Commissioned Research

22 November 2024

Pricer

Ready to capitalise on a fast-growing market

Initiating Coverage

Fair value range:
SEK15.0–19.0

Share price:
SEK11.5

Correction: EBIT has been corrected in estimate years in tables on p1 and p43 (+SEK30m/20m/30m in 24e/25e/26e), with corresponding effects below the EBIT line. Charts and tables in estimates section, as well as valuation range, are not affected.

Favourable market development expected to underpin sales growth

We expect global electronic shelf label (ESL) provider Pricer to face solid underlying market demand ahead, underpinning sales CAGR(2023–26e) of 9%. A key factor for the expected growth, current generations of ESLs have new functionalities that widen the scope of use cases and improve the ROI. In addition, the ESL adoption of tier 1 retailers such as Walmart is expected to encourage smaller chains to follow. Market leader technology adoption and the subsequent follower adoption is a dynamic that has been demonstrated, for example, in the 2010s retail self-checkout kiosks implementation. Lastly, we estimate low ESL market penetration (less than 10%) in many large European and North American markets.

On its way towards a new identity

Since its 2022 CEO shift, Pricer has substantially changed its market strategy and sales organisation to accelerate growth, improved its capital allocation strategy to strengthen its balance sheet, and made several organisational and financial decisions to improve margins. We argue that these improvements are now starting to show in the financials, with Q3(24) last 12-month EBIT growth of ~6.5x. We argue that the track record is becoming long enough to indicate a solid start of the new strategy.

Strong expected sales and EBIT growth ahead

We expect sales CAGR(2023–26e) of 9%, supported by solid order intake and high expected activity in large markets. We forecast EBIT CAGR(2023–26e) of 167%, a result of the reduced cost base and the improved gross margin of Pricer, combined with the expected sales growth for the forecast window.

Initiating coverage with a fair value range of SEK15–19/share

We initiate coverage of Pricer with a fair value range of SEK15–19/share, supported by a peer valuation and DCF model. The peer valuation assumes an EV/EBIT(25e) multiple of 11x, a discount to Retail Tech peers.

Research analysts:
Hjalmar Jernström
Andreas Joelsson

Changes in this report (SEK)

	From	To	Chg
EPS adj. 2024e		1.06	
EPS adj. 2025e		1.09	
EPS adj. 2026e		1.25	

Q4 Report	06 Feb 2025
Q1 Report	24 Apr 2025
Q2 Report	17 Jul 2025

Key facts

No. shares (m)	163.4
Market cap. (USDm)	170
Market cap. (SEKm)	1,873
Net IB Debt. (SEKm)	94
Adjustments (SEKm)	0
EV (2024e) (SEKm)	1,967
Free float	86.4%
Avg. daily vol. ('000)	248
Risk	Medium Risk
Fiscal year end	December
Share price as of (CET)	22 Nov 2024 10:53

Key figures (SEK)	2023	2024e	2025e	2026e
Sales (m)	2,681	2,735	3,125	3,507
EBITDA (m)	76	256	318	350
EBIT (m)	15	200	262	294
EPS	-0.49	1.06	1.09	1.25
EPS adj.	-0.18	1.06	1.09	1.25
DPS	0.00	0.00	0.00	0.00
Sales growth Y/Y	18%	2%	14%	12%
EPS adj. growth Y/Y	-chg	+chg	3%	14%
EBIT margin	0.6%	7.3%	8.4%	8.4%
P/E adj.	n.m.	10.8	10.5	9.2
EV/EBIT	56.0	9.8	6.9	5.7
EV/EBITA	56.0	9.8	6.9	5.7
EV/EBITDA	11.4	7.7	5.7	4.8
P/BV	1.3	1.7	1.5	1.3
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	-11.8%	-2.8%	8.1%	5.9%
Equity/Total Assets	47.7%	49.1%	50.5%	52.4%
ROCE	0.7%	16.2%	18.0%	18.0%
ROE adj.	-2.3%	14.1%	15.0%	14.7%
Net IB debt/EBITDA	0.0	0.4	-0.2	-0.5

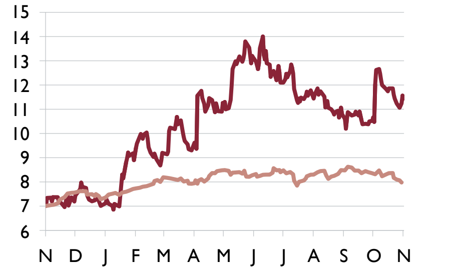
Share price -5Y

High/Low (12M)				SEK14/6.9
Perf.	**3M**	**6M**	**12M**	**YTD**
Abs.	0.0	2.5	63.2	46.7
Rel.	3.5	8.1	48.9	41.8

Source: Carnegie Research, FactSet, Millistream & company data

Performance & Valuation

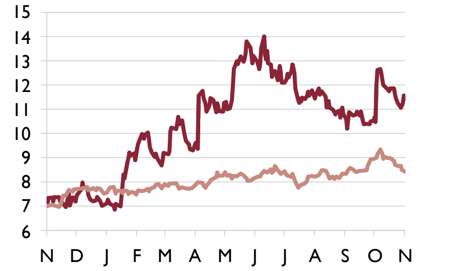
Price relative to market – 1Y



Pricer
OMX Stockholm_PI (Se)

Source: FactSet

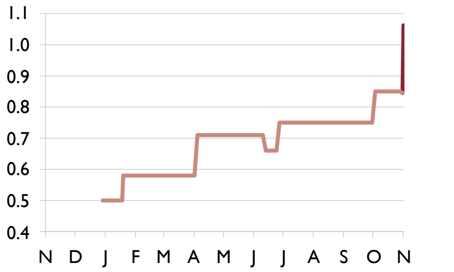
Price relative to sector – 1Y



Pricer
Technology Hardware & Equipment

Source: FactSet

Adj. EPS expectations –2024e (SEK)



Carnegie
Consensus

Source: Carnegie Research & FactSet

Adj. EPS expectations –2025e (SEK)

Carnegie
Consensus

Source: Carnegie Research & FactSet

Major shareholders

Shareholders (%)	Capital	Votes
Sterling Strategic Value Fund	10.3%	10.2%
Göran Sundholm	10.1%	10.0%
Quaero Capital S.A.	7.6%	7.5%
Avanza Pension	6.4%	6.4%
Nordnet Pensionsförsäkring	4.3%	4.3%
Lars Ingvarsson	3.3%	3.3%

Source: FactSet

Company miscellaneous

CEO	Magnus Larsson
CFO	Claes Wenthzel
IR	
Phone	
Web	www.pricer.com
Address	Västra Järnvägsgatan 7
City	Stockholm

Source: Carnegie Research

Company description

Pricer is one of the leading companies offering Electronic Shelf Label (ESL) systems that enables physical retail stores to efficiently communicate product information, such as price, campaigns, specification, inventory, etc., with both customers and staff working in the stores. Its digital solutions eliminate the need for paper labels or price tags that must be replaced each time price or other information changes.

Source: Carnegie Research & FactSet

Contents

Investment case

On its way towards a new identity

Pricer is a provider of electronic shelf labels and in-store communication systems, a common term for technology that facilitates various store operations such as reshelving and order packaging. The company has extensive experience with the ESL market, deals with several global grocery chain giants and is one of the market leaders in the field.

Since its 2022 CEO shift, Pricer has substantially changed its market strategy and sales organisation to accelerate growth, improved its capital allocation strategy to strengthen its balance sheet, and made several organisational and financial decisions to improve margins. We argue that these changes emphasise the intention to adopt a new company identity, and that the changes carried out since 2022 gradually have started to become evident in the financials. For this reason, we believe that Pricer has improved from its pre-pandemic profile with regards to product offering, organisational structure and balance sheet.

The transformation can largely be divided into three phases: growth restoration, balance sheet improvement and profitability improvement. In the growth restoration phase, Pricer delivered 2022 organic order intake growth of 30%, underpinning the ability to compete with fast-growing competitors following a 2021 when Pricer lost market shares to peers. In the balance sheet improvement phase, Pricer revised its capital allocation strategy, improving from the lacklustre capital allocation strategy previously applied, with a dividend policy that put a strain on the balance sheet. The improved capital allocation along with the 2023 equity issuance reduced Pricer's net debt level and provided financial leeway. In the profitability improvement phase, Pricer displayed an ability to improve operating profitability through a leaner organisation. The 9M(24) EBIT margin was 7%, and was the result of the new, leaner operations, the cost savings programme, favourable development of input prices, and a strong margin focus within sales. In the period 2019–22, Pricer's EBIT margin contracted from 10% to 1%, combined with growth lower than market leaders. In addition, 2021 revenue was unchanged Y/Y despite strong market growth. As the operational shifts since 2022 to some degree have been converted to reported financials, we argue that the track record is becoming long enough to indicate a solid start of the new strategy.

Experienced premium-provider with substantial market share

Pricer is a supplier of in-store communication systems, based on electronic shelf labels (ESL), which are small screens that mimic the traditional printed analogue price labels. Pricer's latest generation of ESLs are connected via a software that can utilize the various use cases of the shelf labels, facilitating tasks relating to inventory management, shelfing, and online packaging. The hardware share of the current product offering has premium characteristics relating to system reliability, response time and energy efficiency. In our view, the premium features of the offering make Pricer a premium provider among the largest of the global ESL system providers. We estimate that Pricer has market leading positions in individual geographies such as France and Canada, and measured by 2023 revenue, Pricer is the fourth biggest global ESL provider. Pricer has long experience in the market, having been in the industry since the 1990s and operates with retail giants such as Carrefour, Best Buy, Canadian Tire, and Plus Retail.

Moving from price tags to in-store communication

Starting in 2020, Pricer launched its cloud-based in-store management system Pricer Plaza. The system, along with hardware launches such as the four-color price label, has added functions to Pricer's offering relating to inventory management, shelfing, and online packaging. Through these launches, Pricer has increased the use cases of the group's products, moving the profile from a traditional ESL price tag company to a provider of in-store management solutions, improving the ROI for customers. While hardware revenue still makes up 92% of total revenue, the SaaS-based revenue model of Pricer Plaza has the potential to increase the share of recurring revenue through upselling and new-added customers. We believe this would improve the business mix, improving margins and reducing earnings volatility.

Capitalising on a strong-growing market

The market for ESL and in-store communication is growing rapidly, with reported CAGR(18–23) for market leaders Vusion and SOLUM ranging from 18–24% Factset estimates for CAGR(25–27) of 29–37% for the same group. Drivers include growth in low-penetration, high-wage-cost markets such as the US, Canada and the UK. In addition, the improved product portfolio – such as the four-colour labels with more energy efficient flash capabilities – has added new use cases, such as replenishing and online order packaging, enabling ESL companies to address new market segments. Further, external factors such as wage inflation, labour scarcity and more frequent price adjustments in the wake of recent inflationary environment have improved the overall ROI for ESL systems. This has helped further drive growth, which according to Factset sales estimates for market leaders, is expected to accelerate.

Market penetration still low in key markets

The estimated market penetration for ESLs is still low in large markets such as the US, Canada, Germany and the UK, according to our estimates Additionally, these markets display characteristics such as high average wage levels and a high degree of tech adoption, which are key characteristics for markets with high ESL growth. We argue that these markets are ripe for continued ESL adoption, benefiting the entire industry, and we believe that Pricer has a good position to gain market shares in these geographies.

Americas segment set to drive market growth ahead

Historically, Europe has been the biggest market for Pricer, accounting for more than 80% of the revenue during 2010–19. In 2020, Pricer delivered a large US order for consumer electronics retailer Best Buy, with a value estimated by Pricer of SEK625m. The US market has since become more important to Pricer, in terms of both share of revenue and focus of resources. The US market has seen rapid development of ESL following retail giant Walmart's decision to implement ESL solutions from French ESL solutions provider Vusion Group during 2024.

We believe that Walmart's decision has the potential to heavily impact the North American ESL market, by becoming an important reference for ROI purposes, but also because of retailers' propensity to copy operational strategies of market leaders. We see potential for the North American market to outgrow the European market, and act as a driving force for Pricer's revenue growth ahead. A good indicator of the potential, in our view, is Pricer having secured a contract in North America in Q2(24) with a Tier 1 grocery retailer for four-color labels and Pricer Plaza rollout, initially within 50 stores out at total of 1,500.

Company overview and history

Pricer is one of the market-leading global providers of electronic shelf labels and in-store communications systems. Its revenue mainly comes from sales of electronic shelf labels, but the 2020 launch of Pricer Plaza saw the company reshape the product offering towards a wider service offering with added use cases. After the 2022 CEO shift and the 2023–24 election of a nearly all new board of directors (one holdover), the company has changed large parts of its business strategy, while simultaneously slimming its organisation and improving on its capital allocation strategy. Further, the continuous development of the product offering has added features that enable Pricer to address new customers. Founded 1991, Pricer has been in the ESL industry through the many waves of technology that the market has gone through. We find that while adoption of new technologies has been volatile historically, the current generation of ESL systems has improved ROI from earlier generations, supporting the expected acceleration in market growth for the short- and medium term.

An overhaul to capitalise on strong ESL market growth

2022 marked the start of a series of fundamental changes to Pricer, with substantial revisions to the operational, strategic, and financial profiles. Among the changes, we argue that the 2022 CEO shift and the 2023–24 election all new board members but one were two of the most significant, emphasising the intention to adopt a new company identity. Since then, notable changes have included the new go-to-market strategy launched in 2022, along with an updated product offering, reducing the number of SKUs while adding functionalities to the current ESL product line, along with additional functionalities to the in-store-communications system Pricer Plaza. Combined with favourable development in the underlying markets, we find that these efforts have had a strong impact on revenue, with a 2021–23 CAGR of 23% (compared to a 2015–20 CAGR of 13%).

During the same period, the narrowed product offering and efforts to improve efficiency resulted in operating expenditures of 16% of revenue for 2023–24, well below pre-pandemic levels of 19% (2016–19). However, the 2022–23 average EBIT margin of 1% was still well below the target level of 8%, a result of a lower gross margin. More recently, Pricer has reported gross margins of 21% for 9M(24), resulting in a strong EBIT margin of 7% for the same period. Establishing a strong gross margin has been key to improving the overall profitability and has likely removed some concerns regarding the impact from competitors on Pricer's pricing power.

We argue that the reported growth and profitability since 2022 have demonstrated the ability of the new management to maintain solid profitability and capitalise on the strong-growing ESL market, and that the track record is becoming long enough to indicate a good outcome of the new strategy. Although the reported numbers since 2022 have not shown that Pricer can reach both sales and profitability targets simultaneously over a prolonged period, we see the potential for strong growth ahead and the possibility to reach long-term profitability.

Business model

Pricer targets the premium segment of the ESL market, as indicated by our estimates of a Pricer price premium of 10–15% that applies to the average customer. According to Pricer, this position is merited by the technical specifications of the product offering, mainly system reliability, the response time and the lower energy consumption, when compared to peer offerings. Additionally, the ideal customer would want to utilise the full scope of functionalities in the Pricer offering. As full utilisation theoretically improves the ROI, such customers improve the pricing power, which is likely to benefit Pricer's margins.

Pricer's revenue mainly comes from sales electronic shelf labels, displays and hardware, with about 8% of 2023 revenue as recurring (comprised of 2% license and 6% service). Aside from the products offered, Pricer supplies installation along with maintenance and service. The go-to-market strategy involves sales through own channels (about two thirds) and through reselling partners.

In 2024, Pricer revised the financial targets. The new targets focused on sales growth and operating profitability. The current target is that annual sales growth should be at least 15% annually, or in line with the market. Further, operating profitability should be at least 8%. Both targets are for an unspecified period.

Financial objectives

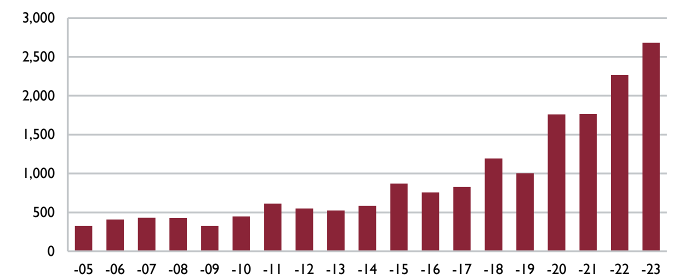
Item	Objective	Period
Annual sales growth	15% or in line with the market	Unspecified
EBIT margin	8%	Unspecified

Source: Pricer, Carnegie Research

A strong track record of sales growth

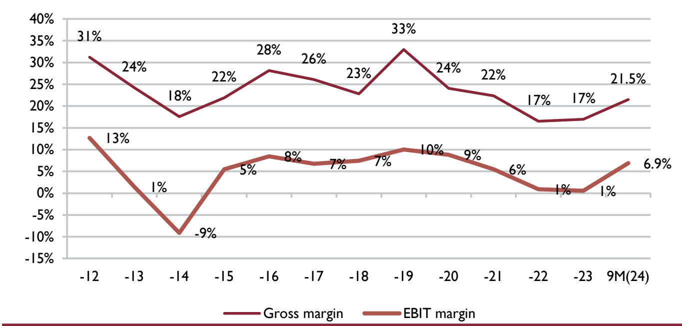
Pricer has a strong track record of growth, with a revenue CAGR(05–23) of 12%. Despite this, the growth has been volatile, with 2005–14 revenue CAGR at 7%. In 2014, Pricer launched a revised strategy and restructured parts of the organization, along with the addition of new functionalities for the ESL offering, including the flash capabilities for the second-generation ESL. The revised strategy and upgraded offering were followed by a period of strong growth, with a reported CAGR of 11% for 2014–19. The 2014–19 CAGR of 11% was connected to a break-through in the Americas market, with strong revenue and order intake, particularly in the US.

Revenue (SEKm)



Source: Pricer, Carnegie Research

Gross and EBIT margin (%)

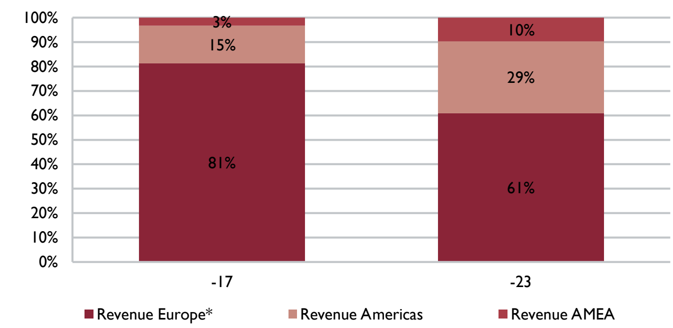


Source: Pricer, Carnegie Research

Markets

Pricer reports revenues in the three segments Europe, Americas and Asia, Middle East and Africa. Europe has historically been the group's largest region (average 85% of 2011–17 revenue), but 2018 marked a take-off in revenue generated from the Americas region, owing to strong growth in both the US and Canada.

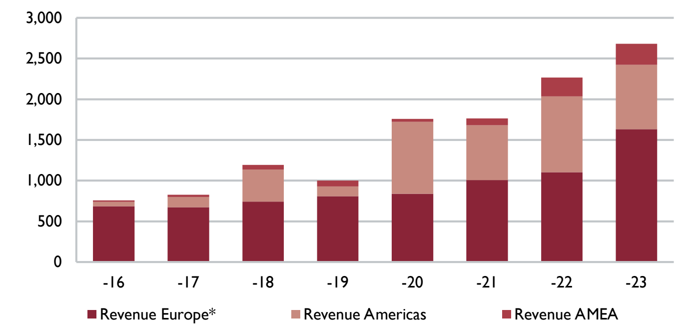
Revenue split (%)



**MEA included in Europe pre-2022*

Source: Pricer, Carnegie Research

Revenue split (%)



**MEA included in Europe pre-2022*

Source: Pricer, Carnegie Research

Company history

Pricer was founded in 1991 in Uppsala, Sweden, with a vision to revolutionise how goods are priced and managed in physical retail stores. With over 30 years of electronic shelf label experience, its journey can be divided into four phases: start-up (1991–95), international expansion (1995–03), strengthened global position (2003–14), and technological acceleration (2014–present).

Start-up (1991–95)

Pricer is founded in Uppsala, Sweden, and begins development of its first-generation electronic shelf label system. While customer adoption is somewhat slow, Pricer finds domestic success when its first installation is carried out at ICA stores in Sweden in 1993.

International expansion (1995–03)

Following the 1996 IPO, Pricer starts to pursue international expansion with new agreements and partnerships throughout Europe and Asia. France becomes its most important market as product adoption accelerates there.

Strengthened global position (2003–14)

Pricer enters the US market for the first time through partnership. It receives its first orders from global retail giants such as Carrefour, Casino, Costco, and Sonae, strengthening its position in the market. Pricer acquires the ESL supplier Eldat in 2006, making it one of the world's leading suppliers in terms of store installations. Offices in Atlanta, Paris, and Hong Kong are opened to support more international expansion.

Technological acceleration (2014–present)

Pricer accelerates its technological development with new solutions to provide retail stores with not only digital pricing, but also more efficient operating processes. In 2014 the company launches its SmartFlash solution, followed by its cloud platform Pricer Plaza in 2020, and its digital signage in 2022. With accelerating expansion, new offices are opened in Italy, Taiwan, and Belgium.

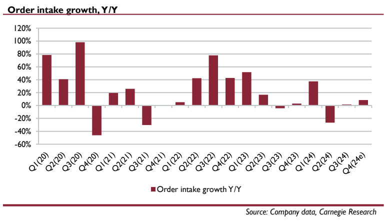
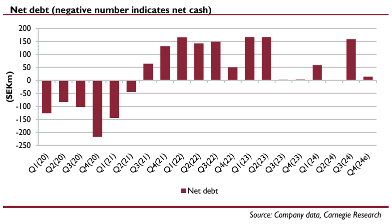
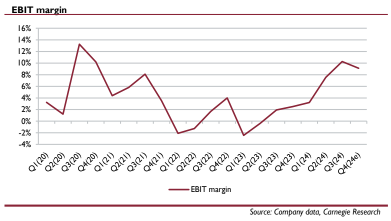
Updating the sales and market organisation

During the period 2022–24, Pricer appointed a new CEO, CFO, and elected a board of directors with all neve members but one. Following the 2021 sales growth of 4% and subsequent market share losses, Pricer launched a revised strategy at its 2022 capital markets day. Revisions included updating the sales organisation divisions, strengthening the relationship between sales and R&D, and reviewing the supply chain to make it more robust. Currently, we argue that Pricer has a competitive product offering enabling the company to compete for market share in key markets.

Substantial shifts since 2022

We believe it is important to understand that Pricer is a different company today than it was only 3–4 years ago. Several changes were initiated by the new management through three strategic phases, delivering visible improvement in the financials.

Actions taken by new management and its impact on financials

Phase I: Restore growth	Phase II: Improve financial position	Phase III: Restore profitability
		
✓	✓	✓

Source: Company data, Carnegie Research

Phase I: Restoring growth and building a solid foundation for future growth

The first priority addressed under new CEO Magnus Larsson in 2022 was to restore top line growth. After having had very high growth for a couple of quarters after the outbreak of the pandemic, sales and order intake deteriorated in the second half of 2021. The new management identified the need for a stronger sales organisation as well as stronger and more focused R&D departments to secure technological leadership for the future.

The sales organisation was split into three regions – Americas, Europe and APAC/MEA – in order to improve focus and agility. R&D management moved to headquarters, with support from certain edge centres housing specific expertise, to make sure the correct priorities were made and that a more value-added product for the customers would be developed. The cooperation between sales and the R&D unit was improved.

The supply chain issues that the company experienced during the pandemic also forced a review of the supply strategy, which included starting its own production in Germany. To have production closer to the customer also reduced the carbon footprint, which is an important KPI from a sales perspective. The efforts had an impact on order intake, which has been more stable since 2022, only seeing decline on Y/Y basis for two quarters since (of which the Q2(24) weakness was related to two orders sliding into H2(24)).

Phase II: Improving the balance sheet

The decision to distribute dividend for fiscal year 2020 in combination with deteriorating profitability in 2021 and negative cash flow turned the company from a net cash position in early 2021 into a net debt position from in YE(21) of 1x net debt/EBITDA. It was apparent that the relationship between the finance department and the departments responsible for supply chain did not work, which resulted in the company adding to debt. In December 2022, Pricer conducted a directed issue of a SEK250m bond to Ture Invest. Partly related to the associated covenants (relating to gross margin, earnings, and balance sheet ratios), and partly related to finance further growth according to the growth strategy above, Pricer did a new share issue of SEK300m (split into a directed issue of SEK44m and a rights issue of SEK257m).

This improved the company's financial position and left the company net debt neutral until Q3(24), when free cash flow was impacted by a SEK170m amortisation of factoring (in reality a debt repayment but impacting working capital) as well as normal seasonal inventory build-up ahead of anticipated high sales and delivery in Q4(24e), which should reverse part of the negative working capital contribution from Q3(24). Q3(24) net debt/EBITDA was 0.7x, with the SEK245m bond maturing in 2026.

Phase III: Restoring profitability on EBIT

As we alluded to in the second phase, the weak cash flow in 2021 related not only to growing working capital, but also to higher operational expenses. The number of employees increased and there were also increased costs related to IT. There were also inefficiencies in the cost of goods sold that were not directly related to component shortages or higher transport costs. Besides generally becoming more efficient, efforts to improve the gross margin also included a shift in products to focus more on recurring business. We believe the results of this initiative largely remain to be seen, but we give management credit in its ambition, as it has delivered on the other parts of improving profitability. The gross margin has increased and the effort to reduce operational expenses, launched in December 2023, has yielded results – the operating margin reached 10% in Q3(24), exceeding the overall target of 8%.

ESL and in-store communication systems

An electronic shelf label (ESL) system refers to battery-powered, small connected digital display devices, commonly connected to store shelves to show product pricing and other information. A modern ESL system has more features than earlier generations, adding use cases such as improved pricing and promotion strategy execution, inventory management, and online order fulfilment for omnichannel retailers. The ESL systems that are sold in the market today are typically sold with some version of cloud connection. Because of the added software features, the similarity with other hardware such as electronic displays, the added use cases and the potential to integrate with other in-store systems, modern ESL solutions are commonly referred to as in-store-communications systems. While we believe that current platforms have the potential to add numerous functions, we argue that the current main use cases are pricing optimisation, replenishment optimisation, and e-commerce fulfilment efficiency. We argue that these factors are the most important, as they have the most quantifiable effects, and present clear and strong ROI potential with short pay-back time.

Electronic shelf labels

Electronic shelf labels are small screens that mimic the traditional printed analogue price labels, adding functionalities that are designed to facilitate store operations. The labels are typically connected via wireless networks, such as wireless radio or infrared (IR). While early versions of the product were constructed from LCD screens, almost all generations of ESL sold today use the e-ink technology (e-paper). The e-ink technology can display graphic images, on a surface that visually mimics the analogue printed label. E-ink labels only require energy when updating information, making the technology much more energy efficient than, for example, LCD displays. Added with the improved speed of updates, current generations of ESL are vastly different in terms of speed, cost and functionality from those used in early adoptions in the 1990s.

Three generations of ESL

Pricer, Carnegie Research

Electronic shelf labels have gone from being typically a small, colour-less LCD display label, exclusively used to dynamically change prices in retail stores (commonly referred to as the first generation) to providing a wide scope of features adding to the use cases. The early generations had to be pre-designed, and only few adjustments were possible after installation in-store. Perhaps most importantly, newer generations change prices faster and are more energy efficient, which along with the added use cases have substantially improved the ROI for the customer.

The second generation was the first based on e-ink technology, with good readability even in sunlight, and perhaps most importantly, it was significantly more energy efficient than generation one. The technology is commonly referred to as the biggest breakthrough in the business, but colour features were still expensive and flashes, while they existed, consumed lots of energy, greatly affecting battery life.

The third (current) generation of electronic shelf labels is connected to the store's ERP (enterprise resource planning), adding functionalities that make it possible to use the ESL system as more of an in-store-communication system. The current generation of ESLs has added several key use cases, including flash capabilities, synchronised pricing, and the ability to integrate with other areas such as surveillance and digital signage. Additionally, the flash capabilities do not negatively affect battery life in the same way that earlier versions did. Overall, the third generation is far more energy-efficient than previous generations. In addition, the total solution has become cheaper for customers with the upgrade to the third-generation ESL.

Cloud integrated in-store communication systems

Today, most ESL companies address new customers with solutions including some kind of cloud-integrated platform. The ESL market leaders launched different versions of this type of solution just before the pandemic, and the purpose is to connect the hardware infrastructure to the store ERP, to maximise utilisation of the system's functions. The improved product offering has added many new functionalities, as discussed below.

In-store communication: three key use cases

While ESL-based in-store communication systems are frequently said by market leaders in the ESL field to bring numerous benefits, including aspects such as enhanced customer experiences, we argue that three main benefits we see – price change automation, e-commerce fulfilment efficiency, and time savings on shelf replenishment – are those that most impact the return on investment (ROI), having greater impact on the investment decision. This view is based on the estimated ROI impact, but also supported by anecdotal evidence from management regarding customers or potential customers.

We argue that these use cases are key because they are quantifiable, meaning there is a convenient way to measure the monetary benefit. This makes benefits such as enhanced shopping experience a somewhat secondary driver, compared to factors such as reduced reshelving time. Secondly, we believe that the benefits should also be substantial, making the effort worthwhile (low or hard-to-quantify ROI may not make the investment worthwhile even if positive). Further, we argue that use cases presenting an immediate benefit (such as personnel cost savings) are more likely to impact investment decisions, compared to potential future benefits (such as a more sustainable store profile, an important but not driving factor, in our view).

Below, we present what we believe to be the three main drivers of ESL system investment decisions. The use cases are not presented in any order. A key item connecting the benefits is the reduction of manual labour, supporting the notion that high-personnel-cost markets are more lucrative for ESL implementation. We further quantify these benefits under the section "A deep dive on the ROI".

Price change automation

One key efficiency gain we see is time savings from automated price changes. By avoiding the manual process of printing and sorting physical labels, navigating the store and replacing the labels, substantial time is saved. Additionally, agile pricing enables retailers to quicker update shelf prices to counteract volatile inflation, although the effect of this is hard to quantify.

Price change automation is a way for physical retail stores to compete with online retailers that instantly can adjust prices across the board, allowing for more agile pricing. Correct pricing can potentially bring benefits such as avoiding promotions and discounts that stay on too long, or actual pricing that does not match the pricing strategy of the store.

E-commerce fulfilment efficiency

Store fulfilment is a strategy where brick-and-mortar stores are used as micro-fulfilment centres or distribution points. In this setting, e-commerce companies with both physical and online channels allow for solutions such as buy online, pick up in store (BOPIS), or ship-from-store (where the closest physical store picks and ships orders). In this application, the ship-from-store solution provides the most quantifiable savings potential, as online orders can be handled quicker using flash on the ESL to find items on the shelf.

Time savings on shelf replenishment

Lastly, any ESL solutions that enables LED light flash can be applied to assist shelf stockers in the replenishing process. Specifically, an LED light flash can guide the manual process of in-store restocking. This can assist replenishing by having an LED light flash to display the specific position where the item should be placed, saving time and reducing the likelihood for errors. This benefit is easily quantifiable, and particularly useful when items are visibly similar, such as in hardware stores.

Additional benefits

Aside from the three main benefits highlighted above, ESL companies commonly highlight other, less quantifiable benefits. These include elimination of pricing errors, in-store guidance to help customers localise products, and some ability for the store to appear more modern, enhancing the shopping experience.

The Pricer product offering

Pricer's product offering is based on the latest generation of ESL hardware, combined with a software platform that enables several features relating to pricing, replenishing and online order fulfilment. Pricer deploys a premium-pricing strategy, applying a higher price than peers, which we believe is supported by the stated technology advantages relating to energy consumption and reliability. Through technical upgrades, Pricer has expanded the use cases of the software and hardware product line, adding energy-efficient inventory management and order fulfilment, making the offering resemble more of an in-store-communication system. A key hardware development, the 2022 launch of four-colour labels, enabled Pricer to compete in new markets and has since become a core part of the product offering. Added to the 2020 launch of cloud-based central management system Pricer Plaza, the setup enables Pricer to provide a product offering that is substantially different to its pre-pandemic offering. We argue that the Pricer product offering is competitive, having compared key aspects to peers, such as energy usage, scalability, and pricing points. Further, while the offering covers a wide and expanding range of functionalities, the offering has been narrowed in terms of SKUs since 2022, making production more efficient.

Technology and differentiation

A core differentiating feature of Pricer's technology, the ESLs that make up the Pricer system, are connected using optical wireless communication. The optical wireless communication system utilises the near infrared band of the electromagnetic spectrum, meaning that the system can coexist with other radio systems such as Wi-Fi and mobile networks (which may be used for in-store cameras or robots) without interference. To enable the data transfer, transmitters installed on the ceiling use rapid flashes to transfer information to the shelf label's photo sensor.

This differentiation allows the Pricer system to be more energy efficient (Pricer claims that while waiting for communication, an IR receiver consumes around 6 uj (microjoule) compared to around 500 uj for a radio receiver, which is more than 100 times greater). A second benefit is the frequency of signal transfer. A practical application illustrating this benefit is the use of instant flash to identify products in-store in the process of packing online orders. Pricer's technology allows the flash to appear instantly, while competing technology may display a lag of 10–30 seconds, delaying the process of in store online order collection by up to 10–30 seconds per item. This may not seem like much, multiplied by the number of items per order and the number of orders per year, the savings is potentially significant.

Pricer also applies an ASIC based system that utilises optical wireless communication between units. As ASIC chips are designed for single-purpose use, no energy is wasted on performing more general tasks, making the setup energy efficient. We note that not all ESLs in the market apply ASICs, making the energy efficient feature a competitive advantage for Pricer's offering.

In our view, the features and benefits relating to speed and energy consumption make Pricer a premium provider of ESL systems, and we believe that, on average, the typical customer pays a premium of 10–15% compared to competitor prices. We base this on comments made by management and price points provided by resellers.

Hardware and the advantage of four colour labels

The 2022 launch of the four-colour label opened new markets, and further played to Pricer's advantage in the energy efficiency of the offering. The four-colour label added the possibility to display black, white, red and yellow simultaneously, allowing for more tailored messages relating to promotions and brands. Pricer has communicated that many retail chains required colour labels to tailor the displayed information, and as such, the product launch enabled Pricer to address these customers. Additionally, as four-color labels required more energy, the benefits of the energy efficient Pricer offering were highlighted.

SmartTAG Color 4 colour label

Source: Pricer

In addition to the SmartTAG Color, Pricer offers the SmartTAG Power and Power+, the HangTAG tailored for peg hooks and the legacy SmartTAG HD. In the electronic displays segment, Pricer offers high-resolution E-paper technology-based screens. The SmartTAG HD 300 has a 12.5-inch display, replaceable batteries, and flash capabilities in seven colours.

Hardware product portfolio (examples from each category)

Source: Company data, Carnegie Research

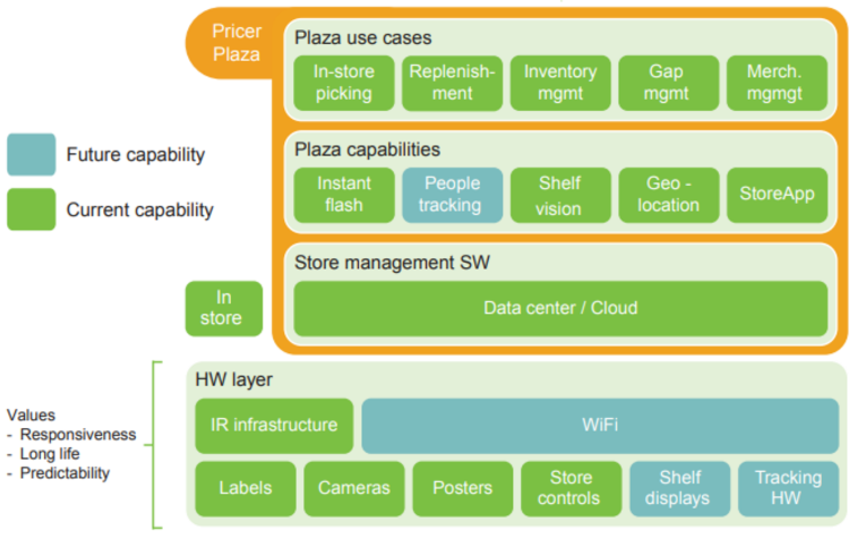
Pricer Plaza

In 2020, Pricer launched its cloud-connected solution Pricer Plaza, a platform with functions to facilitate store management and fully utilise all the functions of the hardware. Integration of Pricer Plaza allows for advanced dynamic price adjustments and campaign management, advanced replenishing, click-and-collect capabilities, and geo-positioning.

The Pricer ESL system previously operated using physical local servers, but Pricer Plaza acts as a more advanced platform supporting the cloud. A key distinguishing feature of Pricer Plaza from the company's earlier solutions with in-store servers and price adjustments limited to single stores, is that Pricer Plaza enables retail chains to manage prices across all its stores at once. This allows for more centralised price control, and the ability to respond to price changes more quickly in the market.

While integration with Pricer Plaza adds several features, we argue that the main benefits from a business perspective are the same as we discussed in the ESL product segment, relating to centralised pricing, more efficient replenishment and inventory management, along with facilitated dealing with online orders where stores are used and fulfilment centres or for click-and-collect services. Below, we highlight the current functionality and potential future of Pricer Plaza.

Pricer Plaza use cases and capabilities



Source: Pricer

Market overview

The global market for ESL and in-store communication systems is fast-growing, with market leaders Vusion and SOLUM reporting revenue CAGR(18–23) of 18–24% and 29–37% CAGR(25–27e). We estimate that the market is dominated by a few key competitors, with the market share of the largest five competitors being in the range of 70–80%, according to our calculations. In addition, market penetration is still low in markets with good characteristics for ESL adoption, making them particularly interesting from a growth perspective. Market maturity and growth are typically driven by several factors, but we argue that high wage inflation or high absolute levels of labour cost are key characteristics, typically combined with one or two additional factors that drive ESL investment propensity in a particular geography. Lastly, we highlight the great opportunity we see in the US market for ESL adoption. The market combines relatively high labour cost with the retail giant Walmart's roll-out decision, potentially urging others to follow.

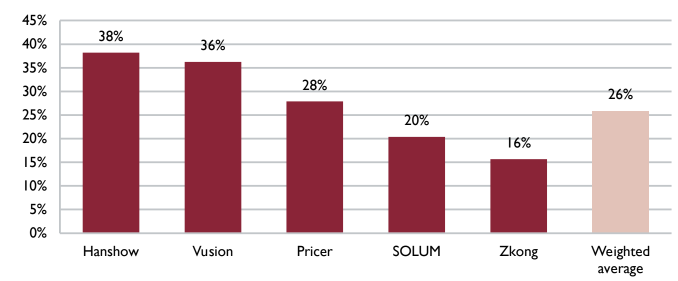
The ESL market has been a long-term high grower with reported sales of market leaders showing five-year double-digit CAGR, with growth accelerating since the pandemic. In our view, a key driver is the higher wage costs facing retailers today, as they make manual labour processes more expensive, improving the ESL ROI profile. Further, the ESL market adoption can be broken down in several adoption waves, both marked by new generations of technology, but also with the addition of new features following the generation shifts. Consequently, market growth can accelerate when the product offering is updated, and new use cases are added.

A high-growing market, expanding since the pandemic

The market for ESL is fast-growing, and consensus estimates, market research reports and financial objectives of market leaders point towards strong continued growth ahead. The continued growth is driven by a market penetration that remains low, combined with added use cases and an improved ROI. Based on estimates regarding market shares from industry-leaders (Vusion, SOLUM, Hanshow, Pricer) we estimate that the top five companies in the industry have at least 70–80% market share (measured as total revenue). For this reason, total market growth is highly dependent on the sales growth of these companies.

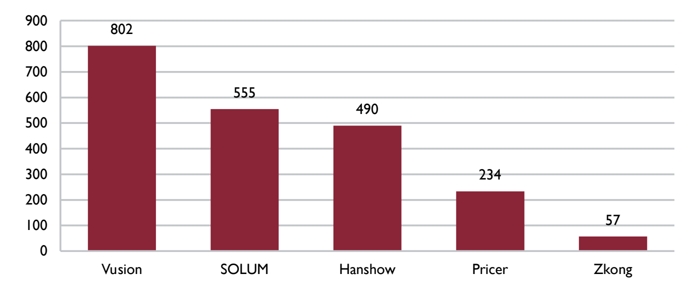
We argue that this implies that the growth of these companies is highly indicative of the market growth. For the public companies with financial data available from 2019–23, the CAGR during this period for Hanshow, Vusion, Pricer and SOLUM ranged from 16–38%. Hanshow reported the highest CAGR, but from a lower absolute level, and Hanshow's 2023 revenue was third after Vusion and SOLUM. Notably, Pricer's CAGR(19–23) of 28% was higher than the weighted average for the group.

Revenue CAGR(18-23) ESL market leaders (%)



Source: Company reports, Carnegie Research

2023 revenue (EURm)

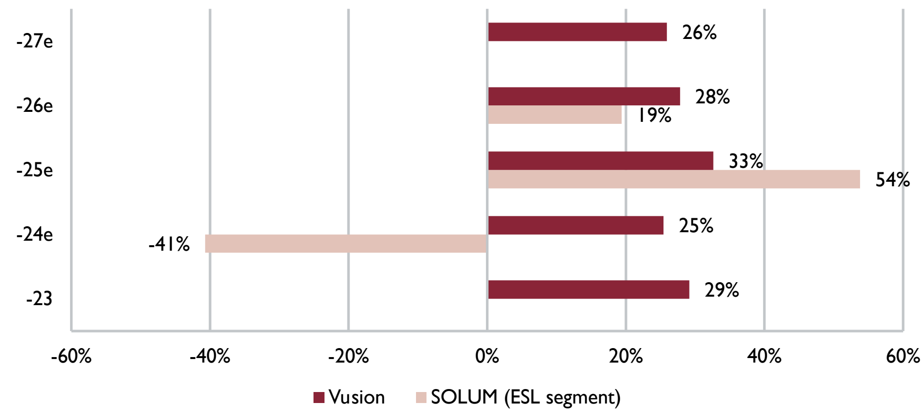


Source: Company reports, Carnegie Research

High growth expected in the ESL market

We estimate that a large market share is concentrated among a few leaders, with the top five companies in the industry holding at least 70–80% of the total ESL market. For this reason, we argue that the available sales growth estimates for the publicly traded Vusion and SOLUM group provide an indication of the expected short- and medium-term market growth. Factset's gathered estimates propose that Vusion will grow at a CAGR(23–27e) of 28%. While we expect SOLUM's growth in 2024 to be negative due to some larger project deliveries in 2023, Factset estimates are of a CAGR(24–26e) of 35%.

Factset competitor sales growth estimates (%)



Source: Factset, Carnegie Research

Market segments

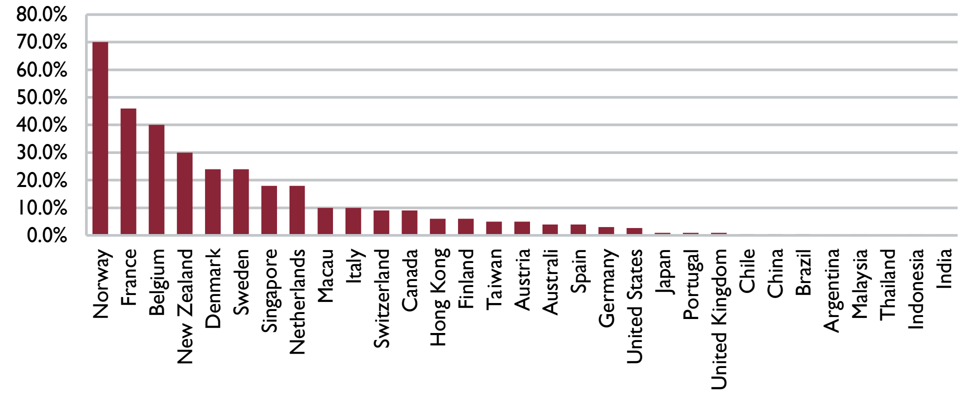
The ROI for implementing an ESL system is theoretically higher when in-store prices are subject to frequent and substantial price shifts, when the ESL has high information accuracy requirements, or when retailers have a large number of SKUs. For this reason, the ESL adoption rate is higher in retail industries that are adjusting prices more frequently, for example because of inflation, or in highly competitive retail industries that frequently apply promotions and seasonal discounts. This is to some extent reflected in the markets that have adopted electronic in-store communication systems. ESL companies have greater presence and large customers in grocery retailers (with a large portion of hyper- and supermarkets), mass-market retailers, department stores along with drug stores and pharmacies.

Hypermarkets match several criteria, with large numbers of SKUs, volatile inflation environments and price-competitiveness with frequent campaigns. Further, grocery retailers are globally applying stores as pickup points or fulfilment centres, adding additional areas of usage that drive the adoption. Mass merchandisers who use price as a competitive advantage typically adjust prices more often, adding to the use cases for the industry. For both department stores, drug stores and pharmacies, accurate and detailed information is key, and for drug stores, there are risk relating to non-compliance with regards to product information. Adjusting information centrally has been known to reduce errors, likely explaining the emergence of ESL in these industries.

Mature markets and growth segments

ESL penetration varies highly between geographical markets. According to 2022 estimates from Pricer, six markets have a total ESL penetration of more than 20% among grocery retailers. Of these, Norway is the most mature, followed by France and Belgium, all with more than 40% penetration. Additional mature markets include New Zealand, Denmark and Sweden. In addition to this, both the US and China have a great installed base, even though the penetration levels are relatively low.

Estimated Penetration of ESL in grocery retailers



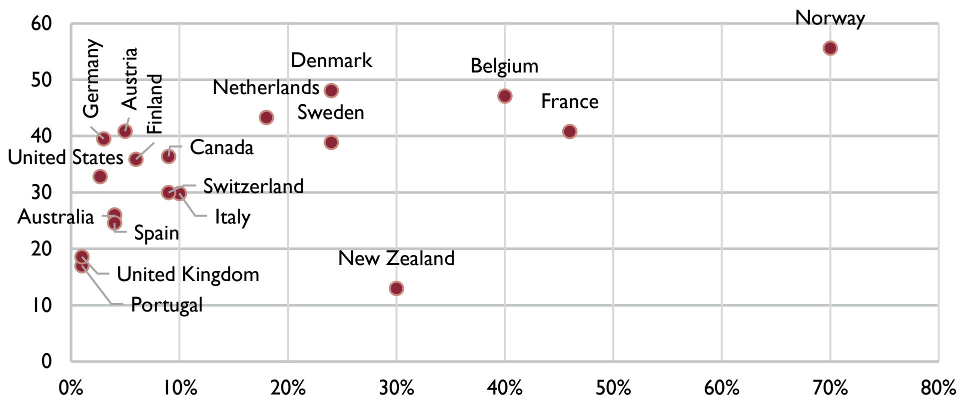
Source: Pricer, Carnegie Research

Market drivers

Pricer has claimed that high labour cost is a factor determining the propensity for ESL investment within a market. This makes intuitive sense, as higher labour cost increases the manual alternative to automatic in-store tasks, improving the ESL investment ROI. In addition, Pricer claims that fast-growing markets typically have one additional characteristic that further affects the investment propensity. In France, this factor is said to have been the legislated fines that apply to retailers displaying incorrect or deviating prices between shelf and check-out. In Norway, the additional factor was a first-mover action from early Pioneers such as Coop and NorgesGruppen that impacted others.

Based on quotes from several market leading ESL companies (Pricer, Vusion, SOLUM), we argue that labour cost is the main driver of ESL adoption. In addition, high-penetration markets tend to be more digitalised in general, increasing the likelihood of investment in digital in-store solutions. Below, we plot average salary cost and Pricer's estimated market penetration for selected North American, European and Asian markets. Notably, high-penetration markets tend to have high labour cost, supporting the claim made from several ESL leaders that wage inflation drives ESL system investments.

ESL penetration (%) and labour cost (EUR)



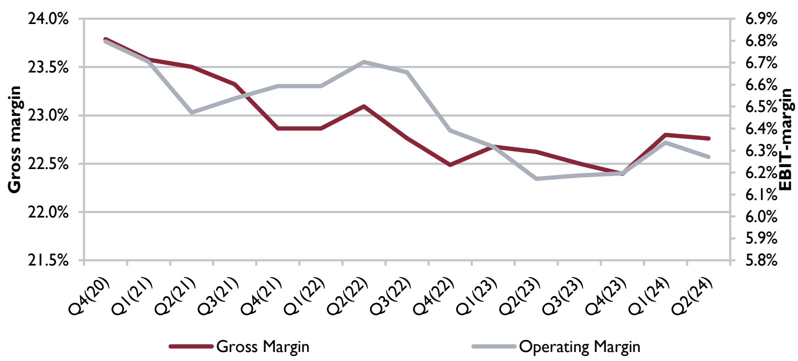
Source: Pricer, Eurostat, Government Websites, Carnegie

Interestingly, the graph suggests that many large markets currently combine high labour costs and low ESL penetration, among them US, Canada and Germany. At the 2022 capital market day, Pricer stated that several large RFPs had been carried out in US, Canada, UK, Germany, Spain and Japan in recent years and that these are markets that Pricer are addressing closely. Taken together, we argue that US, Canada, UK, Germany, Spain and Japan are key for driving Pricer's growth ahead.

Battling short- and long-term margin pressure

Several market surveys from, e.g., McKinsey, Deloitte, and PWC show that managing margin pressures and finding new, innovative solutions to improve margins are at the top of global retail chains' agenda. The asset-light cost structure of e-commerce allows online retailers to maintain low costs, which enables them to offer lower prices to customers. Margin-enforcing and high-ROI investments may be more lucrative for industry companies fighting contracting margins.

Gross margin in grocery and personal care drug stores in Europe



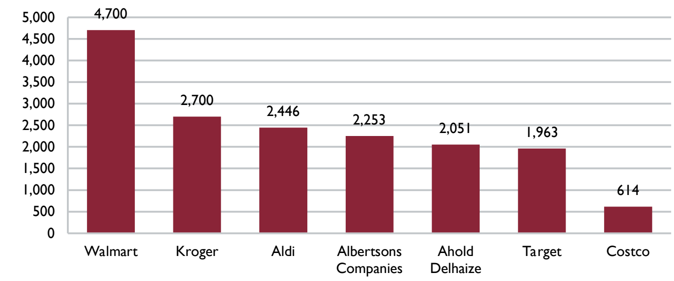
Source: FactSet, Carnegie Research

The US market opportunity

The US market is perhaps the most frequently cited market that is expected to drive growth ahead among ESL market leaders. The US market combines several characteristics of high-growing and ripe markets. The average hourly US salary (EUR33) is higher than the EU average of EUR32. Additionally, the 2022 penetration was only 3%. Perhaps most interesting, the US market has the characteristic where one market-leading actor's decision has the potential to cause a swift market shift, with great opportunities to incentivise others. For example, in 2024 Walmart announced that it will do an ESL roll-out to 2,300 stores by 2026, put into context by Pricer's current installed base of about 25,000 stores.

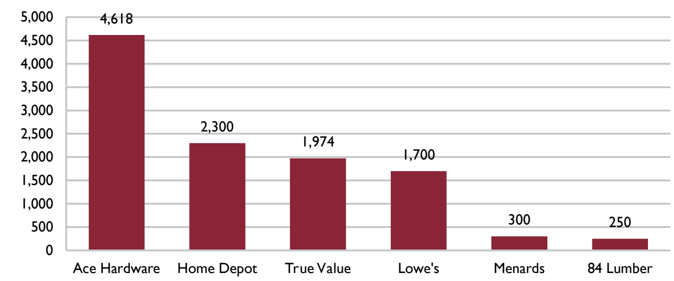
Even though the business case for ESL has been validated and there is no need for a retail giant such as Walmart to verify the ESLs, the Walmart decision is still important for the continued employment in the US market. Combined with labour costs higher than the EU average, the added factor of a giant early adopter in Walmart makes the US a lucrative market, in our view. One additional factor that may be beneficial to the potential in the US is the increased capital expenditures in these markets. As highlighted below, the capital expenditures have accelerated since the pandemic. We also show the potential in the market by highlighting the largest retail chains by number of current US stores.

Number of stores of US grocery retailers



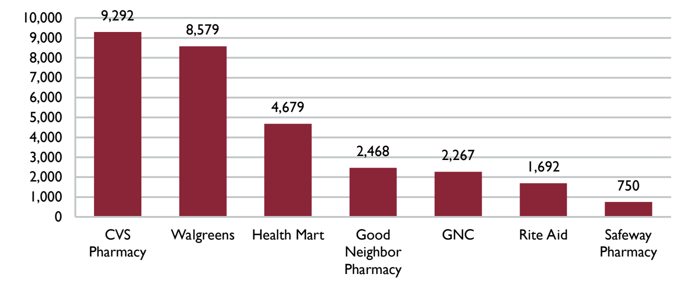
Source: Company websites, Carnegie Research

Number of stores of US hardware retailers



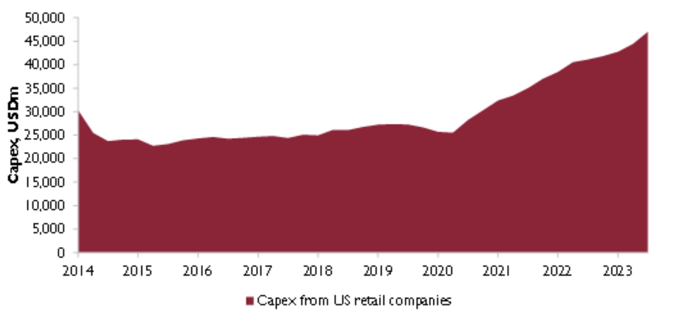
Source: Company websites, Carnegie Research

Number of stores of US pharmacy chains



Source: Company websites, Carnegie Research

Accelerated capex by US retail companies



Source: FactSet, Carnegie Research

Leaders and followers – a case for the US ESL adoption

Retail grocery chains typically invest 2–4% of sales in capital expenditures (source: Factset), and investments include both repairing assets and investments in new technology. There are a few reasons for this, including that market leaders provide a proof of concept, perhaps making the ROI clearer. Further, many retail technologies have substantial economies of scale, at least in theory, making an investment potentially more profitable for a bigger retail chain compared to a smaller one.

A few key examples have emphasised this dynamic (according to McKinsey). For example, the 2019 adoption of grocery delivery and pick-up options caused others to follow, such as Kroger and Target. In 2018, Amazon launched Amazon Go, an autonomous checkout technology with completely cashier-less stores. Since then, the adoption of cashier-less stores has increased, with Kroger and 7-Eleven among well-known adopters (according to industry magazine Progressive Grocer). In addition, self-checkout has seen early adoption by giants such as Kroger and Walmart, with others following, according to industry magazine Grocery Dive.

Financials and peer comparisons

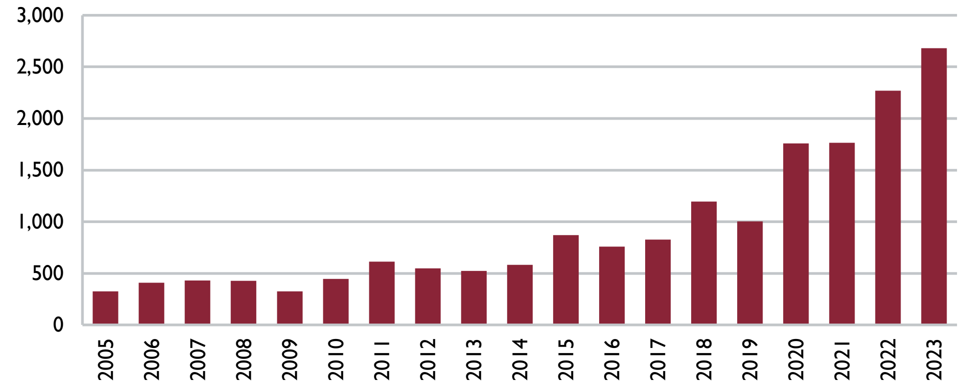
Income statement items

Historical growth phases

Pricer has a strong track record of growth with a revenue CAGR(05–23) of 12%. The growth has been volatile during this period, with stretches of lower growth such as the 2005–14 revenue CAGR of 7%. In 2014, Pricer launched a revised strategy and restructured parts of the organisation, along with the addition of new functionalities for the ESL offering, including the flash capabilities for the second-generation ESL. The revised strategy and upgraded offering were followed by a period of strong growth, with reported CAGR(14–19) of 11%. The 2014–19 growth of CAGR 11% was connected to a break-through in the Americas segment, with strong revenue and order intake, particularly in USA.

For the period 2020–21, growth was strong during 2020 with Y/Y revenue growth of 75%. 2021 marked a slowdown in growth, and Pricer lost market share to competitors in this period of strong market acceleration, partly because of a slowdown in the Americas region. Total revenue growth for 2021 was 0%. In 2022–23, Pricer returned to expansion with growth of 28% and 18% respectively.

Revenue (SEKm)

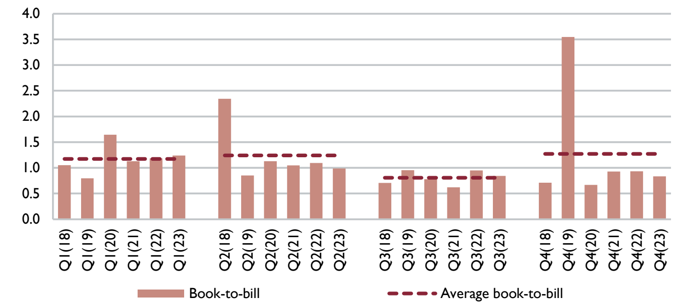


Source: Pricer, Carnegie Research

Seasonality

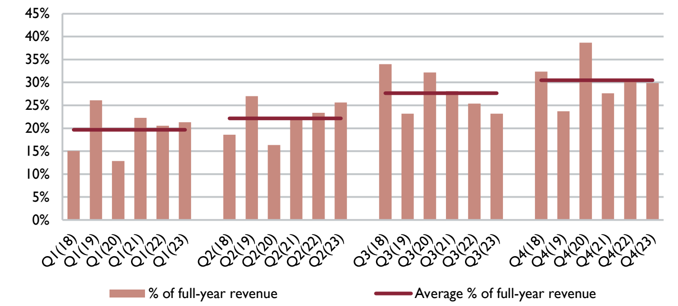
Between 2018 and 2023, with the exception of Q4(19), Pricer reported higher book-to-bill for H1, with H2 book-to-bill lower than 1.0x and H1 above 1.0x. On the revenue side, revenue as a share of full-year revenue increased, on average, gradually from Q1 to Q4 for the entire period, with Q4 comprising more than 30% of full-year revenue on average.

Quarterly book-to-bill and average book-to-bill (x)



Source: Pricer, Carnegie Research

Quarterly revenue as share of full-year revenue (%)

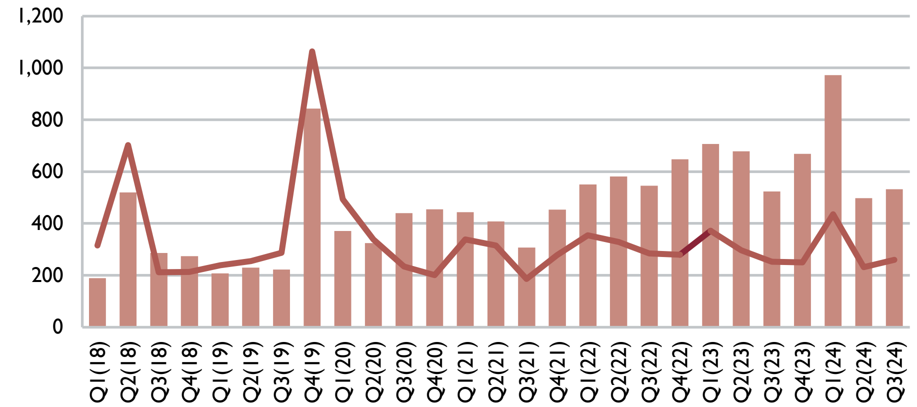


Source: Pricer, Carnegie Research

Order intake

Below, we display the order intake and book-to-bill. Some orders are recognised as revenue over the next quarter, and some is recognised over an extended period of several quarters. The difference is typically related to order sizes, with larger orders spanning for longer periods.

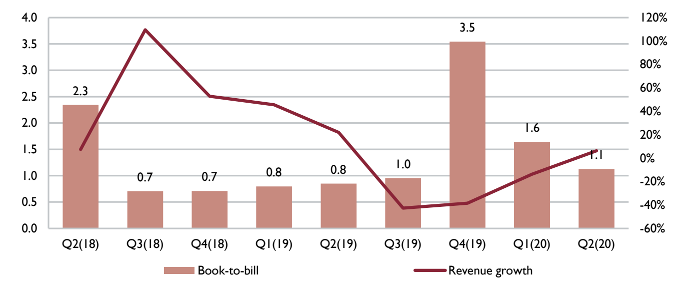
Order intake (SEKm) and Book-to-bill



Source: Pricer, Carnegie Research

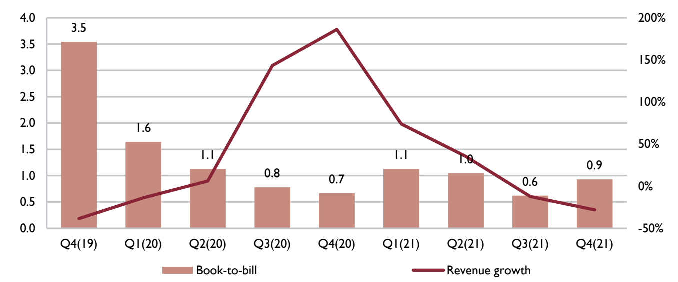
Below, we highlight the impact from two of the most substantial orders of the last five years, the Q2(18) Best Buy order that Pricer valued at SEK260m, and the Q4(19) Americas order that Pricer valued at SEK625m. The revenue impact of this order intake was mainly shown during a 12-month period, as highlighted below in the book-to-bill peak and subsequent four-quarter strong growth.

Book-to-bill and revenue growth: Q2(18) order



Source: Pricer, Carnegie Research

Book-to-bill and revenue growth: Q4(19) order

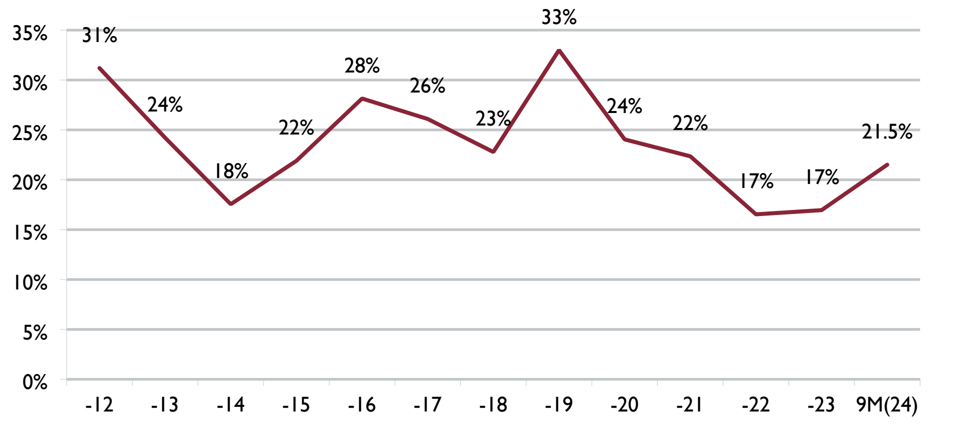


Source: Pricer, Carnegie Research

Gross profit and margin development

Below, we highlight the gross margin 2012–24. The 2019 gross margin was reflecting a beneficial product mix, highly beneficial contracts, along with favourable input prices and exchange rates. Since then, the gross margin has been put under pressure by some large lower-margin contracts, a negative development of exchange rates (mainly USD/EUR), and inflation in shipping and input prices. Pricer's gross margin is key for achieving the 8% EBIT margin target.

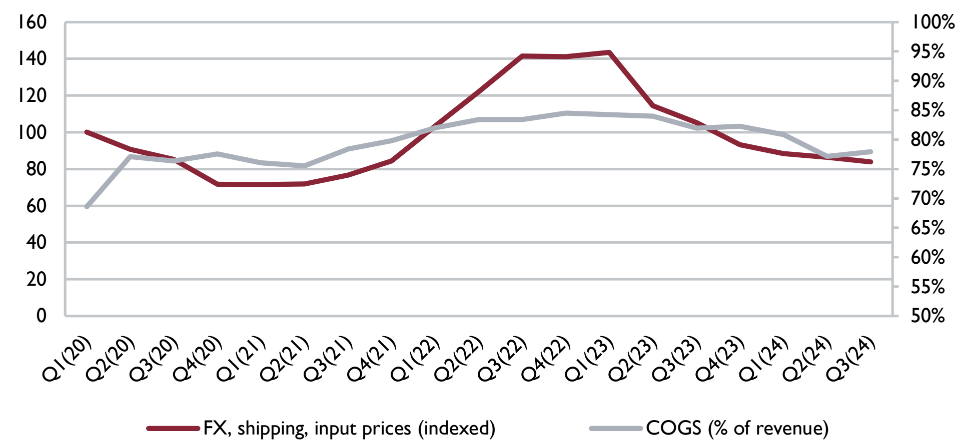
Pricer gross margin (%)



Source: Pricer, Carnegie Research

To display the impact of external factors, we plot Pricer's cost of goods sold 2020–24 and indexed development of input cost and freight prices, along with USD/EUR spot rates. USD/EUR spot levels are important for Pricer, as 53% of 2023 sales was in EUR, while 78% of expenses was paid in USD. The data used is Eurostat electronic manufacture price index and Freightos Baltic Global Container index. Adding these three external factors in equal weight gives some indication of the impact on cost of goods sold and gross margin, we argue. In our view, this likely reflect the high price sensitivity of customers, and the price pressure in the ESL market.

Impact of FX, shipping costs and input prices on cost of goods sold

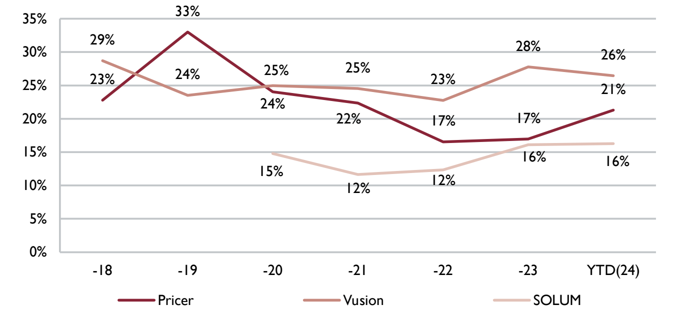


Source: Factset, Eurostat, Carnegie Research

It is worth noting that while both Vusion and SOLUM have reported gross margin contraction during 2024, Pricer's gross margin has substantially expanded Y/Y. Still, Pricer's gross margin of 21% YTD(24) is 500bps lower than that of Vusion. While this may be partially explained by business mix and impact from individual orders, Vusion also reports a higher share of recurring revenues (which, according to Vusion's estimates, includes software, services and any non-ESL solution). As we argue that recurring revenue has a substantially accretive effect on margins, this may partly explain the gross margins gap.

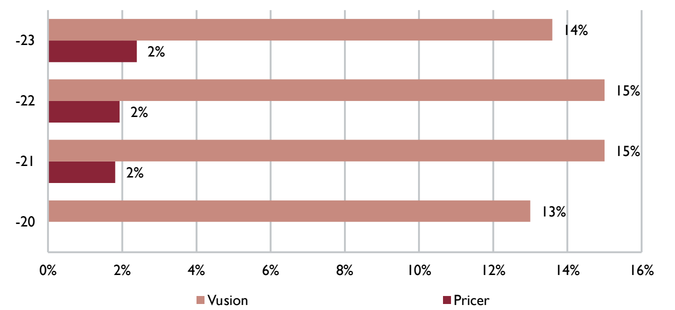
In 2023 Pricer reported recurring revenue of 2% of total sales, while Vusion reported 14%. We argue that the definitions of recurring revenue may vary between the companies, as Pricer's combined service, license and software revenues make up 8%. Despite this, we still believe that Vusion has a substantially larger share of recurring income. Assuming 80% gross margin on service and other recurring revenue, increasing the share of recurring revenue to 5% would have a positive gross margin effect of 1.5–2% for Pricer. For this reason, we argue that focusing on recurring revenue presents a great opportunity for Pricer.

Gross margin (%)



Source: Factset, Carnegie Research

Share of recurring revenue (%)

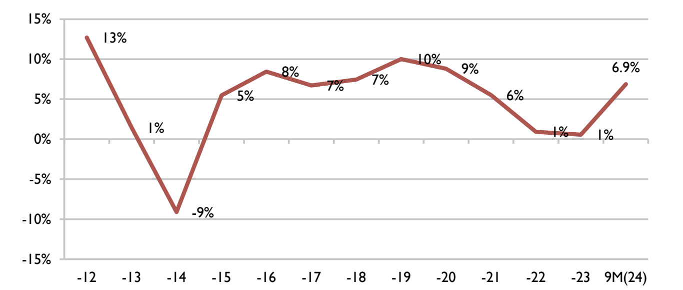


Source: Annual reports, Carnegie Research

Operating profit and expenses

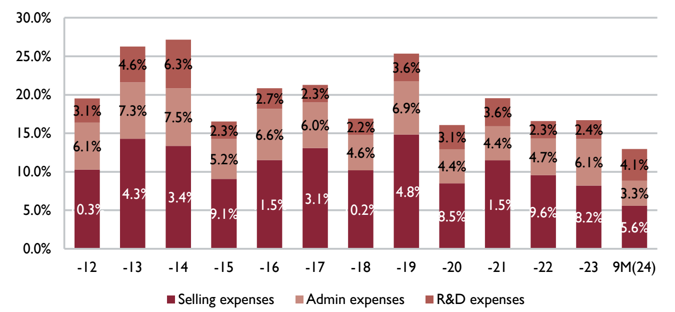
The operating margin has largely followed the gross margin pattern since 2019, reflecting the impact from external factors and recording 10-year lows in 2022–23. However, following the operating expenditures savings programme and the internal efforts to create a leaner organisation, 2024 has shown Pricer's ability to restore profitability, underpinning the profitability phase of Pricer's identity change since 2022. Pricer has substantially reduced the operating expenditure measured as a share of total revenue, making up 16.6% of revenue for full-year 2023, and the operating expenses base has since reduced additionally under 2024.

EBIT margin (%)



Source: Pricer, Carnegie Research

Operating expenses (% of sales)



Source: Pricer, Carnegie Research

Balance sheet items

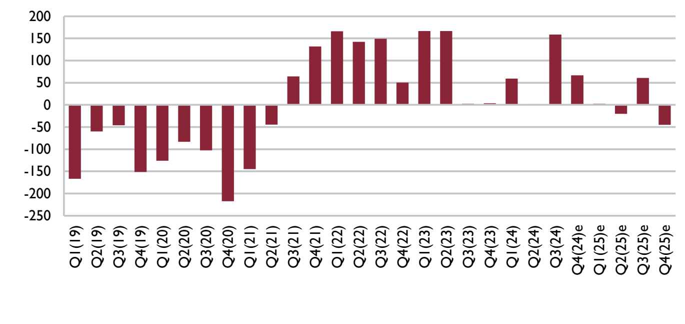
Debt and dividend

The increased debt levels reported since 2021 have in our view put a strain on Pricer's financial flexibility. We argue that the strained position largely was caused by the decision proposed by the previous board to distribute cash for the financial year 2021, combined with the increasing margin pressure during the time. The 2021 debt issuance and subsequent equity issuance caused the net debt/EBITDA levels to reach upwards of 2.0x, from a previously debt-free position and no history of financing through equity issuance.

The distribution was equal to SEK1 per share (totalling SEK110m), while cash went from SEK262m in Q1(21) to SEK22m in Q3(22). We believe the dividend decision was controversial, as it sparked several news stories in financial papers such as Dagens Industri with talk of unconfirmed internal battles between old board and old management.

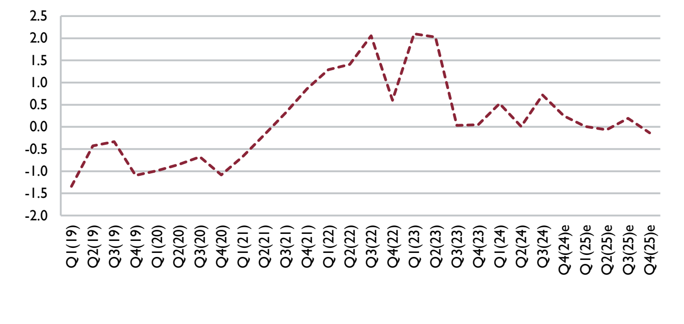
The bond issue included several financial covenants, such as: a gross margin of at least 15%, an average of at least SEK40m in available funds, and an undisclosed net debt to adjusted EBITDA ratio. The company is also prohibited from paying out dividends until 2026 and has limited rights to incur new debt. Since then, the company has largely been net debt neutral up until Q3(24), where some cash was tied up in working capital following the decision to reduce factoring. We see the potential for some working capital release in Q4(24e) following some deliveries, causing estimated net debt/EBITDA of 0.2x by YE(24e) and a net cash position in YE(25e).

Net debt (SEKm)



Source: Pricer, Carnegie Research

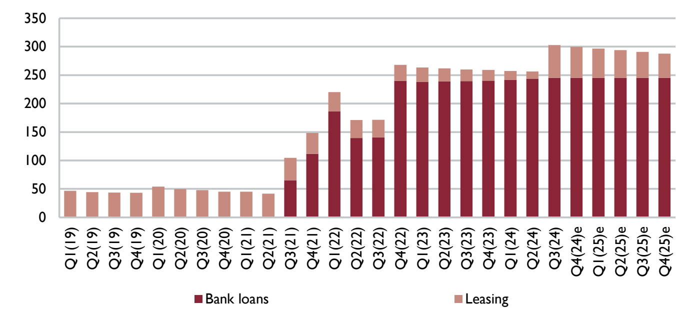
Net debt/EBITDA (x)



Source: Pricer, Carnegie Research

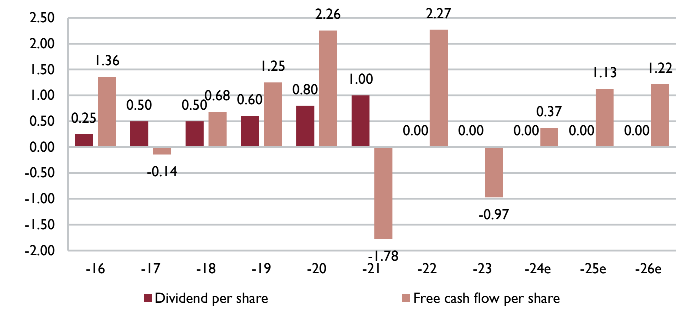
The 2021 dividend decision was not supported by the free cash flow generated in 2021. Currently, the bond issued to Ture Invest in 2022 restrains Pricer from paying dividend. The bond currently has an interest of 3m + 6.75 %. With an estimated net cash position in YE(25e) and estimated YE(26e) cash of SEK440m, we estimate that Pricer has enough financial leeway for the 2026 bond maturity.

Gross financial debt (SEKm)



Source: Pricer, Carnegie Research

Dividend per share and free cash flow per share (SEK)

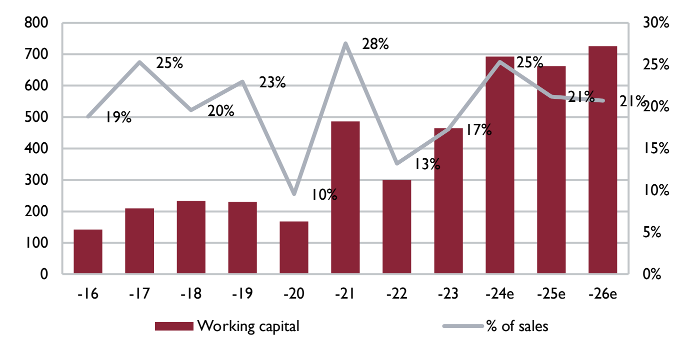


Source: Pricer, Carnegie Research

Working capital and inventory turnover

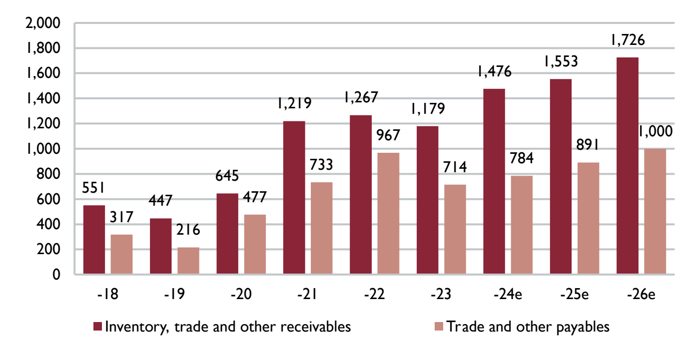
Below, we highlight the working capital and working capital estimates. Short term, we see some additional tie-up coming from the increased receivables and reduced factoring, but this effect is largely temporary. We also estimate some Q4(24) working capital release coming from deliveries of larger projects. We estimate YE(24) working capital to comprise 17% of sales, reducing to 14% in YE(25e).

Net working capital (SEKm)



Source: Pricer, Carnegie Research

Working capital (SEKm)



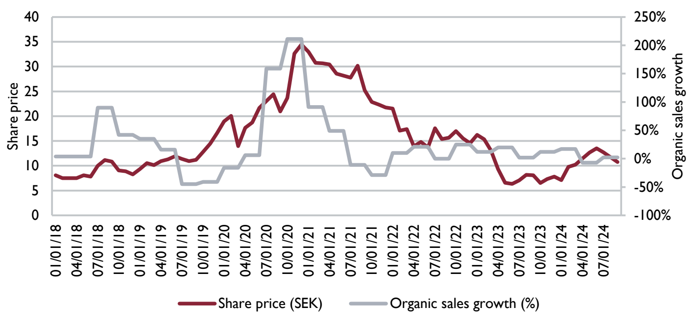
Source: Pricer, Carnegie Research

Share price drivers

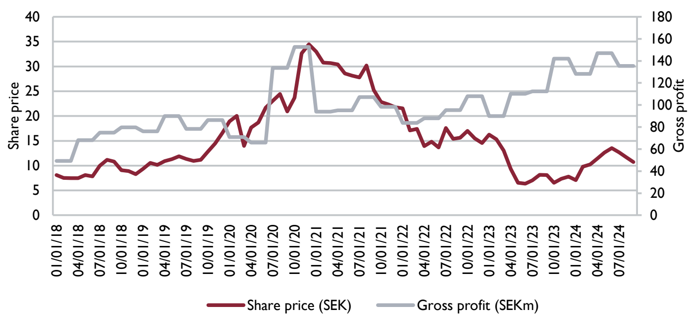
Below, we display the 2018–24 share price development in connection with six variables — organic sales growth, gross profit, EBITDA, EBIT, earnings per share and free cash flow per share. Seemingly, the share price development for the period appears to have a stronger connection to organic sales growth and EPS, compared to the other variables.

While the share price development year-to-date appears to be correlated to the increase in both gross and operating profit, the strong EBIT development has created a discrepancy between EBIT and share price in 2024. However, as Pricer has issued debt over the last few years, we argue that EPS should also be considered, as it reflects the group's net financials in addition to operating profitability. This notion is further supported by the seemingly close relationship between EPS and share price during 2018–24.

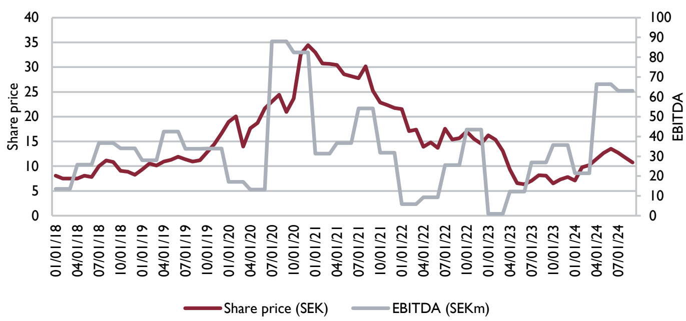
Organic sales growth and share price



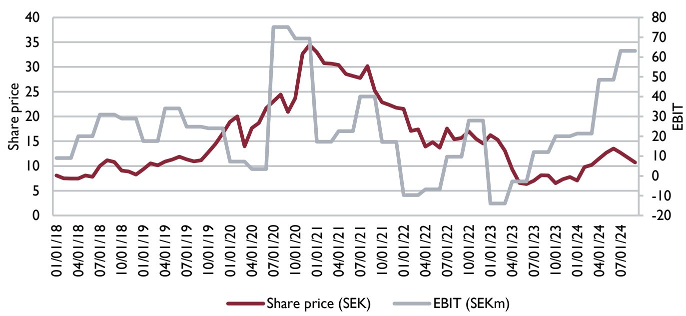
Gross profit and share price



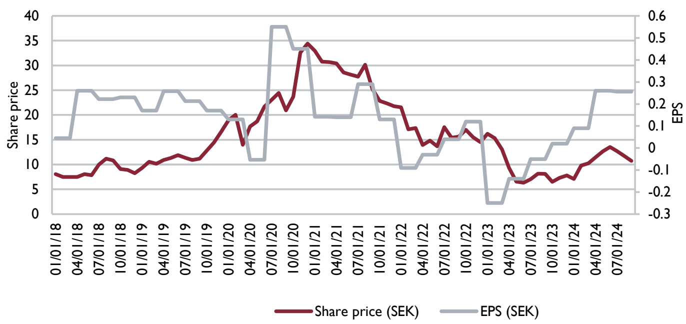
EBITDA and share price



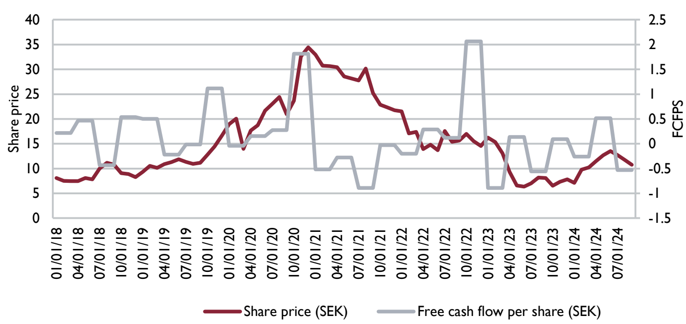
EBIT and share price



EPS and share price



FCFPS and share price



Estimates

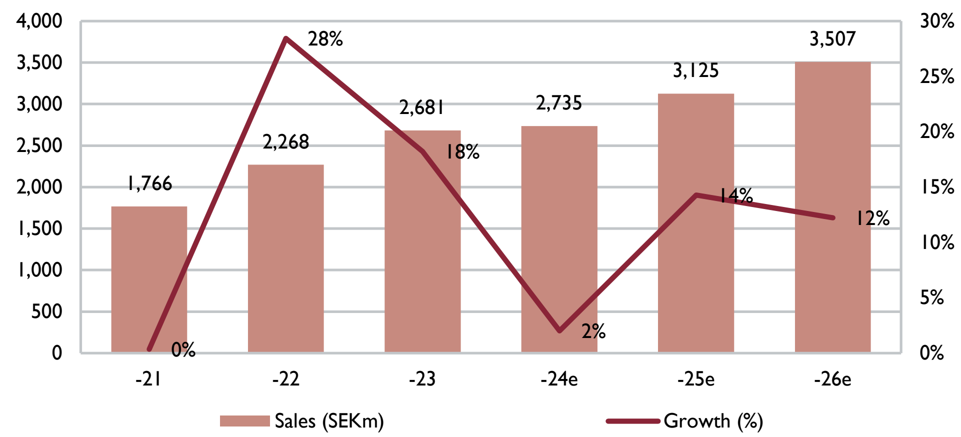
Income statement items

Sales forecast

As highlighted in the market section, Factset estimates indicate that the ESL market is expected to accelerate growth in 2024 and onward. One indicator of the strong expected growth is the Factset estimates for market leaders Vusion and SOLUM of 29–37%. Despite this, both Vusion and SOLUM have company specific items, such as Vusion's Walmart deal, that are heavily impacting their growth prospects. We argue that Pricer has solid growth prospects, as indicated by its exposure to lucrative markets such as US, Canada and UK.

For 2024, we estimate a 2% Y/Y sales growth, with 9M(24) reported sales growth of 3%. We expect Q4(24) sales growth of 1%, supported by solid order intake in all markets in 9M(24). In 2025, we expect revenue growth of 14%. While this is below the expected revenue growth of peers, the estimates reflect a few key considerations. First, we argue that the company still prioritises the strong profitability displayed during 9M(24), potentially impacting revenue growth as cost savings and margin focus put some limitations to growth. Further, rolling 12 months book-to-bill for Europe (61% of 2023 revenue) was 0.9x in Q3(24), 1.0x in Americas (30% of 2023 revenue) and 1.1 in Asia & Middle East (9% of 2023 revenue). While this is solid, we believe that supports our 2024 growth estimates but additional growth would require increasing order intake.

Sales estimates 2021-2026e

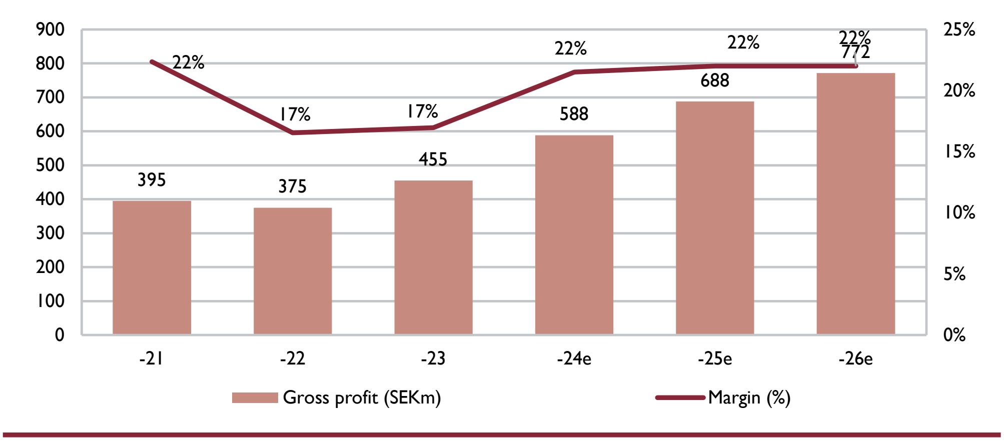


Source: Pricer, Carnegie Research

Gross profit and margin

Pricer's gross margin has improved during 2024, reflecting improvement in input prices, lower shipping rates for components and also the spot price for USD/EUR. Looking ahead, some key drivers for Pricer's gross margin are the development of these key external factors, along with the potential for Pricer to increase the share of the highly margin accretive recurring revenue. In addition, we see continued growth in the US as beneficial, as we estimate that the Americas region is margin accretive.

Gross profit estimates 2021-2026e

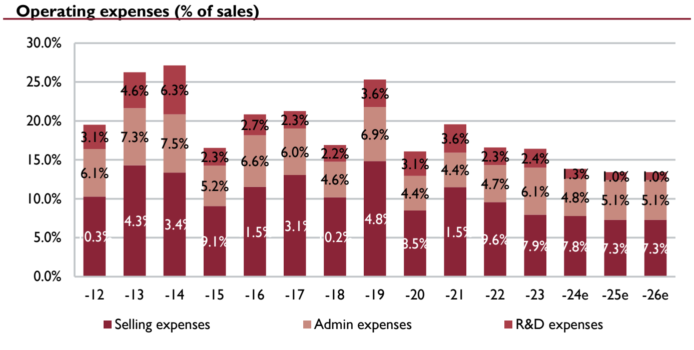


Source: Pricer, Carnegie Research

EBIT

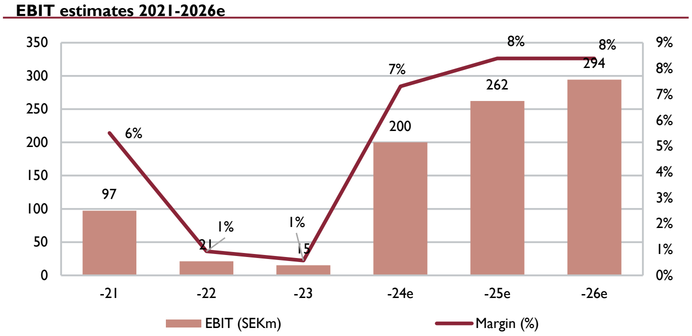
Below, we display EBIT for 2024–26e. As gross profit is key for the operating margin, the estimated 22% gross margin for 2024–26 will underpin solid EBIT. Supported by the strong execution on reducing operating expenditures, we expect operating margins to reach 8% for 2025e and 2026e.

Operating expenses (% of sales)



Source: Pricer, Carnegie Research

EBIT estimates 2021-2026e

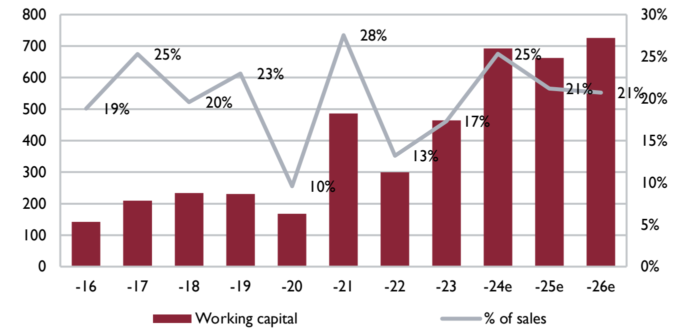


Source: Pricer, Carnegie Research

Balance sheet items

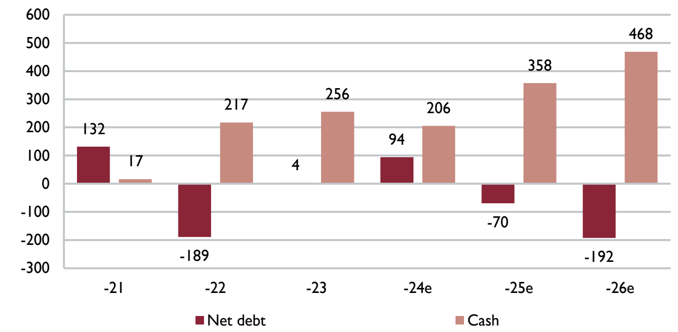
Below, we highlight our estimates for working capital and net debt for 2021–26e. We expect working capital tie-up during 2024, as the reduced factoring in H2(24) induces a transition period where additional working capital is tied up, without affecting the cash flow short-term. Further, we expect some working capital release in Q4(24) following some deliveries. Looking at the financial position, we estimate a YE(25e) net cash position, and YE(26e) estimates for cash position suggest that Pricer has the cash required to resolve the 2026 bond maturity.

Net working capital (SEKm)



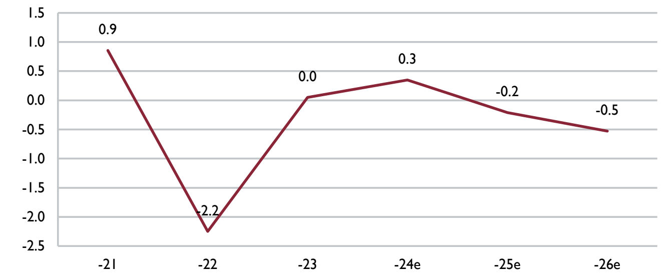
Source: Pricer, Carnegie Research

Net debt and cash 2021-2026e



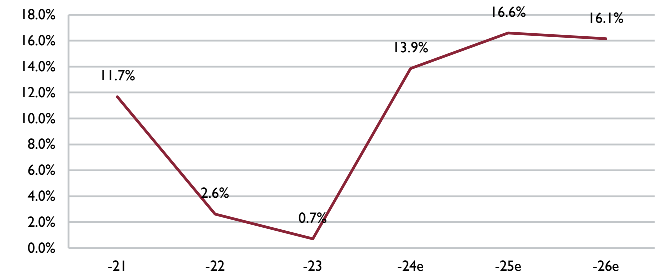
Source: Pricer, Carnegie Research

Net debt/EBITDA



Source: Pricer, Carnegie Research

ROCE



Source: Pricer, Carnegie Research

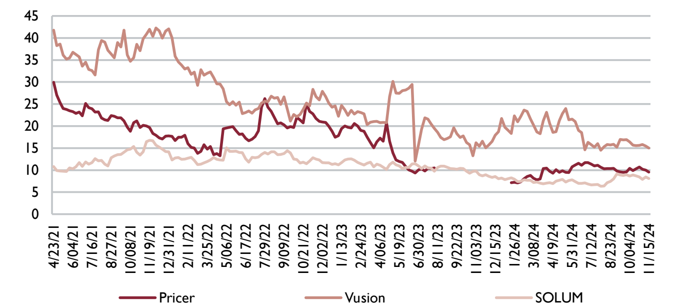
Valuation

We value Pricer against a group of listed retail tech peers. While the peers do not solely offer ESL services, many sell technologies that are applied by the same customer, and the peer set share similar margin profiles. We argue that Pricer's recent history of strained balance sheet, the sub-market growth for periods during the pandemic and the current debt levels merit a discount on the multiple. Our fair value range is SEK15–19/share which is based on a 2025 EBIT peer valuation and a discounted cash flow model.

Financial benchmarking

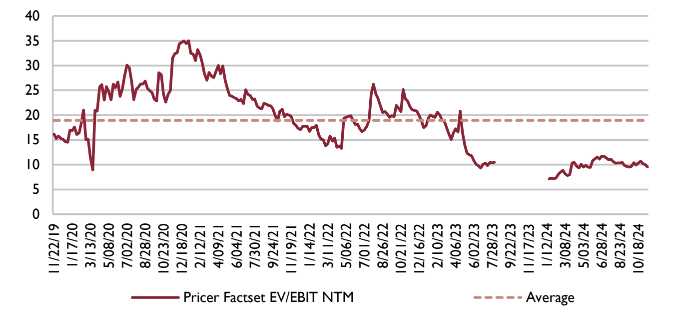
We value Pricer against a peer set of ESL providers Vusion Group and SOLUM, along with TOMRA Systems, ITAB Shop Concept and Datalogic, providers of various services and products for global retail markets. Below, we show the historical Factset EV/EBIT valuation for Pricer, Vusion and SOLUM.

Factset EV/EBIT NTM (x)



Source: Factset, Carnegie Research

Factset EV(EBIT NTM (x)



Source: Factset, Carnegie Research

Key items for valuation range

When deciding the valuation range, we consider that Pricer has a solid growth track record, with exposure to structural growth trends that we expect to support solid growth in 2025–26. However, growth estimates for 2025–26 are lower than the Factset estimates for ESL peer Vusion, which has robust growth driven by the recent US Walmart deal. Consequently, we argue that Pricer should be valued with a discount to Vusion. However, we still believe that the recent margin enforcement and the prospects for a continued solid margin support an EBIT multiple in 2025 of 11x for Pricer. Below, we highlight the current valuation of the peer group.

Retail Tech - Peer group multiples

Company	Estimate source	Mkt cap EUR	EV / Sales LTM	EV / Sales 2024	EV / Sales 2025	EV / EBIT LTM	EV / EBIT 2024	EV / EBIT 2025	Price / Earnings LTM	Price / Earnings 2024	Price / Earnings 2025
VusionGroup	FS	2,165	2.3x	1.9x	1.5x	64.1x	24x	14x	-60x	44x	24.2x
TOMRA Systems	CAR	3,638	3.1x	3x	2.8x	38.3x	26.7x	20.7x	69.6x	43x	31x
ITAB	FS	514	0.7x	0.7x	0.6x	8.4x	8.4x	7.3x	14.7x	15x	13.5x
Datalogic	FS	303	0.6x	0.6x	0.6x	n/a	37.9x	12.3x	22.9x	38.2x	15.3x
SOLUM	FS	635	0.7x	0.7x	0.6x	13.7x	12.8x	8.3x	20.5x	14.6x	9.2x
Pricer	CAR	155	0.7x	0.7x	0.6x	13x	9.9x	7.5x	17.7x	12.5x	10x
Average excl. Pricer		**1,451**	**1.5x**	**1.4x**	**1.2x**	**31x**	**22x**	**13x**	**14x**	**31x**	**19x**
Average		**1,235**	**1.4x**	**1.3x**	**1.1x**	**28x**	**20x**	**12x**	**14x**	**28x**	**17x**

Source: Factset, Carnegie Research

Retail Tech - Peer group financials

Company	Estimate source	Mkt cap EUR	Sales growth LTM	Sales growth 2024	Sales growth 2025	EBIT growth LTM	EBIT growth 2024	EBIT growth 2025	EBIT margins LTM	EBIT margins 2024	EBIT margins 2025
VusionGroup	FS	2,165	16%	26%	33%	-33%	23%	71%	4%	8%	10%
TOMRA Systems	CAR	3,638	7%	8%	10%	-16%	10%	29%	8%	11%	14%
ITAB	FS	514	3%	6%	9%	40%	26%	14%	8%	8%	9%
Datalogic	FS	303	-18%	-7%	10%	-128%	-17%	207%	-2%	2%	4%
SOLUM	FS	635	-23%	-17%	19%	-47%	-43%	53%	5%	6%	7%
Pricer	CAR	155	6%	2%	14%	659%	1198%	31%	6%	7%	8%
Average excl. Pricer		**1,451**	**-3%**	**3%**	**16%**	**-37%**	**0%**	**75%**	**5%**	**7%**	**9%**
Average		**1,235**	**-2%**	**3%**	**16%**	**79%**	**200%**	**68%**	**5%**	**7%**	**9%**

Source: Factset, Carnegie Research

Discounted cash flow valuation

Our DCF model indicates a fair value of SEK17 per share. Beyond our explicit forecast period (ends 2026e) we estimate 15% revenue growth for the first two years, which gradually declines to a terminal period revenue growth of 2%. We argue that the high growth expectations are merited by the low market penetration, and the added use cases of the product offering, as discussed in the market section.

We forecast an EBIT margin of 7.5% for the entire forecast period. This is in our view a result of some upscaling effects on the operating expenditures, which are neutralised by expected gross margin pressure, as strong growth may force Pricer to compete in markets with several competitors. In addition, the 8% EBIT margin is in line with Pricer's profitability target, likely meaning that Pricer likely currently expect margins around this level.

In the terminal period we project growth of 2%, along with an EBIT margin of 8%. Further, we estimate capital expenditures to equal 3% of sales in the terminal period. The DCF model applies a WACC of 11%. We argue that the WACC is warranted by the recent strains on balance sheet, along with the revenue and earnings volatility of the last five years.

Based on these assumptions, our DCF indicates a fair value of SEK17/share, in the middle of our fair value range of SEK15–19/share.

DCF assumptions - Summary	2024e	2025e	2026e	4-5	Average year 6-10	11-15	16-20	Terminal period
Total sales growth	2.0%	14.3%	12.2%	15.0%	10.6%	5.6%	2.6%	2.0%
EBITDA margin	8.3%	9.5%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Depreciation % of sales	-2.0%	-1.8%	-1.6%	-1.6%	-1.6%	-1.6%	-1.6%	-1.6%
EBITA margin	6.2%	7.7%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Amortisations % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT margin	6.2%	7.7%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Capex % of sales	-2.6%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%
Paid tax rate	-16.7%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%
NWC to sales	22.4%	19.8%	19.4%	19.4%	19.4%	19.4%	19.4%	19.4%
Sales	2,735	3,125	3,507	4,336	6,520	9,271	10,872	11,662
EBITDA	**226**	**298**	**320**	**395**	**595**	**846**	**991**	**1,064**
Capex	-71	-79	-87	-108	-162	-231	-271	-186
Taxes	-20	-53	-61	-75	-113	-160	-188	202
Other	-207	-6	-64	-110	-118	-93	-53	5,540
Free cash flow	**-71**	**159**	**108**	**103**	**202**	**361**	**479**	**6,619**
Discounted FCF	-68	136	83	67	90	97	78	865
Share of total discounted FCF	-3%	6%	3%	5%	18%	20%	16%	35%

Valuation	(curr.)m	Per share
EV (discounted FCF)	2,474	15.1
- Net debt (2023)	-4	0.0
+ Associates	0	0.0
- Minority interest	0	0.0
- Outstanding warrants	0	0.0
Other debt adjustments	0	0.0
ESG penalty	0	0.0
Equity value at YE (23)	**2,470**	**15.1**
Time adjustment	241	1.5
Dividend	0	0.0
Current equity value	**2,711**	**16.6**

WACC assumptions	
Risk free interest rate	4.0%
Debt risk premium	2.0%
Equity risk premium	7.0%
Equity beta	1.00
Cost of Equity	**11.0%**
Tax rate	23.0%
After tax cost of debt	4.6%
Equity weight	100%
WACC	**11.0%**

Source: Carnegie Research

Risks

Below we assess the most important risks we find associated with an investment in Pricer from a fundamental perspective, both operational and financial.

Financial risks

Financing situation and cash flow generation

Pricer currently has a SEK245m bond, maturing in 2026. While we estimate that Pricer will have a solid net cash position in 2026, Pricer has to pay the expenses relating to the bond and has to deal with the restrictions on other financing that comes with it.

Interest rates

Given Pricer's financial situation, with a lot of debt financing, the company is exposed to interest rate risks. Pricer's issued bond has a variable interest rate equivalent to STIBOR 3m + 6.875%. Changes in market rates can therefore have a negative impact on net income and cash flow generation.

Business risks

Currency exchange

Pricer is exposed to changes in exchange rates, which can have a negative impact on profits and cash flows. The most tangible exchange rate risks appear through having many sales in EUR but most purchasing in USD. In some cases, Pricer uses currency clauses in price quotations and agreements. The company strives to match income and expenses in the same currency to the greatest extent possible, particularly through increased sales in USD, which is evident from the tables. The company also has the option of currency hedging if necessary.

Leadership and capital allocation

Our more positive view on the company's prospects is rooted in the current management and changes in the board of directors. We support the strategic initiatives that have been made, focusing more on profitability, which we believe will strengthen the company in the long term. We have confidence in the current leadership and board of directors in terms of turning strategic plans into action and allocating capital for the long term.

Small number of customers

Pricer's sales come from a few customers and markets. In the past, there has always been at least one customer accounting for more than 10% of total sales on an annual basis. The company is dependent on its reputation and brand to nurture and maintain existing customer relationships, but also to obtain new customers. This small customer base exacerbates the risk of fluctuation in order intake and sales across quarters and even years.

Strategic risk

Pricer has articulated that it positions itself in the higher price range and intends to focus on some specific key markets going forward. However, the company is exposed to the risk that its strategy does not go according to plan. Customers are undoubtedly sensitive to high prices (although value driven), and the US, which is one of these markets, has historically been difficult to expand in.

Market risks

Competition

The market for electronic shelf labels has had greater competition in recent years, as demand for this solution has been growing. While these intense market changes have already led to downward pressure on prices to customers, more severe competition could lead to more price drops, and weigh on gross margin development going forward. More competition could also lead to new technological developments from other companies, which could reduce demand for Pricer's products and consequently impact sales growth.

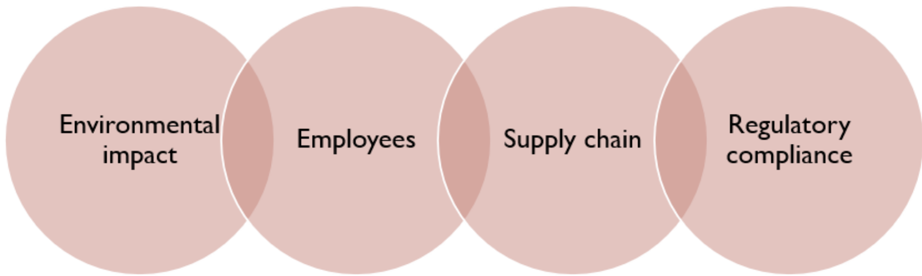
Macroeconomic risks

Given that Pricer's products require significant capital expenditures from customers, the company is exposed to the general willingness to invest in the market. If macroeconomic conditions worsen, this will likely impact investing propensity among retail stores.

Sustainability

Pricer addresses financial, social, and environmental sustainability concerns across the entire value chain through its strategic priorities, ongoing stakeholder dialogue, and leveraging of business intelligence. From these efforts, Pricer has identified the four most critical sustainability areas: Environmental impact, Employees, Supply chain, and Regulatory compliance.

Pricer's sustainability focus areas

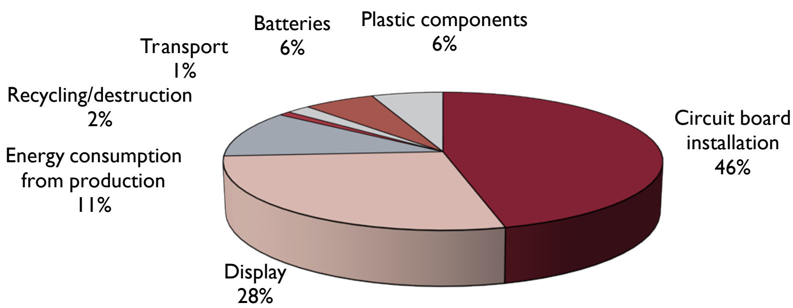


Source: Company data

Environmental impact

One of the cornerstones of Pricer's sustainability efforts is the proactive reduction of greenhouse gas emissions and its commitment to ongoing environmental improvements. To begin with, electronic shelf labelling reduces the need for paper and printing materials, requires low power consumption thanks too long-life batteries, and gives better control of waste management, which all contribute to reducing end users' environmental impact. On top of this, the company makes efforts to reduce its own environmental impact prior to the product being delivered. Pricer has conducted a lifecycle analysis that provides quantified data on the actual carbon dioxide equivalent an electronic shelf label generates throughout its lifetime. From this analysis it is evident that most of the impact comes from production and manufacturing. To reduce this impact, the company says that it strives to streamline its products to meet environmental criteria and uses suppliers and resellers that share the same environmental ambitions. As part of this, Pricer has started to supplement its production sites with a supplier in Europe, allowing for reduced transport times and the need to use air transport.

Carbon dioxide equivalents from an ESL throughout its lifetime



Source: Company data, Carnegie Research

Employees

As part of the company's corporate transformation, the company is keen on strengthening its corporate culture, with a focus on diversity and equality. The skew towards men in its workforce has been, and still is, an issue for the company and the entire industry. Pricer has stated that its goal is for the share of women and men to follow the general gender distribution in the industry, and for every department to have female representation. As of December 2023, 24% of employees were women, two percentage points higher than in 2022. For the same year, the share of women in management was 14% (14%).

Supply chain

Pricer aims to be an attractive business partner that fosters reliable, fair, and reciprocal conditions for both the company and its suppliers. For many years, Pricer has required its major suppliers to comply with the company's Supplier Code of Conduct, which is based on recognised standards and recommendations from UN Global Compact and Responsible Business Alliance Code of Conduct. The areas that are affected in Pricer's supplier code of conduct are shown below.

Pricer's Supplier Code of Conduct

Social

- Forced labor
- Non-discriminatory
- Child labor
- Work environment
- Wages
- Union representation
- Whistleblowing

Health and Safety

- Work environment
- Crisis preparedness
- Occupactional injuries and work-related illness
- Sanitation

Environment

- Licenses and banned materials
- Energy consumption
- Reduced resource consumption
- Contamination and hazardous substances

Ethics

- Intellectual propery rights
- Improper payment and benefits
- Identity protection
- Non-retaliation

Source: Company data, Carnegie Research

Regulatory compliance

The fourth focus area relates to adherence to laws, rules, and regulations, including respect for human rights. This involves working in compliance with relevant regulations and certifications. Pricer has achieved an ISO27001 certification, a standard for information security. This helps Pricer fulfil the three dimensions of information security: confidentiality, integrity, and availability. Moreover, the company expects all of its employees never to commit, support or assist fraud, abuse, theft, embezzlement, bribery, or similar activities. Pricer has also introduced a new online whistle-blower system for reporting suspected irregularities simply and anonymously.

Sustainability related risks

Overall, we are positive about Pricer's sustainability efforts and do not see many associated risks from a business perspective. It offers an environmentally friendly, long-living product and mostly operates in regions free from significant geopolitical risks. However, in addition to the sustainability concerns Pricer has put forward in its sustainability report – such as the environmental impact of its supply chain, and its male dominated corporate culture – we believe it is important to address past governance issues. Financial capital is one of the most important resources for continuous operations. In the past, the company has faced governance challenges, prioritising dividend payments during times when capital was needed for operations. These decisions led to shareholder dilution in the long term due to the recent capital raise.

Management

Magnus Larsson, President and CEO

Education: Bachelor of Science in electrical engineering

Previous assignments: Over 20 years of international experience from numerous leading positions in sales and management primarily in the telecom industry. Previous employers include Edgeware, Nokia Siemens Networks, Nokia and Sonera.

Holdings: 27,220 B shares and 100,000 warrants

Claes Wenthzel, CFO

Education: MSc in Business

Previous assignments: CFO of Newsec AB, Resurs Holding AB (publ.), Starbreeze AB (publ.) and Catena Media PLC, and acting CFO of Pricer AB (publ.).

Holdings: 390,000 B shares

Jörgen Jost auf der Stroth, Chief Supply Chain Officer

Education: Master in electronical engineering

Previous assignments: Over 20 years of experience as a manager in global engineering management, business development, electronics development, supply chain management, procurement and complex product sales. He has experience across Europe, Asia and North America in some of the world's leading technology corporations such as Tieto, Ericsson, Teleca and Cybercom.

Holdings: 82,830 B shares and 50,000 warrants

Christ Chalkitis, Chief Digital officer

Education: Certified Engineer

Previous assignments: Several key positions in the communications, computers, and electronics industry, working with both products and end-to-end service development in various technology areas at companies such as Vireone AB (founder and CEO), Apsis, Com Hem, Tele 2, and Ericsson. He has held roles at Pricer since joining in 2019.

Holdings: 20,000 B shares and 50,000 warrants

Finn Wikander, Chief Product Officer

Education: Master of Science in International Business and Economics

Previous assignments: Chief Product Officer, Clear Channel Scandinavia (2012–2023); CEO, Nova/Agentum; Customer Marketing Manager, Philips Consumer Lifestyle; Product Marketing Manager, Apple; Key Account Manager, Silicon Graphics.

Holdings: 50,000 warrants

Mats Arnehall, Chief Commercial Officer

Education: High school diploma, internal trainee programs

Previous assignments: Over 25 years of international experience with various leading positions in Sales Management and Business Development in the retail industry at organizations such as Coop Sweden, Coca-Cola Company and HL Display. Area Sales Director Nordics, Baltics and Asia at Pricer 2013–22.

Holdings: 40,200 B shares and 50,000 warrants

Board of directors

Bernt Ingman, Chairman of the board

Education: MSc. Business Studies and Economics, Management education INSEAD/CEDEP

Previous assignments: Extensive experience in various financial positions at international industrial and technology companies. Previously CFO of listed companies such as Husqvarna, Munters, Gunnebo, Doro and Alimak. More than 25 years of broad experience from board work in listed as well as private companies, both in the role of chairman and regular board member at the likes of Micro Systemation AB, TagMaster AB, and Beijer Ref AB. In 2014–20 he was a member of the Board of Directors of Pricer AB, and Chairman of the Board 2017–2020. He returned as Chairman in 2023.

Holdings: 147,000 B shares

Dependence: Independent in relation to the company and its management and in relation to the company's major shareholders.

Jenni Virnes

Education: MSc. Industrial engineering and Management

Previous assignments: Many years of experience in start-up advisory, strategy creation, business models and go-to-market strategies. Previously CEO at Sensisto Oy, various positions such as Member of the Board, COO and Market Development at MariElla Labels Oy as well as Business Development at UPM – The Biofore Company.

Holdings: -

Dependence: Independent in relation to the company and its management and in relation to the company's major shareholders.

Ole Mikael Jensen

Education: MSc.Econ.

Previous assignments: International executive with 25 years of experience in the global construction and building materials industry, mainly NCC, Stark Group, and Wolseley plc (now Ferguson plc) where he was part of the top executive team. In recent years he has been advising private equity, investment funds, and banks globally. He is serving as chairman and investor in various SMEs.

Holdings: -

Dependence: Independent in relation to the company and its management and in relation to the company's major shareholders.

Torbjörn Möller

Education: M.Sc. Electrical Engineering from KTH Royal Institute of Technology

Previous assignments: Long experience from COO positions in business management, product development & supply chain management at companies such as Cparta Cyber Defense, Tobii Technology AB, EA DICE and Pricer AB where he was Group Chief Operations Officer and member of the executive management team 2015–18.

Holdings: 1,432 B shares

Dependence: Independent in relation to the company and its management and in relation to the company's major shareholders

Emil Ahlberg

Education: M.Sc. from Stanford University, M.Sc. from Chalmers University of Technology, and has studied finance at Harvard University.

Previous assignments: Long-term experience in business management, board experience, and investments, from positions in companies including Investor AB, Provider Venture Partners and Grönklittsgruppen.

Holdings: 352,847 B shares

Dependence: Independent in relation to the company and its management and in relation to the company's major shareholders.

Linda Pimmeshofer

Education: MBA and Master of Science in Information Systems Science

Previous assignments: -

Holdings: -

Dependence: Independent in relation to the company and its management and in relation to the company's major shareholders.

Financial statements

Profit & loss (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	0	1,195	1,003	1,759	1,766	2,268	2,681	2,735	3,125	3,507
COGS	0	-922	-672	-1,336	-1,371	-1,893	-2,227	-2,146	-2,438	-2,736
Gross profit	**0**	**272**	**331**	**423**	**395**	**375**	**455**	**589**	**688**	**772**
Other income & costs	0	-162	-193	-225	-241	-291	-379	-332	-369	-421
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
EBITDA	**0**	**110**	**138**	**198**	**154**	**84**	**76**	**256**	**318**	**350**
Depreciation PPE	0	-8	-10	-10	-12	-13	-17	-16	-16	-16
Depreciation lease assets	0	0	-11	-12	-12	-13	-14	0	0	0
Amortisation development costs	0	-13	-17	-21	-32	-37	-31	-35	-36	-36
Amortisation other intangibles	0	0	0	0	0	0	1	-5	-4	-4
Impairments / writedowns	0	0	0	0	0	0	0	0	0	0
EBITA	**0**	**89**	**100**	**155**	**97**	**21**	**15**	**200**	**262**	**294**
Amortization acquisition related	0	0	0	0	0	0	0	0	0	0
Impairment acquisition related	0	0	0	0	0	0	0	0	0	0
EBIT	**0**	**89**	**100**	**155**	**97**	**21**	**15**	**200**	**262**	**294**
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
Net financial items	0	0	1	-43	1	-15	-62	-26	-30	-30
of which interest income/expenses	0	0	1	-22	0	-17	-56	-29	-30	-30
of which interest on lease liabilities	0	0	0	-1	-1	-1	0	0	0	0
of which other items	0	0	0	-21	1	2	-5	3	0	0
Pre-tax profit	**0**	**89**	**101**	**112**	**98**	**6**	**-46**	**174**	**232**	**264**
Taxes	0	-2	-4	-6	-19	0	-8	-29	-53	-61
Post-tax minorities interest	0	0	0	0	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit	**0**	**87**	**98**	**106**	**79**	**6**	**-54**	**145**	**179**	**203**
Adjusted EBITDA	0	110	138	198	154	84	76	256	318	350
Adjusted EBITA	0	89	100	155	97	21	15	200	262	294
Adjusted EBIT	0	89	100	155	97	21	50	200	262	294
Adjusted net profit	0	87	98	106	79	6	-20	145	179	203
Sales growth Y/Y	na	+chg	-16.0%	75.4%	0.4%	28.4%	18.2%	2.0%	14.3%	12.2%
EBITDA growth Y/Y	na	+chg	25.6%	43.7%	-22.5%	-45.2%	-10.2%	238.3%	24.2%	10.1%
EBITA growth Y/Y	na	+chg	12.8%	54.5%	-37.4%	-78.2%	-27.2%	1197.8%	30.9%	12.2%
EBIT growth Y/Y	na	+chg	12.8%	54.5%	-37.4%	-78.2%	-27.2%	1197.8%	30.9%	12.2%
EBITDA margin	nm	9.2%	13.8%	11.3%	8.7%	3.7%	2.8%	9.4%	10.2%	10.0%
EBITA margin	nm	7.5%	10.0%	8.8%	5.5%	0.9%	0.6%	7.3%	8.4%	8.4%
EBIT margin	nm	7.5%	10.0%	8.8%	5.5%	0.9%	0.6%	7.3%	8.4%	8.4%
Tax rate	na	1.7%	3.2%	5.7%	32.8%	-144.5%	-18.4%	22.1%	23.0%	23.0%

Cash flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	0	110	138	198	154	84	76	256	318	350
Paid taxes	0	-3	-3	-5	-3	-5	-8	-20	-53	-61
Change in NWC	0	-30	11	61	-308	185	-160	-207	-6	-64
Non cash adjustments	0	7	2	10	-17	19	-23	37	16	16
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Total operating activities	**0**	**84**	**149**	**265**	**-175**	**283**	**-116**	**66**	**275**	**242**
Capex tangible assets	0	-9	-11	-16	-21	-32	-43	-33	-38	-40
Capitalised development costs	0	-19	-39	-46	-45	-55	-48	-38	-41	-47
Capex - other intangible assets	0	0	0	0	0	0	0	0	0	0
Acquisitions/divestments	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Total investing activities	**0**	**-28**	**-50**	**-62**	**-67**	**-88**	**-91**	**-71**	**-79**	**-87**
Net financial items	0	0	1	-43	1	-15	-62	-26	-30	-30
Lease payments	0	0	-10	-11	-12	-13	-14	-14	-12	-12
Dividend paid and received	0	-55	-66	-88	-110	-110	0	0	0	0
Share issues & buybacks	0	0	0	0	0	0	301	-1	0	0
Change in bank debt	0	0	0	0	112	128	-6	0	0	0
Other cash flow items	0	0	0	-14	2	-1	-30	-12	-32	-32
Total financing activities	**0**	**-55**	**-76**	**-113**	**-9**	**4**	**251**	**-61**	**-76**	**-76**
Operating cash flow	0	84	149	265	-175	283	-116	66	275	242
Free cash flow	0	56	89	192	-254	182	-221	-52	152	111
Net cash flow	0	1	22	132	-252	213	106	-73	118	77
Change in net IB debt	0	1	22	88	-363	70	50	-51	132	91
Capex / Sales	nm	0.7%	1.1%	0.9%	1.2%	1.4%	1.6%	1.2%	1.2%	1.1%
NWC / Sales	nm	8.9%	20.9%	9.8%	16.8%	15.6%	12.8%	19.1%	19.7%	18.5%

Source: Carnegie Research & company data

Financial statements, cont.

Balance sheet (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Acquired intangible assets	0	259	263	253	258	281	280	280	280	280
Other fixed intangible assets	0	4	2	0	0	0	0	5	5	5
Capitalised development	0	38	60	84	98	116	118	126	127	134
Tangible assets	0	22	24	30	43	63	91	101	123	147
Lease assets	0	0	54	44	35	26	18	55	41	27
Other IB assets (1)	0	0	na	na	na	na	na	na	na	na
Other non-IB assets	0	76	na	na	na	na	na	na	na	na
Fixed assets	**0**	**400**	**480**	**487**	**495**	**553**	**574**	**623**	**632**	**649**
Inventories (2)	0	189	219	302	633	670	654	711	781	859
Receivables (2)	0	278	148	236	351	303	287	438	459	516
Prepaid exp. & other NWC items (2)	0	83	80	108	235	293	238	273	313	351
IB current assets (1)	0	0	na	na	na	na	na	na	na	na
Other current assets	0	0	na	na	na	na	na	na	na	na
Cash & cash equivalents (1)	0	171	194	262	17	217	256	206	358	468
Current assets	**0**	**722**	**641**	**907**	**1,236**	**1,484**	**1,434**	**1,628**	**1,911**	**2,194**
Total assets	**0**	**1,122**	**1,121**	**1,394**	**1,731**	**2,037**	**2,008**	**2,251**	**2,542**	**2,843**
Shareholders' equity	0	769	810	819	797	732	957	1,106	1,285	1,488
Minorities	0	0	0	0	0	0	0	0	0	0
Other equity	0	0	0	0	0	0	0	0	0	0
Total equity	**0**	**769**	**810**	**819**	**797**	**732**	**957**	**1,106**	**1,285**	**1,488**
Deferred tax	0	0	0	0	0	0	0	0	0	0
LT IB debt (1)	0	0	0	0	0	240	240	245	245	245
Other IB provisions (1)	0	0	0	0	0	0	0	0	0	0
Lease libilities	0	0	43	34	24	14	10	43	31	19
Other non-IB liabilities	0	14	15	24	22	22	48	34	34	34
LT liabilities	**0**	**14**	**59**	**58**	**46**	**277**	**298**	**322**	**310**	**298**
ST IB debt (1)	0	0	12	12	124	14	9	12	12	12
Payables (2)	0	212	156	384	651	842	588	602	734	824
Accrued exp. & other NWC items (2)	0	na	na	na	na	na	na	na	na	na
Other ST non-IB liabilities	0	na	na	na	na	na	na	na	na	na
Liabilities - assets held for sale	0	na	na	na	na	na	na	na	na	na
Current liabilities	**0**	**338**	**252**	**518**	**888**	**1,028**	**753**	**822**	**947**	**1,056**
Total equity and liabilities	**0**	**1,122**	**1,121**	**1,394**	**1,731**	**2,037**	**2,008**	**2,251**	**2,542**	**2,843**
Net IB debt (=1)	0	-171	-140	-217	132	51	4	94	-70	-192
Net working capital (NWC) (=2)	0	213	206	139	456	252	435	612	618	681
Capital employed (CE)	0	708	804	813	906	955	1,197	1,385	1,551	1,743
Capital invested (CI)	0	499	549	467	792	622	824	1,053	1,067	1,140
Equity / Total assets	nm	69%	72%	59%	46%	36%	48%	49%	51%	52%
Net IB debt / EBITDA	nm	-1.6	-1.0	-1.1	0.9	0.6	0.0	0.4	-0.2	-0.5

Per share data (SEK)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Adj. no. of shares in issue YE (m)	0.00	124.1	110.3	110.3	110.2	110.3	110.3	163.4	163.4	163.4
Diluted no. of Shares YE (m)	0.00	124.1	110.3	110.3	110.2	110.3	110.3	163.4	163.4	163.4
EPS	na	1.41	0.83	0.96	0.72	0.06	-0.49	1.06	1.09	1.25
EPS adj.	na	1.41	0.83	0.96	0.72	0.06	-0.18	1.06	1.09	1.25
CEPS	na	1.74	1.07	1.26	1.13	0.51	-0.07	1.37	1.36	1.51
DPS	0.00	0.50	0.60	0.80	1.00	0.00	0.00	0.00	0.00	0.00
BVPS	na	6.20	7.35	7.43	7.23	6.64	8.68	6.77	7.86	9.11

Performance measures	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
ROE	nm	22.7%	12.4%	13.0%	9.8%	0.8%	-6.4%	14.1%	15.0%	14.7%
Adj. ROCE pre-tax	na	na	13.6%	16.5%	11.7%	2.6%	0.7%	16.2%	18.0%	18.0%
Adj. ROIC after-tax	na	na	18.6%	28.8%	10.4%	7.3%	2.5%	16.6%	19.1%	20.5%

Valuation	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
FCF yield	0.0%	3.0%	4.8%	10.2%	-13.5%	9.7%	-11.8%	-2.8%	8.1%	5.9%
Dividend yield YE	0.0%	6.1%	3.6%	2.3%	4.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend payout ratio	na	35.6%	71.9%	83.5%	138.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend + buy backs yield YE	nm	6.5%	4.8%	2.9%	4.6%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Sales YE	nm	0.71	1.69	2.04	1.43	0.73	0.32	0.72	0.58	0.48
EV/EBITDA YE	nm	7.8	12.3	18.0	16.4	19.6	11.4	7.7	5.7	4.8
EV/EBITA YE	nm	9.6	16.9	23.1	26.0	>50	>50	9.8	6.9	5.7
EV/EBITA adj. YE	nm	9.6	16.9	23.1	26.0	>50	>50	9.8	6.9	5.7
EV/EBIT YE	nm	9.6	16.9	23.1	26.0	>50	>50	9.8	6.9	5.7
P/E YE	na	5.9	19.9	36.0	30.2	>50	nm	10.8	10.5	9.2
P/E adj. YE	na	5.9	19.9	36.0	30.2	>50	nm	10.8	10.5	9.2
P/BV YE	na	1.33	2.26	4.64	3.01	2.19	0.90	1.69	1.46	1.26
Share price YE (SEK)	7.55	8.26	16.6	34.4	21.8	14.5	7.80	11.4		

Source: Carnegie Research & company data

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