

Sivers IMA

Sector: Telecommunication Equipment

Another Review

Redeye makes another review of the case, as we believe both we and the stock market have underestimated the major CPE customer, as well as the Fortune 100 customers. In addition, competition in 60 GHz has been reduced. Consequently, we raise our fair value range.

Raised estimates in both business areas

As surprising as it may sound, we believe an NRE to commercial revenue ratio of 10-15x for the first Fortune 100 customer (i.e. SEK 700-1050m) could be too conservative. We have also raised our 60 GHz estimates, as competitor Peraso is on the brink of bankruptcy. Furthermore, Sivers IMA says it expects the commercial roll-out of the CPE contract of SEK 480m to start in early 2023, which reinforces our view of a very strong 2023 where we think sales will be well over a billion SEK (closer to 1.2 bn). We believe SEK 480m is just the beginning and expect this contract to grow in line with the 5G market growth.

Higher long-term fair value – expected short-term profit taking

We raise our long-term estimates and our base case to SEK 32 per share (22). Our fair value range takes a leap to SEK 11-45 (7-37). In our base case, we assume Sivers IMA can reach a 27% EBIT margin in 2023, and average 30% from 2024 and onward. It should be noted that this is a long-term view. In the short run, we expect profit taking and possibly some lost stock momentum from new financing. However, the company demonstrated capital allocation skills in its last financing round in February where it raised money on relatively high levels, followed by a drop of -27% back to the previous levels. We assume the next offering could be easier on the back of the SEK 480m contract that verifies the strong position in 5G.

Many catalysts as the expectation of 6-7 supply agreements remain

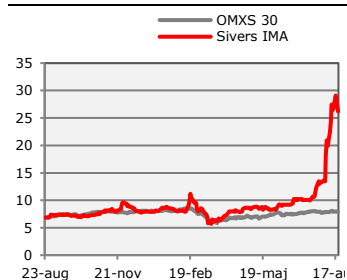
The NASDAQ listing in H1'21 is a catalyst, albeit not a given success, as the eventual effect will depend on if Sivers IMA enters an index or not. We also think any such effect would sneak up beforehand. The 6-7 imminently expected supply agreements remain, but we think an equally large event is the revealing of a name of any one of the Fortune 100 customers, the large CPE deal, or the Ampleon tier-1.

| KEY FINANCIALS (SEKm) | 2018 | 2019 | 2020E | 2021E | 2022E | 2023E |
|-----------------------|-------|-------|-------|--------|--------|-------|
| Net sales | 71 | 96 | 105 | 191 | 341 | 1164 |
| EBITDA | -53 | -48 | -59 | -42 | 3 | 408 |
| EBIT | -70 | -78 | -91 | -77 | -56 | 325 |
| EPS (adj.) | -0.6 | -0.6 | -0.6 | -0.5 | -0.4 | 1.6 |
| EV/Sales | 9.9 | 10.8 | 39.7 | 22.9 | 13.4 | 3.7 |
| EV/EBITDA | -13.5 | -21.6 | -70.6 | -103.6 | 1739.3 | 10.5 |
| EV/EBIT | -10.1 | -13.4 | -45.9 | -56.7 | -81.0 | 13.1 |
| P/E | -9.7 | -13.7 | -43.5 | -54.8 | -66.2 | 17.2 |

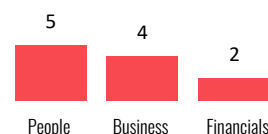
FAIR VALUE RANGE

| BEAR | BASE | BULL |
|------|------|------|
| 11.0 | 32.0 | 45.0 |

SIVE.ST VERSUS OMXS30



REDEYE RATING



KEY STATS

| | |
|--------------------------|-------------|
| Ticker | SIVE.ST |
| Market | First North |
| Share Price (SEK) | 28.2 |
| Market Cap (MSEK) | 4329 |
| Net Debt 20E (MSEK) | -160 |
| Free Float | 0 % |
| Avg. daily volume ('000) | 0 |

ANALYSTS

Viktor Westman
viktor.westman@redeye.se

Another Review

Wireless: Building the 5G pipeline

Sivers IMA is building the pipeline in 5G with five new EVKs (8 incl. universities), and three new design wins, whereof two on unlicensed spectrum. Since US operators (Verizon in particular) have bought spectrum licenses for well over USD 7 bn, Sivers thinks we are well past the educating-the-market phase, regarding the mmWave advantages. The company still expects 6-7 supply agreements from its nine ready prototypes/hardware, which was an important check. The awarded supply agreements are now five in total: CCS, Cambium, Blu Wireless, the large CPE contract and an Eastern European point to multipoint ODM.

The main event of the quarter (technically in August) was the SEK 480m contract ([see our note here](#)) with a global NYSE-listed high tech company. This agreement went straight from RFQ to a combined design win and supply agreement, which is a bit unusual. It signals commitment and confidence in Sivers IMA from the customer. The customer has signed an end customer for the project, which in our view lowers the risk significantly. Sivers IMA says the contract equals a 3-4% market share, which we think would imply a TAM of SEK 10-13 bn in 2023. From the Ericsson and SNS Research estimates, a 28% mmWave penetration on 110m FWA connections, would mean ~30m units, and an ASP of SEK ~380. We think the ASP is no lower than SEK 250, using a 35% penetration instead (~40m units).

The Chinese tier-2 player in track to train and FWA is showing good progress. Track to train has high margins as the solution is advanced and unique. However, the track to train TAM is relatively small. Assuming one unit per kilometer would mean a market no larger than ~16 000 units in UK, given its 15 800-kilometer railroad network. In comparison, China's railroads are well over 100 000 kilometers long.

We expect the first Ampleon order when commercial volumes are ready in 2021. We view competition as primarily Anokiwave or Movandi/NXP. Movandi's CMOS solution requires more chips than Sivers IMA. However, Movandi was faster to close a partnership with NXP, meaning it is important for Sivers to be up to speed in its NXP partnership.

With Peraso on the brink of bankruptcy, we assume Sivers IMA has been contacted by old Peraso customers. The only remaining competitor in 60 GHz is Qualcomm, meaning also that Sivers IMA is the only company that can access China in this space. Chinese operators are targeting millimeter wave rollouts in 2022-2023, which is relatively soon, although the Huawei trade bans could pose a challenge. Nonetheless, we believe the interest in millimeter wave is growing in China. We think this is why Sivers IMA recently has signed more Chinese distributors. The Chinese market is such a major part of the global TAM, meaning minor market shares also matter. We think China could surprise on the upside, not only due to its sheer size, but also because there are many, diverse application areas for 60 GHz, as demonstrated by Sivers IMA's various design wins. Last, we also see a notable 60 GHz opportunity in Japan. One of the oldest customers, Fujikura, has recently acquired an (experimental) license for 60 GHz 5G backhaul.

We believe the initial, minor, commercial CCS order of SEK 3.5m has been delivered by now. We think the additional potential is substantial though. CCS's customer Ontix targets 100 000 small cells in London. Since London is 16% of England's population, we believe the TAM for the whole country is several hundred thousand units larger. CCS not only targets 100 000 units; it also says that 60 GHz is the only way to deliver small cells at a manageable total cost of ownership. Moreover, CCS's parent Adtran is in many trials. Adtran has earlier, in this context, highlighted a partnership with a player who has the lead position in 60 GHz, although

Sivers IMA's name was not explicitly mentioned. Adtran is the third largest fiber player and could therefore be in the need of a substantial amount of millimeter wave for e.g. backhaul. Earlier, Adtran has stated that "millimeter wave radio backhaul will have a role to play in the backhaul of these 5G networks". One risk, however, is that Adtran might be a bit too fiber-focused and sees wireless not as a complement, but as a threat. We believe Adtran's salespeople need to be educated. Once that is done, we think there is a lot of potential as Adtran's salesforce is quite large.

Photonics: An order could instantly lead to a high market share

As mentioned, Sivers IMA won two follow-up orders of in total SEK 28m from its two Fortune 100 customers in the midst of the pandemic. The projects are in optical sensing for high-volume consumer electronics. If the optical sensing TAM for 2024 is really only USD 664m, one purchase order for Sivers IMA of USD 50m would render a high, one-digit percentage share (7-8%) of the entire TAM. We think the only applications with such volumes are within the red circle in the image below. In theory, they could also be in AR/VR, although we believe those market unit forecasts have always been way off. There are a couple of Fortune 100 players that make high-volume consumer electronics such as smartphones, laptops and wearables, but biometrics could refer to face recognition as well, and not necessarily only fingerprints, as the image below might imply. In our view, this would narrow the possible Fortune 100 customer candidates down to a few possible alternatives. However, we also think it is theoretically possible that the verticals targeted by the Fortune 100 customers are not included in Yole Développement's forecasted growth segments. It could then perhaps relate to a larger, mature segment that is not labelled as a growth vertical. In other words, just because consumer biometrics seems to be the only suitable segment in the image below, it does not necessarily mean that the customer is in that space.

Optical sensing & sensors market



Source: Sivers IMA, Redeye Research

Sivers IMA says partnerships are important in Photonics. It is, together with the prominent company of e.g. Intel and Sumitomo, a founding member of a group of leading companies in the industry looking to standardize integrated photonics devices. It is too early to guess what the partnership could lead to. Our main takeaway is that the partnership is yet another example of how Sivers IMA is invited to work with the world's largest players in its industries.

Q2'20

We have already [commented the Q2 outcome](#) vs. our estimates, with respect to the quarterly numbers. However, Sivers IMA is a long-term case. We believe 2023 sales will be well above SEK 1 bn (see our financial estimates)

Financial Estimates

Our changes in assumptions are once again for the longer term, while our short-term estimates are relatively minor (see the table below). The uptick in 2021 revenue is primarily related to Cambium and the new CPE customer, but also some from CCS and the Eastern European customer in point to multipoint. Cambium has annual sales of SEK 2.6 bn, and we believe Sivers IMA could have Cambium revenues of ~2% of Cambium's sales (SEK 50m). In addition, Sivers IMA has nine customers with prototypes or hardware ready, from where it still expects 6-7 supply agreements during the coming months. There are no visible delays, but on the call, it was mentioned that Fujikura has been struck relatively hard by the coronavirus.

| Estimate changes (base case) | | | |
|-------------------------------------|--------------|--------------|--------------|
| (SEKm) | 2020E | 2021E | 2022E |
| Net sales (new) | 105 | 191 | 341 |
| Wireless | 32 | 116 | 162 |
| Photonics | 73 | 75 | 178 |
| Net sales (old) | 105 | 201 | 384 |
| Wireless | 36 | 109 | 162 |
| Photonics | 69 | 92 | 222 |
| Total change (%) | 0% | -5% | -11% |
| EBIT (new) | -91 | -77 | -56 |
| EBIT (old) | -80 | -62 | -16 |
| Change (%) | -14% | 25% | 252% |

Source: Redeye Research

In Q2, we assume an accounting effect of SEK 21m (a non-cash item) on OPEX from social costs related to the stock options program explaining the jump in OPEX (see the table below).

| Sivers IMA: Base case estimates | | | | | | | | | | | |
|--|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| (SEKm) | 2017 | 2018 | 2019 | Q1'20 | Q2'20 | Q3'20 | Q4'20 | 2020E | 2021E | 2022E | 2023E |
| Net sales | 65 | 71 | 96 | 23 | 21 | 25 | 36 | 105 | 191 | 341 | 1164 |
| COGS | -27 | -45 | -40 | -5 | -6 | -9 | -13 | -34 | -71 | -144 | -506 |
| Gross margin (%) | 59% | 38% | 58% | 77% | 73% | 63% | 63% | 68% | 63% | 58% | 57% |
| Staff costs | -48 | -77 | -79 | -21 | -25 | -41 | -25 | -112 | -118 | -128 | -147 |
| External costs | -41 | -53 | -70 | -18 | -12 | -15 | -19 | -65 | -89 | -106 | -143 |
| EBITDA | -20 | -53 | -48 | -11 | -9 | -29 | -10 | -59 | -42 | 3 | 408 |
| D&A | -32 | -17 | -30 | -7 | -8 | -8 | -9 | -32 | -35 | -59 | -83 |
| EBIT | -51 | -70 | -78 | -18 | -17 | -38 | -18 | -91 | -77 | -56 | 325 |

Source: Redeye Research

As can be seen in the table above, the estimated growth will be strong in 2021-2022, but we think it will really skyrocket in 2023, due to the CPE deal together with our expectations on the Fortune 100 customers.

Cleanroom investments are very expensive. We assume the need for a SEK 200m investment in Photonics, and we have therefore assumed another larger offering of SEK 180m at a ~5% dilution later in 2020, as we think it would make sense to have the money in advance, even if the start of the big investment is one or two years out. In this context, it is worth mentioning that the fabless wireless business area requires only relatively minor investments. Cash amounted to SEK 66m after Q2. The H1 operating cash flow (excl working capital) and capex was SEK -19.8m and SEK -18.5m, suggesting a quarterly burn rate of about SEK -20m.

In the short term, we expect Sivers IMA to be in the higher part of its expected gross margin range of 40-60%.

Investment Case

Strong structural 5G market growth

Scalable business model with important major partnerships

Opportunity of Photonics orders from two Fortune 100 companies

We value Sivers IMA to SEK 32 in a base case scenario

Strong structural 5G market growth

In the coming years, the market for 5G network equipment is forecasted to, more or less, explode when the industry is preparing for the launch of the new technology. This will require not only large investments in current networks but also a densification of networks. The market outlook for fiber-to-the-home applications is also good, with increased usage of fiber in the networks in general, worldwide. Thus, the market outlook for Sivers IMA's two product segments in the coming years is great. We think Sivers IMA's first major 5G contract of SEK 480m verifies the strong 5G position. It is a good indication of what is coming.

Scalable business model with important major partnerships

Sivers IMA has partnered up with some of World's largest telecom equipment suppliers. We think this is a major difference compared to the company's history. The partners Ampleon and NXP together have a combined RF power market share of ~80% and sell to all major players. Thus, Sivers IMA is in a good position when it comes to reaching large potential customers, and potentially also gain one or several Tier 1 customer. There are however also smaller equipment vendors, the Tier 2 players, that would be attractive as potential customers as well. Sivers IMA's SEK 480m contract also indicates that the company can win larger customers without intermediaries.

Opportunity of Photonics orders from two Fortune 100 companies

A large Fortune 100 company interested in semiconductor components from the Photonics division has placed several pre-series orders totaling around SEK 70m. We believe that if the customer decides to proceed, it will imply very large volumes (more than 10-15x the pre series orders), representing a significant growth opportunity, albeit rather binary in nature. It is difficult to assess whether the customer will move forward with Sivers IMA or not. However, considering the two follow-up orders and the increase of partnership during the process, it looks promising thus far. Moreover, in April 2020, Sivers IMA signed its second Fortune 100 customer.

We value Sivers IMA to SEK 32 in a base case scenario

We currently value Sivers IMA in the base case to SEK 32 per share, in a fair value range of SEK 11-45 per share. Additional design wins and contracts will move the share price.

Valuation

Bear Case 11.0 SEK

The bear scenario is based on that customers will show a limited interest in Sivers IMA's products and that there will be a tough competitive environment, especially within the licensed spectrum. Also, we assume that the unlicensed spectrum only will be used in some special use cases, limiting the market potential for those products. We assume within the wireless segment that a couple of the smaller customers ramp up volume production in 2021-2025. This corresponds to a low single-digit market share of the total 5G market. Wireless sales will grow to around SEK 1.500m at the end of the forecast period. Within the Photonics segment, we assume that a few customers order larger volumes, so that sales grow with a CAGR of around 10% over the entire forecast period. Total sales thus end up at around SEK 1800m. The gross margin declines rather quickly due to heavy price competition, resulting in a terminal gross margin of 38%. We also assume an average EBIT margin of 15% and break-even in 2023. The terminal EBIT-margin stands at 12%.

Base Case 32.0 SEK

All our scenarios are based on the years 2020-2032, a 9% required rate of return and a 2% terminal growth. In the base scenario, we assume that a number of customers find Sivers IMA's product offering competitive. We still believe that competition will be rather fierce within the licensed spectrum, but that the use of the unlicensed products will be more extensive. Within the wireless segment, we assume that, besides the major CPE customer, a number of smaller customers ramps-up volume production in 2021-2025. This corresponds to a mid-single-digit market share. Wireless sales will grow to more than 2.1 bn at the end of the forecast period. Within the Photonics segment, we assume that some customers order larger volumes, so that sales grow with a CAGR of around 36% over the entire forecast period, including the Fortune 100 customers. From 2024 the CAGR Photonics growth slows down to 9% though, meaning the growth is very dependent on the Fortune 100 customers. The scenario yields total revenue of around SEK 3,400m at the end of the period. The gross margin still declines rather quickly due to price competition, resulting in a terminal gross margin of just above 40%. We assume the EBIT margin to be 27% in 2023, when the company turns to profit. After that, we expect EBIT to be on average 30% during the rest of the period, followed by a 20% terminal EBIT margin.

Bull Case 45.0 SEK

In our positive bull scenario, we assume that Sivers IMA's product offering is deemed to be attractive by larger customers as well as by smaller ones. We also base the scenario on that a substantial part of the 5G market will consist of the unlicensed spectrum. We model that Sivers IMA gains a number of smaller and mid-sized customers that ramps up volumes in 2021-2025. The size of these players is, however, slightly larger compared to in the base case, entailing higher volumes and hence, sales. This implies that Sivers IMA takes a higher mid-single-digit market share of the 5G market, in comparison to the base case. The wireless segment hence generates almost SEK 3 bn in 2030. In addition, we assume that both Fortune 100 customers move forward with Sivers IMA and orders volume orders, starting to ramp-up in 2022. This entails larger CAPEX investments to set up a new production line, which is assumed to be partially paid for by the customer. This scenario results in a CAGR for the Photonics segment of almost 40% up until 2030, with sales of almost SEK 1.2 bn at the end of the forecast period. All in all, the scenario generates total revenue of over SEK 4,000m at the end of the period. The gross margin for the wireless segment here stays over 50% for a longer period in comparison to the other scenarios. However, given the bargaining power of the Fortune 100 customer, we expect a considerably lower gross margin for the fiber segment of around 45%. All in all, the weighted terminal gross margin ends up at about 45%. We assume EBIT will be around 31% during 2024-2029. The terminal EBIT-margin is estimated to 25%.

Catalysts

New design-wins with large telecom players

As of now, Sivers IMA is not profitable and is awaiting its first large volume orders within wireless. The company's focus has been to build an ecosystem of partners and are currently teamed up with two partners that are suppliers to Tier 1 telecom players – Ampleon and NXP Semiconductors. If the combined offering of Sivers IMA and its partners were integrated into one the Tier 1 players' system, it would mean a real take-off in Sivers IMA's sales.

| IMPACT | | | | | |
|--------------|------------|--------------|------------|------------|--|
| Downside | | Upside | | Time Frame | |
| Significance | Likelihood | Significance | Likelihood | | |
| Moderate | Possible | Major | Possible | Mid | |

Large orders from Fortune-100 customer

Sivers IMA has, as mentioned above, received substantial Photonics orders from a Fortune 100 company over the last year, and in addition signed another Fortune 100 customer. If one or both of these customers moves forward and decides to integrate Sivers IMA's components in their final product, this would entail very large orders and strong growth for the fiber division. Even though we would expect that such a large customer would use its bargaining power to put pressure on margins, we expect that the orders would increase the bottom line and create a substantial upside in the stock.

| IMPACT | | | | | |
|--------------|------------|--------------|------------|------------|--|
| Downside | | Upside | | Time Frame | |
| Significance | Likelihood | Significance | Likelihood | | |
| Minor | Possible | Major | Possible | Mid | |

5G market takes off

Many industry experts voice the opinion that 5G is happening faster than they had expected. When the market for 5G telecom equipment in the higher frequencies takes off, Sivers IMA is in a good position to take part in the transformation. It would lead to strong growth and would act as a catalyst for the stock.

| IMPACT | | | | | |
|--------------|--------------------|--------------|---------------|------------|--|
| Downside | | Upside | | Time Frame | |
| Significance | Likelihood | Significance | Likelihood | | |
| Major | Extremely unlikely | Major | Highly likely | Long | |

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.

People: 5

Management has extensive and broad experience from the telecom industry, which gives it a good understanding of the market and a clear idea of in what applications the company can deliver most value. Furthermore, the ownership structure is reassuring. A majority of management and all board members own shares in the company. We would like to see larger holdings from the insiders, but we note that there is a positive trend in insider transactions. Sivers IMA has two main owners that have supported the company in previous rights issues.

Business: 4

The company focuses on areas that offer major growth opportunities. We believe it is particularly well positioned to grow within the licensed and unlicensed 5G markets through the production of its unique chip and established partnerships with several leading players. The company, therefore, has very good potential to show high growth in the coming years. Moreover, we believe the business model is highly scalable with high gross margins and relatively limited future investment needs.

Financials: 2

Sivers IMA is still operating at a loss and invests substantial amounts related to its development of new chips and increased production capacity. We expect to increase the score of this parameter as the company grows and shows increasing profits. As for the balance sheet, the company recently executed a well-timed capital raise.

| INCOME STATEMENT | 2018 | 2019 | 2020E | 2021E | 2022E |
|-----------------------|------|------|-------|-------|-------|
| Net sales | 71 | 96 | 105 | 191 | 341 |
| Total operating costs | -124 | -145 | -164 | -233 | -338 |
| EBITDA | -53 | -48 | -59 | -42 | 3 |
| Depreciation | -10 | -10 | -8 | -9 | -27 |
| Amortization | -8 | -20 | -24 | -26 | -32 |
| Impairment charges | 0 | 0 | 0 | 0 | 0 |
| EBIT | -70 | -78 | -91 | -77 | -56 |
| Share in profits | 0 | 0 | 0 | 0 | 0 |
| Net financial items | -10 | -9 | -9 | -2 | -9 |
| Exchange rate dif. | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | -80 | -87 | -99 | -79 | -65 |
| Tax | 8 | 11 | 0 | 0 | 0 |
| Net earnings | -72 | -76 | -99 | -79 | -65 |

| BALANCE SHEET | 2018 | 2019 | 2020E | 2021E | 2022E |
|----------------------------|------|------|-------|-------|-------|
| Assets | | | | | |
| <i>Current assets</i> | | | | | |
| Cash in banks | 42 | 52 | 160 | 10 | 17 |
| Receivables | 33 | 31 | 40 | 69 | 119 |
| Inventories | 14 | 10 | 14 | 29 | 53 |
| Other current assets | 7 | 7 | 7 | 7 | 7 |
| Current assets | 96 | 100 | 221 | 114 | 196 |
| <i>Fixed assets</i> | | | | | |
| Tangible assets | 45 | 58 | 57 | 168 | 266 |
| Associated comp. | 0 | 0 | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 135 | 135 | 135 | 135 | 135 |
| Cap. exp. for dev. | 0 | 0 | 0 | 0 | 0 |
| 0 intangible rights | 104 | 132 | 143 | 168 | 191 |
| 0 non-current assets | 0 | 0 | 0 | 0 | 0 |
| Total fixed assets | 283 | 324 | 334 | 471 | 592 |
| Deferred tax assets | 0 | 0 | 0 | 0 | 0 |
| Total (assets) | 380 | 424 | 555 | 585 | 788 |
| Liabilities | | | | | |
| <i>Current liabilities</i> | | | | | |
| Short-term debt | 13 | 4 | 0 | 15 | 62 |
| Accounts payable | 42 | 64 | 65 | 115 | 198 |
| 0 current liabilities | 0 | 0 | 0 | 0 | 0 |
| Current liabilities | 55 | 68 | 65 | 130 | 259 |
| Long-term debt | 38 | 11 | 0 | 45 | 183 |
| 0 long-term liabilities | 10 | 12 | 12 | 12 | 12 |
| Convertibles | 0 | 40 | 0 | 0 | 0 |
| Total Liabilities | 103 | 131 | 77 | 186 | 455 |
| Deferred tax liab | 0 | 0 | 0 | 0 | 0 |
| Provisions | 3 | 5 | 5 | 5 | 5 |
| Shareholders' equity | 273 | 289 | 473 | 394 | 329 |
| Minority interest (BS) | 0 | 0 | 0 | 0 | 0 |
| Minority & equity | 273 | 289 | 473 | 394 | 329 |
| Total liab & SE | 380 | 424 | 555 | 585 | 788 |

| FREE CASH FLOW | 2018 | 2019 | 2020E | 2021E | 2022E |
|-----------------------|------|------|-------|-------|-------|
| Net sales | 71 | 96 | 105 | 191 | 341 |
| Total operating costs | -124 | -145 | -164 | -233 | -338 |
| Depreciations total | -17 | -30 | -32 | -35 | -59 |
| EBIT | -70 | -78 | -91 | -77 | -56 |
| Taxes on EBIT | 7 | 10 | 0 | 0 | 0 |
| NOPLAT | -63 | -68 | -91 | -77 | -56 |
| Depreciation | 17 | 30 | 32 | 35 | 59 |
| Gross cash flow | -46 | -38 | -59 | -42 | 3 |
| Change in WC | 9 | 28 | -12 | 6 | 8 |
| Gross CAPEX | -66 | -70 | -42 | -172 | -180 |
| Free cash flow | -103 | -80 | -113 | -208 | -169 |

| CAPITAL STRUCTURE | 2018 | 2019 | 2020E | 2021E | 2022E |
|-----------------------|------|------|-------|-------|-------|
| Equity ratio | 72% | 68% | 85% | 67% | 42% |
| Debt/equity ratio | 19% | 19% | 0% | 15% | 75% |
| Net debt | 9 | 2 | -160 | 50 | 228 |
| Capital employed | 282 | 291 | 313 | 444 | 557 |
| Capital turnover rate | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 |

| GROWTH | 2018 | 2019 | 2020E | 2021E | 2022E |
|------------------|------|------|-------|-------|-------|
| Sales growth | 9% | 35% | 9% | 82% | 78% |
| EPS growth (adj) | 24% | -5% | 13% | -21% | -17% |

| DCF VALUATION | | CASH FLOW, MSEK | |
|---------------------------|--------|------------------------------|------|
| WACC (%) | 9.1 % | NPV FCF (2020-2021) | -432 |
| | | NPV FCF (2022-2028) | 2047 |
| | | NPV FCF (2029-) | 3357 |
| | | Non-operating assets | 52 |
| | | Interest-bearing debt | -55 |
| | | Fair value estimate MSEK | 4970 |
| Assumptions 2020-2026 (%) | | | |
| Average sales growth | 65.7 % | Fair value e. per share, SEK | 32.4 |
| EBIT margin | -3.6 % | Share price, SEK | 28.2 |

| PROFITABILITY | 2018 | 2019 | 2020E | 2021E | 2022E |
|---------------|-------|------|-------|-------|-------|
| ROE | -31% | -27% | -26% | -18% | -18% |
| ROCE | -25% | -23% | -22% | -17% | -11% |
| ROIC | -39% | -24% | -31% | -25% | -13% |
| EBITDA margin | -74% | -50% | -56% | -22% | 1% |
| EBIT margin | -98% | -81% | -87% | -40% | -17% |
| Net margin | -101% | -79% | -95% | -41% | -19% |

| DATA PER SHARE | 2018 | 2019 | 2020E | 2021E | 2022E |
|----------------|--------|--------|--------|--------|--------|
| EPS | -0.61 | -0.57 | -0.65 | -0.51 | -0.43 |
| EPS adj | -0.61 | -0.57 | -0.65 | -0.51 | -0.43 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net debt | 0.07 | 0.02 | -1.04 | 0.33 | 1.49 |
| Total shares | 118.45 | 131.65 | 153.52 | 153.52 | 153.52 |

| VALUATION | 2018 | 2019 | 2020E | 2021E | 2022E |
|-------------|-------|---------|---------|---------|---------|
| EV | 707.4 | 1,042.4 | 4,169.4 | 4,379.3 | 4,557.4 |
| P/E | -9.7 | -13.7 | -43.5 | -54.8 | -66.2 |
| P/E diluted | -9.7 | -13.7 | -43.5 | -54.8 | -66.2 |
| P/Sales | 9.8 | 10.8 | 41.3 | 22.7 | 12.7 |
| EV/Sales | 9.9 | 10.8 | 39.7 | 22.9 | 13.4 |
| EV/EBITDA | -13.5 | -21.6 | -70.6 | -103.6 | 1,739.3 |
| EV/EBIT | -10.1 | -13.4 | -45.9 | -56.7 | -81.0 |
| P/BV | 2.6 | 3.6 | 9.1 | 11.0 | 13.2 |

| SHARE PERFORMANCE | | GROWTH/YEAR | 18/20E |
|-------------------------|---------|----------------------|--------|
| 1 month | 141.4 % | Net sales | 21.1 % |
| 3 month | 221.9 % | Operating profit adj | 14.1 % |
| 12 month | 311.1 % | EPS, just | 3.3 % |
| Since start of the year | 257.0 % | Equity | 31.6 % |

| SHAREHOLDER STRUCTURE % | CAPITAL | VOTES |
|---------------------------------|---------|--------|
| Rothesay Ltd | 25.8 % | 25.8 % |
| Danske Bank International S.A. | 20.0 % | 20.0 % |
| Keith Halsey | 15.5 % | 15.5 % |
| Swedbank Robur Fonder | 11.5 % | 11.5 % |
| Avanza Pension | 6.9 % | 6.9 % |
| AMF Försäkring & Fonder | 4.2 % | 4.2 % |
| Nordnet Pensionsförsäkring | 2.5 % | 2.5 % |
| Alfred Berg Fonder | 1.6 % | 1.6 % |
| BNP Paribas Sec Serv Luxembourg | 1.5 % | 1.5 % |
| Prioritet Finans | 1.0 % | 1.0 % |

| SHARE INFORMATION | |
|-----------------------|-------------|
| Reuters code | SIVE.ST |
| List | First North |
| Share price | 28.2 |
| Total shares, million | 153.5 |
| Market Cap, MSEK | 4329.3 |

| MANAGEMENT & BOARD | |
|--------------------|-----------------|
| CEO | Anders Storm |
| CFO | Robert Ejermark |
| IR | Anders Storm |
| Chairman | Tomas Duffy |

| ANALYSTS | | Redeye AB |
|--------------------------|--|------------------------------|
| Viktor Westman | | Mäster Samuelsgatan 42, 10tr |
| viktor.westman@redeye.se | | 111 57 Stockholm |

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.

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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 (2020-08-24)

| Rating | People | Business | Financials |
|-----------|--------|----------|------------|
| 5p | 17 | 13 | 3 |
| 3p - 4p | 107 | 84 | 35 |
| 0p - 2p | 6 | 33 | 92 |
| Company N | 130 | 130 | 130 |

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CONFLICT OF INTERESTS

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.