

Sivers IMA

Sector: Telecommunication Equipment

The Calm Before the 5G Storm

Redeye raises its base case on the back of the new Fortune 100 customer in Photonics and improved gross margins. We see many catalysts that can drive the stock, e.g. several supply agreements from the 16 design wins, announcements of the names of the Fortune 100 customers or the Ampleon tier-1, and the coming NASDAQ listing.

New Fortune 100 customer & major 60 GHz opportunities

Since our last update, six weeks ago, Sivers IMA has advanced further, adding another Fortune 100 customer also targeting consumer electronics-related sensing – a new area for Sivers IMA with considerable volume potential. Moreover, during Q1, Sivers IMA received a first, smaller volume FWA order of SEK 3.5m from CCS/Adtran. From CCS's customer Ontix we have learned that this solution is the only cost-efficient way to deliver small cells, adding some color to why Ontix says it needs 10 000 – 100 000 small cells in London, equal to a mind-boggling addressable market. We are therefore enthusiastic about the many other ongoing trials of Adtran. Aside of FWA, 60 GHz has many other opportunities, most notably perhaps backhaul, since the majority of 5G backhaul is expected to be millimeter wave. Sivers IMA is the only 60 GHz player that in practice can address China, as President Trump keeps on adding more fuel to the fire in the trade war.

Probable tier-1 contract with the Ampleon customer

The chip with Ampleon has been well-received by potential customers as tests have showed the state-of-the-art performance. We find it likely that Ampleon's tier-1 customer that has been engaged throughout the project could place a larger order, due to its influence over the (fulfilled) specs, since there are no competitive alternatives.

Many catalysts can drive the stock to our new base case of SEK 11 (10)

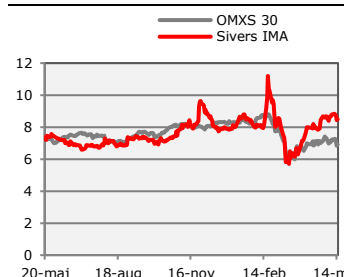
In conclusion, we think the company has so many opportunities that only a few of them are needed to play out in order for our current valuation to be justified. We increase our base case to SEK 11 (10) per share due to improved gross margins and a higher Photonics growth related to the new Fortune 100 customer. We also believe we may have underestimated the 60 GHz potential, in both 5G backhaul and FWA.

KEY FINANCIALS (SEKm)	2018	2019	2020E	2021E	2022E	2023E
Net sales	71	96	105	201	384	707
EBITDA	-53	-48	-48	-19	39	226
EBIT	-70	-78	-80	-62	-16	159
EPS (adj.)	-0.6	-0.6	-0.6	-0.5	-0.3	0.7
EV/Sales	9.9	10.8	12.5	7.1	4.0	2.0
EV/EBITDA	-13.5	-21.6	-27.3	-74.6	39.0	6.3
EV/EBIT	-10.1	-13.4	-16.3	-23.1	-95.6	9.0
P/E	-9.7	-13.7	-15.2	-16.7	-28.9	12.3

FAIR VALUE RANGE

BEAR	BASE	BULL
3.0	11.0	16.0

SIVE.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	SIVE.ST
Market	First North
Share Price (SEK)	8.8
Market Cap (MSEK)	1263
Net Debt 20E (MSEK)	43
Free Float	0 %
Avg. daily volume ('000)	0

ANALYSTS

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The Calm Before the 5G Storm

Increased adoption of millimeter wave (mmWave) will clearly be a structural, long-term trend over many years to come. The markets for mmWave 5G RF components, both RFIC and antennas, are estimated to each grow by a CAGR 54% during 2020-2026. An illustrative example of the merits of the technology is that the cost of transmitting video data with millimeter wave is less than 20% of 5G 3 GHz. This is important as the video data traffic continues to skyrocket. Previously, substandard products from competitors have damaged the mmWave reputation. However, the recent traction for Sivers IMA has proven the performance and reliability of the technology.

In Q1, Sivers IMA continued to fill the pipeline, adding 5 new customer EVKs sold (excl. 6 for universities). The interest has continued into the second quarter, as telecom in general has showed resilience during the Corona Crisis. The company saw some slight delays in discussions and deals in the beginning of Q2, but it is yet too early to know if there will be any delays in the expected 6-8 supply agreements for 2020. We assume the company will know more after the Q2 report. Smaller, short run delays aside, as mentioned in [our note](#), we believe there can be a long-term positive effect from the pandemic on the demand for telecommunication due to the changed user behavior. We e.g. expect many companies to adopt permanent remote working to a larger extent. We also find it noteworthy that Sivers IMA did not furlough any people during this crisis, as opposed to many other companies, which we think should indicate a relatively optimistic view of the future.

Probable tier-1 order from the Ampleon customer

The BFIC chip launched with Ampleon has been well-received by potential customers as tests have demonstrated the state-of-the-art performance (the unique, perfect balance between power efficiency, signal quality and output power). We find it likely that Ampleon's tier-1 customer that has been engaged throughout the project could place a larger order. There are no guarantees for this to happen. However, as the customer has had an influence over deciding the specs that have been fulfilled, in combination with a complete lack of competitive alternatives we are confident that there will eventually be a purchase order. On the O-RAN webinar, Sivers IMA explained why the chip is a great fit for Open RAN, but it targets several other 5G applications aside of base stations as well. In addition, we think it is relatively easy to adapt the chip to other frequencies.

Endless possibilities in the unlicensed spectrums

During the period, Sivers IMA received a first, minor volume order of SEK 3.5m from CCS/Adtran, for delivery in Q2-Q3. From the end customer Ontix we have learned that this solution is the only cost-efficient way to deliver small cells. Ontix is very satisfied and has said that it needs 10 000 – 100 000 small cells in London, which means a mind-boggling addressable market. We are therefore enthusiastic about the many other trials of Adtran. The only caveat we can find is that the tech is brand new with a large need for education of the end customers, meaning the takeoff could take some time.

Nonetheless, 60 GHz wireless is a perfect fiber complement for situations when fiber is too expensive or not an alternative due to inability to dig up the streets, as in London, which by the way is the situation in many other European capitals. Moreover, a fiber approval could take years, while the 60 GHz solution can be installed in 30 minutes. The fiber complement case is particularly interesting as Adtran is the world's third largest fiber company, second only to Huawei and Nokia. In addition, 60 GHz is also superior to using the licensed spectrum as it is more cost-efficient by using fewer chips and not requiring purchases of licenses for

billions.

FWA is only one of the many potential 60 GHz verticals, a few other examples being track to train and 5G backhaul. Several market reports have suggested that the majority of 5G backhaul will be mmWave. In China, the stage is set for Sivers IMA as its only 60 GHz competitors are American (Qualcomm), or Canadian (Peraso). In this context, we note that President Trump recently added fuel to the fire by extending the executive order banning American businesses from working with Chinese companies that pose security risks, e.g., Huawei and ZTE.

Photonics: Riding the Silicon Photonics trend with two Fortune 100 customers

Since our last update, about six weeks ago, Sivers IMA has signed another Fortune 100 customer. Similar to the first Fortune 100 customer, this is not for datacenter applications but instead for the faster growing sensing segment (CAGR 24% vs. 16% for data centers etc.) for consumer electronics-related products. While the two applications are mutually different, they are both brand new areas for Sivers IMA. The deals are a part of the Silicon Photonics trend, which according to Intel is "*... a combination of two of the most important inventions of the 20th century—the silicon integrated circuit and the semiconductor laser*". It is a way to transfer data faster than traditional electronics, and apparently, judging from the two Fortune 100 customers, Sivers IMA has a cutting-edge technology in this space. We believe an important task for Sivers IMA for the remainder of 2020 is to grow the footprint on the second Fortune 100 customers with additional projects, similar to the first Fortune 100 customer.

Q1'20: Higher gross margins & lower capitalizations

Q1 sales of SEK 23m was in line with expected, equal to a -1% growth. Adjusted for end-of-life product sales in Q1'19, the underlying sales grew 17%. The high gross margin of 77% (expected 58%) led to a significantly lower operating loss of SEK -18.5m (expected -25.3m). The improved gross margin was driven by an improved pricing strategy in the Photonics area. We have raised our gross margin estimates somewhat, but we do not expect 77% to be a new normal. Compared to Q1'19, the EBITDA loss of SEK -11m was SEK 5m higher. However, this is fully related to lower capitalizations, which is a positive indication that focus generally is shifting from R&D to a more commercial phase.

Cash amounted to SEK 82m at the end of the period, including SEK 52m from the offering, (excl. transaction costs of SEK 2.4m).

Financial Estimates

We keep our sales estimates unchanged but increase our gross margin assumptions a bit (see the table below), although we do not extrapolate the 77% gross margin from Q1.

Estimate changes (base case)			
(SEKm)	2020E	2021E	2022E
Net sales (new)	104	201	384
Wireless	36	109	162
Photonics	69	92	222
Net sales (old)	105	201	384
Wireless	36	109	162
Photonics	69	92	222
<i>Total change (%)</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
EBIT (new)	-80	-62	-16
EBIT (old)	-92	-66	-22
<i>Change (%)</i>	<i>13%</i>	<i>-6%</i>	<i>-28%</i>

Source: Redeye Research

We continue to expect Q2 and Q3 to be hampered by the Coronavirus, with the growth trajectory starting in Q4 (see the table below). The order of SEK 7m from the second Fortune 100 customer is expected to be delivered during 2020, but we expect testing, prototyping etc. to go on for the whole 2021.

Sivers IMA: Base case estimates											
(SEKm)	2017	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020E	2021E	2022E	2023E
Net sales	65	71	96	23	18	25	38	105	201	384	707
COGS	-27	-45	-40	-5	-7	-9	-14	-36	-75	-162	-279
<i>Gross margin (%)</i>	<i>59%</i>	<i>38%</i>	<i>58%</i>	<i>77%</i>	<i>62%</i>	<i>63%</i>	<i>63%</i>	<i>66%</i>	<i>63%</i>	<i>58%</i>	<i>60%</i>
Staff costs	-48	-77	-79	-21	-22	-20	-25	-88	-93	-100	-106
External costs	-41	-53	-70	-18	-17	-17	-20	-73	-97	-123	-136
EBITDA	-20	-53	-48	-11	-18	-10	-9	-48	-19	39	226
D&A	-32	-17	-30	-7	-8	-8	-9	-32	-43	-55	-68
EBIT	-51	-70	-78	-18	-26	-19	-17	-80	-62	-16	159

Source: Redeye Research

Investment Case

Strong structural 5G market growth

Scalable business model with important major partnerships

Add-on opportunity for Photonics orders from two Fortune 100 companies

We value Sivers IMA to SEK 11 in a base case scenario

Strong structural 5G market growth

In the coming years, the market for 5G network equipment is forecasted to, more or less, explode when the industry is preparing for the launch of the new technology. This will require not only large investments in current networks but also a densification of networks. The market outlook for fiber-to-the-home applications is also good, with increased usage of fiber in the networks in general, worldwide. Thus, the market outlook for Sivers IMA's two product segments in the coming years is great.

Scalable business model with important major partnerships

Sivers IMA has partnered up with some of World's largest telecom equipment suppliers. We think this is a major difference compared to the company's history. The partners Ampleon and NXP together have a combined RF power market share of ~80% and sell to all major players. Thus, Sivers IMA is in a good position when it comes to reaching large potential customers, and potentially also gain one or several Tier 1 customer. There are however also smaller equipment vendors, the Tier 2 players, that would be attractive as potential customers as well. We believe that Sivers IMA could gain several Tier 2 player customers that could generate annual sales of approximately SEK 1,000m in 2025.

Add-on opportunity for Photonics orders from two Fortune 100 companies

A large Fortune 100 company interested in semiconductor components from the Photonics division has placed three pre-series orders totaling around SEK 50m. We believe that if the customer decides to proceed, it will imply very large volumes, representing a significant growth opportunity, albeit rather binary in nature. It is difficult to assess whether the customer will move forward with Sivers IMA or not. However, considering the two follow-up orders and the increase of partnership during the process, it looks promising thus far. In full ramp-up, we expect that the first Fortune 100 customer could generate peak sales of at least SEK 600m annually. In April 2020, Sivers IMA signed its second Fortune 100 customer.

We value Sivers IMA to SEK 11 in a base case scenario

We currently value Sivers IMA in the base case to SEK 11 per share, in a fair value range of SEK 3-16 per share. Additional design wins and contracts will move the share price.

Valuation

Bear Case 3.0 SEK

The bear scenario is based on that customers will show a limited interest in Sivers IMA's products and that there will be a tough competitive environment, especially within the licensed spectrum. Also, we assume that the unlicensed spectrum only will be used in some special use cases, limiting the market potential for those products. We assume within the wireless segment that a couple of the smaller customers ramp up volume production in 2021-2025. This corresponds to a low single-digit market share of the total 5G market. Thus, wireless sales will grow to around SEK 700m at the end of the forecast period. Within the Photonics segment, we assume that a few customers order larger volumes, so that sales grow with a CAGR of around 10% over the entire forecast period. Total sales thus end up at around SEK 900m. The gross margin declines rather quickly due to heavy price competition, resulting in a terminal gross margin of 38 %. We also assume an average EBIT margin of 14% and break-even in 2024. The terminal EBIT-margin stands at 9 %.

Base Case 11.0 SEK

All our scenarios are based on the years 2020-2032, a 13% required rate of return and a 2% terminal growth. In the base scenario, we assume that a number of customers find Sivers IMA's product offering competitive. We still believe that competition will be rather fierce within the licensed spectrum, but that the use of the unlicensed products will be more extensive. Within the wireless segment, we assume that a number of smaller customers ramps-up volume production in 2021-2025. This corresponds to a mid-single-digit market share. Thus, wireless sales will grow to more than 1,300m at the end of the forecast period. Within the Photonics segment, we assume that some customers order larger volumes, so that sales grow with a CAGR of around 26 % over the entire forecast period, including the first Fortune 100 customer (7% excluding this major customer). From 2023 the CAGR Photonics growth slows down to 9% though. The scenario yields total revenue of around SEK 1,900m at the end of the period. The gross margin still declines rather quickly due to price competition, resulting in a terminal gross margin of 39 %. We assume peak EBIT margins slightly above 30% in 2025 and a terminal EBIT-margin of 15%.

Bull Case 16.0 SEK

In our positive bull scenario, we assume that Sivers IMA's product offering is deemed to be attractive by larger customers as well as by smaller ones. We also base the scenario on that a substantial part of the 5G market will consist of the unlicensed spectrum. We model that Sivers IMA gains a number of smaller and mid-sized customers that ramps up volumes in 2021-2025. The size of these players is, however, slightly larger compared to in the base case, entailing higher volumes and hence, sales. This implies that Sivers IMA takes a higher mid-single-digit market share of the 5G market, in comparison to the base case. The wireless segment hence generates almost SEK 1,900m in 2030. In addition, we assume that the Fortune 100 customer moves forward with Sivers IMA and orders volume orders, starting to ramp-up in 2021-2022. This entails larger CAPEX investments to set up a new production line, which is assumed to be partially paid for by the customer. This scenario results in a CAGR for the Photonics segment of around 26 % up until 2030, with sales of almost SEK 800m at the end of the forecast period. All in all, the scenario generates total revenue of around SEK 2,700m at the end of the period. The gross margin for the wireless segment here stays over 50 % for a longer period in comparison to the other scenarios. However, given the bargaining power of the Fortune 100 customer, we expect a considerably lower gross margin for the fiber segment of around 40 %. All in all, the weighted terminal gross margin ends up at 37 %. We assume EBIT will be around 30% during 2024-2029. The terminal EBIT-margin is estimated to 18%.

Catalysts

New design-wins with large telecom players

As of now, Sivers IMA is not profitable and is awaiting its first large volume orders within wireless. 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 IMA and its partners were integrated into one the Tier 1 players' system, it would mean a real take-off in Sivers IMA's sales.

IMPACT					
Downside		Upside		Time Frame	
Significance	Likelihood	Significance	Likelihood		
Moderate	Possible	Major	Possible	Mid	

Large orders from Fortune-100 customer

Sivers IMA has, as mentioned above, received substantial Photonics orders from a Fortune 100 company over the last year, and in addition signed another Fortune 100 customer. If one or both of these customers moves forward and decides to integrate Sivers IMA's components in their final product, this would entail very large orders and strong growth for the fiber division. Even though we would expect that such a large customer would use its bargaining power to put pressure on margins, we expect that the orders would increase the bottom line and create a substantial upside in the stock.

IMPACT					
Downside		Upside		Time Frame	
Significance	Likelihood	Significance	Likelihood		
Minor	Possible	Major	Possible	Mid	

5G market takes off

Many industry experts voice the opinion that 5G is happening faster than they had expected. When the market for 5G telecom equipment in the higher frequencies takes off, Sivers IMA is in a good position to take part in the transformation. It would lead to strong growth and would act as a catalyst for the stock.

IMPACT					
Downside		Upside		Time Frame	
Significance	Likelihood	Significance	Likelihood		
Major	Extremely unlikely	Major	Highly likely	Long	

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: 3

Management has extensive and broad experience from the telecom industry, which gives it a good understanding of the market and a clear idea of in what applications the company can deliver most value. Furthermore, the ownership structure is reassuring. A majority of management and all board members own shares in the company. We would like to see larger holdings from the insiders, but we note that there is a positive trend in insider transactions. Sivers IMA has two main owners (holding 20% each) that have supported the company in previous rights issues.

Business: 3

The company focuses on areas that offer major growth opportunities. We believe it is particularly well positioned to grow within the licensed and unlicensed 5G markets through the production of its unique chip and established partnerships with several leading players. The company, therefore, has very good potential to show high growth in the coming years. Moreover, we believe the business model is highly scalable with high gross margins and relatively limited future investment needs.

Financials: 2

Sivers IMA is still operating at a loss and invests substantial amounts related to its development of new chips and increased production capacity. We expect to increase the score of this parameter as the company grows and shows increasing profits. As for the balance sheet, the company recently executed a well-timed capital raise.

INCOME STATEMENT	2018	2019	2020E	2021E	2022E
Net sales	71	96	105	201	384
Total operating costs	-124	-145	-153	-221	-345
EBITDA	-53	-48	-48	-19	39
Depreciation	-10	-10	-8	-11	-20
Amortization	-8	-20	-24	-31	-36
Impairment charges	0	0	0	0	0
EBIT	-70	-78	-80	-62	-16
Share in profits	0	0	0	0	0
Net financial items	-10	-9	-3	-14	-28
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-80	-87	-83	-76	-44
Tax	8	11	0	0	0
Net earnings	-72	-76	-83	-76	-44

BALANCE SHEET	2018	2019	2020E	2021E	2022E
Assets					
<i>Current assets</i>					
Cash in banks	42	52	5	10	19
Receivables	33	31	40	73	135
Inventories	14	10	16	32	65
Other current assets	7	7	7	7	7
Current assets	96	100	68	122	226
<i>Fixed assets</i>					
Tangible assets	45	58	67	105	141
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	135	135	135	135	135
Cap. exp. for dev.	0	0	0	0	0
0 intangible rights	104	132	157	178	197
0 non-current assets	0	0	0	0	0
Total fixed assets	283	324	359	418	473
Deferred tax assets	0	0	0	0	0
Total (assets)	380	424	427	540	699
Liabilities					
<i>Current liabilities</i>					
Short-term debt	13	4	27	46	71
Accounts payable	42	64	65	121	223
0 current liabilities	0	0	0	0	0
Current liabilities	55	68	92	167	294
Long-term debt	38	11	21	136	211
0 long-term liabilities	10	12	12	12	12
Convertibles	0	40	0	0	0
Total Liabilities	103	131	125	314	517
Deferred tax liab	0	0	0	0	0
Provisions	3	5	5	5	5
Shareholders' equity	273	289	296	221	177
Minority interest (BS)	0	0	0	0	0
Minority & equity	273	289	296	221	177
Total liab & SE	380	424	427	540	699

FREE CASH FLOW	2018	2019	2020E	2021E	2022E
Net sales	71	96	105	201	384
Total operating costs	-124	-145	-153	-221	-345
Depreciations total	-17	-30	-32	-43	-55
EBIT	-70	-78	-80	-62	-16
Taxes on EBIT	7	10	0	0	0
NOPLAT	-63	-68	-80	-62	-16
Depreciation	17	30	32	43	55
Gross cash flow	-46	-38	-48	-19	39
Change in WC	9	28	-14	7	7
Gross CAPEX	-66	-70	-67	-102	-110
Free cash flow	-103	-80	-129	-115	-64

CAPITAL STRUCTURE	2018	2019	2020E	2021E	2022E
Equity ratio	72%	68%	70%	41%	25%
Debt/equity ratio	19%	19%	16%	82%	160%
Net debt	9	2	43	171	263
Capital employed	282	291	339	392	440
Capital turnover rate	0.2	0.2	0.2	0.4	0.6

GROWTH	2018	2019	2020E	2021E	2022E
Sales growth	9%	35%	9%	92%	91%
EPS growth (adj)	24%	-5%	0%	-8%	-42%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	13.0 %	NPV FCF (2020-2021)	-260
		NPV FCF (2022-2028)	1031
		NPV FCF (2029-)	763
		Non-operating assets	52
		Interest-bearing debt	-55
		Fair value estimate MSEK	1532
Assumptions 2020-2026 (%)			
Average sales growth	58.9 %	Fair value e. per share, SEK	11
EBIT margin	0.6 %	Share price, SEK	8.8

PROFITABILITY	2018	2019	2020E	2021E	2022E
ROE	-31%	-27%	-28%	-29%	-22%
ROCE	-25%	-23%	-23%	-17%	-4%
ROIC	-39%	-24%	-28%	-18%	-4%
EBITDA margin	-74%	-50%	-46%	-10%	10%
EBIT margin	-98%	-81%	-76%	-31%	-4%
Net margin	-101%	-79%	-79%	-38%	-11%

DATA PER SHARE	2018	2019	2020E	2021E	2022E
EPS	-0.61	-0.57	-0.58	-0.53	-0.30
EPS adj	-0.61	-0.57	-0.58	-0.53	-0.30
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	0.07	0.02	0.30	1.19	1.83
Total shares	118.45	131.65	144.04	144.04	144.04

VALUATION	2018	2019	2020E	2021E	2022E
EV	707.4	1,042.4	1,306.2	1,434.5	1,526.3
P/E	-9.7	-13.7	-15.2	-16.7	-28.9
P/E diluted	-9.7	-13.7	-15.2	-16.7	-28.9
P/Sales	9.8	10.8	12.0	6.3	3.3
EV/Sales	9.9	10.8	12.5	7.1	4.0
EV/EBITDA	-13.5	-21.6	-27.3	-74.6	39.0
EV/EBIT	-10.1	-13.4	-16.3	-23.1	-95.6
P/BV	2.6	3.6	4.3	5.7	7.1

SHARE PERFORMANCE		GROWTH/YEAR	18/20E
1 month	9.1 %	Net sales	21.1 %
3 month	-21.7 %	Operating profit adj	7.1 %
12 month	19.5 %	EPS, just	-2.7 %
Since start of the year	11.0 %	Equity	4.1 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Keith Halsey	20.0 %	20.0 %
Rothesay Ltd	18.4 %	18.4 %
Swedbank Robur Fonder	9.8 %	9.8 %
Avanza Pension	6.9 %	6.9 %
AMF Försäkring & Fonder	4.1 %	4.1 %
Nordnet Pensionsförsäkring	2.1 %	2.1 %
BNP Paribas Sec Serv Luxembourg	1.6 %	1.6 %
Andrew McKee	1.4 %	1.4 %

SHARE INFORMATION	
Reuters code	SIVE.ST
List	First North
Share price	8.8
Total shares, million	144.0
Market Cap, MSEK	1263.2

MANAGEMENT & BOARD	
CEO	Anders Storm
CFO	Robert Ejermark
IR	
Chairman	Tomas Duffy

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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.

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Disclaimer

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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 (2020-05-20)

Rating	People	Business	Financials
5p	13	11	4
3p - 4p	105	80	30
0p - 2p	7	34	91
Company N	125	125	125

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Westman owns shares in the company : No

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