



ERIK PENSER BANK

Penser Access | Information Technology Services | Sweden | 9 August 2021

Irisity

Accelerating growth

Accelerating growth

Total revenues amounted to SEK 15.9 million. Sales growth was approximately 16% q/q. This figure was below our estimate, and the discrepancy can mainly be explained by the fact that we expected higher sales to camera manufacturers. We believe that this is a postponement rather than a loss of sales. Monthly recurring revenue (MRR) amounted to SEK 3 million, which corresponds to growth of 58% q/q. EBITDA was SEK -2.6 million.

Estimates trimmed back

Despite the accelerating growth in both revenues and MRR, we have chosen to trim our revenue estimate by approximately SEK 20 million for the current year. The main reason is a more conservative estimate of sales to Axis. For coming years, we are adjusting these estimates by 8% for the same reason. However, we believe there are a number of near-term triggers linked to completed pilot projects and new contracts.

Small adjustment to fair value

We are lowering our fair value to SEK 82-84 from SEK 86-87 for the reason described above – a more conservative view of sales to camera makers. Irisity is now trading at an implicit WACC of about 20% vs our assumption of 15%. We estimate that growth will continue to accelerate for the rest of the year, which together with new concluded pilot contracts may lead to an adjustment of the required return or estimates.

Estimate Changes (SEK)				Estimates (SEK)				Risk and Potential		
	Now	Before		20	21e	22e	23e	Motivated value	82.00 - 84.00	
EPS, adj 21e	-0.08	0.39	-120.9%	Sales,m	37	80	306	598	Current price	SEK51.70
EPS, adj 22e	2.98	3.45	-13.7%	Sales Growth	3.9%	118.1%	281.6%	95.4%	Risk level	Medium
EPS, adj 23e	7.45	8.33	-10.6%	EBITDA, m	(13.1)	10.4	117	267		
				EBIT, m	(26.4)	(2.4)	97.1	243.1		
				EPS, adj	(0.91)	(0.08)	2.98	7.45		
				EPS Growth	NA%	NA%(3,709.7)%	150.2%			
				Equity/Share	4.6	4.4	7.4	8.7		
				Dividend	0.00	0.00	0.00	0.00		
				EBIT Marginal	NA%	(3.0)%	31.7%	40.7%		
				ROE (%)	(17.9)%	(1.9)%	40.5%	85.1%		
				ROCE	(35.2)%	(3.1)%	113.7%	214.2%		
				EV/Sales	35.00x	16.04x	4.20x	2.15x		
				EV/EBITDA	(98.2)x	123.9x	11.0x	4.8x		
				EV/EBIT	(48.7)x	(527.3)x	13.3x	5.3x		
				P/E, adj	(56.8)x	(627.1)x	17.4x	6.9x		
				P/Equity	11.3x	11.8x	7.0x	5.9x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	NA%	1.8%	9.6%	-%		
				Net Debt/EBITDA	4.8g	(5.8)g	(1.3)g	(0.7)g		

Calendar Events	
Q3'21 rapport	11/10/2020

Key Figures (mkr)	
Number of Shares	25.8m
Market cap	1,336
Net Debt	(49)
EV	1,287
Free Float	31.00%
Avg. No. of Daily Traded Sh.	53.6(k)
Reuters/Bloomberg	IRIST.ST/IRIS:SS

One Year Performance Chart	
IRIS B	OMX

Analysts	
rikard.engberg@penser.se	



ERIK PENSER BANK

Penser Access | Information Technology Services | Sweden | 9 August 2021

Overview

Accelerating growth

Investment Case

Irisity is a software company that develops algorithms for IP cameras. These algorithms have the ability to independently raise an alarm if there is an intruder at a protected property. The reduced staffing requirement from this enables cost savings of 50–70% for a security company. Irisity has recently signed a commercial rollout agreement with G4S and is currently negotiating a commercial rollout with three other international security companies. In addition to having global security companies as customers, Irisity has entered into an agreement with Axis, the leading IP camera manufacturer in the western world. These two sales channels mean that we see a fair value of SEK 82–84.

Company Profile

The security industry had sales of approximately USD 161bn in 2019 and has historically seen growth in line with GDP. The industry has always been staff-intensive, with operating margins of around 5%. One of the fastest growing niches is video surveillance, a market that according to IHS Markit is expected to turn over USD 20bn in 2020 and to grow by about 10.5% per year (in value) in the coming years. Consulting company Mordor Intelligence estimates that 60% of sales currently consist of hardware and 10–15% service. Software thus accounts for about 15–20% of sales. The reason why video surveillance is growing faster than the security industry as a whole is the great efficiency gains that surveillance companies can make by replacing patrolling guards with cameras. American organization IPVM estimates that 2020 will be the year that video surveillance as a service (VSaaS) will see a significantly increased degree of commercialization. We also note that industry analysts believe a majority of new sales in video surveillance will be cloud-based within 3 years. Irisity has been training and developing its algorithms for detecting human activity for over 10 years. The time and data that Irisity has amassed during the company's lifetime is one of its main competitive advantages since this volume of data processing is difficult to replicate, making the algorithm strong. We estimate that a security company could reduce its costs for monitoring a property by 40–60% by using Irisity's software, which would mean its operating margins for surveillance work could rise from 5% with fully manual surveillance to 8–10% if fully replaced with video surveillance. We believe that security companies will accelerate their investments in improved margins post Covid-19.

Irisity has signed an agreement with Axis, the leading manufacturer of IP cameras in the western world. Under this agreement, Irisity's software will be sold integrated into the new generation of Axis IP cameras. These cameras have processors specially developed to handle AI software. We estimate that this agreement could generate SEK ~500m in revenue for Irisity over the next 4 years as Axis will sell Irisity's software globally through its dealer network. During Q1, Irisity also began a collaboration with Mobotix, a German manufacturer of IP cameras.

Valuation approach



ERIK PENSER BANK

Penser Access | Information Technology Services | Sweden | 9 August 2021

Overview

Accelerating growth

Irisity is currently in negotiations with a number of major security companies over a large-scale commercial roll-out of its software. We estimate that these companies together have about 3.6 million cameras in use, which if all were equipped with the software would correspond to a market of about SEK 5.2–5.5bn.

Target Price

At present, the company trades at an implicit WACC of about 22%. If we balance our DCF and multiple valuations, we get a fair value in the range SEK 82–84.

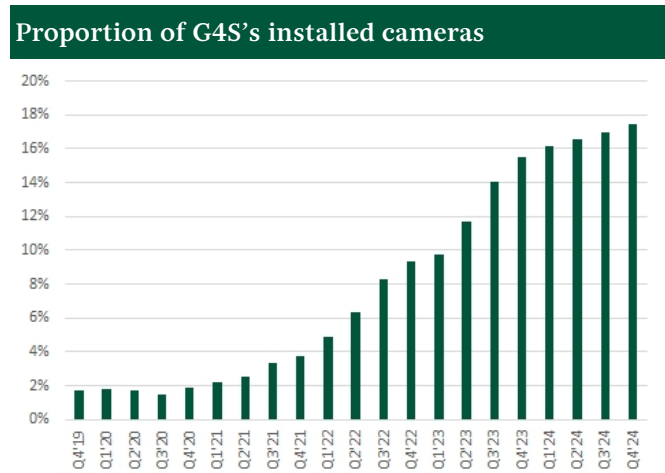
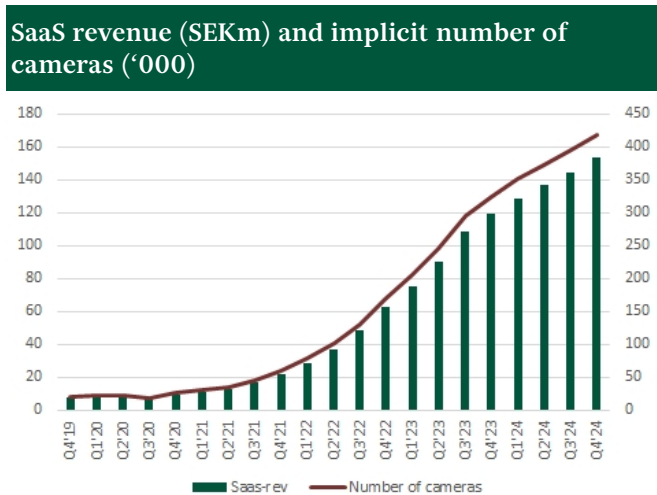
Commercialization assumptions

We have applied the following assumptions for our estimates of the G4S contract rollout in the coming years:

- In the five markets, there are about 8 million cameras. The markets where the agreement will initially be rolled out are Greece, Belgium, Denmark, the United Kingdom and the Netherlands
- G4S has a market share of approximately 15% in these markets
- Each camera generates EUR 12.5/month/algorithm and on average one algorithm is installed per camera

We estimate that Irisity must reach approximately 15% of the relevant cameras in order for our estimates to be achieved. These estimates and the figures in the graph below do not take into account other security companies that Irisity is negotiating with.

Revenues may be relatively volatile as Irisity installs its software centrally at G4S's various Security Operations Centres (SOCs). Irisity will then receive a license fee for all cameras connected to one of these centres once installation is complete. In our assessment, it is these installations that are depressing the gross margin at present.



We estimate that Irisity, in addition to the current G4S agreement, is negotiating with 4–5 other global players for a similar agreement. It seems that a contract with Prosegur, a Spanish company that protects about 300,000 properties globally, is most likely to be next. Prosegur has a stated target to increase the degree of digitization in its operations and install over 10,000 new cameras per year. The following are some brief assumptions for calculating the total addressable market:

- The companies that Irisity is negotiating with have about 2.5 million protected properties
- Only 10% of these properties have cameras, with an average of 15
- This gives about 3.6 million cameras as a total market

We therefore estimate that Irisity is in procurements that correspond to approximately SEK 5bn annually in recurring revenues. The number of IP cameras is increasing by about 10–12% annually, which means that the total addressable market is increasing at a similar rate.

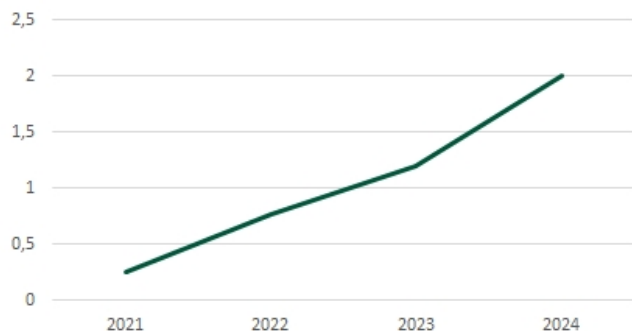
Assumptions for Axis and Mobotix

We estimate that in 2024 approximately 100 million IP cameras will be sold globally. Of these, about 50% will be in China, a market dominated by domestic providers. Axis is the leader in the western world and has a market share of just under 10% globally. Below are our assumptions for calculating Irisity's sales from this collaboration.

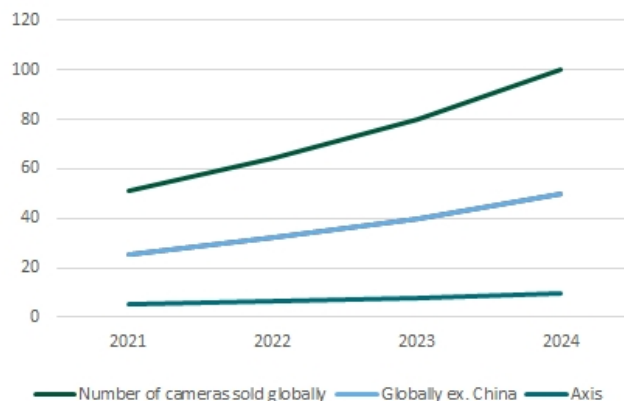
- 2024: 100 million cameras
- Axis market share: ~10%
- The proportion of cameras sold by Axis that are compatible with Irisity's software is 10–15% towards the end of the forecast period

The cameras that Irisity's software will be compatible with are classified as premium models, which we estimate will account for 10–15% of the cameras sold in the coming years. We forecast that this agreement could add SEK 300–600m in sales over the next four years.

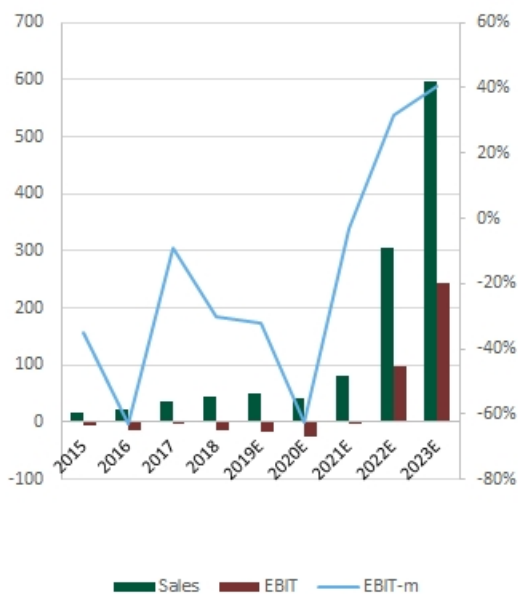
Cameras sold with IRIS software (m)



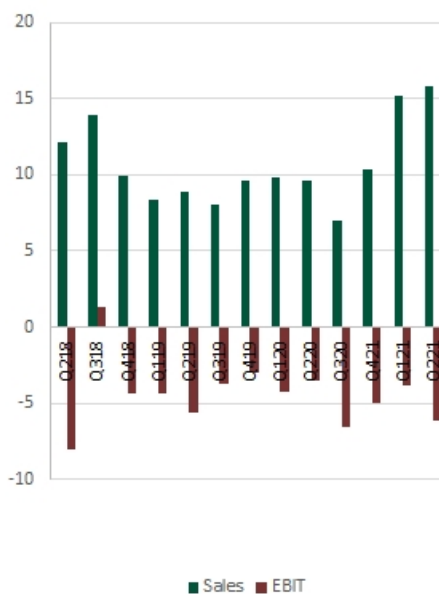
Number of IP-cameras (m)



Sales and EBIT (y/y)



Sales and EBIT (Quarterly)



Bolagsfakta

Shareholders	Number of shares
Aktiebolaget Westergyllen	10,1%
Avanza Pension	9,5%
Chalmers Innovation Seed Fund	9,5%
Tin Ny Teknik	5,7%
Rest	65,2%
Chairman of the board	Lennart Svantesson
CEO	Marcus Bäcklund
CFO	Andreas Höye
IR	Andreas Höye
Webpage	https://www.irisity.com

income statement

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net sales	35,3	45,4	35,4	36,8	80,2	306,0	598,0
Other income			16,3	12,7	0,0	0,0	0,0
Cost of goods sold	-7,9	-9,3	-13,1	-14,8	-23,8	-84,2	-149,5
Gross profit	27,4	36,1	38,6	34,7	56,4	221,9	448,5
Personnel costs	-18,2	-25,8	-28,5	-31,6	-41,5	-49,7	-73,7
Other operating costs	-8,5	-18,2	-15,0	-9,1	-15,3	-55,1	-107,6
Extraordinära kostnader							
EBITDA	0,7	-8,0	-4,8	-5,9	37,0	117,1	267,1
Depreciation/amortisation	-3,7	-5,6	-11,8	-13,3	-39,4	-20,0	-24,0
Impairments							
EBIT (adjusted)	-2,9	-13,6	-16,7	-19,3	-2,4	97,1	243,1
Items affecting comparability	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-2,9	-13,6	-16,7	-19,3	-2,4	97,1	243,1
Financial income	-0,2	0,0	0,0	0,0	0,0	0,0	0,0
Financial expenses	-0,5	-0,7	-0,6	-0,3	-0,2	-0,2	-0,8
Profit before tax	-3,6	-14,3	-17,3	-19,6	-2,7	96,9	242,3
Tax	0,1	0,0	-0,4	0,0	0,6	-20,0	-49,9
Minority interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net profit (reported)	-3,5	-14,3	-17,6	-19,6	-2,1	76,9	192,4
Net profit (adjusted)	-3,5	-14,3	-17,6	-19,6	-2,1	76,9	192,4

Balance Sheet

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Balance sheet							
Goodwill	0	0	0	0	0	0	0
Other intangible assets	12	25	59	59	57	37	13
Property, plant and equipment	7	8	5	2	2	2	2
Interest-bearing non-current assets	0	0	0	0	0	0	0
Investments in associates and shares	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0
Total non-current assets	19	33	64	61	59	39	15
Inventory	0	0	0	0	0	0	0
Trade receivables	8	9	6	8	14	41	77
Other current assets	37	3	2	4	9	9	9
Cash and cash equivalents	6	32	40	65	60	151	359
Total current assets	51	44	48	77	83	200	445
TOTAL ASSETS	70	77	112	138	143	240	460

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EQUITY AND LIABILITIES							
Equity	0	0	0	118	114	190	382
Minority interests	0	0	0	0	0	0	0
Total equity	36	47	87	118	114	190	382
Non-current financial liabilities	8	6	3	1	1	1	1
Provisions for pensions	0	0	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0	0	0
Total non-current liabilities	8	6	3	1	1	1	1
Current financial liabilities	6	5	3	1	1	1	1
Trade payables	4	4	4	4	11	31	60
Tax liabilities	0	0	0	0	0	0	0
Other current liabilities	16	14	14	14	16	16	16
Total current liabilities	25	24	22	19	29	49	77
TOTAL EQUITY AND LIABILITIES	69	77	112	138	143	240	460

Cashflow statement

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net profit (reported)	-3,5	-14,3	-17,6	-19,6	-2,1	76,9	192,4
Non-cash items	-2,9	5,6	12,7	12,6	6,7	19,6	-67,1
Changes in working capital	2,1	1,7	2,7	-4,2	1,0	-6,1	-7,0
Cash flow from operating activities	-4,4	-7,0	-2,2	-11,1	5,6	90,4	118,3
Investments	-11,3	-20,4	-17,7	-10,0	-10,8	0,0	0,0
Disposals	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Free cash flow	-16	-27	-20	-21	-5	90	118
Dividends	0	0	0	0	0	0	0
Share issues/buybacks	0	54	27	47	0	0	0
Purchases	0	0	0	0	0	0	0
Debt financing and other adjustments	0	0	0	0	0	0	0
Cash flow	-18	26	7,5	25,4	-5,1	90,4	118,3
Net Debt	8	-21	-34	-63	-58	-149	-357

KPIs

	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EPS, rapporterad	-0,26	-0,81	-0,96	-0,91	-0,08	2,98	7,45
EPS Justerad	-0,26	-0,39	-0,96	-0,91	-0,08	2,98	7,45
FCF/aktie	-0,61	-1,06	-0,77	-0,82	-0,20	3,50	4,58
Utdelning/aktie	0,00	0,00	0,00	0,00	0,00	0,00	0,00
EK/Aktie	2,27	2,67	3,77	4,56	4,40	7,36	8,75
Antal aktier efter utspädning vid årets slut (m)	15,99	17,58	23,16	25,84	25,84	25,84	25,84
Snitt antal aktier efter utspädning							

	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E
P/E, justerat	-245,7	-80,2	-67,8	-71,4	-788,4	21,8	8,7	8,7
P/EK	46,2	35,8	19,2	14,3	14,8	8,8	4,4	4,4
P/FCF	-107,3	-61,4	-84,2	-79,5	-326,4	18,6	14,2	14,2
Direktavkastning	0%	0%	0%	0%	0%	0%	0%	0%
Utdelningsandel, justerad	0%	0%	0%	0%	0%	0%	0%	0%
EV/Sales	46,2	35,9	46,1	44,3	20,3	5,3	2,7	2,7
EV/EBITDA	2239,5	-203,5	-336,4	-274,3	44,1	13,9	6,1	6,1
EV/EBIT	-554,2	-119,8	-97,9	-84,6	-668,2	16,8	6,7	6,7
Aktiekurs, årets slut								
EV, årets slut	1687,4	1658,5	1646,1	1616,9	1623,1	1531,6	1493,1	1493,1

	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2022E
Omsättningstillväxt	#REF!	#DIV/0!	29%	-22%	4%	118%	282%	95%
EBIT, tillväxt		169%	32%	23%	nmf	nmf	-4079%	150%
EPS just, tillväxt		nmf	nmf	nmf	nmf	nmf	-3710%	150%
EBITDA marginal	-30%	1%	-18%	-9%	-31%	13%	38%	45%
EBIT marginal	-63%	-9%	-30%	-32%	-62%	-3%	32%	41%
Skattesats	0%	0%	0%	1%	21%	21%	21%	21%

	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2022E
ROE	nmf	nmf	nmf	nmf	nmf	nmf	40%	85%
ROCE		#REF!	#REF!	nmf	nmf	-3%	109%	207%

Kvartalsvis Data

Resultaträkning

	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221
Nettoomsättning	0,0	0,0	0,0	1,4	5,1	6,6	6,9	7,5	8,3	8,1	7,0	9,4	11,3	13,0
Ovriga intäkter					5,1	4,5	3,5	3,5	3,1	3,1	3,0	3,6	4,1	2,8
Kostnad sålda varor	-2,4	-2,1	-2,3	-2,6	-3,6	-3,8	-3,0	-2,7	-3,5	-3,1	-3,6	-4,5	-3,1	-5,5
Bruttovinst	-2,4	-2,1	-2,3	-1,3	6,7	7,4	7,4	4,8	7,9	8,0	6,4	8,5	12,2	10,3
Personalkostnader	-5,0	-11,4	-4,9	-4,7	-6,4	-7,8	-6,0	-8,3	-7,8	-7,6	-7,2	-8,9	-9,5	-10,3
Ovriga kostnader	-3,5	-5,4	-4,2	-5,3	-5,1	-4,3	-3,1	-2,5	-2,3	-2,0	-2,3	-2,4	-3,2	-2,6
Rörelseresultat (EBITDA)	1,6	-6,7	2,6	-2,6	-1,5	-2,4	-0,6	-0,4	-0,8	-0,1	-3,2	-1,9	-0,5	-2,6
Avskrivningar	-1,4	-1,3	-1,2	-1,7	-2,8	-3,2	-3,1	-2,6	-3,4	-3,4	-3,4	-3,1	-3,3	-3,5
Goodwillnedskrivningar														
Resultat (EBIT)	0,2	-8,0	1,3	-4,3	-4,3	-5,6	-3,7	-3,0	-4,2	-3,5	-6,6	-4,9	-3,8	-6,1
Extraordinära Poster	0,0	-6,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Justerat Resultat (EBIT)	0,2	-14,3	1,3	-4,3	-4,3	-5,6	-3,7	-3,0	-4,2	-3,5	-6,6	-4,9	-3,8	-6,1
Finansiella intäkter	-0,2	-0,2	-0,2	-0,2	0,0	-0,2	0,0	-0,1	0,0	0,0	0,0	0,1	0,1	0,1
Finansiella kostnader	0,0	0,0	0,0	0,0	-0,2	0,0	-0,1	0,0	-0,1	-0,1	-0,1	0,0	0,0	0,0
Resultat före skatt	0,0	-14,5	1,2	-4,5	-4,5	-5,8	-3,9	-3,1	-4,3	-3,6	-6,6	-5,0	-5,0	-5,0
Skatter	0,0	0,0	0,0	0,1	0,1	0,0	0,0	-0,4	0,1	0,1	0,1	-0,4	-0,4	-0,4
Minoritetsintressen	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nettoreultat Rapporterat	0,0	-14,5	1,2	-4,4	-4,4	-5,8	-3,9	-3,5	-4,2	-3,5	-6,5	-5,4	-5,4	-5,4
Nettoreultat (just)	0,0	-9,6	1,2	-4,4	-4,4	-5,8	-3,9	-3,5	-4,2	-3,5	-6,5	-5,4	-5,4	-5,4

Tillväxt och marginaler

	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221
Omsättningstillväxt								454%	63%	23%	2%	25%	36%	60%
EBIT, tillväxt								na	na	na	na	na	na	na
Bruttomarginal				-93%	65%	66%	71%	44%	69%	72%	64%	65%	80%	65%
EBITDA-marginal	na	na	na	na	na	na	na	na	na	na	na	na	na	na
EBIT-marginal	2%	na	18%	na	na	na	na	na	na	na	na	na	na	na
Skattesats	na	na	0%	na	na	na	na	na	na	na	na	na	na	na

Quarterly Data

	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221
Net sales	0,0	0,0	0,0	1,4	5,1	6,6	6,9	7,5	8,3	8,1	7,0	9,4	11,3	13,0
Other income	0,0	0,0	0,0	0,0	5,1	4,5	3,5	3,5	3,1	3,1	3,0	3,6	4,1	2,8
Kostnad sålda varor	-2,4	-2,1	-2,3	-2,6	-3,6	-3,8	-3,0	-2,7	-3,5	-3,1	-3,6	-4,5	-3,1	-5,5
Gross profit	-2,4	-2,1	-2,3	-1,3	6,7	7,4	7,4	4,8	7,9	8,0	6,4	8,5	12,2	10,3
Other external costs	-5,0	-11,4	-4,9	-4,7	-6,4	-7,8	-6,0	-8,3	-7,8	-7,6	-7,2	-8,9	-9,5	-10,3
Personnel costs	-3,5	-5,4	-4,2	-5,3	-5,1	-4,3	-3,1	-2,5	-2,3	-2,0	-2,3	-2,4	-3,2	-2,6
EBITDA	1,6	-6,7	2,6	-2,6	-1,5	-2,4	-0,6	-0,4	-0,8	-0,1	-3,2	-1,9	-0,5	-2,6
Depreciation/amortisation	-1,4	-1,3	-1,2	-1,7	-2,8	-3,2	-3,1	-2,6	-3,4	-3,4	-3,4	-3,1	-3,3	-3,5
EBIT	0,2	-8,0	1,3	-4,3	-4,3	-5,6	-3,7	-3,0	-4,2	-3,5	-6,6	-4,9	-3,8	-6,1
Items affecting comparability	0,0	-6,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT (adjusted)	0,2	-14,3	1,3	-4,3	-4,3	-5,6	-3,7	-3,0	-4,2	-3,5	-6,6	-4,9	-3,8	-6,1
Financial expenses	-0,2	-0,2	-0,2	-0,2	0,0	-0,2	0,0	-0,1	0,0	0,0	0,0	0,1	0,1	0,1
Financial income	0,0	0,0	0,0	0,0	-0,2	0,0	-0,1	0,0	-0,1	-0,1	-0,1	0,0	0,0	0,0
Profit before tax	0,0	-14,5	1,2	-4,5	-4,5	-5,8	-3,9	-3,1	-4,3	-3,6	-6,6	-4,9	-3,8	-6,1
Tax	0,0	0,0	0,0	0,1	0,1	0,0	0,0	-0,4	0,1	0,1	0,1	-0,4	-0,4	0,1
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net profit (reported)	0,0	-14,5	1,2	-4,4	-4,4	-5,8	-3,9	-3,5	-4,2	-3,5	-6,5	-5,2	-4,1	-6,0
Net profit (adjusted)	0,0	-9,6	1,2	-4,4	-4,4	-5,8	-3,9	-3,5	-4,2	-3,5	-6,5	-5,2	-4,1	-6,0

Growth and Margins

	Q118	Q218	Q318	Q418	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221
Sales growth	na	na	na	na	#DIV/0!	#DIV/0!	#DIV/0!	454%	63%	23%	2%	25%	36%	60%
EBIT growth (adjusted)	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Gross margin	#DIV/0!	#DIV/0!	#DIV/0!	-93%	131%	112%	107%	64%	95%	99%	91%	90%	109%	79%
EBITDA margin (excluding IFRS 16)	#DIV/0!	na	#DIV/0!	na	na	na	na	na	na	na	na	na	na	na
EBIT margin (adjusted)	2%	na	18%	na	na	na	na	na	na	na	na	na	na	na

This publication (“the Publication”) has been compiled by Erik Penser Bank (“the Bank”) exclusively for clients of the Bank. The contents are based on information from publicly available sources which have been deemed reliable. No guarantee is extended as to the accuracy and completeness of the contents of the document or the forecasts and recommendations provided therein. The Bank may permit employees of another department or analysed company (“the company”) to read facts or series of facts in order to verify the same. The Bank does not disclose conclusions or assessments included in the Publication in advance. Opinions stated in the Publication are those of the analyst at the time the Publication was prepared and such opinions are subject to change. No assurance is provided that future events will be in accordance with opinions stated in the Publication.

The information in the Publication must not be understood as encouragement or recommendation to enter into transactions. The information does not take into account an individual recipient’s investment knowledge and experience, financial situation, or investment goals. The information thus does not constitute a personal recommendation or investment advice.

The Bank disclaims all liability for direct or indirect loss that may be based upon the Publication. Investments in financial instruments are associated with financial risk. The investment may go up or down in value or become entirely worthless. Past favourable performance of an investment is not a guarantee of future performance.

Fair value and risk

The fair value reflects a value for the share on the day the analysis is published in a range corresponding to approximately 5-10%. The Bank uses several different valuation models to value financial instruments, such as cash flow models, valuation of multiples and breakup value analysis.

The valuation method and the approach for determining the fair value should be apparent in the analysis and may vary from company to company. Significant assumptions used in valuations are based on currently available market data and a scenario for the company’s future development that we consider reasonable. As regards risk, the share is classified on a High-Medium-Low scale based on a number of known parameters relevant to the company. A general guideline for being classified as low risk is that the company has positive cash flow and that no individual factor affects net sales by more than 20%. The corresponding general description of high risk is that the company has not achieved positive cash flow or that an individual factor affects net sales by more than 50%.

The research presented in the Publication was performed in accordance with the terms and conditions of the “Penser Access” service that the Bank performs on behalf of analysed companies. The analysed company remunerates the Bank for the aforementioned service. The fair value and risk classifications are continuously updated. Click here <https://www.penser.se/historiska-analysrekommendationer/> to view the history of investment recommendations issued by the Bank.

General

The Bank’s consent is required to copy or disseminate the Publication in whole or in part. The Publication must not be disseminated or made available to any natural or legal person in the United States of America (other than as provided under Rule 15a–16, Securities Exchange Act of 1934), Canada, or any other country that imposes statutory restrictions on the dissemination and availability of the contents of the material.

The Bank has prepared an Ethics Policy and a Conflicts of Interest Policy. The aim of these policies is to protect against and prevent conflicts between the interests of clients and departments within the Bank. The approach used by the Bank to prevent conflicts of interest includes restrictions on communications (Chinese Walls). The Research Department is physically separated from the Corporate Finance department, which occupies separate premises. The Corporate Finance department is not permitted to participate in the production of a Publication or to express opinions on a Publication. However, there may from time to time exist a client relationship or advisory situation between a company covered in a Publication and a department of the Bank other than the Research Department. The Bank has drawn up internal restrictions concerning when employees are permitted to conduct trades in a financial instrument that is the subject of an Investment Recommendation.

From time to time, the Bank performs assignments for a company that is mentioned in a Publication. The Bank may, for example, be acting as an advisor or issuer agent to the company or as the liquidity guarantor for one of the company’s securities. If such is the case, this has been stated in the Publication. The Bank, its owners, directors, or employees may own shares in companies mentioned in the Publication. All employees of the Bank must report their holdings in securities and must report all transactions. The Bank and its employees comply with guidelines issued by the Swedish Securities Dealers Association concerning employee transactions. The analyst who has prepared Investment Research as referred to in Chapter 11, section 8 of the Swedish Financial Supervisory Authority’s Regulations regarding securities (FFFS 2007:16) and others involved in this work are not permitted to trade on their own account in the covered Financial Instrument or related Financial Instruments in contravention of the applicable recommendation. The Bank’s Compliance Department monitors all employee transactions.

The Bank pays salaries to analysts, which may also consist of a share of the Bank’s profits but which is never linked to the financial performance of another department. Neither the Bank nor the individuals who compiled the Publication have holdings (long or short) in the financial instruments issued by the analysed company that exceed 0.5% of the analysed company’s share capital.

For the company in question, the Bank also conducts research in accordance with the terms of the “Penser Access” paid-for service. Click here <https://epaccess.penser.se/> for more information about this service.

Erik Penser Bank is authorised to conduct securities operations and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen)

Erik Penser Bank (*publ.*)

Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM

tel: +46 8 463 80 00 fax: +46 8 678 80 33 www.penser.se