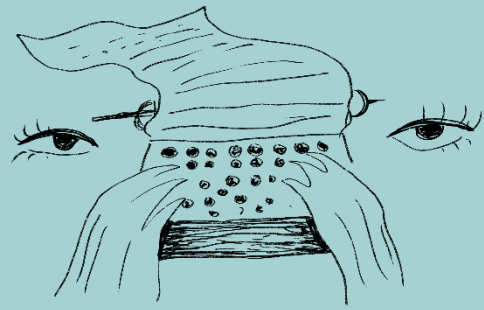


# IMINT Image Intelligence

Quality at discount



2022-05-30

Imint is a Swedish fast-growing company with several paths for continued growth. The company is characterized by high innovation power, strong leadership, skin in the game, enormous growth opportunities and scalable software.

Imint provide world-class video stabilization software for smartphones, which is their primary revenue stream today. Camera quality is a growing selling point for smartphone manufacturers, not least due to the emergence of social media. This is a structural trend that benefits Imint.

Imint has a strong customer portfolio of best-selling smartphone manufacturers and several collaborations with market-leading manufacturers of chipset, which places the company in a very exciting market position.

## Key Stats

CEO	Andreas Lifvendahl
Ticker	IMINT
List	Spotlight
Stock Price	33.60 SEK
Market Cap	307.7 MSEK
Insider Ownership	8.46%

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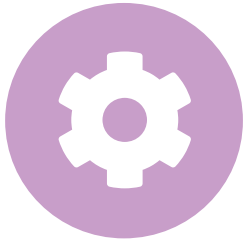


**IMINT**  
IMAGE INTELLIGENCE

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## Key Insights



### Scalability

Imint already possess a great position in the market and has a product offering that will be able to be scaled into new verticals and markets with low marginal costs attached.



### Management

Our perception is that Imint's management are great capital allocators and very rational. Historically, they have shown good performances as they have managed to become market leaders within the niche in just a few years while maintaining good cost control.



### Valuation

Imint is traded at P/E 14.5x and EV/EBIT 14.5x today, which we believe is far too low given the future prospects and the company's compelling history. Moreover, the balance sheet is stronger than ever, which will allow Imint to enter new markets and initiate an M&A agenda.

*With a good opening in 2022, we continue forward with confidence, and now with greater capacity to seize the opportunities of tomorrow on the market than ever before.*

- CEO Andreas Lifvendahl

## Investment case

- Scalable product offering with low marginal costs attached
- Strong management with history of great execution
- Market leader
- Valuation support
- Market capitalization that should arouse interest from institutional ownership
- Strong underlying structural trends

## The Imint Story

Imint was founded in 2007 and has its origins as a spin-off from research at Uppsala University. The first years were devoted to serving the defense market, where the main goal was to create solutions for air reconnaissance. Imint's progress did not go unnoticed. In 2013, the company was contacted by several leading smartphone manufacturers who had noticed the potential of Imint's video stabilization technology, which greatly improves video performance in real time. Shortly afterwards, the first version of Imint's video stabilization software for Android, Vidhance, was launched.

In 2015, Imint was listed on the stock exchange and today the company is a globally well-known brand that is the market leader within video stabilization technology for smartphones. Imint now has several customers among the world's ten largest smartphone manufacturers.

Hard work, a high pace of innovation and technical competence have contributed to Imint now being a world leader in algorithms and software for video stabilization. This has led to a major milestone approaching. Soon, Imint's software platform Vidhance has been installed on one billion smartphones in total.

## Imint Today

Imint recently published its Q1'22 report. The report concluded that Imint performed yet another record-breaking result. During the first quarter of 2022, Imint reached sales of 17.8 MSEK, an increase by 22% from the first quarter of 2021. Despite the fast topline-growth, Imint maintained the strong EBIT-margin of ~24%.

According to plan and previous communication, Imint also increased its costs, as they have now started to recruit cutting-edge expertise to the head quarter in Uppsala, Sweden. For instance, on January 12, 2022, Imint announced a strengthening of the management team and the company's product management function by appointing Nils Hulth as the new Chief Product Officer. The reinforcement Imint are now doing is especially attributable to the engineering and development side, both in product development and product integration.

The number of employees as of March 31, 2022, was 37 (30). During the quarter, 3 (4) consultants was also hired. Thus, the company employed 40 (34) people in total, including both employees and consultants. Most of these employees have the head quarter in Uppsala as base.

The costs of the quarter amounted to 16.5 MSEK (14 MSEK). The increased costs were mainly attributable to the increased personnel costs of 8.3 MSEK (6 MSEK). The continued strong profitability has also contributed to Imint's strong cash position of 63.6 MSEK, at the end of the first quarter. In fact, Imint has never had this much cash on hand before. At the same time, CEO Andreas Lifvendahl has communicated that the company will increase its M&A activity to deploy some of this capital.

We believe that Imint will strive for complementary acquisitions both in terms of gaining new customers and technology. Our view is that these types of M&A generally have a lower risk profile. In such cases, the acquirer can gain a new qualitative customer base, while maintaining approximately the same overhead costs.

Increased M&A activity also raises an issue regarding management. They have been successful in running the core business. But from this point in time, the management will also be capital allocators in addition to running the core business. Thus, in addition to being an opportunity, this can also be considered a risk as Imint has no previous experience of M&A.

Given that the M&A activity will increase, we also see a greater need to bring in institutional investors. It will be strategically important for Imint to attract the right owner(s) if they were to make a larger share issuance in relation to an acquisition. This would also be a great opportunity for Imint to send good signals to existing owners and the stock market as whole.

We believe the increased M&A activity can be interpreted in two ways. 1) Either Imint has realized that it is tough to penetrate the smartphone market further, given that Samsung and Apple have such a large share of the market, and that this in turn means that Imint needs to enter new markets to keep growing. 2) Imint are so confident in their position as market leaders within video stabilization software that they dare to deploy capital on verticals other than the core business.

Given that smartphones have short product life cycles, Imint is constantly dependent on being on its toes through innovation and investments in R&D. Therefore, we believe that if the competitive landscape were to become tougher, the margin could be compressed due to an increased need for cutting-edge expertise and investments in R&D. However, we believe Imint's management are good capital allocators giving the cost control they have been able to maintain while also growing rapidly. Also, Imint can expand into new verticals with the same platform and technology as they already use for the Vidhance platform, which will strengthen the unit economics when entering new verticals and markets. We therefore view this shift as positive.

For the most important market, smartphones, the first quarter of 2022 were somewhat volatile. The pandemic restrictions in China affects global logistics chains. Further, smaller players may lose production pace due to chip and component shortages. The war in Ukraine has further contributed to a more unstable situation, even if Imint has no direct risk exposure linked to the war.

The component shortage has affected smartphones sales for a while now, but Imint has maintained a great financial performance through this storm. We believe this is attributable to two main reasons. Imint has a strategy of working very close to their most important customers, which should entail both pricing power and stickiness. Also, the restrictions in China have arguably affected their closest competitors more. However, we do believe the pricing power could be tough to maintain in the long run, which we will come back to later in the analysis.

At the end of last year, Imint launched their fourth-generation video stabilization (G4), and at the beginning of 2022, the company launched the product *Photo Zoom Stabilization*, which enables more precision photography at high levels of zoom. These new products, as well as the new hirings, shows that Imint intend to retain their position as market leader.

In addition, Imint announced a collaboration with Chinese SIM Technology. SIM Technology is an established design and production house and has taken a leading position as ODM for industrial AR products. This collaboration is aligned with Imint's communication regarding entering new verticals and markets. The collaboration means that Vidhance is introduced to the customers who turn to SIM Technology for assistance.

## Business Model

Imint could be considered a first mover in video stabilization software. The primary customer segment is smartphone manufacturers, which means that Imint has a huge market to penetrate as hundreds of millions of units are sold every year.

In parallel with the emergence of social media, video quality has become an increasingly important part of the smartphone, as a very large part of the population creates and shares content regularly on a private level. The smartphone market itself is growing slowly as penetration is already very high. Today, more than 50% of the world's population has a smartphone. However, Imint's market share is growing steadily.

We estimate that 15 - 20% of new sold smartphones are equipped with Vidhance today. This means that approximately 225 - 300 million smartphones are delivered with Imint's Vidhance software per year. This is also numbers that is constantly growing. If we subtract Apple and Samsung from new sold smartphones, as the two giants are not reachable for Imint or any other provider of video stabilization technology today since they currently use their own software for this purpose, we estimate Imint's market share to ~40% within the smartphone segment.

However, we do not see it as an impossibility that Apple and Samsung could eventually become customers to Imint. Samsung appears to be more reasonable given that Samsung's smartphones have Android as operating system, which Vidhance is most compatible with. Apple on the other hand generally acquires smaller players that assist with components for their smartphones. Therefore, we see it as more likely that Samsung will become a customer to Imint, and that Apple instead could consider Imint as an acquisition candidate. In fact, Imint announced in 2020 that they have an ongoing conversation with Samsung. But so far, we do not know more than that. Also, before Imint's public offering in 2015, Apple was reportedly interested in buying the company.

Imint has many of the largest smartphone manufacturers globally as customers. The customer list includes Xiaomi, Motorola, OPPO and Vivo et cetera. Imint also works closely with chipset manufacturers such as Qualcomm and MediaTek, both of which are important partners in optimizing the software.

In addition to continuing to increase its market share among smartphones, Imint has several ways to increase its sales. Other possible revenue streams for Imint include smart glasses, especially in industrial use, where Imint has already taken a leading position. We also consider other cameras that depend on the highest possible image quality, such as the security industry, as an interesting future market.

Imint has gradually started to invest more outside the smartphone segment in areas such as wearables (AR glasses, body-worn cameras, etc.). During Q3'21, for example, an agreement was signed with Rokid, a developer of augmented and mixed-reality glasses for industrial use.

Imint has carried out joint marketing efforts with both RealWear and Rokid after the launch of their AR glasses, and Imint is a clear first-mover in this emerging segment. Although the AR market is significantly smaller, it offers a new vertical with a different business structure in the form of higher price levels and longer product life cycles.

Companies in general often have several business models and to complicate things further, the revenue models for the different business models often involve other types of compensation than monetary compensation. In the software industry there have been a lot of business model innovation resulting in software companies monetizing their IP in new ways. Examples of business models in the software industry include Software as a Product (SaaP), Software as a Service (SaaS) and the business model of earning licensing fees from partners.

Currently, Imint sells Vidhance IP licenses as well as optimization, customization, and support. Therefore, Imint's revenue is predominantly collected through software licenses via smartphone manufacturers. Each individual procurement is negotiated in terms of how Imint collects its royalties. Sometimes, these agreements can result in revenue per unit and sometimes per product. A challenge for Imint, as well as for any company, is to prioritize how it collects its revenue. Usually, software companies have great flexibility in terms of how the revenue streams are structured.

We believe Imint has a great opportunity to switch some of their revenue towards a SaaS-model, which CEO Andreas Lifvendahl also have communicated recently. Given that smartphones have short product life cycles, Imint is constantly dependent on being on its toes through innovation and investments in R&D. Therefore, we think a revenue model more dependent on annual recurring revenue (ARR), would create more certainty. This is also something that the stock market usually values more than collecting revenue through licensing fees. This shift can therefore be strategic in terms of raising the valuation, especially if future acquisitions will be made in part with newly issued shares.

## Value Proposition

Compared with still photography, video is much trickier to control and do well. The main difference is that video is live and running, meaning that the camera is stacking unknown moments after each other. Not many have the time or skill to post-process their videos, which is often necessary to optimize the video quality. In general, people use their mobile camera, and after recording something, they want to share it directly, smoothly, and easily with their friends and family. However, Vidhance also allows for the end-user to improve images and video clips after capture through diverse editing functions. In short, Imint's solutions contribute to better video quality in general.

Other than the aforementioned value proposition, video stabilization software also entails value through increased battery life for the underlying hardware, decreased motion blur and horizon corrections. Imint's vision relates directly to this, since it is to revolutionize the way video is captured, enhanced, shared and consumed.

## Technology and Product Offering

Vidhance is a video enhancement software platform that increases the video quality of any type of camera or recording device. Based on cutting edge video enhancement algorithms, the Vidhance platform contributes to a superior end-user experience as it maximizes the full potential of the underlying hardware.

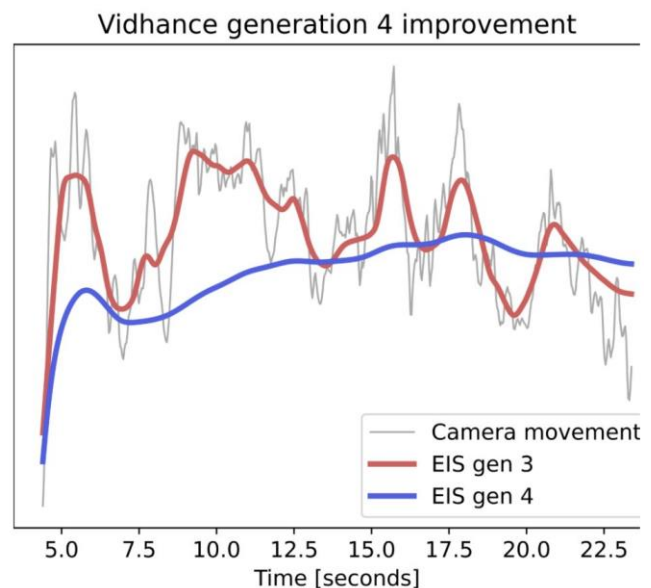
A major advantage of Imint's continued growth in new verticals and markets is that Vidhance can be applied to all types of hardware. Vidhance only depends on a certain computing power. Apart from that, the platform is compatible with all hardware.

Vidhance is modularly built, and basically works on any computer platform. However, it is adapted and optimized to run efficiently on the standard chipsets used in smartphones and wearables (often from Qualcomm and MediaTek). These can be viewed as general computer systems, with one or more CPUs (often called Application Processors or APs in the smartphone world), and one or more special processors. The role of chipsets is usually to handle graphics (GPU) or image streams from a camera (ISP, Image Signal Processor). What this means is that Imint do not need to make any adjustments for the underlying hardware for Vidhance to be applied, but the software needs to be adapted to maximize the utilization of the processors on a chipset, which in turn increases the efficiency.

Independent reviews justify the power of Vidhance. For instance, Vidhance currently holds the highest DXOMARK testing score, which is often referred to as the go-to global market reference for judging image quality.

Imint's newest video stabilization solution (G4) continues the company's track record of pushing the boundaries of video experience. G4, which was launched in the end of 2021, offers a completely redesigned stabilization engine that has been tested by leading smartphone manufacturers and is proven to deliver outstanding video in all use cases.

G4 significantly improves smoothness and has a built-in AI which creates the best possible output video. Moreover, the smarter use of lookahead translates into less memory required. The difference from Imint's latest version (G3), is very significant.



In the beginning of 2022, Imint also launched Photo Zoom Stabilization, which is a product that increases the stability for cameras using high levels of zoom. Anyone who has ever tried zooming more than just a little can witness the issues with keeping the phone stable enough to keep the object within the frame. This tricky task is getting even more complex if the object is moving. Sometimes, there is also a mismatch between what is seen on the screen and what is captured in the photo.

Other than the aforementioned products, Imint's Vidhance platform improves video and photo quality in several different ways. This is done by a complex process of extracting and calculating metadata. Imint both creates and uses advanced analytics and adaptive algorithms on the extracted data, both the visual information that the camera collects and other types of data.

Vidhance could be compared to camera apps that allow for better photos to be taken also by those with less know-how regarding the technical concepts behind photography. Thus, Imint aims to make



its solutions intelligent and intuitive, by allowing the end-user to produce professional-looking video and photos in an automated and efficient way with as low friction as possible.

Given that Android units make up a large part of Imint's customer base, Vidhance is focused on making the software work well in an Android environment. The Vidhance code was not developed specifically for Android though, and thus works well with different platforms, which will contribute to the unit economics entering new verticals and markets.

## Optionality

We believe Imint has several ways to keep growing, both in existing verticals and new ones. For example, software sales to end consumers in the form of apps (B2C), could be a huge opportunity for Imint. However, we view the current B2B sales model as more scalable than a B2C one. Also, the current B2B sales model does not require much marketing spending for Imint, which we believe is key for their current strong EBIT-margin of ~24%.

The strong market position in combination with the B2B distributions model is also a reason for why Imint can have such a narrow sales force. In fact, Imint only has four sales personnel today. These four sales personnel cover one market each, being Taiwan, Japan, China, and South Korea. The smartphone market is very grateful in terms of the fact that there are very few companies with extremely large market shares. Which is another reason for why Imint does not need too much capital deployment towards sales. The fact that Imint already has some of the largest smartphone manufacturers in the world as customers probably also makes the sales process easier.

Thus, we would only consider a B2C distribution model as positive if it could be combined with their current B2B model. However, we believe that Imint can be successful in both B2B and B2C, by being selective with which products are offered via the various distribution models.

Further, we also believe that Vidhance has a perfect market position for penetrating smart glasses, especially where the use of such is critical and where video quality is extremely important. Imint seems to accelerate its ambitions towards this segment given the recently announced collaboration with Chinese SIM technology, and through the fairly new collaborations with China based RealWear and U.S based Rokid.

There are two categories within smart glasses. There is the equivalent of a smartphone that is more of a consumer product, and there are glasses for industrial use, which is where both RealWear and Rokid operate. The pandemic was the starting point for smart glasses for industrial use.

The value proposition within the segment is obvious. If a machine stops working, for example in healthcare, a product expert can now sit in Berlin and assist someone who fix the product in Stockholm, with the help of high-quality smart glasses. By using smart glasses, the product expert or service technician can sit at his computer and see the same thing as the filmmaker sees, and thus help with his expertise from a distance.

The largest manufacturer of such types of glasses is Microsoft with their HoloLens glasses. However, Microsoft has announced that they will become a purer software and cloud company, which leads us

to believe that Microsoft will not continue to invest in Hololens. Besides this, the market for smart glasses right now mainly consists of smaller startups in China, Europe, and the U.S.

We view this new segment and new types of customers as positive in several ways. First, Imint shows that the Vidhance platform is applicable in other segments than just smartphones. Second, more diverse revenue streams will decrease the risk of being dependent on “only” one segment. Third, the word-of-mouth effect gained through having customers in high-end segments like industrial use of smart glasses within AR/VR will surely increase the overall brand awareness for Imint and Vidhance, leading to more interest in the company and more leverage in their sales pitch in other segments. Lastly, this also shows that Imint is comfortable in maintaining their already strong position in the core business segment, being the smartphone market.

Given that collection of data is already deeply integrated in Imint’s business model, we believe they could have an opportunity in storing this data in the cloud to be able to sell the data, which would create a revenue stream similar to an advertising business. This data could for instance be valuable to companies like Google and Facebook. It is clear to us that Imint creates a lot of value for services that depend on high image or video quality such as Google, Facebook, and Airbnb. However, we are not sure how this could be monetized yet. Speaking of Facebook and Google, Imint has previously communicated that they have an ongoing dialogue regarding a collaboration with a major customer within social media. Our best guess is that this dialogue takes place with Facebook, more specifically related to Facebook’s smart glasses Oculus. A collaboration with Oculus would be huge for Imint, as it would really put Imint on the global map as well as it would entail lots of proof of concept and brand recognition. Although Imint is the market leader today for video stabilization software within smartphones, the company is very little judging by the market capitalization.

A major advantage of Imint’s continued growth in new verticals and markets is that Vidhance can be applied to all types of hardware. Vidhance only depends on a certain computing power. Apart from that, the platform is compatible with all hardware. As aforementioned, this leads us to believe that the platform will be able to be scaled with relatively low operational costs.

Video data can also, for example, be valuable for security companies who often have a need to be able to look at original data, to be able to draw conclusions about what has happened. The technology step for delivering this is very small for Imint, as well as we believe the need for their technology is obvious within that particular market.

Smart glasses, cloud storage and sales of data to security companies should not be viewed as more than options today. However, we see it as positive that there are several verticals to grow within, and that the management already has their minds on this.

As aforementioned, we believe Imint’s M&A activity will increase given their need of deploying the growing cash pile and the company’s communication regarding M&A, which can also be considered as a form of optionality.

## Market Opportunity

The market for video enhancement solutions is growing rapidly, especially within smartphones. As smartphones become more powerful, they have come to increasingly replace video cameras.

Combined with increased use of social media, increased storage capacity and network bandwidth, the amount of user created video content is growing rapidly, as it has done for many years now. The number of users that consume video content on their mobile devices is also growing rapidly due to the aforementioned reasons. We will predominantly focus on the market for smartphones, since it is by far the largest market for Imint today.

The global smartphone market is expected to grow by 4% each year during the forecast period 2022 - 2027, according to Mordor Intelligence (2021). Factors such as increasing disposable income, development of telecom infrastructure and the emergence of budget-centric smartphones are all variables contributing to the growth. This growth is primarily attributable to the Asian market, which is where Imint collects ~80% of its revenue today.

The smartphone industry has been steadily developing and growing, both in terms of market size and models. Business Wire (2021) estimates that about 50% of the world's population own a smartphone today. According to Ericsson, the number of smartphone subscriptions worldwide have surpassed six billion and is expected to grow by several hundred million in the years to come.

The Covid-19 pandemic has severely disrupted the balance between supply and demand in the smartphones market since China is the global manufacturing center for most of these devices and components. This has led to delayed shipments and weakened development of next-generation products.

Something that benefits Imint is that one of their largest customers, Xiaomi, has grown rapidly in recent years. Among other accomplishments, they have overtaken Samsung as the largest seller of smartphones in India.

According to several sources (e.g., GSM Association 2021; ELLIOTT, 2020), the smartphone penetration in Asia is about 40%. This, combined with the fact that Imint already has some of the largest smartphone manufacturers as customers, companies which also continues to gain market share, leads us to the conclusion that Imint has a lot of growth left in Asia and within smartphones.

## Patents

Imint have a few patents, but the activity for new patent applications have been low in recent years. The decreased activity regarding new patent application is reasonable given that the product cycles in the industry are much shorter than patent processes. What Imint are filing for now may be approved in 4 - 5 years. And then, of course, there is a risk that the technology will have advanced when the patent is approved, and thus that the patent will not be worth very much when it is approved. Also, a good number of basic patents should enable Imint to offer good IP guarantees for their customers, which they already have today.

## Competition

There are some companies similar to Imint. That is, independent companies that deliver solutions for video stabilization. The Japanese company called Morpho have a similar solution to Vidhance called *MovieSolid*. Since 2015, Imint managed to win over almost all of Morpho's customers within video stabilization software.

The arguably toughest competitor for Imint is a Chinese company called ArcSoft. ArcSoft's edge above Imint is their broad product offering. Imint is more niched towards video stabilization, while ArcSoft delivers a combination of both products and services. Moreover, ArcSoft are 10x the size of Imint and they are Chinese, which we believe benefits ArcSoft in some areas. Other competitors worth mentioning are Ams AG, Analog Devices, ArcherMind, Dolby Laboratories and Elliptic Laboratories.

As Vidhance is included in the manufacturing stage for smartphone manufacturers, it creates a certain lock-in effect in the form of a switching cost. Manufacturers get used to include Vidhance in their daily work, and if a manufacturer changed supplier for this purpose, it would not only pose a risk in terms of possibly worse software and thus a worse end-customer experience. It would also mean that the people in charge of the software implementation in the production line would in part be needed to gain new knowledge and change habits - since they would need to reassure that the entire binary software package for all standard features works frictionless and is compatible with each other. However, we do not see the switching costs attributable to the implementation in the smartphone manufacturers production lines as particularly meaningful. Still, this is probably one reason for why Imint has only lost two customers with considerable volumes in recent years.

Imint's customer base and increased market share indicates that Vidhance video stabilization software is competitive compared to other solutions. However, given the risk of commoditization, we believe it will be hard to charge customers higher license fees within the smartphone segment. In order to have pricing power, we believe that Imint must deliver more products on their existing platform.

However, Imint's historical financial performance tells us that they have been successful at charging more for each customer. We believe that they have been able to do this through new product launches/add-ons appointed to existing customers. While the smartphone market has taken a hit due to the pandemic, Imint has been able to grow both topline and margins. We believe this has happened due to two primary reasons:

1) The arguably closest competitor, ArcSoft, usually maintains a close customer relationship with its customers when it comes to sales and support because they are based in China and have a much larger organization in relation to Imint (they can afford to deploy capital on this to a greater degree than Imint). This has historically been an advantage for ArcSoft. However, ArcSoft could not do this during COVID due to lockdowns, which gave an advantage to Imint. In addition to this, many have now discovered that support can be done remotely, which in addition to the reduced competition has lowered costs for Imint, which in turn have increased the margin.

2) Moreover, Imint has been successful in terms of selling more products to existing customers through new add-ons. We believe that this has also been a key factor linked to the rising margins.

In summary, we believe that Imint primarily will create shareholder value by growing topline and at best maintaining their already strong margin structure. Also, we see great opportunities for Imint to consolidate the market through acquisitions, expanding into new verticals and by launching new add-ons on the existing software platform, rather than having pricing power for their existing product portfolio.

## Counter Thesis

All sorts of software and technical solutions have a risk in terms of decreasing marginal utility, and a risk regarding new disruptive technologies. For Imint specifically, we want to highlight the risk of increased camera quality in general - which would entail a decreased marginal utility for the value that Vidhance provides. However, our view today is that Vidhance has a long runway before it reaches some sort of expiration date. But if smartphone manufacturers were to see a decreased need for Imint's video stabilization software, it would most certainly lead to a margin compression due to decreased pricing power and churn.

As a software provider with negligible marginal costs, it could be difficult to retain high royalty compensation over time. Therefore, we believe there is a risk that Imint's average compensation could decrease over time if the company fails to include additional features. We believe that this is one of several reasons why Imint plans to increase their activity within M&A. And whether they succeed in M&A remains to be seen.

However, our thesis of that Vidhance should have a long runway can partly be explained by today's limitations to both photos and videos. For instance, it is almost impossible to take a photograph or record a video of high quality in high movement or at long distance today. And this is something that many would probably view as very valuable. But technically it is a long way to go until it is possible for most cameras to do this - which leads us to the conclusion that Vidhance will be able to create value for a long time to come.

Another risk is that China may close itself to foreign technological influence, as they have done in several different sectors before. Usually, China has only censored companies that have become very large and that have had access to a lot of data, which is not the case for Imint yet. However, Imint is highly exposed to Chinese smartphone manufacturers. Thus, a further relation-deterioration between China and Western countries should therefore be viewed as a potential threat against the business.

Lastly, we want to highlight that Imint's operations are exposed to currency risks. A large part of the company's operating costs is in SEK, while revenues are largely generated in USD or EUR. Changes in currency could therefore have a negative impact on Imint's earnings and financials.

## Shareholders

The fact that Imint is a company born out of an academic research institution can partly answer why the insider ownership is quite low. Imint's largest shareholder was up until December 16, 2016, PÄAB, which is a network of around 40 business angels that invest in life science and technology companies at early stages. PÄAB has close ties to Uppsala Innovation Centre (UIC), an incubator connected to Uppsala University. When the lock-up period ended PÄAB decided to distribute close to 1.18 million shares to its shareholders. Before that, PÄAB owned ~18% of Imint. Therefore, the ownership structure of Imint is rather typical for a company sprung out of an academic research institution.

That said, we understand why the insider ownership is not that high. Furthermore, we also interpret it as positively that the institutional ownership is very low. Usually, this indicates that the company does not have a sufficiently large market capitalization or trading liquidity yet to be a potential

investment for larger institutional players. But when the company crosses that threshold (usually a market cap of ~500 MSEK), the share price usually advances due to trading flows based on economic theory, that there are then more buyers than sellers, which leads to increased share price via multiple expansion.

One could also argue that it would be better for Imint to have more institutional investor as shareholders, since such owners could also contribute with operational expertise. Institutional investors could also serve as an option for increased M&A activity, which Imint has also communicated will happen. However, we do not see a potential capital raising due to acquisitions as a problem. And given that the company already has strong profitability, we do not see as much value in having institutional interest today as for other small growth companies.

Noteworthy is also the trend for insider transactions. During the last year, insiders of Imint has net sold shares for an absolute sum of 4.7 MSEK. However, in relation to the total insider ownership of ~26 MSEK today, we do not view these insider transactions as too negative, and thus do not attach much importance to it on our overall view of the company and its share price. Also, the sales transactions of CEO Andreas Lifvendahl on the 18<sup>th</sup> of January earlier this year were made due to the recruitment of the new CPO Nils Hulth. Adjusted for this, net sales of insiders during the last year have been ~4.5 MSEK.

## Top 15 Shareholders

Avanza Pension	13.57%
Nordnet Pension	3.92%
*Öjvind Norberg (Board member)	2.71%
Johan Qviberg	2.46%
*Peter Ekerling (Chairman)	2.39%
*Andreas Lifvendahl (CEO)	1.71%
Nevrokiro Invest	1.71%
Alexander Ullman	1.55%
Swedbank Försäkring	1.35%
BO Perninger	1.31%
*Jonas Fridh (Board member)	1.26%
Peter Berlin	0.90%
Jan-Olov Ekbom	0.86%
Lena Hedvall	0.86%
Stenolov Ekbom AB	0.85%

\* = Insider

Insider ownership = 8.46%

Updated 2022-03-31



## Management

Imint is currently in the process of expanding its organization from a small research focused organization to a fast-growing market leader within their specific niche. Not least, this can be seen in the last quarterly report by the recruitment of Nils Hulth as the new Chief Product Officer and an increased recruitment pace overall.

Currently, Imint has a top management that we believe is strong and sufficient for the phase that the company is in. The company management now consists of CEO Andreas Lifvendahl, CFO Jonathan Ekman, CTO Johan Svensson, CMO Jan Nyrén, Director of Sales Thomas Sporrang and the latest recruit, CPO Nils Hulth.

### Andreas Lifvendahl (CEO)

Andreas has been CEO since 2012 and was previously the Imint's sales director 2010 - 2011. He left Imint 2011 to lead the international technology consultancy Etteplan's local office in Uppsala but came back to Imint during 2012. Andreas has over 15 years of experience in global large-scale sales and sales management in Europe, the United States and Asia, predominantly related to the software and semiconductor industries. He holds a Master of Science in Engineering Physics from Uppsala University and has further academic education in Commercial Law (Uppsala University) and Business Management (Handelshögskolan).



### Jonathan Ekman (CFO)

Jonathan has been CFO since 2020. Previously, Jonathan has worked as an IT Manager at Kriss AB, a Swedish fashion company. Currently, Jonathan is also CEO at his own consultant firm EkonomiCenter i Uppsala AB.



### Johan Svensson (CTO)

Johan holds a Master of Science in Engineering Physics from Umeå University and has experience from GE Healthcare's organization, where he had several senior roles in project management and product development. He also held senior engineer roles in optics and sensor technology during his time at GE. Outside office hours, Johan is a skilled and enthusiastic photographer.



**Jan Nyrén (CMO)**

Jan Nyrén has nearly 20 years of experience in technical and commercial roles in the IT and telecom industry and has previously worked at IAR Systems, where he served as product manager. Nyrén has a Master of Science degree from KTH, supplemented with economic studies at Uppsala University. Nyrén has long experience of international business and relations within the telecom sector, both at smaller fast-growing technology companies and major telecom companies.

**Thomas Sporrong (Director of Sales)**

Thomas has over 15 years of experience within software in a broad set of roles including technical, sales and leadership roles. He has a strong background in software product businesses where he managed both global sales and application teams. Thomas holds a Bachelor of Science in Electronics and a Master of Science in Computing, both from Mälardalen University.

**Nils Hulth (CPO)**

Nils has a long career in technology companies in many different roles. For the past sixteen years, Hulth has worked for Pricer AB, with roles in product management, development management and sales management. Nils has a broad academic background containing a Master of Science in Evolutionary and Adaptive Systems from University of Sussex, a Bachelor of Science in Cognitive Science from Lund University and Executive education from KTH within Industrial Management. Currently, Nils holds the 3 000 shares which were sold from CEO Andreas Lifvendahl in parallel to the recruitment of Nils. It would send a nice signal to the market as well as existing owners if Nils decided to buy more shares. In that case, Nils shows that he not only came to Imint to become an employee, he then also shows that he joined because he believes strongly in the company going forward.





## Board of Directors

Imint's Board of Directors comprises five members and is headed by Chairman of the Board Peter Ekerling, who is also the fifth largest shareholder in the company. We believe Imint's board has several of the competencies required to take Imint to the next level. However, there has been many changes in the Board of Directors during the last couple of years, and we usually find it compelling if a board has been with the company for a long time, since it indicates that the board are long-term oriented in their commitment. Anyhow, this fact does not have to be net negative. If we turn the coin, we view it as positive that Peter, Öjvind and Jonas, who are the latest additions to the board, are also the third, fifth and eleventh largest shareholders in the company.

### **Peter Ekerling (Chairman since May 2020)**

Peter Ekerling has many years of experience as an entrepreneur in various industries. Among other things, Peter has built up a larger confectionery chain in Sweden and has created one of the first Fintech companies in the country. Peter is currently also a board member of Edblad & Co AB.



### **Martin Thunman (Board member since May 2018)**

Martin has 20 years of experience in the technology sector. He has founded two fast-growing tech companies called Crosser and PacketFront. At Crosser, he is currently CEO and was previously also CEO at PacketFront. Moreover, he has a strong background in international B2B business and a solid experience of financing in the venture capital world. Lastly, he has also worked at various positions within Sales Management at Cisco. Mats has a degree of Master of Science in Business from university of Lund.



**Anders Ingeström (Board member since May 2019)**

Anders has over 35 years of experience as founder, CEO, executive, active board member in growth companies in the IT/Telecom sector, with executive and CEO experience from companies such as AU-System, Across Wireless, Sonera Smarttrust and Spinbox. Anders has since 2015 been active as board member or chairman of the board in Jeeves Information Systems, Spinbox, Idevio, Palette Software, Encare, Solutions Experts and Imagimob among others. From this background Anders has gathered experience of growing and internationalize companies. Anders has a Master of Science in Engineering from University of Linköping.

**Öjvind Norberg (Board member since May 2020)**

Öjvind Norberg has a long and successful track record as CEO for several companies. Moreover, he has been an active board member in over thirty companies. Öjvind has also started and run a number of non-profit organizations with focus on management and corporate governance, such as Styrelseakademien, SAMC - Swedish Association of Management Consultants and Företagarnas Riksstyrelse. In addition, he has been a university lecturer in Business at the Royal Institute of Technology (KTH), Stockholm School of Economics (Handelshögskolan), Södertörn University and IHM Business School. Öjvind has also started the venture capital company PÄAB Professionell Ägarstyrning AB which successfully has invested in several tech-startups in the Uppsala region.

**Jonas Fridh (elected to the board during the last board meeting)**

Jonas has 20 years of experience from several roles within finance, both from sell side and buy side, at SEB and Carnegie Investment Bank. Jonas currently works as an Equity Portfolio Manager and have a seven-year track record with a Compound Annual Growth Rate (CAGR) of 24% and with a positive absolute return every year. He currently runs a focused Nordic large- and small-cap portfolio which also includes short selling.



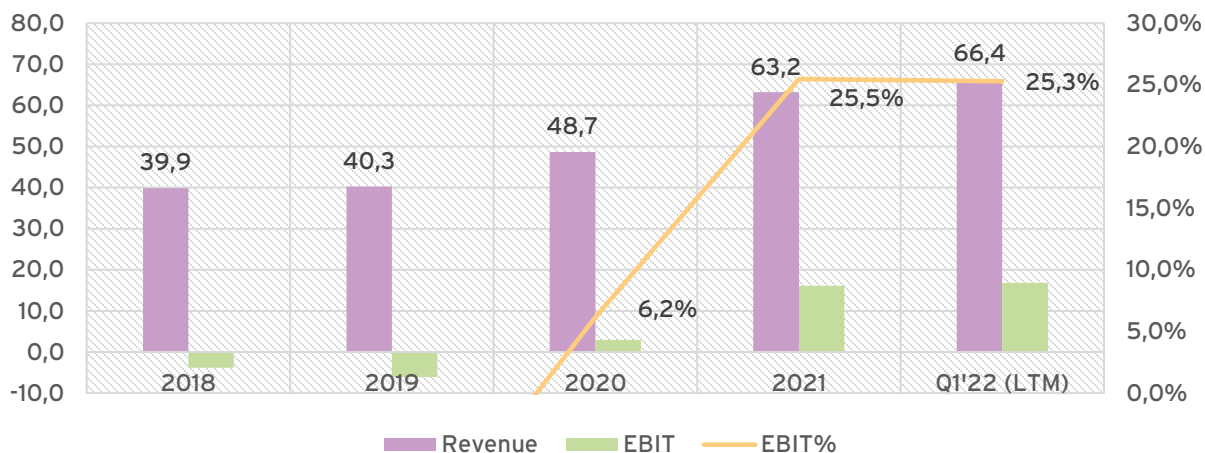
## Balance sheet

Equity at the end of the period amounted to 90.6 MSEK (61.2), which gives an equity/assets ratio of 85%. Imint also had a solid cash position of ~63.6 MSEK as per the ending of the first quarter of 2022, which currently makes up ~20% of the market cap.

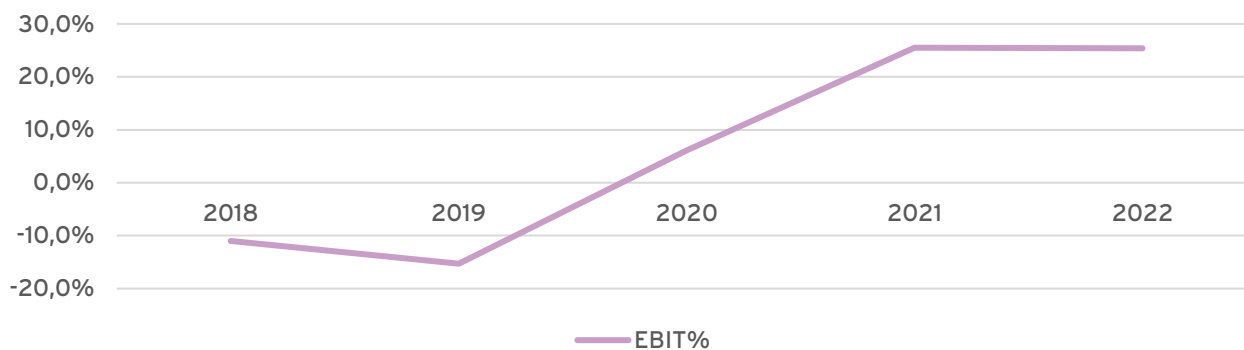
## Financials

Looking at the historical financial performance, we find question marks about how boosted by the pandemic Imint has been, given that the EBIT margin has exploded since the start of the pandemic. Despite this, it is difficult to find the causality as smartphone sales decreased due to the pandemic. We find it more logical that the relative strength Imint gained towards the toughest competitor ArcSoft due to the pandemic, and that Imint has been successful with new product launches, have been the main reasons for the sharply increasing margin. We also want to point out that capitalized development costs accounted for 6.5% of topline during Q1'22. This does not affect topline significantly, but it does have a major impact on the reported profitability.

### Revenue and EBIT



### EBIT Margin



## Valuation

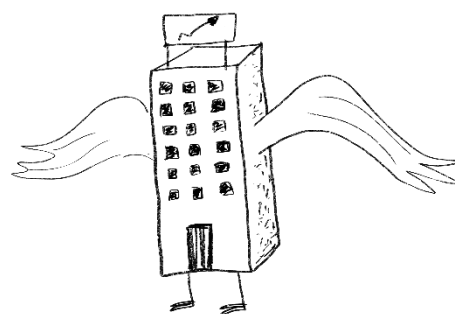
We break down our valuation by taking multiples into consideration and present our value as a potential CAGR for the share price by applying an exit multiple for 2024. The purpose of this is to demonstrate a scenario that we think is reasonable.

Imint's LTM multiples such as P/E 14.5x and EV/EBIT 14.5x seems far too low given their three years of growth CAGR from 2018 - 2021 has been 23%, with a sharp increase for the margins during the same time.

We believe that the low valuation can be explained due component shortage, a declining smartphone market in general, low trading liquidity and market cap, as well as the figures today are somewhat artificially boosted due to capitalized development costs.

Our assessment is that Imint could be traded at EV/EBIT 20x without to be considered as expensive.

Key Figures	P/E	EV/EBIT	EBIT%
Multiple	14.5x	14.5x	25.4%



## Base scenario

We assume that the Imint will keep gaining market share within the smartphone market, predominantly in Asia, and that they will keep being successful with new product launches. However, we don't take potential M&A into consideration in our forecasts. In the figures presented below, we have not made any adjustments for capitalized development costs.

Neutral	2021	2022	2023E	2024E	2025E	2026E
<b>Revenue</b>	<b>63.2</b>	<b>80</b>	<b>100</b>	<b>120</b>	<b>138</b>	<b>159</b>
<i>% y/y</i>	<i>30%</i>	<i>27%</i>	<i>25%</i>	<i>20%</i>	<i>15%</i>	<i>15%</i>
<b>Gross Profit</b>	<b>56</b>	<b>69</b>	<b>86</b>	<b>102</b>	<b>117</b>	<b>135</b>
<i>*margin</i>	<i>89%</i>	<i>86%</i>	<i>86%</i>	<i>85%</i>	<i>85%</i>	<i>85%</i>
<i>% y/y</i>	<i>48%</i>	<i>23%</i>	<i>25%</i>	<i>19%</i>	<i>15%</i>	<i>15%</i>
<b>EBIT</b>	<b>16.1</b>	<b>18</b>	<b>20</b>	<b>24</b>	<b>23</b>	<b>27</b>
<i>*margin</i>	<i>25%</i>	<i>23%</i>	<i>20%</i>	<i>20%</i>	<i>17%</i>	<i>17%</i>

	Enterprise Value / x		
	Sales	GP	EBIT
2021	3.9	4.3	15.2
2022	3.1	3.5	13.6
2023E	2.4	2.8	12.2
2024E	2.0	2.4	10.2
2025E	1.8	2.1	10.6
2026E	1.5	1.8	9.0

	Exit Multiple	
	Sales	EBIT
2024E	5	22
Weight	50%	50%

	Valuation		
	Sales	EBIT	Total
2024E	300	264	564

	Potential Return		
	Factor	Percent	CAGR
2024E	1.83	83%	22%

	Margin of Safety 30%		
	Factor	Percent	CAGR
2024E	1.28	28%	9%

## Sensitivity Analysis 2024E

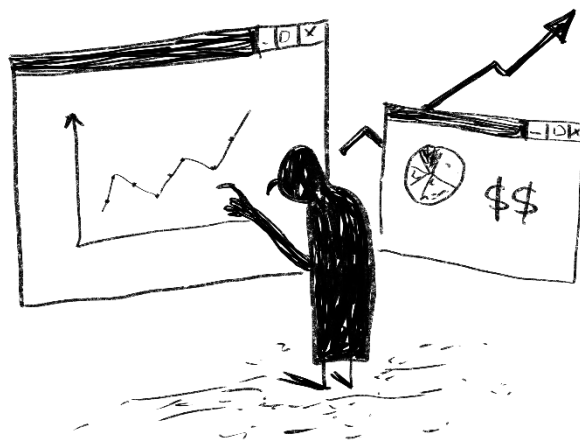
		Exit multiple (EBIT)				
		12	16	22	24	28
-15%	20	245	326	449	490	571
-10%	22	259	346	475	518	605
-5%	23	274	365	502	547	638
0%	24	288	384	528	576	672
5%	25	302	403	554	605	706
10%	26	317	422	581	634	739
15%	28	331	442	607	662	773

## Summary

We view both the company and the investment case as compelling. We believe the attractive investment case mainly is attributable to Imint's current leading market position, the business model, the management and the valuation. As previously mentioned, the valuation has come down to what we consider to be an attractive level due to component shortage, a chaotic stock market climate in general and probably also because of the low trading liquidity, which means that the probability is higher for an incorrect pricing. The company is now valued at P/E 14.5x and EV/EBIT 14.5x, which we believe is too cheap. Even when we apply a margin of safety of 30%, we believe that the stock can perform above an average index return per year during the coming years. We would also like to point out once again that we have not taken M&A into account in our assumptions. If the company executes well within M&A as well as within the other option, the upside is potentially much higher than 22% per year 2024E.

Moreover, we believe there are several short-term triggers. Not least in the upcoming increased M&A activity, which will also serve as an opportunity for Imint gaining more institutional investors on board. We also see potential triggers in additional major deals with leading smartphone manufacturers, launches of products in new business segments, deals with major customers like Samsung, a collaboration with Facebook or some other big player within social media, or that Imint gets acquired by a larger industry player.

The primary risks we see are that Imint's features become commoditized which in turn leads to margin compression, deals and revenues are delayed due to component shortage and that China may close itself to foreign technological influence.



## Disclaimer

No one at Kalqyl owns shares in customer companies, including Imint, due to a possible conflict of interest. Nothing you read on Kalqyl.se should be seen as investment advice, and what is presented in the analysis may be incorrect. The analysis is independent but funded.

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