

Update: Report Q2 2019

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Crunchfish: Blippit on track for Q4 launch

- App terminal getting ready for production
- Gesture Control becoming more powerful and user friendly
- We maintain our fair value per share estimates of SEK 32.60 – 51.80

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Stock ticker:	CFISH
Industry:	Technology
Listed on:	Nasdaq First North
Latest stock price (SEK):	10,75
Market cap (MSEK):	285,7
Enterprise Value (MSEK):	264,3
Total number of shares (M):	25,77
- of which free float (M):	14,92

VHCF fair value per share

DCF model 32,60 - 51,80 SEK

Crunchfish AB

Address: Stora Varvsgatan 6A
211 19 Malmö

Webpage: crunchfish.com

CEO: Joakim Nydemark

Main owners (30 Jun 2019)

Capital (%)

Femari Invest AB	25,2
Midroc Invest AB	17,3
Paul Cronholm	4,2
Carlquist Holding AB	3,8
Coeli Abs European Equity	3,7

Stock price history

Crunchfish AB vs. OMXS30



Source: FactSet Prices

	-1m	-3m	-12m
Change (%)	-14,7	-33,4	74,3
52 w k range (Low /Hi) - SEK		2,53 / 26,35	

Source: FactSet

In its report for Q2 2019, Crunchfish confirms that their business expansion is progressing according to plan. The report contains few surprises and the company's performance is in line with what we expected for Q2. The company repeats that the market launch of Blippit is due in Q4, which is planned to be followed by a Swedish and an international expansion of the product. Looking at the business segment Gesture Control it has progressed well during Q2, including the launch of the XR Tracking 2.0 in June. Crunchfish says that the software is the most powerful, and at the same time the most user friendly, to this date.

Looking closer at Crunchfish Proximity, it is reassuring that the company is progressing according to plan, and the company has now confirmed that the rollout for Blippit is due to take place during Q4. The physical terminal is currently being prepared for production and Crunchfish has confirmed that they have appointed a Swedish production partner to manufacture the Blippit app terminal. Moreover, the app terminal's software has been updated to enable integration with any checkout register. This is a crucial update that makes Blippit more independent and at the same time ensures that Blippit is made available for many new customers.

In June, it was announced that Crunchfish Proximity has signed a partner agreement with Verisec for the integration and selling of the electronic ID service Freja eID. This opens doors for larger costumers that might require tailor-made international solutions, hence making Blippit more prepared for its international expansion. All in all, this is good progress moving forward that confirms that Crunchfish is on track and in agreement with the assumptions of our valuation model.

Table 1: Financial Overview

MSEK	2017	2018	2019e	2020e	2021e
Total revenues	12,8	13,8	21,7	35,5	61,9
Growth (%)	(2,4%)	7,6%	57,2%	63,6%	74,1%
EBITDA	(17,1)	(17,1)	(22,1)	(21,0)	(1,1)
EBITDA margin (%)	neg	neg	neg	neg	neg
EBT	(20,8)	(22,0)	(29,9)	(20,8)	30,7
Cash holdings	21,2	21,4	5,5	2,3	9,4
Total assets	44,7	46,6	38,7	48,7	79,3
Total equity	37,8	40,3	30,4	39,6	70,2
Solidity (%)	84,5%	86,3%	78,5%	81,3%	88,6%
P/E	neg	neg	neg	neg	9,3
ROE	neg	neg	neg	neg	43,7%
EV/EBIT (x)	neg	neg	neg	neg	neg
EV/Sales (x)	20,6	19,1	12,2	7,4	4,3

Source: Västra Hamnen Corporate Finance

Gesture Control is pushing the technological boundaries forward

Taking a more detailed look at the Gesture Control segment, the company has released its most powerful software to date, the XR Tracking 2.0. The software is said to push the boundaries for what can be done in the AR sector. The update brings more precision and better responsiveness to the gesture tracking. This makes the experience more user friendly, which is essential for success when the Gesture Control becomes more oriented towards the consumer market.

Crunchfish reports that the company is developing and testing products made compatible with a NPU-based neural network accelerator. This enables gesture control software that is extremely effective, but at the time using minimal amounts of energy. NPU technology is expected to be crucial to fulfil the next generation VR/AR demands, and its therefore assuring that Crunchfish is preparing for the future demands of extended reality.

Table 2: Estimates vs actual, Q2 2019

kSEK	Q2 '18	Q2 '19e	Q2 '19 actual	Diff
Net revenues	233	2 350	2 466	116
Capitalise development cost	1 974	1 194	1 608	414
Other revenues	629	442	484	42
Total revenue	2 836	3 986	4 558	572
Personnel costs	(3 514)	(5 645)	(4 042)	1 603
Other expenses	(3 873)	(4 949)	(6 240)	(1 291)
EBITDA	(4 551)	(6 608)	(5 724)	884
Amortisation and Depreciation	(1 024)	(1 016)	(1 698)	(682)
EBIT	(5 575)	(7 624)	(7 422)	202
Profit from affiliated companies	-	(585)	(424)	161
Other financial items, net	(20)	-	2	2
EBT	(5 595)	(8 209)	(7 843)	366
Net Profit	(5 595)	(8 209)	(7 843)	366
Cash and Equivalents	7 741	25 564	25 960	396
Total Equity	25 987	46 969	47 126	157

Source: Västra Hamnen Corporate Finance

Financials in line with expectations

Looking at the past quarter performance versus our estimates, there does not seem to be any large discrepancies. The outcome is roughly as we have estimated in our initial analysis which should be conceived as positive news. At the end of Q2, Crunchfish had a cash reserve of SEK 26 million. Looking ahead, we still see a possible scenario of a SEK 30 million financing need during the first quarter of 2020.

Overall, the Q2 report was in line with the scenario underlying our valuation model. **In conclusion, we maintain our fair value estimate at SEK 32.60 – 51.80 per share.**

Income Statement - Annual Data

kSEK	2016	2017	2018	2019e	2020e	2021e	2022e	2023e
Net revenues	2 690	3 203	3 510	14 849	28 670	54 616	93 714	126 612
Capitalised development cost	8 175	7 602	6 769	5 054	4 945	5 197	5 375	5 550
Other revenues	2 301	2 041	3 548	1 827	1 932	2 091	2 263	2 450
Total revenues	13 166	12 847	13 827	21 729	35 547	61 904	101 352	134 611
Cost of goods sold	-	-	-	(550)	(2 750)	(4 400)	(4 400)	(4 400)
Personnel costs	(12 141)	(14 324)	(14 784)	(20 953)	(30 698)	(33 403)	(44 681)	(56 427)
Other external costs	(10 854)	(15 290)	(14 637)	(20 566)	(19 948)	(21 809)	(23 844)	(26 068)
Other operating expenses	(192)	(285)	(1 554)	(1 785)	(3 116)	(3 406)	(3 724)	(4 072)
EBITDA	(10 020)	(17 053)	(17 148)	(22 125)	(20 965)	(1 114)	24 703	43 644
Amortisation & depreciation	(2 149)	(3 433)	(4 748)	(5 475)	(4 727)	(5 232)	(5 685)	(6 085)
EBIT	(12 169)	(20 486)	(21 896)	(27 600)	(25 692)	(6 346)	19 018	37 559
Profit from affiliated companies	-	-	(180)	(2 339)	4 971	37 071	75 725	138 106
Other financial items, net	(365)	(293)	50	(10)	(68)	(68)	(68)	(68)
EBT	(12 534)	(20 779)	(22 027)	(29 949)	(20 789)	30 657	94 675	175 597
Taxes	-	-	-	-	-	-	-	(28 579)
Net profit	(12 534)	(20 779)	(22 027)	(29 949)	(20 789)	30 657	94 675	147 018
Earnings per share (SEK)	(0,96)	(1,35)	(1,30)	(1,20)	(0,79)	1,16	3,56	5,51
Growth (%)								
Net revenues	na	19,1%	9,6%	323,0%	93,1%	90,5%	71,6%	35,1%
EBITDA	na	na	na	na	na	na	na	76,7%
EBIT	na	na	na	na	na	na	na	97,5%
Net profit	na	na	na	na	na	na	208,8%	55,3%
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	24,4%	32,4%
EBIT margin	neg	neg	neg	neg	neg	neg	18,8%	27,9%
EBT margin	neg	neg	neg	neg	neg	49,5%	93,4%	130,4%
Profit margin	neg	neg	neg	neg	neg	49,5%	93,4%	109,2%
Personnel costs	451,4%	447,1%	421,2%	141,1%	107,1%	61,2%	47,7%	44,6%
Total OPEX	862,0%	933,4%	882,5%	291,6%	187,5%	107,3%	77,1%	68,4%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	43,7%	54,9%	46,0%
ROIC	neg	neg	neg	neg	neg	neg	21,5%	39,9%
ROCE	neg	neg	neg	neg	neg	neg	8,6%	9,1%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kSEK	2016	2017	2018	2019e	2020e	2021e	2022e	2023e
Subscribed but not paid equity	-	-	-	-	-	-	-	-
Inventories	-	-	-	181	362	362	362	362
Account receivable	1 545	1 824	356	836	1 833	6 418	11 450	13 799
Receivables fr affiliated comp	-	-	1 118	2 600	3 240	3 333	3 336	3 648
Prepaid costs & accrued inco	1 415	992	1 089	1 484	1 914	2 214	2 355	2 448
Other receivables	2 039	984	475	773	910	985	1 026	1 075
Cash and cash equivalents	44 077	21 164	21 362	5 550	2 259	9 423	104 660	247 295
Total current assets	49 076	24 963	24 400	11 424	10 518	22 735	123 189	268 628
Tangible assets	222	728	522	2 655	4 388	5 800	6 950	7 887
Intangible assets	14 520	18 655	20 402	19 985	20 869	21 822	22 762	23 689
Long-term receivables	-	373	373	373	373	373	373	373
Affiliated companies	-	-	945	4 253	12 554	28 554	28 554	28 554
Total fixed assets	14 742	19 757	22 242	27 265	38 184	56 549	58 638	60 503
Total assets	63 818	44 720	46 642	38 689	48 701	79 283	181 827	329 131
Accounts payable	1 610	2 640	2 280	2 445	2 670	2 221	2 235	2 245
Accrued cost & prepaid incon	3 265	3 287	3 177	4 081	4 530	4 862	5 059	5 300
Other liabilities	424	963	917	948	1 076	1 118	1 152	1 187
Total current liabilities	5 299	6 889	6 373	7 474	8 276	8 201	8 447	8 732
Total non-current liabilities	-	62	-	853	853	853	853	853
Total equity	58 519	37 768	40 269	30 362	39 572	70 229	172 527	319 545
Total equity and liabilities	63 818	44 720	46 642	38 689	48 701	79 283	181 827	329 131

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2016	2017	2018	2019e	2020e	2021e	2022e	2023e
Operating activities	(10 609)	(16 767)	(16 868)	(23 486)	(16 062)	35 889	100 360	153 103
Changes in working capital	(2 757)	2 266	369	(1 623)	(1 583)	(5 127)	(4 972)	(2 518)
Investing activities	(8 216)	(7 975)	(6 823)	(11 439)	(15 646)	(23 597)	(7 775)	(7 950)
Financing activities	54 980	(163)	23 356	20 782	30 000	-	7 623	-
Cash flow for the period	39 348	(22 640)	34	(15 765)	(3 291)	7 165	95 236	142 635
Beginning cash balance	4 729	44 077	21 164	21 362	5 550	2 259	9 423	104 660
Adjustments	-	(273)	165	(47)	-	-	-	-
Ending cash balance	44 077	21 164	21 362	5 550	2 259	9 423	104 660	247 295

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kSEK	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019e	Q4 2019e	Q1 2020e	Q2 2020e
Net revenues	929	2 133	3 973	2 466	3 100	5 310	5 715	6 440
Capitalised development cost	1 854	1 295	1 024	1 608	1 206	1 215	1 195	1 239
Other revenues	299	2 091	433	484	450	460	469	478
Total revenues	3 081	5 518	5 430	4 558	4 757	6 985	7 378	8 157
Cost of goods sold	-	-	-	-	-	(550)	(550)	(550)
Personnel costs	(2 990)	(4 009)	(3 573)	(4 042)	(6 237)	(7 101)	(7 382)	(7 575)
Other external costs	(3 598)	(4 155)	(5 329)	(5 911)	(4 611)	(4 715)	(4 821)	(4 930)
Other operating expenses	(71)	(1 087)	-	(329)	(720)	(736)	(753)	(770)
EBITDA	(3 578)	(3 733)	(3 472)	(5 724)	(6 811)	(6 117)	(6 128)	(5 669)
Amortisation & depreciation	(1 045)	(1 735)	(1 623)	(1 698)	(1 059)	(1 096)	(1 132)	(1 165)
EBIT	(4 623)	(5 468)	(5 095)	(7 422)	(7 870)	(7 213)	(7 260)	(6 834)
Profit from affiliated companies	-	(180)	(268)	(424)	(800)	(847)	(330)	367
Other financial items, net	(45)	80	22	2	(17)	(17)	(17)	(17)
EBT	(4 668)	(5 568)	(5 341)	(7 843)	(8 686)	(8 078)	(7 607)	(6 484)
Taxes	-	-	-	-	-	-	-	-
Net profit	(4 668)	(5 568)	(5 341)	(7 843)	(8 686)	(8 078)	(7 607)	(6 484)
Earnings per share (SEK)	(0,30)	(0,26)	(0,25)	(0,30)	(0,34)	(0,31)	(0,29)	(0,24)
Y-o-Y Growth (%)								
Net revenues	299,3%	129,7%	86,3%	(37,9%)	25,7%	71,3%	7,6%	12,7%
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	322,0%	188,0%	89,9%	163,9%	201,2%	133,7%	129,2%	117,6%
Total OPEX	717,1%	433,8%	224,1%	417,0%	373,2%	236,4%	226,7%	206,1%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg
ROCE	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

kSEK	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019e	Q4 2019e	Q1 2020e	Q2 2020e
Subscribed but not paid equity	30 365	-	21 475	-	-	-	-	-
Inventories	-	-	-	-	-	181	181	181
Account receivable	429	356	3 176	942	805	836	825	1 135
Receivables fr affiliated comp	-	1 118	1 366	2 159	1 718	2 600	2 680	2 720
Prepaid costs & accrued inco	2 599	1 089	1 230	1 110	1 733	1 484	1 597	1 703
Other receivables	1 087	475	751	825	839	773	853	880
Cash and cash equivalents	7 143	21 362	12 913	25 960	16 188	5 550	26 264	17 342
Total current assets	11 257	24 400	19 435	30 996	21 283	11 424	32 399	23 961
Tangible assets	584	522	457	1 645	2 163	2 655	3 122	3 566
Intangible assets	20 809	20 402	19 869	19 527	19 757	19 985	20 180	20 410
Long-term receivables	373	373	373	373	373	373	373	373
Affiliated companies	-	945	1 677	2 253	3 253	4 253	5 253	6 620
Total fixed assets	21 767	22 242	22 375	23 798	25 546	27 265	28 928	30 968
Total assets	63 389	46 642	63 286	54 795	46 829	38 689	61 327	54 929
Accounts payable	1 882	2 280	3 127	2 619	2 520	2 445	2 559	2 596
Accrued cost & prepaid inco	4 025	3 177	4 222	3 373	4 069	4 081	4 212	4 209
Other liabilities	11 170	917	758	823	948	948	948	1 000
Total current liabilities	17 078	6 373	8 107	6 816	7 537	7 474	7 719	7 806
Total non-current liabilities:	-	-	-	853	853	853	853	853
Total equity	46 311	40 269	55 179	47 126	38 440	30 362	52 755	46 271
Total equity and liabilities	63 389	46 642	63 286	54 795	46 829	38 689	61 327	54 929

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019e	Q4 2019e	Q1 2020e	Q2 2020e
Operating activities	(3 476)	(3 769)	(3 475)	(5 401)	(7 628)	(6 982)	(6 475)	(5 319)
Changes in working capital	(1 173)	1 802	(2 916)	1 473	662	(841)	(17)	(397)
Investing activities	(1 854)	(1 295)	(2 024)	(3 793)	(2 806)	(2 815)	(2 795)	(3 205)
Financing activities	5 943	17 468	(49)	20 831	-	-	30 000	-
Cash flow for the period	(559)	14 207	(8 465)	13 110	(9 772)	(10 638)	20 714	(8 922)
Beginning cash balance	7 741	7 143	21 362	12 913	25 960	16 188	5 550	26 264
Adjustments	(39)	13	16	(63)	-	-	-	-
Ending cash balance	7 143	21 362	12 913	25 960	16 188	5 550	26 264	17 342

Source: Västra Hamnen Corporate Finance

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