

# Insplorion AB (publ)

SECTOR: TECHNOLOGY

## Reduced news flow through turbulent macro

- Rising interest rates, inflation and Russia's invasion of Ukraine have contributed to turbulence in the global capital markets. Insplorion has traded down 43.7 % this year to a market capitalization of SEK 105m with a cash position of SEK 43.6m, resulting in an EV of SEK 62.6m. In light of last year's operational performance with multiple studies demonstrating Insplorion's sensor technology, we believe the company has the potential to show increased activity for the rest of the year.
- During Q1 2022, Insplorion signed an agreement for a further customer-funded industrial pilot project, with an order value of SEK 250,000 in the hydrogen segment. The project aims to investigate the conditions in a specific type of process where the presence of hydrogen in specific concentrations is central to the end result. In addition, Insplorion has entered into a lease agreement regarding an instrument with a new customer during Q1 2022. Furthermore, the company is continuing its commercialization phase and growing the instrument business with increased focus on sales and customization.
- Insplorion's sales in research instruments are mostly dependent on the outcome of customers' grant funding which is a vertical the company cannot control. The company's profit development continues to be negative due to increased development costs related to product development and strengthening of the organization.
- The company showed weak sales in the quarter, however, with increased customer pilots we are positive about the performance for the rest of the year. Insplorion reported an operating profit of SEK -4.5 million (-3.7) with a cash position of SEK 43.6 million (59.4).

## Changes in estimates – We adjust our estimates according to changes in the macro environment

- Increased interest rates have contributed to technology companies trading at lower multiples, in line with a generally weak environment for equities. Most emerging technology companies listed on Nasdaq First North have experienced a decline in Q1 2022. In our view, on the back of Insplorion's recent stock decline, this provides an interesting risk reward profile.
- We make some adjustments after the Q1-2022 report and change the justified value to SEK 17-30 (19-34) per share. The underlying reasons include increased interest rates leading to a higher WACC of 19 % (18.3 %). In the long term, we still determine the case to be intact, and with increased activity in hydrogen and battery sensors, we see continued opportunity for licensing agreements between 2023-2025 for Insplorion.

### UPDATE REPORT

This report was completed and disseminated on  
May 25, 2022 at 10:00 CET

#### RATING

Base scenario	SEK 23
Conservative scenario	SEK 17
Confident scenario	SEK 30

#### EQUITY RESEARCH ANALYST

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#### DATA

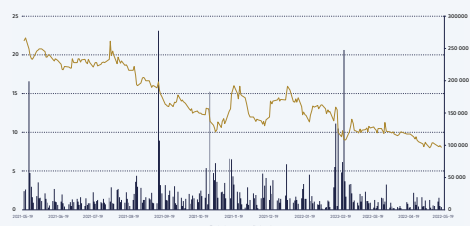
Ticker	INSP
ISIN	SE0006994943
Share price (SEK)*	8.0*
Market cap (SEKm)	105
Net debt (SEKm)**	(42.1)
EV (SEKm)	62.6
No. of shares	13.1
Free float (%)	96.70

Share price, 20 May 2022\*  
Net debt based on financials 31 March 2022\*\*

#### OWNERSHIP STRUCTURE

Shareholders	Capital & votes %
Avanza Pension	7.63
Mikael Hägg	3.81
Hans Olov Olsson	3.12
Chalmers Tekniska Högskola	2.93
Other	82.51
<b>Total</b>	<b>100.00</b>

#### SHARE PRICE DEVELOPMENT, 3 MONTHS



Financials (SEKm)	2021A	2022E	2023E	2024E	2025E
Operating revenue	6.5	7.1	9.0	19.8	46.2
EBITDA	-10.9	-17.8	-18.9	-10.3	10.1
EBITDA margin	neg.	neg.	neg.	neg.	22 %
EBIT	-11.4	-18.1	-19.3	-16.4	3.9
EBIT margin	neg.	neg.	neg.	neg.	8 %
Sales Growth	nm	9 %	27 %	119 %	134 %
Metrics	2021A	2022E	2023E	2024E	2025E
EV/Sales	9.6x	8.8x	6.9x	3.2x	1.4x
EV/EBITDA	neg.	neg.	neg.	neg.	6.2x
EV/EBIT	neg.	neg.	neg.	neg.	16.1x

## Appendix (Financial)

### Income statement 2020 – 2025e

Income Statement (SEKm)	Hist. 2020	Hist. 2021	Proj. 2022	Proj. 2023	Proj. 2024	Proj. 2025
Operating revenue	2.9	6.5	7.1	9.0	19.8	46.2
Capitalized expenses	4.6	3.1	4.5	5.0	7.0	8.1
<b>Total Revenue</b>	<b>7.5</b>	<b>9.6</b>	<b>11.6</b>	<b>14.0</b>	<b>26.8</b>	<b>54.4</b>
COGS	-0.5	-0.5	-1.4	-1.9	-1.9	-3.5
<b>Gross profit</b>	<b>7.0</b>	<b>9.1</b>	<b>10.1</b>	<b>12.1</b>	<b>24.9</b>	<b>50.8</b>
Sales and marketing	-8.9	-10.9	-13.5	-14.5	-15.8	-18.5
Logistics	0.0	0.0	-0.2	-0.3	-0.6	-1.4
Technology costs	0.0	0.0	0.0	-0.9	-3.0	-6.9
General and Admin	-10.3	-9.0	-14.2	-15.4	-15.8	-13.9
<b>EBITDA</b>	<b>-12.2</b>	<b>-10.9</b>	<b>-17.8</b>	<b>-18.9</b>	<b>-10.3</b>	<b>10.1</b>
Depreciation	-0.4	-0.6	-0.3	-0.4	-0.2	-0.2
Amortization	0.0	0.0	0.0	0.0	-5.8	-6.1
<b>EBIT</b>	<b>-12.6</b>	<b>-11.4</b>	<b>-18.1</b>	<b>-19.3</b>	<b>-16.4</b>	<b>3.9</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net interest income / expense	-0.2	-0.2	-0.1	-0.1	-0.5	-0.9
<b>PBT</b>	<b>-12.8</b>	<b>-11.6</b>	<b>-18.2</b>	<b>-19.4</b>	<b>-16.9</b>	<b>3.0</b>
Tax expense	0.0	0.0	0.0	0.0	0.0	-0.7
<b>Net income</b>	<b>-12.8</b>	<b>-11.6</b>	<b>-18.2</b>	<b>-19.4</b>	<b>-16.9</b>	<b>2.3</b>
<b>Ratios</b>						
Sales growth	nm	122%	9%	27%	119%	134%
Gross margin	83%	92%	80%	79%	90%	92%
EBITDA margin	neg.	neg.	neg.	neg.	neg.	19%

### Balance sheet 2020 – 2025e

Balance Sheet (SEKm)	Hist. 2020	Hist. 2021	Proj. 2022	Proj. 2023	Proj. 2024	Proj. 2025
<b>Current Assets</b>						
Cash and cash equivalents	67.9	49.5	33.5	12.7	20.6	38.6
Non-cash current assets	1.1	2.1	3.5	4.5	5.9	13.9
<b>Total Current Assets</b>	<b>69.0</b>	<b>51.7</b>	<b>37.0</b>	<b>17.2</b>	<b>26.6</b>	<b>52.4</b>
<b>Non-current Assets</b>						
Net PP&E	0.6	0.5	0.9	1.2	1.0	0.8
Intangible assets	16.6	19.2	24.1	29.1	30.3	32.4
Other assets	1.5	0.7	0.2	0.2	0.2	0.2
<b>Total Non-Current Assets</b>	<b>18.6</b>	<b>20.4</b>	<b>25.2</b>	<b>30.5</b>	<b>31.5</b>	<b>33.3</b>
<b>Total Assets</b>	<b>87.6</b>	<b>72.1</b>	<b>62.2</b>	<b>47.7</b>	<b>58.0</b>	<b>85.8</b>
<b>Liabilities</b>						
Short-term debt	2.2	0.7	0.7	0.7	0.7	0.7
Non-debt current liabilities	1.6	0.9	3.7	4.7	10.3	23.1
Other long-term liabilities	10.9	8.1	14.2	18.1	19.8	32.4
Long-term debt	2.3	1.7	1.7	1.7	21.7	21.7
Tax liability	0.0	0.1	0.1	0.1	0.1	0.1
<b>Total Liabilities</b>	<b>17.0</b>	<b>11.5</b>	<b>20.3</b>	<b>25.3</b>	<b>52.5</b>	<b>77.9</b>
<b>Equity</b>						
Capital	123.4	124.4	124.4	124.4	124.4	124.4
Retained earnings	-52.8	-63.8	-82.5	-102.0	-118.9	-116.5
<b>Total Equity</b>	<b>70.6</b>	<b>60.6</b>	<b>41.8</b>	<b>22.4</b>	<b>5.5</b>	<b>7.9</b>
<b>Total Liabilities &amp; Equity</b>	<b>87.6</b>	<b>72.1</b>	<b>62.2</b>	<b>47.7</b>	<b>58.0</b>	<b>85.8</b>

### Cash flow statement 2020 – 2025e

	Hist. 2020	Hist. 2021	Proj. 2022	Proj. 2023	Proj. 2024	Proj. 2025
<b>Cash Flow (SEKm)</b>						
<b>Net Income</b>	-12.8	-11.6	-18.2	-19.4	-16.9	2.3
Depreciation	0.4	0.6	0.3	0.4	0.2	0.2
Amortization	0.0	0.0	0.0	0.0	5.8	6.1
(Inc) dec in operating working capital	7.1	-3.7	1.3	0.0	4.2	4.9
Inc (dec) other long-term liabilities	0.0	0.0	6.1	3.9	1.7	12.6
(Inc) dec in other long-term assets	0.0	0.0	-0.5	0.0	0.0	0.0
<b>Cash Flow from Operations</b>	-5.3	-14.7	-10.9	-15.1	-5.0	26.0
Capital expenditure	-0.2	0.0	-0.6	-0.8	0.0	0.0
Capitalized expenses	-4.6	-3.3	-4.5	-5.0	-7.0	-8.1
<b>Cash Flow from Investing</b>	-4.7	-3.3	-5.1	-5.7	-7.0	-8.1
Inc (dec) in long-term debt	-0.1	-2.1	0.0	0.0	20.0	0.0
Inc (dec) in capital	54.3	3.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow from Financing</b>	54.2	0.9	0.0	0.0	20.0	0.0
<b>Net Cash Flow</b>	44.2	-17.1	-16.0	-20.8	8.0	17.9
Cash balance beginnig of year	23.7	67.9	50.8	34.8	14.0	22.0
Cash balance end of year	67.9	50.8	34.8	14.0	22.0	39.9

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

Naventus performs/has performed services for Insplorion and receives/has received compensation from Insplorion in connection with the said services.



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