

# Norse Impact

Sector: FMCG/reduced-risk nicotine products

## The Ace of Vapes

Redeye initiates coverage of Norse Impact, a fast-growing non-smoking company in the Nordics. The company produces, distributes, and sells products in the reduced-risk segments; snus, nicotine pouches, and vaping. The business is already profitable, which gives a good base for further acquisitions and expansion into new markets.

### A tasty position in the fast-growing vaping segment

Norse Impact holds a dominating market position in the Nordic vaping segment, which is fragmented, non-cyclical, and rides on a global megatrend. We estimate Norse Impact's market share for vaping at around 27% in Sweden and 16% in Norway. Its strong market position allows the company to hold above 50% gross margins through enhanced scalability by size. We also consider its market-leading place to be a strong driver for B2B cross-sales, expansion of exclusivity agreements, and accomplishing attractive M&A deals.

### An organic e-commerce growth story

Recent acquisitions have increased Norse Impact's e-commerce sales, now contributing some 60% of sales in Q2 2022. We expect Norse Impact to expand its sales coming from e-commerce to 80% in 2027e while the reduced-risk market matures. We estimate a 2022-2027e sales CAGR of c16% with declining gross margins, from c49% in 2022e to 38% in 2027e, due to increased competition.

### +63% upside potential to SEK0.5 base case

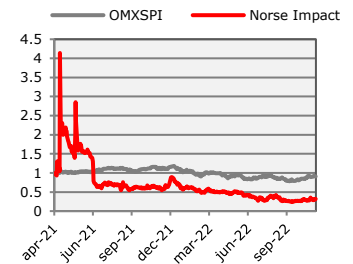
Our 2022-2034e DCF model suggests a SEK0.5 base case (Bull: SEK0.9, Bear: SEK0.1) with a 14% WACC and relies on respective market penetration of 17%, 20%, and 0.2%, in Norway, Sweden and the UK towards the end of our forecast period (on a +6.5% EBIT margin). Furthermore, we expect quarterly reports to close our c63% valuation gap within 12 months, substantiated by expansion into DAGAB's distribution system in Q1 2023e and the launch of its branded disposable vape in Q2/Q3 2023e. Our base case estimates imply an EV/EBITDA (2023e) multiple of 5.6x, slightly below the median key peer of 7x.

Key Financials (SEKm)	2021	2022e	2023e	2024e	2025e
Revenues	80	184	229	272	311
Revenue growth	N/A	130%	25%	19%	14%
EBITDA	-6	15	24	38	45
EBITDA margin	neg	8%	11%	14%	15%
EBIT	-9	-2	6	19	26
EBIT Margin (%)	neg	neg	2%	7%	8%
Net Income	-11	-6	2	13	19
EV/Sales	2.4	0.7	0.6	0.5	0.4
EV/EBITDA	neg	9.3	5.6	3.6	3.0

### FAIR VALUE RANGE

BEAR	BASE	BULL
0.1	0.5	0.9

### NORSE VERSUS OMXSPI



### REDEYE RATING



### KEY STATS

Ticker	NORSE
Market	Spotlight
Share Price (SEK)	0.31
Market Cap (SEKm)	90
Net Debt (SEKm)	45
Free Float (%)	59
Avg. daily volume ('000)	1,024

### ANALYSTS

Sebastian Andersson  
sebastian.andersson@redeye.se

Christian Binder  
christian.binder@redeye.se

## Investment case

### The prime vaping products distributor in the Nordics

Norse Impact is a leading distributor in the Nordic e-commerce segment for vapes, and even though it operates in a highly profitable sector with favourable prospects, the company trades at a significant discount to its fundamental value, we judge. In our view, the company is still undiscovered by investors, and we consider it a hidden gem thanks to its profit outlook and limited downside risk. While part of the investment case is built on solid operational development, we believe Norse Impact also could be an interesting buyout option for a global competitor once Norse Impact has scaled its business and proven its Nordic market dominance.

### Impressive M&A activity

Norse Impact identified and acquired two fast-growing and profitable vaping distributors, Norse Vape AS (previously known as We Care AS) in Q3 2021 and Eurobrands Holding AB in Q1 2022. Norse Vape holds a market-leading position in the Norwegian market, while Eurobrands Holding is the leading distributor in Sweden. Both companies have shown a remarkable historical sales CAGR of 73% (2016-2021) and 97% (2013-2021), respectively, and operate with physical stores and e-commerce. Since the companies' inclusion into Norse Impact, these entities have been streamlined and form cornerstones on the new company composition as it continues on its growth trajectory.

### Competition in reduced-risk products e-commerce

Economies of scale create barriers to entry into the distribution business, leading to cost disadvantages for new competitors. Moreover, effective capital allocation is vital not to lock up excessive funds in the capital-intensive distribution business. Thus, the entry barriers for new competitors with limited cash balances are relatively high, as capital-efficient distribution requires strong execution. However, the nicotine segment comprises cash-flow-rich companies with solid cash balances that could overcome these entry barriers and threaten Norse Impact's future.

### Inventory hoarding leads to liquidity constraints

Norse Impact invests much of its cash holdings in inventory. Given a quick ratio of 42.7% and cash holdings of SEK3.8m in Q3 2022, there are potential liquidity constraints for the business model that could harm possible growth possibilities, even if we believe most of the inventory build-up is associated with its opportunity to enter DAGAB's distribution system.

### Current valuation does not reflect the fundamental value

We initiate coverage of Norse Impact with a SEK0.5 base case derived from our 2022-2034e DCF model using a 14% WACC. Compared to its key peers and on our 2023e EBITDA, Norse Impact trades at a discount to the median EV/EBITDA multiple (5.6x versus 7.0x), further supporting our fundamental valuation. Key share price drivers are its quarterly reports with an emphasis on sales growth and increasing profitability. We believe the +63% valuation gap will be closed in the coming 12 months. Our bull and bear cases stand at SEK0.9 and SEK0.1, respectively.

## Key catalysts

### Expansion into DAGAB's distribution system

We believe Norse Impact will expand its B2B2C sales through the distribution network of DAGAB, the leading wholesaler and logistic partner for service trade in Sweden. DAGAB collaborates with companies such as Circle K, OKQ8, and Reitan, supplying goods to smaller convenience stores. We expect Norse Impact's products to be rolled out there in Q1 2023e.

### Launch of Norse's disposable vape

In June 2022, Norse Impact signed an OEM agreement with Riot Labs to produce a disposable vape with Norse E-juice. We believe this agreement will drive sales in the vaping products segment, diversifying Norse Impact's product portfolio. Demand in Sweden for disposable vapes has been intense this year, and we believe it could be a game-changer. We anticipate launch in Q2/Q3 2023e.

### Launch of Norse Premium Snus in Q1 2023e

In July 2022, Norse Impact received an import licence for selling tobacco products in Norway, enabling it to import and sell its Norse Premium Snus brand. We expect this to increase both profitability and sales for Norse Snus AS. We expect the launch of Norse Premium Snus in Q1 2023e.

### Acquisitions

Norse Impact has made some opportunistic M&A deals, and we believe it will continue to do so, albeit at a slower pace than seen in the past 18 months. Primarily, we believe the company will pursue acquisitions if the price is right and there are clear synergies or possibilities to enter new markets.

## Counter-thesis

### Regulatory risk

Nicotine products represent heavy regulatory risk and there is considerable geographical variation in regulatory authorities' stance towards reduced-risk products. We believe sudden shifts in how regulatory authorities view reduced-risk products could threaten Norse Impact's existing sales and future growth. However, we judge that once the regulatory environment has stabilised, the surviving incumbents will enjoy a regulatory moat.

### Dependent on B2B agreements

Norse Impact's exclusivity agreements are key for its distribution business as they create demand and improve its vaping segment position in the Nordics. Therefore, nurturing its relationships with manufacturers and suppliers is essential, and we see a risk the company could lose agreements given increased competition. Taking potential disputes over supply agreements to court might divert considerable amounts of management's time and money away from Norse Impact's operations.

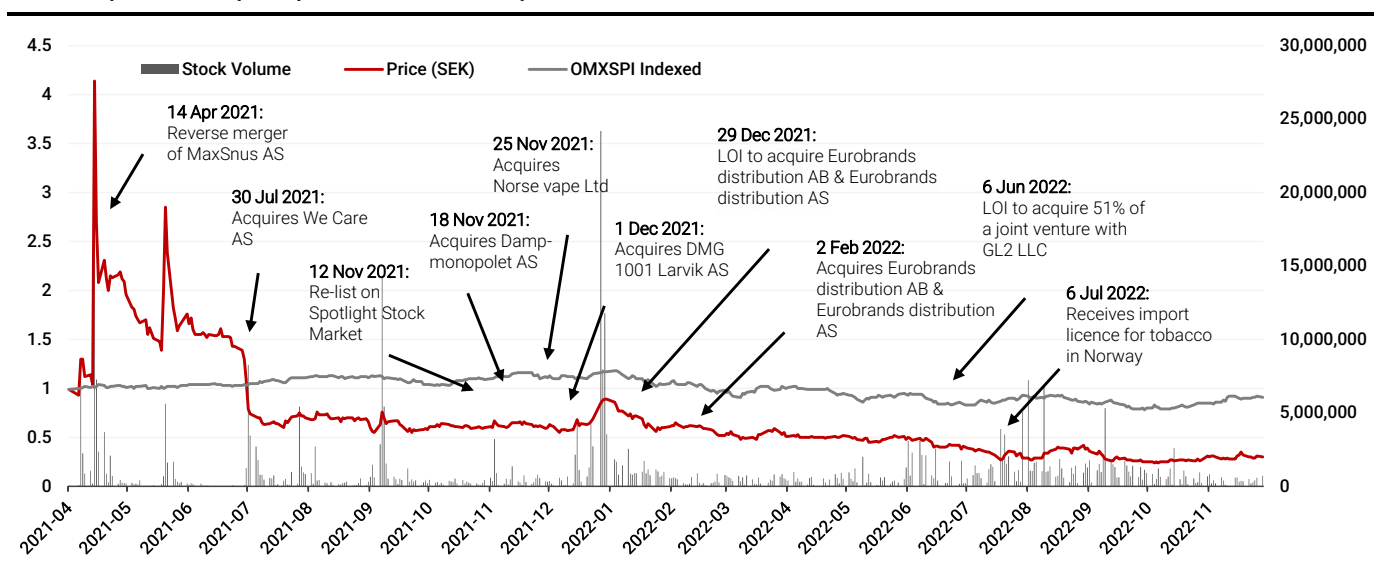
## Share price performance

The Norse Impact share price has experienced a negative trend in the last 12 months, like the entire equity market recently. The macroeconomic environment has made investors hesitant to invest, but given Norse Impact’s profitable core business and attractive valuation, things could turn around rapidly.

Norse Impact’s journey on the Spotlight stock market started with a reverse takeover of Sealwacs in April 2021. The share price rose around 300% on the announcement day. Following the takeover, shareholders of MaxSnus AS owned 91.6% of the company. Another remarkable price rally came with the publication of the company announcing its letter of intent (LOI) to acquire We Care AS on 19 May 2021. The stock price rose around 114% over a two-day period, from SEK1.3 to SEK2.8. But by the time the deal closed in July 2021, the stock had declined to a new low of SEK0.6, with outflows putting pressure on the stock just ahead of a rights issue announcement.

As the diagram below shows, there was a high level of interest after the LOI for the acquisition of Eurobrands in December 2021, high trading volumes, and positive price action. There have also been persistently high trading volumes this summer and autumn.

**Norse Impact: Share price performance since April 2021**



Source: Millistream AB, Norse Impact, Redeye research

## Table of contents

The Ace of Vapes .....	1
Investment case .....	2
Key catalysts .....	3
Counter-thesis .....	3
Share price performance .....	4
Company description .....	6
Background .....	9
Industry outlook .....	12
Product portfolio .....	20
Business and acquisition strategy .....	24
Financials .....	29
Valuation .....	37
Appendix 1: Management and board of directors .....	42
Summary Redeye Rating .....	44
Redeye Rating and Background Definitions .....	46
Redeye Equity Research team .....	47
Disclaimer .....	48

## Company description

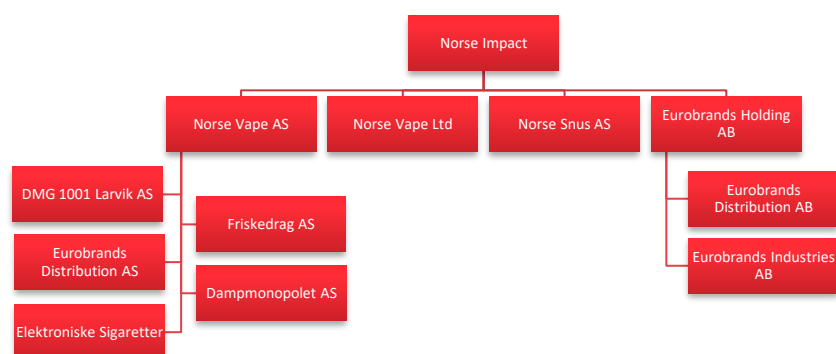
Norse Impact is an online and physical retailer of reduced-risk/non-smoking products (RRP), selling nicotine pouches, snus, vapes, and electronic liquid (E-liquid) through its 12 e-commerce domains and 26 physical stores in Sweden, Norway, Denmark, Finland, and the UK. It offers a wide range of brands from multiple suppliers and is the fastest-growing non-smoking company in the Nordics. The company has 13 exclusivity agreements with well-established smoke-free brands, including Riot Labs, Flavour Warehouse, and Nasty Juice. It also has its own brands: Norse Premium Snus, Norse Premium E-liquid, MaxSnus, NorDamp, and Cigge Store.

The total addressable market in Europe for Norse Impact's non-smoking segment totalled around USD9.7bn in 2020.<sup>1</sup> The market is expected to grow for the foreseeable future as the nicotine industry shifts from cigarettes to reduced-risk products, such as nicotine pouches, snus, and vaping products.

### Company structure

Norse Impact has four subsidiaries: Norse Vape AS, Norse Snus AS, Eurobrands Holding AB, and Norse Vape Ltd, based in Norway, Sweden, and the UK.

### Norse Impact's company structure



Source: Redeye research

<sup>1</sup> Smoke-free world, Global trends in nicotine, 2019

**Norse Impact's company history**

Year	Historical highlight
<b>2021</b>	<ul style="list-style-type: none"> <li>- Reverse merger of Maxsnus.no</li> <li>- Acquisition of We Care AS (NO)</li> <li>- Accepted re-listing on Spotlight</li> <li>- Re-listed on Spotlight Stock Market and changed name from Sealwacs to Norse Impact</li> <li>- Acquisition of Dampmonopolet (NO)</li> <li>- Acquisition of Norsevape Ltd (UK)</li> <li>- Acquisition of DMG 1001 Larvik AS (NO)</li> <li>- LOI for acquiring Eurobrands</li> <li>- Exclusivity and OEM agreement with Riot Squad E-liquid (three-way)</li> <li>- Exclusivity agreement with Flavour Warehouse Ltd (two-way)</li> </ul>
<b>2022</b>	<ul style="list-style-type: none"> <li>- Acquisition of Eurobrands Holdings AB and Eurobrands Distribution AS</li> <li>- LOI for acquiring 51% of a joint venture with GL2 LLC</li> <li>- Vape club launches Norse Premium E-liquid on its platform</li> <li>- Exclusive master distributor agreement with Riot Labs</li> <li>- Norse Snus AS receives an import tobacco licence for Norway</li> <li>- Exclusivity agreement with Shenzhen SKE Technology</li> </ul>

Source: Norse Impact, Redeye research

**People and ownership: Owner-operators**

Norse Impact's management and board have skin in the game, owning some 31% of the outstanding shares. Their significant holdings align their interests with those of the other shareholders, demonstrate conviction in the business strategy, and support our confidence in the case.

CEO Marius Arnesen is the second-largest shareholder, holding 7.8% of the outstanding shares through Ulrik Holding AS and Tulmp AS. CFO Andreas Eriksson owns 5.4% of the outstanding shares.

**Norse Impact's insider ownership**

	Shareholding	Value (SEKm)	% of shares outstanding
CEO	22,874,259	6.2	7.8%
Sr Mgmt ex CEO	36,203,350	9.8	12.3%
Chair of the Board	944,520	0.3	0.3%
Board ex Chair	31,036,534	8.4	10.5%
<b>Total insider holding</b>	<b>91,058,663</b>	<b>24.6</b>	<b>30.9%</b>

Source: Redeye research, Holdings (as of November 2022), Norse Impact

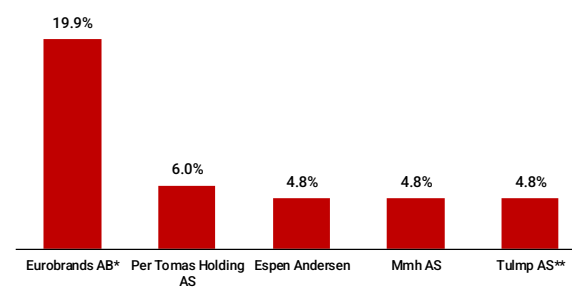
The investor base consists mainly of private investors, most of whom are in Scandinavia. The top 15 investors hold some 63% of the outstanding shares, giving a low free float.

The company had 62 employees as of Q3 2022. We expect the headcount to decrease within the coming five years thanks to the company's shift towards e-commerce.

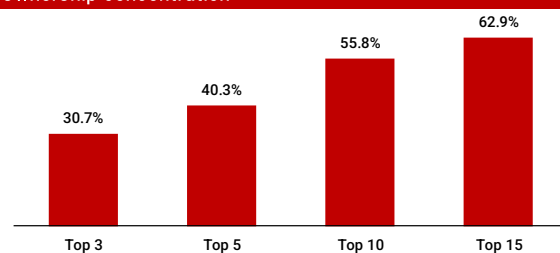
## Norse Impact's major shareholders

Ownership					
Rank	Shareholder	Total Shares	Value (SEKm)	Share Capital	Voting Rights
1	Eurobrands AB*	58,527,250	15.8	19.9%	19.9%
2	Per Tomas Holding AS	17,661,898	4.8	6.0%	6.0%
3	Espen Andersen	14,166,669	3.8	4.8%	4.8%
4	Mmh AS	14,098,559	3.8	4.8%	4.8%
5	Tulmp AS**	14,098,559	3.8	4.8%	4.8%
6	Erik Eines	14,069,865	3.8	4.8%	4.8%
7	Kjell Herman Andersen	13,315,669	3.6	4.5%	4.5%
8	Ulrik Holding AS**	8,775,700	2.4	3.0%	3.0%
9	Lars Buer	4,725,000	1.3	1.6%	1.6%
10	Nordnet livsforsikring AS	4,668,440	1.3	1.6%	1.6%
11	G&T Oslo AS	4,400,670	1.2	1.5%	1.5%
12	Daniel Sven Webb	4,400,670	1.2	1.5%	1.5%
13	Lommeboken AS	4,306,296	1.2	1.5%	1.5%
14	Tindeborg AS	4,075,000	1.1	1.4%	1.4%
15	Margareta Danielsson	3,761,090	1.0	1.3%	1.3%
<b>Total 15 Largest Shareholders</b>		<b>185,051,335</b>	<b>50.0</b>	<b>62.9%</b>	<b>62.9%</b>
Others		109,252,160	29.5	37.1%	37.1%
<b>Total Number of Shares</b>		<b>294,303,495</b>	<b>79.5</b>	<b>100.0%</b>	<b>100.0%</b>
*CFO Andreas Eriksson & Petter Strömberg **CEO Marius Arnesen					
				Free Float	59.0%

## Top 5 shareholders



## Ownership concentration



Source: Redeye research, Holdings (as of 9 November 2022), Norse Impact



## Background

### What is a vape?

A vape is a hand-held electronic cigarette device that heats a liquid, often containing nicotine, to create a vapor the user inhales. Producers choose to add flavours to their products to offer an enhanced sensation and win greater customer satisfaction. The e-liquid used in vapes typically consists of propylene glycol (PG), vegetable glycerine (VG), and flavour. The ratio of PG and VG determines the vaping experience. PG is used in the food industry as a preservative but can also be found in asthma inhalers. It is a colourless liquid with a sweet taste. VG is mainly used as a sweetener and thickener in the food industry. Its consistency is thicker than PG, producing a denser vapor.






### PG/VG ratios

PG/VG Ratio	Throat Hit	Flavour	Vapour or 'Cloud' Production
High PG (usually 60%+ PG) 50PG/50VG	Strong	Strong	Low
High VG (usually 60%+ VG)	Medium	Medium	Medium
	Low	Medium	High

Source: Redeye research

Vaping devices come in different strengths, sizes, colours, and shapes, and they can have different lifespans depending on whether they are disposable or reusable. The disposable vape is easy to use and needs no maintenance; it is simply discarded after use. By contrast, reusable vapes have changeable parts, a rechargeable battery, and a pod or tank containing e-liquid that can be switched to another taste or strength.

### Different types of vaping devices containing e-liquids

 <p><b>Cig-a-likes</b> These are disposables that have the look and feel of conventional cigarettes. This may renormalize smoking.</p>	 <p><b>Vape-pens</b> These enable users to vary e-liquid formulations according to their preferences. Some use pre-filled cartridges while others allow users to refill them.</p>	 <p><b>Pods</b> These are a newer generation of ENDS. Because this generation often uses nicotine salts, they provide higher doses of nicotine without a harsh sensation. The devices often look like USB sticks allowing users (e.g. young people or students) to conceal them.</p>
 <p><b>Disposables</b> These are the latest version of ENDS, often shaped like pods, but are meant to be discarded after the e-liquid has been used. They are available in a wide variety of flavours and are also easily concealable.</p>	 <p><b>Tank systems</b> These enable users to vary almost every element of the user experience, including e-liquid formulations and battery power.</p>	

Source: WHO, WHO report on the global tobacco epidemic, 2021

The high number of discarded disposables creates environmental issues as the lithium battery built into the vapes must be recycled, and it is up to the consumer to do so. A survey conducted in 2022 by journalists Tom Clarke at Sky News and Matthew Chapman at the Bureau of Investigative Journalism concluded that around two disposable vapes are discarded every second in the UK, which equals around 10 tonnes of lithium – equivalent to 1,200 electric car batteries a year. Producers of disposable vapes, such as Riot Labs, have started taking initiatives to change consumer behaviour and reduce their products' carbon effect. There is a regulatory risk with today's behaviour and, at the same time, a moral aspect to the products' environmental impact. Riot Labs, which has a three-way exclusivity agreement with Norse Impact, has created a carbon-negative disposable vape of 100%-recyclable elements. The company has also launched recycling programmes to make recycling simpler for stores and consumers. We expect the industry and regulators to favour reusable vapes over disposable vapes, and as the market matures, we believe disposable vapes will disappear from the market.

Reusable vapes with a refillable system have a higher upfront cost and need more maintenance than disposable vapes but have a lower long-term cost, a more powerful battery, and offer a wider variety of tastes. The expected lifespan of a reusable vape is up to around two years, depending

on how well-maintained the battery is. A disposable vape typically has a battery lifespan of about a week or two. Norse Premium E-liquid is targeted at the markets for reusable vapes with its refillable e-liquid and for disposable vapes through its 13 exclusivity agreements. Notably, we believe the increasing dominance of reusable vapes will favour incumbents, creating a stronger customer lock-in once a reusable device is bought.

### **What are nicotine pouches? The single greatest invention in human history!**

Nicotine pouches are placed under the user's upper lip, with nicotine entering the user's bloodstream through the oral mucous membranes, while nicotine from cigarettes and vaping products enter the bloodstream via the lungs. Nicotine pouches contain cellulose granules, nicotine salt, water, PH modifiers, glycerol, propylene glycerol, acesulfame K, sodium benzoate, and potassium sorbate, rather than tobacco. Nicotine salt is an active substance in nicotine pouches and vapes, but the differences in intake methods create different experiences. Nicotine is absorbed more slowly into the body with nicotine pouches than by smoking or vaping. However, peak nicotine plasma concentrations are similar between these different delivery methods.

### **What is snus?**

Snus, like nicotine pouches, is used orally under the upper lip, and it also offers a slower increase in blood nicotine concentration than smoking or vaping. The main difference from nicotine pouches is that snus contains tobacco and is available in loose or pouched varieties. Producers are not allowed to add external nicotine to their products as snus is classified as food, implying a high quality of the products sold. Snus contains ground tobacco, water, salt and sodium carbonate, aroma substances, and humectants. When creating snus, the tobacco is first ground, then water and salt are stirred in. The pasteurisation process then occurs as the stirred snuff is heated and pasteurised over time.

**Nicotine pouches**

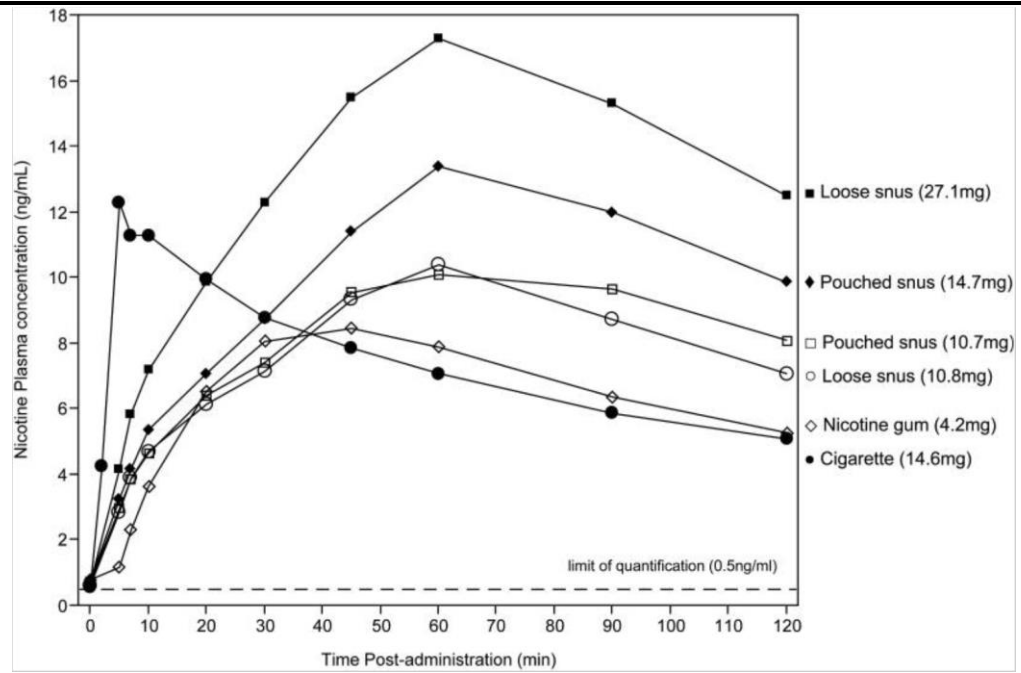


**Snus**



Source: iStockphoto, 2022

Nicotine plasma concentration depending on delivery method



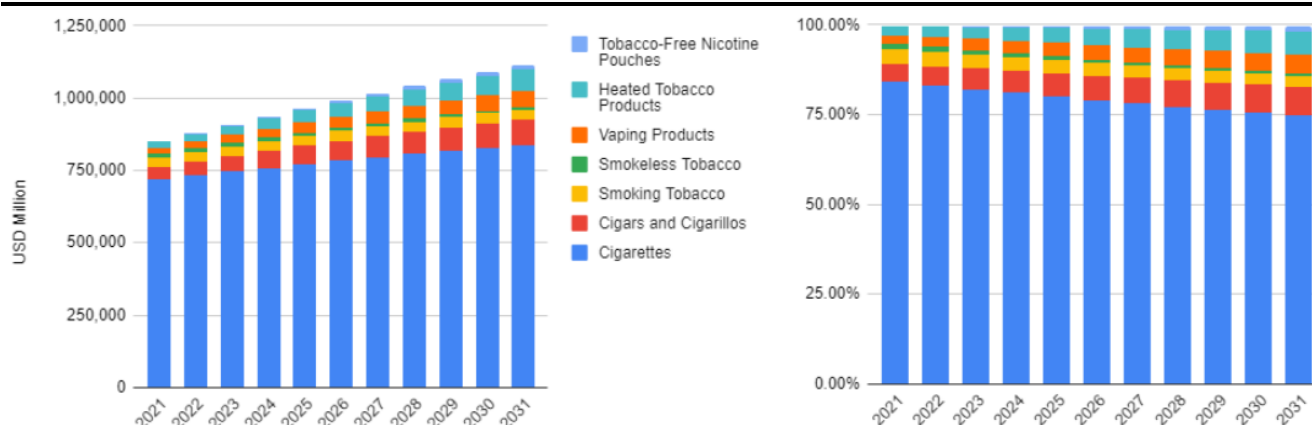
Source: Digard et al. 2013

## Industry outlook

Most industrial countries aim to be cigarette-free within a few years. Regulators in these countries are pushing the shift from cigarettes to less harmful products, such as snus, nicotine pouches, and vaping products. Realistically, we believe it will probably take some decades rather than years to phase out cigarettes entirely. Around 1.1 billion people smoke cigarettes today, and even though cigarette sales are increasing in US dollar terms, cigarette volumes are decreasing at a low to mid-single-digit CAGR each year. The charts below show forecasts for cigarettes to lose market share to alternative nicotine products despite still growing in total USD sales over the coming nine years. Vaping and heated tobacco products stand out as the segments with the highest future potential market growth. Experts expect the whole nicotine industry to benefit from consumers' choice to move to healthier alternatives, given similar or higher profitability and (literally) longer customer lifetimes compared to cigarettes.

Big Tobacco conglomerates have started to adjust their product mix toward the reduced-risk products sector, to diversify and ready themselves for the transition in the coming years. Philip Morris's USD16bn bid for Swedish Match is just one of the latest attempts by Big Tobacco to build a stronger market position in the sector. Four leading tobacco companies together hold 80.7% of the global cigarette market: China National Tobacco Corp, British American Tobacco Plc (BAT), Philip Morris International Inc (PMI), and Japan Tobacco Inc (JT). They will play a role in the transition as 84.1% of the USD853bn global retail sales in the nicotine ecosystem came from cigarettes in 2020, implying a global retail sales value of USD135.6bn for alternative products to cigarettes.

Global nicotine category retail value contribution, estimated



Source: Invariant, The new era of nicotine, 2022

The charts above show a retail value sales CAGR of 2.8% until 2031 in the global nicotine products category, whereas reduced-risk products are estimated to have a CAGR of 13.1% over the same period.<sup>2</sup> To give consumers an incentive to get healthier, governments are likely to impose lower taxes on reduced-risk products than on cigarettes. Over time, we believe reduced-risk products will increase customer lifetime value as users transitioning to healthier alternatives will live longer, creating value for both customers and producers in this segment. If cigarette profitability declines, the reduced-risk segment will likely take the lead as value-creator in the industry.

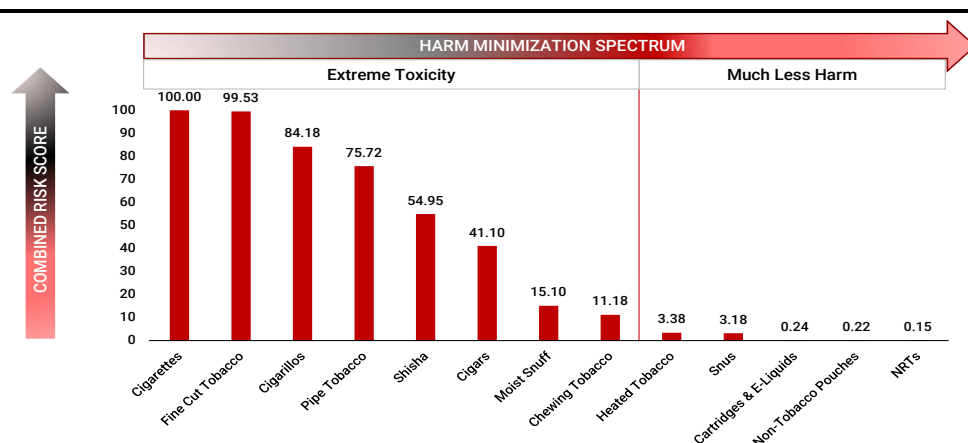
### Harm-reduction focus

Norse Impact has focused on the harm-reduction/reduced-risk segment of the nicotine industry. These products are reaping the headwind of the global health trend described above. Consumers today are more aware of the toxicity of tobacco usage and are turning to products in the harm-reduction segments, such as snus, vapes, tobacco-free nicotine pouches, and nicotine

<sup>2</sup> Invariant, The new era of nicotine, 2022

replacement therapy products (NRTs). Since nicotine is highly addictive, most smokers need support to cut back on their smoking habits. Using products with lower toxicity is one way to do this. In the harm-reduction spectrum below, we can see the comparative toxicity of different nicotine products. Notably, vapes and nicotine pouches seem to have a similar combined risk score as NRTs. Norse Impact has built a product portfolio with a low combined risk score on the reduced-risk spectrum.

### Harm-reduction spectrum



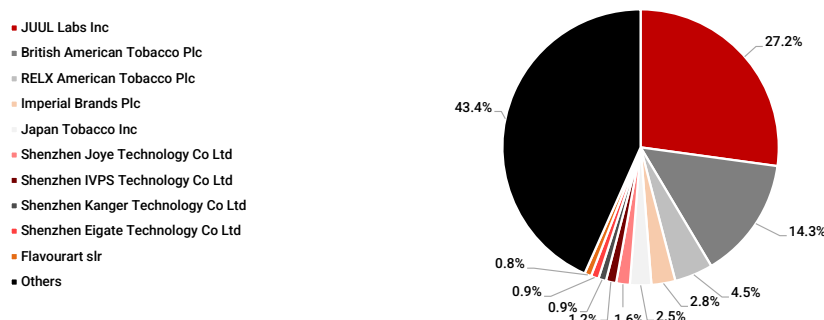
Source: Foundation for a smoke-free world, Global trends in nicotine, 2021

### Vape outlook

Even if the vaping market is immature relative to other nicotine alternatives, Big Tobacco firms such as Altria Group, BAT, and RELX Technology CO own shares in the top vape producers. When small, upcoming vaping companies attract enough customers, the cash-flow-rich tobacco firms either acquire them or buy a large part of shares in them.

The chart below shows the largest brands by sales in 2020. JUUL Labs leads the market, followed by BAT and RELX Technology CO. Tobacco giant Altria Group owns 35% of JUUL Labs, which has recently fallen foul of the US's FDA over marketing its products towards teenagers via influencers and celebrities.<sup>3</sup> Reduced-risk products are supposed to help people stop smoking, not tempt new customers into destructive habits. Interestingly, 43.4% of the vaping market is beyond the top 10 players, representing a considerably more fractured market than for traditional tobacco products. The market share of different vaping players could change considerably in the future, with increasing regulation likely creating an oligopoly long-term, similar to the traditional tobacco industry.

### Largest global producers of vaping products, 2020



Source: Foundation for a smoke-free world, Global trends in nicotine, 2021

3 Foundation for a smoke-free world, Global trends in nicotine, 2021

In 2020, vaping product sales accounted for 2.8% of the total nicotine market in Europe. They have had 2017–2020 CAGRs of 29.2% and 13.8% for the Americas and European markets, respectively.<sup>4</sup> Norse Impact sells in the Nordics and is currently expanding its Premium E-liquid into the UK, the world's second-largest vaping market. The British Health Agency considers vaping products the best solution for the population to stop smoking cigarettes and convert to lower-risk nicotine substitutes. The agency aims to have a smoke-free society in 2030, with the country's 3,300 vape stores helping in this shift.<sup>5</sup>

The fundamentals of the Swedish market lean towards a vape-friendly environment where serious players benefit from regulations in the market. Data from 2021 shows that 1.3% of the Swedish population uses vapes, one-third of these reporting daily use. The typical user is 16–29 years old.<sup>6</sup> In contrast to the data from the Swedish Public Health Authority (Folkhälsomyndigheten), Norse Vape conducted a survey in 2021 showing its typical vaping customer in Norway being 25–66 years old. Only 6.5% of the customers in the survey were below 25 years old. We think both data sets are beneficial as the younger population is more accustomed to buying goods online, which might drive sales towards Norse Impact's e-commerce channels rather than physical stores. At the same time, consumers above 25 years of age earn more money and are more stable customers regulatory-wise.

There are three major business segments in the vaping market: business-to-consumer(B2C), business-to-business(B2B), and business-to-business-to-consumer(B2B2C).

1. B2C: Traditional vaping shops selling directly to retail through e-commerce and physical stores, offering everything from pods, batteries, tanks, and accessories to e-liquids, nicotine shots, and flavour essences.
2. B2B: Manufacturers with white labels and other bulk products for sale to other businesses. Also, exclusivity agreements from the distributor's side come under B2B.
3. B2B2C: Products sold through third-party retail channels, including e-commerce, convenience stores, vaping shops, grocery stores, and fuel stations.

Norse Impact covers all three segments in its business model, while most competitors focus on only one or two. We estimate the total addressable market (TAM) for vaping products in Sweden and Norway amounted to about SEK875m in 2021. In the UK, the user base is 23 times larger than in Sweden and Norway combined, and we estimate the TAM there at about SEK12.9bn. Technavio expects the vaping segment to grow at a CAGR of 11.2% in 2021–2026e.<sup>7</sup>

### **Snus and tobacco-free oral nicotine pouches**

Norse Impact was mainly a distributor of snus and nicotine pouches through Norse Snus AS until it received an import licence for tobacco in Norway (July 2022), allowing its Norse Premium Snus brand to enter this market soon. As seen in the graph below, the global market for snus and nicotine pouches is expected to grow at a CAGR of 17% in 2020–2025e with nicotine pouches estimated to grow from SEK9bn in sales in 2020 to SEK49bn in 2025e, a CAGR of 41% over the period, and snus to decline at a CAGR of -9% over the same period, from SEK18bn to SEK11bn.

---

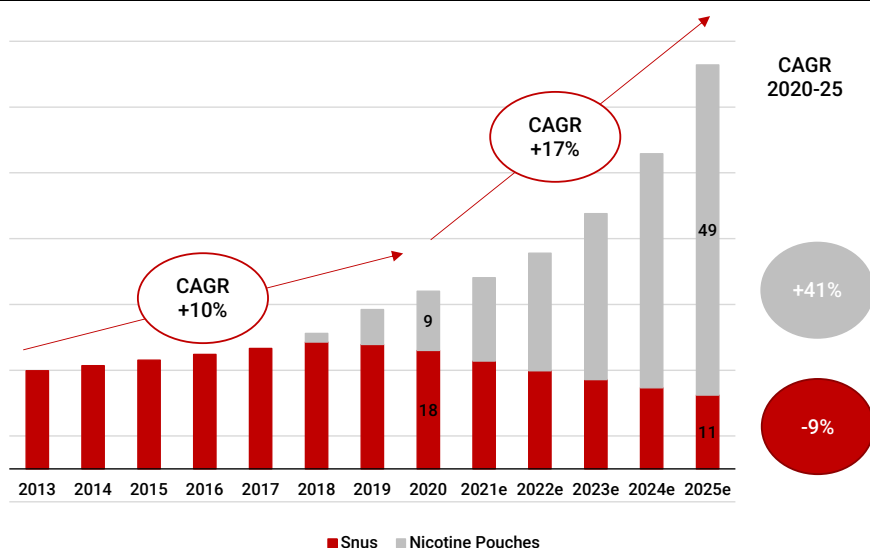
4 Foundation for a smoke-free world, Global trends in nicotine, 2021

5 Gov.uk, Making smoking obsolete: summary, 2022

6 Folkhälsomyndigheten, Vuxnas bruk av tobaks- och nikotinprodukter, 2021

7 Technavio, E-cigarette market by product and geography – forecast and analysis 2022-2026, 2022

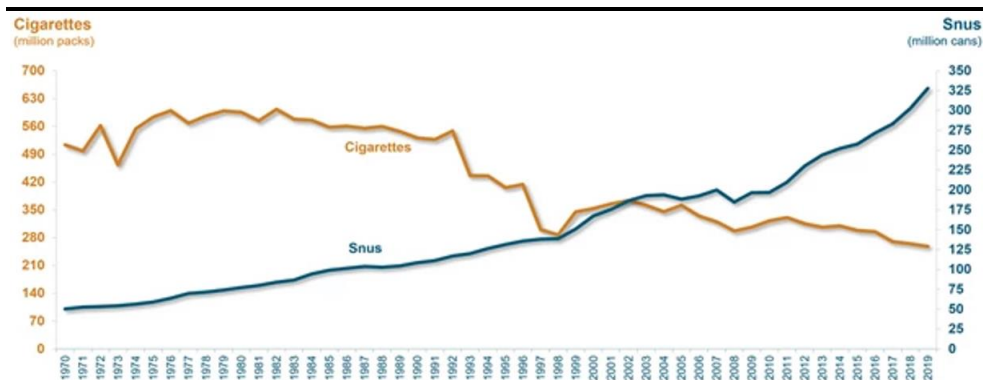
The market for snus and nicotine pouches



Source: Haypp Group, Interim report Q4, 2022

In 2021, nicotine pouches held approximately a 30% share of the market for snus and nicotine pouches, and this shift is likely to continue. Historical data below from Swedish Match shows the volume share of snus and cigarettes in the Swedish market, with snus seeing a positive underlying volume trend since the 1970s, taking considerable share from cigarettes in Sweden (commonly known as “the Swedish experience”).

Volume changes in snus and cigarettes in Sweden



Source: Swedish Match, Investors, 2022

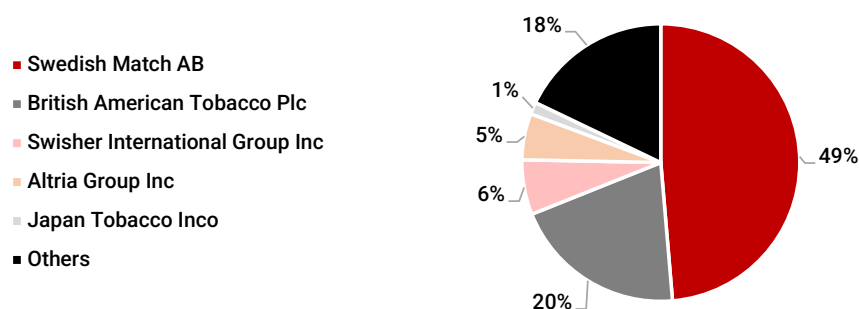
Swedish Match is the global leader in the tobacco-free oral nicotine market. Its dominant market share comes from a long presence as the leading snus company in the world, and it has now diversified its product portfolio into the tobacco-free oral nicotine segment with its Zyn, Volt, Swave, and G.4 products. BAT (Velo), Altria Group (on!), Imperial Brands (Skruf/ZoneX), JT (Nordic Spirit), and Swisher International Group (Rogue) are other manufacturers that have invested in the tobacco-free oral nicotine market. Tobacco-free oral nicotine sales accounted for some 0.1% of total nicotine sales in Europe and around 0.5% in the US in 2020. This is the fastest-growing nicotine product segment, with retail value growth of 105.1% and 133.6% in Europe and the US, respectively, for 2019–2020.<sup>8</sup>

Norse Impact has more prominent competitors in this sector than in the vaping industry, as the Nordic snus and nicotine pouch market is more mature.

<sup>8</sup> Foundation for a smoke-free world, Global trends in nicotine, 2021



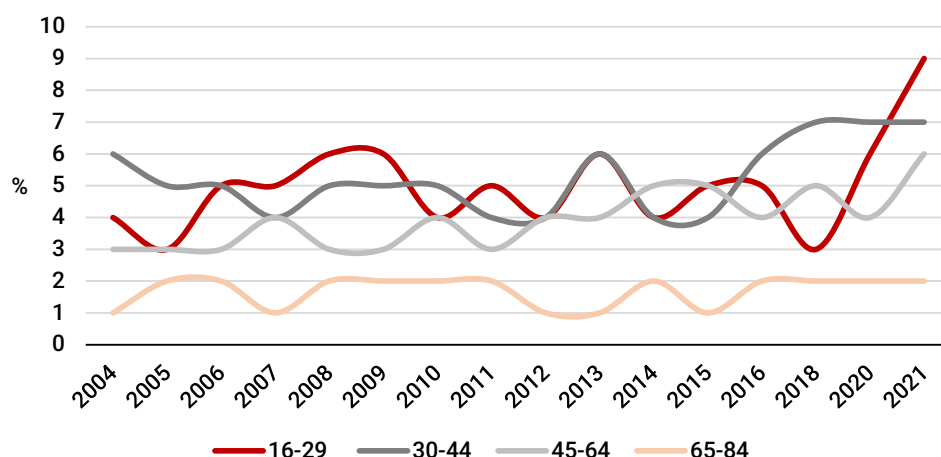
Global company share of tobacco-free oral nicotine, 2020



Source: Foundation for a smoke-free world, Global trends in nicotine, 2021

Sweden is at the forefront of the transition to a smoke-free society. Snus taking market share from cigarettes in the Swedish nicotine market has long generated public health benefits. Data from Sweden’s Public Health Agency, Folkhälsomyndigheten, shows that daily snus usage increases amongst those aged 16–84 years, while the trend is especially powerful among women who have historically had a lower degree of utilisation, as seen in the chart below. The number of women aged 16–29 who stated they use snus every day has increased from 3% in 2018 to 9% in 2021, and this age group is driving the growth.<sup>9</sup> We believe Sweden is a leading example of where the market is heading globally.

Number (%) of women who reported daily snus usage in 2004-2021, by age



Source: Folkhälsomyndigheten, Vuxnas bruk av tobaks- och nikotinprodukter, 2021

Nicotine product sales are consumer staples

Publications posted after the financial crisis in 2008 found the crisis had a weak effect on smoking prevalence, resulting in a net increase in the number of smokers among the employed and unemployed.<sup>10</sup> Even during an economic depression with widespread unemployment, the three largest tobacco firms – PMI, BAT, and JT – increased sales on the previous year by 2.5%, 4.5%, and 10.8%, respectively.<sup>11</sup> As we stand on the verge of another potential recession, we consider the nicotine sector relatively non-cyclical and that increased levels of unemployment could elevate nicotine consumption.

<sup>9</sup> Folkhälsomyndigheten, Vuxnas bruk av tobaks- och nikotinprodukter, 2021

<sup>10</sup> Gallus et al., Effects of the economic crisis on smoking prevalence and number of smokers in the USA, 2015

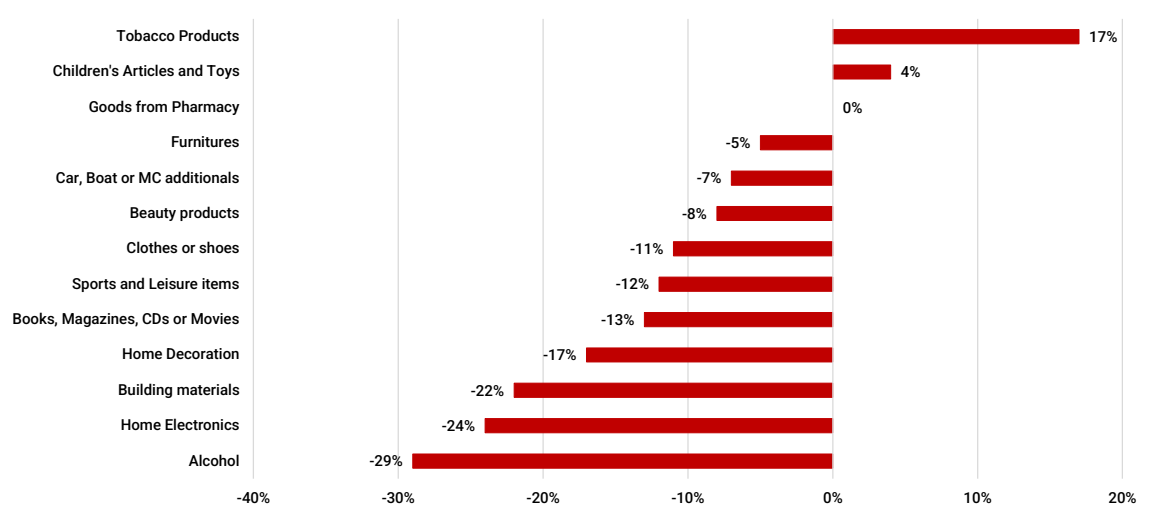
<sup>11</sup> Peisen and Yano, Tobacco companies are booming despite an economic depression, 2009



### E-commerce growth in the nicotine segment

As we can see in the graph below, tobacco e-commerce sales in Sweden, a relatively mature market, increased by 17% during the first half of 2022 compared with the same period in 2021. At the same time, sales in all other segments investigated, except for children's articles and toys, and goods from pharmacy, have seen decreasing sales relative to last year. We believe nicotine addiction creates stickiness during more challenging times but that consumers seek cheaper alternatives to fulfil their needs. The e-commerce segment can strategically compete on lower prices for the same products by offering subscription sales with free shipping. If the transition towards e-commerce is relatively effortless, we believe consumers will buy online rather than offline.

### Turnover growth in domestic e-commerce for Jan–Aug 2022 versus Jan–Aug 2021



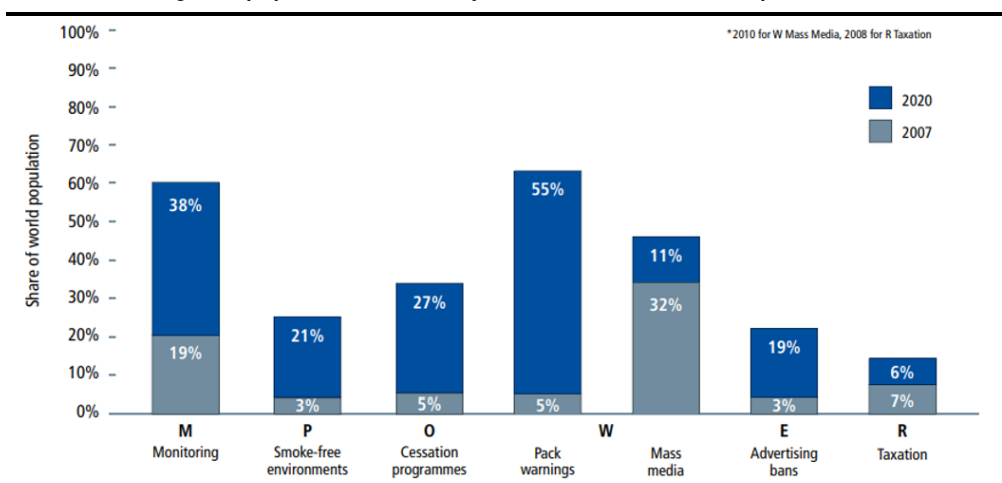
Source: Svensk handel, E-handelsindikatorn Augusti 2022, 2022

### Regulations

Regulations affect Norse Impact's business as governments start to scrutinise new nicotine products. Legislators are striving to reduce the consumption of cigarettes (the most harmful nicotine alternative), but even harm-reduction options are being investigated. The regulations on harm-reduction products come from the usage of nicotine. Nicotine activates the brain's reward system and is highly addictive. The consumption of non-tobacco pouches and vapes has increased globally among those below 18 years of age, drawing legislators' attention. The World Health Organization (WHO) has released some reports addressing new and emerging products in the nicotine segment, pointing out that vaping products are harmful to children and adolescents because of the increased risk of inflammation due to inhaling a substance through the lungs and the impact on the brain owing to early adoption of nicotine usage.

The WHO is driving a framework for tobacco control and has started to do the same for vaping products. In 2020, 32 of 111 countries regulating vaping products had a ban on sales in this segment. The other 79 countries had regulated the market through one or more legislative measures. In total, the regulated market covers 60% of the world's population, with sales to 3.2bn people regulated. Data show low taxation on vaping products in the regulated areas with sales and that more than one-third of governments do not impose any tax on e-liquids. As seen in the chart below, regulations can cover a company's marketing, legal age limit for sales, label requirements, health warnings, ingredients, and packaging forms, to name a few.

**Increase in the global population covered by selected tobacco control policies, 2007–2020**



Source: WHO, WHO report on the global tobacco epidemic, 2021

The framework that the WHO has created is called MPOWER, and it provides guidelines the WHO finds necessary to watch out for when keeping the world’s population healthy. Although, we believe the nicotine market will have different regulations in each country, the diagram below shows what the WHO is pushing for as a standardised regulatory framework.

**The WHO’s framework convention for electronic nicotine delivery systems (ENDS)**

<b>M</b>	Governments are recommended to use their existing tobacco surveillance and monitoring systems to assess developments in ENDS and nicotine use by sex and age.
<b>P</b>	ENDS non-users should be protected from exposure to ENDS emissions. Indoor smoke-free places should never exempt ENDS (or ENNDS or HTPs) from a ban.
<b>O</b>	Evidence on the use of ENDS as a potential tobacco use cessation aid is still under debate and there is insufficient evidence to support their use at the population level, as compared to proven approaches. Countries should also use evidence-based approaches to support ENDS users who want to quit (105).
<b>W</b>	Strong graphic health warnings should be mandated for all ENDS products, in line with overall tobacco control strategies to deter use by young people.
<b>E</b>	Given that the same promotional elements that make ENDS attractive to adult smokers could make them attractive to children and non-smokers, effective banning on ENDS advertising, promotion and sponsorship should be enforced. Further recommendations on the regulation of advertising, promotion and sponsorship of ENDS can be found in FCTC/COP/6/10 Rev.1 (106)
<b>R</b>	ENDS on their own carry health risks. Therefore, taxes should be applied to these products, in line with national standards, to prevent uptake, particularly among children and adolescents (see WHO’s Technical Manual on Tobacco Tax Policy and Administration for more information) (22).

Source: WHO, WHO report on the global tobacco epidemic, 2021

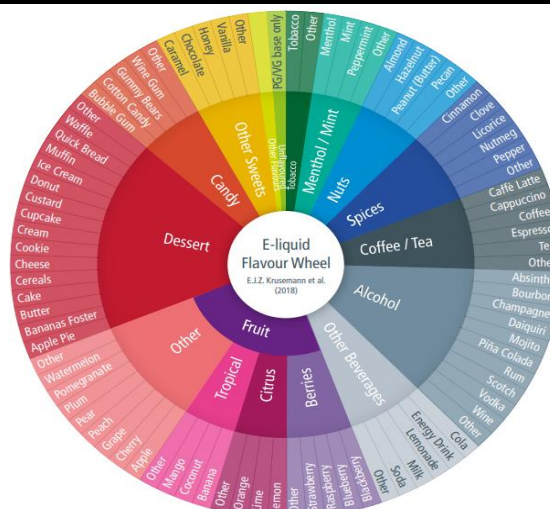
In Europe, oral tobacco regulations are set through the tobacco product directive together with local legislation in the different markets. The UK has a law preventing snus from being sold in stores and online, but it does allow both nicotine pouches and vaping products that meet product-specific regulations. Norway banned the import and sale of tobacco products with no standardised design. Packaging must be a specific colour and the font must be standardised. Norse Impact has a tobacco import licence for Norway. Currently, there is a ban on the sale of nicotine products not containing tobacco. Norse Impact’s tobacco-free products are thus also nicotine-free. If the consumer wants nicotine in Norse Impact’s tobacco-free products in Norway, they must add it themselves. E-liquid products mixed with nicotine salt are called shortfills. However, the nicotine ban in Norway on tobacco-free products is under investigation and will likely change in the coming years. Outside of Norway, markets for nicotine pouches and vapes are less regulated.

In June 2022, the Swedish government voted to not ban vaping flavours. However, this does not seem to be a final resolution. Importantly, the government instead started an investigation into how toxic vapes are to the human body and the impact of flavoured vapes on sales to younger

people. We estimate the follow-up by the government will take time, and is unlikely to affect Norse Impact's current business in the coming five years.

Approximately 16,000 unique flavours are available, and many are appealing to children. The standardised e-liquid flavour wheel below shows examples of tastes that could attract younger people.

**E-liquid flavour wheel**



Source: WHO, WHO report on the global tobacco epidemic, 2021

The Swedish Chemicals Agency (SCA) introduced a requirement on 1 July 2021 that all merchants must be licensed to sell skull-branded disposable vapes (owing to their high nicotine content), pre-filled pod systems, and e-liquids. However, the permit requirement seems to have been somewhat hastily implemented, and SCA will not conduct supervision until after year-end. The requirement applies to all e-liquids with such a high nicotine content that they are labelled with a skull. E-liquids with low to no nicotine can be sold without permission from the county administrative board. The permit requirement applies to all points of sale in Sweden, both e-retailers and physical stores. The permit implementation impacts around 7,000 resellers.

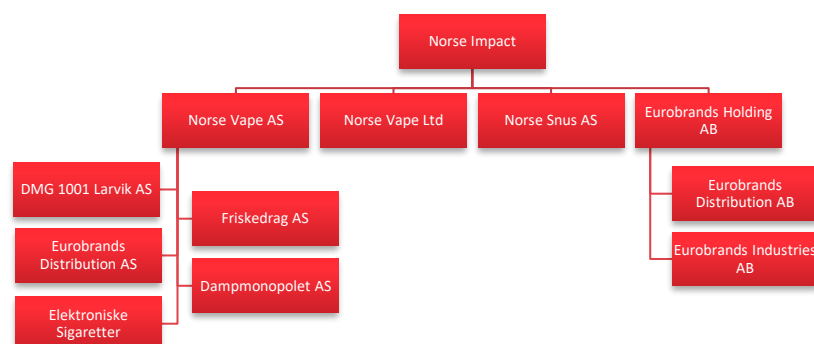
From Norse Impact's perspective, regulations might influence future sales, depending on what stance a country's authorities take on reduced-risk products. We believe intensifying regulations will likely benefit dominant distributors with the scale to handle increasing regulatory requirements.

## Product portfolio

### Company structure

Norse Impact has four subsidiaries – Norse Vape AS, Norse Snus AS, Eurobrands Holding AB, and Norse Vape Ltd – based in Norway, Sweden, and the UK.

### Norse Impact's company structure



Source: Redeye research

### Norse Vape AS

Norse Vape AS is a total distributor of vapes, e-liquid, and accessories in Norway. The company, founded in 2016 in Bergen, Norway, was under the We Care AS entity before changing its name to Norse Vape AS. In Q2 2022, DMG1001 Larvik AS, Eurobrands distribution AS, and Dampmonopolet AS merged into Norse Vape AS for increased scalability synergies between their five domains and 19 physical stores.

### Norse Vape Ltd

Norse Vape Ltd is a UK subsidiary with an agreement with Riot Labs to distribute Norse Premium E-liquid throughout its distribution network of 2,100 physical stores in the UK. The agreement covers an initial rollout in 300 stores. If the response is as expected, the rollout will continue in the remaining 1,800 stores. Norse Premium E-liquid is currently available in 104 of the 300 stores for the initial rollout. In addition to this, Norse Vape Ltd has launched Norse Premium E-liquid on the UK's largest e-commerce platform for vapes, Vape Club. Norse Vape Ltd also owns the e-commerce platform [norsevape.co.uk](http://norsevape.co.uk) and a physical store in Milton Keynes, UK.

### Norse Snus AS

Norse Snus AS is one of 24 companies with an import licence for tobacco in Norway. The licence is essential for the sale and distribution of its own-made Norse Premium Snus. Maxsnus.no, the company's e-commerce platform, has a distribution agreement for more than 60 of Norway's most popular snus brands. Sales increased from NOK3.7m in 2019 to NOK55.8m in 2021, but we estimate this has largely been a pandemic effect, and we have low expectations for this subsidiary going forward.

### Eurobrands Holding AB

In February 2022, Norse Impact acquired Eurobrands holding AB and Eurobrands distribution AS, the leading Nordic distributor of reduced-risk products. Eurobrands had sales of SEK95m for full-year 2021, and its subsidiary Eurobrands distribution AB has reported a sales CAGR of 97% since its foundation in 2013. Around 73% of its sales came from vaping products in 2021, and the remaining 27% from other reduced-risk products. Following the merger, all key staff were

transferred into Norse Impacts' new company structure. Eurobrands has eight e-commerce domains, six physical stores, and sales in 13 convenience stores in the Nordics, the most prominent brand being Cigge Store. Cigge Store entered the vaping market in 2013 and is the leading Nordic e-commerce store in this segment. Eurobrands industries is Eurobrands holdings AB's warehouse keeper.



**Own brands**

Norse Impact sells products such as nicotine pouches, snus, vapes, and e-liquids. It has recently started selling its own branded product Norse Premium E-liquid. Through its sales channels, the company also plans to begin distributing its snus brand, Norse Premium Snus, in Q1 2023.

**Norse Premium Snus**



Source: Norse Impact



Norse Premium E-liquid is a synthetic liquid for refillable vapes. The branding connects Scandinavian flavours, such as Norse Mountain, Norse City, Norse Fjord, and Norse Forest, to create a satisfying experience for the consumer in a heavily competitive vaping market. Norse Premium E-liquid is produced in the UK by Riot Squad at an ISO7xxx-certified factory, but the flavours are developed in Norway. Norse Premium E-liquid contains glycerine, propylene glycol, and flavouring.

**Norse Premium E-Liquid**



Source: Norse Impact

**Exclusivity agreements**

Norse Impact has exclusivity agreements with leading brands in the vaping industry for distribution in Sweden and Norway.

**Exclusivity agreements**



Source: Redeye research



**Riot Labs Ltd:** A UK-based company that can be considered one of the most exciting and quickest-growing vaping companies in the UK and Europe. The company has made a name for itself with its RIOT SQUAD range. Norse Impact has had product exclusivity for both the Norwegian and Swedish markets since December 2021.



**Flavour Warehouse Ltd:** The largest e-liquid manufacturer in the UK and the owner of bestselling brand Vampire Vape. Norse Impact has had exclusivity for the Norwegian and Swedish markets since January 2022.



**Nasty Juice Europe Ltd:** A Malaysian brand active in the European market, with brands such as Nasty Juices, KILO, and Bazooka. Norse Impact has had brand exclusivity since November 2020 for the Norwegian market.



**BO Vaping by J WELL France:** This French brand specialises in pre-filled pod systems and devices. Norse Impact has had exclusivity for the Norwegian market since September 2019.



**IVG (ACME Ltd):** A brand based in Preston, UK. As one of the global market-leading companies, Norse Impact has had brand exclusivity (IVG, Beyond, and Team 120) in the Norwegian market since May 2021.



**Savage Enterprises:** A California-based company, with which Norse Impact has had exclusivity for the RIPE brand in the Norwegian market since June 2019.



**Liberty Flights Ltd:** One of the first and most significant vaping companies in the UK market for years. Norse Impact finalised an exclusivity agreement for the Norwegian market for its XO-liquids and DOT PRO brands in July 2021.



**Charlies Chalk (Dust CUE Packaging):** A LA-born brand that has served the world with fruity and dessert flavours since 2014. Norse Impact has had brand exclusivity in the Norwegian market since February 2020.



**Ultra-Liquid Labs:** A Canadian e-liquid brand for which Norse Impact has had exclusivity in the Norwegian market since early 2019. Ultra-Liquid Labs specialises in high-standard products and is known for its significant variation of fruity flavours.



**OneUp Vapor:** An LA-based company for which Norse Impact has had exclusivity in the Norwegian market since 2018. The company is known for its fruity and sweet flavours that have been available in the Scandinavian market for many years.



**The Yorkshire Vaper TYV Ltd:** A UK multiband company with which Norse Impact has had exclusivity for the FIZZY BUBBLE brand in Norway since June 2019.



**Juice and Power:** A UK company selling e-liquids and disposables. Its best-selling e-liquid product is the Shock (Skittles) flavour.



**Shenzhen SKE Technology:** A professional manufacturer of vapes. Established in 2013, SKE has become one of the premium hardware manufacturers in the field and has the bestselling disposables Crystal Bar and Strip Bar brands, for which Norse Impact has an exclusivity agreement.



## E-commerce platforms

Norse Impact has 12 e-commerce platforms active under the brands:



**Cigge Store** has operated on the market for tobacco-free products since 2006. It started as a manufacturing company of the nicotine-free brand XQS, before spreading into the vaping segment in 2013. In 2018, Cigge Store started distributing tobacco-free nicotine pouches, and today's assortment consists of vape products and nicotine pouches for customers on its four domains (.com, .no, .se, and .fi).



**Eleksig/Elekbig** e-commerce platform has been on the market since August 2013 and sells vape products on its four domains (.com, .no, .se, and .dk)



**Norse Vape.co.uk** is a UK-based e-commerce platform that sells vape products on a .co.uk domain.



**Nordamp.no** is a distributor of vape products in Norway.



**Friskedrag.no** e-commerce platform started in 2013 when the online sales market for vape products was new in Norway. The domain has more than 35,000 customers and is one of Norway's largest distributors of vape products. Norse Vape As bought Friskedrag in December 2020.



**Nettdamp.no** started in 2018 and is an online-only vape store in Norway.



**Elektroniske-sigaretter.no** e-commerce platform opened in 2013 as a sole proprietorship and changed to an AS in 2018. It sells vaping products.



**Maxsnus.no** e-commerce platform offers a wide assortment of snus for distribution to Norwegian customers.

## Physical stores



**NorDamp's** physical stores were previously called iSmokeKing but changed name to NorDamp in August 2020. NorDamp has 19 physical stores across Norway.

**Cigge Store** has six stores in Sweden.



**Norse Vape Ltd** has one store in Milton Keynes, UK.

## Convenience stores and gaming cafes

**Cigge Instore** distributes its assortment through 16 convenience stores and gaming cafes in Sweden. Product placement differs depending on the store/café.



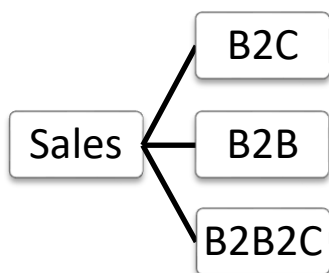
## Warehouses

- 500 sqm at Svinesundsparken 1, Halden, Norway (400 sqm is used as a warehouse and 100 sqm as an office). This warehouse contributes to Norse Impact's wholesale and distribution of vape products, snus, and nicotine pouches for the Norwegian market.
- 1,000 sqm at Hantverkargatan 14, Borlänge, Sweden (600 sqm is used as a warehouse, and 400 sqm as an office). This warehouse contributes to Norse Impact's wholesale and distribution of vape products for the Swedish market.

## Business and acquisition strategy

### Strategy

Norse Impact focuses on B2C, B2B, and B2B2C sales for its vaping and snus segments. The company is growing in all sales channels, and its focus is split depending on the possibilities for margin expansion.



- B2C: The company grows organically in the B2C segment through sales in its physical stores and e-commerce platforms.
- B2B: Growth in the B2B segment comes from an increased portfolio of exclusivity agreements. We believe B2B sales also create opportunities for cross-selling into the B2B2C segment.
- B2B2C: Norse Impact operates through Cigge Instore at convenience stores and gaming cafes in Sweden and Norway, and has third-party sales through Vape Club in the UK. There are possibilities to enter DAGAB's distribution system, reaching companies such as Circle K, OKQ8, and Reitan, which would drive sales in this channel.

Norse Impact's strategy focuses on the premium nicotine segment, where all producers and brands are well-established and manufactured in ISO-certified factories. The company can buy in bulk to attain favourable prices and use cross-sales to more easily introduce its products into new markets. Through exclusivity agreements and a well-functioning distribution network, Norse Impact draws attention to other brands that want to enter its existing markets. The company's strategy over time is to convert the physical customer to online and expand its e-commerce business so that its 12 domains draw most of the company's future sales. The online business has a higher operating margin than its physical stores and increases economies of scale for future growth.

There are low barriers for consumers to use some of Norse Impact's products, as some products need only a short introduction. Personnel in the physical stores assist the consumer and offer guidance, which gives Norse Impact possibilities for product placement of its high-margin products and marketing of its premium brands. For example, marketing of vapes is illegal in Sweden and Norway. We believe one way to reach customers is to talk about the product assortment directly with customers who might have come to buy another nicotine product. The company expects customers to market their stores and products to friends and family through word-of-mouth. We judge that marketing restrictions provide a competitive advantage for incumbents and a considerable barrier to entry for new players in the segment. Its business sales stem 60% from e-commerce and 40% from physical stores for Norse Impact's company combination.

Norse Impact wants to build a product portfolio of own brands and simultaneously sell competitors' brands in its stores. This has proven a successful way to get closer to some of the market leaders for vaping and is a win-win situation for both the supplier and distributor. There are two good examples of agreements that impact the company's sales in a positive direction and show the strength of its business model.

- The three-way agreement with Riot Squad gives Norse Impact access to 2,100 physical stores, all domains, and more than 250 social media influencers. The agreement is an example of a sales channel where the company can distribute its products and simultaneously distribute Riot Labs products in the Nordics – a win-win situation.
- The two-way agreement with Flavour Warehouse Ltd is another example where UK's largest E-liquid producer chose Norse Impact as a partner.



### Acquisition strategy

The company's strategy combines organic growth with opportunistic acquisitions. It has increased its revenues in the past two years through intensive M&A activity to boost its scale and bargaining power towards suppliers and to enter new markets. Norse Impact's target markets are either fragmented (vaping products) or driven by Big Tobacco and e-commerce firms (nicotine pouches and snus). Norse Impact has the edge over smaller competitors in the fragmented vaping market, as its access to the capital markets allows it to use M&A in a broader context.

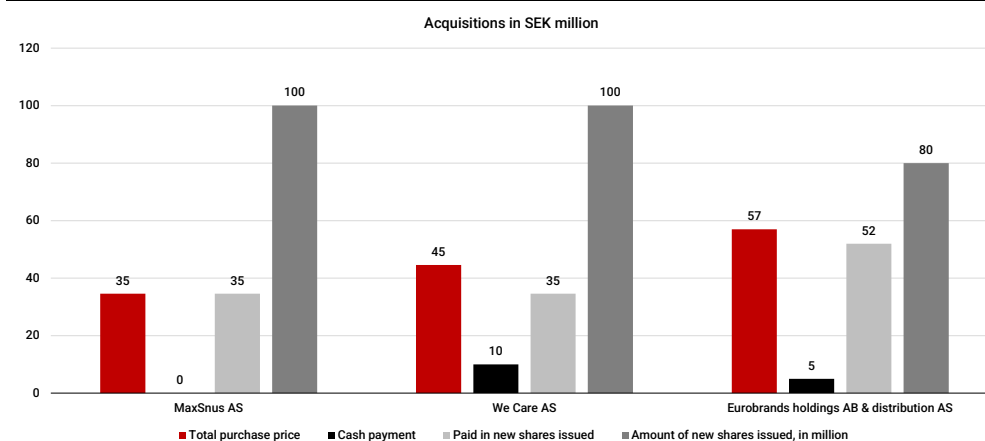
### Previous acquisitions

Norse Impact has acquired six companies since its reverse takeover of Sealwacs in Q2 2021, through which private company MaxSnus (now Norse Snus AS) became a public company. The reverse takeover from MaxSnus was paid for with 100,053,066 new shares issued to MaxSnus shareholders, corresponding to a total purchase price, on a debt and cash-free basis, of about SEK34.6m. Following the merger, MaxSnus shareholders owned 91.55% of Sealwacs.

The acquisition of We Care AS (now Norse Vape AS) in Q3 2021 was partly paid for with 100,053,066 new shares issued to We Care's shareholders and partly with a cash payment of SEK10m through a bridge loan. The total purchase price was SEK44.6m.

The acquisition of Eurobrands holding AB and Eurobrands distribution AS in Q1 2022 was paid for partly with 80 million new shares issued to Eurobrands shareholders and partly with a cash payment of SEK5m. The total purchase price was SEK57m. Eurobrands had around SEK95m in sales, with EBITDA of SEK4.1m for 2021. Of the 80 million shares, 56.8 million are under a lock-up agreement, with 13.4 million of these maturing on 1 September 2022, 12 million on 1 March 2023, and 31.4 million on 1 September 2023.

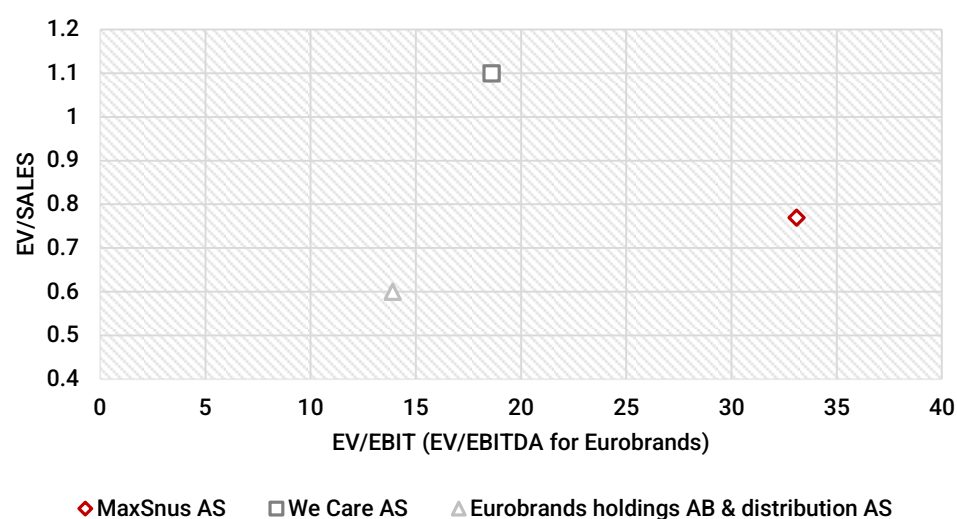
### Acquisitions – MaxSnus, We Care AS, and Eurobrands holding AB / distribution AS



Source: Redeye research

The graph above shows summarised data for Norse Impact's three largest acquisitions, while the chart below shows the purchase multiples for these acquisitions on 2021 sales and profitability.

## M&amp;A multiples



Source: Redeye research

Moreover, the company acquired Norse Vape Ltd, Dampmonopolet AS, and DMG 1001 Larvik AS in Q4 2021. There is limited information about the acquisition of Norse Vape Ltd, but we expect it to have a similar valuation as Dampmonopolet AS and DMG 1001 Larvik AS. Dampmonopolet AS was acquired for NOK1.98m plus current assets/current inventory/saleable receivables, minus liabilities. The issued shares had a lock-up until 1 August 2022. The company had around NOK3m in sales and net profits of NOK0.5m in 2021. DMG 1001 Larvik AS was acquired for NOK2.18m in cash and NOK0.3m in new shares issued to its shareholders, giving a total purchase price of NOK2.48m. The issued shares have a lock-up until 31 December 2022. The company had around NOK4.1m in sales and net profits of NOK0.6m in 2021.

#### Potential acquisition – medical cannabis opportunity

In June 2022, Norse Impact signed a letter of intent (LOI) with GL2 LLC for the acquisition of 51% in a joint venture with a medical cannabis company based in Saint Vincent. GL2 LLC is a producer of medical cannabis and holds one of only four licences for medical cannabis in the entire Schengen Area. GL2 LLC has spent time and money to develop its plot and production and to obtain licences for a large-scale cannabis production site. Marius Arnesen, Norse Impact's CEO, remarked:

*"We have so far aimed to reduce the number of smokers, by offering smokers alternative products and we have been out early. Medical cannabis is a natural continuation of this line, as for a huge number of people it is a far better alternative than the drugs they have traditionally been prescribed. The whole world has seen what has happened in countries like the USA and Canada in recent years, and what a positive effect this has for large numbers of people"*

However, due to the unfavourable structure we do not expect Norse Impact to carry out its current LOI agreement. Instead, we believe management will aim for alternative investment solutions to access the medical cannabis market together with GL2 LLC.

#### Value proposition

Norse Impact creates value by selling reduced-risk products in the UK and the Nordics. Its products have health benefits for consumers wanting to stop smoking. Nicotine is highly addictive, and most users need a substitute to change habit and end their destructive smoking behaviour. Norse Impact's product portfolio decreases the intake of toxic substances relative to smoking and offers the user a similar or better experience. The company reaches customers through its online and in-store product ranges, whereas competitors use only one sales channel.

Norse Impact's margins today might be lower than for e-commerce-only competitors, but the company focuses on creating a brand in a fast-growing market. We believe Norse Impact can deliver through its B2C, B2B, and B2B2C sales channels for the foreseeable future while increasing margins from sales of its Norse Premium E-liquid and Norse Premium Snus brands. The company's cross-selling opportunities and 13 exclusivity agreements create a unique opportunity. We believe Norse Impact's experienced management team has what it takes to steer the company towards success.

### **Competitive advantage**

Norse Impact has a diversification advantage over smaller players by operating in different countries and nicotine segments, reducing its regulatory risk. The business benefits from its scale and unique distribution channels, which have demonstrated above-average growth in the Nordics. Moreover, the fragmented tobacco-free nicotine market has many small-to-medium-sized companies with limited bargaining power towards buyers and suppliers, giving Norse Impact opportunistic acquisition possibilities funded with external capital, accessed thanks to its listing on the Spotlight Stock Market.

We also believe Norse Impact has a competitive advantage through its existing product portfolio in the vaping and snus segments. Its brands are well known, and it has built its e-commerce platforms over several years. Thanks to 13 exclusivity agreements of prominent brands, all distribution of these brands must go through Norse Impact. Exclusivity agreements create a unique selling point for its business and a quality mark showing Norse Impact as a company other suppliers want to work with. There is space for several competitors to grow together in the nicotine universe. Still, customers seem to return to the e-commerce platforms they have used before, implying that the more extensive Norse Impact's customer base, the better. Today, Norse Impact has 250,000 unique customers in its sales channels.

Through recent acquisitions, Norse Impact has not only acquired outstanding companies but has also managed to acquire experienced people in their business segments. We consider this a competitive advantage over less mature companies that might have the money to execute but not the experience. Moreover, building an effective core business with professional management provides the option of a potential buy-out by a more prominent competitor.

### **Snus and nicotine pouches competition**

Norse Impact's competition differs depending on the product segment. A typical competitor in the snus segment can be a giant tobacco conglomerate diversifying its focus into RRP, a large distributor, or a small to medium-sized company fighting for larger market share. The competition differs between physical stores and online sales, but its main competitors in the online snus segment seem to be Haypp Group and Inkclub. Haypp Group estimated its e-commerce market share in 2021 to be around 90% in Sweden and 80% in Norway. It is the leading distribution e-commerce platform in the Nordics for the snus and nicotine pouches segment. Another competitor investing in Sweden is Inkclub, through its e-commerce platform SnusExpress. SnusExpress expects sales of SEK350–400m and EBIT of SEK50–60m for 2022.<sup>12</sup> Other competitors in the online segment for snus and nicotine pouches include Kolonial, Snus 354, Snus2, Swedish Match, and CDON.

---

<sup>12</sup> Breakit, Inkclub-koncernen bygger en snusjätte i det tysta – omsätter över 350 miljoner och lanserar i Sverige, 2022

### Vape competition

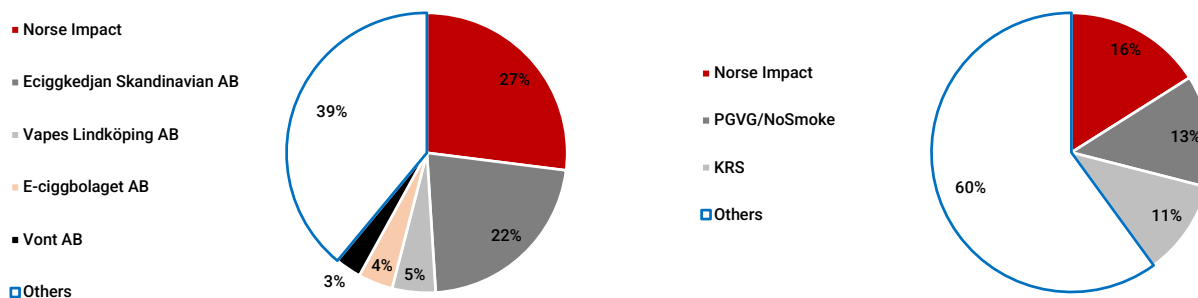
Norse Impact does not experience the same competition in the vaping market. There are two major segments in the Nordic vaping industry where competitors fight for market share:

- Traditional vape shops
- Manufacturers and distributors of disposable vapes

Norse Impact's business covers both elements, and it has the leading brand, Cigge Store, in the traditional vape shops segment in the Nordics. Its estimated market shares for vapes in Sweden and Norway are 27% and 16%, respectively. As seen in the charts below, it has one larger competitor in the Swedish market, Eciggedjan Skandinavien AB, which distributes Frunkbar, Voom, Geek Bar, Pod Salt, and its N-One brand. N-One was the first prominent vape product to sell at fuel stations and convenience stores in Sweden. The company distributes B2C and B2B2C. We will also keep an eye on Vont AB – a rising brand that only manufactures and distributes its own branded products.

Norse Impact has two main competitors in Norway: PGVG/NoSmoke and KRS. Both focus on B2C sales through e-commerce and physical stores around Norway.

### Competitors by market share (Sweden left; Norway right)



Source: Redeye research

As the vaping market is in infancy, we expect more players to enter the more mature the market becomes. However, market-leading brands provide excellent opportunities to grow faster than the market. We believe it matters to sales to have physical stores currently selling vaping products, but the future will require search engine optimisation to drive customers to Norse Impact's websites. It will be essential to create awareness of its e-commerce brand and to provide a complete customer experience with excellent customer support, fast shipping, and an updated assortment. Free shipping appears standard in Sweden for the more prominent snus and nicotine pouch competitors. By contrast, smaller competitors for vaping products do not have the same ability to offer this. We believe Norse Impact aims to be in the same position in the vaping market as Haypp Group is in the snus and nicotine pouches segment: a fast-growing market leader with well-known brands. In contrast to Haypp Group, we believe Norse Impact has better profitability possibilities in the operating business thanks to higher gross margins in the less mature vaping segment.

## Financials

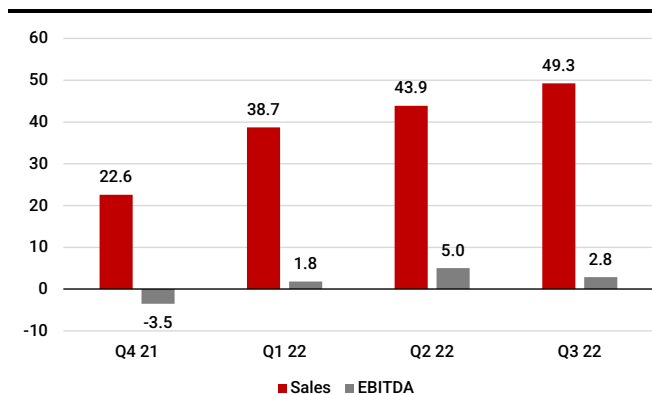
Norse Impact has been listed on Spotlight Stock Market for about a year and has made six acquisitions since its reverse takeover. Due to its limited historical financials, we have focused on numbers from Q3 2021 onwards, giving the best operating history coverage. Our base case forecast does not take any additional M&A into account.

Moreover, we have found some issues in Norse Impact's 2022 quarterly reports. The reports are inconsistent between each quarter's cash flow statement and balance sheet. The problem relates to goodwill amortisation from the acquisition of Eurobrands. We expect Norse Impact to resolve these issues in the coming reports.

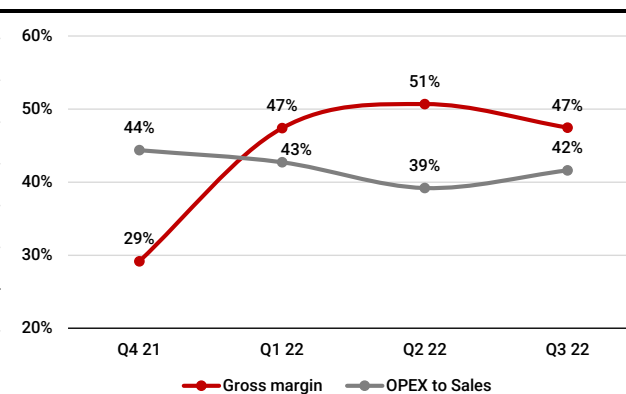
### Historical financials

On a last 12 month (LTM) basis, Norse Impact reported sales of SEK155m, with positive EBITDA of SEK6.1m. As seen in the charts below, sales and EBITDA are developing in a positive direction, mainly thanks to the inclusion of Eurobrands holding AB / distribution AS in the company composition since February 2022, meaning the numbers from Q1 are inconsistent. The company's subsidiaries have mainly reported EBIT margins before being acquired, but as Norse Impact reports under the K3 regulation, EBIT and net income will be affected negatively until write-offs are completed.

Sales and EBITDA in Q4 2021–Q3 2022



Gross margins in Q4 2021–Q3 2022



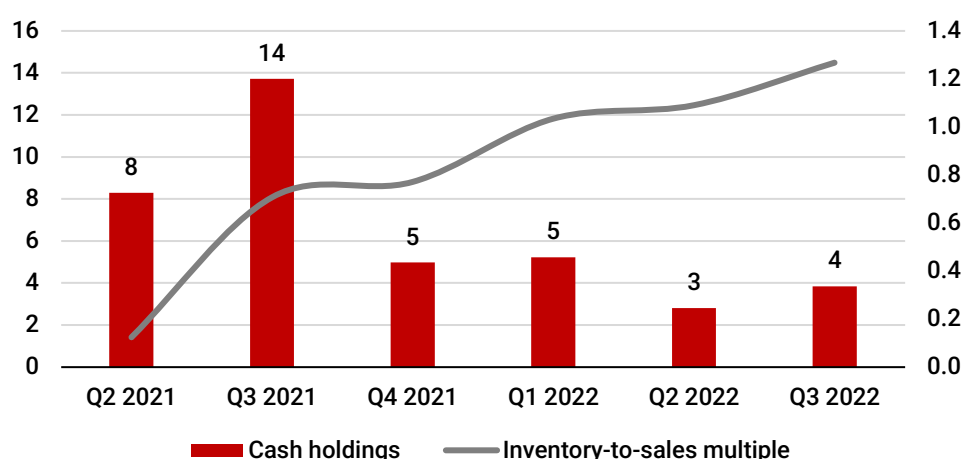
Source: Redeye research

As seen above, historical gross margins have shifted significantly over the past four quarters. Following the acquisitions of Norse Vape UK, Norse Vape AS, Norse Snus AS, and Eurobrands, Norse Impact's gross margin increased from 29% in Q3 2021 to 47% in Q3 2022, driven by extensive sales from the vaping e-commerce segment. OPEX-to-sales has decreased since Q4 2021, owing to streamlining current operational business through synergies between its subsidiaries.

### Capital-intensive business

Investments in Norse Impact's inventory led to a historically high inventory-to-sales level of 1.3x in Q3 2022 – an inventory value of SEK62.4m versus its low cash holdings of SEK3.8m. To put the company's inventory level into context, Haypp Group, an e-commerce competitor in snus and nicotine pouches, had an inventory-to-sales of 0.25x in Q2 2022 and much higher cash holdings relative to sales than Norse Impact. We believe Norse Impact wants to put the pedal to the metal, but we see clear liquidity constraints in its business model. These capital constraints could narrow its growth possibilities.

## Inventory-to-sales multiple and cash holdings



Source: Redeye research

Norse Impact has a quick ratio of 42.7%, implying a limited ability to repay short-term creditors using its total cash. A level below 100% means current debt is not met through current assets when excluding inventory, implying inventory turnover needs to be effective in handling short-term operational constraints with low margins to fail. Moreover, companies with a low quick ratio are less likely to be approved for credit. Norse Impact had an inventory turnover ratio of 1.51x as of Q3 2022 – a healthy level related to its inventory size. Using the less conservative current ratio, which includes inventory, the company's current assets cover its current debt by 163%.

## Recent rights issues and financing of coming acquisitions

Norse Impact has diluted its share five times since 2021, as seen in the table below.

## Recent rights issues

Year	Event	New Shares Issued	Total Shares	Increase of Share Capital	Total Share Capital	Quota Value	Price Per Share
2021	Rights Issue	100,053,066	109,293,876	5,502,919	6,011,163	0.55	0.35
2021	Rights Issue	100,053,066	209,346,942	5,502,919	11,514,082	0.55	0.35
2021	Rights Issue	1,886,793	211,233,735	103,774	11,617,856	0.55	0.53
2021	Rights Issue	2,575,940	213,809,675	141,676	11,759,532	0.55	0.60
2022	Rights Issue*	80,493,820	294,303,495	4,427,468	16,187,000	0.65	0.62

\*Estimated values for the acquisition of Eurobrands holding AB & distribution AS

Source: Redeye research

How the company finances potential acquisitions will likely depend on its valuation. In recent acquisitions, shareholders of the acquired company mainly received new shares issued and a smaller payment in cash. We expect coming acquisitions to be structured similarly, but we also believe management does not want to dilute shareholders more than needed. Therefore, our expectations of new acquisitions consider management and board members' large stakes, and we would be surprised if the company were to dilute its shareholders significantly at the current valuation.

## Redeye sales estimates

Our sales forecasts are built on Norse Impact's two segments: snus and nicotine pouches, and vaping products. Our sales estimates for 2022–2034e are based on a few key assumptions:

- Norse Impact builds the leading distribution network for vapes in the Nordics. Exclusivity agreements and B2B drive sales via the company's sales channels and through B2B2C.
- Constant improvements to the company's product portfolio. Estimated launch of Norse Premium Snus in Q1 2023e and Norse Premium E-liquid disposal in Q2/Q3 2023e.
- Expansion of B2B2C sales through DAGAB's distribution system. Expected inclusion in Q1 2023e with a gradual rollout.
- Limited sales from the snus and nicotine pouches segment. We believe Norse Snus saw a one-off sales boost during the pandemic, so we estimate lower sales in 2022–2034e.
- TAM for vape products in Sweden, Norway, and the UK of SEK35bn for 2034e.

## Forecast Period: 2022-2027e

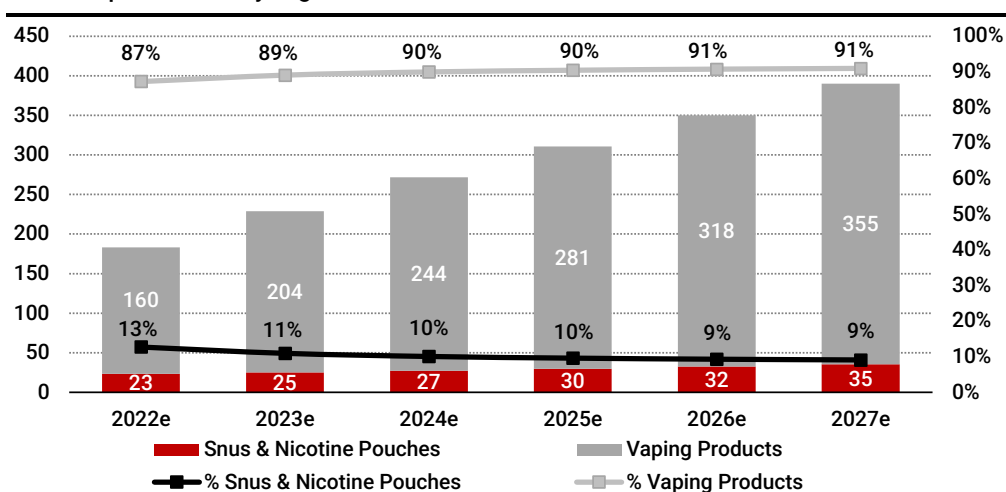
### Sales estimates

In the vaping products segment, we estimate the acquired Eurobrands and Norse Vape AS will be the major contributors for Q4 2022e and 2023e sales. We estimate a vaping segment sales CAGR of around 18%, with sales growing from SEK160m in 2022e to SEK355m in 2027e. We forecast the vaping segment will constitute some 87% of 2022e sales, rising to some 91% in 2027e, as seen in the chart below.

Snus and nicotine pouches segment sales will slowly grow from SEK23m in 2022e to SEK35m in 2027e. We estimate limited sales from this low-margin segment as the market is less fragmented in the Nordics, and Norse Impact's position is weaker. We believe the launch of Norse Premium Snus in Q1 2023e could drive sales, but we prefer to stay conservative in our forecasts. We estimate the segment will constitute some 13% of 2022e sales, dropping to around 9% in 2027e.

In total, we estimate 2022e sales of SEK184.5m for the group. We expect sales to increase to SEK390m in 2027e, representing a sales CAGR of 16.3% for the entire group.

### Norse Impact's sales by segment

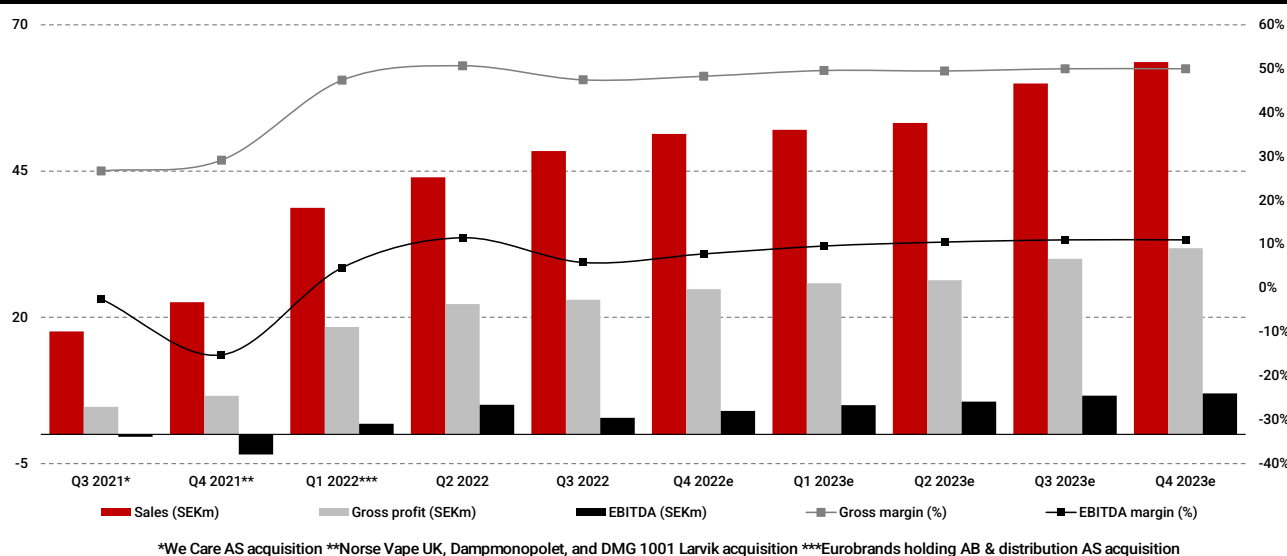


Source: Redeye research

### Gross profits

Recent acquisitions have boosted the gross margin. The best example is Eurobrands, which saw 65% of its sales from e-commerce in 2021. Its inclusion in Norse Impact pushed the latter's gross margin to new highs in Q1 and Q2 2022. We estimate Norse Impact will have a gross margin of 56% in the vaping products segment and 6% in the snus and nicotine pouches segment for 2022e. We expect gross profits of SEK89m for 2022e, with a gross margin of 49%. In our projections, the company's B2C and B2B sales positively drive the gross margin, while its B2B2C sales have a negative impact from current levels.

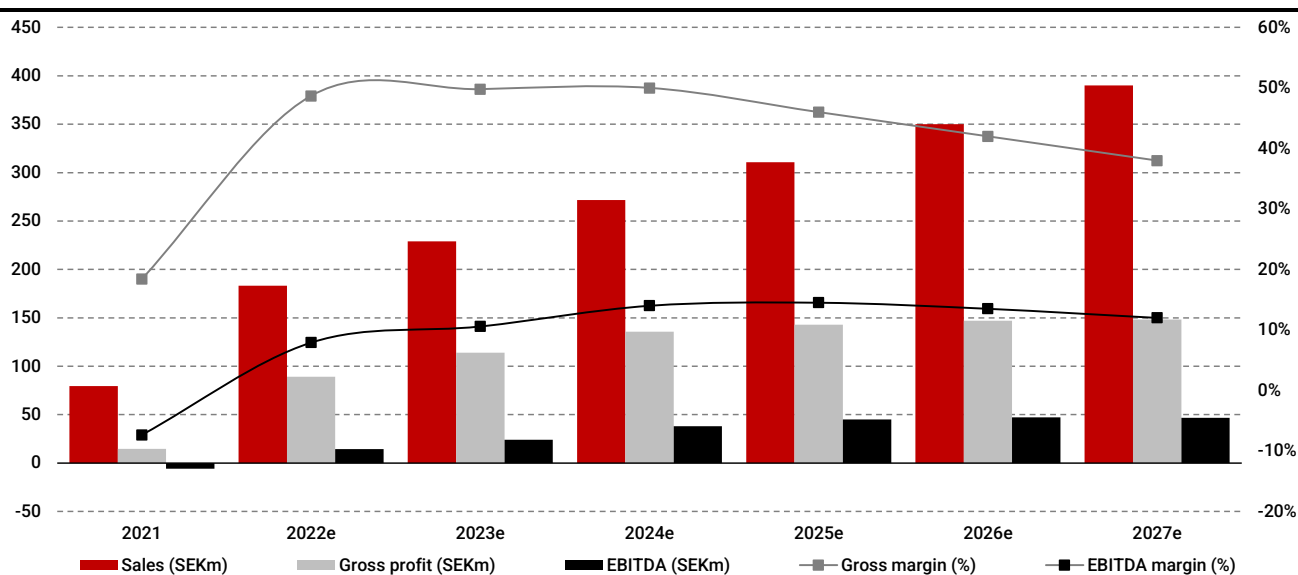
#### Norse Impact: Reported and estimated quarterly sales and profitability



Source: Redeye research

By combining a high-margin vaping segment with a high-margin e-commerce business, we believe Norse Impact's gross margins will remain robust in 2022–2024e. For 2025–2027e, we expect more challenging competition as the vaping segment matures. We expect the gross margin to revert from 49% as of 2022e to 38% in 2027e.

#### Norse Impact: Reported and estimated annual sales and profitability



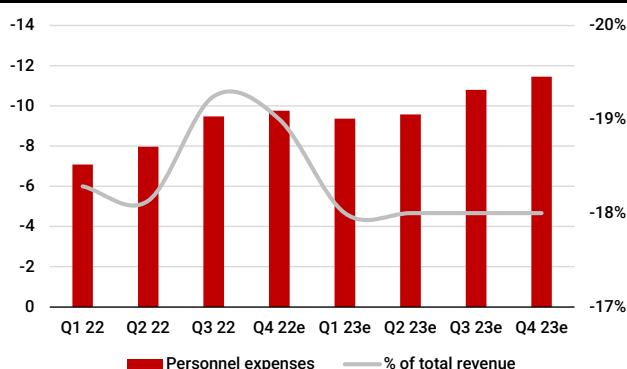
Source: Redeye research



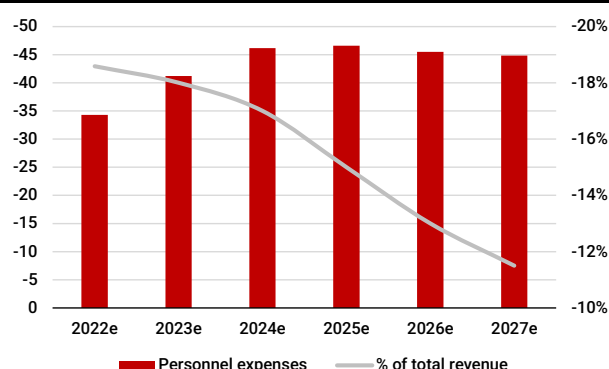
**OPEX**

Norse Impact’s operating expenses primarily comprise personnel and other external expenses. The company currently has 62 employees across its subsidiaries, and we expect the headcount to be stable until 2025e and then slowly decrease due to the company’s shift to e-commerce. We believe Norse Impact has prepared for its coming expansion, and synergies between its subsidiaries will increase operating scalability, with regulatory synergies playing a key role. We estimate that personnel expenses should represent 12% of sales and 44% of OPEX in 2027e, down from today’s 19% and 47%, respectively.

**Quarterly personnel expenses (SEKm)**



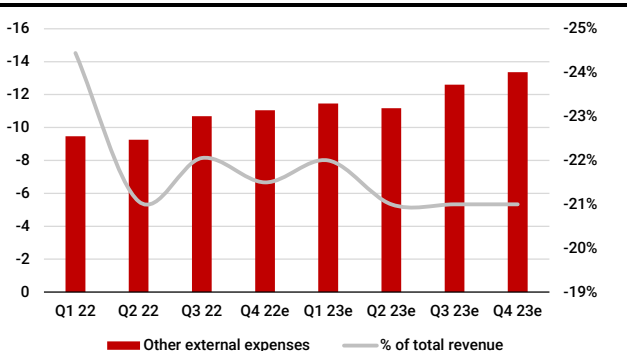
**Annual personnel expenses (SEKm)**



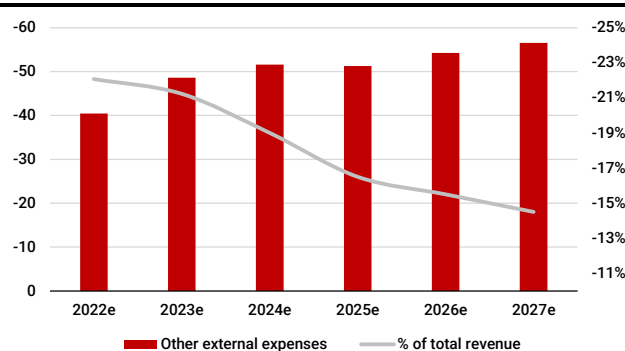
Source: Redeye research

Other operational expenses include property costs, leasing fees, freight-out costs, and group-wide acquisition-related costs. We believe other external expenses correlate with sales and will increase until 2027e. Moreover, we expect some scalability, but we are relatively conservative in our projections.

**Quarterly other external expenses (SEKm)**



**Annual other external expenses (SEKm)**

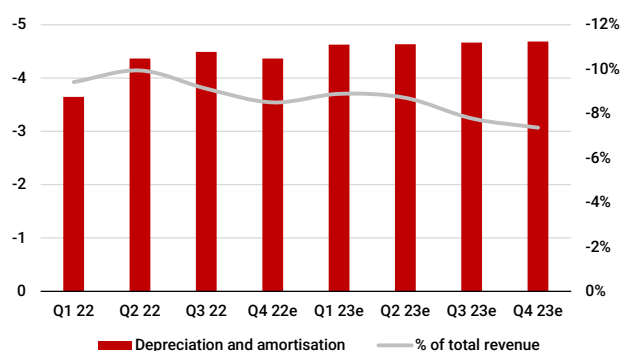


Source: Redeye research

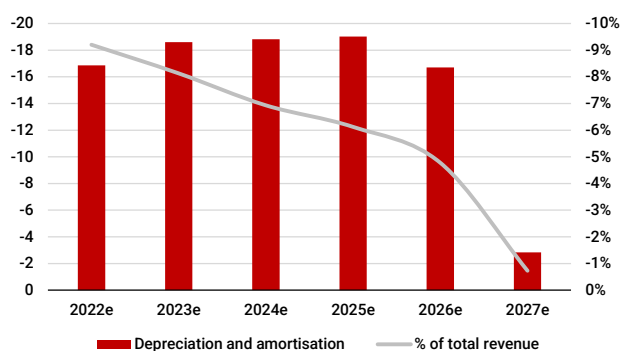
**Depreciation and amortisation**

The company’s depreciation and amortisation primarily relate to goodwill from recent acquisitions, as it reports in accordance with K3. The company amortises its goodwill on a five-year linear basis and had a goodwill level of SEK72.6m in Q3 2022. As we do not expect acquisitions, warehouse expansions, or write-downs in the near term, we believe D&A will be relatively stable until the end of 2023e. Our projections could change if the company signals a willingness to expand through acquisitions in the near term or if constraints start to appear in the warehouse holdings from expanding its sales.

## Quarterly D&amp;A (SEKm)



## Annual D&amp;A (SEKm)

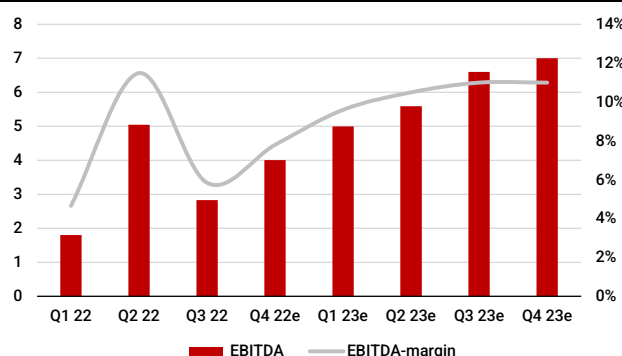


Source: Redeye research

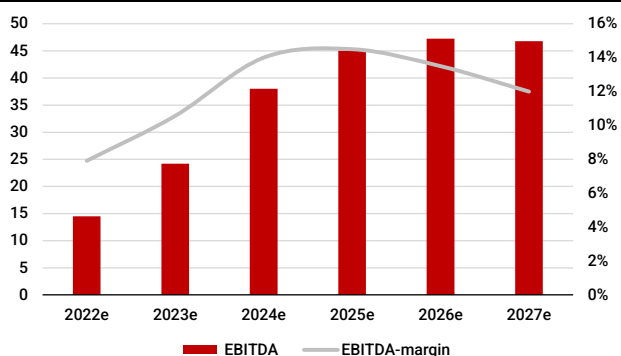
## Profitability

We expect the past four quarters' positive development in operating profit to continue in Q4 2022e. Internal synergies between the company's subsidiaries, together with a more e-commerce-focused business, should pave the way for a new EBITDA high of SEK14.5m in 2022e. We estimate improvements in operational profitability together with highly stable gross margins in the product portfolio, driving the EBITDA margin from 7.9% in 2022e to 14% in 2024e. From 2025e, we take a more conservative view on operating margins, expecting more competitors to enter the vaping market. We forecast the gross margins to fall for the entire sector in the Nordics and the UK, impacting EBITDA in the next lead.

## Quarterly EBITDA (SEKm)



## Annual EBITDA (SEKm)



Source: Redeye research

We need to see the company able to segment its position as the market leader for vaping in Scandinavia and sales of its brands developing in the right direction before we change our view on its operational profitability. If B2C and B2B sales grow above our expectations, our profitability estimates might prove to have been too low.

## Cash position and cash flows

Norse Impact operates a capital-intensive business model, and its cash position has been in the low single digits in recent quarters. The company ended Q3 2022 with cash holdings of SEK3.8m, which we believe means capital constraints in its business model.

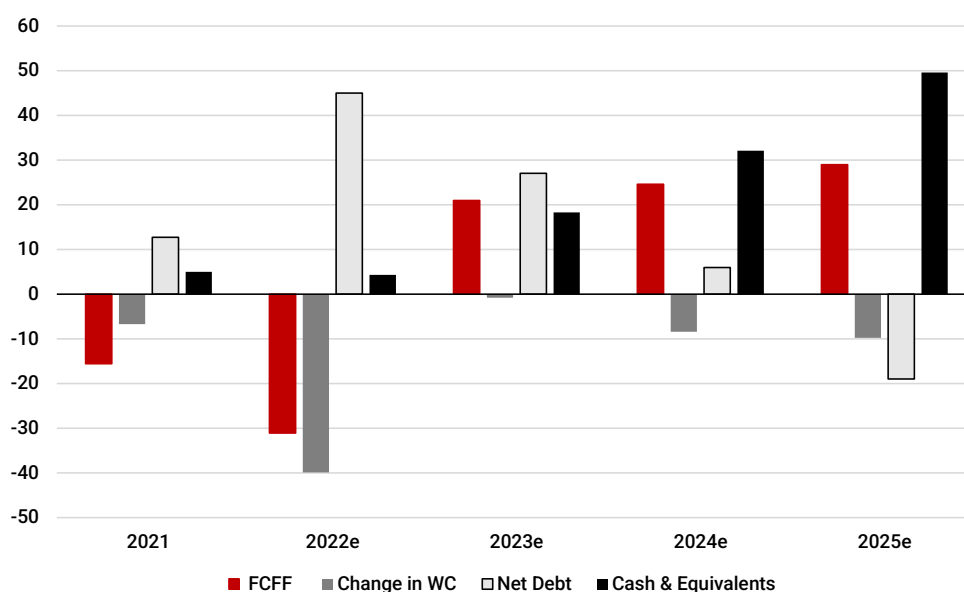
We believe the company has long lead times in its distribution and ties up a lot of capital. As Norse Impact does not own its vaping production, distribution delays could give competitors a chance to take market share. We expect the company to have cash holdings of SEK4.3m in 2022e before operating cash flows increase in 2023e, boosting its cash holdings. We believe Norse Impact has good connections with financing institutions and can ramp up its sales using credit.

We consider this vital. Otherwise, Norse Impact would have to take in additional money through an equity issue.

We estimate free cash flow to firm (FCFF) will ramp up from SEK-26m in 2022e to SEK29m in 2025e. Moreover, we expect the current inventory build-up to continue, resulting in negative working capital. Operating cash flows are hurt by the build-up.

Norse Impact ended Q3 2022 with net debt of SEK45m, but we estimate this will switch to a net cash position in 2025e thanks to the group's highly cash-generative business. We expect Norse Impact to have net debt of SEK-19m in 2025e, equivalent to a net debt/EBITDA ratio of -0.4x.

### Development FCFF, change in working capital and net debt



Source: Redeye research

### Estimates summary for 2022-2027e

Below is our estimated profit and loss statement for 2022-2027e.

#### Redeye estimates for 2022-2027e

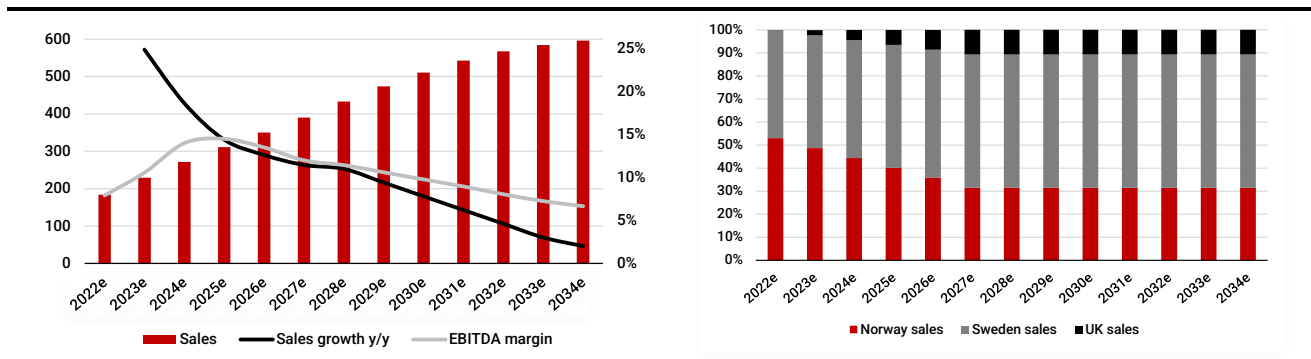
	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022e	2022e	2023e	2024e	2025e	2026e	2027e
<b>Sales</b>	<b>76.9</b>	<b>38.9</b>	<b>44.1</b>	<b>49.3</b>	<b>51.4</b>	<b>184.5</b>	<b>228.9</b>	<b>271.6</b>	<b>310.7</b>	<b>349.9</b>	<b>390.0</b>
Sales Growth q/q	-	65%	162%	175%	170%	130%	24%	19%	14%	13%	11%
COGS	-62.3	-20.6	-21.8	-26.3	-26.6	-95.2	-114.9	-135.8	-167.8	-203.0	-241.8
<b>Gross profit</b>	<b>14.7</b>	<b>18.4</b>	<b>22.3</b>	<b>23.0</b>	<b>24.8</b>	<b>89.2</b>	<b>114.0</b>	<b>135.8</b>	<b>142.9</b>	<b>147.0</b>	<b>148.2</b>
Gross margin	18%	47%	51%	47%	48%	49%	50%	50%	46%	42%	38%
Administration costs	-7.1	-7.1	-8.0	-9.5	-9.8	-34.3	-41.2	-46.2	-46.6	-45.5	-44.9
R&D and other operating costs/income	-13.4	-9.5	-9.3	-10.7	-11.0	-40.5	-48.6	-51.6	-51.3	-54.2	-56.6
<b>Total opex</b>	<b>-20.5</b>	<b>-16.6</b>	<b>-17.2</b>	<b>-20.2</b>	<b>-20.8</b>	<b>-74.7</b>	<b>-89.8</b>	<b>-97.8</b>	<b>-97.9</b>	<b>-99.7</b>	<b>-101.4</b>
<b>EBITDA</b>	<b>-5.8</b>	<b>1.8</b>	<b>5.0</b>	<b>2.8</b>	<b>4.0</b>	<b>14.5</b>	<b>24.2</b>	<b>38.0</b>	<b>45.1</b>	<b>47.2</b>	<b>46.8</b>
EBITDA-margin	-7%	5%	11%	6%	8%	8%	11%	14%	15%	14%	12%
Depreciation and amortisation	-2.7	-3.6	-4.4	-4.5	-4.4	-16.9	-18.6	-18.8	-19.0	-16.7	-4.6
<b>EBIT</b>	<b>-8.5</b>	<b>-1.8</b>	<b>0.7</b>	<b>-1.7</b>	<b>-0.4</b>	<b>-2.4</b>	<b>5.6</b>	<b>19.2</b>	<b>26.0</b>	<b>30.5</b>	<b>42.3</b>
EBIT-margin	-11%	-5%	2%	-3%	-1%	-1%	2%	7%	8%	9%	11%

Source: Redeye research

## Financial estimates for 2022-2034e

At the end of our forecast period, we expect sales to reach SEK596m, assuming a market share of around 20% in Sweden, 17% in Norway, and 0.2% in the UK. Moreover, we assume a long-term EBITDA margin of 6.5%.

### Sales (left) and geographical distribution for 2022-2034e



Source: Redeye research

## Valuation

We base our valuation on our 2022-2034e discounted cash flow (DCF) model, supported by a relative valuation on EV/EBITDA. We do not factor future M&A into our DCF model, instead seeing additional acquisitions as an option to further bolster Norse Impact's healthy organic growth prospects. We use a 14% weighted-average cost of capital (WACC) (based on Redeye's Quality Rating System)

- Base case = SEK0.5 per share (c.63% upside)
- Bull case = SEK0.9 per share (c.194% upside)
- Bear case = SEK 0.1 per share (c.-67% downside)

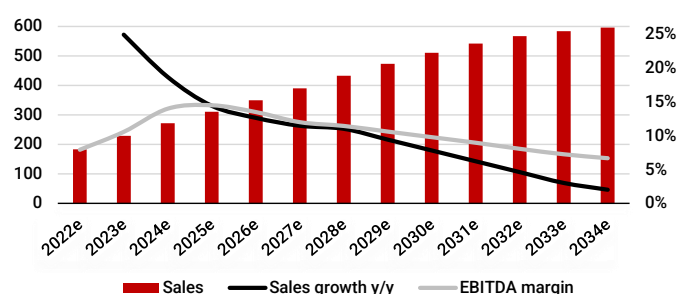
### Base case: SEK0.5 per share

In our base case, we expect that Norse Impact will execute its growth strategy in line with our financial estimates described above section. We estimate Norse Impact to hold a vaping market share of 20% in Sweden, 17% in Norway, and 0.2% in the UK for 2034e.

#### Discounted cash flow model

DCF (SEKm)	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e
<b>Sales</b>	<b>184</b>	<b>229</b>	<b>272</b>	<b>311</b>	<b>350</b>	<b>390</b>	<b>433</b>	<b>474</b>	<b>511</b>	<b>542</b>	<b>567</b>	<b>584</b>	<b>596</b>
Net Operating Profit After Tax (NOPAT)	-2	4	15	21	24	35	38	38	38	37	35	32	31
Non-cash items adjustments	17	19	19	19	17	3	2	2	2	2	1	1	1
Changes in NWC	-40	-1	-8	-10	4	-5	-4	-4	-3	-3	-3	-2	-1
Capex, investments in intangibles	-1	-2	-3	-3	-3	-4	-4	-4	-4	-4	-3	-3	-2
<b>Free cash flow</b>	<b>-26</b>	<b>20</b>	<b>23</b>	<b>27</b>	<b>42</b>	<b>29</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>32</b>	<b>31</b>	<b>29</b>	<b>29</b>
<b>Discounted free cash flow</b>	<b>-26</b>	<b>17</b>	<b>17</b>	<b>18</b>	<b>24</b>	<b>15</b>	<b>14</b>	<b>13</b>	<b>11</b>	<b>10</b>	<b>8</b>	<b>7</b>	<b>6</b>

Valuation summary (SEKm) - Base case			
DCF value 2022-2027	66	WACC	14.0%
DCF value 2028-2034	63	Terminal growth	2.0%
Terminal value	56	Terminal EBIT	6.5%
DCF value	185	Tax rate	20.6%
Net debt	45	Sales CAGR 2022-2027	16.3%
Equity value	140	Sales CAGR 2028-2034	6.2%
Number of shares	294	EBITDA 2022-2027	26.4%
Equity value per share	0.5	EBITDA 2028-2034	-2.3%



Source: Redeye research

#### Sensitivity analysis

The required rate of return varies among investors, and discount rates could change in the future based on where inflation and risk-free rates settle in the long term. Moreover, some 30% of our base case estimate stems from the terminal value and around 70% from cash flows between 2022-2034e. Our valuation is thus sensitive to variations in terminal EBIT margin and terminal growth. We use a sensitivity analysis to illustrate how changes in WACC, terminal EBIT margin, and terminal growth rate affect our base case fair value estimate.

## Redeye base case: Sensitivity analysis

		Weighted Average Cost of Capital (WACC)				
		16%	15%	14%	13%	12%
EBIT margin	0.5%	0.2	0.3	<b>0.3</b>	0.3	0.3
	3.5%	0.3	0.3	<b>0.4</b>	0.4	0.5
	<b>6.5%</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>
	9.5%	0.4	0.5	<b>0.6</b>	0.7	0.8
	12.5%	0.5	0.6	<b>0.7</b>	0.8	0.9
Growth		16%	15%	<b>14%</b>	13%	12%
	1.0%	0.4	0.4	<b>0.5</b>	0.5	0.6
	1.5%	0.4	0.4	<b>0.5</b>	0.5	0.6
	<b>2.0%</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>
	2.5%	0.4	0.4	<b>0.5</b>	0.6	0.6
	3.0%	0.4	0.4	<b>0.5</b>	0.6	0.6

Source: Redeye research

## Redeye base case: Peer valuation

To complement our fundamental analysis, we present a relative valuation of Norse Impact versus what we deem to be its relevant peers. We believe it is interesting to look at three peer groups, vaping, distribution, and Big Tobacco. Depending on the direction in which Norse Impact develops, its valuation could shift. Given Norse Impact's small market capitalisation, its sales and EBITDA CAGRs are higher than the competitors in all three peer groups showing positive numbers.

Based on our forward estimates, Norse Impact is trading at similar multiples to international vaping companies on both EV/sales and EV/EBITDA. We believe Supreme PLC is the closest peer in this segment, a leading manufacturer, supplier and brand owner in the vaping segment. 33% of its sales came from vaping in 2021, with 89% of its total sales originating from the UK. Its vaping segment had a gross margin of 40% in 2021, with sales expected to grow 10% y/y until 2023e. We believe Supreme's vaping segment has an EV/EBITDA valuation closer to 8-9x for 2023e as its group revenue mix is unfavourable. Still, we assume Norse Impact has a reasonable valuation versus Supreme, as we estimate that Supreme has EBITDA margins surpassing 20% for the vaping segment versus Norse Impact's 10.6% for 2023e. Supreme is the successful brand owner of 88vape to consumers

In June 2022, Supreme acquired Liberty Flights Holdings Limited, one of Norse Impact's exclusivity agreement partners.<sup>13</sup> We believe the acquisition provides another reasonable estimate for valuing Norse Impact. Liberty Flights had sales of GBP9m and EBITDA of GBP1.5m in its financial year ending January 31 2022, and an EV/EBITDA range of 5.2–9.8x, as seen in the table below.

## Acquisition of Liberty Flights Holding Limited (GBPm)

The Deal	GBP million	EV/sales	EV/EBITDA
Initial consideration	7.8	0.9x	5.2x
Including deferred consideration	9.8	1.1x	6.5x
Including performance-related earn-out	14.7	1.6x	9.8x
Valuation range	7.8 -14.7	0.9 - 1.6x	5.2 - 9.8x

Source: Redeye research

We argue that Haypp Group is the closest Nordic distribution peer to Norse Impact. Haypp Group is the market leader in the e-commerce distribution of snus and nicotine pouches in the Nordics but generates low gross margins of 12% compared to Norse Impact at 49% for 2022e. In addition, its EBITDA margin is in the low single digits, with no signs of improvements owing to its mature

<sup>13</sup> Capeq, Supreme PLC acquires vape brand Liberty Flights, 2022

Nordic market. Remember, snus and nicotine pouches distribution in the Nordics is a low-margin business with high competition. By contrast, margins for vaping distribution are high, and competitors are fragmented. We believe the regulatory risk is higher for vaping than for snus and nicotine pouches, impacting Norse Impact's market valuation.

We use the Big Tobacco peer group to show the profitability levels this peer group generates when diversifying into vaping. For example, Philip Morris International was founded in 1881, and 141 years later, the company still has a gross margin of 65% and an EBITDA margin of 44%. Big Tobacco will not vanish, and Norse Impact will probably not compete with these players on a higher level. Still, we believe this peer group will acquire heavily in the vaping segment and that Norse Impact might be an exciting vertical in the Nordic market. We also believe this is a good peer group for comparisons if Norse Impact can scale up its producing business, showing what type of multiples expansion is possible.

## Peer Valuation

Vaping	EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EBITDA CAGR	Gross Margin			EBITDA margin			
	EV, SEKm	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	22-24E	22-24E	2022E	2023E	2024E	2022E	2023E	2024E
Turning Point Brands	8,776	2.0	2.0	N/A	8.4	8.2	N/A	10.9	9.4	N/A	N/A	N/A	51%	51%	N/A	24%	24%	N/A
RLX Technology	5,635	0.7	0.8	0.6	3.1	3.3	2.3	3.4	3.5	2.4	7%	16%	42%	40%	42%	23%	25%	27%
Supreme PLC	1,677	1.0	0.9	0.9	7.6	6.1	5.4	9.0	7.1	6.1	10%	19%	34%	34%	N/A	14%	15%	16%
Kaival Brands Innovations Group	465	2.0	0.3	N/A	N/A	N/A	N/A	-2.9	26.8	N/A	N/A	N/A	11%	22%	N/A	N/A	N/A	N/A
Greenlane Holdings	266	0.2	0.1	0.1	-1.0	-2.9	2.3	-0.5	-1.3	6.0	7%	N/A	19%	25%	24%	-15%	-5%	6%
<b>Norse Impact</b>	<b>135</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>9.3</b>	<b>5.6</b>	<b>3.6</b>	<b>-56.3</b>	<b>24.2</b>	<b>9.8</b>	<b>21%</b>	<b>62%</b>	<b>48%</b>	<b>50%</b>	<b>50%</b>	<b>8%</b>	<b>11%</b>	<b>14%</b>
<b>Mean*</b>	<b>3,228</b>	<b>1.2</b>	<b>0.8</b>	<b>0.5</b>	<b>6.4</b>	<b>5.9</b>	<b>3.3</b>	<b>7.7</b>	<b>11.7</b>	<b>4.8</b>	<b>8%</b>	<b>17%</b>	<b>32%</b>	<b>34%</b>	<b>33%</b>	<b>20%</b>	<b>21%</b>	<b>16%</b>
<b>Median*</b>	<b>2,114</b>	<b>1.0</b>	<b>0.8</b>	<b>0.6</b>	<b>7.6</b>	<b>6.1</b>	<b>2.3</b>	<b>9.0</b>	<b>8.3</b>	<b>6.0</b>	<b>7%</b>	<b>17%</b>	<b>34%</b>	<b>34%</b>	<b>33%</b>	<b>23%</b>	<b>24%</b>	<b>16%</b>

Distribution	EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EBITDA CAGR	Gross Margin			EBITDA margin			
	EV, SEKm	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	22-24E	22-24E	2022E	2023E	2024E	2022E	2023E	2024E
Zur Rose Group	6,962	0.4	0.3	0.3	-7.4	-37.7	26.3	-4.7	-9.2	-19.5	16%	N/A	15%	17%	19%	-5%	-1%	1%
Viva Wine Group	4,769	1.2	1.1	1.1	11.2	10.1	8.6	16.2	13.7	11.1	8%	14%	24%	24%	25%	11%	11%	12%
Kitwave Group	2,046	0.3	0.3	0.3	5.6	5.3	5.2	7.8	7.3	7.1	4%	4%	N/A	N/A	N/A	6%	6%	6%
Haypp Group	868	0.3	0.3	0.3	9.7	7.1	5.4	64.7	21.7	7.6	11%	34%	12%	12%	13%	4%	4%	5%
Virgin Wines UK	275	0.3	0.3	0.3	3.5	4.1	3.8	4.1	5.1	4.8	1%	-5%	38%	38%	37%	9%	8%	8%
<b>Norse Impact</b>	<b>135</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>9.3</b>	<b>5.6</b>	<b>3.6</b>	<b>-56.3</b>	<b>24.2</b>	<b>9.8</b>	<b>21%</b>	<b>62%</b>	<b>48%</b>	<b>50%</b>	<b>50%</b>	<b>8%</b>	<b>11%</b>	<b>14%</b>
<b>Mean*</b>	<b>2,984</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>7.5</b>	<b>6.6</b>	<b>9.9</b>	<b>23.2</b>	<b>12.0</b>	<b>7.7</b>	<b>8%</b>	<b>17%</b>	<b>22%</b>	<b>23%</b>	<b>23%</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>
<b>Median*</b>	<b>2,046</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>7.6</b>	<b>6.2</b>	<b>5.4</b>	<b>12.0</b>	<b>10.5</b>	<b>7.4</b>	<b>8%</b>	<b>14%</b>	<b>19%</b>	<b>20%</b>	<b>22%</b>	<b>8%</b>	<b>7%</b>	<b>6%</b>

Big Tobacco	EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EBITDA CAGR	Gross Margin			EBITDA margin			
	EV, SEKm	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	22-24E	22-24E	2022E	2023E	2024E	2022E	2023E	2024E
Philip Morris International	1,793,862	5.5	5.5	5.0	12.4	12.4	11.2	13.3	13.4	12.2	5%	5%	65%	64%	66%	44%	44%	44%
British American Tobacco	1,463,928	4.2	3.9	3.7	8.8	8.1	7.7	9.5	8.7	8.2	6%	7%	N/A	N/A	N/A	47%	48%	48%
Japan Tobacco	386,342	2.0	2.0	1.9	6.5	6.4	6.1	8.3	8.0	7.6	3%	3%	59%	59%	57%	31%	31%	31%
Imperial Brands	373,959	3.4	3.2	3.1	7.7	7.1	6.8	8.2	7.6	7.4	4%	6%	71%	70%	71%	44%	45%	46%
Swedish Match	187,378	8.4	7.6	7.1	19.0	16.5	15.1	20.3	17.6	16.1	9%	12%	66%	66%	67%	44%	46%	47%
Scandinavian Tobacco Group	23,017	1.8	1.8	1.8	6.9	7.0	7.0	8.5	8.8	8.8	0%	0%	50%	49%	49%	26%	25%	26%
<b>Norse Impact</b>	<b>135</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>9.3</b>	<b>5.6</b>	<b>3.6</b>	<b>-56.3</b>	<b>24.2</b>	<b>9.8</b>	<b>21%</b>	<b>62%</b>	<b>48%</b>	<b>50%</b>	<b>50%</b>	<b>8%</b>	<b>11%</b>	<b>14%</b>
<b>Mean*</b>	<b>704,748</b>	<b>4.2</b>	<b>4.0</b>	<b>3.8</b>	<b>10.2</b>	<b>9.6</b>	<b>9.0</b>	<b>11.4</b>	<b>10.7</b>	<b>10.1</b>	<b>4%</b>	<b>5%</b>	<b>62%</b>	<b>62%</b>	<b>62%</b>	<b>40%</b>	<b>40%</b>	<b>40%</b>
<b>Median*</b>	<b>380,150</b>	<b>3.8</b>	<b>3.5</b>	<b>3.4</b>	<b>8.2</b>	<b>7.6</b>	<b>7.3</b>	<b>9.0</b>	<b>8.7</b>	<b>8.5</b>	<b>5%</b>	<b>6%</b>	<b>65%</b>	<b>64%</b>	<b>66%</b>	<b>44%</b>	<b>44%</b>	<b>45%</b>

\*Means/medians exclude Norse Impact, and calculated on positive values only  
Norse Impact multiples, growth, and margin reflect Redeye estimates

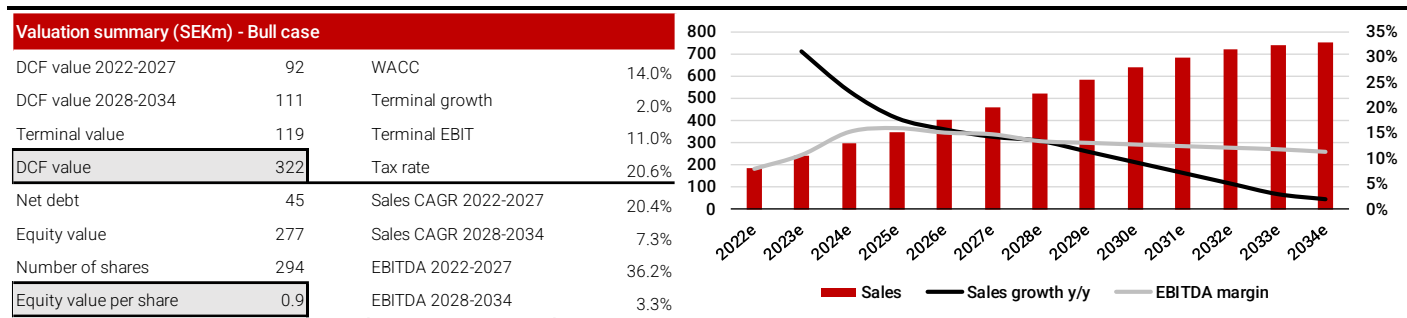
Source: FactSet (retrieved Nov 28, 2020)



## Bull case: SEK0.9 per share

In our bull case, we expect Norse Impact successfully launches its brands in existing markets, improving the profitability margins of its product mix. We also estimate a faster shift to e-commerce sales and improved brand recognition, bolstering profitability margins for the long haul.

### Bull case key assumptions

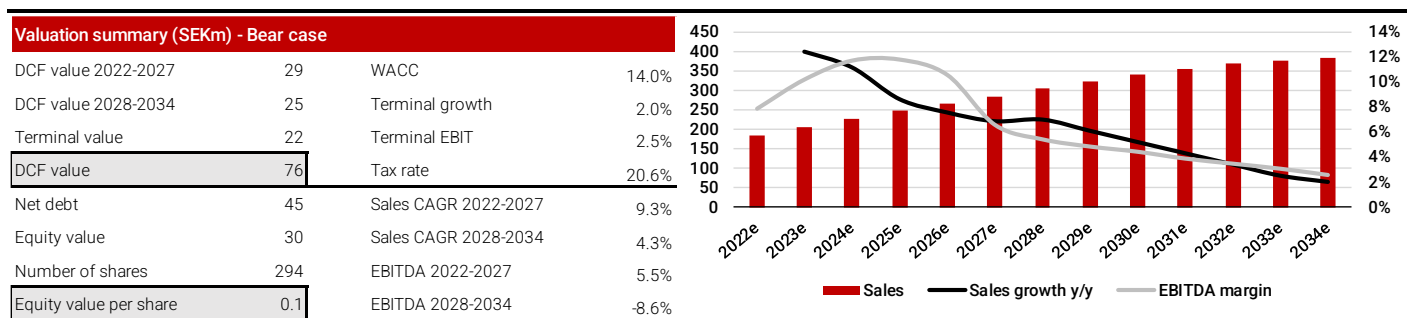


Source: Redeye research

## Bear case: SEK0.1 per share

In our bear case, we anticipate a lower market penetration for vaping in the Nordics and a failed market launch for its brands in existing markets. We also estimate a slower shift to e-commerce sales, leading to an increased share of sales from B2B2C, decreasing the company's profitability.






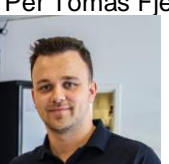


### Bear case key assumptions



Source: Redeye research






## Appendix 1: Management and board of directors

### Norse Impact: Management

Management team	Since	Position	Ownership
 Marius Arnesen	2021	CEO	14,098,559 Shares through Tulmp AS and 8,775,700 Shares through Ulrik Holding AS
 Andreas Eriksson	2021	CFO	15,936,000 Shares
 Simon Johnson	2021	COO	2,425,866 Shares
 Victor Bryn-Jensen	2018	HR manager/Legal and compliance	12,008 Shares
 Isabel Pettersen	2022	Operations Coordinator	87,378 Shares
 Per Tomas Fjell	2016	Business Developer (Norse Vape AS)	17,661,898 Shares
 Linda Norling	2015	Senior Purchase Manager	80,200 Shares
 Sean Johnson	2021	UK Country Manager	0

Source: Norse Impact, Redeye research

## Norse Impact: Board of Directors

Name	Position	Ownership
Claes Fredrik Holmberg	Chair	944,520 shares
	<p>Earlier assignments include several CEO positions at Emotra AB, Biolight AB (2003-2011), and Mediteam AB/Biolin AB (1996-2003). Other assignments include chair of the board at PEXA AB and Emotra, as well as a board member at GOKAP Holding AB, GOKAP Invest AB, and Torpa Industrier AB. Previously also held positions as R&amp;D and vice CEO at Nobel Biocare (1986-1995).</p>	
Arve Egil Håbjørg	Board Member	2,800,000 Shares
	<p>Works as CFO at Unacast. Earlier assignments include CEO and COO at Shortcut AS, CFO at Computas AS, controller at Telenor, and accounting at Arthur Andersen. Other assignments include chair of the board at Jr Norway AS, Jr Norway Sandvika AS, Jr Norway Drammen AS Norotech AS, Håbjørg Invest AS, as well as a board member at Scanco Eiendom AS, Omicron Insight AS, and Scanco AS.</p>	
Erik Elnes	Board Member	14,069,865 Shares
	<p>Private investor since 2010 with more than 20 years of experience as a stock/bond broker. CEO at Nob AS, Norsk Kapital AS, and Oslo Kapitalforvaltning AS. Other assignments include chair of the board at Norsk Kapital AS, Nob AS, and Norwhale AS, as well as a board member at Cover Forsikring AS, Algaetech AS, Alv B AS, Oslo Kapitalforvaltning AS, and Bjorn Farmannsgt. 10 AS.</p>	
Espen Andersen	Board Member	14,166,669 Shares
	<p>Works as CEO at Byggforvaltning AS. Earlier assignments include founder and investor in Skiguard AS. Other assignments include chair of the board at Next Move AS, Byggforvaltning AS, Vaktmesterdrift AS, and Bfv Regnskap AS, as well as a board member at Merkur Eiendom AS, Langbakken 16 AS, Langbakken Holding AS, Omd Holding AS, Total Partner AS, and Gag AS.</p>	
Andreas Eriksson	Board Member	15,936,000 Shares
	<p>Joined as CFO in 2021. Andreas has a BSc in Economics from Dalarna University. Previous assignments include CMO/CFO at Eurobrands Distribution AB and business advisor at Länsförsäkringar in 2008-2020.</p>	

Source: Norse Impact, Redeye research

## Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors rated on a scale of 0 to 5 points. The maximum score for a valuation key is 5 points.

### Rating changes in the report

**People: 3**

Norse Impact has an entrepreneurial management with a track record of shareholder value creation. We believe the inclusion of several entrepreneurs from its subsidiaries, which have performed well historically, can take the company to the next level. The board and management have extensive skin in the game, aligning their interests with the shareholders. We believe Norse Impact's new board and management team must prove itself before raising this score further. We need more data to evaluate recent acquisitions' long-term performance.

**Business: 3**

The company has strong strategic partnerships and has a solid position for the global nicotine megatrend in the Nordics. Even though its business model is capital-intensive and capital allocation is key, the company can use its position and profitability to create economies of scale. Norse Impact's product portfolio will create customer lifetime value if it can develop the business in the right direction.

**Financials: 2**

Redeye's financial rating model is built on historical figures far back in time and requires consistent positive earnings. Norse Impact has only been listed on the stock market since 2021, even though some of its subsidiaries have arguably been active for longer than that. This means a lower rating in the model. We expect to revise this if the coming quarters show decent performances and the cash position improves.

	2021	2022e	2023e	2024e					
<b>INCOME STATEMENT</b>					<b>DCF Valuation Metrics</b>				<b>Sum FCF (SEKm)</b>
Revenues	80	183	229	272	Initial Period (2022–2027)				66
Cost of Revenues	65	94	115	136	Momentum Period (2028–2033)				63
Gross Profit	15	89	114	136	Stable Period (2034–)				56
Operating Expenses	20	75	90	98	Firm Value				185
EBITDA	-6	15	24	38	Net Debt (last quarter)				-45
Depreciation & Amortization	3	17	19	19	Equity Value				231
EBIT	-9	-2	6	19	Fair Value per Share				0.5
Net Financial Items	-2	-4	-2	-2					
EBT	-11	-6	3	17					
Income Tax Expenses	0	0	1	3	<b>CAPITAL STRUCTURE</b>				
Non-Controlling Interest	0	0	0	0	Equity Ratio	0.6	0.5	0.5	0.5
Net Income	-11	-6	2	13	Debt to equity	0.7	0.8	0.7	0.5
					Net Debt	15	54	36	16
					Capital Employed	38	106	108	121
					Working Capital Turnover	6.8	3.6	4.4	4.5
<b>BALANCE SHEET</b>									
<b>Assets</b>					<b>GROWTH</b>				
<b>Current assets</b>					Revenue Growth	N/A	130%	25%	19%
Cash & Equivalents	5	4	18	32	Basic EPS Growth	N/A	-59%	-141%	439%
Inventories	15	66	71	81	Adjusted Basic EPS Growth	N/A	-59%	-141%	439%
Accounts Receivable	2	18	16	19					
Other Current Assets	0	0	0	0	<b>PROFITABILITY</b>				
Total Current Assets	22	89	105	133	ROE	-71%	-11%	3%	15%
					ROCE	-23%	-2%	5%	16%
<b>Non-current assets</b>					ROIC	-40%	-3%	4%	15%
Property, Plant & Equipment, Net	0	1	3	4	EBITDA Margin (%)	-7%	8%	11%	14%
Goodwill	31	68	51	33	EBIT Margin (%)	-11%	-1%	2%	7%
Intangible Assets	0	1	1	1	Net Income Margin (%)	-14%	-3%	1%	5%
Right-of-Use Assets	0	0	0	0					
Shares in Associates	0	0	0	0	<b>VALUATION</b>				
Other Long-Term Assets	0	1	1	1	Basic EPS	-0.1	0.0	0.0	0.0
Total Non-Current Assets	32	71	55	39	Adjusted Basic EPS	-0.1	0.0	0.0	0.0
					P/E	neg	neg	38.5	7.1
Total Assets	53	160	160	171	EV/Revenue	2.6	0.8	0.6	0.4
					EV/EBITDA	neg	10.3	5.4	2.9
					EV/EBIT	neg	neg	23.6	5.8
					P/B	6.2	1.2	1.2	1.0
<b>Liabilities</b>									
<b>Current liabilities</b>					<b>SHAREHOLDER STRUCTURE</b>				<b>CAPITAL % VOTES %</b>
Short-Term Debt	11	21	17	10	Eurobrands AB*				19.9% 19.9%
Short-Term Lease Liabilities	0	0	0	0	Per Tomas Holding AS				6.0% 6.0%
Accounts Payable	2	24	25	30	Espen Andersen				4.8% 4.8%
Other Current Liabilities	3	9	9	10	Mmh AS				4.8% 4.8%
Total Current Liabilities	16	54	52	50	Tulmp AS**				4.8% 4.8%
<b>Non-current liabilities</b>					<b>SHARE INFORMATION</b>				
Long-Term Debt	6	9	9	9	Reuters code				NORSEI.TE
Long-Term Lease Liabilities	0	0	0	0	List				Spotlight Stock Market
Other Long-Term Liabilities	1	19	19	19	Share price				0.31
Total Non-current Liabilities	7	28	28	28	Total shares, million				294.303
Non-Controlling Interest	0	0	0	0	<b>MANAGEMENT &amp; BOARD</b>				
Shareholder's Equity	31	78	80	93	CEO				Marius Arneson
Total Liabilities & Equity	53	160	160	171	CFO				Andreas Eriksson
					Chairman				Claes Holmberg
<b>CASH FLOW</b>					<b>ANALYSTS</b>				
NOPAT	-9	-2	4	15					Redeye AB
Change in Working Capital	-12	-40	-1	-8	Sebastian Andersson				Mäster Samuelsgatan 42, 10tr
Operating Cash Flow	-15	-31	20	24	Christian Binder				111 57 Stockholm
Capital Expenditures	-10	-1	-2	-3					
Investment in Intangible Assets	0	0	0	0					
Investing Cash Flow	-10	-40	-2	-3					
Financing Cash Flow	13	71	-4	-7					
Free Cash Flow	-25	-32	18	21					

## Redeye Rating and Background Definitions

### Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

### People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

### Business

If you do not understand the competitive environment and do not have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

### Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

## Redeye Equity Research team

### Management

**Björn Fahlén**

bjorn.fahlen@redeye.se

**Tomas Otterbeck**

tomas.otterbeck@redeye.se

### Technology Team

**Hjalmar Ahlberg**

hjalmar.ahlberg@redeye.se

**Henrik Alveskog**

henrik.alveskog@redeye.se

**Mattias Ehrenborg**

mattias.ehrenborg@redeye.se

**Alexander Flening**

alexander.flening@redeye.se

**Douglas Forsling**

douglas.forsling@redeye.se

**Forbes Goldman**

forbes.goldman@redeye.se

**Jessica Grunewald**

jessica.grunewald@redeye.se

**Jesper Henriksson**

jesper.henriksson@redeye.se

**Anton Hoof**

anton.hoof@redeye.se

**Rasmus Jacobsson**

rasmus.jacobsson@redeye.se

**Viktor Lindström**

viktor.lindstrom@redeye.se

**Fredrik Nilsson**

fredrik.nilsson@redeye.se

**Mark Siöstedt**

mark.siostedt@redeye.se

**Jacob Svensson**

jacob.svensson@redeye.se

**Niklas Sävås**

niklas.savas@redeye.se

**Oskar Vilhelmsson**

Oskar.vilhelmsson@redeye.se

**Danesh Zare**

danesh.zare@redeye.se

### Editorial

**Joel Karlsson**

joel.karlsson@redeye.se

**Mark Siöstedt**

mark.siostedt@redeye.se

### Life Science Team

**Oscar Bergman**

oscar.bergman@redeye.se

**Christian Binder**

christian.binder@redeye.se

**Filip Einarsson**

filip.einarsson@redeye.se

**Mats Hyttinge**

mats.hyttinge@redeye.se

**Ethel Luvall**

ethel.luvall@redeye.se

**Gustaf Meyer**

gustaf.meyer@redeye.se

**Richard Ramanius**

richard.ramanius@redeye.se

**Kevin Sule**

kevin.sule@redeye.se

**Fredrik Thor**

fredrik.thor@redeye.se

**Johan Unnerus**

johan.unnerus@redeye.se

**Sebastian Andersson**

Sebastian.andersson@redeye.se

## Disclaimer

### Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redev.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

Redeye is licensed to; receive and transmit orders in financial instruments, provide investment advice to clients regarding financial instruments, prepare and disseminate financial analyses/recommendations for trading in financial instruments, execute orders in financial instruments on behalf of clients, place financial instruments without position taking, provide corporate advice and services within mergers and acquisition, provide services in conjunction with the provision of guarantees regarding financial instruments and to operate as a Certified Advisory business (ancillary authorisation).

### Limitation of liability

This document was prepared for information purposes for general distribution and is not intended to be advisory. The information contained in this analysis is based on sources deemed reliable by Redeye. However, Redeye cannot guarantee the accuracy of the information. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Redeye cannot guarantee that forecasts and forward-looking statements will materialise. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Redeye accepts no liability for any loss or damage resulting from the use of this analysis.

### Potential conflict of interest

Redeye's research department is regulated by operational and administrative rules established to avoid conflicts of interest and to ensure the objectivity and independence of its analysts. The following applies:

- For companies that are the subject of Redeye's research analysis, the applicable rules include those established by the Swedish Financial Supervisory Authority pertaining to investment recommendations and the handling of conflicts of interest. Furthermore, Redeye employees are not allowed to trade in financial instruments of the company in question, from the date Redeye publishes its analysis plus one trading day after this date.
- An analyst may not engage in corporate finance transactions without the express approval of management and may not receive any remuneration directly linked to such transactions.
- Redeye may carry out an analysis upon commission or in exchange for payment from the company that is the subject of the analysis, or from an underwriting institution in conjunction with a merger and acquisition (M&A) deal, new share issue or a public listing. Readers of these reports should assume that Redeye may have received or will receive remuneration from the company/companies cited in the report for the performance of financial advisory services. Such remuneration is of a predetermined amount and is not dependent on the content of the analysis.

### Redeye's research coverage

Redeye's research analyses consist of case-based analyses, which imply that the frequency of the analytical reports may vary over time. Unless otherwise expressly stated in the report, the analysis is updated when considered necessary by the research department, for example in the event of significant changes in market conditions or events related to the issuer/the financial instrument.

### Recommendation structure

Redeye does not issue any investment recommendations for fundamental analysis. However, Redeye has developed a proprietary analysis and rating model, Redeye Rating, in which each company is analysed and evaluated. This analysis aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

### Redeye Rating (2022-12-01)

Rating	People	Business	Financials
5p	32	15	4
3p - 4p	157	139	48
0p - 2p	5	40	142
Company N	194	194	194

### Duplication and distribution

This document may not be duplicated, reproduced or copied for purposes other than personal use. The document may not be distributed to physical or legal entities that are citizens of or domiciled in any country in which such distribution is prohibited according to applicable laws or other regulations.

Copyright Redeye AB.

---

### CONFLICT OF INTERESTS

Sebastian Andersson owns shares in the company : No

Christian Binder 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.