


Initial Research

2023-11-10

## Serstech: Unlocking potential in detection

- Increasing demand for handheld Raman spectrometers
- Reaching EBITDA profitability in 2023
- We initiate coverage with a fair value of SEK 1.79 per share

| Analysts   |  |      |       |     |      |            |      |      |       |                            |             |  |  |
|--|--|------|-------|-----|------|------------|------|------|-------|----------------------------|-------------|--|--|
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| <hr/>  |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| Stock ticker:  | SERT                                     |      |       |     |      |            |      |      |       |                            |             |  |  |
| Industry:  | Security                                 |      |       |     |      |            |      |      |       |                            |             |  |  |
| Listed on:   | Nasdaq First North                       |      |       |     |      |            |      |      |       |                            |             |  |  |
| Latest share price (SEK):  | 0.56                                     |      |       |     |      |            |      |      |       |                            |             |  |  |
| Market cap (MSEK):   | 114.9                                    |      |       |     |      |            |      |      |       |                            |             |  |  |
| Enterprise Value (MSEK):   | 97.1                                     |      |       |     |      |            |      |      |       |                            |             |  |  |
| Total number of shares (M):  | 206.70                                   |      |       |     |      |            |      |      |       |                            |             |  |  |
| - of which free float (M):   | 99.42                                    |      |       |     |      |            |      |      |       |                            |             |  |  |
| <hr/>  |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| <b>VHCF fair value per share</b>   |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| DCF model  | SEK 1.79                                 |      |       |     |      |            |      |      |       |                            |             |  |  |
| <hr/>  |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| <b>Serstech</b>  |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| Address:   | Åldermansgatan 13<br>227 64 Lund         |      |       |     |      |            |      |      |       |                            |             |  |  |
| Webpage:   | serstech.com                             |      |       |     |      |            |      |      |       |                            |             |  |  |
| CEO:   | Stefan Sandor                            |      |       |     |      |            |      |      |       |                            |             |  |  |
| <hr/>  |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| <b>Main owners (30 Sep 2023) Capital (%)</b>   |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| Avanza Pension   | 9.1                                      |      |       |     |      |            |      |      |       |                            |             |  |  |
| Nordnet Pensionsförsäkring   | 5.0                                      |      |       |     |      |            |      |      |       |                            |             |  |  |
| Morgan Stanley, UK   | 4.6                                      |      |       |     |      |            |      |      |       |                            |             |  |  |
| Jens Munch   | 4.5                                      |      |       |     |      |            |      |      |       |                            |             |  |  |
| Stefan Sandor  | 4.0                                      |      |       |     |      |            |      |      |       |                            |             |  |  |
| <hr/>  |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| <b>Share price history (SEK)</b>   |  |      |       |     |      |            |      |      |       |                            |             |  |  |
|   |  |      |       |     |      |            |      |      |       |                            |             |  |  |
| <table border="1"> <thead> <tr> <th></th> <th>-1m</th> <th>-3m</th> <th>-12m</th> </tr> </thead> <tbody> <tr> <td>Change (%)</td> <td>-6.7</td> <td>-7.3</td> <td>-10.0</td> </tr> <tr> <td>52 wk range (Low/Hi) - SEK</td> <td colspan="3">0.24 / 0.81</td> </tr> </tbody> </table> |  |      | -1m   | -3m | -12m | Change (%) | -6.7 | -7.3 | -10.0 | 52 wk range (Low/Hi) - SEK | 0.24 / 0.81 |  |  |
|  | -1m                                      | -3m  | -12m  |     |      |            |      |      |       |                            |             |  |  |
| Change (%)   | -6.7                                     | -7.3 | -10.0 |     |      |            |      |      |       |                            |             |  |  |
| 52 wk range (Low/Hi) - SEK   | 0.24 / 0.81                              |      |       |     |      |            |      |      |       |                            |             |  |  |
| <p>Source: Västra Hamnen Corporate Finance</p>   |  |      |       |     |      |            |      |      |       |                            |             |  |  |

Serstech provides handheld solutions to security customers for identifying chemicals. The device and software can quickly and accurately identify hazardous chemicals, narcotics, explosives, chemical warfare agents and industrial chemicals. The technology is based on Raman spectrometry, an established method for identifying chemicals. Serstech operates globally on a market estimated to SEK 1.7 billion in 2023, growing by 7.5 per cent annually.

Serstech focuses on civil and military security customers through a worldwide partner network. The network consists of approximately 160 partners in 70 countries. Since the end of the pandemic, pent-up demand for security within narcotics and chemical, biological, radiological and nuclear materials (CBRN) is currently driving the market, but we see significant strategic market growth beyond this effect.

We have modelled a set of financial projections for Serstech. In our scenario, increasing global demand and the new device Serstech Arx will drive earnings growth during the forecast period.

We predict that the company will reach a market share of 10 per cent in its addressable market within five years. This implies an annual earnings growth of 26 per cent until 2028. The company completed a rights issue in early 2023, adding approximately SEK 24.6 million before deducting issuance costs. We do not include further financing rounds in our model.

Our DCF model implies a fair value for Serstech of SEK 1.79 per share. 2023 will be an inflection year for Serstech if the Q4 report is in line (or better) than our expectations. We expect revenues to increase by 31 per cent during 2024 compared to 2023, and we predict the company to become cash flow positive during this year.

Should orders be delayed, customers prefer competitor's products, or Serstech Arx fail to impress the market, we would need to revise our assumptions. Vice versa, should the company report sales beating our forecast, a revaluation of our model could be called for.

Table 1: Financial Overview

| MSEK              | 2021   | 2022  | 2023e  | 2024e | 2025e |
|-------------------|--------|-------|--------|-------|-------|
| Total revenues    | 24.8   | 24.1  | 71.9   | 91.2  | 121.8 |
| Growth (%)        | -22.2% | -3.0% | 198.4% | 27.0% | 33.4% |
| EBITDA            | -3.3   | -21.2 | 15.2   | 24.9  | 42.2  |
| EBITDA margin (%) | neg    | neg   | 21.1%  | 27.3% | 34.7% |
| EBT               | -10.3  | -29.5 | 2.8    | 12.9  | 30.9  |
| Cash holdings     | 19.6   | 1.9   | 11.4   | 30.7  | 62.4  |
| Total assets      | 66.6   | 52.5  | 61.5   | 83.2  | 116.4 |
| Total equity      | 56.1   | 26.6  | 50.2   | 63.2  | 94.1  |
| Solidity (%)      | 84.3%  | 50.7% | 81.6%  | 75.9% | 80.8% |
| P/E               | neg    | neg   | 40.7   | 8.9   | 3.7   |
| ROE               | neg    | neg   | 5.6%   | 20.5% | 32.8% |
| EV/EBIT (x)       | neg    | neg   | 30.8   | 7.4   | 3.1   |
| EV/Sales (x)      | 3.9    | 4.0   | 1.4    | 1.1   | 0.8   |

Source: Västra Hamnen Corporate Finance

## Table of contents

|   |    |
|---|----|
| What does Serstech do?.....                       | 2  |
| What is the market potential?.....                | 5  |
| What is the competitive situation? .....          | 7  |
| What are Serstech's competitive advantages? ..... | 8  |
| What is the earnings outlook? .....               | 8  |
| What is the cash situation? .....                 | 8  |
| What is the fair value for the share? .....       | 9  |
| What is behind the numbers? .....                 | 11 |
| What could go wrong? .....                        | 12 |
| Upcoming events .....                             | 13 |
| Appendix: Valuation method .....                  | 13 |

## What is Serstech's history, and what do they do?

### Founded in 2006

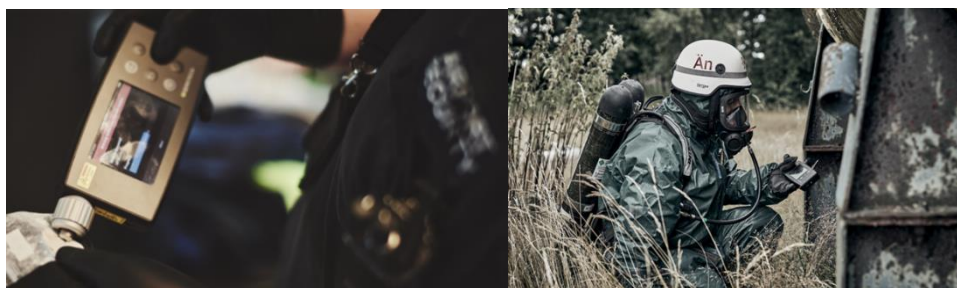
Serstech was founded in 2006 with a vision of developing small, accurate and cost-effective spectrometers for identifying chemical substances. The work resulted in the Serstech 100 Indicator and by 2018, the company started to establish itself on the market for handheld Raman spectrometers in the safety and security industry.

However, the COVID-19 pandemic halted the company's momentum, challenging Serstech's resilience and adaptability. Customers had to prioritise equipment and activities related to the pandemic rather than detecting dangerous or illegal chemical substances.

### CBRN is driving demand

Since the end of the pandemic, the market has recovered significantly. Serstech is experiencing a pent-up demand from customers such as customs, police and emergency services. However, the rising interest is not only from civilian customers, but military customers is a growing client base, given the current geopolitical situation. Identifying narcotics and CBRN has become a priority for Serstech's customers after the pandemic.

To meet the rising demand, Serstech released Serstech Arx in 2021, which is a smaller and thoroughly upgraded device compared to the Serstech 100 Indicator. Serstech Arx features, among other things, a patented autofocus, Wi-Fi, and a more user-friendly interface. With Serstech Arx, complemented by Serstech's software offering, substance libraries and SERS-kit, the company expects to win deals in competition with large international companies.



Source: Serstech

### Identifying substances with SERS

Serstech instruments are based on Raman spectroscopy, a well-established analysis method to accurately identify a large number of different substances. Surface-enhanced Raman spectroscopy (SERS), has a vast variety of applications in many areas, such as drug development, food science, nanotechnology and environmental analysis. Serstech's instrument can identify over 17,000 substances. The identification can be done through packaging material, which means that the packaging does not need to

be opened. This is especially important in the security industry, which handles similar forms of hazardous chemicals.

### 330% growth for the first three quarters

In 2023, the company achieved an exceptional rate of growth during the first three quarters, with a 330 per cent increase in net sales compared to the corresponding period in the previous year. This performance has not only resulted in positive net earnings for the company during these three quarters but also marks a significant milestone in the company's history.

Serstech is now actively capitalising on the rising demand and is embarking on a mission to triple its production capacity by the end of 2023. This strategic move aligns with the company's commitment to meet the surging demand for its products.

Furthermore, in May, the company received its largest single order to date, totalling SEK 27.5 million. This accomplishment serves as yet another testament to the company's unwavering ability to fulfil the pent-up demand previously mentioned, solidifying its position as a reliable and competitive player in the market.

The company is based in Lund and most of the development and production takes place in Sweden. Serstech has been traded on Nasdaq First North Stockholm since 2016 under the short name SERT.

### Accurate tool for analysis and identification

#### Raman spectrometers

Serstech instruments are so-called Raman spectrometers, which means that they read the Raman scattering that occurs in chemicals when energy is supplied using a laser. The Raman scattering of a substance's molecules is unique to the substance and it can therefore be uniquely identified by the instrument, detecting and analysing the signal. The Raman effect has been known for almost 100 years and the Indian scientist C.V. Raman received the Nobel Prize in Physics in 1930 for his discovery. The Raman signal is very weak, and it was not until the 21st century before the technology became sensitive enough to make handheld Raman instruments for use in the field. Raman instruments are today an accepted and preferred technology for identifying chemicals in the field, as the technology is reliable, accurate, and can be used to identify substances even inside their packaging.

#### Products

##### *SERSTECH 100 INDICATOR (S100)*

The first model of the Serstech 100 Indicator (S100) was launched in 2016, weighing 650 grams. The device is still one of the smallest and lightest instruments on the market. Like other instruments from the company, the S100 can identify more than 17,000 substances, including mixtures of substances. The S100 is robust and can withstand use in all types of environments. The company has decided to end production of this device by the end of 2023 due to the upgraded Serstech Arx device.

##### *SERSTECH ARX*

Serstech Arx was introduced to the market on March 31, 2021, and is an upgraded version of the S100. Arx is faster, smaller, and lighter and contains many functions that were not previously available on the market, including a patented autofocus function, built-in Wi-Fi, and a new user interface making it easy to use.

##### *SERSTECH SERS-kit*

Using the patented SERS-kit, Serstech's instruments can identify small amounts of a substance and also in very low concentrations. Among other things, the SERS-kit has been used by customers to identify very small traces of sprat agents in river water. Police and customs use the SERS-kit to identify traces of narcotics in e.g., emptied packaging and to identify fluorescent substances, which is a strong noise signal making certain substances difficult to identify.





### Creating long-term value through development

### Worldwide network of roughly 160 partners

### Partners responsible for customer support

### Partner agreements are never exclusive

#### SERSTECH CHEMDASH

Serstech Chemdash is the company's software solution that integrates the management and libraries of the different Serstech instruments within an organisation. Chemdash synchronises all the instruments allowing the organisation to quickly update them. Moreover, it acts as a tool to visualise and analyse different measurements.

#### SUBSTANCE LIBRARY

Serstech has developed several substance libraries installed in the company's instruments. A customer can purchase one or more libraries. After the license is installed on an instrument, the substances contained in the library can be identified, such as narcotics or explosives. The libraries are developed by Serstech's chemists, partly in the company's chemistry lab and partly with various partners around the world, such as the Total Defense Research Institute (Totalförsvarets forskningsinstitut) in Sweden and certain American authorities.

#### Business model and sales strategy

The vision of becoming a leading actor within handheld Raman spectroscopy is expected to be achieved through the continuous development of the instruments and through strategic customer agreements that will ensure the long-term and commercial value of SERS.

By offering cost-effective products that are well adapted to customer's needs, the company strives to provide products with the industry's best field suitability. The strategy entails Serstech to offer flexibility in their product functionality which brings an edge compared to the established competitors.

Serstech customer strategy is targeted towards the military and civilian organisations to tackle narcotics as well as CBRN issues. Sales are made indirectly through a worldwide network of roughly 160 partners distributed over 70 countries. The network consists of companies that have extensive experience in sales through public procurement and security customers.

The sales partners process their market and niche in the region in which they operate. The partners are responsible for customer support, training, and aftermarket in their respective markets. This means that Serstech costs are kept low, and the end client can receive fast and adequate help from a local partner in their language during local office hours. Through their cultivated relationships, the company's partners gain access to secret and semi-public procurements in which they can offer Serstech's products. Each partner undergoes a qualification process before agreements are negotiated and finalised.

The partner agreements are never exclusive and include conditions allowing Serstech to terminate the agreement if the partner either misbehaves, is not sufficiently active, or does not meet the long-term sales forecasts. Serstech is always faithful to the indirect sales channel and does not sell directly to customers.



### Company and key personnel

**Stefan Sandor** is the company's CEO since January 2018. Sandor has more than 20 years of experience in management and marketing. His previous roles include several management positions at Axis Communications and Wayfinder Systems and as VP of marketing and Product Management at Phase One. Sandor holds a Master of Science and Engineering from Lund Institute of Technology. Sandor owns 8,299,945 shares of Serstech.



**Thomas Pileby** was appointed chairman of the board in 2019. Pileby was previously CFO at Serstech and has had several senior management positions in companies such as Bibliotekstjänstgruppen and Obducat. He also has experience as chairman of Veronix Holding and Dreampark. Pileby owns, privately and through companies, a total of 2,138,886 shares of Serstech.



**Simon Walles** was appointed VP of sales in 2022. Walles has extensive experience in marketing and sales management from positions as Marketing Director, Area Sales Manager and Global Support Manager at Hasselblad and Phase One. He has studied Project management and leadership at George Washington University, Washington, D.C., USA. Walles owns 481,600 shares and 300,000 stock options of Serstech.



**Simon Persson** is since 2023 the company's CFO. Persson has a background in auditing as a senior advisor at EY, mainly focusing on growth companies. His most recent position was as CFO at Quicktest. Persson has a Master's degree in business and economics from Linnaeus University. Persson owns a total of 165,000 shares of Serstech.



**Sverker Göranson** has been a member of the board since 2017. Göranson has an extensive military background. From 2009 to 2015 he was General and Supreme Commander of the Swedish armed forces. Together with his board membership in Serstech, Göranson holds a position as Chairman of ByNordiq, as well as Chairman in the Swedish Veterans Federation. He is also an Honorary member of the Royal Swedish Academy on War Science and Strategic adviser and board member to the SES37. Göranson owns 33,564 shares of Serstech.

### Differentiated ownership

#### Owners and financing

The ownership structure of Serstech is relatively spread with no single owner controlling more than 10 percent. The largest owner is Avanza Pension with 9.1 per cent ownership. The second largest owner with 5.0 per cent is Nordnet Pensionsförsäkring. Both of these owners can be assumed to represent many individual customer accounts of varying sizes. Morgan Stanley, UK, holds for 4.6 per cent of the shares. The two largest individual owners are Jens Munch with 4.5 per cent of the shares, and CEO Stefan Sandor with 4.0 per cent of the company's shares.

Since the listing of the company in 2016, Serstech has been dependent on external financing. Most recently, in January 2023 Serstech raised capital through a rights issue. The issue was subscribed by 152 per cent, leading to an additional over-allotment issue being carried out. In total, the company raised approximately SEK 24.6 million before deducting issuance costs.

### We identify five key market drivers

#### What is the market potential?

The market potential for handheld Raman spectroscopy in security applications is substantial and steadily growing. As the technology continues to improve in terms of portability, ease of use, and affordability, its adoption is likely to increase across various security sectors. Manufacturers, such as Serstech, are actively investing in R&D to refine the devices, making them more user-friendly and capable of identifying an even broader range of substances. We have identified five main market drivers for handheld SERS devices:

**Rising security concerns:** The evolving nature of threats, such as terrorism, drug trafficking, and smuggling, has necessitated advanced tools for identifying and mitigating these risks. Handheld Raman spectrometers provide rapid and accurate identification of unknown materials, enabling security personnel to respond effectively to potential threats.

**Geopolitical uncertainties:** Global geopolitical uncertainties, including conflicts and tensions between nations, contribute to the demand for enhanced security measures. Military and law enforcement agencies seek tools that can quickly identify hazardous materials on the battlefield, at border checkpoints, and in other sensitive areas.

**War and conflict:** In regions affected by conflicts and warfare, the need for efficient threat detection is paramount. Handheld Raman spectrometers can aid military personnel in rapidly assessing the nature of potentially dangerous substances encountered in these environments, safeguarding soldiers' lives and enabling informed decision-making.

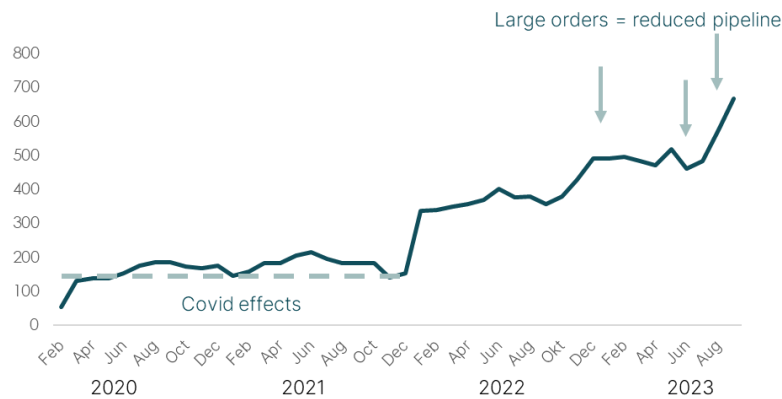
**Rising narcotics problem:** The global narcotics problem continues to be a significant driver for the market of Raman spectrometers. Illicit drug production and trafficking networks are becoming increasingly sophisticated, making it crucial for law enforcement agencies to have advanced tools at their disposal. Handheld Raman spectrometers offer an efficient solution for rapid and accurate identification of narcotics and illegal substances.

**Lack of investment during the pandemic:** The COVID-19 pandemic had a profound impact on economies worldwide, with many sectors experiencing budget constraints and reduced investments. In this context, the market for Raman spectrometers faced challenges as well. Reduced government budgets during the pandemic period hampered the investment in security technology, which has created a pent-up demand.

**Increased conversion rate during 2023**

Serstech keeps track of its business opportunities. Figure 2 shows how they have progressed during and after the pandemic. Now, the company experiences an increasing number of opportunities, on average larger opportunities, and larger customer budgets for security. The company is working on converting the opportunities into actual deals. Before 2022, the conversion rate was 10-12 per cent, and during 2023 the rate has increased to approximately 20 per cent.

*Figure 2 – Opportunity pipeline (MSEK)*



Source: Serstech, Västra Hamnen Corporate Finance

**We estimate addressable market to SEK 1.7 B**

Serstech operates in the security segment of the handheld Raman spectrometry market. This segment has been estimated to be around SEK 1.7 billion in 2023, with an annual growth of 7.5 per cent.<sup>1</sup>

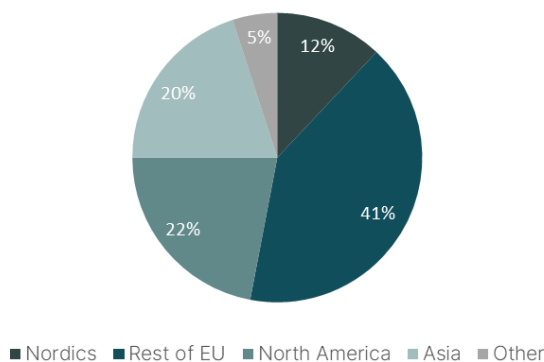
**Three main markets of EU, US, and Southeast Asia**

The market for Raman instruments in the security segment mainly consists of customers in the following areas: Narcotics investigations, bomb squads, border surveillance, prisons, forensic laboratories, fire brigades/rescue services and the military. The company has also identified three main geographical regions for the coming years, the EU, the US and Southeast Asia.

<sup>1</sup> Raman Spectroscopy Market Size & Share, Industry Report 2021-2026, MarketandMarkets

Important to note is that the Chinese market is large, but highly dominated by domestic players that are highly benefited from the government customers. Serstech has therefore decided not to pursue market activities in this region.

*Figure 3 – Geographical split of Serstech's revenues 2023*



Source: Serstech, Västra Hamnen Corporate Finance

### We identify four main competitors

#### What is the competitive situation?

The security market is moving towards increasingly prioritising modern and digital tools and there are several other players on the market. The first ever handheld instrument was launched in 2005 by Thermo Fisher Scientific, which is still the largest manufacturer on the market, although its market share is in a downward trend. We have identified four main competitors for Serstech, who all have relatively equivalent products in the price range of SEK 250 – 900 thousand. The degree of innovation on the market is relatively low and few new products are launched. The new products that reach the market are often variants and upgrades of already existing products. Serstech's four main competitors are:

**RIGAKU Corporation** (Japan/USA) was founded in 1951 by Dr. Yoshihiro Shimura and is owned partly by the founder, and partly by the global investment firm The Carlyle Group. The corporation is currently offering highly advanced Raman spectrometers in the price range of EUR 45-60 thousand. All their instruments are handheld and weigh around 1.5 kg and the library connected has about 13,000 entries. Rigaku has a framework sales agreement with the US Department of Defence, accounting for the main part of the company's sales.

**THERMO FISHER SCIENTIFIC** (USA) is an American supplier of analytical instruments with a market capitalisation of around USD 214 billion. The company has three different Raman products; TruNarc (only narcotics), Gemini and FirstDefender (the first handheld Raman spectrometer). TruNarc costs USD 25 – 30 thousand, Gemini costs USD 50 – 70 thousand and FirstDefender has a price in the interval of USD 40 – 50 thousand.

**AGILENT TECHNOLOGIES** (USA) acquired the Raman spectroscopy company Cobalt Light Systems in 2017. The acquisition gave Agilent access to a highly differentiated Raman instrument for the pharmaceutical industry, applied markets and public safety. Agilent is currently offering the portable (not handheld) Raman spectrometer Resolve, which weighs 2.2 kg with an extensive library.

**METROHM** (Switzerland / USA) is a leading supplier of instruments and know-how solutions for chemical analysis. In 2018 the company acquired B & W Tek's Spectroscopy Solution Business and associated subsidiaries and products. Their product line of Raman instruments covers most chemicals, and all the devices are handheld with a weight of 1 – 1.6 kg.

## What are Serstech's competitive advantages?

Serstech's offering includes several competitive features. In assessing the strength and robustness of its value proposition from an investor's point of view, we consider the following to be the foremost competitive advantages.

**Differentiated product:** With the launch of Serstech Arx in March 2021, Serstech has been able to increase prices and the unique advantages of Arx products have become important selling points. Arx is smaller and lighter than the older Serstech 100 Indicator and has several unique features such as a patented autofocus solution, built-in Wi-Fi, and a user-friendly interface. Serstech's representatives are responsive to customer needs, and the development of Arx is exclusively based on observed customer needs. A lot of effort has been put into making the new generation of products as user-friendly as possible. Serstech Arx is the only product on the market that can start measurement with a single button press, and it is also the only instrument that does not require any accessories to complete the task. Few button presses and not having to handle small accessories add significant value for customers, who often use the products under stress and with protective gloves.

**Flexible service:** Historically, Serstech's main product advantages have been a low price combined with lightweight and compact instruments. However, a significant advantage of being a customer of Serstech has been the high level of flexibility offered and the high degree of service. The company's competitors are mostly large and rigid companies that are not very willing to adapt to their customers, whereas Serstech often responds quickly when needed. Serstech frequently adds new substances to the instruments library and has an efficient system to support new languages when a customer requests it. The company's sales team and technical support team are always available and can instantly assist with issues and inquiries.

**Made in Sweden:** The company is based in Lund, and the majority of the development and production takes place in Sweden. The company considers "Made in Sweden" a significant competitive advantage in many regions. Serstech's main competitors are American and Chinese products, facing various trade barriers around the world.

## What is the earnings outlook?

Estimating a fair value for Serstech, we model a set of financial projections for the company's future earnings. With an increasing demand for Raman spectrometers, we expect significant revenue growth during the forecast period. Serstech's main products from 2023 and onwards will be Serstech Arx, ChemDash and SERS-kit. These products will drive revenues in our projections. We estimate an average price of SEK 280 thousand per unit. However, the actual selling price can vary depending on customers, regions, and volumes. Due to the partner model and long sales cycles, revenues could vary significantly between quarters. It is important to acknowledge that the variability in quarterly sales may lead to significant discrepancies between our quarterly estimates and the actual outcome. Our forecast is therefore primarily based on yearly projections.

For the core operations, the handheld Raman spectrometers segment, we assume that the market will grow by 7.5 per cent yearly. We estimate Serstech's addressable market to be approximately SEK 1,700 million in 2023. By the first half of 2023, the company reported revenues of SEK 45.1 million. We estimate a market share of 4 per cent for 2023. The company is aiming for a market share of 10 per cent within a few years, a target we believe is realistic. However, we choose to be more conservative in our model and predict that Serstech will reach its goal in 2028.

Table 2: Summary income statement

| MSEK                        | 2020        | 2021         | 2022         | 2023e       | 2024e       | 2025e        | 2026e        | 2027e        |
|-----------------------------|-------------|--------------|--------------|-------------|-------------|--------------|--------------|--------------|
| Net revenues                | 20.5        | 18.7         | 17.1         | 69.6        | 91.2        | 121.8        | 156.4        | 184.4        |
| <b>Total revenues</b>       | <b>31.9</b> | <b>24.8</b>  | <b>24.1</b>  | <b>71.9</b> | <b>91.2</b> | <b>121.8</b> | <b>156.4</b> | <b>184.4</b> |
| COGS                        | -8.2        | -6.4         | -7.8         | -18.6       | -22.4       | -26.5        | -32.0        | -36.9        |
| Operating expenses          | -20.6       | -21.7        | -37.5        | -38.1       | -44.0       | -53.1        | -65.5        | -78.4        |
| <b>EBITDA</b>               | <b>3.2</b>  | <b>-3.3</b>  | <b>-21.2</b> | <b>15.2</b> | <b>24.9</b> | <b>42.2</b>  | <b>58.8</b>  | <b>69.2</b>  |
| Amortisation & Depreciation | -8.8        | -6.9         | -8.0         | -12.1       | -11.8       | -11.2        | -11.3        | -11.9        |
| <b>EBIT</b>                 | <b>-5.6</b> | <b>-10.1</b> | <b>-29.3</b> | <b>3.2</b>  | <b>13.1</b> | <b>31.0</b>  | <b>47.5</b>  | <b>57.3</b>  |
| Net financials              | -0.2        | -0.1         | -0.2         | -0.3        | -0.2        | -0.1         | -0.0         | 0.0          |
| <b>EBT</b>                  | <b>-5.8</b> | <b>-10.3</b> | <b>-29.5</b> | <b>2.8</b>  | <b>12.9</b> | <b>30.9</b>  | <b>47.4</b>  | <b>57.3</b>  |
| Taxes                       | -0.0        | 0.0          | -0.1         | 0.0         | 0.0         | 0.0          | 0.0          | -8.5         |
| <b>Net profit</b>           | <b>-5.8</b> | <b>-10.3</b> | <b>-29.6</b> | <b>2.8</b>  | <b>12.9</b> | <b>30.9</b>  | <b>47.4</b>  | <b>48.8</b>  |

Source: Västra Hamnen Corporate Finance

Serstech Arx - the main revenue driver

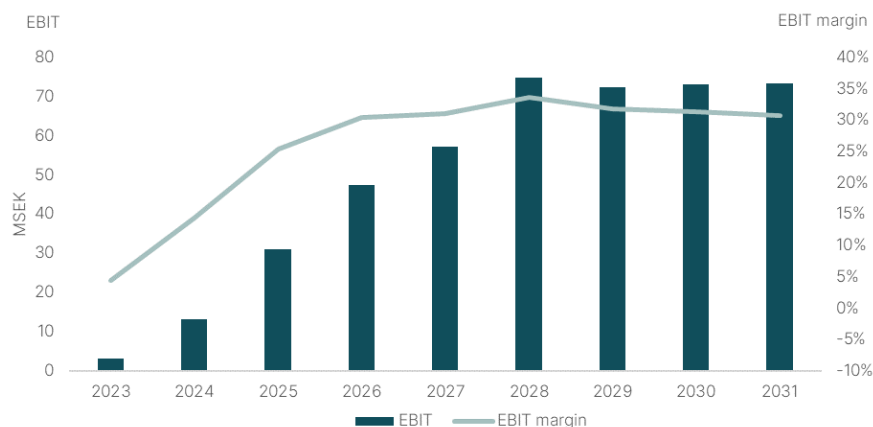
Market share of 10 per cent 2028



## EBIT positive in 2023

We predict costs will be stable during the period, accommodating production capacity from higher demand. By the end of Q2 2023, Serstech had a gross margin of 74 per cent and we expect a gross margin of 80 per cent by 2027. The gross margin is dependent on the mix between hardware and software. We expect software to grow as part of total revenue, improving the gross margin from 2023 onwards. For 2023, currency rates have had a small negative effect on revenues. Similarly, we expect the operating expenses to remain relatively fixed whilst scaling revenue. We therefore anticipate operating leverage and successively increasing margins. Serstech has been EBIT positive in the past, however only for a few isolated quarters. We estimate the company to stabilise a positive EBIT in 2023 and reach an EBIT margin of 30 per cent by 2028.

**Figure 4 – Annual EBIT and EBIT margins**



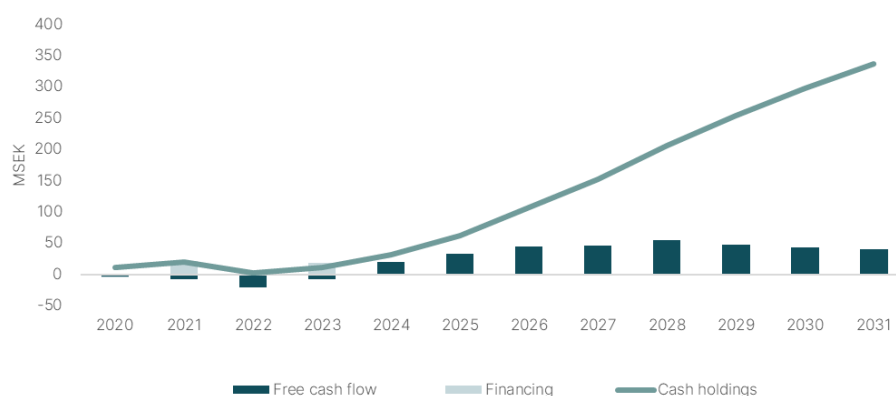
Source: Västra Hamnen Corporate Finance

## No need for further financing

### What is the cash situation?

Early in 2023, Serstech raised approximately SEK 24.6 million before deducting issuance costs in an oversubscribed rights issue. The proceeds will mainly be invested in securing production capacity, product development, and strengthening the sales force. By the end of Q3, the cash position amounted to SEK 17.8 million. Given our scenario, we assume no need to raise capital during the forecast period.

**Figure 5 – Cash flow and cash holdings**



Source: Västra Hamnen Corporate Finance

## A two-step DCF valuation

### What is the fair value for the share?

We apply two techniques to estimate a fair value for the company. The first is a discounted cash flow (DCF) model based on the economic scenario described above and the second is a peer valuation.

Our DCF calculation comprises two steps (see details in the appendix). In the first step, we estimate the fair enterprise value assuming our estimated projections. In the second, we multiply this enterprise value with a risk coefficient, reflecting the probability of it reaching our forecasted case. This method is recommended for younger companies approaching the first year of sustainable profits. However, since we estimate Serstech to reach sustainable profitability soon, the risk coefficient in our model is 100 per cent from 2024 onwards.

### We apply a WACC of 14 per cent

We have chosen to discount future cash flows by a weighted average cost of capital (WACC) rate of 14 per cent. Arguments favouring a lower WACC could be that the company has a technological edge over competitors and has historically secured orders from bigger customers. On the other hand, we must consider that the company is still small and is highly dependent on key personnel and partners, which could justify a higher required rate of return. We think a WACC of 14 per cent balances risks and strengths and leaves room for future valuation upgrades as the company demonstrates increasing robustness to the risk factors.

The net present value of cash flows during the model's explicit period amounts to SEK 228 million. To this we add a discounted terminal value of all cash flows from the terminal year onward, assuming a perpetual growth rate of two per cent. Together this sums up to a fair enterprise value of SEK 351 million.

### Estimated fair value of SEK 1.79

From enterprise value to market capitalisation, we add the company's cash holdings and subtract all interest-bearing debt. This leaves us with a fair market valuation of the equity at SEK 369 million. **This is equivalent to an estimated fair value per share of SEK 1.79.**

Table 3: DCF model assumptions

| MSEK                         | 2023e       | 2024e       | 2025e       | 2026e       | 2027e       | 2028e       | 2029e       | 2030e       |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total revenues               | 71.9        | 91.2        | 121.8       | 156.4       | 184.4       | 222.3       | 227.9       | 233.6       |
| EBIT                         | 3.1         | 13.1        | 31.0        | 47.5        | 57.3        | 74.8        | 72.4        | 73.1        |
| EBIT margin                  | 4.4%        | 14.3%       | 25.4%       | 30.4%       | 31.1%       | 33.6%       | 31.8%       | 31.3%       |
| Adj. Taxes                   | 0.0         | 0.0         | 0.0         | 0.0         | -8.3        | -15.4       | -14.9       | -15.0       |
| <b>NOPLAT (= EBIT - tax)</b> | <b>3.1</b>  | <b>13.1</b> | <b>31.0</b> | <b>47.5</b> | <b>49.0</b> | <b>59.4</b> | <b>57.5</b> | <b>58.0</b> |
| Depreciation                 | 12.1        | 11.8        | 11.2        | 11.3        | 11.9        | 12.8        | 14.0        | 15.5        |
| Capex + Working cap          | -23.5       | -4.7        | -9.6        | -14.2       | -14.3       | -16.2       | -19.3       | -21.8       |
| <b>Net cash flow</b>         | <b>-8.3</b> | <b>20.2</b> | <b>32.6</b> | <b>44.5</b> | <b>46.5</b> | <b>56.0</b> | <b>52.2</b> | <b>51.7</b> |

#### DCF (MSEK)

|                               |              |
|-------------------------------|--------------|
| WACC                          | 14%          |
| Enterprise value (EV)         | 351.3        |
| Prob of profitability         | 100%         |
| Risk adjusted EV              | 351.3        |
| Warrants                      | 0.0          |
| Net cash (= cash - debt)      | 17.8         |
| <b>Fair value market cap</b>  | <b>369.2</b> |
| Diluted no of shares (M)      | 206.70       |
| <b>Fair value/share (SEK)</b> | <b>1.79</b>  |

#### Sensitivity analysis (value per share, SEK)

|      |     | Prob of profitability |      |      |      |
|------|-----|-----------------------|------|------|------|
|      |     | 70%                   | 80%  | 90%  | 100% |
| WACC | 17% | 1.03                  | 1.16 | 1.30 | 1.43 |
|      | 16% | 1.10                  | 1.25 | 1.39 | 1.53 |
|      | 15% | 1.18                  | 1.34 | 1.49 | 1.65 |
|      | 14% | 1.28                  | 1.45 | 1.62 | 1.79 |
|      | 13% | 1.39                  | 1.57 | 1.76 | 1.95 |

Source: Västra Hamnen Corporate Finance

### Peer valuation as a complement to DCF

In addition to our DCF model, we have also conducted a peer valuation, meaning a valuation based on what values the market assigns to comparable companies. The comparison with the peer group serves as a complement to our DCF valuation. As we estimate that the company will achieve profitability in the near future, we have compared Serstech with a peer group based on our estimated net profit and EBIT for Serstech in 2025.

| MSEK                             | Market cap | Net profit<br>LTM 12M | P/E         | Enterprise<br>value (EV) | LTM EBIT    | LTM Sales    | EV/EBIT     | EBIT %       |
|----------------------------------|------------|-----------------------|-------------|--------------------------|-------------|--------------|-------------|--------------|
| Serstech                         | 123.0      | (9.7)                 | neg         | 97.1                     | (9.3)       | 51.7         | neg         | neg          |
| Invisio                          | 8 124.0    | 170.0                 | 47.8x       | 7 951.0                  | 240.0       | 1 182.0      | 33.1x       | 20.3%        |
| Ependion                         | 3 415.0    | 218.0                 | 15.7x       | 4 238.0                  | 323.0       | 2 469.0      | 13.1x       | 13.1%        |
| CellaVision                      | 3 812.0    | 112.0                 | 34.0x       | 3 809.0                  | 144.0       | 629.0        | 26.5x       | 22.9%        |
| Profoto                          | 2 488.0    | 183.0                 | 13.6x       | 2 576.0                  | 233.0       | 813.0        | 11.1x       | 28.7%        |
| Norbit                           | 3 505.0    | 172.0                 | 20.4x       | 3 774.0                  | 247.0       | 1 411.0      | 15.3x       | 17.5%        |
| Median                           |            |                       | 20.4x       |                          |             |              | 15.3x       |              |
| <b>Serstech 2025e</b>            |            | <b>30.9</b>           |             |                          | <b>31.0</b> | <b>121.8</b> |             | <b>25.4%</b> |
| <b>Fair value per share, SEK</b> |            |                       | <b>2.46</b> |                          |             |              | <b>1.93</b> |              |

Source: Västra Hamnen Corporate Finance

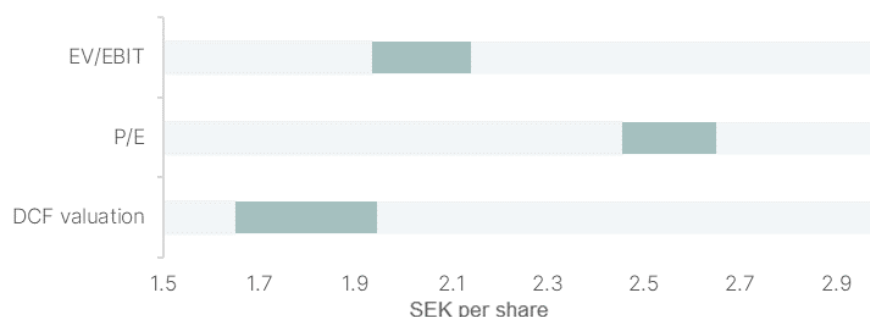
Even though the companies in our peer group operate in different industries, they have a similar business model as Serstech. The companies in our peer group have recurring revenues, indicating a stable and predictable source of income and high EBIT margins. Given these characteristics, we believe that the peer group, despite being software and hardware companies, can indicate what multiples Serstech could trade at in 2025.

### Points to SEK 2.46 and SEK 1.93 per share

We have taken the median P/E and EV/EBIT multiples of the peer group and applied them to Serstech's estimated profits for 2025. The implied market value for Serstech is discounted back to the present value. In summary, the median P/E multiple of 20.4x implies a fair value of SEK 2.46, while the median EV/EBIT multiple of 15.3x implies a fair value of SEK 1.52.

In Figure 5 below, we present the various implied values per share using a wider range of assumptions in addition to our estimates. The DCF valuation range below is based on a WACC of 13–15 percent resulting in an implied value of SEK 1.65–1.95 per share. The P/E peer valuation range is based on P/E multiples of 18x–22x resulting in an implied value per share of SEK 2.17–2.65. The estimated range for EV/EBIT is based on EV/EBIT multiples of 13x–17x resulting in an implied value of SEK 1.66–2.14 per share.

Figure 6 – Football field DCF valuation, EV/EBIT and P/E



Source: Västra Hamnen Corporate Finance

### What is behind the numbers?

In our research we try to look beyond the reported numbers to see if the company uses accounting methods or reports items off the income statement or balance sheet, that could impact our interpretation of its official figures. The underlying financials of the company could be stronger or weaker than they look at first glance and this could be important for our valuation.

### Incurred losses of SEK 111.6 million

Due to previously reported losses the company has an off-balance sheet asset in the form of incurred losses. Incurred losses can be used to offset future tax payments as seen in the company's Q2 report 2023. We estimate that the company's accumulated losses amount to SEK 111.6 million per Q2 2023 and we have thus not modelled any tax costs until the company has used its latent tax asset in its entirety. We estimate that the company will not be subjected to pay any taxes until the end of 2026.

The company reports a significant post of intangible assets which mainly consists of capitalised expenditure on development. It is not unusual for a company such as Serstech to allocate significant resources to research and development, it does however affect the reported numbers in ways worth mentioning. By capitalising expenditures, the cost is distributed over time in the form of depreciation, effectively improving the result short term but decreasing it in the long term.

### **What could go wrong?**

We have identified a handful of risks that are crucial to the company's success or failure.

#### **Dependence on suppliers and availability of components**

The company is dependent on external suppliers' capacity and deliveries of electronic components. During the recent COVID-19 pandemic, the company's suppliers lacked such components necessary for the production and development of the company's products. There is a risk that the company, because of component shortage, cannot carry out planned production and will thus be unable to deliver orders to their customers, which may affect sales. As a result of the component shortage, the company may be forced to turn to alternative suppliers, which increases the risk of counterfeited or incorrect components being delivered to the company. This can in turn lead to increased costs for complaints, a deteriorated reputation, and increased product liability.

#### **Market competition**

Several other companies provide products or services which – directly or indirectly – may compete with the company and more competitors may emerge. Some of the company's competitors are multinational corporations with significant financial resources. Extensive investments and product development by a competitor can pose risks in the form of reduced sales for the company. Serstech's competitiveness heavily relies on its ability to stay at the forefront of technology and cost-cutting measures while offering products and services tailored to prevailing market needs and demands. If the company fails to conduct its business in a competitive and participative manner, it may result in lower sales levels and reduced profitability.

#### **Patents and intellectual property**

The company currently holds three patents and has nine patents pending. The current patents regard the autofocus functionality and SERS-kit. The additional nine patents primarily regard Serstech Arx and the next-generation product platform.

Serstech's intellectual property rights could be contested by another party, which could lead to issues and costs associated with the launch of new products. Furthermore, the company relies on maintaining satisfactory protection of know-how and trade secrets, which are not protected in the same way as other intellectual property rights. There is a risk of unauthorised dissemination or unauthorised use of the company's information, such as by competitors, collaborators, consultants, or employees.

Additionally, there is a risk that competitors and other parties independently develop equivalent know-how.

#### **Financial risk**

If Serstech does not have access to continuous financing, fails to generate sufficient revenue or encounters unforeseen expenses, it may temporarily halt its development or be forced to operate at a slower pace than desired, potentially leading to delayed or missed commercialisation and revenue.

#### **Liquidity in the share and share-related securities**

Serstech's shares are traded on Nasdaq Stockholm First North and have, at times, shown limited liquidity. The company cannot predict to what extent there will be sufficient interest in the company's shares to maintain an active and liquid market for existing and newly issued shares. Should an active and liquid market not be maintained, it may hurt the market price of the shares and create difficulties for shareholders in selling their Serstech shares. An investor wishing to dispose of their holdings in the company may, therefore, need to sell their shares at a significant loss.

## Upcoming events

### Financial calendar

|             |  |
|-------------|--|
| 23 Feb 2024 | Year-end report 2023                   |
| 29 Apr 2024 | Q1 report 2024, Annual general meeting |
| 16 Jul 2024 | Q2 report 2024                         |
| 8 Nov 2024  | Q3 report 2024                         |
| 27 Feb 2025 | Year-end report 2024                   |

## Appendix: Valuation method

Early-stage companies usually report negative net profits and may have many years left until they turn a profit. Sometimes they even have years until their first significant sales revenues. The difficulty in valuing growth companies with limited historical records is that the valuation rests on uncertain estimates of future earnings, more uncertain than for companies with years of stable profits on record. There is little in terms of historical figures on which to base estimates of future revenues, future profit margins and other items.

To handle these challenges, we choose to follow a generally accepted method for valuing growth companies described by finance professor Aswath Damodaran<sup>1)</sup> among others. Instead of scaling the discount rate (WACC) to account for all the risks and uncertainties associated with a young company, we use a two-stage valuation approach:

- First, we estimate fair enterprise value under the explicit assumption that the company survives until its first year of sustainable profits. We use a WACC commensurate with the circumstances of the company once it reaches profitability.
- Second, we adjust the estimated enterprise value by multiplying it with a probability factor reflecting the likelihood that the company survives.

With each passing period after the initial valuation, the probability factor may be adjusted based on the company's development and our updated assessment of its chances of survival.

1) **Damodaran, Aswath**, "Valuing Young, Start-up and Growth Companies: Estimation Issues and Valuation Challenges", Stern School of Business, New York University, May 2009.

## Income Statement - Annual Data

| kSEK                            | 2020          | 2021           | 2022           | 2023e         | 2024e         | 2025e          | 2026e          | 2027e          |
|---------------------------------|---------------|----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| Net revenues                    | 20 488        | 18 651         | 17 112         | 69 600        | 91 250        | 121 759        | 156 356        | 184 414        |
| Capitalized work for own acc    | 5 914         | 3 321          | 3 615          | 1 914         | 0             | 0              | 0              | 0              |
| Other revenues                  | 5 513         | 2 873          | 3 361          | 363           | 0             | 0              | 0              | 0              |
| <b>Total revenues</b>           | <b>31 915</b> | <b>24 845</b>  | <b>24 088</b>  | <b>71 877</b> | <b>91 250</b> | <b>121 759</b> | <b>156 356</b> | <b>184 414</b> |
| Cost of goods sold              | -8 181        | -6 442         | -7 795         | -18 603       | -22 385       | -26 497        | -32 045        | -36 883        |
| Personnel costs                 | -15 415       | -14 431        | -13 739        | -17 256       | -20 340       | -25 392        | -31 805        | -38 270        |
| Other external costs            | -5 159        | -6 813         | -16 671        | -20 801       | -23 654       | -27 672        | -33 734        | -40 101        |
| Other operating expenses        | 0             | -417           | -7 127         | 0             | 0             | 0              | 0              | 0              |
| <b>EBITDA</b>                   | <b>3 160</b>  | <b>-3 258</b>  | <b>-21 244</b> | <b>15 216</b> | <b>24 871</b> | <b>42 199</b>  | <b>58 772</b>  | <b>69 160</b>  |
| Amortisation & depreciation     | -8 782        | -6 853         | -8 033         | -12 061       | -11 785       | -11 233        | -11 314        | -11 864        |
| <b>EBIT</b>                     | <b>-5 622</b> | <b>-10 111</b> | <b>-29 277</b> | <b>3 155</b>  | <b>13 086</b> | <b>30 966</b>  | <b>47 458</b>  | <b>57 296</b>  |
| Financials, net                 | -190          | -147           | -209           | -346          | -152          | -88            | -24            | 0              |
| <b>EBT</b>                      | <b>-5 812</b> | <b>-10 258</b> | <b>-29 486</b> | <b>2 809</b>  | <b>12 934</b> | <b>30 878</b>  | <b>47 434</b>  | <b>57 296</b>  |
| Taxes                           | -4            | 6              | -80            | 16            | 0             | 0              | 0              | -8 540         |
| <b>Net profit</b>               | <b>-5 816</b> | <b>-10 252</b> | <b>-29 566</b> | <b>2 825</b>  | <b>12 934</b> | <b>30 878</b>  | <b>47 434</b>  | <b>48 756</b>  |
| <b>Earnings per share (SEK)</b> | <b>-0.10</b>  | <b>-0.12</b>   | <b>-0.35</b>   | <b>0.01</b>   | <b>0.06</b>   | <b>0.15</b>    | <b>0.23</b>    | <b>0.24</b>    |
| <b>Growth (%)</b>               |               |                |                |               |               |                |                |                |
| Net revenues                    | na            | -22.2%         | -3.0%          | 198.4%        | 27.0%         | 33.4%          | 28.4%          | 17.9%          |
| EBITDA                          | na            | na             | na             | na            | 63.7%         | 69.7%          | 39.3%          | 17.7%          |
| EBIT                            | na            | na             | na             | na            | 317.9%        | 136.6%         | 53.3%          | 20.7%          |
| Net profit                      | na            | na             | na             | na            | 361.7%        | 138.7%         | 53.6%          | 2.8%           |
| <b>% of revenues (%)</b>        |               |                |                |               |               |                |                |                |
| EBITDA margin                   | 7.0%          | neg            | neg            | 21.1%         | 27.3%         | 34.7%          | 37.6%          | 37.5%          |
| EBIT margin                     | neg           | neg            | neg            | 4.4%          | 14.3%         | 25.4%          | 30.4%          | 31.1%          |
| EBT margin                      | neg           | neg            | neg            | 3.9%          | 14.2%         | 25.4%          | 30.3%          | 31.1%          |
| Profit margin                   | neg           | neg            | neg            | 3.9%          | 14.2%         | 25.4%          | 30.3%          | 26.4%          |
| Personnel costs                 | 75.2%         | 77.4%          | 80.3%          | 24.8%         | 22.3%         | 20.9%          | 20.3%          | 20.8%          |
| Total OPEX                      | 100.4%        | 116.1%         | 219.4%         | 54.7%         | 48.2%         | 43.6%          | 41.9%          | 42.5%          |
| <b>Profitability (%)</b>        |               |                |                |               |               |                |                |                |
| ROE                             | neg           | neg            | neg            | 5.6%          | 20.5%         | 32.8%          | 33.5%          | 25.6%          |
| ROIC                            | neg           | neg            | neg            | 6.1%          | 30.7%         | 76.3%          | 107.2%         | 120.9%         |

Source: Västra Hamnen Corporate Finance

**Balance Sheet - Annual Data**

| kSEK                                | 2020          | 2021          | 2022          | 2023e         | 2024e         | 2025e          | 2026e          | 2027e          |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Inventories                         | 2 195         | 3 008         | 1 868         | 1 299         | 2 762         | 3 227          | 3 744          | 4 318          |
| Receivables                         | 3 618         | 800           | 11 478        | 14 328        | 12 265        | 11 483         | 14 042         | 16 192         |
| Current tax assets                  | 0             | 129           | 196           | 250           | 250           | 250            | 250            | 250            |
| Other short-term receivables        | 1 271         | 1 145         | 1 707         | 3 269         | 8 394         | 10 478         | 12 813         | 14 421         |
| Prepaid costs & accrued income      | 2 067         | 459           | 818           | 595           | 580           | 601            | 630            | 660            |
| Cash and cash equivalents           | 11 396        | 19 574        | 1 866         | 11 417        | 30 675        | 62 418         | 106 326        | 152 621        |
| <b>Total current assets</b>         | <b>20 547</b> | <b>25 115</b> | <b>17 933</b> | <b>31 158</b> | <b>54 925</b> | <b>88 458</b>  | <b>137 805</b> | <b>188 463</b> |
| Tangible assets                     | 377           | 337           | 192           | 117           | 101           | 101            | 108            | 120            |
| Intangible assets                   | 35 305        | 41 054        | 34 351        | 30 180        | 28 114        | 27 802         | 28 771         | 30 728         |
| Financial assets                    | 20            | 52            | 69            | 78            | 78            | 78             | 78             | 78             |
| <b>Total fixed assets</b>           | <b>35 702</b> | <b>41 443</b> | <b>34 612</b> | <b>30 375</b> | <b>28 293</b> | <b>27 980</b>  | <b>28 957</b>  | <b>30 926</b>  |
| <b>Total assets</b>                 | <b>56 249</b> | <b>66 558</b> | <b>52 545</b> | <b>61 534</b> | <b>83 218</b> | <b>116 438</b> | <b>166 762</b> | <b>219 389</b> |
| Accounts payable                    | 3 985         | 3 759         | 4 957         | 1 949         | 3 453         | 4 034          | 4 681          | 5 397          |
| Accrued cost & prepaid income       | 4 541         | 3 885         | 5 295         | 6 495         | 13 810        | 16 137         | 18 722         | 21 589         |
| Other short term liabilities        | 402           | 610           | 464           | 487           | 1 036         | 1 210          | 1 404          | 1 619          |
| Short term tax liabilities          | 202           | 311           | 195           | 162           | 345           | 403            | 468            | 540            |
| <b>Total current liabilities</b>    | <b>9 130</b>  | <b>8 565</b>  | <b>10 911</b> | <b>9 093</b>  | <b>18 644</b> | <b>21 785</b>  | <b>25 275</b>  | <b>29 146</b>  |
| <b>Long term liabilities</b>        | <b>1 219</b>  | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| <b>Total equity</b>                 | <b>43 872</b> | <b>56 110</b> | <b>26 616</b> | <b>50 241</b> | <b>63 176</b> | <b>94 054</b>  | <b>141 488</b> | <b>190 244</b> |
| <b>Total equity and liabilities</b> | <b>54 221</b> | <b>64 675</b> | <b>37 527</b> | <b>59 335</b> | <b>81 819</b> | <b>115 839</b> | <b>166 763</b> | <b>219 390</b> |

Source: Västra Hamnen Corporate Finance

**Cash flow statement**

| kSEK                            | 2020          | 2021          | 2022           | 2023e         | 2024e         | 2025e         | 2026e          | 2027e          |
|---------------------------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|----------------|
| Operating activities            | 1 935         | -3 433        | -14 910        | 14 848        | 24 719        | 42 111        | 58 748         | 60 621         |
| Changes in working capital      | 9 273         | 2 803         | 1 752          | -15 656       | 5 041         | 1 352         | -1 950         | -492           |
| Investing activities            | -14 306       | -12 560       | -7 590         | -7 809        | -9 702        | -10 920       | -12 291        | -13 833        |
| Financing activities            | -17           | 21 357        | 3 354          | 18 212        | -800          | -800          | -600           | 0              |
| <b>Cash flow for the period</b> | <b>-3 115</b> | <b>13 956</b> | <b>-17 394</b> | <b>9 595</b>  | <b>19 258</b> | <b>31 743</b> | <b>43 907</b>  | <b>46 295</b>  |
| Beginning cash balance          | 15 159        | 11 396        | 19 574         | 1 866         | 11 417        | 30 675        | 62 418         | 106 326        |
| <b>Ending cash balance</b>      | <b>11 396</b> | <b>19 574</b> | <b>1 866</b>   | <b>11 417</b> | <b>30 675</b> | <b>62 418</b> | <b>106 326</b> | <b>152 621</b> |

Source: Västra Hamnen Corporate Finance

**ROIC Calculations**

|                  |        |        |        |        |        |        |        |        |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Invested capital | 35 723 | 38 419 | 39 768 | 41 023 | 33 899 | 32 235 | 35 161 | 37 622 |
| ROIC             | neg    | neg    | neg    | 6.1%   | 30.7%  | 76.3%  | 107.2% | 120.9% |
| Tax rate         | 20.6%  |        |        |        |        |        |        |        |

## Income Statement - Quarterly Data

| kSEK                            | Q3 2022       | Q4 2022        | Q1 2023       | Q2 2023       | Q3 2023e      | Q4 2023e      | Q1 2024e      | Q2 2024e      |
|---------------------------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net revenues                    | 3 125         | 3 488          | 12 337        | 32 775        | 13 593        | 10 895        | 17 730        | 18 032        |
| Capitalized work for own acc    | 432           | 640            | 674           | 609           | 631           | 0             | 0             | 0             |
| Other revenues                  | 101           | 189            | 112           | 166           | 85            | 0             | 0             | 0             |
| <b>Total revenues</b>           | <b>3 658</b>  | <b>4 317</b>   | <b>13 123</b> | <b>33 550</b> | <b>14 309</b> | <b>10 895</b> | <b>17 730</b> | <b>18 032</b> |
| Cost of goods sold              | -769          | -2 421         | -3 293        | -8 586        | -3 761        | -2 963        | -4 643        | -4 723        |
| Personnel costs                 | -2 957        | -2 852         | -4 010        | -4 128        | -4 695        | -4 423        | -4 646        | -4 927        |
| Other external costs            | -3 079        | -6 142         | -4 621        | -5 674        | -5 150        | -5 356        | -5 570        | -5 793        |
| Other operating expenses        | 0             | -6 413         | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>EBITDA</b>                   | <b>-3 147</b> | <b>-13 511</b> | <b>1 199</b>  | <b>15 162</b> | <b>703</b>    | <b>-1 848</b> | <b>2 870</b>  | <b>2 589</b>  |
| Amortisation & depreciation     | -1 680        | -2 994         | -2 947        | -2 980        | -3 004        | -3 130        | -3 041        | -2 969        |
| <b>EBIT</b>                     | <b>-4 827</b> | <b>-16 505</b> | <b>-1 748</b> | <b>12 182</b> | <b>-2 301</b> | <b>-4 978</b> | <b>-172</b>   | <b>-379</b>   |
| Financials, net                 | -66           | -86            | -85           | -127          | -86           | -48           | -44           | -40           |
| <b>EBT</b>                      | <b>-4 893</b> | <b>-16 591</b> | <b>-1 833</b> | <b>12 055</b> | <b>-2 387</b> | <b>-5 026</b> | <b>-216</b>   | <b>-419</b>   |
| Taxes                           | -5            | 0              | 14            | 2             | 0             | 0             | 0             | 0             |
| <b>Net profit</b>               | <b>-4 898</b> | <b>-16 591</b> | <b>-1 819</b> | <b>12 057</b> | <b>-2 387</b> | <b>-5 026</b> | <b>-216</b>   | <b>-419</b>   |
| <b>Earnings per share (SEK)</b> | <b>-0.06</b>  | <b>-0.19</b>   | <b>-0.01</b>  | <b>0.06</b>   | <b>-0.02</b>  | <b>-0.02</b>  | <b>-0.00</b>  | <b>-0.00</b>  |
| <b>Y-o-Y Growth (%)</b>         |               |                |               |               |               |               |               |               |
| Net revenues                    | 106.1%        | 19.9%          | 500.6%        | 288.1%        | 335.0%        | 212.4%        | 43.7%         | -45.0%        |
| EBITDA                          | na            | na             | na            | na            | na            | na            | 119.9%        | -83.9%        |
| EBIT                            | na            | na             | na            | na            | na            | na            | na            | na            |
| Net profit                      | na            | na             | na            | na            | na            | na            | na            | na            |
| <b>% of revenues (%)</b>        |               |                |               |               |               |               |               |               |
| EBITDA margin                   | neg           | neg            | 9.9%          | 47.9%         | neg           | neg           | 16.2%         | 14.4%         |
| EBIT margin                     | neg           | neg            | neg           | 39.0%         | neg           | neg           | neg           | neg           |
| EBT margin                      | neg           | neg            | neg           | 38.6%         | neg           | neg           | neg           | neg           |
| Profit margin                   | neg           | neg            | neg           | 38.6%         | neg           | neg           | neg           | neg           |
| Personnel costs                 | 80.8%         | 66.1%          | 30.6%         | 12.3%         | 32.8%         | 40.6%         | 26.2%         | 27.3%         |
| Total OPEX                      | 165.0%        | 356.9%         | 65.8%         | 29.2%         | 68.8%         | 89.8%         | 57.6%         | 59.5%         |
| <b>Profitability (%)</b>        |               |                |               |               |               |               |               |               |
| ROE                             | neg           | neg            | neg           | 20.6%         | neg           | neg           | neg           | neg           |
| ROIC                            | neg           | neg            | neg           | 17.4%         | neg           | neg           | neg           | neg           |

Source: Västra Hamnen Corporate Finance



## Balance Sheet - Quarterly Data

| kSEK                                | Q3 2022       | Q4 2022       | Q1 2023       | Q2 2023       | Q3 2023e      | Q4 2023e      | Q1 2024e      | Q2 2024e      |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Inventories                         | 2 195         | 1 868         | 2 775         | 3 457         | 3 238         | 1 299         | 2 035         | 2 070         |
| Receivables                         | 3 013         | 11 478        | 4 069         | 31 149        | 16 553        | 14 328        | 15 544        | 11 857        |
| Current tax assets                  | 356           | 196           | 249           | 303           | 356           | 250           | 250           | 250           |
| Other short-term receivables        | 1 050         | 1 707         | 2 531         | 3 163         | 1 809         | 3 269         | 5 319         | 5 410         |
| Accrued cost & prepaid incon        | 674           | 818           | 501           | 460           | 533           | 595           | 538           | 548           |
| Cash and cash equivalents           | 5 138         | 1 866         | 18 423        | 7 850         | 17 844        | 11 417        | 12 425        | 16 172        |
| <b>Total current assets</b>         | <b>12 426</b> | <b>17 933</b> | <b>28 548</b> | <b>46 382</b> | <b>40 333</b> | <b>31 158</b> | <b>36 111</b> | <b>36 306</b> |
| Tangible assets                     | 218           | 192           | 153           | 139           | 126           | 117           | 111           | 106           |
| Finacial assets                     | 69            | 69            | 73            | 75            | 78            | 78            | 78            | 78            |
| Intangible assets                   | 42 133        | 34 351        | 32 928        | 31 858        | 31 050        | 30 180        | 29 464        | 28 889        |
| <b>Total fixed assets</b>           | <b>42 420</b> | <b>34 612</b> | <b>33 154</b> | <b>32 072</b> | <b>31 254</b> | <b>30 375</b> | <b>29 653</b> | <b>29 073</b> |
| <b>Total assets</b>                 | <b>54 846</b> | <b>52 545</b> | <b>61 702</b> | <b>78 454</b> | <b>71 587</b> | <b>61 534</b> | <b>65 764</b> | <b>65 379</b> |
| Accounts payable                    | 2 818         | 4 957         | 3 129         | 5 565         | 5 455         | 1 949         | 2 544         | 2 588         |
| Other short term liabilities        | 706           | 464           | 541           | 5 043         | 784           | 487           | 763           | 776           |
| Short term tax liabilities          | 0             | 195           | 118           | 134           | 121           | 162           | 254           | 259           |
| Accrued cost & prepaid incon        | 3 321         | 5 295         | 6 462         | 4 292         | 5 412         | 6 495         | 10 177        | 10 351        |
| <b>Total current liabilities</b>    | <b>6 845</b>  | <b>10 911</b> | <b>10 250</b> | <b>15 034</b> | <b>11 772</b> | <b>9 093</b>  | <b>13 739</b> | <b>13 974</b> |
| <b>Long term liabilities</b>        | <b>4 000</b>  | <b>4 000</b>  | <b>1 200</b>  | <b>600</b>    | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      |
| <b>Total equity</b>                 | <b>42 858</b> | <b>26 616</b> | <b>45 543</b> | <b>58 639</b> | <b>55 267</b> | <b>50 241</b> | <b>50 026</b> | <b>49 606</b> |
| <b>Total equity and liabilities</b> | <b>53 703</b> | <b>41 527</b> | <b>56 993</b> | <b>74 273</b> | <b>67 039</b> | <b>59 335</b> | <b>63 765</b> | <b>63 580</b> |

Source: Västra Hamnen Corporate Finance

## Cash flow statement

| kSEK                            | Q3 2022      | Q4 2022       | Q1 2023       | Q2 2023        | Q3 2023e      | Q4 2023e      | Q1 2024e      | Q2 2024e      |
|---------------------------------|--------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|
| Operating activities            | -3 023       | -6 724        | 1 220         | 15 939         | -415          | -1 896        | 2 826         | 2 549         |
| Changes in working capital      | 4 597        | 5 333         | -2 790        | -24 697        | 12 990        | -1 159        | 701           | 3 786         |
| Investing activities            | -1 584       | -1 595        | -1 485        | -1 886         | -2 186        | -2 252        | -2 319        | -2 389        |
| Financing activities            | 3 904        | -70           | 20 373        | -600           | -441          | -1 120        | -200          | -200          |
| <b>Cash flow for the period</b> | <b>3 894</b> | <b>-3 056</b> | <b>17 318</b> | <b>-11 244</b> | <b>9 948</b>  | <b>-6 427</b> | <b>1 007</b>  | <b>3 747</b>  |
| Beginning cash balance          | 1 342        | 5 138         | 1 866         | 18 423         | 7 850         | 17 844        | 11 417        | 12 425        |
| <b>Ending cash balance</b>      | <b>5 138</b> | <b>1 866</b>  | <b>18 423</b> | <b>7 850</b>   | <b>17 844</b> | <b>11 417</b> | <b>12 425</b> | <b>16 172</b> |

Source: Västra Hamnen Corporate Finance

## ROIC Calculations

|                  |        |        |        |        |        |        |        |        |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Invested capital | 42 863 | 39 768 | 33 029 | 55 570 | 41 971 | 41 023 | 39 600 | 35 233 |
| ROIC             | neg    | neg    | neg    | 17.4%  | neg    | neg    | neg    | neg    |
| Tax rate         |        |        |        |        |        |        |        |        |

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