

Update Q1 report 2021

2021-05-21

## Crunchfish: Business model firming up

- Net result in Q1 in line with expectations
- Global push to engage with central banks on CBDC
- We maintain our fair value estimate of SEK 49.80 – 79.50 per share

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Stock ticker: CFISH  
Industry: Technology  
Listed on: Nasdaq First North  
Latest stock price (SEK): 69,00  
Market cap (MSEK): 2 046  
Enterprise Value (MSEK): 2 037  
Total number of shares (M): 28,35  
- of which free float (M): 16,02

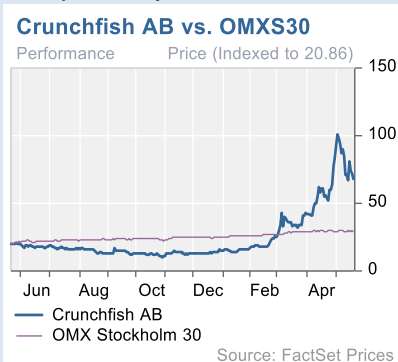
**VHCF fair value per share**  
DCF model SEK 49,80 - 79,50

**Crunchfish AB**  
Address: Stora Vansgatan 6A  
211 19 Malmö  
Webpage: crunchfish.com  
CEO: Joachim Samuelsson

**Main owners (31 Mar 2021)**

Company	Capital (%)
Femari Invest AB	26,5
Midroc Invest AB	17,6
Paul Cronholm	3,9
Carlquist Holding AB	3,5
Coeli Fonder	3,1

### Stock price history



	-1m	-3m	-12m
Change (%)	23,5	220,0	229,8
52 wk range (Low/Hi) - SEK	10,20 / 109,80		

Source: FactSet

The first quarter report from Crunchfish contained no big surprises. Revenues were slightly lower than our estimates but the net loss for the period was roughly in line. Content-wise, the report summarised ongoing activities in each of its main business areas. The report reveals beyond doubt that digital cash is the area that occupies most of the management's time at present. The details of that business model are gradually becoming clearer, and it will be exciting to watch in the months ahead. The opportunities are vast, but still very difficult to translate into an exact valuation. For now, we keep our recently revised valuation interval SEK 49.80 – 79.50 per share.

Our most recent [research update](#) on Crunchfish, in which we revised our valuation of the company sharply upwards, was published in mid-April. The company has already released a string of news since then, of which the majority relate to digital payments. First and foremost, the company has intensified its focus on central banks and widened the geographic scope of its central bank digital currency (CBDC) offering to the whole world. Central banks around the world grapple with the question of how to maintain control of their currency when societies go cash-less and new currencies like cryptocurrencies challenge their position.

Physical cash offer the benefit of being instantly recognised, trusted and accepted, requiring no internet connectivity and being completely anonymous to both payer and payee. Crunchfish' digital cash solution can facilitate all of these features and therefore meets the requirements a central bank would reasonably have of a CBDC. Crunchfish emphasises that their solution would require minimal systems development in the banking sector. Banks already handle a multitude of currencies and a country's CBDC would be just another currency, pegged 1:1 to the existing domestic currency. Central banks would be able to control the quantity of CBDC in circulation and consequently maintain control of monetary policy.

**Table 1: Financial Overview**

MSEK	2019	2020	2021e	2022e	2023e
Total revenues	21,1	23,2	29,5	59,0	187,4
Growth (%)	52,7%	9,9%	27,3%	99,9%	217,4%
EBITDA	(17,0)	(17,6)	(19,0)	(1,6)	111,3
EBITDA margin (%)	neg	neg	neg	1,1%	58,9%
EBT	(23,9)	(25,3)	(28,9)	(12,1)	100,4
Cash holdings	13,2	8,7	1,2	2,9	71,1
Total assets	42,9	44,3	40,7	61,4	162,1
Total equity	36,3	34,8	6,1	51,7	152,1
Solidity (%)	84,5%	78,6%	15,0%	84,2%	93,8%
P/E	neg	neg	neg	neg	20,4
ROE	neg	neg	neg	neg	66,0%
EV/EBIT (x)	neg	neg	neg	neg	20,3
EV/Sales (x)	96,5	87,8	69,0	34,5	10,9

Source: Västra Hamnen Corporate Finance

### Engaging with central banks globally

The company has been active in promoting their solution in international forums. Crunchfish has joined and recently presented to OMFIF (Official Monetary and Financial Institutions Forum), a think tank for central banking, economic policy and public investment. In late April it was also invited to give a presentation to the Bank of International Settlements, an important global institution often referred to the central bank of central banks. We take this as indication that monetary authorities around the world are listening with interest to the opportunity offered by Crunchfish. In our [web conference](#) with CEO Joachim Samuelsson after the quarterly report, he also confirmed that the company is involved in discussions with several central banks, among others the Federal Reserve of the US.

The company has worked to expand and improve the relevance of its digital payments solution in other ways as well. In early May, it announced another partnership in India, with a company called Nextgen Telesolutions, which enables digital wallets on feature phones by supplying a secure element hosted either on a SIM overlay card or a microSD card. Another recent partnership was entered with ToneTag, a company specialised in audio-based data communication. The idea is that offline payments can be submitted to the recipient as a highly secure sound-based signal and is another way of expanding the use of digital wallets to feature phones. It is estimated that one half of all mobile telephones in India are feature phones.

### Now tracking full body movements

Crunchfish has also announced a couple of interesting news on the Gesture side of the business. Most excitingly, it has recently managed to adapt its skeleton model for tracking hand gestures into detecting and reading movements of a full human body. The solution is said to become commercially available later this year. The algorithm will be able to track a person's movements in three dimensions using a single RGB camera. The applications for this solution could be many, not least in the area of entertainment and gaming.

### Two new augmented reality agreements

Lastly, Crunchfish has landed two new agreements in their Gesture business, both with Chinese manufacturers of augmented reality eyewear. On 7 May it announced a commercial license agreement with INMO Technology, who will integrate Crunchfish XR gesture technology into their AR glasses. Crunchfish will receive a small upfront fee followed by royalties per unit produced and equipped with the software. In addition, Crunchfish announced in late April that it had entered an evaluation license agreement with Extremsight Technology who will consider implementing the technology into their AR glasses.

**Table 2: Estimates vs actual, Q1 2021**

kSEK	Q1 '20	Q1 '21e	Q1 '21 act	Diff
Net revenues	1 948	3 966	1 101	-2 864
Capitalised development cost	1 380	2 602	3 346	744
Other revenues	820	571	545	-26
<b>Total revenue</b>	<b>4 148</b>	<b>7 138</b>	<b>4 992</b>	<b>-2 146</b>
Cost of goods	(17)	(45)	(150)	-105
Personnel costs	(4 506)	(5 784)	(5 799)	-15
Other expenses	(3 950)	(5 460)	(4 140)	1 320
Profit from affiliated companies	(478)	(780)	(481)	299
<b>EBITDA</b>	<b>(4 803)</b>	<b>(4 931)</b>	<b>(5 578)</b>	<b>-647</b>
Amortisation and Depreciation	(1 805)	(2 146)	(1 993)	153
<b>EBIT</b>	<b>(6 608)</b>	<b>(7 078)</b>	<b>(7 571)</b>	<b>-493</b>
Other financial items, net	117	(7)	(195)	-188
<b>EBT</b>	<b>(6 491)</b>	<b>(7 085)</b>	<b>(7 766)</b>	<b>-681</b>
<b>Net Profit</b>	<b>(6 491)</b>	<b>(7 085)</b>	<b>(7 766)</b>	<b>-681</b>
Cash and Equivalents	5 715	7 883	11 534	3 651
Total Equity	29 819	27 753	27 182	-571

Source: Västra Hamnen Corporate Finance

### EBITDA and net loss as expected

The financials reported for the first quarter were largely in line with our expectations, cf. Table 2 above. Revenues were a little lower than expected this quarter, but somewhat lower operating expenses almost made up for that. EBITDA and net loss for the quarter consequently differed less than one million SEK from our estimate.

**Comfortable financial situation**

The company ended the quarter with a cash reserve of SEK 11.5 million, nearly 3.7 million more than our estimate. The main reason is that the company has drawn SEK 2.5 million more than we had anticipated on the credit line provided by its main owners. The credit line amounts to SEK 25 million in total, which means that there would have been 15 million of untapped credit left at the end of Q1. We still expect the company to raise new equity of an order of magnitude around SEK 50 million in early 2022, partly to pay off the credit line and partly to finance further expansion. With the recent rise in the stock price, raising that equity should be a minor concern. At the current stock price, a capital increase of SEK 50 million could be achieved by issuing less than one million new shares, meaning a fairly negligible dilution of around 3 percent.

**We see no significant changes since our last valuation revision in mid-April. Consequently, we reiterate our valuation interval SEK 49.80 – 79.50 SEK per share.**

## Income Statement - Annual Data

kSEK	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
Net revenues	14 565	10 883	14 965	44 351	172 043	469 024	861 723	1 156 307
Capitalised development cost	4 623	10 106	12 134	11 905	12 312	12 533	12 739	12 944
Other revenues	1 928	2 215	2 434	2 778	3 006	3 254	3 523	3 813
<b>Total revenues</b>	<b>21 115</b>	<b>23 204</b>	<b>29 533</b>	<b>59 034</b>	<b>187 362</b>	<b>484 811</b>	<b>877 984</b>	<b>1 173 064</b>
Cost of goods sold	-	(213)	(335)	(1 925)	(2 200)	(1 375)	(550)	(550)
Personnel costs	(15 496)	(20 965)	(23 947)	(27 500)	(36 480)	(47 762)	(60 904)	(77 662)
Other external costs	(20 714)	(16 936)	(19 388)	(24 750)	(32 832)	(42 986)	(54 814)	(69 896)
Other operating expenses	(379)	(48)	(2 017)	(4 180)	(5 545)	(7 260)	(9 257)	(11 805)
Profit from affiliated companies	(1 527)	(2 595)	(2 810)	(2 262)	973	3 701	4 516	5 203
<b>EBITDA</b>	<b>(17 001)</b>	<b>(17 553)</b>	<b>(18 965)</b>	<b>(1 584)</b>	<b>111 277</b>	<b>389 129</b>	<b>756 975</b>	<b>1 018 355</b>
Amortisation & depreciation	(6 936)	(7 662)	(9 041)	(10 156)	(10 849)	(11 412)	(11 847)	(12 198)
<b>EBIT</b>	<b>(23 937)</b>	<b>(25 216)</b>	<b>(28 007)</b>	<b>(11 740)</b>	<b>100 428</b>	<b>377 717</b>	<b>745 128</b>	<b>1 006 156</b>
Financial items, net	27	(120)	(851)	(313)	-	-	-	-
<b>EBT</b>	<b>(23 910)</b>	<b>(25 336)</b>	<b>(28 858)</b>	<b>(12 052)</b>	<b>100 428</b>	<b>377 717</b>	<b>745 128</b>	<b>1 006 156</b>
Taxes	-	-	-	-	-	(55 147)	(153 496)	(207 268)
<b>Net profit</b>	<b>(23 910)</b>	<b>(25 336)</b>	<b>(28 858)</b>	<b>(12 052)</b>	<b>100 428</b>	<b>322 571</b>	<b>591 632</b>	<b>798 888</b>
<b>Earnings per share (SEK)</b>	<b>(0,97)</b>	<b>(0,92)</b>	<b>(1,02)</b>	<b>(0,41)</b>	<b>3,43</b>	<b>11,01</b>	<b>20,19</b>	<b>27,26</b>
<b>Growth (%)</b>								
Net revenues	na	-25,3%	37,5%	196,4%	287,9%	172,6%	83,7%	34,2%
EBITDA	na	na	na	na	16167,6%	249,4%	95,2%	34,6%
EBIT	na	na	na	na	na	276,1%	98,0%	35,2%
Net profit	na	na	na	na	na	221,2%	83,4%	35,0%
<b>% of revenues (%)</b>								
EBITDA margin	neg	neg	neg	1,1%	58,9%	79,5%	85,7%	86,4%
EBIT margin	neg	neg	neg	neg	53,1%	77,1%	84,4%	85,3%
EBT margin	neg	neg	neg	neg	53,6%	77,9%	84,9%	85,8%
Profit margin	neg	neg	neg	neg	53,6%	66,5%	67,4%	68,1%
Personnel costs	106,4%	192,6%	160,0%	62,0%	21,2%	10,2%	7,1%	6,7%
Total OPEX	251,2%	348,7%	303,1%	127,2%	43,5%	20,9%	14,5%	13,8%
<b>Profitability (%)</b>								
ROE	neg	neg	neg	neg	66,0%	68,0%	55,5%	42,8%
ROIC	neg	neg	neg	neg	98,4%	197,8%	277,5%	342,7%

Source: Västra Hamnen Corporate Finance

**Balance Sheet - Annual Data**

kSEK	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
Inventories	-	-	25	181	181	45	45	45
Account receivable	2 424	3 048	2 632	18 996	49 230	118 687	179 421	198 673
Receivables fr affiliated comp	841	472	1 048	1 594	2 320	2 733	2 898	3 063
Prepaid costs & accrued incom	1 066	1 318	1 419	1 496	1 553	1 626	1 705	1 788
Other receivables	361	869	893	934	980	1 028	1 078	1 130
Cash and cash equivalents	13 181	8 668	1 162	2 899	71 093	323 030	853 106	1 632 077
<b>Total current assets</b>	<b>17 872</b>	<b>14 374</b>	<b>7 180</b>	<b>26 099</b>	<b>125 356</b>	<b>447 149</b>	<b>1 038 253</b>	<b>1 836 776</b>
Tangible assets	1 606	1 265	1 003	817	666	542	442	360
Intangible assets	18 052	20 829	24 183	26 118	27 733	28 978	29 970	30 798
Long-term receivables	-	5	5	5	5	5	5	5
Affiliated companies	5 418	7 823	8 342	8 342	8 342	8 342	8 342	8 342
<b>Total fixed assets</b>	<b>25 076</b>	<b>29 921</b>	<b>33 533</b>	<b>35 282</b>	<b>36 746</b>	<b>37 867</b>	<b>38 759</b>	<b>39 505</b>
<b>Total assets</b>	<b>42 949</b>	<b>44 296</b>	<b>40 713</b>	<b>61 381</b>	<b>162 102</b>	<b>485 015</b>	<b>1 077 012</b>	<b>1 876 281</b>
Accounts payable	984	2 381	2 142	2 150	2 155	2 163	2 170	2 179
Accrued cost & prepaid income	4 023	4 611	5 101	5 178	5 405	5 665	5 940	6 229
Other liabilities	843	1 905	2 379	2 392	2 451	2 527	2 608	2 692
Loans	-	-	25 000	-	-	-	-	-
<b>Total current liabilities</b>	<b>5 850</b>	<b>8 897</b>	<b>34 622</b>	<b>9 720</b>	<b>10 012</b>	<b>10 355</b>	<b>10 719</b>	<b>11 100</b>
<b>Total non-current liabilities</b>	<b>789</b>	<b>561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>36 310</b>	<b>34 838</b>	<b>6 090</b>	<b>51 661</b>	<b>152 090</b>	<b>474 660</b>	<b>1 066 292</b>	<b>1 865 181</b>
<b>Total equity and liabilities</b>	<b>42 949</b>	<b>44 295</b>	<b>40 712</b>	<b>61 381</b>	<b>162 102</b>	<b>485 015</b>	<b>1 077 011</b>	<b>1 876 281</b>

Source: Västra Hamnen Corporate Finance

**Cash flow statement**

kSEK	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e
Operating activities	(15 211)	(14 968)	(19 405)	(1 896)	111 277	333 983	603 479	811 086
Changes in working capital	(2 090)	2 027	(78)	(17 085)	(30 770)	(69 512)	(60 664)	(19 171)
Investing activities	(11 597)	(15 151)	(13 134)	(11 905)	(12 312)	(12 533)	(12 739)	(12 944)
Financing activities	20 743	23 640	25 042	32 623	-	-	-	-
<b>Cash flow for the period</b>	<b>(8 156)</b>	<b>(4 453)</b>	<b>(7 576)</b>	<b>1 736</b>	<b>68 194</b>	<b>251 937</b>	<b>530 076</b>	<b>778 971</b>
Beginning cash balance	21 362	13 181	8 668	1 162	2 899	71 093	323 030	853 106
Adjustments	(26)	(60)	70	-	-	-	-	-
<b>Ending cash balance</b>	<b>13 181</b>	<b>8 668</b>	<b>1 162</b>	<b>2 899</b>	<b>71 093</b>	<b>323 030</b>	<b>853 106</b>	<b>1 632 077</b>

Source: Västra Hamnen Corporate Finance

## Income Statement - Quarterly Data

kSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021e	Q3 2021e	Q4 2021e
Net revenues	1 948	2 330	2 970	3 634	1 101	4 440	4 620	4 804
Capitalised development cost	1 380	2 955	2 685	3 085	3 346	2 917	2 907	2 964
Other revenues	820	390	462	544	545	599	629	661
<b>Total revenues</b>	<b>4 148</b>	<b>5 675</b>	<b>6 118</b>	<b>7 263</b>	<b>4 992</b>	<b>7 956</b>	<b>8 156</b>	<b>8 429</b>
Cost of goods sold	(17)	-	-	(196)	(150)	(50)	(60)	(75)
Personnel costs	(4 506)	(5 498)	(5 172)	(5 789)	(5 799)	(5 915)	(6 048)	(6 185)
Other external costs	(3 950)	(4 417)	(4 240)	(4 329)	(4 140)	(4 850)	(5 141)	(5 257)
Other operating expenses	-	(11)	-	(37)	-	(431)	(671)	(915)
Profit from affiliated companies	(478)	(646)	(822)	(649)	(481)	(780)	(780)	(769)
<b>EBITDA</b>	<b>(4 803)</b>	<b>(4 898)</b>	<b>(4 116)</b>	<b>(3 737)</b>	<b>(5 578)</b>	<b>(4 070)</b>	<b>(4 545)</b>	<b>(4 772)</b>
Amortisation & depreciation	(1 805)	(1 843)	(1 929)	(2 086)	(1 993)	(2 286)	(2 352)	(2 410)
<b>EBIT</b>	<b>(6 608)</b>	<b>(6 740)</b>	<b>(6 044)</b>	<b>(5 823)</b>	<b>(7 571)</b>	<b>(6 356)</b>	<b>(6 897)</b>	<b>(7 183)</b>
Financial items, net	117	(146)	(34)	(57)	(195)	(125)	(219)	(313)
<b>EBT</b>	<b>(6 491)</b>	<b>(6 886)</b>	<b>(6 078)</b>	<b>(5 880)</b>	<b>(7 766)</b>	<b>(6 481)</b>	<b>(7 116)</b>	<b>(7 495)</b>
Taxes	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>(6 491)</b>	<b>(6 886)</b>	<b>(6 078)</b>	<b>(5 880)</b>	<b>(7 766)</b>	<b>(6 481)</b>	<b>(7 116)</b>	<b>(7 495)</b>
<b>Earnings per share (SEK)</b>	<b>(0,25)</b>	<b>(0,24)</b>	<b>(0,21)</b>	<b>(0,21)</b>	<b>(0,27)</b>	<b>(0,23)</b>	<b>(0,25)</b>	<b>(0,26)</b>
<b>Y-o-Y Growth (%)</b>								
Net revenues	(51,0%)	(5,5%)	14,2%	(34,2%)	(43,5%)	90,5%	55,5%	32,2%
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
<b>% of revenues (%)</b>								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	231,3%	235,9%	174,1%	159,3%	526,6%	133,2%	130,9%	128,7%
Total OPEX	434,1%	426,0%	316,8%	279,4%	902,6%	252,2%	256,7%	257,2%
<b>Profitability (%)</b>								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

**Balance Sheet - Quarterly Data**

kSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021e	Q3 2021e	Q4 2021e
Inventories	-	-	-	-	-	16	20	25
Account receivable	3 260	366	491	3 048	479	1 946	2 025	2 632
Receivables fr affiliated comp	853	1 317	900	472	546	1 000	1 000	1 048
Prepaid costs & accrued incom	1 803	1 337	933	1 318	1 255	1 320	1 315	1 419
Other receivables	557	1 108	855	869	718	932	886	893
Cash and cash equivalents	5 715	23 501	15 888	8 668	11 534	9 374	9 537	1 162
<b>Total current assets</b>	<b>12 188</b>	<b>27 630</b>	<b>19 068</b>	<b>14 374</b>	<b>14 531</b>	<b>14 588</b>	<b>14 782</b>	<b>7 180</b>
Tangible assets	1 506	1 453	1 357	1 265	1 170	1 112	1 056	1 003
Intangible assets	17 729	18 922	19 774	20 829	22 277	22 966	23 576	24 183
Long-term receivables	-	-	5	5	5	5	5	5
Affiliated companies	5 940	6 293	7 471	7 823	8 342	8 342	8 342	8 342
<b>Total fixed assets</b>	<b>25 174</b>	<b>26 668</b>	<b>28 608</b>	<b>29 921</b>	<b>31 794</b>	<b>32 425</b>	<b>32 979</b>	<b>33 533</b>
<b>Total assets</b>	<b>37 362</b>	<b>54 298</b>	<b>47 677</b>	<b>44 296</b>	<b>46 325</b>	<b>47 013</b>	<b>47 761</b>	<b>40 713</b>
Accounts payable	2 711	1 570	1 150	2 381	1 938	2 198	2 197	2 142
Accrued cost & prepaid income	3 190	4 005	3 704	4 611	4 511	4 628	4 800	5 101
Other liabilities	909	1 259	1 561	1 905	2 695	1 985	2 179	2 379
Loans	-	-	-	-	10 000	17 500	25 000	25 000
<b>Total current liabilities</b>	<b>6 810</b>	<b>6 835</b>	<b>6 414</b>	<b>8 897</b>	<b>19 143</b>	<b>26 311</b>	<b>34 176</b>	<b>34 622</b>
<b>Total non-current liabilities</b>	<b>733</b>	<b>676</b>	<b>618</b>	<b>561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>29 819</b>	<b>46 788</b>	<b>40 645</b>	<b>34 838</b>	<b>27 182</b>	<b>20 701</b>	<b>13 586</b>	<b>6 090</b>
<b>Total equity and liabilities</b>	<b>37 362</b>	<b>54 298</b>	<b>47 677</b>	<b>44 295</b>	<b>46 325</b>	<b>47 013</b>	<b>47 761</b>	<b>40 712</b>

Source: Västra Hamnen Corporate Finance

**Cash flow statement**

kSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021e	Q3 2021e	Q4 2021e
Operating activities	(4 331)	(4 246)	(3 302)	(3 089)	(5 362)	(4 195)	(4 764)	(5 085)
Changes in working capital	(820)	2 367	526	(45)	2 463	(2 549)	334	(326)
Investing activities	(2 381)	(3 995)	(4 691)	(4 085)	(4 346)	(2 917)	(2 907)	(2 964)
Financing activities	(55)	23 800	(121)	17	10 042	7 500	7 500	-
<b>Cash flow for the period</b>	<b>(7 587)</b>	<b>17 925</b>	<b>(7 589)</b>	<b>(7 202)</b>	<b>2 796</b>	<b>(2 160)</b>	<b>163</b>	<b>(8 375)</b>
Beginning cash balance	13 181	5 715	23 501	15 888	8 668	11 534	9 374	9 537
Adjustments	121	(139)	(24)	(18)	70	-	-	-
<b>Ending cash balance</b>	<b>5 715</b>	<b>23 501</b>	<b>15 888</b>	<b>8 668</b>	<b>11 534</b>	<b>9 374</b>	<b>9 537</b>	<b>1 162</b>

Source: Västra Hamnen Corporate Finance

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