



ERIK PENSER BANK

Penser Access | Industrial Specialties | Sweden | 13 May 2022

OptiCept Technologies

Advancing on several fronts

Progress with new partnerships

Revenues for Q1 were SEK 4m (including sales of SEK 4m), mainly arising from the oliveCEPT application. The order backlog amounted to SEK 23m at the end of Q1 and the operating loss was SEK 15m. OptiCept also generated revenues from the OptiBoost application during the quarter, primarily through evaluations.

Key agreements in place

OptiCept entered into several significant partnerships during and after the first quarter. The Dagab agreement is an important reference for future sales efforts and the agreement with Flamingo in the UK entails a major partner with significant potential. Notwithstanding the agreements, however, we have chosen to adjust our revenue estimates, as detailed below.

Cash flows below expectation

Although OptiCept entered into several highly lucrative agreements for OptiBoost in 2021-2022, they have thus far not generated cash flows to the extent we expected. Our views on the commercial potential of all of the company's applications have not changed, but we are adjusting the revenue estimates for the entire estimate period 2022-2024, as outlined below. We see a new fair value of SEK 118-120.

Estimate Changes (kr)				Estimates (kr)					Risk and Potential	
	Now	Before		21	22e	23e	24e	Motivated value	118.0 - 120.0	
EPS, adjusted 22e	4.9	8.3	-41.1%	Sales, mkr	4	202	478	727	Current price	49.2
EPS, adjusted 23e	10.1	13.7	-26.4%	Growth	1,532%	4,439%	137%	52%	Risk level	High
EPS, adjusted 24e	15.8	22.5	-29.7%	EBITDA, mkr	(36.5)	109	264	408		
				EBIT, mkr	(47)	98	252	396		
				EPS, adjusted	(2.9)	4.9	10.1	15.8		
				EPS growth	97%	(268)%	107%	57%		
				Equity/share	20.4	25.3	35.4	51.2		
				Dividend/share	0.0	0.0	0.0	0.0		
				EBIT margin	(1,061.4)%	48.6%	52.7%	54.5%		
				ROE	(11.6)%	19.3%	28.5%	30.9%		
				ROCE	(9.6)%	30.0%	38.1%	41.3%		
				EV/Sales	211.5x	4.7x	2.0x	1.3x		
				EV/EBITDA	(25.7)x	8.6x	3.6x	2.3x		
				EV/EBIT	(19.9)x	9.6x	3.7x	2.4x		
				P/E, adjusted	(17.0)x	10.1x	4.9x	3.1x		
				P/Equity	2.4x	1.9x	1.4x	1.0x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	(689.6)%	46.7%	42.2%	42.7%		
				Net debt/EBITDA	1.7g	(1.4)g	(1.3)g	(1.6)g		

Calendar Events		
Q2-report		2022-08-16

Key Figures (mkr)		
Number of shares		20m
Market cap		979
Net debt		(40)
EV		939
Free float		95%
Average number of daily traded shares		37(k)

One Year Performance Chart

Analysts

hjalmar.jernstrom@penser.se



ERIK PENSER BANK

Penser Access | Industrial Specialties | Sweden | 13 May 2022

Overview

Advancing on several fronts

Investment Case

OptiCept's patented CEPT technology has substantial market potential for food tech and plant tech applications. We consider it attractive that the company has a technology with thoroughly documented effects, wide-ranging industry expertise in each market and attractive pricing models with recurring revenues. OptiCept's management team have long experience working in the respective sectors and we consider the industry knowledge of individuals including Ulf Hagman, the board chair, a significant asset. The company's applications enable substantial savings through reduced waste and lower production costs and we estimate short paybacks for all applications.

OptiCept has a sales target of 45 machines by the end of 2022. In our assessment, these targets are based primarily on OptiBoost, the company's application for treating cut flowers. In addition, there are other applications within plant tech and food tech, where the company has sold a large number of OliveCEPT applications. Among other applications, we believe JuiceCEPT and WineCEPT are of central importance and have huge potential. In our view, the company is in prime position to achieve widespread sales in several applications and in so doing become a significant player in food and plant tech. We also see that OptiCept has an outstanding ESG profile, as the applications reduce waste and have major impact on distribution chains for several worldwide industries.

Company Profile

OptiCept Technologies is a tech firm with a patented technology that is applied to raw materials in the plant and food industries. The benefits include extended shelf life and preserved flavour and aroma. The technology is called CEPT and has wide areas of application in the main segments of plants and food.

The CEPT system utilises a process called electroporation, a biological process that increases extraction yields from raw materials and improves the quality and extends the shelf life of the end product. The effects of the process are thoroughly documented and the system improves efficiency and generates savings for the company's customers. Much of the process is patented and the company has substantial industry expertise and understanding of fine-tuning of systems and processes for various applications. As a result, potential competitors will be forced to manage protracted product development cycles, which create high entry barriers to the company's markets.

OptiBoost is applied to prolong the life and improve the quality of cut flowers. OliveCEPT is used in the olive oil industry to boost extraction and improve the quality of the final product. JuiceCEPT and JuiceCEPT+ are the company's applications for increased extraction and extended shelf life for fruit juices. JuiceCEPT also includes the CEPT application for oat drinks, where the technology is used to enhance quality and reduce the need for added enzymes. Other applications include OptiBoost for forest plant cuttings and ornamental cut flowers and OptiFresh, which extends the shelf life and preserves the flavour and aroma of fruit and vegetables.

Valuation approach

Our valuation approach is a DCF model for the period 2022-2030. We believe that a DCF valuation best reflects the value of the company's growth potential, while its new growth potential makes it challenging to conduct a valuation against relevant peers. We assume a long-term EBIT margin of 25%. We are adjusting



ERIK PENSER BANK

Penser Access | Industrial Specialties | Sweden | 13 May 2022

Overview

Advancing on several fronts

our discount rate down to 11% (12%), an effect of a lower risk premium. We see a fair value per share of SEK 118-120 (SEK 128-132).

The risk profile remains high. We believe the company is attractively positioned with unique products and a great deal of industry knowledge, but we note that the growth in our forecasts, and the forecasts of the company, leave limited room for setbacks.

The quarter in detail

OptiBoost - agreements with Flamingo and Dagab are important milestones

OptiCept announced in January that Red Lands Roses in Kenya is installing an OptiBoost for cut flowers in Kenya. Red Lands Roses has since continued the evaluations and if the outcomes are good, the next step will be a commercial agreement. Red Lands Roses is a grower of high-quality roses.

OptiCept announced in February the results of a joint evaluation with Porta Nova: treated roses last a little over five days longer. The results were stronger than expected and illustrate rapid advances, especially considering that the evaluations began fairly recently, in late December. Porta Nova is a rose grower in the premium segment, and premium growers generally derive huge benefit from greater geographical distribution. As a result, the OptiBoost treatment, which can improve the transport process, offers substantial gains to growers like Porta Nova.

OptiCept announced a commercial agreement with Flamingo Group in March. The evaluation will run for six months and the customer has the option to end the deal thereafter or continue under an ongoing contract. Flamingo Group is a major player in the cut flowers industry that owns everything from its own farms in Africa to distribution and logistics. The machine is being evaluated in the UK. The company estimates that the commercial agreement will generate revenues of SEK 15-30 million over a three-year period.

After the end of the quarter, OptiCept announced an agreement with Dagab on the treatment of cut flowers with OptiBoost. The agreement applies to all roses that Dagab treats and thus its reach covers about 600 Axfood stores. The agreement is the outcome of the evaluation carried out jointly by OptiCept and Dagab, which showed substantial improvements in terms of increased sales and reduced waste. OptiCept estimates that the agreement is worth about SEK 3-5 million in annual recurring revenues.

oliveCEPT

OptiCept announced in January that it had sold an oliveCEPT machine to LongNan Tianyuan Olive Oil Technology. As the machine represents the first installation of oliveCEPT in China, it constitutes a key reference in the region. Based on the powerful growth of the Asian olive oil market, we assess it as very lucrative. The value of the order is about SEK 1.7 million.

OptiCept also announced in January a confirmed order for two oliveCEPT machines destined for the Greek market. The customer is Greek olive oil cooperative Agioi Apostoloi, which had previously carried out evaluations with OptiCept. The order is worth approximately EUR 300,000 (about SEK 3m). In terms of addressable market Greece is about the same size as Spain, and we have great expectations for oliveCEPT in the Mediterranean region in 2022.

Other applications

After the end of the quarter, OptiCept entered into an agreement with Steinicke worth about SEK 4 million in total. The agreement covers treatment of dried fruit and vegetables and was made following the evaluations OptiCept carried out with Steinicke. In the first stage, the application will be used for carrots, but OptiCept sees potential to evaluate other types of crops over time. The Cept system enables gains for companies like Steinicke including increasing production volumes for more efficient production.

Estimate changes

We assess the company's agreements in recent years as highly lucrative, particularly the contracts with MM Flowers and Flamingo, which represent substantial potential. In addition, the company has generated numerous leads in South America, while the commercial agreement with Dagab is a proof-of-concept as well as an indication of the size of royalties that an agreement can generate. But as we have been saying for a long time, we expected cash flows, including from OptiBoost, to come mainly in 2022. In our current assessment, we believe the company is unlikely to generate revenues to the extent we expected and are adjusting our estimates for 2022-2024. Nevertheless, our view of the commercial potential of the company's applications has not changed and we see the Dagab agreement as a sign of strength that provides an indication of the revenue volume that future agreements could bring.

We continue to see great potential in OptiCept's applications for olive oil, wine and juice, and believe the four revenue streams will be crucial to the company in the coming years. In the olive oil segment, we see several aspects that are laying the foundation for accelerated sales in 2022. The company's sales office in Spain is providing a stronger base in the Mediterranean region while OptiCept has established important references in the region. We are making minor adjustments regarding other applications. Overall, we are making the following adjustments.

Nya estimat	2022e	2023e	2024e
Omsättning	202	478	727
Tillväxt	4439%	137%	52%
EBIT	98	252	396
Rörelsemarginal	48,6%	52,7%	54,5%
EPS	4,87	10,07	15,81

Tidigare estimat	2022e	2023e	2024e
Omsättning	412	711	987
Tillväxt	1590%	73%	5%
EBIT	222	375	563
Rörelsemarginal	53,9%	52,8%	10,0%
EPS	8,83	14,97	22,50

Förändring i %	2022e	2023e	2024e
Omsättning	-51%	-33%	-26%
EBIT	-56%	-33%	-30%
EPS	-45%	-33%	-30%

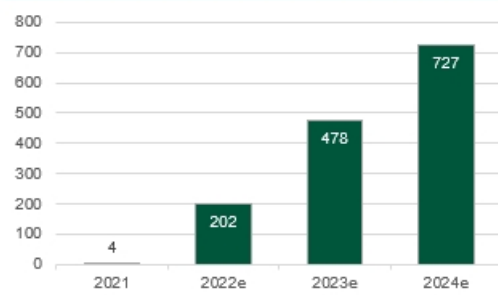
Source: EPB

Share ownership

Shareholders	Votes	Shares
Avanza Pension	8,3%	8,3%
Nordnet Pension	3,5%	3,5%
Railroad Ranch	2,7%	2,7%
Nordic Cross	2,5%	2,5%
Other	83%	83%
Chairman		Ulf Hagman
CEO		Johan Möllerström
CFD		Mats Narfeldt
Contact		Ulf Hagman
Website		www.opticept.se

Source: OptiCept

Sales



Source: Company reports, EPB

Valuation

Below is a summary of the assumptions in our DCF model. We see a fair value per share of SEK 118-120 (SEK 128-132).

Valuation output		WACC assumptions	
Sum of PV of FCF (explicit period)	1 700	Risk free nominal rate	0,4%
PV of terminal value (perpetuity formula)	689	Risk premium	7,4%
Enterprise value	2 389	Extra risk premium	2,3%
Latest net debt	-40	Beta	1,2
Minority interests & other	0	Cost of equity	12,0%
Equity value	2 430	Cost of debt (pre-tax)	3,0%
No. of shares outstanding (millions)	20	Tax rate	22%
Equity value per share (SEK)	122	Target debt/(debt + equity)	10%
		WACC	11,1%

Terminal value assumptions	
Long term growth rate	1,0%
Long term EBIT margin	25,0%
Depreciation (% of sales)	5,0%
Capex (% of sales)	5,0%
Working cap. (% of sales)	-2,6%
Tax rate	22%

A summary is provided below of the sensitivity of the valuation to assumptions related to the discount rate, long-term growth and long-term EBIT margin.

Sensitivity analysis						
Long-term growth rate						
		0,0%	0,5%	1,0%	1,5%	2,0%
WACC	10,1%	126	129	132	135	139
	10,6%	121	123	126	129	132
	11,1%	116	118	120	123	126
	11,6%	112	113	115	117	120
	12,1%	107	109	111	113	115

Long-term EBIT margin						
		20,0%	22,5%	25,0%	27,5%	30,0%
WACC	10,1%	121	127	132	137	143
	10,6%	116	121	126	131	136
	11,1%	112	116	120	125	129
	11,6%	107	111	115	119	123
	12,1%	103	107	111	114	118

Resultaträkning

	2020	2021	2022e	2023e	2024e
Nettoomsättning	0	4	202	478	727
Övriga intäkter	0	1	1	1	1
Kostnad sålda varor	(1)	(15)	(23)	(45)	(66)
Bruttovinst	(1)	(11)	179	433	662
Aktiveringar	2	16	10	5	5
Övriga externa kostnader	(7)	(27)	(27)	(32)	(33)
Personalkostnader	(3)	(16)	(18)	(21)	(22)
EBITDA	(9)	(37)	109	264	408
Avskrivningar materiella anläggningstillgångar	0	0	0	0	0
Avskrivningar immateriella anläggningstillgångar	(1)	(4)	(11)	(12)	(12)
EBIT	(18)	(47)	98	252	396
Finansnetto	(0)	(0)	(0)	(0)	(0)
Resultat före skatt	(18)	(47)	98	252	396
Skatter	0	0	(1)	(52)	(81)
Nettoreultat Rapporterat	(18)	(47)	97	200	315
Nettoreultat (just)	(18)	(47)	97	200	315

Källa: EPB, bolagsrapporter

Balansräkning

	2020	2021	2022e	2023e	2024e
TILLGÅNGAR					
Goodwill	0	257	257	257	257
Övriga immateriella anläggningstillgångar	12	74	73	66	59
Materiella anläggningstillgångar	3	7	7	7	7
Summa anläggningstillgångar	15	338	337	331	324
Varulager	1	16	20	20	22
Kortfristiga fordringar	1	13	20	48	73
Likvida medel	22	68	152	348	653
Summa omsättningstillgångar	24	98	192	416	748
SUMMA TILLGÅNGAR	39	436	529	747	1 071
Eget Kapital och skulder					
Eget Kapital	35	406	503	704	1 018
Summa eget kapital	35	406	503	704	1 018
Långfristiga skulder	1	10	9	9	8
Kortfristiga skulder	4	20	16	34	44
Summa eget kapital och skulder	39	436	529	747	1 071

Källa: EPB, bolagsrapporter

Kassaflödesanalys

	2020	2021	2022e	2023e	2024e
EBIT	(9)	(43)	98	252	396
Justeringar för poster som inte ingår i kassaflödet	1	12	11	12	12
Förändringar i rörelsekapital	1	0	(14)	(10)	(17)
Betald skatt	0	0	(1)	(52)	(81)
Övriga poster	(0)	(0)	0	0	0
Kassaflöde från den operationella verksamheten	(7)	(31)	94	202	311
Investeringar	(4)	(18)	(10)	(5)	(5)
Fritt Kassaflöde	(12)	(49)	84	197	306
Nyemission	25	83	0	0	0
Lånefinansiering och övriga justeringar	(1)	(6)	(1)	(1)	(1)
Kassaflöde	12	46	84	196	305
Kassa	22	68	152	348	653

Källa: EPB, bolagsrapporter

Tillväxt och marginaler

	2020	2021	2022e	2023e	2024e
Omsättningstillväxt	-92%	1532%	4439%	137%	52%
EBIT-tillväxt	NEG	NEG	NEG	158%	57%
EPS-tillväxt	NEG	NEG	NEG	107%	57%
Bruttomarginal	NEG	-238%	72%	65%	63%
EBITDA-marginal	NEG	NEG	54%	55%	56%
EBIT-marginal	NEG	NEG	49%	53%	54%

Källa: EPB, bolagsrapporter

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