

# Verisec

Sector: Information Technology

## A strong quarter

### New valuation

As the outcome for the first quarter of 2019 was in line with the preliminary communicated numbers from April 24, there were no big surprises in the report, number wise. Another big “news” – given the markets reaction – is the communication of future capital need. Although this information was already included in the annual report it was only given attention this quarterly report. We consider a targeted share issue as the most likely alternative and believe that this should be the last capital injection before the company becomes self-financed. We now include 8 percent dilution from raising of around SEK 35 million (the precise numbers is of course dependent on the share price at the time of the issue). Our new valuation, adjusted for the issue and lowered sale estimates for Freja eID amounts to **SEK 110 (126) per share** in base case.

### Lower sales estimates for Freja eID

As the monetization of Freja eID has been slower than anticipated, sales estimates for the segment has been cut slightly.

### Strong development for the core business

Sales at SEK 28.1 (17.7) million exceeded our estimates of SEK 18.4 million by a wide margin. Even though these are uplifting numbers we do not believe it represents a new “normal” level and thus do not extrapolate the growth numbers. Historically, sales development has fluctuated, with some periods showing strong growth and others showing weak numbers.

### Most important task still to be solved

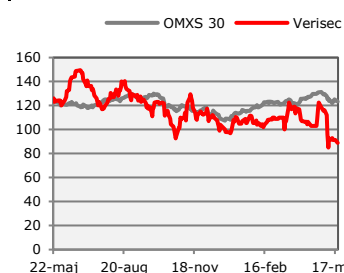
During 2019 Verisecs most important task will start to be in focus in order to become a platform company – to aggregate demand (users). Hence we would like to get a better insight about the users to improve the evaluation of the case. This report, as the earlier ones, still focuses on the supply side and the service providers. Going forward, the number of users will be the dominant factor in our assessment of the investment case as we believe that power, for “digital goods”, comes from controlling demand (users).

| KEY FINANCIALS (SEKm) | 2017 | 2018 | 2019E | 2020E | 2021E | 2022E |
|-----------------------|------|------|-------|-------|-------|-------|
| Net sales             | 64   | 76   | 90    | 117   | 154   | 193   |
| EBITDA                | -14  | -22  | -17   | -2    | 22    | 53    |
| EBIT                  | -22  | -28  | -30   | -16   | 7     | 39    |
| EPS (adj.)            | -4.8 | -6.2 | -5.8  | -2.6  | 1.2   | 6.2   |
| EV/Sales              | 8.5  | 5.8  | 4.7   | 3.8   | 2.9   | 2.1   |
| EV/EBITDA             | Neg. | Neg. | Neg.  | Neg.  | 20.3  | 7.5   |
| EV/EBIT               | Neg. | Neg. | Neg.  | Neg.  | 59.9  | 10.4  |
| P/E                   | Neg. | Neg. | Neg.  | Neg.  | 74.3  | 14.2  |

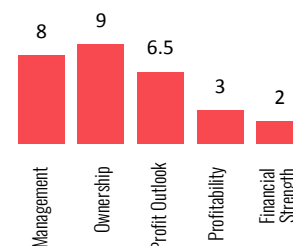
### FAIR VALUE RANGE

| BEAR | BASE  | BULL  |
|------|-------|-------|
| 45.0 | 110.0 | 310.0 |

### VERSUS OMXS30



### REDEYE RATING



### KEY STATS

|                     |             |
|---------------------|-------------|
| Ticker              | VERI.ST     |
| Market              | First North |
| Share Price (SEK)   | 88.0        |
| Market Cap (MSEK)   | 429         |
| Net Debt 19E (MSEK) | -39         |
| Free Float          | 43 %        |

### ANALYSTS

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## Q1'19 reflections

Net sales amounted to SEK 28.1 (17.7) million (expected: 18.4) with an operating profit of SEK -5.7 (-8.7) million (expected: -8.8), including the impact of IFRS 16 (0.1 SEKm).

| Verisec: Estimates vs. Outcome, Q1'19 |             |             |             |             |
|---------------------------------------|-------------|-------------|-------------|-------------|
| (SEKm)                                | Q1'18       | Q1'19e      | Outcome     | Dev. (Abs.) |
| <b>Net sales</b>                      | <b>17.7</b> | <b>18.4</b> | <b>28.1</b> | 9.7         |
| <i>growth y/y</i>                     | 25%         | 4%          | 59%         |             |
| Activated costs                       | 0.9         | 1.3         | 1.0         | -0.3        |
| <b>Total revenue</b>                  | <b>18.7</b> | <b>19.7</b> | <b>29.2</b> | 9.5         |
| COGS                                  | -6.6        | -6.8        | -10.6       |             |
| Personnel costs                       | -10.9       | -11.8       | -13.9       |             |
| Other OPEX                            | -8.4        | -7.9        | -7.2        |             |
| <b>EBITDA</b>                         | <b>-7.2</b> | <b>-6.8</b> | <b>-2.6</b> | 4.2         |
| D&A                                   | -1.6        | -2.0        | -3.1        |             |
| <b>EBIT</b>                           | <b>-8.7</b> | <b>-8.8</b> | <b>-5.7</b> | 3.1         |
| Gross-margin                          | 63%         | 63%         | 62%         | -0.7 pp     |
| EBITDA-margin                         | <i>neg.</i> | <i>neg.</i> | <i>neg.</i> |             |
| EBIT-margin                           | <i>neg.</i> | <i>neg.</i> | <i>neg.</i> |             |

Source: Redeye Research, Verisec

Positive development in both of the company's focus areas - digital identities and information security - explains the strong figures according to Verisec. Looking at the revenue distribution it is clear that the numbers are not driven by Sweden (and consequently not by Freja eID).

| Verisec: Revenue distribution, Q1'18, Q1'19 |             |             |            |
|---|-------------|-------------|------------|
| (SEKm)                                      | Q1'18       | Q1'19       | Change     |
| <i>by geography</i>                         |             |             |            |
| Sweden                                      | 7.7         | 7.9         | 3%         |
| <i>% of total sales</i>                     | 43%         | 28%         |            |
| Europé (excl. Sweden)                       | 4.5         | 14.8        | 231%       |
| <i>% of total sales</i>                     | 25%         | 53%         |            |
| Others                                      | 5.6         | 5.4         | -4%        |
| <i>% of total sales</i>                     | 31%         | 19%         |            |
| <b>Total sales</b>                          | <b>17.7</b> | <b>28.1</b> | <b>59%</b> |
| <i>by product</i>                           |             |             |            |
| Goods                                       | 3.3         | 10.0        | 199%       |
| <i>% of total sales</i>                     | 19%         | 35%         |            |
| Services (incl. Support)                    | 14.4        | 18.2        | 26%        |
| <i>% of total sales</i>                     | 81%         | 65%         |            |
| <b>Total sales</b>                          | <b>17.7</b> | <b>28.1</b> | <b>59%</b> |

Source: Redeye Research, Verisec

Looking at sales by product group both 'Goods' and 'Services' showed a big uptake, even though 'Goods' outperformed. It is uplifting that the gross margin is in line with Q1'18 even though 'Goods' share of total sales has increased to 35 (19) percent. We also think that the numbers for 'Goods' was driven by bigger orders than normal – partially explaining the big sales deviation. This is due to the long sales cycle, and something that will be evident also in the future, resulting in sales that will fluctuate from q/q.

## Financial projections

Following the report sales estimates for Freja eID are postponed later into the future and the total sales during our forecast has been cut slightly. Going forward, the number of users will be the dominant factor in our assessment of the investment case as we believe that power, for “digital goods”, comes from controlling demand (users). The number of users during 2019-2020 will have a big impact on our view of the investment case and thus our valuation.

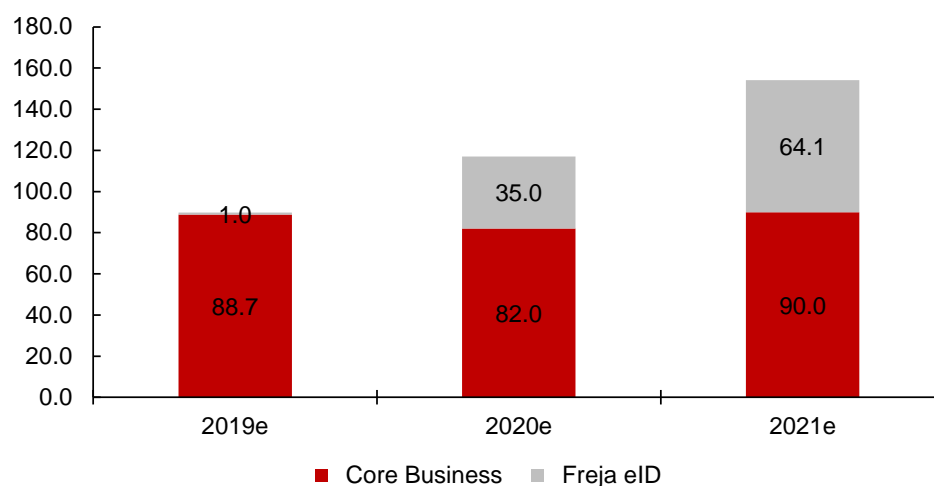
It is hard to put estimates on the number of users connected to Freja eID in 2019- 2020, but one can look at specific clusters of users within

the public sector (focus vertical for Verisec) in Sweden. The number of employees in the public sector is around 1.6 million. The number of employees in municipalities and county councils is over 1 million, where 270 000 is within county councils. We think that market penetration of 30 percent of the total employees (that is 300 000 users) in municipalities and county councils should be a realistic and achievable number the coming years.

| <b>Verisec: Estimates changes, '19e-'20e</b> |              |              |
|--|--------------|--------------|
| <b>(SEKm)</b>                                | <b>2019e</b> | <b>2020e</b> |
| <b>Net sales (new)</b>                       | <b>90</b>    | <b>117</b>   |
| Net sales (old)                              | 80           | 122          |
| change (%)                                   | 12%          | -4%          |
| <b>COGS (new)</b>                            | <b>-33</b>   | <b>-36</b>   |
| COGS (old)                                   | -30          | -37          |
| change (%)                                   | 11%          | -2%          |
| <b>OPEX (new)</b>                            | <b>-78</b>   | <b>-88</b>   |
| OPEX (old)                                   | -78          | -89          |
| change (%)                                   | 0%           | -1%          |
| <b>EBIT (new)</b>                            | <b>-30</b>   | <b>-16</b>   |
| EBIT (old)                                   | -21          | -8           |
| change (%)                                   | -19%         | n.m          |

Source: Redeye Research

### Verisec: Sales by business segment, '19e-'21e, SEKm



Source: Redeye Research

## Detailed estimates

| Verisec: Estimates '19e-'21e |             |             |             |             |              |             |             |             |             |              |              |              |
|------------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| (SEKm)                       | Q1'18       | Q2'18       | Q3'18       | Q4'18       | 2018         | Q1'19       | Q2'19e      | Q3'19e      | Q4'19e      | 2019e        | 2020e        | 2021e        |
| <b>Net sales</b>             | <b>17.7</b> | <b>19.2</b> | <b>19.8</b> | <b>19.5</b> | <b>76.2</b>  | <b>28.1</b> | <b>20.0</b> | <b>20.8</b> | <b>20.8</b> | <b>89.7</b>  | <b>117.0</b> | <b>154.1</b> |
| Core Business                | 17.7        | 19.2        | 19.8        | 19.5        | 76.2         | 28.1        | 20.0        | 20.3        | 20.3        | 88.7         | 82.0         | 90.0         |
| Freja eID                    | 0.0         | 0.0         | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.5         | 0.5         | 1.0          | 35.0         | 64.1         |
| Growth YoY (%)               | 24.9%       | 54.5%       | 7.3%        | 21.9%       | 24.8%        | 59%         | 4%          | 5%          | 7%          | 18%          | 30%          | 32%          |
| Activated costs              | 0.9         | 1.4         | 1.3         | 1.3         | 4.9          | 1.0         | 1.3         | 1.4         | 1.4         | 5.1          | 6.0          | 8.0          |
| <b>Total revenue</b>         | <b>18.7</b> | <b>20.6</b> | <b>21.1</b> | <b>20.8</b> | <b>81.1</b>  | <b>29.2</b> | <b>21.3</b> | <b>22.2</b> | <b>22.2</b> | <b>94.9</b>  | <b>123.0</b> | <b>162.1</b> |
| COGS                         | -6.6        | -8.1        | -7.2        | -6.4        | -28.2        | -10.6       | -7.4        | -7.7        | -7.7        | -33.4        | -36.3        | -43.1        |
| Personnel costs              | -10.9       | -11.5       | -10.2       | -11.8       | -44.4        | -13.9       | -12.0       | -11.2       | -12.4       | -49.5        | -56.0        | -61.5        |
| Other OPEX                   | -8.4        | -8.0        | -6.1        | -7.7        | -30.2        | -7.2        | -7.4        | -6.4        | -7.7        | -28.7        | -32.5        | -35.7        |
| <b>EBITDA</b>                | <b>-7.2</b> | <b>-7.0</b> | <b>-2.4</b> | <b>-5.1</b> | <b>-21.7</b> | <b>-2.6</b> | <b>-5.5</b> | <b>-3.1</b> | <b>-5.6</b> | <b>-16.8</b> | <b>-1.7</b>  | <b>21.7</b>  |
| D&A                          | -1.6        | -1.6        | -1.7        | -1.9        | -6.9         | -3.1        | -3.2        | -3.3        | -3.3        | -13.0        | -14.0        | -14.3        |
| <b>EBIT</b>                  | <b>-8.7</b> | <b>-8.5</b> | <b>-4.1</b> | <b>-7.1</b> | <b>-28.5</b> | <b>-5.7</b> | <b>-8.7</b> | <b>-6.4</b> | <b>-8.9</b> | <b>-29.7</b> | <b>-15.7</b> | <b>7.3</b>   |
| Gross-margin                 | 63%         | 58%         | 64%         | 67%         | 63%          | 62%         | 63%         | 63%         | 63%         | 63%          | 69%          | 72%          |
| EBITDA-margin                | neg         | neg         | neg         | neg         | neg          | neg         | neg         | neg         | neg         | neg          | -1%          | 14%          |
| EBIT-margin                  | neg         | neg         | neg         | neg         | neg          | neg         | neg         | neg         | neg         | neg          | -13%         | 4.8%         |

Source: Redeye Research, Verisec

## Valuation

Based on our discount rate of 12.0 percent (used in all scenarios), we have a fair value range of **SEK 45-310 (50-354)** with a base case of **SEK 110 (126) per share**. The lower valuation is mainly a result of the anticipated dilution of ~8.0 percent. Verisec communicates that it has insufficient working capital for their needs over the next twelve months and that further capital is needed during 2019. Current capital is estimated to be sufficient until the fourth quarter 2019.

### Bear Case 45.0 SEK

In our bear case scenario, we expect Freja eID to be used as a complement to more dominating standards such as BankID. In this scenario, Freja eID will not become one of the 2-4 most used electronic identities in Sweden. The landscape within this segment will become more competitive in the near future, and Freja eID will only be used within minor niche segments within, for example, the public sector. Most revenues will, therefore, come from Verisec's core business. Average growth rate during 2018-2022 is set to 16 percent and profitability is postponed to 2022. The company will be able to maintain a margin at around 14 percent on a maturity level.

### Base Case 110.0 SEK

We expect Freja eID to become a standard in the public sector, for four main reasons: the technical platform in cooperation with Tieto; the infrastructure established in the cooperation with ATG; the certification from Sweden's E-identification Board; and the cost control offered by the pricing model. We believe that retail chains and e-commerce could find cost savings and simplified customers' processes a good reason for joining Verisec's service. If Freja eID succeeds in achieving critical mass, we believe that gambling companies and various payment solutions providers may find a lot of interest. eIDAS and other regulations will be key future drivers for Freja eID. If the company succeed in its transformation to a platform company EBIT-margins around 40 percent is possible. However, at this early stage, we estimate the company will be able to maintain a margin at around 20 percent on a maturity level. The economies of scale are evident, with its mobile solution providing substantial margins. The EBIT margin is expected to turn positive 2021 with an average sales growth of 26 percent during 2018-2022.

### Bull Case 310.0 SEK

In our bull case scenario, the strategic transformation into a platform company becomes successful with a good market penetration in most of the communicated customers segments. Freja eID is estimated to be a standard within the public sector in Sweden. Member organisations will be the other customer segment that will drive growth in the beginning. A number of niche banks in the Nordics will also offer Freja eID as a complement to BankID etcetera during the next coming years. During the years 2019-2022 other customers segments will follow suit including grocery chains, e-commerce, gambling companies and various payment solutions providers. Within this segments, however, Freja eID will be one of the 2-3 standards. The majority of the growth will come from Sweden and the Nordics during this years. eIDAS and other regulations will be key future drivers for Freja eID. The company will be able to maintain a margin at around 35 percent on a maturity level. Verisec's average margins are set to be around 11 percent with a CAGR of approximately 48 percent during 2018-2022.

## Catalysts

### Framework agreement

Framework agreement with a large cluster of municipalities

### A major niche bank

Resurs Bank is already a service provider and we believe a number of other niche banks will highly likely offer Freja eID.

### Big member organization

We see the public sector and member organisations as the most likely customers in 2019. Many potential service providers have millions of users.



## Summary Redeye Rating

The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

### Rating changes in the report

No changes.

#### **Management: 8.0**

The allocation of capital by management can be considered value-accretive by observing its track record. Transparency could be increased to some extent in terms of more detailed segment revenues for example. Although, management has historically allowed Verisec to grow with profitability at a pace it can handle.

#### **Ownership: 9.0**

The stable ownership from Marquay Invest (57%) where the CEO and founder Johan Henrikson is a major shareholder has enabled the company to grow profitably and to constantly evolve its products and services. Swedbank Robur Ny Teknik owns 9.6% of the shares in the company.

#### **Profit Outlook: 6.5**

The company has since its inception been able to transform its product offering in line with user convenience trends. However, the competition is intense and there are a number of initiatives that pose a danger to the company in the longer term.

#### **Profitability: 3.0**

Verisec has historically had an impressive profitability record during periods of high growth. The last years the level of profitability has dropped due to its expansion and investments in Freja eID.

#### **Financial Strength: 2.0**

Verisec and its core business have a large proportion of recurring revenue and a relatively diversified allocation of revenue among its customers. The future capital need is an uncertainty that lowers the rating. As for now, we are uncertain about the near-term development for Freja eID. This uncertainty should disappear the coming quarters and a higher score will be motivated if Freja eID scales up sooner than expected (in terms of growth).

| INCOME STATEMENT      | 2017 | 2018 | 2019E | 2020E | 2021E |
|-----------------------|------|------|-------|-------|-------|
| Net sales             | 64   | 76   | 90    | 117   | 154   |
| Total operating costs | -77  | -98  | -107  | -119  | -132  |
| EBITDA                | -14  | -22  | -17   | -2    | 22    |
| Depreciation          | -4   | -6   | -3    | -3    | -2    |
| Amortization          | -5   | -1   | -10   | -11   | -12   |
| Impairment charges    | 0    | 0    | 0     | 0     | 0     |
| EBIT                  | -22  | -28  | -30   | -16   | 7     |
| Share in profits      | 0    | 0    | 0     | 0     | 0     |
| Net financial items   | 1    | -1   | -1    | 0     | 0     |
| Exchange rate dif.    | 0    | 0    | 0     | 0     | 0     |
| Pre-tax profit        | -21  | -29  | -30   | -16   | 7     |
| Tax                   | 0    | 0    | 0     | 2     | -1    |
| Net earnings          | -21  | -30  | -31   | -14   | 6     |

| BALANCE SHEET              | 2017 | 2018 | 2019E | 2020E | 2021E |
|----------------------------|------|------|-------|-------|-------|
| <b>Assets</b>              |      |      |       |       |       |
| <i>Current assets</i>      |      |      |       |       |       |
| Cash in banks              | 18   | 29   | 41    | 26    | 28    |
| Receivables                | 14   | 19   | 22    | 29    | 39    |
| Inventories                | 2    | 1    | 2     | 2     | 3     |
| Other current assets       | 16   | 15   | 15    | 15    | 15    |
| Current assets             | 50   | 64   | 81    | 72    | 84    |
| <i>Fixed assets</i>        |      |      |       |       |       |
| Tangible assets            | 5    | 6    | 6     | 7     | 8     |
| Associated comp.           | 0    | 0    | 0     | 0     | 0     |
| Investments                | 0    | 0    | 0     | 0     | 0     |
| Goodwill                   | 0    | 0    | 0     | 0     | 0     |
| Cap. exp. for dev.         | 0    | 0    | 0     | 0     | 0     |
| 0 intangible rights        | 9    | 14   | 15    | 11    | 7     |
| 0 non-current assets       | 0    | 0    | 11    | 11    | 11    |
| Total fixed assets         | 14   | 20   | 33    | 29    | 26    |
| Deferred tax assets        | 0    | 0    | 0     | 0     | 0     |
| Total (assets)             | 64   | 85   | 113   | 101   | 111   |
| <b>Liabilities</b>         |      |      |       |       |       |
| <i>Current liabilities</i> |      |      |       |       |       |
| Short-term debt            | 0    | 0    | 2     | 1     | 4     |
| Accounts payable           | 39   | 46   | 58    | 61    | 62    |
| 0 current liabilities      | 0    | 0    | 0     | 0     | 0     |
| Current liabilities        | 39   | 46   | 61    | 62    | 65    |
| Long-term debt             | 0    | 0    | 0     | 0     | 0     |
| 0 long-term liabilities    | 0    | 0    | 7     | 7     | 7     |
| Convertibles               | 0    | 0    | 0     | 0     | 0     |
| Total Liabilities          | 39   | 46   | 67    | 69    | 72    |
| Deferred tax liab          | 0    | 0    | 0     | 0     | 0     |
| Provisions                 | 0    | 0    | 0     | 0     | 0     |
| Shareholders' equity       | 24   | 39   | 46    | 32    | 39    |
| Minority interest (BS)     | 0    | 0    | 0     | 0     | 0     |
| Minority & equity          | 24   | 39   | 46    | 32    | 39    |
| Total liab & SE            | 64   | 85   | 113   | 101   | 111   |

| FREE CASH FLOW        | 2017 | 2018 | 2019E | 2020E | 2021E |
|-----------------------|------|------|-------|-------|-------|
| Net sales             | 64   | 76   | 90    | 117   | 154   |
| Total operating costs | -77  | -98  | -107  | -119  | -132  |
| Depreciations total   | -9   | -7   | -13   | -14   | -14   |
| EBIT                  | -22  | -28  | -30   | -16   | 7     |
| Taxes on EBIT         | 0    | 0    | 0     | 2     | -1    |
| NOPLAT                | -22  | -29  | -30   | -13   | 6     |
| Depreciation          | 9    | 7    | 13    | 14    | 14    |
| Gross cash flow       | -14  | -22  | -17   | 1     | 21    |
| Change in WC          | 13   | 3    | 9     | -5    | -9    |
| Gross CAPEX           | -12  | -13  | -25   | -10   | -12   |
| Free cash flow        | -13  | -32  | -33   | -14   | 0     |

| CAPITAL STRUCTURE     | 2017 | 2018 | 2019E | 2020E | 2021E |
|-----------------------|------|------|-------|-------|-------|
| Equity ratio          | 38%  | 46%  | 41%   | 32%   | 35%   |
| Debt/equity ratio     | 0%   | 0%   | 5%    | 5%    | 9%    |
| Net debt              | -18  | -29  | -39   | -24   | -24   |
| Capital employed      | 6    | 10   | 7     | 8     | 15    |
| Capital turnover rate | 1.0  | 0.9  | 0.8   | 1.2   | 1.4   |

| GROWTH           | 2017 | 2018 | 2019E | 2020E | 2021E |
|------------------|------|------|-------|-------|-------|
| Sales growth     | 3%   | 20%  | 18%   | 30%   | 32%   |
| EPS growth (adj) | 19%  | 29%  | -6%   | -56%  | -146% |

| PROFITABILITY | 2017  | 2018  | 2019E | 2020E | 2021E |
|---------------|-------|-------|-------|-------|-------|
| ROE           | -63%  | -93%  | -72%  | -35%  | 18%   |
| ROCE          | -53%  | -90%  | -68%  | -38%  | 19%   |
| ROIC          | -142% | -460% | -304% | -189% | 77%   |
| EBITDA margin | -22%  | -28%  | -19%  | -1%   | 14%   |
| EBIT margin   | -35%  | -37%  | -33%  | -13%  | 5%    |
| Net margin    | -33%  | -39%  | -34%  | -12%  | 4%    |

| DATA PER SHARE | 2017  | 2018  | 2019E | 2020E | 2021E |
|----------------|-------|-------|-------|-------|-------|
| EPS            | -4.80 | -6.17 | -5.80 | -2.58 | 1.18  |
| EPS adj        | -4.80 | -6.17 | -5.80 | -2.58 | 1.18  |
| Dividend       | 0.00  | 0.00  | 0.00  | 0.00  | 0.00  |
| Net debt       | -4.10 | -6.04 | -7.39 | -4.60 | -4.58 |
| Total shares   | 4.44  | 4.79  | 5.27  | 5.27  | 5.27  |

| VALUATION   | 2017  | 2018  | 2019E | 2020E  | 2021E |
|-------------|-------|-------|-------|--------|-------|
| EV          | 540.8 | 440.2 | 425.0 | 439.7  | 439.8 |
| P/E         | -26.3 | -15.9 | -15.2 | -34.1  | 74.3  |
| P/E diluted | -26.3 | -15.9 | -15.2 | -34.1  | 74.3  |
| P/Sales     | 8.8   | 6.2   | 5.2   | 4.0    | 3.0   |
| EV/Sales    | 8.5   | 5.8   | 4.7   | 3.8    | 2.9   |
| EV/EBITDA   | -39.4 | -20.4 | -25.4 | -267.3 | 20.3  |
| EV/EBIT     | -24.3 | -15.5 | -14.3 | -28.0  | 59.9  |
| P/BV        | 22.9  | 12.1  | 10.1  | 14.3   | 12.0  |

| SHARE PERFORMANCE       | GROWTH/YEAR |                      | 16/18E |
|-------------------------|-------------|----------------------|--------|
| 1 month                 | -14.6 %     | Net sales            | 18.8 % |
| 3 month                 | -18.5 %     | Operating profit adj | 15.5 % |
| 12 month                | -30.2 %     | EPS, just            | 10.0 % |
| Since start of the year | -10.2 %     | Equity               | 37.2 % |

| SHAREHOLDER STRUCTURE %       | CAPITAL | VOTES  |
|-------------------------------|---------|--------|
| Marquay Invest AB             | 55.5 %  | 55.5 % |
| Swedbank Robur Fonder         | 9.4 %   | 9.4 %  |
| Handelsbanken Fonder          | 5.5 %   | 5.5 %  |
| Svolder AB                    | 5.1 %   | 5.1 %  |
| AMF Aktiefond Småbolag        | 3.9 %   | 3.9 %  |
| Merlinum AB                   | 3.8 %   | 3.8 %  |
| Kristofer von Beetzen         | 2.5 %   | 2.5 %  |
| Arpeggio AB                   | 1.5 %   | 1.5 %  |
| Avanza Pension                | 1.1 %   | 1.1 %  |
| Nordnet Pensionsförsäkring AB | 0.9 %   | 0.9 %  |

| SHARE INFORMATION     |             |
|-----------------------|-------------|
| Reuters code          |             |
| List                  | First North |
| Share price           | 88.0        |
| Total shares, million | 4.9         |
| Market Cap, MSEK      | 428.8       |

| MANAGEMENT & BOARD |                       |
|--------------------|-----------------------|
| CEO                | Johan Henrikson       |
| CFO                | Jakub Missuna         |
| IR                 | Kristofer von Beetzen |
| Chairman           | Christian Rajter      |

| FINANCIAL INFORMATION |  |
|-----------------------|--|
|                       |  |
|                       |  |
|                       |  |
|                       |  |
|                       |  |

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## Redeye Rating and Background Definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

### Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

### Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

### Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

### Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

### Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

### Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicity, and 8 – Forthcoming binary events.

## Redeye Equity Research team

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## 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.

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### Redeye Rating (2019-05-22)

| Rating       | Management | Ownership | Profit outlook | Profitability | Financial Strength |
|--------------|------------|-----------|----------------|---------------|--------------------|
| 7,5p - 10,0p | 53         | 52        | 21             | 12            | 22                 |
| 3,5p - 7,0p  | 94         | 88        | 126            | 44            | 60                 |
| 0,0p - 3,0p  | 14         | 21        | 14             | 105           | 79                 |
| Company N    | 161        | 161       | 161            | 161           | 161                |

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### CONFLICT OF INTERESTS

Havan Hanna owns shares in the company : No

Tomas Otterbeck owns shares in the company : No

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