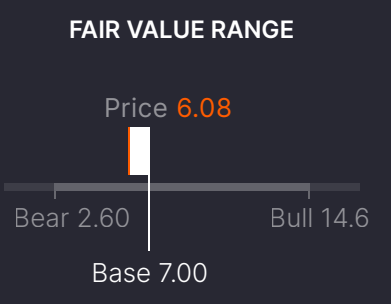
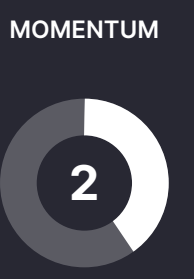
REDEYE

Safello Group

Research Update







Performance VS OMXS30



Share Information

Share Price SEK	**6.08**
Number of shares (M)	**20.4**
Marketplace	**First North Stockholm**
CEO	**Emelie Moritz**
Chairman	**Jacob Jacobsson**

Key Stats

Market Cap	**124.3 MSEK**
Entprs. Value (EV)	**101.4 MSEK**
Net Debt (2025Q1)	**-22.8 MSEK**
30 Day Avg Vol	**60 K**
Dividend Yield	**N/A**

Top Holders

Name	Ownership
Frank Schuil	23.29%
White Star Capital	11.59%
Nordnet Pensionsförsäkring	6.6%
Emil Oldenburg	5.83%
Joakim Johansson	5.5%
Digital Currency Group	4.9%
Avanza Pension	4.41%
PBTS Europe Ltd	2.47%
Irrational Software AB	2.45%
Carl Gustav Röken	1.54%

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Safello: Charts course through crypto volatility

Redeye states Safello's report came in on the weaker side in a quarter with a challenging backdrop. Still, average transaction size was a positive surprise, 15% above RRe, though order volumes were 21% below expectations. Safello is balancing new revenue initiatives against costs while navigating volatile cryptocurrency markets. To return to positive EBITDA in the near term, the company must achieve faster results from its product initiatives, with its ETP and decentralised AI ventures likely playing a key role, or benefit from an improved market backdrop. A significant positive is Safello's strong liquidity position, affording it time for these ventures to yield results and for more data to emerge that could bolster investor confidence in their success. Redeye revise its estimates and fair value range.

Challenging market

Safello's net sales were SEK194m, 9% below RRe and up 1% y/y. Despite a challenging market, the average transaction size was a positive surprise, 15% above RRe, though order volumes were 21% below expectations and fell 9% y/y. An adj. EBITDA loss of SEK1.4m resulted from higher OPEX – partly due to ~SEK0.6m in one-off MICA implementation costs – and weaker sales.

Chaff from the wheat

Safello upgraded its user interface with a new trading experience, expanded its coin offering, and reduced staking fees. However, the challenging market makes it difficult to separate the chaff from the wheat and gauge the quarterly impact of these initiatives. New and active customers fell 31% and 17% y/y, respectively. The company reports positive user feedback upon launching new features. Several features launched in Q4 2024 coincided with a strong crypto market post-US election. Conversely, feature launches in Q1 2025 met a weaker market and coincided with softer results, suggesting market conditions significantly influence performance.

Revised estimates and fair value range

We have reduced our estimates to reflect lower sales and higher OPEX than anticipated. We view Safello as being in a precarious situation, balancing new revenue initiatives against costs while navigating volatile cryptocurrency markets. To return to positive EBITDA in the near term, the company must achieve faster results from its product initiatives, with its ETP and decentralised AI ventures likely playing a key role, or benefit from an improved market backdrop. While crypto prices have rallied from their Q1 2025 lows – a positive development – the mid-Q2 to mid-Q3 period typically sees seasonally low activity. A significant positive is Safello's strong liquidity position, affording it time for these ventures to yield results and for more data to emerge that could bolster investor confidence in their success. Our revised estimates lead to a reduction in our fair value range from SEK2.9-15.4 to SEK2.6-14.6 and our Base Case from SEK7.6 to SEK7.0.

Key Financials

SEKm	2022	2023	2024	2025e	2026e
Total Revenue	639.0	562.0	772.6	745.6	747.1
Revenue Growth	-15.7%	-12.1%	37.5%	-3.5%	0.2%
EBITDA	-12.4	-2.0	9.9	-11.3	-12.2
EBIT	-21.5	-0.35	8.4	-17.6	-13.0
EBIT Margin	-3.4%	-0.1%	1.1%	-2.4%	-1.7%
Net Income	-21.5	-0.45	9.0	-17.8	-13.0
EV/Sales	0.1	0.1	0.1	0.1	0.2
EV/EBIT	-2.8	-207	9.8	-6.3	-9.5

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Q1 2025 review

Net sales were SEK194.1m, against a Redeye Research Estimate (RRe) of SEK212.4m (a -9% deviation). The gross margin, adjusted for fair value gains and losses, was 5%, slightly below the RRe of 6%. Lower crypto prices, which hurt withdrawal fees denominated in cryptocurrency, were the primary reason for the reduced gross margin. The number of orders fell 21% below RRe, while the average transaction size was 15% above RRe, reversing the Q4 2024 pattern. The strength in average transaction size is somewhat surprising, as it typically correlates with crypto prices, which trended downwards during the quarter.

EBITDA, adjusted for fair value gains, was SEK-1.4m, compared to an RRe of SEK1.4m. This deviation stems from lower-than-anticipated sales and higher operating expenditure (OPEX). Consultant costs for the MICA implementation added ~SEK0.6m to OPEX in the quarter. Safello's cash position at the quarter's end was SEK22.9m. The market value of its crypto holdings stood at SEK13.5m as of 15 May 2025, providing combined liquidity of SEK36.4m, representing ~26% of the market capitalisation.

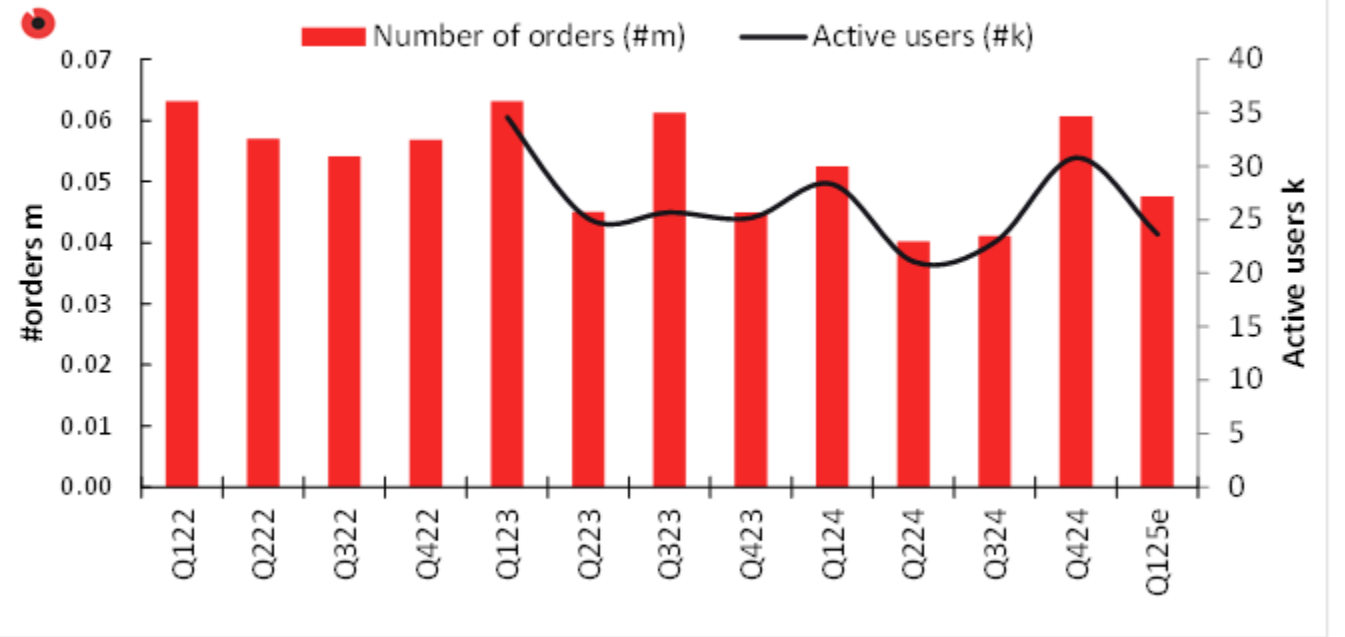
Safello Group: Forecast deviations

SEKm	Q423	Q124	Q224	Q324	Q424	Actual Q125	Estimate Q125e	Diff (%)
Net sales / transaction	3,822	3,680	4,709	3,479	3,973	4,078	3,537	15%
Number of orders (#K)	45.0	52.5	40.2	41.2	60.7	47.6	60.1	-21%
Number of orders y/y	-21%	-17%	-11%	-33%	35%	-9%	15%	-24pp
Financials								
Net sales	171.9	193.1	189.4	143.2	241.3	194.1	212.4	-9%
Net Sales y/y	18%	40%	38%	24%	40%	1%	10%	-10pp
Total revenues	172.0	194.3	190.5	143.8	243.8	195.2	212.4	
Cost of Revenues	162.6	180.4	181.9	134.5	223.5	186.4	199.7	
Gross profit before fair value changes	8.2	11.0	8.1	8.8	14.7	10.0	12.8	-22%
Adj. Gross margin (%)*	5%	6%	4%	6%	6%	5%	6%	-1pp
OPEX	9.2	9.4	10.5	9.7	12.8	12.5	11.4	10%
EBITDA	0.1	4.5	-1.9	-0.4	7.6	-3.7	1.4	-367%
EBITDA margin (%)	0%	2%	-1%	0%	3%	-2%	1%	-3pp
Adj. EBITDA for non-recurring	-1.0	2.8	-1.3	-0.3	4.6	-1.4	1.4	-201%
Adj. EBITDA for non-recurring (%)	-1%	1%	-1%	0%	2%	-1%	1%	-1pp
D&A	-2.2	0.0	0.5	0.5	0.5	1.6	0.5	
EBIT	2.3	4.5	-2.4	-0.9	7.1	-5.3	0.9	-701%
EBIT margin (%)	1%	2%	-1%	-1%	3%	-3%	0%	-3pp
Adj. EBIT for non-recurring	-1.2	2.3	-2.3	-1.3	3.6	-2.0	0.9	-326%
Adj. EBIT for non-recurring (%)	-1%	1%	-1%	-1%	1%	-1%	0%	-1pp
Adj. EBIT % Adj. Gross profit	-14%	21%	-28%	-15%	24%	-20%	7%	-27pp
Net income	2.3	4.5	-1.9	-0.9	7.1	-5.4	0.9	-716%
Adj. Net income	-1.2	2.3	-2.9	-1.3	3.6	-1.9	0.9	-311%

Source: Redeye Research (estimates), company data (historicals) *(Net Sales - COGS**) / Net Sales **adjusted for fair value changes of cryptocurrencies

Safello has upgraded its user interface, expanded its coin offering, and reduced staking fees, though the challenging market makes it difficult to ascertain their quarterly impact, with new and active customers falling 31% and 17% y/y, respectively. According to its earnings call, new product launches are generally well-received, and user activity increases with new coin additions; however, high fees remain a principal complaint. The introduction of an order book offers significantly lower fees – 40bp (maker) or 60bp (taker) – than the 3.49% average for direct trades below SEK150k over the trailing twelve months. This, coupled with partnerships with liquidity providers reducing inventory needs, is also expected to lower gross profit volatility and be cash flow accretive. Despite positive user feedback on new features, performance appears heavily influenced by market conditions: features launched in a strong Q4 2024 crypto market coincided with better traction than those introduced during a weaker Q1 2025, which saw softer results.

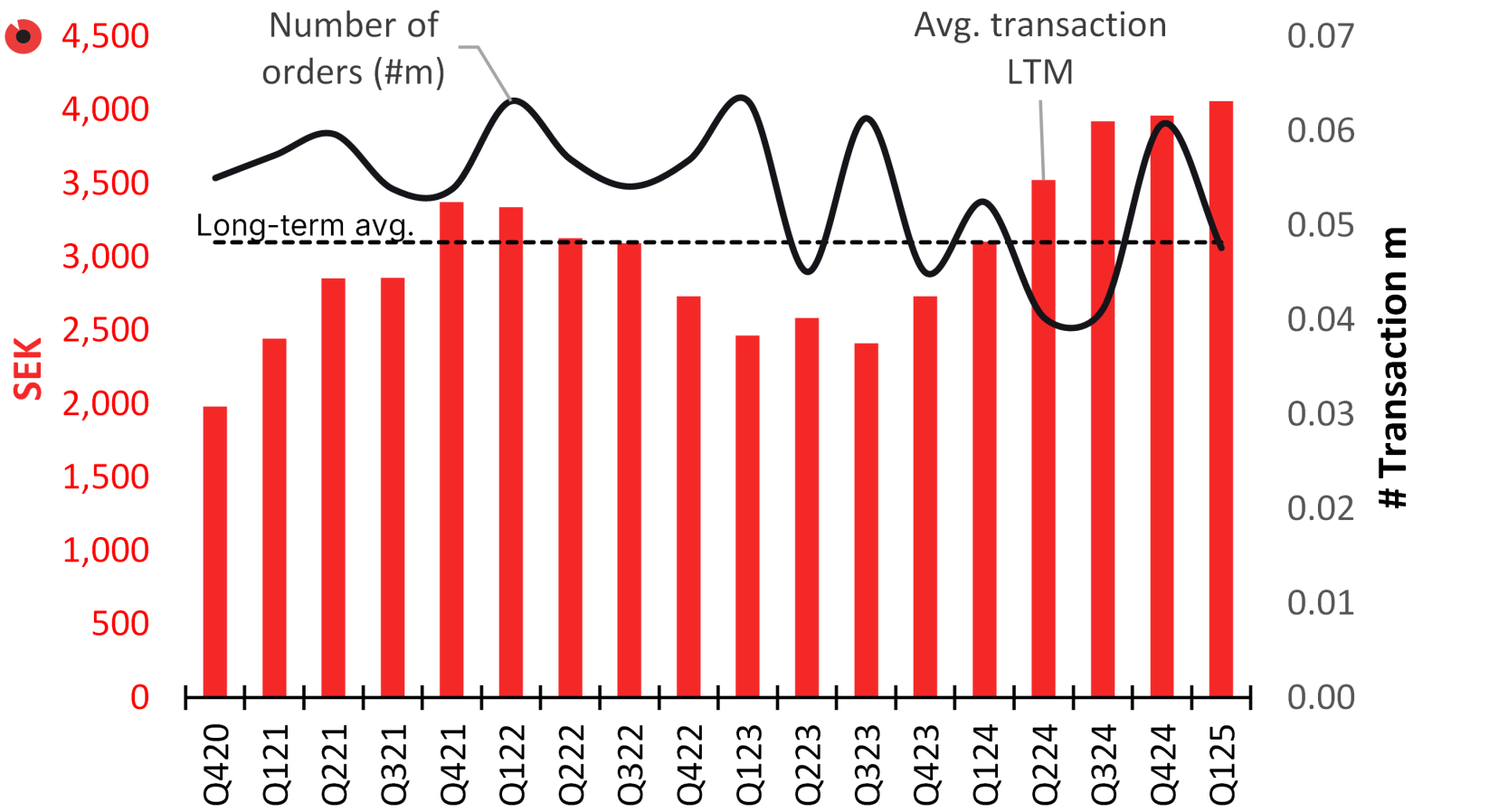
Active users and number of orders



Source: Redeye research, Safello

The trailing average transaction size has trended upwards, likely influenced by rising cryptocurrency prices increasing the fiat value of same-volume crypto trades. However, this metric continued to rise in Q1 2025 even as cryptocurrency prices drifted downwards, making the recent strength notable. We currently assume that the average transaction size will mean-revert towards SEK3,300 over time.

Avg. transaction size LTM and number of orders



Source: Redeye Research, Safello

Safello has submitted its MICA application and anticipates a response by late Q2 / early Q3. The deadline for submitting a MICA application is the end of September, and the crypto service providers can generally operate while the application is under review. The final deadline is the end of December. Thus, Safello's regulatory relative positioning may take till 2026 before it fully plays out.

New business areas

ETPs

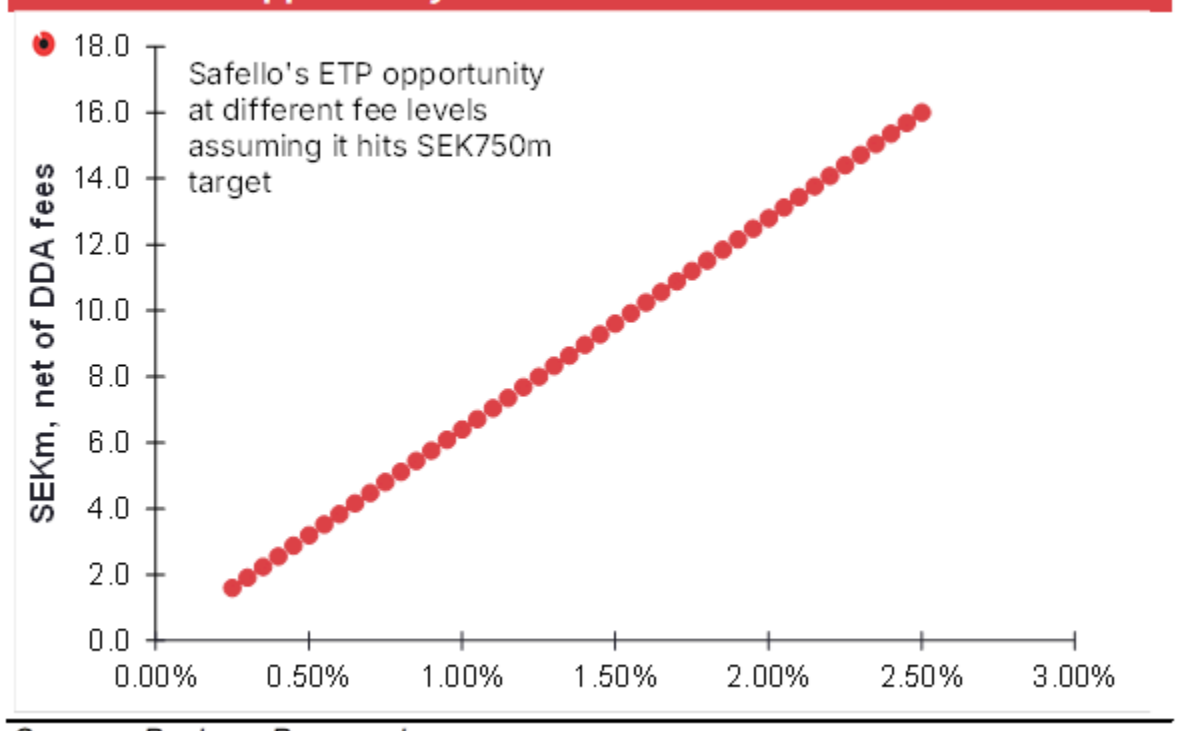
Safello is venturing into exchange-traded products (ETPs) to diversify from its brokerage business, which relies on crypto market volatility. ETPs offer a more stable revenue model through recurring fees on assets under management (AUM), potentially enhancing resilience by benefiting from rising asset prices rather than just trading activity. The first product, a physically backed Bitcoin ETP, will be launched under a framework cooperation agreement with Deutsche Digital Assets (DDA). DDA will issue, list, and engage distributors for these Safello-branded ETPs, while Safello will handle marketing.

While the fee details remain scant, the lowest fee product on the market has fees of 25bp (0.25%). At this fee level, significant AUM is required to be needle-moving for Safello. For instance, SEK1m in revenue (excluding any fees shared with DDA) would require SEK400m in AUM. We believe the fee will be higher based on the earnings call where CEO Emelie Mortiz stated Safello targets an AUM of 750m end of the year, and the ETP would be break-even from Safello's perspective (after fixed fees to DDA) at ~SEK110m.

If the initiative flounders, Safello's fixed fees are limited. Assuming the fee is 250bp, which is on the higher side of what is available on the market, the cost implied at SEK110m breakeven is SEK2.8m annually.

Assuming an annual fee between 25bp and 250bp, Safello's SEK750m AUM target for its ETP venture could yield net income of SEK1.6m-SEK16.0m after DDA's fees. Our estimates, which do not incorporate an unquantified capped variable component in the fee structure, are based on the implied fee derived from the ETP's ~SEK110m AUM breakeven point. This potential ETP revenue, net of DDA's share, is expected to carry near 100% margins, making it highly accretive to EBITDA.

Safello: ETP opportunity



Source: Redeye Research

Safello aims to expand its ETP offerings rapidly. Given its recent foray into this market, we believe a natural strategic focus would be on niche and more complex products, such as multicoin ETPs, which typically command significantly higher margins.

Decentralized AI

Safello has diversified its treasury by exchanging 2 BTC for ~469 TAO tokens, the native currency of Bittensor's decentralised AI ecosystem, reflecting a conviction in such protocols as foundational to future internet-scale intelligence. Safello holds 8 BTC, 113 ETH, and ~469 TAO valued at SEK13.5m, or ~10% of its market capitalisation. While crypto treasury strategies, particularly relating to bitcoin, have generally been well-received by the market, this growing crypto exposure, in our view, increasingly clouds Safello's equity story. The crypto holdings may attract a discount or premium contingent on the market's assessment of the company's crypto capital allocation skills. So far the initial market response to TAO acquisitions has been positive, with the share price rising on each announcement. Additionally, this investment likely marks an initial exploration of decentralised AI ahead of Safello's planned deeper engagement through a new business segment in Q2 2025.

The details around this business segment are limited; the company stated on its earnings call that it is dedicated to creating products and software built on decentralised AI. We believe Bittensor will be a foundational element, given recent balance sheet investments in its native token and its prominence in presentations. We anticipate this new segment will aim to hedge the core brokerage business, much as its ETPs are expected to benefit from rising crypto prices, thereby complementing the brokerage arm's reliance on market volatility.

Estimate changes

Reflecting a higher current base, we raise our estimated net sales per transaction in the near term, though we maintain our long-term expectation of a mean reversion towards SEK3,300. Concurrently, we have somewhat moderated our order growth assumption for 2025. We anticipate a stable gross margin of ~5%, adjusted for fair value gains and losses from cryptocurrency movements.

Safello's financials and RRe						
SEKm	**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Net sales / transaction	2,616	3,942	3,641	3,321	3,487	3,662
Net sales / transaction y/y		51%	-8%	-9%	5%	5%
Number of orders (#K)	215	195	204	225	259	297
Transactions y/y		-9%	5%	10%	15%	15%
Financials						
Net sales	561	767	745	747	902	1,089
Net Sales y/y	-12%	37%	-3%	0%	21%	21%
Gross profit before fair value changes	32.7	42.7	38.4	37.8	44.8	52.9
Adj. Gross margin (%)*	5.8%	5.6%	5.2%	5.1%	5.0%	4.9%
Adj. EBITDA for non-recurring*	-4.2	5.9	-9.0	-12.2	-6.7	-0.1
Adj. EBITDA for non-recurring (%)	-0.8%	0.8%	-1.2%	-1.6%	-0.7%	0.0%
Adj. EBIT for non-recurring*	-7.4	2.4	-14.3	-13.0	-7.0	-0.2
Adj. EBIT for non-recurring (%)	-1.3%	0.3%	-1.9%	-1.7%	-0.8%	0.0%
Net income	-0.4	9.0	-17.8	-13.0	-7.0	-0.2
Adj. Net income*	-7.3	1.9	-14.2	-13.0	-7.0	-0.2
Valuation						
EV/S	0.1x	0.1x	0.1x	0.2x	0.1x	0.1x
EV/EBIT adj.	-9.8x	34.0x	-7.7x	-9.5x	-19.3x	-659.4x
P/E adj.	-13.7x	65.5x	-9.7x	-10.6x	-19.7x	-650.1x

Source: Redeye Research (estimates), company data (historicals)

**adjusted for fair value changes of cryptocurrencies*

Safello Group: Quarterly forecast													
SEKm	**Q123**	**Q223**	**Q323**	**Q423**	**Q124**	**Q224**	**Q324**	**Q424**	**Q125**	**Q225e**	**Q325e**	**Q425e**	**Q126e**
Net sales / transaction	2,186	3,037	1,880	3,822	3,680	4,709	3,479	3,973	4,078	3,689	3,494	3,397	3,349
Number of orders (#K)	63.2	45.1	61.3	45.0	52.5	40.2	41.2	60.7	47.6	44.5	45.6	66.8	52.4
Number of orders y/y	0%	-21%	13%	-21%	-17%	-11%	-33%	35%	-9%	11%	11%	10%	10%
Financials													
Net sales	138.1	136.9	115.3	171.9	193.1	189.4	143.2	241.3	194.1	164.3	159.2	226.9	175.3
Net Sales y/y	-33%	-6%	-17%	18%	40%	38%	24%	40%	1%	-13%	11%	-6%	-10%
Total revenues	138.5	136.4	115.2	172.0	194.3	190.5	143.8	243.8	195.2	164.3	159.2	226.9	175.3
Cost of Revenues	127.1	128.7	107.9	162.6	180.4	181.9	134.5	223.5	186.4	155.8	151.0	215.2	166.3
Gross profit before fair value changes	8.9	8.7	7.9	8.2	11.0	8.1	8.8	14.7	10.0	8.5	8.2	11.7	9.0
Adj. Gross margin (%)*	6%	6%	7%	5%	6%	4%	6%	6%	5%	5%	5%	5%	5%
OPEX	9.9	9.7	8.8	9.2	9.4	10.5	9.7	12.8	12.5	12.0	11.2	12.9	12.5
EBITDA	1.4	-2.1	-1.5	0.1	4.5	-1.9	-0.4	7.6	-3.7	-3.5	-3.0	-1.2	-3.4
EBITDA margin (%)	1%	-2%	-1%	0%	2%	-1%	0%	3%	-2%	-2%	-2%	-1%	-2%
Adj. EBITDA for non-recurring	-0.7	-1.6	-1.0	-1.0	2.8	-1.3	-0.3	4.6	-1.4	-3.5	-3.0	-1.2	-3.4
Adj. EBITDA for non-recurring (%)	0%	-1%	-1%	-1%	1%	-1%	0%	2%	-1%	-2%	-2%	-1%	-2%
D&A	-1.5	0.2	1.9	-2.2	0.0	0.5	0.5	0.5	1.6	1.6	1.6	1.6	1.6
EBIT	-8.9	-8.7	-7.9	-8.2	-11.0	-8.1	-8.8	-14.7	-10.0	-8.5	-8.2	-11.7	-9.0
EBIT margin (%)	-6%	-6%	-7%	-5%	-6%	-4%	-6%	-6%	-5%	-5%	-5%	-5%	-5%
Adj. EBIT for non-recurring	-1.6	-2.6	-2.0	-1.2	2.3	-2.3	-1.3	3.6	-2.0	-5.1	-4.5	-2.7	-5.0
Adj. EBIT for non-recurring (%)	-1%	-2%	-2%	-1%	1%	-1%	-1%	1%	-1%	-3%	-3%	-1%	-3%
Adj. EBIT % Adj. Gross profit	-18%	-29%	-25%	-14%	21%	-28%	-15%	24%	-20%	-60%	-55%	-23%	-56%
Net income	3.0	-2.3	-3.5	2.3	4.5	-1.9	-0.9	7.1	-5.4	-5.1	-4.5	-2.7	-5.0
Adj. Net income	-1.6	-2.6	-1.9	-1.2	2.3	-2.9	-1.3	3.6	-1.9	-5.1	-4.5	-2.7	-5.0

*Source: Redeye Research (estimates), company data (historicals) *adjusted for fair value changes of cryptocurrencies*

Investment Thesis

Case

Discount to peers despite regulatory-first positioning

Safello saw severe valuation compression following its May 2021 IPO, along with fundamentals deteriorating as crypto prices fell sharply at the end of 2021. Despite the renewed cryptocurrency bull market, we believe initial investors have failed to revisit Safello, even though its valuation and financials have stabilised. Safello's current valuation does not reflect the lower equity risk stemming from its "regulation-first" approach and the share unjustly trades at a discount to peers. Additionally, we expect Safello to be a relative winner from the MiCA regulation as it has already built the required governance structure. The regulation may also force smaller brokers to leave the industry. Immediate catalysts for Safello are transaction volume growth seen in the monthly reporting crystalising in the financial reports.

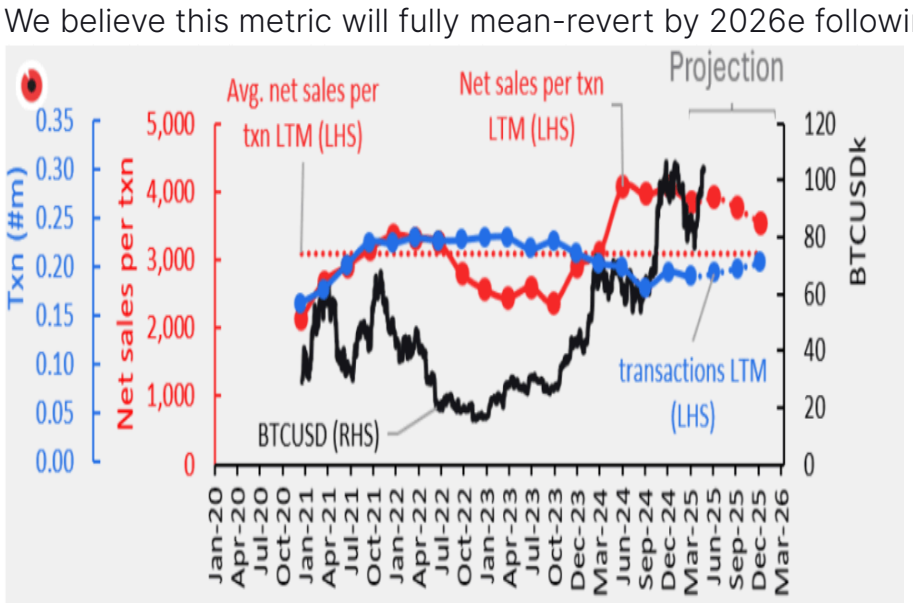
Evidence

BTC is a leading indicator for Safello's results

Like traditional brokers, such as Avanza and Nordnet, Safello's earnings depend on market sentiment. Historically, its net sales per transaction have increased with crypto sentiment (as measured by the BTC price), while the number of transactions is uncorrelated with crypto sentiment. As such, we are sympathetic to the bears' arguments that Safello is currently "over earning" following the sharp increase in transaction size, surpassing the peak in Q4 2021, while the number of transactions has declined. Safello has increased the pace of new product launches, resulting in a substantial increase in orders and active users. The net sales per transaction have almost entirely mean-reverted to SEK3.100, and its negative drag on sales will abate over 2025e.

Supportive Analysis

As seen in the chart below, BTC is a leading indicator of Safello's realised net sales per transaction, which has been the primary factor in its recent net sales increase as transaction volumes have been on a downward trend. We believe this metric will fully mean-revert by 2026e following a bull run after the US election.



Challenge

Long-term execution abilities remain uncertain

Safello has become an on- and off-ramp for cryptocurrencies, resulting in high customer churn and a flat to decreasing number of active users since its IPO. To counteract this trend, Safello has shown rapid expansion of its offering during 2024 — adding 19 new cryptocurrencies YTD and launching new features like swapping (exchanging one cryptocurrency for another) and monthly savings in crypto. These initiatives appear to be working, with early signs pointing to transaction volumes having reached a trough in June 2024 on a m/m basis and Q4 2024 showing strong order volume growth.

Managing its own on- and off-ramps

Core to Safello's survival is its ability to manage its banking relationships, which, if unsuccessfully mitigated, could erase future earnings. Safello lost its only banking partner, Svenska Handelsbanken, in late 2023, but the company had successfully migrated to a new Swedish banking partner by early 2024. Unlike some peers that have not recovered since encountering turmoil in banking services, Safello has navigated the situation well without long-term consequences. It has mitigated future banking risks by diversifying its banking partnerships. Safello is currently the only party that has a Swedish bank with direct access to Swedish banking rails, direct integration with Swish, and instant payouts to VISA and Mastercard.

Valuation

Fair value range of SEK2.6–14.6, with a Base Case of SEK7.0

Our fair value range is SEK2.6–14.6 with a base case of SEK7.0. We derive our fair value range using a DCF

model, but we note that our base case is on the best fit line with crypto broker peers on EV/S LTM and net sales per employee. Although Safello has lower net sales per employee, we believe its regulation-first approach reduces the risk for equity investors. Our bull case is slightly above crypto broker peers based on EV/S LTM. Our bear case assumes a steeper mean reversion and lower transaction volumes than in our base case.

Redeye Quality Rating

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive longterm earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

3

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character. character.

The People rating is based on quantitative scores in seven categories: categories:

1. Passion 2. Execution 3. Capital Allocation 4. Communication 5. Compensation 6. Ownership 7. Board

Positives

- Strong leadership with clear long-term vision and deep industry knowledge, focused on becoming the Avanza/ Nordnet of the crypto economy.
- Commitment to innovation and transparent investor communication, with consistent storytelling and focus on long-term business value.
- Significant insider ownership, including founder involvement as chairman, demonstrating alignment with shareholder interests.
- Gender diversity in leadership, with strong female representation in management roles.
- Board members with extensive experience in finance and crypto economy, aligning with the company's business strategy.

Negatives

- Lack of extensive management team tenure, with senior team in place for less than 5 years.
- Inconsistent profitability and unclear return on investments, raising concerns about capital allocation efficiency.
- CEO compensation not clearly aligned with share performance, and lack of sustainability-related incentives in executive compensation plans.
- Management team's ownership stake is relatively low, less than their annual salary.
- Uncertain lean organizational structure, with the lowest net sales per employee among peers, potentially due to compliance requirements.

Business

2

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is ased on quantitative scores in seven categories:

1. Business Scalability 2. Market Structure 3. Value Proposition 4. Economic Moat 5. Operational Risks

Positives

- Safello has meaningful reinvestment opportunities, including geographic and product expansion, indicating potential for future growth.
- The company can scale up without expensive reinvestment, leveraging its core platform to add functionality with minimal development costs.
- Safello's regulation-first approach provides a sustainable competitive advantage, particularly as the crypto industry faces increased regulatory scrutiny.
- The company operates with minimal regulatory interference, positioning it well in the evolving crypto regulatory landscape.
- Safello actively works with customers to innovate, as evidenced by the launch of its monthly savings function based on customer feedback.

Negatives

- Safello's revenue is primarily transaction-based and heavily influenced by crypto sentiment, making it vulnerable to market fluctuations.
- The company has limited geographic diversification, having closed operations in Norway and currently focusing only on Sweden.
- Safello's revenue base is not diversified, with most income likely coming from Bitcoin transactions and withdrawal fees.
- The company operates in a highly competitive global market with numerous crypto exchanges, potentially limiting its ability to dominate the market.
- Safello's earnings are significantly affected by crypto market sentiment, which is considered a risk-on asset and subject to broader market fluctuations.

Redeye Quality Rating

Financials

2

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

1. Earnings Power 2. Profit Margin 3. Growth Rate 4. Financial Health 5. Earnings Quality

Positives

- Strong short-term liquidity with current assets 1.5 times greater than current liabilities, indicating robust financial health and ability to meet short-term obligations.
- Low debt levels relative to cash flow, with Net Debt less than two times Operating Cash Flow and five times Free Cash Flow, suggesting effective debt management.
- Sufficient cash reserves to cover expected cash burn for more than two years, providing financial stability and reducing the need for immediate fundraising.
- High-quality earnings indicated by efficient inventory and accounts receivable management, low one-time charges, and strong Operating Cash Flow and Free Cash Flow conversion rates.

Negatives

- Poor profitability metrics, with gross profit margin, operating margin, and Return on Equity (ROE) falling below desired thresholds, potentially indicating competitive pressures or inefficient operations.
- Lack of consistent earnings growth, with no evidence of stable EPS growth over the past 5-10 years, suggesting potential challenges in maintaining long-term profitability.
- Weak historical stock performance, failing to achieve 10% compounded growth since IPO, which may indicate underwhelming investor returns.
- Limited dividend growth and consistency, with no evidence of increased dividends over the past three or ten years, potentially reducing attractiveness for income-focused investors.

Rating Distribution

Redeye Covered Companies			
Rating	**People**	**Business**	**Financials**
5	6	8	1
3-4	135	121	44
0-2	16	28	112
Companies	157	157	157

Disclaimer

Redeye does not issue any investment recommendations for fundamental research. However, Redeye has developed a proprietary research and rating model, Redeye Rating, in which each company is analyzed and evaluated. This research aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Financials

Income Statement			
SEKm	**2023**	**2024**	**2025e**
Net Sales	561.1	766.9	744.5
Other Income	0.88	4.9	0.28
Total Revenue	562.0	772.6	745.6
Cost of Sales	526.3	720.3	708.4
Gross Profit	35.7	52.3	37.2
Operating Expenses	36.1	43.9	54.9
EBITDA	-2.0	9.9	-11.3
Depreciation and Amortization	-1.7	1.5	6.3
EBIT	-0.35	8.4	-17.6
Net Financial Items	-0.10	0.57	-0.13
EBT	-0.45	9.0	-17.8
Income Tax Expenses	0.0	0.0	0.0
Net Income	-0.45	9.0	-17.8

Balance Sheet			
SEKm	**2023**	**2024**	**2025e**
Assets			
Non-current assets			
Property, Plant and Equipment (Net)	0.20	0.23	0.25
Goodwill	3.6	1.9	0.28
Intangible Assets	0.65	1.1	0.65
Right-of-Use Assets	-	-	-
Other Non-Current Assets	0.33	0.07	0.07
Total Non-Current Assets	14.5	10.6	8.5
Current assets			
Inventories	3.8	8.5	4.3
Accounts Receivable	0.00	0.0	0.0
Other Current Assets	0.0	0.04	1.8
Cash Equivalents	17.3	24.9	14.0
Total Current Assets	26.6	41.2	25.5
Total Assets	41.0	51.8	34.0
Equity and Liabilities			
Non-current liabilities			
Long Term Debt	0.0	0.0	0.0
Long Term Lease Liabilities	0.0	0.0	0.0
Other Non-Current Lease Liabilities	0.0	0.0	0.0
Total Non-Current Liabilities	0.0	0.0	0.0
Current liabilities			
Short Term Debt	0.0	0.0	0.0
Short Term Lease Liabilities	0.0	0.0	0.0
Accounts Payable	1.4	0.0	1.9
Other Current Liabilities	2.0	8.8	6.9
Total Current Liabilities	6.7	8.8	8.8
Equity	34.4	42.9	25.2
Total Liabilities and Equity	41.1	51.8	34.0

Cash Flow			
SEKm	**2023**	**2024**	**2025e**
Operating Cash Flow	-4.4	1.9	-10.7
Investing Cash Flow	-0.11	5.5	-0.13
Financing Cash Flow	0.45	0.24	0.0
Cash Flow For The Period	-4.1	7.6	-10.8

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Disclaimer

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