Beijer Group

Sector: Technology

Do Not Miss the Forest for the Trees

Beijer Group posted a record order intake in Q2'21 of more than half a billion SEK. The demand recovery was broad, both geographically and business entity-wise, but the sales conversion was being hampered by a global shortage of certain key components. Still, Redeye argues that Beijer Group is on the right track and that the second half of 2021 should show solid revenue growth and strengthening margins, many thanks to the strong order book.

A record order intake...

Beijer Group achieved its highest single quarter order intake ever in Q2'21: SEK 514m (337m). In H1'21, the total order intake has reached SEK 931m and the order book is at record levels as well at SEK >750m. Although we believe some of the strength comes from pent-up demand after the pandemic, we argue the renewed product portfolio is the main reason for the record quarter, consequently indicating a more durable mid-term growth as well.

... hampered in the short-term by a component shortage

The two main culprits to why revenues 'only' grew by 9% y/y were currency headwinds and a global shortage of certain key components. It does not matter if Beijer Group has 95% of all the needed components if some critical ones are missing due to the global supply crunch. While we believe there could be some hick-ups along the way, especially in Q3, we still expect the shortage issue to gradually ease in H2'21, and thus, the record order book should start to convert into actual sales.

Increasing the fair value range moderately

We argue that Beijer Group offers investors a compelling combination of organic and acquired growth, coupled with margin expansion and a good chance of multiple rerating. This is thanks to a rejuvenated high-end product portfolio, years of relation-building, and a well-staffed organization, ready for when demand returns across its markets (which we see clear evidence of happening). Moreover, Beijer Group is working with some exciting pricing and product packaging concepts, which we believe will support higher mid-term margins. Consequently, Redeye increases the base case to SEK 70 (and the fair value range to SEK 38 and SEK 100).

Beijer Group - near-term forecasts

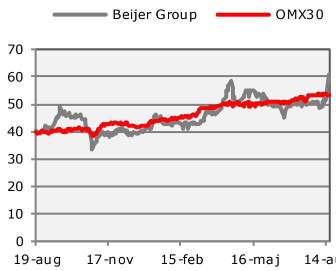
(SEKm)	2018	2019	2020	Q1'21A	Q2'21A	Q3'21E	Q4'21E	2021E	2022E	2023E
Net sales	1417	1559	1438	351	390	425	460	1625	1901	2100
Growth (%)	17,5%	10,0%	-7,8%	-11,2%	9,0%	27,0%	31,7%	13,1%	17,0%	10,5%
EBITDA	151	227	123	39	47	71	81	239	372	519
EBITDA margin (%)	10,6%	14,6%	8,6%	11,2%	12,1%	16,7%	17,7%	14,7%	19,6%	24,7%
EBIT	74	103	16	5	10	32	41	88	219	338
EBIT margin (%)	5,2%	6,6%	1,1%	1,3%	2,5%	7,6%	9,0%	5,4%	11,5%	16,1%
EPS	1,5	2,3	-0,21	0,06	0,07	0,84	1,09	2,1	5,6	9,0
EV/Sales								1,6	1,3	1,2
EV/EBITDA								10,7	6,9	4,9
EV/EBIT								29,0	11,7	7,6

Source: Beijer Group, Redeye Research

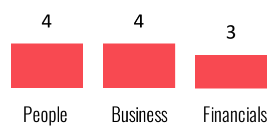
FAIR VALUE RANGE

BEAR	BASE	BULL
38	70	100

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	BELE
Market	Small Cap
Share Price (SEK)	60
Market Cap (MSEK)	1737
Net Debt (MSEK)	822
Free Float	45%
Avg. daily volume ('000)	80

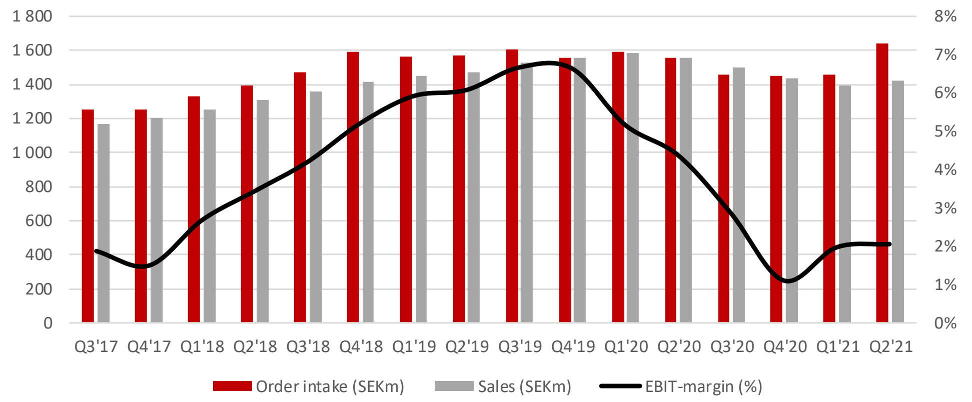
ANALYSTS

Mark Siöstedt
mark.siostedt@redeye.se

Q2'21: Strong Demand, but Still Some Gravel in the Machinery

Net sales increased by 9% y/y to SEK 390m (357m) while the EBIT margin strengthened to 2.5% at SEK 9.8m (7.9m). Sales were impacted by a global component shortage which restricted shipments and led to a loss of sales in the quarter of about SEK 50m (more on that later). Thus, sales would have been SEK ~440m (or up 23% y/y) in a so to speak 'normal quarter' without any external issues. SEK 440m would have surpassed the previous record quarter of Q4'19, right before the pandemic, when net sales hit SEK 415m. Moreover, Beijer Group had currency headwinds in Q2'21 as well, and the currency-adjusted topline growth would have been 14% y/y.

Order Intake, Sales, EBIT - Trailing twelve month numbers



Source: Beijer Group, Redeye Research

The order intake increased by more than 50% y/y, and it was the first single quarter where it exceeded half a billion SEK (514m to be exact). Although we believe some of the strength comes from pent-up demand after the initial pandemic shock, we argue the renewed product portfolio is the main reason for the record quarter. Since 2016, Beijer Group has invested almost 1bn in R&D (it has consistently been around 11.5-13% of sales). The company has also made several bolt-on acquisitions (Neratec, Virtual Access, and Eltec) that have added both new products and valuable customer relations. The combination of a complete and competitive product portfolio, several larger design wins, a network of pleased customers, and a demand recovery, should help Beijer Group hit its financial targets (7% in annual organic growth and an EBIT margin of 10%).

Volumes are still not above the critical level where positive operating leverage truly kicks in, but very close. Beijer Group does not have to add much extra costs in a scenario where sales approach SEK 2bn, making any incremental sales extraordinarily potent for profitability. Therefore, the SEK 50m in lost sales due to restricted shipments would have likely added around SEK 20-25m in EBIT (as the gross margin is ~50%) if there had not been any issues of receiving the key components. That would have translated into an EBIT margin of around 7-8% (30-35m/440m), compared to the 2.5% (10m/390m). We expect this operating leverage to become apparent in the next 6-12 months when the record order book converts into sales. Between 2017 and 2019 (i.e. before the pandemic), Beijer Group's incremental EBIT margins were 22%. Lastly, in early 2020, Beijer Electronics and Korenix implemented cost-saving programs, which lowered the general overhead by about SEK 40m a year.

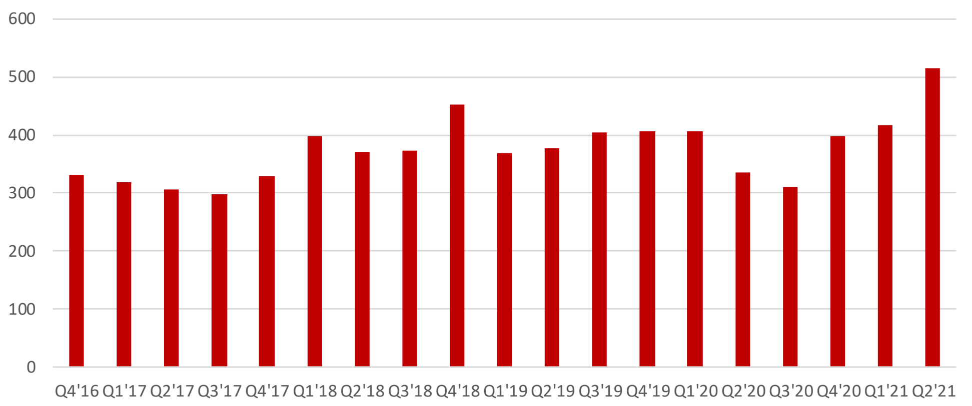
Record Order Book and Global Component Shortage

Order book of >SEK 750m

Beijer Group's record order intake and order book of SEK 514m and SEK >750m, respectively, both point toward a strong demand recovery in the markets and that the company's growth strategies are starting to pay off. Moreover, the demand is broad, both geographically and business entity-wise, adding an extra layer of robustness.

The record order intake of SEK >500m (53% y/y and 60% y/y currency adjusted) also shows that Beijer Group has the capacity to surpass SEK 2bn in yearly sales in the near-to-medium term and reach the critical volume to strengthen the operating margin (we believe it will surpass 15%, i.e., above the current financial target). CEO, Per Samuelsson, commented in the interim report "We think that Beijer Group's total delivery capacity, given normal flows of components, will more than exceed the rate of order intake in the second quarter." Thus, additional volume will not add much new costs below the cost of goods sold, giving incremental sales excellent operating margins. So far in 2021, Beijer Group has had a total order intake of SEK 931m.

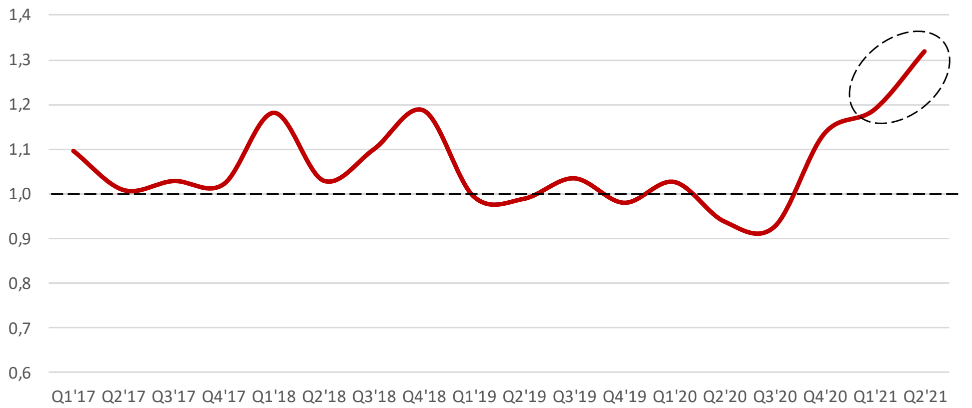
Quarterly order intake (SEKm)



Source: Beijer Group, Redeye Research

The ratio of orders received to units shipped and billed for a specified period (book-to-bill) exceeded 1.3x. A ratio of 1x (or slightly above) is good as it indicates timely deliveries and future growth. One does not want it, however, to be too high, as it means there may be more of a demand than can be efficiently supplied.

Book-to-bill ratio

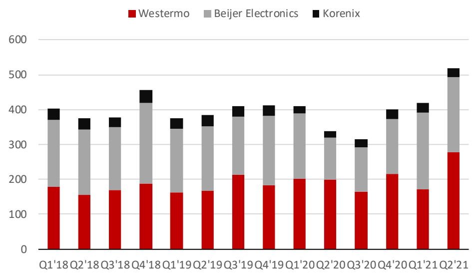


Source: Beijer Group, Redeye Research

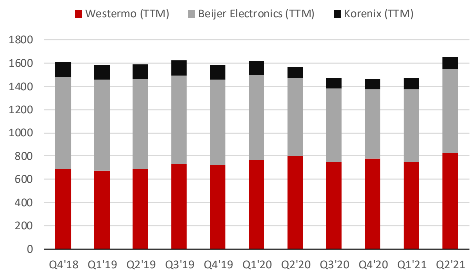
As we will discuss later, the delivery problems relate to a global component shortage rather than any internal capacity problems (which plagued Westermo in 2018 when the book-to-bill ratio neared 1.2x). The global-natured shortage (everyone is facing it) and Beijer Group's many design wins (which makes it hard for customers to actually replace Beijer's products) make us believe that relatively few orders will be canceled. Moreover, when customers have used Beijer Group's hardware and software for some time, it creates strong organizational stickiness, as the operations (engineers, support, etc.) have been accustomed the standards.

A closer look on the demand side

Order intake per business segment (quarterly), SEKm

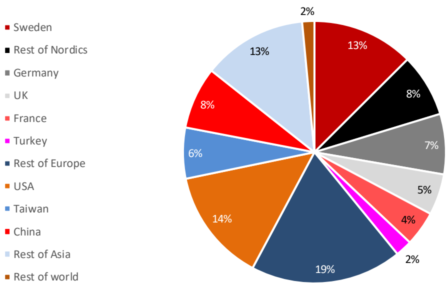


Order intake per business segment (TTM), SEKm

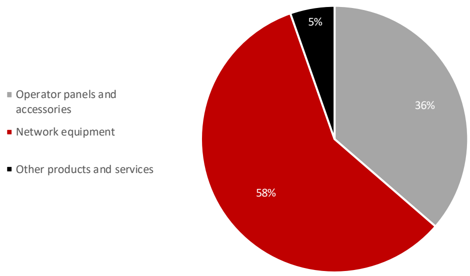


Source: Beijer Group, Redeye Research

Geographical market in Q2'21



Sales by category in Q2'21



Source: Beijer Group, Redeye Research

We have talked to executives at Westermo and Beijer Electronics, and would like to add some commentary to the graphs above. First, the "sales by category" on the lower right side includes both hardware, software, support, and maintenance. This grouped approach is, however, to some extent starting to change in certain areas, especially in Westermo's domains. For example, Cisco, one of the main competitors in the North American market, originates from the software side and is changing how products and software are being sold, which could benefit Westermo going forward. Today, only a limited amount of the sales is separate support/maintenance (and software) related. More module-based solutions/sales, where customers sign up for software subscriptions and annual service level agreements, could lock up new ways of monetizing work that is already being done to a large degree (i.e., the current cost structure is in place). The same could happen in Beijer Electronics/Korenix areas, with UNITED, iX, acirro+, and Korenix OS Platform as key solutions. We see this trend as very exciting and know that Westermo has identified it as a focus area since at least 2018 (offer different versions/modules of WeOS and getting paid for consulting/maintenance through service level agreements). However, the focus has primarily been on the WeGrow themes such as train, trackside, and energy, and the day-to-day challenges tied to the pandemic, which has taken priority in the last 18 months. Nonetheless, we believe this area will regain attention when the dust settles and be a clear profitability lever, as Beijer Group's whole operation is evermore software-driven (i.e., a higher-margin business) and is already conducting extensive consulting/support services (training, configuration, fault-finding, and maintenance). We believe this would increase the share of sticky and recurring revenues. This could help nudge the group closer to the capacity targets (and our bull case) in the mid-term.

Another interesting topic is geographical sales distribution (bottom left). Although the graph is somewhat skewed, for example, sales to Alstom (based in France) will mainly show up under the French tag, even though the actual train deliveries are global. Nonetheless, considering that there are many large Asian and North American manufacturers/operators as well, it is evident that there are some interesting 'underpenetrated large markets', for example, the US and China. With around 58% of sales deriving from Europe in Q2'21 (63% in 2020), any major inroads to the US and China could significantly affect the growth rate.

For Westermo, North America has been a geographic focus area for some time, but the sales have, unfortunately, been very project-oriented and never quite steady enough in order to achieve continuity. However, a recent supply agreement with one of the largest train companies in North America (a Canadian operator), with an estimated value of SEK 80m, is giving Westermo a steadier foothold in the region and enough volume to build a larger local organization (sales, support, etc.). In Q2'21, the framework agreement led to an order of SEK 36m, and the deliveries are for industrial Ethernet switches to upgrade the customer's whole freight train fleet with data networks for safety and video surveillance systems. We argue that this order, together with other smaller ones in the region, carries more weight than the initial order values. First, as mentioned above, it helps Westermo build a larger local organization. Second, the North American market will be crucial for the WeGrow initiative, not least for the energy product portfolio. Third, the orders signal the strength of Westermo's product portfolio as it receives well-sought contracts in the home-turf of some of some of its main competitors, despite only having a small (although effective) organization in place. We expect to see more news from this region in 2022 and 2023 and believe its revenue share will increase significantly (from today's ~12%).

One last addition to North America: Beijer Electronics has a strong presence within the American oil & gas (primarily fracking) industry, and with crude oil prices around USD 70-60 again, we could see more X2 Extreme sales in Q3 and Q4 (high-margin HMIs), as the production break-even is around USD 40. Moreover, many energy companies are eyeing wind and solar power opportunities, and Beijer Electronics could stand to benefit from new investments in that area (with its outdoor HMIs). Likewise, the energy side is in dire need of software upgrades because of cybersecurity threats, and this could also increase the investment activity going forward.

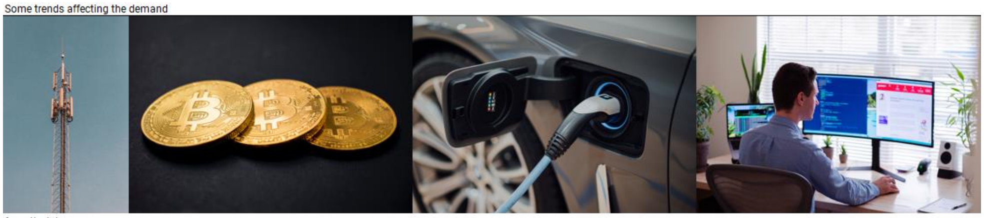
Another interesting point is the robust Chinese demand. According to Beijer Electronics, the recent demand spike is not due to the phase-out of the last non-X2-HMI (PWS), where one otherwise could have assumed that regional customers would build an inventory of an end-of-life product they were accustomed to. Instead, Chinese companies have started to purchase international brands rather than local alternatives. Moreover, it is a general increase in demand (with no inventory build-ups), and the displays and ancillary products go straight into production lines (manufacturing), energy (wind and solar), and marine (mainly electrification of short-distance ferries). Much of the manufacturing is also tied to green energy, such as the production of battery cells. Thus, although larger infrastructure projects are moving slower in China, Beijer Electronics believes that the demand is, and will continue to be, on a "permanent higher level". This partly explains two quarters in a row with an order intake above SEK 200m. Accordingly, we expect China's revenue share to increase going forward, especially in the operator panels and accessories segment.

A global supply crunch

The global shortage of certain key components muddles the otherwise rosy picture of the all-time high order intake and order book, as it hindered some of the demand (around SEK 50m, according to management in Q2'21) to be transformed into sales. The shortage is also expected to continue in H2'21 and possibly into early 2022.

The shortage has impacted all three business segments, as well as their industry peers. Besides an overall demand recovery after the initial Covid-19 shock, there has been a wave of newly introduced technologies that compete for a scarce supply of electronic components. Big trends, such as Bitcoin mining, 5G rollouts, working from home (and the ensuing upgrade of equipment), and electrification of the global vehicle fleet consume a large share of the chips, among other things. The supply chain has not been able to readjust in time, causing longer lead times (more than a doubling compared to 2019 in certain areas), higher prices (a few components are being sold at 25x the previous prices in the spot market), and general uncertainty, which creates a challenging environment for all stakeholders involved.

Some trends affecting the demand



Source: Unsplash

There are also specific reasons for the shortage. For example, NXP, an important supplier to Beijer Electronics, was hit by the storms and blackouts in Texas (US) in February 2021 and had to restart its cleanrooms (fabrication plants). This resulted in a 'lost quarter', which affected Beijer Electronics' sales negatively. Moreover, there is a general shortage of silicon wafers which is needed, for example, in the making of displays.

Consequently, as certain key components needed to finish the products are not available or severely delayed, Beijer Group's sales have been negatively affected. Westermo has started to redesign some products with their customers' blessings, but there have been issues with finding components to the redesigns as well.

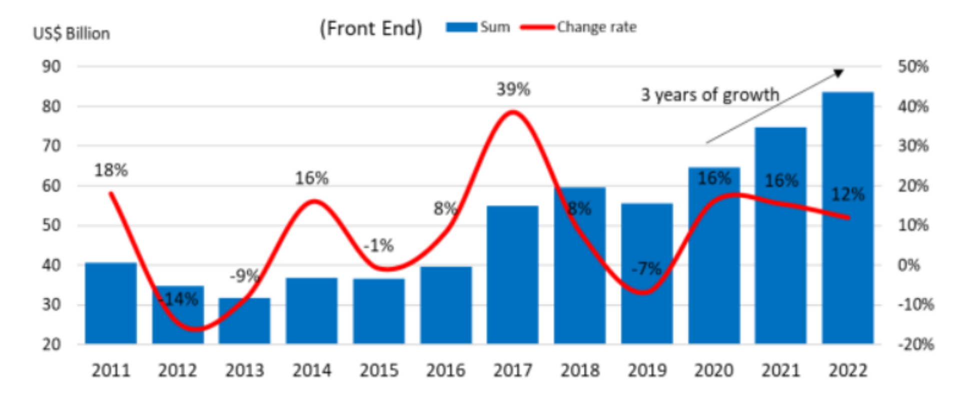
Other implications

We also believe Beijer Group's operating margins took a hit in Q2'21 because of the cost increases in the supply chain. This will partly change in Q3 (and beyond), as the group has started to increase the prices towards its customers. For example, Westermo raised its prices across the board in early July with a few percentage points, and we believe these adjustments should be visible in the next quarters. However, some parts of the order book are still set to be delivered at the lower price levels (although larger contracts are being, to our understanding, renegotiated and adjusted).

Supply side is responding

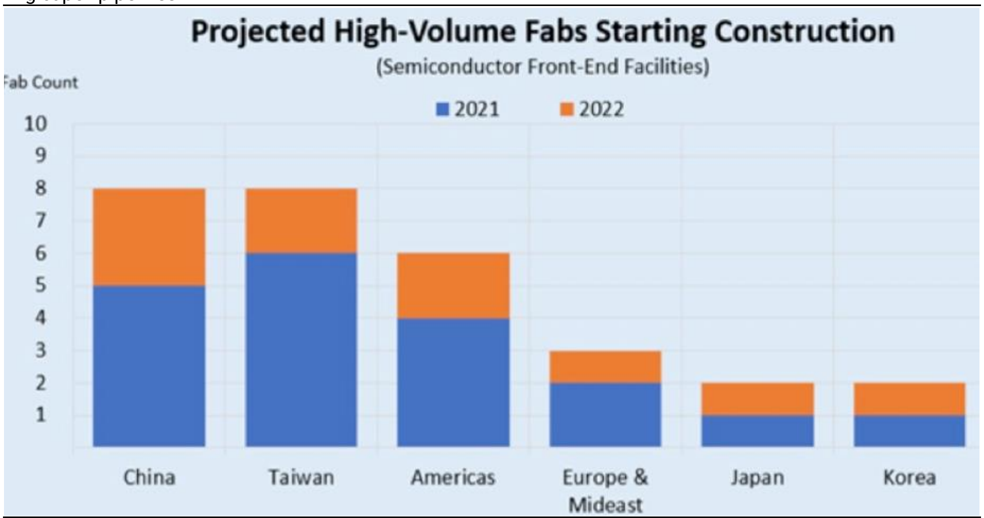
The broad-based demand has led suppliers to increase their capex plans. TSMC is set to spend around USD 100bn over a three-year period, Samsung's capex run rate is about USD ~30bn a year and Intel recently introduced its fab 42 (the chip giant will invest USD 20bn in two new manufacturing facilities in Arizona as well). Thus, there is and has been a clear response from the supply side for a while, although it takes some time for new capacity to come into play and remove bottlenecks. After a slow 2019, Covid-19 drove a rise in fab equipment spending in 2020. The two graphs down below illustrate the capex response well.

Fab equipment spending showing that the supply side is responding



Source: SEMI

Big capex pipelines



Source: SEMI

Summary

Although it is hard to predict exactly when the shortages will end, we believe there will be a gradual improvement in H2'21, based on conversations with executives at Beijer Group. It seems to us that most of the bottlenecks will be resolved at the year-end, should not new issues arise along the way. Subsequently, Beijer Group's book-to-bill ratio should start to decline, when key components once again can be attained, and orders be delivered. Thus, we believe the *worst* is behind at this point, even if hiccups still might occur.

Forecasts

We keep our near-term forecasts quite stable (H2'21), as the real Q2 numbers were close to our estimates. We expected sales of SEK 401m and a slightly higher EBIT of SEK 21m. We are increasing sales and profitability moderately for 2022 and 2023, thanks to the strong order intake (which carries some signaling value of the product portfolio's strength, according to us) and the conversations we have had with executives at Westermo and Beijer Electronics. We believe Beijer Group is working with some exciting concepts around pricing and product packaging, which should start giving an impact in the coming three years, especially within Westermo with its service level agreements. We also believe Beijer Group will be able to leverage the increased share of software in its overall offering.

We argue that Beijer Group is on the right path toward higher volumes and more sustainable operating margins – i.e., the question is not if, but when. Once the dust settles after the supply chain crunch, we expect continued strong order intake and faster conversion to sales, thereby strengthening the EBIT margin substantially. Especially Beijer Electronics, with its pure assembly line and quality assurance setup, has a lot of book-and-turn and would quickly convert its order book to sales numbers.

Lastly, we believe it is easy to miss the forest for the trees and solely focus on the component shortage. In the end, Beijer Group's loss of sales was around 11-12%, meaning that 89-88% of the orders were delivered in the quarter. Therefore, in a scenario where Beijer Group delivers perhaps 95% of the orders as the component shortage eases, it could still set the company up for an interesting H2'21 with current order intake levels. We expect to see the company's solid groundwork show up in the P&L in the quarters/coming years and has therefore penciled in such a base scenario.

Beijer Group: Estimates, '20-'23E

(SEKm)	2020	Q1'21A	Q2'21A	Q3'21E	Q4'21E	2021E	2022E	2023E
Sales (group adjusted)	**1 438**	**351**	**390**	**425**	**460**	**1 625**	**1 901**	**2 100**
growth y/y	*-7,8%*	*-11,2%*	*9,0%*	*27,0%*	*31,7%*	*13,1%*	*17,0%*	*10,5%*
Beijer Electronics	599	144	164	173	192	674	770	840
Westermo	769	187	206	231	243	868	1050	1170
Korenix	84	22	24	25	28	98	105	115
Total costs (excl. D&A)	1 273	312	343	354	378	1 387	1 529	1 581
EBITDA	**164**	**39**	**47**	**71**	**81**	**239**	**372**	**519**
(%)	11,4%	11,2%	12,1%	16,7%	17,7%	14,7%	19,6%	24,7%
D&A	148	35	37	39	40	151	154	181
EBIT	**16**	**5**	**10**	**32**	**41**	**88**	**219**	**338**
(%)	*1,1%*	*1,3%*	*2,5%*	*7,6%*	*9,0%*	5,4%	11,5%	16,1%
EPS	**-0,21**	**0,06**	**0,07**	**0,84**	**1,09**	**2,05**	**5,62**	**9,04**

Source: Beijer Group, Redeye Research

Valuation

	EV	Sales	EV/SALES			EV/EBIT (x)			Sales growth			EBIT margin			Gross margin
Company	(local)	20A	20A	21E	22E	20A	21E	22E	20A	21E	22E	20A	21E	22E	21E
CTT	2 569	201	12,8	16,2	8,2	63	76	22	-43%	-21%	97%	20,3%	21,4%	37,7%	100,1%
Hexagon	380 139	39 564	9,6	8,7	8,0	46	31	28	-4%	10%	9%	21,0%	27,9%	28,5%	64,1%
IAR	76 822	9 941	7,7	7,3	6,7	67	51	46	6%	6%	9%	11,6%	14,3%	14,6%	44,8%
Tomra	20 880	1 717	12,2	9,2	8,3	65	44	39	-3%	32%	10%	18,9%	21,1%	21,1%	38,6%
Troax	1 373	345	4,0	4,0	3,7	15	16	13	-11%	0%	8%	26,2%	25,6%	28,5%	68,7%
HMS	18 891	1 467	12,9	9,8	8,8	67	41	39	-3%	31%	12%	19,2%	23,9%	22,5%	63,0%
Belden	2 413	1 863	1,3	1,0	1,0	19	8	7	-13%	26%	3%	6,7%	13,4%	13,8%	36,1%
Advantech	274 674	51 119	5,4	4,8	4,3	31	28	23	-6%	12%	13%	17,6%	16,9%	18,5%	38,0%
Spectris	4 331	1 336	3,2	3,3	3,2	963	20	18	-18%	-1%	4%	0,3%	16,1%	17,1%	n/a
Siemens	121 210	57 139	2,1	2,0	1,9	17	18	15	-2%	7%	6%	12,4%	11,1%	12,8%	35,5%
Rockwell	36 358	6 331	5,7	5,1	4,7	29	28	24	-5%	12%	9%	19,5%	18,4%	19,3%	41,1%
Median	**20 880**	**1 863**	**5,7**	**5,1**	**4,7**	**46**	**28**	**23**	**-5%**	**10%**	**9%**	**19%**	**18%**	**19%**	**43%**
Average	**85 424**	**15 548**	**7,0**	**6,5**	**5,3**	**126**	**33**	**25**	**-9%**	**10%**	**16%**	**16%**	**19%**	**21%**	**53%**

Source: Redeye, FactSet

Beijer Group trades at around SEK 60 a share, giving it EV/sales and EV/EBIT multiples of 1.3x and 11.7x, respectively, on next year's forecasts. This is substantially lower than the peers in the table above and tied to the market's unwillingness to price in higher sustainable operating margins. Thus, investors in Beijer Group should be aware of a possible multiple rerating in a scenario where the company proves a higher base level profitability in the medium to long-term. As Beijer Group is modestly priced on a sales multiple and already has quite some sales volumes, any significant/sustainable profitability improvement will have a big impact (i.e., it would move closer to our bull case of SEK 100). However, we also want to address the fact that peer valuation can be dangerous if a whole industry or large parts of it are 'overvalued', and we want to add that many companies are richly priced, in our opinion, at around 10x sales. Time will tell if it is justified or not. Beijer Group, on the contrary, is not particularly optimistically priced (although the share price has appreciated by around 20% in a couple of days), and we see satisfactory risk/reward in the investment case.

Bear Case SEK 38

- 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. 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 70

- CAGR sales ~9% next ten years
- Average EBIT margin of ~12.5% 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 11%. Beijer Group has, nonetheless, substantially higher 'lower levels' in this scenario. Not all business entities accomplish their capacity goals.

Bull Case SEK 100

- CAGR sales ~10% 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 rerating.

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

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: 3

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.

Income Statement	2020	2021E	2022E	2023E
Revenues	1 438	1 625	1 901	2 100
Cost of Revenues	728	805	912	987
Other COGS	-	-	-	-
Gross Profit	710	820	989	1 113
Selling Expenses	289	294	304	305
Administrative Expenses	245	258	276	284
R & D Expenses	156	177	186	183
Other Op. Expense / (Income)	3	3	4	4
Exchange Rate Differences	-	-	-	-
EBITDA	164	239	372	519
Depreciation	24	23	22	22
Amortization	84	88	96	95
Amortization of Right-to-Use Assets	41	41	36	64
EBIT	16	88	219	338
Associated Income / (loss)	-	-	-	-
Interest Income	-	-	1	1
Interest Expenses	22	12	12	5
Interest Expenses, Lease Liabilities	-	-	2	3
Exchange Rate Differences	-	-	-	-
Non-recurring Income / (Expenses)	-	-	-	-
EBT	(6)	76	206	331
Income Tax Expenses	0	17	43	70
Non-Controlling Interest	-	-	-	-
Net Income	(6)	59	163	262

Balance Sheet	2020	2021E	2022E	2023E
Current Assets				
Cash & Equivalents	121	100	100	125
Inventories	177	221	250	257
Accounts Receivable	251	312	365	403
Other Current Assets	46	49	57	63
Total Current Assets	595	681	772	847
Non-Current Assets				
Property, Plant & Equipment, Net	96	87	103	124
Goodwill	766	840	840	840
Intangible Assets	267	290	280	279
Right-of-Use Assets	99	120	255	338
Shares in Associates	-	-	-	-
Other Long-Term Assets	61	65	84	105
Total Non-Current Assets	1 289	1 403	1 563	1 687
Total Assets	1 884	2 084	2 335	2 534
Current Liabilities				
Short-Term Debt	153	259	136	-
Short-Term Lease Liabilities	30	51	51	51
Accounts Payable	103	121	137	149
Advances From Customers	2	2	4	4
Prepaid Income	-	-	-	-
Accrued Expenses	125	130	152	168
Other Current Liabilities	27	33	34	32
Total Current Liabilities	439	595	514	403
Non-Current Liabilities				
Long-Term Debt	390	339	339	339
Long-Term Lease Liabilities	105	115	250	333
Other Long-Term Liabilities	310	309	342	357
Total Non-current Liabilities	804	763	931	1 029
	-	-	-	-
Non-Controlling Interest	4	4	4	4
	-	-	-	-
Shareholder's Equity	637	723	885	1 098
	-	12-	-	-
Total Liabilities & Equity	1 884	2 084	2 335	2 534

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

Jonas Amnesten
jonas.amnesten@redeye.se

Henrik Alveskog
henrik.alveskog@redeye.se

Fredrik Nilsson
fredrik.nilsson@redeye.se

Tomas Otterbeck
tomas.otterbeck@redeye.se

Forbes Goldman
forbes.goldman@redeye.se

Mark Siöstedt
mark.siostedt@redeye.se

Danesh Zare
danesh.zare@redeye.se

Mattias Ehrenborg
mattias.ehrenborg@redeye.se

Editorial

Mark Siöstedt
mark.siostedt@redeye.se

Joel Karlsson
joel.karlsson@redeye.se

Life Science Team

Gergana Almquist
gergana.almquist@redeye.se

Oscar Bergman
oscar.bergman@redeye.se

Anders Hedlund
anders.hedlund@redeye.se

Niklas Elmhammer
niklas.elmhammer@redeye.se

Mats Hyttinge
mats.hyttinge@redeye.se

Filip Einarsson
filip.einarsson@redeye.se

Fredrik Thor
fredrik.thor@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 (2021-08-19)

Rating	People	Business	Financials
5p	23	18	3
3p - 4p	106	87	40
0p - 2p	5	29	91
Company N	134	134	134

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.

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.