

Artificial Solutions

Sector: Software

Platform Engagement Confirming the Strategy

Redeye reiterates its positive long-term stance on Artificial Solutions (AS) on the back of solid Q1-report, the key take-away of which was the surging usage of Teneo solutions – supported by strong growth in end-user interactions and customers migrating to live deployments. Usage revenue is one of the key value drivers and lays the foundation for the scalability embedded in the business model. While the potential near-term fallout from the corona crisis is difficult to gauge, we believe investors should look to the company's underlying momentum, exemplified lately by new customer wins with large, multinational enterprises and increased order backlog (stands at SEK 56.4m at the end of the quarter, up from SEK 49.9 as of 31st December and up 38% y/y). Base case is left unchanged at **SEK 18 per share**. Our current-year forecasts (including growth of ~20%) and further customer wins should lend support to the stock if they materialize.

Solid growth numbers despite Covid-19

Net sales grew by 21% y/y to SEK 15.3m (we forecast 17.4) and order intake was up 15% to SEK 19.5m (>80% generated by partners). Growth was broadly driven with no significant contribution from any customer or order. Gross margin at 60% was in line with forecast – representing an expansion of 10% y/y and 5% q/q, respectively. The EBITDA-loss at SEK -25.2m was higher than forecast of SEK -21.6m due to lower sales and slightly higher other opex. It is also worth highlighting that AS reiterated its market guidance for order intake growth, gross margin and usage revenues.

A critical technology

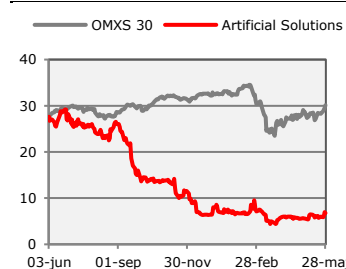
Even as AS has not yet seen any bigger impact in its ability to close business deals, the current environment will slow things down, especially in terms of new customer logos. We assess that a potential demand effect will materialize during the coming quarters as onboarding new business due to lengthened sales cycles and conservatism among IT departments to commit new spend. We would, however, make the point that in the slightly longer-term (i.e. 2021-), the net impact on conversational AI will be enhanced as CEOs are going to push for more automation and increased business continuity capabilities. By then, conversational AI will be seen as a mission critical technology for many enterprises, according to us.

| KEY FINANCIALS (SEKm) | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|-----------------------|------|------|------|-------|-------|-------|
| Net sales | 48 | 45 | 49 | 59 | 87 | 130 |
| EBITDA | -65 | -95 | -112 | -92 | -68 | -29 |
| EBIT | -91 | -119 | -146 | -106 | -83 | -46 |
| EPS (adj.) | neg. | neg. | neg. | neg. | neg. | neg. |
| EV/Sales | n/a | n/a | 8.9 | 8.4 | 6.7 | 4.9 |
| EV/EBITDA | n/a | n/a | neg. | neg. | neg. | neg. |
| EV/EBIT | n/a | n/a | neg. | neg. | neg. | neg. |
| P/E | n/a | n/a | neg. | neg. | neg. | neg. |

FAIR VALUE RANGE

| BEAR | BASE | BULL |
|------|------|------|
| 2.5 | 18.0 | 38.0 |

ASAI.st VERSUS OMXS30



REDEYE RATING



KEY STATS

| | |
|---------------------|-------------|
| Ticker | ASAI.st |
| Market | First North |
| Share Price (SEK) | 7.0 |
| Market Cap (MSEK) | 302 |
| Net Debt 20E (MSEK) | 193 |
| Free Float | 61 % |

ANALYSTS

Havan Hanna
havan.hanna@redeye.se

Viktor Westman
viktor.westman@redeye.se

Artificial Solutions: Q1'20

Although the numbers was below forecasts we argue that Q1 was a solid quarter demonstrating positive operational trends in line with AS communicated high-margin oriented strategy. This is explained by the surge in transaction volume and solid growth for order intake and order backlog. These metrics and new customer wins are the key value drivers when evaluating AS performance. Worth highlighting is that Q1 net sales was a record for AS as a listed company. It should also be noted that EBIT in Q1'19 included SEK 22.0m in goodwill write-downs and SEK 4.1m in non-recurring items. Thus, adjusted Q1'19 EBIT was SEK -30.7m.

Artificial Solutions: Actuals and estimates, Q1'20

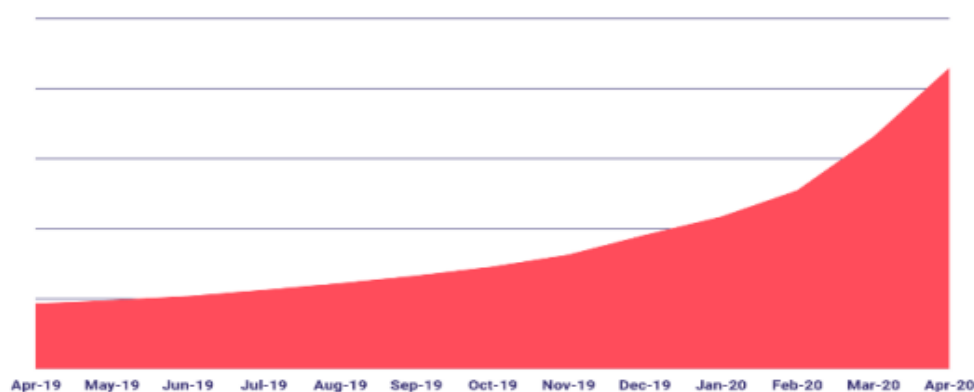
| SEKm | Q1'19 | Q1'20e | Q1'20a | Diff. (abs.) |
|----------------------|--------------|--------------|--------------|--------------|
| Net sales | 12.6 | 17.4 | 15.3 | -2.1 |
| Capitalised costs | 2.3 | 3.0 | 3.9 | |
| Other income | 0.0 | 0.0 | 0.0 | |
| Total income | 14.9 | 20.4 | 19.2 | -1.2 |
| Total OPEX | -46.7 | -42.0 | -44.4 | |
| EBITDA | -31.8 | -21.6 | -25.2 | -3.6 |
| D&A | -25.1 | -3.0 | -3.4 | |
| EBIT | -56.9 | -24.6 | -28.6 | -4.0 |
| Order intake | 16.8 | n.a | 19.5 | |
| Order backlog | 40.8 | n.a | 56.3 | |
| Net sales growth | 2% | 38% | 21% | |
| Order intake growth | -9% | n.a | 16% | |
| Order backlog growth | 29% | n.a | 38% | |
| Gross margin | 50% | 60% | 60% | |
| EBITDA margin | neg | neg | neg | |
| EBIT margin | neg | neg | neg | |

Source: Redeye Reserach, Artificial Solutions

Usage on the Rise

The highlight in the quarter was the surge in usage of Teneo solutions, driven by planned full deployments (customers transition from proof-of-concept/pilot deployment) and also, in certain cases, lockdown induced end-user volume growth (i.e usage/interactions). More importantly, this trend is expected to continue as current and incoming pilot implementations develops into full deployments. Note that this is not directly correlated to usage revenues, as some customers buy usage licenses on an up-front basis (i.e. not all usage increase translates to a corresponding increase in usage revenue). However, we would argue that the underlying engagement (i.e. usage) may be the most important value driver as everything else stems from that. Overall transactions processed by Teneo saw an increase of over 500% y/y and 90% q/q (see figure on next page).

Artificial Solutions: Total interactions for usage-based customers



Source: Artificial Solutions

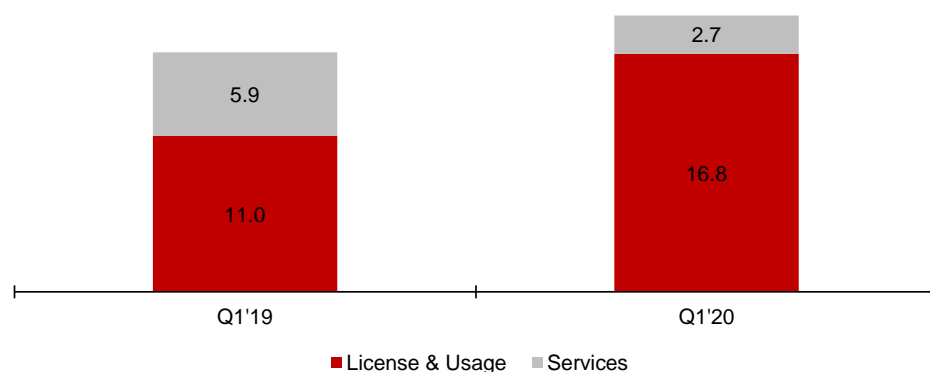
Usage order intake the largest contributor

Q1 represented a “breakthrough” quarter, as for the first quarter ever, order intake for usage was the largest contributor ahead of licenses and services. Usage order intake grew by 127% and usage revenue was up by an impressive 170% to SEK 3.9m (representing 26 % of net sales), although from low levels.

AS latest financial target expects usage sales to represent >80% of total net sales by 2022. Even if the target seems aggressive the following factors should lend support to management’s confidence:

- Q1 transaction volumes
- back-end loaded business model (many customers are just at the beginning of their deployments)
- increased volume from its large multinational enterprise customers (AS expects that its largest customers has potential to deliver usage sales of SEK ~60m)
- underlying market growth (~40%)

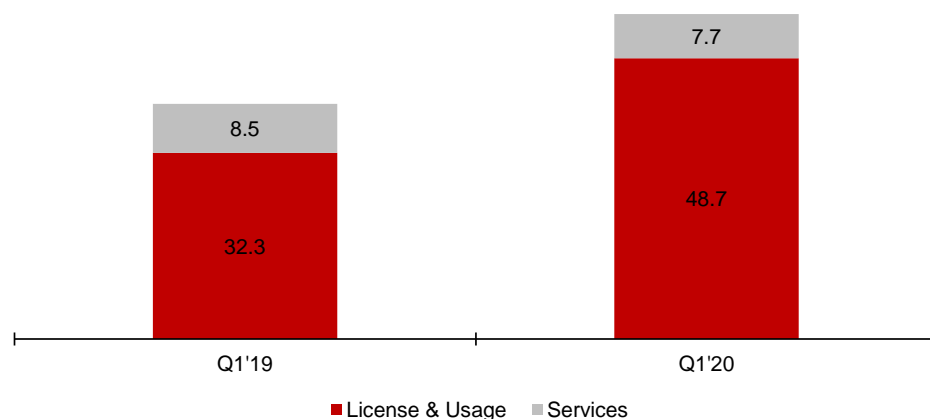
Artificial Solutions: Order intake



Source: Redeye Research, Artificial Solutions

Order backlog grew 38% with the largest growth in the highest gross margin types, usage at 58% and licenses at 51%.

Artificial Solutions: Order backlog



Source: Redeye Research, Artificial Solutions

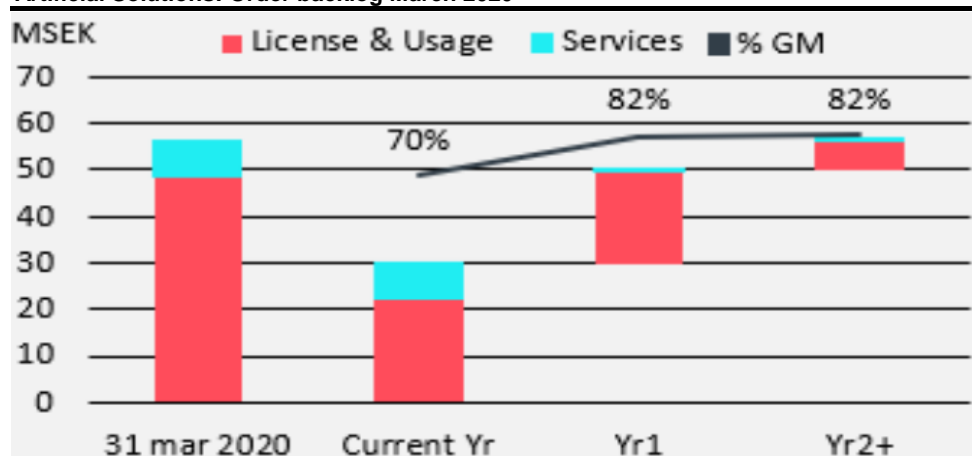
Besides supporting future growth, both order intake and order backlog continued its shift to a more profitable revenue mix (in line with AS strategy), see figure below.

Artificial Solutions: Order intake & backlog, end of quarter

| (SEKm) | Q1'19 | Q1'20 | change |
|----------------------------|-------------|-------------|------------|
| License & Usage | 11.0 | 16.8 | 53% |
| <i>% of total</i> | 65% | 86% | |
| Services | 5.9 | 2.7 | -54% |
| <i>% of total</i> | 35% | 14% | |
| Total order intake | 16.9 | 19.5 | 15% |
| <hr/> | | | |
| (SEKm) | Q1'19 | Q1'20 | change |
| License & Usage | 32.3 | 48.7 | 51% |
| <i>% of total</i> | 79% | 86% | |
| Services | 8.5 | 7.7 | -9% |
| <i>% of total</i> | 21% | 14% | |
| Total order backlog | 40.8 | 56.4 | 38% |

Source: Redeye Research, Artificial Solutions

53% of total order backlog is expected to be delivered this year and gross margin associated with backlog is 82% (well above AS guidance of 70% from 2020). Important to note here is that as some customers will buy usage and services "as used", the future revenues from existing customers may be beyond that included in backlog at any stage. The high gross margin numbers is a result of continued success related to AS partner strategy, 82% of orders by value (63% Q4 2019) came through partners in Q1.

Artificial Solutions: Order backlog March 2020

Source: Artificial Solutions

Customer Wins and New Partnerships

We have many times argued that the long-term future of any tech company must be predicated on winning new customers – not merely leveraging them. Thus the two customer wins during the quarter, a large Scandinavian financial company & a global management consultancy, and Swisscom extending their commitment with a SEK 10.6m three-year agreement is encouraging, even more so against the backdrop of the crisis. During 2019 the customer base was expanded with 12 new accounts, adding to the earlier 19 customers.

We reiterate that AS largest customers are each capable of delivering usage sales around SEK 60m within two to three years, according to the company. Many customer solutions are still in early days and their solutions will inevitably progress to high volume and live implementations (provided that AS executes on the opportunities).

Also, AS has announced three new partnerships with Babel, CSG (both leading systems integrators and with UiPath (a leading robotic process automation provider). UiPath joins Blue Prism as a key partner in this very high potential space.

Balance Sheet Progress

AS balance sheet has been strengthened as some of the proceeds from the recent rights issue has been used to repay short-term debt (stands at SEK 175.5m end of Q1'20, down from SEK 221.1m end of Q4'19). AS also [announced](#) a 12-month extension of the SEK 52m bonds previously due for repayment on 5th June 2020. Repayment of the Bonds will now be due for repayment on the 5th June 2021.

Financial Projections

Artificial Solutions: Profit and loss, at base case, '18-'22e

| SEKm | 2018 | 2019 | Q1'20 | Q2'20e | Q3'20e | Q4'20e | 2020e | 2021e | 2022e |
|-----------------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|
| Net sales | 44.9 | 49.0 | 15.3 | 12.9 | 13.7 | 17.1 | 58.9 | 87.2 | 129.9 |
| Capitalised costs | 12.2 | 12.0 | 3.9 | 2.8 | 2.8 | 5.0 | 14.5 | 16.0 | 17.0 |
| Other income | 5.3 | 7.3 | 0.0 | 0.0 | 0.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Total income | 62.4 | 68.4 | 19.2 | 15.7 | 16.5 | 27.1 | 78.4 | 108.2 | 151.9 |
| Other external costs | -51.5 | -62.7 | -12.7 | -12.0 | -11.0 | -14.0 | -49.0 | -51.5 | -54.0 |
| Personnel costs | -105.9 | -117.7 | -31.7 | -28.0 | -27.0 | -30.0 | -121.0 | -124.6 | -127.1 |
| Other operating costs | -0.1 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | -0.2 | -0.2 |
| EBITDA | -95.1 | -112.3 | -25.2 | -24.3 | -21.5 | -17.0 | -91.6 | -67.9 | -29.3 |
| D&A | -23.7 | -33.6 | -3.4 | -3.5 | -3.6 | -3.7 | -14.2 | -15.2 | -16.4 |
| EBIT | -118.8 | -145.9 | -28.6 | -27.8 | -25.1 | -20.7 | -105.8 | -83.1 | -45.7 |
| Net financials | -27.3 | -35.9 | -2.7 | -2.7 | -2.7 | -2.7 | -10.8 | -11.0 | -11.0 |
| EBT | -146.1 | -181.8 | -31.3 | -30.5 | -27.8 | -23.4 | -116.6 | -94.1 | -56.7 |
| Tax | 0.0 | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Income | -146.1 | -181.8 | -31.5 | -30.5 | -27.8 | -23.4 | -116.6 | -94.1 | -56.7 |

Source: Redeye Research, Artificial Solutions

Valuation

We derive our fair value from a fundamental DCF analysis applied across three scenarios - base case (most likely), bear case (pessimistic) and bull case (optimistic).

Bear Case 2.5 SEK

- Sales '29e: SEK340m
- Terminal growth rate: 2%
- Avg. EBIT margin ('23-'29): 10%
- Terminal EBIT margin: 14%
- WACC: 12%

In our bear case scenario, we see our bear points materialize. It mainly boils down to competition and technology risks, where we assume that Teneo will not sustain its competitiveness over the medium and long-term.

As a result, the shift towards more profitable revenue types do not occur and the operating leverage is not realized.

These factors will contribute to AS lowering ambition and become a company with limited growth possibilities (i.e. a consultancy company with minor software sales). Lowered ambition will result in minor investments, employment, and marketing – leading to stable margins.

Base Case 18.0 SEK

Key Assumptions ('23-'29):

- CAGR sales: 30%
- Terminal growth rate: 2%
- Sales '29e: SEK800m
- Avg. EBIT margin: 21%
- Terminal EBIT margin: 34%
- WACC: 12%

As the market develops, AS is well positioned to benefit from its superior offering. As a result, our base case sees it growing with the market thanks to the competitive product and its revised go-to-market strategy.

The company's high operating leverage will translate into significant profitability as we assume a low customer churn and favourable customer acquisition costs.

In base case, we anticipate positive cash flow from 2023.

Bull Case 38.0 SEK

- Sales '29e: SEK1 330m
- Terminal growth rate: 2%
- Avg. EBIT margin ('23-'29): 26%
- Terminal EBIT margin: 37%
- WACC: 12%

Our bull case factors in higher growth, driven by more customer wins and wider deployments at each customer (i.e. higher ACV).

Greater success will let AS to leverage its conversational data even further with a healthy rate of product innovation steaming from it – which ensures its competitiveness over a longer period.

It's operating leverage and lower churn assumptions (driven by greater stickiness from wider deployments) allows for greater margins, explaining our long-term profitability assumptions.

In bull case we anticipate positive cash flow from 2022.

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.

Rating changes in the report: No changes

People: 4

Artificial Solutions has a highly experienced senior management team and holds a strong position in terms of technological know-how and products. The challenges ahead relate to good execution and management (go-to-market approach, customer acquisition, partner strategy etc.). Our assessment is that the team is well-equipped to capitalize on these opportunities. In addition to the CEO's experience from companies undergoing expansion, the majority of the team has been at AS for eight years or more. We consider the management team and the developers to be fundamental to the company, which also represents a risk (dependency on key personnel). We would like the board and management team to have more skin in the game, to confirm their confidence in the company's future and to align their interests with other shareholders'. As of now, their combined holding amounts to ~5.0%.

Business: 3

AS is active in a market that is exhibiting particularly rapid growth. The overall global intelligent virtual assistants market is set to grow ~40% a year until 2023, according to Tractica, making it clearly a favourable market to be part of. Two of AS's three revenue streams - licenses and usage fees - provide high gross margins (~90%) and recurring revenues. The company's high operating leverage should translate into significant profitability if it succeeds in growing with its market while controlling customer churn and acquisition costs.

Financials: 1

Even though AS secured SEK85m in a targeted share issue (Q1'20) we anticipate that the company will need to raise additional capital for its ongoing operations. Its balance sheet is strained with negative equity and considerable debt. AS has never before been able to reach profitability. In our estimates (base case), AS will reach profitability during 2023, at that point, the rating would start to gradually increase.

| INCOME STATEMENT | 2017 | 2018 | 2019 | 2020E | 2021E |
|-----------------------|------|------|------|-------|-------|
| Net sales | 48 | 45 | 49 | 59 | 87 |
| Total operating costs | -113 | -140 | -161 | -151 | -155 |
| EBITDA | -65 | -95 | -112 | -92 | -68 |
| Depreciation | -1 | -1 | -1 | -1 | -1 |
| Amortization | -24 | -23 | -33 | -14 | -15 |
| Impairment charges | 0 | 0 | 0 | 0 | 0 |
| EBIT | -91 | -119 | -146 | -106 | -83 |
| Share in profits | 0 | 0 | 0 | 0 | 0 |
| Net financial items | -14 | -27 | -36 | -11 | -11 |
| Exchange rate dif. | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | -105 | -146 | -182 | -117 | -94 |
| Tax | 0 | 0 | 0 | 0 | 0 |
| Net earnings | -105 | -146 | -182 | -117 | -94 |

| BALANCE SHEET | 2017 | 2018 | 2019 | 2020E | 2021E |
|----------------------------|------|------|------|-------|-------|
| Assets | | | | | |
| <i>Current assets</i> | | | | | |
| Cash in banks | 4 | 47 | 4 | 12 | 4 |
| Receivables | 4 | 6 | 32 | 7 | 10 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 10 | 17 | 0 | 0 | 0 |
| Current assets | 18 | 70 | 36 | 19 | 14 |
| <i>Fixed assets</i> | | | | | |
| Tangible assets | 2 | 2 | 2 | 2 | 2 |
| Associated comp. | 0 | 0 | 0 | 0 | 0 |
| Investments | 5 | 6 | 5 | 5 | 5 |
| Goodwill | 7 | 0 | 0 | 0 | 0 |
| Cap. exp. for dev. | 0 | 0 | 0 | 0 | 0 |
| 0 intangible rights | 30 | 29 | 31 | 31 | 33 |
| 0 non-current assets | 0 | 0 | 0 | 0 | 0 |
| Total fixed assets | 45 | 37 | 38 | 38 | 40 |
| Deferred tax assets | 0 | 0 | 0 | 0 | 0 |
| Total (assets) | 63 | 107 | 74 | 57 | 54 |
| Liabilities | | | | | |
| <i>Current liabilities</i> | | | | | |
| Short-term debt | 75 | 94 | 141 | 205 | 285 |
| Accounts payable | 36 | 47 | 49 | 52 | 54 |
| 0 current liabilities | 0 | 0 | 0 | 0 | 8 |
| Current liabilities | 112 | 141 | 190 | 257 | 347 |
| Long-term debt | 24 | 52 | 0 | 0 | 0 |
| 0 long-term liabilities | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 136 | 193 | 190 | 257 | 347 |
| Deferred tax liab | 0 | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | -73 | -86 | -116 | -199 | -293 |
| Minority interest (BS) | 0 | 0 | 0 | 0 | 0 |
| Minority & equity | -73 | -86 | -116 | -199 | -293 |
| Total liab & SE | 63 | 107 | 74 | 57 | 54 |

| FREE CASH FLOW | 2017 | 2018 | 2019 | 2020E | 2021E |
|-----------------------|------|------|------|-------|-------|
| Net sales | 48 | 45 | 49 | 59 | 87 |
| Total operating costs | -113 | -140 | -161 | -151 | -155 |
| Depreciations total | -26 | -24 | -34 | -14 | -15 |
| EBIT | -91 | -119 | -146 | -106 | -83 |
| Taxes on EBIT | 0 | 0 | 0 | 0 | 0 |
| NOPLAT | -91 | -119 | -146 | -106 | -83 |
| Depreciation | 26 | 24 | 34 | 14 | 15 |
| Gross cash flow | -65 | -95 | -112 | -92 | -68 |
| Change in WC | 23 | 1 | -7 | 27 | 8 |
| Gross CAPEX | -70 | -16 | -35 | -15 | -17 |
| Free cash flow | -113 | -109 | -153 | -79 | -76 |

| CAPITAL STRUCTURE | 2017 | 2018 | 2019 | 2020E | 2021E |
|-----------------------|-------|-------|-------|-------|-------|
| Equity ratio | -115% | -81% | -157% | -348% | -546% |
| Debt/equity ratio | -137% | -169% | -121% | -103% | -97% |
| Net debt | 95 | 99 | 136 | 193 | 280 |
| Capital employed | 22 | 13 | 20 | -6 | -13 |
| Capital turnover rate | 0.8 | 0.4 | 0.7 | 1.0 | 1.6 |

| GROWTH | 2017 | 2018 | 2019 | 2020E | 2021E |
|------------------|------|------|------|-------|-------|
| Sales growth | 39% | -6% | 9% | 20% | 48% |
| EPS growth (adj) | 0% | -44% | -59% | -36% | -19% |

| DCF VALUATION | | CASH FLOW, MSEK | |
|---------------------------|--------|------------------------------|------|
| WACC (%) | 12.0 % | NPV FCF (2020-2028) | 205 |
| | | NPV FCF (2029-) | 747 |
| | | Net debt (20E) | -193 |
| | | Fair value estimate MSEK | 760 |
| | | Nr. of shares | 43.2 |
| Assumptions 2020-2026 (%) | | | |
| Average sales growth | 39.2 % | Fair value e. per share, SEK | 18.0 |
| Average EBIT margin | Neg. | Share price, SEK | 7.0 |

| PROFITABILITY | 2017 | 2018 | 2019 | 2020E | 2021E |
|---------------|-------|-------|--------|-------|-------|
| ROE | 0% | 0% | 0% | 0% | 0% |
| ROCE | -679% | -275% | -432% | -772% | 6233% |
| ROIC | 0% | -532% | -1140% | -523% | 1341% |
| EBITDA margin | -137% | -212% | -229% | -156% | -78% |
| EBIT margin | -191% | -265% | -298% | -180% | -95% |
| Net margin | -221% | -325% | -371% | -198% | -108% |

| DATA PER SHARE | 2017 | 2018 | 2019 | 2020E | 2021E |
|----------------|--------|--------|-------|-------|-------|
| EPS | -18.29 | -10.28 | -4.20 | -2.70 | -2.18 |
| EPS adj | -18.29 | -10.28 | -4.20 | -2.70 | -2.18 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net debt | 16.56 | 6.98 | 3.15 | 4.47 | 6.49 |
| Total shares | 5.76 | 14.22 | 43.24 | 43.24 | 43.24 |

| VALUATION | 2017 | 2018 | 2019 | 2020E | 2021E |
|-------------|------|------|-------|-------|-------|
| EV | 95.3 | 99.2 | 438.1 | 495.0 | 582.3 |
| P/E | 0.0 | 0.0 | -1.7 | -2.6 | -3.2 |
| P/E diluted | 0.0 | 0.0 | -1.7 | -2.6 | -3.2 |
| P/Sales | 0.0 | 0.0 | 6.2 | 5.1 | 3.5 |
| EV/Sales | 2.0 | 2.2 | 8.9 | 8.4 | 6.7 |
| EV/EBITDA | -1.5 | -1.0 | -3.9 | -5.4 | -8.6 |
| EV/EBIT | -1.0 | -0.8 | -3.0 | -4.7 | -7.0 |
| P/BV | 0.0 | 0.0 | -2.6 | -1.5 | -1.0 |

| SHARE PERFORMANCE | GROWTH/YEAR | | 18/20E |
|-------------------------|-------------|----------------------|---------|
| 1 month | 24.6 % | Net sales | 1.4 % |
| 3 month | -2.2 % | Operating profit adj | 26.7 % |
| 12 month | -75.5 % | EPS, just | -52.1 % |
| Since start of the year | 8.4 % | Equity | 26.1 % |

| SHAREHOLDER STRUCTURE % | CAPITAL | VOTES |
|------------------------------|---------|--------|
| Scope | 38.8 % | 38.8 % |
| AFA Försäkring | 5.9 % | 5.9 % |
| SEB-Stiftelsen | 4.2 % | 4.2 % |
| C WorldWide Asset Management | 2.8 % | 2.8 % |
| Andrew Walton-Green | 2.7 % | 2.7 % |
| Johan A. Gustavsson | 2.4 % | 2.4 % |
| Ulf Johansson | 2.3 % | 2.3 % |
| NLISIP | 1.9 % | 1.9 % |
| Sven Härgestam | 1.6 % | 1.6 % |
| John Brehmer | 1.5 % | 1.5 % |

| SHARE INFORMATION | |
|-----------------------|-------------|
| Reuters code | ASAI.st |
| List | First North |
| Share price | 7.0 |
| Total shares, million | 43.2 |
| Market Cap, MSEK | 301.8 |

| MANAGEMENT & BOARD | |
|--------------------|----------------|
| CEO | Lawrence Flynn |
| CFO | Chris Bushnell |
| IR | Chris Bushnell |
| Chairman | Åsa Hedin |

| FINANCIAL INFORMATION | |
|-----------------------|--|
| | |
| | |
| | |
| | |

| ANALYSTS | |
|-----------------------|------------------------------|
| Havan Hanna | Redeye AB |
| havan.hanna@redeye.se | Mäster Samuelsgatan 42, 10tr |
| | 111 57 Stockholm |

| |
|--------------------------|
| Viktor Westman |
| viktor.westman@redeye.se |

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.

Redeye Equity Research team

Management

Björn Fahlén

bjorn.fahlen@redeye.se

Håkan Östling

hakan.ostling@redeye.se

Technology Team

Jonas Amnesten

jonas.amnesten@redeye.se

Henrik Alveskog

henrik.alveskog@redeye.se

Havan Hanna

havan.hanna@redeye.se

Kristoffer Lindström

kristoffer.lindstrom@redeye.se

Erika Madebrink

erika.madebrink@redeye.se

Fredrik Nilsson

fredrik.nilsson@redeye.se

Tomas Otterbeck

tomas.otterbeck@redeye.se

Eddie Palmgren

eddie.palmgren@redeye.se

Oskar Vilhelmsson

oskar.vilhelmsson@redeye.se

Viktor Westman

viktor.westman@redeye.se

Editorial

Eddie Palmgren

eddie.palmgren@redeye.se

Mark Siöstedt

mark.siostedt@redeye.se

Life Science Team

Gergana Almquist

gergana.almquist@redeye.se

Oscar Bergman

oscar.bergman@redeye.se

Anders Hedlund

anders.hedlund@redeye.se

Arvid Necander

arvid.necander@redeye.se

Erik Nordström

erik.nordstrom@redeye.se

Klas Palin

klas.palin@redeye.se

Jakob Svensson

jakob.svensson@redeye.se

Ludvig Svensson

ludvig.svensson@redeye.se

Niklas Elmhammer

niklas.elmhammer@redeye.se

Mats Hyttinge

mats.hyttinge@redeye.se

Disclaimer

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

Redeye is licensed to; receive and transmit orders in financial instruments, provide investment advice to clients regarding financial instruments, prepare and disseminate financial analyses/recommendations for trading in financial instruments, execute orders in financial instruments on behalf of clients, place financial instruments without position taking, provide corporate advice and services within mergers and acquisition, provide services in conjunction with the provision of guarantees regarding financial instruments and to operate as a Certified Advisory business (ancillary authorization).

Limitation of liability

This document was prepared for information purposes for general distribution and is not intended to be advisory. The information contained in this analysis is based on sources deemed reliable by Redeye. However, Redeye cannot guarantee the accuracy of the information. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Redeye cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Redeye accepts no liability for any loss or damage resulting from the use of this analysis.

Potential conflict of interest

Redeye's research department is regulated by operational and administrative rules established to avoid conflicts of interest and to ensure the objectivity and independence of its analysts. The following applies:

- For companies that are the subject of Redeye's research analysis, the applicable rules include those established by the Swedish Financial Supervisory Authority pertaining to investment recommendations and the handling of conflicts of interest. Furthermore, Redeye employees are not allowed to trade in financial instruments of the company in question, from the date Redeye publishes its analysis plus one trading day after this date.
- An analyst may not engage in corporate finance transactions without the express approval of management and may not receive any remuneration directly linked to such transactions.
- Redeye may carry out an analysis upon commission or in exchange for payment from the company that is the subject of the analysis, or from an underwriting institution in conjunction with a merger and acquisition (M&A) deal, new share issue or a public listing. Readers of these reports should assume that Redeye may have received or will receive remuneration from the company/companies cited in the report for the performance of financial advisory services. Such remuneration is of a predetermined amount and is not dependent on the content of the analysis.

Redeye's research coverage

Redeye's research analyses consist of case-based analyses, which imply that the frequency of the analytical reports may vary over time. Unless otherwise expressly stated in the report, the analysis is updated when considered necessary by the research department, for example in the event of significant changes in market conditions or events related to the issuer/the financial instrument.

Recommendation structure

Redeye does not issue any investment recommendations for fundamental analysis. However, Redeye has developed a proprietary analysis and rating model, Redeye Rating, in which each company is analyzed and evaluated. This analysis aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Redeye Rating (2020-06-01)

| Rating | People | Business | Financials |
|-----------|--------|----------|------------|
| 5p | 14 | 12 | 4 |
| 3p - 4p | 108 | 82 | 32 |
| 0p - 2p | 6 | 34 | 92 |
| Company N | 128 | 128 | 128 |

Duplication and distribution

This document may not be duplicated, reproduced or copied for purposes other than personal use. The document may not be distributed to physical or legal entities that are citizens of or domiciled in any country in which such distribution is prohibited according to applicable laws or other regulations.

Copyright Redeye AB.

CONFLICT OF INTERESTS

Havan Hanna owns shares in the company : No

Viktor Westman 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.