



ERIK PENSER BANK

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Fingerprint Cards

IDEX's Q2 indicates ongoing acceleration for biometric cards

Record turnover suggests market for biometric cards still accelerating

IDEX's turnover grew by 18% q/q and 32% y/y to USD 1.5m. Demand in the digital environment for secure identity solutions is growing exponentially, propelling demand for biometrics. During the quarter, IDEX announced a partnership with STMicoelectronics, one of the three largest manufacturers of secure elements. IDEX Biometrics is now used by 19 card manufacturers and 18 banks have chosen IDEX's solutions for their biometric cards. During the quarter, the company has, among other things, announced a collaboration with Goldpac Fintech, the world's fourth-largest card provider, to develop biometric cards outside China and a deal with a bank in Azerbaijan. IDEX Pay, its solution for biometric payment cards, has been certified by Mastercard during the quarter.

Gross margin of 22% in Q2

On account of inventory adjustments, the gross margin dropped sequentially from 26% to 22%, but adjusted for inventories, the level would have been the same. Opex has increased, but IDEX has implemented measures to reduce opex by 30% compared with Q1 2023. EBIT came in at USD -7m in Q2. As the business scales up, opex should be diluted – leverage should be relatively high. This leaves the gross margin as the key measurement at present.

Market acceleration positive for entire industry

We consider IDEX's report and statements as positive for the whole biometric card industry, including Fingerprints's Payment business. Although it has taken longer than expected for the biometric card industry to pick up speed, the market now seems to be accelerating. We judge the likelihood of this market reaching one billion cards in the coming eight years – in line with the development in contactless cards – to be 40%.

Estimate changes				Forecast (SEK m)				Valuation and risk														
	23e	24e	25e	2022	2023e	2024e	2025e	Fair value	SEK7,0 – 8,0													
Total revenue	0,0%	0,0%	0,0%	862	992	1 655	2 313	Share price	SEK2,1													
EBIT, adj.	0,0%	0,0%	0,0%	Revenue growth	-36%	15%	67%	40%	Risk level	Hög												
EPS, adj.	0,0%	0,0%	0,0%	EBITDA, adj.	-116	-76	109	205	<div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">12-mth share price development</div>													
Coming events				EBIT, adj.	-198	-183	-23	46														
				EPS, adj.	-0,5	-0,4	-0,1	0,0														
Q3 - report	19 October 2023			BV/share	2,8	1,7	1,4	1,0														
Company details (SEK m)SEKm				Dividend per share	0,0	0,0	0,2	0,4														
				EBIT margin	Neg.	Neg.	Neg.	2,0%														
Number of shares	421m			ROE, adj.	Neg.	Neg.	Neg.	1,6%														
Market capitalisation	868			ROCE, adj.	Neg.	Neg.	Neg.	4,6%														
Net debt	60 400 000			EV/Sales	1,5x	0,9x	0,6x	0,4x														
EV	929			EV/EBITDA	-	-	8,5x	4,5x														
Free float	91%			EV/EBIT	-	-	-	20,3x														
Daily trading volume, average	2 633k			P/E, adj.	-	-	-	104,7x														
Bloomberg Ticker	FINGB SS EQUITY			P/BV	1,0x	1,2x	1,5x	2,0x														
Analyst				Dividend yield	0,0%	0,0%	9,7%	19,4%	<div style="background-color: #004a99; color: white; padding: 5px; text-align: center;">Conflicts of interest</div> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Market maker</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Certified adviser</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Transactions, 12 mth</td> <td></td> <td style="text-align: center;">✓</td> </tr> </tbody> </table>			Yes	No	Market maker		✓	Certified adviser		✓	Transactions, 12 mth		✓
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Market maker		✓																				
Certified adviser		✓																				
Transactions, 12 mth		✓																				
Markus Almerud				FCF yield	-	3%	-	9%														
markus.almerud@penser.se				Net debt / EBITDA	-0,1x	-0,5x	1,5x	1,4x														

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