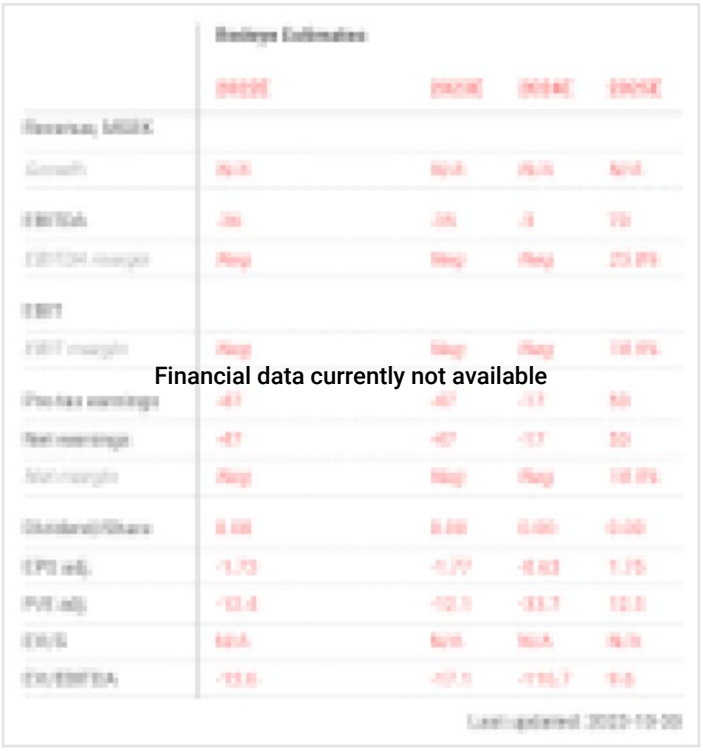
Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in QleanAir Holding: No

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

Financials



Owner	Equity	Votes
Staffan Persson	19.4%	19.4%
Avanza Pension	9.5%	9.5%
Nordnet Pensionsförsäkring	8.3%	8.3%
Skandinaviska Enskilda Banken S.A	6.6%	6.6%
Dan Pitulia	6.6%	6.6%
ABG Sundal Collier Norge Asa	6.4%	6.4%
Livförsäkringsbolaget Skandia	4.6%	4.6%
Fredrik Palmstierna	4.3%	4.3%
Luxembourg Branch, W8imy/Nqi J.P. Morgan Se	2.6%	2.6%
BI Asset Mgmt Fondsmaeglerselskab A/S	2.6%	2.6%

Company description

QleanAir is a premium niche provider of air cleaning solutions. It develops, designs, and manufactures (outsourced) smoke cabins, standalone air cleaners, and cleanrooms based on over 25 years of experience. The products are offered to the customer as a service rather than a one-time sale. Contracts span over 3 years, and >75% are renewed at the end of the period. As a result, 57% of revenues are recurring.

The customers are based all over the globe. Smoke cabins (~70% of sales) are primarily sold in Europe (mature market) and Japan (growth market) to airports, hotels, manufacturing industries, and offices. Air cleaners (~20% of sales) are mainly sold in Europe and Asia, to industries, offices, and hospitals. Cleanrooms (~10% of sales) are primarily sold in the US and the Nordics, targeting hospitals, pharmaceutics, and compounders. The customer base holds >3000 customers, and cross-selling opportunities between the segments are high.

Investment thesis

Case

Attractive prospects for profitable growth

We believe QleanAir is in a very attractive position to benefit from several long-term fundamental trends. This includes protecting people from second-hand smoking, legislation, and increased awareness of health issues related to air pollution. Following QleanAir's recent product releases, combined with regulation, and Covid, demand for QleanAir's offering is increasing – and we foresee a long runway of growth in all product segments – especially in Japan. We believe there are great cross-selling opportunities for QleanAir – leveraging on its already broad customer base of 3000+ customers worldwide.

Evidence

Solid value proposition

Key drivers for growth are increased awareness combined with "Clean Air as a Service" – which implies the customer does not invest heavily upfront and can instead pay a monthly fee. Therefore, we see a pent-up demand realizing, as customers pay for clean air rather than a product (no headache). In combination with this, QleanAir offers state-of-the-art air cleaning products with a long and credible track record, combined with performance guarantee commitments. ~70% of QleanAir's sales stem from Cabin Solutions, while Air Cleaners and Cleanrooms account for about 30%. We do see attractive growth prospects in all 3 product segments while Air Cleaners and Cleanrooms are important contributors.

Challenge

Deteriorating main end market

~70% of QleanAir's sales stem from Cabin Solutions, which correlates to smoking prevalence. Suppose the total number of smokers decreases, and the potential end market decrease. However, the first step of stopping smoking is by restricting it – therefore, smoke cabins can be the first step. Smoking is bad for human health, but a smoke cabin prevents second-hand smoking. We believe the market for cabin solutions is mature and somewhat unsexy in the long term – but this should limit new entrants. In the foreseeable future, we still see good demand for the segment.

Challenge

New product segments fail to materialize fully

A large part of the growth story comes from Facility Solutions and Room Solutions which historically posted significant growth. In the recent year, the company has not delivered on our expectations within these two segments posing a risk to the growth story. In the long term, we see solid growth potential which must materialize to change the stock market sentiment in the share.

Valuation

Low absolute valuation - colored by recently weak performance

We believe the QleanAir share is undervalued – both in absolute and relative terms. Also, we do not find our estimates aggressive but rather conservative. QleanAir is trading at a significant discount to our selected peer groups, while it has twice the historic EBIT margin relative to its peer groups (20% vs 11%). As QleanAir faced both challenges with growth and profitability during 2022, the company's track record has been dented, resulting in lowered valuation multiples. Following the management change, we argue that QleanAir has solid potential to deliver growth while maintaining healthy margins, warranting additional multiple expansion.

Catalyst types

New customers

Along with new orders, we believe new customers will be likely catalysts. By comparison, when QleanAir announced Karolinska was a new customer, the stock price surged, likely because the potential is very high both at Karolinska and in general in the hospital sector. New customers in the same segment or industries with great potential should likely offer the same reaction.

New orders

We believe new orders will be likely catalysts as we proceed. When examining historical share price reactions, it is evident that this sort of news has caused the stock to move. We believe it also reinstates the growth story of QleanAir.

Back on the growth track

During 2021-2022 QleanAir struggled to post growth. This has reduced the company's valuation multiples significantly. Getting back on track with growth and earning the stock market's confidence back, that the long-term growth story is intact would result in a higher share price.

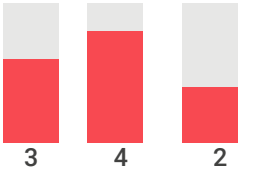
Railcare Group RAIL

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

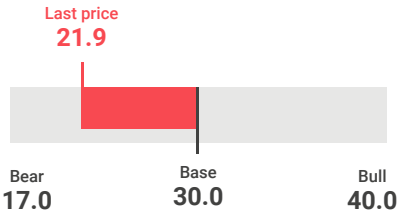
Publication date
January 12 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

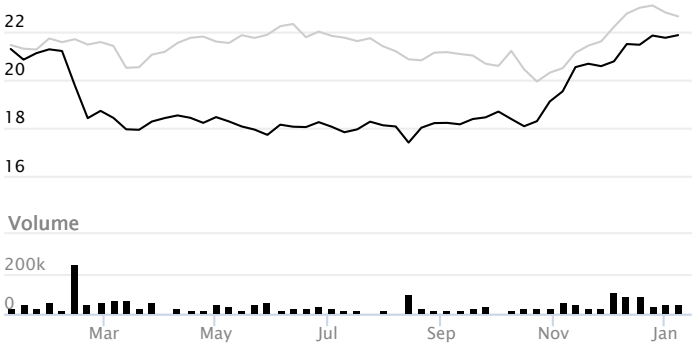


TIMELINESS



Snapshot

Railcare Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Mattias Remahl
Chairman	Anders Westermark

Share information

Share price (SEK)	21.9
Number of shares (M)	24.1
Market cap (MSEK)	528
Net debt (2024E, MSEK)	152

Analyst



Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Railcare Group: No

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

Financials

		Redeye Estimates		
	2022	**2023E**	**2024E**	**2025E**
Revenue, MSEK	497	557	610	680
Growth	*13.5%*	*12.0%*	*9.6%*	*11.4%*
EBITDA	95	115	129	145
EBITDA margin	*19.2%*	*20.7%*	*21.1%*	*21.3%*
EBIT				
EBIT margin	*10.5%*	*12.8%*	*12.7%*	*12.9%*
Pre-tax earnings	47	61	66	77
Net earnings	37	49	53	61
Net margin	*7.4%*	*8.7%*	*8.7%*	*9.0%*
Dividend/Share	0.60	0.71	0.77	0.89
EPS adj.	1.52	2.01	2.19	2.55
P/E adj.	13.1	9.9	9.1	7.9
EV/S	1.2	1.1	1.0	0.9
EV/EBITDA	6.5	5.4	4.9	4.4

Last updated: 2023-12-15

Owner	Equity	Votes
Nornan Invest i Skellefteå AB	29.5%	29.5%
TREAC AB	9.9%	9.9%
Ålandsbanken AB	5.3%	5.3%
Avanza Pension	3.6%	3.6%
Bernt Larsson	3.1%	3.1%
Canaccord Genuity Wealth Management	2.5%	2.5%
HSBC Bank Plc	2.5%	2.5%
Mikael Gunnarsson	2.0%	2.0%
Nordnet Pensionsförsäkring	1.6%	1.6%
Torsten Germund Dahlquist	1.2%	1.2%

Company description

Railcare is a niche player within railroad maintenance and special transport services. In the maintenance area it has a unique position based on proprietary vacuum technology and the Railvac machines. Scandinavia and the UK are home markets, with Sweden by far the largest and England number two. Railcare is carrying out construction work with its own staff and machinery. For the transport services, Railcare has locomotives, train cars and drivers. Moreover, the company has a locomotive workshop that offers repair and maintenance services inhouse as well as to external customers.

The Railvac systems are also sold to international customers. Over the years, a total of some 40 Railvacs have been sold, mainly to North America and Russia. They are primarily used for maintenance on the railroads, but also in mines and subways. The product portfolio also includes equipment for snow clearing with flexible snow ploughs and snow melting systems.

Railcare was founded in 1992 in Skellefteå in northern Sweden where the headquarter is still situated. It has around 150 employees in Scandinavia and the UK. The share is listed on Nasdaq Nordic's main market since 2018 and prior to that it was traded at Spotlight.

Investment thesis

Case

Unique position in attractive market segment

Railcare has established a solid position in the railway maintenance market, with an offer based on its own unique proprietary vacuum technology. The company has developed efficient systems to handle ballast replacement that standard excavators are unable to perform. This means maintenance work can be done at a lower cost and with less interruptions in railroad traffic. The global market potential is huge and if executed well, Railcare has decades of major growth opportunities ahead.

Evidence

Successfully validated

The Railvac systems have been operating successfully in Sweden and the UK for many years and been exported to several markets overseas. It has become a well-known concept, validated by partners and clients. With the new all-electric MPV (emission-free and low noise), Railcare is adding features very appealing to niche applications like maintenance in subways, tunnels and populated areas.

Challenge

Limited progress lately

In recent years, export sales of Railvac systems have been quite few and far apart. This is reason for some concern, as we believe the company's ambition has been higher. We don't really know the reasons behind this. When it comes to Railcares' overall growth ambitions, our sense is that they have been somewhat defensive and not too eager. This may be changing considering the new financial sales target of SEK800m by 2027, corresponding to a CAGR ~10%.

Challenge

Political risk

A significant part of the group's operations is exposed to public utilities and government budgets. Currently there is good support for railroad maintenance, but there is always a risk associated with political involvement. This can certainly be applied to Railcare's own contracting business, but also to some extent when it comes to exports of machinery and equipment.

Valuation

Trading around our Bear case

Our fair value range is 17-40 SEK per share with a Base case of SEK 30. The shares are currently (Nov 2023) trading just above our Bear case fair value of 17 SEK per share. We believe this is too low as our Bear case is based on sustainable EBIT margins of 9-10% and rather mediocre growth of 2-3%. We expect Railcare to do better than that.

Catalyst types

Export orders for Railvacs and MPVs

Our Bull-case scenario includes sustainable progress for within machine sales and in our Base case some, but more modest success. Railcare has sold some 40 Railvac machines in total, but not many in the last few years. The potential market is huge and as a rule, these orders come with significant gross margins.

Growth in the UK

The UK operation has recovered since the low point in 2018. But there is still significant growth potential for Railcare in the UK market.

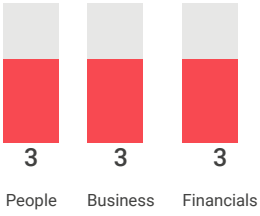
Raketech RAKE

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

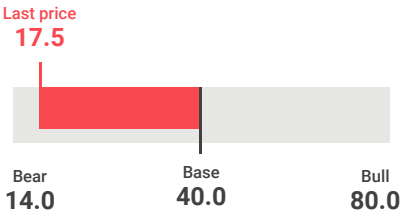
Publication date
January 14 2024

Redeye Rating

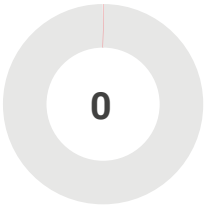
COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Johan Svensson
Chairman	Ulrik Bengtsson

Share information

Share price (SEK)	17.5
Number of shares (M)	42.7
Market cap (MSEK)	748
Net debt (2024E, MEUR)	-3

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Raketech: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MEUR	53	77	92	101
Growth	*26.6%*	*45.9%*	*19.5%*	*10.3%*
EBITDA	20	23	26	30
EBITDA margin	*38.0%*	*30.0%*	*28.0%*	*29.2%*
EBIT				
EBIT margin	*23.5%*	*14.2%*	*12.8%*	*14.9%*
Pre-tax earnings	10	8	12	15
Net earnings	8	7	11	14
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.09	0.08	0.12	0.16
EPS adj.	0.20	0.17	0.25	0.32
P/E adj.	8.1	8.7	5.9	4.6
EV/S	1.5	0.8	0.7	0.4
EV/EBITDA	3.9	2.6	2.3	1.5

Last updated: 2023-12-21

Owner	Equity	Votes
Avanza Pension	9.2%	9.2%
Tobias Persson Rosenqvist	8.2%	8.2%
Erik Skarp	7.9%	7.9%
Johan Svensson	7.8%	7.8%
Provobis Holding AB	7.7%	7.7%
Nordnet Pensionsförsäkring	6.1%	6.1%
Martin Larsson (Chalex AB)	6.1%	6.1%
Swedbank Försäkring	3.8%	3.8%
Reine Beck	3.6%	3.6%

Company description

Founded in 2010, Raketech is a digital performance marketing company specializing in the online gambling industry, focusing on affiliate marketing, lead generation, and data analytics. It operates primarily in Affiliation, Sub-affiliation, and Betting Tips & Subscription. The Affiliation segment, its main revenue driver, connects bettors with operators. Sub-affiliation, rapidly expanding in 2023, generates revenue through paid media and the B2B platform AffiliationCloud. The Betting Tips segment offers betting advice via subscriptions. Initially Nordic-focused, Raketech has since expanded globally, especially in the Americas and Japan, through strategic mergers and acquisitions, evolving from online poker to a broad, international gambling marketing group.

Investment thesis

Case

Fast-growing tech-focused affiliate performance marketing group with a growing global footprint

We expect Raketech to continue its global expansion in the coming years, driven by growth in Asia, US and South America. We forecast a topline CAGR of 24% over 2022-25E. The growth in Asia is driven by the company's strong position in Japan which is a market with low online gambling penetration. The company has an untapped growth opportunity in the US where revenue mainly derives from betting subscriptions while it just recently started to monetize on lead generation. In South America, where the company has an emerging position, several markets are regulating online sports betting and casino and with low penetration the upside is significant. Finally, Raketech's AffiliationCloud business, which is in its early days, provides upside optionality to our long-term growth forecasts.

Evidence

Solid track-record and strong flagship assets

Since its listing in 2018, Raketech has successfully broadened its portfolio from mainly Nordic exposure to a global footprint while also expanding its product mix. The company has grown substantially with revenue increasing from EUR26m in 2018 to EUR76m in 2023E. While growth has varied on an annual basis, the company has overachieved its target of 10% organic growth and 20% acquired growth. This provides credibility for future growth ambitions. Raketech has further been able to sustain strong performance from flagship assets, which further provides additional support to our forecasts.

Challenge

Competitive market and AffiliationCloud in the early phase

While the online gambling affiliation market has seen significant consolidation in recent years, there is still strong competition, especially in growth markets such as US and South America. Tough competition could result in slower growth than expected while it could also mean weaker profitability if more investments are needed to support traffic generation. While we have a conservative forecast for the AffiliationCloud, a negative scenario could result in misallocated capital which would impact the group's overall growth and profitability.

Challenge

Valuation

DCF-valuation supported by stable growth and solid cash generation

Our DCF-valuation indicates a base case of SEK40, while the bull case is SEK80 and the bear case SEK14. Our valuation includes full payment of the Casumba Media earnout of which EUR33m is in cash and EUR13m in equity (fully diluted shares of 51.3m). Our base case implies an EV/EBITDA multiple of 8x 2024E while the share currently trades at 4x EV/EBITDA including earnouts. The base case assumes growth of around 8% during 2024-28E with an EBITDA-margin of 28% while the terminal EBITDA-margin is set at 25%.

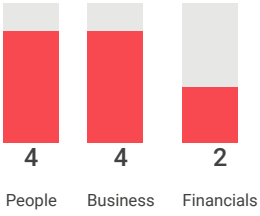
Safeture SFTR

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

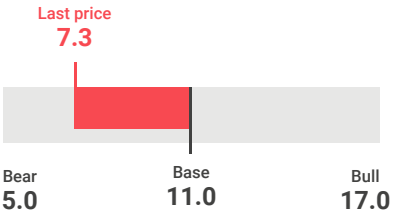
Publication date
January 15 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Magnus Hultman
Chairman	Flemming Breinholt

Share information

Share price (SEK)	7.3
Number of shares (M)	39.1
Market cap (MSEK)	284
Net debt (2024E, MSEK)	-10

Analyst



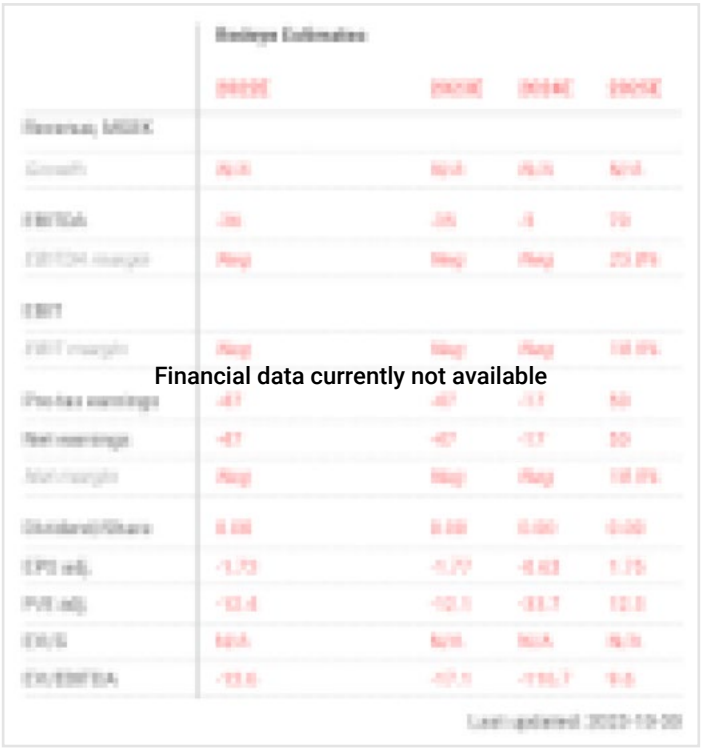
Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Safeture: No

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

Financials



Owner	Equity	Votes
Greg Dingizian	39.5%	39.5%
Ibkr Financial Services AG	19.7%	19.7%
Topline Capital Partners LP	19.6%	19.6%
Nordea Liv & Pension	10.5%	10.5%
Anders Pettersson med familj	10.5%	10.5%
Daniel Oredsson	5.4%	5.4%
Flemming Breinholt	3.8%	3.8%
Semmy Rülf	3.1%	3.1%
Emirates Advanced Investment Trading LLC	2.5%	2.5%
Joseph Aroyan	1.4%	1.4%

Company description

Safeture offers a cloud-based SaaS platform, managing risk, safety, and crises involving employees (ERCM). The service unifies employee communication, information, and location in one tool. Safeture's open platform architecture allows customers to seamlessly integrate internal processes and features with external suppliers, such as assistance providers, travel agencies, or other software, including internal employment databases or intranets. Approximately 80% of the sales stem from Europe, 15% from North America, and 5% from Southeast Asia. The company was founded in 2009, triggered by the experience of the global SARS epidemic, the Indian Ocean tsunami, and the Mumbai terror attacks, where lives could have been saved if people had been warned earlier and received more information. Safeture is based in Lund, Sweden, and employs about 30 people.

Investment thesis

Case

Becoming the tech provider of choice for assistance companies' employee risk & crisis management

Safeture's strong value proposition makes it a good partner, both for larger companies seeking to have all employee safety tools under one roof, and for assistance companies that want to focus on their core competency and outsource the technical platform. Medical and security assistance partners are the core customers. Safeture is pursuing a partner strategy by becoming the tech provider of choice for assistance companies, thereby leveraging their networks and reaching thousands of companies. Today, around half a million people are protected by its ERCM platform, mainly through the partner network. The partner focus enables Safeture to carve out a unique market position as it can focus on one type of customer, it can secure larger deals, the channel has shorter lead times, it enables a scalable sales organization when partners actively resell the platform, higher growth potential, and minimal to no churn.

Evidence

Good traction and scalability are showing

Safeture grew its ARR by 26% in Q3 2023, all of which stemmed from the partner network. This growth indicates good traction and validation of Safeture's partner strategy. It has also added new partners to its network in the past year, showing that many assistance companies are interested in the value proposition. We believe Safeture is the category leader in the fast-growing niche market (>10% a year), and it has a large installed customer base of >4,500 medium to large-sized corporations and organizations. Moreover, Safeture is on the edge of becoming profitable at an ARR of about SEK50m and it has a proven track record of both growing, keeping the OPEX stable and increasing the gross margin. It also has an acceptable churn and a net revenue retention rate of 110-120%. We thus argue that Safeture is a small and hidden Nordic SaaS gem.

Challenge

Still somewhat unclear if adjacent software companies can encroach

Safeture is still a small software company with an ARR of about SEK50m. However, its success should draw attention to it, and there are larger companies developing and selling adjacent software that could potentially start encroaching on Safeture's turf if they discover a suitable TAM. Thus, there is some uncertainty regarding long-term durability and competitiveness. These clouds will likely disperse (or be confirmed) over the next couple of years. Today, Safeture has a very low churn on partner customers, which is a good sign.

Challenge

Depending on key personnel

Safeture's management and board are full of experienced company-builders who have scaled businesses before. CEO Magnus Hultman, for example, has a long history of doing it, including SaaS companies. Safeture needs good execution, and we believe the company is in the right hands. However, should some key people leave the company, we argue this could threaten the rollout.

Valuation

Not pricey given given the signs of scalability and traction

Safeture is experiencing rapid growth and demonstrates clear signs of scalability. Nevertheless, the valuation remains quite modest, standing at around EV/sales of 3.5x in 2025e. This valuation is despite the fact that Safeture has a sizeable TAM it can expand into. We believe that the achievement of profitability, expected in 2024, will further reinforce the notion of Safeture being a quality SaaS company in the Nordic region.

Catalyst types

Continued signs of scalability

Safeture is scaling, and improved gross margins and operating margins should act as catalysts for the stock. It should greatly boost the market's confidence in the company and promote the possibility of attracting long-term and well-financed investors. Safeture has a goal of becoming profitable at an ARR of SEK65m but we believe it will achieve it before that level.

Acquisition target

There is an ongoing consolidation in the market, where larger assistance/security companies acquire smaller software providers like Safeture. Thanks to its market position and software, we believe Safeture could be a possible target.

Strengthened partner network

As Safeture leverages a partner network and has established itself as a reliable tech provider to assistance companies, news of additional partners and sales via the partnership network ought to be good catalysts for the stock. Especially larger deals should act as catalysts for the stock.

Scandinavian Enviro S... SES

Company page
https://www.redeye.se/company/scandinavian-enviro-systems-2

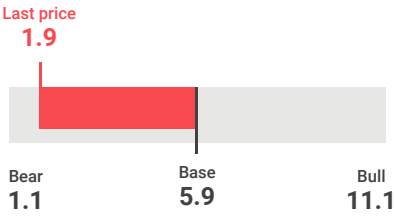
Publication date
January 12 2024

Redeye Rating

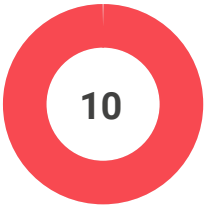
COMPANY QUALITY



FAIR VALUE RANGE

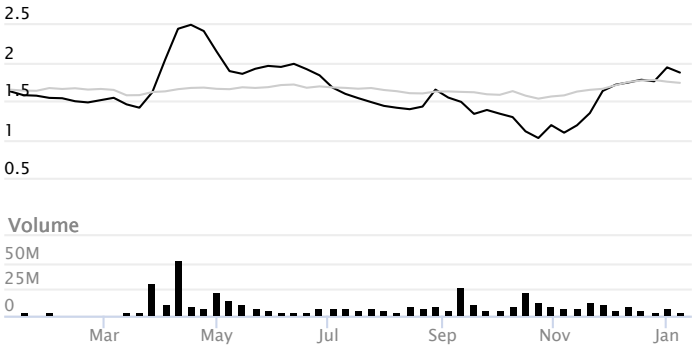


TIMELINESS



Snapshot

Scandinavian Enviro Systems
OMXS30



Marketplace	First North Stockholm
CEO	Thomas Sörensson
Chairman	Alf Blomqvist

Share information

Share price (SEK)	1.9
Number of shares (M)	806.6
Market cap (MSEK)	1,500
Net debt (2024E, MSEK)	-109

Analyst



Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Conflict of interests

Mattias Ehrenborg owns shares in Scandinavian Enviro Systems: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	8	13	15	18
Growth	*5.1%*	*60.0%*	*15.0%*	*21.8%*
EBITDA	-70	-24	-32	-31
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-84	-38	-47	-47
Net earnings	-84	-38	-47	-47
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.13	-0.05	-0.06	-0.06
P/E adj.	-16.4	-37.7	-31.0	-31.0
EV/S	169.1	93.0	91.5	48.7
EV/EBITDA	-19.3	-49.4	-41.4	-45.1

Last updated: 2023-12-17

Owner	Equity	Votes
Michelin	16.3%	16.3%
Avanza Pension	7.1%	7.1%
Handelsbanken Fonder	3.9%	3.9%
Swedbank Robur Fonder	3.1%	3.1%
Nordnet Pensionsförsäkring	2.4%	2.4%
Livförsäkringsbolaget Skandia	2.0%	2.0%
Dina Persson	1.5%	1.5%
Cicero Fonder	1.5%	1.5%
Öhman Fonder	1.3%	1.3%
Jula Holding AB	0.9%	0.9%

Company description

Enviro provides industrialised processes able to handle 30k tons of end-of-life tyres (ELT), which are pyrolysed (heated) using Enviro's patented technology. The ELTs are decomposed into recycled, valuable, and high-quality raw materials, such as carbon black (rCB), oil (TPO), and steel. The tyre- and petrochemical industries are expected to constitute close to 100% of the demand for Enviro's products, and it will be key for Enviro that the industries adopt the materials in the production to fully realise the potential. The customer base is divided into two segments: Plant investors, which could be recycling companies or financial investors, and raw material purchasers, being companies within the tyre- and/or the petrochemical industry – industries that offer a multi-billion-dollar opportunities and requiring thousands of Enviro plants to fully exploit the potential.

Investment thesis

Case

Offering a highly attractive solution for unsolved ELT recovery issue

Over the years, many attempts have been made to recover the valuable materials inside a tyre once it has reached its end of life. Attempts have failed due to material complexity, making it very difficult to produce high-quality materials for commercial use. Enviro has proved it possible, using its patented technology that allows for full ELT material recovery (rCB, TPO, steel) that can be sold, and re-introduced to a wide range of applications. As a pioneer in the industry, with many years of trial and error and a good track record in terms of material validation from production tests, we argue Enviro enjoys a first-mover advantage and should be several years ahead of competitors.

Evidence

Michelin and Antin have validated Enviro and its technology

Since 2020, Enviro has managed to attract Michelin to become the largest shareholder in Enviro, who also has unveiled 2 sustainable commercial tyres with rCB inside for launch in 2025. Enviro has also received ISCC certification for its rCB and TPO, making it possible to sell it commercially - and successful production tests from a top 10 global oil company have taken place. These events have led to a JV establishment with Antin and Michelin, which we argue provides an attractive framework for reaching up to 1m tons in ELT capacity by 2030. This also categorises the plants as infrastructure (allowing for a high degree of debt, thus reducing equity requirements, which we have considered a concern for Enviro). We, therefore, argue that Enviro has managed to fulfil its growth plan upon this point. The demand for Enviro's products has been further spurred since the war in Ukraine and structural high oil prices –increasing incentives for companies to use Enviro's recycled products.

Challenge

Capital intensive business

Enviro plans to co-own the production facilities it builds through the JV with Antin and Michelin, where we expect it to hold a 30% equity stake. CAPEX for one plant is expected to be around SEK400m, which is a sizeable figure for a company of Enviro's current size. Even a 30% share in the venture (SEK120m) is a significant amount that needs to be financed, which may require future capital injections into Enviro if the JV does not manage to reach a high degree of debt in each plant. However, we believe that plant financing will be possible if Enviro signs off-take agreements for its raw materials, and we do not believe Antin would have been interested in establishing a JV if it was not certain it could use high leverage.

Challenge

rCB fails to take off

Following the successful TPO production test from one of the worlds leading oil companies, we believe there should be no issues offsetting produced TPO volumes, given its sustainable characteristics and the high global demand for crude oil. Instead, one of our greatest concerns is that rCB-demand fails to take off, which would harm the calculation of Enviro's plants and/or the pace of the rollout phase. However, after Michelin's unveiling of two sustainable tires (incl.-rCB) approved for road use that will be launched within 2-3 years, we feel more comfortable than ever that rCB will play an important role in the future.

Valuation

Significant upside potential but dependent on growth plan execution

We have derived a fair value range for Enviro of SEK1.1 – SEK11.1, with a base case of SEK5.9 per share. Our scenarios are primarily driven by the extent to which recovered materials can replace current materials in the future and Enviro's estimated market share. In our base case, Enviro will install a plant capacity equivalent to 930k tons by 2030, equivalent to 27% of total ELT arisings in 2020. The wide range illustrates our long-term horizon in our estimates and the risks involved, as Enviro is still to construct its first plant and is yet to sell significant volumes of its raw materials. As milestones are met and risks removed, we expect to tighten this wide range, reduce the risk premium, and make updated base case assumptions using the realised sales figures from the sales of TPO and rCB.

Catalyst types

New partnerships

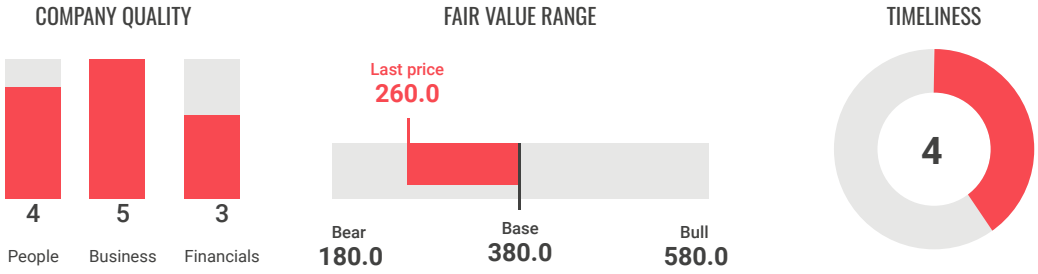
Enviro has signed a partnership with Michelin, partly regarding the development of rCB. We believe another partnership could take place, but this time with a company from the petrochemical industry, which would enhance the product development of TPO. Any communication regarding this would be a catalyst.

Sdiptech SDIP B

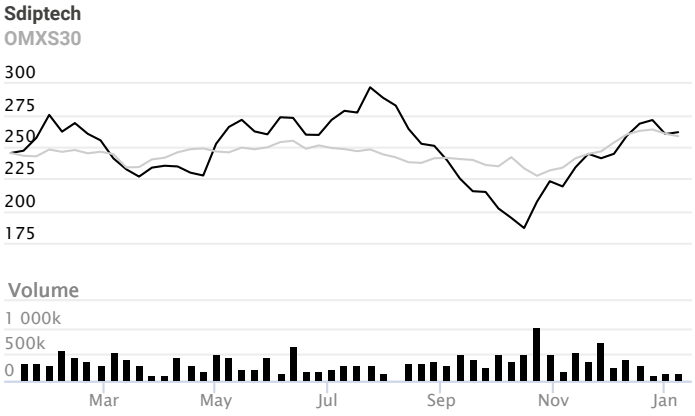
Company page
https://www.redeye.se/company/sdiptech

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Bengt Lejdström
Chairman	Jan Samuelson

Share information

Share price (SEK)	260.0
Number of shares (M)	38.0
Market cap (MSEK)	9,878
Net debt (2024E, MSEK)	3,851

Analyst



Niklas Sävås
niklas.savas@redeye.se

Conflict of interests

Niklas Sävås owns shares in Sdiptech: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	3,505	4,715	5,125	5,767
Growth	*28.9%*	*34.5%*	*8.7%*	*12.5%*
EBITDA	858	1,119	1,158	1,269
EBITDA margin	*24.5%*	*23.7%*	*22.6%*	*22.0%*
EBIT				
EBIT margin	*18.3%*	*17.1%*	*15.8%*	*16.7%*
Pre-tax earnings	537	611	571	701
Net earnings	428	461	437	546
Net margin	*12.2%*	*9.8%*	*8.5%*	*9.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	9.71	12.14	11.50	14.38
P/E adj.	23.3	23.3	24.6	19.7
EV/S	3.3	3.0	2.9	2.6
EV/EBITDA	13.4	12.6	12.6	12.0

Last updated: 2023-12-16

Owner	Equity	Votes
Vulcan Value Partners, LLC	10.1%	7.6%
Handelsbanken Fonder	8.8%	6.7%
Euroclear Bank S.A/N.V	8.2%	6.2%
Swedbank Robur Fonder	8.0%	6.1%
Invesco	5.6%	4.2%
Ashkan Pouya	5.1%	28.2%
Cliens Fonder	5.0%	3.8%
JP Morgan Chase Bank NA	4.3%	3.3%
Clearstream Banking S.A. W8imy	4.1%	3.1%

Company description

Sdiptech is a Swedish infrastructure technology group with over 30 subsidiaries, offering specialized services and products. The demand is driven by aging infrastructure, growing consumption and urbanization as well as increasing requirements for sustainability and safety. The group's operations are in Sweden, the UK, Norway, Austria, and Croatia. The group consists of two Business Units, Water & Energy and Special Infrastructure Solutions.

Sdiptechs growth strategy relies heavily on acquisitions, and the company has a target of acquiring SEK 120-150m in EBITA annually. The group is using a decentralized model, where the overtaken entities keep most of their operational freedom.

Investment thesis

Case

Opportunistic acquirer with a short history

Sdiptech's model is to acquire profitable companies and use the cash flows to acquire additional companies. In recent years Sdiptech has been a rather aggressive acquirer having made several equity issues in recent years in order to accelerate growth. While it started in 2016 buying service businesses with lower margins, the strategy has shifted to only buying high-margin companies within a broadly defined infrastructure sector. We believe the short history and mixed organic growth have led to the discount against peers.

Evidence

Infrastructure niches supporting organic growth

Among the listed serial acquirers, steady organic growth is rare. Sdiptech has an organic EBITA growth target of 5-10%, which was reached between 2019 and 2021. The business units' strong niche market positions, give a potential for high-profit margins and structural market trends favor the businesses that Sdiptech acquires. While we find the upper limit of Sdiptech's target range for organic growth ambitious, we forecast an organic sales growth of ~4% from 2022 to 2028. Combining organic and acquired growth, we believe Sdiptech is heading towards becoming a much larger company. Sdiptech is cautious about synergy realization from acquired companies, due to its decentralized strategy. Instead, they create value in the acquired companies through their industrial focus on infrastructure, where Sdiptech has both market insight and technical know-how to contribute to strategy and business development.

Challenge

Profitability and organic growth challenges

If a situation like the problems in the elevator business was to occur again, we believe the share would take another hit due to deteriorating investor confidence and also less room for further acquisitions. Sdiptech has a relatively high leverage level where it needs continued strong cash flows to continue to acquire at the planned pace of SEK120m to SEK150m in EBITA per year. We believe Sdiptech will tackle this by continuing to deliver substantial improvements across its group companies.

Challenge

Competition making acquisitions more expensive

Sdiptech's value creation is dependent on the ability to acquire businesses cheaper than its valuation. A higher difference in valuation creates more value and vice versa. Thus, if acquisition multiples were to increase, it would be harder for Sdiptech to create value for its shareholders through its M&A strategy.

Valuation

Still on discount - solid performance to drive the share price

The Sdiptech share has outperformed the stock market in recent years. The management team has been opportunistic, issuing shares at high valuations and buying companies at lower valuations. What is missing for Sdiptech to be valued in-line with peers such as Lifco, Indutrade, Addtech and Lagercrantz is for it to continue to execute in line with its strategy. Sdiptech buys higher margin businesses at slightly higher valuations than its peers and to reach 15%+ return on capital it must drive at least mid-single-digit organic growth across the group. We think solid performance ahead is a catalyst for it to close the gap against it peers.

Catalyst types

Organic growth in line with Sdiptech's financial target

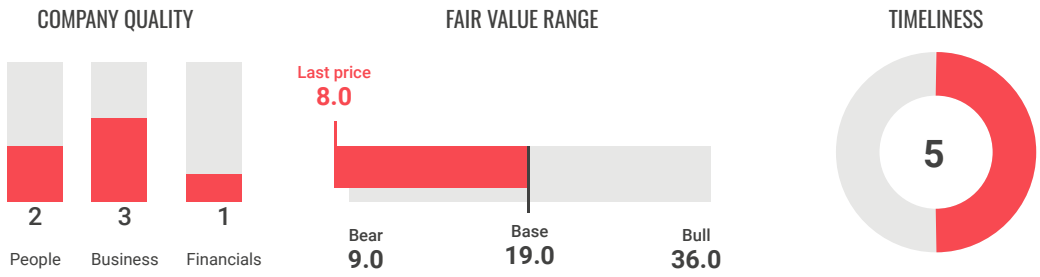
Sdiptech has a financial target of a 5-10% organic growth in EBITA per annum. The goal corresponds to a 5-10% organic sales growth, assuming constant margins in the long run. We forecast about 3% organic growth, and we believe a higher level is a catalyst for the stock.

Seamless Distribution... SDS

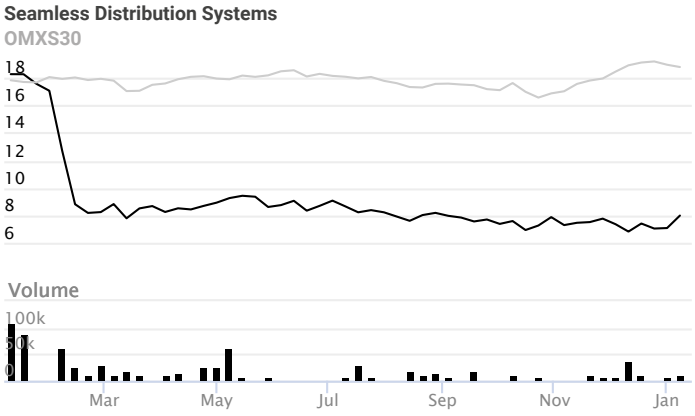
Company page
https://www.redeye.se/company/seamless-distribution-systems

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	Nordic SME
CEO	Eddy Cojulun
Chairman	Martin Roos

Share information

Share price (SEK)	8.0
Number of shares (M)	15.5
Market cap (MSEK)	123
Net debt (2024E, MSEK)	184

Analyst



Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Seamless Distribution Systems: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	245	276	285	294
Growth	*-14.8%*	*12.6%*	*3.2%*	*3.0%*
EBITDA	10	67	84	95
EBITDA margin	*4.0%*	*24.2%*	*29.5%*	*32.4%*
EBIT				
EBIT margin	*Neg*	*7.2%*	*15.3%*	*19.2%*
Pre-tax earnings	-72	-11	13	26
Net earnings	-75	-11	11	21
Net margin	*Neg*	*Neg*	*3.7%*	*7.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-7.21	-0.68	0.68	1.34
P/E adj.	-2.3	-10.6	10.5	5.4
EV/S	0.7	1.1	1.0	0.9
EV/EBITDA	18.6	4.5	3.5	2.9

Last updated: 2023-12-15

Owner	Equity	Votes
Avanza Pension	13.3%	13.3%
Jan Karlander	11.1%	11.1%
Swedbank Försäkring	10.0%	10.0%
ÖstVäst Capital Management	7.6%	7.6%
Veronica Wallman	5.8%	5.8%
Gunnar Jardelöw	5.0%	5.0%
Mats Andersson	4.7%	4.7%
Martin Roos	4.1%	4.1%

Company description

Seamless Distribution Systems ("SDS") is a Swedish software company that provides solutions for digital sales, distribution, and financial services to private individuals through telecom operators in emerging countries. To a large extent, it operates solutions that are business-critical for its customers, managing the monetary flows throughout the value chain. Its systems are responsible for, in many cases, channeling up to 80-90% of its customers' revenues.

SDS has launched a series of solutions, which aim to leverage the data from the billions of transactions in its systems. By applying big data analytics and AI tools, in what the Company refers to as "Business Intelligence", it aims to help its customers make better business decisions. Its broad portfolio of solutions includes Sales Force Optimization and Micro Credits, to name a few. These are forecast to significantly increase SDS' recurring revenues.

Investment thesis

Case

Expanding within the installed base

Thanks to current challenges, both market sentiment and investor confidence have soured, and the share is trading below our bear case. However, despite these obstacles, we acknowledge a compelling long-term case where the current depressed share price presents an attractive entry point. We anticipate a gradual improvement in margins as the company executes its strategy of prioritizing standardized product offerings. This strategic shift will enhance the scalability of the business, ultimately leading to a more efficient and profitable operation. Additionally, we expect recurring revenues to continue their upward trajectory, thereby augmenting the overall stability of the business. This positive trend in recurring revenues is likely to mitigate risk and reduce the associated risk premium, ultimately enhancing the investment proposition.

Evidence

Proven playbook for growth

SDS gained its first contract from MTN Group (Africa's largest mobile operator group) in 2006 and currently serves 18/20 of its operators and MTN has become SDS's largest customer. Therefore, we think SDS has a proven playbook for this type of expansion. This should come in handy when increasing sales to more recent customers such as Telenor, Vodafone, and Orange – all won or acquired in recent years.

Challenge

Slow-moving customers with bargaining power

We assume the size of SDS's customers – some of the largest mobile operator groups in Africa and the Middle East – give them the natural upper hand around the negotiation table. Moreover, we anticipate bureaucratic and long purchase processes and scepticism towards new and innovative products thanks to their size. This could hamper topline growth.

Challenge

Higher interest rates

SDS issued a SEK200m bond in 2021 to finance the acquisition of Riaktr and replace existing loans. The bond has an expected maturity of three years and carries a three-month STIBOR plus 8.75% interest. Standalone, the 8.75% gives rise to annual interest expenses of SEK17.5m. In this higher interest environment, each 1%-point STIBOR increase incurs an additional SEK2m in expenses.

Valuation

Forecasting improved margins

Our DCF analysis indicates a Base Case of SEK19 per share (Bull: SEK36; Bear: SEK9) based on a 2% sales CAGR during our forecast period (2021-2034e) and a 29% terminal EBIT margin.

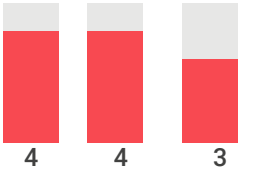
Sensys Gatso Group SGG

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

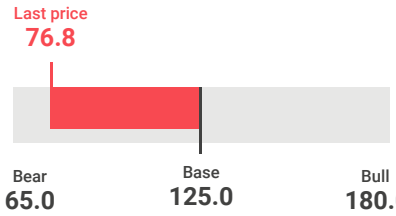
Publication date
January 17 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

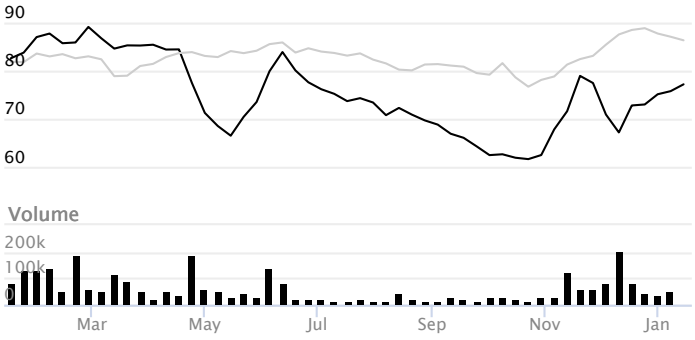


TIMELINESS



Snapshot

Sensys Gatso Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Ivo Mönnink
Chairman	Claes Ödman

Share information

Share price (SEK)	76.8
Number of shares (M)	11.5
Market cap (MSEK)	886
Net debt (2024E, MSEK)	76

Analyst



Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Sensys Gatso 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		
	2022	2023E	2024E	2025E
Revenue, MSEK	495	605	777	882
Growth	*-2.4%*	*22.3%*	*28.4%*	*13.6%*
EBITDA	74	74	145	185
EBITDA margin	*14.9%*	*12.2%*	*18.7%*	*21.0%*
EBIT	31	28	99	133
EBIT margin	*6.3%*	*4.7%*	*12.7%*	*15.1%*
Pre-tax earnings	33	25	99	133
Net earnings	20	17	80	110
Net margin	*4.1%*	*2.9%*	*10.2%*	*12.4%*
Dividend/Share	0.01	0.75	3.45	4.76
EPS adj.	0.02	1.48	6.82	9.16
P/E adj.	3,264.4	48.3	10.5	7.8
EV/S	133.3	1.5	1.2	1.0
EV/EBITDA	894.9	12.2	6.2	4.7

Last updated: 2023-11-16

Owner	Equity	Votes
(Gc) BNP Paribas SA Paris	17.8%	17.8%
Gatso Special Products B.V.	17.7%	17.7%
Avanza Pension	4.3%	4.3%
Nordnet Pensionsförsäkring	3.8%	3.8%
Per Wall	2.5%	2.5%
Inger Bergstrand	2.2%	2.2%
Futur Pension	2.1%	2.1%
Handelsbanken Fonder	1.9%	1.9%
Dimensional Fund Advisors	1.3%	1.3%
Claes Mellgren	1.0%	1.0%

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 steadilyy 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

We think the gap between price and value will be closed during 2024

We expect strong momentum for Sensys Gatso from Q3 2023 until the end of 2024. During this period, we expect strong y/y revenue growth and strong margin expansion - leading to an estimated P/E ratio at 10x for 2024e and less than 8x for 2025e. We believe the strong momentum combined with the obvious low valuation will attract investors and close the gap between the share price and our Base Case.

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.

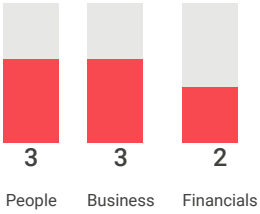
Sivers Semiconductors SIVE

Company page
https://www.redeye.se/company/sivers-semiconductors

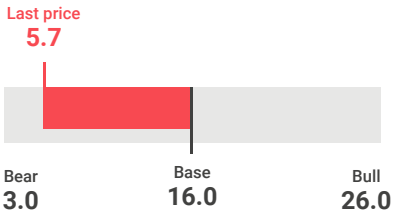
Publication date
January 12 2024

Redeye Rating

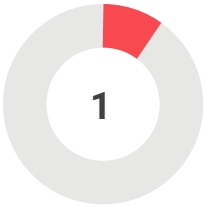
COMPANY QUALITY



FAIR VALUE RANGE

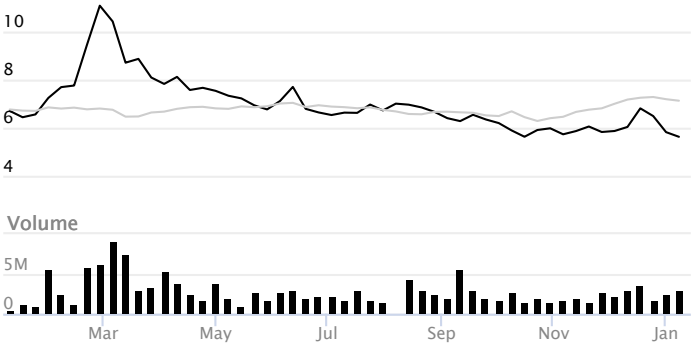


TIMELINESS



Snapshot

Sivers Semiconductors
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Anders Storm
Chairman	Thomas Duffy

Share information

Share price (SEK)	5.7
Number of shares (M)	234.6
Market cap (MSEK)	1,334
Net debt (2024E, MSEK)	26

Analyst



Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Sivers Semiconductors: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	133	227	384	679
Growth	*46.3%*	*71.5%*	*68.9%*	*76.8%*
EBITDA	-74	-51	-10	109
EBITDA margin	*Neg*	*Neg*	*Neg*	*16.1%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-77	-149	-127	-27
Net earnings	-86	-162	-134	-27
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	0.00	0.00	0.00
P/E adj.	-13.7	-10.7	-13.6	-67.1
EV/S	9.6	7.7	4.8	2.7
EV/EBITDA	-17.2	-34.2	-178.2	16.8

Last updated: 2024-01-10

Owner	Equity	Votes
Erik Fällström via bolag	14.2%	14.2%
Pershing Llc.	11.4%	11.4%
Kairos Venture Investments LLC	8.6%	8.6%
W The Bank Of New York Mellon Sa/Nv	8.0%	8.0%
The Bank Of New York Mellon	6.7%	6.8%
Swedbank Robur Fonder	6.0%	6.1%
Avanza Pension	5.8%	5.9%
AMF Pension & Fonder	3.4%	3.4%
Keith Halsey via bolag	2.7%	2.7%
Harish Krishnaswamy	2.6%	2.6%

Company description

Sivers Semiconductors is a semiconductor company focused on wireless and optical communications through two segments, Wireless, and Photonics. Sivers Wireless develops radio frequency (RF) chips and antennas for advanced 5G systems – particularly millimetre wave (mmWave) – and Satellite communications (SATCOM). Sivers Photonics develops and manufactures semiconductor-based products for optical communications and sensing markets for the telecommunications (telecom), data communications (datacom) industries.

Investment thesis

Case

Exciting pipeline within Photonics with Wireless diversifying risks

Sivers has a promising pipeline in its Photonics segment, with initiatives that could result in a 5x revenue increase over a short timeframe. The anticipation of Ayar Labs moving to volume production in 2024, with pre-series orders starting in H2'23, may bring in approximately cUSD50m for Sivers between 2023 and 2026. Additionally, Sivers has three F100 customers, each potentially generating annualized revenues of SEK500m (cUSD50m). The longest-serving F100 customer is expected to start volume production in H2'25, with a pre-series phase in H2'24, indicating significant revenue potential. With over 40 design wins, Sivers' Wireless's segment diversifies its business beyond the binary nature of photonics. Although Sivers' 5G portfolio has not gained as much traction as expected, the satcom business is progressing with pre-series orders, and one customer (we think All.Space) is estimated to be worth USD30m between 2022 and 2024, with a lifetime value of USD250m.

Evidence

Opportunity of Photonics orders from three Fortune 100 companies

Photonics has received several pre-series orders exceeding SEK150m from an F-100 company. If the customer proceeds, it will imply huge volumes (cSEK500m-3000m) we estimate from the first and cSEK500m annual potential from the others), representing a significant growth opportunity, albeit rather binary. Moreover, Ayar Labs' customers expect to ramp up Sivers products within the next five years.

Challenge

Wireless crowded by tier-2 operators

Sivers needs to focus on customers whose products succeed. Despite announcing a three-year deal worth cSEK450m in 2020, the order was indefinitely placed on hold due to a customer missing its window. Currently, Sivers' Wireless customers are mainly tier-two vendors, including CCS, 8Devices, Cambium, and Airvine, primarily in Europe, which lags in mmWave deployment. However, Cambium has a well-positioned portfolio with a strong North American base. Sivers also has ADTRAN as a customer, a tier-one service provider in the United States. Additionally, Sivers claims one tier-1 customer obtained through its MixComm acquisition.

Challenge

Photonics not moving forward

Sivers is discreet about its photonics customers but discloses that three Fortune 100 companies are actively testing its technologies. The first Fortune 100 customer has been evaluating Sivers for almost four years for a consumer product, investing approximately cUSD15m in engineering. In Q2'23, the customer ordered 30,000 chips from Sivers for qualification and system testing. Notably, other photonics-focused companies, like Rockley Photonics with Apple, have incurred higher engineering fees before product launches. This raises concerns that the customer may need to spend more before reaching volume production, potentially causing delays. The challenge lies in the limited insight investors and Sivers have into key customers' plans.

Valuation

Attractive pipeline of projects should close the valuation gap

In short, Sivers has an attractive pipeline of projects where we estimate a 90% likelihood of its Satcom customer (All.Space) and 80% for Ayar Labs moving to volume production in late 2023 or 2024. Followed by its first F100 customer in 2025. We estimate a sales CAGR 2023—2027 of 73%. The scale-up should allow for significant EBIT expansion, and we forecast Sivers to reach EBITDA break-even in Q4 2023 and EBIT margin by 2027 of 23%. This results in a Base Case of SEK16 per share

Catalyst types

Large orders from Fortune-100 customer

Sivers Semiconductors has, as mentioned above, received substantial Photonics orders from a Fortune 100 company over the last year, and has two other F100 customers evaluating Sivers offering. If any of these customers moves forward and decides to integrate Sivers Semiconductors's components in their final product, it would entail substantial growth for Photonics segment.

Debt facility resolved

We believe Sivers debt facility which could be converted to shares at a 10% discount between Q2'23 and Q3'23 is hanging on the shares. Once abaited, we believe the pressure on the shares would disapear.

New design-wins with large telecom players

The company's focus has been to build an ecosystem of partners and are currently teamed up with two partners that are suppliers to Tier 1 telecom players – Ampleon and NXP Semiconductors. If the combined offering of Sivers Semiconductors and its partners were integrated into one the Tier 1 players' system, it would mean a real take-off in Sivers Semiconductors's sales.

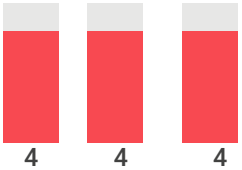
Sleep Cycle SLEEP

Company page
https://www.redeye.se/company/sleep-cycle

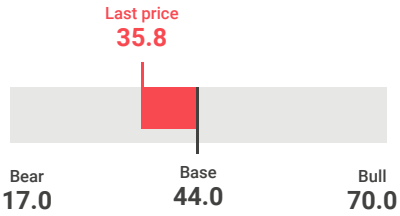
Publication date
January 15 2024

Redeye Rating

COMPANY QUALITY



FAIR VALUE RANGE

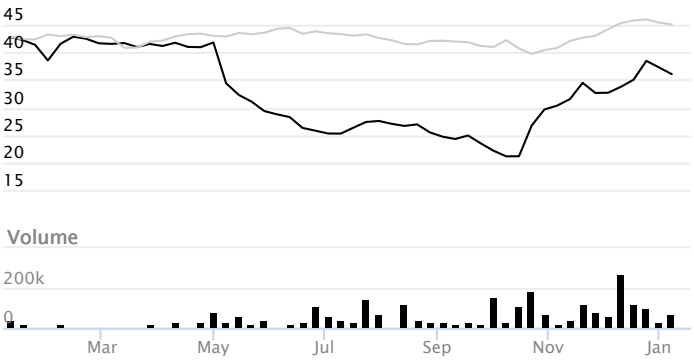


TIMELINESS



Snapshot

Sleep Cycle
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Erik Jivmark
Chairman	Anne Broeng

Share information

Share price (SEK)	35.8
Number of shares (M)	20.3
Market cap (MSEK)	726
Net debt (2024E, MSEK)	-209

Analyst



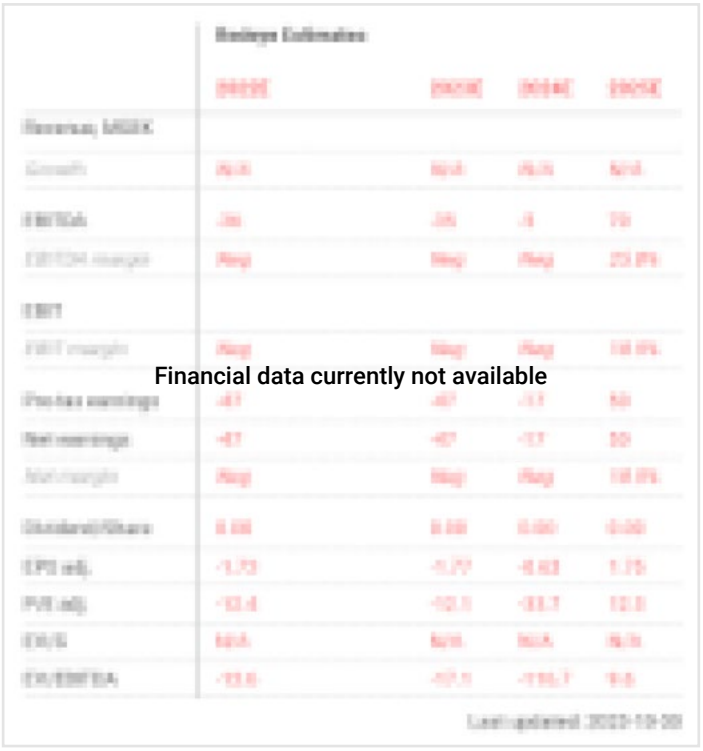
Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Sleep Cycle: No

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

Financials



Owner	Equity	Votes
Maciej Drejak	42.9%	42.9%
GLA Invest SA	23.6%	23.6%
Avanza Pension	4.4%	4.4%
Handelsbanken Fonder	4.2%	4.2%
Skandia Fonder	3.5%	3.5%
Petter Wallin	3.4%	3.4%
Nordnet Pensionsförsäkring	3.3%	3.3%
Lancelot Asset Management AB	2.1%	2.1%
SEB Fonder	1.6%	1.6%
Cancerfonden - Riksföreningen Mot Cancer	1.4%	1.4%

Company description

Sleep Cycle is a market-leading (>50% market share) sleep-tracking app that helps users to improve their health through better sleep. The app uses an AI-based audio technology to measure, quantify, and provide personalized insights based on the company's sleep database (~500 million nights of data). Sleep Cycle operates primarily on the mobile sleep-tracking app market, which is defined as applications that can offer basic functionality, including sleep tracking, smart alarms, and snore detection. Consequently, most users access the app through their smartphones, purchasing it via channels such as Apple App Store, Google Play Store, and Huawei App Gallery.

Investment thesis

Case

An organic success story with an attractive business model

By buying into Sleep Cycle, investors gain access to the leading sleep-tracking app (>50% market share), which has taken the top spot largely thanks to outstanding organic subscriber intake. The business model is asset-light (software), 100% subscription-based, has a good cash conversion rate (>100%) due to annual upfront payments, and has relatively low reinvestment needs. Consequently, we see Sleep Cycle being able to grow in the mid-teens up to about 20%, with an EBIT margin of >30%, closing in on 40%.

Evidence

Well-positioned in a growing market

Public interest in sleep has spiked in recent years, partly owing to increased awareness of the health risks associated with sleep deprivation and the physical and cognitive benefits of good sleep. The market was valued at SEK5bn in 2020. Furthermore, the same report estimates that the market will grow by approximately 19% a year in 2020-2025, primarily driven by increased demand, a willingness to pay for digital health services, and the expanding adoption of subscription-based business models.

Challenge

Potential competition from Apple and Google and other wellness apps

Sleep Cycle sells primarily through Apple App Store and Google Play Store and has benefited tremendously from the two tech companies' reach to consumers worldwide. However, we argue that Apple and Google also represent possible competition, as both have recently increased investments in sleep health and tech, with their health informatics apps, Apple Health and Google Fit, and wearables that would gain from having more sleep data and functions targeting sleep. Moreover, Sleep Cycle might find competition from other types of wellness apps, such as Calm and Headspace, which are giants in the app space.

Challenge

New distribution channels and expanded product offering fail

Sleep Cycle seeks to expand into new user channels via partnerships (such as Samsung and Gympass) or its corporate wellness offering. The latter is a new initiative that targets companies that are increasingly focusing on employee health, aiming to improve productivity and employee well-being. Should the new initiatives not work out as expected, there could be a hit to the subscriber intake.

Valuation

Valuation

We expect Sleep Cycle to maintain its market leadership, and to amass ~1.1m subscribers by 2025. We also see the ARPU raise in the same time period, to around SEK330. We forecast a low to moderate marketing, solid intake in organic subscriptions and stable renewal rates. Much in line with Sleep Cycle's past. We believe that Sleep Cycle is able to fend off competitors thanks to ongoing product improvements and its strong brand awareness. In short, it will hold on to its top spot. Thus, we expect Sleep Cycle to continue to grow while also having a strong operating margin well above 30%.

Catalyst types

Higher bid/no bid

Sleep Cycle has received a cash offer of SEK42.5 per share. However, the share price has traded above that level for a month, and a higher price would be a catalyst. However, the removal of the bid could also lead to a short-term price fall.

Growing partnership network

Sleep Cycle signs more partnerships and expands its growth avenue

Subscriber growth returns

Subscriber intake turns positive again, with improved ARPU

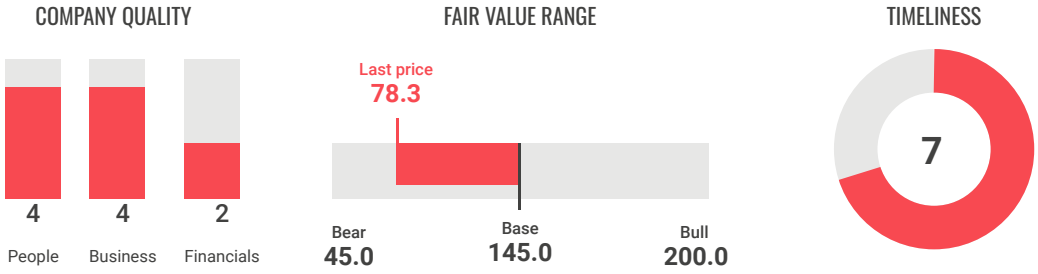
Personal notes

Smart Eye SEYE

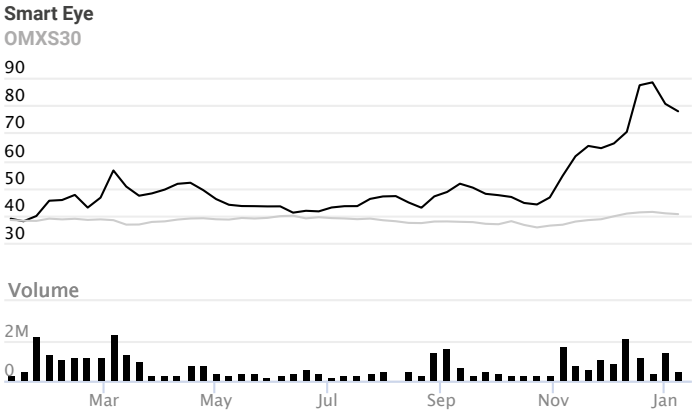
Company page
https://www.redeye.se/company/smart-eye

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Martin Krantz
Chairman	Anders Jöfelt

Share information

Share price (SEK)	78.3
Number of shares (M)	35.3
Market cap (MSEK)	2,766
Net debt (2024E, MSEK)	-37

Analyst



Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Smart Eye: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	220	306	494	654
Growth	*>100%*	*39.3%*	*61.6%*	*32.2%*
EBITDA	-194	-113	31	110
EBITDA margin	*Neg*	*Neg*	*6.2%*	*16.9%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-344	-267	-128	-48
Net earnings	-340	-267	-128	-38
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-9.74	-7.64	-3.67	-1.10
P/E adj.	-7.0	-8.9	-18.5	-61.8
EV/S	10.8	7.4	4.7	3.6
EV/EBITDA	-12.2	-20.1	76.6	21.1

Last updated: 2023-12-16

Owner	Equity	Votes
Första AP-fonden	8.1%	8.1%
Avanza Pension	7.2%	7.2%
Nordnet Pensionsförsäkring	6.2%	6.2%
Handelsbanken Fonder	5.9%	5.9%
Svensk, Filial Alandsbanken Abp (Finland)	3.6%	3.6%
Mats Krantz inklusive närstående	3.4%	3.4%
Anders Jöfelt	3.4%	3.4%
Martin Krantz	3.1%	3.1%
Linda Jöfelt	2.6%	2.6%
Consensus Asset Management	2.4%	2.4%

Company description

Smart Eye provides eye tracking software for especially automotive applications but addresses customers in defence, aircraft and academic research as well. In the Research Instruments segment, where Smart Eye has a market share of 4-5 percent, it provides systems consisting of hardware, software and accessories. Our investment case, however, is fully based on the Automotive Solutions segment, which is an OEM business where Smart Eye provides tier 1 automotive suppliers with algorithms and software for embedding eye tracking in products that are later sold to the car OEM manufacturers. When a car model with Smart Eye's technology is launched Smart Eye will receive a royalty based license fee per car. Within Automotive Solutions Smart Eye has won designs from about half of the customers that has procured eye tracking thus far. The automotive market has high barriers to entry as it is costly and time consuming to develop products that meet the customers' high standards and switching costs are high, meaning important competitive advantages for Smart Eye.Listing: Stockholm Stock Exchange (First North) since year 2016.Locations: HQ in Sweden. Offices in Detroit, China and Japan.

Investment thesis

Case

In pole position within eye tracking for mandated driver monitoring

Due to EU and Euro NCAP's decisions to mandate driver monitoring, the market for driver monitoring systems (DMS) is about to explode. Smart Eye has devoted ~20 years of 100% focus to and investments in this very niche. The company is in pole position after being awarded more design wins from more OEMs than any other player. As for barriers to entry, the technology needs to cope with e.g. changing light conditions, tunnels, sunshine, darkness, vibrations, etc. and at the same time never fail. Competition is, therefore, basically limited to one other tier-2 player aside from the tier-1 customers' own solutions. However, we believe it is unlikely that the customers, in the long run, are willing to put up with all investments and maintain the focus necessary for in-house sourcing. Smart Eye states that being platform-independent and hardware agnostic, it has a competitive edge as its technology can be locked late in the development process. With very predictable hyper-growth between 2022 to 2027 (exp. CAGR of 48%) and a highly scalable business model, we are estimating Smart Eye to be trading at a 5x and 3x FCF multiple for 2026 and 2027 respectively. We think this lays the ground for a potential multi-bagger in the next few years.

Evidence

The revenue acceleration is highly predictable

Design wins are worth more than presented because OEMs use *platforms* of software + hardware that they typically use for all car models launched in a 7-year period. As each car model is sold for ~7 years, cars from a single platform are sold for 14 years. As OEMs often copy platform components to other cars, getting into one car model implies a high probability of getting into several additional models. Thus, Smart Eye has likely secured a solid market share well into the 2030s.

Challenge

Head-to-head competition with main competitor

The market for DMS is an oligopoly. While Smart Eye is the market leader, main competitor Seeing Machines offers strong competition. While Smart Eye's software is hardware agnostic, Seeing Machines has chosen to specialize its software to some specific hardware and processor suppliers over the years, currently with a close partnership with Magna and its mirror. While we were previously more scared of this risk, we think Smart Eye has the last year proved to remain on the DMS throne.

Challenge

Possible pricing pressure

Over time, we expect the average selling price (ASP) of DMS to decrease from today's est. EUR6-7 to EUR4 in 2030. The factors that work to decrease the price are a) In 2026, when DMS reaches the mass market, the price will drop because many will choose the most basic functionality. This is partly also true for the legislation in 2024. And b) The ASP for each contract is a function of the cumulative volume of cars sold with DMS to date, meaning that the price for a like-for-like functionality decreases over time. The main factor that works to lift the ASP is that Smart Eye continuously offers more and better functionality connected to DMS. The main cost for DMS is buying and installing the hardware (the camera). This means that extra features for DMS (i.e., DMS+ and interior sensing) become a very marginal cost to add.

Valuation

Rapid, predictable growth to a low price

Even though the exact ramp-up of sales is hard to predict, we believe rapid sales growth between 2023 and 2027 is rather safe to assume. The ramp-up of sales stems from already awarded design wins and expected design wins on existing platforms. Considering an estimated low/mid-single-digit FCF multiple for 2026, combined with the highly predictable ramp-up of sales, we think Smart Eye has a good journey ahead.

Catalyst types

Design wins and follow-up orders in general

The major key catalyst in general is won contracts from the many RFQ's worth in total SEK 6 billion, which should drive the share price. In addition, we expect follow-up orders from existing customers

Ramp-up of automotive sales

We expect automotive sales will experience Y/Y growth in the 100's % between 2023 and 2026. This is an effect of design wins moving into production of car models that include Smart Eye's DMS. Whether the true acceleration in sales growth will come in 2022 or 2023 remains to be seen, but when it happens, we think it will be a major catalyst for the shares.

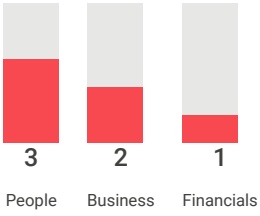
Sozap SOZAP

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

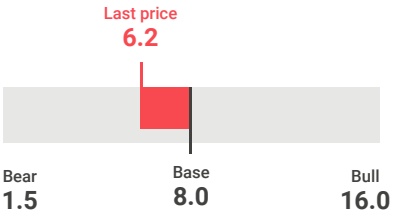
Publication date
January 12 2024

Redeye Rating

COMPANY QUALITY



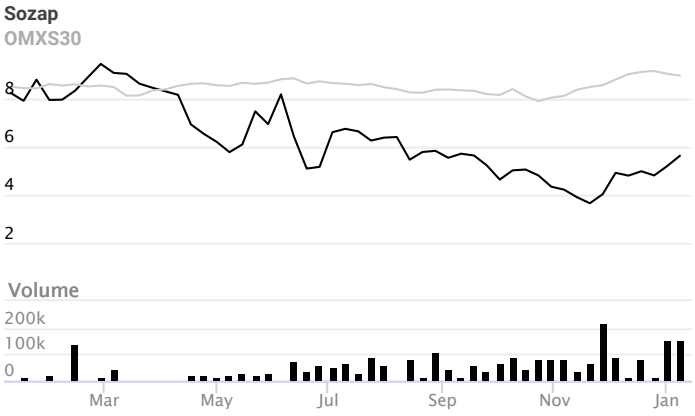
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Rade Prokopovic
Chairman	Claes Wenthzel

Share information

Share price (SEK)	6.2
Number of shares (M)	11.4
Market cap (MSEK)	71
Net debt (2024E, MSEK)	0

Analyst



Anton Hoof
anton.hoof@redeye.se

Conflict of interests

Anton Hoof owns shares in Sozap: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	17	14	21	30
Growth	*-5.2%*	*-16.5%*	*53.7%*	*38.5%*
EBITDA	-3	-3	8	11
EBITDA margin	*Neg*	*Neg*	*36.9%*	*38.3%*
EBIT				
EBIT margin	*Neg*	*Neg*	*6.9%*	*14.8%*
Pre-tax earnings	-14	-9	1	4
Net earnings	-14	-9	1	3
Net margin	*Neg*	*Neg*	*5.9%*	*11.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.90	-0.76	0.11	0.31
P/E adj.	-9.3	-5.3	36.6	13.4
EV/S	3.5	3.0	2.2	1.7
EV/EBITDA	-21.7	-14.4	5.9	4.4

Last updated: 2023-12-15

Owner	Equity	Votes
Rade Prokopovic	23.1%	23.1%
Avanza Pension	9.7%	9.7%
Ossian Hellers	7.1%	7.1%
Ivan Prokopovic	7.0%	7.0%
Rödgötören AB	5.3%	5.3%
Nordnet Pensionsförsäkring	5.1%	5.1%
Claes Wenthzel	3.8%	3.8%
Patrik Bloch med familj	3.4%	3.4%
Augment Partners AB	2.6%	2.6%

Company description

Sozap is a developer, publisher, and distributor of mobile games in the free-to-play genre. The games are distributed through Google Play and App Store and the revenues are generated mostly through in-app purchases but also from ads in the games. The company was founded in 2014 by its current CEO, Rade Prokopovic and since then, it has released a handful of games The biggest game is Armed Heist, a third-person shooter game that has reached over 30 million downloads since its launch in 2019. Although Armed Heist is by far the most downloaded game of their releases, Sozap does not limit itself to one genre but plans to build a diversified portfolio of free-to-play games to attract several customer segments.

Investment thesis

Case

An agile gaming studio with significant potential

Sozap's strategy of developing high-potential, free-to-play mobile games with limited resources creates an enticing case with significant potential. By focusing on proven game mechanics and adopting an MVP (minimum viable product) strategy, the company reduces its development risk while allowing itself to have several game projects alive simultaneously.

Evidence

Armed Heist demonstrates Sozap's capabilities

Armed Heist, the company's first game, has showcased Sozap's ability to develop good games on limited resources. The game was developed by 11 people and has racked up 25+ million downloads. If Sozap manages to develop a new hit and can prove Armed Heist was not a one-off, we believe the perception of the company will change, supporting the share price.

Challenge

The success of Armed Heist has not been replicated yet

So far, Sozap has not managed to replicate its success with Armed Heist. To change the perception of the company, we believe Sozap must develop further successful games. Until then, the company is dependent on Armed Heist alone, which increases the risk in the case. If none of the games in its pipeline meets management's expectations, confidence among the developers will probably take a hit, harming the company.

Challenge

Limited financial muscle

Sozap is still an immature company with limited financial headroom. This restricts it in both UA (user acquisitions) and how long the company can operate without additional capital. There is a clear risk of a further capital injection need, which would dilute outstanding shares.

Valuation

We see a healthy upside at current levels

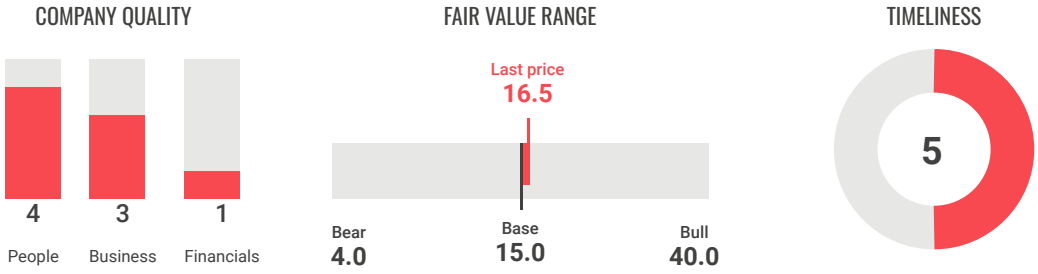
Based on our DCF valuation, we see a fair value of SEK8 for Sozap. Our fair value range of SEK1.5-16 reflects the uncertainty in the case, which depends on upcoming game releases and increased ARPDAU. To justify our Base Case, Sozap must accelerate its growth rate and succeed with some of its game releases. We also believe Sozap will achieve a higher valuation if it broadens its game portfolio and diversifies its revenue stream across more games.

Speqta SPEQT

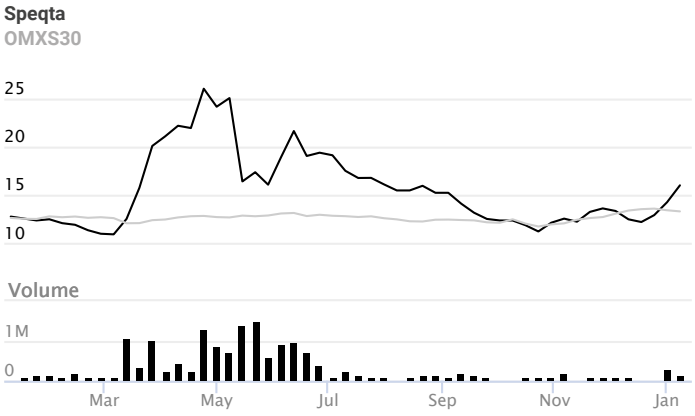
Company page
https://www.redeye.se/company/speqta

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Gustav Westman
Chairman	Johan Rutgersson

Share information

Share price (SEK)	16.5
Number of shares (M)	24.2
Market cap (MSEK)	399
Net debt (2024E, MSEK)	-13

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Speqta: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	27	63	103	143
Growth	*N/A*	*>100%*	*64.3%*	*39.1%*
EBITDA	-27	-44	-26	-1
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-30	-56	-46	-21
Net earnings	-30	-56	-46	-21
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.99	-2.30	-1.89	-0.86
P/E adj.	-5.7	-6.0	-7.3	-16.0
EV/S	6.4	4.9	3.1	2.3
EV/EBITDA	-6.4	-7.1	-12.3	-412.0

Last updated: 2023-12-13

Owner	Equity	Votes
Gustav Henning Westman	20.2%	20.2%
Marcus Möller	11.0%	11.0%
Anders Gustafsson	10.4%	10.4%
Mikael Lindblom	10.0%	10.0%
Morten Jærv Wang	5.7%	5.7%
Eone Holding Oy	4.2%	4.2%
Bank Julius Baer & co. ltd, w8imy without	4.2%	4.2%
Svensk, Filial Alandsbanken Abp (Finland)	3.0%	3.0%
Filip Lilja	3.0%	3.0%
Andre Lavold	2.8%	2.8%

Company description

Speqta is an Adtech company that offers traffic generating services in eCommerce using data and AI. The company has two services: The Affiliate network Shopello and the SaaS service Bidbrain. This focused strategy was the result of the 2021/2022 strategic review where Rahalaitos and Vinklubben (incl Mytaste) and Affilijet were divested.

Investment thesis

Case

Adtech SaaS solutions target key markets

Following several divestments and the acquistion of BrightBid, Speqta has become a refined and focused AdTech company, investing in R&D and sales & marketing in its AdTech SaaS solutions. The software helps e-commerce companies monitor and improve their return on advertising spending on Google Shopping and text ads on various search engines. While still in an early phase regrading Google Shopping, the market is huge, and SaaS solutions are highly scalable. Thus, the potential profit generation in Bidbrain is significant. BrightBid, focused on text ads, targets a huge market as well and has a strong growth track record so far.

Evidence

Huge market and positive feedback support significant potential.

Google holds an ~70% market share in ad spending, and 65% of the spending through Google targets Google shopping. Thus, as an AdTech company, it makes sense to focus on Google Shopping. There are currently about 10-25 million e-commerce stores worldwide and 1 million in Europe, which is Bidbrain's focus. Thus, the market is vast. While Bidbrain is in an early phase, channel checks and customer feedback are positive, highlighting data, analytics, and agility as key advantages. BrightBid has a similar opportunity targeting text ads for various search engines. The company has a track record of strong growth and has just started its internationalization.

Challenge

Customer acquisitions are typically costly.

For most early-stage SaaS businesses acquiring customers is costly, and due to the SaaS model, revenues are collected over time. Thus, along with continued investments in R&D, significant spending on customer acquisitions is likely necessary to reach critical mass.

Challenge

Huge market often equals huge competition.

A huge multinational market is often a double-edged sword. While it gives the opportunities for numerous years of high sales growth, it also tends to attract high-level competition. Thus, more prominent players with significantly bigger coffins than Speqta, could enter the market. However, Speqta has an up and running solution receiving solid customer feedback. Also, Speqta focuses on the Nordic market alongside some larger European markets.

Valuation

Base Case SEK 15

While SEK19 implies 3.5x sales 2024e valuation multiple, today's Speqta combines the fast-growing BrightBid, deserving a rather high multiple and Bidbrain, which is more or less pre-revenue. Thus, an insignificant part of the business is still in an early phase, where EV/S has low relevance. Also, according to our forecast, Speqta is among the fastest-growing companies in the listed Nordic SaaS space. Unlike the other company where analysts expect very high growth, BirghtBid is currently running at even higher growth rates.

Catalyst types

Increasing ARR

As a SaaS scale-up, keeping momentum in ARR growth is crucial. The quarterly reports show the ARR grwoth, which is the most important metric for our valuation of Speqta.

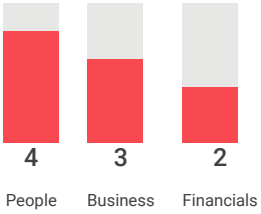
SSH Communications SSH1V

Company page
https://www.redeye.se/company/ssh-communications

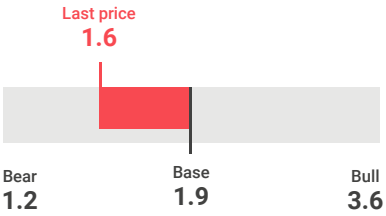
Publication date
January 12 2024

Redeye Rating

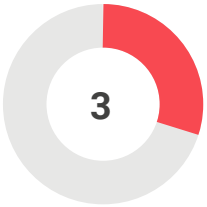
COMPANY QUALITY



FAIR VALUE RANGE

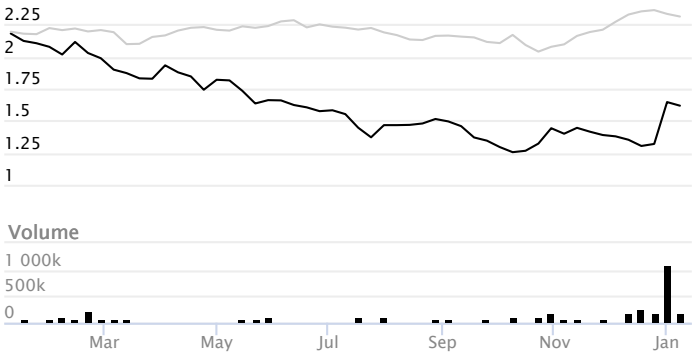


TIMELINESS



Snapshot

SSH Communications
OMXS30



Marketplace	NASDAQ Helsinki
CEO	Teemu Tunkelo
Chairman	Henri Österlund

Share information

Share price (EUR)	1.6
Number of shares (M)	40.7
Market cap (MEUR)	63
Net debt (2024E, MEUR)	0

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

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MEUR	19	22	26	32
Growth	*20.8%*	*11.9%*	*20.7%*	*21.9%*
EBITDA	0	1	4	6
EBITDA margin	*Neg*	*6.3%*	*14.8%*	*19.0%*
EBIT				
EBIT margin	*Neg*	*Neg*	*1.7%*	*6.8%*
Pre-tax earnings	-1	-1	0	2
Net earnings	-1	-1	0	2
Net margin	*Neg*	*Neg*	*1.3%*	*5.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.01	-0.03	0.01	0.04
P/E adj.	-244.2	-46.4	142.6	29.0
EV/S	4.4	2.2	1.9	1.6
EV/EBITDA	-236.8	35.2	12.9	8.3

Last updated: 2023-12-13

Owner	Equity	Votes
Accendo Capital	28.6%	28.6%
Tatu Ylönen	17.6%	17.6%
Juha Mikkonen	5.0%	5.0%
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%
Syrjälä Timo Kalevi	1.3%	1.3%
Syrjänen Eva Annika	1.2%	1.2%
Kettunien Risto	1.2%	1.2%
AC Invest Oy	0.9%	0.9%

Company description

In essence, SSH Communication Securities 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.

SSH offers products within 3 business segments;

Secure Business Communications

Secure Access & Secret Management

Secure File Transfer & Encryption

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.

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

Investment thesis

Case

Profitable growth with subscription based business model

SSH Communications Security offers a broad range of cybersecurity products. After seeing sales decline in 2019 and 2020, SSH has strategically repositioned itself as a growth prospect. In 2021, SSH grew sales by 42%. Among other things, it has appointed a new CEO, launched a new strategy – where a prioritized area is transitioning all product families to a subscription model. These actions have borne fruit – sales rose by 21% in 2022, with EBITDA margin of 14%. We forecast a 2023e–25e sales CAGR of 19% and an average EBITDA margin of 12% 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 partners.

Evidence

Certifications and acquisitions

PrivX is a key product in the Secure Access and Secret Management category of SSH's Zero Trust solution portfolio. In November 2023, SSH expanded its offerings with the introduction of Secure Messaging, a new addition to the Secure Business platform. This modern, real-time messaging solution enhances SSH's Zero Trust Suite by providing robust, secure communication capabilities. Additionally, the Secure File Transfer & Encryption family, featuring the reputable Tectia and NQX technologies, forms a part of SSH's trusted solutions. SSH continues to innovate and expand its range of products in the cybersecurity domain. the Zero Trust Suite offered by SSH.

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 EUR1.9 per share (bull: EUR3.6; bear: EUR1.2) based on a 20% sales CAGR during our forecast period (2023e–2027e) with EBIT margin reaching 7% 2025E . Our base case translates into EV/Sales and EV/EBITDA multiples of about 1.6x and 8.3x in 2025e, respectively.

Catalyst types

Further best-of-breed validation

SSH could receive positive traction from end customers and partners.

Acquisitions that strengthen the core business

Apart from strengthening the belief in the management's abilities to pursue meaningful M&A, future acquisitions could bolster the company's long-term strategy and build on its competitive advantage.

Good consecutive quarterly reports

As SSH aims to reverse years of declining growth, quarterly reports will be particularly important in regaining investor confidence.

Scaling deployments with existing customers

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

Additional deals with 'lighthouse' customers

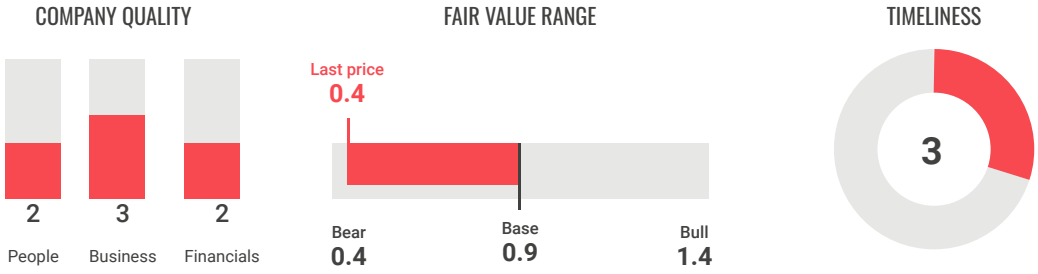
Should be regarded as a vote of confidence towards SSH's qualities, in addition to generating large contract values.

Starbreeze STAR B

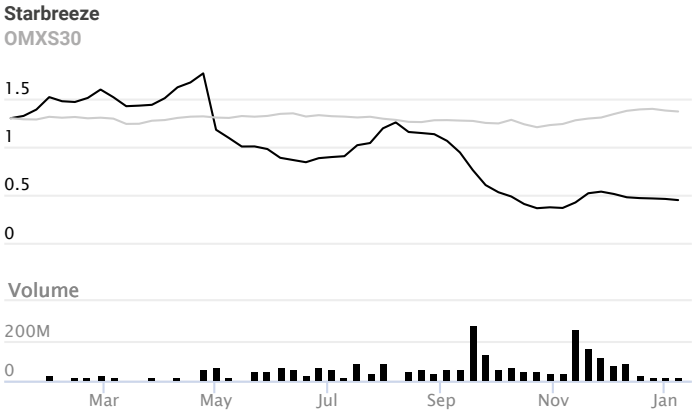
Company page
https://www.redeye.se/company/starbreeze

Publication date
January 15 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Tobias Sjögren
Chairman	Torgny Hellström

Share information

Share price (SEK)	0.4
Number of shares (M)	1,476.8
Market cap (MSEK)	642
Net debt (2024E, MSEK)	-450

Analyst



Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Starbreeze: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	122	642	216	209
Growth	*-2.6%*	*>100%*	*-66.4%*	*-3.5%*
EBITDA	66	484	112	101
EBITDA margin	*54.2%*	*75.3%*	*51.8%*	*48.7%*
EBIT				
EBIT margin	*5.5%*	*44.5%*	*Neg*	*Neg*
Pre-tax earnings	-55	244	-6	1
Net earnings	-55	245	-2	9
Net margin	*Neg*	*38.1%*	*Neg*	*4.5%*
Dividend/Share	-0.04	0.08	0.00	0.00
EPS adj.	-0.08	0.17	0.00	0.01
P/E adj.	-12.4	5.7	-656.7	146.4
EV/S	9.8	1.4	4.3	4.9
EV/EBITDA	18.1	1.8	8.4	10.1

Last updated: 2023-12-15

Owner	Equity	Votes
Digital Bros	21.0%	38.8%
Avanza Pension	7.3%	6.8%
Första AP-fonden	7.0%	3.7%
Fjärde AP-fonden	2.8%	1.5%
Handelsbanken Fonder	2.3%	1.2%
Nordnet Pensionsförsäkring	2.0%	1.1%

Company description

Starbreeze is an independent developer & creator of PC and console games targeting the global market, with studios in Stockholm, Barcelona and Paris. Housing the smash hit IP PAYDAY, Starbreeze develops games based on proprietary and third-party rights, both in-house and in partnership with external game developers.

Investment thesis

Case

Masters of “Games as a Service”

Starbreeze has shown that the company can create recurring revenue from a loyal fanbase for a long period of time twice, both with Payday 2 and through the publishing success Dead by Daylight. With the release of the much awaited Payday 3, ten years after its forerunner, Starbreeze has a good chance to continue the successful journey with the Payday-franchise. Starbreeze has also started initiatives to develop a new game planned to be released in 2025/2026 and re-launched its publishing unit.

Evidence

Game launch is only the beginning

Payday 2 has generated net revenues of more than SEK1.3b to Starbreeze in ten years. An interesting aspect is that Payday 2 brought in “only” SEK120m in net income during the initial period after launch (in this case four and a half months) which shows how well Starbreeze manages the business model “Game as a Service”. Payday 3 has shown a major negative trend in engagement since its opening week, but so did Payday 2. We expect that the engagement will come back like last time, when new content has been launched.

Challenge

Key personnel have left the building

The success of Payday 3 ultimately is decided by the quality of the game, and how well it manages to serve loyal fans as well as create new ones the next-coming years. We would of course be more confident in the long-term quality assurance if more original creators (of Payday 1 and 2) were still operative in the company such as key game designer Ulf Andersson.

Challenge

A somewhat weak ownership

Starbreeze has no active major shareholders. Due to very bad risk management historically that ended in reconstruction in 2018, no founders, active personnel, or manager of the board have a significant shareholding. This, of course, weakens the incentives in the company to build great shareholder value.

Valuation

High dependence on one game launch

Starbreeze financial postition is strong after the succesful rights issue in june 2023 and the strong initial sales from Payday 2 of close to SEK500m. We expect a net cash position in Starbreeze of roughly SEK400m at the end of 2023. This is a major contrast to the SEK380m in debt Starbreeze had at the year-end of 2022. We assume Starbreeze is likely a takeover target.

Catalyst types

A new "Dungeons and Dragons" game in the making

Starbreeze next major internally developed game will be released in 2026 based on the popular cult franchise Dungeons and Dragons. Starbreeze will both act as the developer and publisher of the game. The game will be a co-operative multiplayer action-adventure game and utilize a “Games as a service” model. The game’s development and marketing budget is estimated to exceed USD 45-50 million, roughly the same size as Payday 3.

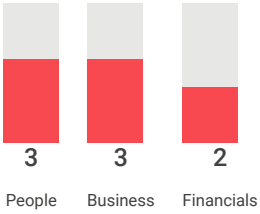
Stillfront Group SF

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

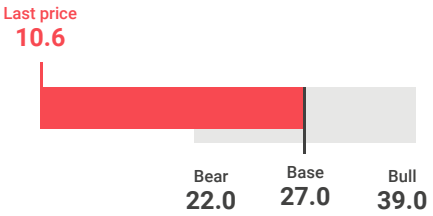
Publication date
January 17 2024

Redeye Rating

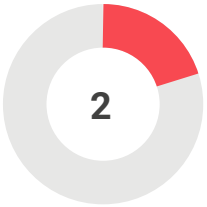
COMPANY QUALITY



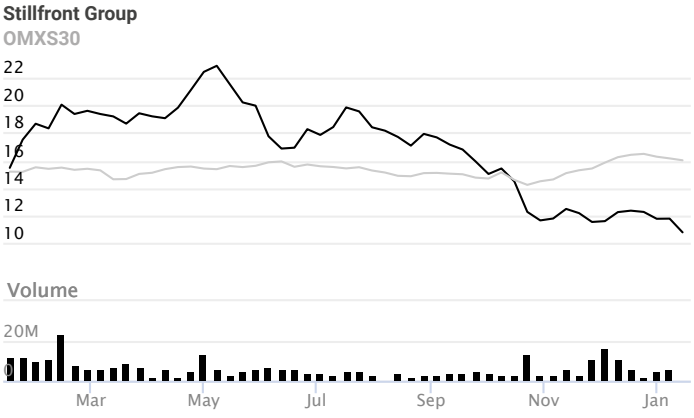
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Jörgen Larsson
Chairman	Jan Samuelson

Share information

Share price (SEK)	10.6
Number of shares (M)	518.0
Market cap (MSEK)	5,475
Net debt (2024E, MSEK)	2,503

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in Stillfront 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		
	2022	2023E	2024E	2025E
Revenue, MSEK	7,057	6,994	7,107	7,446
Growth	*29.3%*	*-0.9%*	*1.6%*	*4.8%*
EBITDA	2,595	2,561	2,551	2,667
EBITDA margin	*36.8%*	*36.6%*	*35.9%*	*35.8%*
EBIT	2,004	1,753	1,712	1,825
EBIT margin	*28.4%*	*25.1%*	*24.1%*	*24.5%*
Pre-tax earnings	752	225	632	745
Net earnings	546	79	474	559
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	3.31	1.97	2.61	2.78
P/E adj.	5.1	6.1	4.6	4.3
EV/S	1.8	1.4	1.2	1.0
EV/EBITDA	4.8	3.9	3.4	2.7

Last updated: 2023-12-15

Owner	Equity	Votes
Laureus Capital GmbH	11.8%	11.8%
Första AP-fonden	5.7%	5.7%
DNB Asset Management AS	4.9%	4.9%
SEB Fonder	3.5%	3.5%
Vanguard	3.0%	3.0%
Handelsbanken Fonder	3.0%	3.0%
Columbia Threadneedle	3.0%	3.0%
Nordea Liv & Pension	2.8%	2.8%
Alcur	2.2%	2.2%
Skandia Fonder	1.8%	1.8%

Company description

Stillfront is a leading free-to-play powerhouse that has grown substantially over the past years through acquisitions and organically. The majority of revenue is derived from mobile games coming from in-app purchases while a smaller part of revenue comes from advertising. The game portfolio is evenly split between strategy, RPG/simulation and casual games.

Investment thesis

Case

Diversified gaming portfolio with focus on high return on UA investments

We believe Stillfront has an attractive and diverse gaming portfolio with a large number of games focusing on several different genres creating a low dependence on individual games. Coupled with a focus on strong returns on user acquisition we believe the company is well positioned to deliver profitable growth over the coming years. With a highly fragmented gaming market, the company is also likely to continue growing by M&A albeit with smaller impact than historically due to its increased size. Overall, this should yield continued earnings growth in Stillfront supporting our positive view on the company.

Evidence

Solid profitability and cash generation supports business model

Stillfront's focus on directing UA investments to the games and channels that yields best returns are seen in its solid profitability and cash generation. With EBITDA-margins of around 35-40% the company has higher profitability than free-top-play sector peers. With a focus on long-life games it also has limited investment requirements which can be seen in a solid cash conversion (historically around 40-50% FCF/EBITDA excluding acquisitions).

Challenge

High competition for M&A and mixed track record

Stillfront has mainly grown its business through M&A having carried through more than 20 acquisitions since 2016. While most acquisitions have been done at attractive valuations and performed well, there are examples of weaker performance as well as high valuations which creates uncertainty of the potential for future M&A. High valuations are also an indication of another challenge for Stillfront where competitors also aim to consolidate the industry creating upwards pressure on valuations which also lowers the potential returns from M&A.

Valuation

Base case DCF supported by strong profitability and cash generation

We find a base case valuation of SEK27 per share Stillfront which is derived from a DCF-valuation. The base case implies an EV/EBITDA multiple of 8x on our 2024E EBITDA while the share has historically traded in a range of 3x to 15x twelve months forward EBITDA. Our base case assumes growth of 5% between 2024-38E and an average EBITDA-margin margin of 39% for the same period. The terminal growth is set to 2% by 2039 with an EBITDA-margin of 37.5%.

Catalyst types

M&A growth

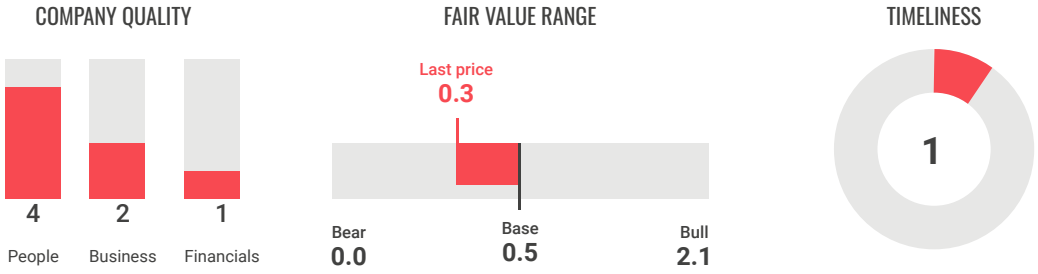
Stillfront is likely to continue to add inorganic growth with both small and large acquisitions with potential to create shareholder value.

Strax STRAX

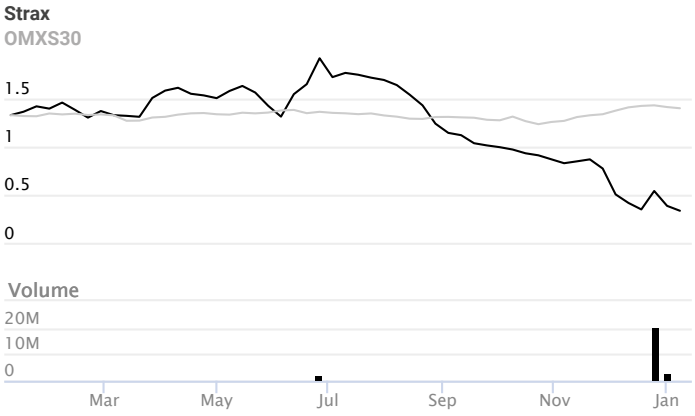
Company page
https://www.redeye.se/company/strax

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Gudmundur Palmason
Chairman	Bertil Villard

Share information

Share price (SEK)	0.3
Number of shares (M)	120.6
Market cap (MSEK)	40
Net debt (2024E, MEUR)	12

Analyst



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se

Conflict of interests

Fredrik Reuterhäll owns shares in Strax: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MEUR	104	29	16	19
Growth	*-15.6%*	*-72.5%*	*-45.6%*	*20.0%*
EBITDA	-1	-33	1	1
EBITDA margin	*Neg*	*Neg*	*5.5%*	*6.5%*
EBIT				
EBIT margin	*Neg*	*Neg*	*3.0%*	*6.0%*
Pre-tax earnings	-10	-40	-1	-5
Net earnings	-20	-56	7	6
Net margin	*Neg*	*Neg*	*44.5%*	*31.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.01	-3.57	-0.10	-0.39
P/E adj.	-0.1	0.0	-0.7	-0.2
EV/S	0.6	3.3	1.3	4.2
EV/EBITDA	-65.6	-2.9	23.9	65.1

Last updated: 2024-01-12

Owner	Equity	Votes
Ingvi Tyr Tomasson & companies	26.3%	26.3%
Gudmundur Palmasson	26.0%	26.0%
Per Åhlgren	19.5%	19.5%
Anders Lönnqvist	5.3%	5.3%
Avanza Pension	3.1%	3.1%
Nordnet Pensionsförsäkring	1.8%	1.8%
Anchor Secondary	1.7%	1.7%
Johan Richard Kaijser	1.0%	1.0%

Company description

Strax specialises in mobile accessories. Strax's own brand's immediate exposure to a vast distribution network of 50 000 points of sales, foremost in North America. It designs and sells Clckr, mobile phone accessories, portable speakers, chargers, power banks, cases, covers, other protective gear, and more. Strax recently divested its headphone brand Urbanista. Strax's distribution network has over 600 B2B partners Worldwide. The distribution network is a key advantage and barrier to entry.

Investment thesis

Case

Solid track record

Over the past two years, Strax has faced a challenging market environment. However, the company is now executing a comprehensive restructuring plan. This involves streamlining their portfolio of brands to focus on core brands and divesting a majority stake in their distribution business. The management team has a track record of successfully acquiring, managing, and growing brands.

Evidence

Divestment to unlock value and stramline Strax

A strategic plan has been developed and is set to be implemented this year, aimed at paying off its high debt and optimizing the business. Strax intends to concentrate on its core brands and is selling a majority stake in its stable and profitable distribution business to generate funds. We anticipate that Strax has the potential to be a compelling turnaround story, with a highly skilled management team that we believe can successfully execute this plan.

Challenge

Consumer cut spending even more

Sales of mobile phones have been consistently declining, and consumer demand has not shown signs of significant recovery following the pandemic. In addition, the effects of inflation and the global macroeconomic situation are becoming increasingly apparent. If these conditions worsen, it is possible that the brands owned by Strax may be negatively impacted.

Challenge

Failures in the processes of managing & growing brands

Accessories are a fashion business where players have a constant need to invent and follow the latest trends. At the same time, it is hard to find unique brands with strong potential and acquire them at a reasonable price. Strax needs to follow all of these steps continuously. Strax could, in our view, sometimes slip in one of the areas, which could lead to a period of hampered growth and profitability.

Valuation

Base Case at SEK1.3

We value STRAX at SEK0.5 per share, a bear case of SEK0.02, and a bull case of SE2.1. The main difference between our cases stems from different growth expectations for Own Brands in the North American markets.

Catalyst types

Divestment of individual brands

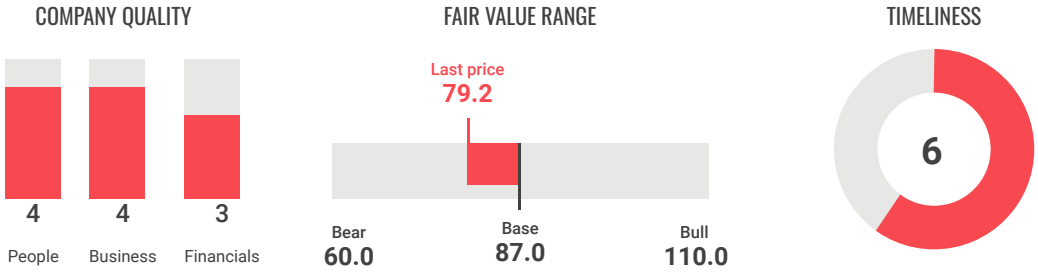
In late 2018, the brand Gear4 was sold for a valuation that exceeded the whole market cap at the time, resulting in an explosion in the share price. We think further divestment of one or several brands can unlock similar value.

Systemair SYSR

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

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Roland Kasper
Chairman	Gerald Engström

Share information

Share price (SEK)	79.2
Number of shares (M)	208.0
Market cap (MSEK)	16,474
Net debt (2024E, MSEK)	421

Analyst



Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Systemair: No

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

Financials

		Redeye Estimates		
	22/23	**23/24E**	**24/25E**	**25/26E**
Revenue, MSEK	12,058	12,801	13,455	14,306
Growth	*25.2%*	*6.2%*	*5.1%*	*6.3%*
EBITDA	1,969	1,565	1,690	1,986
EBITDA margin	*16.3%*	*12.2%*	*12.6%*	*13.9%*
EBIT				
EBIT margin	*11.6%*	*8.8%*	*9.3%*	*10.6%*
Pre-tax earnings	1,295	1,043	1,181	1,481
Net earnings	1,045	795	862	1,081
Net margin	*8.7%*	*6.2%*	*6.4%*	*7.6%*
Dividend/Share	1.10	1.34	1.66	2.08
EPS adj.	3.62	4.42	4.63	5.20
P/E adj.	24.5	16.8	16.0	14.3
EV/S	1.6	1.3	1.2	1.1
EV/EBITDA	10.0	10.3	9.4	7.7

Last updated: 2023-12-15

Owner	Equity	Votes
Gerald Engström	42.8%	42.8%
ebm-papst AB	10.7%	10.7%
Swedbank Robur Fonder	9.1%	9.1%
Alecta Tjänstepension	7.0%	7.0%
Nordea Fonder	5.0%	5.0%
Didner & Gerge Fonder	4.3%	4.3%
Tredje AP-fonden	2.6%	2.6%
W The Bank Of New York Mellon Sa/Nv	2.2%	2.2%
C WorldWide Asset Management	2.2%	2.2%
SEB Fonder	1.8%	1.8%

Company description

Systemair is a leading global supplier of high-quality ventilation, heating and cooling products and systems for industrial, commercial and residential buildings. The company was founded in 1974 by the current chairman, Gerald Engström, and has shown solid and persistent organic growth for many years and combined this with an aggressive acquisition strategy.

Today, the group consists of over 90 subsidiaries and houses over 6000 employees all over the world with Europe being the largest geographic market (app 60% of total sales). Systemair has production facilities in 29 countries and sales offices in 54 countries. The company's clients are contractors and constructions companies and over time business has a fairly even split between new builds and renovation projects.

Investment thesis

Case

High-quality compounder

Systemair is a high-quality business with the potential to continue generating excellent returns to shareholders over a medium- and long-term investment horizon. The company is, and has always been, truly growth oriented. Partly thanks to good fundamentals in the ventilation market. But in addition, Systemair is reinvesting the majority of profits in its expansion. Over the last two decades Systemair has posted double digit CAGR and stable profitability. Certainly, some of the growth is related to acquisitions, but these have entirely been financed by own funding. Hence, no dilution for shareholders. We believe this expansion will continue over the next decade and we also expect a gradual improvement in margins in the next few years.

Evidence

Global footprint

Systemair's global presence gives them opportunities to grow in markets and regions less affected by a general recession. Moreover, normally renovation activity picks up when new build slows down. Hence, the company's growth prospects over time is significantly higher than GDP.

Challenge

Profitability

Systemair's own EBIT margin target of 10% was announced several years ago but has still not been achieved yet. This is of course reason for some concern, particularly as industry peers like Swegon and Lindab are around or above 10%. We believe Systemair's priority has been growth rather than profitability. We argue that 10% is attainable and expect to see margins moving in the right direction. But admittedly we have previously been a little too optimistic about margins.

Challenge

Market going south

With rising interest rates and global challenges to the economy, many investors fear a drastic slow down in the construction market. Systemair is not immune to such factors. But historically the company has managed recessions well.

Valuation

Trading close to our Base case

The share has recovered significantly lately and is currently (Dec 2023) trading just below our Base case fair value of SEK 87 per share. This assumes 6% organic growth and sustainable EBIT margins of 10%. Our valuation range is SEK 60-110 per share. Bear case assumptions: 4% CAGR and 7% EBIT margins. Our Bull case assumes 10% CAGR and EBIT margins just over 10%, which is in line with Systemair's own financial targets.

Catalyst types

Major acquisitions

Systemair acquires a number of smaller companies as a natural part of their expansion strategy. If they were to buy something more substantial (annual sales > SEK 300 m) it would call for some attention. Most likely they are able to buy these companies at lower multiples than their own.

Progress towards the 10% EBIT margin target

Lately management is showing a stronger comittment to reach the margin target of 10 percent on EBIT level. Further progress on this path would be a significant catalyst for revaluation.

Turn around in the under performers

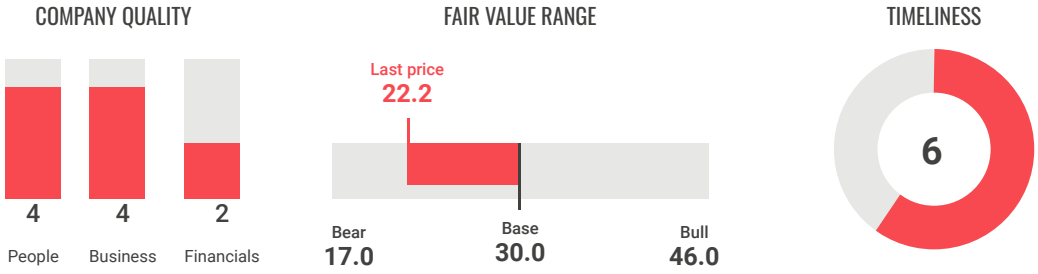
A few subsidiaries and business units within the group are loss making or at least performing poorly, e.g. Menerga. We believe all units are able to reach double digit margins which would drive group EBIT margins towards their own target of 10%.

TagMaster TAGM B

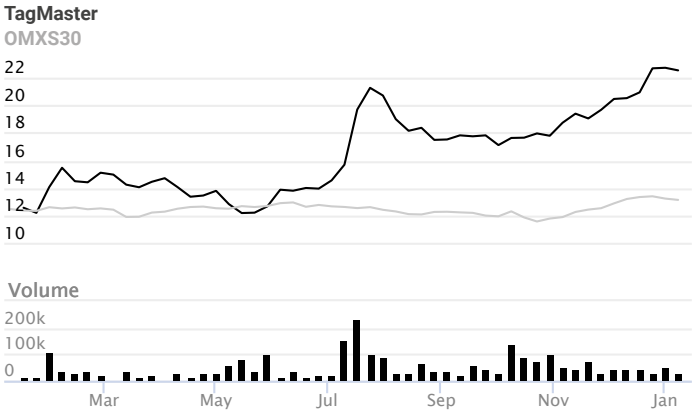
Company page
https://www.redeye.se/company/tagmaster

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Jonas Svensson
Chairman	Bernt Ingman

Share information

Share price (SEK)	22.2
Number of shares (M)	14.6
Market cap (MSEK)	325
Net debt (2024E, MSEK)	-30

Analyst



Mats Hyttinge
mats.hyttinge@redeye.se

Conflict of interests

Mats Hyttinge owns shares in TagMaster: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	359	381	414	445
Growth	*9.7%*	*6.3%*	*8.5%*	*7.6%*
EBITDA	23	46	61	75
EBITDA margin	*6.5%*	*12.2%*	*14.8%*	*16.8%*
EBIT				
EBIT margin	*Neg*	*3.4%*	*5.6%*	*8.1%*
Pre-tax earnings	-12	9	19	32
Net earnings	24	9	15	26
Net margin	*6.7%*	*2.4%*	*3.7%*	*5.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.65	0.64	1.05	1.75
P/E adj.	6.6	26.7	16.2	9.7
EV/S	0.5	0.7	0.5	0.4
EV/EBITDA	7.4	5.5	3.6	2.2

Last updated: 2023-12-18

Owner	Equity	Votes
Ålandsbanken AB	15.2%	15.2%
Anders Bladh (Ribbskottet AB)	14.1%	14.1%
Gert Sviberg med bolag	13.7%	13.7%
Tomas Brunberg inklusive bolag	10.2%	10.2%
Eiffel Investment Group SAS	8.1%	8.1%
S Societe Generale Securities Service	8.1%	8.1%
Didrik Hamilton	6.9%	6.9%
Avanza Pension	4.8%	4.8%
Mikael Aronowitsch	4.0%	4.0%
Nordnet Pensionsförsäkring	2.3%	2.3%

Company description

TagMaster is a provider of identification technology and data systems for Intelligent Transport Systems and Smart Cities. Its value proposition is to offer solutions with outstanding performance that meet demanding customer needs and are easy to use.

The company's two segments, Traffic Solutions and Rail Solutions, sell across much of the world. The US and EMEA are the largest markets. It primarily makes sales via system integrators, with TagMaster's contribution often a small but crucial component of the offering.

TagMaster embarked on an acquisition-driven growth strategy in 2015. M&A is scaling up sales and expanding the technology portfolio, especially with the large acquisition of the US company Sensys Networks in 2019 and Citilog in 2021.

Investment thesis

Case

Strong M&A and integration track record

Tagmaster has grown considerably during the last three years through acquisition and organic growth. The company is active as a provider of Intelligent Transportation Solutions (ITS), and Tagmaster is a play on the ramp-up in Smart Cities investments. The Smart City is a response to being at the intersection of several megatrends: urbanization, sustainability, security, and digitalization. Tagmaster has acquired and integrated several large entities during the last few years, with some success as part of the growth strategy. Tagmasters' model of buying companies in a fragmented market with attractive opportunities for improving margins and organic growth has proven successful. The credible leadership with its deep acquisition expertise is one of the main attractive points, as the market is still highly fragmented and has many potential targets to explore. The earnings power has earlier been misunderstood, but with improving margins and growth, the market should recognize this. The extensive infrastructure programs initiated in the US should benefit development in this important market.

Evidence

Market-leading technology

Through both the acquisition and internal development, the technology level is high and, in some cases, market-leading. The inclusion of more software and AI has given them an edge in the market for their complete solutions in the ITS market. The improving growth rates and margins post-acquisition show the increasing efficacy of consolidating its fragmented high-growth markets.

Challenge

Integration of acquisitions

As Tagmaster is a highly acquisitive company, some challenges are attached to this strategy. Even with an impressive track record, realizing synergies, restructuring organizations, and combining cultures remain challenging. Failure to integrate, overpay, or underperform targets could hurt Tagmaster. To a certain degree, there is also a challenge to differentiate when adding new technologies, brands, and businesses through acquisitions. A too-broad offering could make Tagmaster more complex and harder to understand from an investor's point of view.

Valuation

Base Case at SEK 30 - Riding the Smart City trend

The long-term megatrends that influence the Smart Cities create an exciting foundation for long-term organic growth for Tagmaster. The stated acquisition strategy adds more potential as it is still fragmented. We model a revenue CAGR of 7.3% for 2023-2027e with an average EBIT margin of 7.8%. We have not factored in any additional acquisitions in our estimates, even though this should be expected as the market consolidates. We estimate revenues in around SEK 538 by 2027e, with a gross margin of 68% and an EBIT margin of 10%. Our DCF model arrives at a fair value range of SEK 17 - 46 per share for the Bear and Bull case and a Base case at SEK 30 (32) per share.

Catalyst types

Improving fundamental performance

TagMaster is integrating its large US acquisition, and we view the outlook as promising for gradually enhanced organic growth and higher profitability in 2021 and beyond. We argue that fundamental improvements should improve market perception and raise the valuation multiples.

Substantial order flow

Several large orders would strengthen investors' confidence in TagMaster's organic growth. Potential boosts are large-scale rollouts in Sensys Networks, ANPR systems or Rail Solutions.

Value-adding acquisitions

M&A should not surprise investors, as TagMaster's acquisition-driven growth strategy is clearly communicated. Even so, it proves the strategy. In a longer perspective, we argue that investors underestimate TagMaster's ability to buy and integrate value-adding firms.

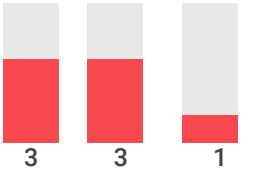
TECO 2030 TECO

Company page
https://www.redeye.se/company/teco-2030

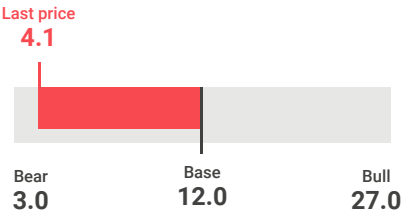
Publication date
January 12 2024

Redeye Rating

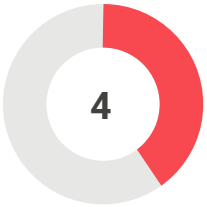
COMPANY QUALITY



FAIR VALUE RANGE

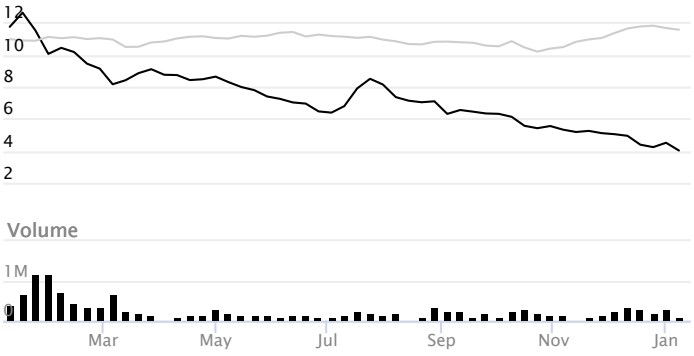


TIMELINESS



Snapshot

TECO 2030
OMXS30



Marketplace	Euronext Growth Oslo
CEO	Tore Enger
Chairman	Sigurd Gaarder Lange

Share information

Share price (NOK)	4.1
Number of shares (M)	162.6
Market cap (MNOK)	667
Net debt (2024E, MSEK)	-188

Analyst



Oskar Vilhelmsson
oskar.vilhelmsson@redeye.se

Conflict of interests

Oskar Vilhelmsson owns shares in TECO 2030: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	12	50	243	652
Growth	*-3.5%*	*>100%*	*>100%*	*>100%*
EBITDA	-68	-71	-49	23
EBITDA margin	*Neg*	*Neg*	*Neg*	*3.5%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-93	-103	-78	-32
Net earnings	-93	-103	-70	-26
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.50	-0.55	-0.40	-0.16
P/E adj.	-22.0	-12.3	-17.0	-42.3
EV/S	169.9	23.2	4.4	1.9
EV/EBITDA	-29.0	-16.6	-22.2	55.2

Last updated: 2023-12-16

Owner	Equity	Votes
Teco Group AS	36.7%	36.7%
Clearstream Banking S.A.	18.6%	18.6%
N.A. Citibank	11.0%	11.0%
Bettina Nowak	5.7%	5.7%
Jakob Hatteland Holding AS	5.6%	5.6%
Solvik Holding AS	5.1%	5.1%
UBS Switzerland AG	4.2%	4.2%
Al-Misehal Group	4.0%	4.0%
Eskil Hansen	2.3%	2.3%
Teco Maritime Group AS	2.0%	2.0%

Company description

The company was founded as late as 2019 but stems from the TECO Maritime Group, a group that has provided technology and repair services to the global shipping industry since 1994. The company has four business areas with Marine & Heavy-duty Hydrogen Fuel Cells being the core focus, while also providing products and services within Carbon Capture & Storage, Future Funnel SOxNOx & PM as well as Ballast Water Treatment Systems. TECO 2030 is headquartered at Lysaker, outside of Oslo, and was listed on Euronext Growth on Oslo Stock Exchange in October 2020. Currently, the company is at an inflection point, finalizing its fuel cell stack while establishing production. TECO currently employed 40 people by last December 2022.

Investment thesis

Case

Geared for growth

TECO 2030 is a Norwegian fuel cell manufacturer targeting hard-to-decarbonize applications as marine segments and heavy-duty road. Today, the transportation sector represents 25% of EU GHG emissions, which needs to be reduced by 90% to reach the EU green deal target of climate neutrality by 2050, and we expect that Hydrogen will be one of the key technologies in achieving it. With an attractive value proposition, limited competition within its focus area marine fuel cells, and strong underlying market growth sparred by heavy government subsidies and incentives, we expect TECO to deliver a sales CAGR of ~60% between 2023-2030 when reaching sales of almost NOK6bn. With an attractive product offering, a highly automated production facility, and a cost-efficient R&D partnership, we believe TECO could reach mature state EBITDA margins of ~15%, resulting in an EBITDA of around NOK300m already in 2026.

Evidence

High-quality technology partner & Extensive industry experience

TECOs fuel cell has been developed together with AVL, being one of the world's leading powertrain developers within fuel cells adding a solid quality stamp to the product and also marketing towards industry players. The stack is also developed for the purpose of servicing heavy-duty and marine applications, which we believe is an advantage to competitors using a wider, all-application approach for their fuel cells. With 30 years in the maritime industry (TECO Maritime Group), the company's management has developed an extensive network in the marine industry facilitating a solid pipeline with pilot projects. Besides extensive experience, its CEO, Tore Enger with team is the largest shareholder of the company with the incentives in the right place.

Challenge

Market adoption

The key challenge to the TECO case is mainly market adoption rates of fuel cell technology. Today, the roll out within all, but especially, heavy duty and marine applications is very limited and in early stage due to a high total cost of ownership. The total cost of ownership (TCO) is dependent on many aspects for example, i) the availability of cheap and renewable hydrogen ii) infrastructure for refueling and hydrogen transport is in place iii) high costs for fuel cell manufacturing.

Challenge

Yet in early stage & lacks financing

TECO has not yet delivered its first fuel cell and there is still quite a long road to profitability while the company still need to raise around SEK300m for its ramp-up. The need of additional financing is imminent and the company has been running on fumes since the beginning of H2 2023 (in our estimates, we include a successful equity raise of SEK300m). Moreover, the company need to secure fuel cell supply for its first projects to get started and get type approval before successfully establishing and scaling up its multi-MW production facility in Narvik. Delays in the project's pipeline or its production capacity could be costly. Also, there is still a large uncertainty with regard to sales price vs production costs of its fuel cells as the market is in early stage.

Valuation

Solid upside potential

Based on the attractive opportunity for TECO to establish a niche position within marine fuel cells and generate substantial cashflows throughout the next decade, we argue for a base case of NOK14 per share based on our DCF valuation. Our fair value range summarizes spans from NOK3-NOK30, representing our bear respectively bull case scenario. So far, the stock market's interest in the share has been quite modest but we believe that several catalysts, such as securing financing and delivering its first deals will grow investor interest as the story unfolds.

Catalyst types

Securing financing

The company has several financing events ahead, and is in an imminent need of new funds for survival and continued expansion. We expect the company to finalize the purchase of its Narvik Facility, with a potential sale and lease back deal which potentially could add a net ~NOK140m equity to its balance sheet. Further, we believe the company needs to raise around NOK300m in Equity. If these milestones are successfully achieved, the financing risk will come down, and the share price will be rewarded.

Commercial progress

We consider advancements in the current project pipeline as key catalysts for the share in the coming years. Mainly, we would like to see progress of already initiated projects in which final agreements are signed and delivered. By mid-2023, we believe a first HyTruck prototype installation will be made and at the beginning of 2024 we expect a first maritime installation to be done. Secondly, it's important that TECO continue to build its pipeline for 2024 and beyond, which also will impact the share price.

Technology and production

There are a series of operational milestones that we consider catalysts for the share price in the coming year. We expect TECO start its serial production around H2'2024. By achieving it on time, it will send signals to the market that the company is on its way to reaching its production targets.

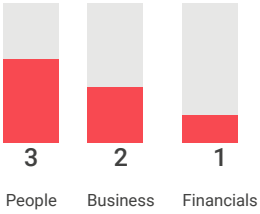
Tessin Nordic Holding TESSIN

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

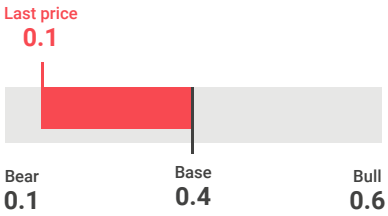
Publication date
January 12 2024

Redeye Rating

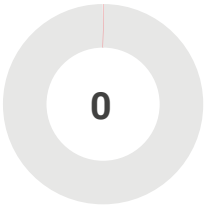
COMPANY QUALITY



FAIR VALUE RANGE

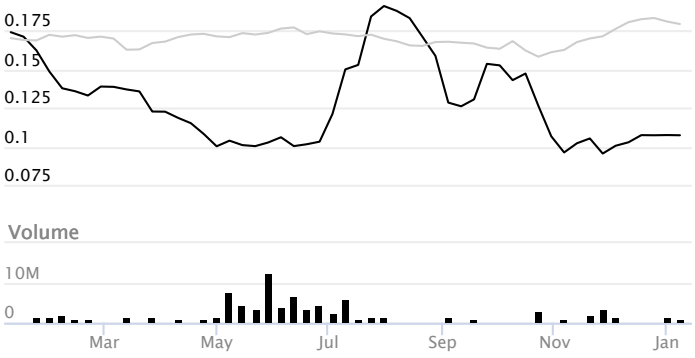


TIMELINESS



Snapshot

Tessin Nordic Holding
OMXS30



Marketplace	First North Stockholm
CEO	Heidi Wik
Chairman	Greger Larson

Share information

Share price (SEK)	0.1
Number of shares (M)	268.0
Market cap (MSEK)	28
Net debt (2024E, MSEK)	15

Analyst



Anton Hoof
anton.hoof@redeye.se

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		
	2022	2023E	2024E	2025E
Revenue, MSEK	51	44	54	71
Growth	*14.6%*	*-13.1%*	*21.6%*	*32.1%*
EBITDA	-30	-2	8	19
EBITDA margin	*Neg*	*Neg*	*14.4%*	*27.1%*
EBIT				
EBIT margin	*Neg*	*Neg*	*4.4%*	*18.5%*
Pre-tax earnings	-43	-9	1	11
Net earnings	-45	-10	1	11
Net margin	*Neg*	*Neg*	*1.3%*	*16.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.18	-0.04	0.00	0.04
P/E adj.	-1.0	-3.0	40.4	2.5
EV/S	1.0	1.0	0.8	0.5
EV/EBITDA	-1.6	-26.5	5.7	1.8

Last updated: 2023-12-15

Owner	Equity	Votes
NFT Ventures	23.7%	23.7%
Fredrik Synnerstad	8.7%	8.7%
Nordnet Pensionsförsäkring	6.3%	6.3%
Futur Pension	5.0%	5.0%
AB POM Sandelius	3.5%	3.5%
Alexander Philip Roumeliotis	2.8%	2.8%
Stronghold Invest AB	2.8%	2.8%
Ungdomsstödet Bo Syd AB	2.5%	2.5%
Avanza Pension	2.5%	2.5%

Company description

Tessin is a Swedish fintech company and one of Europe's largest peer-to-peer lenders within real estate financing. The company is present in Sweden and Finland, and the core business is to connect smaller independent property developers with investors on its own-developed platform. The company was founded in conjunction with the BASEL III directive and the finance gap the directive gave rise to. The directive resulted in traditional banks decreasing their financing to smaller property developers due to higher capital reserve constraints. This led to a gap in the market that Tessin has utilized.

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 and can increase 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 400 projects and brokered in excess of SEK5bn 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 SEK5-25m. It has mentioned, however, that it can tackle loans up to SEK200m, 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.

Valuation

The current share price reflects the current uncertainty

Based on our DCF valuation, we see a fair value of SEK0.35. Our fair value range of SEK0.05-0.6 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.

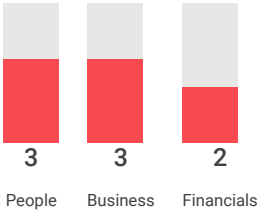
TH1NG TH1NG

Company page
https://www.redeye.se/company/th1ng

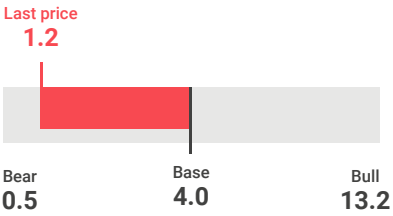
Publication date
January 12 2024

Redeye Rating

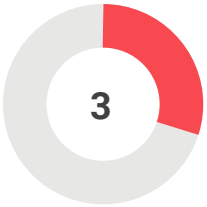
COMPANY QUALITY



FAIR VALUE RANGE

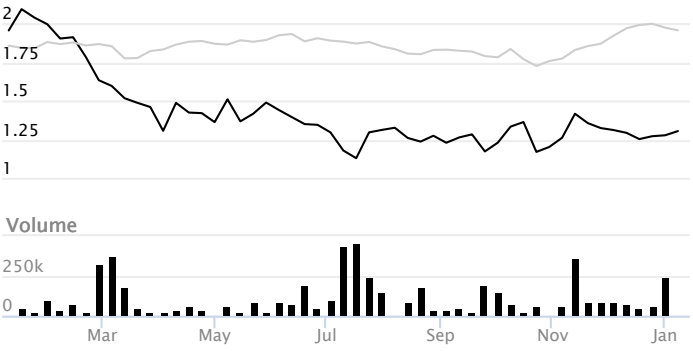


TIMELINESS



Snapshot

TH1NG
OMXS30



Marketplace	First North Stockholm
CEO	Klas Westholm
Chairman	Daniel Källenfors

Share information

Share price (SEK)	1.2
Number of shares (M)	27.0
Market cap (MSEK)	32
Net debt (2024E, MSEK)	-1

Analyst



Jessica Grunewald
jessica.grunewald@redeye.se

Conflict of interests

Jessica Grunewald owns shares in TH1NG: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	41	26	43	76
Growth	*-41.9%*	*-35.6%*	*62.5%*	*77.6%*
EBITDA	2	-12	-7	-2
EBITDA margin	*5.5%*	*Neg*	*Neg*	*Neg*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-3	-18	-14	-10
Net earnings	-16	-18	-14	-10
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-2.61	-0.62	-0.47	-0.34
P/E adj.	-0.7	-2.0	-2.6	-3.5
EV/S	0.3	1.1	0.7	0.4
EV/EBITDA	6.2	-2.4	-4.5	-15.3

Last updated: 2023-12-14

Owner	Equity	Votes
Skellefteå Kraft AB	18.5%	18.5%
Nils Andersson	11.9%	11.9%
Klas Westholm	9.3%	9.3%
Måns Flodberg	7.4%	7.4%
Kim Liljegren	6.5%	6.5%
Dotmira Holding AB	4.4%	4.4%
Avanza Pension	4.0%	4.0%
Robert Eklann	1.7%	1.7%
Lars Österberg	1.5%	1.5%

Company description

IoT platform supplier TH1NG, which enables the development of smart cities, was founded in May 2018. It has two business areas: IoT provider, delivering ready-made services, support, and tools for other players in the industry; and as a challenger in the operator area, providing internet and other communication. Combining these two business areas creates competitive advantages in product innovation, provides unique offers to customers, and easily adds IoT sales to existing internet customers.

Its business is growing rapidly, and TH1NG recently sold its 20,000 individual customers to Bredband2, leaving it to focus entirely on its 1,000-plus corporate customer services, municipal companies, property owners, operators, and a digital healthcare company.

In addition to sales, the operator business creates a market base for the IoT services. TH1NG also develops relationships with tens of thousands of customers—both private individuals and companies—in this business. These relationships can then spur additional sales of IoT services.

Investment thesis

Case

Platform provider for smart cities and growth

TH1NG is a platform supplier at the forefront of Sweden's fast-growing market for IoT-based smart Cities. This rapid growth leads us to believe TH1NG will grow its gross margin revenues for many years to come. In the best case, TH1NG can first scale its platform in Sweden and then in other countries. The primary catalysts for this are expansion of ongoing projects, as well as new partnerships and solid quarterly reports showcasing improved margins.

Evidence

Projects up and running

TH1NG boasts a robust market presence in Sweden and has established significant projects such as the smart city reference in Skellefteå municipality. The company has also seen growth in its B2B operations and has shifted its focus exclusively to B2B since the end of 2021. The company's business model, which is centred on recurring revenues, high margins, and streamlined post-implementation services, is well-established and has the potential for rapid scaling to additional cities and regions. Please refer to our supportive analysis for further details

Challenge

Fighting the giants

As an IoT platform provider, TH1NG faces competition from both large and small companies. However, TH1NG has certain competitive advantages that set it apart. Firstly, its customer-centric "pay as you grow" strategy is a highly effective way of acquiring clients. Secondly, TH1NG has established several projects and has a wide network within the Swedish IoT industry. Thirdly, the EU's stringent data regulations pose a significant obstacle for competitors based in the US.

Valuation

Current valuation does not reflect future potential

Using a fundamental DCF framework, we have derived a fair value range for TH1NG under three scenarios: base case (most likely), bear case (pessimistic), and bull case (optimistic). We have used a WACC of 14% across all scenarios. Our updated View of the company proposes a fair value range spanning from SEK0.5 to 13.2, with our base at SEK4.0 (previously 4.7). The fair value range is deliberately broad, reflecting the inherent unpredictability of TH1NG's long-term growth and profitability. These factors center on elements such as product composition and expansion strategies, among other variables. Our projections anticipate elevated gross margins over the long term, with a terminal EBIT margin of c17%. Notable metrics that we will closely monitor for potential adjustments include sales growth acceleration and indications of near-term scalability. These factors are pivotal in shaping our future assessments.

Catalyst types

Materialized agreements and projects

TH1NG has established agreements and collaborated on projects with multiple municipalities and companies. The market would value positive outcomes from these initiatives, particularly in terms of sales growth. Notably, the project in Skellefteå and Jönköping is poised to commence generating revenue in the short term, making it a significant catalyst in this category.

Margin expansion

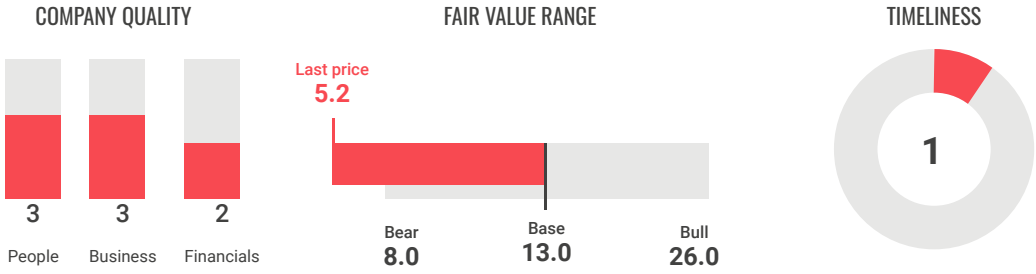
Regular quarterly reports will be essential in highlighting TH1NG's advancements and financial profitability to both investors and stakeholders. To increase it's market value, TH1NG must showcase continuous growth in top-line revenue and expand margins to reach profitability

Thunderful Group THUNDR

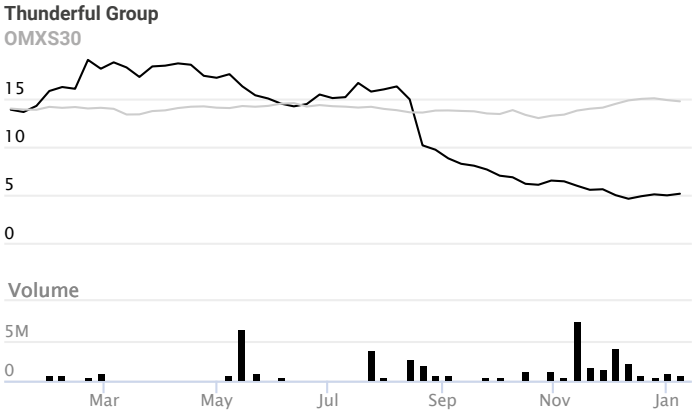
Company page
https://www.redeye.se/company/thunderful-group

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Martin Walfisz
Chairman	Patrick Svensk

Share information

Share price (SEK)	5.2
Number of shares (M)	70.3
Market cap (MSEK)	366
Net debt (2024E, MSEK)	347

Analyst



Viktor Lindström
viktor.lindstrom@redeye.se

Conflict of interests

Viktor Lindström owns shares in Thunderful 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		
	2022	2023E	2024E	2025E
Revenue, MSEK	3,031	2,953	3,097	3,104
Growth	*-3.5%*	*-2.6%*	*4.9%*	*0.3%*
EBITDA	370	361	384	409
EBITDA margin	*12.2%*	*12.2%*	*12.4%*	*13.2%*
EBIT				
EBIT margin	*6.5%*	*5.0%*	*5.8%*	*6.6%*
Pre-tax earnings	158	64	160	184
Net earnings	127	32	126	145
Net margin	*4.2%*	*1.1%*	*4.1%*	*4.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	2.91	2.60	3.03	3.30
P/E adj.	8.2	12.3	3.1	2.7
EV/S	0.5	0.3	0.2	0.2
EV/EBITDA	3.7	2.5	1.9	1.6

Last updated: 2023-12-18

Owner	Equity	Votes
Owe bergsten	25.5%	25.5%
Brjann Sigurgeirsson	6.2%	6.2%
Klaus Lyngeled	6.1%	6.1%
Avanza Pension	5.5%	5.5%
Knutsson Holdings AB	3.6%	3.6%
ÖstVäst Capital Management	3.1%	3.1%
Alcur Fonder	3.1%	3.1%
Provobis Holding AB	2.5%	2.5%

Company description

Thunderful Group (“Thunderful,” “The company” or the group”) was formed in 2019 after the corporate groups Bergsala and Thunderful were consolidated to create a strong player in the market regarding the distribution of Nintendo products games, gaming accessories, and toys. Thunderful Group today consists of two business segments, namely Thunderful Games (“Games”) and Thunderful Distribution (“Distribution”). In 2020, the business had sales of SEK 3082m (2116.4), a growth of 46% compared to 2019, and generated an operating profit of SEK 215m, corresponding to an operating margin of 7.1%. The company has a market capitalization of approximately SEK 4,000m.

Thunderful Group's revenue streams are well-diversified through its two business segments. The distribution segment accounted for 95% of sales, 82% of EBIT, and 80% EBITDA in 2020, while Games accounted for the remaining share.

Investment thesis

Case

Organic growth at slightly lower risk

Thunderful Games has a solid pipeline of games and has built a strong network with platform owners. Thus, we believe Thunderful Games will manage to grow sales by 15% YoY and reach EBIT margins in excess of 30% in the medium term. Large investments are made to capitalize on future opportunities, which should be bolstered by newly released premium games and attractive exposure to the VR market. Additionally, the distribution unit's market position within its respective niece provides healthy cash flows. This could be reinvested into the games segment. Thus, we gradually expect the game's ratio of sales and earnings to grow. Leading to higher margins and, in our opinion, a higher motivated multiple for the company. We forecast Adj EBITA to reach SEK291m in 2024.

Evidence

Long history of game development and distribution

Thunderful’s internal development studios have long experience in creating successful games. Its high-quality development capacity has enabled platform deals with Meta, EA, and Microsoft. This reduces the game segment's risk as it provides stable cash flow at high margins. Bergsala has had a relationship with Nintendo since 1981 and has been one of Nintendo’s best-performing markets across Europe.

Challenge

Limited M&A experience and poor reception from latest game releases

Thunderful’s latest internal game releases have received a poor reception from users and have not lived up to expectations. While this is clearly negative for the investment case, we still believe the key upcoming internal games deserved a chance as the other ones were developed and financed by external publishers. Thunderful made three acquisitions last year, and it still remains to be seen how good the capital allocation is.

Valuation

Multiple expansion expected

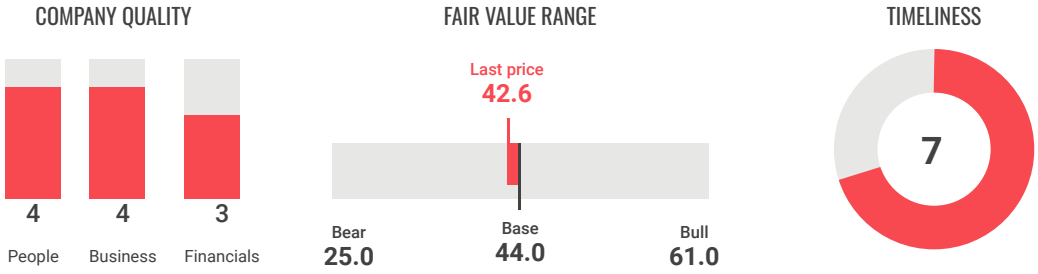
We derive our base case on the back of a DCF model, blended with an earnings multiple approach. We apply an EV/EBITA multiple of 8x for games, and 5x for distribution. All in all, the weighted multiple should increase going forward as games become larger in terms of the entire group.

Tobii Dynavox TDVOX

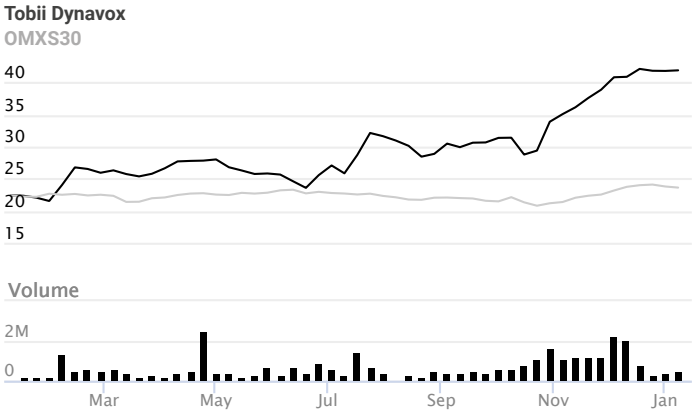
Company page
https://www.redeye.se/company/tobii-dynavox

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Fredrik Ruben
Chairman	Per Norman

Share information

Share price (SEK)	42.6
Number of shares (M)	104.9
Market cap (MSEK)	4,467
Net debt (2024E, MSEK)	395

Analyst



Mats Hyttinge
mats.hyttinge@redeye.se

Conflict of interests

Mats Hyttinge owns shares in Tobii Dynavox: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,217	1,599	1,807	1,960
Growth	*39.6%*	*31.5%*	*12.9%*	*8.5%*
EBITDA	207	312	384	465
EBITDA margin	*17.0%*	*19.5%*	*21.3%*	*23.7%*
EBIT				
EBIT margin	*6.8%*	*9.7%*	*12.3%*	*14.7%*
Pre-tax earnings	53	119	198	272
Net earnings	50	102	157	216
Net margin	*4.1%*	*6.4%*	*8.7%*	*11.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.48	0.97	1.50	2.06
P/E adj.	44.7	39.9	25.9	18.8
EV/S	2.3	2.9	2.5	2.2
EV/EBITDA	13.3	14.8	11.6	9.1

Last updated: 2023-12-18

Owner	Equity	Votes
Swedbank Robur Fonder	9.8%	9.8%
Lannebo Fonder	7.2%	7.2%
Handelsbanken Fonder	7.1%	7.1%
Carnegie Fonder	4.8%	4.8%
Henrik Eskilsson	4.3%	4.3%
Öhman Fonder	3.8%	3.8%
W The Bank Of New York Mellon Sa/Nv	2.2%	2.2%
Länsförsäkringar Fonder	2.1%	2.1%
FE Fonder	2.0%	2.0%
Rbcb Client - Dub Nr N-Tr 30%-Mig	2.0%	2.0%

Company description

Tobii Dynavox was a former member of the Tobii-concern. In 2021, the (mostly) independent operation within Tobii left the concern. It was listed on Nasdaq as it was recognized that Dynavox and the rest of Tobii were quite different, and synergies have decreased over time. It was recognized that Dynavox would benefit from being a separate entity and creating substantial shareholder value.

Tobii Dynavox is the global market leader in developing and selling assistive technology for communication. These solutions are primarily used by people with disabilities, such as cerebral palsy, ALS, and spinal cord injury, to name a few. Their solutions include hardware, software, clinically developed language systems, education tools, training, and dedicated support. These solutions enable disabled people to communicate, develop literacy skills, and live independently. Hundreds of thousands of disabled people have benefitted from Tobii Dynavox's solutions, and with an underserved market, there is ample room to grow. With over 100 000 users worldwide, the base is large, and the potential for replacement sales is high.

The strong market position has come through a long development history, with one of the primary drivers being that assistive technology would be an early adopter market for eye control. In 2005 Tobii AB launched the D10, which was their first solution in the assistive technology market. Another important step was taken in 2014 when DynaVox Systems LLC was acquired, the main competitor in this field. This acquisition opened up the US market with DynaVox Systems' broad insurer access and a well-developed software range

Investment thesis

Case

A market leader with a stable long-term growth potential

Tobii Dynavox is the market leader in the overall AAC market, with a market share of over 36%. In the eye-gaze segment in the AAC market, the share is around 70%. The pandemic has hurt sales, but this effect is fading, and the growth has returned with a vengeance. The current organic development may not be sustainable, but it shows that the company's target of growth of over 10% per year is realistic. We believe that Tobii Dynavox is trading at a significant discount to its fundamental value. We believe the current valuation offers a favorable entry point for the long-term investor. The stable market growth and relative safety of the third-party payers (public & private insurers) are appealing in the current market climate. We believe the current valuation gap of c. 32% will continue to be closed gradually during the coming 12 months because of improving and profitable growth and an increased focus on stable companies with no financing needs.

Evidence

Appealing market fundamentals with an M&A flavor

The AAC market is expected to grow around 2% globally and to be worth around USD 4.7 Bn (TAM, 2020). (Arthur D. Little). The serviceable obtainable market (SOM) is expected to grow at a +9% rate until 2030E and represents a value of USD 230m in 2020, and is expected to reach USD 550m by 2030E. The well-funded markets, like the US, are expected to grow around 6% annually, so that the higher growth will occur in the less well-funded countries. The market growth may seem modest compared to many other MedTech target markets. However, we see a value in a market that shows steady growth and where the incidence and prevalence are very stable in the target groups. In addition to this stable growth, the market has the potential for M&A activity. We do not see any more significant acquisitions in the near term, but we would not be surprised to see additional bolt-on acquisitions like those done during 2022.

Challenge

Limited improvement in the Reimbursement processes

One of the critical factors that we have identified for driving long-term growth is improving reimbursement support systems globally. Tobii Dynavox is putting a lot of effort into educating and creating awareness in the different markets. The risk is that healthcare systems and reimbursement are slow-moving entities due to several factors. In general, healthcare decisions are, in many cases, conservative and take time.

Challenge

New technical solutions

The challenge for Tobii Dynavox is to maintain its leading edge in technology. We currently do not see a significant threat on the horizon; however, as technology is a fast-moving business, it cannot be entirely ruled out. The user loyalty and a market that needs a lot of know-how, like reimbursement and regulatory processes, create a bit of a moat.

Valuation

Current valuation shows a gap versus the fundamental value

Our DCF model indicates a Base Case of SEK 44 (41) per share. (Bull: SEK 61 (59): Bear: SEK 25(25) based on an expectation that Tobii Dynavox will grow above the growth rates of the major markets but slightly below the overall market. We expect operational improvements to increase the gross margin to 68% in 2025e with an EBITDA margin of 24%. Our expectations are slightly below the company's financial targets (>10% growth, >15% EBIT). If the company reaches these goals, the value of the company will be closer to our Bull case value of SEK 61 per share.

Catalyst types

Quarterly reports

Tobii Dynavox was listed in the end of 2021 and thus have only published a few quarterly reports. Each report going forward is important as to show investors the important factors in what drives the company

Reimbursement changes

The reimbursement system is vital for individuals to be able to pay for the systems. There are still a large number of countries with under funded systems. Any news from a larger market will have significant positive signal value.

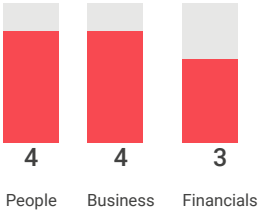
Transtema TRANS

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

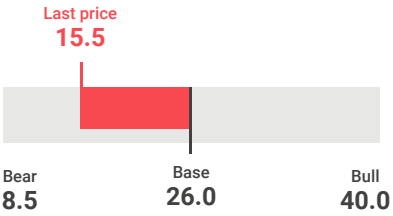
Publication date
January 12 2024

Redeye Rating

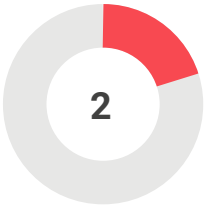
COMPANY QUALITY



FAIR VALUE RANGE

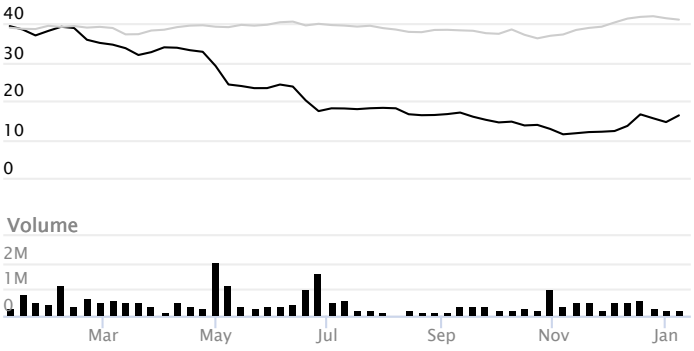


TIMELINESS



Snapshot

Transtema
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Henning Sveder
Chairman	Magnus Johansson

Share information

Share price (SEK)	15.5
Number of shares (M)	41.7
Market cap (MSEK)	648
Net debt (2024E, MSEK)	71

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Transtema: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	2,457	2,711	2,525	2,576
Growth	*45.4%*	*10.3%*	*-6.9%*	*2.0%*
EBITDA	257	182	211	150
EBITDA margin	*10.5%*	*6.7%*	*8.4%*	*5.8%*
EBIT				
EBIT margin	*6.3%*	*2.0%*	*3.8%*	*4.1%*
Pre-tax earnings	150	164	55	65
Net earnings	118	165	43	51
Net margin	*4.8%*	*6.1%*	*1.7%*	*2.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	2.99	3.96	1.02	1.21
P/E adj.	9.5	3.5	13.7	11.6
EV/S	0.5	0.3	0.3	0.2
EV/EBITDA	4.5	3.9	3.1	4.2

Last updated: 2023-12-15

Owner	Equity	Votes
Magnus Johansson	21.3%	21.3%
Göran Nordlund	10.0%	10.0%
Jonas Nordlund	8.1%	8.1%
Efg Bank / Geneva	8.1%	8.1%
Nordnet Pensionsförsäkring	4.6%	4.6%
Sune Tholin	4.5%	4.5%
Avanza Pension	4.1%	4.1%
Per Anders Bendt	3.7%	3.7%
Jovitech Invest AB	2.8%	2.8%
Swedbank Robur Fonder	2.3%	2.3%

Company description

Transtema provides installation, operations, and maintenance for communications networks in Sweden and Norway. Telia and Telenor are the largest customers and generate ~50% and ~25% of Transtema's revenue, respectively. Transtema's offering spans a wide range of communication networks like fiber, copper, 3G, 4G, and 5G, as well as coax and communications for EV chargers following recent acquisitions.

Revenue from operations and maintenance make up about 45% of total sales and are recurring. While installations are an important contributor to sales, they are also a way to receive operations and maintenance deals as the solutions are installed. Although growing sales volumes typically require more feet on the ground, Transtema can scale its network- and service operation centers (NOC & SOC) and nationwide presence.

Investment thesis

Case

From construction to installations, operations, and maintenance

Following a few years with a focus on Fiber-To-The-Home (FTTH) construction which ended badly, Transtema has reshaped its business, concentrating on stable installations, operations, and maintenance markets. With its nationwide reach in Sweden and substantial presence in Norway, Transtema has a solid position to capture growth stemming from structural trends driving the need for the availability and reliability of communication networks. In addition, recent EV charging and coax acquisitions allow for higher utilization of the nationwide service network and reduced customer concentration.

Evidence

Stability, margins, and growth in place following the recent transformation

Since the transformation towards installations, operations, and maintenance in 2020, Transtema has delivered stable EBITA margins of ~7%, among the highest levels in the industry. Despite the eroding copper business, Transtema has achieved solid organic growth fueled by 5G and fiber installations. The acquisition of Tessta has been a success so far. Combined with the offering-expanding acquisitions of North Projects and Bäcks, Transtema has reduced customer concentration and improved its growth prospects.

Challenge

Exposure to legacy technology

With about 20% of sales stemming from copper, Transtema will experience a growth headwind as copper is expected to erode over the next few years. However, the decline of legacy technology and the rise of new solutions is a normality in the communications industry. Although Transtema needs to compensate with revenue from newer technologies, following recent acquisitions in, for example, the surging EV charging sector, and the site-management deal, we believe the prospects are solid.

Challenge

Significant customer concentration

Although the customer concentration has decreased following recent acquisitions, Transtema generates about 40% of its sales from Telia. While a few huge players characterize the telecommunications market, we believe customer concentration is a risk in Transtema. On the other hand, Telia also depends on Transtema, as it would be challenging for a competitor to provide similar services, at least in the short term. Following the recent acquisitions, we believe the customer concentration will decrease further.

Valuation

Fair Value SEK 26

Our DCF model shows a fair value of SEK 26, which is also supported by a peer valuation. While the strong performance seen in 2021-22 motivates a premium to the sector, Transtema has experienced a negative impact from the weaker market, hurting margins and growth.

Catalyst types

Quarterly reports
Strong quarterly reports with solid growth and improving margins could cause increases in our Fair Value Range

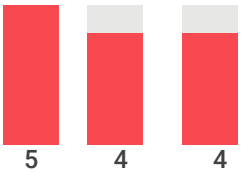
Truecaller TRUE B

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

Publication date
January 12 2024

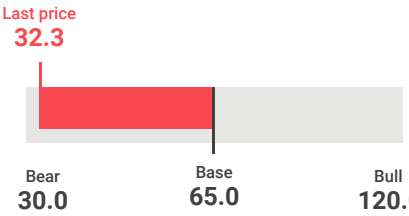
Redeye Rating

COMPANY QUALITY



People Business Financials

FAIR VALUE RANGE

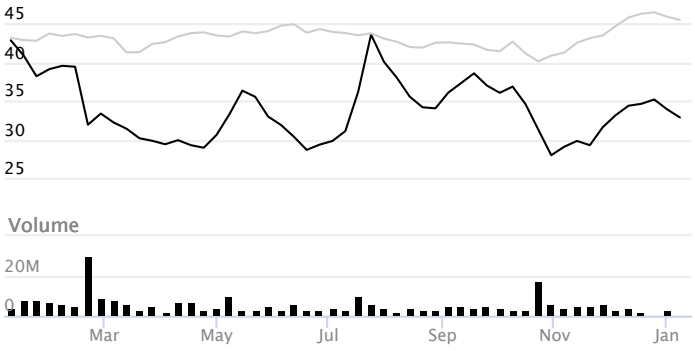


TIMELINESS



Snapshot

Truecaller
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Alan Mamedi
Chairman	Bing Gordon

Share information

Share price (SEK)	32.3
Number of shares (M)	381.2
Market cap (MSEK)	12,301
Net debt (2024E, MSEK)	-2,494

Analyst



Jesper Von Koch
jesper.vonkoch@redeye.se

Conflict of interests

Jesper Von Koch owns shares in Truecaller: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,773	1,749	2,256	2,994
Growth	*57.0%*	*-1.3%*	*28.9%*	*32.7%*
EBITDA	717	715	983	1,394
EBITDA margin	*40.5%*	*40.9%*	*43.6%*	*46.6%*
EBIT				
EBIT margin	*38.8%*	*38.5%*	*42.0%*	*45.8%*
Pre-tax earnings	688	727	1,001	1,424
Net earnings	535	560	761	1,082
Net margin	*30.2%*	*32.0%*	*33.7%*	*36.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.43	1.47	2.00	2.84
P/E adj.	22.5	22.0	16.2	11.4
EV/S	N/A	N/A	N/A	N/A
EV/EBITDA	14.4	14.7	10.0	6.3

Last updated: 2024-01-12

Owner	Equity	Votes
Peak XV Partners (formerly Sequoia Capital)	16.0%	7.6%
Truecaller AB	7.8%	3.7%
Första AP-fonden	7.6%	3.6%
Handelsbanken Fonder	7.4%	3.5%
Alan Mamedi	7.2%	29.7%
Nami Zarringhalam	7.2%	29.7%
Kleiner Perkins Caufield & Byers LLC	6.9%	3.3%
Malabar Investments	4.4%	2.1%

Company description

Truecaller was founded in 2009 with the simple idea to help identify "who" is calling and a mission to create more trust in mobile communication by making this smarter, safer, and more efficient. Truecaller is today the world's leading platform for verifying contacts and blocking unwanted calls and messages. The company enables safe and relevant conversations between people and makes it efficient for businesses to connect with consumers.

With hundreds of millions of daily active users in more than 175 countries, Truecaller is today one of the ten largest communication platforms in the World. In the company's main market, India, only Facebook and WhatsApp surpass it among communication platforms.

Investment thesis

Case

Strong moats and high scalability set the scene for continued market dominance in a fast-growing and fragmented market

We argue that Truecaller is set to lever its more than 350m monthly active users. As the undisputed leader with strong moats in the rapidly growing spam-blocking market, Truecaller is poised for rapid growth for many years to come, we believe. The company has a proven playbook, having penetrated more than 50% of the Indian market and is now accelerating its efforts to build the same market dominance elsewhere. In recent years, Truecaller has demonstrated phenomenal growth (three-year sales CAGR of >80%) while simultaneously achieving high profitability (>40% EBITDA from Q4 2021), proving it is a rare asset. Looking ahead, we believe Truecaller will be able to achieve swift growth in revenues (2022-2026 CAGR of 25%) and EBIT (2022-2026 CAGR of 32%) thanks to an attractive mix of user growth, increasing ARPU, and high operating leverage.

Evidence

Under-estimated moat and under-monetized user base

Extensive dataset constitutes major moat A high caller-identification rate is crucial for a good user experience, making a good enough dataset essential for market dominance. Due to data regulations such as GDPR, consented data is required from users, constituting an important barrier for new entrants. Truecaller enjoys network effects that strengthens its moats the more users it gets.

Challenge

Watch out for the giants: Apple, Meta, and Alphabet

Truecaller is dependent on the giant tech players in several ways, including direct competition, as ad exchanges, and as the platforms on which Truecaller exists.

Challenge

Regulatory risks: Over-emphasized or real threats?

Truecaller is, to some extent, in the hands of the Indian government as well as other governing entities, such as the EU. New data protection legislations such as GDPR could pose a threat to Truecaller by limiting the company's ability to display the names of people who have not given their consent. While some of the effect would be managed by users having consented to leave their data, we do not believe this would prevent the damage.

Valuation

Significant upside potential

In our Base Case, we estimate a 2022–2026 sales CAGR of 25% and an average EBIT margin of 45% between 2023–2026. Using a DCF, we value Truecaller to a Base Case of SEK65, corresponding to a P/E ratio of 32 for 2024e and 23 for 2025e. Our Bear Case is SEK30, and Bull Case is SEK120.

Catalyst types

Improved ad load

Ad load, or DAIDAU (daily ad impressions per daily active user), is one of two levers of Advertising ARPU. The current level of c.12 impressions per day should be compared to 19 daily interactions with the Truecaller app per DAU. We think a 1:1 ratio between these is possible, indicating substantial upside.

Increased uptake/conversion to premium subscriptions

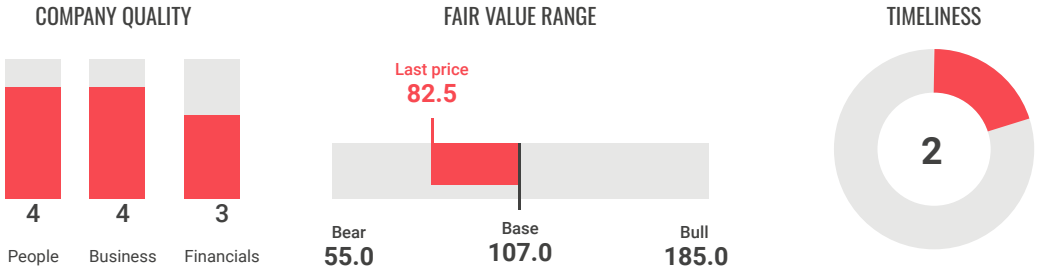
Today, only c.0.5-0.6% of DAUs are premium subscribers - a very low figure compared to peers. Still, subscriptions account for as much as c.10% of total revenues, indicating a significant upside potential. Better penetration in the USA through the new iPhone version of the app (launched Q3'22) could be the key to improving the subscriber/DAU ratio.

W5 Solutions W5

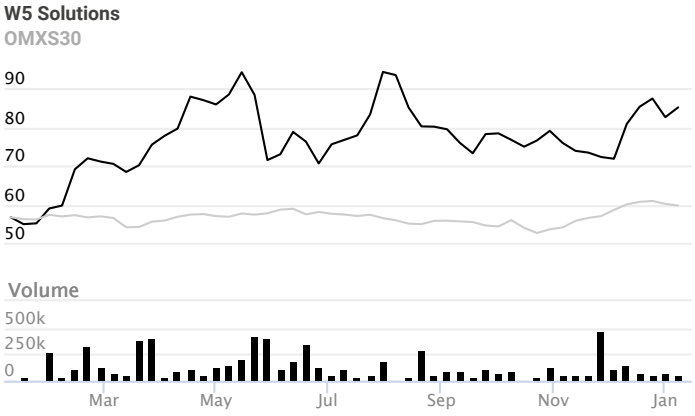
Company page
https://www.redeye.se/company/w5-solutions-2

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Erik Heilborn
Chairman	Anders Lundström

Share information

Share price (SEK)	82.5
Number of shares (M)	14.9
Market cap (MSEK)	1,231
Net debt (2024E, MSEK)	-16

Analyst



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se

Conflict of interests

Hjalmar Ahlberg owns shares in W5 Solutions: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	176	399	553	664
Growth	*23.9%*	*>100%*	*38.8%*	*20.0%*
EBITDA	24	72	95	114
EBITDA margin	*13.9%*	*17.9%*	*17.2%*	*17.2%*
EBIT				
EBIT margin	*10.0%*	*5.5%*	*4.9%*	*6.9%*
Pre-tax earnings	17	21	26	46
Net earnings	14	13	19	34
Net margin	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.08	0.90	1.30	2.31
P/E adj.	55.3	91.5	63.0	35.5
EV/S	3.9	3.2	2.2	1.7
EV/EBITDA	28.1	17.6	12.7	10.1

Last updated: 2023-12-14

Owner	Equity	Votes
Swedish Defense Group AB	20.9%	20.9%
DT2W Invest AB	11.8%	11.8%
Camila Rydin	11.2%	11.2%
Berenberg Funds	8.5%	8.5%
State Street Bank And Trust co	8.5%	8.5%
Ingvar Jensen	6.7%	6.7%
MSE Holding AB	6.1%	6.1%
ArcQor Holding AB	4.6%	4.6%
Avanza Pension	3.7%	3.7%
Micael Schmitz	3.4%	3.4%

Company description

W5 Solutions is a well-established defense tech powerhouse with a focus on training and simulation products. The company has a broad range of customers and partners, mainly in the defense industry and civil protection. W5's core market is Sweden, but it is also active elsewhere in Europe and in North America. However, its ambition is to be active in all democratic countries. W5's business model is attractive, with long contracts (sometimes 20+ years) and aftermarket sales are coupled with mid-cycle upgrades. The company enjoys high barriers to entry thanks to certification requirements and long-term relationships

Investment thesis

Case

Attractive growth potential with M&A optionality

Redeye expects W5 to show continued growth over the coming years as it benefits from growing demand for defense training and simulation bolstered by expansion into new regions and customer segments, and new product development. We expect revenue growth of 20 percent organically in 2023-25E and believe the company will complement this growth with acquisitions. The company has seen stronger-than-expected growth in 2023 driven by solid organic growth and acquisitions. On the back of this, we believe W5 looks set to achieve its 2025 revenue target of SEK500m already by 2024. We expect profitability to remain in line with the company's target to achieve a 15 percent EBITA margin, while there could be upside potential as W5 is likely to see benefits of scale.

Evidence

Extensive history, high barriers to entry, and strong partnerships

W5 has an extensive history in the defense industry and its solid management team holds core expertise in simulation and training, growing niches with limited competition from the major defense contractors. The defense industry has high barriers of entry, which, together with long-term contracts, render high revenue visibility. W5 can also lever on its several major partnerships, including with Saab, L3Harris, Lockheed Martin, and KMW.

Challenge

Limited M&A experience, risk through geographical expansion, and production capacity

The main challenges we see for W5 are its geographical expansion into new markets and M&A. Breaking into new markets could be challenging, but W5's partnerships with larger players reduce this risk. While W5 has limited M&A experience, the merger of the companies to create W5 has been a success. Furthermore, a decentralized approach to acquisitions typically reduces the M&A risk. W5 could also face capacity challenges that could limit its growth if the company cannot produce to meet growing demand. Given a focus on complementary M&A, acquisitions could ease this challenge.

Valuation

Valuation based on DCF and upside optionality from M&A

On the back of a DCF-valuation we derive a fair value of SEK107 in our base case which implies a multiple of 21x EBITDA 2023E and 16x EBITDA 2024E. Our valuation also includes upside potential from M&A where we see an upside range of SEK17-47 per share depending on the valuation multiple for future acquisitions (we assume a range of 5-10x EBIT). The average for the range is SEK28 per share which we include as M&A upside our base case while we use the high-end of SEK44 per share for the bull case and low-end of SEK16 per share for the bear case.

Catalyst types

Acquisitions

W5 has a strategy to complement organic growth with acquisitions. With a strong balance sheet and a fragmented market, we see potential for acquisitions in both near term and long term.

New orders

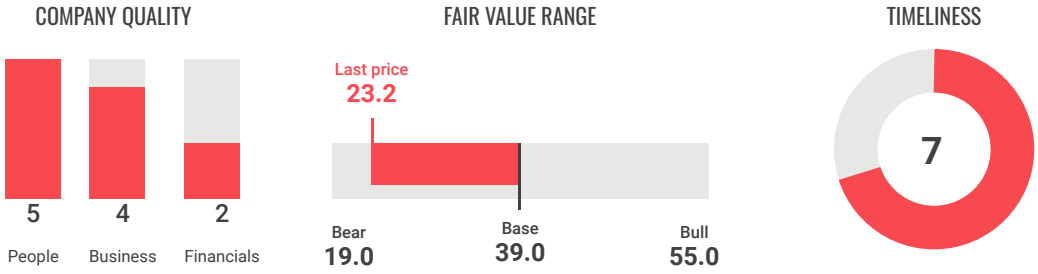
W5 has seen strong order intake on the back of growing defence budgets and there should be potential for more orders supporting a positive share price development,

Vertiseit VERT B

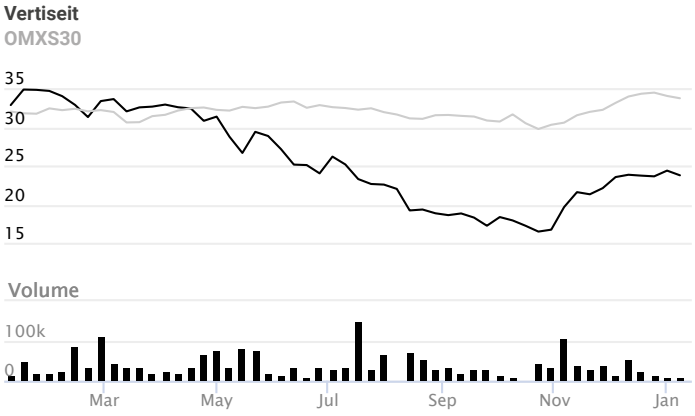
Company page
https://www.redeye.se/company/vertiseit

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Johan Lind
Chairman	Vilhelm Schottenius

Share information

Share price (SEK)	23.2
Number of shares (M)	20.5
Market cap (MSEK)	476
Net debt (2024E, MSEK)	98

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Vertiseit: Yes

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	315	338	312	342
Growth	*>100%*	*7.4%*	*-7.7%*	*9.4%*
EBITDA	35	46	72	89
EBITDA margin	*11.2%*	*13.7%*	*23.0%*	*26.0%*
EBIT				
EBIT margin	*4.3%*	*6.3%*	*14.6%*	*18.0%*
Pre-tax earnings	4	13	41	56
Net earnings	9	13	32	45
Net margin	*3.0%*	*3.9%*	*10.3%*	*13.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.25	0.58	1.42	1.98
P/E adj.	26.3	40.2	16.5	11.9
EV/S	2.4	1.9	2.0	1.8
EV/EBITDA	20.9	14.1	8.8	6.8

Last updated: 2023-12-13

Owner	Equity	Votes
Johan Lind	10.7%	19.7%
Adrian Nelje	9.8%	19.2%
Telion Og	8.0%	3.9%
HSBC Continental Europe S.A. Germany	8.0%	3.9%
Nordea Funds	6.0%	2.9%
Oskar Edespong	6.0%	10.1%
Schottenius Gruppen	5.9%	11.8%
Jonas Lagerqvist med bolag	5.4%	8.3%
KL Capital AB	5.2%	2.3%
SEB Life International Assurance	5.1%	2.5%

Company description

Vertiseit is a Swedish digital signage group focusing on digital in-store founded in 2008, consisting of Grassfish, a so-called Independent Software Vendor + (ISV+), and Dise, an ISV. Vertiseit is the largest ISV(+) in the DACH region and among the top 5 globally. Its headquarter is located in Varberg with offices in Vienna, Karlstad, Stockholm, and London. The group has a strong position within automotive, which is a front runner in digital signage, with customers including BWM, Volvo, and VAG.

Vertiseit has three different revenue streams, SaaS, Agency/Consulting, and Systems – basically, hardware, sourced from Samsung and LG, and installations. SaaS constitutes about 50% of sales on the current run-rate, and, thus, Vertiseit has a significant share of recurring revenue. Interestingly, during the Corona pandemic, hitting many customers severely, Vertiseit managed to increase its SaaS revenues by ~16% annually. Also, the Net Revenue Retention (NRR) in Dise was >100%. Thus, its SaaS revenues have proven they are recurring.

Investment thesis

Case

The platform first strategy allows for scalable growth as retail digitalizes

As the number one In-store Experience Management (IXM) platform in the DACH region and among the top five globally, we believe Vertseit is set for solid and profitable growth over the coming years as the retail-sector digitalizes its stores. We believe its platform first strategy, focusing on software and consulting, lowering the share of hardware, will gradually make Vertiseit a “true” SaaS business. We believe upcoming reports highlighting how well the recent acquisitions are integrated, along with ARR growth will be the main catalysts in the owner-operate company.

Evidence

Impressive customer list and solid SaaS growth track record

With over 40 quarters of consecutive ARR growth, a strong position within automotive, which is at the forefront of digital in-store, and an active M&A agenda, Vertseit has established itself as a major player within digital in-store. BMW, Volvo, Volksvagen and Porsche are all found on Vertiseit’s customer list. The company has self-financed its organic growth for several years and the SaaS metrics (regarding Dise) are solid, indicating the potential for high profitability going forward.

Challenge

Must have or nice to have?

While the automotive and QSR sectors, for example, embrace the digitalization of physical stores, for good reasons, in our view, the fashion retails are seemingly unwilling to invest in digital in-store except for prime location stores. Today, we get the impression that digital in-store is rather a nice to have than a must have in some segments. However, we would not rule out that new solutions make digital in-store as import for fashion as we believe it is for automotive today. Also, the automotive and QSR sectors alone are huge markets from Vertiseit’s perspective.

Challenge

The Big Four Remains in Charge

The Big Four, ZetaDisplay, Trison, Stratacache, and M-Cube, generally favor a full-service strategy, offering in-house software, consulting, and installations. This model dominates today and might continue to do so, which contradicts Vertiseit's vision of one leading platform. However, Trison focuses on integration, working together with Grassfish and its platform in the BMW project. Although, we do not expect the other Big Four to mimic Trison's platform-agnostic approach.

Valuation

Fair Value SEK 39

Based on our DCF model we see a fair value of SEK 39, which is also supported by a peer valuation. While Vertiseit has rather low profitability currently, following integrations of acquisitions and growth investments, considering its high share of SaaS revenue with strong metrics, we believe strong profitability will come, making EV/EBIT multiples attractive a few years out.

Catalyst types

Continued growth in recurring revenues

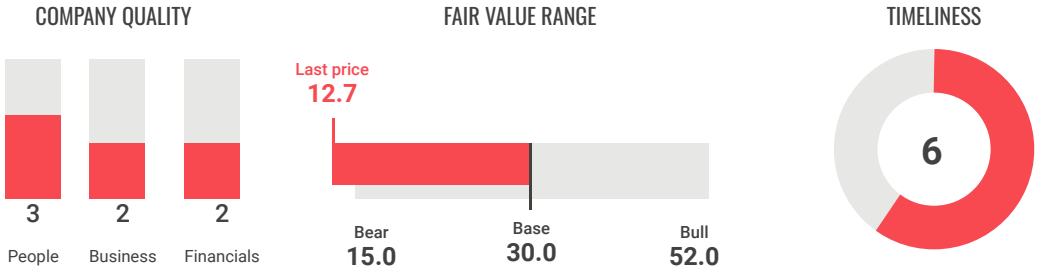
The recurring SaaS revenues, with gross margins of 90-95%, is the key to increase Vertiseit’s profits. If Vertiseit can continue to grow its SaaS revenues at a steady pace – which we find likely – margins and profits will gradually increase. While Vertiseit never becomes a pure SaaS business, we believe that the market will reward the company with higher multiples as the SaaS revenue grows.

Vidhance (formerly Im... VIDH

Company page
https://www.redeye.se/company/imint-image-intelligence

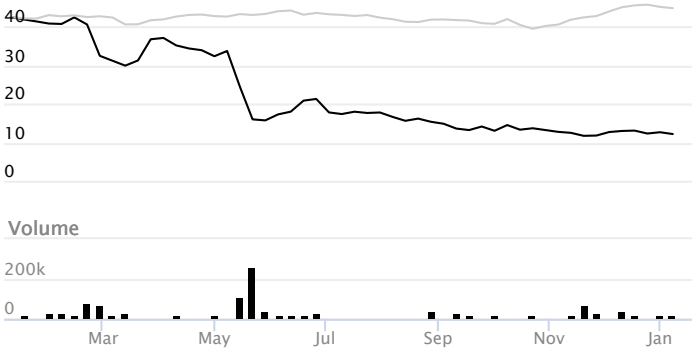
Publication date
January 15 2024

Redeye Rating



Snapshot

Vidhance (formerly Imint)
OMXS30



Marketplace	Spotlight Stock Market
CEO	Nils Hulth
Chairman	Johan Qviberg

Share information

Share price (SEK)	12.7
Number of shares (M)	4.6
Market cap (MSEK)	58
Net debt (2024E, MSEK)	-62

Analyst



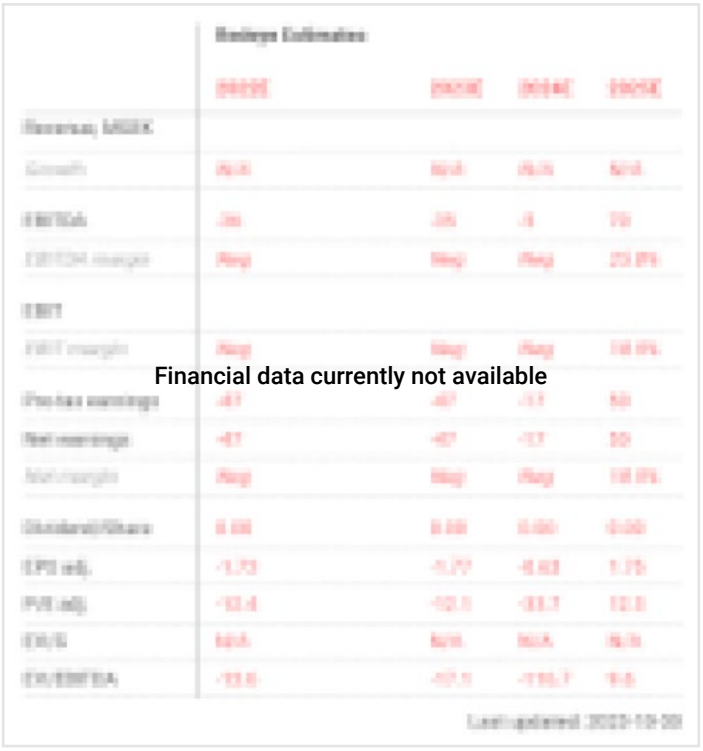
Mark Siöstedt
mark.siostedt@redeye.se

Conflict of interests

Mark Siöstedt owns shares in Vidhance (formerly Imint): No

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

Financials



Owner	Equity	Votes
Johan Qviberg	12.5%	12.5%
Avanza Pension	12.4%	12.4%
Nordnet Pensionsförsäkring	6.7%	6.7%
Peter Ekerling	2.4%	2.4%
Olov Näslund	1.8%	1.8%
Alexander Ullman	1.7%	1.7%
Andreas Lifvendahl	1.6%	1.6%
Swedbank Försäkring	1.4%	1.4%
Bo Perninger	1.3%	1.3%
Bluefield AS	1.1%	1.1%

Company description

Vidhance is a Swedish software provider focusing on video stabilization. The core of Vidhance's offering is the Vidhance software library which contains algorithms for sensor analysis and various types of image and video enhancements. At the beginning of FY2023, Vidhance started reporting two business segments: Consumer and Professional. The former will be consumer electronics, where smartphones dominate. From 2016 until today, about 900 million smartphones have been equipped with Vidhance's video stabilization. The second business segment is Professional, and it will focus more on applications such as body cameras, industrial and surgical AR, etc.

Investment thesis

Case

Small but Fierce 'Hidden Champion'

Vidhance is a niche software market leader with good connections to both global chipset makers and smartphone manufacturers. Over the past couple of years, Vidhance has gained advantages in the hyper-competitive smartphone market. The current phase presents a test, determining whether these advantages are transferable to adjacent markets, including wearables. Its brand and know-how could open new avenues for profitable growth, which is essential for the investment case's durability concerns (or its over-reliance on the sluggish smartphone market). Vidhance's advantages can be condensed to 1) chipset integration expertise, 2) trusting customer relations, 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, Vidhance has supplied about 900 million smartphones with video stabilization software since late 2016. Vidhance'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 Vidhance.

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, Vidhance's primary market does not have a volume growth and the Android-based smartphones have an estimated CAGR of about zero in the coming five years. Instead, most growth must come from the Professional business segment, which is an unproven part of the company. The Consumer segment (and Vidhance as a whole) could also continue to suffer if its general software continues to be commoditized too much, which impacts the IP royalties negatively and thus the overall top line.

Challenge

The 'China risk'

Vidhance has partnered up with chipset makers such as Qualcomm and MediaTek, as well as with major smartphone manufacturers. Many of these partners are Chinese, and Vidhance carries a clear geopolitical risk factor. 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. Vidhance is, however, trying to broaden its customer base, and in the emerging Professional segment, Europe and the US will be more in focus.

Valuation

Selling below the cash position

Vidhance has had a couple of challenging quarters with a steep decline in sales and negative margins. However, it carries about SEK70m in cash on its balance sheet. Thus, the downside should be limited given Vidhance does not bleed too much cash before it can either distribute it as a special dividend or turn around the company to profitability again.

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 stablizing 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, and it has provided Vidhance with good cash flows that it can re-invest in the Professional segment. A stable development in this segment should also be a catalyst.

Successful venture into the Professional space

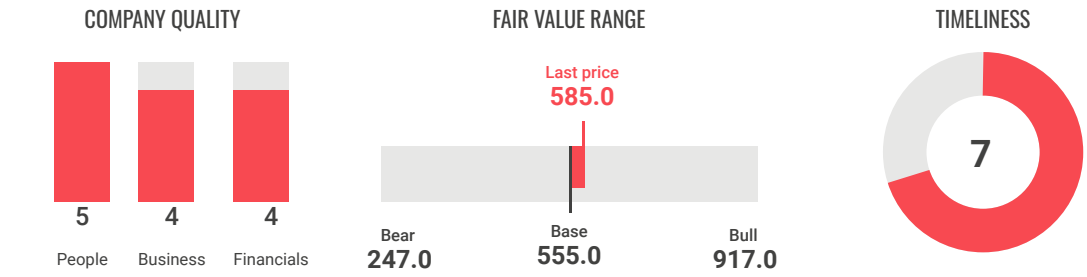
The Professional business segment will have to carry Imint's growth rate in the future. The business model is quite different as well, with more recurring revenues (Imint will focus on verticals with subscription models), longer business and product cycles (multi-year periods), and less volatile end-markets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

Vitec Software Group VIT B

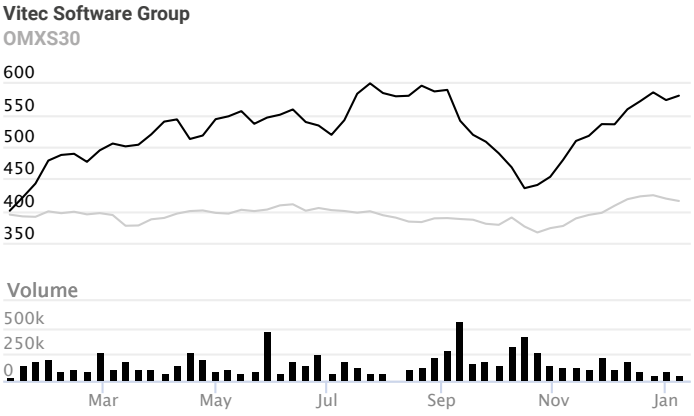
Company page
https://www.redeye.se/company/vitec-software-group

Publication date
January 12 2024

Redeye Rating



Snapshot



Marketplace	NASDAQ Stockholm
CEO	Olle Backman
Chairman	Lars Stenlund

Share information

Share price (SEK)	585.0
Number of shares (M)	37.5
Market cap (MSEK)	21,958
Net debt (2024E, MSEK)	2,185

Analyst



Christian Binder
christian.binder@redeye.se

Conflict of interests

Christian Binder owns shares in Vitec Software 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		
	2022	2023E	2024E	2025E
Revenue, MSEK	1,978	2,802	3,276	3,786
Growth	*25.9%*	*41.6%*	*16.9%*	*15.6%*
EBITDA	711	1,075	1,291	1,511
EBITDA margin	*35.9%*	*38.4%*	*39.4%*	*39.9%*
EBIT				
EBIT margin	*18.0%*	*22.0%*	*22.9%*	*23.4%*
Pre-tax earnings	312	497	637	743
Net earnings	245	374	494	576
Net margin	*12.4%*	*13.4%*	*15.1%*	*15.2%*
Dividend/Share	2.00	2.21	3.20	4.34
EPS adj.	6.56	10.01	13.21	15.41
P/E adj.	63.8	56.6	42.9	36.7
EV/S	7.9	8.1	7.1	6.3
EV/EBITDA	22.1	21.1	18.1	15.9

Last updated: 2023-12-15

Owner	Equity	Votes
Capital Group	7.4%	4.5%
SEB Fonder	5.3%	3.3%
Thomas Eklund	4.5%	2.7%
Lannebo Fonder	4.0%	2.4%
Swedbank Robur Fonder	3.8%	2.3%
Lars Stenlund	3.6%	19.4%
Cliens Fonder	3.4%	2.1%
Didner & Gerge Fonder	3.3%	2.0%
Vanguard	3.3%	2.0%
Första AP-fonden	3.3%	3.3%

Company description

Founded in 1985 by Lars Stenlund and Olov Sandberg, Vitec is a vertical market software (VMS) company and serial acquirer. VMS is usually tailored to a customer's specific industry needs and is deeply integrated into their operations, fostering considerable switching costs and strong customer lock-ins. Headquartered in Umeå, Sweden, the company has subsidiaries across the Nordic region and the Netherlands.

The company formalised its acquisition-driven growth strategy in 2003, making its first deal outside Sweden in 2011 and its first acquisition outside the Nordic region in 2021. Vitec's financial goals comprise expanding its operating margins over time to achieve at least 20% on a group basis. Moreover, the company aims to distribute at least one-third of net profits as dividends to shareholders.

Investment thesis

Case

Serial acquirer in the European VMS market

Vitec is a software company and serial acquirer of European VMS companies—asset-light businesses with strong moats, providing high-margin revenue streams the parent company can re-deploy for additional acquisitions and limited investments in organic growth. We believe the multiple arbitrage of Vitec's valuation relative to private market small-scale acquirees positions it for premium-growth prospects (c15-16% per annum on average) in the coming years.

Evidence

Acquired growth

Vitec grew recurring revenues from some SEK211m in 2011 to around SEK1.6bn in 2022, representing a CAGR of c20%. At the same time, the company has increased free cash flow (FCF) at a CAGR of c27%. It has derived this growth mainly from acquisitions, with low to mid-single-digit organic sales growth in most years. Since its founding, Vitec has completed 51 M&A deals, reaching pro-forma LTM sales of cSEK2.8bn in Q3 2023, with 84% of this being recurring revenues. We believe Vitec can efficiently scale M&A volume in coming years and continue its growth trajectory in the coming decade.

Challenge

Betting on prudent capital allocation

Vitec does (and should) reinvest most of its cash in acquisitions. As cash returns to shareholders in the coming decade(s) are likely to remain limited, even considering dividends, Vitec primarily represents an investment in its management's ongoing prudent capital allocation. Several members of management have joined the company in recent years and have not led public companies before. While they have posted solid results until now, their long-term capital allocation track record in public markets is in its early stages. Although CEO Olle Backman only joined in 2019, the company has closed 25 of its 51 M&A deals since that year.

Challenge

Challenge II: Scaling acquisition volume

Vitec's M&A volume is still relatively modest, with some four to five acquisitions per annum in recent years. We believe the company must efficiently scale deal volume to maintain its historical growth trajectory. Another alternative is larger acquisitions, but those tend to come with higher valuations. In the long term, scaling M&A volume will likely require decentralising (smaller) M&A deals. We thus believe Vitec must successfully promote the most competent capital allocators to key positions. Best-in-class peer Constellation Software has shown it is possible to carry out over 100 VMS acquisitions per year.

Valuation

Quality at a reasonable price

Our base case fair value estimate amounts to some SEK555 per share. Our bull and bear cases equal some SEK232 and SEK900 per share, respectively. We judge the share could reach our base case within c6-12 months provided additional acquisitions are made and sales growth and margin expansion materialise in quarterly reports. We believe the most significant catalysts for the share are new acquisitions, quarterly reports, and broadening the geographical scope of the company's M&A agenda.

Catalyst types

Acquisitions

We believe acquisitions constitute Vitec's primary growth engine, making additional M&A deals the chief catalyst for the stock. Importantly, we believe no specific transaction will alone comprise a huge catalyst. Instead, we judge that Vitec consistently making new acquisitions at reasonable valuations will be the key to ongoing strong returns from here.

Quarterly reports

We judge quarterly reports constitute another critical catalyst for Vitec, confirming the company's inorganic and organic growth trajectories. Moreover, we expect Vitec to improve margins moderately in the medium to long term, posting reported sales of some SEK2.80bn for 2023e, up from some SEK1.98bn in 2022. We estimate Vitec will increase its EBIT margin from some 18% in 2022 to around 26% in 2031e. Note that our margin estimates include Vitec capitalizing development costs equal to some 13% of net sales, in line with historical numbers.

Expansion into additional countries/markets

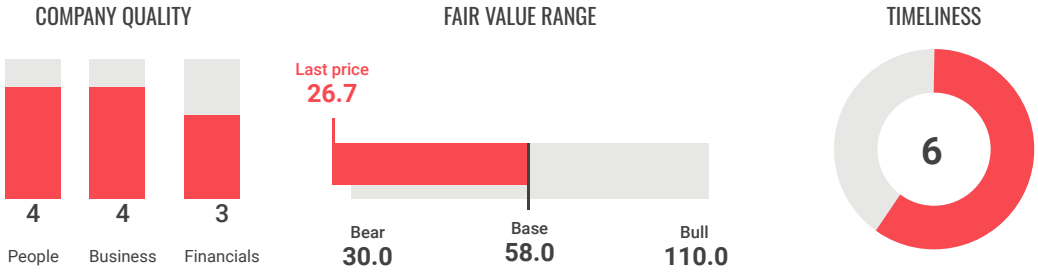
We understand that Vitec's current geographical focus is on VMS companies in the Nordic region and the Netherlands, geographies that we believe provide enough acquisition targets to keep it busy for years and even decades. Still, should the company scale its acquisitions dramatically from the current level (some five per year), expanding into more European markets might be a rational move to increase the number of acquisition targets without becoming overly reliant on any specific geography.

Waystream Group WAYS

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

Publication date
January 14 2024

Redeye Rating



Snapshot



Marketplace	First North Stockholm
CEO	Fredrik Lundberg
Chairman	Matthias Trygg

Share information

Share price (SEK)	26.7
Number of shares (M)	8.1
Market cap (MSEK)	215
Net debt (2024E, MSEK)	-35

Analyst



Mats Hyttinge
mats.hyttinge@redeye.se

Conflict of interests

Mats Hyttinge owns shares in Waystream 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		
	2022	2023E	2024E	2025E
Revenue, MSEK	139	112	146	190
Growth	*51.8%*	*-19.0%*	*30.0%*	*30.0%*
EBITDA	33	10	29	53
EBITDA margin	*23.7%*	*8.6%*	*19.7%*	*28.0%*
EBIT				
EBIT margin	*18.9%*	*2.9%*	*15.7%*	*24.0%*
Pre-tax earnings	26	2	24	50
Net earnings	21	2	19	39
Net margin	*14.8%*	*1.8%*	*13.2%*	*20.6%*
Dividend/Share	0.75	0.05	0.51	0.97
EPS adj.	2.55	0.26	2.39	4.85
P/E adj.	26.3	85.7	9.2	4.5
EV/S	3.7	1.4	1.0	0.7
EV/EBITDA	15.7	15.8	4.9	2.3

Last updated: 2023-12-19

Owner	Equity	Votes
Robert Idegren Holding AB	15.6%	15.6%
Nordnet Pensionsförsäkring	9.8%	9.8%
Severin Invest AB	8.6%	8.6%
Avanza Pension	7.8%	7.8%
Dahltec AB	4.9%	4.9%
Mh Köhler Invest AB	4.1%	4.1%
Fredrik Lundberg	2.3%	2.3%
Robert Lundberg	2.1%	2.1%
Ibkr Financial Services AG	2.1%	2.1%
Jonas Köhler	1.5%	1.5%

Company description

Waystream is a Swedish company that sells software-based switches and routers for broadband infrastructure via fiber. The company's CEO since mid 2021 is Fredrik Lundberg which has been a board member for a while. Customers can be city networks, service providers, energy companies, operators, and other organizations that build, install, and operate networks. Waystream has been listed on NASDAQ First North. Waystream is headquartered in Kista, Stockholm, and has a subsidiary in Shanghai focusing on research and development.

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, although with a setback in H1 2023). We believe that the growth journey, paired with increased profitability, has just begun and sees Waystream riding on an expected 5–10-year growth wave driven by European fiber expansion, even if the current economic turmoil has proven to be a setback in the growth trend. 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 58

Our DCF model indicates a Base Case of SEK 58 per share. (Bull: SEK 110 ; Bear: SEK 30) based on an expectation that Waystream will continue to show strong growth on the back of the FTTH expansion in Europe. While the quarterly development will continue to be volatile, as seen by the development during 2023 driven by the macroeconomic woes in the client base, we firmly believe in the long-term growth case. The Telia addition will increase growth in the medium term, even if the timing is uncertain. We do not think Telia would enter into this agreement, invest time, and not place orders. We expect margins to improve to an EBIT margin of 24.0% in 2025e. We find 4.8x EV/EBITDA 2024e appealing, even if confidence currently is very low in the market.

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.

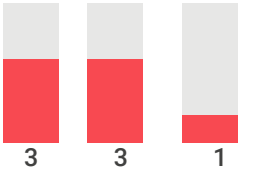
Wyld Networks WYLD

Company page
https://www.redeye.se/company/wyld-networks

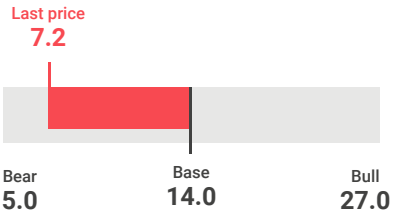
Publication date
January 12 2024

Redeye Rating

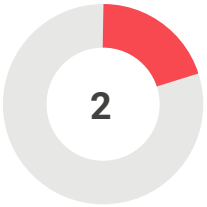
COMPANY QUALITY



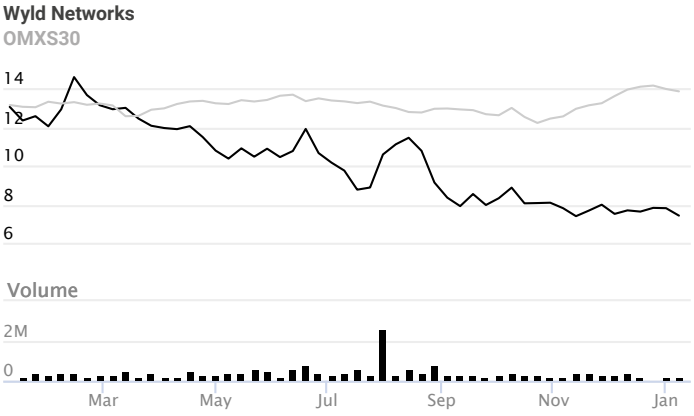
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	First North Stockholm
CEO	Alastair Williamson
Chairman	Mats L Andersson

Share information

Share price (SEK)	7.2
Number of shares (M)	17.1
Market cap (MSEK)	123
Net debt (2024E, MSEK)	-46

Analyst



Jessica Grunewald
jessica.grunewald@redeye.se

Conflict of interests

Jessica Grunewald owns shares in Wyld Networks: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	1	4	52	140
Growth	*N/A*	*>100%*	*>100%*	*>100%*
EBITDA	-38	-41	-24	6
EBITDA margin	*Neg*	*Neg*	*Neg*	*4.5%*
EBIT				
EBIT margin	*Neg*	*Neg*	*Neg*	*3.4%*
Pre-tax earnings	-39	-42	-24	5
Net earnings	-39	-42	-24	4
Net margin	*Neg*	*Neg*	*Neg*	*2.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-2.93	-2.47	-0.98	0.15
P/E adj.	-4.6	-3.4	-8.5	53.7
EV/S	146.0	33.4	3.1	1.1
EV/EBITDA	-4.3	-3.2	-6.7	25.5

Last updated: 2023-12-14

Owner	Equity	Votes
Tern PLC	17.0%	17.0%
Swann Jonathan	7.0%	7.0%
Nordnet Pensionsförsäkring	6.9%	6.9%
Philip Andersson	5.2%	5.2%
Avanza Pension	3.2%	3.2%
Wardhaman Family	2.2%	2.2%
Movitz Hessel Ljungberg	1.7%	1.7%
Martin David	1.5%	1.5%
Alastair Williamson	1.0%	1.0%
Exelity AB	1.0%	1.0%

Company description

Founded in 2016 and headquartered in Cambridge, UK, Wyld Networks is active in the IoT and technology industries. It was publicly listed in May 2021. Wyld currently has 28 employees, including consultants (a majority working in sales and engineering). The company specializes in the development of network applications. Its software is self-developed and is mainly used to collect information via sensors to satellites and to transmit this back to Earth. Wyld aims to offer low-power, low-cost global connectivity for the IoT via low-earth-orbitsatellites using the LoRa protocol. The hybrid solutions enable IoT objects to connect to both existing LPWANnetworks and LEO satellites seamlessly. Furthermore, Wyld offers flexible/simple integrations and connectivity tounconnected parts of the world, enabling customers to collect data from even the most hard-to-reach locations,bringing agriculture, maritime, environment, transportation, oil, gas and mining project data together on a straightforward platform. Its customers comprise of corporate clients operating in several sectors. Wyld operates globally and launched its services commercially in December 2022.

Investment thesis

Case

Set for High Growth

Wyld is embarking on a significant growth journey this year with its commercially launched satellite IoT network service. We estimate a sales CAGR of 192% for the next five years. Due to an attractive underlying business model with high gross margins (from both hardware sales and recurring data revenues), Wyld's business model is set to scale. We believe the investment offers unique exposure to the frontier techniques of LEO satellites, LoRaWAN/ NB-IoT, and the IoT.

Evidence

Order Book of cSEK77m Suggests Robust Demand

Wyld has received several commercial orders, and its order book for hardware currently sits at cSEK77m, originating from eleven customers. We estimate the current order book value is equivalent to around 230,000 modules. The list of customers in the pilot phase is steadily ramping up; the company currently has a list of c20 potential commercial customers (pilot customers). Wyld is also part of a consortium with Eutelsat, TrakAssure, and Senet that combines Senet's ground LoRaWAN network with the satellite LoRaWAN networks of Wyld and Eutelsat to supply across the globe. Furthermore, Wyld has partnered with Dubai government-owned LEO satellite company Space D, exclusively providing Wyld's product offering. We believe these orders and the pilot customer list indicate high demand.

Challenge

Building the Market

Wyld uses frontier technology and methods, so the market has a proof-of-concept demand. Educating the market is both time- and resource-consuming. We thus argue that joining the LoRa alliance and the Multimodal IoT Infrastructure Consortium™ could enable Wyld to build awareness more rapidly and drive proof-of-concept via proven use-cases with prominent partners.

Challenge

Materializing Orders to Ramp up Revenues

Wyld's revenues and profitability lie further in the future, and orders are typically set to be deployed over several years. As a result, investors will want to see both the order book ramping up quickly and orders materializing and converting into revenues. The underlying SaaS business model (for the data packages) and the project-based sales (hardware) depend entirely on the number of deployed modules to ramp up revenues. However, we view the commercial launch and the securing of a supply chain as indicators that Wyld can execute its strategy.

Valuation

Base Case of SEK14 per share

We value Wyld Networks based on three different DCF scenarios. Our fair value range is cSEK5-SEK27, with a Base Case of SEK14 per share. We use a 13% discount rate (WACC) based on Redeye's Rating model. In our Base and Bull cases, we project its current cash position and the proceeds from the T04 and T05 warrants in 2024 to take Wyld to positive net cash flows in 2025.

Catalyst types

Sales/distribution agreements with terrestrial LoRaWAN operators

Sales/distribution agreements with terrestrial LoRaWAN operators would be a clear milestone for Wyld to achieve. We predict such agreements could generate high volume orders since the terrestrial LoRaWAN operators already have a broad customer base using the same type of sensors needed for the satellite connection for their IoT devices.

Ramp-up and conversion of the order book

The ramp-up of the order book for hardware (modules and sensors), along with the conversion of the order book into actual sales, will further prove product-market fit and underpin the growth story.

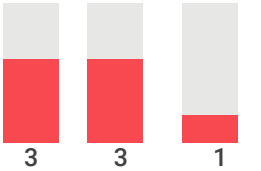
Xavi Solutions XAVI B

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

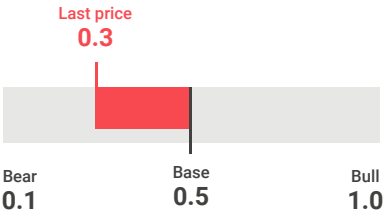
Publication date
January 14 2024

Redeye Rating

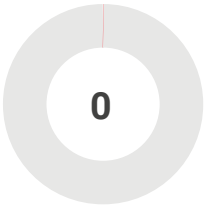
COMPANY QUALITY



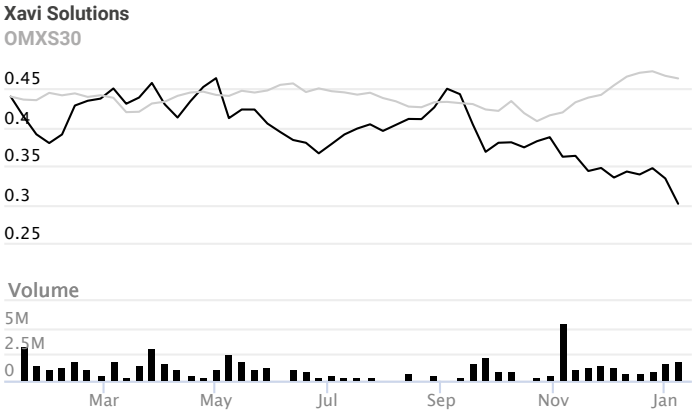
FAIR VALUE RANGE



TIMELINESS



Snapshot



Marketplace	Nordic SME
CEO	Margareta Strandbacke
Chairman	Marcus Pettersson

Share information

Share price (SEK)	0.3
Number of shares (M)	124.9
Market cap (MSEK)	39
Net debt (2024E, MSEK)	-10

Analyst



Fredrik Nilsson
fredrik.nilsson@redeye.se

Conflict of interests

Fredrik Nilsson owns shares in Xavi Solutions: No

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

Financials

		Redeye Estimates		
	2022	2023E	2024E	2025E
Revenue, MSEK	117	102	102	112
Growth	*-1.7%*	*-12.5%*	*0.4%*	*9.6%*
EBITDA	2	-6	7	9
EBITDA margin	*2.0%*	*Neg*	*6.4%*	*7.8%*
EBIT				
EBIT margin	*Neg*	*Neg*	*4.0%*	*5.4%*
Pre-tax earnings	-32	-9	4	6
Net earnings	-32	-9	3	4
Net margin	*Neg*	*Neg*	*2.8%*	*4.0%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.26	-0.07	0.02	0.04
P/E adj.	-1.9	-5.6	17.4	11.2
EV/S	N/A	N/A	N/A	N/A
EV/EBITDA	8.3	-7.3	6.1	4.2

Last updated: 2023-11-13

Owner	Equity	Votes
Empir Group AB	29.1%	28.8%
Avanza Pension	22.8%	22.6%
P Rehn Investment AB	6.1%	6.4%
S-Bolagen AB	5.5%	5.4%
Peak Asset Management	5.2%	5.1%
John Bäck	4.6%	4.5%
Nordea Liv & Pension	2.4%	2.4%
Lars Svensson	1.7%	1.7%
Thomas Krishan	1.6%	1.5%
Lars Save	1.2%	1.9%

Company description

Xavi Solutions is a Swedish IT consulting group with the aim to acquire and develop IT consultancy operations and make its customers more competitive through digital solutions. Resource and competence reinforcement is offered in all phases of the system development process, overall commitments regarding the development and management of large customer-specific IT systems and support. The business is conducted in independent subsidiaries and ventures operated through different brands.

Investment thesis

Case

A Swedish IT consulting group ready to scale up

As a Swedish IT consulting group providing specialised know-how in the structurally growing IT space, Xavi Solutions and its team of experts add value to clients by making them more competitive with digital solutions. With the recent strategic shift to a complete IT consultancy following divestments and operational streamlining, and with group functions that we believe can handle larger volumes at limited cost increases, we see Xavi Solutions poised for growth with improved profitability. As such, solid quarterly reports and M&A will act as future catalysts.

Evidence

The transformation is starting to materialise

Given its solid customer base and recently sharply increased sales through acquisitions, we note that Xavi Solution has validated its business model with a competitive strategy while the company now has the scale to execute its strategic transition to a complete IT consulting group. Moreover, we believe its current EBIT levels around breakeven and its headroom to scale up at limited incremental cost increases suggest solid profitability as Xavi Solutions grows.

Challenge

In need of coveted employees

Attracting and retaining coveted employees, the most valuable asset for any IT consulting firm, is critical, which is a challenge for Xavi Solutions. However, Xavi Solutions works actively with the company culture, which signifies by its Great Place to Work certification. We argue that this certification, combined with the use of Talent Acquisition Specialists (TAS), ensures a good corporate culture with satisfied employees while it supports the company in attracting and retaining skilled and experienced employees.

Challenge

Will it succeed in transforming into a profitable IT consultancy?

While IT consulting companies are generally cash-flow-generating businesses, one challenge for Xavi Solutions is to succeed in transforming into a profitable one. Moreover, the competition for talented employees has driven up salaries in the industry over the years, which could harm margins. However, with its possibility of handling larger volumes with limited overhead, we believe that Xavi Solutions has set the foundation to become profitable, implying scalability and profitability improvements as the company grows.

Valuation

Low EV/S does not reflect its potential

Our DCF model indicates a Base Case of SEK0.50 per share and Bear and Bull cases of SEK0.13 and SEK1.00, respectively. We argue that Xavi Solutions' shift towards a complete IT consulting company has not been seen fully fundamentally yet, creating an interesting opportunity given its current EV/S multiple. As this shift materialises to a greater extent, we argue that Xavi Solutions can shrink the valuation gap to its peers.

Catalyst types

Solid quarterly reports

In Xavi Solutions' current phase, we believe it is important for the company to build a solid track record to demonstrate a stable and robust business to investors. Consequently, we believe quarterly reports serve as catalysts, where each operational improvement builds trustworthiness and thus can reward Xavi Solutions with higher multiples.

M&A

Xavi Solutions has stated M&A aspirations even though organic growth is its primary focus. Consequently, we believe future M&A activities will act as potential share price catalysts.

DISCLAIMER

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

Redeye is licensed to; receive and transmit orders in financial instruments, provide investment advice to clients regarding financial instruments, prepare and disseminate financial analyses/recommendations for trading in financial instruments, execute orders in financial instruments on behalf of clients, place financial instruments without position taking, provide corporate advice and services within mergers and acquisition, provide services in conjunction with the provision of guarantees regarding financial instruments and to operate as a Certified Advisory business (ancillary authorization).

Limitation of liability

This document was prepared for information purposes for general distribution and is not intended to be advisory. The information contained in this analysis is based on sources deemed reliable by Redeye. However, Redeye cannot guarantee the accuracy of the information. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Redeye cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Redeye accepts no liability for any loss or damage resulting from the use of this analysis.

Potential conflict of interest

Redeye's research department is regulated by operational and administrative rules established to avoid conflicts of interest and to ensure the objectivity and independence of its analysts. The following applies:

- For companies that are the subject of Redeye's research analysis, the applicable rules include those established by the Swedish Financial Supervisory Authority pertaining to investment recommendations and the handling of conflicts of interest. Furthermore, Redeye employees are not allowed to trade in financial instruments of the company in question, effective from 30 days before its covered company comes with financial reports, such as quarterly reports, year-end reports, or the like, to the date Redeye publishes its analysis plus two trading days after this date.
- An analyst may not engage in corporate finance transactions without the express approval of management, and may not receive any remuneration directly linked to such transactions.
- Redeye may carry out an analysis upon commission or in exchange for payment from the company that is the subject of the analysis, or from an underwriting institution in conjunction with a merger and acquisition (M&A) deal, new share issue or a public listing. Readers of these reports should assume that Redeye may have received or will receive remuneration from the company/companies cited in the report for the performance of financial advisory services. Such remuneration is of a predetermined amount and is not dependent on the content of the analysis.

Redeye's research coverage

Redeye's research analyses consist of case-based analyses, which imply that the frequency of the analytical reports may vary over time. Unless otherwise expressly stated in the report, the analysis is updated when considered necessary by the research department, for example in the event of significant changes in market conditions or events related to the issuer/the financial instrument.

Recommendation structure

Redeye does not issue any investment recommendations for fundamental analysis. However, Redeye has developed a proprietary analysis and rating model, Redeye Rating, in which each company is analyzed and evaluated. This analysis aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Duplication and distribution

This document may not be duplicated, reproduced or copied for purposes other than personal use. The document may not be distributed to physical or legal entities that are citizens of or domiciled in any country in which such distribution is prohibited according to applicable laws or other regulations.

Copyright Redeye AB.



REDEYE

REDEYE is the next generation investment banking company, specialized in Life Science and Technology.
Clients are innovative and fast-growing companies based in the Nordics but with a global reach. Redeye is a leading provider of Equity Research, Corporate Broking, and Corporate Finance in these sectors. The research is built on a value-based investment philosophy and with a unique Rating model. Redeye was founded in Stockholm 1999 and is regulated by the Swedish Financial Authority (Finansinspektionen).