

Motion Display AB

Accelerating momentum appears set to carry into 2024

Johan Widmark | 2024-02-23 08:00

Motion Display ended the year with the same strong momentum as seen earlier in 2024, with 65% growth in Q4'23 and 79% for the full year. This resulted in a positive EBITDA for the full year (SEK 1.3m), albeit a slight loss in Q4 (SEK -0,4m). Thanks to strong performance, the EU and the rest of the world (SEK 14.3m) have now surpassed the USA (SEK 12.7m) in terms of revenue. The order backlog is strong at SEK 9.2m – a sequential doubling since Q3'23. However, even more important are the deepened collaborations with global procurement organizations, which serve as important gateway actors to the company's customers, where the share now accounts for 30% of revenue, suggesting continued strong momentum into 2024. With a weak cash position at SEK 0.08m and a continued liquidity squeeze from suppliers and customers, we expect some form of action to strengthen liquidity. Overall, we continue to see support for a fair value of SEK 1.9-2.1 per share, although a potential issuance could dilute that somewhat.

Diversifying in Europe

Historically reliant solely on the American retail market, especially on the retail giant Walmart, Motion Display has actively worked to diversify its exposure over the last 36 months. While the American market still contributes occasional orders, the company has achieved a consistent order intake from the European market after gaining 'approved supplier' status from one of the largest purchasing organizations. We expect that continued deepened relations with these procurement organizations will accelerate growth further.

Healthy acceleration in momentum

The pandemic hit the sector of physical stores hard, but we now see several signs of a return to (a new kind of) normal, also for retail. Order intake in Q4'23 amounted to SEK 10m, which is a clear acceleration from SEK 5.9m in Q3'23, and the SEK 9.2m order backlog at the end of Q4'23 represents more than a doubling from SEK 4.5m at the end of Q3'23. This is a strong signal that the healthy positive momentum will last into 2024.

Diversified exposure lowers longer term risk

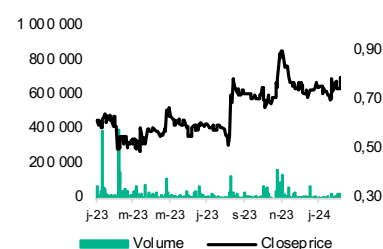
MODI closed Q4'23 with a cash position of SEK 0.1m, which is concerningly low. However, considering the company has achieved positive EBITDA for the full year, although a slight loss in Q4, it appears that some form of bridge financing could be a likely option, although it is too early to rule out a rights issue. Our forecast is based on sales of SEK 33m for 2024 and a 10% annual growth thereafter. With a long-term gross margin of 50% and a discount rate (WACC) of 23%, our combined DCF and target multiple valuation (1x sales'24 support a fair value range of SEK 1.9-2.1 per share in 12-24 months.

MSEK	2022	2023	2024E	2025E	2026E
Revenue	15	27	33	37	41
EBITDA	-4	1	4	5	6
EBIT	-6	-1	2	4	6
EPS Adjusted	-0,37	-0,09	0,09	0,26	0,46
Sales Growth, %	-10%	79%	22%	11%	12%
EBITDA Margin, %	-23%	5%	12%	13%	15%
EBIT Margin, %	-42%	-5%	6%	10%	15%
EV/Sales	1,0	0,6	0,5	0,5	0,6
EV/EBITDA	-4,3	13,7	4,4	3,6	4,1
EV/EBIT	-2,4	-13,1	9,1	4,5	4,1
P/E	-1,9	-7,5	8,4	3,0	1,7

Source: Emergers

Motion Display

Fair Value, SEK (12-24 m)	1,9 - 2,1
Current Price, SEK	0,78
Shares (M)	17,7
Market Capitalisation (MSEK)	13,8
Net Debt (MSEK)	4,6
Enterprise Value (MSEK)	18,4
Market	Spotlight



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 SEK 33m in 2024, and a yearly growth of 10% from there, we estimate Motion Display to reach positive EBITDA again by 2024. Using a discount rate (WACC) of 23% 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 2.1 SEK per share.

DCF Key Assumptions

WACC	23%
Long-term EBITDA-margin	18%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	10x
Total NPV, MSEK	38
NPV per share, SEK	2,2

Source: Emergers

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.

Pandemics: 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	2020	2021	2022	2023	2024E	2025E
Sales	31,7	16,8	15,1	27,0	33,0	36,8
Operating Costs	-30,0	-20,6	-18,6	-25,7	-29,1	-32,0
EBITDA	1,6	-3,8	-3,5	1,3	3,9	4,8
Depreciation	-3,0	-2,8	-2,8	-2,6	-2,0	-2,0
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	1,0
EBIT	-1,4	-6,7	-6,3	-1,3	1,9	3,8
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	-0,4	-0,3	-0,3
Pre-tax Result	-1,6	-6,9	-6,6	-1,7	1,6	3,5
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	1,0
Net Result	-1,6	-6,9	-6,6	-1,7	1,6	4,5

Capital Expenditure

	2020	2021	2022	2023	2024E	2025E
Capital Expenditure, Absolute	1,8	1,9	1,8	1,3	1,7	1,8
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	0,5	0,8	0,9

Key Ratios

Share Price: SEK 0,78

	2020	2021	2022	2023	2024E	2025E
Share Price at 31 Dec	3,8	1,40	0,70	0,71	0,78	0,78
Number of Shares (Millions)	10,40	17,67	17,67	17,67	17,67	17,67
Market Cap	39,9	24,7	12,4	12,5	13,8	13,8
Enterprise Value	39,9	25,6	15,0	17,2	13,4	10,7
EPS (Reported)	-0,16	-0,39	-0,37	-0,09	0,09	0,26
EPS (Adjusted)	-0,16	-0,39	-0,37	-0,09	0,09	0,26
CEPS	-0,16	-0,39	-0,37	-0,09	0,09	0,26
P/CEPS	n.a.	n.a.	n.a.	n.a.	8,4	3,0
Book Value/Share	1,0	0,8	0,4	0,3	0,4	0,6
P/BV	3,8	1,7	1,6	2,0	1,8	1,3
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	128,4
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	389,2
EV/Sales	1,3	1,5	1,0	0,6	0,5	0,5
EV/EBITDA	15,5	-6,7	-4,3	13,7	4,4	3,6
EV/EBIT	-18,5	-3,9	-2,4	-13,1	9,1	4,5
P/E (Adjusted)	-24,3	-3,6	-1,9	-7,5	8,4	3,0
Sales Growth, Y/Y (%)	-	-46,9	-10,4	79,3	22,2	11,4
EBIT Growth, Y/Y (%)	-	379,9	-5,3	-79,3	-245,0	100,0
EPS Growth (Adjusted), Y/Y (%)	-	146,0	-4,5	-74,6	-198,9	176,0
EBITDA Margin (%)	5,2	-22,7	-23,4	4,6	11,8	13,0
EBIT Margin (%)	-4,4	-39,6	-41,9	-4,8	5,7	10,3
Return on Equity (%)	-14,5	-55,3	-59,2	-23,8	23,6	28,0
Tax Rate (%)	0,0	0,0	0,0	0,0	0,0	0,0

Financial Position

	2020	2021	2022	2023	2024E	2025E
Interest-Bearing Net Debt	0	1	3	5	0	-3
Net Debt/Equity	0,0	0,1	0,3	0,8	-0,1	-0,3
Equity Ratio	0,4	0,6	0,3	0,3	0,4	0,4
Net Debt/EBITDA	0,0	-0,2	-0,8	3,7	-0,1	-0,6

Source: Emergers, Company reports

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