

## Imint Image Intelligence AB (IMINT)



### About Imint

Imint Image Intelligence (“Imint” or the “Company”) is a software company that through real-time sensor analysis and sensor fusion creates applications for video enhancement. Their software platform, Vidhance, is licensed to original equipment manufacturers that pay a royalty for every produced unit equipped with the Vidhance technology. Vidhance is active on the global market and today Imint provides its software to companies including Xiaomi, Vivo & Oppo.

#### Overweight

Target Price	SEK 50.0
Current Price	SEK 34.7
Upside	44.2%

#### Market Data

Exchange	Spotlight Stock Market
Shares (mn)	9.2
MCAP (SEKmn)	317.8
EV (SEKmn)	257.9

Forecast, SEKmn	21A	22E	23E	24E
Total revenue	75.9	92.3	104.8	113.3
Rev. growth	26.6%	21.5%	13.6%	8.0%
EBITDA	30.7	41.5	49.6	53.3
EBITDA Margin	40.4%	45.0%	47.3%	47.1%
EBIT	15.9	24.0	32.0	35.2
EBIT Margin	20.9%	26.0%	30.6%	31.1%

Key Metrics	21A	22E	23E	24E
EV/EBITDA	9.5x	6.2x	5.2x	4.8x
EV/EBIT	18.0x	10.7x	8.1x	7.3x
P/E	17.4x	16.6x	12.5x	11.4x
P/S	5.5x	3.4x	3.0x	2.8x

#### ANALYSTS CONTACT INFORMATION

Erik Nordwall, Financial Analyst  
Felix Johansson, Financial Analyst

### Imint – A Steady Image of a Bright Future

Imint Image Intelligence is a market-leading video enhancement company that focuses on video stabilization and quality improvement. The Company provides its software to customers such as Xiaomi, Oppo, and Vivo that combined have a market share of 31.5% of the smartphone market. The Company operates in a niche market within moving cameras, where the goal is to create world-class video quality. Imint’s main product, Vidhance, is a software platform comprising multiple applications that companies can integrate into their respective operating systems. For every smartphone produced with Vidhance, Imint gets a royalty fee of, on average, SEK 0.27. In 2021A Imint’s software was integrated in 230 million units and since 2016A, it has been integrated in 650 million units. The underlying market trend is expected to increase Imint’s market share from 16.7% 2021A to 22.9% 2024E. According to analyst estimates, a combination of new market entries and margin expansion justifies a higher valuation. Based on a relative valuation, an EV/EBIT target multiple of 10.6x in 2024E is justified, implying a target price of SEK 50.0 and a potential upside of 44.2%.

#### Key takeaways

- **Awaited expansion initiated:** Until recently, Imint has only been operating within the consumer electronics market despite having a product and objective to work with industrial applications such as smart glasses, and drones. With a proven product and a strong brand, Imint has begun expanding into industrial applications. Having signed multiple commercial and development agreements with companies in these new markets Imint reaches a greater total addressable market.
- **Market development promoting Vidhance:** The underlying market trend for continuously adapting more advanced hardware in the smartphone industry is expected to drive Imint’s market share from 16.7% 2021A to 22.9% 2024E of all smartphones sold worldwide. Until recently, only premium segment smartphones have had sufficient hardware to produce quality results with Vidhance while remaining energy efficient. Due to continued innovation within hardware technology, phones below the premium segment now contain sufficient hardware, resulting in a significant opportunity for Imint to expand into new market segments. This, in combination with Imint’s multiple partnerships with the biggest chipset manufacturers, including Mediatek and Qualcomm, paves the way for Vidhance to attract a larger customer base.
- **Forefront technology and patents acts as moats:** A potential risk for Imint’s business is the possibility that customers open up their own in-house division to replace Vidhance. However, due to Imint’s patent strategy the entrance barrier is high, requiring large investments in R&D from companies to produce similar solutions. Competing companies would have to start from scratch and risk losing customers as their smartphones would lack the competitive camera functions that Imint provides. This makes it unlikely that customers would try to create their own video stabilization technology.

## Investment thesis

### **Expansion into new markets that are estimated to grow with a 31.5% CAGR 2020A-2026E**

Imint's primary revenue stream currently derives from its operations related to the smartphone market. The Company gets a royalty payment for every manufactured smartphone unit that is integrated with Vidhance. However, during recent years the Company has increased investments and development in targeting the Vidhance product portfolio towards entirely new markets. Two industries where the video stabilization software is a central component, and where few competitors currently operate, are the markets for smart glasses and body-worn cameras. According to Allied Market Research, the global market for smart glasses is projected to grow with a CAGR of 12.6% from 2021A to 2030E. Furthermore, according to Mordor Intelligence, the market for body-worn cameras is expected to grow with a CAGR of 155.5% from 2021A to 2026E. The management at Imint is convinced that the Company's combined years of experience and expertise will create added value in these new areas. According to analyst estimates, revenue deriving from alternative markets, other than smartphones, will amount to 7.5% of total revenue in 2024E.

### **Favorable underlying market development due to innovation in the smartphone industry**

Until recently, there have only been a few smartphone brands whose hardware has been capable of integrating with the Vidhance software technology. However, due to overall progress and innovation in the smartphone industry, more phones are now able to operate with Imint's high-tech products. The underlying market trend makes it easier to merge cutting-edge software and hardware and is believed to make the Vidhance product more attractive to a wider range of phones and products.

### **Revenue growth and stable costs will increase the EBIT margin from 20.9% 2021A to 31.1% 2024E**

Revenue is expected to grow from SEK 76mn in 2021A to SEK 113mn in 2024E due to more phones being able to integrate with Vidhance as well as expansion into alternative markets. The above-described factors are expected to lead to a revenue CAGR of 14.2% between 2021A and 2024E. Furthermore, together with the external expenses remaining steady and further growth in personnel costs, the Company's EBIT margin is estimated to increase from 20.9% 2020A to 31.1% 2024E.

### **High switching costs for customers prevents in-house divisions**

One of the major risks surrounding Imint's business model is that significant customers of the Vidhance products could open in-house divisions that develop and produce similar products to that of Imint. For example, a significant customer of Imint, Xiaomi, could create teams within the company to develop the video stabilization technology instead of buying these solutions from a third-party such as Imint. Although this might sound beneficial for a company like Xiaomi, it is unlikely due to a combination of differences. Imint works with a patent strategy that is based on closely following the market to evaluate new opportunities for patents. The Company currently has three active patents. The patent for real-time video stabilization and generation of aerial images, both granted in 2014 and matures in 2025. The third is the patent of system and method for video processing, granted in 2019 and matures in 2030. Imint also has several pending patent applications, some of which are for the alternative markets intended for industrial applications. Due to the patents, a company aiming to replicate Vidhance technology would have to start from scratch, requiring investments and tying down resources. Furthermore, the end product might not have the same quality as Vidhance. This, together with the significance of the camera quality for smartphone consumers, according to Statista, makes it unlikely that smartphone manufacturers would try to create their own video stabilization technology and move away from the already proven and well-established Vidhance products.

## Overview of the Company

### Spin-off turned market leader

Imint Image Intelligence was founded in 2007 as a spin-off from a project at Uppsala University and had its IPO on the Spotlight Stock Market in 2016. The Company started working with the defense industry, helping them innovate aerial surveillance, and did so successfully, expanding to drones and UAVs. After seeing the progress from working with the defense industry, Imint was contacted by smartphone manufacturers in China wanting to advance their camera functions. Today, Imint is a market leader in the video enhancement business, with customers including Oppo, Vivo, Xiaomi, and Huawei, together making up more than 31.5% of the global smartphone market. With a proven track record for integrating the Vidhance technology with over 650 million smartphones, Imint is now expanding its business into the market for industrial applications, such as smart glasses and body-worn cameras.

### Expanding product portfolio with focus on differentiation and development

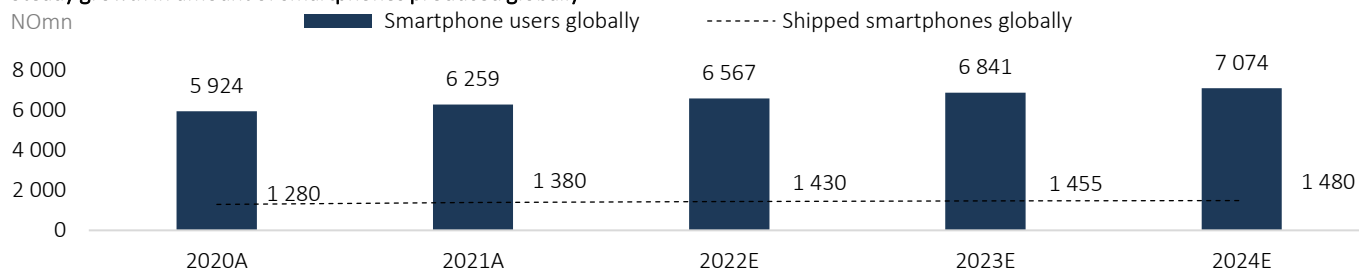
Vidhance is a software platform comprising multiple applications, for instance, video stabilization, photo zoom stabilization, and action stabilization. The different applications are created through the real-time sensor- and data analysis to develop a model of a moving camera system that is later combined with Imint's cutting-edge algorithms. Today, Imint has a total of 9 different applications in the portfolio that manufacturers choose between to integrate into their operative system. Imint then collects royalties for every product produced with an application from their platform. With a focus on staying at the frontier, Imint continuously develops new applications and has launched two new applications in the last year.

## Overview of the market

### The smartphone market is expected to produce 1.5bn units in 2024E

The smartphone market has become consolidated, with five companies accounting for more than 70.9% of the market, and continuously taking market shares from smaller companies. Apple and Samsung account for 42.4% of the total market, however, Asian smartphone companies have seen a growth in recent years, with Xiaomi, Oppo, and Vivo now making up 31.5% of the global smartphone market. According to Statista, the number of smartphones produced is expected to grow from 1.4 billion units in 2021A to 1.5 billion in 2025E.

#### Steady growth in amount of smartphones produced globally



Source: Statista

### New target markets anticipate rapid growth

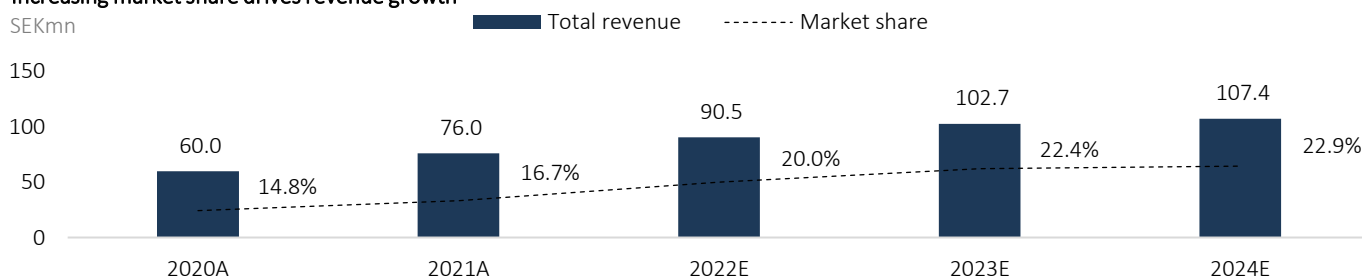
The market that Imint is expanding into is augmented reality, such as smart glasses and other industrial applications. According to Statista, the market for augmented reality is expected to grow with a CAGR of 31.5% 2020A-2026E, to a total market value of USD 88.4bn. The biggest drivers for the growth in the market are the increased demand for these products within healthcare (due to Covid-19), retail, and automotive industry, and the rising investments in AR companies.

## Financial forecast breakdown

### Revenue is estimated to grow to SEK 113mn in 2024E, an increase of 48.7% from 2021A

A broader product portfolio, combined with the underlying market trend of sufficient hardware, is expected to result in an increased market share for Imint, thus paving the way for further revenue growth. Imint is expected to grow its revenue from SEK 76mn in 2021A to SEK 113mn in 2024E, representing a CAGR of 14.2%. The customers from the smartphone industry currently account for all of Imint's revenue, with Vivo, Oppo, and Xiaomi as the main clients. Furthermore, the markets for smart glasses, bodycams, and other industrial applications are expected to grow and account for 7.5% of total revenue in 2024E and amount to SEK 7.3mn according to analyst estimates. Imint currently has license or development agreements with several major companies in the market for smart glasses, body cameras, and other industrial applications which are estimated to start production and launch products in 2022 and 2023. Imint's market share, calculated as the share of total globally produced smartphones with Vidhance annually, is currently at 16.7% 2021A. According to analyst estimates, Imint's market share is estimated to grow to 22.9% in 2024E, thanks to multiple partnerships signed with the biggest chipset manufacturers, and the underlying market trend for sufficient hardware. This implies an expected annual number of smartphones produced with Vidhance of 339 million in 2024E and 8 million units from the alternative markets in 2024E, in total 347 million, increasing from 230 million in 2021A.

#### Increasing market share drives revenue growth



Source: Analyst estimates

### Additional sales consultants and representatives expected to further drive external costs

External costs mainly consists of the sales consultants and representatives Imint employs in Asia, where its customers have their headquarters. The remainder of external costs includes rent, patent costs, and marketing. Imint is expected to have increased external costs to SEK 23.8mn in 2024E, an increase of 15.5% compared to 2021A. Due to Imint's ambitious goals to break into new markets, new sales consultants and representatives are needed to negotiate and manage the new companies within the new markets, this is significant and necessary for continued future growth. As a result of Imint scaling up their workforce in their headquarters and in Asia, associated costs such as rent for new offices, IT, and traveling are expected to grow.

### Personnel costs are expected to increase to SEK 36.1mn 2024E

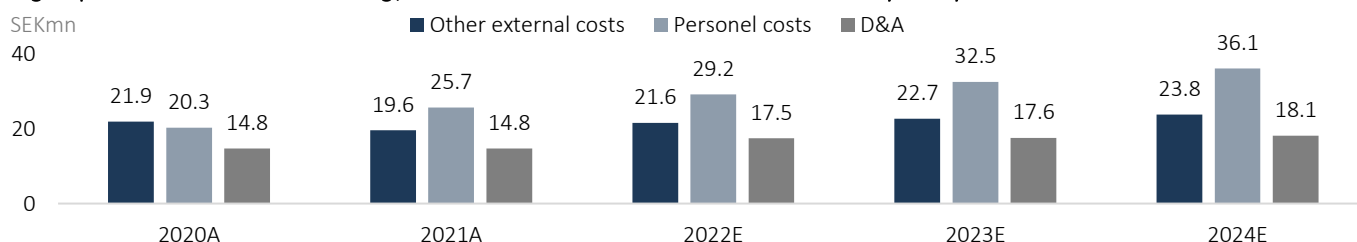
Personnel costs are estimated to increase from SEK 25.7mn in 2021A to SEK 36.1mn in 2024A due to an expected acceleration in recruiting. The acceleration derives from Imint's ambitions to further expand the Vidhance product portfolio surrounding the new markets and increase the number of applications on the platform. The increase in personnel costs is in accordance with what has previously been communicated by Imint's management, as the Company, for example, temporarily hires up to 4 consultants while launching new projects. As more projects surrounding the new markets are expected, this trend is also anticipated to continue. It is estimated that two new team members will join Imint per year, resulting in a 40.5% increase in personnel costs for the period 2021A-2024E.

## Financial forecast breakdown

### D&A is estimated to increase due to further investments in Vidhance

Imints capital expenditures are almost solely made in its software platform Vidhance, making up over 98.4% of the total investments. The investments that are being activated as work performed for its own account have been stable at around SEK 12.1mn 2018A-2021A. During 2017A-2018A, Imints capital expenditures rose to over 12.8mn due to a heavier focus on expanding Vidhance. Imint has guided that the focus for the period 2022E-2024E will be on expanding the platform and improving the Vidhance applications, indicating that we will see a rise in investments similar to the one during 2017A-2018A. Amortization is estimated to increase 23.5% from 2021A to 2024E to SEK 17.9mn due to investments in Vidhance, and D&A is expected to amount to a total of SEK 18.1mn in 2024E, corresponding to 15.8% of total sales.

### Higher personnel costs due to recruiting, while other external costs and D&A remain relatively steady from 2020A to 2024E

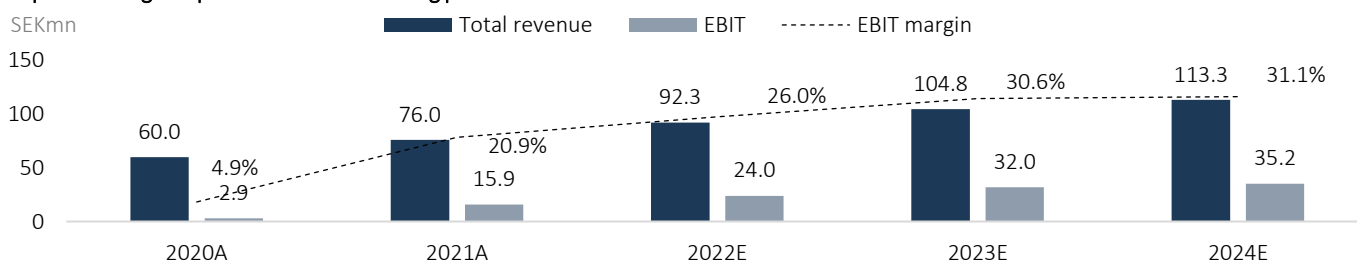


Source: Analyst estimates

### Expected increase in EBIT margin due to scalability in Imints' business model

As mentioned by the Company, focus is set on revenue growth for the forthcoming years. Although the company has guided that focus will shift to profitability after 2025E, Imint is expected to increase its EBIT margin due to revenue growth for the upcoming years. Imint requires limited increases in costs when growing its revenue and maintaining clients, due to the Company's scalable business model. This enables the Company to exploit operating leverage, resulting in an estimated EBIT margin expansion from 20.9% 2021A to 31.1% 2024E. Imints EBIT margin expansion is additionally estimated to be driven by a transfer of revenue share between the new markets and the existing smartphone market. The growth rate from the alternative markets is expected to outperform the smartphone market. By increasing its market share in the smartphone market and entering alternative markets, such as smart glasses and body-worn cameras, analysts estimate Imint to achieve high growth and improved profitability.

### Expected margin expansion due to increasing penetration rate and new alternative markets



Source: Analyst estimates

### Net margin affected by tax payments and currency exposure

With the majority of costs in SEK and revenue in the form of foreign currency, Imints' financial items primarily consist of exchange rate gains and losses. Although having been profitable since 2020A, Imint has not paid any taxes but instead postponed them. In the future it is expected that Imint pays a tax rate of 20.6%, amounting to tax expenses of SEK 4.9mn in 2022E, SEK 6.6mn in 2023E, and SEK 7.3mn in 2024E. According to analysts estimates, net earnings for 2024E is expected to be SEK 27.9mn with a net earning margin of 24.6%.

## Valuation

### A comparable peer analysis motivates a target EV/EBIT multiple of 10.6x 2024E

The peer group consists of four publicly traded companies, all of which operate within the application software business, and whose business models, to some degree, are comparable with Imint's. Mitek Systems is an American software development company, developing mobile image capture and digital identity verification solutions. Claranova is a France-based company operating within the technology industry, among its applications is FreePrints, a mobile photo printing solution for iOS and Android. IAR Systems is a Sweden-based company engaging in the software services industry, the company specializes in tools for embedded systems and its solutions are used in areas such as industrial automation, consumer electronics and telecommunications. Lastly, Zoo Digital Group is a British company that offers services, including subtitling, captioning, dubbing and digital distribution. An estimated 2024E target EV/EBIT multiple of 10.6x for Imint is justified, implying a target price of SEK 50.0 and a potential upside of 44.2%.

Peers	Market data (SEKmn)			Financials		Valuation
Company name	Market cap	Enterprise value	Revenue (SEKmn) 2021A	Revenue CAGR 21A-24E	EBIT Margin 2024E	EV/EBIT 2024E
Mitek Systems	5 558	5 275	1 020	20.5%	10.0%	29.1x
Claranova	1 751	1 748	4 824	8.7%	7.6%	3.6x
IAR Systems	1 593	1 536	356	12.6%	28.1%	9.3x
Zoo Digital Group	1 323	1 294	351	28.4%	7.6%	20.9x
<b>Median</b>	<b>1 672</b>	<b>1 642</b>	<b>688</b>	<b>16.6%</b>	<b>8.8%</b>	<b>15.1x</b>
<b>Average</b>	<b>2 556</b>	<b>2 463</b>	<b>1638</b>	<b>17.6%</b>	<b>13.3%</b>	<b>15.7x</b>
Imint	318	258	76	14.2%	31.1%	7.3x

Sources: Analyst estimates, Bloomberg

### Imint is expected to outperform peers within the application software business in profitability

Imint is estimated to outperform its peers within the application software business due to the estimated increase in market share and the expansion into new markets combined with its cost-efficient business model. As Imint expands into new markets, such as body cams and smart glasses, and continues its operations linked to the smartphone market, it is estimated to result in revenue growth from SEK 76mn in 2021A to SEK 113mn in 2024E, implying a 48.6% growth. The Company requires limited increases in costs when expanding and growing its top line due to its scalable business model, which leads to declining unit costs and drives consistent growth and increasing margins over time. This is expected to result in an EBIT margin of 31.1% in 2024E, compared to the peer median EBIT margin of 8.8%.

### Currently trading at a 51.5% discount to peers despite inherent profitability

Imint is currently trading at an EV/EBIT multiple of 7.3x on 2024E estimates, compared to the peer median of 15.1x, representing a discount of 51.5%. Despite a lower valuation, Imint outperforms its peers regarding profitability, showcased through an estimated EBIT margin of 31.1% in 2024E, compared to the peer average of 8.8%. In the valuation, a 30% discount to the peers has been taken into consideration, which is derived from a 10% size discount and a 20% discount due to geopolitical risks. Based on a relative valuation, together with a 30% discount to peers, an EV/EBIT target multiple of 10.6x in 2024E is justified, implying a target price of SEK 50.0 and a potential upside of 44.2%.

## Management

### Andreas Lifvendahl, CEO

Andreas Lifvendahl has been CEO of Imint since 2012 and has previously been Imint's sales director. Lifvendahl holds a Masters degree in Engineering Physics from Uppsala University, and has further education in Commercial Law from Uppsala University, and Business Management from the Stockholm School of Economics. He also has over 15 years of experience in sales management and global large-scale sales in Europe, Asia and the US.

*Ownership: 159 864 shares (1.8% of shares outstanding)*



### Jonathan Ekman, CFO

Jonathan Ekman has been the CFO of Imint since 2020 after a history of management and governance at companies such as KRISS AB and Word of Life. Ekman holds a Masters in business administration (MBA) from Heriot-Watt University. Furthermore, Ekman currently manages his own consulting firm while simultaneously working as the CFO of Imint.

*Ownership: N/A*



### Johan Svensson, CTO

Johan Svensson has been the CTO of Imint since 2019 and holds a Masters degree in Engineering Physics from Umeå University. Johan has previously worked in several senior roles at General Electric's healthcare organization within product development and product management. During his time at General Electric, Johan also worked in different senior engineering roles at their sensor technology and optics department.

*Ownership: N/A*



### Peter Ekerling, Chairman of the Board

Peter Ekerling has been Chairman of the Board since May 2020 and is one of Imint's biggest shareholders. Ekerling has entrepreneurial experience within various markets such as fintech and fast-moving consumer goods (FMCG). He is currently also a board member at Edblad & Co AB.

*Ownership: 211 150 shares (2.3% of shares outstanding)*



### Joakim Nydemark, Board member

Joakim Nydemark has been a Member of the Board since 2012 and is currently the CEO of Crunchfish AB. Nydemark has broad experience of leadership and business development, with over 15 years of experience at companies like Anoto and TAT AB. Previous positions include CEO of Obigo AB, VP of Teleca, global sales manager and later CEO of Anoto Group AB. Nydemark holds an engineering degree from Lunds Tekniska Högskola.

*Ownership: N/A*



## Appendix

Income statement (SEKmn)	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Net revenue	33.9	40.3	48.7	63.2	78.8	91.4	99.8
Work performed for own account	12.8	12.8	10.9	11.9	13.1	13.1	13.1
Other operating income	0.0	0.0	0.4	0.9	0.3	0.3	0.3
<b>Total revenue</b>	<b>46.8</b>	<b>53.0</b>	<b>60.0</b>	<b>75.9</b>	<b>92.3</b>	<b>104.8</b>	<b>113.3</b>
Other external costs	(19.0)	(21.7)	(21.9)	(19.6)	(21.6)	(22.7)	(23.8)
Personnel costs	(20.2)	(22.3)	(20.3)	(25.7)	(29.2)	(32.5)	(36.1)
<b>EBITDA</b>	<b>7.5</b>	<b>9.0</b>	<b>17.7</b>	<b>30.7</b>	<b>41.5</b>	<b>49.6</b>	<b>53.3</b>
<i>EBITDA margin</i>	<i>16.1%</i>	<i>17.0%</i>	<i>29.5%</i>	<i>40.4%</i>	<i>45.0%</i>	<i>47.3%</i>	<i>47.1%</i>
Depreciation	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Amortization	(11.2)	(15.0)	(14.6)	(14.5)	(17.3)	(17.4)	(17.9)
<b>EBIT</b>	<b>(3.7)</b>	<b>(6.1)</b>	<b>2.9</b>	<b>15.9</b>	<b>24.0</b>	<b>32.0</b>	<b>35.2</b>
<i>EBIT margin</i>	<i>Neg.</i>	<i>Neg.</i>	<i>4.9%</i>	<i>20.9%</i>	<i>26.0%</i>	<i>30.6%</i>	<i>31.1%</i>
Interest income	1.2	1.2	0.6	4.4	1.9	1.9	1.9
Interest expense	(0.5)	(1.0)	(1.9)	(1.7)	(1.8)	(1.8)	(1.8)
<b>EBT</b>	<b>(3.1)</b>	<b>(5.9)</b>	<b>1.7</b>	<b>18.5</b>	<b>24.1</b>	<b>32.1</b>	<b>35.2</b>
<i>EBT margin</i>	<i>Neg.</i>	<i>Neg.</i>	<i>2.8%</i>	<i>24.4%</i>	<i>26.1%</i>	<i>30.6%</i>	<i>31.1%</i>
Received contribution	0.0	0.0	0.0	1.4	0.0	0.0	0.0
Tax expense	0.0	0.0	0.0	0.0	(4.9)	(6.6)	(7.3)
<b>Net income</b>	<b>(3.1)</b>	<b>(5.9)</b>	<b>1.7</b>	<b>19.9</b>	<b>19.1</b>	<b>25.5</b>	<b>27.9</b>
<i>Net margin</i>	<i>Neg.</i>	<i>Neg.</i>	<i>2.8%</i>	<i>26.2%</i>	<i>20.7%</i>	<i>24.3%</i>	<i>24.6%</i>

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