

Artificial Solutions: Directed rights issue of cSEK50m

Artificial Solutions Research Note 2024-06-20 08:30

Redeye comments on Artificial Solutions' directed rights issue, which was announced after the market closed on June 19 and completed before the market opened on June 20.




Mark Siöstedt

Yesterday, June 19, Artificial Solutions announced that it explored the conditions for carrying out a directed rights issue. The final sum landed on approximately SEK50m (before transactional costs) at a subscription price of SEK0.5 per share. We had already included a rights issue at SEK0.5 per share, but in Q4 2024 (and slightly smaller), and thus, the actual right issue does not impact our valuation considerably. The rights issue, conducted at a 24% discount compared to the closing price on June 19, led to 100 million new shares (dilution of about 26.8%). After the issue, the company's largest shareholder will hold approximately 18% ownership. Moreover, the company has agreed not to issue additional shares for twelve months, and key executives have a 180-day lock-up period on selling securities.

Artificial Solutions stated in the press release that: "The net proceeds from the Directed Share Issue are intended to be used to enhance sales and marketing efforts, including hiring senior account managers and executing targeted campaigns in the US and UK. The net proceeds are also intended to support ongoing innovation and development of the Teneo.ai platform, rebranding and market penetration initiatives to strengthen brand identity and customer engagement, and to finance the working capital needs until the Company achieves self-financing status."

We argue that the rights issue is sound, given the financial status of the company, and that doing a directed rights issue was a good move. The company is doing well operationally, and the new capital injection funds the ongoing effort to move closer to a cash flow-positive state and support sales and marketing. Given the subscription price, we raise our bear case from SEK0.25 per share to SEK0.3, keep our base intact at SEK0.8, and slightly decrease our bull case from SEK3.2 to SEK3. Thus, the range becomes a bit tighter.

Our latest update can be found here – named ["Still the only solution in town with live large-scale references."](#)



REDEYE QUALITY RATING

3	3	1
People	Business	Financials

FAIR VALUE RANGE

Price 0.66

Bear 0.30 Bull 3.00

Base 0.80

TIMELINESS

5

KEY STATS

Market Cap	180.2 MSEK
Entprs. Value (EV)	414.7 MSEK
Net Debt (2024e)	234.5 MSEK
30 Day Avg Vol	597 K
Shares Outstanding	273.1M
Price / Earnings	N/A
PEG	0.0x
Dividend Yield	N/A

Data from 2024-06-20 08:36

IMPORTANT INFORMATION

All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

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