

# Motion Display AB

## Bright spots shining through persistent headwind

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The hangover from the pandemic continues to linger for Motion Display. But there are bright spots. With a well-documented effect on sales, a breakthrough order in Australia, progress in Europe, a potential redemptive order in the US and lower OPEX we see a good chance for management to turn the ship around. After some revisions to our model, we now find support for a fair value of SEK 1.6-1.9 (2.1 - 2.5) per share, in 12-24 months.

### New markets = new opportunities

Motion Display continues to experience headwinds in the US, where the company has put most of its sales effort. While sales in Q3 was soft at SEK 2m, Q4 has gotten off to a better start with two large orders amounting to a total of SEK 3.8m. One bright spot is the entrance to the Australian market with a SEK 1.1m order from global liquor giant Diageo. As Q4 historically has been the strongest quarter, and the two orders in Q4 show how quickly things can change, we're keeping our FY sales forecast of SEK 18.5m for 2022. The low reported gross margin at 34% in Q3 is a bit worrying, and should be related to rising input costs, but is partly offset by a 23% cut in OPEX relative to Q2'22.

### Aiming for steady state and beyond

With regards to Motion Display's technology and product offering our conviction remains strong. Plenty of case studies support a dramatic sales increase in physical stores, and we expect Motion Display to benefit from an increase in in-store marketing spend after two tough pandemic years. Historically, Motion Display has reported sales around SEK 30m in a "normal year", with a record SEK 50m in 2018. Being somewhat forgotten the company now needs to fight for attention. But the entrance into Australia and recent order in the US suggests that change could be underway.

### High-risk case with significant upside potential

At present, with one-offs orders here and there, we see a somewhat binary investment case, an impression that is further reinforced by the cash position at end of Q3 of a mere SEK 0.5m. While cash has been replenished by a SEK 2m loan from Almi and temporary relief of pre-paid taxes of SEK 3m in Q4, the company needs to increase revenues. We've now made some minor revisions to our model, mainly lowering short term gross margins to 35% (45%) as sector colleague Pricer's margins also took a hit in Q3 following a staggering rise in input costs. We now find support for a fair value range of SEK 1.6 - 1.9 per share (2.1 - 2.5), based on a rather defensive WACC (30%) and conservative target multiples of 1x Sales'24E and 10x EBITDA'24E. Should the company manage to recover to historic revenue levels, which we expect in 2023/24, the depressed sales multiples of 0.5x '22E and 0.3x '24 support a significant revaluation potential in the share.

9%

EBITDA-margin  
in 2024

28

MSEK SALES  
in 2022

9.5%

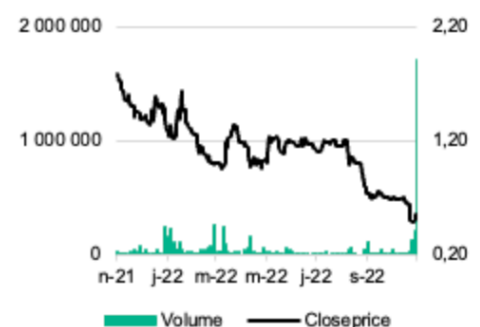
market CAGR

### Motion Display

Fair Value, SEK (12-24 m)	1,6 - 1,9
Current Price, SEK	0,62
Shares (M)	17,7
Market Capitalisation (MSEK)	11
Net Debt (MSEK)	0,3
Enterprise Value (MSEK)	11
Market	Spotlight

MSEK	2020	2021	2022E	2023E	2024E
Revenue	32	17	19	28	34
EBITDA	2	-4	-5	-2	3
EBIT	-1	-7	-8	-5	0
EPS Adjusted	-0,16	-0,39	-0,44	-0,31	-0,01
Sales Growth, %	5%	-47%	10%	49%	22%
EBITDA Margin, %	5%	-23%	-26%	-8%	9%
EBIT Margin, %	-4%	-40%	-41%	-19%	0%
EV/Sales	-	0,6	0,5	0,4	0,3
EV/EBITDA	-	-2,5	-2,0	-4,5	3,2
EV/EBIT	-	-1,5	-1,3	-1,9	513,4
P/E	-	-1,3	-1,1	-1,6	-38,2

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
<b>Total</b>	<b>2 000 000</b>

Source: Motion Display, Emergers

## Valuation

With an assumption about sales reaching about 28 MSEK in 2023, and a yearly growth of 22% from there, we estimate Motion Display to reach zero result at EBITDA-level again by 2024. 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 1.6 SEK per share.

## DCF Key Assumptions

WACC	30%
Long-term EBITDA-margin	25%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	10x
Total NPV, MSEK	29
NPV per share, SEK	1,6

Source: 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 1.0-4.2 over the last twelve months. A somewhat restrictive multiple of 1.0x Sales 2024, and 10x EBITDA 2024 together indicate a fair value of 1.9 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	18,5	27,5	33,7
Operating Costs	-31,3	-30,0	-20,6	-23,3	-29,7	-30,7
EBITDA	-1,2	1,6	-3,8	-4,8	-2,2	3,0
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	-7,6	-5,2	0,0
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
<b>Pre-tax Result</b>	<b>-4,4</b>	<b>-1,6</b>	<b>-6,9</b>	<b>-7,8</b>	<b>-5,4</b>	<b>-0,2</b>
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
<b>Net Result</b>	<b>-4,4</b>	<b>-1,6</b>	<b>-6,9</b>	<b>-7,8</b>	<b>-5,4</b>	<b>-0,2</b>

### Capital Expenditure

	2019	2020	2021	2022E	2023E	2024E
Capital Expenditure, Absolute	-	-	1,9	1,5	1,4	1,4
As a Pct of Sales	-	-	11,5	8,1	5,0	4,1
Depreciation Multiple	-	-	0,7	0,5	0,5	0,5

### Key Ratios

Share Price: SEK 0,50

	2019	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	-	-	0,50	0,50	0,50	0,50
Number of Shares (Millions)	10,40	10,40	17,67	17,67	17,67	17,67
Market Cap	-	-	8,8	8,8	8,8	8,8
Enterprise Value	-	-	9,7	16,3	20,1	18,7
EPS (Reported)	-0,42	-0,16	-0,39	-0,44	-0,31	-0,01
EPS (Adjusted)	-0,42	-0,16	-0,39	-0,44	-0,31	-0,01
CEPS	-0,42	-0,16	-0,39	-0,44	-0,31	-0,01
P/CEPS	-	-	n.a.	n.a.	n.a.	n.a.
Book Value/Share	1,2	1,0	0,8	0,4	0,1	0,0
P/BV	-	-	0,6	1,4	8,4	10,8
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	-	-	0,6	0,5	0,4	0,3
EV/EBITDA	-	-	-2,5	-2,0	-4,5	3,2
EV/EBIT	-	-	-1,5	-1,3	-1,9	513,4
P/E (Adjusted)	-	-	-1,3	-1,1	-1,6	-38,2
Sales Growth, Y/Y (%)	-	5,1	-46,9	10,1	48,9	22,4
EBIT Growth, Y/Y (%)	-147,9	-66,4	379,9	14,1	-31,9	-100,4
EPS Growth (Adjusted), Y/Y (%)	-152,3	-62,5	146,0	14,3	-30,9	-95,7
EBITDA Margin (%)	-3,9	5,2	-22,7	-26,1	-7,9	9,0
EBIT Margin (%)	-13,7	-4,4	-39,6	-41,0	-18,8	0,1
Return on Equity (%)	-43,1	-14,5	-55,3	-75,5	-144,2	-24,7
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	7	11	10
Net Debt/Equity	0,1	0,0	0,1	1,2	10,7	12,1
Equity Ratio	0,4	0,4	0,6	0,4	0,1	0,0
Net Debt/EBITDA	-1,0	0,0	-0,2	-1,5	-5,2	3,3

Source: Emergers, Company reports

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