

INVISIO updates estimate of addressable market size

INVISIO estimates that the addressable market for the company's products and systems has a total annual value of about SEK 25 billion. This is an increase of almost 80 percent from the previous assessment of SEK 14 billion. The increase is primarily driven by a maturing market and INVISIO's extensive product development.

- **A more mature market means more potential users.** A growing number of countries and organizations are implementing modernization programs, driven by factors including increased digitalization and equipment obsolescence. Tactical communication systems with hearing protection are receiving higher priority than in the past because they increase both operational efficiency and user safety. Heightened geopolitical uncertainty has also contributed to the market's growth.
- **Extensive product development has justified increased average prices per user and system.** INVISIO's extensive product development is constantly improving the scope, capacity and technology content of the company's systems. This has led to higher average prices per user and system. In addition, inflation has contributed to general price increases since our last market estimate.

Our calculation model

We calculated the market's total annual value using the number of potential users, the average price of INVISIO's solutions, the estimated prices of competitor solutions, and the intervals at which customers purchase our products. We did this for each market segment.

The addressable market refers to INVISIO's current geographical markets and user groups, as well as to existing product offerings.

Review of different segments and product categories

INVISIO's customers primarily consist of defense, emergency service and security companies and organizations. These are located primarily in the US, Europe and selected countries in Asia.

The estimated value for the company's segments and product categories is shown in the table below:

Market/Product category	Updated estimate of annual market value (SEK billion)	Previous estimate of annual market value (SEK billion)	Percentage difference
Personal communication systems			
Defense	9.0	5.0	80
Public safety	2.0	1.5	33
In-vehicles communication systems	1.5	0.5	200
Intercom systems	12.5	7.0	78

Total annual market value	25.0	14.0	79
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The transparency of market data in the defense and public security sectors is generally very limited. For this reason, INVISIO's calculations should not be seen as exact figures, but more as an estimate based on available data and the company's market knowledge.

Lars Højgård Hansen, INVISIO CEO, commented:

“The updated estimate of the size of our market provides a good illustration of the growth opportunities we see. We are in constant touch with customers and observe strong demand for advanced tactical communication and hearing protection solutions that increase user efficiency and safety.

“This demand is driven by extensive customer modernization programs and the ongoing digitalization of the defense and public security sectors. At the same time, awareness of the costs and consequences of hearing loss is increasing.

“In the long run, increased defense and security spending is also expected to contribute to higher demand. The company expects this higher level of investment to continue over the next 10-15 years.

“Despite the growing adoption of advanced tactical communication solutions with hearing protection, market penetration remains relatively low. This presents a significant future growth opportunity for INVISIO.

“In response, we have made strategic investments in recent years, expanding our product portfolio and customer base while further strengthening our expertise.

“As a result, INVISIO is well-positioned to capitalize on the opportunities of a larger and increasingly dynamic market and to play a central role in the integration of modern body-worn soldier systems.”

The personal system market

The defense market

The number of potential users in technologically mature countries in Europe and North America is estimated at around 2.3 million. The previous estimate was 2.0 million.

Based on the number of potential users, price levels and customers' procurement intervals, INVISIO estimates that the total annual value of the market for the company's personnel systems, including the Ultra Lynx™ product line, is approximately SEK 9.0 billion. The previous estimate was around SEK 5.0 billion.

This increase can be mainly ascribed to more potential users and a wider product range, with an increasing average price per user.

The public safety market

The market for emergency service organizations – police, fire and coastguard services – is a relatively new target group for INVISIO. Here, the company focuses on serving customers in the US, Europe and selected countries in Asia.

INVISIO estimates that there are around 1 million police officers and firefighters in defense-related organizations that are relevant to INVISIO's offering.

Based on the number of potential users, INVISIO's average prices and customer procurement intervals, INVISIO estimates the annual value of the company's personnel system for the emergency-service market to be about SEK 2.0 billion. The previous estimate was around SEK 1.5 billion.

This increase mainly reflects an expanded number of user groups compared to previous estimates.

The market for in-vehicle communication systems

The company offers communication headsets and hearing protection for users in environments characterized by constant and often extremely loud noise, such as inside large military vehicles.

According to the company's estimate, the total addressable market is around 1 million users, consisting of vehicle crews in heavy military vehicles.

Based on military vehicle crew capacities, the company's average prices and customer procurement intervals, INVISIO estimates the annual market value for equipment in this market to be worth approximately SEK 1.5 billion. The previous estimate was around SEK 0.5 billion.

This increase is mainly attributable to a higher average price per user and solution compared to previous estimates. The increase is significant, despite INVISIO limiting the user category to only crew members. Previously, the seats intended for passengers were also included.

The market for the Intercom system

INVISIO's Intercom system meets the communication needs that arise during transportation in a vehicle and in its immediate vicinity. The system enables communication within a group and with a vehicle's crew, as well as access to the vehicle's fixed radios.

The Intercom system is marketed both as a portable solution and for fixed installation in vehicles. The product category also includes the new products INVISIO Link (which facilitates wireless communication within and around a vehicle) and INVISIO Control (an app that simplifies system management when using multiple devices).

The Intercom system often also includes a number of personal communication solutions over and above those included in the personnel system market.

INVISIO estimates that there are around 500,000 vehicles in its addressed markets that are relevant to the company's offer.

Based on the number of potential users and vehicles, the average price of the system and customer procurement intervals, the company estimates the annual addressable market for the Intercom system to be around SEK 12.5 billion, an increase from the previous estimate of approximately SEK 7.0 billion.

The prior estimate was cautious and conservative due to the solution's novelty to customers and the new way of managing internal communication in vehicles. The new estimate is based on several years of sales experience and on the company's expansion of the Intercom's system's field of application through the launch of complementary products.

Characteristics of INVISIO's market

INVISIO operates in markets with high barriers to entry associated with multi-year procurement processes and long framework agreements. A long framework contract is preceded by extensive and time-consuming sales processes involving a variety of equipment tests. It is not unusual for several years to pass between an initial contact and a first major order. This challenging sales process can make new entrants hesitant to enter the market.

The defense market is largely characterized by strong and long-term business relationships that are formalized in long contracts and framework agreements. This is due to the logistical challenges faced by customers, resource-intensive and time-consuming procurement processes, and the exhaustive testing that is required to bring a new product to market. Procurement programs and framework agreements also pose relatively high barriers to entry because they make it practically impossible for other suppliers to sell to the customer while an agreement is in force.

A new defense product undergoes extensive testing to ensure it meets customers' high requirements and standards. The customer evaluates the product both in real-world environments and in its test laboratories. In addition, testing by independent institutes is also required prior to product approval. The process is both resource-intensive and costly, which can discourage businesses from entering the defense market.

All of the above contributes to a market preference for proven and approved solutions that have been demonstrated to work under critical conditions. This is something that benefits an incumbent and makes it difficult for new entrants to enter the market.

The market is also subject to increased digitalization, with more and more soldiers and police officers being equipped with body-worn devices that are intended to interact in real time. The system integration of such a product is challenging and requires significant resources and expertise on the part of the supplier.

Market expectations and user demands are constantly increasing. As solutions become increasingly complex and digital, suppliers need to invest heavily and possess specialist skills to offer competitive solutions. To meet this trend, INVISIO allocates significant resources to product development, corresponding to an average of 15 percent of annual revenue.

The market is also characterized by some volatility in orders and sales. This requires a business model that can handle such fluctuations, which can present a challenge to market participants.

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About INVISIO AB (publ)

INVISIO develops and sells advanced communication systems that provide hearing protection and enable professionals in noisy and mission critical environments to communicate and operate effectively. The company's two brands, INVISIO and Racal Acoustics, combine expertise in acoustics and human hearing with broad engineering knowledge in software, materials technology and interfaces. Sales are via the head office in Copenhagen and sales offices in the USA, France, the UK, Italy and Thailand, as well as via a global network of partners and resellers. INVISIO's registered office is in Stockholm, Sweden, and the company's share is listed on Nasdaq Stockholm (IVSO). Read more at www.invisio.com.

Attachments

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