

Equity Research | MOTION DISPLAY: Strong start to 2023 sets the stage for an exciting year ahead

As 2022 ended on a high note for Motion Display, with deals signed in the USA, Germany and Australia, there are reasons to believe that 2023 could be a turning point after a rough couple of years. Supported by an underlying shift in sentiment and several trends pointing in the right direction, we remain optimistic that the company can push ahead to become a recurring part of retail brands' in-store marketing strategy. We leave our fair value range intact at SEK 1.6 – 1.9 per share on a 12-24 month horizon.

Momentum in Q4'22 to carry on into 2023

Despite an overall tough 2022, Motion Display ended the year by signing three deals of a total of SEK 7.2m, two in the US and one breakthrough order in Australia, where global liquor giant Diageo placed an order of SEK 1.1m. With presence in 180 countries and 200 different brands in its portfolio, Diageo symbolizes the kind of customer that could take Motion Display to new heights should Diageo choose to allocate just a fraction of its in-store marketing spend to Motion Display. Diageo has placed several orders in the past, especially before the pandemic, and in light of the increasing importance of an active approach to the customer's in-store shopping experience, we believe it is now ready to increase activity again.

Sentiment moving in the right direction

2023 started like 2022 ended with two orders to the German market of a total of SEK 1.75m, one with a global purchasing organization which we believe will be of high strategic importance, since the organization represents a vast number of retail brands all over the world. As we saw eased Covid restrictions in most parts of the world in 2022, in-store shopping is now on track for a long-awaited return. At the same time, consumers are plagued by a rampant inflation and rising interest rates, again putting pressure on the retail industry. With sector colleague Pricer reporting sales growth of 28% in FY'22, we see mounting evidence that retailers are increasing their focus on creating even more value for in-store consumers and that Motion Display's e-paper product has a valuable part to play in this.

Big upside – high risk

Encouraged especially by the deal with the global purchasing organization we forecast sales to reach SEK 23m in 2023. The cost reductions made during H2'22 have shown results already, lowering FY OPEX to SEK 13.1m in 2022 from SEK 15.3m in 2021. This should have a positive impact on future profitability as the company should be able to grow topline a lot faster than OPEX. Should customer accounts like Diageo and PepsiCo decide to make Motion Display a recurring part of their marketing budget rather than one-offs, it would make the company very profitable. As the company Market Cap now amounts to a mere SEK 9m, below the current order backlog of SEK 10m, we believe the stage is set for a considerable revaluation should the company continue its positive news flow. As we forecast sales to grow to SEK 40m with an EBITDA of SEK 7m by 2025, our combined DCF and target multiple approach support a fair value of SEK 1.6 – 1.9 per share in 12-24 months.



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

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