REDEYE

Update

Equity Research

2 May 2019

Sensys Gatso Group

Sector: Information Technology

Introducing TRaaS – Traffic Enforcement as a Service

Strong quarters ahead - TRaaS, Saudi & the order book covers ~ 95 % of our estimates

Even if there would be no more new contracts in 2019, the coming quarters will show a strong growth, y/y as well as q/q, supported by the strong order book and additional orders from the Saudi contract. Adding the current TRaaS levels and underlying orders (below SEK 5m apiece), we believe that about 95 % of our 2019 sales estimates are covered. Thus, our estimates have a conservative stance. For now, we choose to keep our fair value range of SEK 1.0 – 3.4 per share and our base case of SEK 1.8 but our view is that the company currently is moving straight in the right direction.

Separate reporting of the important, growing recurring revenue streams

Q1 was another step forward in terms of the recurring revenue strategy. Most notably, Sensys Gatso started breaking out TRaaS (Traffic Enforcement as a Service), i.e. all service-related sales, highlighting the sound recurring revenue strategy. On the conference call, the CEO, Ivo Mönnink, said that the full TRaaS model in US is the model of the future for the rest of the World as well. We note that this also resonates with the message from other players in the industry. The developing countries are likely to go directly into a Managed Services model. Sensys Gatso is much stronger in developed countries. Nevertheless, we see potential in selected markets in e.g. Southeast Asia. The company also on the call clarified that TRaaS is not a total shift or complete out phasing of system sales. We like the mix in this strategy with stable recurring sales in the bottom covering most of the fixed expenses and larger system sales orders as icing on the cake, as we will illustrate further below in the research report.

Solid order intake of SEK 100m

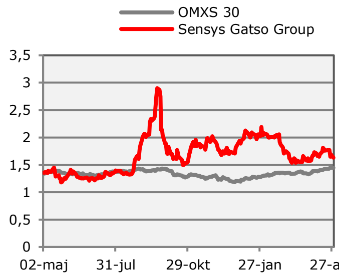
The order intake amounts to SEK 527m on a rolling 12-month basis. The Q1 order intake of SEK 100m is up 89 % y/y. This is a good quality order intake with a recurring part of 36 %. The System Sales segment contributed with SEK 66m excl. procurement awards of about SEK 5m. The small, non-announced orders amounted to SEK 54m, meaning SEK 157m on a trailing 12-month basis, which is a record for the company in its modern shape (we do not know the full Gatso history).

KEY FINANCIALS (SEKm)	2017	2018	2019E	2020E	2021E	2022E
Net sales	293	383	478	586	700	752
EBITDA	-16	37	71	140	188	197
EBIT	-55	1	22	93	145	155
EPS (adj.)	-0.1	0.0	0.0	0.1	0.1	0.1
EV/Sales	4.5	4.0	2.9	2.2	1.7	1.5
EV/EBITDA	-83.0	41.3	19.7	9.4	6.5	5.7
EV/EBIT	-24.0	2627.4	62.6	14.1	8.4	7.2
P/E	-23.5	-341.2	91.4	19.6	12.6	11.7

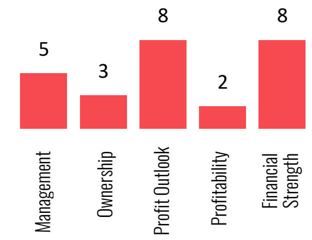
FAIR VALUE RANGE

BEAR	BASE	BULL
1.0	**1.8**	3.4

SENS.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	SENS.ST
Market	Small Cap
Share Price (SEK)	1.6
Market Cap (MSEK)	1376
Net Debt 19E (MSEK)	16
Free Float	82 %
Avg. daily volume ('000)	7

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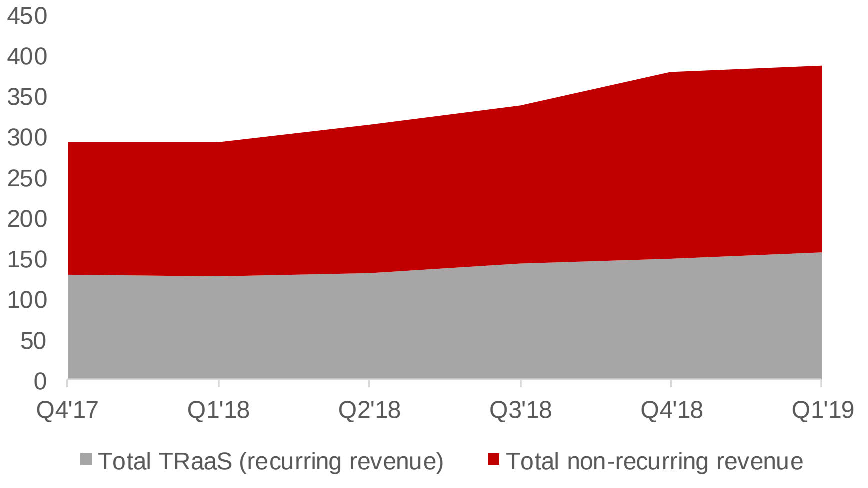
Introducing TRaaS – Traffic Enforcement as a Service

FLUX is an integral part of the TRaaS strategy. The FLUX platform looks very customer friendly with its focus on scalability and flexibility, especially the fact that it is compatible with technology from other suppliers, making it easy for customer to switch to, or from, Sensys Gatso (however, see our reasoning on barriers to entry further below). We believe this is the way forward, as the best products in tech in general are the ones that could easily be substituted. As for the business model, we note from the annual report that the SLA for FLUX can be based on e.g. the number of offenses detected, uptime percentage of the system, or the reduction of violations over a certain time period. Thus, there is flexibility in the business model as well.

Separate reporting of TRaaS

The company in Q1 increased the transparency by starting to break out the TRaaS sales, which we think is very good. TRaaS sales grew about 29 % y/y to SEK 36m in the first quarter driven by Managed Services. However, we note that 36m is exactly the same as the average of year 2018. TRaaS in Q1 accounted for 46 % of total sales, compared to 37 % for full year 2018 and 43 % for 2017 respectively. Thus, the increasing TRaaS levels in Q1 are solely related to temporarily weaker System Sales. We have illustrated the stable TRaaS revenue in a rolling 12-month graph below (knowing the outcome of Q1'18, Q4'18 and Q1'19 and extrapolating the quarters in between).

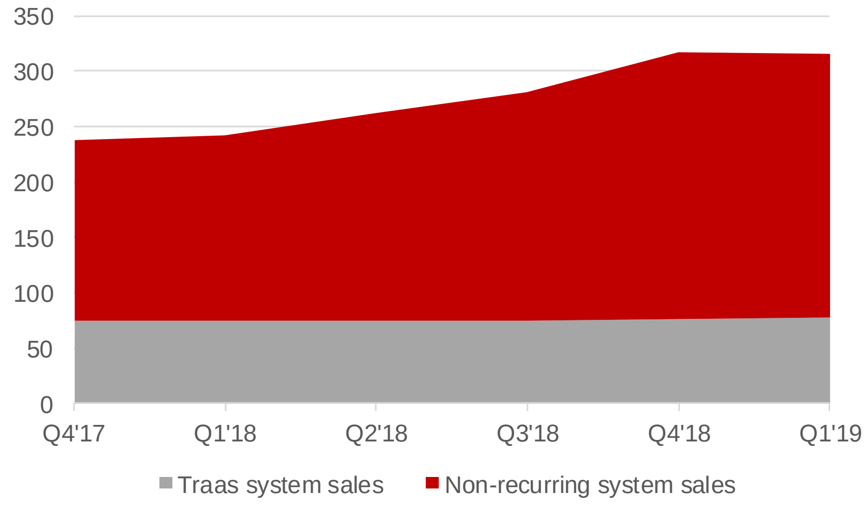
R12M total TRaaS in relation to total sales (SEKm)



Source: Redeye Research & Sensys Gatso

If we take out the Managed Services revenue, and only look at System Sales, the TRaaS proportion is 24 % for Q1'19 and Q4'18, compared to about 30 % previously. However, as can be seen in the graph below TRaaS is stable in total figures on a rolling 12-month basis. The share of the total has only decreased due to the strong up-tick in non-recurring, project-based system orders.

R12M TRaaS System Sales in relation to total System Sales (SEKm)



Source: Redeye Research & Sensys Gatso

Oklahoma up and running – collections a bit behind

Oklahoma is a good example of a TRaaS contract with large potential. This potential has not yet materialized. However, the program is up and running, but we assume no material collection of citations had started in Q1. Sensys Gatso reiterated that Oklahoma is a learning process and that the company is cautious in order to get it right. It chooses not to comment on the media rumors of e.g. 14 000 registered violations. For now, the program is only directed towards the 150 000 cars registered in Oklahoma, meaning cars passing by the state cannot be fined. However, it is worth mentioning again that cars in Oklahoma are only insured by the month so in other words there is possibility that someone only insures the car for one month and then forgets or chose to gamble by not renewing the insurance. All in all, our confidence in the Oklahoma potential is unchanged.

Additional potential in Australia

Below, we include some thoughts on a few of the company's markets. Sensys Gatso does not want to comment on any news articles for specific geographical markets or potential deals.

Sensys Gatso in Q1 received an order for SEK 46m from Australia, related to mobile camera systems (not moving in-vehicle systems). The order was quickly followed up by a related service contract of SEK 12m over 6 years. However, Sensys Gatso says in the press release that it expects the service contract order value to six-fold due to additional system orders. The way to read this is that the announced SEK 12m relates to some of the first installed mobile systems (from the order in July 2018) that "go into service". The remaining existing systems are also expected to be added to the service scope. There are no new systems to add from the contract, only the potential for more service delivery, adding up to approximately SEK 75m in total over six years.

Sensys Gatso also defended its Managed Services position in New York by renewing a contract of SEK 22m in Albany. We still have not seen any contracts lost to competition and we believe this is due to several barriers to entry for entrants. The incumbent e.g. knows the exact cost and can offer a rational price in the procurement. In addition, Sensys Gatso says it has a strong support machine that yields high customer satisfaction. As long as everything runs smoothly, there are few incentives to go through the long, tedious process of changing supplier, as also described by competitors.

According to the European Transport Safety Council (ETSB) the speed camera vandalism in France, that we wrote about in our previous update, has put 75 % of the fixed camera devices out of action (N.B. Sensys Gatso was not affected). It is not only related to the Yellow Vest movement but also last year's rural road speed limit of 80 kilometers per hour. The French government will, judging from ETSB, buy 400 new fixed speed cameras from Mesta, a local, French player. Thus, there seems to be no imminent French order for fixed systems for Sensys Gatso but the in-vehicle potential lives on.

The stock market focus a lot more on Japan than us. In essence, there is nothing new from Japan. Sensys Gatso has passed the homologation process and its partner OKI is out selling. For some reason OKI has been moving slow. The OKI partnership looked very promising on paper when it was announced four years ago. It is a huge corporation with 19 000 employees and extensive financial resources etc. We believe this is where the problem lies. Any traffic safety business for OKI will be negligible compared to the core business of printers and telecom products. Perhaps partnering with a smaller, niche player would be a better move. We have not heard anything around exclusivity for OKI. There is still some time for the customers to order prior to the Olympic Games in 2020 but the sands of time are running low, which of course Sensys Gatso has made the potential customers aware of.

Similar to before, Middle East looks crowded and tough, apart from the in-vehicle deals. Besides competition from Mesta, Jenoptik installed 100 systems in 2018. However, Jenoptik focus a lot on tolling.

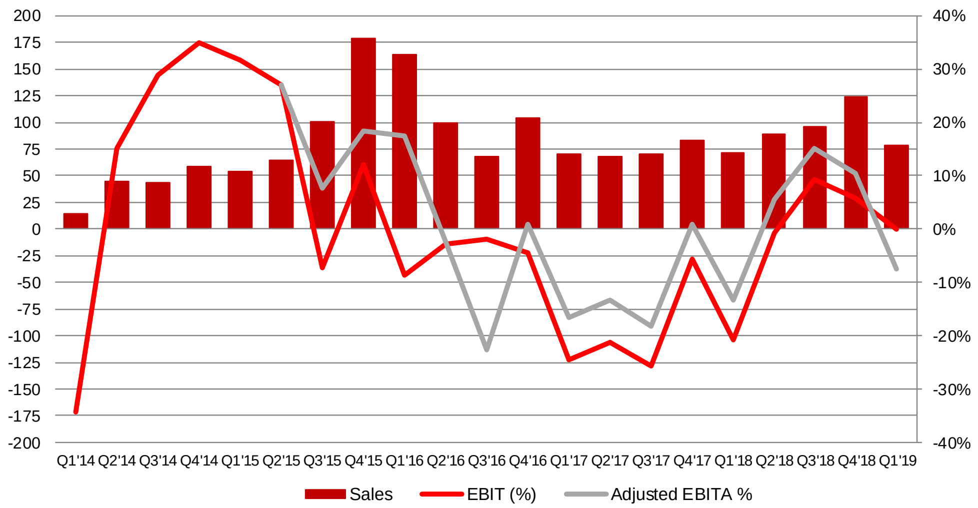
Distracted driving – urgent needs allow for interesting market

Sensys Gatso has a solution for distracted driving where its cameras can detect people using their cellphones in the cars. We believe there is a huge opportunity in this area due to the gruesome growth of distraction related accidents. In Sweden e.g. 324 people were killed in traffic during 2018, equal to an increase of 72 people. 24 percent of the victims, i.e. 78 people, died from collisions with heavy trucks and in those collisions 90 % of the passenger cars had entered into the wrong lane. Our conclusion, based on reports and industry sources, is that there is a huge problem with distracted driving. Sensys Gatso shares our view that casualties from distracted are increasing rapidly. There is no reason why it would not look similar in other parts of the World. All in all, we see an urgent need for distracted driving technology.

Q1: A bit weaker than expected in Managed Services due to Oklahoma

Despite the effect from the fire at the supplier Provdrive, Sensys Gatso managed to deliver a sales growth of 9 %, as can be seen in the table below.

Sales (SEKm), EBIT & adjusted EBITA* (%)



* = EBITA adjusted for acquisition costs of SEKm 7.4 in Q3'15 and for the cost reduction program and additional Gatso consideration

Source: Redeye Research, Sensys Gatso

We have already commented on the deviation in our estimates compared to the outcome (see the table below) and that it is related to Managed Services, or more precisely delays in Oklahoma. We can add that such a sales mix deviation has a much larger effect (percentually) bottom line due to the substantially higher gross margins in Managed Services. OPEX was in line with our estimates.

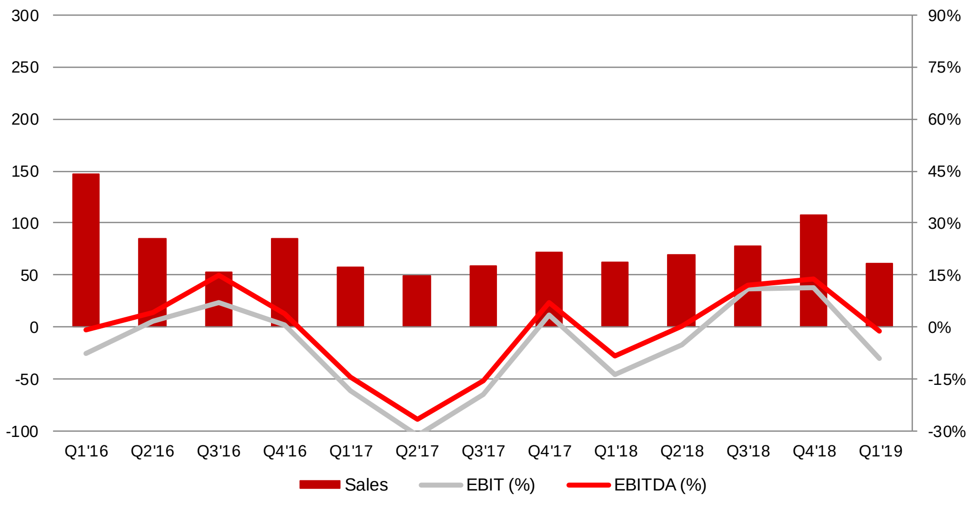
Outcome vs. estimates

SEKm	Q1'18	Q1'19E	Q1'19A	Dif.
Sales	72	84	78	-6%
EBITDA	-6	4	0	-103%
EBITA	**-10**	**0**	**-6**	**-2837%**
EBIT	-15	-5	-12	140%
EPS (SEK)	-0.02	0.00	-0.01	
Sales growth(YoY)	1%	17%	9%	
Gross margin	35%	43%	37%	
EBIT margin	-21%	-6%	-16%	
EPS growth (YoY)	n/a	n/a	n/a	

Source: Redeye Research, Sensys Gatso

Looking at the different business areas, System Sales were flat from last year but managed to improve EBITDA y/y to about SEK 0m, as indicated in the graph below on the next page.

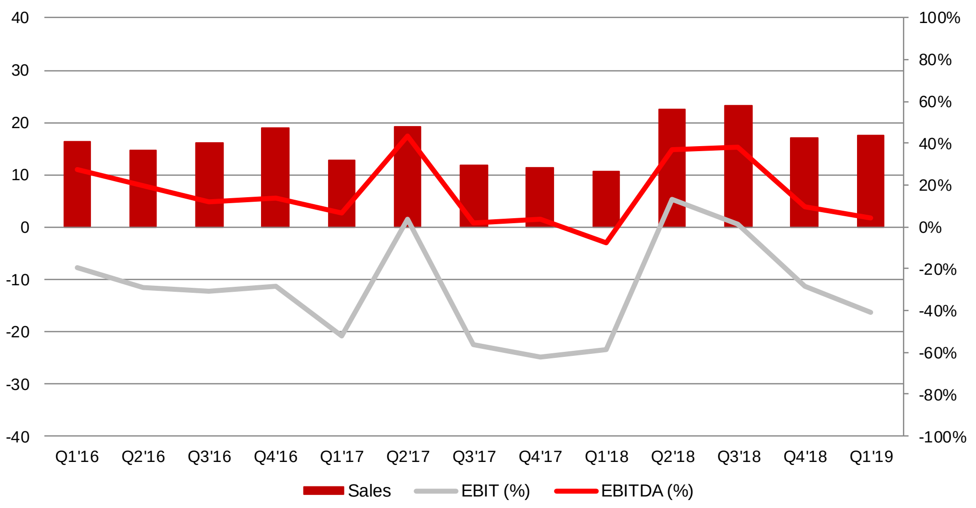
System Sales: Revenue (SEKm) & margins (%)



Source: Redeye Research, Sensys Gatso

Margins declined in Managed Services but similar to System Sales EBITDA came in at about break-even (see the graph below). However, this is likely a leasing effect from IFRS 16. We assume most of the 15 new employees are connected to Managed Services deals, as Sensys says they are tied to revenue. This should mean increased margins from higher revenues in the next quarters. In addition, Sensys says the need for recruiting is limited, meaning new personnel will also be related to increased sales.

Managed Services: Revenue (SEKm) & margins (%)

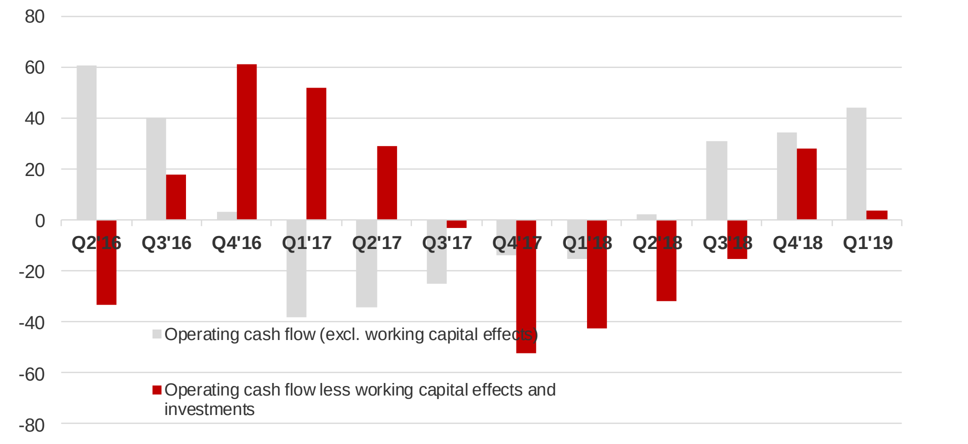


Source: Redeye Research, Sensys Gatso

Negative working capital effect on the Q1 cash flow

The operating cash flow deteriorated significantly in the quarter (SEK -21m), as can be seen in the trailing 12-month graph below. However, this was almost 100 % related to the working capital. Sensys Gatso states that this is due to prepayments in 2018 for various projects that have now partially been delivered and built up contract assets (work in progress). We have previously seen proof of a strong scalability with a limited working capital need in general and Q1 did not change that view.

Operating cash flow on a rolling 12-month basis (SEKm)



Source: Redeye Research, Sensys Gatso

The balance sheet remains solid. Cash amounted to SEK 59m although it should be noted that SEK 10m are from the use of the credit facilities.

Financial estimates

Q1 was a bit weaker than we expected but the Australian orders of SEK 46m and SEK 12m increase our confidence. In addition, the TRaaS reporting has increased the transparency. We therefore leave our estimates unchanged for the remainder of 2019 as well as 2020-2021, apart from the increased EBITDA related to the IFRS 16 effect, as indicated by the table below.

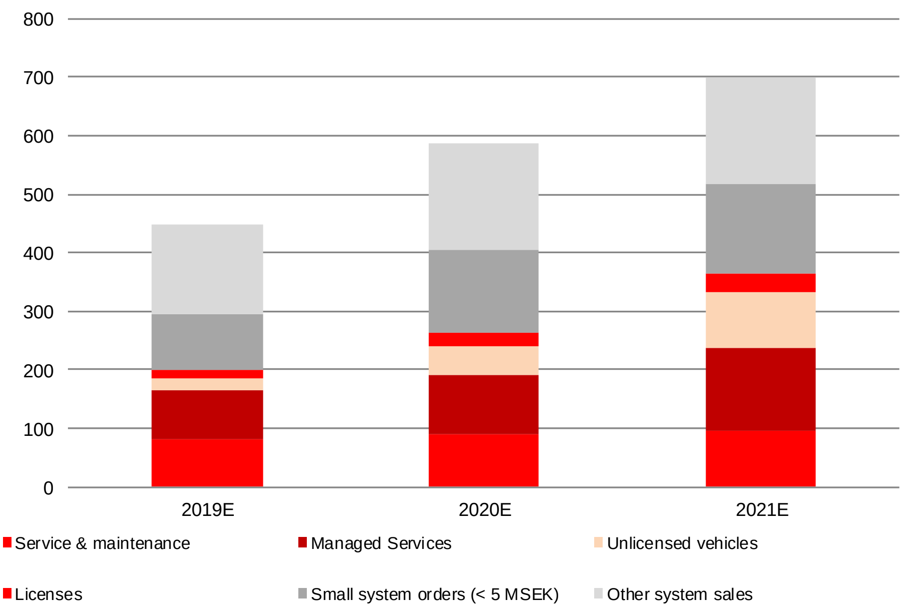
Changes in Redeye's estimates

SEKm		2019E	2020E	2021E
Sales	Old	476	586	700
	New	*478*	*586*	*700*
	change (%)	1%	0%	0%
EBITDA	Old	65	142	179
	New	71	140	188
	change (%)	8%	-2%	5%
EBIT	Old	28	93	145
	New	22	93	145
	change (%)	-20%	0%	0%
EPS	Old	0.02	0.08	0.13
	New	0.02	0.08	0.13
	change (%)	-19%	-3%	-1%

Source: Redeye Research, Sensys Gatso

Our sales estimates per segment still look like the following:

Sales assumptions (SEKm)



Source: Redeye Research & Sensys Gatso

Sensys Gatso does not expect to make any major additions to e.g. the salesforce. We are modelling a slight pick-up in the OPEX, but, as mentioned above, it should be closely tied to revenue, likely in Managed Services. Historically, Managed Services has showed a strong scalability.

As for the service business model, some customers, like Trafikverket in Sweden, are project based while others pay by the quarter or every six months. All in all, we believe this allows for a stable base of recurring revenue over the quarters.

As mentioned above, the Australia SEK 46m is a contract extension related to the order of SEK 12m in July, for additional mobile camera systems. In the July press release it was announced that the customer had the ability to purchase additional systems for up to SEK 70m over the next six years. As we interpret in the subsequent press releases, these systems have now been acquired so we cannot detect any imminent orders from Australia but there seems to be lots of activity going on across the World.

Quarterly estimates

The quarterly upticks ahead, displayed below, are almost entirely based on the existing order book. We expect 3-4 smaller orders and more systems to be ordered under the Q3'18 Saudi contract.

Sensys Gatso: Quarterly estimates (SEKm)

(SEKm)	2017	Q1'18	Q2'18	Q3'18	Q4'18	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019
Sales	293	72	89	96	124	380	78	100	139	160	478
Growth (%)	*-33%*	*1%*	*30%*	*35%*	*49%*	*30%*	*9%*	*13%*	*46%*	*29%*	*26%*
Gross margin (%)	40%	35%	44%	49%	41%	42%	37%	42%	40%	39%	40%
System sales	238	62	69	77	108	317	61	74	112	135	382
Growth (%)	-36%	7%	41%	31%	50%	33%	-11%	-4%	4%	25%	21%
Managed Services	55	11	23	23	17	74	18	26	28	25	97
Growth (%)	-16%	-17%	18%	95%	49%	33%	65%	15%	19%	48%	31%
EBITDA	-16	-6	9	18	17	37	0	11	30	30	71
EBITA	**-32**	**-10**	**5**	**15**	**13**	**23**	**-6**	**5**	**24**	**24**	**47**
EBITA (%)	***-11%***	***-13%***	***6%***	***15%***	***10%***	***6%***	***-8%***	***5%***	***17%***	***15%***	***10%***
EBIT	-55	-15	-1	9	7	1	-12	-1	18	18	22
EBIT (%)	*-19%*	*-21%*	*-1%*	*9%*	*6%*	*0%*	*-16%*	*-1%*	*13%*	*11%*	*5%*
EPS	-0.07	-0.02	0.00	0.00	0.01	-0.01	-0.01	0.00	0.02	0.02	0.02

Source: Redeye Research, Sensys Gatso

Investment Case

- Growing recurring revenue from Managed Services
- Large potential in growing with existing customers within e.g. uninsured vehicles
- Share price driven by big deals

Growing recurring revenue from Managed Services

The US Managed Services business with its high margins, long contracts and repeat revenue, is a critical factor in securing a sustainable growth and will therefore determine the long-term performance of the shares. The Gatso part of Sensys Gatso has during the past decade committed a lot of hard work and investments in building a strong foothold in the US. The Company has so far never lost a Managed Services contract, but it has taken over a few contracts from competitors. We have previously been a bit hesitant towards the US market following the Trump election, but the market has not deteriorated during the first two years of the Trump administration.

Large potential in growing with existing customers within e.g. uninsured vehicles

During the fall of 2017, Sensys Gatso won an important ANPR contract for uninsured vehicle enforcement in Oklahoma - a brand new area for the company as well as the very first program of its kind. Sensys Gatso takes full responsibility for administration of tickets and therefore the initial terms reward Sensys Gatso by as much as USD 80 for every citation. When we do the math and glance at statements from Gatso USA we note that the numbers could get huge, which is due to the fact that about 11-25 % of all vehicles in Oklahoma lack insurance. In all of the US states where Sensys Gatso is present there are substantially more uninsured vehicles than in Oklahoma. Thus, there is a major upside if Sensys Gatso can get others of its customers on board for programs similar to Oklahoma. Using ANPR for uninsured vehicles is one good illustration of how the company leverages its expertise and competitive advantages in securing a so called unbroken chain of evidence but there are other possibilities as well. One example is the Netherlands where the company's technology is used to monitor heavy trucks and polluting vehicles i.e. creating environmental zones. Besides the evidence integrity issues there are two other important barriers to entry for smaller, local players: The size and stability requirements of customers in order for them to assure reliable long-term delivery and the unique type approval procedures in each country.

Share price driven by big deals

The shares have always been driven by announcements of major deals, such as the skyrocketing of about 360 % in the fall of 2015, which was largely related to the gigantic North African order worth SEK 165 million. The business will remain volatile and larger System Sales orders should continue to be important catalysts, although the most significant event would be a new contract similar to Oklahoma.

Valuation

Bear Case 1.0 SEK

Our bear case has two key differences compared to base case, related to Managed Services and uninsured vehicles. In Managed Services we expect a status quo in the US market with no improvement but also no deteriorated market conditions. We estimate that Sensys Gatso will continue to have stable growth in line with the market, meaning a CAGR revenue growth of about 9 percent (excl. uninsured vehicles). This would yield Managed Services revenue of close to SEk 130m in 2024, i.e. twice today's levels but only about half of our base case levels. In our bear case we expect a tough competition within ANPR solutions for uninsured vehicles related to the major US players, meaning a failure in growing in other states with programs similar to Oklahoma. We do however expect Oklahoma to deliver initial sales of about SEK 60m, based on about 100 000 citations. With the solid growth from Managed Services and Oklahoma Sensys Gatso should be able to put up a decent CAGR growth in recurring revenue of 15 percent during 2018-2024, meaning recurring revenue of about 60 percent - not too far from our base case. The gross margin in our bear case averages 46 percent in 2018-2024 despite the pressure on the gross margin on the systems side, thanks to the company's focus on recurring revenue. The fixed costs average 33 percent of sales in 2018-2024, slightly higher than the base case, which is of course explained by the lower sales level. In the bear case, and with the above estimates, revenue would grow by 13 percent in 2018-2024 while the EBIT margin would rise to 13 percent on average, close to a long-term sustainable EBIT margin of 12 percent.

Base Case 1.8 SEK

Our base case makes the following assumptions: System revenue grows by CAGR 5 percent in 2018-2024, largely driven by increased geographical expansion of the unique in-vehicle solution, which today only is sold in France, two countries in the Middle East and Australia. Our base case expects an average of 70,000 fines collected within uninsured vehicles, which with an average cut of USD 74 (USD 80 for the first two years) for Sensys per fine means annual revenue in excess of about SEK 50 million. CAGR for Managed Services revenue (incl. uninsured vehicles) and recurring revenue (i.e. software and service as well as operator revenue) amounts to 31 percent and 20 percent respectively in the period 2018-2024, which represents a share of on average about two thirds recurring revenue. The average gross margin for the group is 47 percent in 2018-2024 due to gradual growth in Managed Services and software revenues. The fixed costs average 31 percent of sales in 2018-2024. With our assumptions above, average annual revenue growth totals 14 percent in the period 2018-2024 and then 8 % until 2027. During the same period, the EBIT margin is approximately 16 percent on average (due to losses in 2018) but rises to an average of 20 percent in 2019-2024 and subsequently to 20 percent in the long term, following peak margins of 26 % during years 2024-2027.

Bull Case 3.4 SEK

Similar to our bear case our bull scenario is based on different assumptions for Managed Services and uninsured vehicles compared to our base case. In our bull case we see a chance for an improved US Managed Services market in which it should be possible for Sensys Gatso to have a higher growth meaning about 25 percent higher revenue than our base case and a 48 percent CAGR growth during 2018-2024 (including uninsured vehicles). As for uninsured vehicles we expect Sensys to win several other programs, meaning on average 25 000 citations more every year than in our base case, leading up to 200 000 citations in total during year 2024. While this might not seem that much an average fee for Sensys Gatso of USD 74 means sales of about SEK 500m in 2024. We expect that Sensys Gatso in bull case reaches recurring revenues of over 70 percent during 2023 and on average 68 percent during 2018-2024. This will also imply higher gross margins of on average 50 percent. Fixed costs average 28 percent of sales in 2018-2024. We assume that the company will invest in addressing increasingly interesting opportunities in areas such as smart cities, and that the growth journey is therefore extended, meaning only 3 percentage points lower OPEX than our base scenario. Sales will in our optimistic scenario grow by an average of 24 percent annually in 2018-2024, before gradually starting to decrease towards the level of market growth. The EBIT margin averages 22 percent in 2018-2024 driven by an increased proportion of software and operator revenues, which we believe is in line with the strategy. With a successful execution of such a high-margin strategy, it would not be unlikely to have a long-term EBIT margin of 30 percent.

Catalysts

New orders similar to Oklahoma

The uninsured vehicles enforcement program in Oklahoma is a new business area for Sensys, which looks very promising Sensys receives as much as 80 USD per citation in Oklahoma. About 11-25 percent of the cars in Oklahoma are uninsured and in other states these figures seems even higher, meaning great potential for Sensys.

Large system orders

The share price is largely driven by the announcement of major orders. For the next quarters we see larger orders from several geographies, especially related to the competitive offering within in-vehicle solutions

Summary Redeye Rating

The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

Management: 5.0

The Gatso acquisition in summer 2015 seemed to be a well-timed, logical acquisition of stability in the form of a high proportion of much-needed recurring revenue, but the order intake has not been convincing until recently. Sensys Gatso's new CEO has experience from entirely other industries but parts of the management team have extensive experience from working a long time for Gatso, although the old Sensys management team has left. Communication and transparency are on the path to improvement but, in many respects, there is still a black box. The incentive scheme is reserved for the CEO only, which is not ideal, according to us.

Ownership: 3.0

In conjunction with the acquisition, Sensys Gatso gained an industrial principal shareholder. The former Gatso management holds 19 percent of the shares in all, and has committed operationally to the management. Shareholdings among the rest of the management are still too low, in our opinion. All members of the board own shares but excluding the COB's holdings no one owns more than 100 000 shares on average.

Profit Outlook: 8.0

Gatso brings significant recurring revenues from Managed Services as well as other service and maintenance sales. However, competition remains intense even after the Gatso acquisition. The European market appears to be in need of consolidation, and the company has an interesting position as a market leader on the system side. The size and stability after the Gatso acquisition should provide greater credibility with customers and an opportunity for the company to capitalise in a market where fatal road accidents are taken increasingly seriously. It should be noted though that the market conditions are largely affected by the volatile political climate.

Profitability: 2.0

Gatso's historical earnings stability has so far not broken through to the combined total sales of Sensys and Gatso. The operating profit peaked at SEK 49 million in 2015 and has been negative during 2016-2018. However, it should be noted that market conditions and the order intake have improved significantly during 2018. Despite some tough years the company has had a relatively strong cash flow, which is not seen on the EBIT level due to high depreciation and amortisation, although EBITDA has also trended downward. A higher profitability rating requires not only uninterrupted profitability but also higher profitability.

Financial Strength: 8.0

Despite several weak quarterly bottom lines, net debt has been reduced with the help of good cash flows. Following having repaid a large part of the debt the balance sheet now looks solid. However, current sales levels are not quite enough to cover much more than the current costs. The company therefore relies on its credit facility remaining in place, alternatively improved revenues. The dependence on individual large deals can be significant from time to time, but at present the order intake, procurement awards and the order book are all to a large extent more or less related to multiannual contracts or recurring revenue.

INCOME STATEMENT	2017	2018	2019E	2020E	2021E
Net sales	293	383	478	586	700
Total operating costs	-309	-346	-407	-446	-512
EBITDA	-16	37	71	140	188
Depreciation	-14	-11	-18	-21	-21
Amortization	-25	-26	-31	-26	-22
Impairment charges	0	0	0	0	0
EBIT	-55	1	22	93	145
Share in profits	0	0	0	0	0
Net financial items	-4	-4	-4	-5	-3
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-59	-3	18	88	142
Tax	3	-1	-3	-18	-33
Net earnings	-55	-5	15	71	110

BALANCE SHEET	2017	2018	2019E	2020E	2021E
Assets					
Current assets					
Cash in banks	59	77	73	141	198
Receivables	99	79	103	126	150
Inventories	63	72	91	106	123
Other current assets	0	0	0	0	0
Current assets	221	228	267	373	471
Fixed assets					
Tangible assets	35	42	84	82	88
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	239	251	256	256	256
Cap. exp. for dev.	88	63	38	23	14
O intangible rights	3	10	17	21	24
O non-current assets	0	0	0	0	0
Total fixed assets	365	367	396	383	382
Deferred tax assets	38	37	37	37	37
Total (assets)	624	632	700	793	890
Liabilities					
Current liabilities					
Short-term debt	26	10	20	20	10
Accounts payable	95	95	119	146	174
O current liabilities	0	0	0	0	0
Current liabilities	121	106	139	167	184
Long-term debt	56	49	69	59	29
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	177	154	208	226	213
Deferred tax liab	23	17	17	17	17
Provisions	4	7	7	7	7
Shareholders' equity	420	454	469	543	653
Minority interest (BS)	0	0	0	0	0
Minority & equity	420	454	469	543	653
Total liab & SE	624	632	700	793	890

FREE CASH FLOW	2017	2018	2019E	2020E	2021E
Net sales	293	383	478	586	700
Total operating costs	-309	-346	-407	-446	-512
Depreciations total	-39	-37	-48	-47	-42
EBIT	-55	1	22	93	145
Taxes on EBIT	3	0	-4	-19	-33
NOPLAT	-52	0	18	75	112
Depreciation	39	37	48	47	42
Gross cash flow	-13	37	67	121	154
Change in WC	-17	11	-19	-10	-14
Gross CAPEX	-6	-38	-77	-34	-41
Free cash flow	-36	10	-30	78	99

CAPITAL STRUCTURE	2017	2018	2019E	2020E	2021E
Equity ratio	67%	72%	67%	69%	73%
Debt/equity ratio	20%	13%	19%	15%	6%
Net debt	23	-18	16	-62	-159
Capital employed	444	436	484	481	494
Capital turnover rate	0.5	0.6	0.7	0.7	0.8

GROWTH	2017	2018	2019E	2020E	2021E
Sales growth	-33%	31%	25%	23%	19%
EPS growth (adj)	76%	-92%	-428%	366%	55%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	11.3 %	NPV FCF (2018-2020)	111
		NPV FCF (2021-2027)	623
		NPV FCF (2028-)	767
		Non-operating assets	77
		Interest-bearing debt	-59
		Fair value estimate MSEK	1519
Assumptions 2017-2023 (%)			
Average sales growth	13.2 %	Fair value e. per share, SEK	1.8
EBIT margin	19.4 %	Share price, SEK	1.6

PROFITABILITY	2017	2018	2019E	2020E	2021E
ROE	-14%	-1%	3%	14%	18%
ROCE	-11%	0%	4%	16%	22%
ROIC	-11%	0%	4%	15%	23%
EBITDA margin	-5%	10%	15%	24%	27%
EBIT margin	-19%	0%	5%	16%	21%
Net margin	-19%	-1%	3%	12%	16%

DATA PER SHARE	2017	2018	2019E	2020E	2021E
EPS	-0.07	-0.01	0.02	0.08	0.13
EPS adj	-0.07	-0.01	0.02	0.08	0.13
Dividend	0.00	0.00	0.00	0.00	0.03
Net debt	0.03	-0.02	0.02	-0.07	-0.18
Total shares	844.91	860.02	860.02	866.02	866.02

VALUATION	2017	2018	2019E	2020E	2021E
EV	1,316.1	1,547.5	1,391.6	1,314.5	1,217.5
P/E	-23.5	-341.2	91.4	19.6	12.6
P/E diluted	-23.5	-341.2	91.4	19.6	12.6
P/Sales	4.4	4.1	2.9	2.4	2.0
EV/Sales	4.5	4.0	2.9	2.2	1.7
EV/EBITDA	-83.0	41.3	19.7	9.4	6.5
EV/EBIT	-24.0	2,627.4	62.6	14.1	8.4
P/BV	3.1	3.5	2.9	2.5	2.1

SHARE PERFORMANCE		GROWTH/YEAR	16/18E
1 month	-1.8 %	Net sales	27.7 %
3 month	-23.1 %	Operating profit adj	n/a
12 month	17.7 %	EPS, just	n/a
Since start of the year	-12.1 %	Equity	5.6 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
BNP Paribas Sec Services Paris	19.1 %	19.1 %
Gatso Special Products B.V. (same as above)	19.0 %	19.0 %
Avanza Pension	4.3 %	4.3 %
Per Wall	2.7 %	2.7 %
Inger Bergstrand	2.4 %	2.4 %
Nordnet Pensionsförsäkring	1.3 %	1.3 %
Swedbank Försäkring	1.1 %	1.1 %
AXA	1.1 %	1.1 %
Bost State Street Bank & Trust Com.	1.1 %	1.1 %
Danica Pension	0.9 %	0.9 %

SHARE INFORMATION	
Reuters code	SENS.ST
List	Small Cap
Share price	1.6
Total shares, million	860.0
Market Cap, MSEK	1376.0

MANAGEMENT & BOARD	
CEO	Ivo Mönnink
CFO	Simon Mulder
IR	n/a
Chairman	Claes Ödman

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Redeye Rating and Background Definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicality, and 8 – Forthcoming binary events.

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Disclaimer

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Redeye Rating (2019-05-02)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	49	47	19	12	20
3,5p - 7,0p	91	86	121	41	57
0,0p - 3,0p	15	22	15	102	78
Company N	155	155	155	155	155

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CONFLICT OF INTERESTS

Westman owns shares in the company : No
Palmgren 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.