

Beijer Group

Sector: Technology

Mind the Gap

Redeye updates its estimates for Beijer Group following a review of its Q1 2022. Beijer Group continued to report excellent order intake numbers, while the global component shortage hampered its sales conversion. Still, the signaling value in the recent quarters' impressive order intake should weigh heavier than external headwinds, as it proves that Beijer Group is well-positioned and is taking market share with its renewed product portfolio. This should become increasingly visible for the group's profitability as we advance, and Redeye argues that the discount to peers is too large, given its recent performance. The order intake is the leading indicator.

Order intake continues to reach new all-time highs

Usually, the term "mind the gap" is an audible or visual warning phrase issued to rail passengers to take caution while crossing the horizontal, but in this case, we mean it mainly positively. In 2021, orders increased by 40% y/y while sales increased by 13% y/y. Q1 continued in a similar pattern as 2021, with the order intake printing new all-time highs, SEK 662m (up by 59% y/y) while growth advanced, albeit at a slower rate because of the key component shortages plaguing the whole industry. Still, the net sales of SEK 440m was quite good and an improvement of 25% y/y (whereof about ~20% was organic, excluding ELTEC). Beijer Group is clearly gaining market share, highlighting how the company's renewed product portfolio has an excellent market demand fit. The gap translates into an unfilled order backlog and future sales once the component issues are solved. Moreover, we argue that the signaling value of the strong order intake trumps the actual sales and profitability numbers in the near-term, as it shows that Beijer Group is set to harvest from its multi-year 'R&D spree' and bolt-on acquisitions.

Margins still impacted by key component shortages, but on the rise nevertheless

Beijer Group reported an EBIT margin of 6.4%, an improvement y/y, and q/q, but still subpar. For quite some time, the company has had trouble showing stable margins, thus hurting the perception of a long-lasting U-turn from its poor profitability in the past few years. However, there are signs of operational improvements (scalability), which should become ever more visible with larger volumes, when the component shortage eases. There is also a 'cat-and-mouse component' between recent price increases and net sales from orders at old prices.

Redeye nudges the base case to SEK 87

We increase the base case slightly upward to SEK 87 (84) thanks to the record level order intake. We continue to see a compelling case with improved long-term prospects.

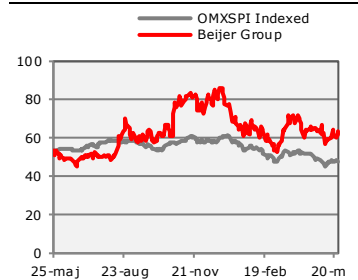
Beijer Group - near-term forecasts										Share price: 69,1
(SEKm)	2019	2020	2021	Q1'22A	Q2'22E	Q3'22E	Q4'22E	2022E	2023E	2024E
Net sales	1559	1438	1619	440	464	481	509	1894	2230	2504
Growth (%)	10,0%	-7,8%	13%	25,4%	19,2%	16,8%	9,1%	17,0%	17,8%	12,3%
EBITDA	227	164	66	76	88	101	331	511	590	
EBITDA margin (%)	14,6%	11,4%	15,1%	16,3%	18,2%	19,8%	17,5%	22,9%	23,6%	
EBIT	103	16	28	37	48	61	174	335	401	
EBIT margin (%)	6,6%	1,1%	6,4%	8,0%	10,0%	12,0%	9,2%	15,0%	16,0%	
EV/Sales								1,5	1,3	1,1
EV/EBITDA								8,5	5,5	4,8
EV/EBIT								16,1	8,4	7,0

Source: Beijer Group, Redeye Research

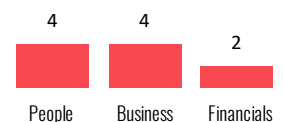
FAIR VALUE RANGE

BEAR	BASE	BULL
43	87	120

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	BELE
Market	Mid Cap
Share Price (SEK)	69.1
Market Cap (MSEK)	2001
Net Debt (MSEK)	845
Free Float	54%
Avg. daily volume ('000)	9.4

ANALYSTS

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Q1 2022 Review

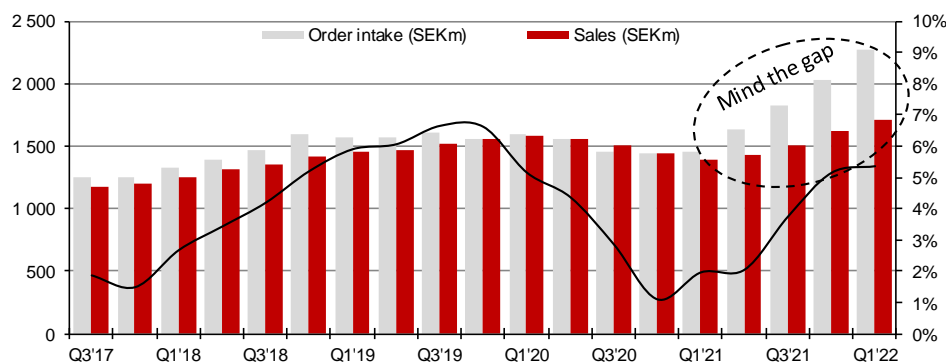
SEKm	Westermo			Beijer Electronics			Beijer Group		
	Q1'22	Q1'21	change	Q1'22	Q1'21	change	Q4'21	Q4'20	change
Order intake	303	172	76%	361	246	47%	662	417	59%
Sales	229	187	22%	214	165	30%	440	351	25%
EBIT-margin	9,7%	9,1%		7,9%	neg		6,4%	1,3%	

Sources: Redeye Research, Beijer Group

Sales and order intake

Beijer Group's Q1 2022 sales increased by 25% y/y and decreased by -5.7% q/q to SEK 440m. Our Q1 estimates were net sales of SEK 472m (or a growth rate of 34.4% y/y) but the actual sales conversion depends much on how the component situation in the quarter transpires. Jenny Sjö Dahl wrote in the CEO letter that management believes "that invoicing could have been some 50 MSEK higher in more normal circumstances." This would have placed sales at SEK 490m, or at a growth rate closer to 40% y/y. Our estimate was thus somewhere in between, and we make no big deal out of the lower number this time. Moreover, as we have previously mentioned, Beijer Group does not have a sales or internal capacity problem, but rather a problem with how much it can deliver. The delivery-issues stem from the global shortage of certain key components in the wake of the pandemic and have hit the whole industry, making it more understandable on the customer-side. Beijer Group has initiated processes of re-modelling some of its products to easier find components, but it is hard as some of the products, especially on Westermo's side, are certified and extremely niched. Some progress has been seen on Beijer Electronics' side, however, although this only solves a small part of the shipment problem.

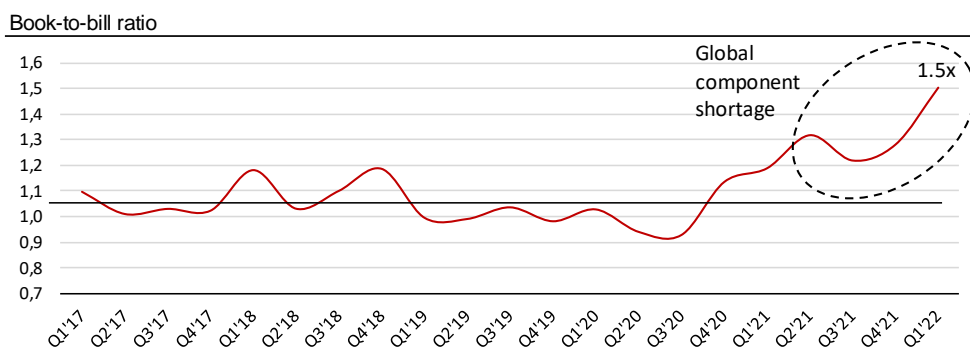
Beijer Group: Order Intake, Sales, EBIT (SEKm) - trailing numbers



Sources: Redeye Research, Beijer Group

The most important number in the report was the incredible order intake, which continues to produce new all-time highs. This was the fifth quarter in a row in which it increased. In the Q1 report, it is stated that the group is "well-positioned geographically and in product terms. Our order intake is outperforming the market generally, vindicating the Group's growth strategy." The order intake (and sales growth) is thus broad-based, giving it extra weight. Beijer Group's trailing twelve-month order intake is now at almost SEK 2.3bn, and the order backlog is at SEK >1.2bn. The order intake was stronger than we anticipated and carries more value than just the initial order value, as it also confirms the strong product portfolio and the company's new growth initiatives. There was some altered customer behavior playing a role in the record-breaking order intake as well. Customers now tend to place orders over longer time horizons, from planning from one month or a quarter to a half-year or full-year. We have seen similar customer behavior at many peer companies, as their customers try to shield themselves from

the longer lead-times. In Beijer Group's case, this new customer behavior added about 10% to the order intake, which is not excessive by any means (we have seen peers talk about a 40% boost in certain cases). Subsequently, the book-to-bill ratio continued to surge to 1.5x, which is very high (we have previously thought this number was set to decline, but a good demand side and lingering component shortages hinder shipments and keep it at elevated levels).



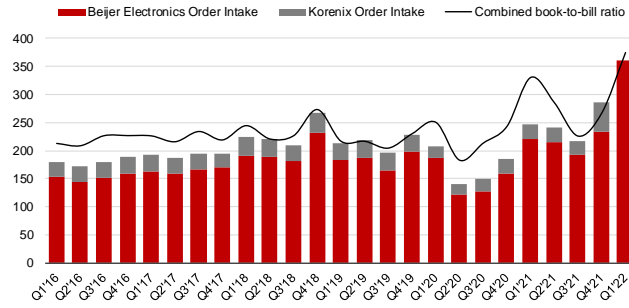
Margins

The component shortage squeezes Beijer Group's EBIT margin in two ways. First, cost of goods sold are generally higher and some key components in the spot markets fetch prices many times over the normal levels. Second, the shortage hindered Beijer Group to fill about SEK 50m in orders in Q1, which should have been about SEK 25m in gross profit, as the group has gross margins of about 50% and no or very low incremental opex at current capacity levels. Thus, in a normalized scenario, Beijer Group would have most likely reported an EBIT of about SEK 53m, almost a doubling of the actual EBIT in Q1 2022 of SEK 28.2m (translating into a margin of 6.4%). That would have been an EBIT margin of almost 11%. Beijer Group states that "Our objective is for our business entities to be capable of achieving minimum yearly growth of 10%, with the potential to achieve an EBIT margin of 15%." Currently, it exceeds the growth target but not the margin goal given the challenging macro situation. Beijer Group started to raise prices in the middle of 2021 and has continued to do so during the fall and at the beginning of 2022. It has also announced that should the component shortage continue to inflate prices in the value-chain, it will once again raise its prices. We believe the price adjustments will show in the coming quarters (and it has already been showing, especially in Beijer Electronics' segment, where the inventory turnover is much faster).

General outlook

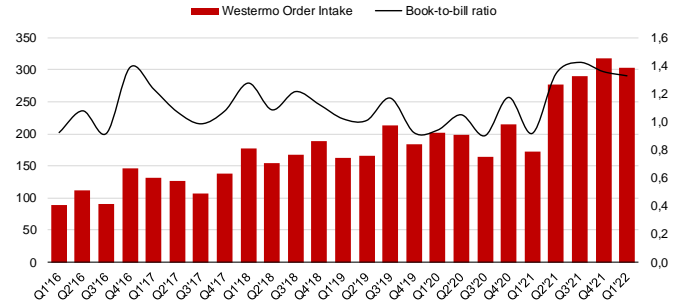
Beijer Group is well-positioned in expansive markets, growing by 7-15% a year, thanks to rapid digitalization. The company is growing alongside investments in infrastructure, transportation, and energy, and it has carved out market-leading positions in areas such as train data communication equipment. Beijer Group has consistently invested between 9-13% of its sales in R&D since 2016 and has also made a handful of bolt-on acquisitions, thereby boosting its offering over the years. Today's product portfolio mainly consists of proprietary and newly developed products that appear to gain good traction in the markets, which is evident when looking at the past two years' order intakes. Beijer group's revenue model is mainly based on close partnerships, where its hardware and software are built into customers' complete solutions, with lifecycles up toward ten years. Consequently, more than 50% of the group's revenue is repetitive and thus generates stable demand over time. Future software updates and service contracts also present opportunities to expand the business. Lastly, an increasing amount of design wins, built-up organizational and value-chain trust, deep application knowledge, and an effective R&D process puts Beijer Group in a good spot to achieve its financial targets over time.

New operating segment - Beijer Electronics and Korenix, quarterly development since 2016 (SEKm)



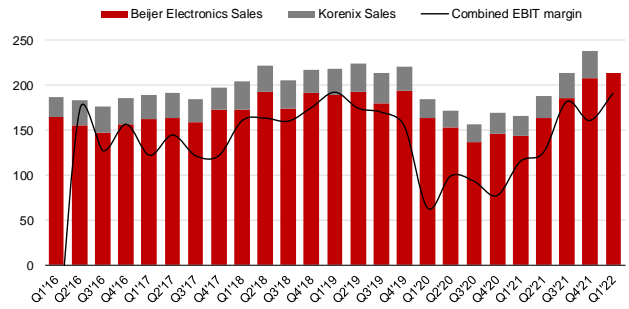
Source: Beijer Group, Redeye Research

Westermo's order intake (SEKm) and book-to-bill ratio, quarterly development since 2016



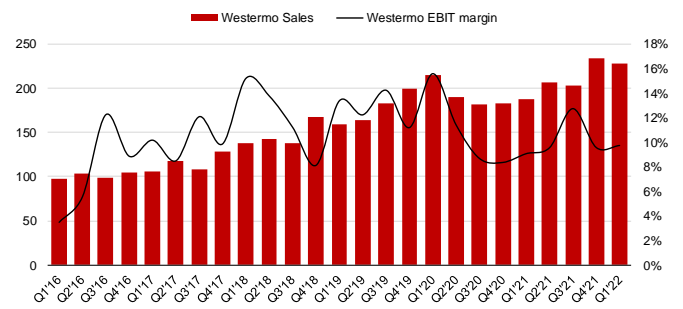
Source: Beijer Group, Redeye Research

New operating segment - Beijer Electronics and Korenix, quarterly development since 2016 (SEKm)



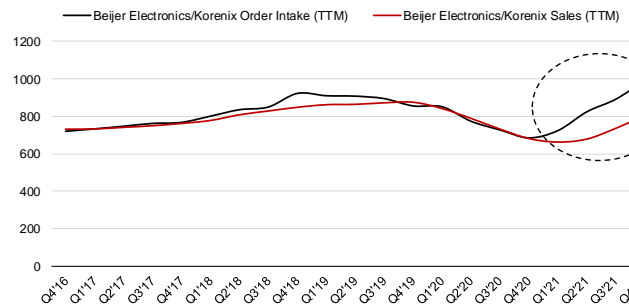
Source: Beijer Group, Redeye Research

Westermo's sales (SEKm) and EBIT margin (%), quarterly development since 2016



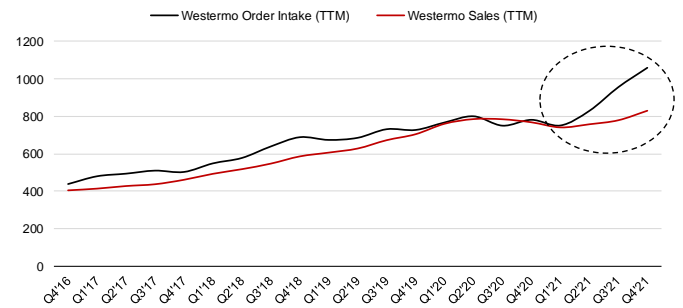
Source: Beijer Group, Redeye Research

Order intake and sales rolling-twelve (SEKm)



Source: Beijer Group, Redeye Research

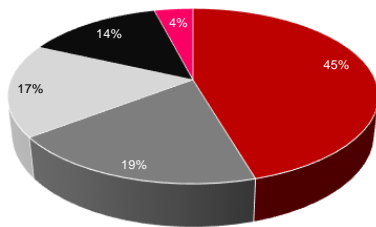
Order intake and sales rolling-twelve (SEKm)



Source: Beijer Group, Redeye Research

Beijer Electronics' sales distribution

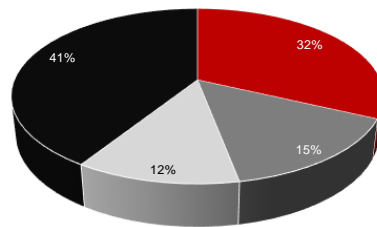
Manufacturing Marine sector Infrastructure Energy Other



Source: Beijer Group, Redeye Research

Westermo's sales distribution

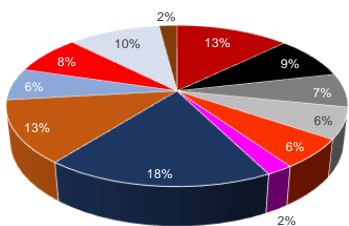
Trains Railways Energy Other



Source: Beijer Group, Redeye Research

Beijer Group's geographical distribution of sales

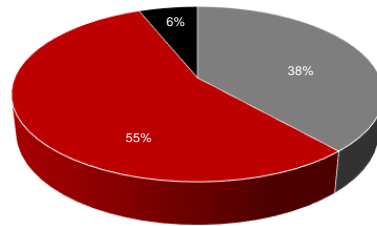
Sweden Rest of Nordics Germany UK France Turkey Rest of Europe USA Taiwan China Rest of Asia Rest of world



Source: Beijer Group, Redeye Research

Beijer Group's product category distribution of sales

Operator panels and accessories Network equipment Other products and services



Source: Beijer Group, Redeye Research

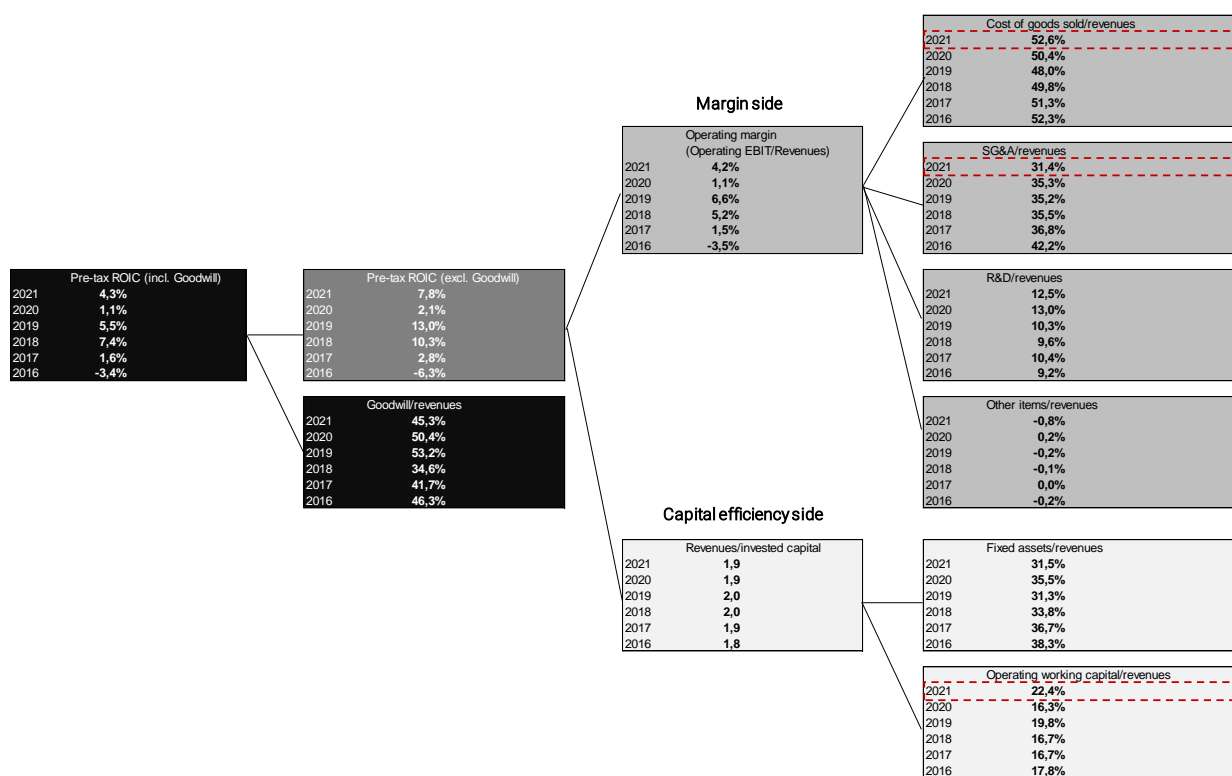
New Estimates

We are not making any larger adjustments to our forecasts as Beijer Group continues to execute on its outlined path. One highlight worth extra attention is Beijer Electronics' EBIT margin, however, giving us some confidence that the group might succeed in exceeding the 10% EBIT margin goal later this year. Price increases from early 2022 should help with that.

Moreover, we would like to talk about Beijer Group's scalability briefly. The return on invested capital (ROIC) tree shows where improvements and current headwinds exist in the company's mission to turn around the poor returns. The first thing we want to draw attention to is the gross margin, which has been significantly impacted by the component shortage, thus declining from 52% in 2019 (before the pandemic) to 47.4% in 2021. We believe the gross margin will strengthen again once bottlenecks, both on the key component side but also in the logistical chain, are resolved. We could thus see a 4-5 percentage points improvement in this part of the business a few quarters down the road. Second, Sales, General & Administration scales well with higher volumes, exactly as management has said. It came down to 31.4% of sales in 2021, almost 4 percentage points lower than in 2020. We still believe there is some margin improvement from this part of the business as well, as management has said its capacity levels could handle about SEK 2.1-2.2bn in sales. We thus see ample room for margin improvement going forward, which will continue to scale at even higher volumes.

Third, on the capital efficiency side of the ROIC tree, one can clearly see how the higher inventory levels have hurt the ratio. Unfinished products lacking one key component, a build-up of components just in case, and overall, longer lead times have pushed the inventory levels upward. Operating working capital as a percentage of revenue has thus gone up significantly, which we believe will come down once the shortage situation improves again. This would also mend Beijer Group's cash flow position. All in all, we see a good chance of improvements in Beijer Group's ROIC going forward, thanks to amendments on both sides of the equation.

Beijer Group's pre-tax ROIC tree 2016-2021 (Redeye's estimates)



Source: Beijer Group, Redeye Research

Beijer Group's order intake exceeded our forecast, but net sales came in below. We decrease the near-term sales a bit, due to the component shortage, as Beijer Group still has some problems filling orders. We still keep a gradual ramp-up of the net sales throughout the year. Moreover, we increase the medium-term sales slightly, as we argue that the signaling value of the broad-based demand is good (we expect the order intake to be around SEK 500-550m a quarter in 2022, should not the general economy cool).

These forecasts are, however, subject to high uncertainty. Beijer Group said that had the shortage not been the case, it would have been able to ship for SEK 490m in Q1 2022, which is way above our Q2 and Q3 estimates, translating into a SEK 1.96bn yearly sales run-rate. Furthermore, when Beijer Group was more 'aggressive' on the spot market in Q4 2021, buying key components at elevated levels just to fill orders, it increased net sales to SEK 466m, although it hurt its margins simultaneously (4.7% in EBIT margin). Single quarters therefore depend on how many components there are available at reasonable prices on the spot market.

We are trying to take a bit more conservative approach here, (especially in our medium-term estimates), and would rather adjust our estimates upward following the reports. The same goes for the order intake estimate, where we are still a bit cautious putting in stable order intakes at the SEK ~600m level (although this is up for review after every quarter). Today, there is no immediate end in sight to the component shortage, and with parts of China in lockdown, and new geopolitical crises, such as Russia's aggression in Ukraine, we do not feel confident in penciling in a sunny near-term improvement. Should the component situation worsen, we could be forced to revisit and revise our estimates.

Lastly, we believe Beijer Group is well-positioned with its product portfolio to grow faster than its end-markets (~7-15%) in the coming years. We also see the long-awaited margin improvement materialize with larger volumes (when the order intake and net sales gap closes) and price increases. Consequently, on the margin side, we have not changed our estimates much and continue to see the company scale according to its plan to reach an EBIT margin of $\geq 15\%$.

Beijer Group: Estimates, '21-'24E								
(SEKm)	2021	Q1'22A	Q2'22E	Q3'22E	Q4'22E	2022E	2023E	2024E
Sales (group adjusted)	1 619	440	464	481	509	1 894	2 230	2 504
<i>growth y/y</i>	3,9%	25,4%	19,2%	16,8%	9,1%	17,0%	17,8%	12,3%
Beijer Electronics (incl. Korenix)	806	214	223	229	235	901	1072	1203
Westermo	831	229	241	252	274	996	1174	1316
Total costs (excl. D&A)	1 455	373	389	393	408	1 563	1 720	1 914
EBITDA	164	66	76	88	101	331	511	590
(%)	10,1%	15,1%	16,3%	18,2%	19,8%	17,5%	22,9%	23,6%
D&A	148	38	39	39	40	156	176	189
EBIT	16	28	37	48	61	174	335	401
(%)	1,0%	6,4%	8,0%	10,0%	12,0%	9,2%	15,0%	16,0%

Source: Beijer Group, Redeye Research

Valuation

Company	Sales			EV/SALES			EV/EBIT (x)			Sales growth			EBIT margin		
	22E	22E	23E	24E	22E	23E	24E	22E	23E	24E	22E	23E	24E		
CTT	251	10,4	6,9	5,4	28	19	15	66%	47%	26%	37%	37%	36%		
Hexagon	53 671	6,3	5,7	5,1	22	19	17	19%	9%	7%	29%	29%	30%		
Tomra	11 839	2,3	2,0	1,8	17	13	12	9%	13%	7%	14%	15%	16%		
Troax	3 014	4,8	4,0	3,3	25	19	16	14%	7%	7%	20%	21%	21%		
HMS	2 326	7,7	6,8	6,3	33	28	26	18%	12%	5%	23%	24%	25%		
Belden	2 492	1,2	1,2	1,1	8	8	7	3%	2%	1%	15%	15%	15%		
Advantech	66 254	4,1	3,6	3,2	23	20	17	13%	12%	11%	18%	18%	18%		
Spectris	1 324	2,3	2,2	2,1	14	13	12	0%	4%	3%	17%	17%	17%		
Siemens	69 209	1,9	1,8	1,7	14	13	11	11%	4%	5%	14%	14%	15%		
Rockwell	7 851	3,4	3,1	2,9	19	16	14	12%	8%	6%	17%	19%	20%		
Average	21 823	4,4	3,7	3,3	20	17	15	16%	12%	8%	20%	21%	21%		
Median	5 433	3,7	3,4	3,0	21	17	15	13%	8%	7%	18%	19%	19%		

Source: Redeye, Company reports, FactSet

Beijer Group is still priced well below the average industry peer, which we believe has more to do with the company's history than with its future prospects. The strong order intake is an early indicator of stable growth and improved margins with the added volume. Today, it seems that the market has a 'wait and see' stance, which we believe will change gradually as the group hits its financial targets and, from there, start looking forward to the business model's inherent long-term potential. EV/Sales of 1.5x and EV/EBIT of 16.1x on 2022's estimated numbers are too low given Beijer Group's recent performance, in our opinion.

Bear Case SEK 43

- CAGR sales ~6.5% next ten years
- Average EBIT margin of ~10% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 7%

In our bear case, we assume a slower pick up after the Covid-19 pandemic and prolonged effects from component shortages. Moreover, the WeGrow strategy does not lead to much greater growth and margins as competition increases in the segments. Beijer Group continues to have below average margins and profitability on invested capital (ROIC).

Base Case SEK 87

- CAGR sales ~10% next ten years
- Average EBIT margin of ~12% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 8%

Beijer Group grows at >7% annually in our base case and improves its margins, thus beating its financial goals. EBIT peaks at 16% and then goes down as competition increases in its segments to around ~10% a few years down the road (gradually). Beijer Group has, nonetheless, substantially higher 'lower levels' in this scenario and the growth runway (durability) is also a bit longer in this scenario. Not all business entities accomplish their capacity goals.

Bull Case SEK 120

- CAGR sales ~11% next ten years
- Average EBIT margin of ~15% coming ten years
- Terminal growth rate of 2%
- Terminal EBIT margin of 10%

Beijer Group meets the capacity targets of 10% in annual growth and EBIT margins of around 15% in our bull case. Westermo's WeGrow strategy is successful, and it creates market-leading roles in trackside and power distribution. Beijer Electronics and Korenix also improve their profitability with fewer product platform families and more cooperation. Beijer Group's profitability is in line with other well-managed industrial companies. We also expect a multiple re-rating.

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 point. The maximum score for a valuation key is 5 points.

Rating changes in the report

Rating changes in the report

People: 4

The People rating is based on quantitative scores in seven sub-categories: Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board. In our rating assessment, Beijer Group gains the highest points from its open communication, qualified and experienced board, and compensation. Relevant industry experience characterizes BELE's management and board of directors. Management shows a good understanding for the targeted markets and has a clear long-term focus. BELE has shown solid progress with current management, which we judge to have completed the company's turnaround.

Business: 4

The Business rating is based on quantitative scores in five sub-categories: Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks. Beijer Group receives the highest scores in Value Proposition and Operational Risk. The company operates in large, fragmented growth markets, primarily related to the digitalization trend. Long customer relationships characterize its business, where products are designed into customers' systems -laying the ground for potentially durable competitive advantages (switching costs).

Financials: 2

The Financials rating is based on quantitative scores in five sub-categories: Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality. Although currently showing solid progress, BELE's financial rating is burdened by a couple of years of negative results and free cash flow. As additional profitability improvements are expected, we see room for an increased rating going forward. The company has a solid capital structure, the business is diversified, and we see no risk of needing to raise external capital going forward. On the negative side, the business is cyclical, implying that there is a risk of negative growth in a period of economic downturn.

	2020	2021	2022E	2023E
INCOME STATEMENT				
Revenues	1438	1619	1894	2230
Cost of Revenues	724	852	930	1059
Gross Profit	713	767	964	1171
Operating Expenses	549	549	634	660
EBITDA	164	218	331	511
Depreciation & Amortization	148	150	156	176
EBIT	16	68	174	335
Net Financial Items	-22	-19	-9	-4
EBT	-6	50	165	329
Income Tax Expenses	0	14	29	69
Non-Controlling Interest	4	4	4	4
Net Income	-6	36	136	260
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	121	147	100	201
Inventories	177	328	229	276
Accounts Receivable	251	297	337	428
Other Current Assets	46	62	57	67
Total Current Assets	595	834	723	971
Non-current assets				
Property, Plant & Equipment, Net	96	85	96	121
Goodwill	766	734	739	739
Intangible Assets	267	325	309	304
Right-of-Use Assets	99	96	204	309
Shares in Associates	0	0	0	0
Other Long-Term Assets	61	65	52	74
Total Non-Current Assets	1289	1305	1400	1547
Total Assets	1884	2139	2123	2518
Liabilities				
Current liabilities				
Short-Term Debt	153	299	95	0
Short-Term Lease Liabilities	30	36	38	38
Accounts Payable	103	160	0	160
Other Current Liabilities	153	213	210	216
Total Current Liabilities	439	708	343	414
Non-current liabilities				
Long-Term Debt	410	384	379	379
Long-Term Lease Liabilities	69	59	169	274
Other Long-Term Liabilities	326	255	379	379
Total Non-current Liabilities	804	697	927	1032
Non-Controlling Interest	4	4	4	4
Shareholder's Equity	637	729	848	1067
Total Liabilities & Equity	1884	2139	2123	2518
CASH FLOW				
NOPAT	16	49	144	264
Change in Working Capital	37	-89	-98	19
Operating Cash Flow	194	85	296	455
Capital Expenditures	-59	-66	-29	-45
Investment in Intangible Assets	-23	-112	-58	-100
Investing Cash Flow	-82	-178	-101	-167
Financing Cash Flow	-101	114	-243	-187
Free Cash Flow	112	-93	208	310

DCF Valuation Metrics	Sum FCF (SEKm)			
Initial Period (2022–2024)	645,68			
Momentum Period (2025–2029)	946,31			
Stable Period (2030–)	1765,04			
Firm Value	3357,03			
Net Debt	845,00			
Equity Value	2512,03			
Fair Value per Share	87			

	2020	2021E	2022E	2023E
CAPITAL STRUCTURE				
Equity Ratio	0,3	0,3	0,4	0,4
Debt to equity	0,9	0,9	0,6	0,4
Net Debt	442	536	375	179
Capital Employed	1445	1431	1779	2104
Working Capital Turnover	7,6	5,8	5,1	6,3

	2020	2021E	2022E	2023E
GROWTH				
Revenue Growth	-8%	13%	17%	18%
Basic EPS Growth	-109%	-689%	279%	90%
Adjusted Basic EPS Growth	-109%	-689%	279%	90%

	2020	2021E	2022E	2023E
PROFITABILITY				
ROE	-1%	5%	17%	27%
ROCE	1%	5%	10%	16%
ROIC	1%	4%	10%	17%
EBITDA Margin (%)	11%	13%	17%	23%
EBIT Margin (%)	1%	4%	9%	15%
Net Income Margin (%)	0%	2%	7%	12%

SHAREHOLDER STRUCTURE	CAPITAL VOTES %	
Stena	29,4%	29,6%
Svolder	15,1%	15,2%
Nordea Fonder	12,4%	12,5%
Fjärde AP-fonden	9,4%	9,5%
Cliens Fonder	3,6%	3,6%

SHARE INFORMATION	
Reuters code	BELE.b
List	Small Cap
Share price	
Total shares, million	28,952

MANAGEMENT & BOARD	
CEO	Jenny Sjö Dahl
CFO	Joakim Laurén
Chairman	Bo Elisson

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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.

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 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 (2022-05-31)

Rating	People	Business	Financials
5	32	15	4
3-4	149	133	44
0-2	5	38	138
total	186	186	186

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CONFLICT OF INTERESTS

Mark Siöstedt 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.