

Motion Display AB

Strong start to 2023 sets the stage for an exciting year ahead

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As 2022 ended on a high note for Motion Display, with deals signed in the USA, Germany and Australia, there are reasons to believe that 2023 could be a turning point after a rough couple of years. Supported by an underlying shift in sentiment and several trends pointing in the right direction, we remain optimistic that the company can push ahead to become a recurring part of retail brands' in-store marketing strategy. We leave our fair value range intact at SEK 1.6 – 1.9 per share on a 12-24 month horizon.

Momentum in Q4'22 to carry on into 2023

Despite an overall tough 2022, Motion Display ended the year by signing three deals of a total of SEK 7.2m, two in the US and one breakthrough order in Australia, where global liquor giant Diageo placed an order of SEK 1.1m. With presence in 180 countries and 200 different brands in its portfolio, Diageo symbolizes the kind of customer that could take Motion Display to new heights should Diageo choose to allocate just a fraction of its in-store marketing spend to Motion Display. Diageo has placed several orders in the past, especially before the pandemic, and in light of the increasing importance of an active approach to the customer's in-store shopping experience, we believe it is now ready to increase activity again.

Sentiment moving in the right direction

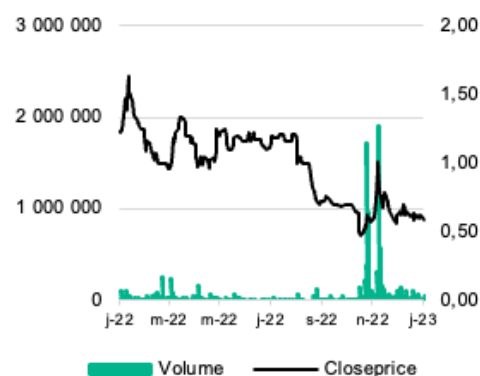
2023 started like 2022 ended with two orders to the German market of a total of SEK 1.75m, one with a global purchasing organization which we believe will be of high strategic importance, since the organization represents a vast number of retail brands all over the world. As we saw eased Covid restrictions in most parts of the world in 2022, in-store shopping is now on track for a long-awaited return. At the same time, consumers are plagued by a rampant inflation and rising interest rates, again putting pressure on the retail industry. With sector colleague Pricer reporting sales growth of 28% in FY'22, we see mounting evidence that retailers are increasing their focus on creating even more value for in-store consumers and that Motion Display's e-paper product has a valuable part to play in this.

Big upside – high risk

Encouraged especially by the deal with the global purchasing organization we forecast sales to reach SEK 23m in 2023. The cost reductions made during H2'22 have shown results already, lowering FY OPEX to SEK 13.1m in 2022 from SEK 15.3m in 2021. This should have a positive impact on future profitability as the company should be able to grow topline a lot faster than OPEX. Should customer accounts like Diageo and PepsiCo decide to make Motion Display a recurring part of their marketing budget rather than one-offs, it would make the company very profitable. As the company Market Cap now amounts to a mere SEK 9m, below the current order backlog of SEK 10m, we believe the stage is set for a considerable revaluation should the company continue its positive news flow. As we forecast sales to grow to SEK 40m with an EBITDA of SEK 7m by 2025, our combined DCF and target multiple approach support a fair value of SEK 1.6 – 1.9 per share in 12-24 months.

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Fair Value, SEK (12-24 m)	1,6 - 1,9
Current Price, SEK	0,51
Shares (M)	17,7
Market Capitalisation (MSEK)	9
Net Debt (MSEK)	4,4
Enterprise Value (MSEK)	13
Market	Spotlight



Financial Summary

MSEK	2021	2022	2023E	2024E	2025E
Revenue	17	15	23	33	40
EBITDA	-4	-4	-2	3	7
EBIT	-7	-6	-5	0	5
EPS Adjusted	-0,39	-0,37	-0,32	-0,02	0,33
Sales Growth, %	-47%	-10%	52%	43%	22%
EBITDA Margin, %	-23%	-23%	-10%	9%	18%
EBIT Margin, %	-40%	-42%	-23%	0%	13%
EV/Sales	1,5	1,0	0,7	0,5	0,4
EV/EBITDA	-6,7	-4,3	-6,5	5,4	2,2
EV/EBIT	-3,9	-2,4	-2,9	-108,3	3,0
P/E	-3,6	-1,9	-1,6	-22,8	1,5

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 store's 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 are 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 23 MSEK in 2023, and a yearly growth of 22% from there, we estimate Motion Display to reach positive EBITDA again by 2024. Using a discount rate (WACC) of 30% to reflect a retail market in change and uncertainties about where it will end up, a residual multiple of 10x EBITDA, our 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.

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Income Statement

MSEK	2020	2021	2022	2023E	2024E	2024E
Sales	31,7	16,8	15,1	23,0	32,8	40,1
Operating Costs	-30,0	-20,6	-18,6	-25,3	-29,9	-33,1
EBITDA	1,6	-3,8	-3,5	-2,4	2,9	7,1
Depreciation	-3,0	-2,8	-2,8	-3,0	-3,0	-3,0
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	1,0
EBIT	-1,4	-6,7	-6,3	-5,4	-0,1	5,1
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	-0,2	-0,3	-0,3	-0,3	-0,3
Pre-tax Result	-1,6	-6,9	-6,6	-5,6	-0,4	4,8
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	1,0
Net Result	-1,6	-6,9	-6,6	-5,6	-0,4	5,8

Capital Expenditure

	2020	2021	2022	2023E	2024E	2024E
Capital Expenditure, Absolute	1,8	1,9	1,8	1,1	1,6	2,0
As a Pct of Sales	5,8	11,5	11,6	5,0	5,0	5,0
Depreciation Multiple	0,6	0,7	0,6	0,4	0,5	0,7

Key Ratios

Share Price: SEK 0,51

	2020	2021	2022	2023E	2024E	2024E
Share Price at 31 Dec	3,8	1,40	0,70	0,51	0,51	0,51
Number of Shares (Millions)	10,40	17,67	17,67	17,67	17,67	17,67
Market Cap	39,9	24,7	12,4	8,9	8,9	8,9
Enterprise Value	39,9	25,6	15,0	15,4	14,4	9,6
EPS (Reported)	-0,16	-0,39	-0,37	-0,32	-0,02	0,33
EPS (Adjusted)	-0,16	-0,39	-0,37	-0,32	-0,02	0,33
CEPS	-0,16	-0,39	-0,37	-0,32	-0,02	0,33
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	1,5
Book Value/Share	1,0	0,8	0,4	0,1	0,1	0,3
P/BV	3,8	1,7	1,6	4,1	5,0	1,6
Dividend	0,00	0,00	0,00	0,00	0,00	1,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	0,0	197,6
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	304,3
EV/Sales	1,3	1,5	1,0	0,7	0,5	0,4
EV/EBITDA	15,5	-6,7	-4,3	-6,5	5,4	2,2
EV/EBIT	-18,5	-3,9	-2,4	-2,9	-108,3	3,0
P/E (Adjusted)	-24,3	-3,6	-1,9	-1,6	-22,8	1,5
Sales Growth, Y/Y (%)	-	-46,9	-10,4	52,5	42,8	22,4
EBIT Growth, Y/Y (%)	-	379,9	-5,3	-14,8	-97,4	-3659,4
EPS Growth (Adjusted), Y/Y (%)	-	146,0	-4,5	-14,2	-93,0	-1581,2
EBITDA Margin (%)	5,2	-22,7	-23,4	-10,3	8,7	17,6
EBIT Margin (%)	-4,4	-39,6	-41,9	-23,4	-0,4	12,6
Return on Equity (%)	-14,5	-55,3	-59,2	-112,3	-19,6	102,7
Tax Rate (%)	0,0	0,0	0,0	0,0	0,0	0,0

Financial Position

	2020	2021	2022	2023E	2024E	2024E
Interest-Bearing Net Debt	0	1	3	6	5	1
Net Debt/Equity	0,0	0,1	0,3	2,9	3,0	0,1
Equity Ratio	0,4	0,6	0,3	0,1	0,1	0,2
Net Debt/EBITDA	0,0	-0,2	-0,8	-2,7	1,9	0,1

Source: Emergers, Company reports

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