

# Motion Display AB

## Another strong quarter confirming that MODI has turned the corner

Johan Widmark | 2024-05-08 08:00

**MODI reported sales growth in Q1'24 of 31%, confirming that the strong momentum seen in H2'23 carried into 2024. Along with a 4ppt gross margin improvement this resulted in the first profitable quarter since Q2'23, with a Net Profit of SEK 2m. A significant release of working capital (SEK +3.3m) drove FCF to SEK 5.4m raising Net Cash at the end of Q1 to SEK 3.5m. These quarterly numbers compare to MODI's market cap the day prior to the report, at SEK 12m, illustrating just how depressed the share has been. As the worst liquidity risk now seems to be behind the company, alleviating the fear of a rights issue, the share made a stunning +100% move on the report announcement, closing up 80%. With support for a fair value of SEK 1.9-2.3, we expect that the share has more to give, although some pullback due to profit-taking can be expected first.**

### Continued strong momentum

MODI reported a strong order intake of SEK 6.4 million in Q1, with approximately SEK 4 million in March alone, signaling continued strength throughout the summer months. Deliveries were concluded on an order from a large beverage customer in Q1, and with order backlog decreasing sequentially from SEK 9.2m in Q4'23 to SEK 6.3m in Q1'24, this suggests that investors should brace themselves for a slightly softer Q2. Interestingly, the strong result in Q1 was based on a larger number of orders from various countries and industries. The deepened collaborations with global procurement organizations, that serve as important gateway actors to the company's customers, highlighted in Q4, should also help diversify revenues and accelerate growth going forward,

### After some profit-taking share should have more to give

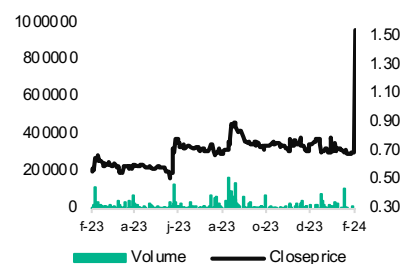
Liquidity continues to be a concern for the company. The increased order intake, combined with long payment terms from customers, while suppliers increasingly require payment in advance, puts a strain on liquidity for the company. But with cash at SEK 5.2m, another SEK 0.47m in checking account credit, a rights issue is not our main scenario in the coming 12 months. Our forecast is now based on sales of SEK 33m for 2024 and a 12% 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 1.9-2.3 per share, suggesting that the share has more to give.

MSEK	2022	2023	2024E	2025E	2026E
Revenue	15	27	33	37	42
EBITDA	-4	1	5	6	7
EBIT	-6	-1	3	5	7
EPS Adjusted	-0.37	-0.09	0.15	0.30	0.50
Sales Growth, %	-10%	79%	22%	12%	12%
EBITDA Margin, %	-23%	5%	15%	15%	17%
EBIT Margin, %	-42%	-5%	8%	12%	17%
EV/Sales	1.0	0.6	0.5	0.5	0.6
EV/EBITDA	-4.3	13.7	3.4	3.1	3.6
EV/EBIT	-2.4	-13.1	6.4	3.7	3.6
P/E	-1.9	-7.5	8.4	4.1	2.5

Source: Emergers

### Motion Display

Fair Value, SEK (12-24 m)	1.9 - 2.3
Current Price, SEK	1.24
Shares (M)	17.7
Market Capitalisation (MSEK)	21.9
Net Debt (MSEK)	4.6
Enterprise Value (MSEK)	26.6
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
<b>Total</b>	<b>2 000 000</b>

Source: Motion Display, Emergers

## Valuation

With an assumption about sales reaching SEK 33m in 2024, and a yearly growth of 12% from there, we estimate Motion Display to reach positive EBITDA again in 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 6x EBITDA, our DCF indicates a fair value of 2.3 SEK per share.

## DCF Key Assumptions

WACC	23%
Long-term EBITDA-margin	21%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	6x
Total NPV adjusted for Cash, MSEK	40
NPV per share, SEK	2.3

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	33.1	37.1
Operating Costs	-30.0	-20.6	-18.6	-25.7	-28.0	-31.5
EBITDA	1.6	-3.8	-3.5	1.3	5.0	5.6
Depreciation	-3.0	-2.8	-2.8	-2.6	-2.3	-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	2.7	4.6
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	-0.1	-0.3
<b>Pre-tax Result</b>	<b>-1.6</b>	<b>-6.9</b>	<b>-6.6</b>	<b>-1.7</b>	<b>2.6</b>	<b>4.3</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	1.0
<b>Net Result</b>	<b>-1.6</b>	<b>-6.9</b>	<b>-6.6</b>	<b>-1.7</b>	<b>2.6</b>	<b>5.3</b>

### Capital Expenditure

	2020	2021	2022	2023	2024E	2025E
Capital Expenditure, Absolute	1.8	1.9	1.8	1.3	1.7	1.9
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	0.7	0.9

### Key Ratios

Share Price: SEK 1.55

	2020	2021	2022	2023	2024E	2025E
Share Price at 31 Dec	3.8	1.40	0.70	0.71	1.55	1.55
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	27.4	27.4
Enterprise Value	39.9	25.6	15.0	17.2	25.7	22.2
EPS (Reported)	-0.16	-0.39	-0.37	-0.09	0.15	0.30
EPS (Adjusted)	-0.16	-0.39	-0.37	-0.09	0.15	0.30
CEPS	-0.16	-0.39	-0.37	-0.09	0.15	0.30
P/CEPS	n.a.	n.a.	n.a.	n.a.	10.5	5.1
Book Value/Share	1.0	0.8	0.4	0.3	0.5	0.7
P/BV	3.8	1.7	1.6	2.0	3.1	2.3
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	64.5
Dividend Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0	330.5
EV/Sales	1.3	1.5	1.0	0.6	0.5	0.5
EV/EBITDA	15.5	-6.7	-4.3	13.7	3.4	3.1
EV/EBIT	-18.5	-3.9	-2.4	-13.1	6.4	3.7
P/E (Adjusted)	-24.3	-3.6	-1.9	-7.5	10.5	5.1
Sales Growth, Y/Y (%)	-	-46.9	-10.4	79.3	22.5	12.2
EBIT Growth, Y/Y (%)	-	379.9	-5.3	-79.3	-305.6	71.0
EPS Growth (Adjusted), Y/Y (%)	-	146.0	-4.5	-74.6	-257.0	104.7
EBITDA Margin (%)	5.2	-22.7	-23.4	4.6	15.2	15.1
EBIT Margin (%)	-4.4	-39.6	-41.9	-4.8	8.1	12.4
Return on Equity (%)	-14.5	-55.3	-59.2	-23.8	35.0	32.0
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	-2	-5
Net Debt/Equity	0.0	0.1	0.3	0.8	-0.2	-0.4
Equity Ratio	0.4	0.6	0.3	0.3	0.4	0.5
Net Debt/EBITDA	0.0	-0.2	-0.8	3.7	-0.3	-0.9

Source: Emergers, Company reports

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