Westpay

Sector: Technology

Uncertain times

A challenging quarter

We already knew that Westpay's Q4 would be challenging. The sales were mostly inline, but the profit came was even weaker than expected, mostly due to reservations of receivables. The most positive takeaway was an improved gross margin and the newly announced HSR partnership. We have not seen a pick-up in announced orders, so we also expect that Q1 will also have their challenges. Improvements during H1'19 is needed, and the company is working hard on that.

The road ahead

The Wirecard announcement which was communicated after the period ended is a big deal for Westpay. The leading Fintech company will offer Westpay's solutions to Wirecard's customers in Europe and South Africa. In conjunction with the report, Westpay also announced a new collaboration with HRS, which is Oracles largest parent within the hospitality sector worldwide. Larger collaboration is great and important for the long-term growth of the company. However, now focus needs to be on to regain lost ground in terms of sales. Westpay is geared for growth, and if the financials do not improve during H1'19 we view some type of financing package as imminent.

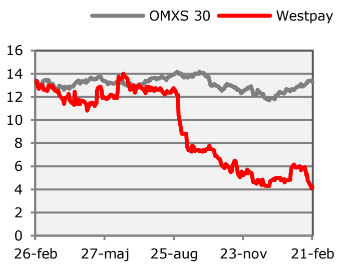
Estimates down, uncertainty has increased

We have adjusted our projections downwards as an uptake in order momentum is yet to be seen. Our Rating has also been lowered due to the financial deterioration. We really like the long-term growth story of Westpay and believe that the company will succeed in its endeavors, but in the short-term the market will most likely only focus on the decline in sales. We model increased growth during H2'19, but still one must recognize that the uncertainty is high in these types of situations. Our new Base-case valuation amounts to 5.5 (8.0) SEK per share.

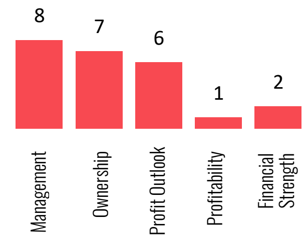
FAIR VALUE RANGE

BEAR	BASE	BULL
2.4	5.5	12.0

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	WPAY
Market	95
Share Price (SEK)	4.2
Market Cap (MSEK)	95
Net Debt 19E (MSEK)	7
Free Float	70 %
Avg. daily volume ('000)	30

ANALYSTS

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KEY FINANCIALS (SEKm)	2017	2018	2019E	2020E	2021E	2022E
Net sales	93	67	73	105	131	158
EBITDA	11	-10	1	12	25	31
EBIT	6	-15	-7	7	17	24
EPS (adj.)	0.2	-0.6	-0.3	0.2	0.6	0.8
EV/Sales	2.8	1.8	1.4	1.0	0.7	0.5
EV/EBITDA	n.m.	n.m.	n.m.	8.7	3.9	2.7
EV/EBIT	n.m.	n.m.	n.m.	16.1	5.7	3.5
P/E	n.m.	n.m.	n.m.	20.2	7.6	5.1

Product shift effects

Estimate vs outcome - Westpay				
MSEK	2017 Q4	2018 Q4A	2018 Q4E	Diff %
Net sales	26.3	11.1	13.1	-15%
Gross profit	5.3	7.5	7.7	-3%
EBITDA	0.9	-7.5	-3.4	n.m
EBIT	-0.5	-9.3	-4.1	n.m
Growth	18%	-58%	-50%	
Gross profit margin	20%	67%	59%	
EBITDA margin	3%	-67%	-26%	
EBIT margin	-2%	-83%	-31%	

Source: Redeye Research

That the quarter would be challenging was something we already knew, indicated by both the company in the previous quarterly report and the number of announced orders with delivery during the period. The net sales amounted to SEK 11.1m, 15% below/over our estimate. When a company is experiencing such a large drop in turn-over, it's hard to predict how large that decline will be. Profit-wise the deviation was more significant. Westpay is staffed for growth and has been investing in their organization during the past year. As the headcount has increased compared to last year, the EBIT came at a negative SEK -9.3m. The profit was also affected by reservation for doubtful receivables; we believe this effect amount to negative SEK 2-3m. On a little positive note, the gross profit margin increased significantly because the lower turn-over level leads to a larger part of recurring income.

New deals

The Wirecard announcement which was communicated after the period ended is a big deal for Westpay. Wirecard is a leading Fintech company listed on the Frankfurt stock exchange. During the first nine months of 2019, the company processed EUR 90.2bn in transaction volumes globally. Westpay will supply Wirecard with their complete digital POS and mPOS solution, meaning their card terminals and related services. Today, Wirecard offers terminals from both Ingenico and Verifone, and we have no indications if that will change, but Westpay will most likely not have any exclusivity.

The solutions from Westpay will be offered to Wirecard's customers in Europe and South Africa. Mainly in retail, hospitality, and travel, and also for self-service solutions. The new partner mentions the Nordic's in particular in the press release. As a result, we find it likely that Wirecard views this as a growth region and will have an extra focus on that with the Westpay offering.

Of the total transaction volumes during the first nine months of 2018, 48% came from Consumers Goods, 18.5% from Travel and 33.5% from Digital. The company has roughly 50% of the revenues from Europe, 40% from Asia and the rest comes from America and Africa. Westpay's products should apply to a significant share of Wirecard's offering. By the end of Q3'19, the company had 40k large and medium-sized merchants and 225k small ones. To make a comparison: Nets, which is more well-known for a Nordic reader and investor, expects DKK 524bn (EUR 70.2bn) in transaction volumes during 2018. Wirecard is by all measures a significant player.

In conjunction with the partnership's announcement, Wirecard also placed an initial order valued at SEK 2.5m. We do not know the delivery date but most likely Q1/Q2'19. The scope of the partnership and possible value for Westpay is hard for us to make a judgment of as of today, but it is safe to say that it's positive. The deal seems to have been enabled, at least partly, thanks to Westpay's Oracle Gold Partner standard, which shows that earlier certifications and investments from Westpay are starting to pay-off.

HSR, a leader within the hospitality sector

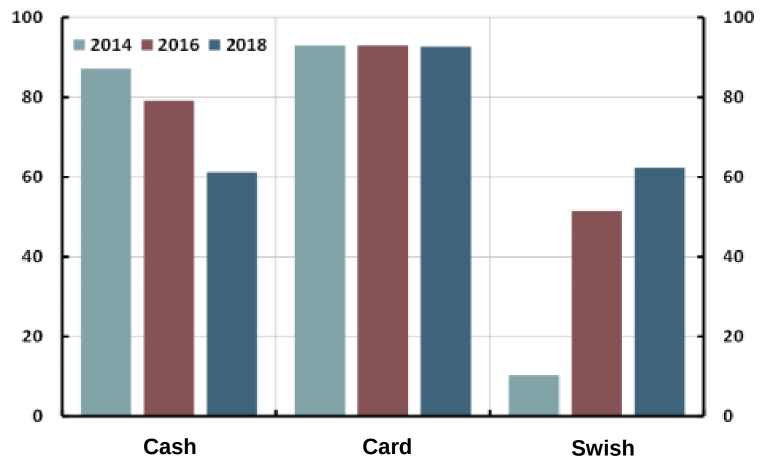
In conjunction with the report, Westpay also announced a new collaboration with HRS (Hospitality & Retail Systems). The company, which was founded in 1990, is the largest Oracle Hospitality Platinum Partner worldwide and have over 3000 clients.

HRS will provide their merchant clients with Westpay's payment solutions. What we find extra interesting is that it seems like the deal will have an extra focus on supporting HRS self-service applications. We believe that self-service is a huge market opportunity for Westpay, as they have already demonstrated their competitive offering through the MAX Hamburger cooperation over the years. Today it's hard for us to appreciate the potential value of the HSR deal, but it is safe to say that it's positive.

New payment solutions

We often get the question if new payment solutions, like Swish in Sweden, are a threat to Westpay's business. To our best of understanding, we find that payments that utilize the card networks, like mobile wallets, need for a card terminal to act as a secure data processor. Swish, on the other hand, goes around the card networks and basically uses bank transfers instead. At least according to the data from Riksbanken Swish seems to replace cash, not card payments. Westpay's strategy is to support the payment solutions that the market demands. With eh CARBON terminal the company will have an even more flexible software to adapt to new payment methods.

What type payment have you used the last month

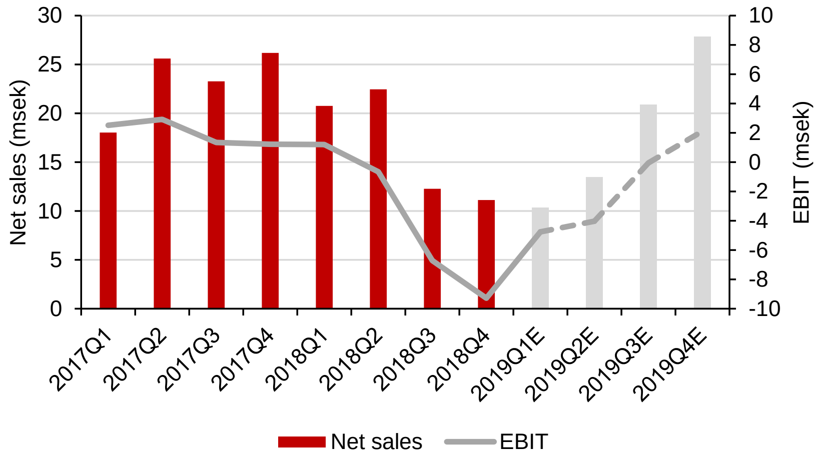


Source: Riksbanken, May 2018: Svenska folkets betalningsvanor 2018

Looking ahead

We have not noticed any significantly increased momentum in announced orders; as such, it seems like Q1 will continue at a lower level. We believe that that the financials will improve during H2 due to the CARBON launch, new partnerships and that the new markets start to pick up, but the uncertainty has increased due to the last quarters weak development.

Westpay: Net sales and EBIT (msek)



Source: Redeye Research

Cash position

The company had a negative cash flow of about SEK -5m. The cash amounted to SEK 1.7m at the end of the period, and Westpay had SEK 8.5m in an unutilized overdraft facility, as such the total liquid funds amount to about SEK 10m. If the financials do not improve during H1'19 the risk for a share issue, or another financing package is imminent. Alternatives to a share issue are some type of bridge financing, convertible note or even more bank debt. We see the two former as more probable.

Next quarter

Next quarter - Westpay		
MSEK	2018 Q1	2019 Q1E
Net sales	20.8	10.4
Gross profit	12.9	6.6
EBITDA	2.5	-3.8
EBIT	1.2	-5.4
Growth	15%	-50%
Gross profit margin	62%	64%
EBITDA margin	12%	-37%
EBIT margin	6%	-52%

Source: Redeye Research

For Q1'19 we expect to see net sales in the region of SEK 10.4m, the drop-in sales are mostly due to the product shifts within both self-service and card terminals. The gross profit margin will continue at a high level as the recurring revenue from service fees as a percentage of sales has increased compared to last year's Q1. G&A should decline somewhat compared to Q4'18, while staff cost and the like will continue at the same level. We do not expect to see an increased hiring rate until the sales momentum increases again. We expect to seed an EBIT in the range of SEK -5.4m.

The three main reasons for the slowdown

We have previously discussed about the main reasons for the slowdown in announced orders and drop in sales levels. However, we find it important for readers and investors to understand so we repeat the message here: The slowdown in announced orders and also the income drop has been rather dramatical. Here we explain the three main reasons for this development:

- New products to market within card terminals - Westpay is launching their CARBON offering, which is a significant product upgrade from the earlier terminals. The company has worked closely with one of the largest customers when developing CARBON, and that client has apparently not seen the need to order the old versions when they knew that the new would soon come to market. We also believe that Westpay's other customers have taken a wait and see approach and held back on the orders, as they knew a significant product update was coming. We believe this is the main factor behind the drop in announced card terminal orders. The new CARBON products will, if all go according to plan, be launched in Q1'19.

- A new generation of self-service - Westpay's products within self-service are also undergoing a generation shift. MAX Hamburgers and Westpay have reached an agreement of the development of the next generation of products within the self-service offering. The indoor terminals will be updated, but they will also develop a new self-service product for drive-in and mobile orders. As MAX know that new products will be developed, they likely see no real reason to continue buying the old ones. The new generation of self-service offering for Westpay sounds very intriguing, but at the same time, it's hard for us to know when these products will come to market. However, we believe that it's a very important strategic step to further enhance the offering within this area as the potential outside of MAX is vast.

- Delays abroad - The delays abroad have been extensive for Westpay. We thought that by now both South Africa and Southeast Asia would be up and running. The main reasons for the delays are the extensive certification process. On the 20th of November, the company could announce that Westpay's payment terminals are now finally being deployed in South Africa through V-Switch using Absa Bank as the acquirer. Westpay has had a presence in the country for many years as a supplier to Absa Banks branch offices, but their terminals can now be deployed and sold to external customers. We and the company thought that the terminals in Sri-Lanka would have been deployed by now, Westpay now expects that this will happens during H1'19.

Investment Case

- Global expansion not yet discounted: Today's valuation indicates that the market puts a low probability of success on the expansion abroad and the sales growth and profitability that could it will lead to.
- Moving up the value chain leads to improved profitability: The company invests in its technical platform, which means that West will soon be able to make money on transaction volumes, which will lead to increased profitability and the possibility of more rapid international expansion.
- High entry barriers: Westpay operates in a market where there are major obstacles for new companies to establish themselves. Primary competitive advantages are heavy technology investments, long start-up times in new markets and lock-in effects

Moving up the value chain

Westpay is a company that has changed sharply in recent years. Thanks to investments in the Card Terminal segment, the company has significantly improved its profitability in terms of a gross margin expansion. The company has managed to achieve significant traction with their competitive offering and is now one of the largest PoS suppliers in Sweden. Westpay's Card Terminals are at the forefront of technology, security, and function and are competitively priced. We believe that the company has excellent opportunities to continue to gain market share in Sweden and we see a strong expansion abroad in the coming years. The international development and the launched payment gateway will lead to increased profitability as the company takes a step in the value chain.

High barriers to entry

In Sweden, in addition to Westpay, there are only 3-4 other players in the Card Terminal market. The most prominent player is Verifone and Ingenico is number two. These two players strongly dominate the world market. One of the main reasons why there are only a few players in such a big market is that existing players, such as Westpay, are protected by high barriers to entry. The regulatory requirements on Card Terminals are very high. The terminals must be approved according to the card companies regulations and a number of regional and international safety standards. This creates real barriers to entry. There is also a strong lock-in effect with customers, which creates high switching costs. Customers to West are PSPs. A PSP has developed software in the form of a gateway that needs to be integrated with the software in the card terminal provided by Westpay; then they must be certified together according to different security standards. After a PSP, which sells the terminal to merchants, has begun to sell a terminal from a supplier, they would prefer to avoid changing it. This leads to a lock-in effect on West's customers as they do not like to change a supplier of terminals.

Expansion abroad drives growth

Westpay has a clear goal and strategy with international expansion. The company has already established itself in a number of geographic markets where sales potential is high and entered strategic partnerships. We believe the expansion in new markets regions will be the most significant driver of growth the coming years. We believe that the stock market has not yet revealed how much sales potential is actually at Westpay. The company is still relatively undiscovered, in particular, it has gone a long way since one of Sweden's largest card terminals supplier is a small company listed on First North.

Counter-arguments (Bear points)

- Risk of relying on a partner: Westpay's expansion abroad is clearly dependent on their partners succeeding as the company has no own sales in the new markets. The company cannot control the amount of effort the partner makes.
- New regulations can affect and change: The banking industry as a whole undergoes a number of changes. New laws and regulations may lead to complications in the establishment of new markets or possibly simplification for competitors.

- Subdued technology investments: Continued investment in payment infrastructure is important to Westpay. Should the economic decline, there is a risk that planned expenditures by West end customers will be postponed in the future.

Valuation

We have adjusted our projections downwards as an uptake in order momentum is yet to be seen. Our Rating has also been lowered due to the financial deterioration. We really like the long-term growth story of Westpay and believe that the company will succeed in its endeavors, but in the short-term the market will most likely only focus on the decline in sales. We model increased growth during H2'19, but still one must recognize that the uncertainty is high in these types of situations. Our new Base-case valuation amounts to 5.5 (8.0) SEK per share.

Bear Case 2.4 SEK

Key model assumptions:

CAGR of 8% during the next ten years

Average EBIT margin of 11%

Terminal FCF growth of 2%

Terminal EBIT margin of 13%

In our Bear-case, we use the assumption that the company's international expansion does not work out that well and only contributes to modest growth in sales. We assume that the company continues to grow slightly in Sweden and then mature at a 20 percent market share then grow by around 4 percent per year. In this scenario, we assume that competition is increasing, which pushes margins and growth opportunities.

Base Case 5.5 SEK

Key model assumptions:

CAGR of 11% during the next ten years

Average EBIT margin of 14%

Terminal FCF growth of 2%

Terminal EBIT margin of 20%

In our Base-case, we assume some success in the international expansion. We also model an up-take within the Self-Service segment and that the company signs more new core customers, like MAX Hamburgers today, thanks to being an Oracle Gold Partner. The international expansion leads to new types of income streams like transaction-based fees; this leads to increased gross profit margins. There is still much to prove so we are still quite conservative regarding volumes from the international expansion in our projections.

Bull Case 12.0 SEK

Key model assumptions:

CAGR of 15% during the next ten years

Average EBIT margin of 20%

Terminal FCF growth of 2%

Terminal EBIT margin of 26%

In our Bull-case, we assume that the company succeeds faster in gaining market share in the new geographical growth areas as well as successful re-investments into the online venture. This scenario requires higher CAPEX as this expansion costs money in terms of development, but this is weighed up thanks to the rapid growth and improved margins. In this scenario, we expect Westpay to be re-evaluated more like a "FinTech company." In this scenario, we assume that the company can reach success in the OMNI venture and that the revenues abroad will be substantial in a couple of years..

Catalysts

Revenue ramp-up abroad

Besides Sweden the company now have partnerships and EFTPOS's soon or already operational in; Denmark, Finland, Germany, Poland, Norway, South Africa, Southeast Asia, and Australia. These markets can possibly start generating substantial revenue during 2019.

Recurring revenue on the rise

During 2017 roughly 11% of revenue was on a recurring basis, this income type is on the rise thanks to an expanding base of operating EFTPOS. Contracts sign with partners outside of Sweden has a much higher recurring income stream; this will enhance both the stability and profitability going onward

Margin improvement through value chain expansion

The company invests in their technical platform and now have launched a payment gateway, which means that West will be able to make money on transaction volumes, leading to long-term enhanced profitability

Summary Redeye Rating

The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

Rating changes in the report

We have lowered our Profitability Rating to 1 (2) and Financial Strength 2 (3), the main reasons are the weak financial performance during H2'18.

Management: 8.0

We find that Westpay's management team as one of the premier assets of the company, especially when it comes to the company's ability to invest in future growth projects. Westpay has during the past years transformed from first being a supplier of cash registry hardware to now being a global supplier of payment services. We would advocate a little more detailed financial reporting so investors easier could understand and analyze the development of the company.

Ownership: 7.0

The ownership structure in Westpay is another of the company's main strengths. The high rating is mainly because both the board and the management of the company have major ownership in the company. The Board and the CEO together hold close to 25 percent of the capital. We find this as positive as it contributes to a shareholder-friendly focus. Of course, we would like to see institutions as major owners, but we are aware that for a company of Westpay's size rarely gets that kind of owner.

Profit Outlook: 6.0

We find the opportunities for growth to be very strong for the company. Future focus will be on Card Terminals where the company has a great opportunity to take further market shares and launch their terminals internationally, and the new Online offering should warrant strong opportunities ahead. The company is number three in Sweden, but the market share is not directly large compared to Verifone and Ingenico. We have identified two different types of sustainable competitive advantages that protect the company — partly regulatory barriers that block new entrants from entering the market as well as lock-in effects of Westpay's customers due to development costs at PSPs and Cash System suppliers.

Profitability: 1.0

The rating score is relatively low since our profitability rating primarily looks at the history and is not forward-looking. We will increase our rating as the company continues to deliver improving results.

Financial Strength: 2.0

Westpay has a diversified customer portfolio and is entering both new market regions and verticals within the payment space. The recurring revenue is steadily increasing and the gross profit margins have been improving during the last years. 2018 has been affected by delays in the international expansion and product shifts within both card terminals and self-service, this has led to some constraints on the financials.

INCOME STATEMENT	2017	2018	2019E	2020E	2021E
Net sales	93	67	73	105	131
Total operating costs	-83	-76	-71	-93	-107
EBITDA	11	-10	1	12	25
Depreciation	0	0	0	-1	-1
Amortization	-4	-5	-8	-5	-7
Impairment charges	0	0	0	0	0
EBIT	6	-15	-7	7	17
Share in profits	0	0	0	0	0
Net financial items	0	0	-1	-1	-1
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	6	-16	-8	6	16
Tax	-2	2	2	-1	-4
Net earnings	4	-14	-6	5	12

BALANCE SHEET	2017	2018	2019E	2020E	2021E
Assets					
Current assets					
Cash in banks	12	2	1	11	13
Receivables	18	20	18	26	33
Inventories	23	20	21	23	29
Other current assets	0	0	0	0	0
Current assets	54	41	41	60	75
Fixed assets					
Tangible assets	1	1	1	1	1
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	11	12	13	18	14
O non-current assets	0	0	0	0	0
Total fixed assets	13	12	13	19	15
Deferred tax assets	2	4	4	4	4
Total (assets)	68	58	58	83	95
Liabilities					
Current liabilities					
Short-term debt	0	0	9	23	13
Accounts payable	24	28	25	32	39
O current liabilities	0	0	0	0	0
Current liabilities	24	28	34	54	53
Long-term debt	0	0	0	0	0
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	24	28	34	54	53
Deferred tax liab	0	0	0	0	0
Provisions	2	3	3	3	3
Shareholders' equity	42	27	21	26	38
Minority interest (BS)	0	0	0	0	0
Minority & equity	42	27	21	26	38
Total liab & SE	68	58	58	83	95

FREE CASH FLOW	2017	2018	2019E	2020E	2021E
Net sales	93	67	73	105	131
Total operating costs	-83	-76	-71	-93	-107
Depreciations total	-4	-6	-9	-6	-8
EBIT	6	-15	-7	7	17
Taxes on EBIT	0	0	0	0	0
NOPLAT	6	-15	-7	7	17
Depreciation	4	6	9	6	8
Gross cash flow	11	-10	2	12	25
Change in WC	-13	6	-2	-4	-4
Gross CAPEX	-8	-6	-10	-11	-4
Free cash flow	-10	-10	-10	-3	16

CAPITAL STRUCTURE	2017	2018	2019E	2020E	2021E
Equity ratio	62%	46%	36%	31%	40%
Debt/equity ratio	0%	0%	41%	88%	35%
Net debt	-12	-2	7	12	0
Capital employed	30	25	28	38	39
Capital turnover rate	1.4	1.1	1.2	1.3	1.4

GROWTH	2017	2018	2019E	2020E	2021E
Sales growth	21%	-29%	9%	45%	25%
EPS growth (adj)	99%	-407%	-57%	-180%	165%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	13.5 %		
Assumptions 2017-2023 (%)			
Average sales growth	19.7 %	Fair value e. per share, SEK	5.5
EBIT margin	12.3 %	Share price, SEK	4.2

PROFITABILITY	2017	2018	2019E	2020E	2021E
ROE	11%	-39%	-24%	20%	39%
ROCE	16%	-45%	-24%	17%	33%
ROIC	37%	-52%	-27%	24%	44%
EBITDA margin	11%	-14%	3%	12%	19%
EBIT margin	7%	-23%	-9%	6%	13%
Net margin	5%	-20%	-8%	4%	10%

DATA PER SHARE	2017	2018	2019E	2020E	2021E
EPS	0.20	-0.60	-0.26	0.21	0.56
EPS adj	0.20	-0.60	-0.26	0.21	0.56
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-0.55	-0.07	0.32	0.54	0.01
Total shares	22.50	22.50	22.50	22.50	22.50

VALUATION	2017	2018	2019E	2020E	2021E
EV	257.7	119.8	102.1	107.1	95.3
P/E	61.1	-9.0	-16.2	20.2	7.6
P/E diluted	61.1	-9.0	-16.2	20.2	7.6
P/Sales	2.9	1.8	1.3	0.9	0.7
EV/Sales	2.8	1.8	1.4	1.0	0.7
EV/EBITDA	24.3	-12.4	51.2	8.7	3.9
EV/EBIT	40.7	-7.8	-15.2	16.1	5.7
P/BV	6.4	4.5	4.5	3.7	2.5

SHARE PERFORMANCE		GROWTH/YEAR	16/18E
1 month	-28.5 %	Net sales	-11.8 %
3 month	-19.2 %	Operating profit adj	�
12 month	-68.5 %	EPS, just	�
Since start of the year	-10.2 %	Equity	-29.3 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Nordnet Pensionsförsäkring	17.6 %	17.6 %
Avanza Pension	9.3 %	9.3 %
Malte Roggentin	8.3 %	8.3 %
Per Jörgen Roland Nordlund (med bolag)	7.1 %	7.1 %
Without Bank Julius Baer & co LTD	5.3 %	5.3 %
Göran Sparrdal	4.7 %	4.7 %
Ejderholmen AB	3.8 %	3.8 %
Sten Karlsson (med bolag)	3.1 %	3.1 %
Bengt Roger Andersson	2.5 %	2.5 %
Thomas Wernhoff	1.7 %	1.7 %

SHARE INFORMATION	
Reuters code	
List	
Share price	4.2
Total shares, million	22.5
Market Cap, MSEK	95.0

MANAGEMENT & BOARD	
CEO	Sten Karlsson
CFO	Lars Levin
IR	
Chairman	Christina Detlefsen

FINANCIAL INFORMATION

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Redeye Rating and Background Definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicality, and 8 – Forthcoming binary events.

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Disclaimer

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Redeye Rating (2019-03-06)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	47	46	18	10	20
3,5p - 7,0p	88	84	118	41	53
0,0p - 3,0p	13	18	12	97	75
Company N	148	148	148	148	148

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CONFLICT OF INTERESTS

Kristoffer. Lindström owns shares in the company Westpay : No

Eddie. Palmgren. owns shares in the company : No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.