Corporate Research

Seafire

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Initiation of Coverage | Industrial Sales | Sweden | 04 October 2023

Now has a platform for sustainable growth

We initiate coverage of Seafire, a serial acquirer consisting of 13 companies. On a pro-forma basis, the group has grown its adj. EBITA organically at a 2015-22 CAGR of 13%. Due to lower interest expenses, we foresee a 40% 2022-25E EPS CAGR and significantly improved cash conversion. 2024E EV/EBITA is currently 7.5x. Our mid-point DCF-based equity value of SEK 14 per share would imply a 2024E EV/EBITA of 11x, broadly in line with peers.

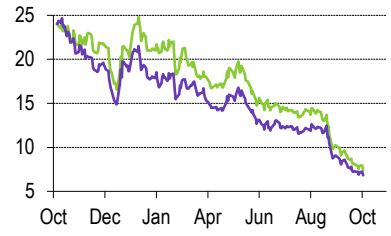
Diversified business group with a 2015-22 organic EBITA CAGR of 13%
Seafire is a Swedish investment company specialising in buying and developing small and medium-sized enterprises. The group currently consists of 13 companies split into two segments: Industrial Components and Products. On an aggregated pro-forma basis, the group has shown a stable performance with high organic earnings growth. In aggregate, the current group of companies has grown pro-forma sales and EBIT at a 2015-22 CAGR of 10% and 13% respectively.

Platform created for long-term earnings growth; 2022-25E EPS CAGR of 40%
The combination of a 2022-25E adj. EBITA CAGR of 6% and lowered net financials after refinancing expensive bond debt leads us to expect reported EPS expanding from SEK 0.2 in 2022 to SEK 0.6 in 2025E, implying a 2022-25E EPS CAGR of 40%. Additionally, lowered absolute interest expenses and a net working capital release prompt us to expect Seafire's cash conversion (defined as leasing adj. FCF before M&A as a percentage of adj. EBITA) to drastically improve ahead, with average cash conversion of 66% for 2024E-25E.

2024E EV/EBITA of 7.5x; 2024E-25E average lease-adjusted FCF yield of 16%
The shares currently trade at a 2024E EV/EBITA of 7.5x and a 2024E-25E average lease-adjusted FCF yield of 16%. The mid-point of our equity value (SEK 13-15) would imply a 2024E EV/EBITA of c. 11x, broadly in line with peers.

Key Data (2023E)	
Price (SEK)	7.40
Reuters	SEAF.ST
Bloomberg	SEAF SS
Market cap (SEKm)	325
Market cap (USDm)	29
Net debt (SEKm)	299
Net gearing	40%
Net debt/EBITDA (x)	2.8
Shares fully dil. (m)	43.9
Avg daily turnover (m)	1.2
Free float	73%

Share Price (12M)



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

Marketing communication commissioned by:
Seafire

Financials (SEK)

Year end: Dec	2021	2022	2023E	2024E	2025E
Revenues (m)	429	935	1,027	1,014	1,055
Adj. EBIT	19	53	48	53	61
Pre-tax profit (m)	(13)	20	(21)	24	32
EPS	(0.95)	0.21	(0.42)	0.43	0.58
Adj. EPS	(0.39)	0.91	0.17	1.06	1.22
DPS	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	92.9	118.1	9.9	(1.2)	4.0
Adj. EBIT growth (%)	(11.4)	187.6	(9.3)	9.6	15.0
Adj. EPS growth (%)	n.m.	n.m.	(81.2)	518.5	15.9
Adj. EBIT margin (%)	4.3	5.7	4.7	5.2	5.8
ROE (%)	(11.1)	1.3	(2.4)	2.5	3.3
ROCE (%)	4.7	5.6	3.8	4.7	5.3
PER (x)	n.m.	22.4	43.4	7.0	6.0
Free cash flow yield (%)	(6.6)	(15.0)	(12.3)	20.6	13.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
P/BV (x)	2.13	0.80	0.44	0.43	0.41
EV/Sales (x)	1.81	0.91	0.61	0.55	0.49
EV/Adj. EBITDA (x)	20.2	8.3	5.8	4.8	4.1
EV/Adj. EBIT (x)	41.1	15.3	12.9	10.5	8.4
Operating cash flow/EV (%)	(2.2)	(9.2)	(4.1)	14.8	11.5
Net debt/EBITDA (x)	8.21	1.62	3.16	2.00	1.50

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

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Investment summary

An investment company targeting leading SMEs within niche industries
Seafire is a Swedish investment company specialising in buying and developing small and medium-sized enterprises (SMEs) in niche industries and where management has identified a clear and competitive edge/value-add. Management describes it as a low-risk investment approach: it acquires controlling stakes in companies with sales between SEK 50-200m and has a prudent buy-and-hold strategy. Seafire's ambition is to create value through organic earnings growth in its current portfolio of companies, combined with earnings growth through the acquisition of new companies.

Diversified business group with a 2015-22 organic EBITA CAGR of 13%
The group currently consists of 13 companies divided into the two segments: Industrial Components and Products. On an aggregated pro-forma basis, the group has shown a stable performance with high organic earnings growth. Between 2015 and 2022, the group organically grew sales from c. SEK 600m to SEK 1.1bn. Meanwhile, its underlying pro-forma EBIT margin (excluding management fee, central costs, and group amortisation of acquired intangible assets, but including company-specific non-recurring items) expanded from c. 10% in 2015 to 12% in 2022. In aggregate, the current group of companies posted 2015-22 pro forma sales and EBIT CAGRs of 10% and 13% respectively.

Platform created for long-term earnings growth; 2022-25E EPS CAGR of 40%
Despite a challenging macro environment and rapidly increasing interest rates during 2022, Seafire managed to replace its expensive bond loan with a favourable bank loan. All else being equal, it will drastically improve Seafire's earnings and cash flows ahead, and thereby also its ability to reinvest cash flow into value-creating acquisitions at attractive multiplies, thus driving growth in earnings per share and improving return on capital employed.

We think Seafire has managed to create a platform ready for sustainable long-term growth, financed by its own cash flow. The combination of a 2022-25E adj. EBITA CAGR of 6% and significantly lowered net financials leads us to forecast reported EPS expanding from SEK 0.2 reported in 2022 to SEK 0.6 for 2025, implying a 2022-25E EPS CAGR of 40%. Additionally, lowered absolute interest expenses and a net working capital release prompt us to expect Seafire's cash conversion (defined as leasing adj. FCF before M&A as a percentage of adj. EBITA) to drastically improve ahead, with average cash conversion of 66% for 2024E-25E.

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An introduction to Seafire

The Seafire business model

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Industrial components and business-to-business the main focus
The group is divided into two segments: Industrial Components and Products. The Industrial Components segment (70% and 74% of 2022 pro-forma group sales and EBIT respectively) includes eight companies with exposure to the construction, automotive and industrial end-markets. The Products segment (30% and 26% of 2022 pro-forma group sales and EBIT respectively) includes the remaining five companies, which offers proprietary products and services.

The common denominator among the companies in the group are 1) own products; 2) a relatively unique manufacturing process with high value-add; and 3) a business-to-business offering (except for Nordbutiker, which sells micro mobility products directly to consumers).

A decentralised business model
Acquired companies continue to operate as they did before joining the group but with the support of Seafire and other group companies, through additional competence and resources. Decisions are made in each subsidiary in a decentralised manner, but with the support of local and professional boards, which include a member of group management and external board members.

Management: capital allocation, facilitating value appreciation
Group management is responsible for capital allocation and ensuring continued value appreciation. Through Seafire Academy, group management supports the subsidiaries by formulating key financial targets and business plans while also providing sales training. Additionally, group management together with the respective board support the subsidiaries in the event of CEO succession, and in strengthening management and sales teams.

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Balanced operating strategy, active ownership combined with decentralisation

Strengthening of teams and succession

- Portfolio companies operate as separate companies with their own management teams and local boards
- Strengthening of management teams
- Seafire provides access to additional business contact, BoD members and relevant industry experts

Strategic governance

- Seafire's management serves as member of board of each portfolio company supported by external industry experts
- Target based control through tangible financial and operational goals with individual management teams retaining a high level of autonomy

SEAFIRE

Development

- Bolt-on acquisitions
- Seafire academy
  - Steady improvement (ESG, automation, etc)
  - Sales academy

Administration

- Financial targets defined for each portfolio company
- ESG monitoring and targets
- Economies of scale through intra-group synchronisation of key external service providers (bank, auditor, group purchasing etc)

Overarching strategic business plan for further growth

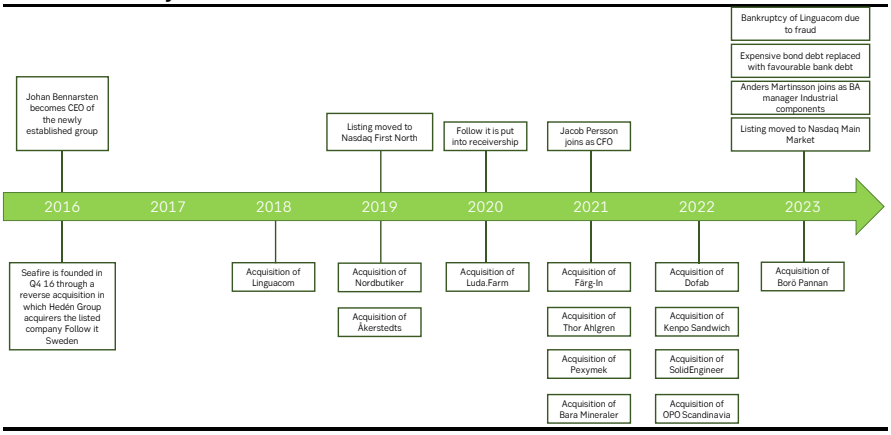
- Following an acquisition, the management team of the acquired portfolio company is required to establish a 3-5 years business plan
- The business plan incorporates key identified strategic initiatives identified throughout the acquisition process and the initial ownership period and serves as the core governing document for each portfolio company
- Progress is continuously tracked by monitoring of tangible financial and operational targets which are further scrutinised during periodical board meetings
- To further enhance the quality of the Board of Directors of each portfolio company, Seafire seeks to include at least one relevant industry expert on each board where appropriate

Source: SEB, Seafire

Seafire's history in short

Seafire was founded in 2016 through a reverse acquisition. The rationale behind the acquisition was to create a listed group and take advantage of the acquired company's deferred tax assets. The founder, Johan Bennarsten, became CEO of the newly established group. Since then, Seafire has completed several acquisitions and strengthened group management with CFO Jacob Persson and business area manager Anders Martinsson.

Seafire's history



Source: SEB, Seafire

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The Seafire group

An overview of the business group

As stated, the group currently consists of 13 companies divided into two segments: Industrial Components and Products. The table below provides an overview of the group companies.

A diversified company group with focus on industrial components

Industrial components	Year of acquisition	Operations	Customer examples	Share of 22 pf sales	Share of 22 pf EBIT*	Acquisition multiple, EV/EBITDA incl. full earn-out
Bara Mineraler	2021	**Bara Mineraler** delivers refined plateau clay for growing mediums to professional growers in northern Europe.	European substrate companies	8%	10%	7x
Färg-In	2021	**Färg-In** is a leading player in the sale of paint and service within the product painting industry.	Volvo, Daloc, Moelven	11%	10%	6x
Pexymek	2021	**Pexymek** is a supplier of cable protection, antenna mounts and cold mangles to the Nordic market. The company also offers contract manufacturing in metal processing.	Ahlsell, Rexel	5%	5%	6x
Thor Ahlgren	2021	**Thor Ahlgren** provides pressed, stamped and laser-cut sheet metal parts to leading Swedish industrial companies, mainly in the automotive industry.	Automotive industry	9%	2%	7x
Åkerstedts	2019	**Åkerstedts** develops and produces customized industrial fans.	OEMs in agriculture and HVAC (Caverion, Absolent, Camfil)	3%	5%	5x
Dofab	2022	**Dofab** offers tailor-made doors, windows, and gates for all types of properties, regardless of historical era.	Real estate companies, housing cooperatives	12%	14%	7x
Kenpo Sandwich	2022	**Kenpo Sandwich**, with its subsidiary Novasip, develops and sells sandwich elements that are used both for the construction of bodywork in the transportation industry and as building elements in construction of houses.	Transportation industry	9%	16%	7x
Borö-Pannan	2023	**Borö-Pannan** manufactures accumulator tanks for heat pumps. The company has operations in Kalix, Motala and Breza, Bosnia.	Bosch, Thermia	13%	13%	8x
Total Industrial components				**70%**	**74%**	
Products						
Hedén	2016	**Hedén** supplies proprietary motors and control units to the professional film and media industry for control of focus, aperture, and zoom in film cameras.	Camera OEMs, Retailers	1%	2%	n.a.
Luda.Farm	2020	**Ludafarm** is active in monitoring and improving the efficiency of agriculture and industries. The company's main markets are France, Sweden, Germany and the UK.	+3,000 farms across Europe	4%	4%	5x
Nordbutiker	2019	**Nordbutiker** is a leading e-commerce company in the Nordic region in areas such as light electric vehicles and home gyms. The company operates four web shops in the four Nordic countries.	Private individuals	13%	0%	6x
SolidEngineer	2022	**SolidEngineer** offers services and system solutions in CAD, PLM and 3D printing.	Plejd, Mips, Elekta, SHL Medical	6%	10%	6x
OPO Scandinavia	2022	**OPO Scandinavia** designs, markets, and sells spectacle frames under brands such as Kunoqvist, F22 and STUDIO Eyewear.	Optic retailers in the Nordics	6%	10%	6x
Total Products				**30%**	**26%**	

**EBIT excluding management fee, group amortisation of acquired intangible assets, and central costs*

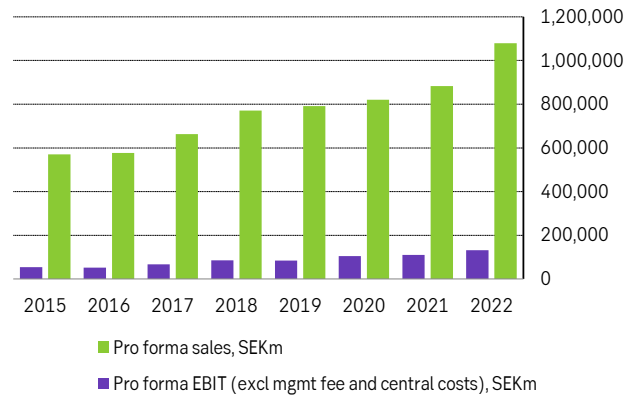
Source: SEB, Seafire.

2015-22 pro-forma sales and EBIT CAGRs of 10% and 13% organically

On an aggregated pro-forma basis, the group has shown a stable performance with high organic earnings growth. Between 2015 and 2022, the group organically grew its sales from c. SEK 600m to SEK 1.1bn. Meanwhile, its underlying pro-forma EBIT margin (excluding management fee, central costs, and group amortisation of acquired intangible assets, but including company-specific non-recurring items) expanded from c. 10% in 2015 to 12% in 2022.

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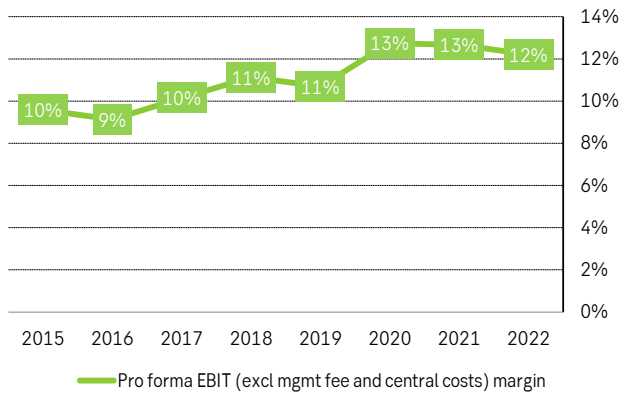
Pro-forma sales and EBIT, 2015-22*



Note: 1) Some of the group companies have during the period changed fiscal year, we have adjusted to our best ability to make each year comparable 2) Pro-forma EBIT excludes management fees, central costs, and group amortisation of acquired intangible assets, but includes company-specific non-recurring items. 3) During 2022, subsidiary SolidEngineer changed accounting (see appendix for a detailed overview), in the above numbers we have used the old accounting approach for 2022 to make its figures comparable with previous years. If one were to use the new accounting approach, 2022 pro-forma sales and EBIT would decrease by c. SEK 50m and 23m, respectively.

Source: SEB, Seafire

Steadily increasing underlying profitability*

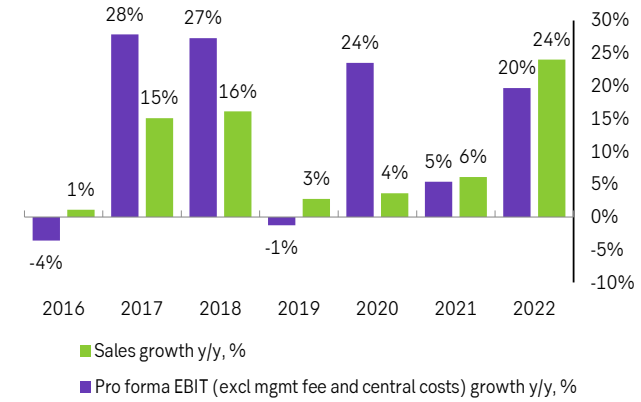


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Source: SEB, Seafire

In aggregate, the current group of companies has grown pro forma sales and EBIT at 2015-22 CAGRs of 10% and 13% respectively.

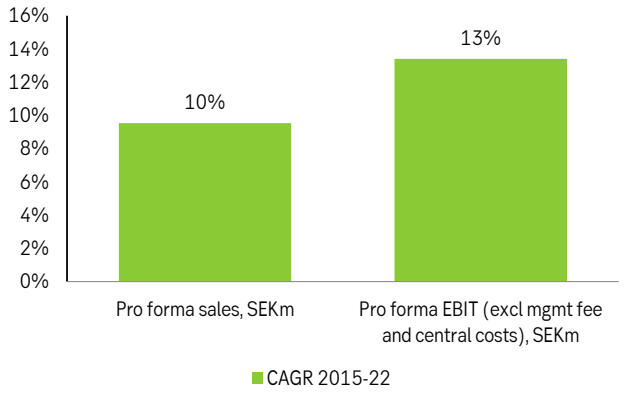
Positive top-line growth each year in 2016-22*



Note: 1) Some of the group companies have during the period changed fiscal year, we have adjusted our best ability to make each year comparable 2) Pro forma EBIT excludes management fees, central costs, and group amortisation of acquired intangible assets, but include company specific non-recurring items. 3) During 2022, subsidiary SolidEngineer changed accounting (see appendix for a detailed overview), in above numbers we have used the old accounting approach for 2022 to make its figures comparable with previous years. If one would use the new accounting approach, 2022 pro forma sales growth and EBIT growth would be 18% and 0%, respectively.

Source: SEB, Seafire

2015-22* pf sales and EBIT CAGR of 10% and 13%



Note: 1) Some of the group companies have during the period changed fiscal year, we have adjusted our best ability to make each year comparable 2) Pro forma EBIT excludes management fees, central costs, and group amortisation of acquired intangible assets, but includes company-specific non-recurring items. 3) During 2022, subsidiary SolidEngineer changed accounting (see appendix for a detailed overview), in the above numbers we have used the old accounting approach for 2022 to make its figures comparable with previous years. If one were to use the new accounting approach, 2022 pro-forma 2015-22 sales and EBIT CAGR would be 9% and 10%, respectively.

Source: SEB, Seafire

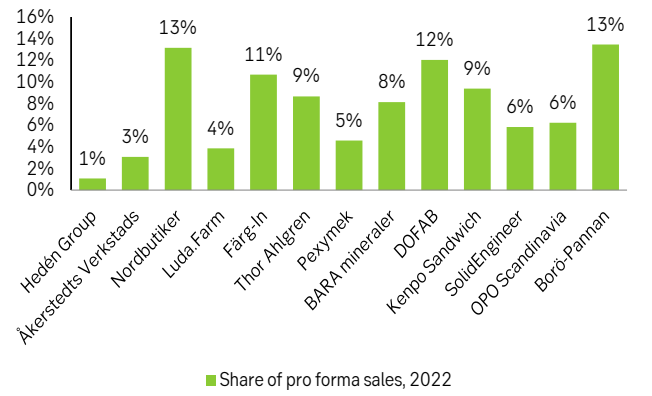
A diversified group, both in terms of companies and end-market exposure

Considering its relatively small size, we consider the group to be well diversified. The largest company (as of year-end 2022) accounted for 13% of group pro-forma sales, whereas the top five largest companies together accounted for 54% of group pro-forma sales.

Simultaneously, the largest contributor to earnings accounted for 16% of group pro-forma EBIT (as of year-end 2022), whereas the top five together accounted for 63% of group pro-forma EBIT.

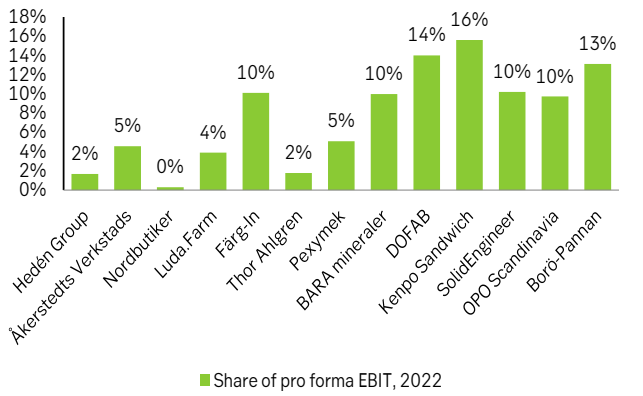
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Share of pro-forma sales, 2022



Source: SEB, Seafire

Share of pro-forma EBIT, 2022



Source: SEB, Seafire

Additionally, we consider Seafire to have relatively well-diversified exposure to different end-markets, including construction, automotive, industrials and agricultural, among others. Additionally, the direct exposure to consumers is limited to Nordbutiker (business-to-consumer, electric bikes, etc.) and OPO Scandinavia (business-to-business-to-consumer, spectacle frames). Total consumer exposure accounted for c. 20% and 10% of 2022 pro-forma sales and EBIT respectively.

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The acquisition agenda

A review of past acquisitions

A structured acquisition process with well-defined criteria
Utilising a prudent buy-and-hold approach, Seafire obtains controlling interests in Swedish companies generating sales of around SEK 50-200m. It focuses on businesses with stable revenue streams, a track record of robust profitability, and the possibility for ongoing advancement and enhancement. These entities could function as either novel corporate entities through platform acquisitions or as extensions to existing ones through bolt-on acquisitions.

Beyond financial benchmarks, Seafire places equal importance on qualitative factors during the evaluation of potential acquisitions. The desired companies ought to possess strong positions within the value chain, a diversified customer and supplier base, and the value proposition in relation to customers should be solid. Lastly, prior to engaging in an acquisition, a well-defined strategy for ensuring management continuity and/or succession after the acquisition must be established.

Operational and financial acquisition criteria

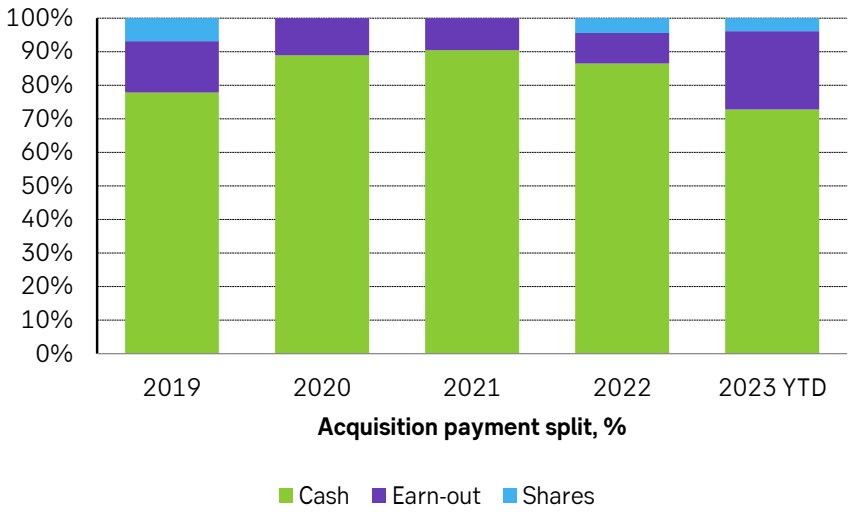
Operational criteria	Financial criteria
• A proven and sustainable business model, clear competitive edge and a leading position in its market niche • A diversified supplier- and customer base • Clear growth objectives • A well-defined strategy for ensuring management continuity and/or succession • Well-positioned in terms of ESG-linked requirements	• Annual sales of SEK 50-200m • EBIT margin above 10% and stability in earnings during the last three years • Annual average sales/earnings growth above 2% during the last three years • Acquisition multiple below 6x EV/EBITDA • Return on capital employed above 20%

Source: SEB, Seafire

Sharing the risk with sellers while incentivising for further earnings growth
Normally, Seafire uses a mixed acquisition payment structure of cash, own shares and earn-outs. The sellers are encouraged to remain involved in the organisation and help explore avenues for growth, such as bolt-on acquisitions. Given the decentralised group structure and dependency on local key employees, we find it reasonable to pay a small proportion of the acquisition payment in shares to align the long-term interests of sellers and Seafire. Additionally, we find the use of earn-outs to be sound, given that it protects Seafire from overpaying for acquisitions to some extent.

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A balanced payment structure of acquisitions



Source: SEB, Seafire

Seafire typically structures earn-outs based on a multiple of EBITDA in excess of a pre-determined threshold, which is typically at or above EBITDA at the time of acquisition, thus ensuring aligned interests with respect to earnings growth.

Overview of current earn-out structure

Company	Description	Maximal earn-out	Period
Thor Ahlgren	50% of EBIT above SEK 5m per year	SEK 3m per year	2022-2026
Kenpo Sandwich	1.5x EBITDA above SEK 20m per year	SEK 10m per year	2022-2023
Dofab	1x EBITDA above SEK 10m	SEK 5m per year	2022-2024
Borö Pannan	SEK 10m per year if EBITDA is above SEK 20m	SEK 10m per year	2023-2025

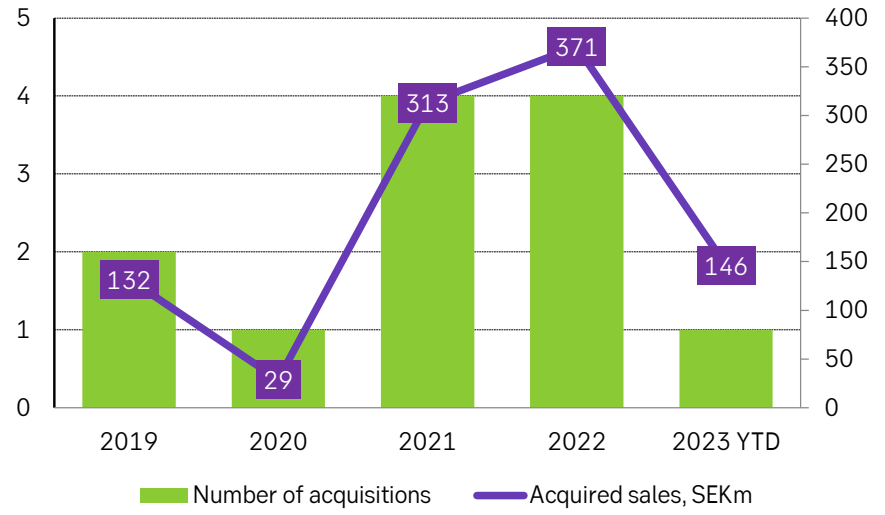
Source: SEB, Seafire

External capital has historically financed the acquisition agenda

Seafire has conducted an aggressive acquisition agenda, with 14 completed acquisitions since 2014, of which nine took place during 2021-23 YTD. This has enabled Seafire to create the diversified company group it is today, with pro-forma sales and earnings above SEK 1bn and SEK 100m respectively. We consider Seafire to have reached a critical mass that should enable stability and greater predictability in earnings generation ahead.

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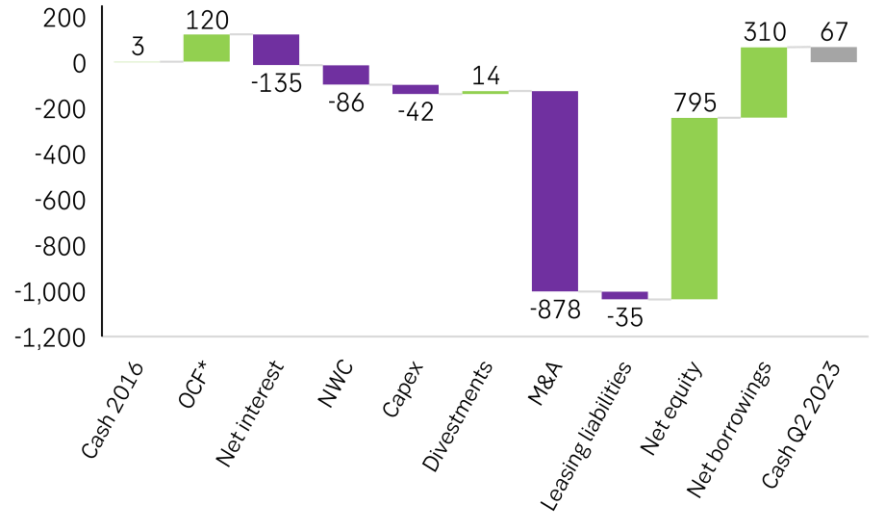
An aggressive acquisition agenda to create a diversified company group



Source: SEB, Seafire

The acquisition pace has far exceeded Seafire's capabilities of self-financed inorganic growth. During the period 2017-23 YTD, Seafire has generated an accumulated operating cash flow before net interest expenses and changes in net working capital of SEK 120m. Meanwhile, it has spent an accumulated c. SEK 890m on acquisitions during the same period. To finance the negative delta between operating cash flows and M&A spending, it has utilised both share issues and debt. All in all, during the period 2017-23 YTD, Seafire has raised c. SEK 800m in net proceeds from equity and c. SEK 300m in net proceeds from debt.

Overview of accumulated capital allocation, 2017-23 YTD (SEKm)



**Note: OCF = Operating cash flow before net interest and changes in net working capital*

Source: SEB, Seafire

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The great refinancing

Long-term unsustainable bond financing up until 2022
Seafire has financed its acquisition agenda through new share issues and corporate bonds (debt). During 2022, Seafire had SEK 600m in outstanding bonds, on which it paid c. 7.9% + three-month Stibor in interest. At current three-month Stibor (c. 4%), this corresponds to annualised interest of c. SEK 72m. Thereby, most of the groups' earnings, and consequently cash flows, have been consumed by interest payments.

The key aspect for a serial acquirer (that intends to create shareholder value) is to generate stable (preferably organically growing) earnings and a high cash conversion, thus cash flow can be reinvested into value-creating acquisitions at attractive multiplies. Consequently, the acquired companies contribute additional earnings and cash flow, and the process can be repeated and continuously scaled. The outcome, if done correctly, is growing earnings per share and attractive returns on capital employed.

With the above in mind, it becomes obvious that Seafire's previous debt-financing solution was not sustainable in the longer term, given that earnings and cash flow were consumed by interest payments instead of reinvested into additional acquisitions.

Bank financing from 2023; annual savings of c. SEK 50m
Despite a challenging macro environment and rapidly increasing interest rates during 2022, Seafire managed to replace its expensive bond loan with a favourable bank loan.

In short, Seafire:

- Issued c. 13m new shares (c. 31% dilution of existing shareholders) at SEK 19 per share, entailing SEK 250m before transaction costs.
- Additionally, it entered into an agreement for new long-term secured bank financing of SEK 350m, on which it pays 2.95% (<2.0x pro-forma ND/EBITDA = 2.45% and >2.75x pro-forma ND/EBITDA = 3.45%) + 3M Stibor, translating into c. SEK 24m of annualised interest expenses.
- The net issue proceeds from the share issue, together with the funds from the secured bank financing and the company's existing cash, were used to refinance the bond loan in its entirety during Q1 2023.

All in all, the manoeuvre entailed a c. SEK 22m in a "one-time" cash outflow (SEK 13.5m relating to the early exercise of the bond, SEK 9m in share issue fees) and c. 31% share dilution during H1 2023 but "recurring" annual savings of c. SEK 50m (actual annual savings of c. SEK 22m compared to FY 2022 cash outflow related to net financials), due to lower interest rates and lower absolute interest-bearing debt.

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Platform created for sustainable long-term growth, improved cash flow
All else being equal, the refinancing will drastically improve Seafire's earnings and cash flow ahead, and thereby also its ability to reinvest its cash flow into value-creating acquisitions at attractive multiplies, thus driving growth in earnings per share and improving return on capital employed. All in all, we consider that Seafire has managed to create a platform ready for sustainable long-term growth, financed by its own cash flow.

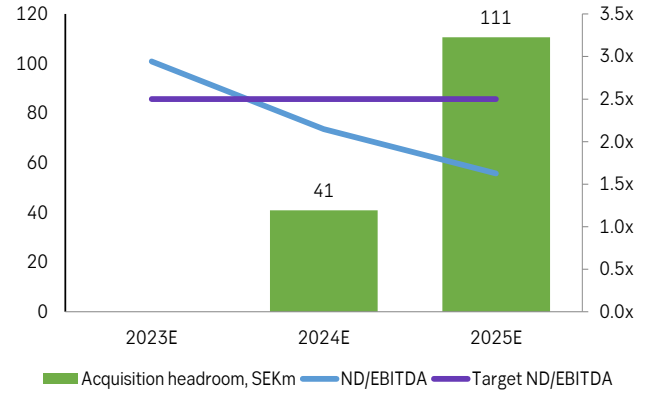
Besides the obvious positive effects of absolute and relative lower interest expenses (more cash flow for acquisitions), it also entails higher incremental EPS accretion in the event of M&A when financed through a combination of cash and new debt, all else being equal. Although the incremental EPS contribution is dependent on several variables (e.g. split between cash/debt in acquisition financing, etc.), a few extra percentage points EPS growth per year can make a notable impact when compounded over time.

A preview of future acquisitions

Focus on reducing gearing near-term
Given Seafire's relatively high leverage, we expect management to prioritise deleveraging before acquisitions in the near term. We expect management will strive to reach leverage of c. 2x before resuming its activity M&A agenda, which we expect it to reach by year-end 2024.

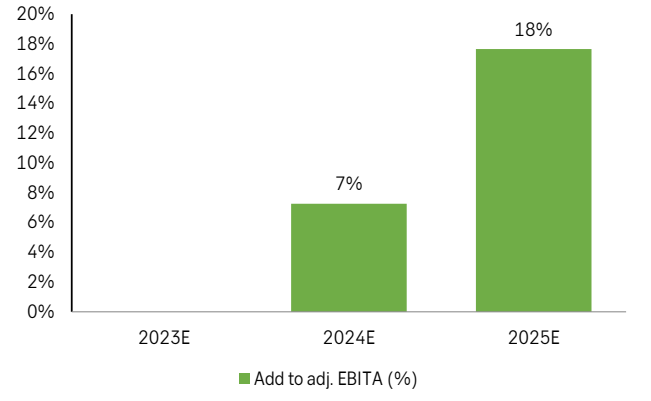
Acquisitions could drive a 2022-25E adj. EBITA CAGR of 12%
We expect Seafire to reach ND/EBITDA of 1.6x by 2025E. Assuming it increases leverage to 2.5x suggests c. SEK 110m of acquisition headroom. Assuming EV/EBITA acquisition multiples of 7x suggests SEK 16m could be added to our 2025 adj. EBITA estimate, or 18%. In such a scenario, we see the potential for a 2022-25E adj. EBITA CAGR of 12% (6pp organic, 6pp M&A).

SEK 110m of M&A headroom by 2025E...



Source: SEB

...could add 18% to our 2025 adj. EBITA estimate



Source: SEB

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Financials

Restated numbers

Seafire has made some meaningful restatements to historical reported numbers, driven by the bankruptcy of Linguacom in Q2 2023 (see appendix 5) and a correction in the acquisition analysis of SolidEngineer, announced during Q3 2023. The latter resulted in a positive revenue and profit impact for 2022 and H1 2023; however, the correction has no impact on historical cash flow.

After the correction of SolidEngineer and the bankruptcy of Linguacom, net-debt-to-adjusted-EBITDA on a rolling 12-month pro forma ratio was 2.68x as of Q2 2023.

Correction in the acquisition analysis of SolidEngineer
On Friday, 29 September 2023, Seafire announced that after consulting with external parties and analysing the acquisition analysis of SolidEngineer, it concluded that the final acquisition analysis prepared by the group, revised by the group's auditors, was incorrect by a substantial amount and therefore needed to be corrected. The correction entails that revenue from sold but not yet performed service contracts before the acquisition date on April 1, 2022 should be recognised in the acquisition calculation and balance sheet as deferred revenue, in accordance with IFRS 15 “revenue recognition”, and then recognised over the duration of the service contracts. The correction has been reviewed and approved by the group's auditor.

The accounting error for fiscal year 2022 results in understated net revenue, EBITA and net profit after tax of SEK 22.3m, SEK10.0m and SEK 8.0m respectively, corresponding to earnings per share before dilution of SEK 0.27. For H1 2023, the corresponding accounting error results in understated net revenue, EBITA and net profit after tax of SEK 4.7, SEK 2.1m and SEK 1.7m respectively, equivalent to earnings per share before dilution of SEK 0.04.

The correction of historical key figures will be made at the release of the group's Q3 report, due on 30 October 2023, through restating historical figures.

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Overview of restatements following bankruptcy of Linguacom and correction of SolidEngineer

	Reported numbers (incl. Linguacom, before changes in Solidengineer)					Restated numbers (excl. Linguacom, after changes in Solidengineer)					Restated vs. Reported numbers				
(SEKm)	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23
Sales	283	223	224	269	286	274	215	211	253	288	-3%	-4%	-6%	-6%	1%
EBITA	34	29	22	15	20	38	32	22	16	21	13%	11%	2%	7%	5%
EBITA margin	*11.9%*	*12.9%*	*9.6%*	*5.6%*	*7.0%*	*13.9%*	*14.9%*	*10.4%*	*6.3%*	*7.3%*					
NRI	2	-7	-13	9	4	2	-7	-13	9	4					
Adj. EBITA	35	22	9	24	24	40	25	9	25	25	12%	14%	6%	4%	4%
Adj. EBITA margin	*12.5%*	*9.7%*	*3.8%*	*8.9%*	*8.4%*	*14.5%*	*11.5%*	*4.3%*	*9.9%*	*8.7%*					
EPS before dilution	0.47	0.04	-0.15	-0.55	-0.31	0.60	0.12	-0.10	-0.55	-0.30	28%	200%	33%	0%	3%
Adj. EBITDA pf R12M						149	135	116	138	120					
ND / adj. EBITDA pf	2.8	3.2	1.6	2.6	2.9	2.7	3.0	1.7	2.4	2.7	-4%	-6%	6%	-8%	-7%

Source: SEB, Seafire

We use reported historical numbers, due to a lack of data
As we do not have a fully restated profit and loss statement, cash flow statement and balance sheet, we use non-restated reported numbers in our overview of historical financials.

Financial targets

As of February 2023, Seafire updated its financial targets relating to sales growth, profitability and leverage.

- **Average growth in net sales of at least be 15%, of which at least 10pp is organic** per year over a business cycle. During 2019-22, the group delivered a sales CAGR of 76%, of which 19pp was organic.
- **Adjusted EBITA margin above 10%** per year over a business cycle. During 2019-22, Seafire delivered an average adj. EBITA margin of 9.0%.
- **Interest-bearing net liabilities in relation to adjusted pro-forma EBITDA of between 2.0-3.25x.** During 2020-22, Seafire had an average pro forma ND/EBITDA of 2.7x (2020-22 average reported ND/EBITDA of 4.6x).

All in all, we consider Seafire's financial targets to be reasonable, although we acknowledge that the organic sales growth target could be a touch optimistic over time.

We also consider it relevant for Seafire to incorporate a financial target relating to profitability and the efficiency with which the company uses its capital (e.g. return on capital employed, ROCE, including goodwill). We argue that this metric should be included to ensure that its growth ambitions become value-creating.

Overview of financial targets

Target	Description
Revenue growth	Above 15% per year over a business cycle, of which at least 10pp is organic
Profitability	Adjusted EBITA margin above 10% over a business cycle
Leverage	Net debt in relation to adjusted pro forma EBITDA between 2.0-3.25x

Source: Seafire

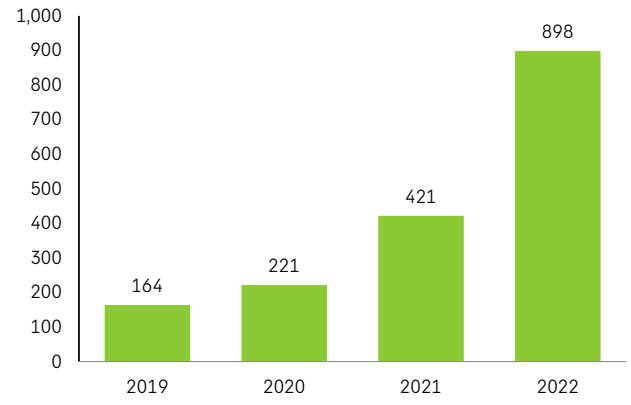
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Income statement

2019-22 sales CAGR of 76%, of which 19pp was organic

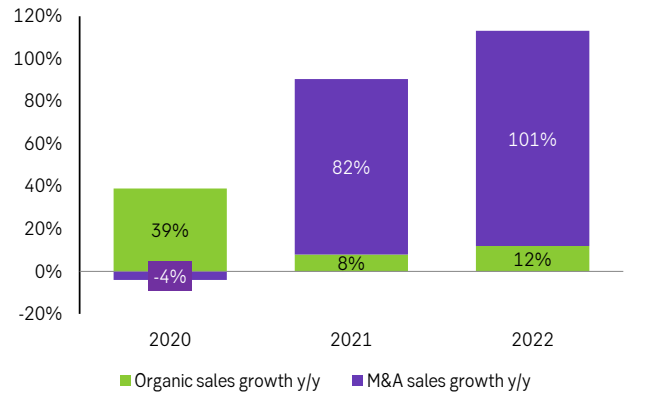
Seafire has increased its sales rapidly, from SEK 164m in 2019 to SEK 898m in 2022 (including the contribution from Linguacom, see appendix five, and before changes in SolidEngineer), implying a 76% sales CAGR for 2019-22. Growth has mainly been driven by acquisitions: M&A contributed 52pp to the sales CAGR and organic growth the remaining 19pp. High organic growth has been supported by strong underlying demand and increasing volumes, but also by high cost inflation during 2021-22 and sequential price increases.

Aggressively growing sales... (SEKm)



Source: Seafire, SEB

...through acquisitions and organic growth



Source: Seafire, SEB

Items affecting comparability often appear in the P&L

Seafire reports adjusted EBITA where items affecting comparability include:

- **Acquisition-related costs** (e.g. including acquisition-related transaction costs): We acknowledge that for a serial acquirer such as Seafire, acquisition-related costs could be regarded as an operational cost, given it is one of the key pillars in the business model and often what drives value-creation. Additionally, several "serial acquirer" peers do not adjust for acquisition-related costs. However, for Seafire, we view it as an item affecting comparability and thus align our numbers with the ones reported by the company and consensus. Lastly, we do not include unannounced acquisitions in our estimates (nor acquisition-related costs).
- **Revaluation of earn-outs:** A positive impact from the revaluation of earn-outs is included in "other operating income" and a negative impact from the revaluation of earn-outs is included in "other operating costs". The net impact is adjusted for by Seafire.
- **Other:** Includes other items affecting comparability not included in the above, such as main market listing, etc.

Note that Seafire reports negative one-offs as a positive number, and vice versa for a positive one-off. This is the opposite to several other companies; however, we have aligned our numbers with Seafire's reported numbers.

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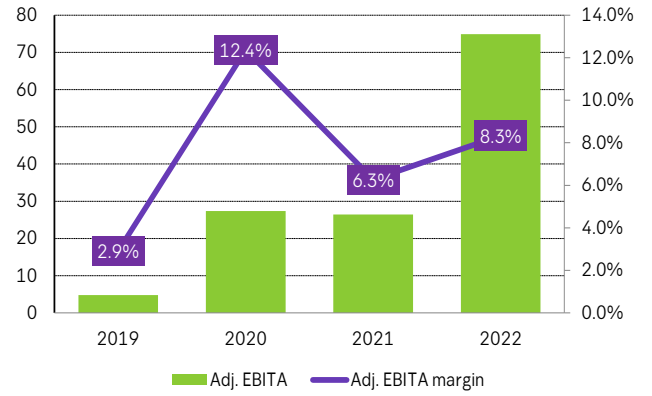
2019-22 adj. EBITA CAGR of 150%; 68% adjusted for number of shares

Seafire had a volatile adj. EBITA margin during 2019-22 (although the pro-forma margin was fairly stable). Below, we describe what affected the adj. EBITA margin in each respective year, starting from 2020:

- **12.4% adj. EBITA margin in 2020:** The strong margin was primarily explained by a record year for Nordbutiker, which saw an increase in demand due to pandemic-related effects and the "stay-at-home" trend.
- **6.3% adj. EBITA margin in 2021:** Profitability was hurt during 2021, much explained by severe cost inflation affecting Åkerstedts and Nordbutiker in particular.
- **8.3% adj. EBITA margin in 2022:** The margin expansion in 2022 y/y was mainly explained by margin-accretive acquisitions, whereas cost inflation was still a headwind on profitability. Additionally, the USD strengthened by c. 20% y/y on average versus the SEK during 2022, which had a substantial negative impact on profitability. Lastly, a change in accounting principles regarding subsidiary SolidEngineers' revenue recognition was made during Q3 2022, which had a dilutive effect on the group margin during 2022. Note that SolidEngineer was acquired in H1 2022 and so not included in the comparable period for 2021.

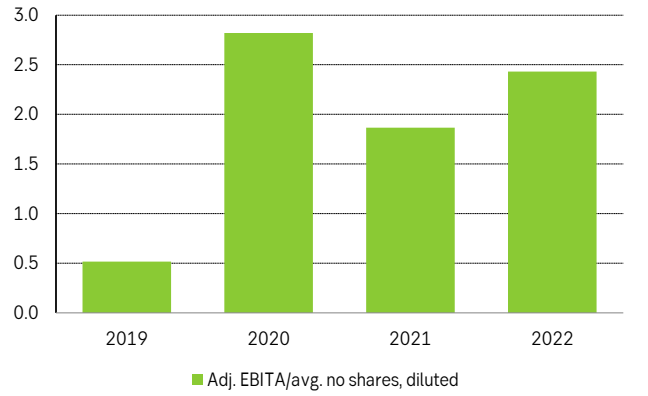
All in all, Seafire posted a 2019-22 adj. EBITA CAGR of 150%, or 68% adjusted for the number of shares.

Adj. EBITA (SEKm) and adj. EBITA margin



Source: SEB, Seafire

Adj. EBITA adjusted for number of shares (SEKm)



Source: SEB, Seafire

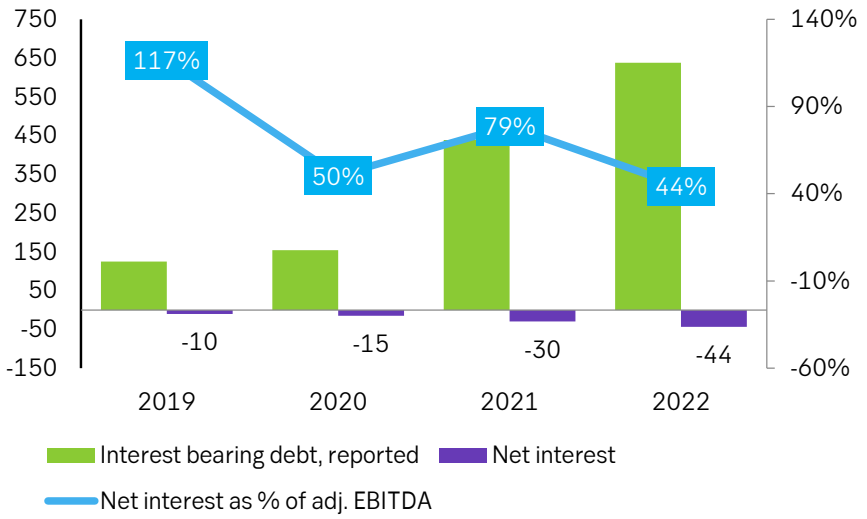
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Cash flow

Interest payments historically consumed a large share of earnings

Seafire has historically financed its aggressive acquisition agenda with share issues and increasing interest-bearing debt. Consequently, net financials have tended to consume a substantial share of earnings.

Increasing IB debt entailing increased net interest expenses (SEKm)

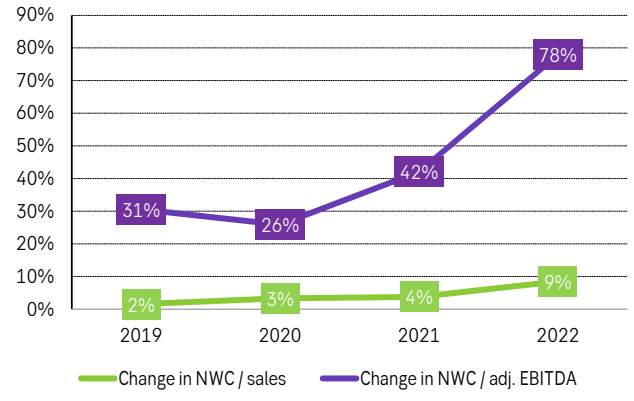


Source: SEB, Seafire

Disturbances in supply chains led to deteriorating capital efficiency

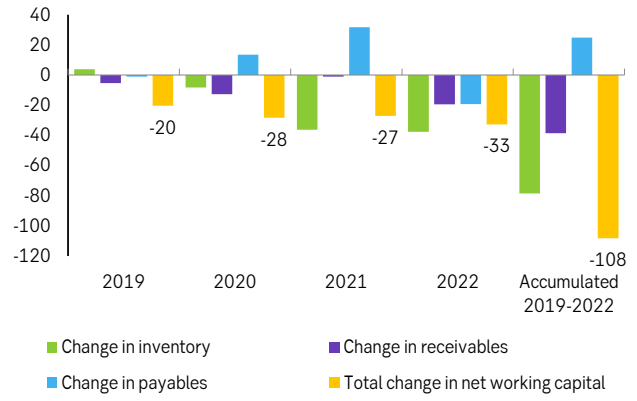
Seafire's subsidiaries are generally capital-light: the group's capex during 2018-22 averaged 2% of sales. However, due to the pandemic, the subsequent disturbances in supply chains and high cost inflation, its capital efficiency deteriorated notably in 2021-22. All in all, during 2019-22, changes in net working capital had an accumulated negative impact on cash flow of SEK 108m, of which changes in inventory accounted for SEK -79m.

Deteriorating capital efficiency...



Source: SEB, Seafire

...due to pandemic and need for "safety stock" (SEKm)

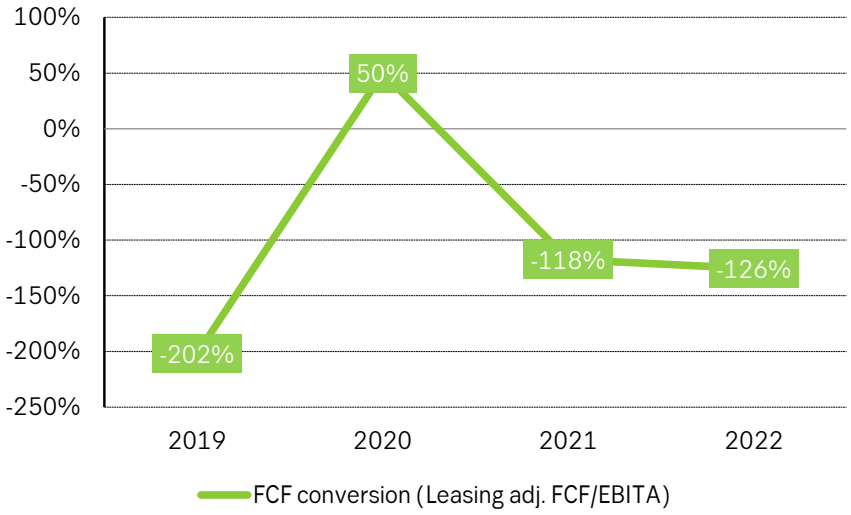


Source: SEB, Seafire

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Subdued cash conversion on high interest costs and increasing inventory
Because of high interest expenses and increasing capital tied up in inventory, Seafire's cash conversion (defined as leasing-adjusted FCF before M&A as a percent of adj. EBITA) was subdued in 2019-22.

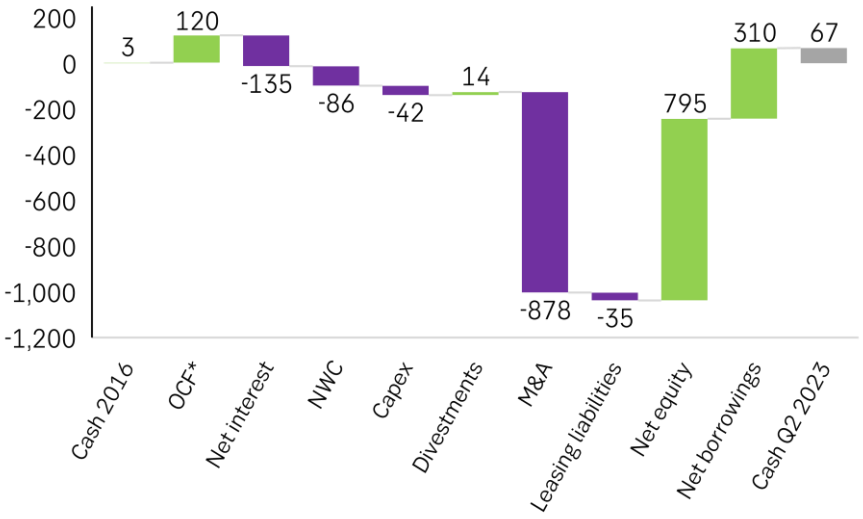
Negative cash flow after interest expenses and changes in net working capital



Source: SEB, Seafire

External capital has bridged the gap between cash flow and M&A
The acquisition pace has far exceeded Seafire's ability to self-financed inorganic growth. During 2017-23 YTD, Seafire has generated accumulated operating cash flow before net interest expenses and changes in net working capital of SEK 120m. Meanwhile, it has spent an accumulated c. SEK 890m on acquisitions during the same period. To finance the difference between operating cash flow and M&A spend, it has utilised share issues and debt. All in all, during 2017-23 YTD, Seafire has raised c. SEK 800m in net proceeds from equity and c. SEK 300 in net proceeds from debt.

Overview of accumulated capital allocation, 2017-23 YTD (SEKm)



**Note: OCF = Operating cash flow before net interest and changes in net working capital*

Source: SEB, Seafire

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Balance sheet

A goodwill-heavy balance sheet

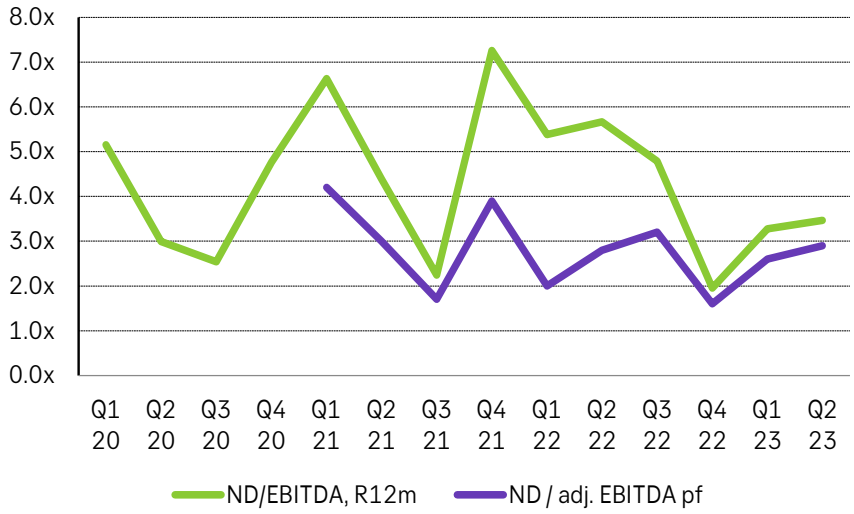
Seafire's total assets largely consist of intangibles (52% of total assets as of Q2 2023) that mainly relate to goodwill. Its goodwill corresponded to 92% of shareholder equity at the end of Q2 2023.

As of Q2 2023, its interest-bearing debt amounted to SEK 388m (including leasing and short-term earn-outs) and its cash position was SEK 67m. Additionally, long-term contingent earn-outs amounting to SEK 24m are included under "other long-term liabilities".

High historical leverage enabled high acquisition pace

Seafire has historically operated with high leverage; however, when looking at pro-forma net debt in relation to EBITDA (including leasing and short- and long-term contingent considerations), it has on average been 2.8x during 2020-22.

Q2 2023 pro-forma ND/EBITDA of 2.9x (2.7x on restated numbers)



Note: Net debt includes both leasing debt and short- and long-term contingent considerations

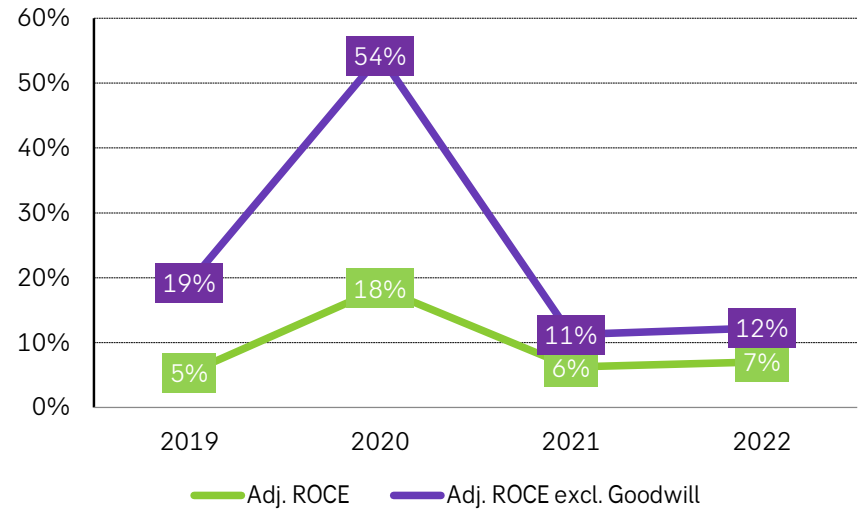
Source: SEB, Seafire

Returns on capital employed sub-par to average cost of capital

Seafire generated an average 2019-22 adj. ROCE (defined as adj. EBITA as a percentage of average capital employed; capital employed defined as the sum of equity and interest-bearing debt) of 9%, or 24% excluding goodwill. Undoubtably, the historical return on capital employed including goodwill has been sub-par to the weighted average cost of capital.

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Adj. ROCE and adj. ROCE excluding goodwill



Source: Seafire

However, the low adj. ROCE in 2022 of 7% can be explain by a few parameters, we believe:

- **Changed accounting in SolidEngineer:** Revenue and earnings are now recognised over the duration of the sold contract, whereas previously they was recognised in their entirety at the time of sale. That resulted in SEK 23m less adjusted EBITA during 2022 for the group, which instead is spread out over the duration of the sold contracts.
- **Subdue profitability for Nordbutiker:** Due to cost inflation and currency headwinds, Nordbutiker generated EBITA close to SEK 0m during 2022. During 2015-21, Nordbutiker generated an average EBITA margin of c. 13%. Assuming historical sales and profitability for Nordbutiker during 2022 (with the headwind from a weak SEK is still present) suggests an incremental c. SEK 12m added to adj. EBITA for the year.
- **Excess cash on the balance sheet:** At the end of Q4 2022, Seafire held SEK 468m of cash on its balance sheet (following its share issue ahead of refinancing its bond), corresponding to c. 52% of 2022 sales.

In a picture-perfect world in which we would add SEK 35m to 2022 adj. EBITA (and thereby adjust for the unusually low profit contribution by SolidEngineer and Nordbutiker) and use 2022 net debt instead of interest-bearing debt to calculate capital employed (and thereby deduct excess cash) results in a 2022 adj. ROCE of 15%. Despite only being a theoretical exercise that does not change the actual outcome for 2022, it alludes to the upside potential in Seafire's return on capital employed ahead, we argue.

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Estimates

Income statement

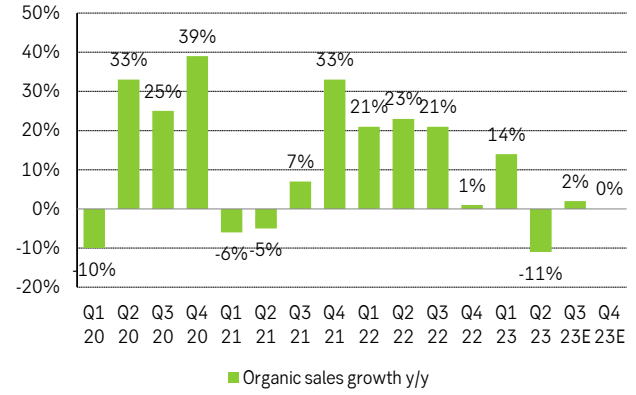
2022-25E sales CAGR of 6% including impact from Linguacom
Seafire reported organic growth of 14% for Q1 2023 and -11% for Q2 2023, the latter explained by negative sales growth by Dofab and Nordbutiker, due to tough comparison bases and weakened demand. All in all, we expect 0% organic sales growth for full-year 2023. We model the bankruptcy of Linguacom as a divestment that has a negative impact of -6% on 2023E y/y sales growth. Meanwhile, we expect already announced acquisitions (mainly Borö-Pannan) to add c. 20% to 2023E y/y sales growth, taking the total M&A contribution on 2023E sales growth to 14% y/y.

For 2024, we expect a mixed performance by the group companies. We see good prospects for Borö-Pannan to grow its sales, whereas other companies such as Dofab and Kenpo Sandwich are likely to endure more challenging end-markets (construction). Additionally, we think SolidEngineer should provide support via incremental sales following the change in its revenue recognition (see appendix 4). All in all, we estimate 0% organic sales growth for 2024, with the net impact from the bankruptcy of Linguacom and the acquisition of Borö-Pannan having a negative impact of 1%.

For 2025, we assume 4% organic sales growth y/y.

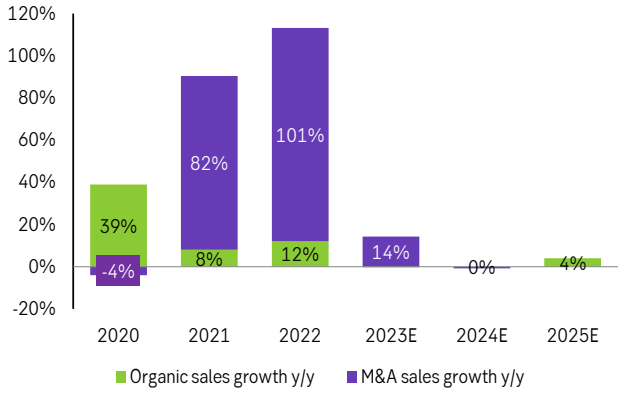
All in all, we expect a 2022-25E sales CAGR of 6%, of which 1pp is organic and 5pp is the net effect from already completed acquisitions and the bankruptcy of Linguacom.

We expect fairly flat H2 2023E organic growth y/y



Source: SEB, Seafire

A mixed picture for 2024E



Source: SEB, Seafire

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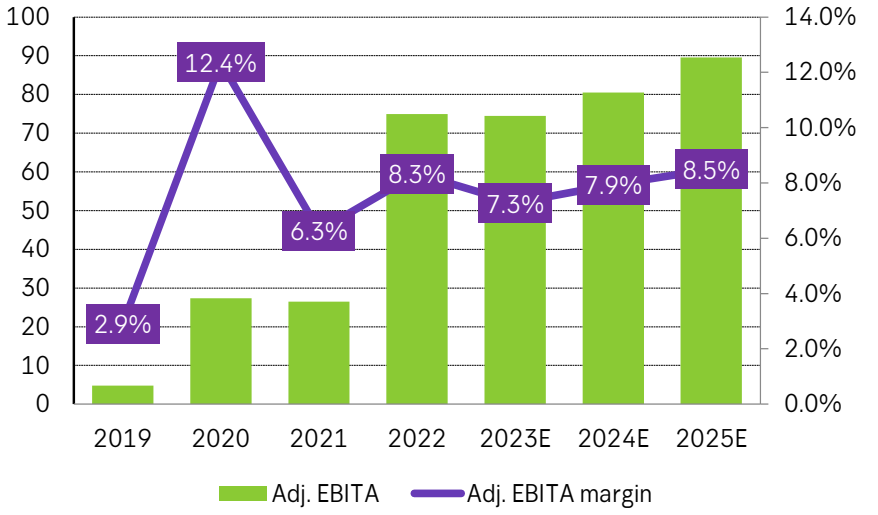
2022-25E adj. EBITA CAGR of 6%

We expect an adj. EBITA margin of 7.3% for 2023, down 1pp y/y, partly explained by tough comparison bases (mainly in Dofab), the dilutive effect from the change accounting for SolidEngineer, and currency headwinds (strengthened USD/SEK) for Nordbutiker.

We expect Seafire to be able to expand its adj. EBITA margin by c. 0.6pp in 2024 and 2025, mainly driven by normalised profitability for SolidEngineer by mid-2024 (see appendix 4) and positive impacts from cost-efficiency measures implemented during 2023.

All in all, we forecast a 2022-25 adj. EBITA CAGR of 6%.

We foresee margin expansion ahead, with 2023E as base (SEKm)



Source: SEB, Seafire

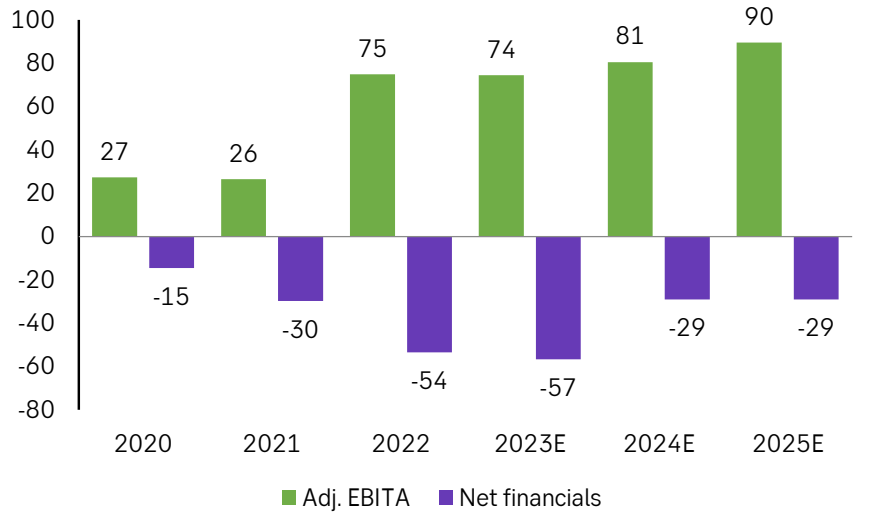
Net financials to decrease significantly ahead

Following the "great refinancing" described on page 12-13, we expect Seafire's net financials to decrease significantly from 2024 (all else equal).

Looking ahead, we expect net financials of c. SEK 30m for both 2024 and 2025 (corresponding to 7.5% of interest-bearing debt), compared to SEK 54m and SEK 57m for 2022 and 2023 respectively.

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Positive mix of increasing EBITA and decreasing net financials (SEKm)



Source: SEB, Seafire

40% 2022-25E reported EPS CAGR

The combination of a 6% 2022-25E adj. EBITA CAGR and significantly lowered net financials leads us to forecast reported EPS expanding from SEK 0.2 reported for 2022 to SEK 0.6 for 2025E, implying a 40% 2022-25E EPS CAGR.

Cash flow

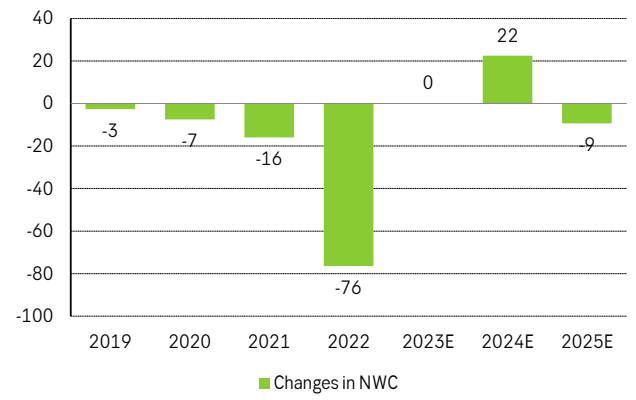
Net working capital going from a headwind to tailwind

Due to the pandemic twinned with subsequent disturbances in supply chains and high cost inflation, Seafire's capital efficiency deteriorated notably in 2021-22. All in all, during, changes in net working capital had an accumulated negative impact on cash flow of SEK 108m in 2019-22, with changes in inventory accounting for SEK -79m.

Looking ahead, we expect a reversal and a cash release from net working capital, driven by well-functioning supply chains and lower organic growth. Most of Seafire's excess inventory is attributable to Nordbutiker; given its seasonality, we expect the release to occur during H1 2024.

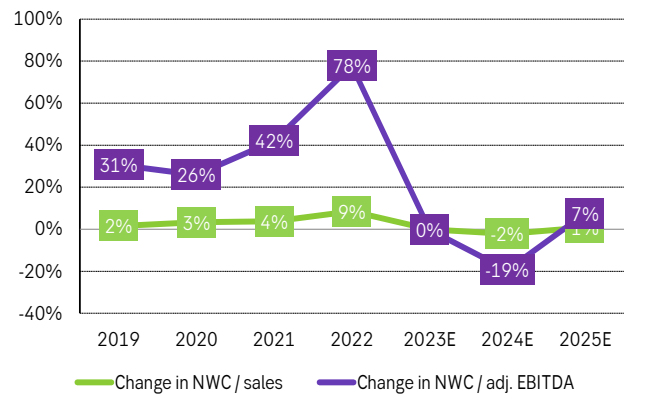
All in all, we expect changes in net working capital to have an accumulated positive impact on cash flow of SEK 13m in 2023-25.

2023-25E accumulated positive impact of SEK 13m



Source: SEB, Seafire

NWC going from a headwind to a tailwind



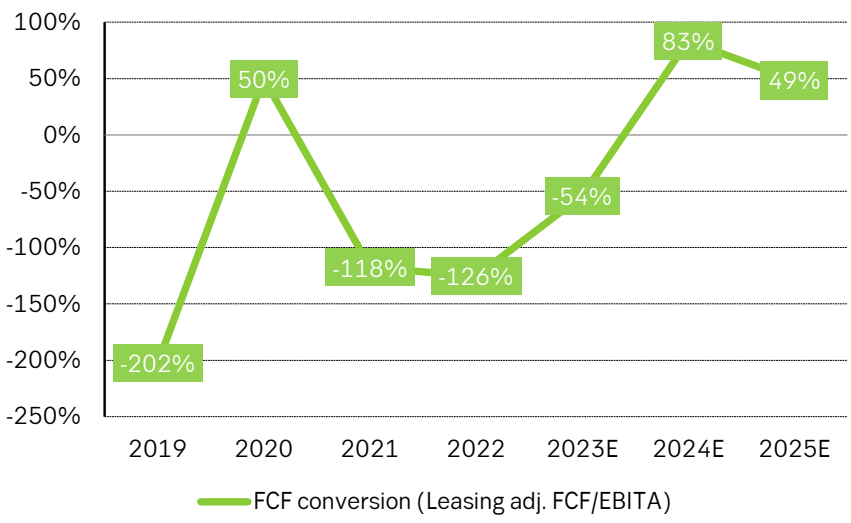
Source: SEB, Seafire

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Improving cash conversion ahead

Because of lowered absolute interest expenses and a net working capital release, we expect Seafire's cash conversion (defined as leasing-adjusted FCF before M&A as a percentage of adj. EBITA) to drastically improve ahead. We consider 2025E to be representative of the group's underlying cash generation availability.

Average cash conversion of c. 70% for 2024E-25E

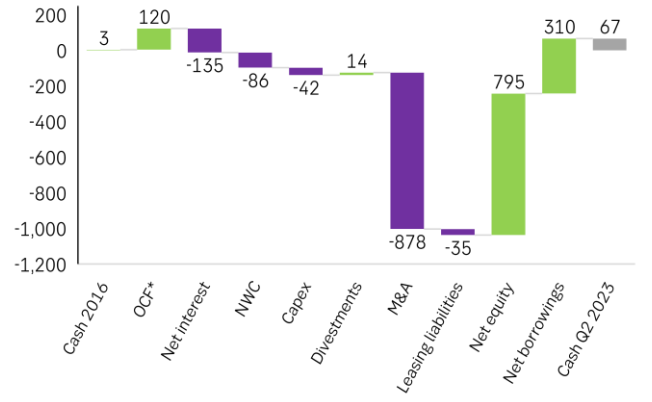


Source: SEB, Seafire

Platform created for sustainable long-term growth, improved cash flow

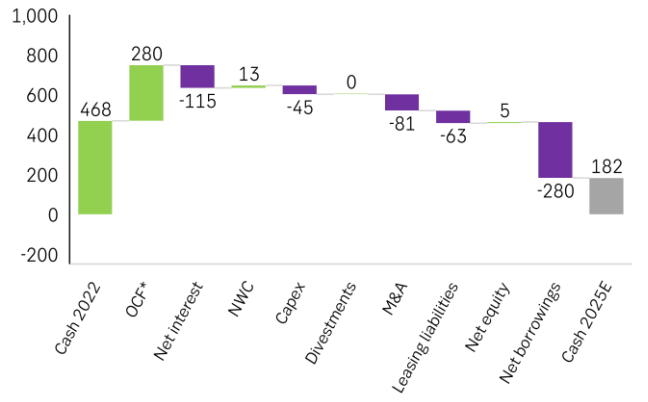
Seafire's acquisition pace has far exceeded its ability to self-financed inorganic growth historically. However, the refinancing will drastically improve Seafire's earnings and cash flow ahead, and thereby also its ability to reinvest its cash flow into value-creating acquisitions at attractive multiples, thus driving growth in earnings per share and improving return on capital employed. All in all, we think that Seafire has managed to create a platform ready for sustainable long-term growth, financed by its own cash flow.

Relying on external capital historically (SEKm)



Source: SEB, Seafire

Platform created for self-financed growth ahead (SEKm)



Source: SEB, Seafire

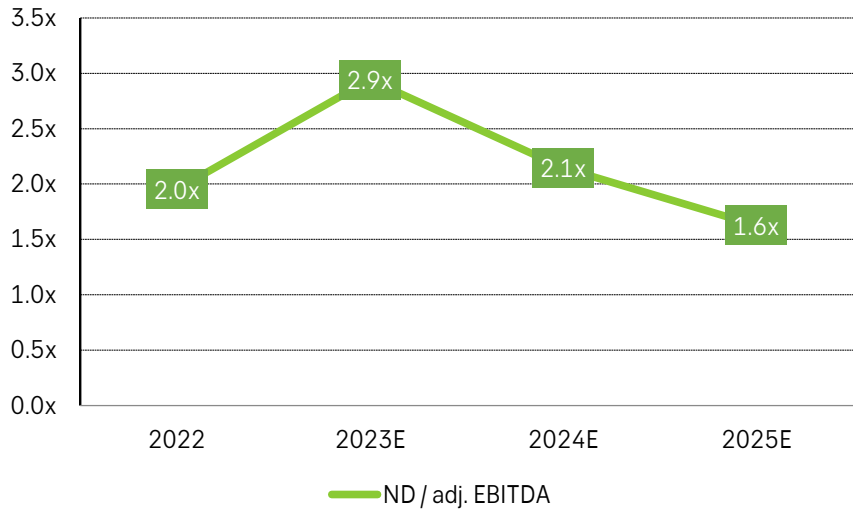
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Balance sheet

Leverage reaching 2x by 2024E

We expect Seafire to reach net debt/adj. EBITDA including leasing and full earn-out of c. 2x by 2024, falling to to 1.6x by 2025, driven by the combination of increasing earnings and improved cash flow.

Increasing earnings and improved cash flow to lead to decreasing leverage

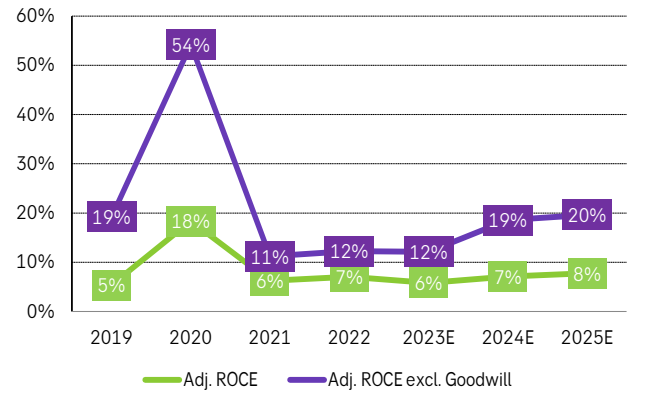


Source: SEB, Seafire

Steady improvement in adj. ROCE

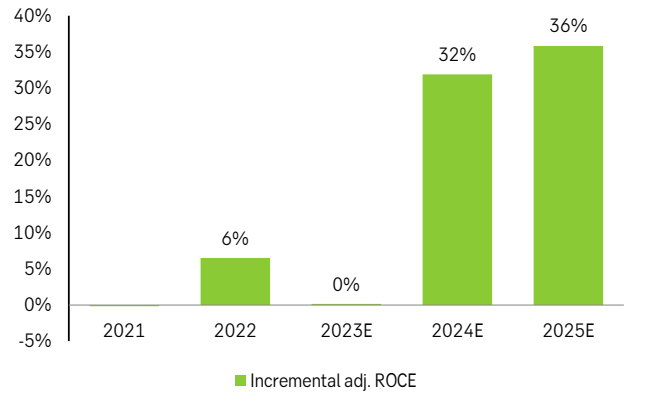
Although we foresee continued subdued returns on capital employed ahead (of 6-8%), we expect an attractive average incremental adj. ROCE of c. 34% for 2024-25, indicating an improvement ahead.

Adj. ROCE



Source: SEB, Seafire

Incremental adj. ROCE



Source: SEB, Seafire

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SEB versus FactSet consensus

We are 6%, 15% and 19% below FactSet consensus on 2023-25 sales on our more cautious organic sales growth assumptions. Additionally, we are more conservative in our margin assumptions for 2023-25, leading to us to be 20%, 31% and 30% below on 2023-25 adj. EBITA.

SEB versus FactSet consensus

	SEB estimates				Factset consensus estimates				SEB vs. Factset consensus			
(SEKm)	**Q3/23E**	**2023E**	**2024E**	**2025E**	**Q3/23E**	**2023E**	**2024E**	**2025E**	**Q3/23E**	**2023E**	**2024E**	**2025E**
Sales	**238**	**1,023**	**1,014**	**1,055**	**270**	**1,092**	**1,196**	**1,300**	***-12%***	***-6%***	***-15%***	***-19%***
Sales growth y/y	*0%*	*14%*	*-1%*	*4%*	*21%*	*22%*	*10%*	*9%*				
EBITA	14	61	81	90	23	80	117	128	*-40%*	*-23%*	*-31%*	*-30%*
Margin	*5.8%*	*6.0%*	*7.9%*	*8.5%*	*8.5%*	*7.3%*	*9.8%*	*9.8%*				
NRI	0	13	0	0	0	13	0	0				
Adj. EBITA	**14**	**74**	**81**	**90**	**23**	**93**	**117**	**128**	***-40%***	***-20%***	***-31%***	***-30%***
Margin	*5.8%*	*7.3%*	*7.9%*	*8.5%*	*8.5%*	*8.5%*	*9.8%*	*9.8%*				
Net profit	-1	-41	19	25	9	-19	56	68			*-66%*	*-63%*

Source: SEB, FactSet consensus

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Detailed estimates

Detailed estimates, quarterly*

Income statement (SEKm)	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23E	Q4/23E
Net sales	**76**	**105**	**102**	**138**	**168**	**283**	**223**	**224**	**269**	**286**	**238**	**230**
Other operating income	0	0	7	0	1	2	14	20	2	2	0	0
Total operating income	76	105	109	138	169	285	237	244	271	288	238	230
COGS	-47	-65	-66	-81	-98	-162	-128	-126	-146	-158	-120	-116
Gross profit	29	40	43	57	71	123	109	118	125	130	118	114
Other external expenses	-8	-11	-12	-18	-20	-28	-27	-34	-42	-39	-36	-35
Personnel expenses	-15	-17	-20	-31	-35	-54	-45	-56	-60	-63	-59	-58
EBITDA	7	12	11	7	15	40	36	28	22	28	23	22
Depreciation	-2	-1	-3	-5	-6	-6	-7	-6	-7	-8	-9	-9
EBITA	5	11	8	2	9	34	29	22	15	20	14	13
Adj. EBITA	**6**	**12**	**3**	**7**	**11**	**35**	**22**	**9**	**24**	**24**	**14**	**13**
Amortization	-2	-2	-2	-3	-4	-5	-5	-6	-6	-6	-7	-7
EBIT	3	8	6	0	6	29	24	15	9	14	7	6
Net financials	-9	-6	-8	-7	-9	-9	-21	-15	-35	-6	-8	-8
PTP	-6	2	-2	-7	-3	20	3	1	-26	8	-1	-2
Tax	0	0	0	0	-1	-6	-2	-5	1	1	0	0
Net profit	-6	2	-2	-7	-4	14	1	-5	-25	-13	0	0
Diluted EPS	-0.6	0.2	-0.1	-0.4	-0.1	0.5	0.0	-0.1	-0.6	-0.3	0.0	0.0
Margin and growth metrics												
Sales growth y/y	65%	43%	92%	186%	120%	170%	119%	62%	60%	1%	6%	3%
Organic sales growth y/y	**-6%**	**-5%**	**7%**	**33%**	**21%**	**23%**	**21%**	**1%**	**14%**	**-11%**	**2%**	**0%**
M&A sales growth y/y	71%	48%	85%	153%	99%	147%	98%	61%	46%	12%	4%	3%
Adj. EBITA growth y/y	46%	-11%	-48%	-708%	105%	198%	620%	25%	111%	-32%	-37%	48%
Gross margin	39%	38%	42%	41%	42%	43%	49%	53%	46%	45%	50%	49%
EBITDA margin	9%	11%	10%	5%	9%	14%	16%	12%	8%	10%	10%	9%
EBITA margin	7%	10%	8%	2%	6%	12%	13%	10%	6%	7%	6%	6%
Adj. EBITA margin	**7.3%**	**11.3%**	**3.0%**	**5.0%**	**6.8%**	**12.5%**	**9.7%**	**3.8%**	**8.9%**	**8.4%**	**5.8%**	**5.5%**
EBIT margin	4%	8%	6%	0%	3%	10%	11%	7%	3%	5%	3%	2%
% of sales												
Other external expenses	10%	11%	12%	13%	12%	10%	12%	15%	16%	14%	15%	15%
Personnel expenses	20%	16%	20%	23%	21%	19%	20%	25%	22%	22%	25%	25%
Sales per segment (SEKm)												
Products, sales	44	70	59	51	57	115	94	80	97	90	80	61
Industrial Components, sales	32	35	43	87	111	168	130	144	172	196	157	169
Group	**76**	**105**	**102**	**138**	**168**	**283**	**223**	**224**	**269**	**286**	**238**	**230**
BA EBIT												
Products, EBIT	2	7	2	-1	1	5	2	-6	4	3	2	2
Industrial Components, EBIT	4	5	3	10	9	29	14	15	22	25	17	17
IFRS adjustments	0	0	0	0	0	0	0	16	-6	-6	-7	-7
Central costs	-3	-4	1	-9	-4	-5	8	-10	-11	-8	-6	-6
Group	**3**	**8**	**6**	**0**	**6**	**29**	**24**	**15**	**9**	**14**	**7**	**6**
BA EBIT margin												
Products, EBIT margin	5%	10%	4%	-3%	2%	5%	2%	-7%	4%	3%	3%	3%
Industrial components, EBIT margin	13%	15%	6%	11%	8%	17%	11%	10%	13%	13%	11%	10%

**Note: Historical figures include contribution from Linguacom and are not restated for SolidEngineer*

Source: SEB, Seafire.

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Detailed estimates, annual*

Income statement (SEKm)	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net sales	**24**	**51**	**164**	**221**	**421**	**898**	**1,023**	**1,014**	**1,055**
Other operating income	1	1	9	1	7	36	4	0	0
Total operating income	25	52	173	222	429	935	1,027	1,014	1,055
COGS	-9	-29	-89	-136	-259	-514	-540	-533	-549
Gross profit	16	23	84	86	170	421	487	481	506
Other external expenses	-5	-7	-23	-23	-49	-109	-151	-142	-148
Personnel expenses	-14	-21	-46	-39	-84	-190	-240	-223	-232
EBITDA	-3	-5	15	23	36	119	94	116	126
Depreciation	0	0	-4	-2	-11	-23	-33	-35	-37
EBITA	-4	-6	11	21	25	95	61	81	90
Adj. EBITA	**-4**	**-6**	**5**	**27**	**26**	**75**	**74**	**81**	**90**
Amortization	0	-1	-12	-6	-8	-22	-26	-27	-28
EBIT	-4	-6	-1	15	17	74	35	53	61
Net financials	-1	-1	-13	-15	-30	-54	-57	-29	-29
PTP	-4	-7	-14	0	-13	20	-21	24	32
Tax	0	0	-1	0	0	-14	3	-5	-7
Net profit	-4	-8	-14	-1	-13	6	-41	19	25
Diluted EPS	-1.4	-1.3	-1.5	-0.1	-0.9	0.2	-0.9	0.4	0.6
Margin and growth metrics									
Sales growth y/y	731%	110%	224%	35%	90%	113%	14%	-1%	4%
Organic sales growth y/y	731%	-11%	-42%	39%	8%	12%	0%	0%	4%
M&A sales growth y/y	0%	120%	266%	-4%	82%	101%	14%	-1%	0%
Adj. EBITA growth y/y	0%	0%	0%	474%	-3%	183%	-1%	8%	11%
Gross margin	64%	45%	51%	39%	40%	47%	48%	47%	48%
EBITDA margin	-14%	-11%	9%	10%	9%	13%	9%	11%	12%
EBITA margin	-15%	-11%	7%	9%	6%	11%	6%	8%	8%
Adj. EBITA margin	**-15.0%**	**-11.1%**	**2.9%**	**12.4%**	**6.3%**	**8.3%**	**7.3%**	**7.9%**	**8.5%**
EBIT margin	-15%	-12%	-1%	7%	4%	8%	3%	5%	6%
% of sales									
Other external expenses	21%	14%	14%	10%	12%	12%	15%	14%	14%
Personnel expenses	58%	41%	28%	18%	20%	21%	23%	22%	22%
Sales per segment (SEKm)									
Products, sales	25	52	134	186	224	345	329	310	322
Industrial Components, sales	0	0	29	35	198	553	694	704	732
Group									
BA EBIT									
Products, EBIT	-5	-7	-12	20	10	8	11	14	19
Industrial Components, EBIT	0	0	1	8	22	76	81	92	95
IFRS adjustments	1	1	10	-13	-15	-10	-26	-27	-28
Central costs	0	0	0	0	0	0	-31	-25	-25
Group									
BA EBIT margin									
Products, EBIT margin	-19%	-13%	-9%	10%	4%	2%	3%	5%	6%
Industrial components, EBIT margin			2%	22%	11%	14%	12%	13%	13%
Cash flow									
Net interest	-1	-1	-10	-15	-30	-44	-57	-29	-29
Paid taxes	0	1	2	11	-9	-25	-17	-5	-7
Changes in NWC	-1	1	-3	-7	-16	-76	0	22	-9
Operating cash flow	**-5**	**-5**	**-6**	**17**	**-20**	**-61**	**-7**	**104**	**81**
Tangible Capex	-1	0	-1	-1	-15	-19	-14	-15	-16
Intangible Capex	0	0	0	0	0	0	0	0	0
Acquisitions/divestments	0	-10	-75	-27	-317	-353	-81	0	0
Free cash flow	**-6**	**-15**	**-83**	**-11**	**-353**	**-432**	**-102**	**89**	**66**
Free cash flow, ex acquisitions	**-6**	**-5**	**-8**	**16**	**-35**	**-79**	**-21**	**89**	**66**
Share issues & buybacks	11	10	7	0	211	552	5	0	0
Net borrowings	-3	6	79	26	294	186	-280	0	0
Amortisation of lease liability	0	0	-2	-2	4	-15	-19	-22	-22
Other financing activitites	0	2	-2	1	0	0	0	0	0
Net cash flow	**2**	**4**	**0**	**13**	**156**	**291**	**-396**	**67**	**44**

**Note: Historical figures include contribution from Linguacom and are not restated for SolidEngineer*

Source: Source: SEB, Seafire.

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Valuation

Mid-point value of SEK 14 per share

We derive a fair value range of SEK 13-15 per share by assuming 0-7pp additions to sales and earnings from acquisitions. Our DCF-based mid-point equity value is SEK 14 per share for Seafire, corresponding to a 2024E EV/EBITA of 10.7x, assuming a weighted average cost of capital (WACC) of 10%. We use a 10-year DCF model, after which we assume a steady-state EBITA margin of 10%. We base our valuation on a 3% long-term growth rate.

Mid-point DCF valuation

DCF Valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	454	Risk free interest rate	4.5
NPV of continuing value	483	Risk premium	8.0
Value of operation	**937**	**Cost of equity**	**13**
Net debt	316	**After tax cost of debt**	7.5
Share issue/buy-back in forecast period	-		
Value of associated companies	-	**WACC**	**10.0**
Value of minority shareholders' equity	-		
Value of marketable assets	-	**Assumptions**	
DCF value of equity	**621**	Number of forecast years	10
DCF value per share (SEK)	**14**	EBITA margin - steady state (%)	10.0%
Current share price (SEK)	8	EBIT multiple - steady state (x)	9.0
DCF performance potenial (%)	77%	Continuing value (% of NPV)	52%

Source: SEB

In the tables below, we outline various sensitivity analyses and the impact on our equity valuation ranges based on incremental changes to four key valuation drivers: weighted average cost of capital, terminal growth rate, acquisition multiples and acquisition rate.

DCF sensitivity table I: WACC and terminal growth rate

Terminal growth, % \ WACC	8%	9%	10%	11%	12%
5%	21	17	14	12	10
4%	20	17	14	12	10
3%	20	17	14	12	10
2%	20	17	14	12	10
1%	20	17	14	12	10

Source: SEB

DCF sensitivity table II: M&A multiples and growth

M&A add to sales, % \ Acquisition multiple	5x	6x	7x	8x	9x
7.0%	17	16	15	14	13
5.0%	16	15	15	14	13
3.5%	15	15	14	14	13
2.0%	14	14	14	13	13
0.0%	13	13	13	13	13

Source: SEB

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Detailed overview, DCF assumptions

	Historicals				Forecast									
	2019	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**
Group sales, (SEKm)	**164**	**221**	**421**	**898**	**1,023**	**1,014**	**1,090**	**1,161**	**1,237**	**1,317**	**1,403**	**1,494**	**1,591**	**1,694**
Growth y/y		*35%*	*90%*	*113%*	*14%*	*-1%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*	*7%*
Organic		*39%*	*8%*	*12%*	*0%*	*0%*	*4%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
M&A		*-4%*	*82%*	*101%*	*14%*	*-1%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*
D&A	**-16**	**-8**	**-19**	**-45**	**-59**	**-63**	**-60**	**-64**	**-68**	**-72**	**-77**	**-82**	**-88**	**-93**
whereof D	-4	-2	-11	-23	-33	-35	-33	-35	-37	-40	-42	-45	-48	-51
Whereof A	-12	-6	-8	-22	-26	-27	-27	-29	-31	-33	-35	-37	-40	-42
D as % of sales	*2.3%*	*0.7%*	*2.7%*	*2.6%*	*3.2%*	*3.5%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
A as % of sales	*7.4%*	*2.9%*	*1.9%*	*2.4%*	*2.5%*	*2.7%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
EBITDA	**15**	**23**	**36**	**119**	**94**	**116**	**131**	**151**	**161**	**171**	**182**	**194**	**207**	**220**
Growth y/y		*52%*	*59%*	*229%*	*-20%*	*23%*	*13%*	*15%*	*6%*	*7%*	*6%*	*6%*	*6%*	*6%*
Margin	*9.1%*	*10.2%*	*8.5%*	*13.2%*	*9.2%*	*11.4%*	*12%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*
Margin, y/y		*112bp*	*-166bp*	*466bp*	*-397bp*	*220bp*	*56bp*	*100bp*	*0bp*	*0bp*	*0bp*	*0bp*	*0bp*	*0bp*
Adj. EBITA	**5**	**27**	**26**	**75**	**74**	**81**	**98**	**116**	**124**	**132**	**140**	**149**	**159**	**169**
Growth y/y		*474%*	*-3%*	*183%*	*-1%*	*8%*	*22%*	*18%*	*6%*	*7%*	*6%*	*6%*	*6%*	*6%*
Margin	*2.9%*	*12.4%*	*6.3%*	*8.3%*	*7.3%*	*7.9%*	*9%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Margin, y-o-y		*945bp*	*-609bp*	*207bp*	*-106bp*	*66bp*	*106bp*	*100bp*	*0bp*	*0bp*	*0bp*	*0bp*	*0bp*	*0bp*
Adj. EBIT	**-7**	**21**	**19**	**53**	**48**	**53**	**65**	**87**	**93**	**99**	**105**	**112**	**119**	**127**
y-o-y		*-382%*	*-11%*	*188%*	*-9%*	*10%*	*23%*	*33%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Margin	*-4.5%*	*9.5%*	*4.4%*	*5.9%*	*4.7%*	*5.2%*	*6%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*	*8%*
Margin, y-o-y		*1400bps*	*-507bp*	*154bp*	*-121bp*	*50bp*	*76bp*	*150bp*	*0bp*	*0bp*	*0bp*	*0bp*	*0bp*	*0bp*
Cash taxes on EBIT	**2**	**11**	**-9**	**-25**	**-17**	**-5**	**-9**	**-11**	**-12**	**-13**	**-14**	**-15**	**-16**	**-17**
as % of sales	*-1%*	*-5%*	*2%*	*3%*	*2%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
as % of EBIT	*23%*	*-51%*	*47%*	*47%*	*36%*	*10%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*
NOPLAT	**-6**	**32**	**10**	**29**	**31**	**48**	**57**	**76**	**81**	**86**	**92**	**97**	**104**	**111**
D&A	16	8	19	45	59	63	60	64	68	72	77	82	88	93
Change in NWC	-3	-7	-16	-76	0	22	-22	-23	-25	-26	-28	-30	-32	-34
as % of sales	*1.6%*	*3.4%*	*3.8%*	*8.5%*	*0.0%*	*-2.2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Capex	-1	-1	-15	-19	-14	-15	-16	-17	-19	-20	-21	-22	-24	-25
as % of sales	*0.7%*	*0.3%*	*3.5%*	*2.1%*	*1.4%*	*1.5%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
FCF before acquisitions	**-8**	**16**	**-35**	**-79**	**-21**	**89**	**79**	**99**	**105**	**112**	**120**	**127**	**136**	**144**
M&A spend	-75	-27	-317	-353	-81	0	-22	-27	-28	-30	-32	-34	-37	-39
of which cash spend							*-22*	*-27*	*-28*	*-30*	*-32*	*-34*	*-37*	*-39*
of which earn-out							*0*	*0*	*0*	*0*	0	0	0	0
FCF after acquisitions	**-83**	**-11**	**-353**	**-432**	**-46**	**118**	**56**	**72**	**77**	**82**	**87**	**93**	**99**	**105**
Present value of FCF after M&A					**-46**	**107**	**47**	**54**	**53**	**51**	**49**	**48**	**46**	**45**
Leasing payments	-2	-2	4	-15	-19	-22	-24	-26	-27	-29	-31	-33	-35	-37
as % of sales	*1%*	*1%*	*-1%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Interest expenses	-10	-15	-30	-44	-57	-29	-30	-30	-28	-25	-21	-17	-12	-6
as % of net debt	*8.9%*	*12.7%*	*10.1%*	*22.7%*	*17.9%*	*11.7%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*
Change in net debt	**0**	**13**	**156**	**291**	**-396**	**67**	**2**	**17**	**22**	**28**	**35**	**43**	**52**	**62**
Net debt	112	115	296	192	316	249	247	230	207	179	144	101	50	-13
Net debt / EBITDA	***13.2x***	***4.0x***	***7.8x***	***2.0x***	***2.9x***	***2.1x***	***1.9x***	***1.5x***	***1.3x***	***1.0x***	***0.8x***	***0.5x***	***0.2x***	***-0.1x***
Lease adj. FCF / adj. EBITA	**-202%**	**50%**	**-118%**	**-126%**	**-54%**	**83%**	**25%**	**38%**	**41%**	**44%**	**48%**	**52%**	**56%**	**60%**
Implied no of acquisitions (SEK 100m)	2	1	4	4	1	0	1	1	1	1	1	1	1	1
Mcap					343	343	343	343	343	343	343	343	343	343
EV					659	592	589	572	550	522	487	444	392	330
EV/EBITA					8.9x	7.4x	6.0x	4.9x	4.4x	4.0x	3.5x	3.0x	2.5x	1.9x
Equity					736	755	782	829	882	943	1,013	1,093	1,185	1,289
Interest bearing debt					388	388	385	368	346	318	283	240	188	126
Capital employed							1,168	1,197	1,228	1,261	1,296	1,333	1,373	1,415
Adj. ROCE					6%	7%	8%	10%	10%	11%	11%	11%	12%	12%

Source: SEB, Seafire

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Benchmarking against peers

As a reference and complement to our DCF framework, we benchmark our mid-point equity value to a selection of smaller Swedish serial acquirers, including Bergman & Beving, Christian Berner Tech Trade, Sdiptech, Vestum and Volati.

Our DCF-based mid-point value of SEK 14 corresponds to a 2024E EV/EBITA of 10.7x, which is broadly in line with our peer group average.

Peer group

	EV/EBITA			ND/EBITDA			Sales growth (%)			Adj. EBITA growth (%)			Adj. ROCE (%)		
	2023E	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**
Bergman & Beving	13x	12x	12x	2.7x	2.3x	2.0x	2	3	3	10	7	6	8	9	9
Christian Berner	12x	11x	10x	2.0x	1.5x	1.2x	15	4	4	37	8	7	n.a.	n.a.	n.a.
Sdiptech	10x	9x	8x	3.0x	2.4x	1.9x	30	11	9	28	13	9	11	11	12
Vestum	8x	7x	6x	3.3x	2.8x	2.2x	-6	2	4	-9	11	11	3	4	5
Volati	12x	11x	10x	2.2x	1.7x	1.3x	5	5	6	9	7	11	20	20	20
Peer group average	**10.8x**	**10.0x**	**9.2x**	**2.7x**	**2.1x**	**1.7x**	**9**	**5**	**5**	**15**	**9**	**9**	**11**	**11**	**12**
Seafire (SEBE)	**9.0x**	**7.5x**	**6.2x**	**2.9x**	**2.1x**	**1.6x**	**14**	**-1**	**4**	**-1**	**8**	**11**	**6**	**7**	**8**
Seafire vs peer group	-17%	-25%	-32%	11%	0%	n.a.	5pp	-6pp	-1pp	-15pp	-1pp	2pp	-5pp	-4pp	-4pp

Source: SEB, FactSet as at 2 October 2023

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Appendix

Appendix 1: Risks

Interest rate risk
Seafire's debt financing has floating interest rates. Consequently, higher interest rates would result in higher net financials and thus lower earnings and cash flows, all else being equal.

Currency risk
The reporting currency for Seafire and its subsidiaries is SEK. During 2022, c. 73% of the group's sales were in SEK and about two-thirds of the group's purchases were made in SEK. However, the group also has exposure to other currencies, mainly USD and EUR, but also DKK and NOK. A decrease of the SEK compared to the USD would entail a decrease of earnings of c. SEK 10m as of end-2022, by our calculations.

Acquisition risk
Acquiring companies successfully involves a number of due diligence steps, including commercial, financial, tax and legal. Assumptions on how businesses will develop include projections about future trends and Seafire could make incorrect assumptions in the future, which means that acquired entities may have to be subject to write-downs or terminations.

Governance
Seafire is decentralised, where the managers of the respective business units and companies make many of the decisions. Although Seafire has policies and monitoring procedures, there are no guarantees that the company will not be subject to fraudulent behaviour by employees. This could have negative effects on the Seafire group in terms of financials, sustainability and reputation.

Ability to close transactions
Much of the growth ahead in Seafire is expected to come from acquisitions. Historically, Seafire has demonstrated strong skills in executing on its acquisition-based growth strategy. However, should the deal flow slow, Seafire's organisation change or general conditions for transaction execution be altered, its growth trajectory could be affected. The ability to close transactions could be affected by both internal and external factors.

Risks relating to loss of key personnel
Seafire's group management only consist of three individuals (CEO Johan Bennarsten, CFO Jacob Persson, and BA manager Anders Martinsson). If one or several members of group management decided to leave their role, or for any reason cannot fulfil it, it could have a notable impact on the group.

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Appendix 2: Management and board

Management

Johan Bennarsten CEO and Founder	With Seafire since 2016 **Education:** Medical Degree from Karolinska Institute and Master of Science in Engineering Physics from Uppsala University **Background:** 15 years of private equity experience from CapMan heading the firm's healthcare fund as well as investment banking experience as Partner at Pareto Securities
Jacob Persson CFO	With Seafire since 2021 **Education:** M.Sc. in Finance at Lund University **Background:** Head of Group Business Control & IR from Ambea AB (publ) and responsible for Ambea's IPO. Previous experience from advising clients from all sectors on M&A and financing related topics in JZ Capital Partners and PwC
Anders Martinsson Business Area Manager	With Seafire since 2023 **Education:** Tech. Engineering degree from Lund University, Strategy and Innovation at Oxford University, Management studies **Background:** 25 years' experience from international management positions among others from Indutrade as business development manager, CEO within the WILO-group and CEO of BE Group AB. For the past four years, worked as an interim CEO in small and medium-sized companies

Source: Seafire, SEB

Board of directors

Joachim Berner Chairman of the Board	Chairman of the Board since 2016 **Education:** Master in Economic Sciences, Handelshögskolan at the University of Gothenburg. MBA **Other assignments:** Chairman of the Board of Christian Berner Tech Trade (publ) and Gårdaverken AB. Board member at Yrkesakademin AB (publ), Njuice AB, Konstab AB, Convenium and Berner Fastighets AB. Industrial advisor to Accendo Capital
Lennart Jacobsson Board member	Member of the board since 2016 **Education:** Master in Economic Sciences at Uppsala University **Other assignments:** CEO Bobtail Nordic Pharma AB, Chairman of the Board of Myvox AB and Hypex Bio Explosives AB, Board member of Saminvest AB and of Metronor AS
Louise Nicolin Board member	Member of the board since 2020 **Education:** Master of Engineering in Molecular Biotechnology from Uppsala University. MBA, Stockholm University and International Directors Programme (IDP-c), Insead, France **Other assignments:** Chairman of the Board at Better Business World Wide AB and Board member at Volati AB (publ), VBG Group AB (publ), Optinova Group Oy, Enzymatica AB (publ) and Atteviks Bil AB
Marcus Söderberg Board member	Member of the board since 2022 **Education:** Master of Economic Sciences from Växjö University **Other assignments:** Head of M&A and Business Development at Herenco
Stina Wollenius Board member	Member of the board since 2023 **Education:** Master of Science in Industrial economy, KTH, Sweden **Other assignments:** Owner and board member of Wos Invest AB and owner and chairman of Glasgruppen i Sverige AB. Chairman of Svensk Planglasförening and board member of Christian Berner Tech Trade AB. Board member of Produktionslyftet and member of the Committee of sustainability in Glass for Europe

Source: Seafire, SEB

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Appendix 3: Shareholders

Top 20 owners

Owner	Capital
Creades AB	18.5%
Berenberg Funds	9.2%
Handelsbanken Fonder	6.3%
Protector Forsikring ASA	4.7%
Cliens Fonder	4.4%
Johan Bennarsten	4.1%
Consensus Asset Management	3.7%
Avanza Pension	3.3%
Alcur Fonder	2.9%
Swedbank Robur Fonder	2.9%
Andra AP-fonden	2.5%
Perpressa Invest AB	2.5%
Fondita Fund Management	2.3%
Tord Lendau	2.1%
Nordnet Pensionsförsäkring	1.9%
Bengt Kjell	1.9%
ICA-handlarnas Förbund	1.6%
LMK-bolagen & Stiftelse	1.6%
Carnegie Fonder	1.0%
Protean Funds Scandinavia	0.8%

**As of 04/09/2023*

Source: Holdings.se

Insider ownership

Owner	Role	Capital
Johan Bennarsten	CEO	4.1%
Lennart Jakobsson	Board member	0.2%
Joachim Berner	Chairman of Board	0.1%
Anders Martinsson	Business area manager	0.1%
Marcus Söderberg	Board member	0.03%

**As of 04/09/2023*

Source: Holdings.se

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Appendix 4: SolidEngineer's accounting

A change in accounting principles regarding subsidiary SolidEngineer's revenue recognition was made during Q3 2022. Revenue is now recognised over the duration of the sold contract, whereas previously it was recognised in its entirety at the time of sale. Comparative figures have been restated where applicable.

Revenue of SEK 28m and related earnings (EBITA) of SEK 13m will be recognised over the contract period from Q4 2022 through to 2024. The change does not impact cash flow. It is not until mid-2024 that management expects previous profitability (11% average EBITA margin during 2020-22) to be reached under the new revenue recognition.

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Appendix 5: Bankruptcy of Linguacom

During Q2 2023, a fraud and misappropriation was discovered in subsidiary Linguacom. The former CEO is the main suspect for the crime and was released from his duties at the time of discovery. Linguacom was forced into bankruptcy due to the misappropriation and is reported as a divested operation according to IFRS 5 in the Q2 2023 report.

The decision to file for bankruptcy is based on the situation that came to light in Linguacom on 16 May 2023. The former CEO of the company is suspected of gross embezzlement and gross breach of trust. The CEO is suspected of ordering large quantities of mobile phones on behalf of the company then stealing and reselling them. The practice of withholding supplier invoices from the company's accounts has made discovery difficult. After investigation, the board's assessment is that it is not possible to undertake a company reorganisation in order to save the company's operations, due to the company's customer structure in the public sector.

Linguacom had a limited impact on the group's operating profit and the bankruptcy does not affect the group's financial position or net debt/EBITDA. In Seafire's consolidated financial statements, the company had sales of SEK 69.1m and EBIT of SEK 3.5m in 2022.

Starting from Q2 2023 and until Q1 2024, Seafire will report Linguacom as a divested operation according to IFRS 5. However, we model Linguacom as a divestment (thereby contributing negatively to M&A sales growth), as we do not have a full P&L for the comparable quarters excluding Linguacom. See the table below for our assumptions. Consequently, our estimates for acquisition-driven sales growth will differ from reported numbers in Q3 2023 – Q1 2024.

Our modelling of the effect from Linguacom's bankruptcy

Effect from bankruptcy of Linguacom on Seafire	**Q2/22**	**Q3/22**	**Q4/22**	**Q1/23**	**Q2/23**	**Q3/23E**	**Q4/23E**	**Q1/24E**
Group sales including Linguacom, SEKm	283	223	224	269				
whereof sales from Linguacom, SEKm	*17*	*15*	*18*	*19*				
Negative contribution to sales growth from Linguacom					**-6%**	**-7%**	**-8%**	**-7%**

Source: SEB, Seafire

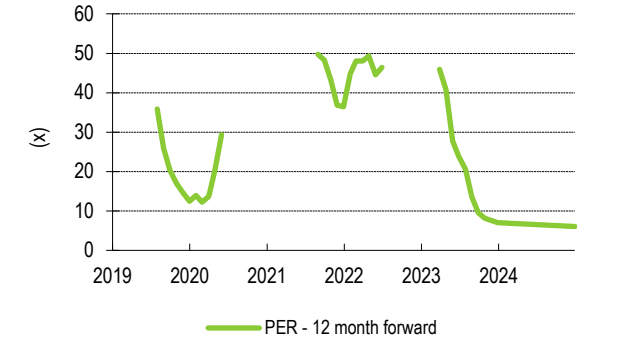
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Overview

Investment considerations	The group currently consists of 13 companies divided into the two segments: Industrial Components and Products. On an aggregated pro-forma basis, the group has shown a stable performance with high organic earnings growth. Between 2015 and 2022, the group organically grew sales from c. SEK 600m to SEK 1.1bn. In aggregate, the current group of companies posted 2015-22 pro forma sales and EBIT CAGRs of 10% and 13% respectively.
Company profile	Seafire is a Swedish investment company specialising in buying and developing small and medium-sized enterprises (SMEs) in niche industries and where management has identified a clear and competitive edge/value-add. Management describes it as a low-risk investment approach, where it acquirers controlling stakes in companies with sales between SEK 50-200m and with a prudent buy-and-hold strategy. Seafire's ambition is to create value through organic earnings growth in its current portfolio of companies, combined with earnings growth through acquisitions of new companies.
Valuation approach	We derive a fair value range of SEK 13-15 per share by assuming 0-7% add to sales and earnings from acquisitions. The DCF-based mid-point equity value is SEK 14 per share for Seafire, corresponding to 10.7x 2024E EV/EBITA, assuming a weighted average cost of capital (WACC) of 10%. We use a 10-year DCF model, after which we assume a steady-state EBITA margin of 10%. We base our valuation on a 3% long-term growth rate.
Investment risks	Acquiring companies successfully involves a number of due diligence steps including commercial, financial, tax and legal. Assumptions on how businesses will develop include projections about future trends and Seafire could make incorrect assumptions in the future, which means that acquired entities may have to be subject to write-downs or terminations.

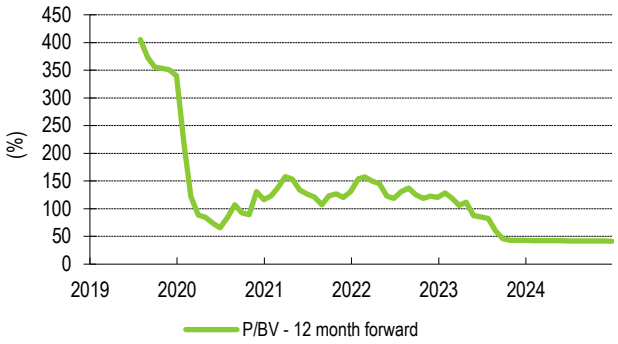
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PER - 12 month forward



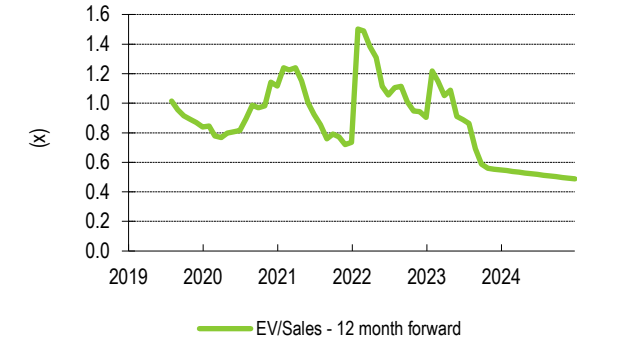
Source: SEB

P/BV - 12 month forward



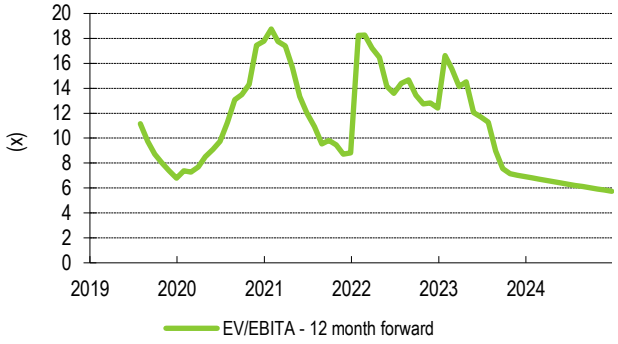
Source: SEB

EV/Sales - 12 month forward



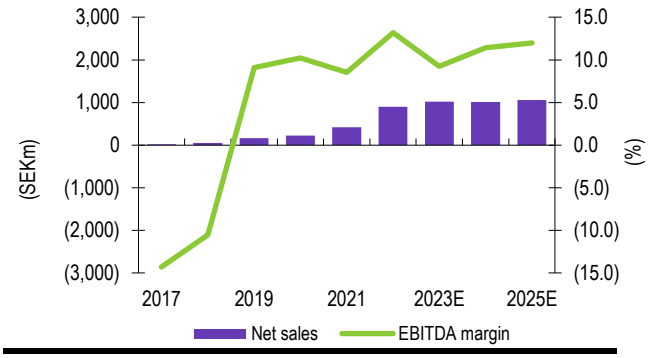
Source: SEB

EV/EBITA - 12 month forward



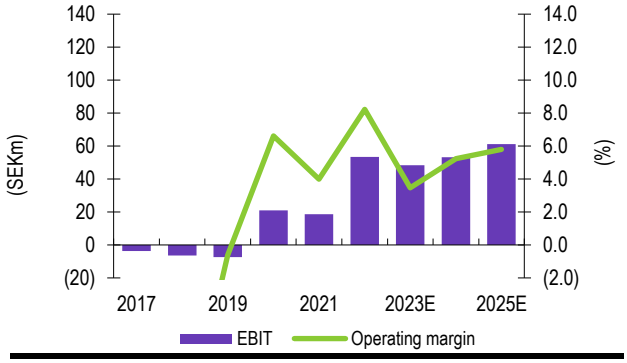
Source: SEB

Net sales & EBITDA margin



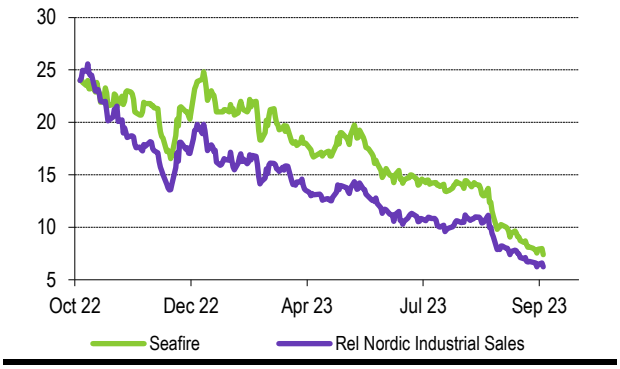
Source: SEB

EBIT & Operating margin



Source: SEB

Comparison with sector index - 1 year



Source: SIX

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Profit & loss statement - Seafire									
(SEKm)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Net Sales	24	51	164	221	421	898	1,023	1,014	1,055
Other revenues	1	1	9	1	7	36	4	0	0
Total revenues	**25**	**52**	**173**	**222**	**429**	**935**	**1,027**	**1,014**	**1,055**
Total expenses	(28)	(57)	(158)	(200)	(393)	(816)	(933)	(898)	(928)
Profit before depreciation	**(3)**	**(5)**	**15**	**23**	**36**	**119**	**94**	**116**	**126**
Depreciation - Fixed assets	(0)	(0)	(1)	(1)	(4)	(9)	(15)	(17)	(18)
Depreciation - Other assets	0	0	0	0	0	0	0	0	0
Depreciation of right-of-use assets	0	0	(2)	(1)	(8)	(14)	(18)	(18)	(19)
Amortisation - Goodwill	0	0	(10)	0	0	0	0	0	0
Amortisation - Other intangibles	0	(1)	(2)	(6)	(8)	(22)	(26)	(27)	(28)
Operating profit	**(4)**	**(6)**	**(1)**	**15**	**17**	**74**	**35**	**53**	**61**
Net interest expenses	(1)	(1)	(13)	(15)	(30)	(54)	(57)	(29)	(29)
Foreign exchange items	0	0	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0	0	0
Reported pre-tax profit	**(4)**	**(7)**	**(14)**	**(0)**	**(13)**	**20**	**(21)**	**24**	**32**
Minority interests	0	0	0	0	0	0	0	0	0
Total taxes	0	(0)	(1)	(0)	(0)	(14)	3	(5)	(7)
Reported profit after tax	**(4)**	**(8)**	**(14)**	**(0)**	**(13)**	**6**	**(19)**	**19**	**25**
Discontinued operations	0	0	0	0	0	0	(23)	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0
Net Profit	**(4)**	**(8)**	**(14)**	**(0)**	**(13)**	**6**	**(41)**	**19**	**25**
Adjustments:									
Discontinued operations	0	0	0	0	0	0	23	0	0
Interest on convertible debt	0	0	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0	0	0
Value changes	0	0	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	1	12	6	8	22	26	27	28
Restructuring charges	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0
Tax effect of adjustments	0	0	0	0	0	0	0	0	0
Adjusted profit after tax	**(4)**	**(7)**	**(2)**	**6**	**(6)**	**28**	**7**	**46**	**54**
Margins, tax & returns									
Operating margin	(15.0)	(12.4)	(0.6)	6.6	4.0	8.2	3.5	5.2	5.8
Pre-tax margin	(17.8)	(14.8)	(8.4)	(0.0)	(3.1)	2.3	(2.1)	2.4	3.0
Tax rate	0.0	(3.5)	(3.8)	n.m.	(3.0)	68.6	12.9	21.0	21.0
ROE	(27.1)	(38.4)	(65.7)	(2.2)	(11.1)	1.3	(2.4)	2.5	3.3
ROCE	(14.6)	(19.8)	(8.1)	14.4	4.7	5.6	3.8	4.7	5.3
Growth rates y-o-y (%)									
Total revenues	n.a.	106.6	235.7	28.3	92.9	118.1	9.9	(1.2)	4.0
Operating profit	n.m.	n.m.	n.m.	n.m.	14.9	340.3	(52.0)	49.8	15.0
Pre-tax profit	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	33.1
EPS (adjusted)	0.0	0.0	0.0	0.0	0.0	0.0	(81.2)	518.5	15.9

Cash flow									
(SEKm)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Net profit	(4)	(8)	(14)	(0)	(13)	6	(41)	19	25
Non-cash adjustments	0	1	14	6	23	30	15	41	43
Cash flow before work cap	**(4)**	**(7)**	**(0)**	**5**	**10**	**36**	**(26)**	**60**	**69**
Ch. in working capital / Other	(1)	2	(8)	9	(26)	(112)	0	22	(9)
Operating cash flow	**(5)**	**(5)**	**(8)**	**14**	**(16)**	**(76)**	**(26)**	**82**	**59**
Capital expenditures	(1)	(0)	(1)	(1)	(15)	(19)	(14)	(15)	(16)
Asset disposals	0	0	0	0	0	0	0	0	0
L/T financial investments	0	0	0	0	0	0	0	0	0
Acquisitions / adjustments	0	(10)	(75)	(27)	(317)	(353)	(81)	0	0
Free cash flow	**(6)**	**(15)**	**(85)**	**(13)**	**(349)**	**(447)**	**(121)**	**67**	**44**
Net loan proceeds	(3)	6	79	26	294	186	(288)	0	0
Dividend paid	0	0	0	0	0	0	0	0	0
Share issue	11	10	7	0	211	552	5	0	0
Other	(0)	2	(2)	1	0	(0)	8	0	0
Net change in cash	**2**	**4**	**(0)**	**13**	**156**	**291**	**(396)**	**67**	**44**
Adjustments									
C/flow bef chng in work cap	(4)	(7)	(0)	5	10	36	(26)	60	69
Adjustments	0	0	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0	0	0
Cash earnings	(4)	(7)	(0)	5	10	36	(26)	60	69
Per share information									
Cash earnings	(1.3)	(1.18)	(0.05)	0.53	0.69	1.18	(0.59)	1.36	1.56
Operating cash flow	(1.69)	(0.81)	(0.92)	1.49	(1.16)	(2.45)	(0.59)	1.87	1.35
Free cash flow	(1.88)	(2.57)	(9.18)	(1.37)	(24.6)	(14.5)	(2.75)	1.53	0.99
Investment cover									
Capex/sales (%)	2.5	0.4	0.7	0.3	3.5	2.1	1.4	1.5	1.5
Capex/depreciation (%)	372	70	88	75	402	197	93	88	88

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Balance sheet - Seafire									
(SEKm)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Cash and liquid assets	3	7	7	20	176	468	72	139	183
Debtors	2	11	12	22	64	115	123	117	121
Inventories	5	6	39	48	148	216	215	198	206
Other	2	6	4	6	10	55	79	79	79
Current assets	**12**	**30**	**62**	**96**	**398**	**853**	**488**	**532**	**588**
Interest bearing fixed assets	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	2	2	14	3	3	3	3
Capitalized development cost	0	0	0	0	0	0	0	0	0
Goodwill	17	37	92	106	272	635	700	700	700
Other intangibles	0	6	19	20	20	75	57	29	1
Right-of-use lease assets	0	0	14	12	22	35	35	38	43
Fixed tangible assets	1	1	10	10	105	127	134	132	130
Other fixed assets	0	0	0	0	0	1	1	1	1
Fixed assets	**19**	**44**	**137**	**150**	**433**	**874**	**928**	**902**	**876**
Total assets	**31**	**74**	**199**	**245**	**831**	**1,727**	**1,416**	**1,434**	**1,464**
Creditors	2	4	7	7	31	75	82	81	84
Other trade financing	0	0	0	0	0	0	0	0	0
S/T lease liabilities	0	0	3	3	8	14	14	14	14
S/T interest bearing debt	4	4	3	11	32	21	20	20	20
Other	3	32	25	49	76	157	163	163	163
Current liabilities	**8**	**40**	**38**	**70**	**147**	**267**	**279**	**279**	**282**
L/T interest bearing debt	4	12	102	112	418	605	318	318	318
L/T lease liabilities	0	0	11	9	14	19	18	18	19
Other long-term liabilities	0	0	19	25	8	18	18	18	18
Convertible debt	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0
Other provisions	0	0	(0)	0	0	(0)	0	0	0
Deferred tax	0	1	6	7	25	41	41	41	41
Long term liabilities	**4**	**13**	**138**	**154**	**465**	**682**	**395**	**395**	**396**
Minority interests	0	0	0	0	0	0	0	0	0
Shareholders' equity	**19**	**21**	**22**	**22**	**219**	**778**	**742**	**761**	**786**
Total liabilities and equity	**31**	**74**	**199**	**245**	**831**	**1,727**	**1,416**	**1,434**	**1,464**
Net debt (m)	4	9	112	115	296	192	299	232	189
Working capital (m)	4	(12)	22	19	114	154	171	149	158
Capital employed (m)	26	37	141	157	691	1,437	1,112	1,131	1,158
Net debt/equity (%)	21	40	504	532	135	25	40	30	24
Net debt/EBITDA (x)	(1.1)	(1.6)	13.1	4.0	7.8	2.0	2.8	2.0	1.5
Equity/total assets (%)	61	29	11	9	26	45	52	53	54
Interest cover	(5.2)	(5.2)	(0.1)	1.0	0.6	1.3	0.6	1.8	2.1

Valuation									
(SEK)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
No of shares, fully dil. (y/e)	3.2	5.8	9.2	9.7	14.2	30.8	43.9	43.9	43.9
No of shares, fully dil. avg.	3.2	5.8	9.2	9.7	14.2	30.8	43.9	43.9	43.9
Share price, y/e			7.6	18.0	33.0	20.3	7.4	7.4	7.4
Share price, high			10.0	21.9	35.0	44.8	24.8		
Share price, low			7.0	3.3	16.7	16.1	7.4		
Share price, avg			8.0	8.8	26.3	28.1	16.3		
EPS (reported)	(1.36)	(1.35)	(1.55)	(0.05)	(0.95)	0.21	(0.42)	0.43	0.58
EPS (adjusted)	(1.36)	(1.23)	(0.23)	0.61	(0.39)	0.91	0.17	1.06	1.22
Cash earnings/share	(1.30)	(1.18)	(0.05)	0.53	0.69	1.18	(0.59)	1.36	1.56
Dividend/share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Enterprise value/share			19.7	30	54	27	14.2	12.7	11.7
Book value/share	6.0	3.7	2.4	2.2	15.5	25	16.9	17.3	17.9
Adjusted equity/share	6.0	3.7	2.4	2.2	15.5	25	16.9	17.3	17.9
PER (adjusted)			n.m.	29.5	n.m.	22.4	43.4	7.0	6.0
CEM			(150.7)	33.7	47.6	17.2	(12.5)	5.4	4.7
Dividend yield			0.0	0.0	0.0	0.0	0.0	0.0	0.0
EV/EBITDA			21.3	10.0	20.2	8.3	5.8	4.8	4.1
EV/EBITA			37.9	10.6	28.9	10.9	8.4	6.9	5.7
EV/EBIT			(24.6)	13.8	41.1	15.3	12.9	10.5	8.4
EV/Sales (x)			1.11	1.31	1.81	0.91	0.61	0.55	0.49
Price/Book value			3.16	8.05	2.13	0.80	0.44	0.43	0.41
Price/adjusted equity			3.16	8.05	2.13	0.80	0.44	0.43	0.41
Free cash flow/Market cap (%)			(13.7)	7.9	(6.6)	(15.0)	(12.3)	20.6	13.4
Operating cash flow/EV (%)			(4.6)	5.0	(2.2)	(9.2)	(4.1)	14.8	11.5
EV/Capital employed (x)			1.3	1.8	1.1	0.6	0.6	0.5	0.4

Main shareholders				Management		Company information	
Name	**(%)**	**Votes**	**Capital**	**Title**	**Name**	**Contact**	
				COB	Joachim Berner	Internet	
				CEO	Johan Bennarsten	Phone number	
				CFO	Jacob Persson		
				IR			

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