XMReality

Sector: Human Interaction

Reducing estimates substantially due to slow ramp-up

Q3`19: No signs of scaling yet

XMReality reported sales of SEK 2.7m (-10% q/q and -3% y/y growth), which was well below our forecast of SEK 3.5m. The gross margin, however, improved by 2 pp (y/y) as an effect of lower hardware sales. OPEX was, at the same time, slightly lower than expected, which resulted in EBIT in line with our forecast (SEK -6.3m).

The monthly recurring software revenues amounted to SEK 0.79m by the end of Q3, corresponding to 35% growth y/y but only a modest 0.5% q/q. XMReality did not announce any larger orders during the quarter, but we had expected greater increases among the existing customer base.

Approaching capital needs

The FCF amounted to SEK -9m in Q3, and the company held SEK 17.7m in cash by the end of the quarter. It highlights an approaching need for a new capital injection, which we believe will be needed during the upcoming 6-9 months.

Lowered growth expectations and valuation

We have revised our forecasts following the report, reducing our FY19/20/21 sales estimates by 14%/37%/44% respectively as sales are not scaling as expected. After revising our sales forecasts, we see a **fair value of SEK 6 (SEK 9) per share in our base case and SEK 2 (SEK 4) per share in our bear case,** while leaving our bull case unchanged. The share has tanked 20% since the report, likely pressured by the slow growth progress and concerns regarding future financing needs.
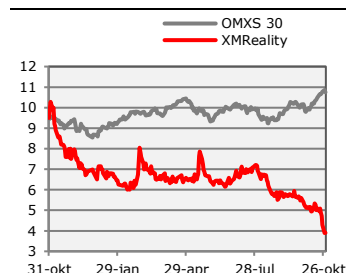
In our base case, we factor in additional new customers of ABB's size before the end of 2021 and new rollouts with existing customers. We see upside from the currently depressed levels, and deem additional, and especially larger (>SEK 2m), software orders to be the most critical catalyst for the share as it would show customers' commercial interest to scale and shed light on the potential within the customer base.

FAIR VALUE RANGE

BEAR	BASE	BULL
2.0	6.0	18.0

VERSUS OMXS30

REDEYE RATING

People	Business	Finance
3	3	2

KEY STATS

Ticker	XMR
Market	First North
Share Price (SEK)	3.8
Market Cap (MSEK)	64
Net Debt 19E (MSEK)	-8
Free Float	77 %
Avg. daily volume ('000)	24

ANALYSTS

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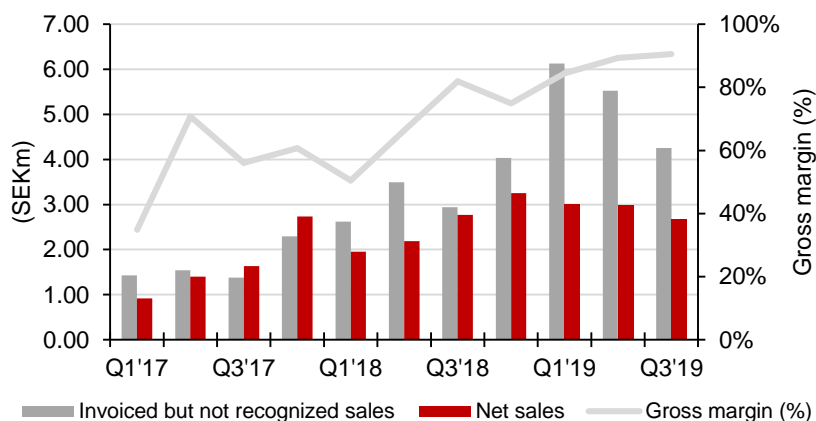| KEY FINANCIALS (SEKm)	2017	2018	2019E	2020E	2021E	2022E
Net sales	7	10	12	15	23	42
EBITDA	-21	-25	-24	-28	-25	-15
EBIT	-23	-29	-28	-32	-31	-20
EPS (adj.)	-1.6	-1.7	-1.6	-1.9	-1.8	-1.1
EV/Sales	16.2	7.9	4.7	5.9	4.9	3.3
EV/EBITDA	-5.2	-3.2	-2.4	-3.1	-4.6	-8.9
EV/EBIT	-4.8	-2.7	-2.0	-2.7	-3.8	-7.0
P/E	-6.7	-4.0	-2.3	-2.0	-2.1	-3.3

Q3'19: Slow development in ARR growth

Total sales declined -3% y/y and -10% q/q, explained by lower sales of hardware, which, however, is less important to the long term case. As mentioned in earlier updates, XMReality is still in an early stage where we place full focus on the sales of software development to see whether customers are ramping or not.

Therefore, we find the "monthly revenues from running software contracts with automatic extension" (MRR) to be the most important metric. It amounted to SEK 0.789m at the end of Q3, corresponding to a y/y growth of 35% but only 0.5% (4 TSEK) q/q. Extrapolating the metric indicates an annual run rate (ARR proxy) at SEK 9.47m compared to SEK 7.01m in Q3'18.

"Billed but not recognized sales" have so far declined throughout the year. Although being affected by some purchasing seasonality, we argue that XMReality still is in an early stage where such effects should be compensated for by new contracts. Even though we regard MRR to be the most important metric to follow, billed but not recognized sales is a good indicator of how the sales of new contracts are developing, but also on this basis current trends do not suggest accelerating growth.

Billed but not recognized sales, net sales and GM

CEO

Source: XMReality

Castevall mentions that no customers have been lost during the year. We find this reassuring as a large churn would indicate an inferior product, which would be much worse than a slow ramp-up in sales. We expected total sales to have grown a bit slower in Q3'19 (expected sales growth of 27% y/y) as no large deals were announced during the quarter, but we had expected greater increases among the existing customer base.

Remote Guidance requires a change in behaviour, which takes time. Although having seen two customers, ABB and the undisclosed defense company, increasing their usage throughout H1'19, we still await more customers to start ramping. We have not seen any competitor winning larger deals, and we believe that the slow development may be explained by a slow general market adoption. We believe that the long-term case remains and argue that the current problem is that most customers are yet not mature enough to adopt the solution on a greater scale.

One of the reasons may be that the service personnel are reluctant to change their way of working. The customers of XMReality's customers may also be reluctant to receive service from a solution that requires some work by themselves, instead of someone physically coming over and conducting all the work for them. We still expect product benefits such as increased efficiency and lowered costs to spur a change in behaviour over time.

The question is how long the transition phase will be. As of now, we have only seen two customers increasing their usage enough to generate ARR exceeding SEK 1.5m, and given the current absence of signs pointing towards accelerating sales, we currently find it more likely to expect the breakthrough in a couple of years from now.

Announced software orders		
Date	Customer	ARR (SEKm)
12-09-2018	Mineabea Intec	0.4
12-12-2018	SACMI	0.4
17-12-2018	Strömsholmen	0.5
28-01-2019	Bühler Consumer Food	0.5
15-03-2019	American defense company	1.5
24-06-2019	Global engineering group (ABB)	1.6

Source: XMReality

The gross margin improved 2 pp q/q to 91% in Q3'19, reflecting the potential for significant profitability when reaching scale. Costs were also relatively stable, and OPEX came in at SEK -8.9m (vs. expected SEK -9.4m). Together with the improved GM, it resulted in EBIT of SEK -6.4m, which was in line with our expectation (SEK -6.3m).

It was, however, a weaker quarter in a cash flow perspective, which was negatively affected by working capital changes of SEK -2.5m. The total cash flow amounted to SEK -9.2m, resulting in a cash position of SEK 17.7m by the end of the quarter. This highlights that the delayed breakthrough has spurred a probable need for a new capital injection as the current cash position would last about two to three quarters at current FCF levels.

Thoughts on the new SME-offering

The new online feature targeting smaller enterprises was launched in Q3, which will be priced at about half of the enterprise offering but requires less effort from XMReality's side. Customers are targeted through automated marketing using, for example, social media. CEO Castevall sees it having the potential to become even bigger than its current enterprise offering.

We are, however, currently uncertain about the long-term potential for this new offering. There currently seems to be a barrier for enterprises to adopt the AR-based solution on a larger scale, and we, therefore, see a risk that many prospective customers would need more than online marketing to get going. Hence, we are not yet including any material growth assumptions arising from the new offering until seeing signs of traction.

Estimates

We have revised our forecasts following the report. Sales are currently developing slower than expected, and we are not yet seeing any signs of accelerating growth supporting our previous estimates and we have, therefore, revised our forecasts.

XMReality: Estimate changes			
(SEKm)	2019E	2020E	2021E
Net sales (new)	11.7	14.6	23.4
Net sales (old)	13.6	23.1	41.7
Growth rate (new)	*15%*	*25%*	*60%*
Growth rate (old)	34%	70%	80%
EBIT (new)	-27.8	-32.4	-30.6
EBIT (old)	-26.8	-25.5	-13.0

Source: Redeye Research

While these revisions are rather dramatic, however, we still see value in the unique product characteristics, market potential and the compelling business model. XMReality has several global companies among its customer base testing the solution. The roll-out process takes time, but we expect the processes to follow similar patterns as with ABB. At first, we see smaller orders (SEK 0.1-0.3m) for testing user bases before choosing to adopt the solution in more divisions (~SEK 1-2m), and ultimately adding additional divisions over time. We believe a customer like ABB alone should be able to generate up towards SEK 10m in annual sales. We expect new roll-outs over the coming years, and expect a breakthrough resulting in higher levels of growth in 2021 and beyond.

A positive aspect is that costs are still relatively stable, especially since the company currently is making investments related to its new offering as well as the establishment of local presence in the US. The company is asset light, and we believe that the company should be able to grow sales at a much higher pace than investments and costs. Hence, we believe that XMReality should achieve high long-term margins, especially given the scalability and ability to sell additional licenses at a fractional marginal cost.

XMReality: Estimates in Base case									
(SEKm)	2017	2018	Q1'19	Q2'19	Q3'19E	Q4'19E	2019E	2020E	2021E
Net sales	6.7	10.2	3.0	3.0	2.7	3.0	11.7	14.6	23.4
CoGS	-2.8	-3.0	-0.5	-0.3	-0.3	-0.4	-1.4	-1.5	-2.1
Gross margin (%)	58%	70%	84%	89%	91%	88%	88%	90%	91%
Staff costs	-13.9	-20.4	-5.0	-5.2	-4.2	-5.6	-20.0	-22.6	-25.5
External costs	-17.6	-16.9	-3.9	-5.5	-4.7	-5.2	-19.3	-22.2	-25.1
EBITDA	-20.7	-25.2	-4.8	-6.6	-5.3	-7.0	-23.6	-27.6	-25.3
D&A	-1.9	-4.1	-0.9	-1.0	-1.1	-1.2	-4.2	-4.7	-5.3
EBIT	-22.6	-29.2	-5.7	-7.6	-6.4	-8.2	-27.8	-32.4	-30.6
Growth (%)	30%	52%	55%	37%	-3%	-8%	15%	25%	60%
EBIT Margin (%)	-339%	-288%	-338%	-358%	-209%	-257%	-238%	-221%	-131%

Source: Redeye Research

As of now, we are not assuming any greater effects of the online offering. We believe that the enterprise offering carries significant potential, but would like to see more metrics indicating signs of traction before including growth assumptions regarding the online offering into our forecasts.

Valuation

The valuation is based on a discounted cash flow (DCF) model, in which we have used a discount rate (WACC) of 13% and a tax rate of 22% for valuation purposes.

Base case

Our base case is based on the key assumptions below:

- XMReality's technique is unique in combining hand overlay, multi-participant calls, works in areas of weak network capacity and the web-link invitation, which means that you do not have to download an app to use the solution. We believe that the superior offering lays ground for high sales growth over the coming years.
- The gross margin above 90% allows for significant profitability. Sales have potential to scale as customers, and their customers, starts ramping up their usage of Remote Guidance with limited efforts from XMReality's side. Given the company's gross margins and prospects to scale, we argue that the company should be able to achieve operating margins in excess of 25% in the long-term.
- The ABB deal could be an indication that the solution solves genuine needs and is more than just a cool technology to demonstrate during fairs. It will further compose an important reference going forward. We expect the company to keep increasing its usage.

XMReality: Base case assumptions				
Assumptions:	2019-2021	2022-28	DCF-value	
CAGR Sales	32%	35%	WACC	13%
EBIT-margin (avg.)	-197%	12%	PV of FCF	-6
			PV of Terminal Value	85
Terminal			Sum of PV	79
Sales growth	2%		Net cash	17
EBIT-margin	20%		**DCF-value**	**96**
			Fair value per share	**6**
			Current share price	3.8

Source: Redeye Research

We have lowered our valuation based on our estimate revisions. Our **updated fair value in base case is SEK 6 per share** (SEK 9). We have also lowered fair value in our negative bear case, now amounting to SEK 2 per share (SEK 4), while our bull case remains intact at SEK 18 per share.

The share is currently under pressure (-20% since the Q3'19 report), which we believe to be explained by failure to meet growth expectations and the approaching need for an additional capital injection during the upcoming 6-9 months, which adds uncertainty to the case. XMReality held SEK 17.8m in cash by the end of Q3, and we do not believe that the company will be able to raise necessary financing through debt capital, and, currently find an equity issue more likely. We believe that the company would raise about SEK 30-40m to cover the expected burn over 18-24 months, which could be challenging should the shares remain at depressed levels.

XMReality has announced several framework agreements, which, however, have not carried any financial value at the time of signing, meaning that there is still uncertainty as to whether customers will come to use Remote Guidance in greater user bases. To our knowledge, the deal with Coesia signed in 2018 has, for example, not generated any larger revenues yet.

We therefore argue that the company primarily would need to secure more, and especially larger (SEK +2m) software orders, which would show that the solution truly solves genuine needs. It would further shed light on the potential among the existing user base including players such as Ikea Industry, ABB, Haas Group, Electrolux, Siemens, Essity, Sandvik, Nibe, Arcam, Rolls Royce and Epiroc. We still believe that a full roll-out could generate up to SEK 10m ARR in several of the cases, but we argue that XMReality still has to prove that it can expand its business with the mentioned customers before seeing a turn in the share price trend.

Bear Case 2.0 SEK

Reflects the scenario where the expected breakthrough is delayed due to a general reluctance to invest in new AR-technology.

We have also incorporated tougher competition and a general price pressure on AR solutions for remote guidance. We assume a slower adoption of XMReality's Remote Guidance, leading to lower sales growth.

However, we still assume additional sales from a few existing customers and some new orders above SEK 300t in ARR during the upcoming year, leading to revenue expectations of SEK 12m in 2019 and SEK 14m in 2020.

As sales are assumed to grow at a slower pace than in our other cases, CAGR is expected to be 29% 2021-2028 (from lower levels). We further assume lower margins with an average EBIT-margin of 4% 2021-2028.

Base Case 6.0 SEK

The company has shown that its software base is increasing, but we expect to see significantly larger roll-outs where a single customer could bring annual revenues exceeding SEK 5m over time.

Its business model is based on sales of software licenses (recurring revenue) and we believe that the company has potential to achieve stickiness by becoming part of large companies' service organizations.

This implies that it has great prospects to achieve high growth over a period of time if it manages to secure a steady inflow of new large customers while maintaining a low churn.

There is great scalability in XMReality's offering with many customers acting as resellers of the software and additional users can be added to its platform at negligible marginal costs. We expect XMReality to exhibit high margins given the scalability of the offering.

Bull Case 18.0 SEK

The bull case is based on the assumption of more roll-outs within the coming year, and a substantial growth in sales from 2021 onwards.

We are in general expecting roll-outs within large organizations, resulting in an increased number of software licenses. The bull case also entails a greater inflow of new industrial clients.

The above expectations result in stronger sales growth during 2019-2021, where sales is expected to grow at a CAGR of 52%. We further assume that sales will continue to grow at a high rate beyond 2021, leading to revenues around SEK 310m in our last year of individual estimation (2027).

We expect XMReality to maintain its technological advantage over a longer period of time, leading to an increased capability of charging its customers higher prices as well as maintaining a lower long-term churn. Great sales of software open up for high margins. We assume an average operating margin of around 32% in our long-run period of estimation.

Investment thesis

- Highly scalable offering in a rapidly growing market
- Unique value-adding technology
- ABB-case indicates positive progress

Highly scalable offering in a rapidly growing market. XMReality targets industrial players that incorporate its software in their service offering, which in turn will act as resellers by driving sales of additional licenses to their customers. The company faces negligible marginal costs of adding additional licensed users to the platform, and the potential to achieve high profitability is reflected by the gross margins exceeding 90%. The use case further opens up for lock-in effects as customers incorporate XMReality's solution in their large-scale service operations.

Several industrial players such as ABB, Epiroc, Electroux and Siemens are example of its current customers. Few customers have initiated roll-outs and are yet running tests of XMReality's solution in smaller scale. We believe there is potential for multiple large-scale software roll-outs within existing client organizations during the upcoming three years, where a single customer could account for annual recurring revenues exceeding SEK 5m.

XMReality's technique is unique in combining hand overlay, works in areas of weak network capacity and you invite customers to new sessions through a weblink, i.e. eliminating the need to run sessions through an installed app on the customer side. Not having to download software is a unique important feature mitigating the potential problem of this new technique being perceived as complicated and complex. The company launched this new feature only a year ago and with sales cycles often exceeding a year, we believe that the full scope of this introduction is yet to be seen.

ABB-case indicates positive progress. XMReality has increased their collaboration with ABB throughout 2019 and has so far announced software orders worth SEK 1.6m. While the deals with other large industrials mostly regard smaller testing user bases, whereas this is a larger deal pointing towards a commercial breakthrough and an interest to adopt the solution on a greater scale. It will further be an important reference when approaching new prospective customers.

The absence of additional substantial orders and high growth have, together with risks regarding upcoming capital needs, put pressure on the share that now trades below SEK 4 per share. While we argue that the company has failed to meet growth expectations, we still see factors suggesting positive long-term prospects and expect the company to generate roll-outs over the coming years. We currently see an upside to our base case at SEK 6 per share from the current depressed levels. We deem additional, and especially larger (>SEK 2m) software orders to be the most important share catalysts over the coming year as it would reveal the potential within the customer base.

Counter-Thesis – Bear Points

Slow adoption brings uncertainty

The adoption of Remote Guidance has so far been slow. One of the reasons could be that the service personnel are reluctant to change their way of working. The customers of XMReality's customers may also be reluctant to receive service through an AR-based solution that requires some work by themselves, instead of someone physically coming over and conducting all work for them.

We, however, believe the solution brings important value for the customers, including reduced costs, improved efficiency and improved first-time fix rates. As additional companies start to adopt AR-based solutions on a greater scale and thereby unfolding the efficiencies to achieve, we expect a transition to occur.

Upcoming capital needs

The company held SEK 17.8m in cash by the end of Q3, and we calculate a likely need for the company to secure additional external funding during the coming nine months or so. We do not believe that the company will be able to raise the necessary capital through debt financing, and hence find an equity issue more likely. Against a backdrop of the currently, depressed share price, however, an equity issue is also likely to face certain challenges.

Uncertainties regarding the online SME offering

XMReality has introduced a new online offering targeting smaller businesses through online marketing and we feel uncertain about the impact it will make. The barrier to apply a new technique is probably hard to overcome with just online based automated marketing. Hence, we are currently uncertain about the long-term potential. Albeit we have not assumed any significant revenues from the launch, it is possible that it will consume resources that would have had greater impact on the enterprise offering.

Price pressure

XMReality applies a premium price strategy that could be difficult to retain if new competitors develop solutions with a similar value proposition as XMReality. It becomes even more relevant in the long-run if the technology becomes a standardized solution within industrial service operations. It is therefore essential that XMReality retain its technological advantage through continued successful development of its software.

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

People: 3

XMReality's management and board possess a broad area of expertise covering experience from start-ups, IT-industry, and management work for large global companies. CoB has further been with the company for a long period. The management team, however, compromises a relatively new constellation where a majority of the positions have been appointed during 2017.

Business: 3

The company is active on a rapidly growing market, where numerous globally leading industrials are showing interest in technologies that can rationalize their service operations. XMReality's offering is scalable and the company applies a licensing model for its software offering which opens up for recurring revenues and high margins.

Financials: 2

Despite huge potential, XMReality is currently struggling with negative earnings and cash flows. Indeed, we believe the company may have to secure additional funding within 6-9 months. Needless to say, fundamental progress for the company and a stronger financial footing would translate into improved rating on this count.

INCOME STATEMENT	2017	2018	2019E	2020E	2021E
Net sales	7	10	12	15	23
Total operating costs	-27	-35	-35	-42	-49
EBITDA	-21	-25	-24	-28	-25
Depreciation	0	0	0	0	0
Amortization	-2	-4	-4	-5	-5
Impairment charges	0	0	0	0	0
EBIT	-23	-29	-28	-32	-31
Share in profits	0	0	0	0	0
Net financial items	0	0	0	0	0
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-23	-29	-28	-32	-31
Tax	0	0	0	0	0
Net earnings	-23	-29	-28	-32	-31

BALANCE SHEET	2017	2018	2019E	2020E	2021E
Assets					
Current assets					
Cash in banks	46	38	9	0	0
Receivables	6	6	6	6	7
Inventories	0	0	0	0	1
Other current assets	0	0	0	0	0
Current assets	52	44	16	6	8
Fixed assets					
Tangible assets	2	1	1	1	1
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	12	15	16	15	14
O non-current assets	0	0	0	0	0
Total fixed assets	14	15	17	16	15
Deferred tax assets	0	0	0	0	0
Total (assets)	66	59	32	22	23
Liabilities					
Current liabilities					
Short-term debt	1	1	1	22	51
Accounts payable	8	10	11	12	14
O current liabilities	0	0	0	0	0
Current liabilities	8	11	12	34	65
Long-term debt	2	0	0	0	0
O long-term liabilities	0	1	1	1	1
Convertibles	0	0	0	0	0
Total Liabilities	10	12	13	35	66
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	57	48	20	-13	-43
Minority interest (BS)	0	0	0	0	0
Minority & equity	57	48	20	-13	-43
Total liab & SE	67	59	32	22	23

FREE CASH FLOW	2017	2018	2019E	2020E	2021E
Net sales	7	10	12	15	23
Total operating costs	-27	-35	-35	-42	-49
Depreciations total	-2	-4	-4	-5	-5
EBIT	-23	-29	-28	-32	-31
Taxes on EBIT	0	0	0	0	0
NOPLAT	-23	-29	-28	-32	-31
Depreciation	2	4	4	5	5
Gross cash flow	-21	-25	-24	-28	-25
Change in WC	1	2	0	1	1
Gross CAPEX	-9	-5	-5	-4	-4
Free cash flow	-28	-28	-29	-31	-29

CAPITAL STRUCTURE	2017	2018	2019E	2020E	2021E
Equity ratio	85%	80%	61%	-57%	-189%
Debt/equity ratio	4%	1%	4%	-177%	-119%
Net debt	-44	-37	-8	22	51
Capital employed	13	11	11	10	8
Capital turnover rate	0.1	0.2	0.4	0.7	1.0

GROWTH	2017	2018	2019E	2020E	2021E
Sales growth	30%	52%	15%	25%	60%
EPS growth (adj)	30%	10%	-5%	16%	-6%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	13.0 %	NPV FCF (2019-2027)	-6
		NPV FCF (2028-)	85
		Non-operating assets	18
		Interest-bearing debt	-1
		Fair value estimate MSEK	96
Assumptions 2017-2023 (%)			
Average sales growth	53.8 %	Fair value e. per share, SEK	6
EBIT margin	-83.1 %	Share price, SEK	3.8

PROFITABILITY	2017	2018	2019E	2020E	2021E
ROE	-55%	-56%	-83%	0%	0%
ROCE	-51%	-55%	-81%	-214%	-345%
ROIC	-320%	-228%	-265%	-286%	-314%
EBITDA margin	-310%	-248%	-202%	-189%	-108%
EBIT margin	-339%	-288%	-238%	-221%	-131%
Net margin	-340%	-289%	-238%	-221%	-131%

DATA PER SHARE	2017	2018	2019E	2020E	2021E
EPS	-1.56	-1.72	-1.64	-1.90	-1.79
EPS adj	-1.56	-1.72	-1.64	-1.90	-1.79
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-3.01	-2.18	-0.49	1.31	3.01
Total shares	14.61	17.05	17.05	17.05	17.05

VALUATION	2017	2018	2019E	2020E	2021E
EV	107.9	80.2	55.6	86.3	115.2
P/E	-6.7	-4.0	-2.3	-2.0	-2.1
P/E diluted	-6.7	-4.0	-2.3	-2.0	-2.1
P/Sales	22.7	11.6	5.5	4.4	2.7
EV/Sales	16.2	7.9	4.7	5.9	4.9
EV/EBITDA	-5.2	-3.2	-2.4	-3.1	-4.6
EV/EBIT	-4.8	-2.7	-2.0	-2.7	-3.8
P/BV	2.7	2.5	3.2	-5.1	-1.5

SHARE PERFORMANCE		GROWTH/YEAR	16/18E
1 month	-30.6 %	Net sales	32.3 %
3 month	-47.8 %	Operating profit adj	10.9 %
12 month	-60.5 %	EPS, just	2.5 %
Since start of the year	-45.5 %	Equity	-41.1 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Investment AB Spiltan	14.5 %	14.5 %
Handelsbanken Fonder	9.4 %	9.4 %
AMF Försäkring & Fonder	7.5 %	7.5 %
Lars Svensson	5.0 %	5.0 %
Avanza Pension	4.8 %	4.8 %
Claes Nylander	3.2 %	3.2 %
Nordnet Pensionsförsäkring	3.0 %	3.0 %
LMK-bolagen & Stiftelse	3.0 %	3.0 %
UBS Switzerland AG	2.7 %	2.7 %
Christer Svensson	2.4 %	2.4 %

SHARE INFORMATION	
Reuters code	XMR
List	First North
Share price	3.8
Total shares, million	17.1
Market Cap, MSEK	63.9

MANAGEMENT & BOARD	
CEO	Johan Castevall
CFO	Claes Pettersson
IR	Johan Castevall
Chairman	Claes Nylander

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Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

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

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

The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

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

The People rating is based on quantitative scores in seven categories: Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

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

The Business rating is based on quantitative scores grouped into five sub-categories: Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

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

The Financial rating is based on quantitative scores that are grouped into five separate categories: Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

Redeye Equity Research team

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Disclaimer

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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Redeye Rating (2019-11-04)

Rating	People	Business	Financials
5p	11	9	1
3p - 4p	75	60	28
0p - 2p	10	27	67
Company N	96	96	96

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CONFLICT OF INTERESTS

Magnus Skog owns shares in the company : No

Dennis Berggren 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.