

Insplorion AB (publ)

SECTOR: CLEANTECH

Initial Coverage Update Report Significant Event

Stable Q4 2022 with continued work on the hydrogen strategy

- Insplorion continues to see increased interest in the hydrogen vertical after the company announced its new strategic direction towards hydrogen in Q3 2022. During the quarter, the company's focus was on internal development, testing, as well as to capitalize on the increased hydrogen interest through continued dialogues with potential partners.
- During Q4, Insplorion participated in the world's largest materials research conference, "MRS Fall meeting" in Boston, which consequently increases the exposure of Insplorion as a company, its technology and may eventually lead to new international collaborations.
- In the business segment instruments, a new sensor surface was launched for the S2 in Life Science, making it easier for customers to bind the biomolecules they are interested in studying to the surface.
- The company showed weak sales during the quarter, which is largely dependent on the outcome of customers' grant funding, a vertical the company cannot control. With larger investments in hydrogen, combined with increased customer requirements for various hydrogen applications, this leads to an increased demand for Insplorion's technology. Due to Insplorion's proven ability to detect and measure hydrogen specifically and quickly, we continue to believe Insplorion offers an interesting risk-reward profile in the long term.

Estimates – We repeat our estimates after a focused 2022

- As a result of the strategy shift towards hydrogen in Q3 and our revised estimates in the same quarter, we repeat motivated value, with increased commercialization of Insplorion's hydrogen sensors from 2025, when the hydrogen economy is more developed.
- We repeat the motivated scenario-based value range of SEK 6 - 14 per share, with a base case of SEK 9 per share. In the short term, we expect the drivers for the share to consist of (i) new collaborations with partners, (ii) entering into more projects with customers and partners, (iii) increased investments for the hydrogen economy.

Rating	
Base scenario	SEK 9
Fair-value range	SEK 6-14
Data	
Ticker	INSP
ISIN	SE0006994943
Latest event:	
Naventus Renewables Summit, March 14	
Share price (SEK)*	2.7
Market cap (SEKm)	43 M
Net debt (SEKm)**	(24.8)
EV (SEKm)	10.4
No. of shares	13.1 M
Free float (%)	98
Share price, 14 March 2023*	
Net debt based on financials Q4 2022**	
Ownership structure	
Shareholders	Share, %
Avanza Pension	8.1
Kenneth Svensson	4.2
Mikael Hägg	3.8
AP Ventures	3.4
Other	80.5
Total	100.00
Share price development, 3 months (SEK)	
	

Financials (SEKm)	2022A	2023E	2024E	2025E	2026E	2027E
Operating revenue	5,1	5,6	6,4	17,2	26,5	39,1
EBITDA	-17,1	-14,5	-10,1	-2,9	4,1	10,8
EBITDA margin	neg.	neg.	neg.	neg.	16%	28%
EBIT	-21,2	-14,6	-15,0	-7,5	-0,3	6,6
EBIT margin	neg.	neg.	neg.	neg.	neg.	17%
Sales Growth	-22%	10%	14%	170%	54%	48%
Metrics	2022A	2023E	2024E	2025E	2026E	2027E
EV/Sales	2,0x	1,9x	1,6x	0,6x	0,4x	0,3x
EV/EBITDA	neg.	neg.	neg.	neg.	2,5x	1,0x
EV/EBIT	neg.	neg.	neg.	neg.	neg.	1,6x
EPS	neg.	neg.	neg.	neg.	neg.	0,4
P/E	neg.	neg.	neg.	neg.	neg.	10,1x
FCF yield (%)	-63%	-34%	-49%	3%	-33%	18%

Appendix (Financial)

Income Statement 2022A – 2027E

	<i>Hist.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
<i>Income Statement (SEKm)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>
Net sales	2,0	4,6	6,4	17,2	26,5	39,1
Other operating income	3,1	1,0	0,0	0,0	0,0	0,0
Operating revenue	5,1	5,6	6,4	17,2	26,5	39,1
Capitalized expenses	1,7	3,5	3,6	3,6	3,4	3,9
Total revenue	6,8	9,1	9,9	20,8	29,9	43,0
COGS	-0,5	-1,6	-2,2	-5,6	-8,6	-12,7
Gross profit	6,3	7,5	7,7	15,1	21,3	30,3
Sales and marketing	-13,4	-12,1	-9,5	-10,3	-10,6	-13,7
General and Admin	-10,1	-9,8	-8,3	-7,7	-6,6	-5,9
EBITDA	-17,1	-14,5	-10,1	-2,9	4,1	10,8
Depreciation	-0,7	-0,1	0,0	0,0	0,0	0,0
Amortization	-3,3	0,0	-4,9	-4,6	-4,4	-4,2
EBIT	-21,2	-14,6	-15,0	-7,5	-0,3	6,6
Minority interest	0,0	0,0	0,0	0,0	0,0	0,0
Net interest income / expense	-0,1	-0,1	-0,1	-0,1	-0,1	-0,1
PBT	-21,3	-14,6	-15,1	-7,6	-0,4	6,5
Tax expense	0,0	0,0	0,0	0,0	0,0	-1,4
Net income	-21,3	-14,6	-15,1	-7,6	-0,4	5,1
Ratios						
Sales growth	-22%	10%	14%	170%	54%	48%
Gross margin	90%	71%	65%	67%	68%	68%
EBITDA margin	neg.	neg.	neg.	neg.	14%	25%

Balance Sheet 2022A – 2027E

	<i>Hist.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
<i>Balance Sheet (SEKm)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>
Current Assets						
Cash and cash equivalents	26,4	16,1	28,8	29,9	19,0	26,3
Non-cash current assets	1,9	2,8	1,9	5,1	7,9	11,7
Total Current Assets	28,3	18,8	30,7	35,1	27,0	38,0
Non-current Assets						
Net PP&E	0,4	0,1	0,0	0,0	0,0	0,0
Intangible assets	17,3	24,4	23,1	22,0	21,1	20,8
Other assets	1,0	0,0	0,0	0,0	0,0	0,0
Total Non-Current Assets	18,8	24,4	23,1	22,1	21,1	20,8
Total Assets	47,1	43,2	53,8	57,1	48,1	58,8
Liabilities						
Short-term debt	0,7	0,0	0,0	0,0	0,0	0,0
Non-debt current liabilities	1,8	2,9	3,3	8,6	4,0	5,9
Other long-term liabilities	4,2	11,2	6,4	12,0	7,9	11,7
Long-term debt	0,9	0,9	0,9	0,9	0,9	0,9
Tax liability	0,1	0,1	0,1	0,1	0,1	0,1
Total Liabilities	7,7	15,8	11,4	22,3	13,7	19,3
Equity						
Capital	124,4	124,4	154,4	154,4	154,4	154,4
Retained earnings	-85,0	-96,9	-112,0	-119,6	-120,0	-114,9
Total Equity	39,4	27,4	42,4	34,8	34,4	39,5
Total Liabilities & Equity	47,1	43,2	53,8	57,1	48,1	58,8

Cash Flow Statement 2022A – 2027E

	<i>Hist.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
<i>Cash Flow (SEKm)</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>
Net Income	-21,3	-14,6	-15,1	-7,6	-0,4	5,1
Depreciation	0,7	0,1	0,0	0,0	0,0	0,0
Amortization	3,3	0,0	4,9	4,6	4,4	4,2
(Inc) dec in operating working capital	-3,1	0,3	1,3	2,0	-7,4	-1,9
Inc (dec) other long-term liabilities	0,0	6,9	-4,8	5,7	-4,1	3,8
(Inc) dec in other long-term assets	0,0	-1,0	0,0	0,0	0,0	0,0
Cash Flow from Operations	-20,3	-13,3	-13,7	4,7	-7,4	11,2
Capital expenditure	-0,6	0,0	0,0	0,0	0,0	0,0
Capitalized expenses	-1,3	-3,5	-3,6	-3,6	-3,4	-3,9
Cash Flow from Investing	-1,9	-3,5	-3,6	-3,6	-3,4	-3,9
Inc (dec) in long-term debt	-0,8	0,0	0,0	0,0	0,0	0,0
Inc (dec) in capital	0,0	0,0	30,0	0,0	0,0	0,0
Dividends	0,0	0,0	0,0	0,0	0,0	0,0
Cash Flow from Financing	-0,8	0,0	30,0	0,0	0,0	0,0
Net Cash Flow	-23,0	-16,8	12,7	1,1	-10,9	7,3
Cash balance beginnig of year	49,5	26,4	16,1	28,8	29,9	19,1
Cash balance end of year	26,4	16,1	28,8	29,9	19,1	26,3

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Conflict of interest

Name	Owns shares in Insplorion (Yes/No)	No. of shares
Naventus Corporate Finance AB	Yes	35,000

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