

Equity Research | MOTION DISPLAY: Another strong quarter confirming that MODI has turned the corner

MODI reported sales growth in Q1'24 of 31%, confirming that the strong momentum seen in H2'23 carried into 2024. Along with a 4ppt gross margin improvement this resulted in the first profitable quarter since Q2'23, with a Net Profit of SEK 2m. A significant release of working capital (SEK +3.3m) drove FCF to SEK 5.4m raising Net Cash at the end of Q1 to SEK 3.5m. These quarterly numbers compare to MODI's market cap the day prior to the report, at SEK 12m, illustrating just how depressed the share has been. As the worst liquidity risk now seems to be behind the company, alleviating the fear of a rights issue, the share made a stunning +100% move on the report announcement, closing up 80%. With support for a fair value of SEK 1.9-2.3, we expect that the share has more to give, although some pullback due to profit-taking can be expected first.

Continued strong momentum

MODI reported a strong order intake of SEK 6.4 million in Q1, with approximately SEK 4 million in March alone, signaling continued strength throughout the summer months. Deliveries were concluded on an order from a large beverage customer in Q1, and with order backlog decreasing sequentially from SEK 9.2m in Q4'23 to SEK 6.3m in Q1'24, this suggests that investors should brace themselves for a slightly softer Q2. Interestingly, the strong result in Q1 was based on a larger number of orders from various countries and industries. The deepened collaborations with global procurement organizations, that serve as important gateway actors to the company's customers, highlighted in Q4, should also help diversify revenues and accelerate growth going forward.

After some profit-taking share should have more to give

Liquidity continues to be a concern for the company. The increased order intake, combined with long payment terms from customers, while suppliers increasingly require payment in advance, puts a strain on liquidity for the company. But with cash at SEK 5.2m, another SEK 0.47m in checking account credit, a rights issue is not our main scenario in the coming 12 months. Our forecast is now based on sales of SEK 33m for 2024 and a 12% annual growth thereafter. With a long-term gross margin of 50% and a discount rate (WACC) of 23%, our combined DCF and target multiple valuation (1x sales'24) support a fair value range of SEK 1.9-2.3 per share, suggesting that the share has more to give.

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

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 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.

Attachments

[Equity Research | MOTION DISPLAY: Another strong quarter confirming that MODI has turned the corner](#)