

Energy Save

Sector: Clean tech

Stellar performance

Redeye raises its estimates and valuation for Energy Save following the strong Q2 2022/2023 report and continued solid market outlook for heat pumps, which is expected to grow by 20% p.a until 2025.

Exceptional financial quarter

Net sales grew 114% sequentially from Q1'2022/2023 and reached SEK109.9m, particularly driven by residential and the European market, representing 76% and 58% of net sales, respectively. Given the 7% EBIT margin in Q1'2022/2023, we expected an improvement also in Q2. However, the EBIT margin of c20% was stronger than we expected. The company will increase its investment to further gain its market share and guide that the profitability levels are likely to come down in the coming quarters.

Substantial market tailwinds

EHPA estimates the market for heat pumps to grow by a CAGR 20% until 2025, further supported by EU's RePowerEU initiatives. As such, the number of heat pumps in EU shall increase from c12m to c60m, up almost 7x from 2021's levels. We argue Energy Save is well-positioned to grasp this opportunity due to its air/water niche, prefabrication, and digital offering.

New base case at SEK255 (106)

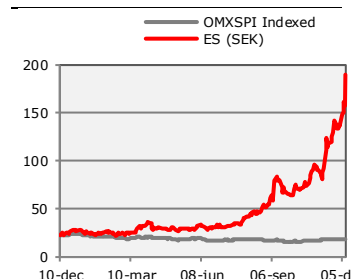
The momentum for heat pumps remains strong. We argue Energy Save has reached a new level and still believe there is ample room to grow by entering new markets, such as the recent launch in the UK. However, given the gross margins of c30% and further investments in its organization, we believe the margin expansion in the coming years to be muted. Our new base case stands at SEK255 (106), which we derive from a DCF and earnings multiple approach. At our base case, Energy Save would trade at 17.5x EV/EBIT (23/24e), Implies in a discount of ~20% versus key peers.

Key Financials (SEKm)	2021	2022E	2023E	2024E
Net sales	108	402	506	623
Revenue growth	95%	273%	26%	23%
EBITDA	1	78	101	129
EBIT	-2	72	93	120
EBIT Margin (%)	-2%	18%	18%	19%
Net Income	-3	54	72	93
EV/Revenue	1.3	3.0	2.3	1.7
EV/EBIT	neg	16.6	12.4	9.1
P/E	neg	22.6	17.1	13.3

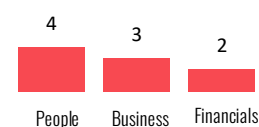
FAIR VALUE RANGE

BEAR	BASE	BULL
140	255	335

ESGR VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	ESGR B
Market	Spotlight
Share Price (SEK)	212
Market Cap (SEKm)	1,230
Net Debt 2023E (SEKm)	-34
Free Float (%)	17%
Avg. daily volume ('000)	1,000

ANALYSTS

Viktor Lindström
viktor.lindstrom@redeye.se

Henrik Alveskog
Henrik.alveskog@redeye.se

Q2 '2022/2023 - Review

The Q2 22/23 report was exceptional. Net sales of SEK109.9m were already released. However, the EBIT margin of c20% was very strong and illustrated its lean business model.

Deviation table:

Energy Save deviation table					
SEKm	Q2 21/22	Q2 22/23A	Q2 22/23e	Diff absolute	Diff %
Net Sales	29.6	109.9	54.6	55.3	101%
<i>Residential</i>	24.0	84.0	36.9	47.1	127%
<i>Commercial</i>	5.3	25.1	17.1	8.0	47%
<i>Other</i>	0.3	0.7	0.5	0.2	43%
Other income	0.5	-2.4	0.3	-2.7	-910%
Total Revenue	30.0	107.5	54.9	52.6	96%
COGS	-21.6	-75.2	-39.6	-35.5	90%
Gross Profit	8.4	32.3	15.3	17.0	111%
Own capitalization	0.6	1.3	0.9	0.4	44%
Other external expenses	-3.5	-6.6	-4.8	-1.7	36%
Personnel expenses	-2.9	-4.7	-4.4	-0.3	6%
Other expenditures	0	0.0	0.0	0.0	
Total Opex	-5.7	-9.9	-8.3	-1.6	19%
EBITDA	2.7	22.4	7.0	15.4	221%
D&A	-0.6	-1.2	-1.2	0.0	-1%
EBIT	2.1	21.2	5.8	15.4	267%
KPI's					
<i>Net sales Y/Y %</i>	112%	272%	85%		
<i>Net sales Q/Q %</i>	229%	112%	6%		
<i>Gross margin %</i>	26.9%	31.6%	27.4%		
<i>EBITDA margin %</i>	9.1%	20.8%	12.7%		
<i>EBIT margin %</i>	7.1%	19.7%	10.5%		

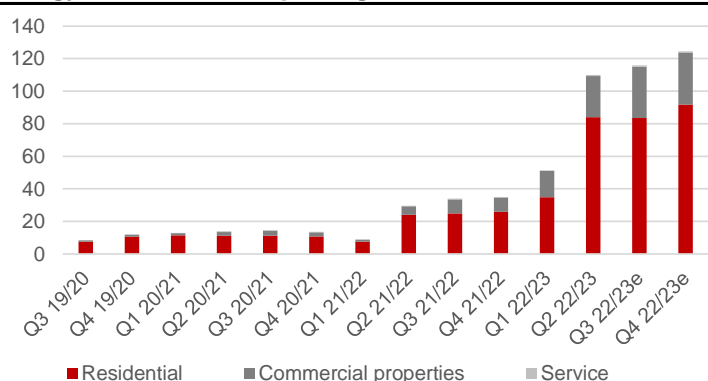
Source: Redeye research

Net sales came in at SEK 109.9m (29.6), equivalent to a y/y growth of 272%. Sales from residential came in at SEK84m (24), while the commercial properties contributed with SEK25m (5). The sequential growth of 112% was beyond our expectations and driven by all segments. However, we are especially impressed by the residential performance, particularly in Europe. Residential accounted for 76% of net sales, while net sales generated in Europe represented 58%.

By single markets, Denmark represented 35% of net sales in the quarter, while Hungary represented 14%. We believe a large order to the Danish market clearly contributed positively.

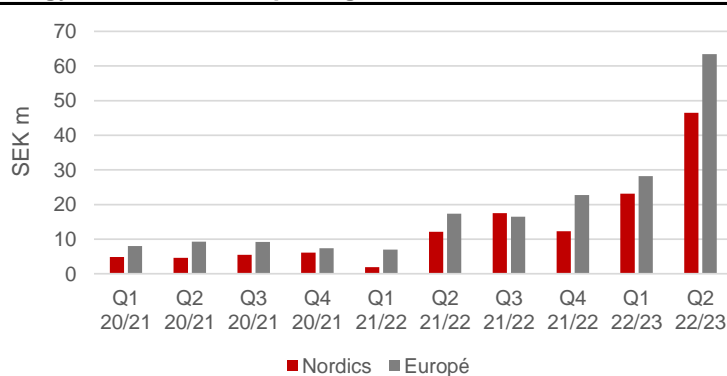
The exceptional performance in the EU is particularly based on EU's transition towards green electricity, which is expected to drive the overall market for heat pumps significantly going forward.

Energy Save: Net Sales per segment



Source: Redeye Research

Energy Save: Net Sales per region



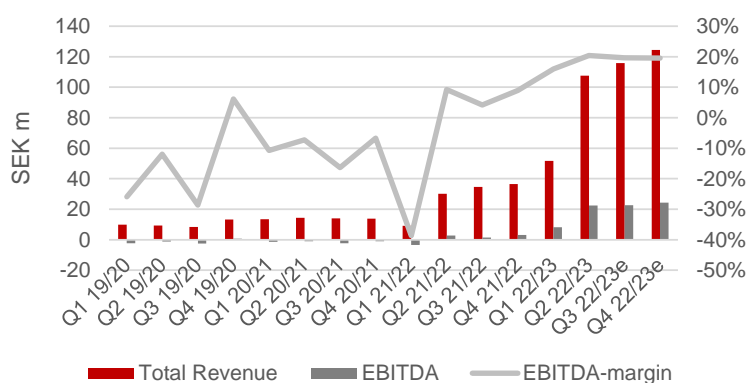
Source: Redeye Research

Gross profit amounted to SEK32.3m (8.4), for a gross margin of 31.6% (26.9), up versus 30.8% in Q1'2022/2023. On an R12m basis, the gross margin reached 29.3% (25). An improvement. The gross margin is an important KPI to follow going forward as Energy Save is investing in its new digital offering, which should result in a higher gross margin going forward. However, we believe this is still a few years out before this contributes to scale.

Total Opex came in at SEK-9.9m, SEK1.6m higher than our estimates due to further investments to meet the growing demand.

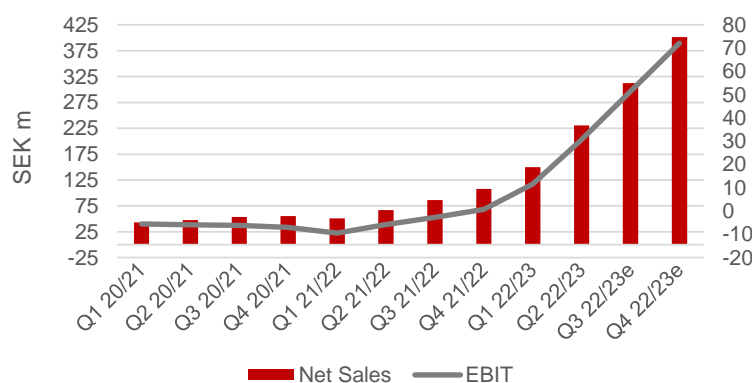
EBIT came in at SEK21.2m (2.1) and reached an EBIT margin of 19.7% (7). The strong print was driven by higher volume, an enhanced gross margin, and solid cost control. The EBIT margin reached 13.3% on an R12m basis.

Energy Save: Net sales, EBITDA and margin% - quartely



Source: Redeye Research

Energy Save: Net Sales(LHS) and EBIT(RHS) LTM



Source: Redeye Research

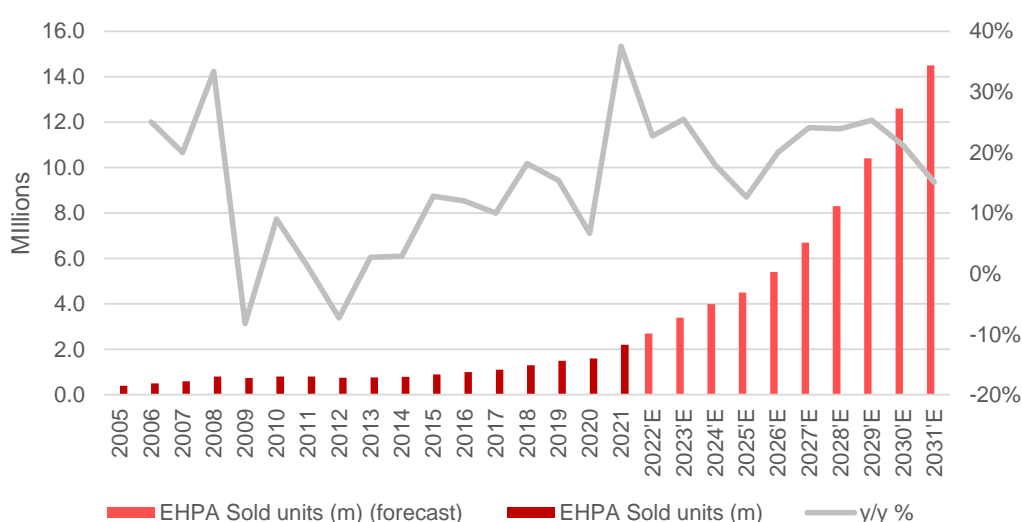
The only negative thing in the report was the cash flow. Operating cash flow came in at SEK2.6m, for a cash conversion of 12%, harmed by working capital changes. Free cash flow reached SEK0.7m in the quarter. Energy Save ended the quarter with a net cash position of SEK16m.

Market tailwinds

Given the current electricity crisis, the alternative costs for installing heat pumps have been reduced. As such, the payback time for investing in heat pumps has shortened, which should boost demand. In addition, EUs green deal and RePowerEU initiatives imply that the European Union's transition towards green electricity has accelerated.

In the long term, EHPA estimate that the number of sold heat pumps should grow by a CAGR of 20% and reach 4.5 million sold units in 2025. Given EUs RePowerEU initiatives, EHPA now believes that the sold units in 2031 could reach 14.5 million. Up almost 7x from 2021's levels. Additionally, RePowerEU primarily targets air/water and geothermal heat pumps. There are clear possibilities for Energy Save to capitalize on the growing market due to its prefabrication systems and digital offering, which should support long-term growth. However, there are still challenges, and steep changes in current electricity prices and capacity and supply chain constraints could hold back growth.

EHPA: Sold units in EU per year and growth %



Source: EHPA, Redeye research

Additionally, the renovation rate of the building stock is low, at around 1% in EU. However, this rate needs to catch up to keep pace with the EU's energy efficiency and climate objectives, which targets that 65% of commercial properties should be based on green electricity by 2030.

Germany and United Kingdom are two large countries where heat pump penetration is still very low. These two countries and Spain could be important strategic markets for Energy Save, as the company sees a strong outlook in those markets. All markets are expected to grow by a CAGR in excess of 10%.

Energy Save recently announced a partnership with the UK distributor/installer Modutherm Ltd. At first glance, it seems to be within the commercial segment primarily. There are vast opportunities in the UK, but given its old infrastructure, there could be some risks that the adoption rate is lagging. We believe it will take a few quarters until the market contributes fully to sales and earnings, but it would not be a surprise if the UK will be Energy Saves' largest market in a few years.

Estimate changes

We raise our estimate considerably on the past exceptional performance and further solid market outlook. Net sales of SEK110m in Q2'2022/2023 exceeded the entire level in 2021/2022 of SEK108m, while EBIT in Q2 2022/2023 of SEK21m, was almost twice R12m EBIT of SEK12m. Energy Save also revised its financial targets and intends to outgrow the market (c20%) with solid profitability.

We raise our forecast for Net sales from SEK216m to SEK402m in 2022/2023e, from SEK267m to SEK506m in 2023/2024e, and from SEK327m to SEK623m in 2024/2025e. Furthermore, we raise EBIT from SEK24m to SEK72m in 2022/2023e, from SEK34m to SEK93m in 2023/2024e, and from SEK47m to SEK120m in 2024/2025e.

Year	New estimates			Old estimates		
	2022/23'e	2023/24'e	2024/25'e	2022/23'e	2023/24'e	2024/25'e
Net Sales	401.6	505.9	622.7	215.5	266.8	327.3
Other income	-2.1	0.0	0.0	1.4	0.0	0.0
Total Revenue	399.5	505.9	622.7	216.9	266.8	327.3
COGS	-277.8	-348.5	-427.8	-154.4	-188.1	-229.1
Gross profit	121.7	157.3	194.9	62.5	78.7	98.2
<i>Gross margin, %</i>	30.8%	31.1%	31.3%	28.4%	29.5%	30.0%
Capitalised development	4.7	5.6	7.5	3.7	4.0	4.3
Other external expenses	-27.4	-34.9	-39.8	-19.5	-22.7	-26.5
Personnel expenses	-21.3	-27.4	-34.0	-18.1	-20.3	-21.9
Other expenditures	0.0	0.0	0.0	0.0	0.0	0.0
Total opex	-44.0	-56.8	-66.4	-33.9	-39.0	-44.2
EBITDA	77.7	100.6	128.5	28.7	39.7	54.0
<i>EBITDA-margin</i>	19.3%	19.9%	20.6%	13.3%	14.9%	16.5%
D&A	-5.5	-7.1	-8.7	-4.8	-6.1	-6.9
EBIT	72.1	93.5	119.8	23.9	33.6	47.1
<i>EBIT-margin</i>	18.0%	18.5%	19.2%	11.1%	12.6%	14.4%
Net finance	-1.0	-1.1	-1.1	-1.0	-1.0	-1.0
PTP	71.1	92.4	118.8	22.9	32.6	46.1
tax	-16.6	-20.3	-26.1	-3.4	-6.5	-9.2
Net Income	54.4	72.1	92.6	19.5	26.1	36.9
EPS	9.38	12.43	15.97	3.36	4.49	6.36

Source: Redeye research

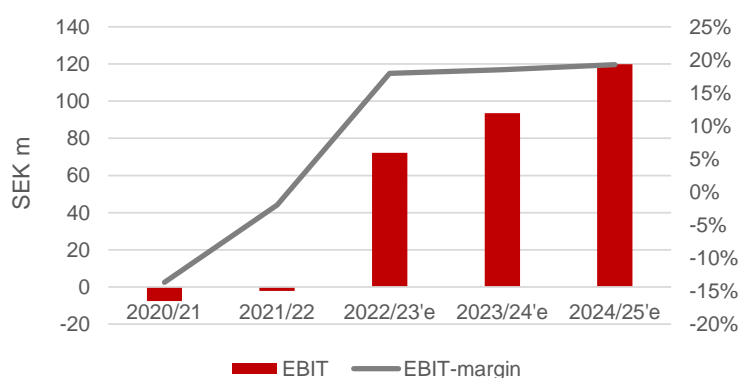
Financials

On the back of the strong Q2 22/23 report and improved visibility regarding the market outlook, we raise our estimates considerably. Energy Save now targets to outgrow the market with healthy profitability levels. We have gained more confidence that Energy Save is able to outgrow the market due to its air/water exposure, prefabrication, and digital offering, which reduces lead time and lowers the investment threshold. The RePower EUs initiatives in accordance with subsidies and lower alternative costs for installing heat pumps are acting as tailwinds.

We now forecast sales to reach SEK402m in 2022/2023e, followed by SEK506m and SEK623m in 2023/2024e and 2024/2025e. We estimate the commercial segment to grow fastest in relative terms and to represent 31% of sales in 2024/2025e, up from today's 25%. The commercial segment is the one with less competition, and we expect its flexible solutions to be a competitive advantage.

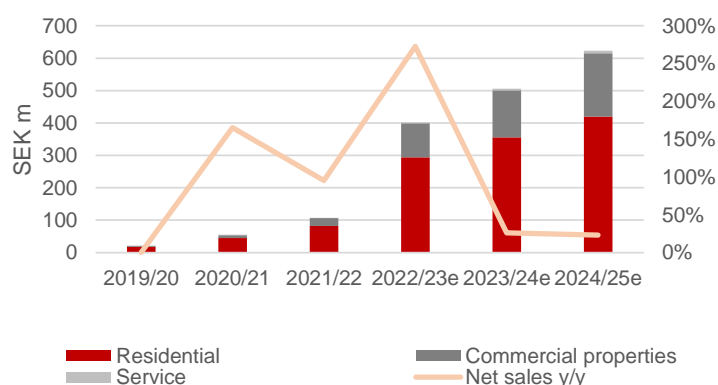
The largest risk, in our view, is the lack of components and installers. In addition, there could be some short-term gained market share due to that major global competitor suffering from components shortages while Energy Save has not. Energy Save plans to expand its production facilities with its partner, which should support volumes in the coming years. We have the impression that the production facility will be up and running in 2023/2024e.

Energy Save: EBIT and EBIT margin (MSEK)



Source: Redeye Research

Energy Save: Net Sales per segment



Source: Redeye Research

The recent margin expansion of EBIT margin around 20% versus 7% last year is stellar. However, we believe higher investments in its organization will hold back the coming margin expansion, also supported by lower incremental margins. In order to reach higher operating margins, the gross margin needs to strengthen further. Its digital offering is still in an early phase, and we thus need further clarification regarding the gross margin contribution. Despite that, we still estimate EBIT to grow 30% in 2023/2024e and 28% in 2024/2025e.

P&L Table and KPI's

Year	2021/22				2022/23								
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3'e	Q4'e	2020/21	2021/22	2022/23'e	2023/24'e	2024/25'e
Net Sales	9.0	29.6	34.1	35.1	51.4	109.9	115.8	124.5	55.1	107.7	401.6	505.9	622.7
Other income	0.2	0.5	0.6	1.5	0.3	-2.4	0.0	0.0	0.0	0.0	-2.1	0.0	0.0
Total Revenue	9.2	30.0	34.7	36.6	51.7	107.5	115.8	124.5	55.1	107.7	399.5	505.9	622.7
COGS	-7.4	-21.6	-26.4	-25.7	-35.5	-75.2	-80.8	-86.3	-40.4	-81.2	-277.8	-348.5	-427.8
Gross profit	1.8	8.4	8.3	10.9	16.2	32.3	35.0	38.2	14.6	26.5	121.7	157.3	194.9
Gross margin, %	17.3%	26.9%	22.4%	26.7%	30.8%	31.6%	30.2%	30.7%	26.6%	24.6%	30.8%	31.1%	31.3%
Capitalised developm	0.7	0.6	1.2	1.1	0.8	1.3	1.3	1.2	3.7	3.7	4.7	5.6	7.5
Other external expenses	-2.5	-3.5	-3.9	-4.7	-4.5	-6.6	-7.8	-8.6	-12.6	-14.6	-27.4	-34.9	-39.8
Personnel expenses	-3.5	-2.9	-4.2	-4.2	-4.3	-4.7	-5.8	-6.6	-11.9	-14.6	-21.3	-27.4	-34.0
Other expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total opex	-5.3	-5.7	-6.8	-7.7	-8.0	-9.9	-12.3	-13.9	-20.8	-25.5	-44.0	-56.8	-66.4
EBITDA	-3.5	2.7	1.4	3.1	8.2	22.4	22.7	24.3	-6.2	1.0	77.7	100.6	128.5
EBITDA-margin	-38.7%	9.2%	4.2%	8.9%	16.0%	20.4%	19.6%	19.5%	-11.2%	0.9%	19.3%	19.9%	20.6%
D&A	-0.3	-0.6	-1.1	-1.1	-1.2	-1.2	-1.6	-1.6	-1.3	-3.1	-5.5	-7.1	-8.7
EBIT	-3.8	2.1	0.3	2.0	7.0	21.3	21.1	22.7	-7.5	-2.1	72.1	93.5	119.8
EBIT-margin	-42.5%	7.2%	1.0%	5.8%	13.7%	19.3%	18.2%	18.2%	-13.6%	-2.0%	18.0%	18.5%	19.2%
Net finance	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.9	-0.7	-1.0	-1.1	-1.1
PTP	-3.9	1.9	0.2	1.8	6.8	21.0	20.8	22.5	-8.4	-2.8	71.1	92.4	118.8
tax	0.0	0.0	0.0	0.0	0.0	-5.4	-5.4	-5.8	0.0	0.0	-16.6	-20.3	-26.1
Net Income	-3.9	1.9	0.2	1.8	6.8	15.6	15.4	16.6	-8.4	-2.8	54.4	72.1	92.6
EPS	-0.82	0.40	0.03	0.32	1.17	2.68	2.66	2.87	-2.12	-0.49	9.38	12.43	15.97
Growth %													
Net Sales y/y	-31%	112%	133%	159%	472%	272%	240%	255%	165%	95%	273%	26%	23%
Net Sales q/q	-34%	229%	15%	3%	46%	114%	5%	7%					
EBITDA y/y	151%	-367%	-159%	-445%	-336%	725%	1501%	679%	-76%	-116%	7913%	30%	28%
EBIT y/y	165%	-237%	-113%	-252%	-284%	897%	5945%	1021%	-72%	-72%	-3490%	30%	28%
Net Income y/y	150%	-196%	-106%	-204%	-272%	706%	9494%	810%	-70%	-66%	-2019%	32%	29%
EPS y/y									n.a	n.a	n.a	32%	29%
Other external expenses	1%	20%	12%	28%	81%	89%	98%	82%	4%	16%	88%	27%	14%
Personnel expenses y	29%	-27%	31%	93%	24%	62%	39%	58%	-18%	23%	45%	29%	24%
Total opex y/y	2%	5%	19%	71%	52%	73%	80%	80%	-5%	23%	72%	29%	17%
Margins													
Gross margin %	17.3%	26.9%	22.4%	26.7%	30.8%	31.6%	30.2%	30.7%	26.6%	24.6%	30.8%	31.1%	31.3%
EBITDA margin %	-37.8%	9.1%	4.1%	8.5%	15.9%	20.9%	19.6%	19.5%	-11.2%	0.9%	19.4%	19.9%	20.6%
EBIT margin %	-41.5%	7.1%	1.0%	5.5%	13.6%	19.8%	18.2%	18.2%	-13.6%	-2.0%	18.1%	18.5%	19.2%
Net margin %	-42.9%	6.4%	0.5%	5.0%	13.1%	14.5%	13.3%	13.4%	-15.3%	-2.6%	13.6%	14.3%	14.9%

Source: Redeye research

Peer Valuation

Some ESG-related stocks have seen a steep multiple expansion in recent years, especially Nibe, Beijer Ref, Garo, and Tomra. We deem Nibe, Beijer Ref, Systemair, and Nederman as key peers for Energy Save. These key peers trade at a median EV/EBIT multiple of 22.9x-21.1x in 2023-2024e. Indicating that Energy Save still trades at a clear discount, despite a stronger growth outlook. However, we argue that a discount versus key peers is warranted because peers have a long history of strong financial performance but believe the discount should narrow.

Company name	EV	EV/S			EV/EBITDA			EV/EBIT		
	SEKm	2022	2023	2024	2022	2023	2024	2022	2023	2024
Nordic										
Nibe	215,005	5.5x	4.9x	4.4x	31.0x	27.1x	24.2x	39.5x	34.3x	30.6x
Lindab	13,118	1.1x	1.1x	1.1x	7.0x	8.1x	7.4x	9.3x	11.5x	10.3x
Qlean Air	548	1.2x	1.1x	1.0x	5.9x	5.0x	4.6x	8.9x	6.7x	6.1x
Nederman	7,259	1.4x	1.3x	1.3x	9.5x	8.8x	7.8x	15.1x	14.0x	11.8x
Systemair	16,992	1.5x	1.5x	1.5x	12.1x	12.2x	11.7x	18.3x	16.8x	16.1x
Beijer Ref	73,452	3.3x	2.9x	2.7x	27.5x	23.1x	21.1x	34.7x	29.1x	26.1x
Garo	5,775	4.1x	3.7x	3.1x	25.8x	21.1x	16.1x	30.6x	24.7x	18.4x
Munters	22,083	2.2x	1.8x	1.6x	17.2x	12.3x	10.0x	22.8x	15.7x	12.5x
Tomra	64,432	5.2x	4.6x	4.2x	26.8x	22.1x	19.6x	42.2x	32.5x	27.9x
Orsted	487,221	4.0x	4.1x	4.0x	11.4x	13.0x	11.9x	14.4x	21.5x	18.9x
Median		2.7x	2.4x	2.1x	14.7x	12.6x	11.8x	20.6x	19.2x	17.2x
International										
Thermon Group	8,146	1.9x	1.8x	na	9.8x	8.5x	na	12.2x	10.4x	na
HNI Corporation	15,053	0.6x	0.7x	0.6x	7.0x	7.8x	7.5x	12.4x	15.4x	14.8x
Arbonia AG	11,103	0.8x	0.8x	0.7x	7.7x	6.9x	6.2x	17.0x	14.1x	11.9x
De'Longhi	37,669	1.1x	1.1x	1.1x	10.5x	9.0x	8.2x	15.1x	12.4x	10.9x
Hitachi	708,273	0.9x	1.0x	0.9x	7.5x	7.5x	7.0x	12.5x	11.7x	10.6x
A.O Smith	92,369	2.4x	2.4x	2.4x	12.4x	12.3x	11.8x	13.9x	13.8x	13.3x
Daikin	488,157	1.7x	1.6x	1.6x	12.2x	11.3x	10.5x	16.9x	15.5x	14.2x
Lennox	114,054	2.3x	2.3x	2.3x	15.0x	14.2x	13.3x	16.7x	15.8x	14.7x
Median		1.4x	1.4x	1.1x	10.1x	8.8x	8.2x	14.5x	14.0x	13.3x
<i>Median</i>	29,876	2.1x	1.7x	1.6x	12.4x	11.7x	10.5x	17.5x	15.4x	14.2x
<i>Average</i>	132,262	2.3x	2.2x	2.0x	14.2x	12.8x	11.7x	19.6x	17.6x	15.8x
Energy Save		2.7x	2.2x	1.8x	14.1x	10.9x	8.5x	15.2x	11.7x	9.2x
Key Peers		2.4x	2.2x	2.1x	19.8x	17.6x	16.4x	26.5x	22.9x	21.1x
Nibe, Systemair, BeijerRef, Nederman										
Source: Factset										

Valuation

On the back of the stellar Q2 report and enhanced market outlook, we raise our estimates and valuation accordingly. Our new base case of SEK255 (106) is based on a DCF and earnings multiple approach. In our base case, we now forecast a 2022-2026 sales CAGR of 62% (38) and an average EBITDA margin of 17% (15). We keep our terminal assumptions and apply a Wacc of 10%. Thus, our valuation changes entirely stem from revisions in our initial forecast period (2022/2023e-2024/2025e).

We provide our key assumptions below. At our base case, Energy Save would trade at 17.5x EV/EBIT (2023/24e). In the long run, we believe there could be a risk of further competition that will put some pressure on margins. For instance, Nibe's EBIT margins stand at c14%.

Bear Case SEK140

Sales CAGR 23-27'e: 57%
Sales CAGR 28-37'e: 5%
Terminal growth rate: 2%
Avg EBITDA margin 23-37'e: 14%
Terminal EBITDA margin: 15%
WACC: 10%

Base Case SEK255

Sales CAGR 23-27'e: 62%
Sales CAGR 28-37'e: 7%
Terminal growth rate: 2%
Avg EBITDA margin 23-37'e: 17%
Terminal EBITDA margin: 16%
WACC: 10%

Bull Case SEK335

Sales CAGR 23-27'e: 69%
Sales CAGR 28-37'e: 7%
Terminal growth rate: 2%
Avg EBITDA margin 23-37'e: 18%
Terminal EBITDA margin: 17%
WACC: 10%

Sensitivity table

		WACC				
		12%	11%	10%	9%	8%
EBITDA %	14.0%	187	207	231	263	305
	16.0%	204	227	255	293	343
	18.0%	221	247	279	322	380

Source: Redeye research

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

People: 4

Energy Save is entrepreneur-led. The co-founders own ~50 percent of the outstanding capital. Strong insider ownership mitigates the risk of long-term value damage.

Business: 3

Energy Save operates in a market characterized by fierce competition. Its products fulfill the demand and certification required to accelerate the green energy transition. Heat pumps have a lifecycle of approximately 20 years, with limited maintenance. Enables long-tail customer cycles, which makes it tougher for customers to change manufacturers.

Financials: 2

Energy Save is a company in the early stages that invest properly to capture future growth opportunities. Thus, profitability ratios are currently harmed by these investments.

Redeye Rating and Background Definitions

Company Quality

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.

Redeye Equity Research team

Management

Björn Fahlén

bjorn.fahlen@redeye.se

Tomas Otterbeck

tomas.otterbeck@redeye.se

Technology Team

Hjalmar Ahlberg

hjalmar.ahlberg@redeye.se

Henrik Alveskog

henrik.alveskog@redeye.se

Mattias Ehrenborg

mattias.ehrenborg@redeye.se

Douglas Forsling

douglas.forsling@redeye.se

Forbes Goldman

forbes.goldman@redeye.se

Jesper Henriksson

jesper.henriksson@redeye.se

Viktor Lindström

viktor.lindstrom@redeye.se

Fredrik Nilsson

fredrik.nilsson@redeye.se

Mark Siöstedt

mark.siostedt@redeye.se

Jacob Svensson

jacob.svensson@redeye.se

Niklas Sävås

niklas.savas@redeye.se

Danesh Zare

danesh.zare@redeye.se

Editorial

Joel Karlsson

joel.karlsson@redeye.se

Mark Siöstedt

mark.siostedt@redeye.se

Life Science Team

Gergana Almquist

gergana.almquist@redeye.se

Frank H Andersen

frank.h.andersen@redeye.se

Oscar Bergman

oscar.bergman@redeye.se

Christian Binder

christian.binder@redeye.se

Filip Einarsson

filip.einarsson@redeye.se

Mats Hyttinge

mats.hyttinge@redeye.se

Erik Nordström

erik.nordstrom@redeye.se

Richard Ramanius

richard.ramanius@redeye.se

Kevin Sule

kevin.sule@redeye.se

Fredrik Thor

fredrik.thor@redeye.se

Johan Unnerus

johan.unnerus@redeye.se

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, from the date Redeye publishes its analysis plus one trading day 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.

Redeye Rating (2022-12-13)

Rating	People	Business	Financials
5p	30	14	4
3p - 4p	158	139	47
0p - 2p	5	40	142
Total	193	193	193

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.

CONFLICT OF INTERESTS

Viktor Lindström owns shares in the company :No

Henrik Alveskog 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.