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Results Analysis

IT/Technology

Sweden

13 February 2020

Continuing the growth story outside of Sweden

Following Lime's Q4 report, we expect continued strong growth in Other Nordics, but somewhat slower growth for Sweden. We expect group organic sales growth of 15-16% for 2020-21. We expect an EBITA margin of 23.3% in 2020 (vs 23% in 2019), held back somewhat by the investments in geographic expansion during the year. We have made EPS revisions of 0 to -2% in 2020/21 and derive a fair price/share of SEK 141-190.

Key Data (2020E)

Price (SEK)	186.60
Reuters	LIME.ST
Bloomberg	LIME.SS
Market cap (SEKm)	2,479
Market cap (USDm)	257
Market cap (EURm)	236
Net debt (SEKm)	35
Net gearing	36%
Net debt/EBITDA (x)	0.3
Shares fully dil. (m)	13.3
Avg daily turnover (m)	0.0
Free float	50%

Norway and Finland businesses continuing to outperform

Lime delivered a Q4 report more-or-less in line on sales; however, EBITA was 4.5% above consensus (only two contributors). The strong performance in Other Nordics continued in the quarter with sales growing 53% y/y (vs 54% in Q3), which to some extent was offset by Sweden growing 7% organically (vs 12% in Q3), leading to group organic sales growth of 14% y/y (vs 18% in Q3). The recent acquisition added 5% to sales resulting in total sales growth of 19% y/y. However, the margin development was strong with EBITA margin coming in at 24.2% (vs 22.5% in Q4/18). We expect a somewhat slower margin expansion in 2020 held back by increased opex associated with starting operations in the Netherlands.

Pace of growth in Sweden the question mark ahead

Organic growth in Sweden was 10% in 2019 (vs 13% in 2018), which we expect to be a more normal level going forward. However, this will be boosted by Janjoo being consolidated from Q1 2020 and acquisitions will add some 4% to the top line in 2020, we believe. We estimate group sales growth of 20% in 2020. Other Nordics and the geographic expansion will be key for Lime to keep delivering on its >15% organic sales growth target, we argue.

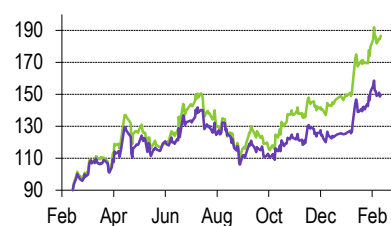
Minor revisions on the back of Q4 results

EPS revisions of 0 to -2% in 2020/21E and fair price/share of SEK 141-190.

Estimate Revisions (%)

	2020E	2021E
Revenues	(0)	(1)
Adj. EBIT	(1)	(2)
Adj. EPS	0	(2)

Share Price (12M)



Absolute (green) / Relative to Sweden (purple).

Marketing communication

commissioned by:
Lime Technologies

Financials (SEK)

Year end: Dec	2018	2019	2020E	2021E	2022E
Revenues (m)	245	290	349	404	467
Adj. EBIT	41	53	65	88	107
Pre-tax profit (m)	30	50	63	87	107
EPS	1.90	2.94	3.77	5.23	6.37
Adj. EPS	3.30	3.81	4.73	6.17	7.30
DPS	1.00	1.50	1.88	2.61	3.19
Revenue growth (%)	19.7	18.6	20.1	16.0	15.5
Adj. EBIT growth (%)	18.0	28.0	22.4	36.0	21.3
Adj. EPS growth (%)	23.7	15.5	24.2	30.3	18.4
Adj. EBIT margin (%)	16.9	18.3	18.6	21.8	22.9
ROE (%)	37.7	73.6	59.8	57.4	50.3
ROCE (%)	28.8	32.5	36.5	44.8	43.8
PER (x)	23.9	38.4	39.4	30.3	25.6
Free cash flow yield (%)	2.1	2.9	2.7	3.4	3.9
Dividend yield (%)	1.3	1.0	1.0	1.4	1.7
P/BV (x)	26.21	28.34	25.10	17.31	12.84
EV/Sales (x)	4.39	6.99	7.21	6.08	5.13
EV/Adj. EBITDA (x)	15.4	23.7	24.6	19.6	16.6
EV/Adj. EBIT (x)	25.9	38.2	38.8	27.9	22.4
Operating cash flow/EV (%)	3.6	3.7	3.5	4.3	5.0
Net debt/Adj. EBITDA (x)	1.42	0.95	0.34	(0.17)	(0.57)

Source for all data on this page: SEB (estimates) and Millstream/Thomson Reuters (prices)

Revisions

Earnings revision			
(SEK)	2020E	2021E	2022E
Revenues (m)			
Old	349	410	n.a.
New	349	404	467
Change (%)	(0)	(1)	0
Operating profit (m)			
Old	65	89	n.a.
New	65	88	107
Change (%)	(0)	(1)	0
Pre-tax profit (m)			
Old	63	89	n.a.
New	63	87	107
Change (%)	(0)	(1)	0
EPS (reported)			
Old	3.74	5.28	n.a.
New	3.77	5.23	6.37
Change (%)	1	(1)	0
EPS (adjusted)			
Old	4.72	6.28	n.a.
New	4.73	6.17	7.30
Change (%)	0	(2)	0

Source: SEB

Deviation

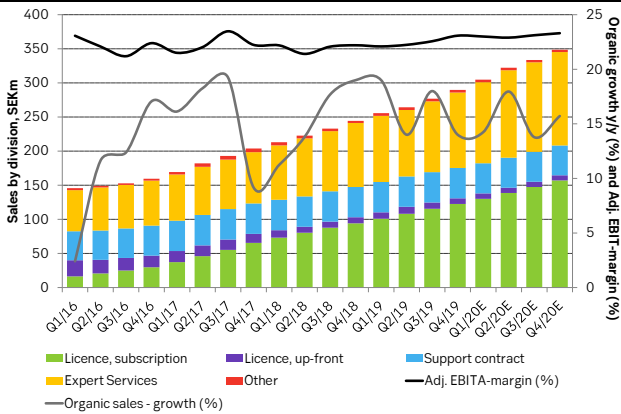
Lime Q4 results vs SEB and Bloomberg consensus

(SEKm)	Actual	Q4/19		Deviation SEB		Deviation Cons		Q4/18	
		SEB	Cons	Abs	Rel (%)	Abs	Rel (%)	Actual	y/y (%)
Sales	82	83	83	-1	-1.3	-1	-1.6	69	19.0
EBITA	20	19	19	1	4.8	1	4.5	9	131.7
NRI's	0	0	0	0	n.a.	0	n.a.	-7	100.0
Adj.EBITA	20	19	19	1	4.8	1	4.5	16	28.3
Reported pre-tax profit	16	15	15	1	7.2	1	4.9	5	200.5
Net profit	12	12	13	0	-2.8	-1	-5.6	4	188.4
EPS	0.91	0.94	n.a.	0	-2.8	n.a.	n.a.	0.32	184.2
Sales by geography									
Sweden	66	68	n.a.	-2	-3.4	n.a.	n.a.	58	12.5
Other Nordics	16	15	n.a.	1	6.7	n.a.	n.a.	10	53.1
Total	82	83	n.a.	-1	-1.6	n.a.	n.a.	69	18.7
- whereof M&A	3	3	n.a.					0.4	
Organic sales growth, y/y (%)	14.0	16.8	n.a.		-2.8pp		n.a.	19.0	-5.0pp
Sales by division									
Licence, subscription	33	34	n.a.	-1	-1.6	n.a.	n.a.	26	27.2
Licence, up-front	2	2	n.a.	0	20.0	n.a.	n.a.	3	-33.8
Support contract	11	11	n.a.	0	-1.6	n.a.	n.a.	11	0.2
Expert Services	35	36	n.a.	-1	-3.1	n.a.	n.a.	28	24.0
Other	1	1	n.a.	0	34.5	n.a.	n.a.	1	-4.0
Total	82	83	n.a.	-1	-1.6	n.a.	n.a.	69	18.7
EBITA margin (%)	24.2	22.9	22.8		1.4pp		1.4pp	12.4	11.8pp
Adj. EBITA margin (%)	24.2	22.9	22.8		1.4pp		1.4pp	22.5	1.8pp
DPS	1.50	1.48	n.a.	0	1.3	n.a.	n.a.	1.00	50.0

Source: SEB, Bloomberg

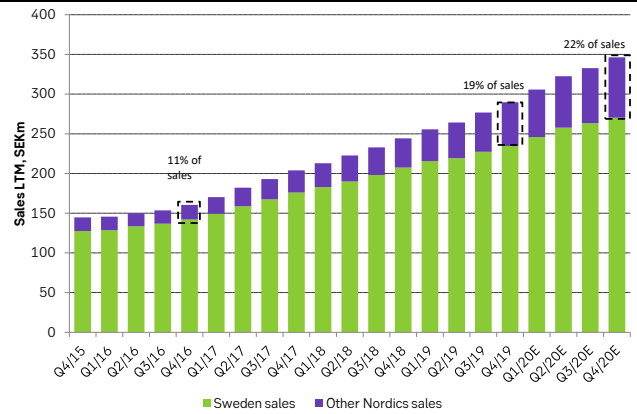
Case in charts

Sales by division (LTM) and organic sales growth (%)



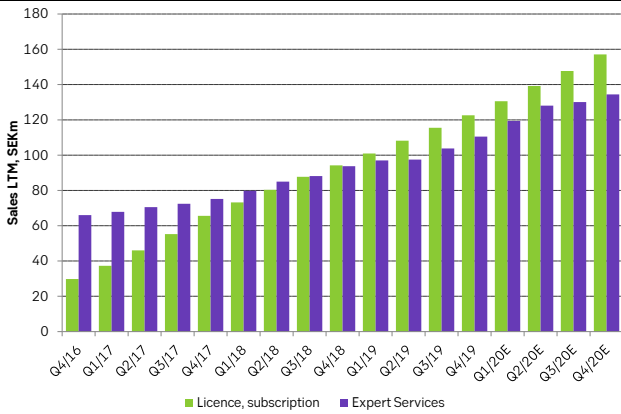
Source: SEB, Company data

Other Nordics getting a larger share of total sales



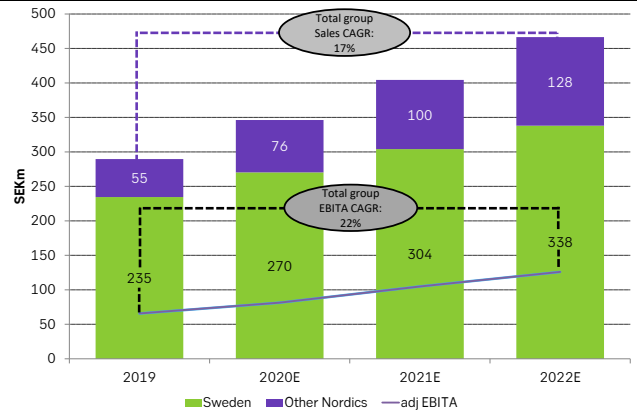
Source: SEB, Company data

Subscription sales outgrowing Expert services..



Source: SEB, Company data

.. Should incrementally increase margins over time



Source: SEB, Company data

DCF valuation

DCF valuation		Weighted average cost of capital (%)	
DCF valuation (SEKm)			
NPV of FCF in explicit forecast period	859	Risk free interest rate	2.5
NPV of continuing value	1,412	Risk premium	5.0
Value of operation	2,271	Cost of equity	7.5
Net debt	15	After tax cost of debt	2.0
Share issue/buy-back in forecast period	-	WACC	7.0
Value of associated companies	-		
Value of minority shareholders' equity	-	Assumptions	
Value of marketable assets	-	Number of forecast years	10
DCF value of equity	2,256	EBIT margin - steady state (%)	25.0
DCF value per share (SEK)	170	EBIT multiple - steady state (x)	12.4
Current share price (SEK)	186.60	Continuing value (% of NPV)	62.2
DCF performance potential (%)	(9)		

Source: SEB

Sensitivity analysis

		6.5	7.0	7.5	8.0	8.5
Equity capital weight (%)	71	261	241	223	208	195
	81	226	209	193	180	168
	91	199	183	170	158	147
	100	179	165	153	142	132
	100	179	165	153	142	132
Absolute change in EBITDA margin - all years						
Abs. change in sales growth - all years		-2%	-1%	0	+1%	+2%
	-2%	142	148	153	158	163
	-1%	150	156	161	167	172
	0	158	164	170	176	182
	+1%	166	173	179	185	191
+2%	175	182	189	195	202	

Source: SEB

Assumption details

(SEKm)	2020E	2021E	2022E	2023E	2024E	Average year 6	Average year 7-8	Average year 9-10
Sales growth (%)	19.5	16.8	15.4	15.0	14.0	12.0	8.5	3.5
EBITDA margin (%)	29.3	31.0	30.9	31.0	32.0	32.5	33.3	32.3
EBIT margin (%)	18.6	21.8	22.9	22.8	24.2	25.0	26.0	25.2
Gross capital expenditures as % of sales	6.6	5.8	5.1	5.0	5.0	5.0	5.0	5.0
Working capital as % of sales	(14.8)	(12.3)	(10.1)	(10.1)	(10.1)	(8.0)	(6.5)	(5.0)
Sales	346	404	467	537	612	685	780	855
Depreciation	(21)	(21)	(22)	(28)	(32)	(36)	(41)	(44)
Intangibles amortisation	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)
EBIT	64	88	107	122	148	171	203	216
Taxes on EBIT	(17)	(22)	(26)	(29)	(34)	(39)	(46)	(49)
Increase in deferred taxes	0	0	0	0	0	0	0	0
NOPLAT	64	82	97	109	130	148	173	183
Gross capital expenditure	(23)	(24)	(24)	(27)	(31)	(34)	(39)	(43)
Increase in working capital	1	(2)	(3)	7	8	(7)	(3)	(3)
Free cash flow	63	78	92	117	138	142	171	182
ROIC (%)	36.6	37.7	36.2	44.9	59.2	70.8	92.7	114.6
ROIC-WACC (%)	29.6	30.7	29.2	37.9	52.2	63.8	85.7	107.6
Share of total net present value (%)	0.0	3.1	3.4	4.1	4.5	4.3	9.5	8.8

Source: SEB

Overview

Investment considerations

Digitalisation, greater regulatory pressure on companies to gather, store, and use customer information, as well as the greater need for a tool to handle automation, are key drivers behind the greater penetration of CRM systems, which according to Capgemini are expected to be used by around 35% of companies in Sweden. Given Lime's strong position in its addressable market, recent acquisitions, and the potential to gain market share in other Nordic regions, we believe Lime has strong growth fundamentals.

Company profile

Lime is a Swedish customer relationship management (CRM) software provider, and with its key product, Lime CRM, the company mainly targets the small to medium enterprise (SME) segment, which has among the lowest penetration of CRM systems (10-20% in Sweden). Lime has a long history of profitable growth (sales CAGR of 14% and EBITA CAGR of 9% during the past 10 years). Lime operates in the high growth software as a service (SaaS) niche, which is expected to show revenue CAGR of 21% in 2017-23.

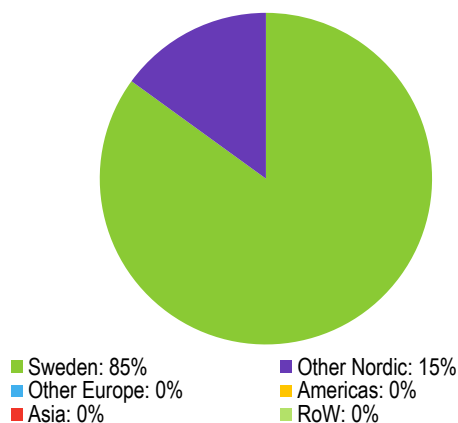
Valuation approach

We value Lime based on peer valuation using EV/EBIT and EV/Sales multiples. As a sanity check, we use a DCF valuation based on different long-term sales growth and margin assumptions. The attractive SaaS niche and high pace of growth in Lime justifies a premium to Nordic high growth peers. However, because 40% of Lime's net sales are derived from its consultancy business, we believe the stock should trade at a discount to international software peers.

Risks

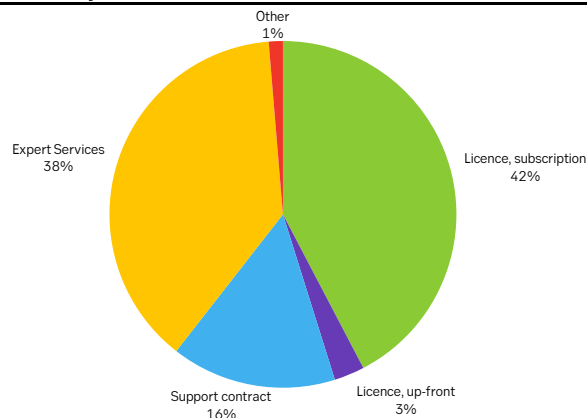
Risks include competition from large global players such as Microsoft and Salesforce, increases in customer churn and employee risks following high salary inflation. Another key risk is that Lime is only exposed to the Nordic SME and local enterprise market, with about 85% of its sales generated in Sweden, and the business could be affected by changes in market conditions.

Revenues by region



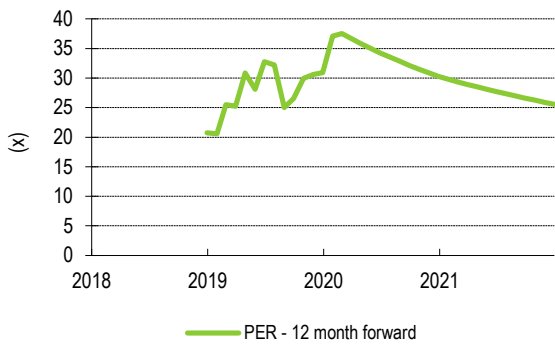
Source: SEB

Revenues by division 2019



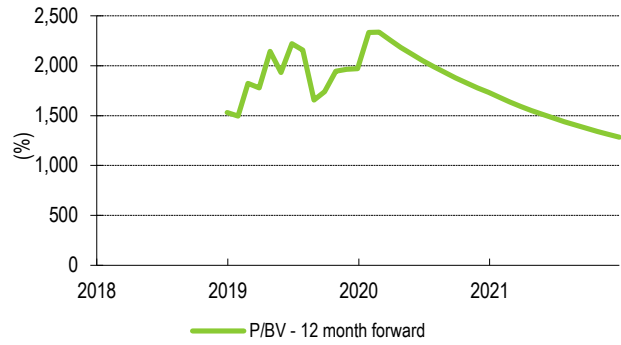
Source: SEB

PER - 12 month forward



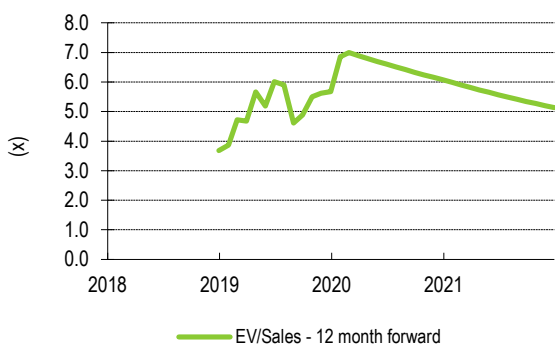
Source: SEB

P/BV - 12 month forward



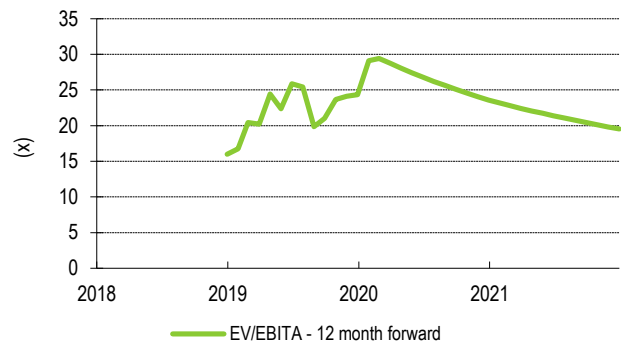
Source: SEB

EV/Sales - 12 month forward



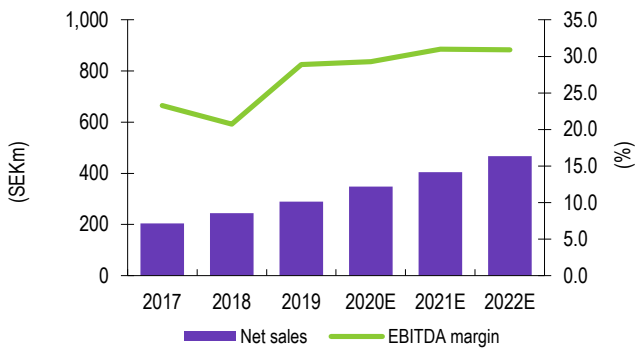
Source: SEB

EV/EBITA - 12 month forward



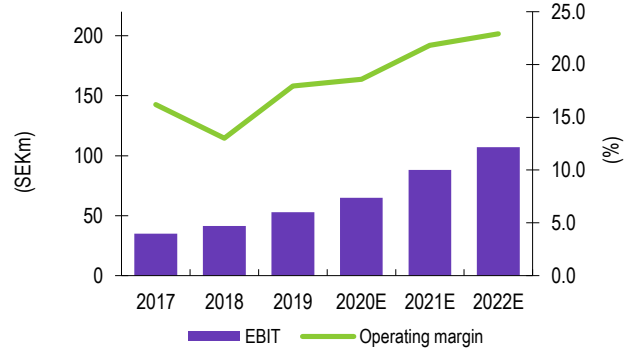
Source: SEB

Net sales & EBITDA margin



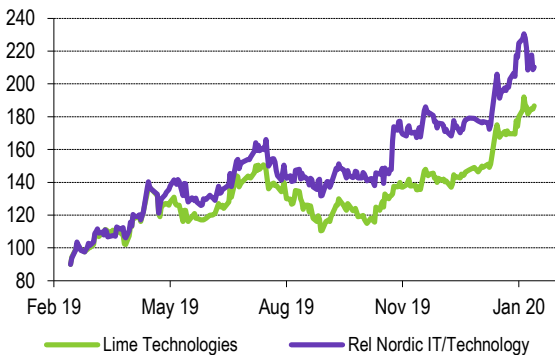
Source: SEB

EBIT & Operating margin



Source: SEB

Comparison with sector index - 1 year



Source: SIX

Comparison with CLX - 1 year



Source: SIX

Profit & loss statement - Lime Technologies						
(SEKm)	2017	2018	2019	2020E	2021E	2022E
Net Sales	204	244	290	349	404	467
Other revenues	1	0	1	0	0	0
Total revenues	205	245	290	349	404	467
Total expenses	(157)	(194)	(207)	(247)	(279)	(323)
Profit before depreciation	47	51	84	102	125	144
Depreciation - Fixed assets	0	0	0	0	0	0
Depreciation - Other assets	(4)	(6)	(18)	(21)	(21)	(22)
Amortisation - Goodwill	(10)	0	0	0	0	0
Amortisation - Other intangibles	0	(13)	(14)	(16)	(16)	(16)
Operating profit	33	32	52	65	88	107
Net interest expenses	(1)	(2)	(2)	(2)	(1)	(0)
Foreign exchange items	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0
Reported pre-tax profit	32	30	50	63	87	107
Minority interests	0	0	0	0	0	0
Total taxes	(8)	(7)	(11)	(13)	(18)	(22)
Reported profit after tax	24	24	39	50	69	85
Discontinued operations	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0
Net Profit	24	24	39	50	69	85
Adjustments:						
Discontinued operations	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0
Value changes	0	0	0	0	0	0
Goodwill/intangibles amortisations	10	13	14	16	16	16
Restructuring charges	2	10	1	0	0	0
Other adjustments	0	0	0	0	0	0
Tax effect of adjustments	(3)	(5)	(3)	(4)	(4)	(3)
Adjusted profit after tax	33	41	51	63	82	97
Margins, tax & returns						
Operating margin	16.2	13.0	18.0	18.6	21.8	22.9
Pre-tax margin	15.5	12.4	17.2	18.1	21.6	22.8
Tax rate	25.0	21.6	21.7	20.6	20.6	20.6
ROE	31.1	37.7	73.6	59.8	57.4	50.3
ROCE	26.7	28.8	32.5	36.5	44.8	43.8
Growth rates y-o-y (%)						
Total revenues	n.a.	19.7	18.6	20.1	16.0	15.5
Operating profit	5.8	(3.6)	63.5	24.6	36.0	21.3
Pre-tax profit	5.8	(4.4)	65.2	26.3	38.7	21.9
EPS (adjusted)	0.0	23.7	15.5	24.2	30.3	18.4
Cash flow						
(SEKm)	2017	2018	2019	2020E	2021E	2022E
Net profit	24	24	39	50	69	85
Non-cash adjustments	15	20	30	37	37	37
Cash flow before work cap	39	43	69	87	106	122
Ch. in working capital / Other	1	(4)	6	1	(1)	(3)
Operating cash flow	40	39	75	88	105	119
Capital expenditures	(15)	(18)	(19)	(21)	(22)	(22)
Asset disposals	2	0	0	0	0	0
L/T financial investments	0	0	0	0	0	0
Acquisitions / adjustments	(31)	(2)	(8)	(2)	(2)	(2)
Free cash flow	(4)	19	48	65	82	95
Net loan proceeds	(2)	53	(29)	(36)	0	0
Dividend paid	0	(75)	(13)	(20)	(25)	(35)
Share issue	0	0	5	0	0	0
Other	0	(0)	(1)	0	0	0
Net change in cash	(6)	(3)	10	9	57	61
Adjustments						
C/flow bef chng in work cap	39	43	69	87	106	122
Adjustments	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0
Cash earnings	39	43	69	87	106	122
Per share information						
Cash earnings	3.11	3.47	5.17	6.57	8.01	9.18
Operating cash flow	3.18	3.11	5.61	6.63	7.92	8.98
Free cash flow	(0.33)	1.48	3.59	4.9	6.14	7.18
Investment cover						
Capex/sales (%)	0.9	0.4	0.1	0.7	0.6	0.5
Capex/depreciation (%)	0	0	0	0	0	0

Source for all data on this page: SEB

Balance sheet - Lime Technologies						
(SEKm)	2017	2018	2019	2020E	2021E	2022E
Cash and liquid assets	24	21	31	40	97	158
Debtors	40	52	53	53	55	59
Inventories	0	0	0	0	0	0
Other	6	4	5	4	4	4
Current assets	70	77	89	98	156	221
Interest bearing fixed assets	1	1	1	1	1	1
Other financial assets	0	0	0	0	0	0
Capitalized development cost	0	0	0	(2)	(4)	(5)
Goodwill	0	59	70	71	73	75
Other intangibles	183	129	132	116	100	84
Fixed tangible assets	4	4	4	6	9	11
Other fixed assets	0	0	18	18	18	18
Fixed assets	187	193	225	210	197	184
Total assets	257	269	314	308	353	404
Creditors	9	5	4	4	5	6
Other trade financing	0	0	0	0	0	0
S/T interest bearing debt	23	27	38	38	38	38
Other	84	97	104	104	104	104
Current liabilities	116	129	145	146	147	148
L/T interest bearing debt	31	80	74	38	38	38
Other long-term liabilities	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0
Deferred tax	23	23	25	25	25	25
Long term liabilities	54	103	99	63	63	63
Minority interests	0	0	0	0	0	0
Shareholders' equity	88	38	69	99	143	193
Total liabilities and equity	257	269	314	308	353	404
Net debt (m)	29	86	80	35	(22)	(82)
Working capital (m)	(46)	(46)	(50)	(51)	(50)	(47)
Capital employed (m)	142	145	181	175	219	269
Net debt/equity (%)	33	227	117	36	(15)	(43)
Net debt/EBITDA (x)	0.6	1.4	0.9	0.3	(0.2)	(0.6)
Equity/total assets (%)	34	14	22	32	41	48
Interest cover	23.6	19.8	24.6	36.3	116.0	281.3

Valuation						
(SEK)	2017	2018	2019	2020E	2021E	2022E
No of shares, fully dil. (y/e)	12.5	12.5	13.3	13.3	13.3	13.3
No of shares, fully dil. avg.	12.5	12.5	13.3	13.3	13.3	13.3
Share price, y/e		79.0	146.4	186.6	186.6	186.6
Share price, high		81.5	154.8	200.0		
Share price, low		72.0	72.1	146.2		
Share price, avg		77.5	121.0	171.3		
EPS (reported)	1.90	1.90	2.94	3.77	5.23	6.37
EPS (adjusted)	2.67	3.30	3.81	4.73	6.17	7.30
Cash earnings/share	3.11	3.47	5.17	6.57	8.01	9.18
Dividend/share	6.00	1.00	1.50	1.88	2.61	3.19
Enterprise value/share		86	152	189	185	180
Book value/share	7.1	3.0	5.2	7.4	10.8	14.5
Adjusted equity/share	7.1	3.0	5.2	7.4	10.8	14.5
PER (adjusted)		23.9	38.4	39.4	30.3	25.6
CEM		22.8	28.3	28.4	23.3	20.3
Dividend yield		1.3	1.0	1.0	1.4	1.7
EV/EBITDA		17.8	23.9	24.6	19.6	16.6
EV/EBITA		19.8	30.3	30.9	23.6	19.5
EV/EBIT		25.9	38.2	38.8	27.9	22.4
EV/Sales (x)		4.39	6.99	7.21	6.08	5.13
Price/Book value		26.21	28.34	25.10	17.31	12.84
Price/adjusted equity		26.21	28.34	25.10	17.31	12.84
Free cash flow/Market cap (%)		2.1	2.9	2.7	3.4	3.9
Operating cash flow/EV (%)		3.6	3.7	3.5	4.3	5.0
EV/Capital employed (x)		7.4	11.2	14.4	11.2	8.9

Main shareholders			Management		Company information	
Name	(%)	Votes	Capital	Title	Name	Contact
Monterro AB	30.0	30.0		COB		Internet www.lime-technologies.se
Erik Syrén	10.0	10.0		CEO	Erik Syrén	Phone number (46) 46 270 48 00
Robur Microcap	5.9	5.9		CFO	Magnus Hansson	
				IR		

Source for all data on this page: SEB

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