Ascelia Pharma

Sector: Specialty Pharma

Time for take-off

Progress towards submission and partner discussions

Ascelia's Q1 result was minor compared to the recent SPARKLE success. Ascelia is preparing for submission by mid-2025, and Ascelia's cost base was contained. Our Base Case is SEK 17 (Bull SEK 45 and Bear SEK 6).

Funded to Q2 2025 and SPARKLE is a strong hand

The Q1 OPEX base was SEK 16.7m, with administrative cost slightly below our expectations (SEK 6.2m vs SEK 8m) and R&D SEK 3m above our expectations. We expect the OPEX base to fade somewhat during 2024. The cash position as of the end of March was SEK 26.2m, ahead of the added SEK 15m in April (where Ascelia used SEK 15m out of the added finance facility of SEK 35m) and Ascelia repeated the cash run rate to Q2 2025.

A US partner strategy

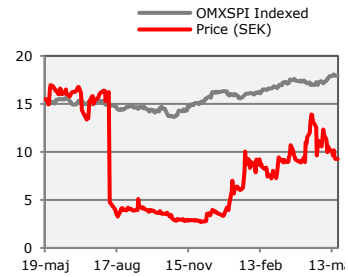
Ascilia continues the work, progressing Orviglance through the regulatory submission and approval process and advancing the essential dialogue with potential commercialization partners. The company also evaluates different means to add growth capital beyond Q2 2025. Ascelia repeats the objective to submit a New Drug Application (NDA) to the FDA by mid-2025. In short, the Q1 is a reminder of the crucial successful progress that Ascelia has accomplished during 2024.

Key Financials (SEKm)	2023	2024E	2025E	2026E	2027E
Net sales	0	0	0	37	97
Revenue growth					165%
EBITDA	-111	-58	-62	-51	40
EBIT	-111	-58	-62	-52	36
EBIT Margin (%)				-143%	37%
Net Income	-109	-53	-57	-55	47
EV/Revenue				15,8	5,5
EV/EBITDA	neg	neg	neg	neg	13,3
EV/EBIT	neg	neg	neg	neg	15,0

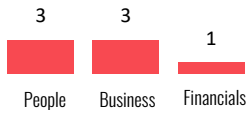
FAIR VALUE RANGE

BEAR	BASE	BULL
6	17	45

ACE-SE VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	ACE-SE
Market	Small Cap
Share Price (SEK)	9,3
Market Cap (SEKm)	324
Net Debt (SEKm)	-26,2
Free Float (%)	74
Avg. daily volume ('000)	288

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Investment thesis

Case: SPARKLE is ready for take-off

Ascelia's Orviglance can address the core market by providing a non-gadolinium diagnostic drug (contrast agent) for MRI scans of the liver for patients with inferior kidney function (like CKD stages 4 and 5 or eGFR >30). These patients cannot dispose of the gadolinium gadolinium-based contrast agents naturally. Some patients must secure images regularly to control the risk of suspected focal liver lesions (liver metastases). An improved Orviglance will likely achieve a US premium price in this core market. Our base case is USD 2,000 per dose, which seems less conservative now after the unexpected issue of the Independent reader assessment. Our LOA is 92.5% (66,7% before the SPARKLE result), reflecting the positive primary endpoint results from 2 May 2024. With the current cash position and the savings program, Ascelia has a financial run rate to Q2 2025.

Our base case is based on Ascelia securing a commercial partner for the US market. We use a royalty rate of 25%, which is modest at this late stage, and the royalty rate could be slightly less, especially in a scenario where Ascelia is interested in an early upfront milestone payment (as a proportion of the deal value). At this stage, our base case includes that Ascelia extends the existing arrangement with Formula by adding SEK 15m in loan (to the existing SEK 5m loan and SEK 15m in convertibles) after the SPARKLE result in May 2024. We have also included a SEK 50m equity-based financing in 2025, allowing Ascelia to negotiate and prepare to activate or put the Oncoral Phase 2 program in a separate entity (our take). If Ascelia secures an Orviglance US partner with a substantial upfront milestone, this additional funding might not be necessary.

The company is now in an excellent position to secure a commercial partner in the MRI contrast agent market featuring at least some 6-9 suitable companies, and this is likely to include milestones either upon signing or when securing US approval in 2026. A signed US partner will reduce the WACC, reduce the risk of equity dilution, and increase the launch support, and as a result, this is the critical trigger for Ascelia over the next 12 months, in our view.

Evidence: Scientific support

Ascelia has secured support from nine studies and some 286 patients. The SPARKLE study also includes patients with suspected liver lesions (liver metastases), which is important because it corresponds to a larger market and the clinical rationale for using MRI for this patient group. Orviglance is an orphan candidate supported by clinical evidence. Specialists have expressed a high intention to treat them if and when approved. The requirement to re-evaluate SPARKLE leaves a question mark, and even if we expect Ascelia to take active measures to reduce the risk of a repeat intra-reader failure, this risk is higher than zero. At this stage, our LOA is 92.5% (66,7% before the SPARKLE result).

Challenge I: Establish a commercial partner and clinical user base in the US

Ascelia's original direct marketing strategy alternative (still one of several alternatives in the event of a positive readout) involves some 40 FTEs in the US commercial team, addressing around 400 clinics and hospitals caring for approximately 75% of the target patient group. Ascelia has opened up for signing a commercial partner for the US market, which is also our Base Case scenario. Considering Orviglance's late-stage status, we use a relatively modest royalty rate of 25%. The SPARKLE results were a success and Ascelia is in a much improved position to secure a partner for the US market. Ascelia may also be able to secure an upfront milestone payment and a slightly reduced royalty rate. A sizable upfront payment would also reduce the need for equity-based funding in 2025 (our base case features a SEK 100m equity-based funding with a corresponding equity dilution).

Our view is that the core part of the market has a strong rationale for using an approved Orviglance. The extended market opportunity will likely require a longer launch period. A successful initial launch typically requires diligent pre-launch preparations and early involvement with specialists, KOL and future payers; this is also why our Base Case is the partnership alternative, as a resourceful commercial partner can fast-forward the launch process whilst Ascialia is now focusing entirely on completing the last stage of SPARKLE and the re-reading process.

Challenge II: Limited financial resources

Ascelia has limited financial resources to support the growth and the launch strategy. The SEK 26,2m in cash as of Q1 2024 is sufficient into Q2 2025 when adding the extended SEK 35m funding with Formuae (the initial stage is SEK 15m in convertibles priced at SEK 10.5, and SEK 5m in loan carrying interest rate of STIBOR +10% pa.

This positive headline result for SPARKLE could open for funding based on more favourable terms and the opportunity to secure a licensing deal for Orviglance both on the US market and for the RoW. In our base case, we have included SEK 75m funding based on a share issue within 15 months from now. The level of dilution will depend on both the re-readout result, the launch strategy, and the contract terms with a potential US partner.

Valuation: Fair value of SEK 17 (SEK 17) per share

Our DCF-based Base Case fair value estimate for Ascelia is SEK 17 (17) per share (WACC: 14.5%; valuation range: SEK 7-45 per share). We estimate the Ascelia share can reach our Base Case in the coming 12–24 months with support from the headline SPARKLE results, signing a US partner, the FDA submission, and the approaching US launch in 2026. If Ascelia can secure a strong US partner on good terms with support from the positive SPARKLE result, our base case can be reached within 12 months.

Counter-thesis

A negative re-evaluation scenario

The intra-reader inconsistency was a significant negative surprise. According to Acselia, we expect a new review and a result by May 2024. Ascelia has taken more direct control over the preparation and support process.

It is impossible to exclude a more pessimistic scenario, including a requirement to add more patients, a larger group of readers, and a higher proportion of re-evaluated images. The risk is not zero risk that this issue would resurface. Such a scenario would, of course, take longer and require more financial resources.

Ascelia has implemented a severe cost-cutting program securing a financial OPEX run-way stretching 12m beyond the initial re-readout in May 2024.

Premium price

Ascelia pointed to a likely price interval of USD 3,000-4,500, a distinct premium to the present gadolinium contrast agents. The most severe risk when the heavy metal gadolinium stays in the body (and brain) for an extended period (in patients with more regular kidney function, the gadolinium is washed out rapidly) is an elevated risk of nephrogenic systemic fibrosis. Some professionals may view that the risk is sufficiently low for some patients and that the risk can be controlled by other measures (lower dose, different imaging protocol, etc.). The price could be excessive in some channels, regions, or countries. We use a USD 2,000 price level for the US market in our base case. We have used this price to assess Orviglance's future 25% royalty rates from the US market. Our premium price are based on the orphan drug designation and our presumption that the core market is patients with severely impaired Kidney function.

Penetration rate and take-up rate

The future penetration rate is probably related to different segments of the future market. We believe the core market with diagnosed primary liver cancer and severe kidney impairment will likely be penetrated fast. These patients are regularly monitored based on MRI for the risk of suspected liver lesions (metastases). Several other (primary) cancer types are also more prone to developing liver lesions. Some of these patients will suffer from severe kidney impairments, which is natural since the risk of cancer and kidney impairments is strongly related to age. The number of suspected lesions in this extended group and the intervals for a regular check-up (including MRI imaging) are more challenging to assess in this enlarged market. It is also possible that a more extensive market penetration will require more real-life evidence, experience, updated guidelines, and a more modest price. Today, many parents will be restrained from more regular MRI-based screening to reduce the risk of gadolinium-based contrast agents in these patient groups.

The existing and future competition

So far, Ascelia and the Orviglance remain the most advanced non-gadolinium contrast agent candidates. Reveal's (RVP-001) Phase 1 candidate, which is about to enter Phase 2, is another potential future alternative. If Reveal's candidate progresses further, the price dynamics could also change, as RVP-001 is a general-purpose candidate. Once approved, the price point could be well below Orviglance's intended price level. The main point is that Orviglance has a distinctive market lead. We also note that innovative candidates like Ultrasmall superparamagnetic iron oxide nanoparticles (uSPIOs) based GBCA free agents could approach the market.

Expected News flow and catalysts

Remaining risk

In our view, the time to secure a commercial partner is both a significant opportunity. Another relevant aspect is the additional SPARKLE results relating to secondary endpoints and the level of the margins, over and above the minimal level of variability SPARKLE achieved.

SPARKLE and the positive re-readout result

Ascelia's leading SPARKLE delivered positive results for the primary endpoint of superiority in visualisation of focal liver lesions with Orviglance (CMRI) vs unenhanced MRI with statistical significance for all three readers (<0.001) in the trial, including an acceptable level of reader variability. This 85-patient study was fully Orviglance is a non-gadolinium diagnostic drug (contrast agent) to be used in MRI scans of the liver for patients with inferior kidney function (like CKD stages 4 and 5, eGFR <30), and these patients had a corresponding inability to dispose of the gadolinium-based contrast agents naturally. Results from earlier studies have been strong, and we earlier increased our LOA to 92.5% following the positive top-line results. The SPARKLE study also includes patients with suspected focal liver lesions (liver metastases).

US submission

The total SPARKLE result and the analysis will result in a Clinical Protocol, most likely by late 2024 or early 2025. The next stage is progressing into a formal submission, which we expect by mid-2025. This corresponds with Ascelia's current cash run rate.

Access to growth capital

Ascelia has limited financial resources to support the growth and the launch strategy. The SEK 26.2m (before adding the SEK 20m to 35m from the funding with Formuae) in cash as of the end of Q4 2023 is sufficient for Q2 2025. A positive headline result for SPARKLE could open for funding based on more favourable terms and the opportunity to secure a licensing deal for Orviglance outside the US market. In our base case, we continue to include SEK 75m funding based on a share issue within 12 months. Future funding requirements could be reduced if Ascelia secures international partners for the launch outside the US.

Financials and our revision

Our P&L base case to 2027E and our revision

Our annual base case to 2027E is illustrated in the table below. Our base case has zero sales for 2024E, including a US launch late in 2026E. Ascelia's Q4 delivered an OPEX of SEK 17m, and we expect this to fade somewhat during 2024 towards a low point by the end of the year.

The 2026E and 2027E sales levels depend on when Ascelia will secure a complete submission and how fast the FDA can decide on the approval. This process could take six to twelve months for an orphan drug (without fast track or priority review). We expect Ascelia to progress with a minimal OPEX level ahead of the reviewed headline SPARKLE result and ahead of securing additional growth capital. As a result, we expect Ascelia or as in our base case, Ascelia's US partner, to progress into a more intense launch preparation stage in 2026.

Our revised estimates reflect an LOA of 92.5% (we increased this earlier from 66,7%). Our base case includes 25% royalties from a future US Orviglance partner, a relatively high royalty rate reflecting the late stage of Orviglance. If Ascelia and future partners agree to include higher upfront milestone payments, the royalty rates could range below 25%.

Ascelia: Yearly estimates to 2027E

Ascelia: Estimate (MSEK)									
(SEKm)	2023	2024Q1	2024Q2	2024Q3	2024Q4	2024	2025	2026	2027
Net sales	0	0	0	0	0	0	0	37	97
Gross Profit	0	0	0	0	0	0	0	135	92
EBITDA	-111	-17	-13	-13	-15	-58	-62	49	40
EBIT	-111	-17	-13	-13	-15	-58	-62	48	36
Adjusted Diluted EPS	-3,2	-0,5	-0,4	-0,4	-0,4	-1,6	-1,4	1,4	0,9
Cash & Equivalents	22	27	40	27	10	10	72	131	176
Growth (%)									-29%
Gross margin								369%	95%
EBITDA margin (%)								133%	42%
EBIT margin (%)								130%	37%
Net income margin (%)								180%	48%

Source: Redeye Research

As the launch is advancing during 2026E and 2027E, our base case reflects that Ascelia has an opportunity to secure early support in the core market. In 2027E, our SEK 97m in mostly royalty-related sales are based on a US Orviglance price of USD 2,000. The average patient has two images per year in this core market.

As the launch progresses, we expect support from patients with suspected lesions with MRI imaging based on an average frequency below twice yearly. Depending on the future competitive landscape, this support will probably require more clinical experience, possibly a change in guidelines and a reduced average price. Only in the US are some 45m MRI images processed per year, and both the cancer prevalence and the CKD (stage 3b, 4 and 5) are related to age. Our view is that the extended patient group is likely to be significantly higher than the initial target of 50,000 patients treated on average twice yearly.

Following the imaging review issue, the future price level could be affected, and we suspect that the FDA could ask for a higher proportion of intra-variability reviews (that each reader will be required to assess the same image twice) to secure the robustness of the result. The future price, if approved, could range between our Base Case (USD 2,000) and Ascelia's objective (USD 3,000-4,500). A higher premium price is now a more realistic probability in the initial core market as a result of the strong SPARKLE readout.

Valuation

We base our valuation on discounted cash flow (DCF) analysis. Our fair Base case does not include support from future M&A. We use a 14.5% weighted average cost of capital (WACC, based on Redeye's Quality Rating System) to discount Ascelia's projected future cash flows. We use a case-based approach, with what we judge as a fair Base Case, an optimistic Bull Case, and a pessimistic Bear Case. Our Base Case, fair value estimate, amounts to SEK 17 per share, while our valuation range equals SEK 7-45 per share. We believe the Company's share could reach our Base Case of SEK 17 (17) within 12 to 24 months.

Base Case: SEK 17 (17) per share

Our Base Case reflects an LOA of 92.5% and that Orviglance will secure approximately 50% of the US target market (in reality, less than 50% as we expect support also from outside the core target market). Our base case also includes a US price point of USD 2,000, which is modest compared with Ascelia's target of USD 3,500-4,500. Our view is that an approved Orviglance has a strong case in the core market where there is a need to secure regular MRI images without exposing patients to gadolinium in a stage where the kidney function is already inferior.

- Pro-forma sales growth at a CAGR of some 105% pa for 2025-2028E and SEK 205m in sales by 2028E
- EBIT margin reaches some 69% in 2028E
- Sales growth at a CAGR of some 14% for 2028E-2035E
- EBIT margin rises to some 45% in 2036E
- EBIT margin settles at some 17,5% in 2041E, with terminal growth of some -25%
- Our 92.5% LOA might be on the high side, and our cost base related to a partner strategy is probably also on the high side. Still, we also recognise that a partnership could involve a step-up process in royalties reflecting the level of uncertainty regarding the future market dynamic and demand for an improved Orviglance.

Bull Case: SEK 45 (45) per share

Our Bull case is based on 100% LOA, a higher price point and a more prominent future market share. In our Bull case, Ascelia is also attracting license partners, reducing the need for dilutive funding to secure growth capital ahead of the US launch. In our Bull case, we also use a net US price of USD2,850, approaching the USD3,000-4,500 range.

- Pro-forma sales growth at a CAGR of some120% pa for 2025E-2028E and SEK 237m in sales by 2028E
- EBIT margin reaches some 72.5% in 2028E
- Sales growth at a CAGR of some 26% for 2028E-2035E
- EBIT margin rises to some 58,5% in 2036E
- EBIT margin settles at some 20% in 2040E, with terminal growth of some -15%

Bear Case: SEK 7 (SEK 7) per share

Our Bear case implies that Ascelia will be restricted to the core market at a price point less than our base case of USD 2,000 (on the US market) compared with the currently available contrast agents. Our Bear case includes modest international support outside the US and some competition from future gadolinium-free alternatives within five years. It also has a 55% LOA and a higher risk of more severe FDA requirements for the next readout.

- Pro-forma sales growth at a CAGR of some 90% pa for 2025-2028E
- EBIT margin reaches some 41% in 2028E
- Sales growth at a CAGR of some 4% pa for 2028E-2035E
- EBIT margin rises to some 25% in 2036E
- EBIT margin settles at some 10% in 2040E, with terminal growth of some -45%

Ascelia needs to secure added growth capital.

Ascelia has SEK26.2m of cash as of the end of December, which, in our view, is enough for the entire 2024 when the first stage of the Formuae financing (SEK 20m) and with the added SEK 15m in loan in the second Formuae stage will bring Ascelia to Q2 2025. Even If Ascelia secures a US commercial partner, the terms may not include sufficient upfront payment, and it could also take longer to ensure a US partner. In our revised base case, we combine a smaller fundraising of SEK 75m in addition to Ascelia securing a US partner, bringing 25% royalties of sales and no need for Ascelia to invest in increased OPEX supporting the launch.

A positive headline result in May will likely increase the interest in Ascelia, including the ability to secure funding on goods terms and ensure a license partner for the US, Europe and or Asia, potentially reducing the size of equity funding. Our Base case includes SEK 75m funding with a modest rebate because of a robust headline result. The table below illustrates different scenarios for the Base Case share price, the dilutions at different net issue price levels, and the required funds.

The company is now in an excellent position to secure a commercial partner in the MRI contrast agent market featuring at least some 6-9 suitable companies, and this is likely to include milestones either upon signing or when securing US approval in 2026. A signed US partner will reduce the WACC, reduce the risk of equity dilution, and increase the launch support, and as a result, this is the critical trigger for Ascelia over the next 12 months, in our view.

Ascelia: An illustration of different future potential funding scenarios

Dilution level scenario table (%)

		Share Price (SEK)				
		6,7	7,2	7,7	8,7	9,7
Funds SEK'M	25	10%	9%	9%	8%	7%
	50	18%	17%	16%	15%	13%
	75	25%	24%	22%	20%	19%
	100	31%	29%	28%	26%	23%
	125	36%	34%	33%	30%	28%

Basa Case scenario table (SEK per share)

		Share Price (SEK)				
		6,7	7,2	7,7	8,7	9,7
Funds SEK'M	25	20	20	20	21	21
	50	18	19	19	19	19
	75	17	17	17	18	18
	100	16	16	16	17	17
	125	14	15	15	16	16

Source: 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 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report

People: 3

We rate Ascelia high in passion, execution, transparency, and the ability to generate long-term value.

Business: 3

We rate Ascelia highly in terms of competitive and scalable growth. Ascelia is also rated high in terms of structural growth.

Financials: 1

Ascelia is in a financially challenging position, but The leading asset is about to report headline results with a respectable probability of success. This will likely improve Ascelia's opportunity to secure growth capital without excessive share price dilution.

	2023	2024E	2025E	2026E
INCOME STATEMENT				
Net sales	0	0	0	37
Cost of Revenues	0	0	0	-99
Gross Profit	0	0	0	135
Operating Expenses	111	58	62	87
EBITDA	-111	-58	-62	49
Depreciation & Amortization	0	0	0	1
EBIT	-111	-58	-62	48
Net Financial Items	1	0	0	4
EBT	-110	-58	-62	52
Income Tax Expenses	0	-1	-1	-11
Non-Controlling Interest	0	0	0	0
Net Income	-109	-53	-57	66
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	22	10	72	131
Inventories	0	0	0	5
Accounts Receivable	2	2	0	5
Other Current Assets	5	5	0	3
Total Current Assets	29	17	72	145
Non-current assets				
Property, Plant & Equipment, Net	0	0	0	0
Goodwill	0	0	0	0
Intangible Assets	57	57	57	57
Right-of-Use Assets	1	1	1	1
Shares in Associates	0	0	0	0
Other Long-Term Assets	0	0	2	3
Total Non-Current Assets	58	58	60	61
Total Assets	87	76	132	206
Liabilities				
Current liabilities				
Short-Term Debt	0	0	0	0
Short-Term Lease Liabilities	1	1	1	1
Accounts Payable	2	4	0	4
Other Current Liabilities	10	10	12	15
Total Current Liabilities	13	14	12	20
Non-current liabilities				
Long-Term Debt	0	38	88	88
Long-Term Lease Liabilities	0	0	0	0
Other Long-Term Liabilities	0	0	0	0
Total Non-current Liabilities	0	38	88	88
Non-Controlling Interest	0	0	0	0
Shareholder's Equity	74	23	32	98
Total Liabilities & Equity	87	76	132	206
CASH FLOW				
NOPAT	-111	-57	-61	57
Change in Working Capital	-21	2	5	-6
Operating Cash Flow	-127	-51	-54	60
Capital Expenditures	0	0	0	0
Investment in Intangible Assets	0	0	0	0
Investing Cash Flow	0	0	0	-1
Financing Cash Flow	-1	39	116	0
Free Cash Flow	-127	-51	-54	59

DCF Valuation Metrics	**Sum FCF (SEKm)**
Initial Period (2024–2028)	96
Momentum Period (2029–2033)	346
Stable Period (2034–)	273
Firm Value	715
Net Debt (last quarter)	-71
Equity Value	786
Fair Value per Share	17

	2023	2024E	2025E	2026E
CAPITAL STRUCTURE				
Equity Ratio	0,9	0,3	0,2	0,5
Debt to equity	0,0	1,6	2,8	0,9
Net Debt	-22	28	16	-43
Capital Employed	75	62	120	186
Working Capital Turnover	0,0	0,0	0,0	-5,6
GROWTH				
Revenue Growth				
Basic EPS Growth	-13%	-53%	-16%	-215%
Adjusted Basic EPS Growth	-13%	-50%	-16%	-201%
PROFITABILITY				
ROE	-86%	-108%	-209%	102%
ROCE	-149%	-94%	-52%	26%
ROIC	-267%	-111%	-128%	121%
EBITDA Margin (%)	na	na	na	133%
EBIT Margin (%)	na	na	na	130%
Net Income Margin (%)	na	na	na	180%
VALUATION				
Basic EPS	na	-1,5	-1,3	1,5
Adjusted Basic EPS	na	-1,6	-1,4	1,4
P/E	na	neg	neg	6,7
EV/Revenue	na	na	na	10,2
EV/EBITDA	na	neg	neg	7,7
EV/EBIT	na	neg	neg	7,8
P/B	na	13,8	12,1	4,3

SHAREHOLDER STRUCTURE	**CAPITAL %**	**VOTES %**
Sunstone Capital	13,7%	14,1%
Avanza Pension	8,1%	8,4%
Fjärde AP-fonden	7,8%	8,0%
ÖstVäst Capital Management	3,4%	3,6%
Ascelia Pharma AB	3,2%	0,3%

SHARE INFORMATION	
Reuters code	ACE-SE
List	Small Cap
Share price	9,3
Total shares, million	34,6

MANAGEMENT & BOARD	
CEO	Magnus Corfitzen
CFO	Julie Waras Brogren
Chairman	Peter Benson

ANALYSTS	Redeye AB
Johan Unnerus	Mäster Samuelsgatan 42, 10tr
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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 don't understand the competitive environment and don't 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.

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Disclaimer

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Redeye Rating (2024-05-21)

Rating	People	Business	Financials
5p	32	15	4
3p - 4p	156	138	48
0p - 2p	5	40	141
Company N	193	193	193

Duplication and distribution

CONFLICT OF INTERESTS

Johan Unnérus owns shares in the Company: Yes
Richard Romanius owns shares in the Company: No
Redeye performs services for the Company and receives compensation from the Company in connection with this.