

Motion Display AB

Increased sales despite slow market return

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Sales in Q1 was MSEK 6.1, in line with our estimate of MSEK 6. While peers battle supply chain disruptions and fail their sales target because of it, we note that Motion Display's strategic purchases of key components has served the company well as it now stands ready to deliver on big orders with an inventory of components amounting to MSEK 7.4. Despite a contraction in order intake to MSEK 1.5 in the quarter, we see good reasons to keep our revenue estimate of MSEK 24 for the full year, as we expect a pickup driven by the high-potential US bar & restaurant market, which continues to support a fair value of SEK 2.8-3.3, in 12-24 months.

Strong sales highlight the first quarter

The report for Q1 2022 showed sales of MSEK 6.1, well above the MSEK 4.7 in Q1 2021, and just in line with our estimates of MSEK 6. This could be seen as a signal that Motion Display's market is slowly returning to more solid ground. But we also note that order intake slowed down during the quarter. With MSEK 1.5 in order intake and an order book amounting to MSEK 2.7 at the end of Q1, we expect a deceleration in Q2. Although Motion Display has historically shown that big orders can turn the picture around quickly and unexpectedly, lead times are around three months to delivery, and with the company's expansion into new sectors of the US bar & restaurant market in mind, we keep our sales estimate of MSEK 24 for the full year.

Strained liquidity but no cause for panic

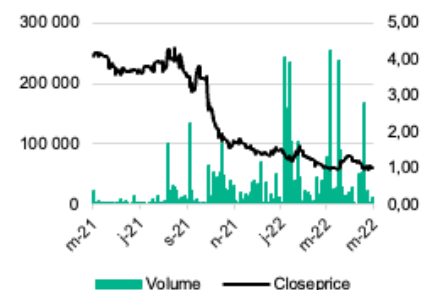
Cash amounted to MSEK 1.5 at the end of Q1, however, we believe that the strained liquidity situation is a consequence of the strategic choice to secure components as the global supply chains has gotten increasingly worse, which forced sector colleague Pricer to issue a profit warning earlier this spring. As Motion Display's inventory of components now amount to MSEK 7.4, we believe they are well prepared to handle inflow of orders in coming months. Combined with the cost control that was implemented during H2'21, we don't expect any additional fundraising in the near future.

Attractive long term entry levels but with elevated risk

As the stock price has stagnated at levels around 1 SEK, we believe it offers an attractive entry level for the investor with some patience. Considering the impressive track record of the company's products, it's likely that Motion Display will be able to fight their way into becoming a big and recurring item in their existing customers' marketing budgets. While only a small drop in the ocean for big giants like PepsiCo or Unilever, this would elevate Motion Display to the next level. The share price right now corresponds to an EV/Sales multiple of 0,8x 2022E whereas comparable peers trades at a range of 1.4-2.0x Sales. Based on a conservative WACC of 30% and target multiples of 1.4x Sales 2024 and 10x EBITDA 2024 we continue to see support for a fair value range of SEK 2.8-3.3 per share, i.e. well above today's levels, in 12-24 months.

Motion Display

Fair Value, SEK (12-24 m)	2,8 - 3,3
Current Price, SEK	1,02
Shares (M)	17,7
Market Capitalisation (MSEK)	18
Net Debt (MSEK)	0
Enterprise Value (MSEK)	18
Market	Spotlight



MSEK	2020	2021	2022E	2023E	2024E
Revenue	32	17	24	31	37
EBITDA	2	-4	0	3	6
EBIT	-1	-7	-3	0	3
EPS Adjusted	-0,16	-0,39	-0,17	0,00	0,14
Sales Growth, %	5%	-47%	43%	27%	22%
EBITDA Margin, %	5%	-23%	0%	11%	15%
EBIT Margin, %	-4%	-40%	-11%	1%	7%
EV/Sales	-	1,1	0,8	0,6	0,5
EV/EBITDA	-	-5,0	237,3	5,9	3,3
EV/EBIT	-	-2,8	-7,1	84,4	6,9
P/E	-	-2,6	-6,2	-693,3	7,2

Källa: Emergers

Over 20 years of electronic paper displays

Motion Display Scandinavia was founded 2005 by the founder of Pricer and former CEO of Pharmacia, Erik Danielsson, with the vision to offer moving marketing messages without expensive and time-consuming installation. Today the company can offer a unique product of blinking displays made from electronic paper, which can be tailor made to fit every customer's demand. With battery powered electronics, the display can be installed on the edge of the shelf, just like a price tag.

Well-documented effect on sales

Studies show that about 70% of all the purchasing decisions are made after the customer has stepped into the store, which shows the importance to offer an attractive environment with happenings to make customers notice specific offerings. A study by Retail Academics show that customers only distinguish a few percent of a stores assortment since a static background creates a noise which is hard to penetrate. The same study shows that a blinking display with a moving motif, triggers the reptile instinct in our brain, which makes the display noticed 8x faster than a normal/static display.

Through a case study with Walmart, Motion Display used their product to market a salad dressing in 1200 Walmart stores, while 1800 stores used normal displays. The difference was staggering where the stores who used Motion Displays product sold 66% more than their respective.

Wider focus for quicker scale-up

Historically, the company had some success with big projects outside of Walmart, with one order at the end of 2017 amounting to 14 MSEK, and another one at the end of 2020 of 7.5 MSEK. With a scalable business model, where the majority of the costs is attributable to the model design of one display, high volume orders is highly profitable for Motion Display. So far, the company has only scratched the surface of the enormous US market, which houses over two million stores.

Addressable market in the US

	Number of stores
Walmart	3 500
Apotek	67 000
Närbutiker	154 000
Restauranger & barer	1 000 000
Totalt	2 000 000

Source: Motion Display, Emergers

Valuation

With an assumption about sales reaching about 24 MSEK in 2022, and a yearly growth of 25% from there, we estimate Motion Display to reach zero

result at EBITDA-level again by 2023. Using a discount rate (WACC) of 30% to reflect a retail market in change and uncertainties connected to the pandemic, a residual multiple of 10x EBITDA out DCF indicates a fair value of 2.8 SEK per share.

DCF Key Assumptions

WACC	30%
Long-term EBITDA-margin	28%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	10x
Total NPV, MSEK	49
NPV per share, SEK	2,8

Källa: Emergers

Listed peers, we judge well-known Pricer and French-listed Ses Imagotag to be the closest related ones considering products and useability. The companies have been traded at EV/Sales multiples from 1.4-2.0 over the last twelve months. A multiple of 1.4x Sales 2024, and 10x EBITDA 2024 together indicate a fair value of 3.3 SEK per share.

Risks

Component disruptions: Just as many other industries, Motion Display is not left unaffected by the delivery chain disruptions. The company has addressed this by purchasing an inventory of key components to be able to quickly respond to incoming orders.

Corona: The pandemic hit particularly hard against retail, which affected Motion Display since the number of customers in stores decreased rapidly, as the focus on in-store-marketing also fell.

Governance

CEO Anna Engholm studied mathematics and computer science at Uppsala University. With a background as Product Manager at Pricer AB and Customer Project Manager at Pricer Inc. she has solid experience in project management in retail.

Chairman Erik Danielsson is the founder of Motion Display. With a background as the CEO of the pharmaceutical company Pharmacia AB, he also founded well known Pricer and Scandinavian Biogas, as well as co-founder of Trippus and ProTracer.

Motion Display

Income Statement

MSEK	2019	2020	2021	2022E	2023E	2024E
Sales	30,1	31,7	16,8	24,1	30,6	37,5
Operating Costs	-31,3	-30,0	-20,6	-24,0	-27,4	-31,7
EBITDA	-1,2	1,6	-3,8	0,1	3,2	5,7
Depreciation	-3,0	-3,0	-2,8	-2,8	-3,0	-3,0
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-4,1	-1,4	-6,7	-2,7	0,2	2,7
Non-recurring Items	0,0	0,0	0,0	0,0	0,0	0,0
Associated Companies	0,0	0,0	0,0	0,0	0,0	0,0
Net Financial Items	-0,3	-0,3	-0,2	-0,3	-0,3	-0,3
Pre-tax Result	-4,4	-1,6	-6,9	-2,9	0,0	2,5
Tax	0,0	0,0	0,0	0,0	0,0	0,0
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0
Net Result	-4,4	-1,6	-6,9	-2,9	0,0	2,5

Capital Expenditure

	2019	2020	2021	2022E	2023E	2024E
Capital Expenditure, Absolute	-	-	1,9	1,2	1,5	1,9
As a Pct of Sales	-	-	11,5	5,0	5,0	5,0
Depreciation Multiple	-	-	0,7	0,4	0,5	0,6

Key Ratios

Share Price: SEK 1,02

	2019	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	-	-	1,02	1,02	1,02	1,02
Number of Shares (Millions)	10,40	10,40	17,67	17,67	17,67	17,67
Market Cap	-	-	18,0	18,0	18,0	18,0
Enterprise Value	-	-	18,9	20,3	18,8	15,2
EPS (Reported)	-0,42	-0,16	-0,39	-0,17	0,00	0,14
EPS (Adjusted)	-0,42	-0,16	-0,39	-0,17	0,00	0,14
CEPS	-0,42	-0,16	-0,39	-0,17	0,00	0,14
P/CEPS	-	-	n.a.	n.a.	n.a.	7,2
Book Value/Share	1,2	1,0	0,8	0,6	0,6	0,8
P/BV	-	-	1,3	1,6	1,6	1,3
Dividend	0,00	0,00	0,00	0,00	0,00	0,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	0,0	0,0
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	0,0
EV/Sales	-	-	1,1	0,8	0,6	0,5
EV/EBITDA	-	-	-5,0	237,3	5,9	3,3
EV/EBIT	-	-	-2,8	-7,1	84,4	6,9
P/E (Adjusted)	-	-	-2,6	-6,2	-693,3	7,2
Sales Growth, Y/Y (%)	-	5,1	-46,9	43,2	27,2	22,4
EBIT Growth, Y/Y (%)	-147,9	-66,4	379,9	-59,9	-108,4	1127,0
EPS Growth (Adjusted), Y/Y (%)	-152,3	-62,5	146,0	-57,4	-99,1	-9709,5
EBITDA Margin (%)	-3,9	5,2	-22,7	0,3	10,5	15,3
EBIT Margin (%)	-13,7	-4,4	-39,6	-11,1	0,7	7,3
Return on Equity (%)	-43,1	-14,5	-55,3	-22,7	-0,2	19,8
Tax Rate (%)	0,0	0,0	0,0	0,0	0,0	0,0

Financial Position

	2019	2020	2021	2022E	2023E	2024E
Interest-Bearing Net Debt	1	0	1	2	1	-3
Net Debt/Equity	0,1	0,0	0,1	0,2	0,1	-0,2
Equity Ratio	0,4	0,4	0,6	0,5	0,4	0,4
Net Debt/EBITDA	-1,0	0,0	-0,2	28,4	0,3	-0,5

Source: Emergers, Company reports

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