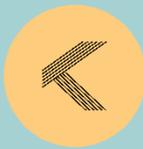
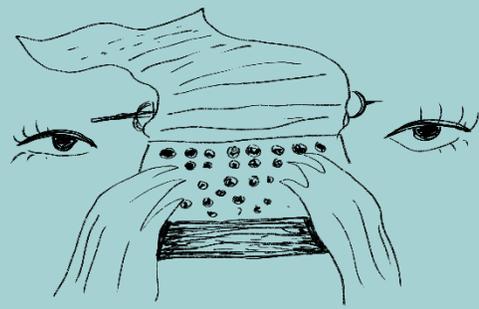


Imint Q2'22



2022-08-23

Imint continued to grow sales rapidly during the second quarter of 2022, but with lower margins than normal, although largely attributable to new hires. Second quarter in numbers:

- Net sales for the quarter amounted to 18.1 MSEK (15.1 MSEK)
- Operating expenses for the quarter amounted to 20.8 MSEK (14.3 MSEK)
- Profit after net financial items for the quarter amounted to 5.6 MSEK (3.9 MSEK)
- Earnings per share for the quarter amounted to 0.61 SEK (0.42 SEK) before dilution and 0.60 SEK (0.42 SEK) after dilution
- Cash flow after investment activities for the quarter amounted to SEK 16.3 million (SEK 11.5 million)

Some major happenings in the quarter were that Imint on the 14th of April announced that the company entered a partnership with SIM Technology, regarding development of increased video quality in AR headsets and head-worn cameras.

On April 26, Imint announced that their Vidhance software solutions have been implemented in Motorola's new Edge+ smartphone. The new mobile phone is equipped with three Vidhance solutions: Vidhance Video Stabilization, Vidhance Lens Distortion Correction and Vidhance Dynamic Motion Blur Reduction.

Key Stats

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

Analyst

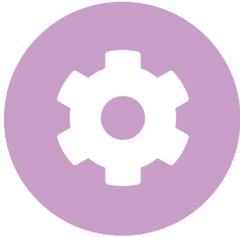
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Key insights



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 11.6x and EV/EBIT 12.3x 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.

“We maintain a high rate of innovation, and with the resource reinforcement we done during the year we have substantially increased our capacity to deliver value to both existing smartphone customers and new market segments.”

- CEO Andreas Lifvendahl

Investment case

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

Net sales in the quarter increased by 19%, which was slightly below our estimate but yet another sales all-time high for Imint, although this figure was somewhat boosted by currency changes. A globally weakened economy has left its mark on the smartphone market which still is the significantly most important one for Imint. Smartphone volumes fell 9% compared to Q2'21. The smartphone industry especially had problems in the Chinese market, which of course affected Imint a lot considering how much exposure the company has to China. This was the biggest contributing factor to the slightly lower growth.

The major Chinese suppliers saw volumes fall between 15 - 25%. Counterpoint Research estimates the second quarter's total volume to 295 million phones, which is 10% lower than the first quarter of 2022 and 30% lower than for the fourth quarter of 2021. Taking this into account, we think that Imint demonstrates a stability in the business as revenues continues to grow rapidly.

The decline for smartphone sales is partly related to China's zero Covid policy which is still active in several parts of China. However, Vidhance was installed on approximately 50 units in Q2 giving Imint a market share of approximately 18%, compared to a 16% market share in Q1. This once again demonstrates the stability of Imint's business and that the company coped with a turbulent period in a good way.

Operational costs in the quarter increased with 45% y/y, mostly attributable to the increased employment rate and a one-off cost due to a customer production issue. Marketing costs were at the same level as it has been for the last few quarters. Adjusted for the one-off, the operational costs were 17.9 MSEK (which corresponds to an increase of OPEX of 25% y/y).

Imint has been transparent about that they will continue to increase the personnel costs in order to take advantage of the many growth opportunities that exist. Therefore, the increase for OPEX was expected, adjusted for the one-off.

Further, Imint continues to close deals and grow its already strong customer base. Imint estimates that around 750 million smartphones now are powered with Vidhance software, which is a statistic that makes Imint the global market leader in the niche. Moreover, the record high cash pile, which is now 83.6 MSEK, is an exciting option for a possible acquisition. This is something that CEO Andreas Lifvendahl has been open about, i.e., that Imint has plans to make acquisition for at least some of this cash.

We also continue to look positively at Imint continuing to grow as a profitable company, even though capitalized development costs significantly affected the profitability. The capitalized development costs increased in the quarter and are expected to increase further due to more investments in their core technology.

All in all, Imint continues its profitable growth journey, and we predominantly consider the second quarter as non-dramatic. We slightly lower our estimates for both revenues and EBIT but we remain positive both regarding the company and the stock.

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 Imints features becomes commoditized which in turn leads to margin compression, deals and revenues keep getting delayed due to component shortage and that China may close itself to foreign technological influence.

Base scenario

We assume that 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 do not 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	2022E	2023E	2024E	2025E	2026E
Revenue	63.2	77	96	115	132	152
% y/y	30%	22%	25%	20%	15%	15%
Gross Profit	56	66	83	98	112	129
*margin	89%	86%	86%	85%	85%	85%
% y/y	48%	23%	25%	19%	15%	15%
EBIT	16.1	15.4	19.2	21.9	22.4	27
*margin	25%	20%	20%	19%	17%	17%

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

	Valuation		
	Sales	EBIT	Total
2024E	287.5	240.9	528.4

	Potential Return		
	Factor	Percent	CAGR
2024E	1.98	98%	25%

	Margin of Safety 30%		
	Factor	Percent	CAGR
2024E	1.38	38%	12%

Disclaimer

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