Artificial Solutions

Sector: Software

Impressive ARR potential despite soft financials

Redeye lowers its Base Case after reviewing Artificial's Q2 report. Quarterly financials came in below expectations – top line and EBIT – and we adjust our forecasts with a downward bias. However, we are encouraged by the operational outlook, which boils down to a >100 SEKm ARR potential reflected in recent customer wins and current usage volumes.

Softer financials than expected

Adjusted sales were down 14% compared to the same period last year, owing to a lesser focus on the company's Professional Services offering. Yet, we believe it makes sense to shift away from Professional Services and focus more resources on the core product. As a result, the operating loss amounted to SEK 21m – a modest improvement Y/Y – but still underperforming our expectations.

>100 SEKm ARR potential reflected in customer wins and usage volumes

The operational outlook is more optimistic, and Artificial has entered six large customer agreements YTD – as per the new SaaS business model – with an estimated SEK 26m ARR potential in 2022/23. Moreover, the current usage volumes in the Teneo platform imply a SEK 78m ARR potential – if all existing customers belonged in the SaaS business model – encouraging indeed. Artificial is setting up a solid runway for growth. Efforts should focus on gaining additional customers and converting existing ones to the SaaS business model.

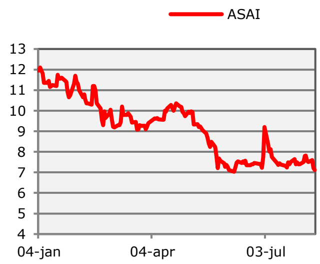
Lowered Base Case – insiders see value at current levels

We adjust our Base Case with a downward bias to SEK 9 (11) due to postponed top line growth and profitability. The share price has seen a steady decline this year, and we assume that some of the negative sentiment owes to the uncertain financial position in the near term. Once the situation clears up with a long term solution, we expect a shift in market sentiment. Moreover, we are encouraged by the significant share purchases of 'insiders' – which see value at current trading levels – indeed positive for the share price sentiment and investor confidence.

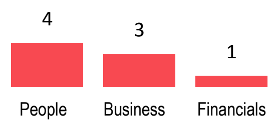
SEKm	2020	Q1	Q2	Q3E	Q4E	2021E	2022E	2023E
Net Sales	**54**	**10**	**8**	**10**	**12**	**40**	**56**	**78**
Y/Y	*10%*	*-36%*	*-47%*	*-22%*	*20%*	*-26%*	*40%*	*40%*
EBITDA	**-86**	**-14**	**-18**	**-16**	**-14**	**-62**	**-56**	**-44**
margin	*-160%*	*-146%*	*-222%*	*-153%*	*-119%*	*-155%*	*-100%*	*-57%*
EBIT	**-98**	**-18**	**-21**	**-19**	**-17**	**-75**	**-67**	**-56**
margin	*-182%*	*-179%*	*-261%*	*-182%*	*-144%*	*-186%*	*-120%*	*-72%*
Net Income	**-154**	**-12**	**-15**	**-25**	**-23**	**-74**	**-91**	**-80**
margin	*-288%*	*-121%*	*-182%*	*-240%*	*-195%*	*-186%*	*-163%*	*-102%*
EV/Sales	**13.0**					**14.0**	**10.0**	**7.2**
EV/EBITDA	**neg**					**neg**	**neg**	**neg**
EV/EBIT	**neg**					**neg**	**neg**	**neg**
P/E	**neg**					**neg**	**neg**	**neg**

FAIR VALUE RANGE

BEAR	BASE	BULL
2	9	30



REDEYE RATING



KEY STATS

Ticker	ASAI
Market	First North
Share Price (SEK)	7.19
Market Cap (MSEK)	472
Net Debt (MSEK)	65
Free Float	70%

ANALYSTS

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Q2 2021 review

As a whole, Artificial's Q2 came in softer than expected. Compared to the same period last year, quarterly sales dropped 47% on a reported and 14% on an adjusted basis. The substantial decline in reported sales owes to a lesser focus on the company's Professional Services offering and a change in revenue recognition policy – usage revenues are recognized as consumed rather than invoiced – more about this further down. We have a positive take on the shift away from Professional Services, which is in line with Artificial's new strategic direction:

- More emphasis is placed on the core product and proprietary software
- To a greater extent, new sales are delivered and implemented by larger partners and/or system integrators, meaning less demand for an in-house Professional Services team
- Improved control over operating expenses from not having a large team in-house

While the operating loss amounted to SEK 21.4m – corresponding to a modest improvement Y/Y – it significantly underperformed our expectations due to 1) lower sales; 2) a softer gross profit margin; and 3) greater operating expenses. We adjust our financial forecast accordingly in the following sections. Moreover, we note a positive non-recurring item affecting net financial expenses. The divestment of Artificial's UK entity saw the company incur about SEK 21m in interest income during the first half of this year. However, as the legal process has ended, we do not expect additional non-recurring income.

Artificial Q2 2021: actual v estimated

SEKm	2Q20	Actual 2Q21	Estimated 2Q21	Diff (%)	Diff (abs)
Adjusted Net Sales	12.5	10.7			
Net Sales	15.4	8.2	13.1	-37%	-4.9
Y/Y	*22%*	*-47%*	*-15%*		
Gross Profit	10.6	5.5	12.7	-57%	-7.2
margin	*69%*	*67%*	*75%*		
EBITDA	-19.7	-18.2	-11.3	61%	-6.9
margin	*-128%*	*-222%*	*-67%*		
EBIT	-23.0	-21.4	-14.2	51%	-7.2
margin	*-149%*	*-261%*	*-84%*		
Net Income	-42.0	-14.9	-24.5	-39%	9.6
margin	*-273%*	*-182%*	*-145%*		

Source: company data (historical) & Redeye Research (estimates)

Adjusted net sales tell a different story – forecasting modest growth in 2021E

The shift in usage revenue recognition (mentioned above) is positive, in our view, and in line with the financial reporting of other software-as-a-service companies. Moreover, it helps investors better understand the underlying business and predictability in revenues. However, the main drawback of pursuing the policy is that reported usage revenues fall sharply year-over-year. While an upfront usage payment in a multi-year deal is recognized to 100% in a single quarter according to the legacy model, it is evenly spread out according to the new model – it makes sense.

As the revenue recognition policy was implemented in 2021, Artificial's management provides adjusted usage and sales figures to illustrate the business's actual underlying performance. While our reported sales forecast suggests a 26% decline in 2021 – largely driven by usage – our adjusted sales forecast points toward modest growth this year. Looking further ahead, we reason Artificial is well-positioned to grow ~40% in 2022E and 2023E due to recent customer wins and fast underlying market growth at 22-23% CAGR.

Net Sales (reported)	2020	Q1	Q2	Q3E	Q4E	2021E	2022E	2023E
License & Support	23.5	4.6	5.0	6.2	6.8	22.6	32.5	45.8
Y/Y Growth (%)		(26%)	(19%)	(5%)	48%	(4%)	44%	41%
Usage	16.9	1.9	1.3	1.8	2.3	7.3	11.8	19.0
Y/Y Growth (%)		(51%)	(77%)	(60%)	(22%)	(57%)	62%	61%
Other	13.3	3.3	1.9	2.4	2.5	10.1	11.6	13.4
Y/Y Growth (%)		(37%)	(47%)	0%	20%	(24%)	15%	15%
Total Sales	**53.7**	**9.8**	**8.2**	**10.3**	**11.7**	**40.0**	**55.9**	**78.2**
Y/Y Growth (%)	10%	(36%)	(47%)	(22%)	20%	(26%)	40%	40%

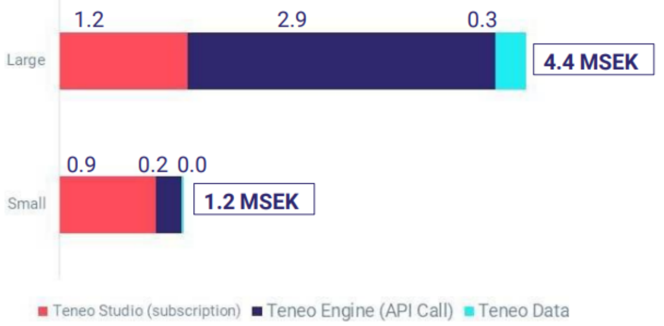
Net Sales (adjusted)	2020	Q1	Q2	Q3E	Q4E	2021E	2022E	2023E
Adjusted Usage	10.2	4.3	3.8	3.8	4.2	16.1		
Y/Y Growth (%)		187%	41%	50%	20%	57%		
Adjusted Net Sales	**47.0**	**12.2**	**10.7**	**12.3**	**13.5**	**48.8**		
Y/Y Growth (%)		(5%)	(14%)	8%	33%	4%		

Source: company data (historical) & Redeye Research (estimates)

Recent customer wins looking to drive growth – SEK 26m ARR potential

Artificial has seen a solid operational start to 2021, entering agreements with large customers such as SelectQuote, HelloFresh, a global undisclosed American tech firm, Telefónica Deutschland / O2, A1 Bulgaria, and Circle K. While deal values tend to remain undisclosed, the illustration below helps understand the potential at play. As per the new business and delivery model (SaaS), Artificial estimates that 'large' and 'small' customers could generate an average ARR of SEK 4.4m and 1.2m in year 2. **The six agreements YTD – all being 'large' customers – indicate an ARR potential of about SEK 26m.**

Annual Recurring Revenues (ARR) – Small & Large Customer Modelling MSEK



Small customers	Large customers
7,500 EUR p/m for TDS	**10,000 EUR** p/m for TDS
2,000 EURO for API calls p/m	**24,000 EURO for** API calls p/m
Data is **10%** of API calls revenue	Data is **10%** of API calls revenue
2 days training and **no** expert services	**5 days** training and **15 expert** service days

Source: company data (2Q2021 presentation)

Potential in current volumes from existing customers – SEK 78m ARR

Moreover, it is evident from the illustration that API Calls, i.e., usage, represent the business model's scalability, at least when it comes to 'large' customers. In the 2Q2021 presentation and conference call, we learned that Artificial generated 10 million' sessions' in June 2021 – corresponding to about 80 million API Calls. **According to the CFO, if all existing customers belonged in the new business model, the usage revenue in June alone would have been SEK 6.5m or 78m annualized – about SEK 0.08 per API Call.** Even if far from all customers have transitioned to the new model, we find the potential at play indeed encouraging. Sessions and API Calls will be important metrics for investors to keep track of going forward.

While the directed share issue is a quality stamp of approval…

Earlier this quarter (May 2021), Artificial raised SEK 120m (before transaction costs) through a directed share issue. We were encouraged to see high-quality institutions such as C WorldWide AM and SEB-Stiftelsen take part in the offering. Furthermore, the capital raise enables AS to bolster its SaaS strategy while also mitigating the risk of financial distress in the nearest term. The SEK 8.5 subscription price per share implied a 15% discount from the previous closing price. The share price has continued to fall and is now trading around SEK 7.2.

… Artificial's financial position remains unresolved

After Q2, Artificial's cash position and interest-bearing debt totaled SEK 116m and 180m. The company agreed to a four-month extension of a SEK 52m bond, due for repayment in October 2021. We are not sure how Artificial aims to tackle this challenge – to refinance the bond could be an alternative. Considering the company's cash burn (about SEK 20m in Q2), its cash position will be used to fund operations in the coming quarters. Moreover, Artificial has SEK 15m in unutilized convertible notes.

The uncertainty surrounding future financing could help explain the negative market sentiment. Once this issue is cleared up – hopefully in the coming months – we expect to see a more upbeat share price sentiment.

Financial forecast and valuation

In brief, we believe Artificial is setting up a solid runway for future growth. The management has successfully pursued a cost control scheme – operating expenses have decreased materially compared to previous years. However, the cost-suit remains oversized and the path to profitability extends beyond 2023E. Our main assumptions include annual top line and OpEx growth of 40% and 10% from 2022E.

Income Statement	2020	Q1	Q2	Q3E	Q4E	2021E	2022E	2023E
Revenues	54	10	8	10	12	40	56	78
Y/Y Growth (%)	10%	(36%)	(47%)	(22%)	20%	(26%)	40%	40%
Cost of Revenues	18	3	3	3	4	12	16	20
Gross Profit	**35**	**7**	**5**	**7**	**8**	**28**	**40**	**59**
Gross Profit Margin (%)	66%	72%	67%	70%	70%	70%	72%	75%
Other Income	20	2	3	4	5	14	16	18
Personnel Expenses	116	18	19	19	19	74	80	87
External Expenses	25	6	8	8	8	30	32	34
EBITDA	**(86)**	**(14)**	**(18)**	**(16)**	**(14)**	**(62)**	**(56)**	**(44)**
EBITDA Margin (%)	(160%)	(146%)	(222%)	(153%)	(119%)	(155%)	(100%)	(57%)
Depreciation	1	0	0	0	0	1	1	1
Amortization	11	3	3	3	3	12	11	11
EBIT	**(98)**	**(18)**	**(21)**	**(19)**	**(17)**	**(75)**	**(67)**	**(56)**
EBIT Margin (%)	(182%)	(179%)	(261%)	(182%)	(144%)	(186%)	(120%)	(72%)
Interest Income	-	11	13	-	-	24	-	-
Interest Expenses	57	6	6	6	6	24	24	24
EBT	**(154)**	**(12)**	**(15)**	**(25)**	**(23)**	**(74)**	**(91)**	**(80)**
Income Tax Expenses	0	-	-	-	-	-	-	-
Net Income	**(154)**	**(12)**	**(15)**	**(25)**	**(23)**	**(74)**	**(91)**	**(80)**
Net Income Margin (%)	(288%)	(121%)	(182%)	(240%)	(195%)	(186%)	(163%)	(102%)

Source: company data (historical) & Redeye Research (estimates)

We summarize our forecast adjustments below. Most notably, we postpone top line growth by approx. one year, resulting in more substantial operating losses than previously expected. The business model's scalability will start showing in the coming one or two years – once Artificial converts customers to its SaaS model and usage on its platform begins to accelerate significantly. Looking ahead – into 2024E and 2025E – we believe the model's inherent operating leverage could translate into profitability. In the time being, we are on the lookout for additional customer wins – to drive future growth – and an increase in usage on the Teneo platform.

Forecast adjustments

SEKm		2021E	2022E	2023E
Sales	Old	53	74	108
	New	40	56	78
change (%)		*-24%*	*-24%*	*-28%*
EBIT	Old	-57	-39	-8
	New	-75	-67	-56
change (%)		*31%*	*73%*	*589%*
Net Income	Old	-83	-75	-48
	New	-74	-91	-80
change (%)		*-10%*	*21%*	*66%*
EPS	Old	-1.59	-1.44	-0.92
	New	-1.43	-1.76	-1.54
change (%)		*-10%*	*22%*	*67%*

Source: Redeye Research (estimates)

Currently valued like a premium SaaS business

Artificial is valued in line with other premium SaaS companies, trading at >10x EV/Sales multiples in 2021E and 2022E. We believe investors appreciate the runway for growth and the pivot to a SaaS business model. Even so, shares have seen a modest share price development this year, trading down ~40%. Confidence in the relatively new management could also explain the premium multiples.

SaaS	EV	Sales	EV/SALES			EV/EBIT (x)			Sales growth			EBIT margin		
Company	(SEKm)	21E	21E	22E	23E	21E	22E	23E	21E	22E	23E	21E	22E	23E
24SevenOffice	1,410	237	5.9	4.5	3.5	neg	neg	82	41%	29%	22%	-5%	-3%	4%
Addnode	12,537	4,202	3.0	2.6	2.3	41	32	27	10%	16%	11%	7%	8%	9%
Admicom	4,381	251	17.5	14.6	12.5	38	32	27	13%	18%	17%	45%	45%	46%
BIMobject	585	170	3.4	2.6	1.9	neg	30	7	24%	29%	25%	-17%	9%	26%
Briox	215	6	37.5	23.6	16.7	neg	neg	neg	28%	70%	49%	-244%	-123%	-62%
Carasent	2,268	147	15.5	11.3	n/a	76	56	n/a	106%	36%	n/a	20%	20%	n/a
CSAM	2,120	355	6.0	4.4	3.6	208	61	34	54%	47%	31%	3%	7%	11%
Efecte	867	174	5.0	4.2	3.6	214	65	35	16%	16%	17%	2%	7%	10%
Formpipe	1,715	462	3.7	3.7	3.3	59	32	23	15%	2%	9%	6%	11%	15%
Fortnox	26,387	950	27.8	20.0	14.7	85	54	36	37%	37%	34%	33%	37%	40%
Irisity	1,186	102	11.6	3.2	1.3	91	10	3	177%	227%	94%	13%	34%	42%
LeadDesk	1,295	263	4.9	3.9	3.2	168	81	34	88%	22%	22%	3%	5%	9%
Lime	5,253	409	12.8	10.6	8.9	61	48	34	21%	19%	17%	21%	22%	26%
Litium	303	62	4.9	3.9	3.0	neg	105	13	28%	29%	31%	-20%	4%	23%
Mercell	5,491	696	7.9	6.3	5.3	neg	neg	neg	121%	23%	16%	-30%	-13%	-2%
Pexip	6,482	846	7.7	6.0	4.5	neg	neg	neg	24%	36%	38%	-38%	-33%	-9%
Upsales	1,827	104	17.5	13.1	9.8	119	69	52	38%	32%	32%	15%	19%	19%
Vertiseit	420	127	3.3	2.4	1.9	32	16	12	66%	35%	14%	10%	15%	17%
Vitec	15,620	1,581	9.9	9.0	8.2	50	43	37	20%	10%	9%	20%	21%	22%
XMReality	132	32	4.1	2.7	1.4	neg	neg	9	55%	64%	79%	-61%	-12%	16%
ZetaDisplay	935	471	2.0	1.7	1.5	25	15	12	26%	21%	8%	8%	11%	12%
Zutec	426	49	8.8	4.4	n/a	neg	neg	n/a	82%	99%	n/a	-12%	-5%	n/a
Average	**4,175**	**532**	**10.0**	**7.2**	**5.6**	**90**	**47**	**28**	**50%**	**42%**	**29%**	**-10%**	**4%**	**14%**
Median	**1,562**	**244**	**6.8**	**4.4**	**3.6**	**69**	**46**	**27**	**33%**	**29%**	**22%**	**5%**	**8%**	**15%**
Artificial	569	40	14.2	10.2	7.3	neg	neg	neg	-26%	40%	40%	-186%	-120%	-72%

Source: Redeye Research, company reports & FactSet

We derive our fair value range from a fundamental DCF framework for three scenarios, base case (most likely), bear case (pessimistic), and bull case (optimistic), using a WACC of 12% across all scenarios. In essence, we adjust our Base Case with a downward bias, owing to softer sales forecasts and postponed profitability – but maintain our previous Bear and Bull Case.

Our Base Case is SEK 9 (11), and our fair value range spans from SEK 2-30 – unchanged. The wide fair value range owes to the unpredictable nature of Artificial's long-term growth and profitability.

Bear Case SEK 2 (2)

CAGR sales '21-'25: 24%
CAGR sales '25-'30: 22%
Terminal growth rate: 2%
Avg. EBIT margin '21-'25: -31%
Avg. EBIT margin '25-'30: 15%
Terminal EBIT margin: 15%
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 streams 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 SEK 9 (11)

CAGR sales' 21-'25: 40%
CAGR sales '25-'30: 27%
Terminal growth rate: 2%
Avg. EBIT margin '21-'25: -88%
Avg. EBIT margin '25-'30: 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 favorable customer acquisition costs.

Bull Case SEK 30 (30)

CAGR sales' 21-'25: 44%
CAGR sales '25-'30: 31%
Terminal growth rate: 2%
Avg. EBIT margin '21-'25: -30%
Avg. EBIT margin '25-'30: 36%
Terminal EBIT margin: 38%
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. Its operating leverage and lower churn assumptions (driven by greater stickiness from wider deployments) allows for greater margins, explaining our long-term profitability assumptions.

Investment Case

Offers an attractive exposure to the conversational AI market

As one of the leading vendors of conversational AI technology, Artificial Solutions is well-positioned for significant growth. Its underlying market is set to grow at around 23% a year over the next several years, while the company should harness the benefits of its 2013 transformation into a software-based provider, its revised go-to-market strategy and the scaling of its initial deployments in this period too.

Major customers/partners

AS's blue-chip customers such as AT&T, Shell and Vodafone and its partner network of leading system integrators (including Accenture, Deloitte and KPMG) validate its technology. But now it must meet the key challenge of acquiring further customers from its target group of large global enterprises, whose sales cycles are usually long and complex. We view its crucial shift to a partner-led model as ensuring scalability and efficiency.

Revenue Scalability

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.

Counter-Thesis

Strategic failure: The company's revised, SaaS strategy may not deliver the growth it seeks. This would jeopardize the growth story, which is at the core of our investment case.

Competition: It would weigh heavily on the conversational AI industry if the tech giants were to flex their muscles and exploit their dominant market positions in the cloud, data and AI. Even if they do not, this area's significant potential makes it likely that competition will increase further going forward.

Customer concentration: Given its concentrated customer base, any loss of customers could hurt AS's revenue significantly. One customer accounts for ~20% of AS's sales and the top five customers account for more than 50% of sales, highlighting the importance of a broader customer base and revenue diversification to drive growth and reduce risk.

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: none

People: 4

Business: 3

Financials: 1

	2020	2021E	2022E	2023E
INCOME STATEMENT				
Revenues	53.7	40.0	55.9	78.2
Cost of Revenues	18.3	12.1	15.7	19.5
Gross Profit	35.4	28.0	40.3	58.6
Gross Profit Margin (%)	66%	70%	72%	75%
Operating Expenses	121.1	90.1	96.0	103.0
Exchange Rate Differences	0.0	0.0	0.0	0.0
EBITDA	-85.7	-62.1	-55.7	-44.4
EBITDA Margin (%)	-160%	-155%	-100%	-57%
Depreciation & Amortization	12.0	12.5	11.5	11.9
EBIT	-97.7	-74.6	-67.2	-56.3
EBIT Margin (%)	-182%	-186%	-120%	-72%
Associated Income / (loss)	0.0	0.0	0.0	0.0
Net Financial Items	-56.5	0.3	-24.2	-23.7
Non-recurring Income / (Expense	0.0	0.0	0.0	0.0
EBT	-154.2	-74.3	-91.4	-80.0
Income Tax Expenses	0.2	0.0	0.0	0.0
Effective Tax Rate (%)	0%	0%	0%	0%
Non-Controlling Interest	0.0	0.0	0.0	0.0
Net Income	-154.4	-74.3	-91.4	-80.0
Non-Recurring Items / (Loss), Po	0.0	0.0	0.0	0.0
Recurring Net Income	-154.4	-74.3	-91.4	-80.0
Net Income Margin (%)	-288%	-186%	-163%	-102%
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	20.1	5.0	5.0	5.0
Inventories	0.0	0.0	0.0	0.0
Accounts Receivable	7.5	6.6	9.2	12.9
Other Current Assets	15.0	10.0	14.0	19.5
Total Current Assets	42.6	21.6	28.2	37.4
Non-current assets				
Property, Plant & Equipment, Net	1.3	0.9	1.5	2.2
Goodwill	0.0	0.0	0.0	0.0
Intangible Assets	29.8	27.3	27.6	29.1
Right-of-Use Assets	0.0	0.0	0.0	0.0
Shares in Associates	0.0	0.0	0.0	0.0
Other Long-Term Assets	3.3	1.1	1.1	1.1
Total Non-Current Assets	34.4	29.4	30.2	32.3
Total Assets	77.0	50.9	58.4	69.7
Liabilities				
Current liabilities				
Short-Term Debt	70.4	19.3	102.5	172.8
Short-Term Lease Liabilities	0.0	0.0	0.0	0.0
Accounts Payable	6.9	9.9	12.9	16.1
Other Current Liabilities	56.6	32.0	44.8	62.5
Total Current Liabilities	133.9	61.2	160.1	251.4
Non-current liabilities				
Long-Term Debt	115.7	123.2	123.2	123.2
Long-Term Lease Liabilities	0.0	0.0	0.0	0.0
Other Long-Term Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	115.7	123.2	123.2	123.2
Non-Controlling Interest	0.0	0.0	0.0	0.0
Shareholder's Equity	-172.7	-133.3	-224.7	-304.7
Total Liabilities & Equity	76.9	51.1	58.6	69.9
CASH FLOW				
NOPAT	-97.7	-74.6	-67.2	-56.3
Change in Working Capital	30.2	-15.7	9.1	11.8
Operating Cash Flow	-75.9	-73.7	-70.8	-56.3
Capital Expenditures	-1.3	-0.8	-1.1	-1.6
Investment in Intangible Assets	-9.5	-11.2	-11.2	-12.5
Investing Cash Flow	-10.8	-12.0	-12.3	-14.1
Financing Cash Flow	102.7	70.7	83.1	70.4
Free Cash Flow	-86.7	-85.7	-83.1	-70.4

DCF Valuation		Cash Flow, SEKm	
WACC (%)	12%	NPV FCF Initial	-113
		NPV FCF Momentum	55
Initial period	2021-2023	NPV FCF Stable	744
Momentum period	2024-2027	Forecast EV	686
Stable period	2028-	Net Debt	64
		Equity Value	622
Assumption to end of momentum period		Fair Value per Share	9
Average sales growth (%)	41%	Current Value per Share	7
EBIT margin (%)	-57%	Current EV	537

	2020	**2021E**	**2022E**	**2023E**
CAPITAL STRUCTURE				
Equity Ratio	-2.2	-2.6	-3.9	-4.4
Debt to equity	-1.1	-1.1	-1.0	-1.0
Net Debt	166.0	137.5	220.7	291.0
Capital Employed	-56.9	-10.3	-101.7	-181.7
Working Capital Turnover	-1.3	-1.6	-1.6	-1.7
GROWTH				
Revenue Growth	10%	-26%	40%	40%
Basic EPS Growth	-61%	-61%	23%	-13%
Adjusted Basic EPS Growth	-61%	-61%	23%	-13%
PROFITABILITY				
ROE	85%	49%	51%	30%
ROCE	172%	724%	66%	31%
ROIC	-1566%	2140%	5524%	553%
EBITDA Margin (%)	-160%	-155%	-100%	-57%
EBIT Margin (%)	-182%	-186%	-120%	-72%
Net Income Margin (%)	-288%	-186%	-163%	-102%
VALUATION				
Basic EPS	-3.6	-1.4	-1.8	-1.5
Adjusted Basic EPS	-3.6	-1.4	-1.8	-1.5
P/E	neg	neg	neg	neg
EV/Revenue	13.9	14.1	10.1	7.2
EV/EBITDA	neg	neg	neg	neg
EV/EBIT	neg	neg	neg	neg

SHAREHOLDER STRUCTURE	CAPITAL %	VOTES %
Scope	26%	26%
Nice & Green	6%	6%
AFA Försäkring	5%	5%
SEB-Stiftelsen	4%	4%
C WorldWide Asset Management	3%	3%
Avanza Pension	2%	2%
Ulf Johansson	2%	2%
Johan A. Gustavsson	2%	2%
John Brehmer	1%	1%
Nordnet Pensionsförsäkring	1%	1%

SHARE INFORMATION	
Reuters code	ASAI
List	First North
Share price (SEK)	7.2
Total shares, million	65.7

MANAGEMENT & BOARD	
CEO	Per Ottosson
CFO	Fredrik Törgren
Chairman	Åsa Hedin

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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.

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Disclaimer

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Redeye Rating (2021-08-13)

Rating	People	Business	Financials
5p	30	17	4
3p - 4p	128	110	41
0p - 2p	5	36	118
Company N	163	163	163

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Goldman 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.