

XMReality: Record sales pipeline and stellar cost control

XMReality Research Update 2023-04-28 07:00 Updated 2023-04-28 07:10

Redeye states that the company has demonstrated excellent cost control during the first quarter of 2023, as evidenced by the noteworthy margin improvement. However, sales showed a modest increase, while ARR grew flat. In response to the report, we have made minor adjustments to our estimates while maintaining our fair value range and base case.



Alexander Flening

Sales in line with estimates

The company reported net sales of SEK5.1m, representing a 6% growth y/y, and a 5% sequential increase. Conversely, the ARR grew flat, which the company attributes to the startup of several pilot projects that have not yet converted to recurring subscriptions. Additionally, sales to existing customers is taking longer than previously estimated. Nevertheless, the company reveals it has successfully sealed multiple deals during the reporting period, indicating future growth potential.

Stellar cost control

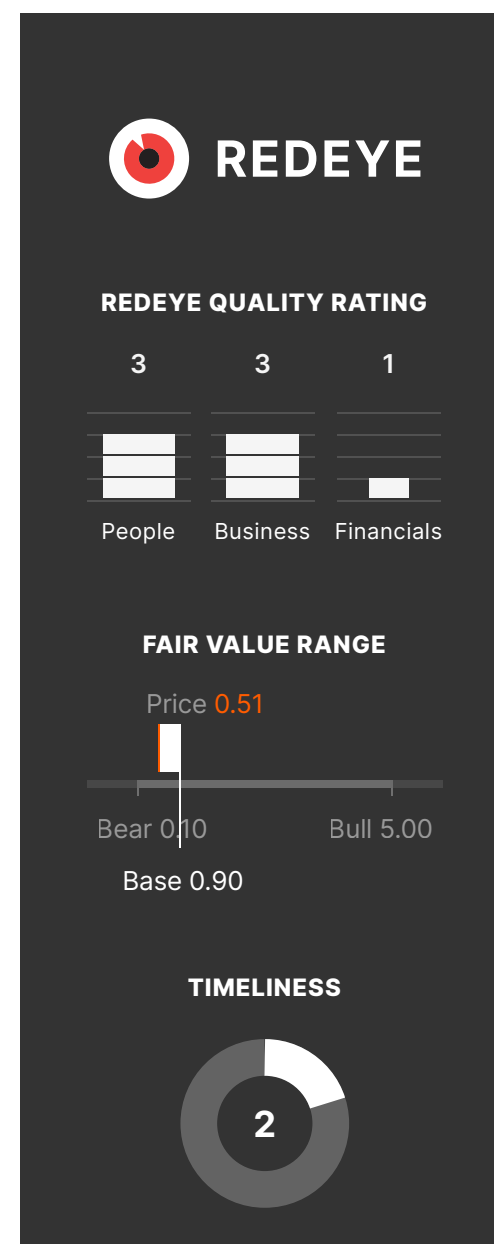
The company's EBIT for the period was -SEK6.4m, resulting in a margin of -125%, demonstrating a significant improvement from the same period last year. The company has effectively lowered its cost base, particularly in product development and maintenance costs. Moreover, the completion of the investment in the basic offering is a favourable development that highlights the company's strong operating leverage.

Valuation

Based on the report, we have revised our short-term sales projections downward but also lowered our cost base projections, reflecting the company's impressive cost control measures. The updated estimates have had no significant impact on our fair value range. However, should we observe indications of sales picking up momentum, we will adjust our estimates accordingly. Our fair value range for XMReality remains at SEK0.1–5, with our base case at SEK0.9.

Key financials

SEKm	2020	2021	2022	2023E	2024E
Revenues	21	22	19	22	33
Revenue Growth	73.6%	6.2%	(14.4%)	16.6%	48.7%
EBITDA	(20)	(28)	(31)	(21)	(12)
EBIT	(25)	(33)	(37)	(26)	(18)
EBIT Margin	(118.5%)	(151.7%)	(195.6%)	(120.3%)	(56.6%)
Net Income	(25)	(33)	(37)	(26)	(18)
EV/Revenue	10.7	4.5	2.3	5.1	4.1
EV/EBIT	(9.0)	(3.0)	(1.2)	(4.2)	(7.2)



KEY STATS

Market Cap	45.4 MSEK
Entprs. Value (EV)	40.8 MSEK
Net Debt (2023e)	-4.6 MSEK
30 Day Avg Vol	74 K
Shares Outstanding	118.8 M
Price / Earnings	N/A
PEG	N/A
Dividend Yield	N/A

Data from 2023-04-28 07:10

IMPORTANT INFORMATION

All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

Redeye, Mäster Samuelsgatan 42, 10tr, Box 7141, 103 87 Stockholm. Tel. +46 8-545 013 30
E-post: info@redeye.se

Table of contents

Q1 2023: Financial recap 3

Operational Update 5

Warrant conversion uncertain 6

Operational highlights 7

Forecast and changes to estimates 8

Valuation 9

Investment thesis 10

Quality Rating 10

Financials 12

Rating definitions 14

The team 15

Q1 2023: Financial recap

During Q1 2023, XMReality's ARR reached SEK18.3m, showing a minor growth of 1% both q/q and y/y. According to management, the modest growth in ARR is due to the startup of various pilot projects that have yet to convert to recurring subscriptions. Additionally, uplift to existing customers is taking longer than anticipated. Nonetheless, the company has successfully closed multiple deals during the reporting period.

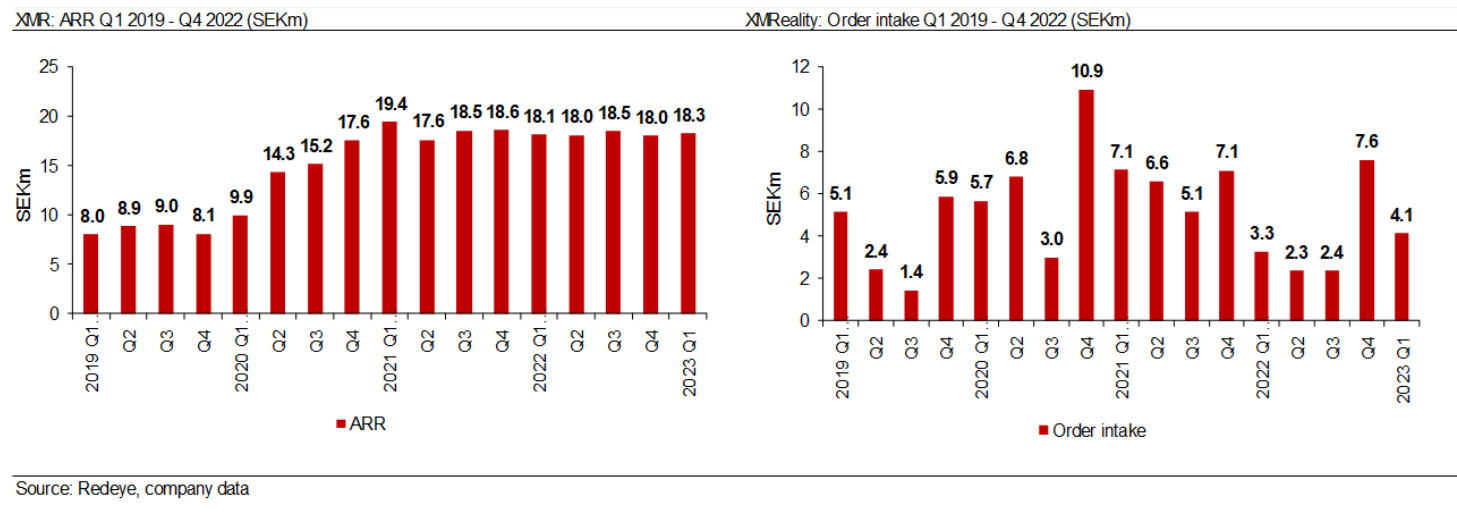
In terms of financial performance, the EBIT for the period was -SEK6.4m, with a margin of -125%, indicating a significant improvement from the same period last year, which had a margin of -224%. The company's success in reducing its cost base, particularly in product development, and maintenance costs, as well as the completion of its investment in the basic offering, are positive developments that demonstrate a strong operating leverage.

XMReality has not disclosed the churn rate for Q1 2023. However, they have previously reported a churn rate of about 10% for the preceding quarter, Q4 2022. The company attributed this to the effects of a weaker global economy and some customers choosing not to renew their licenses after adopting XMReality's solution during the pandemic.

XMReality: forecast deviations								
SEKm	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Actual Q1 2023	Estimate Q1 2023	Diff (%)
Net sales	4.8	4.6	4.5	4.9	18.8	5.1	5.3	-4%
Growth YoY (%)	-18%	-18%	-17%	-4%	-14%	6%		
Growth QoQ (%)	-6%	-4%	-3%	9%	0%	5%		
Other income	1.0	4.4	2.9	4.1	12.4	2.9	3.5	
Total income	5.8	9.0	7.4	9.0	31.2	8.0	8.8	
Gross profit	4.5	4.4	4.3	4.6	17.8	5.0	5.1	-3%
Gross margin (%)	94%	95%	97%	94%	95%	97%	96%	
EBITDA	-9.4	-7.9	-6.3	-7.1	-30.7	-5.0	-7.6	34%
EBITDA (%)	-195%	-172%	-140%	-145%	-163%	-98%	-143%	
EBIT	-10.8	-9.4	-7.9	-8.7	-36.8	-6.4	-9.0	29%
EBIT (%)	-224%	-203%	-177%	-178%	-196%	-125%	-169%	
ARR	18.1	18.0	18.5	18.0	18.0	18.3		

Source: Redeye (estimates), company data (historicals)

XMReality's financial targets include achieving positive cash flow during 2024 and reaching SEK75m in ARR with an EBITDA of 15% by 2025, which we regard as ambitious. To achieve its growth target, the company would need to grow its ARR with a compound annual growth rate (CAGR) of approximately 61% from 2023 to 2025. However, given the current trends and challenges facing the company, we expect XMReality to reach its target ARR in 2026.



XMReality's order intake increased by 27% y/y to SEK4.1m, which is positive news. However, it declined from the previous quarter's SEK7.6m, which is likely attributed to seasonality. The backlog also decreased sequentially by 8% from SEK13.9m in Q4 2022 to SEK12.8m in Q1 2023. Nonetheless, XMReality has started several pilot projects, which did not contribute to the ARR in the quarter. This is a positive development as successful pilots have the potential to drive additional growth in the future.

Operational Update

XMReality has reported its largest sales pipeline to date. The management has emphasized the increasing order intake through its partners, which we consider to be a critical factor for the company's growth. Furthermore, XMReality has closed more deals through its reseller agreement with the undisclosed global industrial customer, which employs over 100,000 workers in more than 100 countries. This partnership is a positive development for the company and has the potential to attract many new customers and showcases the company's ability to provide a secure management system for information security, indicating future growth potential ahead.

The current economic downturn is affecting multiple industries, leading companies to strategically consider cost-saving measures. Therefore, providing products that can assist companies in reducing expenses is especially important during times of economic weakness. As the demand for XMReality's products expands and gains recognition, the company's sales are likely to increase, demonstrating its resilience to fluctuations in the economic cycle.

The company has successfully decreased its cost base, reporting a 12% reduction compared to the same period last year and a significant 17% reduction from Q4 2022. As a result, the company has seen improved margins, with -129% in Q1 2023 compared to -177% in Q4 2022. The company credits the margin expansion to the reduced costs, particularly in product development and maintenance costs, as well as the completion of its investment in the basic offering. This is a positive development that demonstrates strong operating leverage and potential for future margin expansion as ARR growth ramps up.

Warrant conversion uncertain

XMReality has recently raised capital through a unit issue, with attached warrants currently trading on the Nasdaq First North Growth Market. These warrants possess the potential to raise a maximum of cSEK23.8m for the company, provided that all warrants are exercised at the highest possible striking price of SEK1.00. However, it is important to note that the strike price will correspond to 70% of the volume-weighted average price (VWAP) of XMReality's shares between 21 April to 5 May, with a minimum of SEK0.55 and a maximum of SEK1.00 per share.

We previously estimated that XMReality would receive approximately SEK11m from the warrants. Given recent developments in the share price, we anticipate that the exercise price will be positioned towards the lower end of the spectrum. We will, however, continue to monitor share price developments throughout the subscription period.

Considering a minimum 50% warrant exercise rate, the impact of the strike price on our valuation range and base case is expected to be negligible. However, the conversion rate and resultant proceeds for the company are subject to uncertainty, contingent on the underlying share price performance during the subscription period. Should the warrants be considered "out of the money", warrant holders may not have an immediate short-term financial incentive to exercise their warrants since it would require them to purchase the company's stock at a premium.

Operational highlights

XMReality has strengthened its financial position and forged several strategic partnerships throughout and after the reporting period. We provide a summary of these developments below.

- The company has received full payment for the preferable and directed unit issuances, which has led to a significant improvement in its financial position.
- On 18 January 2023, XMReality secured a one-year subscription deal with Toshiba America Business Solutions, enabling the latter to utilize XMReality's services to streamline and optimize the time spent on service while minimizing travel. Although the financial details of the agreement remain undisclosed, this development is a positive indicator of XMReality's expanding presence in the US and demonstrates the endorsement of the solution by a major technology company.
- XMReality and Viveo entered into a partnership agreement on 17 February 2023, wherein Viveo will offer XMReality to the Swedish real estate market. The first order from Viveo has already been received by XMReality. While the financial details of the order remain undisclosed, this development is promising. XMReality reports that the first use case of this partnership involves SBB, a prominent Swedish property owner and manager of residential and commercial properties. Furthermore, XMReality notes a significant uptick in interest from various real estate companies, indicating promising growth prospects in this sector.
- On 20 Mars XMReality announced a new customer win together with its partner Pointmedia which offers the product "Remoto Solution", a white label branding, that is based on XMReality's Remote Guidance software. The new customer is the Norwegian company Mycoteam which will utilize the Remoto solution to facilitate damp and mould inspections within the construction industry.
- The company has also signed its first enterprise-licensed customer in Mexico. The customer, ILSCO is a subsidiary of ECM Industries, an existing customer of XMReality. As a producer of power and grounding connectors and accessories, ILSCO plans to leverage XMReality's technology to support remote video collaboration for its manufacturing equipment.

In conclusion, Partnerships constitute an important strategic sales channel for XMReality. Partnering with other companies can help XMReality to reach customer bases that would have been challenging to access on its own. Partnerships can be particularly useful in expanding geographic presence as the company can use partners' existing networks to expand its reach. In addition, partnerships offer the advantage of tapping into existing agreements and customer relationships.

Forecast and changes to estimates

XMReality has set itself ambitious financial targets, which include attaining positive cash flow by 2024 and achieving SEK75m in ARR with an EBITDA of 15% by 2025. The company's growth plan is dependent on achieving a CAGR of approximately 61% in its ARR from 2023 to 2025. However, considering the trends and the challenges facing the company, we anticipate that XMReality will achieve its ARR target during 2026.

In our detailed forecast, we anticipate XMReality to demonstrate a CAGR of approximately 38% in sales from 2022 to 2026. While this figure is slightly lower than our earlier projection of around 42%, we acknowledge the company's impressive cost management in the quarter and thus have adjusted our cost forecasts downwards. We do, however, anticipate that expenses will increase in line with sales, albeit at a more moderate pace. As a result, we anticipate the company's EBITDA margin to improve, resulting in a positive EBITDA during H1 2025.

XMReality: Financial forecasts											
SEKm	2020	2021	2022	Q1 23	Q2 23e	Q3 23e	Q4 23e	2023e	2024e	2025e	2026e
Net sales	21	22	19	5	5	6	6	22	33	49	70
Growth YoY (%)	74%	6%	-14%	6%	16%	26%	18%	17%	49%	51%	42%
Other income	2	2	12	3	3	3	3	12	13	14	15
Total income	23	24	31	8	8	9	9	33	45	63	85
COGS	-2	-2	-1	0	0	0	0	-1	-1	-1	-2
Gross profit	19	20	18	5	5	5	6	21	32	48	68
Gross margin (%)	90%	92%	95%	97%	97%	97%	97%	97%	97%	97%	97%
Personnel	-20	-23	-34	-8	-8	-8	-8	-33	-35	-40	-44
External	-20	-27	-27	-5	-5	-5	-5	-20	-21	-22	-24
Other costs	-1	0	0	0	0	0	0	0	0	0	-1
EBITDA	-20	-28	-31	-5	-5	-5	-5	-21	-12	-1	15
EBITDA (%)	-94%	-128%	-163%	-98%	-96%	-91%	-92%	-94%	-37%	-2%	21%
D&A	-5	-5	-6	-1	-1	-1	-2	-6	-6	-8	-9
EBIT	-25	-33	-37	-6	-7	-7	-7	-26	-18	-9	6
EBIT (%)	-119%	-152%	-196%	-125%	-122%	-117%	-118%	-120%	-57%	-18%	8%
Net finance	0	0	0	0	0	0	0	0	0	0	0
PTP	-25	-33	-37	-7	-7	-7	-7	-26	-18	-9	6
Net income	-25	-33	-37	-7	-7	-7	-7	-26	-18	-9	5
EPS	-0.7	-0.8	-0.9	-0.1	-0.1	-0.1	-0.1	-0.3	-0.2	-0.1	0.1
EPS, diluted	-0.7	-0.8	-0.9	-0.2	-0.2	-0.2	-0.2	-0.3	-0.2	-0.1	0.0

Source: Redeye (forecasts), company data (historicals)

Valuation

At present, XMReality's market capitalization stands at around SEK45m. If the company meets its ARR target in 2025, it is currently trading at a 2025 EV/ARR ratio of roughly 0.35x. This translates to a significant discount compared to a group of Nordic SaaS companies, which trade at a median 2023 EV/S ratio of about 2.7x, declining to approximately 2.4x by 2024. If the company can maintain its cost management while accelerating its sales growth, we expect the stock to appreciate.

Based on the report, we have revised our short-term sales projections downward but also lowered our cost base projections, reflecting the company's impressive cost control measures. The updated estimates have had no significant impact on our fair value range. However, should we observe indications of sales picking up momentum, we will adjust our estimates accordingly.

We derive our fair value range from a fundamental DCF framework for three scenarios, base case (most likely), bear case (pessimistic), and bull case (optimistic), using a WACC of 13% across all scenarios. Due to the uncertain nature of XMReality's long-term growth and profitability, our fair value range spans SEK0.1–5, with our base case valuation being SEK0.9.

Investment thesis

Case

Scalable business model

Once XMReality completes a customer's initial deployment and onboarding, the marginal cost of adding more licensed users is negligible. The potential of achieving operating leverage and high profitability is reflected, in our opinion, in the company's 90%+ gross profit margins. We have a favourable view of the strategy of creating a large installed base, which can scale its usage and licenses with time. We forecast a 2021–25 sales CAGR of 24% and EBIT breakeven from 2025/26. We think this growth will stem (evenly split) from scaling deployments with existing customers and winning new agreements. Partnerships (e.g., Atea, NTT and Microsoft) currently account for ~10% of sales. We understand that there is upside optionality to expanding the partner network, which would grant XMReality a global reach at a limited customer acquisition cost.

Evidence

Focused core business areas

XMReality has gained a strong market position in several verticals, including (1) the food and beverage industry with customers such as Nestlé, AB InBev, and Heineken, (2) the packaging industry with customers such as Sidel, and (3) the Swedish energy sector with customers such as Tekniska Verken Linköping and Borås Energi. Two additional exciting verticals are facility management and medtech - especially medical equipment, sharing similarities with the packaging industry.

Supportive Analysis

Demand for Remote Guidance increased on the back of the pandemic, and the question is whether interest will continue to be as strong. We think less business travel and a greater focus on CO2 control should be expected. Mordor Intelligence, a research firm, expects the Enterprise AR Software market to be worth ~USD18bn by 2025, reporting a 2019–25 CAGR of 56%.

Challenge

Delayed adoption

So far, the adoption of Remote Guidance has been somewhat slow, and the company hasn't achieved the critical mass required to become profitable. Perhaps, some customers and employees prefer legacy models and are unwilling to receive AR-based assistance.

Challenge

Price pressure

XMReality applies a premium price strategy that could be difficult to retain if new competitors can offer solutions with a similar value proposition as XMReality. It becomes even more relevant in the long run if the technology becomes a standardized solution within industrial service operations.

Valuation

Low EV/sales

We derive our fair value range from a fundamental DCF framework for three scenarios, base case (most likely), bear case (pessimistic), and bull case (optimistic), using a WACC of 13% across all scenarios. Due to the uncertain nature of XMReality's long-term growth and profitability, our fair value range spans SEK0.1–5, with our base case valuation being SEK0.9.

Quality Rating

People: 3

Management shows a solid understanding of the market and is focused on increasing sales in selected core verticals, namely food and beverage, packaging, medtech, and manufacturing. The board possesses a broad area of expertise covering experience from start-ups, the IT industry, and management positions for large global companies. Additionally, we regard the ownership of Spiltan as a rubber stamp of approval toward its qualities – holding >20% of the capital.

Business: 3

XMReality is active in a rapidly growing market, where numerous globally leading industries are showing interest in technologies that can rationalize their service operations. Although the company has several direct competitors, its product offering seems competitive so far. XMReality's business model is scalable, and the company applies a licensing model for its software offering, which enables recurring revenues and high margins.

Financials: 1

The company has negative earnings and cash flow profiles. The retrospective nature of the rating impedes XMReality from achieving a better score. At the same time, we forecast significant sales growth over the foreseeable future.

Financials

Income statement

SEKm	2020	2021	2022	2023E	2024E
Revenues	21	22	19	22	33
Cost of Revenue	2	2	1	1	1
Operating Expenses	41	51	61	53	56
EBITDA	(20)	(28)	(31)	(21)	(12)
Depreciation	1	1	1	0.17	0.33
Amortizations	4	5	5	6	6
EBIT	(25)	(33)	(37)	(26)	(18)
Shares in Associates	-	-	-	-	-
Interest Expenses	0.29	0.03	0.02	0.02	0.02
Net Financial Items	(0)	(0)	0	(0)	(0)
EBT	(25)	(33)	(37)	(26)	(18)
Income Tax Expenses	-	-	-	-	-
Net Income	(25)	(33)	(37)	(26)	(18)

Balance sheet

Assets

Non-current assets

SEKm	2020	2021	2022	2023E	2024E
Property, Plant and Equipment (Net)	0.35	0.13	0.12	0.1	0
Goodwill	-	-	-	-	-
Intangible Assets	13	10	16	22	27
Right-of-Use Assets	-	-	-	-	-
Other Non-Current Assets	0.05	0.05	0.05	0.05	0.05
Total Non-Current Assets	14	11	16	22	27

Current assets

SEKm	2020	2021	2022	2023E	2024E
Inventories	0.26	0.4	0.24	0.28	0.42
Accounts Receivable	9	8	29	7	11
Other Current Assets	-	-	-	-	-
Cash Equivalents	19	45	8	20	(2)
Total Current Assets	28	53	37	27	9
Total Assets	42	64	53	50	37

Equity and Liabilities**Equity**

SEKm	2020	2021	2022	2023E	2024E
Non Controlling Interest	-	-	-	-	-
Shareholder's Equity	25	45	31	30	11

Non-current liabilities

SEKm	2020	2021	2022	2023E	2024E
Long Term Debt	0.05	0.05	0.05	0.05	0.05
Long Term Lease Liabilities	-	-	-	-	-
Other Non-Current Lease Liabilities	-	-	-	-	-
Total Non-Current Liabilities	0.05	0.05	0.05	0.05	0.05

Current liabilities

SEKm	2020	2021	2022	2023E	2024E
Short Term Debt	0.33	-	-	5	5
Short Term Lease Liabilities	-	-	-	-	-
Accounts Payable	7	9	-	(0)	(1)
Other Current Liabilities	-	-	22	15	23
Total Current Liabilities	17	19	22	20	26
Total Liabilities and Equity	42	64	53	50	37

Cash flow

SEKm	2020	2021	2022	2023E	2024E
Operating Cash Flow	(17)	(25)	(48)	(6)	(10)
Investing Cash Flow	(2)	(2)	(12)	(11)	(12)
Financing Cash Flow	38	54	22	30	-

Rating 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 longterm earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

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

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

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

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

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

The team

MANAGEMENT



Björn Fahlén
bjorn.fahlen@redeye.se



Tomas Otterbeck
tomas.otterbeck@redeye.se

EDITORIAL



Joel Karlsson
joel.karlsson@redeye.se

TECHNOLOGY TEAM



Alexander Flening
alexander.flening@redeye.se



Anton Hoof
anton.hoof@redeye.se



Danesh Zare
danesh.zare@redeye.se



Fredrik Reuterhäll
fredrik.reuterhall@redeye.se



Fredrik Nilsson
fredrik.nilsson@redeye.se



Henrik Alveskog
henrik.alveskog@redeye.se



Hjalmar Ahlberg
hjalmar.ahlberg@redeye.se



Jacob Svensson
jacob.svensson@redeye.se



Jesper Von Koch
jesper.vonkoch@redeye.se



Jessica Grunewald
jessica.grunewald@redeye.se



Mark Siöstedt
mark.siostedt@redeye.se



Mattias Ehrenborg
mattias.ehrenborg@redeye.se



Niklas Sävås
niklas.savas@redeye.se



Rasmus Jacobsson
rasmus.jacobsson@redeye.se



Viktor Lindström
viktor.lindstrom@redeye.se

LIFE SCIENCE TEAM



Christian Binder
christian.binder@redeye.se



Ethel Luvall
ethel.luvall@redeye.se



Filip Einarsson
filip.einarsson@redeye.se



Fredrik Thor
fredrik.thor@redeye.se



Gustaf Meyer
gustaf.meyer@redeye.se



Johan Unnerus
johan.unnerus@redeye.se



Kevin Sule
kevin.sule@redeye.se



Mats Hyttinge
mats.hyttinge@redeye.se



Oscar Bergman
oscar.bergman@redeye.se



Richard Ramanius
richard.ramanius@redeye.se



Sebastian Andersson
sebastian.andersson@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.

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.