Redeye Quality Microcap

Q2 2025: Standing before opportunity

Redeye provides its Q2 2025 update for the Swedish Quality Microcap theme. We discuss the 14 (14) companies currently under Redeye's coverage while extending our list of companies outside coverage to 12 (10). Our proxy for market sentiment, First North traded volumes, accelerated over the three months through August, reflecting a market where risk is back on the menu and liquidity is closing in on its historical averages. We believe this provides better conditions for microcap stock pickers, enabling quicker repricing where fundamentals allow. We also introduce your new favourite investing community, the Microcap Collective.

Sentiment commentary – Risk is back on the menu

First North traded volumes continued their upward trend, with absolute volumes for the past three months increasing by 59% compared with the same period last year, despite the number of listed companies continuing to fall. Expressed as a percentage of total market capitalisation, we now see the highest level of trading activity in the past four years. We believe risk is back on the menu, enabling repricing even in the smallest names. Valuations are now mostly aligned with their ten-year median, with EV/S and EV/EBIT NTM multiples at 2.4x and 16.9x, respectively. Thus, markets are neither cheap nor expensive, but increasing liquidity should, as mentioned, enable repricing where fundamentals allow. As always, exciting times to be a stock picker.

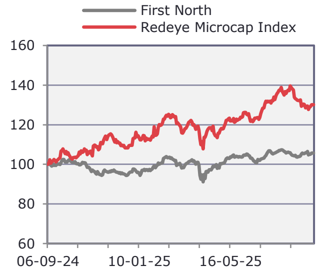
Quarterly company commentary – Adding one, removing one, and shuffling things around

In the report, we comment on 14 (14) companies within Redeye's coverage, with one addition and one removal. In line with established practice, we provide two pages for each name: one dedicated to a timeless case overview and one to quarterly commentary. The covered companies are all below SEK3bn in market cap, with a median of SEK711m (743) and an average of SEK960m (933). We also provide case write-ups on two new external names, Pierce Group and Unlimited Travel Group, bringing the total to 13 (11). However, one of our previous write-ups, Litium, is moved to the group of Redeye constituents following our initiation of coverage on June 4. Starting with this report, we also introduce a cap on the external names, limiting follow-up commentary to ten companies outside our coverage to maintain stringency and manage the workload. The excluded companies are marked in grey to the right and will be removed from the front page in the next report. The full archive of historical write-ups, with links, is available on page 57.

Other orders of business – Launching the Microcap Collective

During the past three months, we have had the great pleasure of working on a new forum for microcap investors, the Microcap Collective. The idea is simple: pitch a case, get it approved by the authors of this report, and become a member. Once a member, you can read other approved cases or pitch more yourself. Returns on approved cases are tracked in platform-wide top lists, based both on absolute returns from the submission date and ratings by other members. We encourage everyone to sign up and send us a case for approval. We also want to extend a warm thank you to our beta testers, who have filled the site with case pitches ahead of the launch. Our favourite pitch, on Midsona, is featured later in this report.

REDEYE MICROCAP VS FIRST NORTH



ANALYSTS

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REPORT CONSTITUENTS – REDEYE COVERAGE

Avensia	I-Tech
Avtech	Litium
Cheffelo	Paxman
CombinedX	Safeture
Enea	Sleep Cycle
Formpipe	Vertiseit
Genovis	Tradedoubler

REPORT CONSTITUENTS – OTHER COMPANIES

Pierce Group (new write-up)
Unlimited Travel Group (new write-up)
Online Brands Nordic
Haypp Group
Exsitec
Klimator
Söder Sportfiske
Adtraction
Codemill
Fractal Gaming
BoMill
Everysport Group (acquired)

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Now launched: Redeye's Microcap Collective

In our last report, we hinted at something new on the horizon. Today, the doors are officially open. The Microcap Collective is live, a platform where microcap investors can pitch, discuss, and collaborate around microcap ideas.

As we have stated previously, the vision is not to become the biggest community there is. It is rather to create a space where quality comes first. Every case is reviewed, and only those meeting the standards for depth, relevance, and rigor make it through. Seven pitches have been approved and published, with one featured in this report as a preview of the discussions you can expect inside. Some cases have also been turned down, underlining our commitment to quality over quantity.

Access is open to Redeye Premium members (SEK349/month) and to contributors who pitch a case that makes the cut.

For more information: mcc.redeye.se

Introducing the Microcap theme

Why cover microcaps?

As a (potential) source of outperformance

Around four decades ago, two pioneering papers were published that introduced the idea of a firm's size being a statistically significant factor in determining stock outperformance.[1][2] Since then, academics have debated whether this is in fact true, risk-adjusted, outperformance or whether traditional asset pricing models fail to incorporate certain risk factors especially prevalent in smaller companies. A later review of the evidence suggested that this was indeed the case, as the initial research had not properly accounted for factors such as higher risk of bankruptcy, lower liquidity, higher short-term borrowings, and higher volatility of earnings. It was also found that the high returns tend to be highly concentrated among a few companies.[3]

However, the fact remains that s Furthermore, the market cap threshold for institutions to look at companies (in the Nordic markets) tend to be in the SEK0.5bn to SEK1bn range (USD50m-USD100m), with the weak market over the past few years pushing the limit towards the higher end of that range. As institutions are unable to invest in the smallest companies, they naturally tend to minimise the time spent on analysing the names given that they will be unable to initiate a position large enough to move the needle. This provides an opportunity for the patient, knowledgeable, and thorough investor to generate outperformance by looking in places where few others are.

Additionally, understanding smaller companies at a deep-enough level is generally more straightforward than doing the same for large firms. Operations tend to be simpler, accounting less complicated, and value drivers easier to identify. Peter Lynch stated that the person that turns over the most rocks wins the game. Thus, if you can choose, why move mountains when you can play around with pebbles?

Personal interest

Passion tends to make work effortless. As the authors of this report thoroughly enjoy looking for mispriced microcaps in their spare time, doing so on corporate payroll is ideal (don't tell our bosses ahead of upcoming salary negotiations).

Why a themed microcap report is complicated – and our solution

We regularly publish sector coverage on Serial Acquirers, SaaS, and IT consultants (head over to www.redeye.se/themes for more information). When looking at these three sectors more closely, it is noticeable that the first two are not really sectors in the traditional sense.[4] Instead, we have grouped these categories by business models, where both Serial Acquirers and SaaS companies tend to create value for shareholders in the same way. IT-consultants is a more traditional sector, although the companies' business models also tend to be similar. The problem when comparing microcaps is that these companies seldom have neither business models nor areas of operations in common, making the basis for comparison vaguer.

Although we have tried to combat this by individually creating a cash flow proxy for each company in the report (more on this in a few paragraphs), readers should keep in mind that comparison between firms is not as useful as for more homogenous group. We do provide peer valuations in the report (perhaps we should call it something else), but these should be used as a way of getting a lay of the land, not as a way of comparing names to find the best investment. Correctly understanding the implications of a certain EV/S multiple can be tricky enough for one company; comparing a whole bunch on this basis without thoroughly understanding the respective business models is a fool's errand.

[1] Banz, R. The relationship between return and market value of common stocks, (1981).
[2] Reinganum, M. Misspecification of capital asset pricing: Empirical anomalies based on earnings' yields and market values, (1981).
[3] Levis, M. The record on small companies: A review of the evidence, (2002).
[4] Investopedia defines an economic sector in the following way. "A sector is an area of the economy in which businesses share the same or related business activity, product, or service. Sectors represent a large grouping of companies with similar business activities, such as the extraction of natural resources and agriculture."

However, comparing the grouped valuations over time can be insightful, not because of its absolute level, but as the trend can serve as an indicator of the general market's appetite for risk. Consequently, we provide longitudinal data for certain variables that we find suitable, including EV/S and EV/EBIT. Our hypothesis (and hope, given our personal investment philosophies) is that the share prices of a group of carefully selected, high-quality microcaps can beat the overall market (and a comparable small cap index). Not all the time, and not every time. But over a long-enough time horizon, the inability for larger institutions to take sizable positions in these names should be able to push down valuations and push up the expected returns.[5]

Owner earnings, the answer to many questions…

As hinted at previously, we have introduced an individually crafted cash flow proxy for each company in the report. This cash flow proxy is not the same for all companies, but it builds on the logic that underpins Warren Buffett's so-called owner earnings, introduced in his 1986 letter to shareholders. After posting several rhetorical questions about whether the value of a company changes with its accounting practices, the following reasoning is provided:

"If we think through these questions, we can gain some insights about what may be called "owner earnings." These represent (a) reported earnings plus (b) depreciation, depletion, amortization, and certain other non-cash charges […] less (c) the average annual amount of capitalized expenditures for plant and equipment, etc. that the business requires to fully maintain its long-term competitive position and its unit volume. (If the business requires additional working capital to maintain its competitive position and unit volume, the increment also should be included in (c).

Our owner-earnings equation does not yield the deceptively precise figures provided by GAAP, since (c) must be a guess - and one sometimes very difficult to make. Despite this problem, we consider the owner earnings figure, not the GAAP figure, to be the relevant item for valuation purposes - both for investors in buying stocks and for managers in buying entire businesses. We agree with Keynes's observation: "I would rather be vaguely right than precisely wrong.""

As always when it comes to Buffett's writings: well put. Thus, what we try to capture with owner earnings is the capital available for the business to allocate after it has defended its competitive position. We therefore get a basis of comparison that accounts for varying amortisation schedules across accounting standards, different amounts of capitalised development, and other such considerations. Owner earnings is therefore (if we make our adjustments correctly) comparable across organisations in a way that few other metrics are.

…but perhaps not the right one

Despite facilitating comparison across entities, a multiple (regardless of how good it is) will never answer the question of whether a business constitutes a good investment. To understand this, investors must obtain a thorough understanding of the business, the competitive landscape, and its prospects. A business is worth the present value of all its future cash flows, which is in turn determined by its return on incremental investments and the amount of reinvestment opportunities. This can be boiled down to a multiple to simplify discussion, but the multiple should be viewed as the byproduct of an in-depth fundamental analysis, not an analysis in itself. Looking at a snapshot view of multiples across a sample can give some hints about where to start digging, but the digging still must be done.

[5] Note that the selection of companies has not necessarily been made with the intention of generating market-beating returns. The selection from Redeye's coverage is mechanical based on the selected criteria. Instead our optimism is a result of the aforementioned reasoning regarding microcaps, where structural factors should favour the thorough and skilled investor.

Structure of coverage

To provide continuity for readers, we have chosen to structure the quarterly coverage into three distinct parts:

- Valuation and market sentiment

This section includes the valuations of our microcap index and market commentary more broadly. Given the variance in sectors, business models, and size, applying one metric to benchmark companies against each other is impractical for comparing opportunities. However, the development of valuations over time, along with the developments for Swedish small caps more generally still provide an indication of market sentiment, and a snapshot of the current landscape tied to valuation can give investors an indication about where to look. We also comment on trends we see materialising in the public markets.

- Company commentary

This section includes company-specific commentary for the included companies. The firms meeting the criteria in Redeye's coverage are always included, whereas other companies are selected based on the relevance at the time of writing.

- Other orders of business

In this section, we try to take a more timeless approach, providing interviews, book reviews, discussing various microcap-related questions, and exploring profiles of investors or historical microcap success stories.

Redeye's definition of a microcap and included companies

Selection within Redeye's coverage

With 20+ research analysts and 170+ companies under coverage, Redeye is one of the leading equity research firms in the Nordics. Our eyes are set at companies in the tech and life science sectors, and we have been doing this for more than 20 years. Naturally, we have a lot of companies that would adhere to the traditional (albeit undefined) perception of a microcap under coverage. To 1) make the workload manageable and 2) keep the report relevant for readers, we have chosen to apply two criteria:

- Market cap <SEK3bn (<cUSD300m)

This is a hard limit for first adding a company to the report. However, if we start following a company and it grows past the size limit, we will not necessarily exclude it immediately. This is partly to avoid having to shuffle companies around too much as their market caps fluctuate in the short term and partly as it is quite exciting to see these companies develop over time.

- Profitable companies

In Global Outperformers by Dede Eysan, it stated that profitable companies are significantly overrepresented among outperforming stocks.[6] Thus, we chose to focus on what we consider to be profitable companies. Our definition builds on "owner earnings", which we define as the cash inflow that companies are free to allocate as they wish. EBITDA-capex or cash flow before acquisitions are closely related concepts. Here, some discretion has been applied to the selection. We want the included companies to be sustainably profitable or have a clear path to profitability in the near term. As such, we exclude companies that has received one-time milestone payments, gaming companies where releases temporarily inflate the numbers, or other similar situations.

In case readers, or client companies, have questions regarding the selection, feel free to contact the authors of this report at martin.wahlstrom@redeye.se and jacob.benon@redeye.se and we will explain the motivations in specific instances.

[6] Global Outperformers, Jenga Investment Partners, 2022.

Included companies outside of Redeye's coverage

To add moving parts to the report, and to capitalise on the research we conduct outside of Redeye's coverage, we will add commentary on 3-5 new companies each quarter. These are companies outside of Redeye's coverage where something has piqued our interest. It could be related to large insider transactions, impressive fundamental development, or what we consider to be upcoming triggers for the stock. Depending on their fundamental development, some companies might be included multiple times, but our intention is to keep this part as moving as possible.

If readers have suggestions for companies outside of Redeye's coverage that we should cover in the next edition, feel free to contact us using the details above. We are always interested in new ideas.

Conflict of interest mitigation and author holdings disclosure

In addition to adhering to the trading rules and guidelines established by Redeye for all its employees, the authors of this report have voluntarily implemented supplementary trading rules to further minimise potential conflicts of interest. Specifically, the authors agree to refrain from engaging in any buying transactions involving companies not currently under Redeye's coverage from the moment it is determined that these companies will be included in the report. Furthermore, the authors will be prohibited to sell companies not currently under Redeye's coverage until 30 days after the report's publication.

For transparency, companies in which the authors own shares are listed below (and in the disclaimer). Note that this represents our entire portfolios, and not only the names mentioned in the report. In addition, for each company covered by Redeye, information about ownership and transactions carried out by Redeye's analysts are available on our website.

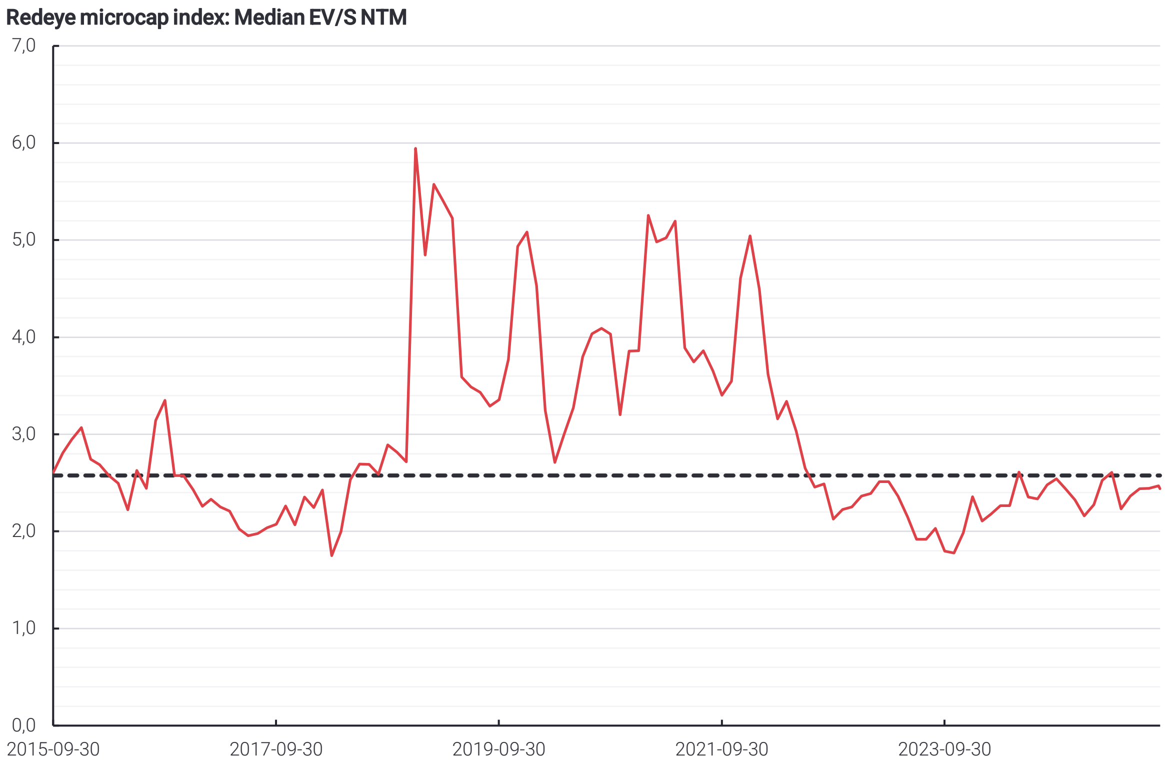
Martin Wahlström owns shares in: Adtraction, Klimator, Unlimited Travel Group, Online Brands Nordic, Tradedoubler, Berkshire Hathaway, Cash (31%).

Jacob Benon owns shares in: Adtraction, Exsitec, Vertiseit, Fractal Gaming, Litium, Qualisys, Smart Eye, Berkshire Hathaway, Catella, Söder Sportfiske, Cash (6%).

General market commentary

Median EV/S NTM (10 years)

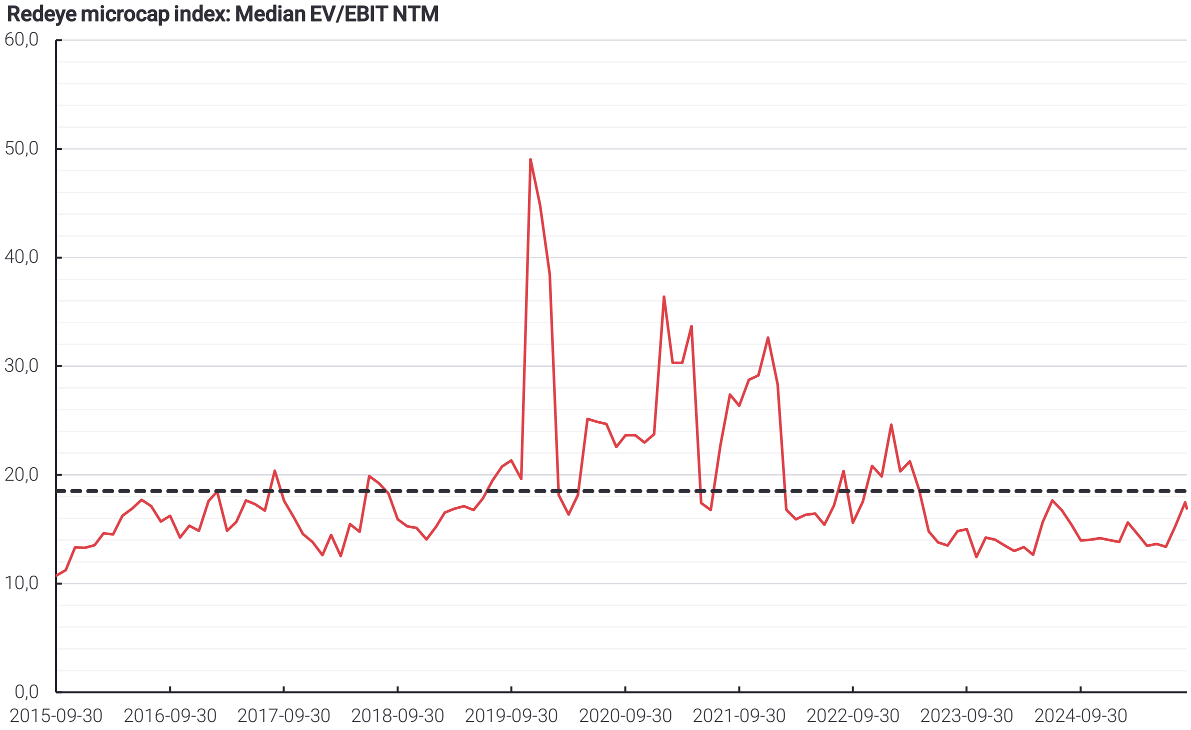
One way to extract insights from a heterogenous peer group is to ditch the focus on its absolute level and instead make it longitudinal. The microcap index has traded around the c2.6x NTM EV/S range for the past ten years, with the 2020-2021 period being a significant outlier, trading above 5x at the peaks. Note that the index has relatively few constituents up until 2020 or so, especially constituents with estimates. This means that the earlier data is a little bit more uncertain. This is the reason for the local c2019 peak in the chart, which is not really a result of valuations increasing, but rather a result of companies being included/excluded and changing the mix.



Currently, the index is trading just below the ten-year median figure, at 2.4x. Note that as constituents shift with each quarterly microcap report, it is not possible to compare graphs from previous quarters. This time, one new company was added to the mix, and one was excluded, which slightly impacted the index.

Median EV/EBIT NTM (10 years)

For EV/EBIT NTM, we see that the index is just below its historical median for the past ten years, with a level of 16.9x EV/EBIT NTM against the median level of 18.5x.

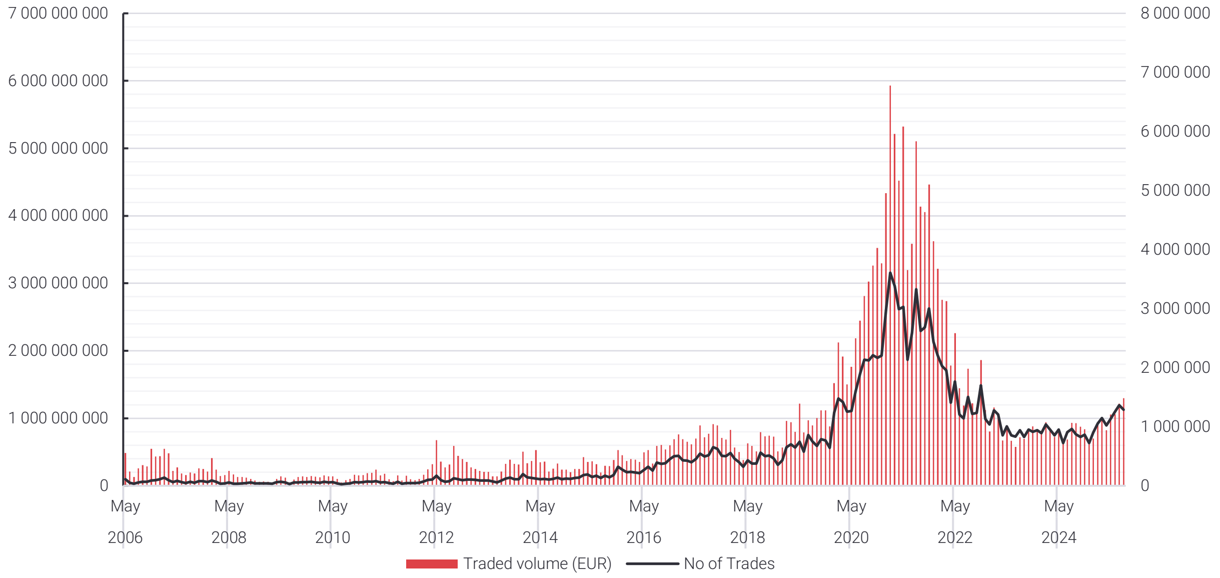


Once again, availability of estimates is behind the large, short term fluctuations, so try to look at the underlying trend rather than the absolute levels for a specific period. We judge the current level to be a relatively good proxy for the typical valuation on an index level. We thus reiterate our previous view that markets are neither especially cheap nor expensive.

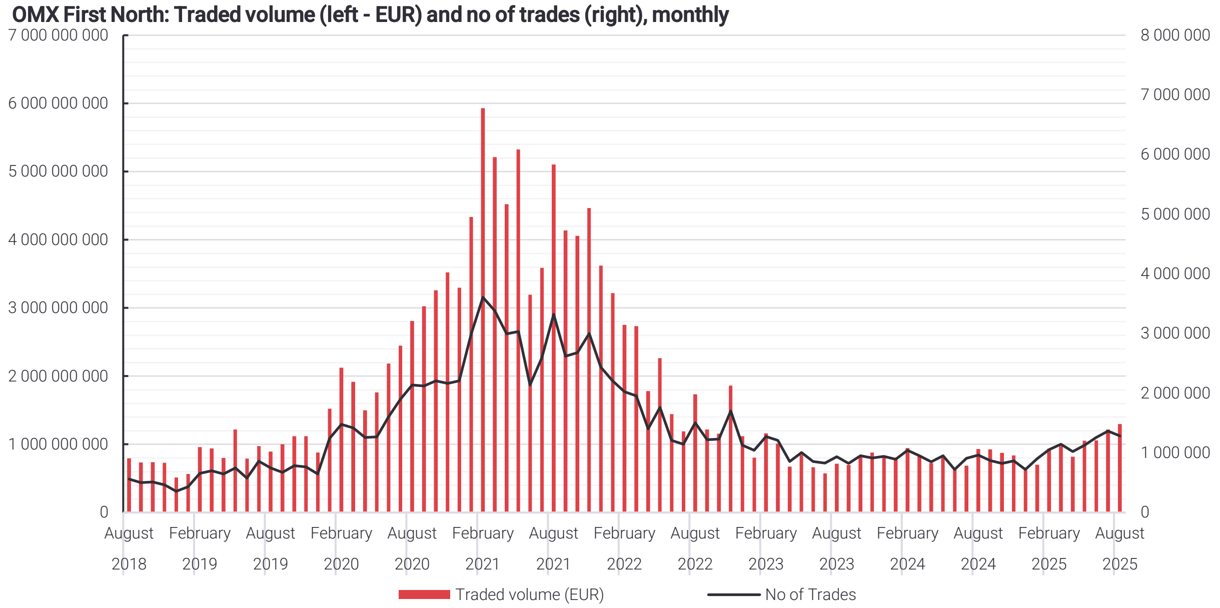
First North traded volumes – Slowly trending upwards

The two charts below depict the traded volume in all equity instruments on First North, including Sweden, Finland, Denmark, and Iceland over two different time periods. Volumes have remained minimal since the end of the go-go pandemic years. Although, over the longer term, we can see an upwards trend, which is driven primarily by the increase in market capitalisation rather than an increase in activity.

OMX First North: Traded volume (left - EUR) and no of trades (right), monthly

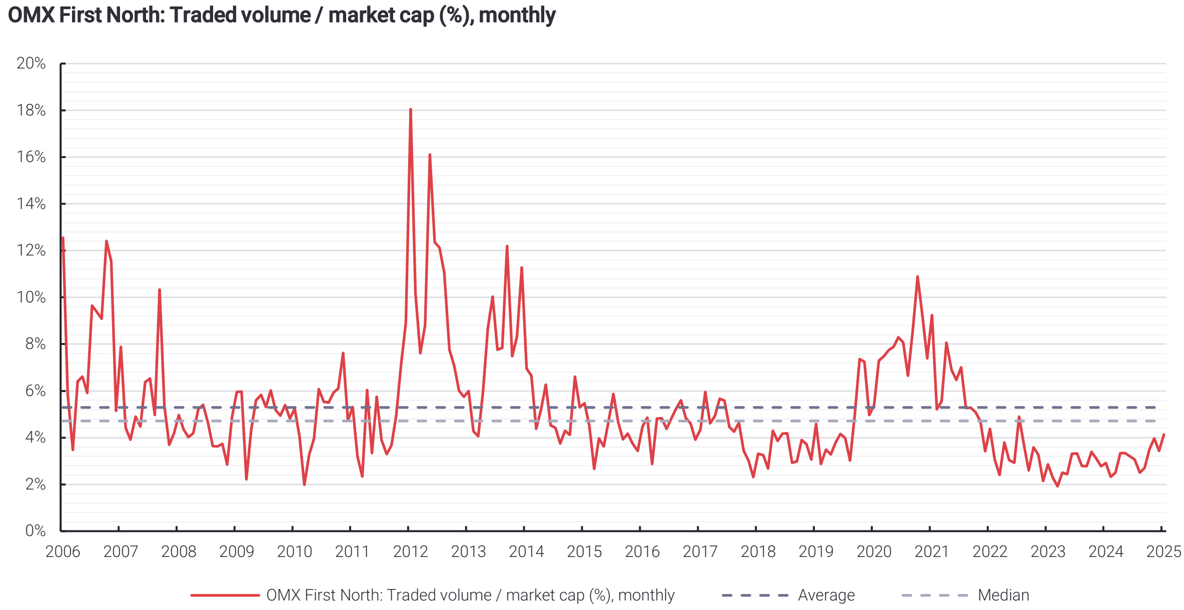


OMX First North: Traded volume (left - EUR) and no of trades (right), monthly

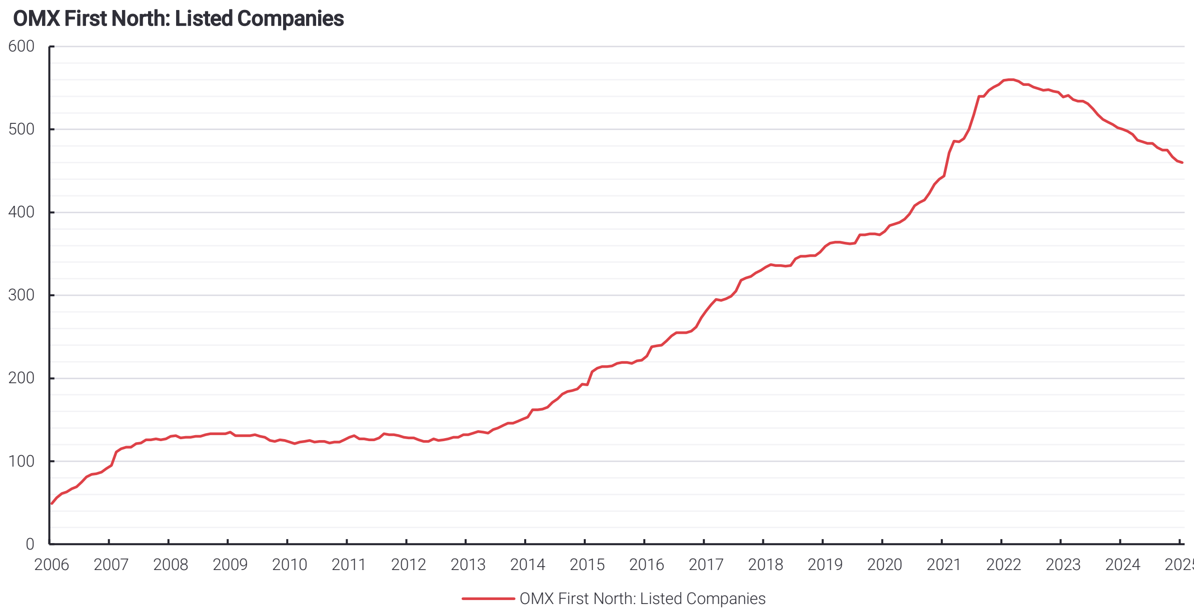


Looking closely at the most recent months, there has been a noticeable uptick in volumes, starting, as we have previously mentioned, with accumulated volumes YTD (August) is up 26% against 2024, with an acceleration in the past four months as individual months show increases of up towards 70%. This is also reflected in data on capital raises, where companies are generally able, since the bottom in Q4 2024, to secure more capital while paying less in fees to guarantors, indicating that risk-appetite is coming back.

Looking at the traded volume/market capitalisation in per cent, which is generally a better proxy than the absolute volumes, the positive trend is again verified.



Looking at the number of listed companies on First North, it increased consistently between 2013 and 2022, with a slow but steady downturn over the past three years. For microcap investors, it is of course not fun to see one's investable universe shrink, but applying a broader perspective, we think low-quality names leaving the listed environment is a good thing. Extrapolating the trend from 2013 until the beginning of 2021, the local peak during the pandemic years has now been corrected. In June to August, this figure was 452, 451, and 443, respectively, showing that the decline continues.



All in all, when we look at the recent development, we think we are in the early stages of the market becoming more risk-on. Coming from low levels, there should still be room for more optimism, and although some recent movements in individual names are best described as asinine, we are nowhere near the widespread exuberance seen during the pandemic. Thus, we think there is an argument to be made for moving further down the lists into smaller names looking for bargains, as investors are seemingly becoming increasingly willing to stomach risk , which should enable repricing wherever it is due.

Peer table 1 (P/S, P/E, EV/S, EV/EBIT)

The below peer table provides a snapshot view of valuations of the companies included in the report. As we have stated previously, the business models vary significantly, rendering head-to-head comparison relatively useless. Nevertheless, the table does serve the purpose of providing an easy way to get an overview of the report's constituents.

Microcap index (Redeye coverage)*			P/S				P/E				EV/S				EV/EBIT			
	Mcap (SEKm)	EV (SEKm)	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e
Avensia	367	328	0,9	0,8	0,8	0,8	21,8	10,4	8,6	7,8	0,8	0,8	0,7	0,7	12,3	7,1	6,1	5,5
Avtech	578	550	16,8	11,2	8,3	6,6	45,8	26,4	15,4	10,8	16,0	10,6	7,9	6,3	46,6	25,7	15,0	10,6
Cheffelo	715	615	0,7	0,6	0,6	0,6	22,1	14,9	13,0	11,7	0,6	0,5	0,5	0,5	14,7	9,9	8,5	7,8
CombinedX	706	694	0,8	0,7	0,7	0,6	13,9	14,1	9,2	7,9	0,7	0,7	0,7	0,6	11,0	10,2	7,1	6,1
Enea	1 554	1 741	1,7	1,7	1,6	1,5	10,9	39,5	13,6	10,6	1,9	1,9	1,8	1,6	13,4	14,5	11,2	8,9
Formpipe	1 465	701	6,6	6,2	5,6	5,0	85,7	neg	59,8	38,9	3,1	2,9	2,7	2,4	41,7	neg	22,7	14,8
Genovis	1 520	1 351	11,7	10,6	8,2	6,3	78,8	56,9	31,8	21,5	10,4	9,4	7,3	5,6	29,5	41,3	22,4	15,2
I-Tech	1 100	987	6,1	5,9	4,7	3,8	28,4	25,0	16,4	14,3	5,4	5,3	4,2	3,4	21,8	18,3	12,5	10,0
Litium	212	209	2,9	2,6	2,2	1,9	298,6	neg	47,1	14,9	2,9	2,6	2,2	1,9	336,8	neg	38,0	11,7
Paxman	1 820	1 689	7,2	5,3	3,5	2,6	45,5	165,5	18,9	11,1	6,7	4,9	3,2	2,4	49,7	59,7	14,8	8,6
Safeture	186	160	3,3	3,3	2,9	2,5	365,2	neg	465,6	35,1	2,8	2,8	2,5	2,2	neg	neg	401,1	30,3
Sleep Cycle	568	455	2,2	2,2	1,8	1,5	9,1	9,8	8,0	6,3	1,7	1,7	1,5	1,2	5,9	6,4	5,3	4,2
Tradedoubler	458	449	0,2	0,2	0,2	0,2	38,8	9,5	7,8	6,4	0,2	0,2	0,2	0,2	22,8	7,1	5,8	4,8
Vertiseit	2 188	2 307	4,7	3,1	2,9	2,7	53,1	100,8	26,5	19,7	5,0	3,3	3,0	2,8	37,9	53,9	19,6	15,0
Median	**711**	**655**	**3,1**	**2,9**	**2,5**	**2,2**	**42,2**	**25,0**	**15,9**	**11,4**	**2,9**	**2,7**	**2,4**	**2,0**	**22,8**	**14,5**	**13,6**	**9,4**
Average	**960**	**874**	**4,7**	**3,9**	**3,1**	**2,6**	**79,8**	**43,0**	**53,0**	**15,5**	**4,2**	**3,4**	**2,7**	**2,3**	**49,6**	**23,1**	**42,1**	**10,9**

**Negative values shown as neg. List includes the companies in Redeye's coverage universe that fulfills the stipulated criteria for being classified as a microcap and are included in the latest edition of the report. Thus, there might be companies that technically fulfill the stipulated criteria but has not yet been covered in the microcap report.*

Outside of coverage*			P/S				P/E				EV/S				EV/EBIT			
	Mcap (SEKm)	EV (SEKm)	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e
Adtraction	508	408	0,4	0,4	0,4	0,4	neg	neg	neg	neg	0,3	0,4	0,3	0,3	7,9	8,2	7,0	7,2
Codemill	211	185	2,3	n/a	n/a	n/a	19,4	n/a	n/a	n/a	2,0	n/a	n/a	n/a	17,0	n/a	n/a	n/a
Fractal Gaming	1 072	1 006	1,5	1,3	1,2	1,1	22,5	24,1	18,3	14,3	1,4	1,2	1,1	1,0	17,1	15,4	13,4	10,6
Klimator	124	119	4,7	n/a	n/a	n/a	neg	n/a	n/a	n/a	4,5	n/a	n/a	n/a	neg	n/a	n/a	n/a
Söder Sportfiske	224	193	1,0	n/a	n/a	n/a	31,1	n/a	n/a	n/a	0,8	n/a	n/a	n/a	20,8	n/a	n/a	n/a
Exsitec	1 950	2 200	2,4	2,2	2,0	1,9	33,0	26,2	21,3	18,7	2,7	2,5	2,3	2,1	24,5	19,2	16,1	14,6
Online Brands Nordic	318	377	0,9	n/a	n/a	n/a	neg	n/a	n/a	n/a	1,0	n/a	n/a	n/a	134,5	n/a	n/a	n/a
Haypp	5 267	5 275	1,4	1,4	1,1	1,0	117,1	72,0	26,6	19,0	1,4	1,4	1,1	1,0	82,2	38,2	18,1	13,6
Pierce Group	1 070	882	0,7	0,6	0,5	0,5	29,7	98,2	13,3	11,2	0,5	0,5	0,4	0,4	49,0	18,8	9,5	7,9
Unlimited Travel Group	229	165	0,3	n/a	n/a	n/a	8,6	n/a	n/a	n/a	0,2	n/a	n/a	n/a	4,8	n/a	n/a	n/a
Median	**413**	**392**	**1,2**	**1,3**	**1,1**	**1,0**	**29,7**	**49,1**	**19,8**	**16,5**	**1,2**	**1,2**	**1,1**	**1,0**	**20,8**	**18,8**	**13,4**	**10,6**
Average	**1 097**	**1 081**	**1,6**	**1,2**	**1,1**	**1,0**	**37,3**	**55,1**	**19,9**	**15,8**	**1,5**	**1,2**	**1,1**	**1,0**	**39,8**	**20,0**	**12,8**	**10,7**

**Includes former constituents of the Redeye microcap report that are not part of our research coverage. Estimates are taken from FactSet and may sometimes include only one estimate.*

One thing worth noting is that, similar to previous reports, the companies outside of Redeye's coverage is trading at lower sales multiples than the covered group, although this is mostly a result of the type of company selected rather than some relative cheapness.

Peer table 2 (EV/Sales, EV/EBIT, Sales growth, and EBIT margin)

When setting the companies' valuation in relation to some fundamental performance metrics such as sales growth and EBIT margin, the valuations become somewhat more insightful. Nevertheless, use these tables to get an overview rather than to compare companies.

Microcap index (Redeye coverage)*			EV/S				EV/EBIT				Sales growth (%)				EBIT (%)			
	Mcap (SEKm)	EV (SEKm)	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e
Avensia	367	328	0,8	0,8	0,7	0,7	12,3	7,1	6,1	5,5	2%	3%	6%	6%	6%	11%	12%	12%
Avtech	578	550	16,0	10,6	7,9	6,3	46,6	25,7	15,0	10,6	25%	51%	35%	25%	34%	41%	53%	60%
Cheffelo	715	615	0,6	0,5	0,5	0,5	14,7	9,9	8,5	7,8	6%	9%	6%	5%	4%	5%	6%	6%
CombinedX	706	694	0,7	0,7	0,7	0,6	11,0	10,2	7,1	6,1	21%	3%	10%	5%	7%	7%	9%	10%
Enea	1 554	1 741	1,9	1,9	1,8	1,6	13,4	14,5	11,2	8,9	-1%	4%	4%	8%	14%	13%	16%	19%
Formpipe	1 465	701	3,1	2,9	2,7	2,4	41,7	neg	22,7	14,8	-58%	7%	9%	13%	8%	0%	12%	16%
Genovis	1 520	1 351	10,4	9,4	7,3	5,6	29,5	41,3	22,4	15,2	-17%	10%	29%	32%	35%	23%	33%	37%
I-Tech	1 100	987	5,4	5,3	4,2	3,4	21,8	18,3	12,5	10,0	50%	3%	26%	23%	25%	29%	33%	34%
Paxman	1 820	1 689	6,7	4,9	3,2	2,4	49,7	59,7	14,8	8,6	20%	36%	53%	33%	13%	8%	22%	28%
Safeture	186	160	2,8	2,8	2,5	2,2	neg	neg	401,1	30,3	15%	1%	12%	15%	0%	-1%	1%	7%
Sleep Cycle	568	455	1,7	1,7	1,5	1,2	5,9	6,4	5,3	4,2	11%	0%	18%	20%	29%	27%	28%	29%
Tradedoubler	458	449	0,2	0,2	0,2	0,2	22,8	7,1	5,8	4,8	6%	7%	10%	9%	1%	3%	3%	3%
Vertiseit	2 188	2 307	5,0	3,3	3,0	2,8	37,9	53,9	19,6	15,0	33%	51%	9%	7%	13%	6%	15%	19%
Median	**715**	**694**	**2,8**	**2,8**	**2,5**	**2,2**	**22,3**	**14,5**	**12,5**	**8,9**	**11%**	**7%**	**10%**	**13%**	**13%**	**8%**	**15%**	**19%**
Average	**1 017**	**925**	**4,3**	**3,5**	**2,8**	**2,3**	**25,6**	**23,1**	**42,5**	**10,9**	**9%**	**14%**	**17%**	**15%**	**15%**	**13%**	**19%**	**22%**

**Negatives values shown as neg. List includes the companies in Redeye's coverage universe that fulfills the stipulated criteria for being classified as a microcap and are included in the latest edition of the report. Thus, there might be companies that technically fulfill the stipulated criteria but has not yet been covered in the microcap report.*

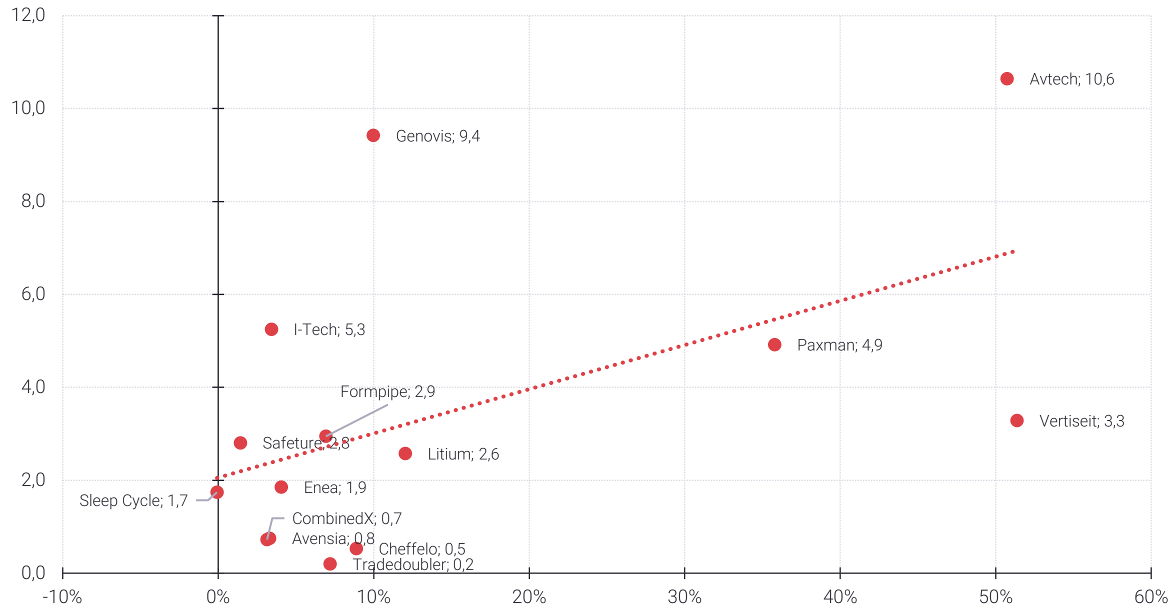
Outside of coverage*			EV/S				EV/EBIT				Sales growth (%)				EBIT (%)			
	Mcap (SEKm)	EV (SEKm)	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e
Adtraction	508	408	0,3	0,4	0,3	0,3	7,9	8,2	7,0	7,2	-11%	-3%	6%	3%	4%	4%	5%	5%
Codemill	211	185	2,0	n/a	n/a	n/a	17,0	n/a	n/a	n/a	17%	n/a	n/a	n/a	12%	n/a	n/a	n/a
Fractal Gaming	1 072	1 006	1,4	1,2	1,1	1,0	17,1	15,4	13,4	10,6	-10%	21%	8%	9%	8%	8%	8%	10%
Klimator	124	119	4,5	n/a	n/a	n/a	neg	n/a	n/a	n/a	16%	n/a	n/a	n/a	-7%	n/a	n/a	n/a
Söder Sportfiske	224	193	0,8	n/a	n/a	n/a	20,8	n/a	n/a	n/a	4%	n/a	n/a	n/a	4%	n/a	n/a	n/a
Exsitec	1 950	2 200	2,7	2,5	2,3	2,1	24,5	19,2	16,1	14,6	8%	10%	8%	8%	11%	13%	14%	14%
Online Brands Nordic	318	377	1,0	n/a	n/a	n/a	134,5	n/a	n/a	n/a	22%	n/a	n/a	n/a	1%	n/a	n/a	n/a
Haypp	5 267	5 275	1,4	1,4	1,1	1,0	82,2	38,2	18,1	13,6	16%	4%	21%	19%	2%	4%	6%	7%
Pierce Group	1 070	882	0,5	0,5	0,4	0,4	49,0	18,8	9,5	7,9	-49%	12%	10%	9%	1%	3%	5%	5%
Unlimited Travel Group	229	165	0,2	n/a	n/a	n/a	4,8	n/a	n/a	n/a	-73%	-100%	n/a	n/a	4%	n/a	n/a	n/a
Median	**413**	**392**	**1,2**	**1,2**	**1,1**	**1,0**	**20,8**	**18,8**	**13,4**	**10,6**	**6%**	**7%**	**8%**	**9%**	**4%**	**4%**	**6%**	**7%**
Average	**1 097**	**1 081**	**1,5**	**1,2**	**1,1**	**1,0**	**39,8**	**20,0**	**12,8**	**10,7**	**-6%**	**-9%**	**11%**	**10%**	**4%**	**6%**	**8%**	**8%**

**Includes former constituents of the Redeye microcap report that are not part of our research coverage. Estimates are taken from FactSet and may sometimes include only one estimate.*

Valuation grid - Growth (%) against EV/S

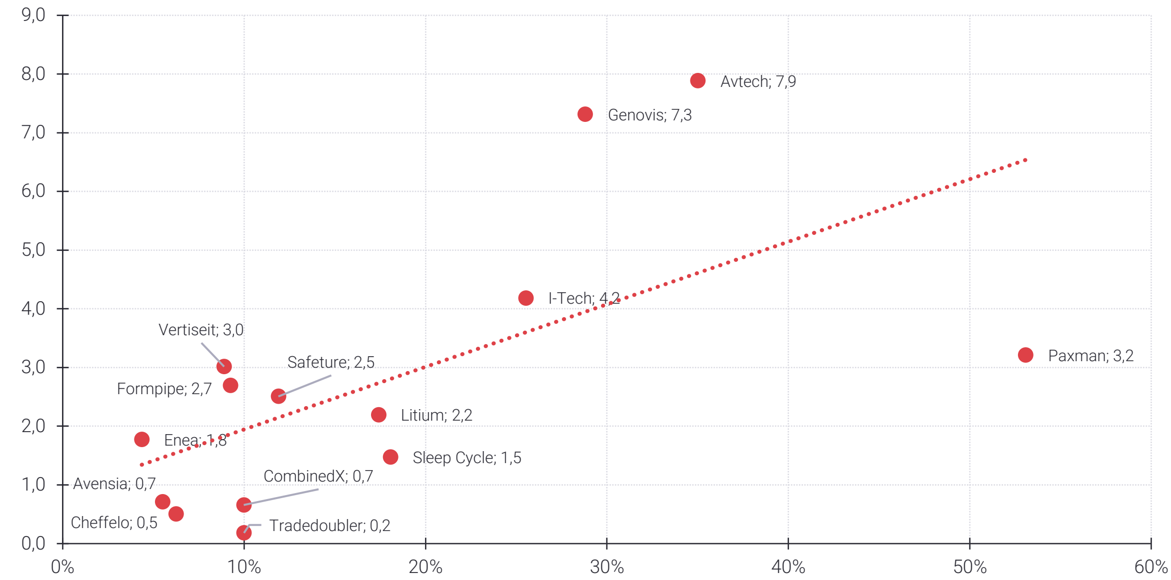
As expected, there seems to be a correlation between the EV/S multiple for 2025e and the expected growth rate among the report's constituents.

Growth (%) 2025e against EV/S 2025e



Source: Redeye research (chart structuring and estimates)

Growth (%) 2026e against EV/S 2026e

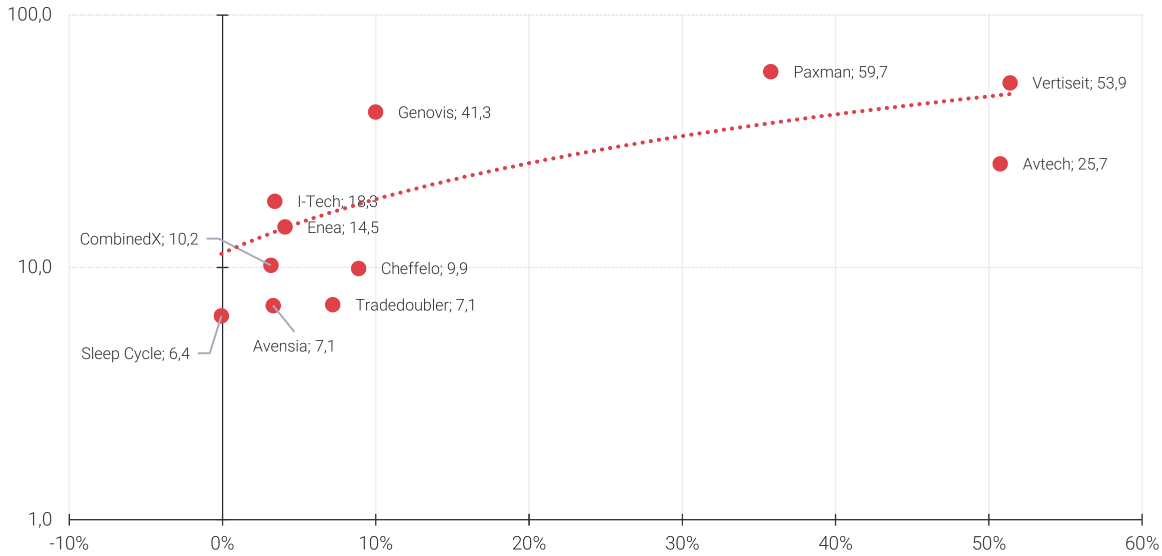


Source: Redeye research (chart structuring and estimates)

Valuation grid - Growth (%) against EV/EBIT (log scale)

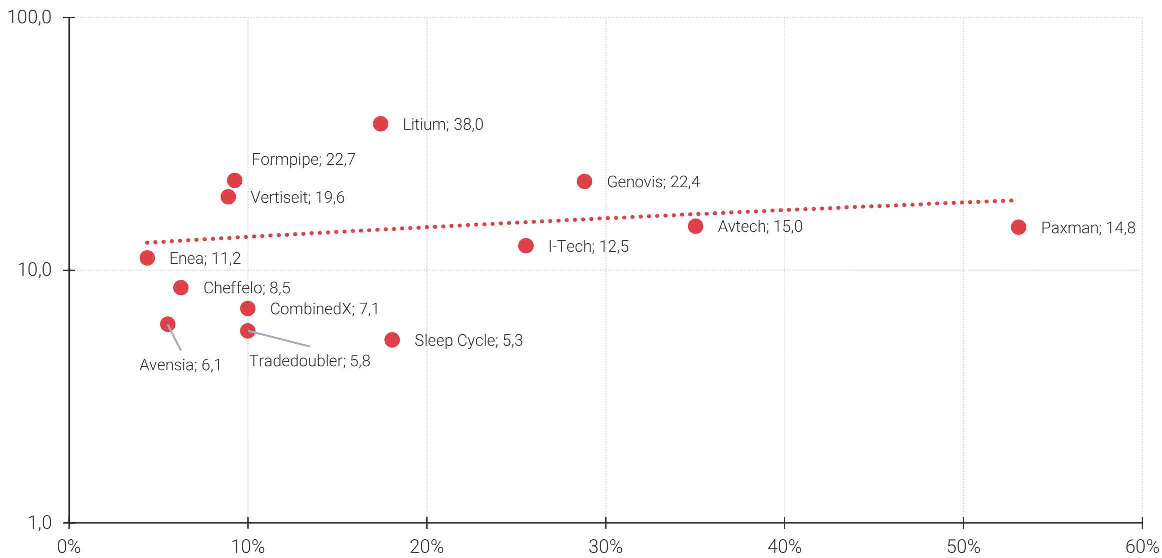
The valuation grids involving an EBIT-based metric has been made using a logarithmic Y-axis, given that there can be significant fluctuations as companies first break even. Given the logarithmic scale, companies with negative values are naturally excluded.

Growth (%) 2025e against EV/EBIT 2025e (log scale)*



*Note that we use a logarithmic scale to improve readability. Negative values are excluded as a result.
Source: Redeye research (chart structuring and estimates)

Growth (%) 2026e against EV/EBIT 2026e (log scale)*

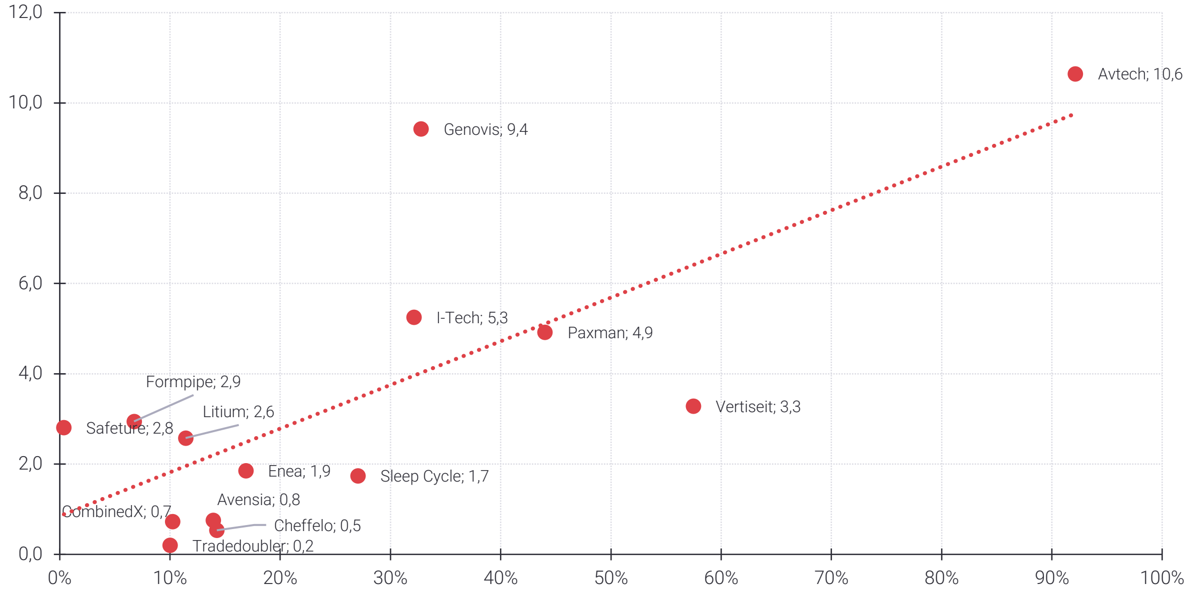


*Note that we use a logarithmic scale to improve readability. Negative values are excluded as a result.
Source: Redeye research (chart structuring and estimates)

Valuation grid - Growth (%) + EBIT (%) against EV/S

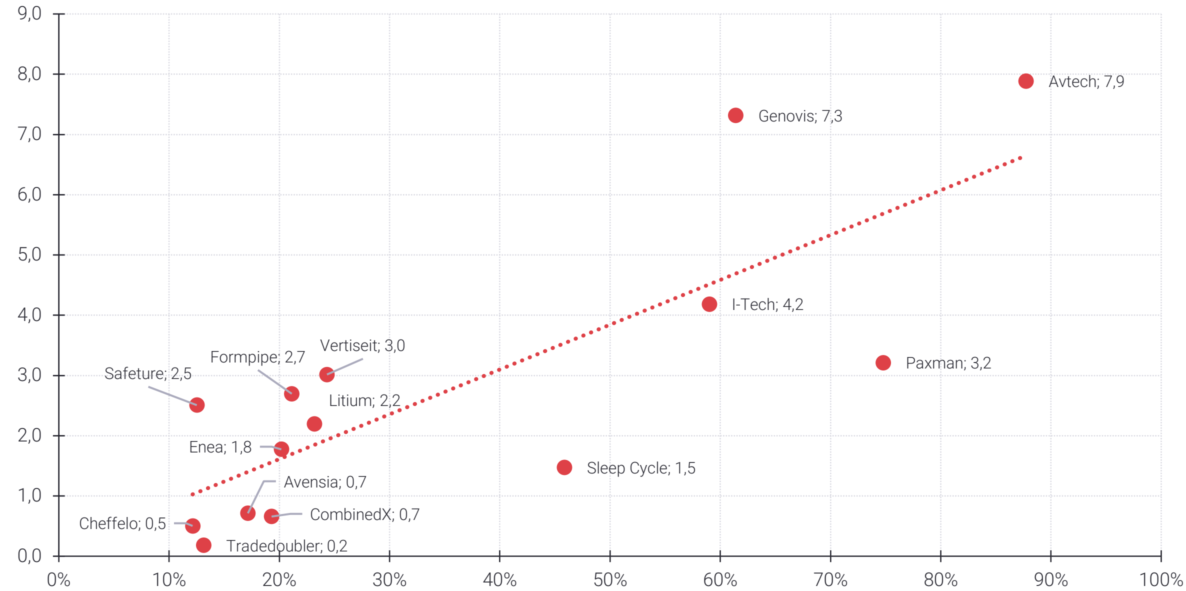
Below is the growth (%) + EBIT (%), which is trying to resemble the rule of 40 commonly used for SaaS companies.

Growth (%) + EBIT (%) 2025e against EV/S 2025e



Source: Redeye research (chart structuring and estimates)

Growth (%) + EBIT (%) 2026e against EV/S 2026e

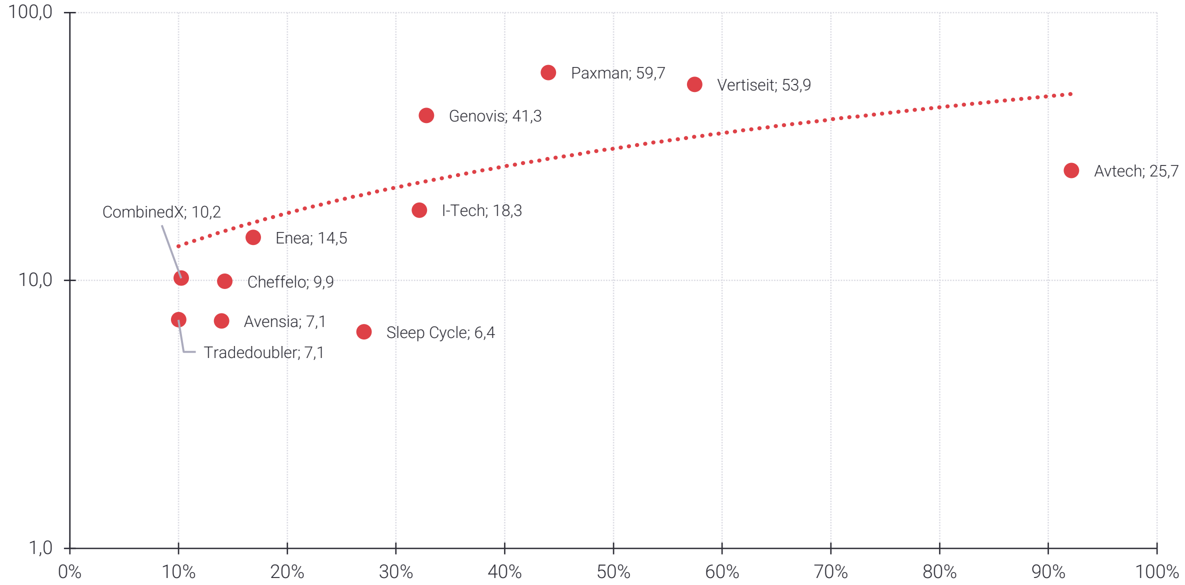


Source: Redeye research (chart structuring and estimates)

Valuation grid - Growth (%) + EBIT (%) against EV/EBIT (log scale)*

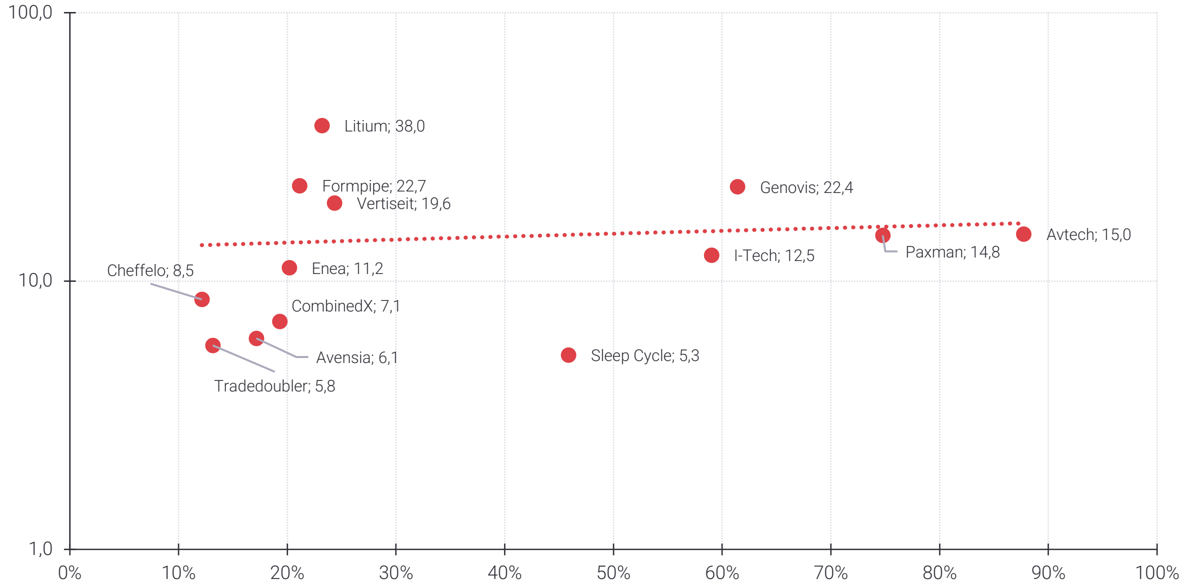
When setting the rule of 40 proxy against EV/EBIT 2025e, Avtech, Tradedoubler, Sleep Cycle and Paxman stand out as outliers over the two time period.

Growth (%) + EBIT (%) 2025e against EV/EBIT 2025e (log scale)*



*Note that we use a logarithmic scale to improve readability. Negative values are excluded as a result.
Source: Redeye research (chart structuring and estimates)

Growth (%) + EBIT (%) 2026e against EV/EBIT 2026e (log scale)*



*Note that we use a logarithmic scale to improve readability. Negative values are excluded as a result.
Source: Redeye research (chart structuring and estimates)

Quarterly company updates – Redeye's coverage

With 20+ research analysts and 170+ companies under coverage, Redeye is one of the leading equity research firms in the Nordics. Our eyes are set at companies in the tech and life science sectors, and we have been doing this for more than 20 years. Naturally, we have a lot of companies that would adhere to the traditional (albeit undefined) perception of a microcap under coverage. To 1) make the workload manageable and 2) keep the report relevant for readers, we have chosen to apply two criteria:

- Market cap <SEK3bn (<cUSD300m)

This is a hard limit for first adding a company to the report. However, if we start following a company and it grows past the size limit, we will not necessarily exclude it immediately. This is partly to avoid having to shuffle companies around too much as their market caps fluctuate in the short term and partly as it is quite exciting to see these companies develop over time.

- Profitable companies

In Global Outperformers by Dede Eysan, it stated that profitable companies are significantly overrepresented among outperforming stocks.[7] Thus, we chose to focus on what we consider to be profitable companies. Our definition builds on "owner earnings", which we define as the cash inflow that companies are free to allocate as they wish. EBITDA-capex or cash flow before acquisitions are closely related concepts. Here, some discretion has been applied to the selection. We want the included companies to be sustainably profitable or have a clear path to profitability in the near term. As such, we exclude companies that has received one-time milestone payments, gaming companies where releases temporarily inflate the numbers, or other similar situations.

What follows in this section is commentary on the 14 companies fulfilling these criteria. We give a more timeless case overview on the first page and quarterly specific commentary on the second page. We strive to never exceed the two-page limit for companies under our coverage to keep the report easily digestible.

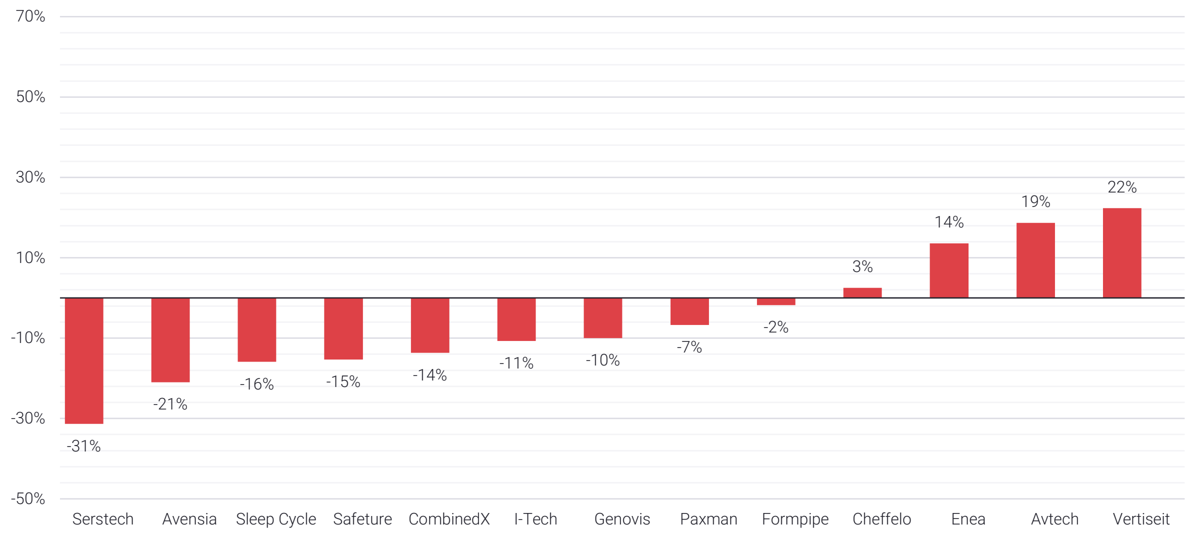
In case readers, or client companies, have questions regarding the selection, feel free to contact the authors of this report at martin.wahlstrom@redeye.se and jacob.benon@redeye.se and we will explain the motivations in specific instances.

[7] Global Outperformers, Jenga Investment Partners, 2022.

Share price movements since last report

Below is a table depicting the largest share price movements among the companies under our coverage since the time of the publication for the latest report. The starting and ending share prices are from June 5, 2025, and September 5, 2025.

Q1 2025 report constituents: Share price movements between Q1 and Q2 report



Vertiseit and Avtech were the top performers, with Avtech placing in the top two for three consecutive quarters. In nine months, the stock is up some 170%. Other than that, the performance was quite disappointing among the covered names, although this follows a couple of quarters with overall very solid performance.

Avensia: Premium positioning facilitates margin improvements[8]

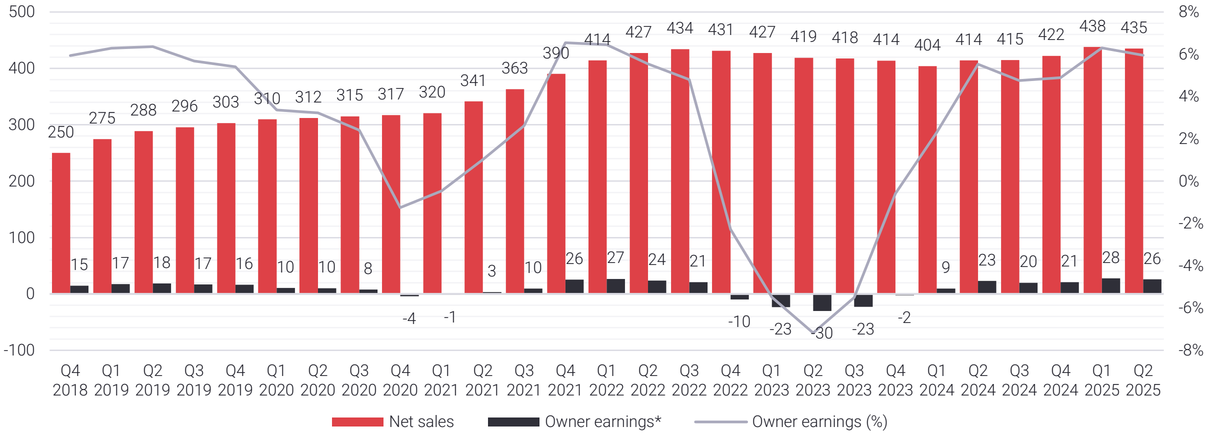
Established in 1998 as a general consultancy firm, Avensia has since 2016 become a premium e-commerce-focused IT consultant. Since divesting two business units unrelated to e-commerce in 2015, the company has grown its sales with a CAGR of c19% in 2016-2024, of which the vast majority (we estimate c99%) has been organic. Since 2016, the company has had an average EBIT margin of 4.7%, which includes two tough years in terms of profitability (EBIT margin of -3% in 2022 & -1% in 2023). Having executed not only one but two cost-saving programs during 2023, the organisation is now much more adapted to the current market conditions, where the e-commerce industry in Sweden has seen two consecutive years of negative growth in 2022 and 2023 of -7% and -2%, respectively.[9] In 2024, the Swedish e-commerce market grew by 5%, and Avensia grew by 2%, with an owner earnings margin of 4.9% compared to -1% for the comparable period, indicating a much more right-sized organisation.

Avensia combines leading e-commerce platforms like Optimizely and Commercetools with its deep know-how and integration packages to create solutions for the most ambitious B2C and B2B players. Customers like Lyko, Bygghemma & Ahlsell choose Avensia as they demand a top-notch e-commerce platform to drive sales and enhance the customer experience. A recent customer case with Nordic Nest, a returning customer since 2005, showed that in the latest project where the company updated Nordic Nest's e-commerce platform, Avensia increased the conversion rate by 6% and decreased server response time by 60%. For a company generating revenues of ~SEK2bn, an increase in conversion rate of 6% is a massive value proposition, strengthening the claim that the know-how that Avensia has built within its niche during the past 20 years is worth every penny. Another data point supporting Avensia's value add in their customers' affairs is that ~80% of revenues are generated from existing customers choosing to hire Avensia for maintenance and upgrades regarding their e-commerce platform.

Key drivers to follow

We think investors should remember that before the pandemic, in 2016-2019, Avensia had an EBIT margin average of 8.7%. Based on its premium positioning within e-commerce, backed by a solid list of returning customers, we believe the historical EBIT margin of c9% is more representative of what the business can generate in a more normal, growing e-commerce market. The fact that the company announced financial goals as late as April 2024, where profitability on the EBIT level should be at least 10%, strengthens the thesis that profitability since 2022 has been far below par. With the EBIT-margin back in solid territory (10.8% In H1 2025), we argue that the company could close the valuation gap to peers, and trade closer to our base case if H2 shows solid margins and just a pinch of growth again after a somewhat weaker Q2 2025.

Avensia: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - repayment of lease liabilities
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[8] Analyst Fredrik Nilsson owns shares? Yes. Latest transaction: Buy (2024-12-06)
[9] E-barometern yearly report 2022, 2023 & 2024, Postnord

Quarterly commentary

Avensia's Q2 report came in slightly below expectations, with net sales of SEK110m (-2% y/y), 5% short of our forecast. Adjusted for working days, underlying growth was +1% y/y. The deviation was mainly due to lower revenue from subconsultants, while sales-COGS per employee and working day were broadly in line with our analysts assumption. The weaker top line contrasts with the 15% y/y growth in Q1, though tougher comparables from Q2 2024 partly explain it. Despite the softer quarter, Avensia continues to outperform both generalist and e-commerce-focused IT-consultant peers, indicating market share gains in what we would describe as a weak market for IT-consultants, where the median organic growth for Q2 reached -6.3%, which is an ATL since we started tracking it.

EBIT landed at SEK9.4m (8.6% margin), compared with our SEK10.3m forecast. While below expectations, this remains a respectable margin given the muted market environment. Commerce (85% of sales) delivered flat growth y/y and a 15.1% margin, slightly below Q1's impressive 18.9%. Information Management (15% of sales) remains a drag, with -17% growth and a -10% EBIT margin. The poor performance within IM led management to initiate a cost-savings program that should yield SEK2.7m in annual savings.

The market remains volatile, with e-commerce performance fluctuating month to month. April was strong, but May was weak. Nonetheless, Avensia signed several new deals with customers such as Saint-Gobain, Haglöfs, and Vita Group in the quarter. OMS (order management) remains a key growth driver, with recognition from Fluent OMS through two partner awards, indicating Avensia's strength in this segment.

Free cash flow was SEK9.2m, boosted by working capital improvements. Net cash ended at SEK39.2m despite a SEK18.6m dividend payment. With no interest-bearing debt and continued solid cash generation, our analyst believes Avensia has the flexibility to raise dividends or even consider extraordinary payouts if conditions remain stable.

We lower our sales and EBIT forecasts by 3-5% across 2025-2027, primarily due to slightly lower headcount, fewer subconsultants, and higher costs per employee. Our Base Case is trimmed somewhat to SEK15 (16). Despite its solid profitability and current outperformance of its peers, Avensia still trades at a 20-35% discount to peers on 2025-2027 EV/EBIT. If the company achieves its >10% EBIT margin target for 2025, which our analyst deems realistic, there should be room for a re-rating toward peer levels.

Avensia	2024	2025e	2026e	2027e
Net sales	422	436	460	487
EBIT	27	46	54	59
EBIT(%)	6%	11%	12%	13%
EV/Sales	0,8	0,8	0,7	0,7
EV/EBIT	12,3	7,1	6,1	5,5

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	15
Fair value range	9-29
Current share price	9,9
Return to base	52%
EV/OE LTM	12,7

Avtech: A turbulence-free flight[10]

Avtech is a software provider for the airline industry. It has four primary solutions: Aventus (original service), SIGMA, ClearPath, and ProFlight. The company has contracts with airlines such as Southwest, Volotea, TUI, Norwegian, and EasyJet. The company services more than 2,200 aircraft of c29,000 aircraft globally at the end of Q2 2025, indicating a c8% penetration rate. Another c1,200-1,400 aircraft is in the pipeline for testing. Avtech was founded in 1988, and current insider ownership amounts to c7.5% of the capital.

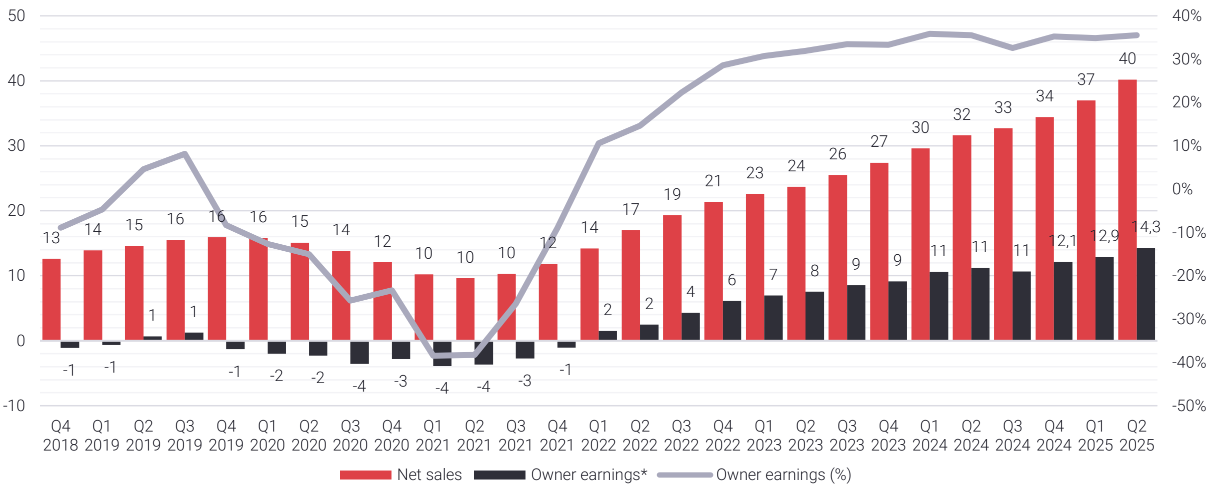
The company is debt-free and had a cash position of SEK27.2m by Q2 2025. LTM net sales amount to SEK40m, with owner earnings of SEK14.3m over the same period (see definition in chart), resulting in a superb margin of 35%. We argue that Avtech's scale-up over the past three years is a textbook example of how scalability can work in a software microcap. By Q1 2021, the company posted LTM sales of SEK10m, and LTM owner earnings of SEK-4m. As an airline subcontractor, the company struggled due to pandemic-related travel restrictions. Once the pandemic eased off, the company faced solid tailwinds. The marginal COGS for selling another unit of its software is basically zero, and the incremental profitability is thus fantastic. Over the subsequent three years through Q4 2024, the company added cSEK24.2m in net sales, of which cSEK16.1m trickled down to the bottom line. The company has a solid NWC profile, reporting NWC/LTM sales consistently in the range of 3%-5%.

There are two things which are especially important to keep in mind when looking at Avtech. First, the customer concentration is high, although this is partially mitigated by longer contracts. Particularly, it is worth noting that Southwest has c800 of the c2,200 aircraft fleet and that the present contract expires in June 2026. Although the contract is expected to be renewed, it still introduces a known unknown in the case. Second, and on a more positive note, one should keep in mind the exceptional upside optionality in the case. Given incremental margins of close to 100%, converting parts of the c1,200-1,400 airlines in the pipeline can have dramatic effects on the bottom line.

Key drivers to follow

- Conversion of pipeline. As mentioned, converting a portion of the pipeline can have dramatic effects on profitability. Assuming the same price per aircraft as for the current customer base, the c1,200-1.400 pipeline would be worth cSEK31m on Redeye's mid-point estimates, and much would fall to the bottom line.
- Upsell on existing customers. The company has a product suite of four products, where most customers currently only use one solution. Upselling on the existing customer base would have the same effect as converting the pipeline.
- Contract expiry. The negative in the case is the high customer concentration, with Southwest's contract being a significant known unknown in the investment case.

Avtech: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - average NWC/LTM sales over the period * delta in sales between quarters.
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[10] Analyst Rasmus Jacobsson owns shares? Yes. Latest transaction: Sell (2025-08-07)

Quarterly commentary

Avtech reported Q2 2025 net sales of SEK11.8m, representing 37% y/y growth and coming in 2% below Redeye's estimate of SEK12.0m. Growth was driven by the implementation of new agreements, which offset a 10% q/q headwind from the USD/SEK exchange rate. We believe most of Avtech's sales are denominated in USD, while new contracts such as the LATAM Airlines deal are diversifying its currency exposure, likely into EUR.

Another key highlight during the quarter was the development of several new modules, including the ClearPath App, On-Time Performance (OTP), and Tactical Decision Support. Our analyst has no significant expectations for revenue contribution in the near term but argues that upselling new products is an important part of maintaining growth over the long term.

Furthermore, we learned during the quarter that Wizz Air had expanded its agreement with Avtech, significantly broadening the scope of the original contract signed in late 2023. The initial agreement was limited to Wizz Air's UK division, covering an estimated 18 aircraft. The new contract now encompasses the airline's entire fleet of approximately 237 aircraft. However, the services provided remain limited to its Aventus and Sigma products. The annual order value is estimated at SEK4.2m-5.8m.. Furthermore, Wizz Air stated in a LinkedIn post that its annual fuel savings exceed EUR7.0m from AVTECH's services. With the mid-point value of the agreement at approximately EUR0.5m per year, the deal implies a near-instantaneous return on investment of over 15 times, or a payback period of less than one month. This is both good and bad: good in showing that Avtech provides excellent value to customers, but bad in suggesting that its pricing power may not be particularly strong..

Avtech currently trades at an EV/EBIT multiple of 25.7x-10.6x for 2025e-27e.

Avtech	2024	2025e	2026e	2027e
Net sales	34,3	51,7	69,8	87,3
EBIT	11,8	21,4	36,8	52,0
EBIT(%)	34%	41%	53%	60%
EV/Sales	16,0	10,6	7,9	6,3
EV/EBIT	46,6	25,7	15,0	10,6

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	13
Fair value range	6.2-17.0
Current share price	11,8
Return to base	11%
EV/OE LTM	38,6

Cheffelo: Delivering improvements[11]

Cheffelo is the second largest actor in the Scandinavian space for home delivery of meal kits. The company was founded in 2008 when Carolina Gebäck and Niklas Aronsson founded Carolinas Matkasse AB. Through acquiring Adams Matkasse, RetNemt (a majority share initially, complete ownership was obtained in conjunction with IPO in 2021), Sannan Ruokakassi (now divested), and Godtlevert.no, the company became one of the three leading actors in the Scandinavian market for home delivery of meal kits. During 2024, the company delivered a total of c16m portions, with c69,000 active customers at year-end. The group reported revenue of SEK1.06bn in 2024, against SEK1.00bn in 2023. Geographically, Norway represented 48% (51), Sweden 38% (37), and Denmark 14% (12).

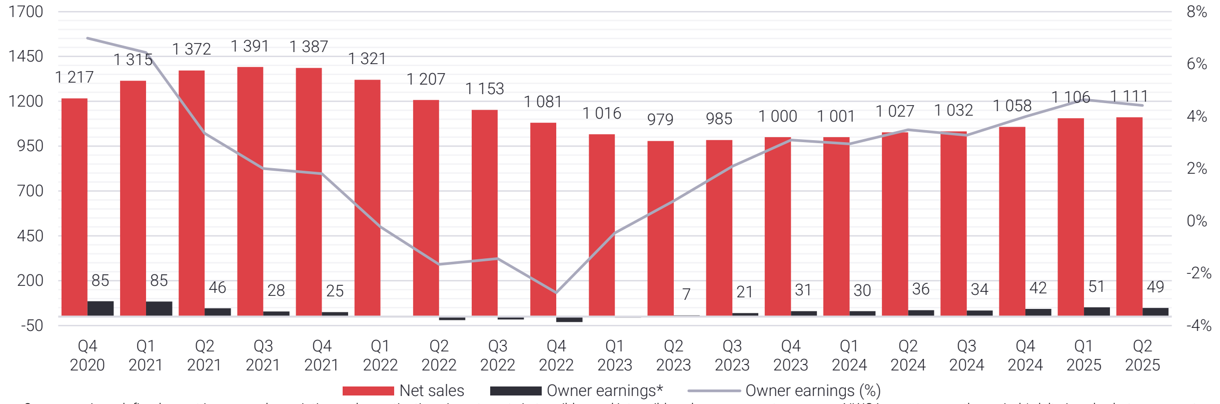
The Scandinavian market for meal kit delivery is concentrated in the hands of a few players, including HelloFresh (c58%), Cheffelo (c18%), and Årstiderna (c11%).[12] Despite the concentration, competition has been price-based over the past few years, and profitability has been lacklustre for all industry participants. Since Q4 2022, Cheffelo has managed to flip into profitability mode, turning LTM EBIT from negative figures to a positive 4.8% of sales for 2024. The share is now up about 1000% since the end of 2022, as the market has rewarded the company for the turnaround.

There are a few things to keep in mind when evaluating Cheffelo. First, there is unexpected seasonality at play, where the first quarter tends to be the strongest, followed by Q2, Q4, and Q3. This is due to the timing of vacations, holidays, and UA efforts.[13] Second, the company has an asset-light business model with a negative NWC over LTM sales of c-6% and a capex ratio that is expected to be in the range of c1.5% of sales over the longer term (c1.1% currently). Finally, investors should remember that the focus for the company should be on attracting the right customers, not growing at whatever cost. There is a long tail for UA in the industry, where c85-90% of the customers churn within 12 months, whereas c10% stay with the company for roughly four years.[14] Growing by acquiring the first type of customer is bad, growing by acquiring the second is good.

Key drivers to follow

There are a few value drivers in the case, such as the company flipping back into profitable growth (long-term financial targets of 6-8% sales CAGR and an EBIT margin of c4%-6%) and maintaining most of its fixed costs. However, **the key point is Cheffelo's favourable position in the capital cycle**. As interest rates increased from c0% to c4% in the Scandinavian markets over the 2022-2024 period, capital became much more expensive. Now, capital is being pulled from overinvested industries (such as meal kits) as the returns are no longer satisfactory, enabling the returns of remaining actors to improve. This bodes well for Cheffelo. The outlook for 2025e confirms the hypothesis, with the company expecting to surpass its growth target and reaching the mid-point for profitability (5%) already this year, while the targets were initially set for 2026e.

Cheffelo: Key financials (SEKm) and margin (%), LTM



Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - lease payments - average NWC/LTM sales over the period * delta in sales between quarters
Note that totals may not be identical to reported figures due to rounding. Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[11] Analyst Martin Wahlström owns shares? No. Latest transaction: No transaction (n/a)
[12] Market share estimates are based on Cheffelo's estimates. Presented during the 2023 CMD.
[13] Q1 strong due to results from high UA at the start of a new year. Q2 sequentially weaker as people cancel ahead of vacations. Q3 the weakest as much of the Q is vacation and costs are elevated from end-of-Q UA. Q4 is mediocre due to cancelling ahead of Christmas.
[14] Based on data for the 2019 cohort presented on the 2023 CMD.

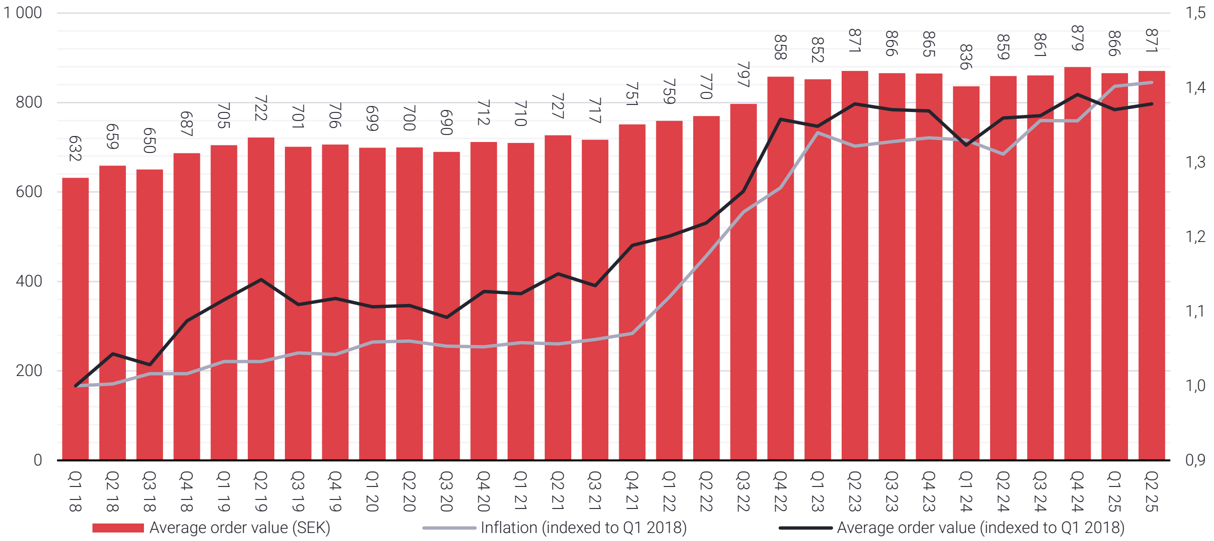
Quarterly commentary

For the second quarter of 2025, Cheffelo delivered net sales of SEK261.7m, compared with our estimate of SEK271.9m. As our knowledgeable readers will know, the sales figure is always pre-announced through a trading update, meaning that the focus on reporting day is profitability and any forward-looking commentary. Nevertheless, compared with last year, sales were up 1.9%, or 5.1% in local currencies. Adjusted for the timing of Easter, sales increased by 6.9%. EBIT was SEK21.4m, a 13% miss against our estimate but largely as expected given the known sales figure. As usual, the second quarter was strong for profitability, as marketing is gradually reduced ahead of the summer vacation period.

The outlook for the remainder of the year essentially remained unchanged, with the company expecting to exceed the upper end of its growth target (>8%) and the midpoint of its EBIT target (>5%). However, we did receive some colour on Q3, as the company expects it to show double-digit growth against last year. Although a strong growth rate, readers should keep in mind that the comparable figures were quite weak in Q3 last year. This was due to weather effects, as the Nordics experienced good weather, which is negative for Cheffelo, as customers tend to stay in vacation mode for longer, postponing the start of high-volume weeks.

The company also communicated a slight price increase of around 2% in August to mitigate the effect of ongoing food inflation. Looking at our indexed chart of inflation against AOV (not a perfect proxy, but the best available), we can see that inflation has indeed been creeping up lately, warranting a modest price adjustment (Swedish inflation data sourced from SCB).

Cheffelo: AOV (SEK) and price development against inflation (indexed)



Source: Redeye research (chart structuring and indexing), Cheffelo (company data), SCB (inflation data).

Another interesting data point in the report was the announcement of a new CMD, with the exact date to be communicated in September. If we were to speculate, it would not be unreasonable to assume that new financial targets might be on the agenda, given that the company is already exceeding its 2026e target. Cheffelo currently trades at an EV/EBIT multiple of 9.9x-7.8x for 2025e-27e.

Cheffelo	2024	2025e	2026e	2027e
Net sales	1058,2	1152,0	1224,0	1286,0
EBIT	41,7	62,0	72,0	79,0
EBIT(%)	4%	5%	6%	6%
EV/Sales	0,6	0,5	0,5	0,5
EV/EBIT	14,7	9,9	8,5	7,8

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	54
Fair value range	35-69
Current share price	56,4
Return to base	-4%
EV/OE LTM	12,5

CombinedX: A basket of rising stars[15]

Decentralised, specialised, and multi-branded. CombinedX is a group of niche IT consulting companies that provide specialised know-how in various segments. The group consists of seven wholly-owned, Nordic subsidiaries. The subsidiaries are self-governing and operating under their own brands, as CombinedX believes it facilitates customer retention and pricing power. The pricing power CombinedX has managed to build up through specialising in various segments is evidenced by its Sales-COGS/working day/employee per Q2 2025 being ~25% higher than the median Nordic IT consultant. However, 2024 was a softer year margin-wise, clocking in at a 12% EBITDA margin, as the company made many restructuring efforts to cope with underperforming business areas.

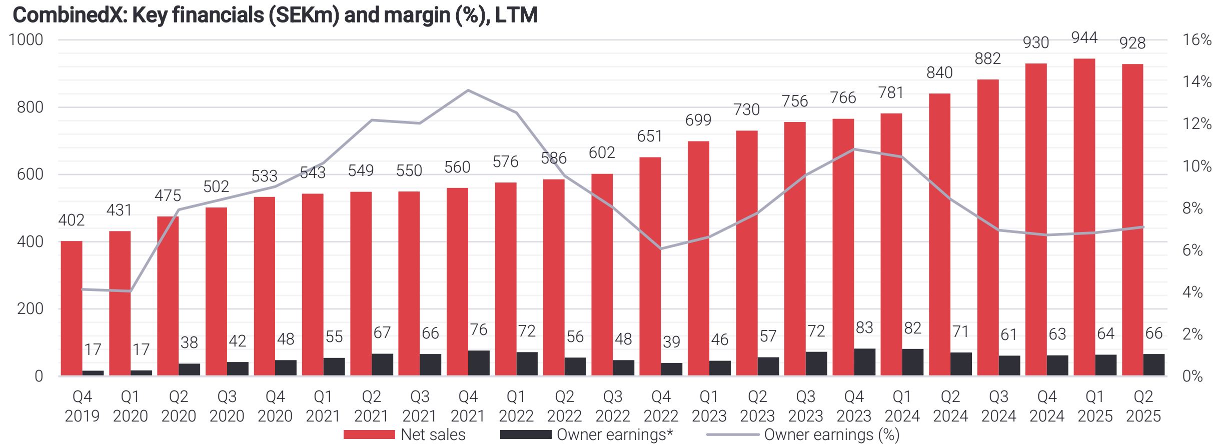
Between 2016 (when the current business model was formed) and 2024, CombinedX has grown its revenue and EBIT per share with a CAGR of 9.5% and 9.2%, respectively. The average EBIT margin during the same period was 7.2%, with the pandemic year of 2020 being a negative outlier (-1.0% EBIT margin). The organic growth has averaged 6.5% per year, and growing through acquisitions is essential for CombinedX. Since listing, the company has made six acquisitions, two of which have been bolt-on for already established subsidiaries. The combined sales of the six companies at the time of acquisition amount to SEK374m, and total consideration, including earnouts, amounts to SEK337m, meaning that CombinedX has made these acquisitions at an EV/S multiple of 0.90x.

The seven (previously eight) wholly owned subsidiaries operate within three segments: 1) Digital Experience, 2) Enterprise Solutions, and 3) Infrastructure & Security. The company's strategy aims to develop its subsidiaries to become market leaders within their niche. As management calls it, the goal is to convert "rising stars" to dominant market leaders through strategic business development, best practices, and bolt-on acquisitions, all supported by top management. In short, CombinedX develops its subsidiaries by specialising them in both specific technologies and verticals, focusing on delivering entire teams to the customer and building a strong culture. The strategy has been named the "CombinedX cookbook," and by following the recipes within, the company is targeting an EBITA margin of no less than 12%, an organic growth rate above the general IT consultancy market, with an ND/EBITDA of less than 2x. Coupled with acquisitions, management's goal is to reach SEK1bn in sales by 2025.

Key drivers to follow

We think the company's business model is solid and well thought-out. CombinedX has a long track record of both organic and inorganic growth during profitability by specialising in niches that will be attractive to its customers in the long run. Add-on acquisitions and solid quarterly reports are key catalysts going forward, and we think management has a track record of delivering both. However, with CombinedX struggling during 2024 with efficiency and differentiation in one of its subsidiaries (Aspire), we think the main driver to follow is CombinedX's efforts to turn the negative trend of lower-than-usual profitability around and make the company shine again. With the recent acquisition of the high-margin consulting firm "Align," we think the stage is set for an interesting 2025, even though we believe a broader market rebound is needed to get the company on investors' radar.

CombinedX: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - repayment of lease liabilities - (NWC as % of LTM sales * delta in sales QoQ)
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[15] Analyst Fredrik Nilsson owns shares? Yes. Latest transaction: Buy (2024-12-06)

Quarterly commentary

CombinedX's Q2 report reflected, just like Avensia, the ongoing softness in the Nordic IT consulting market. Net sales came in at SEK235m (-6.5% y/y), which was 7% below our forecast. The shortfall was entirely due to a lower-than-expected headcount, while sales-COGS per employee and working day increased by a solid 9% y/y, supported by decent utilisation and the addition of the Align Consulting acquisition in mid-Q2. Organic growth was -7.5% y/y, and excluding Align, the company experienced negative net recruitment as demand remained subdued. Management notes that the anticipated macro rebound has not yet materialised and states that it is hard to provide a timeline for improvement.

Adjusted EBITA came in at SEK17.9m (7.6% margin), compared with our analysts SEK21.2m and 8.4% forecast. While the weaker top line hurt profitability, personnel expenses were lower than expected due to reduced headcount, and OPEX (SEK178m) was slightly below our forecast in absolute terms. However, OPEX's share of sales was elevated, with management pointing out potential cost improvements in office space and overhead.

The acquisition of Align Consulting (an IFS specialist with 20% organic growth and a high EBITA margin of 25%) marks a further step in CombinedX's strategy to strengthen its position within specialist enterprise software niches alongside M3CS. These areas carry higher hourly rates and are business-critical for customers, making them more resilient in downturns. Align's integration is progressing, and we believe its strong profitability and solid growth profile will enhance CombinedX's overall mix when fully integrated. Notably, the next quarter is the seasonally weak Q3, and we will probably have to wait until the Q4 report to see the full effect of the acquisition without vacation effects.

Operating cash flow was SEK18.7m, positively impacted by SEK8.1m from working capital. Net debt stood at SEK5m (excluding earn-outs), with net debt including earn-outs at SEK49m, leaving the company with a stable balance sheet.

Our analyst have trimmed our forecasts, cutting 2025-2026 sales by 2% and 1% and EBITA by 16% and 4%, reflecting softer demand and slightly lower headcount. We now assume EBITA margins of 9.6% (2025e) and 11.7% (2026e), compared with the company's 12% target. Our Base Case is slightly reduced to SEK55 (60).

Trading at 7.7x and 5.4x EBITA for 2025e and 2026e, CombinedX remains at a ~30% discount to peers. While short-term market conditions are challenging, we believe its focus on high-value niches, solid cash flow, and Align's contribution position the company well for margin recovery and a gradual re-rating towards our Base Case as the cycle improves.

CombinedX	2024	2025e	2026e	2027e
Net sales	929,9	959,1	1054,8	1103,4
EBIT	63,1	68,1	98,3	114,3
EBIT(%)	7%	7%	9%	10%
EV/Sales	0,7	0,7	0,7	0,6
EV/EBIT	11,0	10,2	7,1	6,1

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	55
Fair value range	29-73
Current share price	36,6
Return to base	50%
EV/OE LTM	10,5

Enea: Have you tried turning it off and on again?[16]

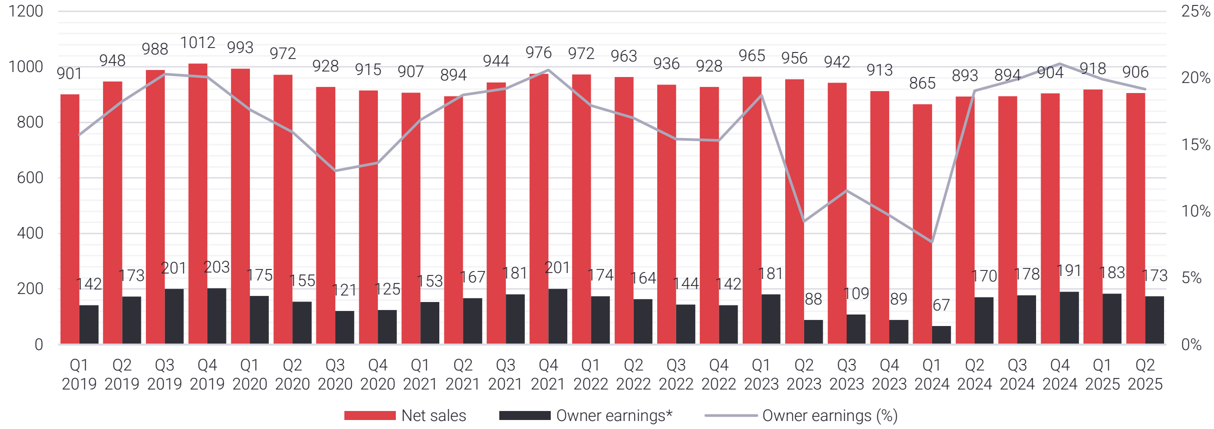
Enea makes everyday communication safer and more effective. The company develops innovative and reliable technical solutions that improve digital communication in safety and performance and sells its solutions through ~100 suppliers of communications services and products globally. Its solutions range from firewalls that protect mobile networks against cyber-attacks to software that help optimise data streams. Each day, c4.5 billion people rely on the company's technology when connecting to mobile networks or the internet. LTM, the company had net sales of SEK906m and an owner earnings margin of 19.2%.

In 2016, the company underwent a significant shift. CEO Anders Lidbeck realised that the company's Operating Systems business would, over time, decline and that for Enea to have a future, it needs to transition from a sole Operating Systems software company to a more growth-focused business with a new business unit called Network Solutions. Thus, since 2016, Enea has had two market segments: Network Solutions and Operating Systems. Growth in the Network Solution segment has been primarily inorganic, as Enea, since 2016, has made five acquisitions to form the business segment. Anders Lidbeck led Enea through the transition until 2019 when he stepped down to instead join as a member of the board of directors. However, poor operational execution from 2020 to mid-2023 prompted the board (led by Lidbeck) to take decisive action, resulting in the dismissal of the old CEO and Lidbeck stepping in again. Lidbeck has since initiated a cost savings program of SEK60m (c7% of LTM sales at the time) and enhanced sales efficiency within the organisation by focusing on high-probability leads. This has resulted in the company turning its negative organic growth trend since 2021 to a positive c10% organic growth in 2024 within its two focus areas. In terms of profitability, the company has improved its owner earnings margin from 9.3% LTM in Q2 2023 (adjusted for one-offs) to 19.2% in Q2 2025. As of Q4 2024, the Network Solutions segment has been divided into Network and Security. Most of the revenue (92% in Q1 2025) can be derived from the Network (52%) and Security (40%) business segments.

Key drivers to follow

Regarding Enea, it all boils down to whether or not the company can become better than it was in the past. During its "glory days," Enea was a company with low single-digit organic growth and an owner earnings margin of c20%. After a setback and turnaround executed by the new-old CEO Lidbeck, Enea had a year behind them of 10% organic growth in its two focus areas, with an owner earnings margin of c20%. The market rewarded the company for its progress, as the stock climbed 75% during 2024. However, following a CEO change and a Q1 report that did not live up to investors' expectations, we question if the market is again becoming uncertain about Enea's prospects under the leadership of anyone else but Lidbeck. With the EV/OE 10.0x LTM valuation, we think Mr.Market's expectations of the new leadership seem relatively low. Should the company continue to post solid organic growth rates, with sound profitability under the new CEO, we think much uncertainty will be removed.

Enea: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as EBITDA - CAPEX - Tax - repayment of lease liabilities - (NWC as % of LTM sales * delta in sales QoQ)
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[16] Analyst Rasmus Jacobsson owns shares? No. Latest transaction: No transaction (n/a)

Quarterly commentary

Enea's Q2 2025 report exceeded expectations on profitability, with adjusted EBITDAC of SEK48.3m (22% margin), 9% above our forecast, thanks to sharply lower OPEX, particularly within sales and marketing. Net sales were SEK223.8m, down 5% y/y and 4% below our estimate, but flat in constant currencies at SEK234.9m. Excluding a large SEK31m order in the comparison quarter, underlying growth in local currencies was a strong 15%.

The Networks division grew 4% organically in constant currency, while Security declined 7% due to longer sales cycles and customer preference for SaaS models over traditional licensing. Operating Systems grew 5%, though its long-term trajectory remains uncertain as legacy software becomes increasingly entrenched within customer systems.

Enea continues to benefit from robust demand in the MEA region, driven by regulatory factors and monetization opportunities, while Europe's growing focus on digital sovereignty is boosting interest in its traffic management and DPI solutions. The defense sector also offers upside potential, supported by increased NATO-related cybersecurity spending.

We maintain our fair value range of SEK45-130, with a Base Case of SEK90. Enea trades at an undemanding 8.0x EV/FCF for 2026e and 4.9x EV/EBITDA versus a peer median of 13.9x. While a valuation discount to SaaS peers is justified due to lower core cash flow margins, our analyst believe the current multiple is too low given the company's strong profitability and improving outlook. Continued sequential improvements from here on, and the ongoing strategic review could act as catalysts for pushing the share price closer to our Base Case.

Enea	2024	2025e	2026e	2027e
Net sales	904,2	941,0	982,0	1056,0
EBIT	122,4	120,4	155,4	196,0
EBIT(%)	14%	13%	16%	19%
EV/Sales	1,9	1,9	1,8	1,6
EV/EBIT	14,2	14,5	11,2	8,9

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	90
Fair value range	45-130
Current share price	75,1
Return to base	20%
EV/OE LTM	10,0

Formpipe Software: Public went Private[17]

After growing at a stable, modest 5.1% revenue per share CAGR since 2013, Formpipe is undergoing a significant transformation, aiming to increase its growth ambitions. Following the intended divestment of its Public segment (historically 58% of sales), the company will become a pure-play SaaS business centered around Lasernet, a document automation platform integrated with major ERP systems such as Microsoft Dynamics, Temenos, and increasingly SAP and IFS. With a clear focus on recurring revenues, scalability, and global reach, Formpipe's setup becomes both simpler to understand and more exciting to follow.

Lasernet is already used by over 1,000 customers in 60+ countries, with a partner-led go-to-market model enabling efficient expansion without a large in-house delivery organization. Its niche, Customer Communication Management (CCM), is mission-critical, sticky, and benefits from long implementation cycles and deep ERP integrations. Over the past four years, Lasernet has grown ARR at a ~20% CAGR, and we forecast continued solid momentum driven by Microsoft Dynamics traction, partner leverage, and upcoming integrations into new ERPs and geographies.

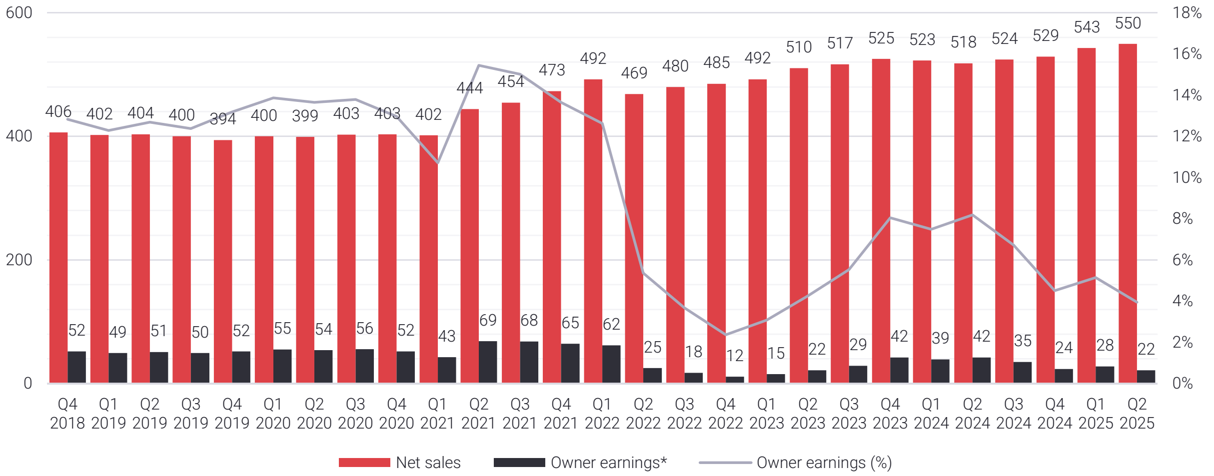
The divestment of Public will bring in SEK775m in upfront cash (plus a SEK25m earn-out), most of which will be distributed to shareholders. A notable portion will be retained to fund Lasernet's growth initiatives and M&A agenda. While group costs still weigh on reported profitability, we expect gradual cost reductions and believe Lasernet can sustain a long-term EBITDA-CAPEX margin above 20% as it scales.

At a current valuation of ~3x ARR 2026e, we see Formpipe as attractively priced given its high recurring revenue share (77%), strong gross margins (76-78%), and scalable infrastructure.

Key drivers to follow

- Lasernet's ACV growth. With the Public segment carved out, investors can now fully focus on Lasernet's SaaS metrics. Success in expanding to new ERPs like SAP and IFS, and into new verticals, would broaden its addressable market and support both ARR growth and margin expansion.
- Capital allocation post-divestment. A portion of the Public proceeds will be reinvested into Lasernet, including potential M&A. While M&A is never easy, well-executed deals could drive value through cross-selling, technological synergies, and access to new markets.

Formpipe: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as net income + depreciation and amortisation - own work capitalized - repayment of lease liabilities - (NWC as % of LTM sales * delta in sales QoQ)
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[17] Analyst Fredrik Nilsson owns shares? No. Latest transaction: No transaction (n/a)

Quarterly commentary

Formpipe's Q2 2025 report marked a strategic turning point, as the company announced the intended sale of its Public segment for up to SEK850m. This divestment will leave Lasernet as the sole business line going forward, a profitable, high-margin, globally scalable SaaS product with 77% recurring revenue and a partner go-to-market model. Our analyst views this as a long-awaited move that simplifies the equity story and unlocks long-term value, and we agree.

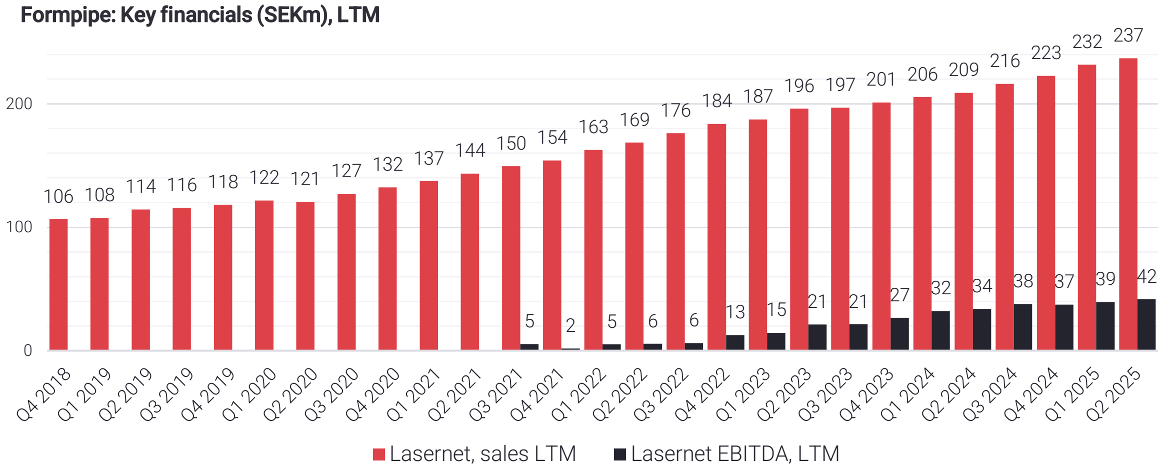
Lasernet's Q2 ARR came in at SEK216.8m (201.7), up 7% y/y and 13% FX-adjusted, but 3% below our analyst's SEK222.9m estimate. ACV of SEK4.5m (8.7) was well below our expectations of 9.1, mainly due to temporary softness in the banking segment, while Microsoft Dynamics sales were solid with 12 new customers and strong deal values. Gross margin was 76.6% (79.1). EBITDA-CAPEX, including group costs, was slightly positive at SEK1.1m (-1.4), and we expect continued gradual improvement from here.

The Public sale will generate SEK775m in upfront cash (plus SEK25m earn-out), with most earmarked for distribution to shareholders. A notable minority will be invested into Lasernet's go-to-market efforts, including new geographies and ERP platforms such as SAP and IFS. Our analyst forecasts group costs to shrink 15% by Q3 2026, supporting a slight margin expansion. We are looking forward to the Capital Markets Day in November, which will outline the long-term roadmap.

Lasernet's >1,000 customers in 60+ countries, and global distribution via partners, remains attractive. We consider its current valuation of 3x ARR 2026e and 17x EBITDA-CAPEX 2027e highly reasonable for a vertical SaaS company with this profile. Its niche leadership, clean setup, and global scalability could make it an attractive M&A target. On the flip side, the divestment makes Formpipe a much smaller company, making it harder for institutions to look at due to liquidity constraints. For microcap hunters, however, we believe the story just got more interesting.

Our analyst slightly trimmed our ARR forecasts (-3%) but raised our Base Case to SEK35 (34) due to improved capital allocation possibilities and margin expansion potential post-divestment. The upside case looks compelling if Lasernet can sustain >10% ARR growth and gradually expand margins toward 20%+.

Formpipe: Key financials (SEKm), LTM



Source: Redeye research (chart structuring), Company filings (underlying data).

Formpipe	2024	2025e	2026e	2027e
Net sales	222,6	238,0	260,0	293,4
EBIT	16,8	-0,4	30,9	47,5
EBIT(%)	8%	0%	12%	16%
EV/Sales	3,1	2,9	2,7	2,4
EV/EBIT	41,7	-1593,2	22,7	14,8

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	35
Fair value range	25-43
Current share price	27,0
Return to base	30%
EV/OE LTM	32,3

Genovis: Enzymes, (no) antibodies, and underestimated optionality[18]

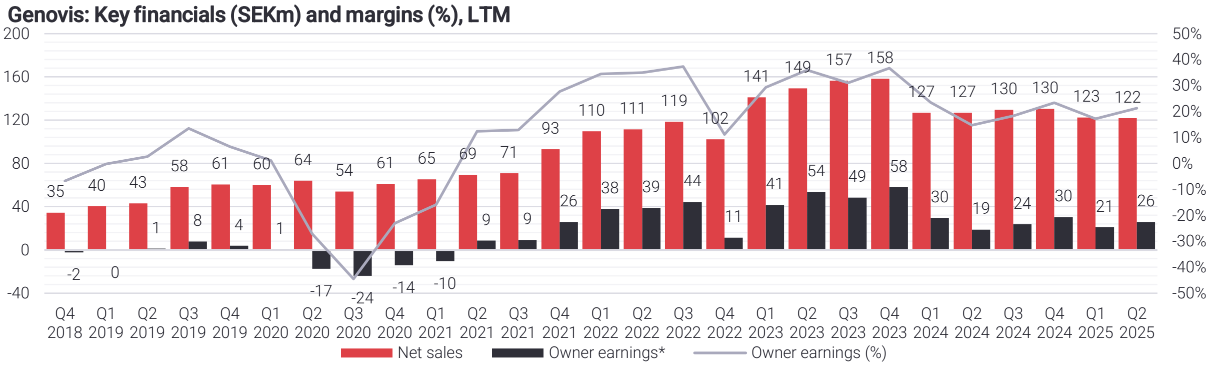
Genovis is headquartered in Lund, Sweden, and was established in 1999. Originally centred on nanoparticle development, the company made a strategic shift in 2010 to focus on enzymes for the analysis of biological drugs. Genovis provides cutting-edge tools to streamline the development of new treatment methods and diagnostics. Insiders own c14% of Genovis, with 13.6% concentrated in the hands of board member Mikael Lönn. Genovis' core Analytics business (offering enzymes and, until Q2 2024, antibodies) is a pick-and-shovel play in the pharmaceutical industry's rapidly growing biologics segment. Its enzymes are used for characterisation, analysis, and advancement of biological drug development and benefit from recurring revenue streams, as they are integrated into scientists' daily workflows. These revenues naturally scale as drug projects advance, with significant upside potential if a customer's project results in a commercialised drug, leading to large recurring orders for years. Beyond its core operations, Genovis has demonstrated additional optionality, gaining initial traction within bioprocessing and even exploring therapeutic applications for its products, such as the Xork enzyme, which holds potential for use as a pre-treatment within gene therapy and auto-immune disease. Analytics has been a solid core business, with quarterly sales going from cSEK12m to cSEK29m over the 6-year period between Q1 2019 and Q2 2025, corresponding to a CAGR of c15%. The business benefits from underlying stability as its product offering is sticky. Drug development operates under strict regulations, making supplier changes costly and, in some cases, impractical due to regulatory constraints. As a result, once a relationship with Genovis is established, customers are unlikely to switch suppliers.

The two optionalities refer to Bioprocess and the Xork/Selecta deal. Bioprocess is where Genovis' enzymes are used in the manufacturing process of a biological drug rather than in the analysis or characterisation process. The company has received two orders in this segment, cSEK13m in 2019 and cSEK4m in 2022. However, there is limited visibility into the clinical development timelines of these projects, making it uncertain when follow-up orders might occur. The news flow has been relatively quiet since the announcements. Still, according to management, the projects are not discontinued and thus hold potential for follow-ups that could generate large volumes depending on the outcome of the clinical studies where the drug candidates are evaluated. The Xork/Selecta deal is another optionality that has been one part of driving the negative sentiment in the stock over the past year or so. The chain of events is relatively complicated, which is why investors should be aware of the background. On October 21, 2021 Genovis entered an exclusive licensing deal with Selecta Biosciences (now Cartesian) for the clinical development of a new antibody-cleaving enzyme. This represented yet another area of application for Genovis technology. The deal included upfront and early preclinical milestone payments of USD6m, total potential milestones of USD598m and double-digit royalties. Later, there was a sublicensing of Xork to Astellas Pharma. A while later, there was a merger between Cartesian and Selecta (thus the renaming), at which point we highlighted the increased risk in Genovis' partnership with the latter based on organisational uncertainty. On March 14, 2024, it was announced that the deal had been terminated. The rights were returned formally to Genovis in mid- September, and signing a new licensing agreement would naturally be a large positive.

Key drivers to follow

Redeye's analyst currently has a Bear Case of SEK21 per share. This represents a scenario where only the core business is priced in. Thus, investors should focus on trying to evaluate the optionality in the form of deals like Xork or follow-up Bioprocess orders. Milestone payments can also distort comparable financials, and the market has historically been bad at recognising this fact. Thus, it is important to stay on top of what goes into the comps.

Genovis: Key financials (SEKm) and margins (%), LTM

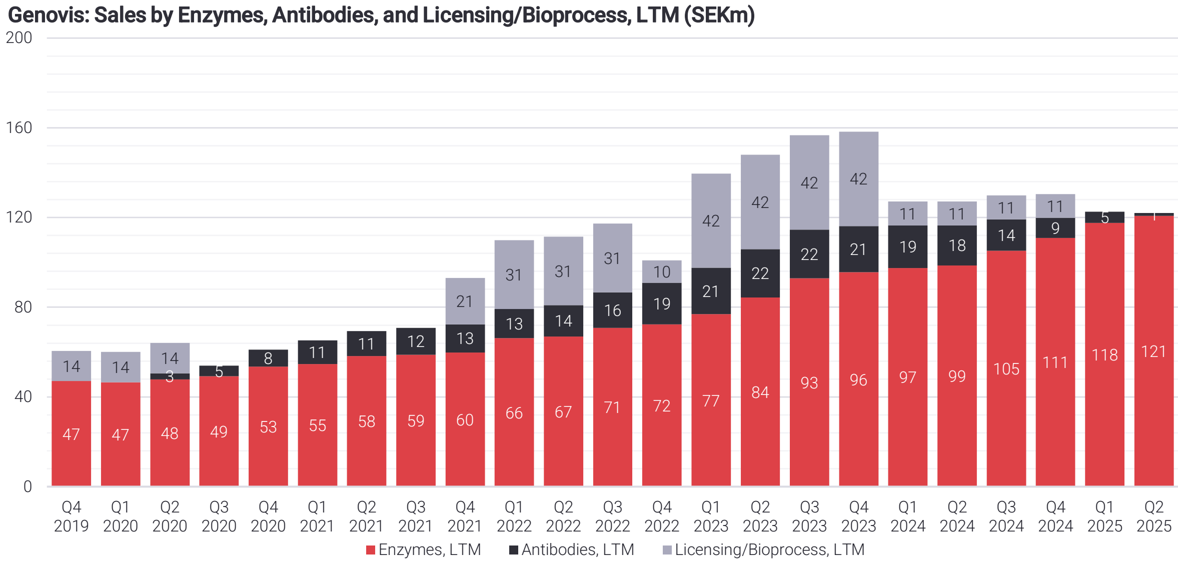


Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - normalised lease payments (yearly/4 given lack of granular quarterly reporting) - average NWC/LTM sales over the period * delta in sales between quarters.
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[18] Analyst Filip Einarsson owns shares? No. Latest transaction: No transaction (n/a)

Quarterly commentary

This quarter, the company delivered a report that Redeye's analyst viewed as relatively undramatic. Sales came in at SEK29m, around 7% below our estimate and representing a 2% y/y decline. However, it is important to note that currency effects and the divestment of the antibody business had a large impact. Adjusted for these factors, underlying growth was a solid 28%. Below is the revenue split by business area, a chart we consider highly relevant for assessing the company's underlying performance.



EBIT was SEK3.5m, more than 50% below our estimate of SEK7.4m. However, our analyst considers the deviation to be within a reasonable margin of error, as it can largely be explained by currency fluctuations. The figures are still quite small in absolute terms.

In the quarter, we also saw two other key pieces of news. First, the development of Sequrna has been impressive, according to the company, and it therefore exercised its option to acquire the remaining 75% of the business at the earliest possible time (the first 25% was acquired in July 2024). Second, the company expanded its licensing agreement with Thermo Fisher Scientific. The updated deal grants Genovis access to proprietary enzyme technology for the development and manufacturing of antibody-drug conjugates (ADCs) intended for therapeutic use. This broadens the original licence, which was previously limited to discovery and preclinical research. With this expanded collaboration, Genovis is well positioned to support customers across the entire ADC development pipeline, from early discovery through therapeutic manufacturing. As a core pillar of the investment case is that Genovis can scale with customers as their projects advance through development, this extension naturally strengthens that case.

Genovis currently trades at an EV/EBIT multiple of 41.3x-15.2x for 2025e-27e.

Genovis	2024	2025e	2026e	2027e
Net sales	130,4	143,4	184,7	243,0
EBIT	45,8	32,7	60,2	89,0
EBIT(%)	35%	23%	33%	37%
EV/Sales	10,4	9,4	7,3	5,6
EV/EBIT	29,5	41,3	22,4	15,2

Source: Redeye research (estimates), Company filings (historical data)

Redeye valuation and key ratios	
Base Case	46
Fair value range	21-86
Current share price	23,0
Return to base	100%
EV/OE LTM	52,1

I-Tech: Operational leverage; exemplified[19]

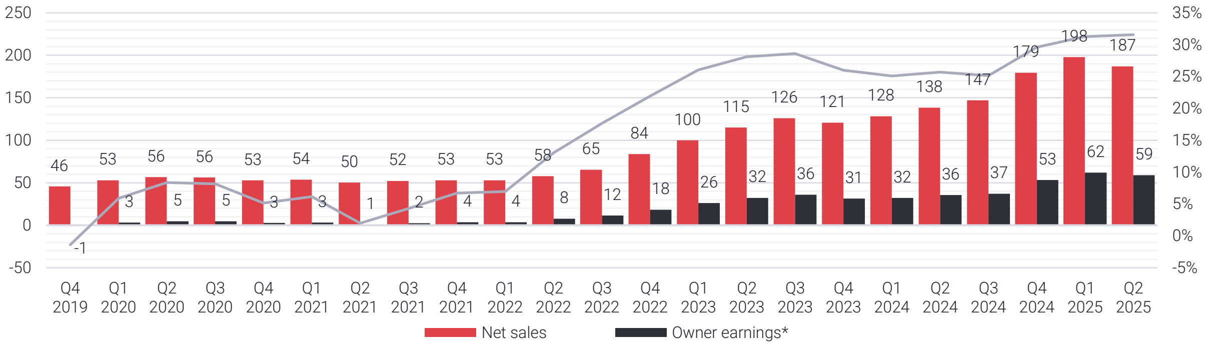
I-Tech offers an active antifouling ingredient, Selektope, used in marine coatings with high efficacy against sea barnacles. Reducing barnacle growth lowers friction during transport, resulting in reduced fuel consumption. All large vessels use some type of marine coating, and since Selektope is highly effective, it is included in premium antifouling paints. I-Tech sells directly to its customers, who are large international paint manufacturers formulating and selling marine coatings. The company works with all nine of the largest paintmakers, including Chugoku Marine Paint (CMP), Jotun, and Hempel. Six of these nine companies are at a commercial stage (with I-Tech). The market for international paint manufacturers is highly concentrated, with the leading players controlling approximately 90%-95%. More than 3,000 commercial vessels currently use a hull coating that contains Selektope.

It's worth noting that the company's main patent, for the use of medetomidine (Selektope), expired in 2020, although the formulation and production patents are set to expire in 2035. As we understand it, a competitor intending to use medetomidine would have to register a proprietary product (i.e., it is not possible to create a generic version). This product must be registered, and the regulatory path is time-consuming. Therefore, any competitor would first need to obtain all regulatory approvals and then compete with Selektope, which already has established customer relationships. It is also worth noting that this product is not sold at 90%+ gross margins like those of most pharmaceutical companies, but rather at approximately 52%–55%. Thus, there is little risk of a decline similar to that faced by pharmaceutical companies when generics are introduced.

Regulation can be both a blessing (keeping out competition) and a curse. In mid-2023 we saw an example of the latter, as it was announced that an advisory panel had suggested a changed classification of Selektope during its re-registration process in the EU (Redeye's comment). It now recommended that it would be considered an endocrine disruptor (i.e. messing with human health = not good). The stock declined close to 50% on the news. What's at stake is that if this is turned into law, the product cannot be applied or sold on European soil, although ships that have been applied with Selektope outside the EU can still operate and dock within EU. However, the company have several chances to make its case before this becomes final. The 50% decline was not directly financially motivated, as the company had <5% of sales stemming from the EU (even less now), but rather a fear that this would spill over into existing markets. In mid-2024, we learnt that the company had faced a setback in the first instance (our comment), although this had a much smaller impact on market sentiment. Asian countries have differed from EU recommendations previously and it remains to be seen how this develops. We foresee minimal impact in the near term, but still take a more cautious approach to the long-term forecasts than before this was announced.

Anyhow, the company reported LTM sales of SEK187m as per Q2 25 and estimates the market for Selektope to be worth more than USD500m, indicating a c4% market penetration. One customer, CMP, represented some 80% of sales in 2023. However, two new agreements with global customers were signed in 2024, and the share of sales pertaining to other customers has increased to 30% in 2024. The business model is exceptionally scalable, and the company generates more than 18m in sales per employee. Thus, as more customers ramp up its volumes, profitability is expected to increase further from already very solid levels. We consider the ramp-up of new customers one of the **key drivers to follow.** Our estimates currently foresee EBIT margins coming close to 40% over the forecasting period.

I-Tech: Key financials (SEKm) and margin (%)



*Owner earnings defined as opcf before wc - investments in tangibles and intangibles - average NWC/LTM sales over the period * delta in sales between quarters.
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[19] Analyst Oskar Vilhelmsson owns shares? No. Latest transaction: Sell (2021-01-18)

Quarterly commentary

Last quarter, we added I-Tech to our repeat coverage in this report with the title "Operational leverage; exemplified." This has turned out to be a reusable title, although now in the opposite direction. Sales were down 26% y/y to SEK32m, triggering an EBIT decline of around 50% to SEK5m for the quarter. This appears to have been driven by a combination of factors, including currency headwinds, natural quarterly variation, exceptionally strong Q4 2024 and Q1 2025 performance, and financial constraints for one sizeable customer.

On the bright side, the gross margin improved to 59% from 53% last year. This is said to be the result of the company's renewed production setup with multiple suppliers, which has helped mitigate the impact of lower sales. However, it is worth noting that CMP (the largest customer) should presumably have slightly lower gross margins than other customers given the large volumes it commands. A higher gross margin could therefore indicate that CMP purchased less in the quarter, which is both positive and negative depending on interpretation.

As for a regulatory update, I-Tech received a one-year extension of its EU market approval in May, which was expected. The company now anticipates a final outcome in late 2025, with possible indications at the next SCBP meeting in September.

On the back of the report, Redeye's analyst reduced 2025e-26e sales by 11-15%, driven by softer Q2 figures, while also lowering expectations for the upcoming two quarters. The very strong growth in Q4'24 to Q1'25 has now been balanced by a softer quarter, leading us to flatten the growth curve slightly. Still, we expect a solid recovery in absolute terms relative to the Q2 figures, choosing to view y/y growth for H1 as a whole to gain some indication of the baseline growth rate.

I-Tech currently trades at an EV/EBIT multiple of 18.3x-10.0x for 2025e-27e.

I-Tech	2024	2025e	2026e	2027e
Net sales	181,8	188,0	236,0	291,0
EBIT	45,3	54,0	79,0	99,0
EBIT(%)	25%	29%	33%	34%
EV/Sales	5,4	5,3	4,2	3,4
EV/EBIT	21,8	18,3	12,5	10,0

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	86
Fair value range	43-134
Current share price	92,0
Return to base	-7%
EV/OE LTM	16,7

Litium: Add to cart before the sale ends[20]

Founded in 2000, Litium is a Swedish SaaS company offering a cloud-based digital commerce platform tailored for mid-sized businesses in both B2C and B2B. While Litium has operated its core platform for many years, a significant inflection point came in 2025 when new management joined, bringing a sharper commercial focus and a clear ambition to get the company into growth mode again after a weaker period following the e-commerce boom in 2021. In 2025, Litium recruited heavily to key positions, including a new CEO, CFO, CTO, and CCO, all with strong backgrounds from SaaS companies like Medius. This marked a shift in pace and operational readiness.

Litium's revenue is primarily subscription-based (83% of net sales), with the remainder being usage-based variable revenue. The company is transitioning its legacy customers to a modern, cost-efficient cloud platform, which will gradually unlock gross margin improvements of as high as 10 percentage points, as more customers migrate. While this migration temporarily distorts reported net sales, Litium's ARR grew by 12% y/y in Q2 2025. The company seems to have a high activity among its customers, matching its Q1 record in new customer intake, and volume-based revenue grew by nearly 40% in Q2, indicating strength in its customers' end-markets.

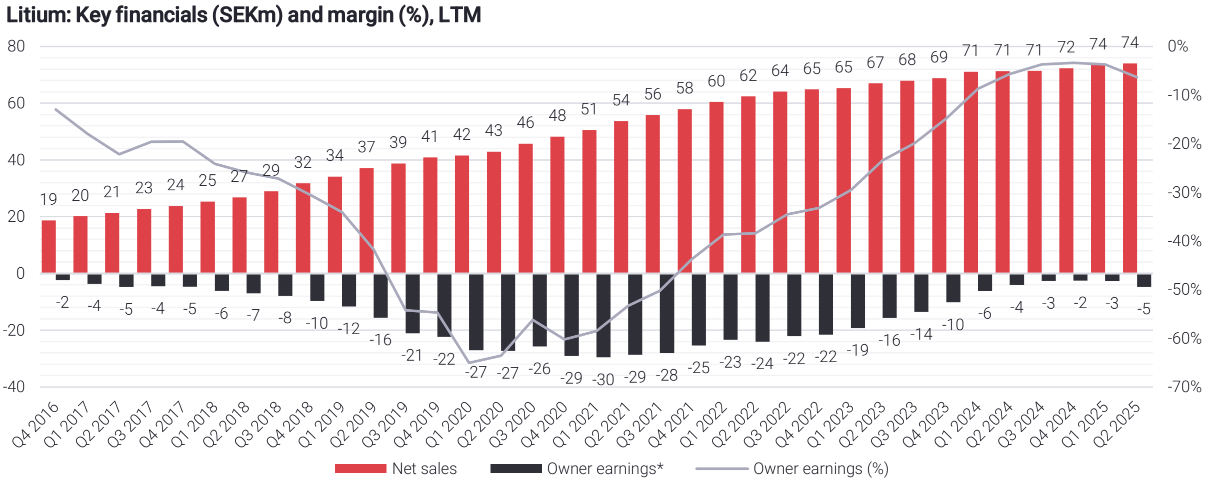
Litium has attracted well-known B2C brands like Lindex and RevolutionRace and large B2B players such as Postnord, GARO, Tingstad, and Derome. The company's value proposition lies in being niche towards B2B customers with specific functionality, with a short time-to-value platform that can scale as the customers grow.

The recently hired management team is stacking up shares, with both the CEO and CFO acquiring shares totalling almost 3% of the shares outstanding year-to-date, signalling that the company is only in the early days of the journey to become the leading B2B e-commerce platform in Europe. We expect the company to enjoy a long runway of organic ARR growth with scaling margins and additional M&A now and then.

Key drivers to follow

- Improving R40: Litium's R40 is currently close to 0%, with the median SaaS company clocking in at c15%. As Litium improves its R40 towards the median of industry peers, we believe the valuation gap should close, where the median SaaS company trades at EV/S of c3.6x compared to Litium's c2.6x.
- M&A: The mid-market segment for e-commerce platforms is fragmented, with some ~15 companies operating in the Nordics, all of quite similar size. Litium is one of the top three providers in terms of revenue and will be in a good position to consolidate the market as cash flow generation is set to improve over the coming years. We believe selective, value-creating M&A could act as a potential trigger, and although this is yet to be proven, management has a track record of performing M&A in previous roles.

Litium: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - (NWC as % of LTM sales * delta in sales QoQ)
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[20] Analyst Jacob Benon owns shares? Yes. Latest transaction: Buy (2025-06-12)

Quarterly commentary

Litium delivered a strong Q2 2025, primarily driven by significantly stronger ARR growth than anticipated. ARR reached SEK84.4m, up 11.7% y/y, well ahead of our expectations even after adjusting for the new forward-looking ARR definition, which now aligns with SaaS industry standards. The company matched its record-high new customer intake from Q1, though we believe slightly smaller deal sizes led to a lower net add of SEK2.0m (3.1m in Q1). We believe the new ARR definition, combined with a 12% underlying growth rate, underscores the momentum in Litium's subscription business and provides a more transparent view of its recurring revenue base.

Net sales came in at SEK19.0m, which aligns with our forecast. EBITDA-CAPEX of SEK-2.5m also matched our SEK-2.6m estimate. Subscription revenues were flat y/y at SEK15.6m due to ongoing migrations to the new Litium Commerce Cloud platform, which shifts annual invoicing into monthly recognition. Adjusting for this migration effect (SEK1.2-1.3m impact), net sales would have grown approximately 9% y/y. Variable revenue grew by 20%, reflecting strong e-commerce volumes through Litium's customers.

While reported R40 (ARR growth + EBITDA-CAPEX margin) was -1%, we estimate that migration-related effects negatively impacted EBITDA-CAPEX by roughly SEK1m, suggesting an underlying R40 closer to 4%. We expect the R40 to exceed 10% by year-end as ARR growth continues and cost efficiency improves.

CEO Martin Billenius highlighted strong sales momentum, and new customers for the quarter include Lekia, PG Tech, Ackurat, and Apex Stainless Fasteners. The company is investing in faster "Time-to-Value" for clients, mainly improving integration speed. Management remains highly optimistic about H2, pointing to a robust sales pipeline.

Free cash flow was SEK-3.5m, but we see no near-term financing concerns with SEK4.2m in cash and an unutilised SEK7m credit facility. As ARR continues to scale, we expect cash flow to improve, especially as growth investments normalise.

We raise our ARR estimates by 14-17% for 2025-2027, which also lifts our net sales and EBITDA-CAPEX forecasts by 7-10%. Consequently, we increase our Base Case to SEK19 (17). Despite a mild negative share reaction post-report, we remain confident that Litium's accelerating ARR growth, stronger SaaS metrics, and clear execution path will drive a re-rating. The CEO, CFO, and board member Johan Rutgersson all seem to agree, all acquiring shares post-earnings release.

Litium	2024	2025e	2026e	2027e
Net sales	72,3	81,0	95,1	109,4
EBIT	0,6	-0,5	5,5	17,9
EBIT(%)	1%	-1%	6%	16%
EV/Sales	2,9	2,6	2,2	1,9
EV/EBIT	336,8	-417,6	38,0	11,7

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	19
Fair value range	7-30
Current share price	12,8
Return to base	48%
EV/OE LTM	-44,6

Paxman: Keep a cool head[21]

Paxman was founded as a UK-based family company in 1996. It has an international scope and sells its Paxman Scalp Cooling System (PSCS) that reduces hair loss associated with chemotherapy. The mechanics of why the system works is quite simple. Reducing the temperature of the scalp reduces the size of the blood vessels, which means that less chemotherapy can reach the scalp and trigger hair loss. In addition, cooling the scalp reduces the metabolic activity and thus the division of cells, which reduces the damage from the chemotherapy treatment. Paxman had installed more than 6,000 scalp cooling systems globally by the end of 2024. It has been listed on the Nasdaq First North Growth Market since 2017 and insiders own c32% of the shares (Paxman family owns c24%).

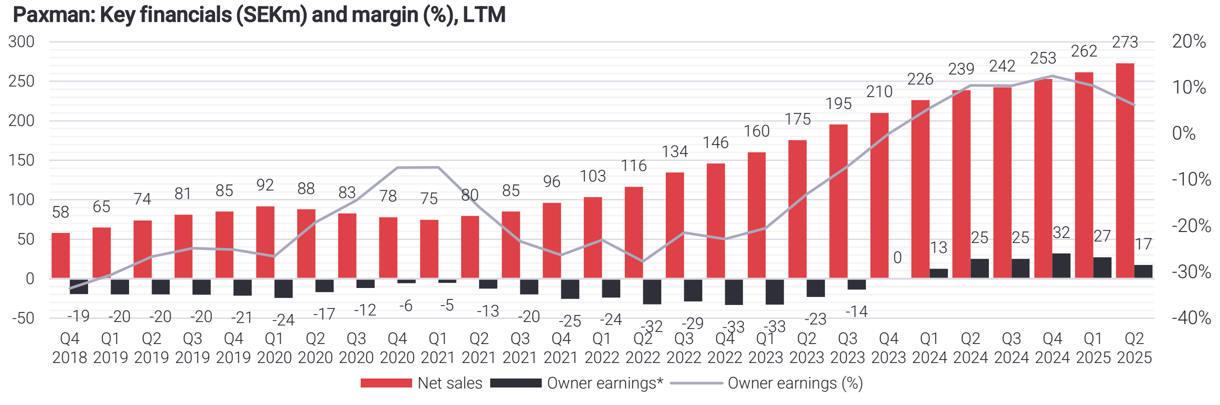
By Q2 2025 LTM, the company had net sales of SEK273m and owner earnings of SEK17m (definition in chart). The company has had a sales CAGR of c33% over the past three years. Sales declined during the pandemic years, as health care systems had to focus mostly on pandemic-related issues. The gross margin is 65% for Q2 2025 LTM, and the level has been increasing slightly with volume since the pandemic lows. The "low" gross margins (in relation to other medtech companies) is explained by the relatively asset-heavy business model, with equipment being quite expensive to produce. On the same topic, the company ties a large portion of new sales into working capital. The NWC/LTM sales ranged from 7% to 21% over the Q4 2018-Q1 2025 period and is currently at the top of that range.

Paxman has historically had a business model based on direct capital equipment sales, with add-on revenue from cooling caps and accessories. However, the company varies its business models slightly between different geographical markets. In the US, there is currently a shift to an insurance-based billing model (terminology changed from buy and bill in Q1 2024), where Paxman supplies the device, and insurers cover the running treatment costs (in instances where it applies). Under this new model, hospitals can invoice insurers directly on a per-treatment basis, something which thus far has led to increased treatment volumes when implemented. As parts of the US equipment is now converted to the new model (2024), we are likely to see increases in volumes shining through in the numbers throughout 2025e and, especially, 2026e following the CPT I codes.

Key drivers to follow

- Impact from CPT3 to CPT1 transition. The conversion to an insurance-based billing model has thus far shown increases in volumes, and further conversion to the model is likely to be a driver. As the shift to CPT I from CPT III codes was recently announced, it is now interesting to see how this converts to increases in treatment volumes over the medium term.
- Launch of CIPN in 2026e being a further sales driver. In addition to preventing hair loss, there are clinical signs of the use of Paxman's technology being beneficial for CIPN, one of the most frequent side effects caused by antineoplastic agents. Paxman plans to launch its new system for preventing chemotherapy-induced peripheral neuropathy (CIPN) in 2026. While scalp cooling is a "nice to have" treatment, we argue that CIPN prevention is a "need to have." In our Q1 2025 report, our analyst included CIPN in his estimates for the first time, raising the valuation with c20% as a result.

Paxman: Key financials (SEKm) and margin (%), LTM



*Owner earning defined OPCF before WC - average NWC/LTM sales over the period * delta in sales - all capex. between quarters. Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data)

[21] Analyst Gustaf Meyer owns shares? Yes. Latest transaction: Buy (2025-05-21)

Quarterly commentary

The Q2 2025 report from Paxman required more untangling than usual, as it included one month of Dignitana's figures and was also affected by currency fluctuations and EO items. Overall, quarterly sales were slightly below our expectations. Disclosed Dignitana sales were in line with our estimate (SEK6.9m vs SEK7.0m), while Paxman sales came in SEK2.1m below projection. FX continues to weigh on reported sales, and in local currencies the UK entity grew 9% y/y, while the US entity increased 21% y/y and by USD300,000 compared with Q1 2025, which we view positively.

Operating expenses included significant one-time costs, which were directionally expected due to the takeover of Dignitana. However, they were still higher than anticipated. On the conference call, it was stated that most of these costs related to personnel, primarily severance packages for Dignitana's management. In the coming quarters, we expect costs to be slightly higher than in Q2 2025, as Dignitana will then be fully consolidated (compared with only one month in Q2).

For readers who can count and read (most, we presume), lower sales and higher costs mean lower profitability, and EBIT came in 92% below our estimate. However, neither our analyst nor the market is focusing on profitability this quarter, but rather on 2026e, which by all accounts looks set to be a transformational year for the company.

On the topic of drivers for expected strong performance in 2026e, CMS has proposed 2026 reimbursement rates for mechanical scalp cooling averaging about USD1,905 per patient, based on six treatments. The initial fitting and education would be reimbursed at USD1,701 per cycle, with smaller amounts for pre- and post-infusion cooling. Notably, CMS assigned 27 minutes of staff time, well above RUC's five minutes, which is favourable. A preliminary OPPS rate of USD1,551 was also announced. Our analyst views the proposed rates as modest and expects Paxman to push for improvements before the final ruling in November 2025, ideally aiming for at least USD2,000 per patient.

On the back of the report, our analyst chose to finetune estimates, with slight downward adjustments to sales triggering a new Base Case valuation of SEK113 (116) per share, still representing significant upside to the current share price of SEK78. Paxman currently trades at an EV/EBIT multiple of 59.7x-8.6x for 2025e-27e.

Paxman	2024	2025e	2026e	2027e
Net sales	253,0	343,5	525,8	701,9
EBIT	34,0	28,3	114,1	196,7
EBIT(%)	13%	8%	22%	28%
EV/Sales	6,7	4,9	3,2	2,4
EV/EBIT	49,7	59,7	14,8	8,6

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	113
Fair value range	51-188
Current share price	78,0
Return to base	45%
EV/OE LTM	97,6

Safeture: Looking to reignite the growth engine[22]

Safeture was founded in 2009 around a patented communication technology after the professor of medicine and longtime entrepreneur Lars Lidgren experienced the immediate disaster relief following the SARS epidemic, Indian Ocean tsunami, and Mumbai terror attacks. Mr. Lidgren realised that critical information/communication to people directly affected was essential and lifesaving. He set out to build an employee safety platform, made possible thanks to the paradigm shift in mobile communication. Safeture now offers a cloud-based SaaS platform, managing risk, safety, and crises involving employees. The service unifies employee communication, information, and location.

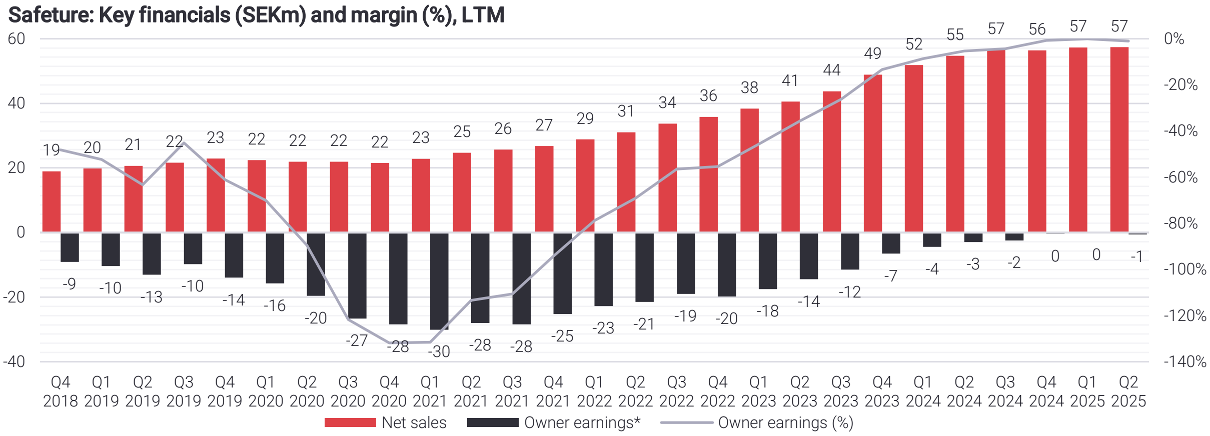
The company reported LTM net sales of cSEK57m in Q2 2025, with owner earnings (definition in chart) of cSEK-1m. The reported ARR was SEK55.8m, a number which has grown with a CAGR of c30% since Q4 2018. We argue that it is a high-quality microcap SaaS companies in the Nordic region based on its stability and size. The company has had an NRR[23] between 97% and 119%, indicating that the offering is well-positioned towards customers. NWC/LTM sales of -30% shows that the company can push financing of the business to customers and suppliers. Churn has historically been low, with most quarters clocking in from c0%-1%. However, customer concentration can be high as the company utilises a partner-based sales strategy, leading to certain quarters with higher churn.

With Safeture, there are a few things investors should consider. First, despite things looking solid at the current time, Safeture is a small company with an ARR of only cSEK55.8m. Its continued success should draw attention to it, and there are larger companies in adjacent areas that could start encroaching on Safeture's turf if they consider the TAM to be large enough. Second, the company is dependent on key personnel. The company’s CEO, Magnus Hultman, has a great track record in the SaaS space, and we argue that it is difficult to find this quality of management in companies this small. If he were to leave the business for some reason, this would be a clear negative. Finally, a key to a revaluation of the stock is that company can successfully reignite its growth engine, as it has been struggling with growth over the last year or so.

Key drivers to follow

- **Reigniting the growth engine.** Safeture has been delivering well since Magnus Hultman joined in August 2019. At the current valuation, the market expects the company to continue the beaten path, delivering growth and improving profitability. With the last few quarters showing a slow-down in growth, partly driven by FX, reigniting the growth engine will be a key determinant for how the share price develops.
- **New financial targets.** The company’s mid-term financial targets were annual growth of at least 30%, gross margins >80%, and net income breakeven on an ARR run rate of SEK65m. We had counted on the announcement of new financial targets being imminent, which actually did materialise in Q4 2024, although on the downside rather than on the upside. Nevertheless, as the company approaches the gross margin and profitability parts in the coming year or so, new target may be imminent.

Safeture: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - average NWC/LTM sales over the period * delta in sales between quarters.
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[22] Analyst Martin Wahlström owns shares? No. Latest transaction: Sell (2025-05-20)
[23] NRR is calculated to reflect sales via partner network as upsell. The partners are primarily doing the reselling to new end clients.

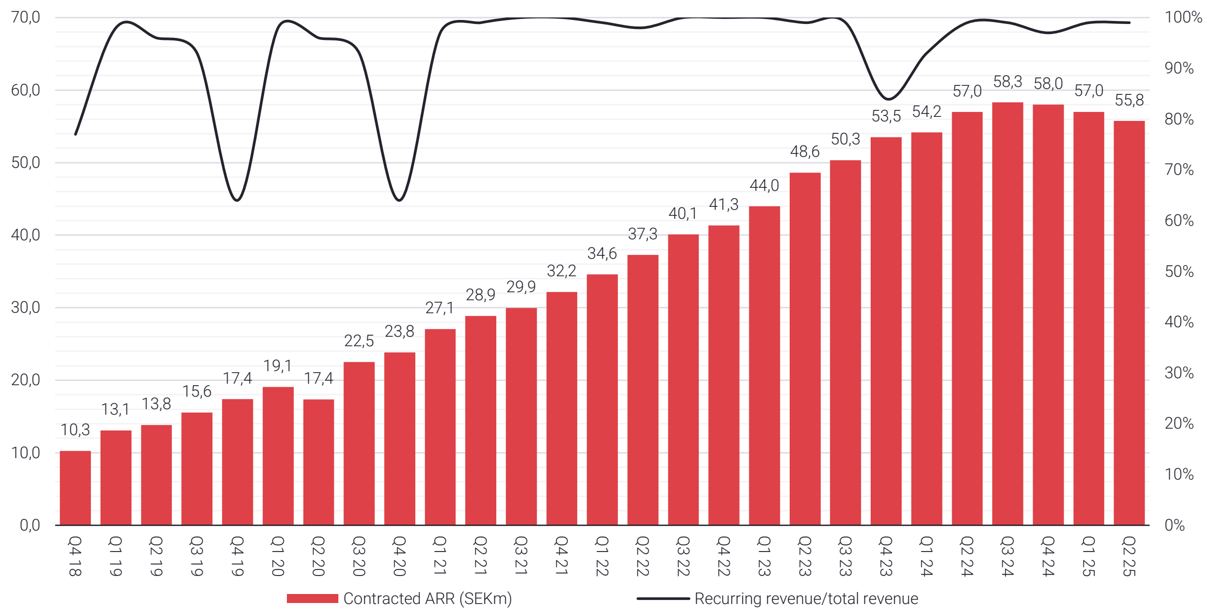
Quarterly commentary

Safeture reported ARR of SEK55.8m in Q2, down 2% both y/y and q/q, falling short of our SEK59.3m estimate even when adjusting for FX effects. Churn was 2.2%, mainly due to logo churn (cancellations), which is higher than we have come to expect, and the macro environment still appears challenging. Gross margin came in at 78%, stable but slightly below the >80% target. EBIT turned slightly negative at SEK-0.4m after three positive quarters, which is no surprise, as the company guides for consistent profitability around SEK65m in ARR.

To address recent pressure on its recurring revenue base, Safeture has introduced several initiatives, as noted in the quarterly report, including a slightly revised pricing strategy and quarterly product waves. The new pricing model clarifies what is included in the base offering and adjusts pricing based on customer usage, with the aim of simplifying upsell and ensuring new features can be better monetised. In parallel, the company has launched quarterly product waves: targeted rollouts of features and products developed around specific end-customer needs. This supports partners' sales efforts and their ability to retain customers. Two product waves have been released so far, Documents and City Risk Maps, with another AI-powered feature for automated user outreach in the pipeline for H2.

Although these initiatives show that the company is working to improve its offering in the face of a challenging market, we consider it unlikely to have any dramatic effects in the near term. Given the current trend in ARR, where the company has faced churn, slower upsell, and currency headwinds, it is instrumental that it manages to turn things around.

Safeture: Contracted ARR (SEKm) and the recurring revenue share (%)



Currently, Safeture trades at an EV/EBIT multiple of 30.3x for 2027e, a valuation that requires growth in line with the company's target of some 15% to be warranted. However, investors should keep in mind that the company is nowhere near what should be peak margins at that point, and that multiples will fall rapidly thereafter.

Safeture	2024	2025e	2026e	2027e
Net sales	56,4	57,2	64,0	73,5
EBIT	-0,2	-0,6	0,4	5,3
EBIT(%)	0%	-1%	1%	7%
EV/Sales	2,8	2,8	2,5	2,2
EV/EBIT	-943,9	-267,4	401,1	30,3

Source: Redeye research (estimates), Company filings (historical data)

Redeye valuation and key ratios	
Base Case	7
Fair value range	3-10
Current share price	4,7
Return to base	48%
EV/OE LTM	-276,8

Sleep Cycle: Turning dreams into dividends[24]

To understand the core of the case in Sleep Cycle, one must know the company's history. Sleep Cycle was listed on the Nasdaq Stockholm Small Cap in June 2021 at SEK70 per share. The company (with its 28% 3-year sales CAGR at the time of the IPO) wanted to use the proceeds to prioritise growth. Management aimed for an annual growth rate of 30%, and the EBIT margin, therefore, would decline to ~20% in the mid-term. As said and done, the EBIT margin fell from 35% at the time of IPO to 23% for FY 2022 due to investments in growth initiatives, increasing headcount from 25 to 48 FTEs in the same period. However, sales for 2022 and 2023 grew by 17% and 11%, quite a distance from the original sales growth target of 30%. Consequently, the share price declined from SEK70 at the time of IPO to SEK30 in November 2022 until a consortium of shareholders (the founders and largest owners) with c57% of the outstanding shares placed a bid on the company, trying to repurchase it at SEK42.5 per share. However, the bid did not reach the 90% acceptance level required to complete the offer.

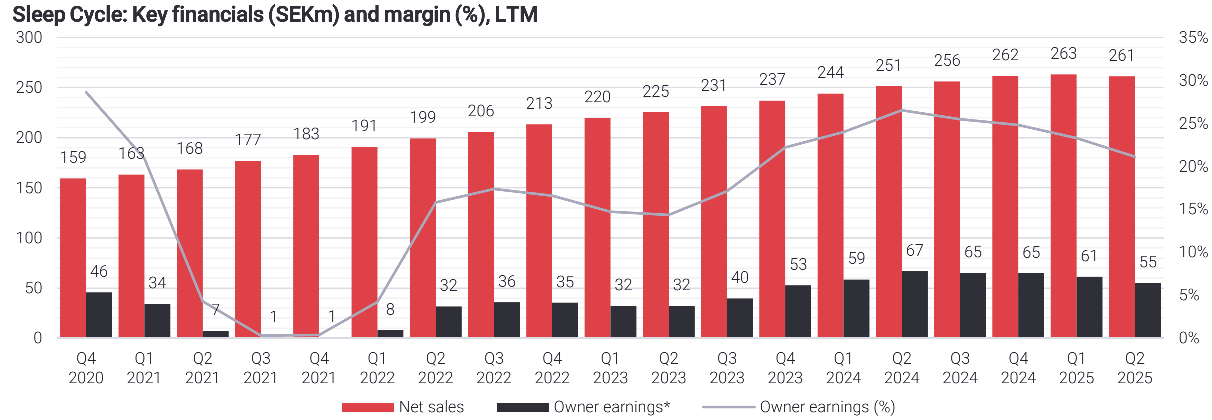
Fast forward six months to mid-2023, and the company implements effectivisation measures and reduces headcount from 50 to 32 between Q2 2023 and Q3 2024 to adapt to new market conditions. Consequently, the adjusted EBIT margin rose from 23% in 2022 to 29% in 2023. In Q1 2024, the company held a capital markets day, presenting its new strategy and financial goals. The new strategy aims to increase user growth and engagement and find new ways to monetise the vast amounts of user-generated data. The latest financial goal is to double sales in the mid-term (which we find very vague, but our best guess is a horizon of 3-4 years), with an EBIT margin of 25%.

With an NWC amounting to -28 % of LTM sales, Sleep Cycle is a cash cow far from what investors are used to seeing. The company offers the market-leading (>50% market share) sleep tracking app, putting itself at the top of the app stores with c20,000 downloads daily. Organic downloads constitute 80%, which we believe is a competitive advantage against smaller competitors who must acquire customers inorganically. The app helps users improve their health through better sleep by using AI-based audio technology to measure, quantify, and provide personalised insights based on the company's sleep database, which currently consists of over 3 billion nights of data. Since 2022, the company has steadily raised its price with an average of 9.2% per year.

Key drivers to follow

Sleep Cycle has built an incredibly strong market position, with a >50% market share. The company has a favorable cash flow profile, getting paid for an annual subscription upfront while recognising revenue and earnings over time (we include the delta NWC in our owner earnings calculations, as it improves cash generation vastly). Based on the company's history, we think the major factor an investor should focus on is how the growth initiatives unfold. Signs of a positive effect on subscriber and ARPU growth can act as catalysts for the stock, and it would also further increase the positive impact of negative NWC. We would also like to note that even though Apple should have incentives to push other sleep apps (like Sleep Cycle) rather than building their own solution (given their 30% cut in the app-store business model), investors should be aware of the threat of giants like Apple and Google disrupting the market with internally built solutions. Their health informatics apps, Apple Health and Google Fit, would gain from having more sleep data and functions targeting sleep, and what the giants do should be monitored very closely.

Sleep Cycle: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - repayment of lease liabilities - (NWC as % of LTM sales * delta in sales QoQ)
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[24] Analyst Jessica Grunewald owns shares? Yes. Latest transaction: Buy (2024-09-11)

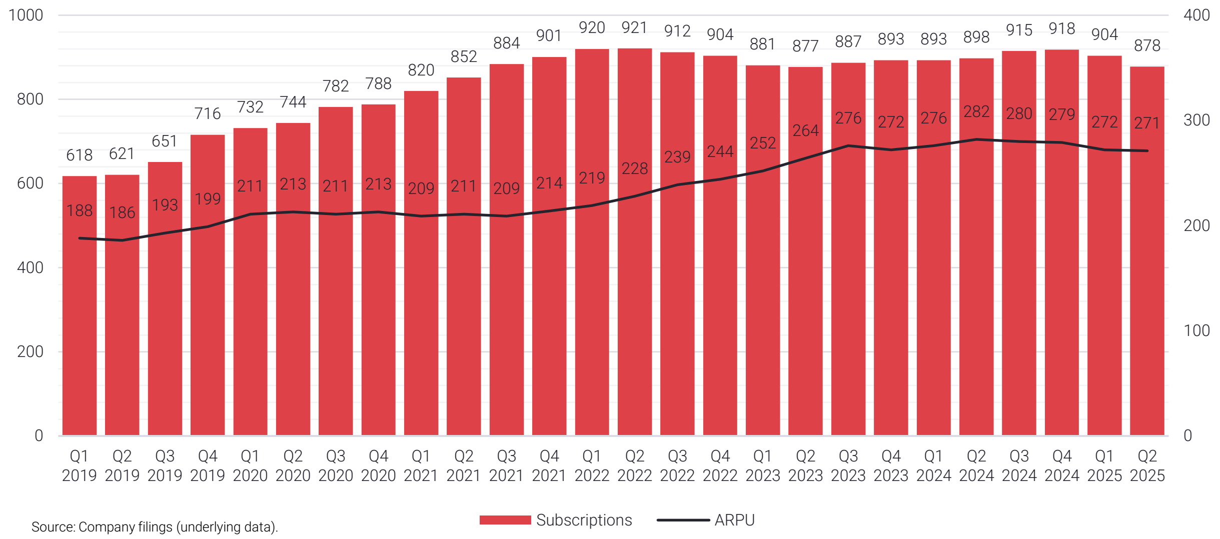
Quarterly commentary

Sleep Cycle's Q2 2025 report delivered solid profitability despite weak subscriber growth, as headwinds in the app store segment continued. Net sales were SEK63.6m (-2.9% y/y), broadly in line with forecasts, while EBIT reached SEK18m (28% margin), slightly above expectations. Subscriber numbers fell to 878k (-3% q/q), 3% below our forecast, but ARPU remained stable at SEK271. Retention continued to improve, helping offset lower new customer intake. Overall, the company continues to show strong cost control and resilience in core operations.

A standout positive was the 68% y/y growth in partnership revenue, now representing 9% of sales. This reflects strong momentum in Sleep Cycle's efforts to diversify revenue and reduce reliance on App Store and Google Play channels. "Powered by Sleep Cycle" SDK integrations are gaining traction, and the ongoing sleep apnea screening study (700 participants, Australia) is progressing toward an FDA/CE filing, with launch expected in late 2026. These strategic initiatives expand the company's TAM and offer structurally higher-margin opportunities.

Our analyst lowered our subscriber growth assumptions and reduced revenue and EBIT estimates by 5-12% and 3-10% respectively. Our fair value range is now SEK17-67 (from SEK19-74), with a Base case of SEK43 (49). Sleep Cycle trades at just 5.4x EV/EBIT on 2026e. We remain positive in the long term, as the combination of low valuation and optionality from new growth levers is interesting. However, we believe new initiatives must show more traction before the sentiment shifts.

Sleep Cycle: Subscriptions & ARPU, Quarterly



Source: Company filings (underlying data).

Sleep Cycle	2024	2025e	2026e	2027e
Net sales	261,6	261,4	308,6	370,8
EBIT	76,8	70,9	85,8	107,4
EBIT(%)	29%	27%	28%	29%
EV/Sales	1,7	1,7	1,5	1,2
EV/EBIT	5,9	6,4	5,3	4,2

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	43
Fair value range	17-67
Current share price	28,0
Return to base	54%
EV/OE LTM	8,3

Tradedoubler: Twice as nice for half the price[25]

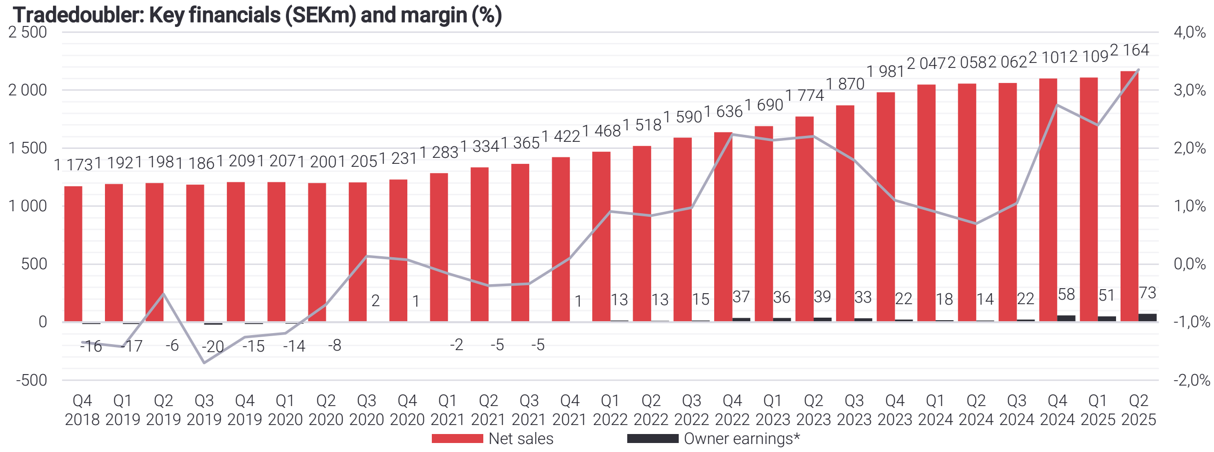
Tradedoubler operates a marketplace for partner marketing (traditionally affiliate marketing). With 3,000+ brands and 180,000 affiliates on its platform, the company is one of the leading European players. Founded in 1999 and listed since 2005, it has a long history in the public domain. In addition to affiliate marketing, it also operates a platform for influencer marketing through its company Metapic. For 2024, the group showed SEK2,101m in net sales and SEK44m in adjusted EBIT across its geographical segments: DACH (18%), France and Benelux (15%), Nordics (35%), South (14%), and UK and Ireland (18%).

With more than 3,000 global brands and 180,000 publishers , the company is one of the leading European actors in the space. We believe investors should look at Tradedoubler using two main divisions: Traditional Affiliate and Influencer Marketing (Metapic), with mobile/app campaigns (Appiness) being a smaller, third part. In Traditional Affiliate, Tradedoubler follows a performance-based model, where customers only pay for performance in its marketing spend. The exact payment structure could be based on CPM, CPC, CPL, CPA, or a combination of several of these methodologies. We judge CPA to represent the clear majority. Tradedoubler's revenues are generated from the commissions advertisers pay to partners through the company's platform. The commission split between Tradedoubler and the publisher stands at roughly 20/80. This is important, given that Tradedoubler books the full 100 as net sales, before immediately paying 80 of those to the publisher. In Influencer Marketing, the company has Metapic. Metapic is the largest segment of Tradedoubler outside of its traditional affiliate business. Here, the company takes more of a full-service approach to influencer marketing, also helping customers with running and managing campaigns and offering self-service solutions. The affiliate part of Metapic is otherwise quite like the legacy business, with influencers on one side and brands on the other. Metapic has been growing rapidly in recent years, with gross margins that are currently some 15pp-20pp higher than the traditional affiliate business. We believe Metapic is set for a couple of additional years with rapid growth, and that the market underestimates the impact that this will have on overall group figures.

Key drivers to follow

- Metapic becoming a larger part of group figures. Metapic has grown from SEK7m in sales in 2019 to SEK180m in sales for 2024, equalling a c94% CAGR. The segment has not been separately reported before Q4 2024, making its performance easy to underestimate. It is now reaching profitability, with 2024 EBITDA of cSEK27m. As a strong player within the rapidly growing influencer marketing space, a c15pp-20pp higher gross margin than the affiliate business, and expected EBITDA margin improvements from operational leverage, the segment's emergence is exceedingly going to shine through in the group figures.
- Return to growth in underlying e-commerce volumes. The underlying market for end consumption is currently weak according to both Tradedoubler and its industry-peer Adtraction. A return to growth in underlying volumes is highly margin-accretive, as there is no need to increase personnel to service higher volume on existing clients.

Tradedoubler: Key financials (SEKm) and margin (%)



*Owner earnings defined OPCF before WC - average NWC/LTM sales over the period * delta in sales - all capex - lease. between quarters. Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data)

[25] Analyst Martin Wahlström owns shares? Yes. Latest transaction: Buy (2025-07-16)

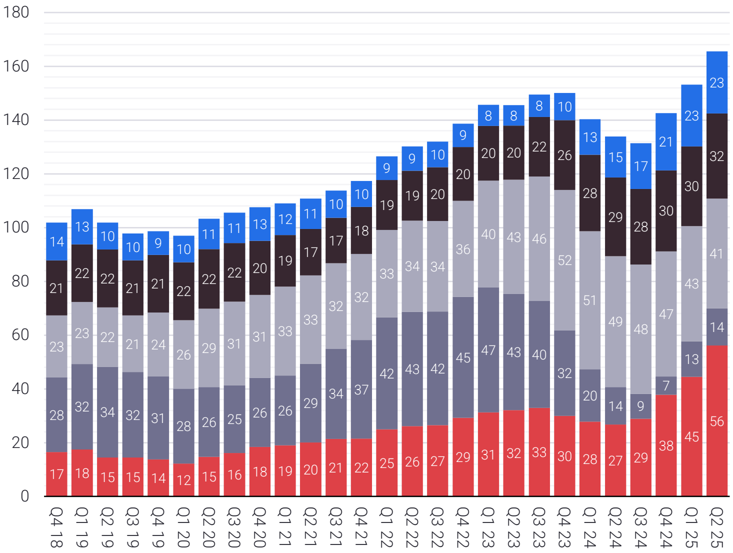
Quarterly commentary

Tradedoubler had a solid second quarter, with net sales of SEK531m against our estimate of SEK496m, corresponding to a c7% positive deviation and 11% y/y growth (15% currency-adjusted). Metapic was again the main driver of sales growth in the quarter (45% y/y), while Partner Marketing grew c8%, although against relatively soft comparables. The gross margin was 22.2%, exactly in line with our estimate but slightly lower than last year. EBIT was SEK7m, around 23% above our forecast. The slight margin improvement was not driven by Metapic, which showed flat EBITDA against last year, but rather by the operational leverage inherent in the business. Incremental sales have a highly margin-accretive impact, especially when derived from the existing customer base.

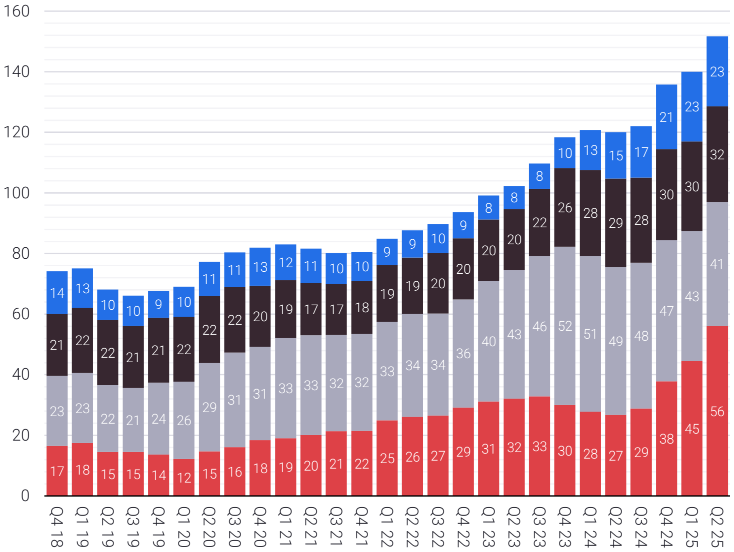
Another aspect in the business model which we know investors contemplate quite a bit is the impact of AI. In our quarterly research update, as well as in the Q&A with the company after our hosted earnings call, we spoke quite a bit about this. Feel free to review the above material, but for now our conclusion is that, for the short-term, worries in the market are probably overblown, whereas the long-term impact is more uncertain. However, we remain confident in the resilience of the business model, seeing that over the past 25 years it has survived shifts such as the introduction of Facebook, Google and more.

Something else that investors should keep in mind is that last year there was a significant downturn for EBITDA in France and Benelux due to hardships within email marketing. This is distinctly separated from the core business but nevertheless put pressure on profitability. As this trend now seems to have bottomed out, we believe it is worthwhile to track performance excluding France and Benelux to get a clearer sense of the underlying development. As shown in the chart to the right, this currently indicates very strong momentum.

Tradedoubler: EBITDA by geography (SEKm), LTM



Tradedoubler: EBITDA excluding France & Benelux LTM



The stock currently trades at an EV/EBIT of 7.1x-4.8x for 2025e-26e, with our Base Case pointing to an upside of c74%.

Tradedoubler	2024	2025e	2026e	2027e
Net sales	2101,0	2252,0	2477,0	2700,0
EBIT	19,7	63,0	78,0	94,0
EBIT(%)	1%	3%	3%	3%
EV/Sales	0,2	0,2	0,2	0,2
EV/EBIT	22,8	7,1	5,8	4,8

Source: Redeye research (estimates), Company filings (historical

Redeye rating and valuation	
Base Case	13
Fair value range	6-21
Current share price	7,5
Return to base	74%
EV/OE LTM	6,2

Vertiseit: ~~Becoming~~ a digital screen M&A machine[26]

Founded in 2008, Vertiseit is an owner-operated software company targeting the digital in-store market. Simply put, the company helps global brands manage all digital touchpoints (mainly screens) in its stores, creating a unified brand experience across all sales channels. SaaS revenue (45% of sales) is the leading sales growth driver. Operationally, Vertiseit has reported more than 50 quarters of sequential ARR growth, both through the pandemic and a soft retail market, with an average organic y/y growth in ARR of c18% since Q1 2020.

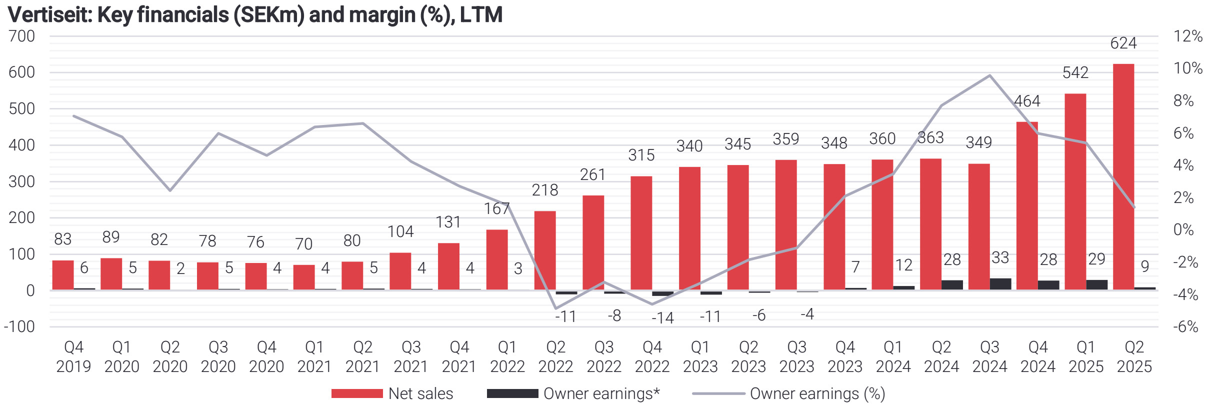
What sets the company apart from its competitors (and there are a lot of them) is, among other things, its platform-first strategy. As competitors supply customers with all products and services through the value chain, Vertiseit has specialised in creating a best-in-class software platform targeting leading retailers. Vertiseit's SaaS-business model is scalable, and after a period of somewhat weaker profitability (the company invested heavily in new IT systems while integrating a significant acquisition), the underlying profitability and cash generation have started to show.

The company pursues an acquisition strategy and has acquired seven companies since its listing in 2019 for a total consideration of SEK917m, financed partly by internally generated cash flows and partly by issuing shares. Since its listing in 2019, Veriseit has issued 19m shares, corresponding to an increase in the number of shares outstanding of 146% over 6 years. Despite the annualised increase in the number of shares outstanding of 18.5%, Vertiseit has managed to grow its EBITDA-CAPEX per share with a CAGR of 26.8% between 2019-2024 and with a CAGR of 31.9% until 2026e. We believe these figures testify to Vertiseit's management's ability to create shareholder value through successful capital allocation. The fragmented market offers many interesting M&A opportunities for a larger player like Vertiseit, and as evidenced by its latest acquisition of MDT, we believe the company has entered roll-up mode, starting to finance smaller acquisitions with internally generated cash flows instead of shareholder dilution. Vertiseit estimates its market share to be less than 2% of the core addressable market of 50M licenses, indicating a long growth runway, both organically and through M&A.

Key drivers to follow

- Effective integration of smaller acquisitions. Following the MDT acquisition, we believe Vertiseit has entered a roll-up phase. If the company can prove that it can integrate smaller acquisitions effectively, we believe this could trigger the share, as the roll-up story will be much clearer and more proven.
- Growing organically on existing and new customers. With an LTM churn & NRR of 3.0% and 109.3%, respectively, Vertiseit puts itself among the top 25% in both of these metrics of the Nordic-listed SaaS companies reporting churn and NRR. As the company targets leading retailers with large potential, continued solid NRR figures are key to reaching double-digit growth rates.
- Successful integration of Visual Art. The latest acquisition, Visual Art, has historically had a much lower profitability than Vertiseit due to several factors. As demonstrated with the acquisition of MultiQ, the company has proven its ability to increase profitability in its acquired companies. Getting Visual Art to run as efficiently as Vertiseit will contribute significantly to the group's profitability.

Vertiseit: Key financials (SEKm) and margin (%), LTM



*Owner earnings defined as net income + depreciation and amortisation - investments in tangibles and intangibles - repayment of lease liabilities liabilities - (NWC as % of LTM sales * delta in sales QoQ)
Source: Redeye research (chart structuring and owner earnings definition), Company filings (underlying data).

[26] Analyst Fredrik Nilsson owns shares? Yes. Latest transaction: Buy (2024-03-12)

Quarterly commentary

Vertiseit's Q2 2025 report confirmed solid underlying growth, with ARR increasing to SEK290m (178), corresponding to 16% organic growth y/y and 4% q/q (~17% annualized). Adjusting for FX, ARR came in 1% below our forecast of SEK296m, but growth remains far ahead of the 9% median among listed Nordic SaaS peers. Several roll-outs, including KFC, Scientific Games, Shell, Tesco, and Co-op, supported ARR growth despite prolonged sales cycles caused by geopolitical and tariff-related uncertainty. Management highlights a strong pipeline (actually, the most promising yet), although extended sales cycles mean most of this upside will likely materialise in 2026.

The quarter included the implementation of a broad cost-efficiency program, involving a 20-person reduction and consolidation of overlapping offices, expected to save SEK25m annually (all else equal) from Q4 2025. With these measures, Vertiseit targets an EBITDA margin exceeding 20% in H2 2025, which we believe is achievable given historical success with similar cost initiatives following prior acquisitions, such as MultiQ.

Vertiseit also announced its first roll-up-style acquisition post-quarter, acquiring German digital in-store software provider MDT for SEK87m (4.3x ARR). MDT contributes SEK20m in ARR with an impressive EBITDA-CAPEX margin of 35% and a strong customer base, including those of Deutsche Telekom and McDonald's. While the ARR uplift is modest, we see high strategic value in MDT's customer relationships and expect additional similar acquisitions in 2025, as Vertiseit becomes a preferred consolidator in the industry.

Total Q2 sales were SEK168m (87), up 94% y/y due to Visual Art, but 3% below our SEK173m forecast, as Consulting and Systems revenue fell slightly short. Gross profit of SEK104m (61) was 4% below forecast, while adjusted EBITDA-CAPEX of SEK13.5m (13.3) was in line with expectations. Extraordinary costs of SEK16.5m, mostly related to the efficiency program, dampened reported profit. Free cash flow reached SEK1.6m, with net debt at SEK119m (1.1x EBITDA 2025), expected to rise to 1.9x after the MDT payment in Q3, still well within healthy limits.

Vertiseit's SaaS metrics remained among the best in the Nordic SaaS peer group, with R12m churn of 3.0% (record low) and NRR of 109.3%. While NRR has trended down slightly, we think it remains robust in today's challenging macro climate.

Our analyst makes modest downward revisions to our ARR forecasts (-2% to -3% for 2025-2027) due to softer near-term conditions, but raises our EBITDA-CAPEX estimates for 2026–2027 (+8% and +5%) as the SEK25m cost savings take effect. Our long-term profitability assumptions also rise slightly, supported by scalable infrastructure like IXM Grid. As a result, our Base Case valuation increases to SEK75 (68).

On LTM figures, Vertiseit has generated a mere 1% OE margin. However, the figures are highly skewed due to OE items related to integrating the significant VisualArt acquisition. Trading at 15x and 12x EBITDA-CAPEX for 2026-2027, Vertiseit remains one of the cheapest Nordic SaaS players with +15% organic ARR growth, making its risk/reward profile highly attractive despite the recent run in the share price.

Vertiseit	2024	2025e	2026e	2027e
Net sales	464,1	702,5	765,0	820,0
EBIT	60,8	42,8	118,0	154,2
EBIT(%)	13%	6%	15%	19%
EV/Sales	5,0	3,3	3,0	2,8
EV/EBIT	37,9	53,9	19,6	15,0

Source: Redeye research (estimates), Company filings (historical data)

Redeye rating and valuation	
Base Case	75
Fair value range	45-104
Current share price	71,2
Return to base	5%
EV/OE LTM	262,9

Ownership among Redeye's analysts in covered names

Redeye's analysts are allowed to own shares in the companies they cover as long as all rules, regulations, and internal guidelines are followed. Below is an overview of whether the lead analyst for the respective companies owns shares, along with the date and type for the latest transaction.

Microcap index (Redeye coverage)*	Redeye's analyst	Redeye's analyst owns shares?	Most recent transaction (date)
Avensia	Fredrik Nilsson	Yes	Buy (2024-12-06)
Avtech	Rasmus Jacobsson	Yes	Sell (2025-05-30)
Cheffelo	Martin Wahlström	No	No transaction (n/a)
CombinedX	Fredrik Nilsson	Yes	Buy (2024-12-06)
Enea	Rasmus Jacobsson	No	No transaction (n/a)
Formpipe	Fredrik Nilsson	No	No transaction (n/a)
Genovis	Filip Einarsson	No	No transaction (n/a)
I-Tech	Oskar Vilhelmsson	No	Sell (2021-01-18)
Paxman	Gustaf Meyer	Yes	Buy (2025-05-21)
Safeture	Martin Wahlström	No	Sell (2025-05-20)
Sleep Cycle	Jessica Grunewald	Yes	Buy (2024-09-11)
Tradedoubler	Martin Wahlström	Yes	Buy (2025-07-16)
Vertiseit	Fredrik Nilsson	Yes	Buy (2024-03-12)

Source: Redeye.se, where all transactions by Redeye's analysts are visible in the companies they cover.

Quarterly company updates – Select other microcaps

In this section of the report, we present commentary on some of the names we currently find interesting outside of our coverage. Each quarter, we aim for three to five cases, ideally names we have not covered before. The criteria are the same as for the other participants: below SEK3bn in market cap and profitable (at least in the very near term). The same names can theoretically be repeated for several quarters in a row, but this section will be more "case-based", focusing on names that we, for some reason, find especially interesting at the time of writing.

The format here is less strict, for a few reasons. First, given that we have no regular coverage (at redeye.se) to which we can direct readers, this section sometimes must be more extensive to provide readers a comprehensive overview. Second, as these companies are not going to be covered consistently in the report, the coverage here must be more timeless, focusing less on specific quarters and more on the company and investment case (the degree of timelessness depends on how fast it plays out). Finally, these sections might feature other types of content, such as interviews with company representatives, deep dives in competition, or other interesting data points that we have managed to discern among the noise. We argue that this type of content warrants slightly more space given its long shelf life and will thus forego the self-imposed two-page limit per case used in other parts of this report.

Finally, if you, the reader of this report, has a case pitch that you think would fit into this section, do not hesitate to contact us at microcap@redeye.se (or martin.wahlstrom@redeye.se / jacob.benon@redeye.se). We will review the case and, if we find it interesting, profile it in the next quarterly update.

Disclaimers

To forego any criticism, we want to acknowledge the fact that we can own shares in the names we profile also in this section. Given the size of the companies, and the low liquidity, we understand the potential conflict of interest. We have implemented some self-imposed rules to combat the issue. In addition to adhering to the trading rules and guidelines established by Redeye for all its employees, the authors of this report have voluntarily implemented supplementary trading rules to further minimise potential conflicts of interest. Specifically, the authors agree to refrain from engaging in any buying transactions involving companies not currently under Redeye's coverage from the moment it is determined that these companies will be included in the report. Furthermore, the authors will be prohibited to sell companies not currently under Redeye's coverage until 30 days after the report's publication.

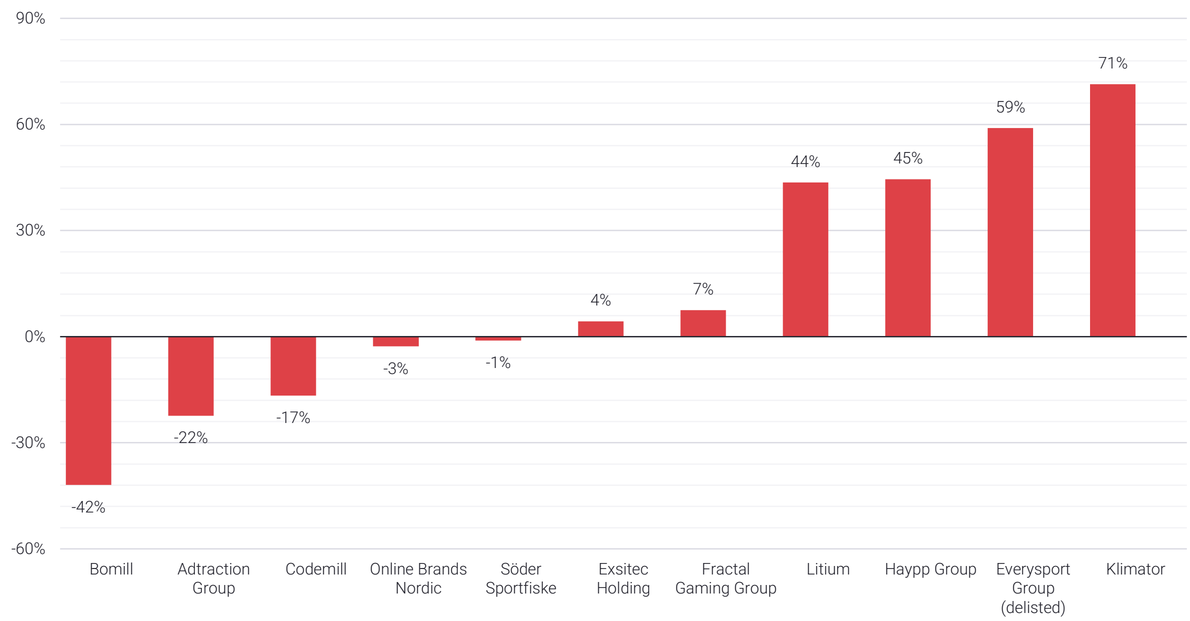
Nevertheless, one part of why this report has become reality is that we are allowed to cover companies where we are intrinsically interested in researching the names. As such, there will inevitably be situations where one or both authors own shares in the companies mentioned. The full list of holdings for the authors (all names, not only the names covered in the report) is available at the beginning of this report and in the formal disclaimer at the end.

In addition to following all applicable regulation, we will act in a way consistent with Buffett's newspaper test: "*When managers have any doubt about whether a decision or action is right or wrong, they should imagine how they would feel if it were reported the following day in the local newspaper, with the assumption that the write-up is authored by a smart but unfriendly reporter and read by the manager's family, friends and neighbours.[…] bottom line: If your decision or action passes this test, it's OK; if it doesn't, it's not.*" Hopefully this comes across as fair. Readers are invited to send any feedback on how the self-imposed regulation can be improved using the contact information above. Nobody would be happier for such feedback than us.

Commentary on former constituents since inclusion

In this section, we comment on the share price development and some of the key pieces of news flow in the companies outside our coverage that we have profiled in previous reports. Thus far, we can conclude that our stock-picking is, well, not good enough, with average and median returns of 12% and 4%, although with large deviations on both the up and downside. Readers should also keep in mind that the selection is not necessarily made with the purpose of achieving strong share price performance in the short term. For example, we explicitly state in the cases of Klimator, Everysport, and BoMill that it is currently hard to come up with a "fair" value without further research, but that the companies are still highly interesting to keep track of. Coincidentally, it seems that those three cases are all at the extremes in terms of share price performance since inclusion.

Q1 2025 report constituents: Share price movements between Q1 and Q2 report



Online Brands Nordic – Profiled: Q1 2025 (link). Share price performance since inclusion: -3%

Online Brands Nordic reported the Q2 result that showed solid growth but, in our view, unexpected margin pressure. A recurring theme throughout the report was the removal of disclosed metrics, which we always consider a yellow flag. For example, the company did not disclose organic growth but instead reports organic online growth. Conveniently, as sales from resellers and own stores have been weaker. It has also stopped reporting revenue for each brand, something previously provided (although the smallest subsidiaries were not always explicitly mentioned). We are slightly frustrated by the latter although we understand the rationale. To some extent, as more acquisitions are made, commenting on each individual brand is not a scalable practice. On the other hand, we consider a key part of the investment case to be whether the individual companies improve under group ownership. Not being able to follow this progress on a quarterly basis is, in our opinion, a weakness.

The inability to track individual subsidiaries becomes more problematic when considering the most recent acquisition by the group, Tanrevel. On July 10, it was announced that Online Brands would acquire Tanrevel for cSEK36m from its previous owner Qarlbo, the investment company founded by EQT founder Conni Jonsson. Through reinvestment, it was disclosed that Qarlbo would own c9% of the shares in Online Brands (i.e. the acquisition was essentially paid for with shares). Tanrevel was acquired and turned around by Qarlbo during 2024 after some turbulent years, and it now expects zero EBITDA and flat sales for 2025e. For this to be a good acquisition, it is therefore important that Online Brands scales the company or realises synergies on the cost side. Not being able to follow the sales development of Tanrevel on a quarterly basis is thus an example of the aforementioned weakness, in our view.

Now, moving over to the figures in the quarter, sales grew 25.9% y/y, with sales in own e-commerce up 39.7%. Of this, 6.2% e-commerce growth was organic; for the remainder, it is difficult to say, as the report only mentions organic development for the online channel. The gross margin was down c10pp y/y, partly driven by the acquisition of Reforma and Getcamping earlier in the year, as these dilute the gross margin mechanically. However, the downturn was larger than expected, also driven by what appears to be logistics-related restructuring work in the new acquisitions. The gross margin was the only real deviation on the cost side, but it is also the item with potentially the largest impact. Adjusted EBITDA (a decent proxy for cash flow under K3 reporting standards) was SEK0.9m against SEK4.3m last year. Management partially blames the weak result on Q2 being a seasonally weak quarter, which is fair, although it doesn't explain a y/y decline.

Despite our previous three paragraphs being quite harsh, we think the company remains very interesting to follow. With pro forma sales of SEK482m, a market capitalisation of cSEK340m, and a c55% gross margin providing scope for margin improvements as central costs are spread over a larger group, we believe the outlook can become quite positive. However, calling it as we see it, the second quarter report was not a step in the right direction.

Haypp Group – Profiled: Q1 2025 (link). Share price performance since inclusion: 45%

Haypp's Q2 2025 results showed continued progress under the hood, despite ongoing supply headwinds in the US. Like-for-like sales in constant currency grew 17%, with nicotine pouch volumes up 23%. In our opinion, it was nothing other than strong, but also kind of what you expect from Haypp. Reported growth was -2% due to FX effects and the temporary halt in Zyn supply, but profitability continued to strengthen. Gross margin reached a record 19.2%, and the adjusted EBIT margin expanded to 4.2% (3.7), despite what management states to be stepped-up investments in the US and UK operations.

After quarter-end, Haypp announced that Zyn will return to its US offering in September, following renewed supply from Philip Morris International. This is a key near-term catalyst, as Zyn previously made up nearly half of Haypp's US sales and remains the dominant brand in the nicotine pouch category. The decision also seems to indicate that PMI trusts Haypp's compliance infrastructure and retail execution in what seems to be a tightly regulated environment.

On Haypp's midpoint 2028 financial targets, the stock trades at EV/adj. EBIT of 12.1x. We do not think this is dirt cheap, even though we really like Haypp's business model, "scale economies shared" moat, and long growth runway.

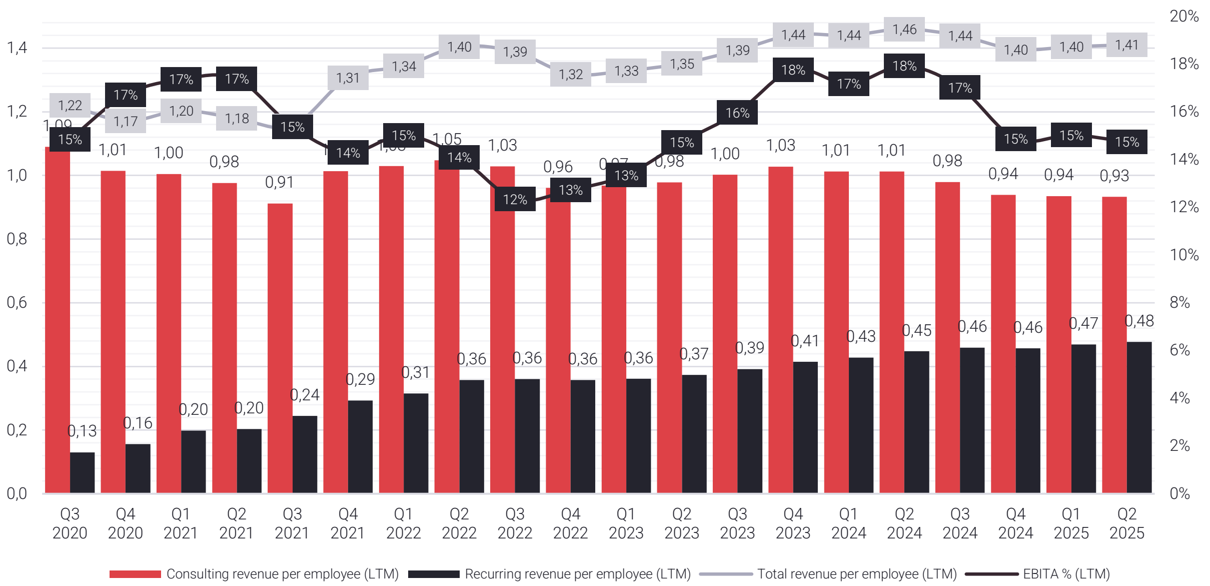
Exsitec – Profiled: Q3 2024 (link). Share price performance since inclusion: 4%

Exsitec's Q2 report reflected a dynamic that we are getting used to: subdued consulting demand but continued strength in recurring software revenue. Order intake was the clear highlight, with new sales up >40% y/y, marking Exsitec's best quarter to date and giving confidence in the outlook for H2 2025. Net sales grew 8% y/y (-2% organic) with an EBITA margin of 19.4% (20.9%). Management states that software revenue grew 21%, of which approximately one-third of the growth was organic. Demand was especially strong in Sweden, and traction for Business NXT (Visma's cloud ERP) is accelerating in both Norway and Denmark. In Q2, the "Other Nordics" segment posted nearly 50% y/y growth, driven by the ECIT customer base acquisition. Norway showed continued margin improvement, reaching 11% EBITA (5% in Q2 2024).

Still most affected by slower demand from existing clients, the Swedish segment showed early signs of improvement. Exsitec's trainee program continues to perform according to plan, adding long-term capacity, which mitigates bottlenecks for growth when the market heats up again. With EBITA margins at 15% LTM, the company remains solidly profitable. However, the upside scenario becomes compelling if the consulting business rebounds modestly. If sales per employee return to ~SEK1.45m (which currently only requires consulting revenue per employee to move from SEK0.93m to SEK0.97m), we think margins could climb toward 18-20%. Our chart below shows that consulting revenue per employee is near an ATL, while software revenue per employee hit a new all-time high.

Let's assume a scenario where the market has bottomed and Exsitec grows ~10% in 2026e with a 20% EBITA margin, EBITA could reach SEK195-200m, taking EV/EBITA to below 10x. While that may be a bullish assumption, we think it's a nice optionality, and it doesn't assume any new acquisitions, only a return to slightly better utilisation within the consulting organisation. For now, the company offers stable profitability and solid cash flow. But if demand picks up, the operating leverage embedded in the model provides an interesting setup. We see Exsitec as well-positioned to benefit from even modest improvements in market sentiment.

Exsitec: Revenue per employee (SEKm), LTM

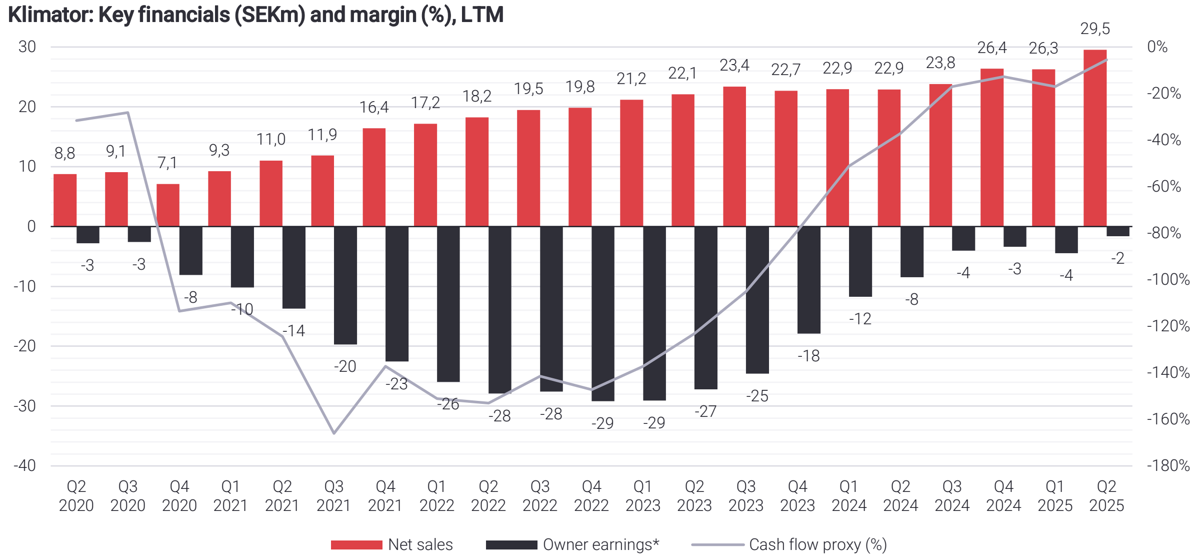


Source: Redeye research (chart structuring and calculations), Company filings (underlying data).

Klimator – Profiled: Q3 2024 ([link](#)). Share price performance since inclusion: 71%

Klimator delivered a solid Q2 performance across the board, with net sales up c70% y/y and significant margin improvements. Excluding the postponed hardware order of cSEK2m from Q1 to Q2 (Banedanmark contract), underlying growth was still a solid 27%. The cSEK0.7m in EBT corresponds to a margin of about -7% against total revenue, which is impressive compared with the -48% delivered last year. With pressure from the successive phasing-out of non-core revenue, such as consultancy income and grants, now largely behind the company, LTM revenue is increasing markedly, a trend we expect to continue as long as the hardware installations under the Banedanmark framework agreement remain ongoing. Still, with or without this contract, the company is continuing to build a strong underlying base of recurring revenue, and it seems reasonable to assume that the recurring growth rate is roughly in line with overall sales, although the exact level is not known.

Klimator: Key financials (SEKm) and margin (%), LTM



Recent news flow has also been solid, considering that the summer months tend to be slower, with the majority of revenue concentrated in the winter months from October to April. Announcements include new and expanded contracts with Presis Vegdrift, a Danish municipality, Svevia, and Stian Brenden Maskinservice. None of these contracts is material on its own, although the first is expected to contribute cSEK1.2m in net sales already in 2025, but all add to the recurring base. Although building in small steps takes longer for SaaS companies, the end result is considerably more stable than when growth comes rapidly through high customer concentration. Furthermore, there should be solid upsell potential on several of these customers, both in terms of new areas covered and new services.

Outside the report itself, the key piece of news in the quarter was the directed issue, raising cSEK9.5m at a slight premium to the prevailing share price. Participation among management and other insiders was solid, with recently appointed board member and private investor Anders Oscarsson purchasing about SEK1m worth of shares. The CEO and the head of the Automotive business area appear to have taken sizeable stakes relative to their estimated annual compensation (with annual personnel costs of cSEK19m for 16 employees, there is limited room for excessive salaries to senior staff). Among the investors outside management, we note a couple of familiar names and consider the capital raise a sign of strength, particularly as it was carried out at a slight premium.

On the back of a refilled war chest, we note that about two weeks ago the company announced two new hires to its commercial team (one part-time, to be fair). We judge this to be a sound move. The company has been very conservative in its spending in recent years, aiming to control costs and move close to breakeven. Now that things look solid, with breakeven near and new capital secured, gradually scaling up the sales team seems prudent. When reviewing all employees on LinkedIn a few months back, we noted that the team was very tech-heavy, boiled down to a core group of developers (median tenure of c7 years), with everyone except the CEO and CFO holding at least a master’s degree in a relevant technical field.

Going forward, we continue to keep our eyes out for any potential news flow regarding volume contracts in Automotive while arguing that management continues to execute very well on both sales growth and cost discipline.

Söder Sportfiske – Profiled: Q3 2024 (link). Share price performance since inclusion: -1%

Söder Sportfiske’s Q2 report came in soft across the board. Net sales declined 2.5% y/y to SEK71m, with Swedish sales up 4% but international revenues down a disappointing 15%. FX effects likely played a role here, but the result was underwhelming given that international growth is meant to be Söder’s long-term engine. Gross margin held steady at 40.7%, helped by a stronger product mix, while EBITDA fell to SEK7.4m (9.0) and EBIT to SEK6.0m (7.5). Margins were weighed by higher fixed costs, marketing spend, and one-off items tied to the company’s incentive program.

But one disappointing quarter is not enough to write Söder off. The newly appointed CEO has had limited time to make a visible impact, and we suspect several strategic changes are currently bubbling beneath the surface[27]. We know Söder is testing various marketing initiatives, and we’re encouraged by the sharpened focus on EMV. While EMV currently represents just 5-6% of sales, these products generate ~60% gross margin, far above the group average of ~40%. According to management, EMV sales are rising, and it was the top-performing product group in June.

If the new CEO can reignite international growth over the coming year and steadily lift EMV contribution, we believe the financial profile could improve quickly. Still, with the stock trading at ~13x LTM EV/EBITA, we believe the upside requires patience and confidence in the new leadership. This is not a “quick fix”, we believe, but potentially a rewarding one for long-term investors.

Adtraction – Profiled: Q2 2024 (link). Share price performance since inclusion: -22%

Adtraction’s Q2 confirmed the current split reality: a stable and slightly improving e-commerce segment offset by continued weakness in finance. While group gross profit fell -2.6% y/y, the e-commerce segment grew by 8.6%

[27] *Yes, we really like these fishing references.*

including Adrecord, and signs of stabilisation became more visible according to management, with several customer dialogues having a more optimistic outlook on the future, in contrast to before. Meanwhile, the finance vertical continued to weigh heavily, with gross profit down -17.9% y/y.

Despite the topline pressure, Adtraction has demonstrated impressive cost control, keeping EBITA stable at SEK9.4m and delivering a 3.6% margin despite declining revenues and a high operating leverage inherent to the business model. Cash flow for the quarter was negative, but this is not unusual for Q2, and LTM free cash flow remains strong. We expect the company's high cash conversion to persist over time.

So it was yet another quarter of waiting for the company to get back to growth, and to be honest, one might have to wait a couple more quarters before that happens. Or is that the only way? What could break the pattern of sideways earnings and help rerate the stock? We believe the answer may be an acquisition, and management signals that one could be getting closer. Importantly, any upcoming acquisition is highly likely to occur within the e-commerce segment, diluting the financial drag from the finance vertical and shifting investor focus back to the bulk of the business. Encouragingly, the M&A landscape appears increasingly favourable. In the Q2 conference call, management highlighted that while earlier deals were often driven by founder succession or cultural fit, the current environment offers a new type of opportunity, where smaller players with outdated platforms can no longer keep pace with shifting technical and regulatory demands. Many of these companies lack the resources to upgrade, allowing Adtraction to acquire strategically at (hopefully) attractive terms.

We believe this dynamic strengthens the likelihood of an accretive acquisition in the near term, especially one that could enhance growth and realign the group's revenue mix more firmly toward its e-commerce base, which is now growing organically again.

Adtraction trades at 8x EV/OE LTM, despite a proven model, stable margins, and strong cash flow generation. In our view, the company is currently priced at bottom multiples on bottom earnings, a setup that often proves to be a compelling entry point. Should organic growth return, especially in conjunction with a well-priced acquisition, the earnings multiple would fall rapidly. Combining this with the fact that a large shareholder has sold 44% of the total traded shares for the past three months, and that he now has only 2% of the company left (previously 9%), we consider Adtraction a really interesting pick.

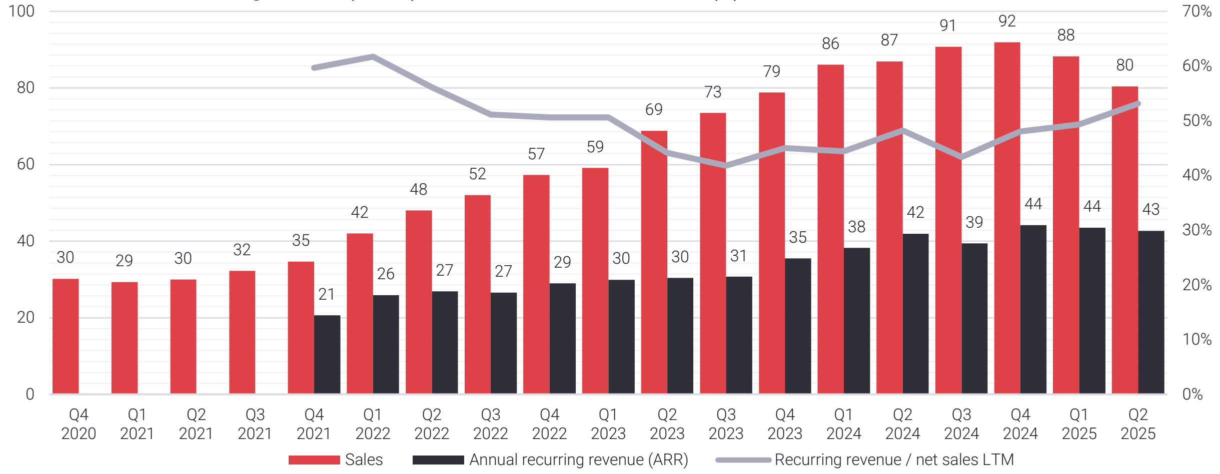
Codemill – Profiled: Q2 2024 (link). Share price performance since inclusion: -17%

Codemill delivered relatively well in the quarter, although we had anticipated that the quarter would be quite tough. With a significant portion of its sales in USD, the currency headwind in Q2 would be large. Further, it faced comparables which included the consultancy contract that was terminated by year-end 2024. Finally, it seemed likely that there would be some additional costs related to the Ateliere-debacle, given that there had been some legal commentary during the second quarter as well.

We have not commented much on the Ateliere bid, as we believe others are better suited to do so. However, based on proprietary sources, we have learned that the current situation at Ateliere is best described as a mess. Around 80% of the workforce has been dismissed, its CEO (previously involved in a USD45m SEC fraud scandal) was removed but has apparently returned to the premises, and the company's cap table consists largely of a long tail of small investors who were sold on the promise of a near-imminent IPO. The Codemill takeover was apparently seen as a shortcut to deliver on those IPO promises. The turmoil at Ateliere is no longer directly related to Codemill, but we still believe it is useful for investors to understand that this has been a talking point in the industry.

In terms of numbers, the company reported net sales of SEK17.2m, down 31% y/y, or 13% when adjusting for the previously communicated loss of a consultancy contract. Net income was SEK1.7m negative, although this is not an appropriate measure of underlying profitability. Adjusting for net amortisation and one-off costs related to Ateliere, which management states will not continue beyond this quarter, underlying cash flow generation was about SEK1m, lower than we had hoped for, but not a loss. The company continues its shift from partly relying on non-core consulting work to being more focused as a product company, a shift accelerated by the loss of the large contract late last year. This naturally impacts profitability in the short run, as some revenue-generating consultants are instead focused on selling and developing the products, which has a longer but more stable payback period. We believe it is important to note that although sales and profitability are lower now than last year, the company is building something fundamentally stronger.

Codemill: Annual recurring revenue (SEKm) and its share of LTM net sales (%)



Source: Redeye research (chart structuring), Company filings (underlying data).

Regardless, we remain cautious about the outlook. The company is indeed building a more solid base, but it also seems likely that both sales and underlying cash flow generation will be down y/y throughout 2025e, partly due to the known loss of the consultancy contract and partly due to the substantial FX headwind. The stock currently trades at around 18x underlying cash flow for H1 annualised, with FX headwinds still expected during the remainder of the year.

Fractal Gaming Group – Profiled: Q2 2024 (link). Share price performance since inclusion: 7%

Fractal reported Q2 2025 net sales of SEK215m, up 50% y/y (66% organically in USD), with end-consumer sales up nearly 40% and the Amazon sales channel hitting a new record. EBIT came in at SEK13m (0.9m), and the quarter marked the second-highest in sales terms in company history. Yet despite strong operational execution, the bottom line was heavily distorted by a series of macro-driven headwinds.

The quarter was, quite literally, a perfect storm. First, tariffs directly impacted gross profit by ~SEK7m. Second, to front-run potential further tariff hikes, Fractal shipped larger volumes into the US, incurring ~SEK4m in extra freight costs. Lastly, a sharp drop in SEK/USD meant that goods bought at a higher exchange rate earlier in the quarter were sold at a lower exchange rate later. This FX mismatch weighed on product profit by another ~SEK6m. All in all, these macro effects shaved ~SEK17m off earnings, more than the total EBIT of SEK13m. If not for this external triple-hit, EBIT would likely have landed closer to SEK30m.

What's important is that none of these items are structural. Price increases in the US are partially mitigating tariffs. Fractal's temporary freight push is now complete and normalises in Q3. FX should no longer distort margins in the same way going forward (if the USD/SEK is done crashing). Meanwhile, the company continued to deliver on what matters, which is growth.

Scape, Fractal's first gaming headset, launched in mid-June and was well-received, selling out at several key resellers. Refine, the company's gaming chair, continues to perform ahead of management's expectations, although we believed sales in the Other category would be slightly higher than the SEK22m reported. In the core case segment, the Meshify 3 launch was added to the list of top-rated airflow cases, reinforcing Fractal's premium positioning in high-performance PC gear.

While the "other sales" line was, as said, softer than expected initially, the Q2 softness seems more timing-related than structural, as clarified in the conference call. With Q3 set up for normalised freight, FX, and steady sell-through, the second half of 2025 looks promising.

We continue to view Fractal as a quality company that could compound its EPS by a 15% CAGR over many years. The company trades at ~15.4x 2026e EV/EBIT on consensus forecasts, which we think are extremely sandbagged. If Q2 was a lost quarter on reported margins due to macro effects, it was still a win in execution, and nothing material in the long-term case has changed.

The Graveyard – Where the authors dug their own graves

The authors designed this microcap theme with the format of two to three new case pitches in each report, alongside short comments on all former constituents every quarter. Due to a lack of mental capacity, we failed to anticipate that if you only add companies, the number of covered companies can never decrease. This makes each new report increasingly cumbersome. We are therefore introducing The Graveyard starting in Q2 2025. The name reflects the fact that we effectively dug our own graves by creating an ever-increasing workload. Going forward, we will comment in detail on ten former constituents (old and new companies) and include the rest in the list below. For each, we provide a link to the page in the report where the original case pitch starts, as well as the share price performance since inclusion.

BoMill – Profiled: Q4 2024 (link). Share price performance since inclusion: -42%

Everysport Group – Profiled: Q4 2024 (link). Share price performance since inclusion: 59% [delisting on Sep 9][28]

[28] Although we promised not to comment on names here, it is worth mentioning that management presented a takeover offer for shares in Everysport on June 17. The premium was 25% to the latest closing price, bringing the total return since we wrote about the company in early March to about 59%. We are somewhat sad to see the company delist, and believe there was a lot of value to be realised from Elite Prospects over the coming years.

Pierce Group: Revving up for a turnaround

This case write-up is on a company we have had on our radar for quite a while, after hearing the shortest but most intriguing pitch we have ever heard: *"It's trading at EV/inventory 1x."* What we have been waiting for is a sign that the company is exiting its previous period of negative growth, low profitability, and large cost-savings programs, and that the underlying figures are starting to show improvement. With the latest Q2 report now in the books, showing the second-best quarter ever in terms of underlying profitability, we think it's time to break down the key questions to ponder in this case, and why there are signs of a turnaround materialising.

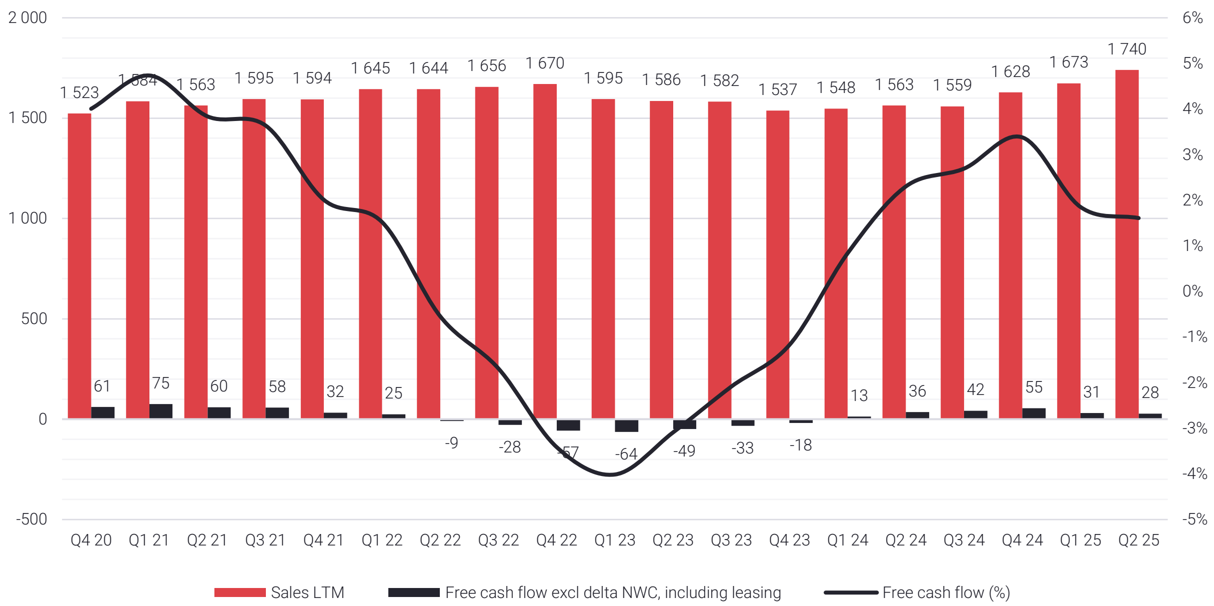
Quick history lesson

Pierce Group is a European e-commerce company focused on motorcycle parts, gear, and accessories, with net sales of around SEK1.7bn, split between 39% own brands and 61% external brands. It mainly operates through three brands: 24MX (off-road), XLMoto (on-road), and Sledstore (snowmobiles).

Pierce IPO'd in 2021, as many other e-commerce companies did. After trying to grow itself out of a weak market in 2022 by acquiring too much low-profitability traffic, Pierce had to execute a SEK350m rights issue and gradually work down its inventory to strengthen the balance sheet. Naturally, this sent the stock into the gutter, even though it was necessary for the company's survival.

Since the rights issue in May 2022, the company has had, to say the least, a tough ride. For example, in the middle of the rights issue in 2022, the company's CFO tragically died in a traffic accident. When the rights issue was completed in H2 2022, and the company should have been fully focused on getting back on track, the CEO left for a position at another company. The new CEO, Göran Dahlin, had to make very tough decisions only five months into his role, initiating a cost-savings program and reducing overall headcount by 25% (100 employees). Add to this the interest rate hikes and inflation triggered by the war in Ukraine, and it's no wonder the financials look poor.

Pierce Group: Key financials (SEKm), LTM

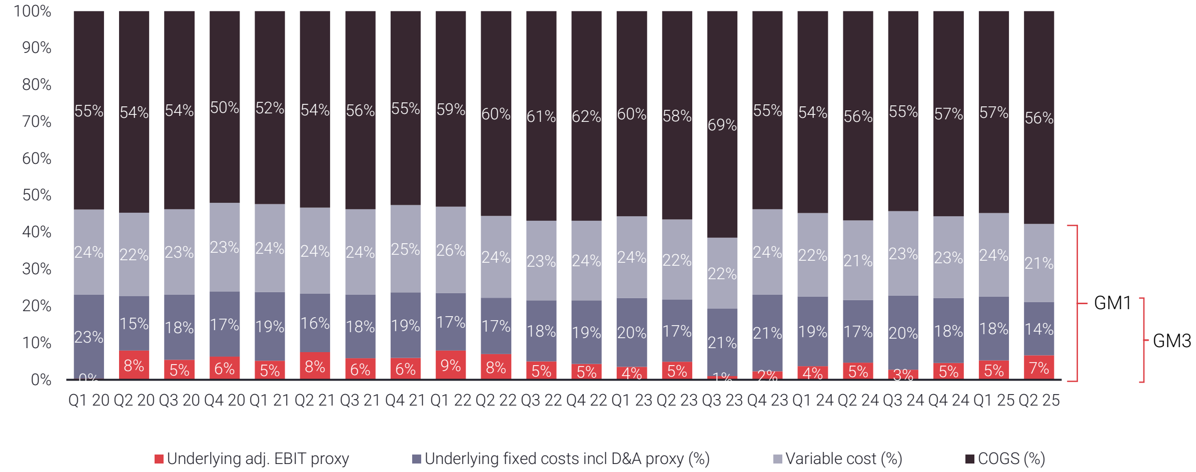


The big picture – Unit economics that are "mathing"

From a broader perspective, Pierce targets a market estimated at SEK100bn, with online penetration of ~19% (roughly SEK19bn). Pierce has a market share of 6-8% of the online market, is the leader in the off-road segment, and is a top player in on-road. Pierce itself expects online penetration to grow, and we agree. The products are well suited for online purchases: there is high wear and tear among gear, parts, and accessories (the customer often knows what they are buying and doesn't need to touch/feel the product), many products are standardised, and online tools such as Pierce's Fit-My-Bike make it easy to check whether a spare part fits a given motorcycle. The market is also very fragmented (Pierce is the largest player yet only holds a 6-8% share), making it ideal for consolidation to capture economies of scale in purchasing, warehousing, logistics, and group functions.

Pierce's mid-term (3-5 years) financial goals are to grow organically faster than the online market and reach an adjusted EBIT margin of 5-8%. From a unit economics perspective, we view this as reasonable.

Pierce Group: Unit economics, Quarterly



Pierce has delivered a GM3 (profit after product costs and variable costs, including freight, packaging, invoicing, and marketing) averaging 20% (median 21%) for as long as we have data. Few listed peers (only five, including Pierce) provide enough disclosure to calculate GM3, but the average stands at 20%, with a corresponding EBIT-margin of 4%. Industry experts often refer to 20% GM3 as "good," so we believe Pierce's unit economics are "mathing" for its 5-8% EBIT target.[29] Assuming 21% GM3 (LTM figure is 21.3%), Pierce needs a fixed cost base (including D&A) of 13-16% of sales. Given the e-com model, we see no reason why this level should be unattainable, as the average of peers having a 16% fixed cost base shows. The problem, however, is that this fixed cost base has been Pierce's main challenge in recent years.

It might seem counterintuitive that we argue 13-16% fixed costs are reasonable while also noting that Pierce hasn't achieved that in the past three years. But since white-collar FTEs are the main driver of fixed costs, the real question is: how many FTEs are needed to support X level of sales? We don't know the exact number, but clearly fewer than before. Since the new CEO was appointed in Q2 2023, sales per white-collar FTE have risen from SEK1.72m to SEK2.97m (+73%). A similar dynamic was seen in fashion brand Nelly's quarterly reports after its cost-savings program, with sales per employee (including blue-collar FTE:s) up 37% over two years.

In many cases, a smaller team can be more efficient and generate more output than a large one (the numbers don't lie, sales per FTE are in fact up by 73% in two years). The CEO's effort to streamline the organisation and boost efficiency without sacrificing customer satisfaction (Pierce's Trustpilot score actually rose from 4.3 to 4.4 during the transformation) seems to be working. We believe the Q2 2025 run rate of SEK66m in underlying fixed costs (SEK74m minus SEK8m in extraordinary transformation costs) is more representative going forward. Adding SEK8m to

[29] *For a deep dive in unit economics within e-commerce, see our Q1 2025 Quality microcap report from page 60*

account for D&A inherent in capex and leasing, we land at a fixed cost base of 14% of sales, within the 13-16% range needed for margin targets. However, Q2 is seasonally strongest, and on an LTM basis, fixed costs are 17% of sales.

There are two ways to get into the 13-16% range: (1) lower costs further, but that is an option we do not think is worth extrapolating further from today's levels, or (2) grow sales enough to cover the cost base. This leads us to the key question: When will Pierce grow into its cost base?

The Q2 2025 report may be the answer to that question

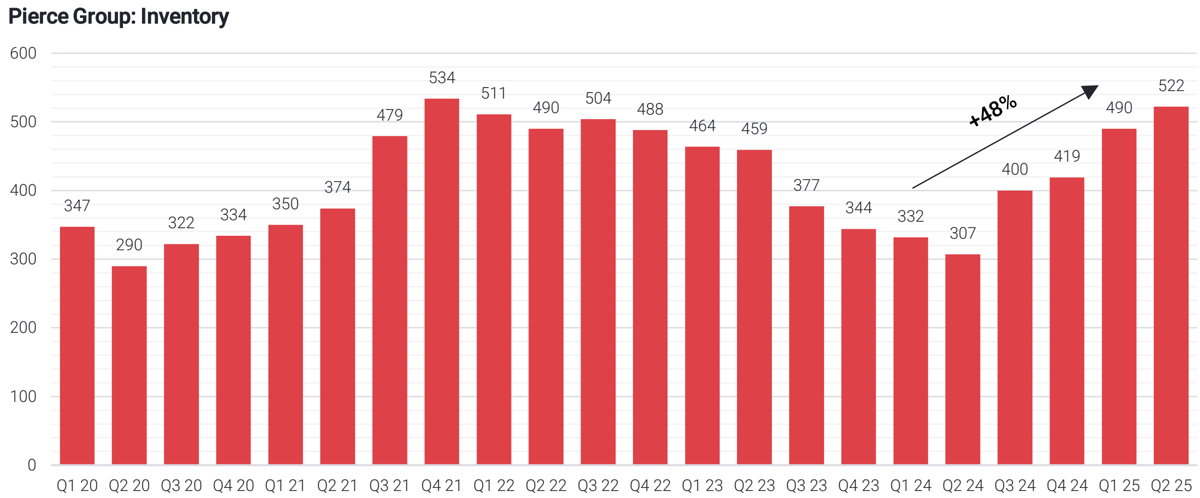
Due to the underlying market dynamics with a category well-suited for online purchases that should enable a successively higher e-com penetration, we think Pierce is in a good position to grow organically, and, therefore, grow into its cost base to reach its margin target sooner or later. However, exactly what that growth rate will be in the near term is very hard for us to answer, making it even harder to know when sales will be high enough to cover fixed costs and thereby yield an attractive profitability and valuation. Put simply, applying a 5-8% adjusted EBIT margin on LTM sales implies EV/EBIT of 6.1x-9.8x, levels we find attractive for a company like Pierce. The problem is you don't know if this materialises in 2026, 2027, 2028, or later.

That said, some data points in the Q2 report tilt us toward sooner rather than later. Let us explain:

As we have already walked through, Pierce was in a situation back in 2022 with a very weak balance sheet and a very high inventory. To release capital to strengthen the balance sheet, the company has focused on reducing its inventory successively. When you reduce your inventory, you have fewer items to sell to your customers (duh?), meaning that customers who would have converted if you had their product in stock do not convert, and in turn, this hampers your growth.

The rights issue in 2022 and the subsequent inventory reduction made Pierce end up in a much better financial position to run its operations, with its net debt position going from SEK176m in Q2 2022 when the rights issue was announced, to a net cash position of SEK350m in Q2 2024. In the same period, inventory went from SEK490m to SEK307m, which marked the bottom. With a stronger balance sheet and a cash flow positive company instead of a cash flow negative one, Pierce was ready to start working the inventory back up to normalised levels.

We think the inventory position was a key to the strong performance in Q2 2025 compared to Q2 2024. As seen in the chart below, Pierce's inventory going into Q2 2024, the seasonally strongest quarter, was SEK332m. Compare this to the inventory of SEK490m going into Q2 2025, and that's 48% more products (and 44% more SKUs) you can sell to your customers compared to last year.



Driving 20% organic growth in Q2 2025 by boosting inventory by 48% may not be sustainable in the long term, but we see this as more of a normalisation that raises the revenue baseline. This aligns with management's own comments:

"In hindsight, we must say that we pushed the inventory levels too low and thus lost attractiveness for our customers. (…) The significant growth observed in Q1 and Q2 strongly correlates with our improved stock availability and higher inventory levels."

Also, increasing your inventory (and specifically, your SKUs by 44%) to boost growth comes with limitations, as broader assortments bring negative side effects. The handling cost per SKU rises relative to the revenue each SKU generates. And if not managed properly, you risk a constantly widening assortment that must be kept fresh. Management has also highlighted this risk, noting that obsolescence is expected to increase somewhat going forward. While this could weigh on gross margin, mainly through discounting, there may also be improvements at the GM3 level, since a broader assortment can drive organic growth as customers find products without incremental acquisition costs.

For example, in Q2 2025, obsolescence affected GM1 negatively by 420bps compared to last year. Yet GM3 actually improved by 10bps, suggesting that the broader assortment has not so far increased the fixed cost base (for example, through more purchasing staff, product photography, etc.) or pressured GM3. That said, we think the jury is still out on the net effect, and after a few more quarters, once the average inventory age rises, we will probably have a somewhat clearer picture.

So, back to our question: when will Pierce grow enough into its cost base?

One should remember that tying up capital in the form of inventory comes at both a cost and a risk of obsolescence. Bearing in mind these risks, we still think the setup is very interesting, and that Pierce has created an opportunity for themselves to reach a new baseline of sales that should be able to generate an underlying EBIT margin of 5-8% in the next twelve months. Assuming that the average seasonal pattern for as long as we have data persist from Q2 2025 and onwards, a GM3 of 21.0% (LTM its 21.3%) and that the underlying fixed cost base (incl. a normalised proxy for D&A to reflect the actual leasing cost and capex need) increases by SEK2m on a quarterly basis from the Q2 run rate, Pierce generates SEK1,848m in net sales and SEK93m in underlying EBIT NTM, corresponding to a valuation of EV/EBIT 9.1x excluding cash build.

With a strong position to consolidate a fragmented market and extract economies of scale, we believe the stock is well worth monitoring at these levels.

Sidenote: If anyone reading this is wondering why on earth we are throwing around bullshit earnings metrics like "adjusted underlying EBIT" instead of just using EBIT, net income, or owner earnings like a normal non-biased investor, here's a way too short explanation. Pierce has historically made several cost savings initiatives, including reducing headcount and taking up-front costs for terminating employment contracts. To understand what the "real" cost base looks like and better grasp what level of profitability in terms of the unit economics of the business model can generate, we think it is fair to adjust for this. We use "underlying" adjusted EBIT instead of just adjusted EBIT because Pierce is changing almost the entire IT stack except for its ERP, with extra costs varying between Sek7-9m per quarter. These costs are not adjusted for in the adjusted EBIT figure, hence, it is also affecting the ability to understand what the underlying cost base is and, therefore, the profitability. Also, Pierce is depreciating two of its older brands, which is estimated to continue until Q2 2026. We thus think a fairer picture of the business's normalised EBIT, excluding a LOT of restructuring/transformation/accounting noise costs, can be derived by using adjusted EBITDA, adding back the transformation costs, and then removing capex and leasing to account for a level of D&A matching the actual cash flows.

Unlimited Travel Group: One man's trip, another man's treasure

After writing more than ten pages per case pitch for three reports in a row, the responsible author (Martin) must now reduce his average page count. This case pitch is therefore unusually condensed, structured as an answer to the three most common criticisms we hear when speaking with other investors about the company. As for a company description, UTG acquires and develops travel agencies. There is nothing more you need to know. Now, to the three criticisms.

Travel agencies is a poor business that is being increasingly pressured by the internet.

Wrong. In the group of 12 companies, the typical firm was founded in 1995, with a CEO who has been in the respective business for an average of 14.3 years, negative working capital of about 11% of sales, a recurring customer base (people with money apparently travel every year), and a 17+ year history of consistent profitability (financials only available since 2008). The average 17+ year sales CAGR is 4%, and the typical ROIC for the group is in the range of 25%+ due to an asset-light model and low acquisition multiples.

Subsidiaries - Sales	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Accumulated
Creative Meetings	88,3	58,5	85,3	69,9	65,0	69,0	70,8	69,3	91,6	130,7	118,1	154,4	63,4	45,6	192,4	170,1	182,6	1725,1
Go Active	13,2	22,2	16,2	18,7	21,4	21,6	21,7	25,0	28,6	26,7	29,6	31,4	4,4	10,2	20,5	25,4	26,7	363,6
JB Travel	140,6	141,0	100,1	108,1	116,0	103,8	107,6	103,8	109,7	85,0	99,1	93,5	16,6	18,9	100,7	102,1	152,6	1699,1
PolarQuest							81,6	64,9	52,7	60,2	62,5	83,7	10,3	4,8	89,3	99,1	94,8	703,8
Ski Unlimited	37,4	23,6	19,8	24,3	28,1	31,3	26,7	38,0	36,9	36,2	41,8	50,9	10,5	8,2	48,6	40,1	34,2	536,4
Specialresor	34,6	31,6	36,8	41,4	41,4	44,2	49,9	53,6	62,6	71,0	63,7	67,0	1,0	2,8	34,6	40,1	85,8	761,9
Sydamerikaexperten	24,3	18,8	19,4	23,2	31,3	22,3	32,3	23,8	24,8	24,0	25,1	22,0	9,1	3,1	17,6	28,7	25,4	375,2
Travel Beyond	50,2	68,2	67,9	67,5	81,3	70,1	103,2	77,8	95,0	73,2	141,1	104,4	29,3	84,3	152,5	140,9	143,2	1550,0
Världens Resor		15,9	42,0	34,4	50,6	43,8	47,8	53,5	73,9	75,0	78,4	89,8	14,5	24,2	68,3	112,7	138,0	962,7
Västindienspecialisten	29,5	28,8	21,0	19,1	20,3	20,4	24,4	24,8	22,1	26,6	23,0	22,8	7,6	8,2	23,8	29,6	26,5	378,5
NEX Resebyrå	43,6	34,2	34,6	37,2	45,3	56,4	58,2	54,1	64,2	68,2	77,5	80,8	49,0	14,8	59,6	96,2	101,5	975,3
Total net sales	461,6	442,7	443,1	443,9	500,6	482,8	624,2	588,7	661,8	676,9	759,7	800,6	215,7	225,2	807,9	885,0	1011,2	10031,6

Subsidiaries - EBIT	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Accumulated
Creative Meetings	5,0	1,3	7,9	1,6	2,3	1,2	2,7	4,8	3,3	6,6	4,9	7,5	7,4	3,2	8,4	6,2	5,4	79,6
Go Active	1,5	2,5	1,2	0,7	2,0	0,7	0,0	1,5	2,1	1,6	0,5	1,6	-4,1	-0,7	0,0	-0,7	0,7	11,1
JB Travel	5,9	5,1	2,8	2,6	2,7	1,8	2,8	1,5	2,6	0,5	0,6	-3,8	-3,2	-1,5	4,6	2,0	4,8	31,9
PolarQuest							7,6	5,3	5,5	5,4	1,4	9,2	-8,3	-8,5	6,8	6,6	3,9	35,0
Ski Unlimited	1,6	-2,3	0,7	0,7	1,4	1,0	1,0	2,2	1,9	2,0	0,7	2,8	-2,2	-0,4	5,3	1,8	0,5	18,7
Specialresor	0,8	1,0	4,5	3,9	4,3	3,5	3,0	3,4	4,5	3,5	1,3	3,4	-8,9	-2,6	-2,7	-3,4	5,6	25,0
Sydamerikaexperten	-0,2	0,4	-0,1	0,8	0,5	-0,1	0,5	0,2	0,6	0,2	0,3	0,0	0,2	-0,2	1,1	2,3	2,6	9,1
Travel Beyond	1,0	-0,9	3,3	3,7	2,7	2,5	4,3	2,3	6,4	-1,2	10,2	2,5	-3,9	5,3	11,7	6,0	5,7	61,7
Världens Resor		1,5	4,0	2,1	3,0	2,9	0,7	1,6	6,6	6,9	4,7	6,5	-3,8	2,0	5,7	9,4	14,9	68,8
Västindienspecialisten	1,2	0,5	1,6	1,0	1,2	1,4	1,7	1,3	1,3	1,3	1,2	0,8	-0,3	-0,2	1,0	0,7	0,4	16,1
NEX Resebyrå	1,7	-0,1	0,8	1,3	1,2	2,8	2,5	1,2	1,8	1,9	1,4	2,9	-2,6	-3,3	3,7	7,4	9,1	33,7
Total EBIT	18,6	9,0	26,7	18,3	21,5	17,7	26,7	25,3	36,6	28,8	27,3	33,4	-29,8	-7,1	45,8	38,3	53,6	390,6

Subsidiaries - EBIT margin	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Accumulated
Creative Meetings	6%	2%	9%	2%	4%	2%	4%	7%	4%	5%	4%	5%	12%	7%	4%	4%	3%	5%
Go Active	11%	11%	8%	4%	9%	3%	0%	6%	7%	6%	2%	5%	-91%	-7%	0%	-3%	3%	3%
JB Travel	4%	4%	3%	2%	2%	2%	3%	1%	2%	1%	1%	-4%	-20%	-8%	5%	2%	3%	2%
PolarQuest							9%	8%	10%	9%	2%	11%	-81%	-177%	8%	7%	4%	5%
Ski Unlimited	4%	-10%	3%	3%	5%	3%	4%	6%	5%	5%	2%	5%	-21%	-5%	11%	5%	2%	3%
Specialresor	2%	3%	12%	9%	11%	8%	6%	6%	7%	5%	2%	5%	-851%	-94%	-8%	-8%	6%	3%
Sydamerikaexperten	-1%	2%	0%	3%	2%	-1%	2%	1%	2%	1%	1%	0%	2%	-7%	6%	8%	10%	2%
Travel Beyond	2%	-1%	5%	5%	3%	4%	4%	3%	7%	-2%	7%	2%	-13%	6%	8%	4%	4%	4%
Världens Resor		9%	9%	6%	6%	7%	1%	3%	9%	9%	6%	7%	-26%	8%	8%	8%	11%	7%
Västindienspecialisten	4%	2%	7%	5%	6%	7%	7%	5%	6%	5%	5%	4%	-4%	-3%	4%	2%	2%	4%
NEX Resebyrå	4%	0%	2%	3%	3%	5%	4%	2%	3%	3%	2%	4%	-5%	-23%	6%	8%	9%	3%
Total EBIT	4%	2%	6%	4%	4%	4%	4%	4%	6%	4%	4%	4%	-14%	-3%	6%	4%	5%	4%

Subsidiaries - Sales growth	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAGR
Creative Meetings		-34%	46%	-18%	-7%	6%	3%	-2%	32%	43%	-10%	31%	-59%	-28%	322%	-12%	7%	5%
Go Active		68%	-27%	15%	15%	1%	1%	15%	14%	-6%	11%	6%	-86%	130%	100%	24%	5%	4%
JB Travel		0%	-29%	8%	7%	-11%	4%	-4%	6%	-23%	17%	-6%	-82%	13%	434%	1%	49%	1%
PolarQuest								-21%	-19%	14%	4%	34%	-88%	-53%	1756%	11%	-4%	2%
Ski Unlimited		-37%	-16%	23%	15%	11%	-15%	43%	-3%	-2%	15%	22%	-79%	-22%	494%	-17%	-15%	-1%
Specialresor		-9%	16%	13%	0%	7%	13%	7%	17%	13%	-10%	5%	-98%	167%	1141%	16%	114%	6%
Sydamerikaexperten		-22%	3%	19%	35%	-29%	45%	-26%	4%	-3%	5%	-13%	-59%	-66%	464%	63%	-12%	0%
Travel Beyond		36%	0%	-1%	20%	-14%	47%	-25%	22%	-23%	93%	-26%	-72%	188%	81%	-8%	2%	7%
Världens Resor			164%	-18%	47%	-13%	9%	12%	38%	1%	5%	15%	-84%	67%	182%	65%	22%	15%
Västindienspecialisten		-2%	-27%	-9%	6%	0%	20%	2%	-11%	21%	-14%	-1%	-66%	7%	191%	24%	-10%	-1%
NEX Resebyrå		-22%	1%	7%	22%	25%	3%	-7%	19%	6%	14%	4%	-39%	-70%	302%	62%	5%	5%
Total sales growth		-4%	0%	0%	13%	-4%	29%	-6%	12%	2%	12%	5%	-73%	4%	259%	10%	14%	4%

As evident from the table above, the typical company has performed very well over the past 17 years or so.[30] Applying Lindy's Law[31], it seems a lot more likely that this business model will survive for 17 years than some of the other "companies of tomorrow" we see around these days.

The people behind the business are not good enough

We don't find any basis for this argument. On the contrary, we see tendencies of the opposite. The leadership situation in the subsidiaries seems highly solid, with, as mentioned, an average tenure of c14.3 years in the respective companies for the current CEOs. At the group level, net income is now up noticeably and at an ATH since the current CEO, Charlotte Blum, joined the company in late December 2022. She has also closed two acquisitions (not by herself, naturally), Sydamerikaexperten and NEX Resebyrå, with the latter seemingly at highly attractive multiples (c3.3x-4.7x EBT excluding/including potential additional considerations).[32] Charlotte also seems to have very relevant experience for the core business. Until we see anything pointing to the opposite, we will assume that existing leadership will continue on the current track: making more money each year and successfully closing acquisitions at low single-digit multiples. As the saying goes: "If it looks like a duck, swims like a duck, and quacks like a duck, then it probably is a duck:"

The valuation has never, and will never, be high for this business

It doesn't have to be. Looking historically, we believe P/E is the most appropriate multiple to use. The company has a massive net cash position amounting to some SEK65m, equivalent to almost 30% of the market capitalisation, although the market seems to put low value on it due to it being required for "working capital considerations".[33] To be conservative, let's disregard discussions about the theoretically correct net cash position, use P/E, and run through the numbers. For the ten-year LTM P/E, median and average is 13.4x and 17.0x, respectively, with the 25th/75th percentile at 10.7x and 21.5x. For this case to hold, we are of the opinion that no rerating is necessary. Instead, one must understand the dynamics as to why the multiple will fall quite dramatically over the coming 12 months.

For Q2 2025 LTM, the company posted cSEK21m in net income pertaining to parent company shareholders.[34] Going forward, the following will have an impact:

- The acquisition of NEX is expected to add some SEK9-10m in EBT, judging from historical performance. It is important to note that despite posting SEK9.1m in EBT for 2024, the company's profitability was presumably pressured by the change of its ERP system. Additionally, the company's is currently hiring on LinkedIn, indicating that demand for its services continues to be strong and that the past two years' profit levels are not unsustainable. The ERP change is taking place also during 2025, but looking at 2026e, this acquisition should, conservatively, add some SEK7m to the net income run rate, especially as top line synergies are stated to be realisable with JB Travel from NEX's expertise in procurements (municipalities also travel).
- In November 2024, the company hired four senior travel consultants/salespeople from American Express' Centurion team that is closing down operations in Sweden (not press-released by UTG).[35] These people typically work with partly recurring customers, and tend to be fully booked quite some time in advance. On the Q2 conference call, we learnt that these four people had generally been fully booked for the first half of the year for their previous employer (i.e. trips are already booked), and that they were expected to start contributing to the top line during H2. Thus, for H1 2025, they only (or at least mostly) added to the cost line in terms of salary, with a negative contribution to profitability. Comparing H1 2025 to the expected contribution in H1 2026 as these people go from costing their salary (four salaries times six months), to actually starting to sell for UTG, we believe the net effect should be a positive cSEK3m.[36]
- Finally, looking at bookings for the remainder of the year, it is currently 9.5% higher than in the comparable period last year. For 2026e, bookings are higher for Q1-Q3 but lower for Q4, although this metric becomes

[30] Source: Valu8 for underlying financials.
[31] Wikipedia: *The Lindy effect (also known as Lindy's law) is a theorized phenomenon by which the future life expectancy of some non-perishable things, like a technology or an idea, is proportional to their current age.*
[32] No information available about the purchase consideration.
[33] Alhough "the market" is seldom able to quantify or explain these "considerations" to any significant degree. We believe the current cash level is more of a floor than a roof when it comes to how working capital will have an influence.
[34] The deviation between group and parent company net income is c20% of the total net income on an LTM basis, which is quite high when considering that some 96% of subsidiaries' sales is owned by the parent company shareholders. By extrapolating this, presumably, lower-than-usual level of profitability within the fully owned subsidiaries, we add another layer of conservativeness to our estimates. However, the only prudent thing to do is to use the SEK21m as a starting point.
[35] https://www.unlimitedtravelgroup.se/nyheter-press/unlimited-travel-groups-dotterbolag-travel-beyond-storsatsar-med-ambitionen-att-bli-storst-pa-lyxresor-i-sverige
[36] It should also have a positive impact to LTM figures throughout H2, but we don't specify these to be conservative.

increasingly uncertain the further into the future you look. For example, bookings for Q4 2026e is currently only SEK8m, a fraction of the typical sales in that quarter. Still, applying a 9.5% sales growth to the LTM figures seems reasonable. Assuming a slight increase in margins due to scale, this would add cSEK3m to the bottom line (against SEK2.6m if growth assumptions were margin-neutral).

With these three factors, the net income to the parent company goes from SEK21m to SEK34m (21+7+3+3) during 2026e. Applying the 25th to the 75th percentile for the historical LTM P/E multiple (10.7x to 21.5x) on 2026 earnings gives a warranted market capitalisation of cSEK364m to cSEK733m, not considering the large cash position or cash build-up during 2026e (we assume cash build-up roughly equals the purchase consideration for NEX). In other words, if the above scenario materialises throughout 2026e, the upside is in the range of 61% to 224% for the stock to trade in line with the 25th to 75th percentile for its historical multiples.[37] It currently trades at c10.7x on an LTM basis, or c6.6x for our 2026e estimates.

[37] Please note that our historical multiples have also been "adjusted" by removing distinct outliers on the upside, where one or a few unprofitable quarters increase tbe multiples significantly. Thus, our adjustments have the effect of lowering the valuation. Negative values are excluded.

Write-up from The Microcap Collective

Ahead of the launch of The Microcap Collective, we invited a few beta testers to write cases for the platform. Not all were approved[38] and out of the ones that were approved, we selected our favourite for a feature in the report. Below is the case write-up on Midsona by jk03, where a multi-year headwind is about to turn, providing an interesting outlook for a company at a depressed valuation. However, before reading on, make sure to [sign up to the community yourself](#).

Midsona: Not Just Empty Calories

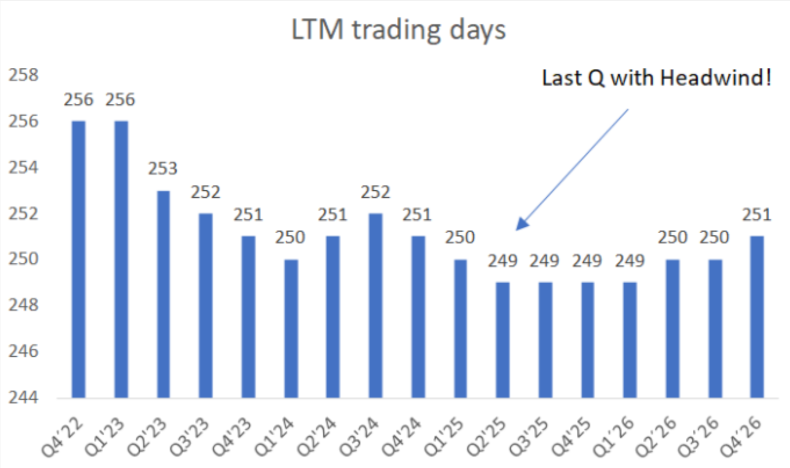
Midsona offers turnaround potential through margin recovery (with very low P/S), cost cuts, FX tailwinds, M&A and new quality management, where low-hanging fruits accelerate margins and unlock significant equity rerating potential.

Midsona is a Swedish health and wellness company with a broad portfolio of well-known brands such as Urtekram, Kung Markatta, Gainomax, Davert and Earth Control, spanning organic food, plant-based products, dietary supplements and sports nutrition. The company distributes through supermarkets, pharmacies, health stores and online channels, positioning itself to capture long-term trends in healthy living and sustainable consumption.

This is a case that requires close observation as the turn-around is by no means proven but has all the characteristics to be able to unfold. Therefore, I do not own it myself but closely monitor the case.

Midsona's products are primarily consumed during non-holiday weekdays, making the number of trading days per quarter critical for gross profit contribution to support the fixed costs, also because the largest orders from ICA and etc comes in non-holiday weekdays. Since 2022, this has been a headwind: a quarter with one more or fewer trading days YoY can create a noticeable difference in gross profit contribution. For several years, this has been an underestimated challenge.

[38] For various reasons, including a technical shortcoming on our part related to automatically updating share prices in South Africa,



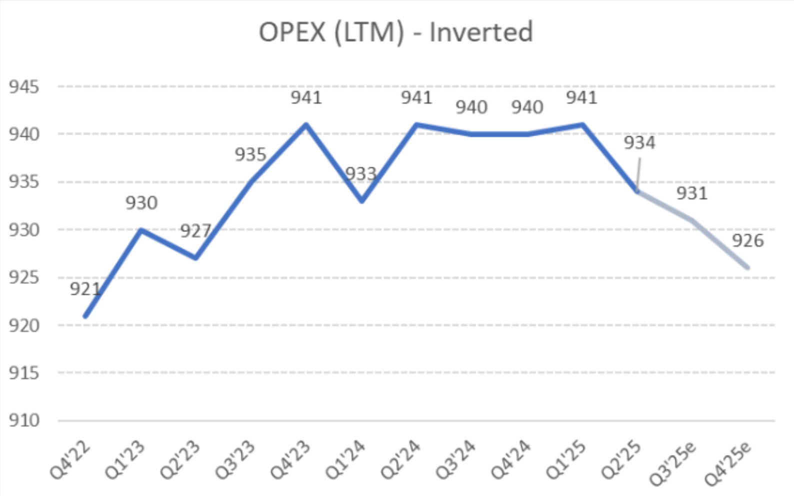
The company has also faced structural issues, such as underutilized factory capacity and weak pricing during the inflationary period, which has weighed on gross margins. However, there is significant upside potential if Midsona succeeds in optimizing its production footprint, including closing inefficient factories. Recently, a fire at the company's Spanish facility may lead to insurance compensation, while simultaneously creating an opportunity to rationalize production capacity.

Additional headwinds have come from currency effects, as Midsona imports a large share of its products in euros. While the recent euro reversal should be margin-accretive going forward, this was not fully reflected in Q2 results. The reason is twofold: Midsona still carried older inventory that had been purchased when the euro was stronger, which meant higher input costs remained in the P&L. At the same time, since the company sells partly in euros, the weaker euro temporarily reduced sales prices in euro markets. This created a short-term squeeze, where Midsona was selling high-cost goods at a time when realized revenues were pressured by FX. As this inventory clears and new sourcing takes place at a lower euro rate, the dynamic flips—input costs come down, while revenues in stronger local currencies (e.g., SEK) provide a tailwind. This sets up a clearer margin recovery path from H2 onwards.

Despite these challenges, there are strong signals that the case is becoming increasingly interesting. The new CEO, with a solid track record from Inwido and proven M&A execution, is driving a clear transformation agenda. Key priorities include implementing price increases in line with inflation, leveraging favorable FX developments, cutting operational costs, and optimizing factory and distribution efficiency. Opex has already begun to decline, and the company is moving closer to a net cash position (adjusted for leasing). This could open the door for strategic bolt-on acquisitions of owned brands at attractive valuations, with significant synergy potential through Midsona's existing distribution and production footprint. This could also help the capacity problems as they can fill up capacity with new brands from M&A.

A distant analogy could be Enedo, which Inission successfully turned around by acquiring into the business to boost capacity. While the situations are far from identical, the underlying logic is similar: for Midsona, acquiring new brands could allow the company to utilize its existing factories more efficiently. By bringing in additional products, the factories operate closer to full capacity, which spreads fixed costs over a larger volume, improving gross margins. At the same time, the acquisition adds new revenue streams, so the company simultaneously grows top-line and margin—a classic example of operational leverage through strategic bolt-on acquisitions.

Looking ahead to 2026, a higher number of trading days, price adjustments, lower operating costs, and improved FX exposure provide clear levers for gross margin improvement – and by extension, the entire equity story. Midsona represents a classic value play, where the historical track record is less relevant under new leadership. Execution will need to be proven quarter by quarter, but the upside is clear if the initiatives gain traction.



If costs continue to decline and gross margin recovers with these tailwinds, EBITA margins should expand quickly in percentage terms given the currently depressed base. The valuation is at a low 7.2x EBITA next year, with further optionality in cost savings and potential acquisitions as triggers. There also appear to be several additional low-hanging fruits to capture, which could further accelerate margin expansion.

P&L Midsona	2024	2025e	2026e	2027e
Net sales	3727	3663	3735,9	3810,6
Net sales Growth YoY%	-1,7%	-1,7%	2,0%	2,0%
COGS	-2658	-2615,6	-2639	-2652
Gross Profit	1069	1047,0	1096,9	1158,59
Gross Margin	28,7%	28,6%	29,4%	30,4%
Sales Costs	-621	-614,0	-601,7	-613,8
Admin Cost	-319	-312,0	-312,0	-318,2
Other inc/cost	-1	0,0	0,0	0,0
EBIT	128	121	183	227
EBIT %	3%	3,3%	4,9%	5,9%
Net financials	-53	-38,0	-36,0	-33,0
TAX	-28	-18,6	-30,9	-40,7
Earnings	47	64,4	116,3	152,9
EBITA	136	129	191	235
EV/EBITA (inc Cash-build)		9,1	7,2	5,3
P/E		18,8	10,4	7,9

In the above organic scenario, Midsona looks relatively cheap but could appear even cheaper with some M&A on top and additional cost savings. Midsona also holds approximately SEK 600m in tax-loss carryforwards, which carry a theoretical value of SEK 120m. An optimistic view would argue this could be deducted from EV in valuation considerations.

If Midsona reaches its margin target of ~8%, the valuation dynamics become very compelling: the company would trade at roughly 5x EBIT (since they now trade at EV/S 0,4), with substantial free cash flow generation. A key reason is that the capex hump is largely behind us. Historically, the company had to invest in upgrading and maintaining production facilities, but recent management guidance and historical spend indicate that most of the heavy investment in tangible and intangible assets is complete. Current capex is modest and focused on maintenance rather than expansion, meaning EBITDA can largely convert into free cash flow. This is also supported by the The tax-loss carryforwards that provide a temporary shield, reducing effective cash taxes, while PPA amortization affects reported earnings but not cash flow.

Swedish retail has seen examples such as Nelly and Cheffelo, where low P/S valuations provided substantial upside once margin recovery kicked in, creating extreme leverage on already large turnover. Midsona could be the next case with a similar dynamic: the company trades at a low EV/S multiple, meaning that even modest improvements in gross margin and operational efficiency could lead to outsized earnings and valuation rerating. What makes the story particularly compelling is the new, highly capable management team, which has a proven track record of executing successful turnarounds and M&A strategies. With a clear agenda to optimize factories, cut costs, implement pricing actions, and selectively acquire complementary brands, they have the tools to unlock both top-line growth and significant margin expansion.

The CEO, Henrik Hjalmarsson has been largely successful at e.g Inwido where he showed great capital allocation skills which could come in handy at Midsona where the allocation has not been particularly impressive in recent years. This perception should now be thrown out the window with new management as they have a completely different track record.

As a reference to my above estimates, ABG currently hold the stock at 6.8x 2026e EBITA where full cash-build isn't considered as they count with a dividend of roughly 4%.

Other orders of business – Evaluating financial targets

For this report's other items of business, we were somewhat short on time due to the launch of the Microcap Collective (see page 2 of this report). Therefore, do not expect 50+ pages in this section as in the last report. Nevertheless, we had time to scrutinise listed microcaps' financial targets with the help of our summer trainee, Erik.

Financial targets – Walking the talk?

As an equity analyst, you learn quite quickly in which instances a company's financial targets are a good starting point, and when they are better viewed as management hallucinations. We have therefore long pondered the general credibility of financial targets. Can they be trusted? Are they a good starting point? In this section, we attempt to answer these questions for Swedish microcap companies.

Methodology

To 1) make the study manageable and 2) keep it relevant for readers, we applied certain delimitations in selecting companies. We included Swedish companies with a market capitalisation between SEK30m and SEK3bn, an EBITDA margin above -10%, and net sales above SEK1m. In short, we focused on microcap companies that are at least approaching some form of real operations. This gave us a study set of 345 companies, from which we extracted the data on their financial targets.[39]

We focused only on measurable financial targets, such as specific revenue growth (e.g. 10% yearly increase), leverage goals (e.g. net debt/EBITDA below 3x), or profitability metrics (e.g. 15% EBITDA margin by 2026). Vague promises such as "boosting efficiency" or "growing market share" were excluded. We included financial goals from company websites, treating them as valid for 2025 and beyond to keep the focus on forward-looking plans. Targets tied to past years (e.g. year-end 2021) were excluded unless clearly extended into 2025 or later.

Overarching statistics – Lay of the land

Out of all companies in the data set, 60.9% (210) had financial targets. It is also worth noting that having financial targets becomes increasingly more common as we progress towards the upper SEK3bn limit for market capitalisation. Among those with targets, revenue is the most common metric (77.6%), followed by operating margin/EBIT (36.2%) and debt/leverage (36.2%). Other frequently targeted metrics include EBITDA/EBITDA margin (27.1%) and EBITA (20.5%). Note that the many companies have a combination of multiple financial metrics, with some form of growth (revenue or profit) while staying below a certain debt threshold being the most common.

Category of financial target	% of all	% of all with targets
Revenue	47,2%	77,6%
Operating Margin / EBIT	22,0%	36,2%
Debt / Leverage	22,0%	36,2%
Dividend	18,0%	29,5%
EBITDA / EBITDA Margin	16,5%	27,1%
EBITA	12,5%	20,5%
Solvency / Equity Ratio	8,1%	13,3%
Return	6,7%	11,0%
Growth	5,8%	9,5%
Cash Flow	4,9%	8,1%
Profit Margin / Net Income	3,5%	5,7%
Liquidity	3,5%	5,7%
Gross Margin	2,6%	4,3%
Other Margins	0,9%	1,4%
Equity	0,3%	0,5%

Source: Company filings and websites (n=345), Redeye research (data gathering and table formatting).

Overall, we were quite surprised by the number of companies having financial targets. If we were forced to guess, we would have estimated the number to be lower. Luckily we weren't asked.

[39] Here we would like to thank our summer trainee, Erik, for excellent work on gathering and visualising the data.

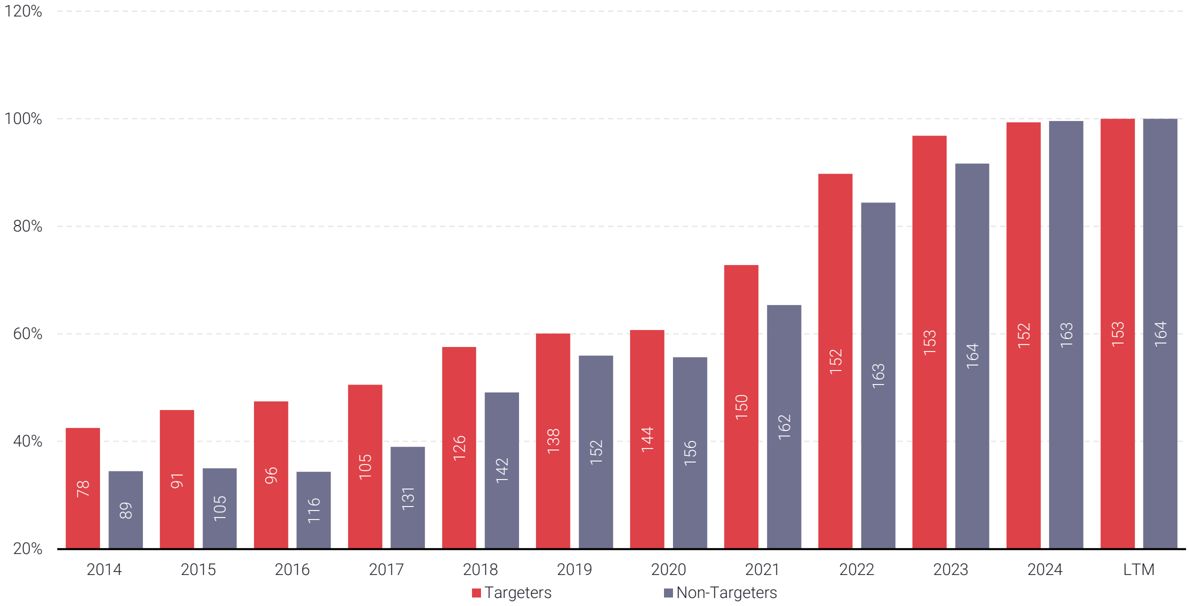
Financial performance with and without targets

"Any man who must say 'I am the King' is no true king" - Tywin Lannister

After having obtained an overview of what type of financial targets companies provide, we were naturally interested in judging the performance of these companies. We think there are three key findings worth presenting in this regard.

The first finding relates to sales development. As shown above, sales, or more specifically the development of sales, was by far the most common area where companies set financial targets. We therefore thought it would be interesting to examine how effective sales-focused firms are at actually growing sales. In the chart below, we have compiled the sales performance of the firms expressed as a percentage of LTM sales. In other words, the smaller the historical numbers, the stronger the growth. The sample size for each data point is provided in the respective bar. The number of observations naturally decreases as we go further back in history, but we still judge the sample size to be satisfactory. What we see is that companies explicitly focusing on sales growth actually have a worse track record of achieving it, lending some credibility to Tywin's quote above.

Median sales development as % of LTM: Sales targets vs. no targets



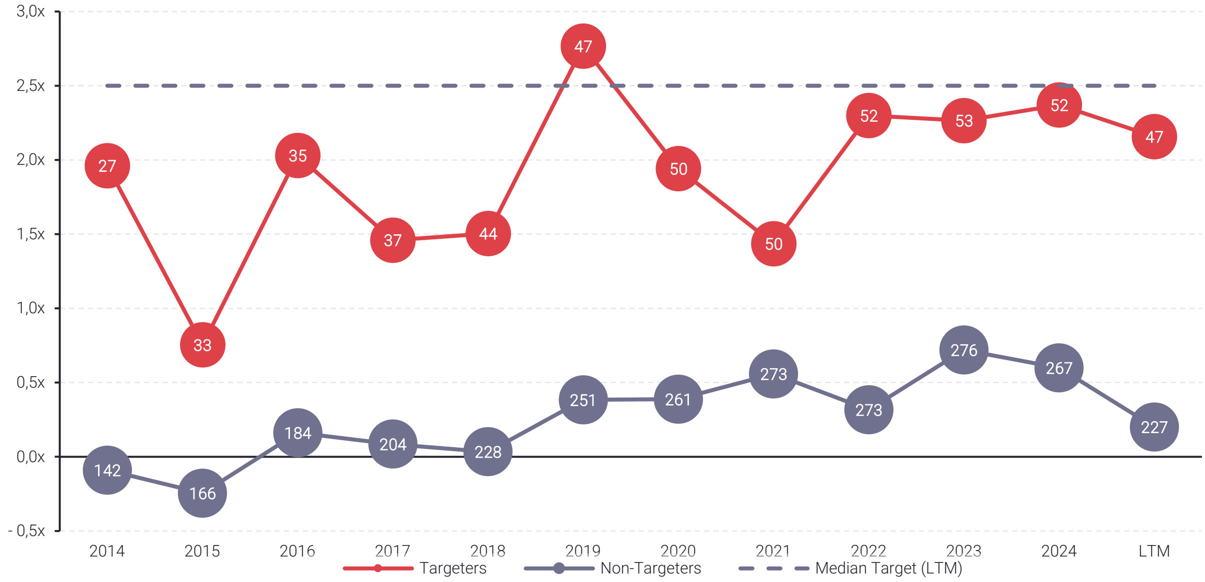
Source: Company filings and websites, FactSet, Redeye research (chart structuring).

Now, the financial targets apply on an ongoing basis, while the data are historical. The appropriate test would be to judge these companies over the coming five years to determine whether their current promises hold. Second, as readers will understand from the number of observations above, the firms included in the LTM data are not exactly the same as those from 2014. Nevertheless, we think the findings are interesting, perhaps indicating that companies, after underperforming in terms of sales development, feel the need to set a new strategic direction and restore confidence among both investors and internal stakeholders. As financial targets were more common among larger firms (although still below SEK3bn), it could also be the case that the companies in the non-target group were much smaller than the target firms in 2014, with survivorship bias producing a result that shows they have grown faster.

Another finding where the results are very clear concerns debt levels. The median targeted net debt/EBITDA ratio was 2.5x based on LTM data, with a relatively tight range of 1.5x to 3.0x. This is broadly in line with expectations, as targeting a ratio below 1.5x, say 0x, would seem unusual. Conversely, pushing beyond 3x makes it easy to see why the market might start to worry about the debt load.

What we saw in the data was that companies with financial targets generally had much higher leverage ratios. This is directionally to be expected, as companies without debt have very limited benefit from guiding the market on debt levels. In addition, highly leveraged firms often face covenants tied to capital raises or debt issuances, which may require them to commit to specific leverage targets to satisfy lenders or investors. Still, we find the magnitude of the difference quite striking. The number of observations is shown in the circles.

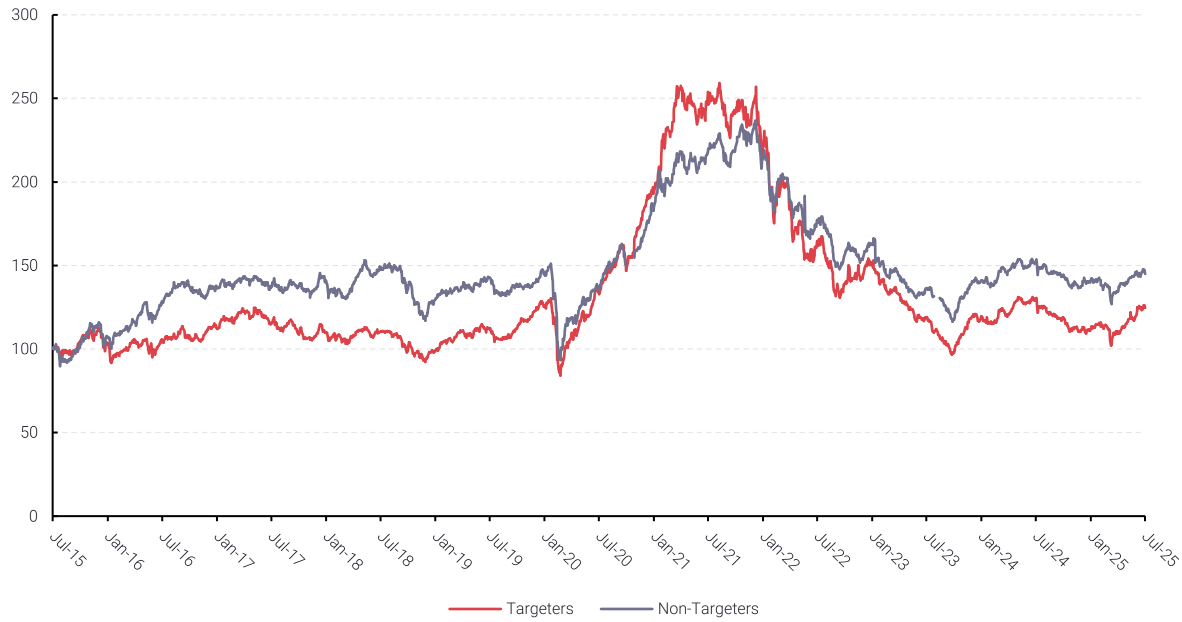
Net Debt / EBITDA (Median)



Source: Company filings and websites, FactSet, Redeye research (chart structuring).

A final finding we would like to highlight is the share price development of firms with and without financial targets. Below are the results, based on the full data set of 345 firms, split roughly 60/40 between companies with and without financial targets.

Share Price Performance: Sales Targets vs. No Targets



Source: FactSet, Redeye research (chart structuring).

It seems to us that the two groups have outperformed in distinctly different periods. Between 2015 and the pandemic downturn, non-target firms outperformed those with targets. During the go-go pandemic years, however, firms with financial targets outperformed significantly. Since the market peak, non-target firms have once again led the way. To us, this suggests a degree of scepticism towards financial targets under more "normal" market conditions. By contrast, the optimistic sentiment in 2020–2021, when many new investors entered the market, gave greater credibility to these targets, trusting that companies saying what they intended to do would indeed deliver.

There is another aspect to this performance that is worth keeping in mind. Under the assumption that share price development compensates investors for the risks they are willing to take (building on the logic of factor models, where the required return decreases if investors can avoid risks such as small size and illiquidity[40]), financial targets might reduce the expected return. If we assume that forecasting a company's financials is a source of uncertainty in valuation (which it is, anything else would be a revolutionary finding), then receiving guidance on certain metrics should reduce this uncertainty. If the uncertainty is reduced, the required rate of return should fall, increasing the price and reducing the potential upside. This could explain the slight underperformance of firms with financial targets, as more performance is priced into the stock at any given moment. We are not certain, and further study would likely be required to establish such a link.

Perhaps, then, for the microcap investor, the key is to look for companies without financial targets, alongside other attractive characteristics such as an illiquid share and a small market capitalisation.

[40] As you may imagine, as the authors of a microcap report, we are not entirely agreeing with all of these points.

Hammock reflections: On the meaning of quality

Summer often offers a rare chance to pause and reflect. For one of the authors, inspiration struck on a hot day while lying on the lawn, sipping strawberry juice.[41] The question that came to mind was: What do we really mean when we say “quality microcaps”?

“Microcap” is, of course, a flexible concept. It depends on where you draw the line. For me, though, it’s not really about size. What matters is that the company is off-limits to most larger investors, under the radar, under-researched, and therefore often overlooked. And because it’s overlooked, it has a higher probability of trading away from its fair value. With fewer investors watching or owning the stock, there’s less demand and fewer chances for mispricing to be discovered and corrected. All else equal, that’s why we focus exclusively on microcaps, and why they’ve become such a central part of me and my co-author's investment philosophy.

But what about the other part of that philosophy, quality? How do I define it, and why has it become a guiding principle for me?

It’s been almost three years since I got burned badly by the stock market in 2022. Since then, I’ve spent most of my time studying what I consider to be quality businesses, letting that thinking take up a much larger place in how I invest. Still, it’s only now that I’ve sat down to really reflect on what the concept means to me.

For me, quality isn’t something you can screen for. It’s not a neat combination of ratios or thresholds. Sure, good numbers over time raise the odds that a company is of high quality. But the numbers are a symptom of quality, not the thing itself.

There are probably endless ways to define it. Personally, I find it hard to point to a single parameter and declare a company “quality.” Instead, it’s a collection of datapoints that stick with me during the research process and eventually form a strong gut feeling. And these datapoints differ from company to company. Two businesses I classify as high quality may have completely different attributes that lead me to that conclusion. I believe that’s because organisations (and the people who run them) are different.

Take one company I am monitoring closely, led by a founder-CEO with significant ownership. One Friday night, I emailed him a long, somewhat philosophical question about corporate culture and how to transfer a Nordic winning culture further into Europe. At 07:52 the next morning, I had a thoughtful reply. It showed he had spent much more time reflecting on the issue than I had, and it balanced both opportunities and risks. Here’s an entrepreneur who is so engaged with his company that he’s working on a Saturday morning, thinking deeply, and who seems glad to get a question that is not about short-term profits. That datapoint went straight into my gut feeling.

Contrast that with another company I’m following. Its CEO is more of a professional manager, promoted internally after a career in sales and leadership roles, with limited share ownership (understandably so). He’s not the type to reply to emails at dawn on a Saturday. But he always answers, knows the business inside out, and has built a highly experienced management team. Decisions are made with precision, weighing the return on every invested dollar against alternative uses. And priorities are clear: the customer, product quality, and the brand come before short-term growth or profits. He may not be the archetypal founder with huge skin in the game, but he does what he says and says what he does, with his eyes fixed on something much larger than beating consensus estimates next quarter. That’s another datapoint that shapes my gut feeling, albeit in a very different way.

Sometimes it’s easier to judge the people running a business than the business model itself. You can track whether management does what they said they would, or whether they try to sweep failures under the rug. Assessing the business model is harder. But I’ve realised that for me, it often boils down to one word: “smart”. In many of the companies I consider quality, I’ve caught myself thinking: “That’s a damn smart business model.”

[41] Meanwhile, author #2 spent his time in the office reading quarterly reports and overseeing the study on financial targets above. Strawberry juice also sounds like an egregriously expensive case of capital destruction. We will have to discuss this internally. // Martin

For instance, one company I follow deliberately prices its support services low, even running them at lower profitability:

"We do this because if more customers use our support, we can more often identify business problems and help solve them with additional products. That's where we deliver real value — and earn the real money."

Here, low-margin support isn't a weakness but an investment. It sacrifices short-term profits to improve the overall economics over time. Damn smart.

Another company I have been watching for five years now invested heavily for 2-3 years to build a unified technical infrastructure. Despite having three different product brands, all can now run on the same back-end. This allows the company to acquire other brands, plug them straight into the infrastructure, and instantly give their customers access to modern systems. Features developed for one vertical can be reused across the customer base, creating a network effect where everyone benefits. Meanwhile, maintenance costs drop, since they only manage one infrastructure instead of three, and soon even more. Damn smart.

So, in essence, quality for me boils down to a gut feeling. Defining quality as a gut feeling, built on multiple datapoints, probably doesn't make you, as a reader, much wiser in how to assess quality. But maybe that's the beauty of the stock market in general, and high-quality microcaps in particular: there's no fixed definition, no clear formula for when quality is mispriced. I believe many of us microcap investors' edge lies in developing a gut feel over the years to identify quality and act better when Mr. Market is asleep.

For my own sake, I just hope my quality compass is calibrated well enough to point in the right direction. But I don't have to worry, I will know for sure in the next 5-10 years of investing.

Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories: PEOPLE, BUSINESS, FINANCIALS. 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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Redeye Rating (2025-09-08)

Rating	People	Business	Financials
5p	5	7	1
3p - 4p	132	118	37
0p - 2p	17	29	116
Company N	154	154	154

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Martin Wahlström owns shares in: Adtraction, Klimator, Unlimited Travel Group, Online Brands Nordic, Tradedoubler, Berkshire Hathaway, Cash (31%)..
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