

Update: Report Q1 2024

2024-05-22

Crunchfish: Patent filings broaden the scope

- New opportunities within mobile payments and application security
- Net sales included a payment from OPPO of MSEK 1.5
- We maintain our fair value at SEK 12.70 per share

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Ticker:	CFISH
Industry:	Technology
Listed on:	Nasdaq First North
Latest share price (SEK):	8.75
Market cap (MSEK):	347
Enterprise Value (MSEK):	326
Total number of shares (M):	40
- of which free float (M):	18

VHCF fair value per share

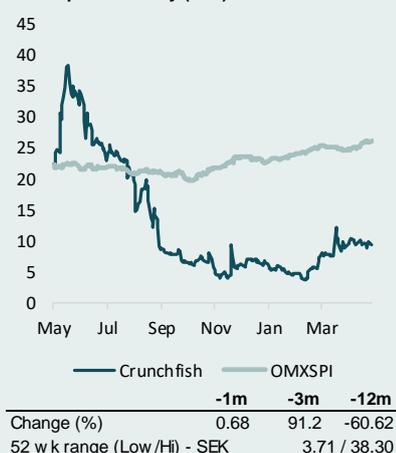
DCF model SEK 12.70

Crunchfish AB

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CEO: Joachim Samuelsson

Main owners (31 Dec 2023)	Capital (%)
Femari Invest AB	18.9
Corespring Invest AB	17.5
Nordic Underwriting Aps	5.8
Paul Cronholm	2.8
Carlquist Holding	2.8

Share price history (SEK)



Source: Västra Hamnen Corporate Finance

In the first quarter of 2024, Crunchfish introduced new opportunities after the filing of several new patents. In the [webcast](#) following the release of the Q1 report, CEO **Joachim Samuelsson** explained how the company could take advantage of its secure and scalable technology within mobile payments and application security.

Crunchfish must strategically consider how to approach the area without compromising its other projects. The work within digital cash, offline payments and central banks digital currency will still be vital for the firm.

Financially, Crunchfish reported net sales of MSEK 1.7, mainly explained by a final payment from **OPPO** of MSEK 1.5 regarding the *Gesture* business. We had estimated net sales of MSEK 0.35, mostly consisting of revenue from the project with **IDFC First Bank** in India.

The other items in the report were close to our estimates. Costs were broadly in line, resulting in a net loss of MSEK 6.3. The cash flow and cash position imply that new funding will be required in Q3.

However, a divestment of the *Gesture* business, progression in the IDFC project and other revenues could change the situation and push the capital need forward or avoid it completely.

We raise our sales estimates for 2024 from MSEK 1.9 to 3.2 and maintain our fair value of SEK 12.70 per share.

Table 1: Financial Overview

MSEK	2022	2023	2024e	2025e	2026e
Net sales	6.2	1.0	3.2	11.9	46.0
Grow th (%)	56%	-84%	228%	268%	286%
EBITDA	-18.1	-30.1	-21.1	-2.6	25.8
EBITDA margin (%)	neg	neg	neg	neg	39%
EBT	-24.0	-49.3	-28.3	-10.8	15.9
Cash holdings	29.3	30.7	39.0	17.4	20.5
Total assets	66.5	61.5	79.9	69.5	86.2
Total equity	58.8	52.3	69.0	58.2	74.1
Solidity (%)	88%	85%	86%	84%	86%
P/E	neg	neg	neg	neg	23.2
ROE	neg	neg	neg	neg	21%
EV/EBIT (x)	neg	neg	neg	neg	24.5
EV/Sales (x)	18.0	20.0	17.3	12.3	5.9

Source: Västra Hamnen Corporate Finance

Revenue increase explained by OPPO payment

Concluding payment received regarding Gesture

In the first quarter of 2024, Crunchfish reported sales of MSEK 1.7 which exceeded net sales for the full year of 2023 by MSEK 1. The sharp increase was explained by a final payment from OPPO of MSEK 1.5 related to Crunchfish's Gesture business.

The remaining revenue was attributed to the IDFC project within Crunchfish's *Digital Cash telecom solution*. IDFC First Bank will onboard users in Crunchfish's solution in a seven-step structure over two years. The deal is based on the number of users, implying an increasing revenue to Crunchfish as the roll-out progresses.

IDFC project expected to ramp up in 2024

Crunchfish expects a ramp up of the project in 2024. As the project will involve more users, it will serve as a proof of concept for Crunchfish's Digital Cash telecom solution. The revenue from the project will play an important role in advancing the company to break-even levels.

According to Crunchfish, discussions with **HDFC Bank** are still ongoing and the bank has yet to decide whether to implement an offline functionality in its payment applications with Crunchfish Digital Cash and/or *UPI Lite X*.

Discussion with HDFC around Digital Cash and ACE

Discussions with HDFC has also been initiated regarding Crunchfish's app-integrated card emulation technology (ACE) which increases the app security and protection of sensitive data. HDFC is the largest card issuer in India and a potential integration with Crunchfish's solution would imply a substantial business opportunity.

Trust in Clients – broadening Crunchfish's product offering

In 2024, Crunchfish presented additional product opportunities for their technology. Crunchfish identified a security gap within mobile payments. Current mobile payment methods solutions are either secure but not scalable, or scalable but not secure.

ACE provides increased security within mobile payments

Crunchfish solution is App-integrated Card Emulation (ACE), offering the security of Mobile Card Emulation (MCE) without sacrificing the scalability provided by tokenised card payments with Host-based Card Emulation (HCE). This protects the data in a virtual secure element. As far as Crunchfish is aware, this is the only mobile card payment solution that is secure as well as scalable in the market without any operating software, original equipment manufacturer, or mobile network operator dependency. See detailed product explanation [here](#).

Crunchfish mentions payment providers such as **Apple** and **Google** as potential partners, but also dominant payment companies such as **Visa** and **Mastercard**. The number of digital wallets with mobile payment is estimated to amount to 5 billion.

Broader application of Crunchfish's technology

The company realised that their technology could also be used broadly within apps to increase security. In Q1 Crunchfish patented device agnostic trusted client applications in mobile client/server systems. According to Crunchfish, any client/server system stands to gain from this, especially when assets are handled offline in the client.

There are multiple market segments where device-agnostic trusted client applications for offline use cases are of importance. Payments is certainly one, but also for general wallets that handles various user credentials. See detailed product explanation [here](#). Hence all app providers interested in increased security could be a potential client.

Finding the right partner is vital

Crunchfish's solutions could be applied broadly and addressed to a very large market. The challenge lies in capturing market share and finding a strategy to position the product. To do that, we believe that Crunchfish must partner with a leading player, such as Google, to reach clients and realise the commercial potential.

Crunchfish has yet to provide a timeline for its new products, but the company is in discussions with several potential partners. We await further news before modelling any such revenues or costs.

Crunchfish will continue to offer its Digital Cash solutions while also developing these new product areas and does not expect an issue dividing its resources.

New board member to provide expertise

During the Annual General Meeting, the company elected the seasoned banking professional **Birendra Sahu** as a new board member. Mr. Sahu has over 30 years of banking experience with positions at HDFC and was one of the founders of IDFC First Bank.

Progress in CBDC projects

Crunchfish updated on the processes within central bank digital currency (CBDC) projects. The company reported progress with two CBDC pilot wins and is awaiting a decision regarding the ECB tender.

Awarded two CBDC pilots

Two joint proposals for CBDC pilots have been awarded together with one of the platform partners. One is for a central bank in the middle east and the other in western Asia. The pilot projects are in early phase, currently defining requirements and timelines.

The strategy is to partner with CBDC platform vendors and other relevant companies in the CBDC-ecosystem. The platform vendors will integrate Digital Cash into their solutions to offer offline payments to central banks.

Awaiting decision from ECB

Regarding the ECB tender, Crunchfish positioned itself as a sub-supplier and was invited to several consortiums where the offline expertise was sought after. One of the consortiums was selected and a joint submission was filed by the end of February. The ECB is set to announce up to five consortiums to be shortlisted to participate in a formal request for proposal (RFP) process. The RFP process was originally set for the summer but is likely to be delayed, according to Crunchfish.

Crunchfish will continue to position Digital Cash towards central banks and its surrounding ecosystem by attending and presenting at CBDC conferences around the world, as well as releasing new white papers.

We believe that CBDCs are going to be rolled out globally and that central banks need external partners such as Crunchfish to make the projects work. Crunchfish's current progress within CBDC projects shows that they could play a role in these projects.

Increased patent activity**Several new patent applications sent**

In the first quarter, Crunchfish submitted several patent applications including mobile payments, a privacy feature for Digital Cash SDK, and trusted client applications in mobile client/server systems.

Moreover, Crunchfish received a positive statement regarding the application including quantum safety of Digital Cash. A positive examination report was also received regarding the process for Crunchfish's Trusted Application Protocol (TAP) patent application.

Increased activity regarding Crunchfish's intellectual property rights could increase the company's competitiveness. We also view it as a quality seal that Crunchfish keeps innovating their business.

Financials

Higher sales, costs are in line with estimates

Turning to the financials of the quarter, Table 2 shows the differences between the reported numbers and our estimates. Most of the figures were in line with our expectations, except for the higher net sales of MSEK 1.7, explained by the abovementioned payment of MSEK 1.5 from OPPO and lower other expenses of MSEK 4.2.

Table 2: Estimates vs actual, Q1 2024

TSEK	Q1 '23	Q1 '24e	Q1 '24a	Diff
Net revenues	171	347	1 665	1 318
Capitalised development cost	4 104	4 160	4 264	104
Other revenues	465	566	593	27
Total revenue	4 739	5 073	6 522	1 449
Cost of goods sold	0	0	0	0
Personnel costs	-6 154	-5 734	-6 285	-551
Other expenses	-4 317	-5 298	-4 174	1 124
Profit from affiliated companies	-0	0	0	0
EBITDA	-5 732	-5 960	-3 920	2 040
Amortisation and Depreciation	-1 039	-1 379	-2 369	-990
EBIT	-6 772	-7 339	-6 289	1 050
Other financial items, net	-57	-12	34	46
EBT	-6 828	-7 351	-6 255	1 096
Net Profit	-6 828	-7 351	-6 255	1 096
Cash and Equivalents	19 029	21 697	21 985	288
Total Equity	52 073	44 911	46 008	1 097

Source: Västra Hamnen Corporate Finance

Crunchfish reported a loss of MSEK 6.3 in the quarter, and a cash balance of MSEK 22. The company needs to increase their net sales to avoid a financing round in 2024. We have estimated a capital raise of MSEK 45 in Q3, however, should the company be able to divest the Gesture business, the situation could change.

We raise our sales estimates for 2024 from MSEK 1.9 to 3.2 following the OPPO payment. Our forecast predicts that Crunchfish will become free cash flow positive in Q3 2026. We expect the IDFC project to progress and ramp up according to plan in 2024 while Crunchfish continues to have dialogs with other potential clients such as HDFC.

Crunchfish progress within CBDC projects could become a large positive trigger and serve as a proof of concept of their technology. We await further visibility in the awarded pilot projects and the ECB tender before making model adjustments.

Large potential markets with new products

Mobile payments and application security are large global markets, and if Crunchfish is correct in being able to provide something not yet seen on the market, substantial value could be captured.

Samuelsson explained in the webcast that the company will evaluate its strategic options following the AGM and divide its resources accordingly between its products and business opportunities. The Gesture process is continuing with EY and a divestment would contribute financially but also allowing Crunchfish to focus on digital cash new products.

Execution will be key

In summary, we see potential within mobile payments, application security broadly and in the CBDC projects. The focus for Crunchfish will lie in how to execute on these opportunities.

We raise our sales estimates for 2024 from MSEK 1.9 to 3.2 and maintain our fair value of SEK 12.30 per share.

Income Statement - Annual Data

TSEK	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Net revenues	3 957	6 187	988	3 243	11 924	45 975	111 597	245 133
Capitalised development cost	14 342	13 555	16 474	16 924	17 160	17 431	17 711	17 996
Other revenues	2 045	1 976	2 089	2 442	2 644	2 862	3 097	3 353
Total revenues	20 344	21 718	19 551	22 609	31 728	66 267	132 405	266 481
Cost of goods sold	-211	0	0	0	0	0	0	0
Personnel costs	-23 388	-21 735	-25 076	-23 574	-17 838	-21 044	-35 387	-59 570
Other external costs	-16 011	-16 175	-19 691	-18 870	-15 162	-17 888	-30 079	-50 634
Other operating expenses	-755	-1 857	-1 328	-1 279	-1 320	-1 557	-2 619	-4 408
Profit from affiliated companies	-9 186	-68	-1	0	0	0	0	0
EBITDA	-29 207	-18 116	-30 097	-21 114	-2 592	25 778	64 321	151 869
Amortisation & depreciation	-7 661	-6 139	-19 295	-7 194	-8 162	-9 851	-11 277	-12 491
EBIT	-36 868	-24 255	-49 393	-28 308	-10 754	15 928	53 044	139 378
Financial items, net	-1 600	214	88	2	-34	-25	-15	-5
EBT	-38 468	-24 042	-49 305	-28 305	-10 789	15 903	53 030	139 373
Taxes	0	0	0	0	0	0	0	0
Net profit	-38 468	-24 042	-49 305	-28 305	-10 789	15 903	53 030	139 373
Earnings per share (SEK)	-1.26	-0.73	-1.18	-0.51	-0.18	0.26	0.86	2.26
Growth (%)								
Net revenues	-63.6%	56.4%	-84.0%	228.3%	267.7%	285.6%	142.7%	119.7%
EBITDA	na	na	na	na	na	na	149.5%	136.1%
EBIT	na	na	na	na	na	na	233.0%	162.8%
Net profit	na	na	na	na	na	na	233.5%	162.8%
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	38.9%	48.6%	57.0%
EBIT margin	neg	neg	neg	neg	neg	24.0%	40.1%	52.3%
EBT margin	neg	neg	neg	neg	neg	24.0%	40.1%	52.3%
Profit margin	neg	neg	neg	neg	neg	24.0%	40.1%	52.3%
Personnel costs	591.1%	351.3%	2538.5%	726.9%	149.6%	45.8%	31.7%	24.3%
Total OPEX	1014.8%	642.8%	4666.3%	1348.2%	287.8%	88.1%	61.0%	46.8%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	21.5%	41.7%	52.3%
ROIC	neg	neg	neg	neg	neg	23.4%	59.2%	114.9%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

TSEK	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Inventories	0	0	0	0	0	0	0	0
Account receivable	771	1 548	49	484	2 684	8 545	19 789	40 094
Receivables fr affiliated comp	33	0	0	0	0	0	0	0
Prepaid costs & accrued inco	1 384	1 089	1 140	1 360	1 457	1 533	1 609	1 687
Other receivables	1 093	450	1 951	1 683	1 712	1 789	1 876	1 967
Cash and cash equivalents	32 756	29 293	30 725	39 037	17 381	20 470	56 197	170 184
Total current assets	36 037	32 380	33 865	42 564	23 235	32 338	79 471	213 932
Tangible assets	696	535	1 450	1 139	928	756	616	502
Intangible assets	27 323	33 509	26 133	36 174	45 383	53 136	59 710	65 329
Long-term receivables	0	0	0	0	0	0	0	0
Affiliated companies	137	69	67	0	0	0	0	0
Total fixed assets	28 155	34 113	27 650	37 313	46 311	53 892	60 326	65 830
Total assets	64 192	66 493	61 515	79 877	69 546	86 230	139 796	279 762
Accounts payable	1 104	1 914	1 047	2 136	2 146	2 460	2 483	2 506
Accrued cost & prepaid incor	4 188	4 645	6 005	6 631	7 191	7 779	8 414	9 101
Other liabilities	3 057	1 161	1 244	1 375	1 456	1 529	1 604	1 682
Loans	0	0	0	0	0	0	0	0
Total current liabilities	8 349	7 721	8 295	10 141	10 793	11 769	12 501	13 289
Total non-current liabilities	0	0	957	761	567	372	177	-18
Total equity	55 843	58 771	52 262	68 975	58 186	74 089	127 118	266 491
Total equity and liabilities	64 192	66 493	61 515	79 877	69 546	86 230	139 796	279 762

Source: Västra Hamnen Corporate Finance

Cash flow statement

TSEK	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Operating activities	-20 952	-16 604	-26 649	-21 077	-2 626	25 754	64 306	151 864
Changes in working capital	1 566	79	522	1 459	-1 675	-5 038	-10 673	-19 686
Investing activities	-15 837	-13 616	-17 707	-16 924	-17 160	-17 431	-17 711	-17 996
Financing activities	59 303	26 840	43 958	44 804	-194	-195	-195	-195
Cash flow for the period	24 022	-3 687	1 242	8 262	-21 656	3 089	35 727	113 987
Beginning cash balance	-7 767	32 755	29 293	30 725	39 037	17 381	20 470	56 197
Adjustments	65	80	0	50	0	0	0	0
Ending cash balance	32 755	29 293	30 725	39 037	17 381	20 470	56 197	170 184

Source: Västra Hamnen Corporate Finance

ROIC Calculations

Invested capital	23 088	29 479	22 494	30 699	41 372	53 991	71 098	96 289
ROIC	neg	neg	neg	neg	neg	23.4%	59.2%	114.9%
Tax rate	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

TSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024e	Q2 2024e	Q3 2024e	Q4 2024e	Q1 2025e
Net revenues	295	189	333	1 665	419	528	630	1 742
Capitalised development cost	4 163	4 048	4 159	4 264	4 200	4 210	4 250	4 273
Other revenues	515	555	555	593	604	617	629	641
Total revenues	4 973	4 791	5 047	6 522	5 224	5 354	5 510	6 657
Cost of goods sold	0	0	0	0	0	0	0	0
Personnel costs	-6 594	-5 558	-6 770	-6 285	-5 749	-5 763	-5 777	-4 344
Other external costs	-5 999	-4 941	-4 437	-4 174	-4 886	-4 899	-4 911	-3 692
Other operating expenses	-2	0	-1 316	0	0	-425	-426	-428
Profit from affiliated companies	0	0	-0	0	0	0	0	0
EBITDA	-7 623	-5 708	-7 475	-3 920	-5 411	-5 733	-5 605	-1 807
Amortisation & depreciation	-1 274	-1 239	-19 295	-2 369	-1 474	-1 610	-1 740	-1 866
EBIT	-8 897	-6 946	-26 770	-6 289	-6 885	-7 343	-7 345	-3 672
Financial items, net	255	-67	-44	34	-11	-11	-10	-10
EBT	-8 642	-7 013	-26 814	-6 255	-6 897	-7 354	-7 355	-3 682
Taxes	0	106	-106	0	0	0	0	0
Net profit	-8 642	-6 907	-26 920	-6 255	-6 897	-7 354	-7 355	-3 682
Earnings per share (SEK)	-0.21	-0.26	-0.17	-0.53	-0.12	-0.15	-0.12	-0.12
Y-o-Y Growth (%)								
Net revenues	119.2%	-96.7%	994.3%	876.3%	42.2%	179.2%	89.1%	4.6%
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	2237.3%	2938.1%	2030.8%	377.4%	1371.8%	1091.2%	916.3%	249.3%
Total OPEX	4273.6%	5549.8%	3756.5%	628.1%	2537.9%	2099.3%	1762.9%	485.8%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

TSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024e	Q2 2024e	Q3 2024e	Q4 2024e	Q1 2025e
Inventories	0	0	0	0	0	0	0	0
Account receivable	566	1 590	49	1 756	321	405	484	1 050
Receivables fr affiliated comp	0	0	0	0	0	0	0	0
Prepaid costs & accrued inco	1 529	1 528	1 140	1 324	1 422	1 394	1 360	1 416
Other receivables	778	1 511	1 951	1 469	1 470	1 648	1 683	1 615
Cash and cash equivalents	9 130	4 770	30 725	21 985	14 106	48 910	39 037	32 655
Total current assets	12 002	9 399	33 865	26 534	17 319	52 357	42 564	36 735
Tangible assets	1 011	1 580	1 450	1 329	1 263	1 199	1 139	1 083
Intangible assets	39 578	42 451	26 133	28 148	30 941	33 604	36 174	38 638
Long-term receivables	0	107	0	0	0	0	0	0
Affiliated companies	68	68	67	0	0	0	0	0
Total fixed assets	40 657	44 206	27 650	29 478	32 204	34 803	37 313	39 721
Total assets	52 659	53 605	61 515	56 011	49 523	87 160	79 877	76 456
Accounts payable	1 071	1 209	1 047	1 462	2 142	2 139	2 136	2 142
Accrued cost & prepaid incor	6 155	6 020	6 005	6 320	6 431	6 504	6 631	6 795
Other liabilities	1 516	1 382	1 244	1 314	1 405	1 376	1 375	1 408
Loans	0	7 500	0	0	0	0	0	0
Total current liabilities	8 742	16 110	8 295	9 095	9 978	10 019	10 141	10 345
Total non-current liabilities	487	1 007	957	908	859	810	761	713
Total equity	43 431	36 488	52 262	46 008	38 686	76 331	68 975	65 399
Total equity and liabilities	52 660	53 605	61 515	56 011	49 523	87 160	79 877	76 456

Source: Västra Hamnen Corporate Finance

Cash flow statement

TSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024e	Q2 2024e	Q3 2024e	Q4 2024e	Q1 2025e
Operating activities	-7 592	-5 747	-6 265	-3 868	-5 848	-5 745	-5 616	-1 710
Changes in working capital	1 671	-2 035	1 276	-609	2 218	-193	43	-351
Investing activities	-4 754	-4 689	-4 159	-4 264	-4 200	-4 210	-4 250	-4 273
Financing activities	552	8 094	35 119	-50	-49	44 951	-49	-49
Cash flow for the period	-10 124	-4 377	25 971	-8 790	-7 879	34 804	-9 873	-6 383
Beginning cash balance	19 029	9 130	4 770	30 725	21 985	14 106	48 910	39 037
Adjustments	0	0	0	50	0	0	0	0
Ending cash balance	9 130	4 770	30 725	21 985	14 106	48 910	39 037	32 655

Source: Västra Hamnen Corporate Finance

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