

Equity Research | DLABORATORY: Spark of newfound momentum as restrictions eases

So far in 2022, there has been some encouraging news flow both from Dlaboratory and the sector as a whole. Increased contact with new and existing customers after covid restrictions has been lifted, has yielded results, with market approval in Jakarta, a first order in Dubai and several domestic orders. This also rhymes well with the steep increase in investments among Swedish power utilities at ~15% last year. At the same time, the contraction in risk appetite continues to affect all growth stocks with earnings far ahead into the future. As a consequence, we now see support for a fair value of SEK 7-9 (9-12) per share on a 12-24 month horizon, but also note that a breakthrough in the international roll-out holds potential for business in the hundreds of millions, which can change the valuation significantly.

Strong underlying trend to invest in grid stability

Now most of Dlaboratory's customer has reported numbers for investments in 2021. Based on six of the largest customers, weighted increase in CAPEX amounted to 14,7% last year. While a significant part of those investments has been toward environmentally friendly types of energy, which have a different physiological structure than conventional energy types, and Dlab's service relates to OPEX rather than CAPEX, the number is still a clear indication of the willingness among customers to invest in improved stability of delivery to end customers. Also, Dlaboratory's service can play a role in solving the capacity shortage and power quality caused by the surge in solar power fed into the electricity grid, making it even more interesting to grid operators.

Granted market approval in Indonesia

For its international expansion, Dlaboratory has chosen to work with local partners, such as in Jakarta, where the pilot project has been completed and received market approval for the Indonesian electricity market. We now await news on the pace and scale of the future roll-out. Dlaboratory has also received an order from Dubai Electricity and Water Authority (DEWA), which supports our expectation of a larger international roll-out down the road, although the order value is not quantified and does not affect our forecast at this point. The order is a part of a larger restructuring project to upgrade and expand the electricity network in Dubai to meet the environmental goals for 2050. This strengthens our view that Dlaboratory's service has a role in the transition towards a greener future.

High long-term potential

In September 2022, Erik Severin will step down as CEO to be replaced by Richard Jacobson, coming from the role as CEO of Comsys. We continue to see the potential for 600 units connected in the domestic markets and 800 units connected outside the domestic markets by the end of 2025, which translates into recurring revenues of SEK 80 million per year. While the acquisition of SLB will continue to provide an artificial boost to reported numbers over the coming two quarters, Dlaboratory is not unaffected by the continued contraction in risk appetite that is currently affecting all tech development companies with earnings far into the future. As a consequence, we now find support for a fair value of 7-9 (9-12) SEK on a 12-24-month horizon. We continue to see a



medium to high risk in dLab, where the most significant risks consist of long lead times and high thresholds for adaptation.

Read the full report here https://www.emergers.se/dlab_j

Contact

Johan Widmark
johan@emergers.se

About Emergers

This is a press release from Emergers.

DISCLAIMER

Information provided here or on Emergers' website [emergers.se](https://www.emergers.se) is not intended to be financial advice. Emergers receives compensation for writing about the company in question. The company has been given the opportunity to influence factual statements before publication, but forecasts, conclusions and valuation reasoning are Emergers' own. Articles of analysis shall not be construed as a recommendation or solicitation to invest in the companies described. Emergers cannot guarantee that the conclusions presented in the analysis will be met. Emergers cannot be held liable for either direct or indirect damages caused by decisions made on the basis of information in this analysis. Investors are encouraged to seek additional information as well as consult a financial advisor prior to any investment decision.

For more information and complete terms, please see [emergers.se](https://www.emergers.se).

Attachments

[Equity Research | DLABORATORY: Spark of newfound momentum as restrictions eases](#)