

XMReality

Sector: Human Interaction

Broadening its market

Q2'19: Lower than expected sales

XMReality reported sales of SEK 3m in Q2, which came in below our forecast of SEK 3.7m. The gross margin improved 23 pp (y/y) as an effect of an increasing share of software sales while OPEX was in line with our forecast, resulting in EBIT slightly below our estimate (SEK -7.6m vs. est: SEK -7.3m).

For the first time, XMR reported the monthly revenue of its current agreements running with automatic extension, i.e., the best available MRR proxy. It amounted to SEK 0.785m by the end of the quarter, reflecting a run rate at SEK 9.4m on an annual basis. The y/y increase was 32%, which we had expected to be higher given the orders announced between Q3'18 and Q2'19 while also assuming steady increases among existing customers.

Focused on broadening its market

The biggest news during the period regards the launch of an offering towards small and mid-sized businesses. The offering, which currently in a pre-commercial stage, will broaden its addressable market by also allowing smaller companies to subscribe for software licenses. We believe that the software has a broad range of applications outside field service and traditional help desk, and the web-based offering will open up for new business under minimal sales efforts. The commercial launch is expected later in 2019, meaning that it likely will take some time before it has any material impact on revenues. XMReality has also announced two partnerships in new regions (Switzerland and Poland).

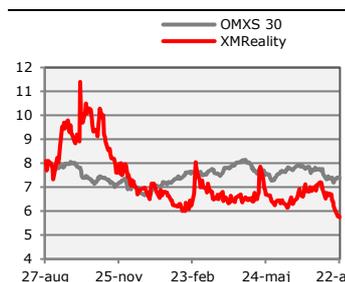
Revised forecasts and lowered fair value range

The current growth rate and the announced agreements thus far do not support our previous forecasts, and we have therefore made material adjustments to our sales estimates. Our revised forecasts result in an updated fair value range, which now starts with SEK 4 per share in bear case and ends at SEK 18 per share in bull case. The updated fair value in **base case amounts to SEK 9 per share** (SEK 12 per share), meaning that we see substantial upside potential from current levels. We expect several large software orders (>SEK 2m) over the coming year, which we see as the most crucial share price drivers as it would illustrate the potential among its existing customer base.

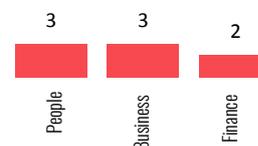
KEY FINANCIALS (SEK)	2017	2018	2019E	2020E	2021E	2022E
Net sales	7	10	14	23	42	67
EBITDA	-21	-25	-23	-20	-9	6
EBIT	-23	-29	-27	-25	-13	3
EPS (adj.)	-1.6	-1.7	-1.6	-1.5	-0.8	0.2
EV/Sales	16.2	7.9	6.4	4.7	2.9	1.9
EV/EBITDA	-5.2	-3.2	-3.9	-5.3	-12.8	19.2
EV/EBIT	-4.8	-2.7	-3.2	-4.3	-9.2	47.1
P/E	-6.7	-4.0	-3.6	-3.9	-7.4	37.1

FAIR VALUE RANGE

BEAR	BASE	BULL
4.0	9.0	18.0



REDEYE RATING



KEY STATS

Ticker	XMR
Market	First North
Share Price (SEK)	5.9
Market Cap (MSEK)	100
Net Debt 19E (MSEK)	-10
Free Float	77 %
Avg. daily volume ('000)	16

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Q2'19: Sales below expectations

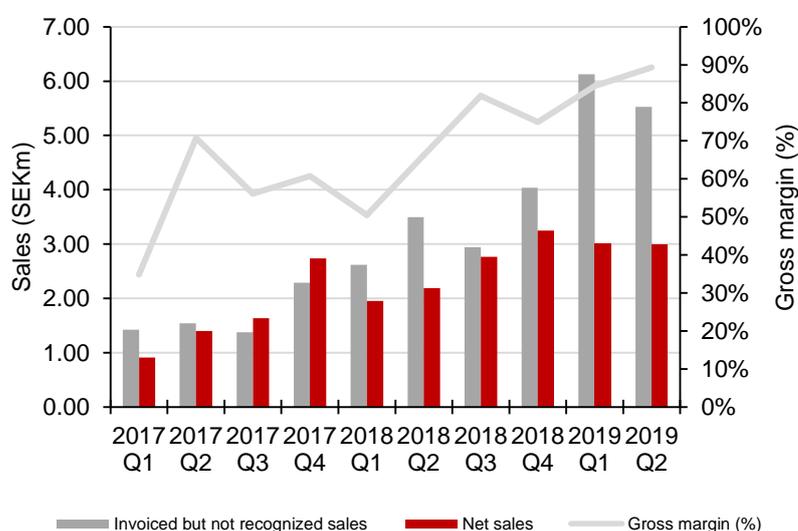
XMReality reported sales of SEK 3m in Q2'19, corresponding to 37% growth y/y but 1% decline q/q. We believe that the latter is explained by lower hardware sales, which also is reflected by the gross margin amounting to 89% during the quarter. It regards a solid margin improvement of 23 pp y/y, which is an effect of increasing share of software sales.

XMReality: Actual vs estimates				
(SEKm)	Q2'18	Q2'19E	Q2'19A	Diff. (%)
Net sales	2.2	3.7	3.0	-19%
Growth y/y	56%	69%	37%	
Gross margin	66%	81%	89%	
OPEX	-9.9	-10.5	-10.6	
EBITDA	-6.9	-6.3	-6.6	-4%
D&A	-0.9	-1.0	-1.0	
EBIT	-7.8	-7.3	-7.6	-4%
Net income	-7.8	-7.3	-7.6	-4%

Source: Redeye Research

OPEX was in line with our forecast, and EBIT came in just slightly below our estimate thanks to the strong gross margin. The total cash flow amounted to SEK -4.2m, which was positively affected by working capital changes of SEK 3.9m mainly related to collections of receivables. By the end of Q2'19, XMReality held SEK 27m in cash, which we believe will cover up to five additional quarters of operations with a quarterly FCF around SEK -5.5m.

Billed but not recognized sales, net sales and GM



Source: XMReality

The company mentioned that “billed but not yet recognized revenues” amounted to SEK 5.5m, reflecting a 58% increase y/y. XMReality also introduced a new metric, “revenue from subscriptions with contracted automatic extensions” (reported on a monthly basis), which increased by 32% to reach SEK 0.785m by the end of Q2. It is the best proxy for the company’s current MRR (monthly recurring revenue). We find this interesting as XMReality never have communicated the current value of its software contracts. By extrapolating the figure, it results in an annual run rate at approximately SEK 9.4m. The y/y growth of 32% further implies that the average monthly growth amounts to 2.4%

One should, however, note that we only have two data points, and to our understanding, there are yet some contracts that does not run with automatic extension which could affect the reporting. The company is further in such an early stage where single contracts have large effects on the numbers, and we are, therefore, cautious to draw any conclusions other than that software sales currently seem to be growing at a lower rate than we had expected.

We had expected the company's current software sales to be higher based on the announced orders between Q3'18 and Q2'19 and assumptions of a steadily increasing usage among existing customers. Regarding customers, CEO Castevall mentioned that Rolls Royce MTU in Singapore and Essity in the US have initiated pilot projects during the quarter. Castevall further stated that XMReality won a contract bid with "a large Finnish industrial group" in competition with eight other actors. The latter suggests that the company's offering remains competitive, and we believe that the two latest announced software orders worth SEK 1.5 – 1.6m (see below) indicates that customers' are showing interest in increasing their Remote Guidance usage.

Global engineering company increases usage

In June, XMReality announced that the company had received orders totalling SEK 1.8m during 2019 from a global engineering group. It stated that the customer regards a company with an annual turnover of SEK 300bn. We believe that the customer description fits ABB, which would mean great potential for additional orders over the coming years. In an interview from 27th of June, CEO Castevall mentioned that the revenue potential could be up towards SEK 10m at full roll-out. XMReality stated that the 2019 orders were signed with eight different business units in five countries, and we believe that the customer now should be XMReality's largest in terms of users.

SEK 1.6m of the orders signed in 2019 relates to annual software subscription, which represent an increase by 220 % compared to the same period 2018 (SEK 0.5m in software orders). XMReality has now announced that two customers have placed orders worth SEK 1.5m – 1.6m in ARR, which reflects that some customers are starting to reach larger user bases. See the following [video](#) for an example of how ABB Power Grids is using XMReality's Remote Guidance.

Announcement of SME-offering

During the summer, XMReality announced a new offering intended for SMEs. It regards an online-based SaaS offering that will complement its existing enterprise offering. The business offering will be somewhat simpler and include fewer functions compared to the enterprise offering but opens up for a larger addressable market. It will further require less sales efforts as it is fully web-based. The company has not indicated the price levels of the new offering but we find it likely that it will be based on a lower price compared to the enterprise edition.

A pre-release of the business edition, currently available as free trial at the website, was launched in beginning of July and XMReality has stated that the business edition will be officially launched later in 2019.

The new offering increases the potential user base and opens up for new business with limited sales efforts. The software's areas of application are boundless and we find it reasonable that XMReality will be able to attract customers from new industries. We, therefore, find the launch interesting even though we expect that enterprise sales remains the most important sales driver over the coming two years.

Two new partnerships

XMReality has also announced two new partnerships. The first regards a partnership with Nectetera, a Swiss software company specialized in AR solutions for enterprises, which gives it right to market XMReality's Remote Guidance. The second partnership, following a similar setup, is with the Polish company BiModal Solutions. Both agreements will thereby broaden XMReality's geographical scope and brings upside in new sales leads.

Hardware providers are loading up

American RealWear, a specialized provider of rugged AR headsets, raised USD 80m in a Series B financing round during the beginning of July with investors such as Teradyne (lead), Bose Ventures and Qualcomm Ventures. According to Forbes, RealWear has now shipped over 15000 devices since its launch of "HMT-1" in September 2017, and reported revenues of USD 12m in 2018, up from USD 2m in 2017. ¹ An interesting note is that RealWear has captured up to 40-50% of the market for head-mounted wearables according to the Forbes article.

Vuzix (NASDAQ: VUZI) is another hardware manufacturer that has raised capital recently, where USD 20m was raised as of 1st of July. Vuzix is, in contrast to RealWear, experiencing negative growth with sales decreasing 15% in H1'19 compared to H1'18.

Estimates

In Q1, XMReality announced that it had over 50 customers with running subscriptions. Given the extrapolated run rate around SEK 9.4m, it would mean that the average customer contract is worth less than SEK 0.2m on an annual basis. We acknowledge that the number of data points are few but the above illustrates that there are plenty of customers with small testing user bases. XMReality has announced six orders which together carries ARR totalling SEK 4.9m since September 2018, i.e. these customers alone should account for approximately SEK 400t of the reported monthly revenues (if the contracts run with automatic extension).

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	1.6

Source: XMReality

The company's impressive list of customers, including actors such as Epiroc, Sandvik and ABB among others, carries significant revenue potential. It, however, remains for XMReality to show that it can convert these into large paying user bases. The process of generating roll-outs have taken longer than we initially expected, which either means that most customers are still not mature enough to adopt AR-technology on a larger scale or does not see any value in doing so.

¹ <https://www.forbes.com/sites/charliefink/2019/07/01/realwear-ar-closes-series-b-total-funding-over-100m/#34fa88ad622d>

We have not taken part of information indicating that competitors are securing significant deals or in any way outcompeting XMReality. As of now, we think that most information points to that large global industrials are still somewhat cautious in adopting AR-based solutions on larger scale.

We have yet had to high sales expectations over the recent quarters, and the company's current growth rate and announced agreements does clearly not support our previous forecasts. Customers' roll-out have not occurred in the pace that we had assumed, and we have, therefore, made significant adjustments to our FY19/20/21 sales forecasts.

XMReality: Estimate changes			
(SEKm)	2019E	2020E	2021E
Net sales (new)	13.6	23.1	41.7
Net sales (old)	17.7	34.2	60.9
<i>Change (%)</i>	<i>-23%</i>	<i>-32%</i>	<i>-32%</i>
EBIT (new)	-26.8	-25.2	-13.0
EBIT (old)	-24.9	-19.0	-1.0

Source: Redeye Research

We still believe that XMReality's offering remains competitive, and this is also confirmed by industry sources. We argue that the long-term potential remains, and expect the company to convert its piloting customers into large paying user bases where the biggest customers could generate up towards SEK 10m in revenues at full roll-out.

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	3.5	4.1	13.6	23.1	41.7
CoGS	-2.8	-3.0	-0.5	-0.3	-0.4	-0.5	-1.7	-2.3	-3.7
Gross margin (%)	58%	70%	84%	89%	88%	88%	88%	90%	91%
Staff costs	-13.9	-20.4	-5.0	-5.2	-4.8	-5.6	-20.6	-23.3	-26.3
External costs	-17.6	-16.9	-3.9	-5.5	-4.6	-5.2	-19.2	-22.1	-24.9
EBITDA	-20.7	-25.2	-4.8	-6.6	-5.2	-6.0	-22.5	-20.5	-9.3
D&A	-1.9	-4.1	-0.9	-1.0	-1.1	-1.2	-4.2	-4.7	-3.7
EBIT	-22.6	-29.2	-5.7	-7.6	-6.3	-7.2	-26.8	-25.2	-13.0
Growth (%)	30%	52%	55%	37%	27%	26%	34%	70%	80%
EBIT Margin (%)	-339%	-288%	-338%	-358%	-209%	-257%	-197%	-109%	-31%

Source: Redeye Research

We, however, expect that roll-outs will occur gradually, which seems to be the case with the customers that recently have increased their usage. Sales are further recognized on a straight line basis over the subscription period, meaning that larger orders will have a trailing effect on reported revenues. We assume that several of the customers with smaller user bases decides to increase their usage gradually, like the "global engineering group" and the undisclosed American defense company have done. We further assume that the customers that already have initiated roll-outs continue to increase their usage over the year, resulting in much greater user bases in 2020.

Although believing that customers still seem to be slow in adopting the AR-solutions on larger scale, they are maturing and becoming more familiar with the technology. We, therefore, believe that it is reasonable to expect new customers to get up to speed quicker than previously.

We do not make any material changes to our cost estimates as of now. Our sales forecast adjustments further means that we do not expect the company to reach break-even until

2022 at earliest. Hence, we currently see a risk that XMReality would have to raise additional capital before reaching break-even.

Valuation

Our valuation is based on a discounted cash flow (DCF) model, in which we have used a discount rate (WACC) of 13% (15.2%) and a tax rate of 22% for valuation purposes.

Base case

Our base case is founded on the estimates presented in the earlier section and the below key assumptions:

- XMReality is positioned as one of the leading suppliers of AR-based software for remote assistance, a solution that should bring great value for field service customers (quicker troubleshooting sessions, and savings from both reduced downtime as well as reduced costs of travel). The solution is scalable, and the company is unique in its offering of a solution with "hands overlay" and web-links.
- By Q1, the company had over 50 paying customers, including actors such as ABB, Bosch Rexroth, Epiroc, Sandvik, etc., which brings significant revenue potential. We believe that a full roll-out with the mentioned customers' should generate up towards SEK 10m in ARR.
- Although taking longer than expected, XMReality keeps growing its customer list and some customers have started to place larger software orders, such as the undisclosed American defense company and the global engineering group which placed software orders worth \geq SEK 1.5m in ARR.
- The software offering is based on sales of software subscriptions that in most cases run with automatic extension, which brings recurring revenues. The offering is scalable and sales of licenses result in high margins, reflected by the gross margin at 89% in Q2'19.
- The business is asset light, meaning that the investment needs are low. We further believe that XMReality should be able to grow revenues at a much higher rate than costs, and thereby achieving high operating margins over time.

XMReality: Base case assumptions			
Assumptions:	2019-2021	2022-28	DCF-value
CAGR Sales	60%	24%	WACC 13%
EBIT-margin (avg.)	-112%	22%	PV of FCF 26
			PV of Terminal Value 89
Terminal			Sum of PV 116
Sales growth	2%		Net cash ¹ 37
EBIT-margin	20%		DCF-value 153
			Fair value per share 9.0
			Current share price 5.9

¹ Per year-end 2018

Source: Redeye Research

Our updated estimates results in a lowered fair value in base case, **now amounting to SEK 9 per share** (previously SEK 12 per share). We still see substantial upside from current levels around SEK 6 per share, and regard large software orders or framework announcements to be the most important share price drivers going forward. We would especially value an order worth more than SEK 2m, which would illustrate the potential among its customer base.

Bear Case 4.0 SEK

Key assumptions:

Sales CAGR 2019-21E: 37%

Sales CAGR 2022-28E: 25%

Avg. EBIT-margin 2022-28E: 14%

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 a couple of larger orders during the upcoming year, leading to revenue expectations of SEK 17m in 2020 and SEK 25m in 2021.

As sales are assumed to grow at a slower pace than in our other cases, we also assume lower profitability.

Base Case 9.0 SEK

Key assumptions:

Sales CAGR 2019-21E: 60%

Sales CAGR 2022-28E: 24%

Avg. EBIT-margin 2022-28E: 22%

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 in the offering.

Bull Case 18.0 SEK

Key assumptions:

Sales CAGR 2019-21E: 70%

Sales CAGR 2022-28E: 30%

Avg. EBIT-margin 2022-28E: 31%

Based on the assumption of several large roll-outs within the coming year, having a substantial effect on the company's revenues during 2020.

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

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 that its operating margin will peak around 35% in our long-run period of estimation.

Investment Case

AR market expected to grow rapidly. From being a technology regarded as science fiction, AR solutions are now being adopted by enterprises. AR brings great opportunities for improved service processes in aftermarket and field service organizations, improving the speed of service and fix rates, resulting in cost savings. Reports indicate that the industry now is ready to adopt AR-technologies on a larger scale, where industrial maintenance is expected to spur some of the most substantial AR investments, related to the trend of digitalizing industry processes (Industry 4.0). The interest from large global industrials is proven by XMReality's impressive list of customers including actors such as ABB, Bosch Rexroth, Epiroc, Sandvik and Siemens Industry Turbomachinery.

Technological advantage with strong industrial focus. There are numerous competitors targeting field service companies with different AR-based solutions for knowledge sharing. XMReality, however, has a short-term competitive advantage in its offering of a software solution that incorporates hands overlay, is deployable in areas of weak network capacity and is supported on smartphones, tablets, and smart glasses. Remote guidance adds value to customers by increasing the mobility of the clients' support organization and rationalizing their operational efficiency by improving first-time fix rates. It further provides opportunities for significant costs savings, illustrated by the client Bombardier which reported savings of SEK 20k in a single service session. The solution also provides a solid resource for internal training which is an essential factor for companies dealing with an aging workforce.

Scalable offering. XMReality's business model is highly scalable where the company faces a negligible marginal cost of adding additional licensed users to the platform. The scalability is further illustrated by the offering towards industrial companies that will incorporate XMReality's solution in their service offering. This also constitutes for potential lock-in effects given that clients incorporate XMReality's solution in their large-scale service operations. Several large clients are currently running evaluations and tests of XMReality's Remote Guidance solution, and we believe that there is potential for multiple large-scale software roll-outs within existing client organizations during the coming years, where a single customer could account for annual recurring revenues exceeding SEK 5m.

Counter-thesis (bear points)

Delayed ramp-up. We believe that the greatest risk with an investment in an early stage is that XMReality's great prospects never come to materialize or is delayed due to inflexibility among large clients' organizations that increase the duration of large-scale implementations. This have been the case during 2017-2018 and an extended delay will increase the risk of needing to raise additional capital before reaching break-even.

New competitor(s) with superior solution. There is a risk of potential superior solutions introduced by competitors. The AR/VR market has traditionally been affected by high M&A volumes, and there is further a possibility that XMReality's competitive situation will be affected by this.

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

Redeye wants to understand and value the companies we cover better than anyone else. So we're refining our unique approach to assessing investment cases. Our new rating model evaluates companies across as many as 100 criteria. It is ultimately designed to generate more appropriate estimations of WACC than traditional financial theory.

In Redeye's view, a realistic hands-on approach that combines fundamentals with common sense is called for in analyzing small growth stocks. These lack the market visibility and trading liquidity of large-cap names. Our new model is a bold and important move in Redeye's pursuit of leadership in our sectors.

People: 3

Management shows a solid understanding of the market and is focused on the field service industry even though the areas of application are boundless. XMReality's board possess a broad area of expertise covering experience from start-ups, IT-industry, and management work for large global companies. The company further has a solid list of shareholders where a majority of the board members are represented.

Business: 3

The company is active on a market expected to grow rapidly over the coming years, driven by globally leading industrials' interest in solutions 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

XMReality is currently exhibiting negative earnings and operating cash flows. Sales are growing but not in a high enough pace for its cash position to last until reaching break-even. There is hence a risk that the company will have to raise additional capital (about 5 quarters with current FCF). We see room for an increased rating as the company starts generating positive cash flows that bolster its capital strength.

INCOME STATEMENT	2017	2018	2019E	2020E	2021E
Net sales	7	10	14	23	42
Total operating costs	-27	-35	-36	-44	-51
EBITDA	-21	-25	-23	-20	-9
Depreciation	0	0	0	0	0
Amortization	-2	-4	-4	-5	-4
Impairment charges	0	0	0	0	0
EBIT	-23	-29	-27	-25	-13
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	-27	-25	-13
Tax	0	0	0	0	0
Net earnings	-23	-29	-27	-25	-13

BALANCE SHEET	2017	2018	2019E	2020E	2021E
Assets					
<i>Current assets</i>					
Cash in banks	46	38	11	0	0
Receivables	6	6	7	9	13
Inventories	0	0	0	1	2
Other current assets	0	0	0	0	0
Current assets	52	44	19	10	14
<i>Fixed assets</i>					
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
0 intangible rights	12	15	16	15	15
0 non-current assets	0	0	0	0	0
Total fixed assets	14	15	16	16	16
Deferred tax assets	0	0	0	0	0
Total (assets)	66	59	35	26	31
Liabilities					
<i>Current liabilities</i>					
Short-term debt	1	1	1	11	22
Accounts payable	8	10	13	19	25
0 current liabilities	0	0	0	0	0
Current liabilities	8	11	14	29	47
Long-term debt	2	0	0	0	0
0 long-term liabilities	0	1	1	1	1
Convertibles	0	0	0	0	0
Total Liabilities	10	12	15	30	48
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	57	48	21	-4	-18
Minority interest (BS)	0	0	0	0	0
Minority & equity	57	48	21	-4	-18
Total liab & SE	67	59	35	26	31

FREE CASH FLOW	2017	2018	2019E	2020E	2021E
Net sales	7	10	14	23	42
Total operating costs	-27	-35	-36	-44	-51
Depreciations total	-2	-4	-4	-5	-4
EBIT	-23	-29	-27	-25	-13
Taxes on EBIT	0	0	0	0	0
NOPLAT	-23	-29	-27	-25	-13
Depreciation	2	4	4	5	4
Gross cash flow	-21	-25	-23	-20	-9
Change in WC	1	2	1	3	2
Gross CAPEX	-9	-5	-5	-4	-4
Free cash flow	-28	-28	-27	-21	-11

CAPITAL STRUCTURE	2017	2018	2019E	2020E	2021E
Equity ratio	85%	80%	59%	-17%	-57%
Debt/equity ratio	4%	1%	4%	-246%	-127%
Net debt	-44	-37	-10	11	22
Capital employed	13	11	10	7	5
Capital turnover rate	0.1	0.2	0.4	0.9	1.4

GROWTH	2017	2018	2019E	2020E	2021E
Sales growth	30%	52%	34%	70%	80%
EPS growth (adj)	30%	10%	-8%	-6%	-48%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	13.0 %	NPV FCF (2018-2020)	-52
		NPV FCF (2021-2027)	79
		NPV FCF (2028-)	89
		Non-operating assets	38
		Interest-bearing debt	-1
		Fair value estimate MSEK	153
Assumptions 2017-2023 (%)			
Average sales growth	50.1 %	Fair value e. per share, SEK	9.0
EBIT margin	-36.1 %	Share price, SEK	5.9

PROFITABILITY	2017	2018	2019E	2020E	2021E
ROE	-55%	-56%	-79%	0%	0%
ROCE	-51%	-55%	-77%	-180%	-233%
ROIC	-320%	-228%	-255%	-240%	-200%
EBITDA margin	-310%	-248%	-166%	-89%	-22%
EBIT margin	-339%	-288%	-197%	-109%	-31%
Net margin	-340%	-289%	-197%	-109%	-31%

DATA PER SHARE	2017	2018	2019E	2020E	2021E
EPS	-1.56	-1.72	-1.58	-1.48	-0.77
EPS adj	-1.56	-1.72	-1.58	-1.48	-0.77
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-3.01	-2.18	-0.60	0.64	1.30
Total shares	14.61	17.05	17.05	17.05	17.05

VALUATION	2017	2018	2019E	2020E	2021E
EV	107.9	80.2	86.9	108.2	119.4
P/E	-6.7	-4.0	-3.6	-3.9	-7.4
P/E diluted	-6.7	-4.0	-3.6	-3.9	-7.4
P/Sales	22.7	11.6	7.1	4.2	2.3
EV/Sales	16.2	7.9	6.4	4.7	2.9
EV/EBITDA	-5.2	-3.2	-3.9	-5.3	-12.8
EV/EBIT	-4.8	-2.7	-3.2	-4.3	-9.2
P/BV	2.7	2.5	4.7	-21.8	-5.6

SHARE PERFORMANCE	GROWTH/YEAR	16/18E	
1 month	-19.7 %	Net sales	42.7 %
3 month	-14.9 %	Operating profit adj	8.8 %
12 month	-30.9 %	EPS, just	0.6 %
Since start of the year	-17.2 %	Equity	-39.6 %

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	4.9 %	4.9 %
Avanza Pension	4.6 %	4.6 %
Nordnet Pensionsförsäkring	3.3 %	3.3 %
Claes Nylander	3.2 %	3.2 %
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	5.9
Total shares, million	17.1
Market Cap, MSEK	100.3

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

FINANCIAL INFORMATION	
Q3 report	October 25, 2019

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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.

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Disclaimer

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Redeye Rating (2019-08-26)

Rating	People	Business	Financials
5p	11	8	1
3p - 4p	49	41	26
0p - 2p	20	31	53
Company N	80	80	80

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CONFLICT OF INTERESTS

Dennis Berggren owns shares in the company : No

Eddie Palmgren 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.