Westpay

Sector: Payments

Hardware-as-a-Service in the making

Wait and see mode

The net sales during Q1 amounted to SEK 13.1m; this was 26% higher than we had anticipated. We believe that the outperformance was due to an increase of Cash Equipment sales, given that the gross profit margin came in at 62%. The sustained high gross margin is an effect of the increasing share of recurring revenue. We find that the financial liquidity is the most pressing issue at the moment, which is also something the management has a focus to fix. Westpay has also announced a couple of new and exciting partnership agreements where it looks like the company is stepping up through the value chain.

Recurring revenue on the rise

For the last twelve months, the recurring revenue was approximately SEK 15.8m or about 27% of r12m net sales. According to our best estimate, the recurring revenue during Q1 amounted to roughly SEK 4.5m, which is an increase from last year by a whopping 36%. We believe that Westpay will have approximately SEK 20m in recurring income during 2019. We believe that the increasing recurring income that Westpay has goes a bit unnoticed by the market, partly because the figures are only presented on a trailing twelve-month basis in a diagram. The company has long discussed about a Hardware-as-a-Service (HaaS) model where the payments terminals are rented instead. The HaaS model is sought after by the customers, and we believe that there will be more of those type of deals coming for Westpay.

No changes in valuation

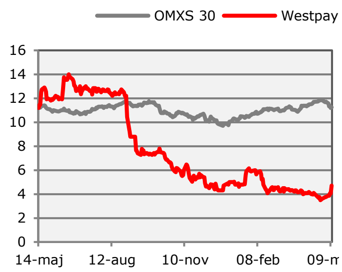
We make no significant changes to our projections following the report and reiterate our Base-case of 5.5 SEK per share. The biggest issue that needs to be addressed in the near-term is financial liquidity. A solution based on a new overdraft facility seems to be soon finalized, but we can never rule out a share issue. We like the long-term growth story of Westpay and the rising recurring revenue. We have high hopes 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 investors should note that the uncertainty if/when this ramp-up happens is high.

KEY FINANCIALS (SEKm)	2017	2018	2019E	2020E	2021E	2022E
Net sales	93	67	71	94	119	141
EBITDA	11	-10	-4	8	21	27
EBIT	6	-15	-12	0	10	17
EPS (adj.)	0.2	-0.6	-0.4	0.0	0.3	0.6
EV/Sales	2.8	1.6	1.6	1.3	1.0	0.8
EV/EBITDA	24.3	-10.8	-28.0	15.3	5.7	4.4
EV/EBIT	40.7	-6.7	-9.6	-338.7	11.9	6.7
P/E	61.1	-7.8	-10.7	-106.9	15.0	8.2

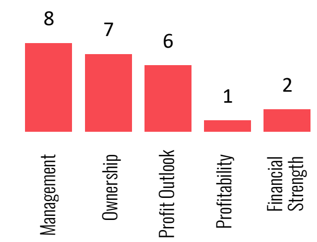
FAIR VALUE RANGE

BEAR	BASE	BULL
2.4	5.5	12.0

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	Nasdaw
Market	WPAY
Share Price (SEK)	4.6
Market Cap (MSEK)	103
Net Debt 19E (MSEK)	10
Free Float	70 %
Avg. daily volume ('000)	37

ANALYSTS

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Still waiting for take-off

Estimate vs outcome - Westpay				
MSEK	**2018 Q1A**	**2019 Q1A**	**2019 Q1E**	**Diff %**
Net sales	21.2	13.1	10.4	26%
Gross profit	13.4	8.3	6.6	26%
EBITDA	2.5	-3.5	-3.8	8%
EBIT	1.2	-4.9	-5.4	9%
Growth	-65%	-38%	-51%	
Gross profit margin	63%	63%	63%	
EBITDA margin	12%	-27%	-37%	
EBIT margin	6%	-37%	-52%	

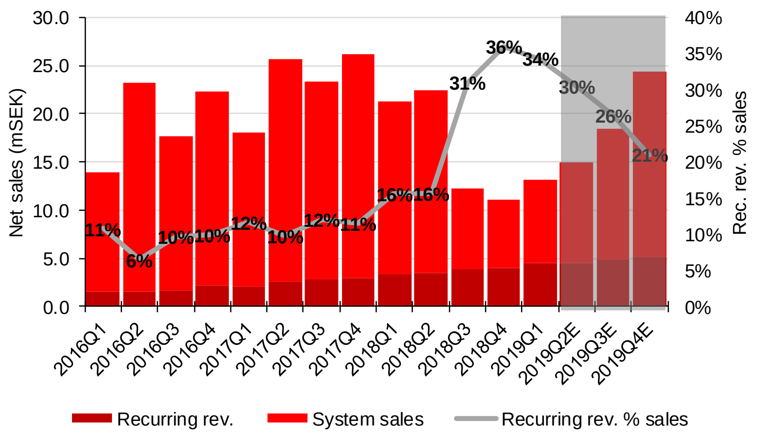
Source: Redeye Research

The net sales during Q1 amounted to SEK 13.1m; this was 26% higher than we had anticipated. We believe that the outperformance was due to an increase of Cash Equipment sales, given that the gross profit margin came in at 62%, which is still high but a decrease from the extreme level of 67% we saw during Q4'18. The sustained high gross margin is an effect of the increasing share of recurring revenue. Westpay is also conducting some adjustment to their organization, which is expected to decrease OPEX by SEK 3m on an annual basis. We also noticed that the G&A was much lower than we had anticipated possibly due to no one-off costs.

Hardware-as-a-Service

The company has long discussed about a Hardware-as-a-Service (HaaS) model where the payments terminals are rented instead. The HaaS model is sought after by the customers, and we believe that there will be more of those types of deals coming for Westpay. For the last twelve months, the recurring revenue was approximately SEK 15.8m or about 27% of r12m net sales which is a significant increase compared to the same period the previous year. We believe that the increasing recurring income that Westpay has goes a bit unnoticed by the market, partly because the figures are only presented on a trailing twelve-month basis in a diagram. We have tried to estimate the recurring revenue level for each quarter. We have divided Westpay's income into Recurring and System sales. One should note that the gross profit margin on the recurring income is very high, which also explains why Westpay presents such high margins when the system sales have been going down.

Westpay: Recurring revenue and System sales



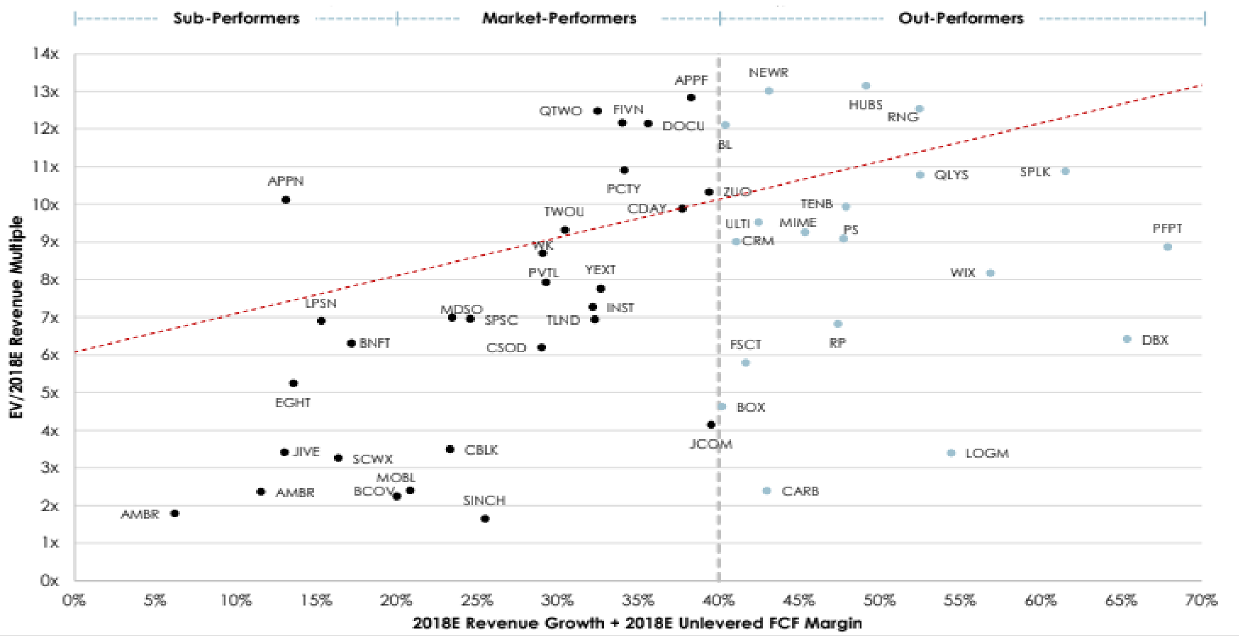
Source: Redeye Research

According to our best estimate, the recurring revenue during Q1 amounted to roughly SEK 4.5m, which is an increase from last year by a whopping 36%. We believe that Westpay will have approximately SEK 20m in recurring income during 2019.

How is SaaS valued?

The recurring revenue is attractive to investors as the income is much less risky than selling one-off licenses and much more stable. One general rule is to look at FCF margin in combination with revenue growth. Some companies are valued at high levels of sales while still unprofitable, these companies sacrifice near-term profits for long-term gains, and that is fine if they are growing at a hefty clip. Slow growth with low profitability will also, of course, hurt the valuation. According to GP Bullhound's SaaS index, find the full report here, there is a relationship between the revenue multiple valuation and the sum of growth and FCF margin.

SaaS valuations



Source: GP Bullhound

Where does Westpay fit into this myriad of companies? We project that the recurring revenue will show an annual uptake of roughly 30%. At the same time, the FCF margin will be negative 10%. Thus, it sums up to **20%.** Of course, the sharp increase in recurring income is hidden due to the drop-in system sales. But if the recurring base was to stand alone, it would be safe to say that it would be valued somewhere at 4-6x sales.

Westpay's recurring income primarily consists of service fees for the card terminals that are in operation. That's why it's essential for the company to continue its system sales as that is the primary driver of long-term recurring income growth. Westpay is also taking different strategic initiatives that will increase the recurring revenue further:

- Volume-based income through the payment gateway
- HaaS model where the terminals are rented instead, with higher fees
- Increased services fees on terminals in new market regions
- Carboon terminal as a more high-end product with higher rates due to increased customer value

New partnerships

On the partner agreement side, Westpay continues to show great progress and just during the past few weeks they have announced three new collaborations with Rusta, Micros South Africa and Operakällaren Arena Team. We note two things:

- Most of the new partnership agreements are made possible thanks to Westpay's Oracle Gold Level member and certification; more are likely to come.

- Westpay products are usually sold through partners, but all these new deals are direct to the customer. We believe the main reason for this is that Westpay itself can offer their Payment Gateway and are Oracle certified, so the terminals do not need to be sold through a PSP.

Next generation of self-service

In the report, we can also read that the partnership with MAX Hamburgers has deepened further. The first self-service kiosk of the new generation is now in operation and that a self-service concept both for outdoor (drive-in) and mobile are being tested. As we understand it the customers and MAX Hamburgers themselves like the new kiosk and we expect that a gradual roll-out we commence during the coming months.

Short-term liquidity

Westpay continues to build for the future. We missed some comment on the progress abroad. We also noticed that Westpay took up short-term borrowing of SEK 11m during the period and paid off SEK 3.4m of their overdraft facility. The company is in a discussion about a new overdraft financing package, and the short-term borrowings was raised as a bridge financing. In the annual report of 2018 in note 20 we can read the following:

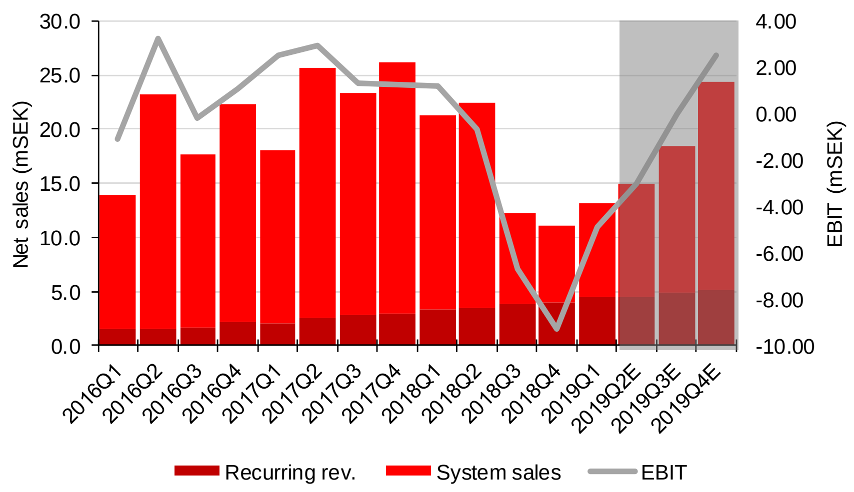
" At the year-end, the company had an overdraft facility amounting to SEK 10m…. SEK 4m of the overdraft consisted of a short-term credit that matured in January… At the point of the publication of the annual report (2019-04-11), the company is in discussion with the bank for a permanent increase of the overdraft to SEK 12m….The company and the board assess that a solution for the financing will be finalized during Q2'19. Short-term bridge financing of another SEK 4m was put in place in March 2019".

Currently Westpay has about, if we calculated correctly, SEK 16.1m in borrowings and credit overdraft. The cash amounted to SEK 2.8m, and the un-utilized overdraft facility stood at SEK 0.9m at the end of the quarter. During Q1 Westpay had a negative operating Cash Flow of SEK -4.5m. A more long-term financial solution must be put in place during Q2, likely the use of bank and/or bridge financing, but a share issue cannot be ruled off. What is certain is that the management is working on a solution and continues to sign important long-term partnerships.

Financial projections

The announced orders have increased somewhat, so it looks a little better for Q2, the recurring revenue is also expected to continue to increase. 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: Revenue and EBIT projections



Source: Redeye Research

Next quarter

Next quarter - Westpay		
MSEK	2018 Q2	2019 Q2E
Net sales	22.4	15.0
Gross profit	12.3	9.1
EBITDA	0.7	-2.4
EBIT	-0.6	-4.4
Growth	-12%	-33%
Gross profit margin	55%	61%
EBITDA margin	3%	-16%
EBIT margin	-3%	-29%

Source: Redeye Research

For Q2'19 we expect to see net sales in the region of SEK 15m. As we have discussed in earlier research reports, the drop-in sales are mostly due to the product shifts within both self-service and card terminals. We expect that the recurring revenue will continue to grow at an annual rate close to 30%. The gross profit margin will continue at a high level, but most likely decrease compared to Q1 due to an increased system sale with more Cash Equipment components. We expect to seed an EBIT in the range of SEK -4.4m.

Investment Case

- **Global expansion not yet discounted**: Today's valuation indicates that the market puts a low probability of success on the expansion abroad.
- **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 make no significant changes to our projections following the report and reiterate our Base-case of 5.5 SEK per share. The biggest issue that needs to be addressed in the near-term is financial liquidity. A solution based on a new overdraft facility seems to be soon finalized, but we can never roll-out a share issue. We like the long-term growth story of Westpay and the rising recurring revenue. We have high hopes 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 investors should take note that the uncertainty if/when this ramp-up happens is high.

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

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	71	94	119
Total operating costs	-83	-76	-75	-86	-98
EBITDA	11	-10	-4	8	21
Depreciation	0	0	0	-1	0
Amortization	-4	-5	-7	-8	-11
Impairment charges	0	0	0	0	0
EBIT	6	-15	-12	0	10
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	-12	-1	9
Tax	-2	2	3	0	-2
Net earnings	4	-14	-10	-1	7

BALANCE SHEET	2017	2018	2019E	2020E	2021E
Assets					
Current assets					
Cash in banks	12	2	1	9	12
Receivables	18	20	18	24	30
Inventories	23	20	20	26	33
Other current assets	0	0	0	0	0
Current assets	54	41	39	59	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	12	17	13
O non-current assets	0	0	0	0	0
Total fixed assets	13	12	13	17	14
Deferred tax assets	2	4	4	4	4
Total (assets)	68	58	57	81	93
Liabilities					
Current liabilities					
Short-term debt	0	0	12	33	31
Accounts payable	24	28	25	28	36
O current liabilities	0	0	0	0	0
Current liabilities	24	28	36	61	67
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	36	61	67
Deferred tax liab	0	0	0	0	0
Provisions	2	3	3	3	3
Shareholders' equity	42	27	17	16	23
Minority interest (BS)	0	0	0	0	0
Minority & equity	42	27	17	16	23
Total liab & SE	68	58	57	81	93

FREE CASH FLOW	2017	2018	2019E	2020E	2021E
Net sales	93	67	71	94	119
Total operating costs	-83	-76	-75	-86	-98
Depreciations total	-4	-6	-8	-9	-11
EBIT	6	-15	-12	0	10
Taxes on EBIT	0	0	0	0	0
NOPLAT	6	-15	-12	0	10
Depreciation	4	6	8	9	11
Gross cash flow	11	-10	-4	8	21
Change in WC	-13	6	-2	-8	-6
Gross CAPEX	-8	-6	-8	-13	-8
Free cash flow	-10	-10	-14	-13	8

CAPITAL STRUCTURE	2017	2018	2019E	2020E	2021E
Equity ratio	62%	46%	30%	20%	25%
Debt/equity ratio	0%	0%	66%	200%	133%
Net debt	-12	-2	10	23	19
Capital employed	30	25	27	40	42
Capital turnover rate	1.4	1.1	1.2	1.2	1.3

GROWTH	2017	2018	2019E	2020E	2021E
Sales growth	21%	-29%	6%	34%	26%
EPS growth (adj)	99%	-407%	-29%	-90%	-811%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	13.5 %	NPV FCF (2018-2020)	-16
		NPV FCF (2021-2027)	65
		NPV FCF (2028-)	70
		Non-operating assets	2
		Interest-bearing debt	0
		Fair value estimate MSEK	120
Assumptions 2017-2023 (%)			
Average sales growth	18.8 %	Fair value e. per share, SEK	5.5
EBIT margin	9.5 %	Share price, SEK	4.6

PROFITABILITY	2017	2018	2019E	2020E	2021E
ROE	11%	-39%	-43%	-6%	34%
ROCE	16%	-45%	-42%	-1%	20%
ROIC	37%	-52%	-47%	-1%	26%
EBITDA margin	11%	-14%	-6%	9%	18%
EBIT margin	7%	-23%	-17%	0%	9%
Net margin	5%	-20%	-14%	-1%	6%

DATA PER SHARE	2017	2018	2019E	2020E	2021E
EPS	0.20	-0.60	-0.42	-0.04	0.30
EPS adj	0.20	-0.60	-0.42	-0.04	0.30
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-0.55	-0.07	0.45	1.04	0.85
Total shares	22.50	22.50	22.50	22.50	22.50

VALUATION	2017	2018	2019E	2020E	2021E
EV	257.7	104.1	112.7	126.0	121.6
P/E	61.1	-7.8	-10.7	-106.9	15.0
P/E diluted	61.1	-7.8	-10.7	-106.9	15.0
P/Sales	2.9	1.6	1.5	1.1	0.9
EV/Sales	2.8	1.6	1.6	1.3	1.0
EV/EBITDA	24.3	-10.8	-28.0	15.3	5.7
EV/EBIT	40.7	-6.7	-9.6	-338.7	11.9
P/BV	6.4	3.9	5.9	6.3	4.4

SHARE PERFORMANCE		GROWTH/YEAR	16/18E
1 month	8.8 %	Net sales	-13.0 %
3 month	-13.6 %	Operating profit adj	�
12 month	-59.3 %	EPS, just	�
Since start of the year	-3.0 %	Equity	-35.8 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Nordnet Pensionsförsäkring	17.5 %	17.5 %
Avanza Pension	8.5 %	8.5 %
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	4.0 %	4.0 %
Sten Karlsson (med bolag)	3.1 %	3.1 %
Bengt Roger Andersson	2.5 %	2.5 %
Thomas Wernhoff	1.8 %	1.8 %

SHARE INFORMATION	
Reuters code	
List	
Share price	4.6
Total shares, million	22.5
Market Cap, MSEK	102.6

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 (2019-05-14)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	51	50	20	12	22
3,5p - 7,0p	94	88	125	42	58
0,0p - 3,0p	15	22	15	106	80
Company N	160	160	160	160	160

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CONFLICT OF INTERESTS

Kristoffer Lindström owns shares in the company Westpay: No

Eddie Palmgren Y. owns shares in the company Westpay: No

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