

Motion Display AB

Important pieces in place for stronger H2'22 and international expansion beyond

Andreas Eriksson | 2022-09-16 08:00

With a unique technique and great cost advantages, Motion Display's e-paper displays are well documented to produce a dramatic increase in sales for retailers. The retail industry is now scrambling for "next-level-in-store-marketing" and with the addition of a Global Sales Director the company has a solid foundation for its ambitious international expansion plan. However, in lack of a steady order inflow and with lower than expected topline in H1'22, we've lowered our forecast for FY'22 and now find support for a fair value of SEK 2.1 – 2.5 (2.8 – 3.3) per share in 12-24 months, but also note that the company stands ready to deliver, should the market start to move, which would drive a considerable revaluation.

Slowdown in Q2 with some glimpses of light

As mentioned in our last report, Motion Display reported a slowdown in order intake and thereby sales for Q2'22. Swedish peer Pricer however, reported continued growth in Q2, which we see as a sign that market conditions are slowly returning to a more normal state, where key customer segments such as retail, bars and restaurants again can focus on their in-store marketing. Even though the sales of SEK 3,4m can be overlooked, the order book of SEK 1.8m is more worrying. Cash levels are running low at SEK 0,6m, and if sales don't take off during H2'22, we expect some sort of capital raise soon. However, the appointment of Per Dalby as Global Sales Director before the summer could be the missing piece to get the Motion Display sales team to the next level, given his extensive experience and network.

Looking to capitalize on favorable market trends

We've seen a buzz around "digital signage", which is the usage of LEDs in order to increase sales and profits from store- and brand promotions, that fulfills the same needs as Motion Displays e-paper-products. Analytics company Grand View Research estimates that the global market for digital signage amounted to USD 23.1 billion in 2021. Even though the LEDs today have become quite small and handy, they still need an electrical outlet which makes the installation so much more complex compared to Motion Display's battery powered e-paper which can be attached to the shelf directly, as easy as a normal static sign. Given the products superior track record to increase sales in several case studies, and given the relatively cheap price (between USD 30 – 60 per display), we continue to expect a take-off for Motion Display's solution.

Strong case, attractive entry levels, elevated risk

As we see it, the market is trending in Motion Display's direction. Retail is definitely not dead and new trends are on the rise which should benefit the likes of Motion Display. The company is run with tight cost control, the product is finished with excellent track record and the only thing missing is establishing recurring sales rather than one-offs. It wouldn't take much to lift Motion Display to new levels and the appointment of a Global Sales Director might just be the thing that has been lacking. As traction on the US-market has been disappointing, we expect the company to put more focus on Europe and the rest of the world, where the majority of orders in H1'22 came from. After revising our FY'22 Sales-estimates to SEK 18m (SEK 24m), leaving Sales of SEK 9m for H2'22 (Q4 has historically been the strongest quarter), we now find support for a fair value range of SEK 2.1-2.5 (2.8-3.3) per share, based on a defensive WACC of 30% and target multiples of 1.4x Sales'24E and 10x EBITDA'24E.

12%

EBITDA-margin
in 2024

18.5

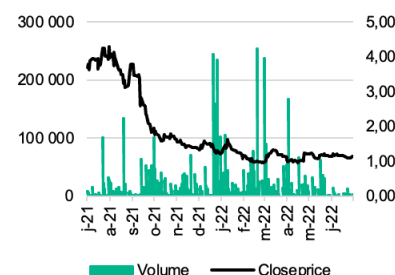
MSEK SALES
in 2022

9.5%

CAGR
addressable market

Motion Display

Fair Value, SEK (12-24 m)	2,1 - 2,5
Current Price, SEK	0,82
Shares (M)	17,7
Market Capitalisation (MSEK)	14
Net Debt (MSEK)	-0,3
Enterprise Value (MSEK)	14
Market	Spotlight



MSEK	2020	2021	2022E	2023E	2024E
Revenue	32	17	18	28	34
EBITDA	2	-4	-3	2	4
EBIT	-1	-7	-5	-1	1
EPS Adjusted	-0,16	-0,39	-0,32	-0,08	0,04
Sales Growth, %	5%	-47%	10%	49%	22%
EBITDA Margin, %	5%	-23%	-15%	7%	12%
EBIT Margin, %	-4%	-40%	-30%	-4%	3%
EV/Sales	-	1,1	1,0	0,7	0,6
EV/EBITDA	-	-4,9	-6,9	10,0	4,6
EV/EBIT	-	-2,8	-3,4	-16,1	18,3
P/E	-	-2,6	-3,1	-12,6	23,2

Source: 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
Pharmacies	67 000
Convenience stores	154 000
Restaurants & bars	1 000 000
Total	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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