

# Netmore Group

Sector: Technology

## IoT Enabler with Solid Moats

Redeye initiates coverage of Netmore Group, a Swedish IoT operator that drives digitalization by connecting properties and sensors to its purpose-built communication networks. We see this as an enticing entry point into an attractive long-term case supported by strong ownership, a recurring revenue business model, and secular trends.

### Solving a genuine need – high perceived value

Netmore provides a comprehensive service to facilitate and support the digitalization of properties and other essential areas by becoming a long-term strategic partner for its customers. We argue that its recurring revenue business model builds in switching costs and network effects.

### Excellent ownership supports fast commercialization

Netmore's three largest owners – Buildroid Invest (backed by Vincero and Stronghold), Polar Structure, and SBB – are some of the Nordic region's largest and most innovative infrastructure investors. They provide financial backing and plenty of opportunities to support the successful commercialization of Netmore's products in Europe.

### Challenges: execution and competition

Given the compelling dynamics in Netmore's core markets, we expect competition to intensify in the future. However, the main near-term challenge will be execution of the current backlog (>700 properties) and building up the business pipeline.

### Valuation: significant upside

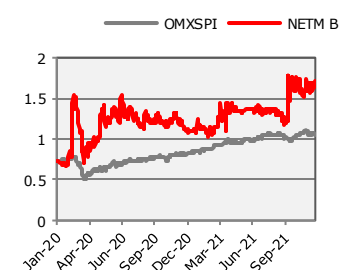
Our Base Case represents upside of some 46 percent, corresponding to EV/sales of 2.6x and EV/EBITDA of 12.5x on our 2024 estimates. We see the case as supported by strong ownership, the recurring revenue business model, and secular trends, providing structural growth for many years to come.

Key Financials (SEKm)	2019	2020	2021E	2022E	2023E	2024E
Sales	13	32	47	62	89	179
Sales growth	351%	153%	45%	34%	43%	102%
EBITDA	-12	-43	-47	-39	-20	38
EBIT	-21	-57	-63	-56	-38	18
EBIT Margin (%)	-164%	-179%	-136%	-91%	-43%	10%
Net Income	-23	-60	-72	-56	-34	22
EV/S	6.1	6.7	9.2	7.7	5.7	2.6
EV/EBITDA	neg	neg	neg	neg	neg	12.5
EV/EBIT	neg	neg	neg	neg	neg	26.7

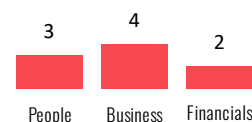
### FAIR VALUE RANGE

BEAR	BASE	BULL
0.7	2.4	4.2

### NETM B VERSUS OMXSPI



### REDEYE RATING



### KEY STATS

Ticker	NETM B
Market	First North
Share Price (SEK)	1.64
Market Cap (SEKm)	518
Net Debt 2021E (SEKm)	-89
Free Float (%)	15

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## Investment Thesis

Swedish IoT operator Netmore Group (Netmore, the company or the group) is at an exciting inflection point. During the past year, Netmore has secured funding (attracting owners such as SBB and Polar Structure), launched a recurring revenue business model, and entered into major agreements across its three core business units. We see particularly compelling cases within Property Networks and IoT Networks.

### **Robust ownership structure – validated by property and infrastructure investors**

Netmore is owned and controlled by Buildroid Invest, a digitalization investment company backed by Vincero and Stronghold. Additionally, Polar Structure and SBB are amongst the three largest owners. We believe Netmore has amassed an impressive ownership structure, comprising some of the largest and most innovative property and infrastructure investors in the Nordic region and Europe. Together, Buildroid Invest, Polar Structure, and SBB provide financial backing and the strategic conditions to successfully commercialize a full-scale rollout of Netmore's products in Europe.

### **Joint venture with Polar Structure enables rapid IoT expansion**

The joint venture that Netmore established with Polar Structure in Q3 2020 is essential, in our view, in securing and extending a first-mover advantage within IoT Networks. So far, Polar Structure has provided the joint venture with more than SEK 300m in credit facilities to support a fast buildout and commercialization of Netmore's IoT offering. Over time, Netmore expects to provide connectivity to millions of smart sensors – generating monthly recurring revenue (MRR) per connected sensor.

### **Recurring revenue business model – connectivity as a service**

Netmore operates a subscription-based, shared-revenue model, partnering with asset owners such as property owners and municipalities. The long-term value Netmore creates for its customers is, in our opinion, the essence of its business model and enables "as-a-service" delivery of its solutions. We believe Netmore's property and IoT backlog are worth close to SEK 50m and SEK 8m in annual recurring revenue (ARR), respectively.

### **High switching costs...**

Netmore provides a comprehensive service to facilitate and support the digitalization of properties and other mission-critical areas such as water and waste management systems. Thus, Netmore becomes a long-term strategic partner to its customers, with high switching costs. This notion is supported, in our view, by recent customer agreements typically of five years and more, and the extensive lifetime of smart sensors, which is often up to ten years.

### **... but also network effects**

In addition to switching costs, we believe Netmore's IoT offering gives rise to network effects. Essentially, when Netmore IoT Networks expands, it results in positive externalities for the network's stakeholders, such as sensor providers, as these grow their addressable markets. Furthermore, we argue that a successful Property Network rollout could support a cost-efficient rollout of the IoT Network. We consider this particularly compelling as it would make it challenging for competitors to create a similar offering.

**Unique market position in a novel 5G landscape**

Secular trends drive increased mobile data traffic, especially in indoor environments. At the same time, modern building standards make it far more difficult for 5G radio signals to penetrate buildings. Netmore provides an innovative offering that fits well into this complex ecosystem. An indoor 5G coverage buildout, led by property owners (rather than operators), addresses these challenges, improving the total cost of ownership and capex savings. Employing an operator-neutral infrastructure implies that the property owner that owns or rents the hardware can offer 5G to its tenants. At the same time, mobile network operators (or other stakeholders) can use the infrastructure in the building to provide 5G to their customers.

**Secular market trends pushing in the right direction**

The shift to 5G enables a wide selection of cutting-edge technologies such as autonomous driving, VR, AR, and indoor asset tracking. We expect stakeholders such as property owners, industrial companies, and municipalities to strive to provide the latest access technologies. In many cases, 5G could result in new services and revenue streams. However, an increased sustainability focus will also result in a big push. Buildings account for about 40% of global greenhouse gas emissions. Digitalizing properties to connect thousands of smart sensors will be monumental in achieving different climate goals.

**Catalysts****Lighthouse customer agreements**

We see great potential in a high-volume rollout of Netmore's solutions throughout a large customer's property portfolio. In addition to yielding a significant ARR at high margins, it could indicate that the industry is truly ready to adopt the technology on a larger scale.

**Positive news concerning existing accounts**

Netmore has engagements with more than five leading property investors. The existing backlog (>700 units) far exceeds the number of contracted units (40). Significant conversion to contracted units should prompt a positive share price correction.

**IoT Networks expansion**

Netmore expects to expand its network to the UK and Ireland, providing the company with greenfield opportunities. High-profile partnerships and customer engagements in these geographies should bolster the share price sentiment.

**Good consecutive quarterly reports**

Netmore remains unprofitable and needs to deliver solid quarterly reports, demonstrating underlying business growth to win investor confidence.

**M&A**

Netmore's extensive M&A background has strengthened its core offering and accelerated its go-to-market, especially within IoT networks. Additional M&A would likely consolidate the local operator market, complement existing solutions, and create adjacent offerings.

## Counter-Thesis

### **Increased competition...**

The industry landscape is fairly novel, and Netmore has, so far, staked out an attractive position with little competition. However, the space is increasingly captivating, and we anticipate increased competition from other IoT startups and traditional mobile network operators. Netmore could find itself in a challenging position if the large established stakeholders were to flex their financial muscle.

### **... could result in commoditized products**

Once the market matures, a likely scenario is that many stakeholders end up providing good-enough IoT network solutions, eventually commoditizing the product. If rivaling solutions were to become too similar, we would anticipate substantial price pressure, hurting long-term profitability.

### **Execution**

Netmore's concept resonates well with customers. However, large-scale commercialization is still a couple of years further down the road. Delays in the go-to-market, owing to technical challenges, operational bottlenecks, and so on, could weaken the case.

## Table of Contents

IoT Enabler with Solid Moats.....	1
Investment Thesis .....	2
About Netmore.....	6
People – Well-Rounded Team .....	8
Business Proposition – Reliable and High-Quality Connectivity .....	10
Business Model – Connectivity as a Service .....	15
Growth.....	17
Customers – Targeting Large Accounts.....	19
Industry Outlook – Many Trends Pushing in the Right Direction.....	23
Competitive Landscape.....	28
Financial Forecasts.....	31
Valuation .....	37
Summary Redeye Rating.....	38
Redeye Rating and Background Definitions.....	40
Redeye Equity Research team.....	41
Disclaimer.....	42

## About Netmore

Headquartered in Stockholm, Netmore is an Internet of Things (IoT) operator. The company operates three business areas: Netmore Property Network, Netmore IoT Network, and Netmore Open Access 5G Network. It drives digitalization by connecting properties, industrial facilities, and sensors, for example, with its purpose-built networks. Netmore takes on the role of an IoT enabler and works together with customers and partners to reap the benefits of digitalization.

Netmore applies a subscriptions-based, shared-revenue business model, partnering with asset-owners such as property owners and municipalities. The long-term value that Netmore creates for its customers is, in our opinion, the essence of its business model and enables "as-a-service" delivery of its solutions, which looks set to generate a growing stream of recurring revenue. Netmore announced this updated business model in Q1 2021 and has since applied it to all business areas.

In Q3 2020, Netmore entered into a long-term partnership with Polar Structure, a leading investor and developer of Nordic infrastructure. We believe the partnership is critical for ensuring rapid and large-scale commercialization of Netmore's solutions. So far, it has enabled an organic buildout of the IoT network and a series of acquisitions, primarily masts and LoRaWAN gateways. Additionally, Netmore secured SEK 300m through the partnership in Q1 2021, intended for large-scale expansion of the Property Network business area.

Having made several strategic acquisitions in recent years, including Bredbandsson, Blink Services, OmniPoint, and New Deal, Netmore has taken important steps towards achieving its vision to become a leading European IoT operator. The group has several subsidiaries, undertaking projects in Germany, the UK, Ireland, and the Nordic countries, where most of its operations are. Netmore was founded in 2010 and has been listed on Nasdaq First North since 2017. We provide a brief illustration of the most important milestones to date below.

Historical highlights	
Date	Note
Q1 2010	North Net Connect AB is founded in Stockholm, Sweden
Q3 2017	Nasdaq First North listing
Q1 2018	Acquisition of Netmore AB for 0.1 SEKm - intends to utilize the Netmore brand across the group
Q4 2018	Acquires Blink Services AB, Omnipoint AB and Grundbulten 27128 AB through a non-cash issue
Q4 2019	Directed share issue of SEK 16m to strategic property investor Vincero AB
Q1 2020	Establishes joint ventures in Ireland, UK and Germany to support international expansion
Q1 2020	Acquires Bredbandsson AB for SEK 22.5m on an 80% cash and 20% stock basis
Q3 2020	Initiates long-term partnership with Polar Structure AB, resulting in, among other things, the establishment of a joint venture, a credit facility and a convertible loan
Q4 2020	Acquires an IoT network from Talkpool AB in a SEK 7.5m deal to improve its offering and expand coverage
Q4 2020	Acquires high and low masts from Växjö Radiosystem AB
Q1 2021	Launches a new strategic direction - targeting recurring revenues - and management structure
Q1 2021	Secures SEK 300m in expansion capital through its joint venture with Polar Networks AB
Q2 2021	Buildroid AB announces a public takeover bid á SEK 1.5 per share - gets rejected
Q3 2021	Directed share issue of SEK 70m á SEK 1.9 per share split between Samhällsbyggnadsbolaget i Norden AB and Polar Structure AB
Q4 2021	Carries out a fully guaranteed preferential rights issue of SEK 43.1m á SEK 1.50 per share

Source: Redeye Research, company data

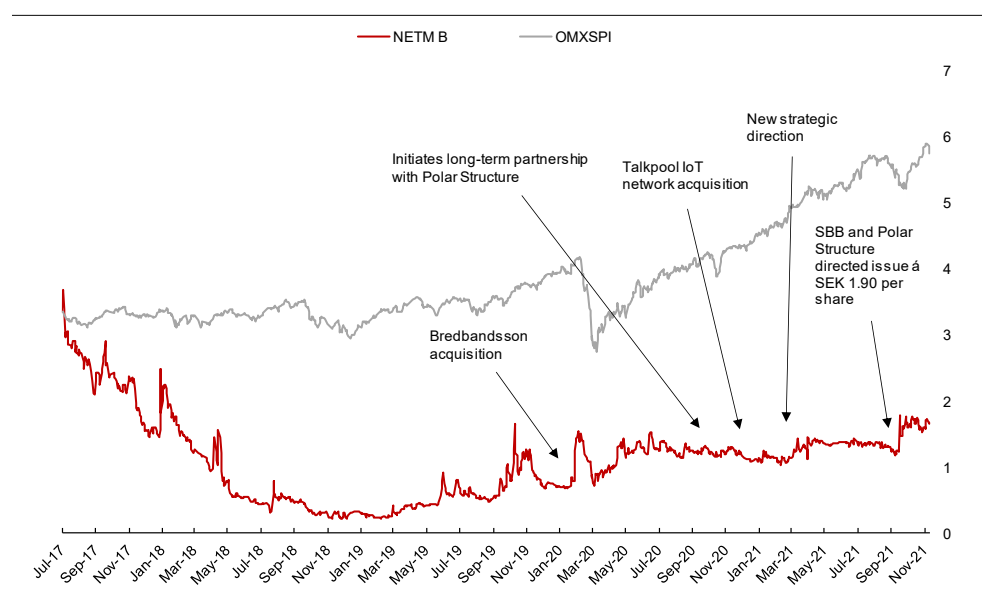
## Share Price Development

### Underperformance since First North listing...

Netmore's historical share price development is characterized by a distressed stock performance since going public. The company focused mainly on product development and technical innovation – reporting non-meaningful revenues and substantial losses. Consequently, it failed to achieve growth targets, and the commercial breakthrough was postponed due to a lack of execution capabilities.

### ... But gained some 240 percent over the past three years

Beginning in 2019, Netmore increased its focus on commercialization – resulting in a number of breakthrough orders, especially concerning its Property and IoT solutions. The appointment of a new CEO in Q3 2020 and a new strategic direction announced in Q1 2021 solidifies this stance. Moreover, SBB and Polar Structure shared a SEK 70m directed share issue in Q3 2021, at a SEK 1.90 subscription price per share, corresponding to a >40 percent premium to the prior closing. We understand that Netmore's robust owner structure plays a vital role in explaining the upbeat market sentiment – the share price has increased some 240 percent over the past three years. In particular, we believe Netmore's solid owners will support and provide continuity to the capital allocation process, something the company lacked prior. Raising growth capital will not be as challenging heading forward.



Source: Redeye Research

## People – Well-Rounded Team

### Board and Management – Skin in the Game

Netmore's board and management come from well-rounded backgrounds, strongly coupled to physics and engineering studies, along with C-suite positions at world-leading electrical, engineering, and telecom-oriented companies. However, we would like to highlight the impressive merits from the real estate and financial industries as well, as set out below. We recognize that the combined board and management ownership is very high, especially considering indirect holdings such as Vincero and Kapitopia. Beyond SBB and Polar Structure, the largest owners are represented on the board or in management. We find this encouraging as it indicates skin in the game and a long-term commitment to Netmore's success.

Board					
Name	Position	Since	Shares A	Shares B	Note
Rolf Norberg	Chairman	2016	998,852	488,000	Dr & MSc in Engineering Physics. Previously in CTO and development roles at Sandvik, ASSA ABLOY and Securitas. Currently board member at TagMaster AB.
Roberto Rutili*	Director	2020	85,704	73,042,320	BA International Management. Co-owner of Buildroid, CEO of Vincero, co-founder of Doktor.se and Hidden Dreams.
Sara Selldahl	Director	2020	-	200,703	MSc in Industrial Economics at KTH. Currently at Google Cloud. Previously at Microsoft (Azure), P&G and Ericsson.
Petra Scharin	Director	2021	-	-	MSc in Economics. Previously CEO and CFO at Stronghold Invest. Other employers include Hexagon, Coop and EY. Board experience at Newsec and Niam.
Fredrik Berglund	Director	2021	-	-	Economics DIHM. Management consultancy experience and has taken on C-suite roles at Pricer, Scribona and Tele2.
Daniel Kraft	Substitute	2021	-	-	MSc in BA and Finance at Lund University. Co-founder of Buildroid, engagements at Stronghold Invest and a background within digital investments and finance.

Source: Redeye Research, company data

\*Ownership refers to Buildroid AB

Management					
Name	Position	Since	Shares A	Shares B	Note
Ove Anebygd	CEO	2020	-	3,076,923	Technical background including studies at Columbia Business School. Previously CEO at Qvantel (Finland) and several C-level positions at Ericsson.
Thomas Plate	CFO	2017	-	108,503	MSc in Economics. 20+ years as business controller and CFO within IT and Telecom. Previously at Telenor, Barneby's and several start-ups.
Arti Ots	CSO	2019	-	-	MBA at Henley Business School. Previously CEO at Kcell (Kazakhstan's largest mobile operator) and several C-level positions within the Telia Group.
Andreas Stenhager*	CCO	2020	-	7,800,000	IHM Business School. Telecom experience with commitments at Tele2 and ViQ Sweden. CEO and partner of Kapitopia AB - a large shareholder.
Andreas Eriksson	CPO	2020	-	539,289	Started his first IT business after high school. Has spent the last 15 years in CTO and strategy roles in an international IT and telecom environment.
Martin Edofsson	COO	2020	-	-	MSc EE at Chalmers U of Technology. 15+ years at Ericsson as HW Designer and Head of System and Product Manager. Involved in IoT startups more recently.
Johan Jobér	CTO	2017	3,696,852	2,509,446	MSc in Engineering Physics and Systems Engineering. Extensive experience from tech and development positions at ice.net, Orange, Ericsson, FOA and FRA.

Source: Redeye Research, company data

\*Ownership refers to Kapitopia AB



## Owners – Controlled by Real Estate Giants

Netmore is owned and controlled by Buildroid Invest AB, a digitalization investment company backed by Vincero and Stronghold. Additionally, Polar Structure AB and SBB AB are among the three largest owners. We believe Netmore has amassed an impressive ownership base, comprising some of the largest and most innovative property and infrastructure investment companies in the Nordic region and Europe. Together, Buildroid Invest, Polar Structure, and SBB provide financial backing and the strategic conditions to successfully commercialize a full-scale rollout of Netmore's products in Europe.

Ownership (m shares)						
Rank	Shareholder	A-Shares	B-Shares	Total Shares	Share Capital	Voting Rights
1	Buildroid Invest	16.7	137.4	154.1	53.8%	69.7%
2	Polar Structure	0.0	50.7	50.7	17.7%	11.6%
3	Samhällsbyggnadsbolaget i Sverige	0.0	18.4	18.4	6.4%	4.2%
4	Kapitopia	0.0	7.8	7.8	2.7%	1.8%
5	Avanza Pension	0.0	6.9	6.9	2.4%	1.6%
6	Electrical Communication in Scandinavia	0.0	6.1	6.1	2.1%	1.4%
7	Advanced Research Sweden	0.0	4.4	4.4	1.5%	1.0%
8	Nordnet Pensionsförsäkring	0.0	3.2	3.2	1.1%	0.7%
9	Ove Anebygd	0.0	3.1	3.1	1.1%	0.7%
10	Johan Jober med bolag	0.0	3.0	3.0	1.1%	0.7%
<b>Total 10 Largest Shareholders</b>		<b>16.7</b>	<b>241.0</b>	<b>257.7</b>	<b>89.9%</b>	<b>93.4%</b>
	Others	0.0	28.8	28.8	10.0%	6.6%
<b>Total Number of Shares</b>		<b>16.7</b>	<b>269.8</b>	<b>286.5</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data as of 30 September 2021

\*does not consider owner changes after the rights issue completed in December 2021

\*\*the total number of shares after the rights issue is 316.1m

### Buildroid Invest – the controlling owner

Vincero and Stronghold Invest, two authorities within Nordic real estate investments, created Buildroid Invest to accelerate digital development for efficient, secure, and sustainable property management. The parties announced in Q2 2020 that they would invest in Netmore through the newly started company.

Shortly after Buildroid Invest's engagement, Netmore announced a partnership with Newsec, one of Europe's most prominent property managers. Netmore aims to deliver and install its Proptech Node across a substantial share of Newsec's property portfolio, comprising ~9,000 properties. It is worth highlighting that Newsec is a Stronghold property company.

### Polar Structure and SBB

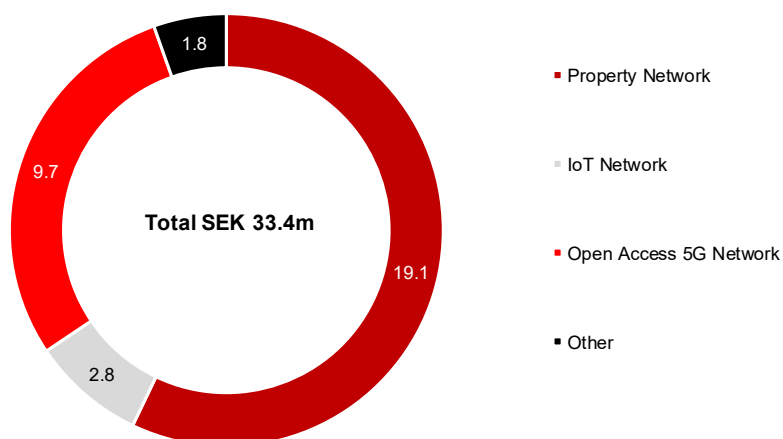
Polar Structure invests in listed and unlisted infrastructure companies with an energy-efficient and sustainable profile. In addition to holding a significant stake, Polar Structure also established a joint venture with Netmore to rapidly expand the nationwide IoT Network. Polar Structure has invested more than SEK 300m into the joint venture through a credit facility to support the go-to-market. Moreover, during Q2 2021, Polar Structure converted a convertible loan to shares at a SEK 3 per share subscription price, corresponding to a >100% premium to the share price.

SBB is one of the largest property owners in the Nordic region and bought into Netmore through a directed share issue in Q3 2021 (in which Polar Structure also participated). At the end of Q3, SBB launched 'Vision 2030', setting stringent sustainability targets across its entire holding and value chain. We thus foresee attractive prospects for Netmore to install its property offering across a large share of SBB's portfolio.

## Business Proposition – Reliable and High-Quality Connectivity

Netmore provides a diverse portfolio of solutions, ranging from enhanced indoor coverage to machine-to-machine (M2M) SIM cards. With the announced updates to its strategy and business model in Q1 2021, it defined three core business areas: Netmore Property Network, Netmore IoT Network, and Netmore Open Access 5G Network. As set out below, the property offering accounts for a majority (57 percent) of the total sales year-to-date.

Sales by Segment Q1-Q3 2021, SEKm



Source: Redeye Research, company data

## Telecommunication Assets at Core

Netmore is an IoT operator. As such, it possesses critical telecommunication assets, essentially enabling it to operate its business areas. We understand that these assets can be divided into five different components:

- Swedish IP network
- Central and distributed 2G-5G NSA mobile Core Network – placed in the UK
- System for network monitoring and operations
- System for billing, charging, and adjacent processes
- Core team consisting of five to ten people that have experience of managing the above from an operator and network infrastructure perspective

Given the increasing complexity within telecommunications, we see great value in Netmore owning such assets. Our understanding is that it takes years to build and develop such assets, given that you find the right resources. In addition to enabling current operations, we believe these assets are essential in differentiating Netmore from smaller stakeholders within 5G, neutral hosting, and IoT.

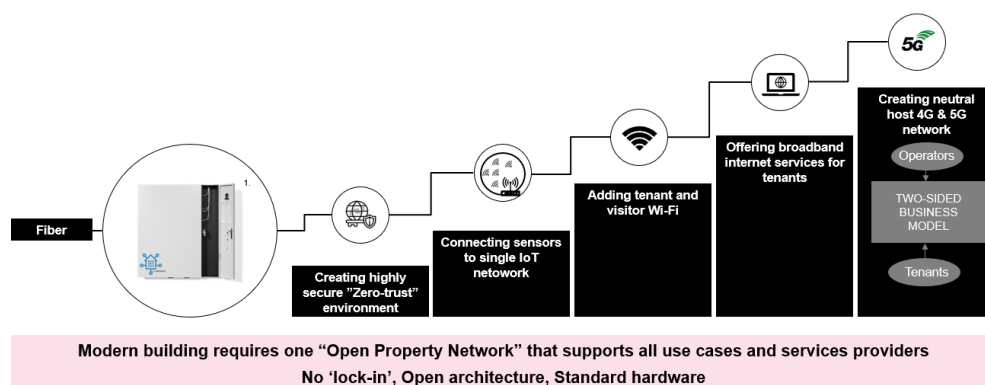
## Netmore Property Network

An increasing number of trends and market mechanisms, such as cybersecurity and ESG, are pushing property owners and managers to digitalize their properties. Some of the stakeholders benefiting from a successful digitalization project include:

- Property owners (and managers), who improve their property's operating net (annual rent minus operational costs), as claiming ownership of the property network enables owners and managers to introduce additional revenue streams and decrease costs
- Tenants, who enjoy raised living standards thanks to superior connectivity solutions, improved cybersecurity, and other innovative features
- Societies, which benefit from reduced carbon emissions thanks to the more cost-efficient maintenance – because of high-scale sensor usage

Property owners decide if and when to digitalize their properties, and the incentives to do so must be strong. Assuming a rental yield of ~5%, each SEK of improved operating net increases the property value by SEK 20. Incentives to increase revenues and reduce costs are thus high.

### Netmore Modular Approach: Evolution of the secure and connected building



Source: Company data

The company's proprietary Proptech Node is at the core of its offering. Connected to fiber, the node provides the property with a module-based technology – delivering connectivity to tenants and property systems on a plug-and-play basis, in addition to connecting internet service providers (ISPs). Moreover, the node's standardized hardware does not force lock-in effects on customers. Property owners and managers can distribute and control access to different networks, systems, applications, and services. The result is a cyber-secure network, with the option of adding Wi-Fi, LoRaWAN, and 4G/5G infrastructure in the future.

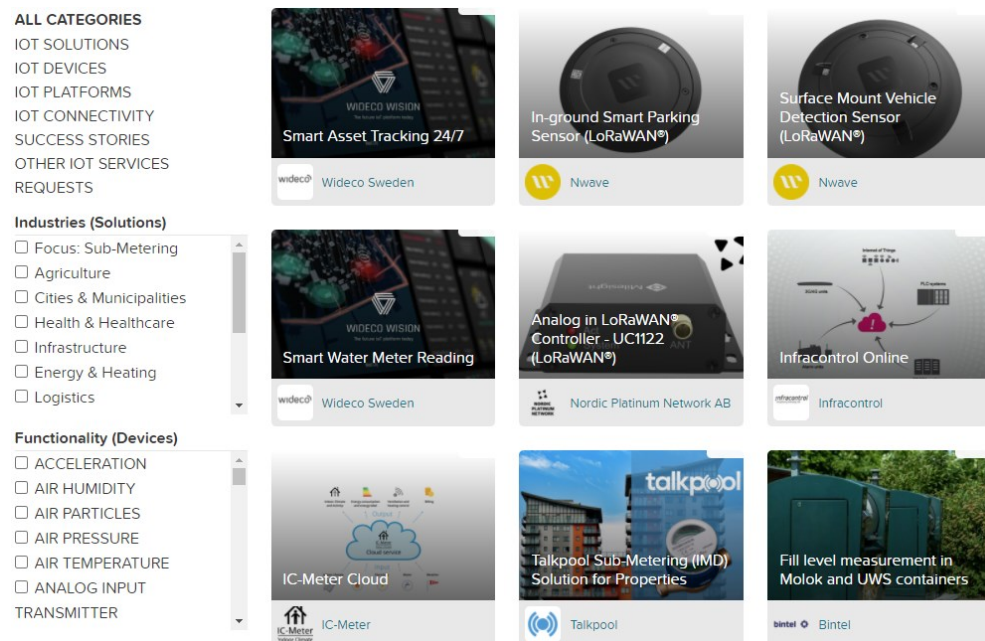
## Netmore IoT Network (LoRaWAN)

The establishment of Netmore Polar Networks (NPN), the company's joint venture with Polar Structure, has accelerated the scope and intensity of its IoT Network offering. Netmore aims to provide IoT coverage to 80 percent of Sweden's population during 2021 – the corresponding figure at the end of 2020 was some 40 percent. In addition, Netmore announced it has initiated the buildout of a nationwide IoT network in Ireland and the UK. The expansion follows an extensive ten year-plus presence in Ireland and high local demand for large-scale IoT connectivity.

Netmore's nationwide IoT network in Sweden will be the first of its kind and is based on LoRaWAN technology. LoRaWAN has a low total cost of ownership (TCO), making it well-suited

for wireless transmissions of data over long distances and extended periods of time. Several compelling use cases have emerged within IoT, such as waste management, water quality control, asset tracking, smart ventilation, and indoor temperature control. The nationwide network enables IoT application developers and sensor providers to scale their offering and expand their addressable market, while maintaining excellent connectivity.

Netmore launched Netmore Market, a marketplace of third-party IoT stakeholders, such as software developers and sensor providers. However, Netmore primarily supports its customers (e.g., municipalities) in developing an IoT network. Once the connectivity has been established, customers gain access to Netmore's IoT ecosystem, covering the above-mentioned use cases. While Netmore enables IoT connectivity, customers can contract third-party IoT stakeholders for specific applications. A selection of the developers and suppliers in Netmore Market can be seen below.



Source: Company data

### Understanding LPWAN, LoRa and LoRaWAN

LoRa (Long Range) is the wireless modulation utilized to create a long-range communication link. Its main advantage is, as its name suggests, the technology's extended-range capability – whereby a single gateway can cover an entire city. Long Range Wide Area Network (LoRaWAN) defines the network's communication protocol and system architecture, while LoRa enables the long-range communication link. Netmore's nationwide IoT network is based on LoRaWAN technology.

LoRaWAN, LTE-M, and NB-IoT are examples of Low Power Wide Area Network (LPWAN) technologies, which are gaining significant traction in conjunction with the massive IoT trend. LPWAN offers multi-year battery life (more than ten years in some cases) and is designed for sensors and applications that need to send small amounts of data over long distances several times per hour. This networking protocol connects battery-operated "things" to the internet wirelessly.

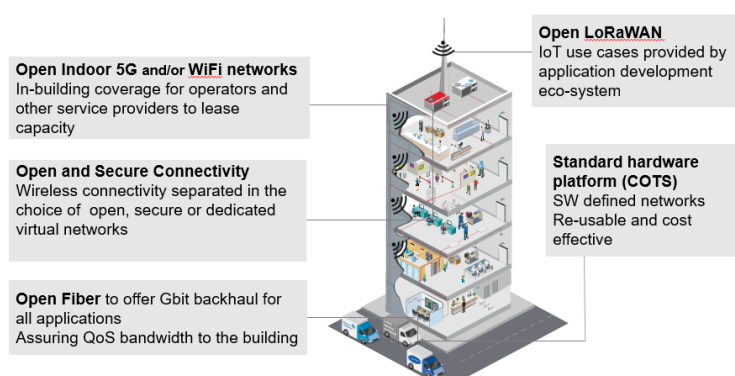
Netmore is a member of the LoRa Alliance, a fast-growing technology alliance of more than 500 member companies. Its mission is to enable large-scale deployment of LPWAN by developing and promoting the LoRaWAN open standard. Members benefit from an ecosystem of active contributors offering solutions, products, and services, creating new and sustainable business

opportunities. The LoRa Alliance includes around 150 LoRaWAN operators in 160 countries, two of which are in Sweden: Netmore and Öresundskraft. Furthermore, Netmore was selected to be part of an international co-operation to enable roaming between 27 countries at the initiative of the LoRa Alliance.

## Netmore Open Access 5G Network

5G technology enables new opportunities to provide indoor environments with wireless connectivity that could potentially complement and surpass current standards. Also, the low latency and excellent transfer speed create several compelling use cases and applications, e.g., AR and VR. Netmore's 5G solution does not require capex investments or operation and maintenance work for the property owner (5G-as-a-service). It enables the property owner to use the technology themselves, while mobile operators can use the infrastructure and offer 5G services at the location. Netmore assumes the role of the operator of 5G networks in real estate, carrying out the maintenance and management of the network. This is also referred to as neutral hosting, i.e., mobile network operators share a single network infrastructure, owned and maintained by a third party – Netmore in this case. We elaborate on this in a subsequent section.

### Open connectivity infrastructure architecture



**Migration from “silo networks” to “open infrastructure” ensures a cost effective, upgradable and dynamic network architecture benefitting property owners and tenants**

Source: Company data

The company has long been a pioneer within 5G. It is engaged in several 5G projects and partnerships, positioning it at the forefront of technical development within the field. One example is Netmore's partnership with Nottinghamshire County Council, developing the world's first 5G connected forest. Visitors to Sherwood Forest Country Park will be able to experience the latest 5G technology through 3D and virtual reality features, for example.

## Other Business Areas: M2M

Netmore's M2M (machine-to-machine) SIM card is used for sending and receiving data between two devices – based on cellular technology. It also has automatic roaming capabilities, ensuring optimal up-time and data transmission. M2M SIM cards are available in three sizes and can be controlled by an M2M platform.

**M2M SIM cards** for IoT devices

Scale your IoT business with Netmore M2M SIM cards, and manage your devices with our platform.

- ✓ €1,2 per SIM and month (100 MB included).
- ✓ One SIM – All operators. Local and global coverage.
- ✓ No binding. Activate and pause service when necessary.

[BUY NOW](#) [ORDER DEMO](#)

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M2M netmore

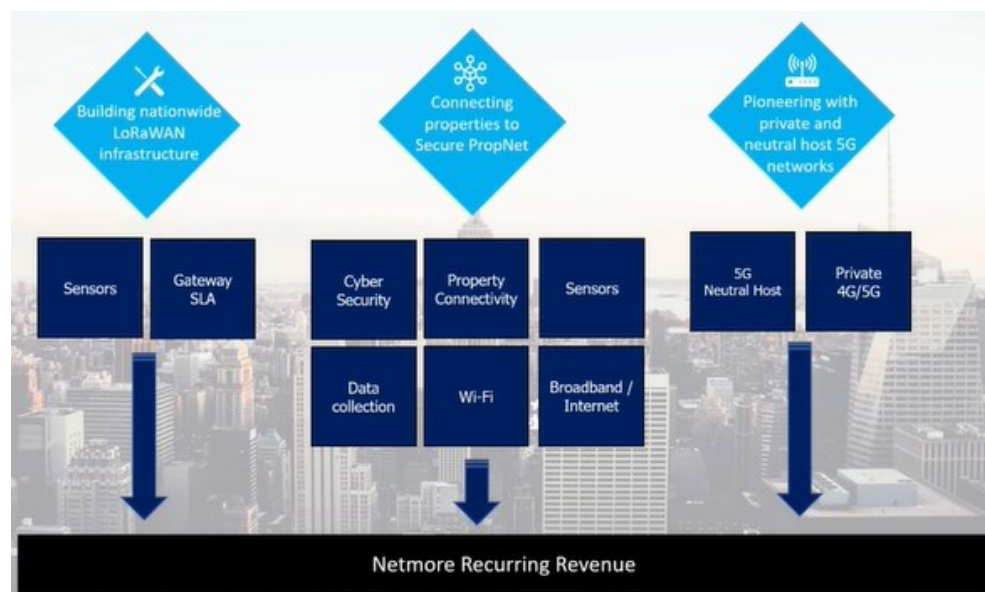
Source: Company data

An increasing number of smart applications and novel technology is based on hardware, which requires a reliable connection. Netmore meets this demand. A common denominator for IoT companies, within mobility or tracking, for example, is the geographical spread of devices needing to gain access to several networks from a single SIM card as the coverage can vary. Similar needs arise when units move, both within and across country borders. The scalable solution is based on Netmore's platform for global connection via eSIM, which provides worldwide connectivity via Netmore's multinational roaming agreement to mobile phones, tablets, computers, and other devices.



## Business Model – Connectivity as a Service

Netmore operates a subscription-based, shared-revenue model, partnering with asset-owners such as property owners and municipalities. The long-term value Netmore creates for its customers is, in our view, the essence of its business model and enables "as-a-service" delivery of its solutions. The figure below illustrates the recurring revenue streams that Netmore anticipates for its three business areas. The essential variables are the number of connected properties and sensors, together with their respective backlog. Netmore reported these figures for the first time in Q4 2020, which we find encouraging, as it offers insight into the updated business model.



Source: Company data

## Netmore Property Network

The Proptech Node is responsible for establishing connectivity within a property. Once installed, property owners can take advantage of Netmore's broad portfolio of complementing solutions. We estimate that Netmore generates annual recurring revenue (ARR) of SEK 50,000-65,000 per connected property, i.e., installing a Proptech Node. This corresponds to monthly recurring revenue (MRR) of SEK 4,000-5,500. We recognize, however, that Netmore could generate significantly higher revenue from customers by employing a selection of more sophisticated solutions that utilize various access technologies provided by the node.

By the end of Q3 2021, Netmore had 40 connected properties and a backlog of 720 properties. Our ARR assumptions imply the backlog could be worth SEK 36-47m in ARR. Growing the backlog and converting it to connected properties represent significant catalysts. At the same time, we recognize that the number of connected properties and the backlog have remained constant this year. We believe customers are still evaluating the product and will continue to do so for some time before engaging in a full-scale rollout.

### Bredbandsson – a core feature in the property offering

In Q3 2021, Netmore Property Network generated sales of SEK 6.6m, all recurring. Our understanding is that the vast majority of these sales stemmed from Bredbandsson, a distinct business area until Q4 2020. Bredbandsson delivered flexible broadband and telephony and was acquired by Netmore in Q1 2020. Its underlying business is essential to providing property

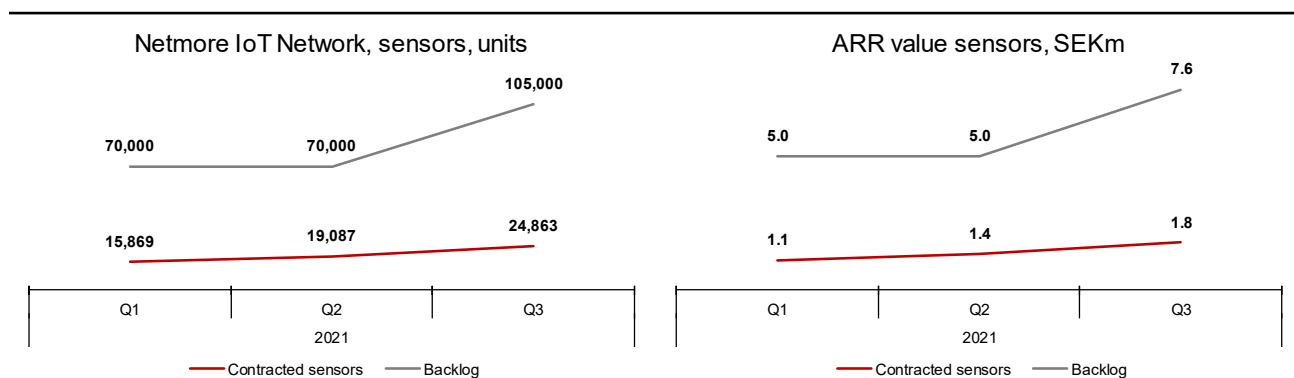
owners with customized broadband solutions – therefore, it was natural to integrate it into Netmore's Property Network offering. In Q3 2020, Bredbandsson's sales were SEK 5.1m.

## Netmore IoT Network (LoRaWAN)

Applying the same principle as above, the initial stage centers around developing an IoT infrastructure. Netmore has done this in two key ways:

- The customer purchases equipment from Netmore to build its gateway – which is connected to a network server held by an operator. In this case, Netmore operates the network and thus the sensor traffic.
- Netmore Polar Networks (a joint venture between Netmore and Polar Network – see next section) builds its gateway for a customer. The property owner or municipality could grant a placement agreement, which finances the gateway and the server.

Once the gateways are installed and active, Netmore can capitalize on its IoT infrastructure. Netmore is preparing to host millions of sensors in its IoT network in the future, and the primary revenue driver here consists of delivering connectivity to each sensor. We estimate that Netmore generates SEK 5-7 in MRR per sensor – yielding SEK 60-84 in ARR per sensor.



Source: Redeye Research, company data

The company has successfully increased its sensor backlog and contracted sensors each quarter this year, as illustrated above. If we apply a SEK 72 ARR per sensor, the backlog should have been worth about SEK 8m as of the end of Q3 2021. Essentially, the IoT Network business model requires large-scale commercialization. While Netmore has received a couple of breakthrough orders, it needs to connect hundreds of thousands of sensors to impact its sales meaningfully. However, we recognize that things are moving in the right direction.



## Growth

### Joint Venture and Partnership with Polar Structure – Enables Fast Go-to-Market

Netmore entered into a long-term partnership with Polar Structure in Q3 2020, a leading investor and developer of Nordic infrastructure. The parties established Netmore Polar Networks, a joint venture, owned 50:50. This is critical, in our view, for ensuring rapid and large-scale commercialization of its offering. Our understanding is that Netmore has the first-mover advantage in this space. Essentially, the joint venture enables faster go-to-market, mainly thanks to strong financial backing and a well-connected business partner. So far, the company has been able to accelerate the network buildout through a series of acquisitions – primarily consisting of masts and LoRaWAN gateways.

#### Increased reach through the Polar Structure ecosystem

On 6 April 2021, Netmore announced that it will participate in a project to develop large-scale Power Purchase Agreement (PPA) parks to balance the electrical grid, together with Polar Structure, Save-by-Solar, and Enequi. Netmore's IoT network plays an integral part in providing connectivity to sensors used to measure the project's effect. Although the scope and value of the project are undisclosed, we believe this demonstrates the increased reach available through existing within Polar Structure's ecosystem. Over time, we believe this project could add a meaningful number of sensors to Netmore's backlog.

#### Other benefits

Essentially, we see actual value in Netmore operating through the joint venture. In addition to the increased reach, the current setup enables an easier rollout thanks to beneficial financial conditions – NPN can build and finance gateways – and a reduced customer capex threshold.

### Netmore Polar Networks – Revisited

- Polar Structure added a SEK 50m credit facility to NPN to accelerate the buildout of the nationwide IoT network.
- Netmore gained exclusivity in meeting Polar Structure's IoT needs. In return, NPN committed to ensuring appropriate IoT coverage for Polar Structure's business operations.
- Introduction of a financing solution for Netmore's customers – set to enable and encourage network expansion and purchase of sensors.
- NPN secured SEK 300m intended for large-scale expansion of the Property Network offer in Q1 2021. Polar Structure agreed to provide a credit facility that runs through 2025 – the terms remain undisclosed.

Our take is that Polar Structure sees potential in Netmore's current business model and growth ambitions, as manifested in the significant capital investments. We recognize that the partnership already has resulted in an improved offering, an expanded IoT network, and customer wins in adjacent markets, such as the PPA park agreement. Additionally, we regard Polar Structure's ownership stake and involvement in the company positively, indicating a long-term commitment.

## Acquisitions and Partnerships to Accelerate the IoT Network Buildout

In Q4 2020, Netmore acquired Nordic IoT Networks AB (a subsidiary of Talkpool) and its corresponding infrastructure assets in a SEK 7.5m transaction. The infrastructure assets comprise ~100 LoRaWAN gateways in strategic locations (Stockholm, Gothenburg, Malmö, and Linköping), complementing Netmore's existing IoT network. Furthermore, the consolidation of IoT networks will increase network utilization, forecast to boost the company's recurring revenues. Of the SEK 7.5m:

- SEK 3.5m was paid with Netmore shares (at a valuation of SEK 1.23 per share) and concerns the acquisition of gateways, accounts receivables, and cash equivalents,
- and SEK 4m will be paid in three years and can be converted into Netmore shares at a fixed issue price of SEK 3 per share.

Netmore acquired infrastructure assets from Växjö Radiosystem, comprising two high masts and ten low masts, with associated customer agreements. In 2019, Växjö Radiosystem reported revenue of SEK 2.2m and profit of SEK 0.6m. The masts will be leveraged to install LoRaWAN gateways and to complement Netmore's existing IoT network. In particular, the company strengthens its coverage in the Småland, Östergötland, Kalmar, and Öland regions of Sweden. The acquisition price has not been disclosed.

In addition to acquisitions, Netmore has engaged in several partnerships, recently announcing a co-operation with ServaNet. Owned by the Sundsvall, Härnösand, Timrå, Ånge, Strömsund, and Ragunda municipalities, ServaNet is a municipal broadband company. Netmore will enhance LoRaWAN coverage in these municipalities, while ServaNet can provide coverage outside its geographical area.

## Customers – Targeting Large Accounts

Netmore has attracted a broad selection of customers, including property owners, municipalities, and tech companies. In particular, Netmore's Property and Open Access 5G offering has attracted some of the largest and most respected property owners and managers in the Nordic region, such as Newsec, Niam, Diös, and Randviken. Together, these companies own and manage tens of thousands of properties. Simultaneously, Netmore's nationwide IoT network has gained significant interest from the municipal sector.

### Property-Related Customers

Netmore's existing customers own and manage extensive property portfolios, some comprising thousands of properties. Many of these have entered into long-term framework agreements with Netmore, some of up to seven years. Our understanding is that Netmore provides a comprehensive service to facilitate and support the digitalization of properties. In other words, Netmore takes on the role of a long-term strategic partner for its property owners.

At the end of Q3 2021, Netmore had 40 connected properties and a backlog of >700. Essentially, we believe customers are finalizing proof of concepts before engaging in large-scale buildouts. We recognize the significant potential within the installed base and believe that meaningful conversions of the backlog into contracted properties would be an effective share price catalyst.

#### Newsec

In August 2020, Netmore announced an agreement with Newsec that could potentially lead to the installation and delivery of its PropTech Node to a substantial share of Newsec's property portfolio, consisting of 9,000 properties. As of Q3 2020, Netmore has delivered its PropTech Node to two Newsec properties in Malmö and Oslo, representing the agreement's initial phase.

The agreement with Newsec (owned by Stronghold Invest) follows Stronghold's investment in Netmore – proving the value of having an active and well-connected investor aboard. Newsec is one of Europe's most prominent property managers and offers property owners, investors, and local users a comprehensive range of consulting and management services. Newsec has SEK 600bn under management, signs leases of one million square meters per year, executes transactions amounting to SEK 50bn, and values its underlying properties at around SEK 1,750bn.

#### Niam

Niam, which manages more than 1.7 million sqm of real estate, is one of the largest property owners in the Nordic region. It has chosen Netmore to become the 5G operator when it initiates the implementation of open 5G infrastructure in an innovative property in Stockholm that will comprise offices, a hotel, parks, and so on, where 5G plays an important role. The company aims to establish its open 5G technology across a large share of its property portfolio.

**5G in-building joint pilot venue with Niam property**

Future location of the DOCKWORKS Stockholm



) Property of Netmore Group AB

Source: Company data

**DOCKWORKS Värtahamnen, Stockholm:**

- Approx. 47,000 sqm of offices
- Hotel
- Approx. 11,000 sqm of parks and squares
- 600 m dock area

netmore

**Capman**

On 18 October 2021, Netmore entered into a seven-year agreement with Capman, a leading Nordic private asset management and investment company. Netmore will first deliver its Proptech Node to a property in Stockholm – Städet in Häggvik – during Q4 2021. The long-term ambition is to digitize this property into one of the most modern in Stockholm. Together with Sally-R, Netmore will deliver an IoT-based ventilation system, resulting in better air quality and greater energy savings. The solution requires no additional hardware and is integrated with the property's control system via Netmore's Proptech Node.

**Diös**

On 5 November 2021, Netmore entered into a five-year agreement with Diös, a leading property owner with a particular focus on the north of Sweden. Initially, Netmore will deliver its Proptech Node to a property in Östersund (>40,000 sqm) during Q4 2021. Moreover, Netmore will initiate a project concerning individual measurement and billing (IMB). According to the company, IMB will first be applied to electricity consumption and potentially water, gas, and energy. Essentially, IMB enables greater resource efficacy – positive from a sustainability and cost plan perspective, resulting in an improved operating net.

**Randviken Fastigheter**

On 15 November 2021, Netmore entered into a seven-year agreement with Randviken Fastigheter, a large Swedish property owner, managing >200,000 sqm across 46 properties. Like the previous agreements, the engagement begins with the installation of Netmore's Proptech Node. Once this is connected, the property benefits from Netmore's digital offering, leading to decreased energy/electricity consumption, improved sustainability focus, and an improved operating net. Randviken Fastigheter has stated a long-term ambition to implement Netmore's Proptech offering throughout its portfolio and has been emphatic about digitalizing its properties with state-of-the-art technology. Additionally, we note that Randviken Fastigheter and Polar Structure share some overlapping founders. Consequently, we believe Netmore has a great entry point at Randviken Fastigheter, and we would not be surprised to see the parties deepen their engagement.

**Akelius – some uncertainty amidst Nordic divestment**

Netmore signed a five-year framework agreement with Akelius in June 2019 with the aim of reducing the energy consumption of Akelius's property portfolio by ten percent. Using Netmore's Proptech Node, Akelius will digitalize processes resulting in more efficient property

management and will offer digital services to its tenants, leading to new revenue streams. Netmore and Akelius have finalized the initial phase of the development project (after successful testing and delivery). However, in Q3 2021, Akelius announced the divestment of its Swedish, Danish, and German holdings to Heimstaden Bostad AB. Management commentary indicates some uncertainty as to whether Heimstaden Bostad intends to adopt a similar rollout plan as Akelius. It is too early to have a strong take, and we look forward to seeing how the discussions with Heimstaden Bostad progress. In the meantime, we believe Netmore is more likely to engage with the other customers mentioned above.

## IoT Network Customers

This offering is directed mainly to IoT solutions and service providers. Netmore successfully increasing its IoT network reach expands the total addressable market for other IoT stakeholders. In turn, IoT stakeholders such as solutions providers sell their offering, e.g., smart sensors, to end-customers such as property owners and municipalities. Netmore merely takes on the role of an operator and charges for connecting sensors and other devices to its network. The bottom line, in our opinion, is that when Netmore's IoT network grows, it results in positive externalities for the network's stakeholders. Essentially, the description of network effects. We consider this particularly compelling as it makes it challenging for competitors to create a similar offering.

### Breakthrough order – connectivity to 65,000 sensors

Netmore announced a breakthrough order in Q4 2020 for the delivery of connectivity to 65,000 water meters to a few municipalities in southern Sweden with Dahl and Ambiductor. As of the end of Q3 2021, Netmore had about 25,000 contracted sensors generating recurring revenues. We expect a majority of the remaining backlog to be delivered during 2022. The order in its entirety is significant: we expect it to generate SEK 4-5m in ARR over time.

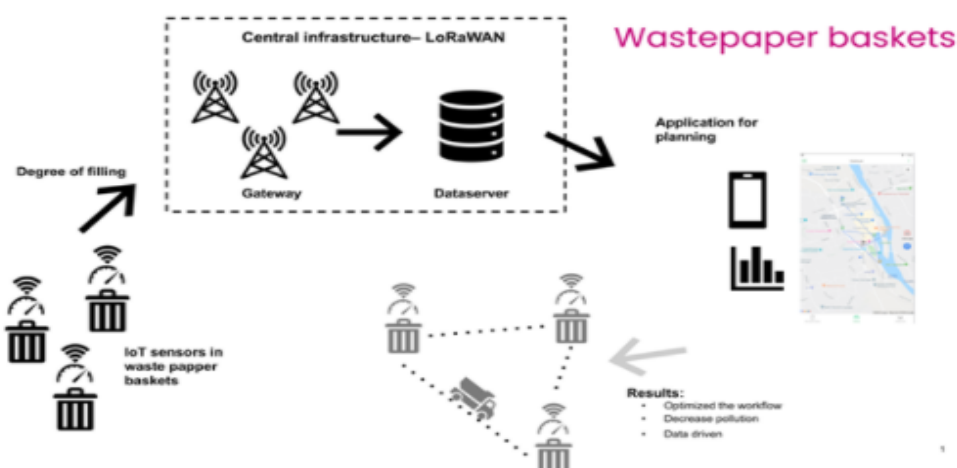
### Building momentum within IoT – an order for 45,000 sensors

In Q3 2021, Netmore announced its second-largest agreement within IoT to date: to install and provide connectivity to 45,000 water meters in the south of Sweden with Dahl and Ambiductor. We see this deal validating the products' qualities and the successful partnership with Dahl and Ambiductor. Netmore is gaining ground in this space and carving out an excellent position to sign more such agreements.

### A municipal use case – Södertälje

Netmore's IoT offering has attracted the municipal sector, i.e., entire municipalities and municipal companies. These are responsible for managing shared resources in our societies, such as waste management and sewage systems. High-scale deployment of sensors could potentially help these customers improve efficiency, cut costs, and gain excellent operational oversight.

The diagram below illustrates the use case of installing smart sensors in wastepaper baskets in Södertälje municipality. This is a large urban area with ~100,000 inhabitants. It has investigated the opportunity of creating more efficient logistics for its waste management. **It currently has ~160 sensors (and scaling) connected to wastepaper baskets in central Södertälje.** The benefits include route optimization for lower CO<sub>2</sub> emissions, reduced street cleaning costs, less overflowing waste in bins, cost-effective collection of waste, and optimized workflow.



Source: Company data

## Other Meaningful Engagements

At this point, the investment case relies considerably on success in the property sector and on building momentum around Netmore's nationwide IoT network. However, we recognize that the company has seen positive traction in other verticals, particularly in helping industrial and academic stakeholders with 5G deployments/innovation. The table below provides a snapshot of selected agreements and partnerships that Netmore is undertaking.

Selected commercial agreements			
Customer / partner	Note	SEKm	Date
<i>Netmore Open Access 5G Network</i>			
Elisa Corporation	Supply private network solutions based on 2-5G, Wi-Fi and NB-IoT	NA	Q1 2020
Nottinghamshire City Council	Design and construction of 5G networks in Sherwood Forest in a prestigious project	NA	Q1 2020
Lundbergs	Deliver mobile coverage to one of its properties	1.0	Q2 2020
Confirm Smart Manufacturing	Explore wireless factories, sensors and predictive maintenance opportunities	NA	Q1 2021
Nottinghamshire City Council	Provide a local innovation center with 5G, Wi-Fi and telephony in a three-year deal	2.8	Q2 2021
<i>Other</i>			
Undisclosed Swedish tech firm	Delivery of its machine-to-machine solution in a five-year deal	2.3	Q1 2021

Source: Redeye Research, company data

## M2M – capitalizing on the growing need for massive IoT

At the end of Q3 2021, Netmore's M2M global SIM card connected more than 280 customers in 26 countries. According to the company, the pandemic has bolstered demand, with use cases such as tracking, payment solutions, and medical technology gaining more traction. Netmore has >37,000 SIM cards outstanding.

In Q1 2021, Netmore announced its most significant order to date within M2M. In a SEK 2.3m agreement (initial value) running over five years, the customer – a Swedish tech company – will strengthen its core offering to end-users worldwide. While the agreement concerns the development of a global connectivity solution, details on the customer and technology remain undisclosed. Essentially, there is a growing need for such solutions, as manifested in Netmore's solid organic growth in this area.

## Industry Outlook – Many Trends Pushing in the Right Direction

Netmore has, in our view, a robust offering, very much in tune with some of the most important secular trends of our time, namely sustainability and the shift to 5G. In particular, the 5G transformation will alter the playing field for traditional telecom stakeholders, making way for innovative offerings and new business models. Our understanding is that Netmore has positioned itself well in this novel landscape, taking on the partner role for end-customers, legacy telecom companies, and innovative IoT startups.

### Telecom industry related trends

- i 5G mobile networks will go indoors**  
A higher frequency of 5G can cover a shorter distance and have difficulties to travel through buildings/walls etc.
- ii Softwarisation of 5G network technology**  
5G mobile networks are envisioned to be softwarised and the network functions virtualised as a standard.
- iii Spectrum liberalisation**  
Many European countries (UK, Germany, France and Netherlands) already set aside mobile spectrum for private 4G/5G licensing. Sweden is considering the 5G local licensing.

### Overall trends

- i Digitalisation will accelerate in all areas of life**  
New mobile technologies, the rise of the Internet of Things, reliance on sensor technologies, has shifted the world from an analogue to a digital one.
- ii Sharing economy principles will widen**  
The collaborative nature of Internet has led to the rise of the sharing economy, in which technology is leveraged to unlock idle capacity.
- iii Race towards CO2 neutrality will accelerate**  
With the European Climate Law, the EU will commit to carbon neutrality by 2050. Lot of local governments have created even more aggressive targets for some sectors, including properties.

Source: Company data

## Indoor 5G Coverage is a Challenge – Netmore Enables it

### Challenge #1: bringing 5G indoors

Some of the most acknowledged 5G features are higher transmission rates, improved network capacity, and better end-to-end security. Consumers should expect faster internet speeds; no one doubts this. However, some of the main 5G-related challenges concern poor propagation qualities and short geographical range. At the same time, our buildings are becoming more energy-efficient, applying metal foil walls and energy windows, which keeps out not only the cold weather but also radio signals.

### Challenge #2: the majority of mobile traffic is consumed indoors

The illustration below depicts how 70 percent of mobile traffic (excluding Wi-Fi) is already consumed indoors. The inevitable question is why 5G would be better than Wi-Fi indoors? Our understanding is that 5G enables improved end-to-end security – it has a dedicated frequency and encryption across its entire network – and allows for longer battery life owing to innovative sensor technologies such as LoRaWAN. It is too early to draw solid conclusions, but we believe it likely that 5G and Wi-Fi will have to co-exist indoors. Next-generation laptops, tablets, and mobile phones are already equipped with 5G chipsets in their standard design. In other words, indoor 5G data consumption will continue to increase in the foreseeable future.

### Majority of mobile traffic is located indoors

Poor indoor coverage can put this traffic at risk – huge value at stake for operators

### Mobile traffic characteristics

**70%**  
mobile traffic served indoors<sup>1</sup>



**30%**  
mobile traffic served outdoors<sup>1</sup>

**5G will require proper indoor coverage to meet the requirements of tenants**

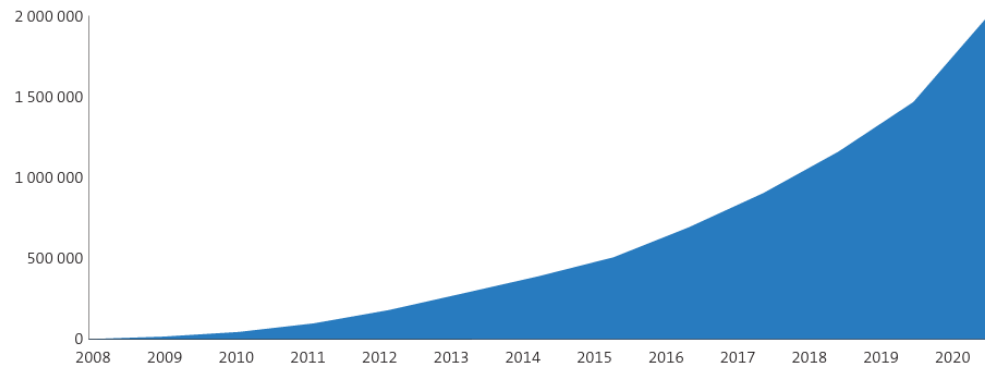


Source: Company data

### Challenge #3: mobile traffic grows rapidly

Historically, mobile traffic has doubled every three years owing to increased images, video content, and raised expectations for speed and image quality. Therefore, mobile networks need to expand on an ongoing basis, with more and higher-capacity masts – 5G enables this.

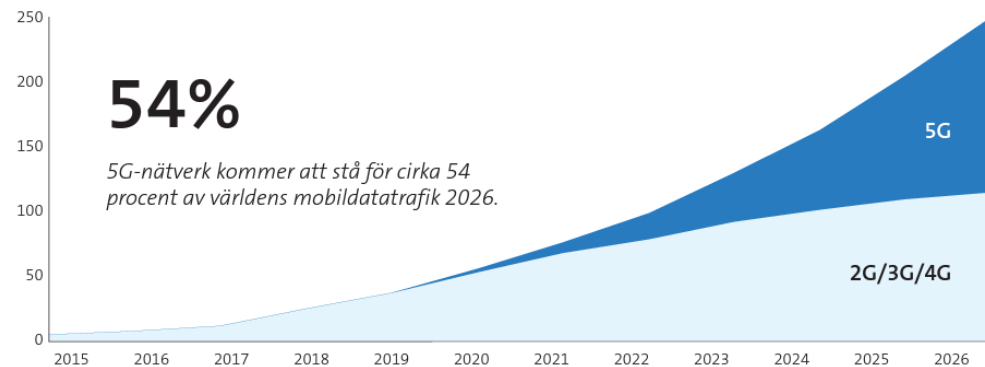
Trafik för mobila datatjänster (TB)



Source: The Swedish Post and Telecom Authority

Furthermore, global monthly mobile data will likely quadruple between 2021 and 2026, with 5G accounting for more than half of the traffic. This is traffic that more than six billion people will use through computers, mobile phones, and many other connected devices. We should expect that the monthly data traffic per smartphone will grow by a 27 percent CAGR between 2026 and 2027, accounting for more than 46 GB per smartphone by 2026.

Global mobildatatrafik (EB per månad)



Source: Ericsson Mobility Report November 2020

### Conclusion: 5G is required indoors, and Netmore holds the key – neutral hosting

As set out above, secular trends drive increased mobile data traffic, especially in indoor environments. At the same time, modern building standards make it far more difficult for 5G radio signals to penetrate buildings. One solution is to install 5G indoors. However, it is unreasonable to assume that mobile network operators would set up their infrastructure in each building – that would be costly and take up considerable space. Instead, neutral hosting implies that mobile network operators share a single mast, owned and maintained by a third party, the neutral host: Netmore. Mobile network operators would pay rent or purchase a lease from the neutral host owner to access network services.



## Several Reasons for Property Owners to Invest in Indoor 5G Infrastructure

### **Enables new revenue streams, which tenants will require**

Some interesting 5G use cases include autonomous driving, virtual reality, augmented reality, and indoor asset tracking. Additionally, as mentioned before, next-generation laptops and mobile devices will have 5G chipsets. Essentially, property owners are likely to strive to provide the latest access technologies, enabling new services and revenue streams. Simultaneously, tenants will require fast internet speeds and state-of-the-art security. Consequently, a property's degree of digitalization will play an essential role in its competitiveness.

### **Essential from a sustainability perspective**

Buildings account for about 40 percent of global greenhouse gas emissions. Over the past couple of years, cloud computing and IoT have enabled products and devices to connect to a greater degree. Consequently, the cost of installing a new system has fallen by two-thirds, while it delivers energy savings of up to 25 percent, according to HSBC Research.

The EU's Green Deal aims to make the EU the first climate-neutral continent. The outline of the deal implies that the renovation rate of Europe's building stock must almost double to meet energy efficiency and climate targets. Cities will be vital in the transition to green buildings. Institutions such as banks will likely set increasingly strict requirements when making loans to property owners, favoring climate-friendly initiatives.

## Open Technology Relieves MNOs from Making Large Capex Investments

Mobile network operators do not expect to apply their traditional business models for the 5G rollout. The main issue is that 5G signals will not penetrate buildings as legacy cellular technologies do. However, it will be too expensive to install individual network infrastructures in each building.

The challenge for mobile network operators is to support multiple technologies, frequency bands, venues, and applications. These investments are expensive, and the operators' declining revenues and limitations in capex budgets may threaten indoor 5G coverage buildout. Therefore, industry experts believe the indoor 5G challenge will require partnerships across operators and enterprises. A combination of public and private 5G networks tailored for private enterprise applications are forecast to make up some ten percent of total IBW investments in 2025, up from less than one percent in 2020 (Fierce Wireless).

### **Open 5G is something positive**

Industry experts speak positively about 5G as an open technology, enabling a diverse pool of suppliers to compete with and develop innovative, secure, and cost-effective products. Many of 5G's benefits relate to a greater reliance on software than previous generations of wireless tech. Among the most exciting technologies in the new landscape are Open-RAN and neutral hosting. The O-RAN standard is a multiplier, enabling exponential growth in 5G by fostering healthy competition in software communities. Contributors define open specifications so that components from different companies can work together to form a "best of breed" solution.

### **Netmore at the forefront of the 5G development, appreciated by MNOs and property owners**

Netmore provides an innovative offering that fits well into this complex ecosystem. An indoor 5G coverage buildout, led by property owners (rather than operators), addresses these challenges, improving the total cost of ownership and minimizing capex savings. Employing an operator-neutral infrastructure implies that the property owner who owns or rents the hardware can offer 5G to tenants. At the same time, mobile network operators (or other stakeholders) can use the infrastructure in the building to provide 5G to their customers.

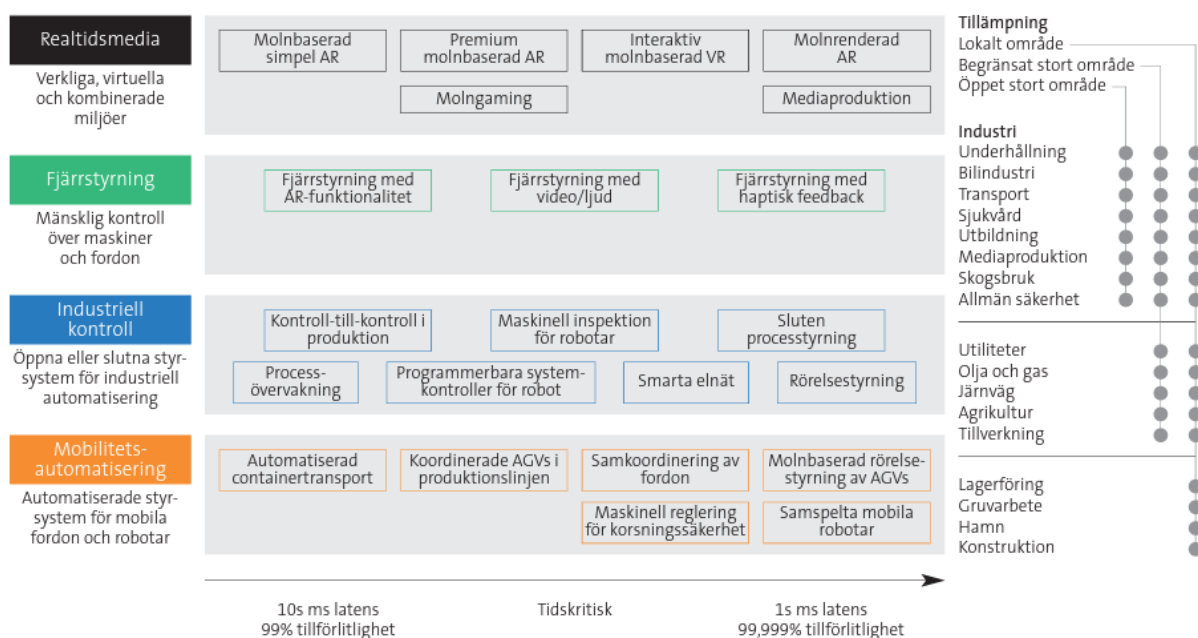
## Internet of things (IoT)

According to the World Economic Forum, the Fourth Industrial Revolution represents a fundamental change in how we live, work, and relate to one another, with the automation of traditional manufacturing and industrial practices by deploying large-scale machine-to-machine communication and the internet of things. Smart sensors' implementation to manage processes more efficiently is a prime example of this being put into practice. IoT is a network of physical "things" connected to the internet to enable data to be collected and analyzed. This refers to electronic devices with built-in sensors and physical objects, e.g., buildings or roads with attached sensors. The collected data is then analyzed to generate business insights or processed in real time to provide inputs for systems.

### Use cases enabled by IoT

5G allows a sort of IoT that depends on high reliability and timeliness to a much greater extent. The four fundamental fields highlighted by Ericsson (illustrated below) are real-time communication (*Realtidsmidia*), remote control (*Fjärrstyrning*), industrial control (*Industriell kontroll*), and mobility automation (*Mobilitetsautomatisering*).

### Tidskritiska användningsområden vanliga inom diverse sektorer

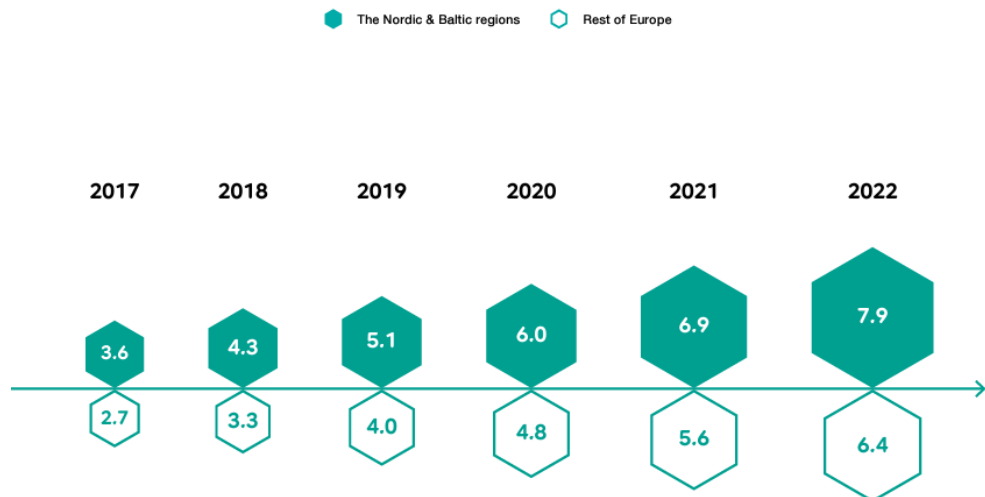


Source: Ericsson

### Market size – Nordic and Baltic regions

The IoT market in the Nordic and Baltic regions was worth EUR 19bn in 2017 and is expected to increase to EUR 38bn by 2022, according to the Telia Connected Things Report, corresponding to a CAGR of around 15 percent. Furthermore, there will be about 50 billion connected IoT devices in 2030 worldwide (Statista). The Nordic and Baltic regions have adopted this technology more readily than European peers, as represented by the number of IoT connections per capita.

## NUMBER OF IOT CONNECTIONS PER CAPITA



Source: Telia Connected Things Report 2018

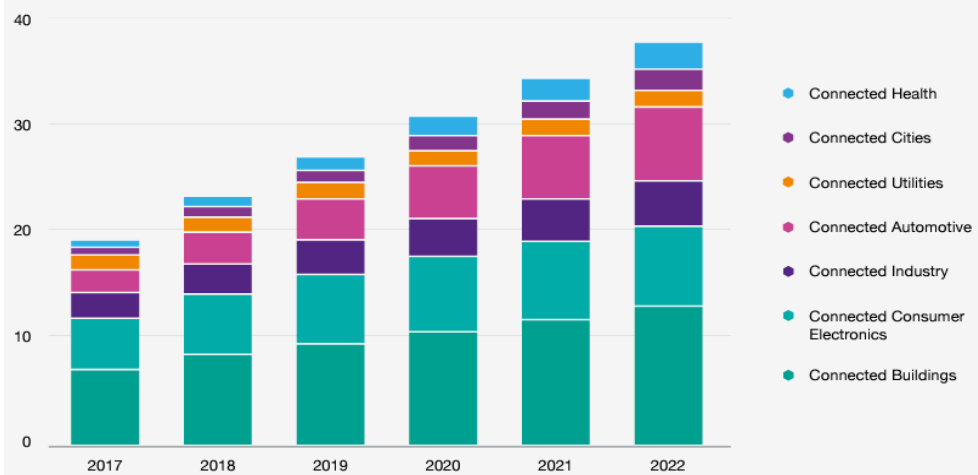
The rapid adoption of IoT devices can be attributed to:

- Increased sensor battery life (ten years-plus in some cases)
- Sensors and modules have become smaller and more intelligent
- Improved connectivity solutions and advancements in sensor technology
- Falling unit prices
- IoT modules that can be placed on virtually anything and by anyone

According to Telia, four key factors are pushing IoT adoption and market growth: asset efficiency; process efficiency; new product innovation; and legacy product innovation. The largest IoT vertical in terms of revenue is the Connected Buildings industry – referring to insights and improvements that enterprises gain by using tracking sensors to know where certain assets are, for example, and how they are being used, in addition to general monitoring of air quality and energy consumption, for instance. However, in terms of fastest-growing verticals, Connected Health takes the prize, as it is expected to grow at a CAGR of 30 percent, followed by Connected Automotive (27 percent) and Connected Cities (19 percent).

## IOT MARKET SIZE IN THE NORDICS AND BALTICS

in Bn EUR



Source: Telia Connected Things Report 2018

## Competitive Landscape

We identify two main groups of competitors: national telecom operators and local network operators. So far, IoT represents a quite small business for traditional operators, and Netmore's history of product development has resulted in a number of seriously competitive offerings. The local operator market is, in our view, saturated owing to the low barriers to entry to develop a LoRa network. Netmore's advantage is its ambition to establish a nationwide IoT network, while its competitors remain local. We regard the partnership with Polar Structure and the M&A activity as crucial to rapidly finalizing the project.

### National Telecom Operators

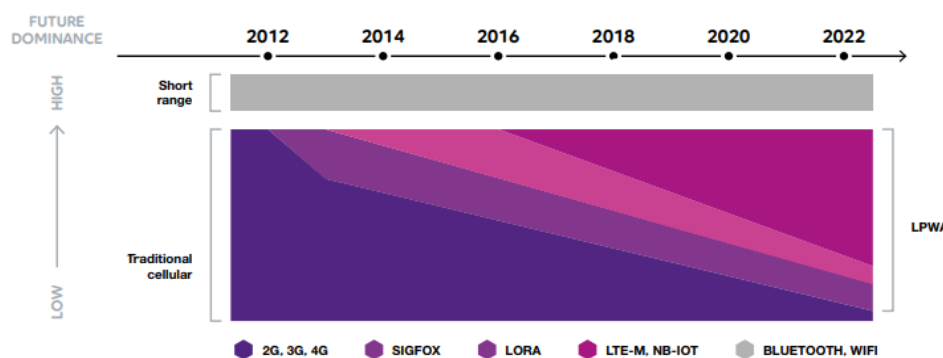
*Swedish telecom operators – Telia, in particular – have taken notice of the Fourth Industrial Revolution and the IoT mega-trend that is taking place. However, the traditional telecom operators are currently developing their IoT networks, betting primarily on the NB-IoT technology, while Netmore has opted for the LoRa technology. Both of these technologies are expected to dominate the IoT market, and we argue that there is plenty of room for both to grow. IoT represents (and will continue to represent) a quite small market for traditional telecom operators. Finally, by becoming a partner and thereby not claiming the end-customer, Netmore comes across, in our view, as an attractive alternative to traditional operators. However, if these were to increase their IoT expenditure significantly, Netmore could find itself in a tight spot.*

### Several IoT technologies

IoT connectivity technologies can be separated into the following categories:

- LPWAN, e.g., NB-IoT, LoRa, and Sigfox
- Traditional cellular connectivity, e.g., 2G, 3G, and 4G
- Short-range technologies e.g., Wi-Fi, Zigbee and Bluetooth

LPWAN has emerged as one of the most interesting and viable technologies to enable IoT. This is largely due to its cost and power efficiency through leveraging existing networks. This technology supports data transfers of small intermittent data packets of 10/1,000 bytes. Thanks to its more efficient power and bandwidth over a large area, less infrastructure and hardware are required.



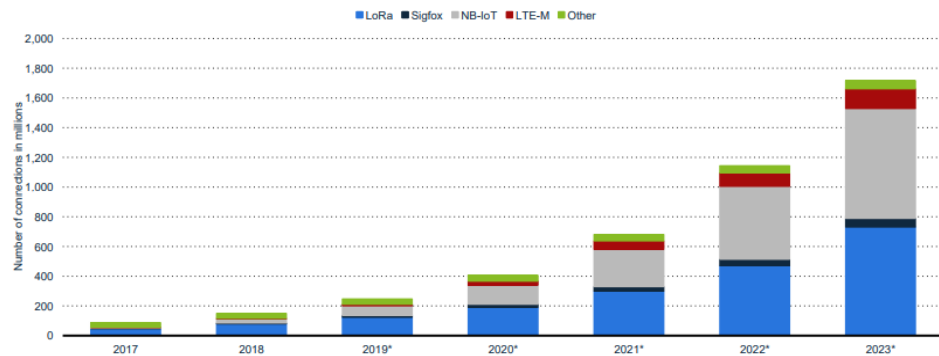
Source: Telia Connected Things Report (2018)

LPWAN technologies allow IoT devices to comfortably operate for up to ten years on a single battery charge, which is ideal for remote solutions that lack a reliable power source.

## NB-IoT (licensed spectrum) and LoRa (unlicensed spectrum)

## Number of LPWAN connections by technology worldwide from 2017 to 2023 (in millions)

Global LPWAN connections 2017-2023, by technology



Source: Statista

The NB-IoT and LoRa technologies are expected to dominate in terms of global LPWAN connections. These technologies differ in that LoRa operates on unlicensed spectrum frequencies – free of charge for all providers in an area, without any rules for how to get access at any given time – while NB-IoT operates on a licensed spectrum.

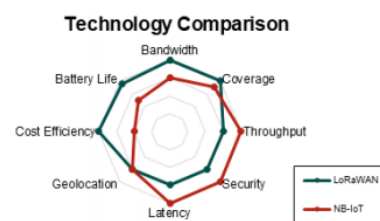
3GPP, the main standardization body in telecom, completed specifications for two LPWAN cellular technologies designed specifically for IoT applications: LTE-M and NB-IoT. These two mainly differ in that LTE-M offers a higher data rate and allows for voice communications and mobility. NB-IoT has become the preferred option in Europe, while LTE-M has gained more traction in the US. Telia was the first operator to launch nationwide NB-IoT in the Nordic region (Norway in 2017). It has since expanded into the other Nordic countries, and a number of other operators followed its lead.

## Opportunities for LoRaWAN and NB-IoT to co-exist

While there are technical differences between LoRaWAN and NB-IoT – especially in terms of TCO, battery life, and latency – there will undoubtedly be headroom for both to grow and address massive IoT applications. As the IoT market expands, both technologies will co-exist by competing in specific verticals and complimenting others. In a white paper, LoRa Alliance lists three use cases that need hybrid applications: tracking mobile assets; utilities' smart metering and grid monitoring applications; and industrial equipment OEMs implementing remote monitoring solutions.

Technology Parameters	LoRaWAN	NB-IoT
Bandwidth	125 kHz	180 kHz
Coverage	165 dB	164 dB
Battery Life	15+ years	10+ years
Peak Current	32 mA	120 mA
Sleep Current	1µA	5µA
Throughput	50 Kbps	60 Kbps
Latency	Device Class Dependent	< 10 s
Security	AES 128 bit	3GPP (128 to 256 bit)
Geolocation	Yes (TDOA)	Yes (in 3GPP Rel 14)
Cost Efficiency (Device and Network)	High	Medium

Source: ABI Research



Source: LoRa Alliance, ABI Research

## IoT represents a small market for national telecom operators

KPN, a Dutch telecom operator, is one of Europe's leading forces in IoT. It offers a broad range of IoT networks based on 4G, LTE-M, and LoRa, among others. Its IoT revenues in 2019 amounted to EUR 53m (47) – which represents less than one percent of its overall revenues of

EUR 5,499m. IoT is thus a small (albeit growing) market for KPN and other national telecom operators.

Challenges that traditional telecom operators face when entering the IoT market include:

- Owning the end-customer relationship. Netmore is positioning itself as a partner for property owners, for example. Its customers subsequently offer the services and solutions that Netmore provides to their respective customers, e.g., tenants. However, Netmore does not try to claim the end-customer itself. This poses a dilemma for traditional telecom operators, which are used to owning the end-customers and profiting generously from them.
- Increasing demand for private mobile networks, especially in the industrial segment, as companies want to ensure that data and security can be controlled.

## Local Network Operators

There are several local LoRa operators, essentially offering a similar product to Netmore's IoT network. However, Netmore's competitive advantage is that it provides a nationwide solution while its competitors remain local. When it comes to IoT in particular, there are advantages of scale. Customers to the network, such as municipal companies, want to be part of a large IoT ecosystem, allowing them to share insights and choose IoT sensors and applications from a broad range of alternatives. Sensor and application suppliers also benefit from a larger ecosystem, thanks to increased usage and more use cases such as asset tracking. Asset tracking becomes an interesting use case once a nationwide IoT network essentially provides coverage to all important roads and cities.

Öresundskraft, founder of Stadshubbsalliansen, built a LoRa network in Helsingborg that is connected to its network server. Several network owners, predominantly municipal companies such as IT Norrbotten, Jönköping Energi, and Kalmar Energi, have joined this alliance by connecting their networks to Öresundskraft's server. Öresundskraft cannot expand its LoRa network by building gateways in other municipalities, for example, since it is counter-intuitive for a municipal company in Helsingborg to spend taxpayers' money to develop a LoRa network in another municipality. However, if a random municipal energy/IT company decides to develop a LoRa network independently, Öresundskraft can suggest it joins the alliance. At this point, 18 municipal companies are members of Stadshubbsalliansen.

ServaNet and GEAB are two independent municipal network operators that have developed LoRa capabilities. Talkpool has also developed a LoRa network. However, in Q4 2020, Netmore acquired Talkpool's IoT network of 100 active gateways in strategically important locations.

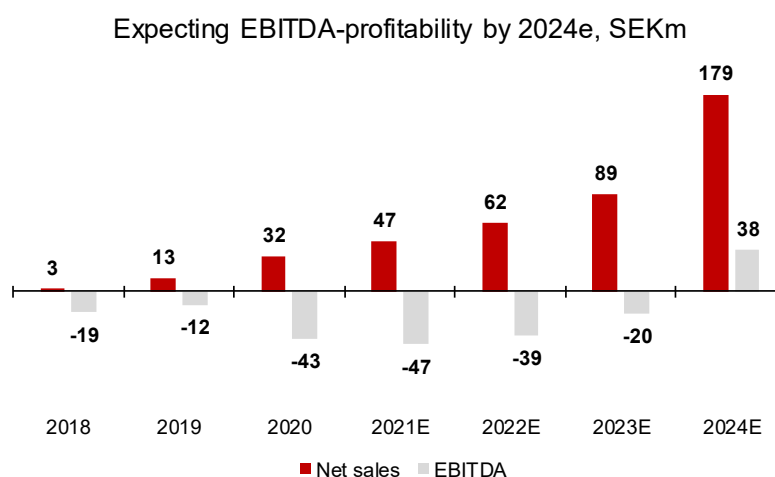
Given the local network providers' saturation, we welcome Netmore's actions and intention to consolidate the market somewhat. Netmore's partnership with Polar Structure provides it with enough resources to become the leading IoT operator in Sweden, we argue. Netmore has the financial muscle to build gateways where it sees fit and holds the option to acquire gateways from local operators. We also believe that municipalities are increasingly positive and willing to co-operate with Netmore, given its track record and ambition to become a long-term operator.

## Financial Forecasts

In this section, we provide historical financials and our estimates, with balance sheet and cash flow forecasts on page 39. Forward-looking figures are Redeye estimates and do not include future acquisitions, owing to the company's uncertain financial profile. Netmore has a track record of acquiring close competitors, companies in adjacent industries, and infrastructure assets, at fluctuating considerations.

### Anticipating Profitable Growth and Breakeven by 2024E

Netmore does not provide financial guidance and has not communicated any particular financial targets. However, our main assumptions include profitable growth and EBITDA profitability by 2024E. We believe the company is at an exciting inflection point, having gained considerable traction for its solutions, especially its property offering. So far, Netmore has amassed a substantial backlog and will likely receive additional orders from existing customers and owners. Once it begins converting the backlog into contracted properties and sensors, we expect Netmore's revenue and profitability profile to improve materially.



Source: Redeye Research, company data

## Sales

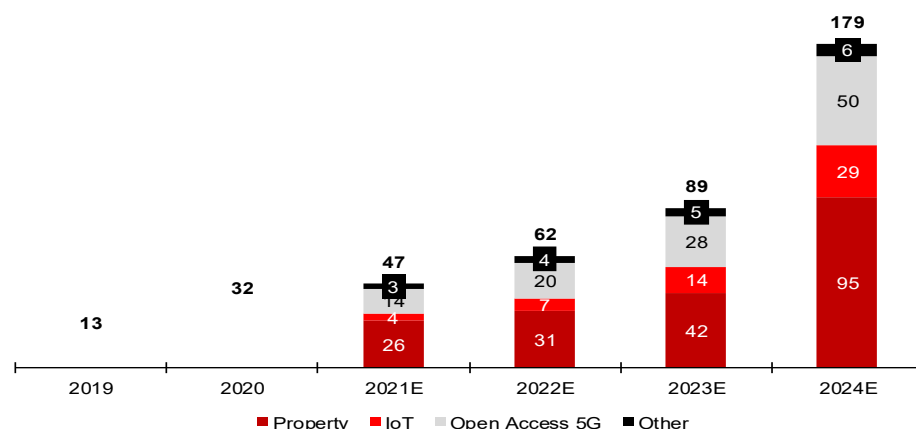
### Summary

We illustrate our detailed financial forecasts for Netmore's Property and IoT solutions below. The company discloses relevant information such as contracted properties/sensors, plus its backlog, on a quarterly basis.

Open Access 5G is more difficult to forecast as the current business is largely driven by proof of concepts, and limited information is disclosed. At the same time, we recognize Open Access 5G as Netmore's second-largest operation, and it will likely remain so in the future as well. Essentially, we factor in similar growth as for the Property offering, as we believe there is some correlation between demand for the two.

Finally, we expect that Other will continue to account for a relatively small share of sales, primarily driven by M2M SIMs.

## Sales by operation, SEKm



Source: Redeye Research, company data

## Netmore Property Network

As of the end of Q3 2021, Netmore had 40 contracted properties and a backlog comprising 720. We believe it reasonable to assume that Netmore's existing backlog will be delivered over the next couple of years, with the final deliveries taking place in 2023. Over this time, we anticipate large orders for Netmore's Proptech Node, not least from existing customers and owners. By the end of 2024, we believe Netmore could have connected more than 1,700 properties, generating ARR of about SEK 95m.

As previously explained, our understanding is that a connected property generates ARR of SEK 50,000-65,000. However, we expect more competition in the future from startups and traditional mobile network operators. Consequently, we factor in a two percent price decrease per year until 2025. We recognize that once this market matures, perhaps from 2024 or 2025, price pressure could become a lot more substantial, as these kinds of solutions could become commoditized. On a final note, we model two percent annual churn. Once the company installs its Proptech Node, we believe property owners and managers will be reluctant to change their network provider, owing to the high switching costs.

SEKm	2021e	2022e	2023e	2024e	2025e
<b>Netmore Property Network</b>					
# contracted properties	40	160	560	1,008	1,663
ARR per property, SEKm	0.058	0.056	0.055	0.054	0.053
ARR, SEKm	2.3	9.0	30.9	54.6	88.2
# of remaining properties, BoP, 2% churn		39			
ARR per property, SEKm		0.056			
ARR, SEKm		2.2			
# of remaining properties, BoP, 2% churn			195		
ARR per property, SEKm			0.055		
ARR, SEKm			10.8		
# of remaining properties, BoP, 2% churn				740	
ARR per property, SEKm				0.054	
ARR, SEKm				40.1	
# of remaining properties, BoP, 2% churn					1,713
ARR per property, SEKm					0.053
ARR, SEKm					90.9
<b>ARR, SEKm</b>	<b>2.3</b>	<b>11.2</b>	<b>41.7</b>	<b>94.6</b>	<b>179.1</b>

Source: Redeye Research



### Netmore IoT Network

Applying a similar methodology as above, we forecast sales/ARR derived from Netmore IoT Network through 2025. As of the end of Q3 2021, Netmore had about 25,000 contracted sensors and a backlog of >100,000. We assume that Netmore's existing backlog will be delivered over the next couple of years, with the final deliveries taking place in 2023. In the meantime, we anticipate substantial orders driven by large digital transformation projects. However, IoT Network unit economics differ fundamentally from Property Network's. IoT Network will need to connect millions of sensors over time to achieve a meaningful commercialization of the IoT offering. We believe the company can reach one million connected sensors by 2026/27.

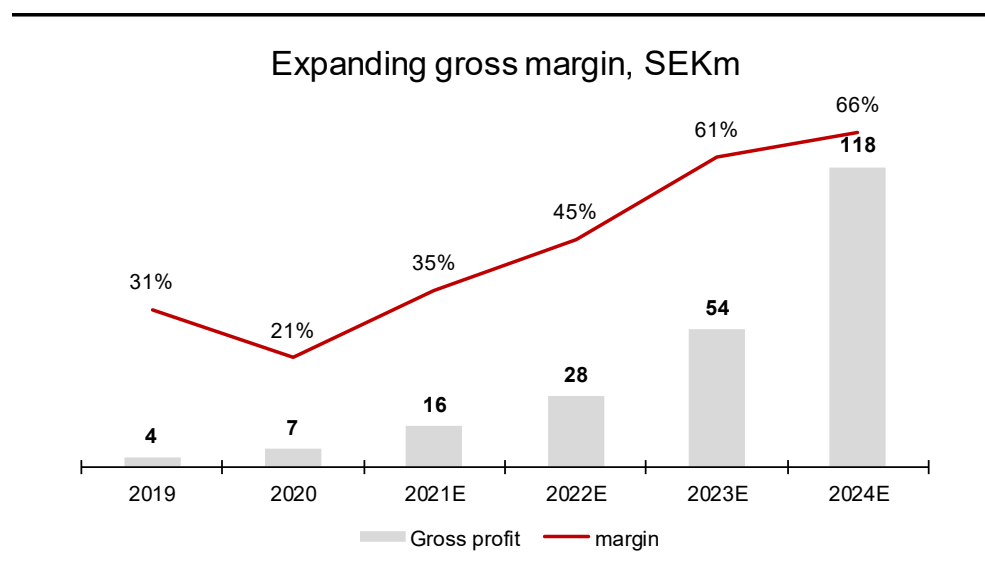
As previously explained, our understanding is that a connected sensor generates ARR of SEK 60-84. Again, it is difficult to forecast the future competitive situation and its effect on the unit price development. However, we believe it safe to assume increased future competition, decreasing the unit ARR by two percent annually. Finally, we model five percent annual churn—somewhat higher than for the property solution. Switching costs remain high, but we believe it would be easier to replace faulty sensors and to end projects at shorter notice.

SEKm	2021e	2022e	2023e	2024e	2025e
<b>Netmore IoT Network</b>					
# contracted sensors	25,000	62,500	125,000	225,000	360,000
ARR per sensor, SEK	72	71	69	68	66
ARR, SEKm	1.8	4.4	8.6	15.2	23.9
# of remaining sensors, BoP, 5% churn		23,750			
ARR per sensor, SEK		71			
ARR, SEKm		1.7			
# of remaining sensors, BoP, 5% churn			81,938		
ARR per sensor, SEK			69		
ARR, SEKm			5.7		
# of remaining sensors, BoP, 5% churn				196,591	
ARR per sensor, SEK				68	
ARR, SEKm				13.3	
# of remaining sensors, BoP, 5% churn					400,511
ARR per sensor, SEK					66
ARR, SEKm					26.6
<b>ARR, SEKm</b>	<b>1.8</b>	<b>6.1</b>	<b>14.3</b>	<b>28.6</b>	<b>50.5</b>

Source: Redeye Research

## Gross Margin

At the end of Q3 2021, Netmore reported a 31 percent gross margin. We recognize that Netmore's current operations, mostly proof of concepts and small-volume agreements, result in a vast number of non-recurring CoGS. In the future, once Netmore starts delivering high-volume agreements, we expect the gross margin to converge with our long-term assumptions.



Source: Redeye Research

### Property – 75-80 percent

We believe Netmore's Property business could deliver the group's highest gross margin, potentially around 75-80 percent. Beyond the installation of the PropTech Node, there is essentially no hardware involved – very much in line with other SaaS companies.

### IoT – 35-40 percent

The IoT business is fundamentally different in nature, rendering much higher CoGS. The main underlying reason is that Netmore applies a shared revenue model with Netmore Polar, the joint venture, which is most often responsible for building the network. Additionally, there are costs for network connectivity.

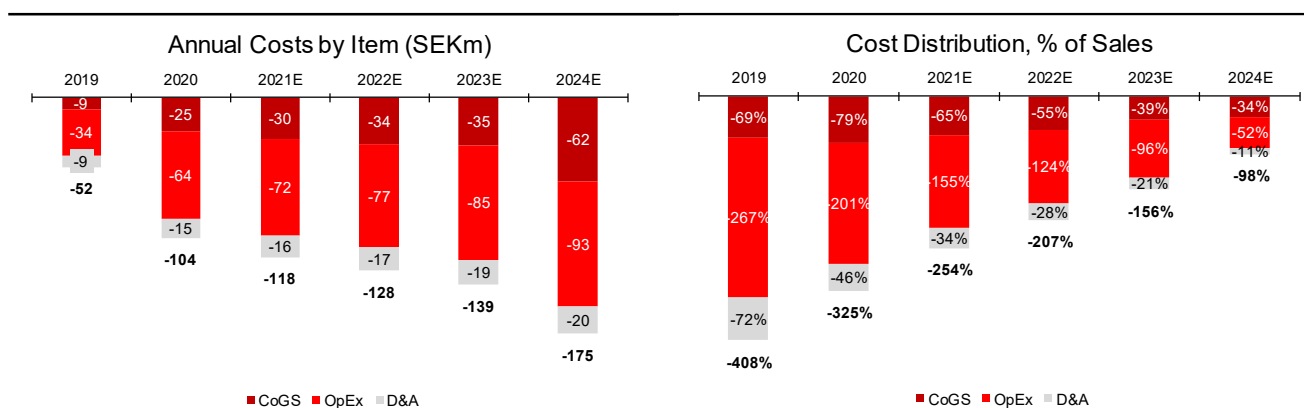
### Open Access 5G and Other – 60 percent

We believe the remaining operations could potentially yield a 60 percent gross margin, falling somewhere in between the other two. Open Access 5G is closer in nature to the Property offering. However, we anticipate much tougher competition in this space, not least from the large mobile network operators. We apply a similar assumption for the SIM Card business.

## Costs

We forecast that Netmore's cost base (CoGS, opex, and D&A) will amount to SEK 118m by 2021E, increasing 13 percent y/y. Given sales growing more than 40 percent y/y in 2021E, we consider the cost increment satisfactory. While Netmore remains unprofitable, we have a positive take on the company adopting a tighter cost profile relative to its sales, as illustrated below.

By the end of Q3 2021, Netmore had 32 employees. Management commentary suggests it will undertake further recruitments, particularly on the sales side. We anticipate that Netmore's opex will increase by around ten percent a year over the coming three years. Also, we expect D&A growth of about eight percent a year, assuming an increased investment rate and higher capitalized development expenses.



Source: Redeye Research

## Minority Interests – Significant Potential Ahead

Since Q1 2021, Netmore has been reporting minority interests as a result of its joint venture with Polar Structure. The current run rate indicates a SEK (-)4m annual contribution from the joint venture. Therefore, the joint venture's bottom line should be about SEK (-)8m. However, like Netmore's core business, the joint venture finds itself at an exciting inflection point, having built out LoRaWAN network infrastructure around the country. To some extent, success in the IoT business should result in a positive contribution from minority interests. While we recognize there is significant uncertainty, we model minority interest contributions of SEK 0, SEK 4.0m, and SEK 10.0m for 2022E, 2023E, and 2024E, respectively.

## Financial Position

Netmore carried out a SEK 70m directed share issue to SBB and Polar Structure on 28 September 2021. At the end of Q3, Netmore's cash position amounted to SEK 97m. Additionally, it reported interest-bearing debt of about SEK 25m.

The company entered into a bridge loan agreement with Buildroid earlier this year, resulting in a SEK 40m credit facility. Netmore has utilized SEK 20m according to the prospectus.

### Additional executing power – SEK 43m rights issue

Netmore carried out a fully guaranteed SEK 43m gross rights issue in Q4 2021 – about SEK 37m net. After repayment of the bridge loan, including interest (SEK 21.6m), the funds will be used in the following manner, according to the prospectus:

- Day-to-day operations: ten percent
- Customer processing and pilot installations: 40 percent
- Sales and marketing: 30 percent
- Product development: 20 percent

To summarize, after repaying the bridge loan, Netmore retains more than SEK 15m in additional executing power. We anticipate Netmore's cash position will amount to SEK 89m as of year-end 2021, in addition to no outstanding debt.

Income Statement	2020	Q1	Q2	Q3	Q4E	2021E	2022E	2023E	2024E
<b>Net sales</b>	<b>32</b>	<b>9</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>47</b>	<b>62</b>	<b>89</b>	<b>179</b>
YoY Growth	153%	138%	22%	21%	57%	45%	34%	43%	102%
Cost of sales	-25	-6	-7	-8	-9	-30	-34	-35	-62
<b>Gross Profit</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>16</b>	<b>28</b>	<b>54</b>	<b>118</b>
Gross Profit Margin	21%	31%	40%	31%	35%	35%	45%	61%	66%
Other operating income	15	2	1	2	3	8	10	12	13
Personnel expenses	-29	-10	-8	-8	-9	-34	-39	-44	-49
External expenses	-35	-12	-10	-8	-8	-38	-37	-41	-44
Other operating expenses	-	-	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>-43</b>	<b>-17</b>	<b>-11</b>	<b>-10</b>	<b>-9</b>	<b>-47</b>	<b>-39</b>	<b>-20</b>	<b>38</b>
EBITDA Margin	-133%	-182%	-94%	-81%	-72%	-102%	-63%	-22%	21%
Depreciation & amortization	-15	-4	-4	-4	-4	-16	-17	-19	-20
<b>EBIT</b>	<b>-57</b>	<b>-21</b>	<b>-15</b>	<b>-14</b>	<b>-13</b>	<b>-63</b>	<b>-56</b>	<b>-38</b>	<b>18</b>
EBIT Margin	-179%	-223%	-127%	-115%	-102%	-136%	-91%	-43%	10%
Interest income	-	-	-	-	-	-	-	-	-
Interest expenses	-4	-1	-3	-1	-1	-5	-	-	-
Minority interests	-	-0	-1	-1	-1	-3	-	4	10
<b>EBT</b>	<b>-61</b>	<b>-22</b>	<b>-19</b>	<b>-16</b>	<b>-15</b>	<b>-72</b>	<b>-56</b>	<b>-34</b>	<b>28</b>
Income tax expenses	1	0	-0	-0	-	-0	-	-	-6
<b>Net Income</b>	<b>-60</b>	<b>-22</b>	<b>-19</b>	<b>-16</b>	<b>-15</b>	<b>-72</b>	<b>-56</b>	<b>-34</b>	<b>22</b>
Net Income Margin	-188%	-231%	-161%	-131%	-118%	-155%	-91%	-39%	12%

## Valuation

We derive our valuation from a Discounted Cash Flow (DCF) analysis, using a constant WACC of 12 percent across our Base, Bull, and Bear scenarios. We do not factor future M&A into any of our cases.

### Hidden values in Netmore Polar Networks

Our take is that there are hidden infrastructure assets in Netmore's joint venture with Polar Structure. As previously mentioned, the joint venture aims to lead the buildout of Netmore's IoT/LoRaWAN network in Sweden and abroad. We understand that all essential IoT infrastructure assets have been moved into the joint venture. In late 2020, Netmore acquired an IoT network from Växjö Radiosystem, which we believe has been placed in Netmore Polar Networks. Since Polar Structure owns 50.1 percent of the joint venture, it reports the JV as a fully consolidated subsidiary. Netmore, on the other hand, reports its minority interest contribution from the joint venture. Consequently, the PP&E assets and SEK 350m credit facility in the joint venture are not visible on Netmore's balance sheet. While this notion does not affect our valuation, we consider it important to highlight.

### Unable to find relevant peers

Typically, we support our DCF valuation with peer group comparisons. However, we were not able to find such peers for Netmore, as these are either unlisted startups or established mobile network operators. We have previously mentioned the novel 5G landscape in which Netmore operates, where it faces relatively little competition. We expect to see more competitors in the future, at which point a relevant peer group will be feasible.

### SEK 2.8 Base Case valuation – 46 percent upside from current trading

Our Base Case represents upside of some 46 percent, corresponding to EV/sales of 2.6x and EV/EBITDA of 12.5x on our 2024 estimates. We see an attractive case, supported by an appealing business model, large established customers, and strong secular trends, providing structural growth for many years to come. Additionally, we believe our valuation is supported by the strong ownership structure and the owners' conviction in the case. SBB and Polar Structure agreed to invest SEK 70m through a directed share issue at a SEK 1.9 subscription price per share – more than 15 percent above current levels. Moreover, Polar Structure called for early conversion of its SEK 30m convertible loan at a SEK 3 subscription price per share. We view the current share price as an attractive entry point.

### Bear Case: SEK 0.7

Our pessimistic scenario is coupled with increased competition, technology, and execution risks. The competitive landscape is fairly novel, and Netmore faces relatively little competition at this time. We anticipate intensified competition in the future, resulting in price pressure and a decreasing market share. Also, we expect some delays in the go-to-market owing to bottlenecks and execution challenges.

Sales CAGR 2021E-2025E: 37%  
Sales CAGR 2025E-2030E: 13%  
Sales terminal growth: 2%  
Avg. EBIT margin 2021E-2025E: -50%  
Avg. EBIT margin 2025E-2030E: 14%  
Terminal EBIT margin: 12%

### Base Case: SEK 2.4

We expect Netmore to maintain and extend its first-mover advantage in the IoT Network space, thanks to its strong alliance with Polar Structure. Also, we factor in positive momentum in the property vertical. By the end of 2024, we believe Netmore could have connected more than 1,700 properties, generating ARR of about SEK 95m.

Sales CAGR 2021E-2025E: 61%  
Sales CAGR 2025E-2030E: 18%  
Sales terminal growth: 2%  
Avg. EBIT margin 2021E-2025E: -49%  
Avg. EBIT margin 2025E-2030E: 22%  
Terminal EBIT margin: 22%

### Bull Case: SEK 4.2

Our optimistic scenario is coupled with a favorable competitive situation, and we believe Netmore can maintain its market leadership well into the future. Also, we expect exceptional traction in all verticals, particularly the property space. We assume that several of Netmore's existing owners and customers connect large portions of their holdings with Netmore's technology, essentially tens of thousands of properties over time.

Sales CAGR 2021E-2025E: 72%  
Sales CAGR 2025E-2030E: 19%  
Sales terminal growth: 2%  
Avg. EBIT margin 2021E-2025E: -45%  
Avg. EBIT margin 2025E-2030E: 28%  
Terminal EBIT margin: 28%

## Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

### Rating changes in the report: none

#### People: 3

The CEO has worked in the telecom industry for a long time (more than ten years) and holds more than one percent of the share capital in Netmore. Additionally, management appears to have relevant sector experience. The company has made a couple of acquisitions that we believe have strengthened the core business. Also, Netmore's controlling owner, Buildroid, will likely provide consistency in future capital allocation. However, the rating is held back by some staff turnover at senior management level in addition to historical underperformance on growth targets. Also, higher transparency into long-term incentive plans (employee stock options) could boost the rating further.

#### Business: 4

Netmore operates an attractive business model, with mostly recurring revenue. Moreover, we appreciate the strategic alliances to help drive sales, particularly with Polar Structure and some of the property stakeholders. Generally, we anticipate long product cycles, resulting in high switching costs – an essential moat, in our opinion. Netmore has limited competition at this time, and we see good scope for it maintaining the first-mover advantage. However, there is some uncertainty concerning the long-term industry profitability and pricing power. Successful execution on its commercial rollout would boost the rating further.

#### Financials: 2

Netmore has a negative cash flow track record and will likely remain unprofitable for some years as it invests significant resources in sales growth. The rating's retrospective nature limits the company from achieving a higher score. However, we have a positive take on the much-improved financial position, following the company's several capital raises during 2021. The cash position should comfortably support Netmore into 2023.

	2020	2021E	2022E	2023E					
INCOME STATEMENT					DCF Valuation Metrics		Sum FCF (SEKm)		
					2021-25				-19
Sales	32	47	62	89	2026-34				407
Cost of Sales	25	30	34	35	2034-				282
Gross Profit	7	16	28	54	Firm Value				670
Operating Expenses	64	72	77	85	Net Debt				-89
EBITDA	-43	-47	-39	-20	Equity Value				758
Depreciation & Amortization	15	16	17	19	Fair Value per Share				2.4
EBIT	-57	-63	-56	-38					
Net Financial Items	-4	-5	0	0		2020	2021E	2022E	2023E
EBT	-61	-72	-56	-34	CAPITAL STRUCTURE				
Income Tax Expenses	-1	0	0	0	Equity Ratio	0.3	0.9	0.7	0.6
Non-Controlling Interest	0	-3	0	4	Debt to equity	1.5	0.0	0.0	0.0
Net Income	-60	-72	-56	-34	Net Debt	16	-89	-39	-13
BALANCE SHEET					Capital Employed	70	147	91	56
Assets					Working Capital Turnover	-2.9	-4.0	-5.0	-6.3
Current assets					GROWTH				
Cash & Equivalents	25	89	39	13	Sales Growth	153%	45%	34%	43%
Inventories	2	2	3	4	Basic EPS Growth	73%	-30%	-22%	-39%
Accounts Receivable	5	9	12	16	Adjusted Basic EPS Growth	73%	-30%	-22%	-39%
Other Current Assets	7	2	3	4					
Total Current Assets	40	103	58	38	PROFITABILITY				
Non-current assets					ROE	-177%	-82%	-47%	-47%
Property, Plant & Equipment, Net	5	5	5	5	ROCE	-82%	-43%	-62%	-68%
Goodwill	0	12	12	12	ROIC	-157%	-124%	-104%	-82%
Intangible Assets	51	53	46	40	EBITDA Margin (%)	-133%	-102%	-63%	-22%
Right-of-Use Assets	0	0	0	0	EBIT Margin (%)	-179%	-136%	-91%	-43%
Shares in Associates	0	0	0	0	Net Income Margin (%)	-188%	-155%	-91%	-39%
Other Long-Term Assets	0	1	1	1					
Total Non-Current Assets	56	70	64	58	VALUATION				
					Basic EPS	-0.3	-0.2	-0.2	-0.1
Total Assets	96	173	122	95	Adjusted Basic EPS	-0.3	-0.2	-0.2	-0.1
Liabilities					P/E	neg	neg	neg	neg
Current liabilities					EV/S	6.7	9.2	7.7	5.7
Short-Term Debt	0	0	0	0	EV/EBITDA	neg	neg	neg	neg
Short-Term Lease Liabilities	0	0	0	0	EV/EBIT	neg	neg	neg	neg
Accounts Payable	13	9	12	16	P/B	7.0	3.5	5.7	9.2
Other Current Liabilities	6	16	19	23					
Total Current Liabilities	26	26	31	39	SHAREHOLDER STRUCTURE		CAPITAL %		VOTES %
Non-current liabilities					Buildroid Invest		53.8%	69.7%	
Long-Term Debt	41	0	0	0	Polar Structure		17.7%	11.6%	
Long-Term Lease Liabilities	0	0	0	0	Samhällsbyggnadsbolaget i Sverige		6.4%	4.2%	
Other Long-Term Liabilities	0	0	0	0	Kapitopia		2.7%	1.8%	
Total Non-current Liabilities	41	0	0	0	Avanza Pension		2.4%	1.6%	
					SHARE INFORMATION				
Non-Controlling Interest	0	-3	0	4	Reuters code				NETMB.ST
Shareholder's Equity	28	147	91	56	List				First North
Total Liabilities & Equity	95	173	122	95	Share price				1.64
					Total shares, million				316.134
CASH FLOW					MANAGEMENT & BOARD				
NOPAT	-57	-64	-56	-38	CEO				Ove Anebygd
Change in Working Capital	5	1	1	2	CFO				Thomas Plate
Operating Cash Flow	-42	-56	-38	-14	Chairman				Rolf Norberg
Capital Expenditures	-2	0	0	0	ANALYSTS				
Investment in Intangible Assets	-32	-18	-11	-12					Redeye AB
Investing Cash Flow	-34	-18	-11	-12	Forbes Goldman				Mäster Samuelsgatan 42, 10tr
					Mats Hyttinge				111 57 Stockholm
Financing Cash Flow	74	137	0	0					
Free Cash Flow	-76	-73	-49	-26					

## Redeye Rating and Background Definitions

### Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

### People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

### Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

### Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.



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## Disclaimer

### Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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### Redeye Rating (2021-12-14)

Rating	People	Business	Financials
5p	32	15	4
3p - 4p	144	130	43
0p - 2p	5	36	134
Company N	181	181	181

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### CONFLICT OF INTERESTS

Forbes Goldman owns shares in the company : No

Mats Hyttinge owns shares in the company : No

Redeye performs/have performed services for the company and receives/have received compensation from the company in connection with this.