

SaveLend Group

Sector: Fintech

Money Should Never Sleep

Redeye updates its estimates and fair value range in light of the recent report. AUM and the number of invoices were at an all-time high. Meanwhile, we had higher expectations on the growth, especially since the group did not grow quarterly. The decrease in the quarterly growth is understandable given the current market conditions, pause in credit intermediation on Fixura during the migration, and ending the internal credit intermediation in Poland.

Shifted focus

SaveLend Group has shifted its focus from building organization, achieving a large footprint, and only prioritizing growth to profitable growth. Within two quarters the company aims to be cash-flow positive. The "bus is full," as the CEO said in the CEO letter about the need to add more resources.

Prepared for international expansion

SaveLend's payment license has been passported to 13 countries in Nordics and northern Europe, continuing the international expansion after entering Finland a little more than a year ago and increasing its presence in Finland with the acquisition of Fixura.

Reiterates our base case

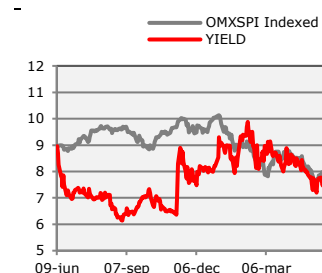
We have made minor changes in our estimates and leave the fair value range unchanged. On our estimates, SaveLend Group trade at EV/S multiples of 3.5x 2022, 2.3x 2023, and 1.7x 2024. Our base case remain at SEK 18 (18) per share, with a bear case of SEK 8.4 (8.4) and a bull case of 47 (47).

Key Financials (SEKm)	2020	2021	2022E	2023E	2024E
Net sales	56	94	147	215	285
Revenue growth	26%	67%	56%	47%	32%
EBITDA	-7	-18	-11	27	58
EBIT	-15	-28	-29	6	35
EBIT Margin (%)	-27%	-30%	-19%	3%	12%
Net Income	-14	-29	-29	6	28
EV/Revenue	na	4.4	3.0	2.0	1.5
EV/EBITDA	na	neg	neg.	16	7
EV/EBIT	na	neg	neg.	67	12

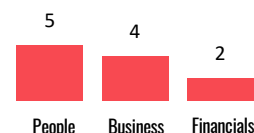
FAIR VALUE RANGE

BEAR	BASE	BULL
8.4	18	47

YIELD VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	YIELD
Market	First North
Share Price (SEK)	7.66
Market Cap (SEKm)	395
Net Debt (SEKm)	22
Free Float (%)	45
Avg. daily volume ('000)	62

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The first quarter of 2022

Net sales in total and for the different segments landed lower than we estimated, by 13% in total and the investing platform, while the invoicing platform came in 10% lower. SaveLend Group broke a streak of six consecutive quarters of quarterly growth as the quarter-over-quarter growth came in -1,7% for the group compared to last quarter. This was mainly driven by lower growth in new customers due to the current market conditions, discontinuing internal credit intermediation in Poland, and paused credit intermediation on Fixura's platform during the migration to SaveLend's technique.

SaveLend Group	2021	2022	2022	
MEUR	Q1	Q1A	Q1E	Diff %
Net sales	19.1	29.8	34.1	-13%
Savelend	15.3	22.5	25.9	-13%
Billecta	3.8	7.3	8.1	-10%
Gross profit	17.8	25.8	30.3	-15%
EBITDA	-0.7	-3.7	-4.3	-14%
Adjusted EBITDA				
EBIT	-2.6	-8.1	-7.7	4%
Growth		56%	79%	-23%
Savelend		47%	69%	-23%
Billecta		95%	117%	-22%
Gross profit margin	93%	87%	89%	-2%
EBITDA margin	-4%	-12%	-13%	0%
Adjusted EBITDA margin	-3%	-10%		
EBIT margin	-14%	-27%	-23%	-4%

Source: Redeye Research

The KPIs for the two segments were AUM and the number of invoices on record level, reaching 694 mSEK and slightly over 1 million invoices. Meanwhile, we expected both the volume and monetization to be higher, as the growth in AUM and the number of invoices were lower than expected. The quarterly take-rate (quarter net sales/AUM) and revenue per invoice.

SaveLend Group	2021	2022	2022	
Segment KPIs	Q1	Q1A	Q1E	Diff %
SaveLend				
AUM	301	694	746	-7%
Annual take-rate	17%	11%	11%	3%
Quarterly take-rate	0%	3%	4%	-12%
Invested AUM ratio	92%	93%	94%	-1%
AUM growth		131%	148%	-17%
Billecta				
Invoices	391,082	1,014,961	1,070,000	-5%
Per invoices	9.9	7.2	7.6	-5%
Growth in invoices		160%	174%	-8%
Growth in revenue per invoice		-27%	-21%	32%

Source: Redeye Research

Acquisitions

Two acquisitions have been consolidated during a short amount of time, Fixura and Svensk Kreditförmedling (SKF).

The migration and integration of Fixura on SaveLend's platform have taken longer than anticipated due to a need to move the existing platform SaveLend's technical platform before migrating the Fixura investors fully to SaveLend. This has led to a halt in issuing more credits on the fixura platform. The complete migration is planned to be finalized in Q3 of this year.

SKF was consolidated only during March for this quarter. We didn't expect SKF to contribute revenue in the quarter due to a seasonality in its business, which is heavy in the second quarter and the fourth quarter. This is because contractors want to close the fundraising of a real estate project before summer and before Christmas.

Institutional Investors

The third institutional investor has joined the investing platform, which we saw as a trigger for increased AUM growth. An agreement has been made with the second institutional investor for SaveLend to call on capital when there is credit available to be invested. We are very positive to see institutional investors finding that SaveLend's platform offers attractive investment opportunities, confirming our view of the investing platform positioning and the asset class's value to investors. Credits are not correlated with the stock market, are safer than equities and mutual funds, and give inflation protection which should be highly sought after in the current investment environment.

M&A Fire Power

According to the annual general meeting's decision, the board has been authorized to issue shares to a total amount of 20% of the outstanding shares in the event of an acquisition.

The last rights issue was made to no discount, and we calculate a range of how much capital could be raised depending on zero discount and 15% discount. This means SaveLend Group could raise 68.4-80.5 mSEK for acquisitions. Given the previous multiples SaveLend has made acquisitions for, can an acquisition contribute 40-100 mSEK in sales or 14.6-17.1 mSEK in EBIT on an annual basis.

SaveLend Group: M&A fire power

Share price	7.8	
Share price (discount 15%)	6.6	
Possible new shares issued	10.3	
New capital (mSEK)	80.5	
New capital with discount (mSEK)	68.4	
Previous acquisition's multiples	P/S	EV/EBIT
SKF	1.7x	4.7x
Fixura	0.8x	
Average	1.3x	
New contribution sales (mSEK)		
Best case	100.6	
Worst case	40.2	
New contribution EBIT (mSEK)		
Best case	17.1	
Worst case	14.6	

Source: Redeye Research

We recognize that the previous acquisitions have been made on very low multiples, and there have been certain special situations around the Fixura and SKF acquisitions. The low valuations can explain previous relationships and existing ownership with the targeted acquisitions. Also, the current market conditions could be very favorable for an active noted M&A actor, such as SaveLend Group.

International Expansion

During the quarter, SaveLend applied and received approval for its licenses to be passported to thirteen countries. The CEO confirmed in our interview that Germany is one of these markets. We expect the other twelve markets are close to the existing markets. We assume the countries are located in the Nordics and northern Europe: Denmark, Iceland, Norway, Estonia, Lithuania, Latvia, Poland, Belgium, Netherlands, Luxemburg, Austria, and the Czech Republic are our best guesses.

Since SaveLend IPOed, an ambition has been to expand to other European countries. A first step was expanding to Finland to introduce credits in euro to the platform. SaveLend has now taken one further step toward expansion to Europe.

We look forward to seeing how the European expansion progress from here.

Financial Situation

SaveLend has changed focus and said it would be cash flow positive in the third quarter in its quarterly report. Despite this, we calculate it will be tight to reach it before the cash position runs out. The group has credit lines it can call on; if so, it would be the case. Therefore are, we not considered that the group needs to do a rights issue to fund itself until it is cash flow positive.

Financial Forecasts

Segment estimates

SaveLend

The net sales didn't reach our estimates. We believe the internal issues were temporary, while the external issue with a more cautious security market can cause issues for a long time but will pass over time. During the corona crisis, the investing platform had a few months with outflows of AUM. Still, the investors came back after the dust settled, and the investors saw that the credit losses were minimal compared to losses in other assets. Investing in credits doesn't come without risks, but a better asset to invest in is a market where the inflation and interest rates increase. One of the few assets retail investors can turn to have a real return on its capital.

We changed the net sales in the majority based on the baseline we got in AUM from the quarter, and we forecasted an AUM of 746 mSEK while it came in on 694 mSEK. Affecting the net sales forward, we see possibilities for these estimates to be overachieved as SKF is fully consolidated and the second quarter is a strong quarter for SKF. The third quarter will be exciting as the Fixura and SKF investors will be integrated into the SaveLend platform. There are very likely to be positive surprises there. The quarter did save report net revenue retention rate, meaning how much revenue a customer has generated since a year ago compared to last year. It was 132%, representing a growth of 32%.

Billecta

Somewhat the same story with Billecta compared to our estimates, driven by lower revenue per invoice and lower number of invoices. The lower revenue per invoice was driven by larger volumes in existing customers, as Billecta's pricing model takes a lower price as volumes increases for a customer. We changed our estimates based on the new volume of invoices and revenue per invoice.

The group also reported a net revenue retention rate for Billecta of 158%.

SaveLend Group: Estimates per Segment												
(SEKm)	2021	Q1'22	Q2'22E	Q3'22E	Q4'22E	2022E	Q1'23E	Q2'23E	Q3'23E	Q4'23E	2023E	2024E
SaveLend												
Net Sales	72.5	22.5	26.4	30.0	35.2	114.0	39.2	40.8	41.5	47.2	168.7	222.9
Growth Y/Y	61%	47%	62%	66%	53%	57%	74%	55%	39%	34%	48%	32%
AUM	669	694	755	814	900	900	946	985	1,026	1,080	1,080	1,294
Growth Y/Y	156%	131%	102%	96%	35%	35%	36%	30%	26%	20%	20%	20%
AUM net add Y/Y	408	393	382	399	231	231	252	230	212	180	180	214
Growth Q/Q		15%	24%	10%	38%		5%	4%	4%	5%		
AUM net add Q/Q		25	61	59	86		46	39	40	54		
Invested AUM	629	645	695	749	828	828	870	907	923	993	993	1,190
Invested AUM (% of AUM)	94%	93%	92%	92%	92%	92%	92%	92%	90%	92%	92%	92%
Annually take-rate	10.8%	11.5%	11.9%	12.5%	12.7%	12.7%	13.8%	14.7%	15.3%	15.6%	15.6%	17.2%
Change Y/Y percentage points	-6.4%	-5.3%	-3.5%	-2.7%	1.8%	1.8%	2.3%	2.8%	2.8%	3.0%	3.0%	1.6%
Quarterly take-rate		3.5%	3.8%	4.0%	4.3%		4.5%	4.5%	4.5%	4.8%		
Change Y/Y percentage points		-0.2%	0.3%	0.2%	0.3%		0%	0%	0%	0%		
Billecta												
Net Sales	21.7	7.3	8.0	8.4	9.1	32.8	9.8	10.9	12.3	13.7	46.7	62.4
Growth Y/Y	92%	95%	59%	51%	23%	51%	35%	37%	46%	50%	42%	34%
Invoices thousands	3,376	1,015	1,110	1,170	1,260	4,555	1,370	1,500	1,650	1,820	6,340	8,250
Growth Y/Y	175%	160%	-3%	34%	30%	35%	35%	35%	41%	44%	39%	30%
Per Invoice	6.4	7.2	7.2	7.2	7.2	7.2	7.2	7.3	7.4	7.5	7.4	7.6
Growth Y/Y	-30%	-25%	64%	12%	-5%	12%	0%	1%	4%	4%	2%	3%

Source: Redeye Research

Group estimates

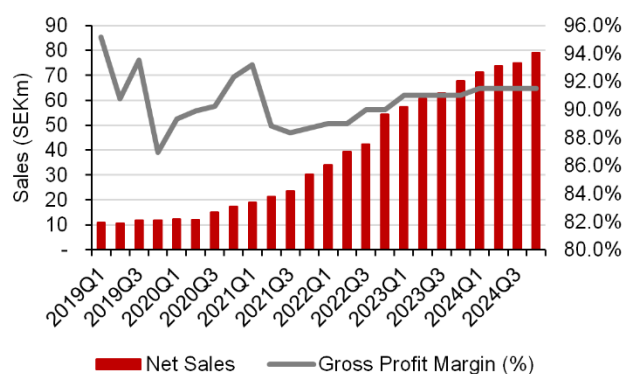
In the light of the report, we have adjusted our net sales mainly to reflect the new baseline for AUM and the number of invoices. The gross profit we assume continues to be high, near 90%. This quarter had a low gross margin of 87% due to external market factors. As the company focuses on profitability, we trimmed down our costs forecast, mitigating the loss slightly in net sales. With personnel costs stagnating after the second quarter and the assumption of scalability shown in the sales costs, we assume a somewhat more aggressive ramp-up in margins achieving an EBITDA margin of 12.4% in 2023 and 20.4% in 2024.

SaveLend Group: Estimates

(SEKm)	2021	Q1'22	Q2'22E	Q3'22E	Q4'22E	2022E	Q1'23E	Q2'23E	Q3'23E	Q4'23E	2023E	2024E
Net Sales	94.3	29.8	34.4	38.4	44.3	146.9	49.0	51.7	53.8	60.9	215.4	285.3
Gross profit	84.4	25.8	30.6	34.5	39.9	130.9	44.6	47.1	49.0	55.4	196.0	261.0
EBITDA	-17.9	-3.8	-4.6	-2.9	0.7	-10.6	4.2	6.0	6.7	10.0	26.9	58.3
Adjusted EBITDA	-6.0	-3.0	-4.6	-2.9	0.7	-10.6	4.2	6.0	6.7	10.0	26.9	58.3
EBIT	-28.0	-8.1	-9.0	-7.4	-4.1	-28.6	-0.8	0.9	1.6	4.7	6.5	34.9
EPS	-0.6	-0.2	-0.2	-0.1	-0.1	-0.6	0.0	0.0	0.0	0.1	0.1	0.5
Growth Y/Y (%)	67%	56%	61%	63%	46%	56%	64%	50%	40%	37%	47%	32%
Gross margin (%)	90%	87%	89%	90%	90%	89%	91%	91%	91%	91%	91%	92%
EBITDA Margin (%)	-19.0%	-12.7%	-13.5%	-7.5%	1.5%	-7.2%	8.5%	11.5%	12.5%	16.5%	12.5%	20.4%
Adjusted EBITDA Margin (%)	-6.4%	-10.2%	-13.5%	-7.5%	1.5%	-7.2%	8.5%	11.5%	12.5%	16.5%	12.5%	20.4%
EBIT Margin (%)	-29.7%	-27.3%	-26.2%	-19.2%	-9.2%	-19.5%	-1.7%	1.8%	3.0%	7.8%	3.0%	12.2%

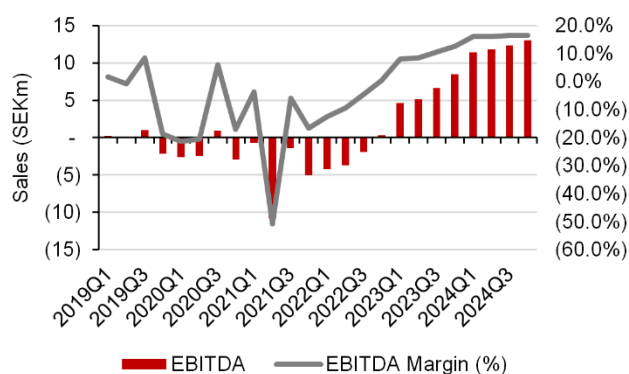
Source: Redeye Research

SaveLend Group: Sales and Gross Profit margin (MSEK)



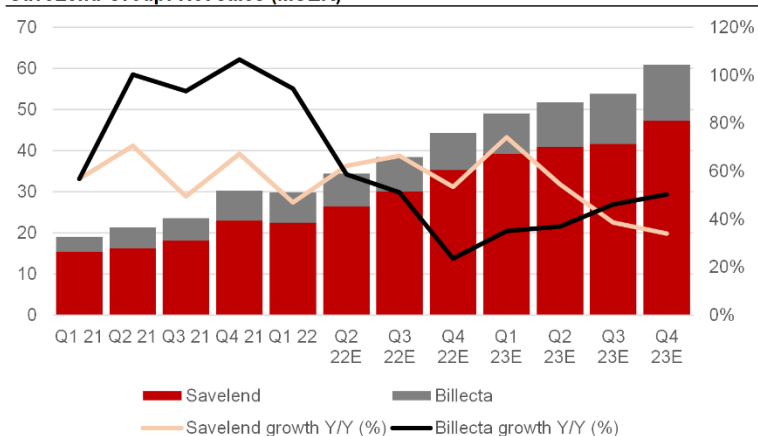
Source: Redeye Research

SaveLend Group: EBITDA and EBITDA Margin (MSEK)



Source: Redeye Research

SaveLend Group: Net sales (MSEK)



Source: Redeye Research

Estimate changes

As mentioned in the segment estimates, the decrease in net sales is driven by the lower than estimated volume in AUM and invoices and revenue per invoice. We adjusted our cost basis as it will stagnate from the second quarter, especially the personnel costs reflecting higher margins in 2023 and 2024. The decrease in net sales and cost decrease didn't balance out and resulted in larger negative margins for 2022.

SaveLend Group: Estimate change (MSEK)			
MSEK	2022E	2023E	2024E
Net sales			
Old	151.5	248.5	298.8
New	146.9	215.4	285.3
% change	-3%	-13%	-5%
EBITDA			
Old	-9.6	24.8	48.6
<i>margin</i>	-6%	10%	20%
New	-10.6	26.9	58.3
<i>margin</i>	-7%	12%	27%
% change	11%	8%	20%
EBIT			
Old	-24.8	5.7	25.6
<i>margin</i>	-16%	2%	10%
New	-28.6	6.5	34.9
<i>margin</i>	-19%	3%	16%
% change	15%	13%	36%

Source: Redeye Research

Valuation

Peer valuation

Peers to SaveLend Group have not been favorable in this market since our initiation report has the median valuations fallen 57%. Compared to what we see as the main peers, e.g., Nordnet and Avanza, its revenue decreased by approximately 20%. At the same time, SaveLend Group continues to grow to show the robustness of SaveLend's two business models.

SaveLend Group is valued lower than its peers, despite showing higher growth than both peer groups.

Peer valuation												
		EV/Sales			EV/EBIT			Sales CAGR	EBIT CAGR	EBIT margin		
Company	EV (MSEK)	2022E	2023E	2024E	2022E	2023E	2024E	20-24E	20-24E	2022E	2023E	2024E
Investing platform												
Avanza	34,125	11.0x	9.9x	8.9x	17.1x	15.7x	13.9x	5%	5%	65%	63%	65%
Nordnet	35,408	9.9x	8.7x	7.9x	15.6x	13.3x	11.6x	6%	8%	63%	65%	68%
Tessin	200	3.8x	2.7x	1.9x	neg.	neg.	neg.	18%	n/a	-54%	-28%	-9%
Flatex/Degiro*	16,090	3.1x	2.7x	2.3x	8.6x	6.3x	5.1x	8%	14%	36%	42%	45%
Robin Hood	68,215	4.6x	3.1x	2.6x	neg.	neg.	neg.	15%	-24%	-84%	-36%	-16%
Lending Club	10,432	0.9x	0.7x	0.7x	3.9x	3.2x	2.7x	6%	10%	22%	23%	26%
Lending Tree	13,930	1.3x	1.1x	1.0x	54.4x	18.9x	12.8x	6%	44%	2%	6%	8%
Coinbase	141,121	2.8x	2.2x	1.8x	neg.	neg.	25.2x	13%	n/a	-37%	-9%	7%
Charles Schwab	423,416	1.9x	1.6x	1.5x	3.8x	3.0x	2.7x	6%	9%	49%	54%	55%
Median	34,125	3.1x	2.7x	1.9x	12.1x	9.8x	11.6x	6%	9%	36%	42%	45%
Billing platform												
Bill	111,245	17.5x	12.4x	9.2x	neg.	neg.	602.3x	17%	n/a	-4%	-3%	2%
Fortnox	35,153	27.0x	20.2x	15.5x	72.7x	49.7x	36.6x	15%	19%	37%	41%	42%
Exela	11,866	1.1x	1.0x	n/a	19.1x	14.4x	17.1x	n/a	n/a	6%	7%	n/a
SAP	1,233,700	4.0x	3.7x	3.5x	14.6x	13.0x	11.5x	4%	6%	27%	29%	30%
Oracle	2,461,730	5.9x	5.6x	5.2x	12.9x	12.2x	11.0x	3%	4%	45%	46%	47%
AvidXchange	16,990	1.5x	1.2x	1.0x	neg.	neg.	neg.	9%	-8%	-25%	-19%	-12%
Median	111,245	4.9x	4.6x	5.2x	16.9x	13.7x	17.1x	9%	5%	27%	29%	36%
Peer group												
Median	35,153	3.8x	2.7x	2.4x	15.1x	13.2x	12.2x	9%	8%	27%	29%	36%
Average	365,884	6.4x	5.1x	4.5x	22.3x	15.0x	62.7x	10%	3%	10%	19%	26%
SaveLend	380	3.5x	2.3x	1.7x	neg.	77.5x	13.9x	50%	n/a	-19%	3%	12%

Source: Factset & Redeye Research *Net debt adjusted

Sum-of-the-parts Valuation

We are using the same method for our sum of the parts valuation to reflect the values of the group's two platforms. We have applied a 30% discount to the two peer groups due to a lack of track record, and the implied scalability is not yet proven. Since the last update, the valuations have decreased in the market and lowered the weighted EV/Sales multiple from 3 to 2.4. Based on our 2022 estimates, SaveLend Group is worth SEK 9.1(10.4) per share, whereas SaveLend is worth SEK 6.4 (7.35) per share and Billecta SEK 3.1 (3.45) per share. We don't think the sum-of-the-parts reflects the valuation in SaveLend Group at the moment, it could be argued that we should not have a 30% discount on the EV/Sales valuation anymore.

Sum of part valuation				
Segments	Sales 22E	EV/Sales	EV	EV per share
SaveLend	114.0	2.7	303	6.4
Billecta	32.8	4.5	147	3.1
Total	146.9	3.1	450	9.5
		Net debt	22	0.4
		Equity value	428	9.1

Source: Redeye Research

DCF valuation

We have applied a discount rate of 11% and a tax rate of 20.6% in all scenarios. Below scenarios don't consider any acquisitions being made. The discount analysis extends to 2036E.

Bear Case 8.4 SEK

Our Bear case is built on the Group missing its financial targets and not finding more growth opportunities. The company reverses its growth investments and focuses on becoming profitable earlier than expected. We set the terminal growth to 2% and the EBIT margin to 25%.

24E Net Sales: SEK 227m
 24E NOPAT: SEK -11m
 25E-36E Net Sales CAGR: 6%
 25E-36E Average EBIT margin: 21%

Working Capital of revenue average: 1.3%
 Intangible's investment of revenue average: 12%
 Capital expenditures of revenue average: 3,7%

Terminal growth: 2%
 Terminal EBIT margin: 25%

Base Case 18 SEK

In our Base case, we estimate SaveLend Group to land close to its net sales target of 2025 already in 2024. Meanwhile, we forecast they will not reach an EBITDA level of 25% in 2025. We assume it will keep a 25% EBIT margin in terminal and a 2 % growth.

24E Net Sales: SEK 285m
 24E NOPAT: SEK 28m
 25E-36E Net Sales CAGR: 8.7%
 25E-36E Average EBIT margin: 23%

Working Capital of revenue average: 1.1%
 Intangible's investment of revenue average: 10.4%
 Capital expenditures of revenue average: 3.3%

Terminal growth: 2%
 Terminal EBIT margin: 25%

Bull Case 47 SEK

Our Bull case estimate that SaveLend Group will outperform its financial goals on net sales and profitability. The scalability will continue to play out as the company continues its growth journey, closing in on the EBIT margin that more mature peers have. Achieving a terminal EBIT margin of 35% while growing 2%.

24E Net Sales: SEK 389m
 24E NOPAT: SEK 46m
 25E-36E Net Sales CAGR: 10.2%
 25E-36E Average EBIT margin: 35%

Working Capital of revenue average: 0.8%
 Intangible's investment of revenue average: 8.0%
 Capital expenditures of revenue average: 2.5%

Terminal growth: 2%
 Terminal EBIT margin: 35%

Sensitivity analysis		Weigthed Average Cost of Capital				
		13.00%	12.00%	11.00%	10.00%	9.00%
EBIT margin	20.0%	11	13	15	18	22
	22.5%	12	14	16	20	24
	25.0%	13	15	18	21	26
	27.5%	14	16	19	23	27
	30.0%	15	17	20	24	29
		13.00%	12.00%	11.00%	10.00%	9.00%
Growth	1.0%	12	14	16	19	23
	1.5%	13	15	17	20	24
	2.0%	13	15	18	21	26
	2.5%	13	16	19	22	27
	3.0%	14	16	20	24	29

Investment Case

SaveLend Group is a fintech company that focuses on helping companies and people with loans and matching this need with investors' need for return on their capital. Its investing platform creates synergies with invoicing platform Billecta by assisting with financing services through automating its customers' invoicing process. Billecta's collection license provides synergies in sourcing credits, collecting the credits on the platform, and invoicing customers.

High Growth and Long Runway

Both SaveLend and Billecta have recently seen good business events, signing their biggest customers to date and having the largest inflow of AUM ever. The group's expansion into the Finnish and Polish markets has just started. Important agreements have been signed and an acquisition made in the Finnish market that looks certain to offer a large footprint early in its market expansion. The Finnish market expansion allows the group to find more customers and investors and access EUR credits, rendering the investing platform more attractive for European investors, many of whom do not want investments in SEK.

Both platforms have three growth areas:

- Growing with their customers' thanks to returns on the platform and the growth in Billecta's customers
- New customers on the platforms
- Existing customers increasing their engagement with new deposits on the investing platform or an invoicing platform customer adding a geographical region – Maiden General Försäkring, for example.

The group has announced financial targets: net sales of SEK 300m by 2025 and organic growth of 25% per year.

Scalable Business Model

Both platforms are scalable, and costs do not increase with net sales, with around 90% in gross margins testifying to the platform's scalability. The company's financial target is an adjusted EBITDA margin of 25%, versus other investing platforms and business intelligence platforms of more than 30% and estimated to increase. We see the potential for the group's EBITDA margins to surpass its financial target of 25% in the long run.

Reaching Critical Mass of Credit Volume

The volume of credits has started to reach an attractive level for institutional investors. At present, only one institutional investor is on the platform and only financing one Billecta product. Given the trend in other, more mature alternative financing markets, we believe that institutional capital will be critical in the future as the supply of credits is enough for the institutions to invest on the platform.

Founder Lead and High Insider Ownership

The founders of SaveLend and Billecta are all still active in the group and are highly motivated to achieve the platform's full potential. The founder of SaveLend is the largest shareholder with 21.32% ownership. The two founders of Billecta, Jonas Ahlberg and Jacob Gevcen, are the fifth- and sixth-largest shareholders with around 6.95% ownership each. The total insider ownership of the board and management is 36.76%.

Long-Term Optionality

Both the investing and invoicing platforms have high optionality to add new products and increase the value of the media. At present, the investing products are only simple credits, but there is an opportunity to increase the product suite with more complicated products available in the professional debt markets: products with different tranches and claims order on credit, debt connected to financing enterprises, funds, and more debt-related products. There are considerable opportunities, with the biggest hindrance being regulatory approval.

Catalysts

M&A

SaveLend Group has several possible M&A targets that fit into or can be bolted onto the existing value chain.

The financing market is fragmented and often local, lacking in digitalization, making it possible for SaveLend to consolidate the market and improve the experience for borrowers while feeding the investing platform with new investable credits. The investing platform market is also immature, allowing consolidation of the European market to achieve economies of scale that the acquisition targets may not achieve on their own.

Billecta's invoicing platform offers a variety of ways to approach its M&A activities. An acquisition could add to the top line, new technology, or new product line to the existing product suite. The digitalization of invoices involves different standards in different regions, and local approaches make it suitable to acquire a company with the necessary knowledge and technical setup to expand in that market.

SaveLend Group has carried out three significant acquisitions – Billecta in 2018 and, more recently, Fixura and Svensk Kreditförmedling – all of which have been accretive on the top line but, more than that, have brought operational synergies and opened up new geographical and sectors.

Geographical Expansion

SaveLend has recently expanded into Finland and made its first acquisition to take as much market share as possible. The group also has a presence in the Polish market as a financier to corporates, providing the investing platform with credits in EUR. SaveLend has a straightforward strategy for expansion in Europe. Further expansion into a new market would be a catalyst for the group. This could be M&A or following an existing customer on the Billecta invoicing platform, which in turn derisks the expansion compared with expanding from scratch.

Signing of Large Billecta Customers

Billecta has signed customers such as Akavia and Fastum, increasing its annual revenues by SEK 3m and SEK 2m, respectively, and upping the group's total revenues in 2020 by some 5.3% and around 3.5%, respectively. These large customers also bring a high level of integration into their systems, leading to reliable revenues for many years to come. We see a high likelihood of the group signing similarly sized customers and even larger clients in the future.

Counter-Thesis

Regulatory

Like all licensed, obliged enterprises, SaveLend Group is dependent on regulatory approval for its license. It needs to be certified as a payment institute and consumer credit institute by Finansinspektionen and requires a license as a debt collector. Without the necessary permits, SaveLend Group cannot run parts or all its business.

Credit Losses

Substantial credit losses on the platform could hurt the group's financials and damage its reputation. Should the platform become more associated with credit losses for investors than the historical and targeted return, this would cause a brand issue. Investors might stop investing in it or, worse, start withdrawing their capital. The AUM would decrease and reduce revenues as the group is paid when investors return their credits. This would lead to a worsening spiral of adverse effects with revenue decreasing further and AUM diminishing. The credit process must be rigorous, and a high standard is maintained.

Losing Stakeholders' Trust

The greatest operational issue for both platforms is if users were to lose trust. Suppose a large part of the credits on the platform were to default, causing significant losses for investors or technical issues in the invoicing platform and thus erasing the balance of accounts receivable. In that case, this could cause mistrust in the platforms. As stakeholders in both platforms put considerable trust in them working, it would be detrimental to the ongoing adoption of both platforms. Handling capital and income sources is a delicate matter that cannot be taken lightly.

This also extends to the key people in the group. If a member of management or the board were deemed untrustworthy, it would also hurt the perceived view of the group, which could impact the uptake of the platform's services.

M&A Risks

All M&A activity comes with risks that can be missed during the due diligence of a targeted company, especially as a possible target potentially has credits that may be worse than anticipated. M&A also poses a risk if the integration of the two companies fails for technical or cultural reasons. The loss may be in monetary form or the time and focus of management in remedying the situation at the expense of focusing on long-term growth.

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 point. The maximum score for a valuation key is 5 points.

Rating changes in the report

People: 5

SaveLend Group management and board are very passionate and competent with a lot of skin in the game. Especially as the three founders of SaveLend and Billecta are among the largest shareholders and still operative in the company. Communication from the group has been clear, timely, and honest to the market and its shareholders. In our view, does SaveLend Group have trustworthy people and have its incentives in line with its shareholders.

Business: 4

SaveLend Group creates a Fintech ecosystem for its investors, borrowers, and invoice customers, adding value to all stakeholders. We have identified two moats with the group's two platforms; network effect as the two platforms create a feedback loop into each other and switching costs. Pairing this with a revenue model with the majority of the recurring revenue creates a powerful business model. Both platforms have three drivers generating growth: existing customers growing, existing customers increasing their engagement with more deposits or new geographic markets within an invoicing customers group, and new customers.

Financials: 2

The group is not profitable yet. However, have a high gross margin indicating a very scalable business when the critical mass is reached. Its balance statement is very asset-light, demanding no heavy investments on both platforms to maintain and grow forward. Have enough cash to become free cash positive.

	2021	2022E	2023E	2024E	DCF Valuation Metrics	Sum FCF (SEKm)			
INCOME STATEMENT					Initial Period (2022–2024)	-18			
Net sales	94	147	215	285	Momentum Period (2025–2027)	83			
Cost of Revenues	10	16	19	24	Stable Period (2028–)	872			
Gross Profit	84	131	196	261	Firm Value	938			
Operating Expenses	102	142	169	203	Net Debt (last quarter)	22			
EBITDA	-18	-11	27	58	Equity Value	916			
Depreciation & Amortization	10	18	20	23	Fair Value per Share	18.00			
EBIT	-28	-29	6	35					
Net Financial Items	-1	-1	1	1		2021	2022E	2023E	2024E
EBT	-29	-30	8	36	CAPITAL STRUCTURE				
Income Tax Expenses	-1	-1	2	7	Equity Ratio	0.3	0.2	0.2	0.3
Non-Controlling Interest	0	0	0	0	Debt to equity	0.6	0.8	0.6	0.5
Net Income	-29	-29	6	28	Net Debt	22	47	37	22
					Capital Employed	148	127	142	168
					Working Capital Turnover	-14.8	-18.4	-20.1	-21.1
BALANCE SHEET									
Assets					GROWTH				
Current assets					Revenue Growth	67%	56%	47%	32%
Cash & Equivalents	23	-2	8	24	Basic EPS Growth	na	-7%	-119%	397%
Inventories	98	72	86	104	Adjusted Basic EPS Growth	na	-7%	-121%	371%
Accounts Receivable	17	26	39	51					
Other Current Assets	5	9	13	17	PROFITABILITY				
Total Current Assets	144	106	146	196	ROE	-48%	-42%	9%	33%
					ROCE	-19%	-23%	5%	21%
Non-current assets					ROIC	-37%	-30%	5%	26%
Property, Plant & Equipment, Net	0	6	12	20	EBITDA Margin (%)	-19%	-7%	12%	20%
Goodwill	40	40	40	40	EBIT Margin (%)	-30%	-19%	3%	12%
Intangible Assets	59	58	60	65	Net Income Margin (%)	-31%	-20%	3%	10%
Right-of-Use Assets	4	4	4	4					
Shares in Associates	0	0	0	0	VALUATION				
Other Long-Term Assets	48	48	48	48	Basic EPS	na	-0.6	0.1	0.5
Total Non-Current Assets	150	156	163	177	Adjusted Basic EPS	na	-0.6	0.1	0.6
Total Assets	294	262	310	373	P/E	na	neg	64.8	13.8
					EV/Revenue	na	3.0	2.0	1.5
Liabilities					EV/EBITDA	na	neg	16.1	7.2
Current liabilities					EV/EBIT	na	neg	67.0	12.0
Short-Term Debt	19	19	19	19	P/B	na	6.7	5.4	3.9
Short-Term Lease Liabilities	2	2	2	2					
Accounts Payable	9	13	19	26	SHAREHOLDER STRUCTURE			CAPITAL %	VOTES %
Other Current Liabilities	116	100	127	158	Ludwig Pettersson			19.1%	19.1%
Total Current Liabilities	146	135	168	205	Halomont Oü			8.7%	8.7%
					P&N Wolf Marketing AB			7.2%	7.2%
Non-current liabilities					Jonas Ahlberg			6.1%	6.1%
Long-Term Debt	26	26	26	26	Jacob Gevcen			6.0%	6.0%
Long-Term Lease Liabilities	2	2	2	2					
Other Long-Term Liabilities	40	40	40	40	SHARE INFORMATION				
Total Non-current Liabilities	68	68	68	68	Reuters code			YIELD:STO	
Non-Controlling Interest	0	0	0	0	List			First North	
Shareholder's Equity	80	59	74	100	Share price			7.7	
Total Liabilities & Equity	294	262	310	373	Total shares, million			51.6	
CASH FLOW									
NOPAT	-27	-28	5	28	MANAGEMENT & BOARD				
Change in Working Capital	5	2	3	3	CEO			Ludwig Pettersson	
Operating Cash Flow	-15	-10	29	55	CFO			Jonas Ahlberg	
					Chairman			Bo Holmström	
Capital Expenditures	-3	-6	-6	-9					
Investment in Intangible Assets	-9	-17	-22	-29	ANALYSTS			Redeye AB	
Investing Cash Flow	-29	-24	-28	-37	Douglas Forsling			Mäster Samuelsgatan 42, 10tr	
					Hjalmar Ahlberg			111 57 Stockholm	
Financing Cash Flow	0	9	9	-2					
Free Cash Flow	-26	-34	1	17					

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

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Redeye Rating (2022-06-01)

Rating	People	Business	Financials
5	32	15	4
3-4	156	138	48
0-2	5	40	141
Total	193	193	193

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Douglas Forsling, owns shares in the company : Yes

Hjalmar Ahlberg 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.