

Update: Report Q1 2020

2020-05-22

Crunchfish: Coping with corona

- Reported numbers in line with expectations
- Moving forward despite COVID-19 obstacles
- We maintain our valuation interval SEK 25.30 – 40.10 per share

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Stock ticker:	CFISH
Industry:	Technology
Listed on:	Nasdaq First North
Latest stock price (SEK):	15,29
Market cap (MSEK):	445,8
Enterprise Value (MSEK):	422,2
Total number of shares (M):	28,35
- of which free float (M):	14,92

VHCF fair value per share

DCF model 25,30 - 40,10 SEK

Crunchfish AB

Address: Stora Varvsgatan 6A
211 19 Malmö
Webpage: crunchfish.com
CEO: Joachim Samuelsson

Main owners (20 mar 2020)

Capital (%)

Femari Invest AB	26,2
Midroc Invest AB	17,3
Paul Cronholm	4,1
Carlquist Holding AB	3,8
Coeli Abs European Equity	3,0

Stock price history

Crunchfish AB vs. OMXS30



Source: FactSet Prices

	-1m	-3m	-12m
Change (%)	5,6	104,1	-11,0
52 w k range (Low /Hi) - SEK		6,99 / 26,86	

Source: FactSet

Crunchfish' financial statement for Q1 came in very well in line with our expectations. The report is largely a summary of recent press releases and we did not spot any noteworthy news. The company is moving forward with its strategies towards mobile payments in India and Sweden as well as its gesture technology. As all other companies, Crunchfish is facing obstacles due to the COVID-19 pandemic, but the present situation could also present a few opportunities.

The COVID-19 pandemic is most acutely felt in India, which has been under a complete nationwide lockdown since 24 March. The lockdown was recently extended until 31 May. Crunchfish is continuing talks with the major mobile payment providers with the aim of having them integrate aBubbl into their payment services. But discussions are understandably moving slower as they take place via digital platforms and not in person, with employees of partner companies working from home, who also have to prioritise the safe and smooth running of their own businesses during a difficult time. Crunchfish estimates that the pandemic is costing them a delay of around three months. But the intention is still that aBubbl will be integrated and ready for verification with the first mobile payment service during the current quarter. This timeline is obviously uncertain and will depend on the progression of the pandemic.

At the web conference following the report, the company highlighted that some of the preparations for launch in India are moving forward as normal. Crunchfish' unique software solution that enables real-time payments even when one or both payment parties are offline, is still undergoing development work. This development is not dependent on external partners and is consequently not delayed by the COVID-19 situation.

Table 1: Financial Overview

MSEK	2 018	2 019	2020e	2021e	2022e
Total revenues	13,8	21,1	23,7	86,6	171,6
Grow th (%)	7,6%	52,7%	12,3%	265,0%	98,2%
EBITDA	(17,1)	(15,6)	(18,5)	30,8	109,2
EBITDA margin (%)	neg	neg	neg	35,6%	63,7%
EBT	(22,0)	(24,0)	(28,0)	28,2	114,5
Cash holdings	21,4	13,2	6,2	31,6	150,7
Total assets	46,6	42,9	40,4	68,5	190,8
Total equity	40,3	36,3	32,1	60,3	182,4
Solidity (%)	86,3%	84,5%	79,5%	88,1%	95,6%
P/E	neg	neg	neg	15,8	3,9
ROE	neg	neg	neg	46,8%	62,8%
EV/EBIT (x)	neg	neg	neg	17,3	4,1
EV/Sales (x)	30,5	20,0	17,8	4,9	2,5

Source: Västra Hamnen Corporate Finance

Challenging for the first Blippit customer in Sweden

The Blippit rollout in Sweden is however clearly affected. Blippit's first integration partner in Sweden, Tickster, is operating at the epicentre of the current crisis. Its payment points are located at event venues for sports, music and cultural activities, an area of the economy which is at a complete standstill at the moment.

It is also more difficult to attract new pilot customers when the whole economy is in crisis mode. However, the company notes a keen interest from the customer side, not least since the fear of contagion makes customers more sceptical of touching both cash and public payment terminals. To pay by Blippit means the privilege of verifying payments on your own private device.

Blippit firmly dedicated to grocery store market

Late last year, Crunchfish reported that the intended first cash register platform to work with Blippit would not be ready in time. The register in question was the Wave register produced by ClearOn, the other joint owner of Blippit. The latest indication is that the next version of Wave, which will integrate Blippit, will be ready in August. The Wave register is usually found in convenience stores. Simultaneously, Blippit is pursuing cash register providers in the grocery store market to get started with pilot testing. Grocery stores are an attractive market because of their high volumes and emphasis on speed and convenience of checkouts. It is also a very active arena for coupons, rebates and loyalty offers. Enabling the redemption of such benefits together with payment in a single "blip" will open further revenue streams for Blippit. The next step in enabling the coupon business for Blippit is to identify an app provider to develop software to store coupons etc. on the mobile device.

It was also recently announced that Blippit has entered an agreement with the Swedish mobile order and payment service Pej. Blippit will provide app terminals under a white label agreement, which allows Pej to install app terminals carrying their own brand on its range of self-service payment points at restaurants, arenas and service outlets. Pej is a young company with a limited number of payment points at present, but its numbers are increasing, and it may become a significant customer in time. Blippit will receive recurring fees under the deal, but the rates have not been disclosed.

Crunchfish offers contract tracing against COVID-19

As we mentioned in the introduction, the COVID-19 pandemic may also offer some opportunities for Crunchfish. The importance of tracking infected individuals and identifying whom they have been in contact with, is crucial in fighting the spread of the virus. Crunchfish' proximity software can be used for this purpose. Google and Apple have announced a collaboration on contact tracing, but Crunchfish has proposed an alternative solution which improves data collection by uploading it to a central register instead of storing data locally on the device. The integrity of user data is secured by encryption and putting the user in control of what data they share. It is too early to tell if Crunchfish can directly monetise on this solution, but at any rate it serves as valuable promotion for the company.

Gesture control of public info boards?

Of more direct business interest is the increasing skepticism to touching public displays, keyboards etc. In many locations, not least in India, there are a high number of information boards that require interaction by touching controls. The increasing wariness of contagion from such objects makes it suddenly extremely interesting to introduce gesture control instead of physical input devices. Many computerized displays can be upgraded to support gesture control by the addition of a small camera, and Crunchfish already has the software ready to read hand gestures. The long-term focus of Crunchfish' gesture business is still on AR glasses, but in the short term, other installations could be an interesting side business.

Results in line with our expectations

When comparing the results for the quarter with our estimates, there are only minor differences to be observed. Net revenue came in at SEK 1.9 million which was lower than our estimate. However, due to higher than anticipated Capitalised development cost and Other revenues, Total revenue came in only SEK 0.8 million lower than our estimate. Looking at the costs, the major discrepancy is found in Other expenses, where we overestimated the

costs by more than SEK 1.5 million. In turn, this leads to Net profit coming in more than SEK 1.3 million stronger than we had foreseen, cf. Table 2 below.

**Slightly higher
working capital than
anticipated**

The cash holdings at the end of Q1 was slightly lower than our estimate and came in at SEK 5.7 million, which is SEK 1.3 million lower than our forecast. This follows a higher than expected increase in working capital. Receivables contributed the majority of this difference, with an increase of around SEK 1.8 million. It is worth highlighting that the proceeds of around SEK 24 million from the recent capital increase was not received until Q2 and are thus not included in the Q1 balance.

Table 2: Estimates vs actual, Q1 2020

kSEK	Q1 '19	Q1 '20e	Q1 '20 act	Diff
Net revenues	3 973	3 310	1 948	-1 362
Capitalised development cost	1 024	1 084	1 380	297
Other revenues	433	540	820	280
Total revenue	5 430	4 934	4 148	-786
Personnel costs	(3 573)	(4 544)	(4 506)	39
Other expenses	(5 329)	(5 517)	(3 968)	1 549
Profit from affiliated companies	(268)	(780)	(478)	302
EBITDA	(3 740)	(5 907)	(4 803)	1 104
Amortisation and Depreciation	(1 623)	(1 886)	(1 805)	81
EBIT	(5 363)	(7 793)	(6 608)	1 185
Other financial items, net	22	(16)	117	133
EBT	(5 341)	(7 809)	(6 491)	1 318
Net Profit	(5 341)	(7 809)	(6 491)	1 318
Cash and Equivalents	12 913	6 252	5 715	-538
Total Equity	55 179	28 501	29 819	1 318

Source: Västra Hamnen Corporate Finance

**We reiterate our fair
value per share of
SEK 25.30 - 40.10**

The first quarter of 2020 was eventful with the expansion of Crunchfish' offering in mobile payments. The two new software solutions, aBubbl and offline payments, have the potential to transform the way mobile payments are made. The COVID-19 pandemic is causing some delays in the business rollout, but we do not see any material differences in the outlook compared with our latest research update one month ago. Therefore, we have no reason to revise our economic scenario at this point in time. **We reiterate our fair value per share interval of SEK 25.30 – 40.10 per share.**

Income Statement - Annual Data

kSEK	2016	2017	2018	2019	2020e	2021e	2022e	2023e
Net revenues	2 690	3 203	3 510	14 565	15 526	77 983	162 524	229 556
Capitalised development cost	8 175	7 602	6 769	4 623	4 812	4 921	5 071	5 234
Other revenues	2 301	2 041	3 548	1 928	2 507	2 410	2 609	2 824
Total revenues	13 166	12 847	13 827	21 115	22 844	85 314	170 203	237 614
Cost of goods sold	-	-	-	(91)	(567)	(2 750)	(4 400)	(4 400)
Personnel costs	(12 141)	(14 324)	(14 784)	(15 496)	(19 489)	(23 932)	(26 165)	(28 606)
Other external costs	(10 854)	(15 290)	(14 637)	(20 714)	(19 683)	(25 129)	(27 473)	(30 036)
Other operating expenses	(192)	(285)	(1 554)	(379)	(2 457)	(3 925)	(4 291)	(4 691)
Profit from affiliated companies	-	-	(180)	(1 527)	(2 474)	3 881	11 291	18 709
EBITDA	(10 020)	(17 053)	(17 328)	(17 092)	(21 826)	33 459	119 165	188 590
Amortisation & depreciation	(2 149)	(3 433)	(4 748)	(6 936)	(7 148)	(6 440)	(5 975)	(5 718)
EBIT	(12 169)	(20 486)	(22 077)	(24 028)	(28 974)	27 019	113 190	182 871
Other financial items, net	(365)	(293)	50	27	73	(59)	(59)	(59)
EBT	(12 534)	(20 779)	(22 027)	(24 001)	(28 901)	26 960	113 132	182 813
Taxes	-	-	-	-	-	-	-	(32 039)
Net profit	(12 534)	(20 779)	(22 027)	(24 001)	(28 901)	26 960	113 132	150 774
Earnings per share (SEK)	(0,96)	(1,35)	(1,30)	(0,97)	(1,04)	0,95	3,91	5,18
Growth (%)								
Net revenues	na	19,1%	9,6%	315,0%	6,6%	402,3%	108,4%	41,2%
EBITDA	na	na	na	na	na	na	264,7%	57,5%
EBIT	na	na	na	na	na	na	340,4%	61,1%
Net profit	na	na	na	na	na	na	319,6%	33,3%
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	39,2%	70,0%	79,4%
EBIT margin	neg	neg	neg	neg	neg	31,7%	66,5%	77,0%
EBT margin	neg	neg	neg	neg	neg	31,6%	66,5%	76,9%
Profit margin	neg	neg	neg	neg	neg	31,6%	66,5%	63,5%
Personnel costs	451,4%	447,1%	421,2%	106,4%	125,5%	30,7%	16,1%	12,5%
Total OPEX	862,0%	933,4%	882,5%	251,2%	268,1%	67,9%	35,6%	27,6%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	46,4%	63,2%	45,7%
ROIC	neg	neg	neg	neg	neg	61,2%	244,8%	367,0%
ROCE	neg	neg	neg	neg	neg	30,9%	44,6%	39,1%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kSEK	2016	2017	2018	2019	2020e	2021e	2022e	2023e
Subscribed but not paid equity	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	181	362	362	362
Account receivable	1 545	1 824	356	2 424	1 723	5 186	9 046	11 752
Receivables fr affiliated comp	-	-	1 118	841	2 240	2 440	2 534	2 869
Prepaid costs & accrued income	1 415	992	1 089	1 066	1 713	1 997	2 120	2 203
Other receivables	2 039	984	475	361	589	668	701	735
Cash and cash equivalents	44 077	21 164	21 362	13 181	5 284	29 437	147 196	295 544
Total current assets	49 076	24 963	24 400	17 872	11 730	40 089	161 958	313 464
Tangible assets	222	728	522	1 606	1 292	1 054	860	702
Intangible assets	14 520	18 655	20 402	18 052	16 032	14 752	14 043	13 719
Long-term receivables	-	373	373	-	-	-	-	-
Affiliated companies	-	-	945	5 418	10 440	10 440	10 440	10 440
Total fixed assets	14 742	19 757	22 242	25 076	27 764	26 246	25 343	24 861
Total assets	63 818	44 720	46 642	42 949	39 494	66 335	187 301	338 325
Accounts payable	1 610	2 640	2 280	984	2 600	2 200	2 212	2 220
Accrued cost & prepaid income	3 265	3 287	3 177	4 023	3 960	4 201	4 370	4 578
Other liabilities	424	963	917	843	997	1 037	1 068	1 101
Total current liabilities	5 299	6 889	6 373	5 850	7 557	7 438	7 650	7 899
Total non-current liabilities	-	62	-	789	733	733	733	733
Total equity	58 519	37 768	40 269	36 310	31 204	58 164	178 919	329 693
Total equity and liabilities	63 818	44 720	46 642	42 949	39 494	66 335	187 301	338 325

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2016	2017	2018	2019	2020e	2021e	2022e	2023e
Operating activities	(10 609)	(16 767)	(16 868)	(15 211)	(21 398)	33 401	119 107	156 492
Changes in working capital	(2 757)	2 266	369	(2 090)	(47)	(4 325)	(3 899)	(2 909)
Investing activities	(8 216)	(7 975)	(6 823)	(11 597)	(10 314)	(4 922)	(5 073)	(5 236)
Financing activities	54 980	(163)	23 356	20 743	23 741	-	7 623	-
Cash flow for the period	39 348	(22 640)	34	(8 156)	(8 018)	24 153	117 759	148 347
Beginning cash balance	4 729	44 077	21 164	21 362	13 181	5 284	29 437	147 196
Adjustments	-	(273)	165	(26)	121	-	-	-
Ending cash balance	44 077	21 164	21 362	13 181	5 284	29 437	147 196	295 544

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020e	Q3 2020e	Q4 2020e
Net revenues	3 973	2 466	2 600	5 526	1 948	3 681	4 082	5 815
Capitalised development cost	1 024	1 608	1 032	958	1 380	1 099	1 151	1 182
Other revenues	433	484	482	529	820	551	562	573
Total revenues	5 430	4 558	4 114	7 014	4 148	5 331	5 795	7 570
Cost of goods sold	-	-	-	(91)	(17)	-	-	(550)
Personnel costs	(3 573)	(4 042)	(3 669)	(4 211)	(4 506)	(4 525)	(5 116)	(5 343)
Other external costs	(5 329)	(5 911)	(4 966)	(4 509)	(3 950)	(4 751)	(5 372)	(5 610)
Other operating expenses	-	(329)	(32)	(19)	-	(742)	(839)	(876)
Profit from affiliated companies	(268)	(424)	(393)	(443)	(478)	(780)	(780)	(4 808)
EBITDA	(3 740)	(6 148)	(4 946)	(2 258)	(4 803)	(5 467)	(6 312)	(9 617)
Amortisation & depreciation	(1 623)	(1 698)	(1 767)	(1 849)	(1 805)	(1 848)	(1 777)	(14 425)
EBIT	(5 363)	(7 845)	(6 713)	(4 107)	(6 608)	(7 315)	(8 089)	(436)
Other financial items, net	22	2	88	(85)	117	(15)	(15)	(15)
EBT	(5 341)	(7 843)	(6 625)	(4 192)	(6 491)	(7 330)	(8 104)	(14 876)
Taxes	-	-	-	-	-	-	-	-
Net profit	(5 341)	(7 843)	(6 625)	(4 192)	(6 491)	(7 330)	(8 104)	(14 876)
Earnings per share (SEK)	(0,25)	(0,30)	(0,26)	(0,16)	(0,25)	(0,26)	(0,29)	(0,25)
Y-o-Y Growth (%)								
Net revenues	86,3%	(37,9%)	5,4%	112,5%	(64,8%)	89,0%	10,9%	42,5%
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	89,9%	163,9%	141,1%	76,2%	231,3%	122,9%	125,3%	91,9%
Total OPEX	224,1%	417,0%	333,3%	158,1%	434,1%	272,2%	277,5%	203,4%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg
ROCE	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

kSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020e	Q3 2020e	Q4 2020e
Subscribed but not paid equity	21 475	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	181
Account receivable	3 176	942	212	2 424	3 260	1 109	1 412	1 723
Receivables fr affiliated comp	1 366	2 159	1 451	841	853	1 800	1 800	2 240
Prepaid costs & accrued income	1 230	1 110	1 203	1 066	1 803	1 490	1 599	1 713
Other receivables	751	825	738	361	557	664	621	589
Cash and cash equivalents	12 913	25 960	19 464	13 181	5 715	23 231	14 053	5 284
Total current assets	19 435	30 996	23 069	17 872	12 188	28 294	19 484	11 730
Tangible assets	457	1 645	1 568	1 606	1 506	1 431	1 360	1 292
Intangible assets	19 869	19 527	18 838	18 052	17 729	17 055	16 500	16 032
Long-term receivables	373	373	373	-	-	-	-	-
Affiliated companies	1 677	2 253	3 860	5 418	5 940	7 440	8 940	10 440
Total fixed assets	22 375	23 798	24 639	25 076	25 174	25 925	26 800	27 764
Total assets	63 286	54 795	47 709	42 949	37 362	54 219	46 284	39 494
Accounts payable	3 127	2 619	2 142	984	2 711	2 522	2 560	2 600
Accrued cost & prepaid income	4 222	3 373	3 417	4 023	3 190	3 746	3 845	3 960
Other liabilities	758	823	847	843	909	935	965	997
Total current liabilities	8 107	6 816	6 405	5 850	6 810	7 202	7 370	7 557
Total non-current liabilities	-	853	802	789	733	733	733	733
Total equity	55 179	47 126	40 501	36 310	29 819	46 285	38 181	31 204
Total equity and liabilities	63 286	54 795	47 709	42 949	37 362	54 219	46 284	39 494

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020e	Q3 2020e	Q4 2020e
Operating activities	(3 475)	(5 401)	(4 535)	(1 800)	(4 331)	(5 482)	(6 327)	(5 259)
Changes in working capital	(2 916)	1 473	1 018	(1 665)	(820)	1 802	(200)	(828)
Investing activities	(2 024)	(3 793)	(3 033)	(2 747)	(2 381)	(2 599)	(2 651)	(2 682)
Financing activities	(49)	20 831	(49)	9	(55)	23 796	-	-
Cash flow for the period	(8 465)	13 110	(6 598)	(6 202)	(7 587)	17 516	(9 178)	(8 769)
Beginning cash balance	21 362	12 913	25 960	19 464	13 181	5 715	23 231	14 053
Adjustments	16	(63)	102	(82)	121	-	-	-
Ending cash balance	12 913	25 960	19 464	13 181	5 715	23 231	14 053	5 284

Source: Västra Hamnen Corporate Finance

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