

Realfiction

Market: First North SE

Ticker: REALFI

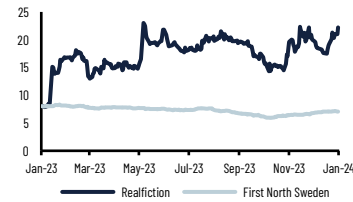
Share price (SEK): 22.20

Market cap (SEK): 439.0m

Net cash (SEK): 11.0m

Enterprise value (SEK): 428.0m

Share information



YTD: 26.1% 1 year: 170.7%
1 month: 11.0% 3 year: 25.1%

Note: We apply the closing price from 16 January 2024
Index rebased to 16 January 2023. Source: Refinitiv

Financials

SEKm	2021	2022	2023E*
Revenue	12.6	14.2	N/A
Revenue growth	32.4%	13.0%	N/A
EBITDA	-3.5	-0.8	N/A
EBITDA margin	-27.8%	-5.5%	N/A
Net income	-1.0	-1.4	N/A
Net income margin	-7.7%	-9.8%	N/A
Cash	40.9	30.8	N/A
Interest-bearing debt	3.9	4.3	N/A

Note: *Realfiction has no financial guidance for 2023.

Valuation multiples

	2021	2022	2023E*
P/S (x)	22.8	10.5	N/A
EV/Sales (x)	19.8	8.7	N/A
EV/EBITDA (x)	-71.4	-157.0	N/A
EV/EBIT (x)	-58.3	-77.8	N/A
P/E (x)	-295.1	-107.9	N/A
P/B (x)	4.0	2.0	N/A
P/CF (x)	XXX	33.2	N/A

Note: Multiples for 2021 and 2022 are based on historical numbers.
*Realfiction has no financial guidance for 2023.

Company description

Founded in 2008, Realfiction is a Danish provider of cutting-edge 3D display technologies. The company has developed, sold, and rented out Mixed Reality products and services, primarily for brands within Retail & Exhibitions, as well as hardware for Experience. Recently, Realfiction has developed a groundbreaking patent-pending technology, Directional Pixel Technology (DPT), that enables a new generation of 3D glasses-free experiences and a 2D multi-view display. The share is listed on First North Sweden.

Investment case

Realfiction's investment case is driven by the commercialization of its newly launched Directional Pixel Technology. From now on, Realfiction will pursue commercial licensing agreements and partnerships to pave the way to mass production. Realfiction's technologies are protected by its patent portfolio which comprises 15 patent families with applications filed in multiple countries.

The company is positioned in a high-growing market, as the global 3D display market is expected to grow with a CAGR of more than 25% towards 2026.¹ Currently, large TV manufacturers are looking into new possibilities to create new visual experiences for the mass market. Simply put, large screen manufacturers need new features to increase replacement cycles and raise prices. Other potential use cases include medical imaging, immersive gaming, and entertainment, as well as the automotive industry with its 2D multi-view Directional Pixel Technology display version.

Looking at valuation, there are no directly listed peers to Realfiction. For perspective, however, Realfiction can be compared with larger global IP players with a license business model, yet these are also later in the lifecycle. We also have data on smaller non-listed companies within 3D display, which are closer peers to Realfiction. These private deals are traded at EV/Sales multiples, ranging from approx. 7-30x (see appendix for more and sources).

¹<https://www.gminsights.com/industry-analysis/3d-display-market>

Key investment reasons

Realfiction provides a unique investment opportunity, as its Directional Pixel Technology has the potential to change how people look at displays in social settings across different applications. Realfiction will primarily operate with a license business model, which is highly scalable, cash flow generating, and well-known in the display sector.

In 2024, Realfiction could potentially face a promising news flow, as its Directional Pixel Technology solutions are launched and are ready to be licensed. Potential customers could be large global companies across industries, and new commercial agreements could be the first indications of the potential.

Realfiction's supplier and key strategic partner, AmTRAN Technology, has taken a large stake in the company of approx. 10%. With this significant ownership, the Taiwan-based display design manufacturer has validated Realfiction's technology.

Key investment risks

Looking at the new Directional Pixel Technology, Realfiction is still in the early stages of its commercialization. However, Realfiction has managed to sell its MaaS solution and hardware sales to large well-known brands over many years. Moreover, these business segments partially finance the commercialization of its Directional Pixel Technology until reaching profitability from licensing and/or sales revenue. In 2022, Realfiction's net revenue from the existing business was SEK 14.2m.

Realfiction expects to have the necessary liquidity to sustain all operations, including its development and execution of the go-to-market strategy until at least May 2024. The runway can be extended if Realfiction licenses its Directional Pixel Technology with upfront payments before this. To mitigate the funding risk, the company has also initiated a process to secure a loan that potentially will finance the company until mid-2025, thereby avoiding dilution of the shareholders.

Peer group

Company	Currency	Price (local)	Total return 1-year	Market cap (USDm)	Latest net debt (USDm)	EV/Sales (x)			Revenue growth (%)			EV/EBITDA (x)			EBITDA margin (%)		
						2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Universal Display Corp	USD	178.7	40%	7,728.4	-491.7	13.0	13.8	11.9	11%	-6%	16%	27.4	30.8	24.4	50%	45%	49%
Dolby Laboratories Inc	USD	84.6	14%	7,349.4	-884.5	5.5	5.4	5.2	-2%	0%	15.4	14.7	13.7	24%	27%	37%	
InterDigital Inc	USD	103.9	78%	2,438.4	-472.7	4.9	4.0	4.6	8%	20%	-12%	9.3	6.7	9.6	51%	60%	48%
Average			44%	5,838.7	-616.3	7.8	7.7	7.2	6%	6%	1%	17.4	17.4	15.9	42%	44%	44%
Median			40%	7,349.4	-491.7	5.5	5.4	5.2	8%	4%	0%	15.4	14.7	13.7	50%	45%	48%
Realfiction Holding AB	SEK	22.2	171%	38.9	-1.0	8.7	N/A	N/A	13%	N/A	N/A	-157.0	N/A	N/A	-6%	N/A	N/A

Note: The table shows financial data and multiples for different global and large IP-heavy license companies within TV, screens, and selected entertainment. Data is extracted from Refinitiv on 16 January 2024. Realfiction has no financial guidance. See more information on the next page. Source: HC Andersen Capital and Refinitiv.

Appendix: Peer group

Peer groups: Some of the data in the peer group has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from Refinitiv as well as financials and multiples of the non-listed companies from different sources. HC Andersen Capital assumes no responsibility for the correctness of the data in the peer group.

In our selection and evaluation of the peers to Realfiction, we have focused on two peer groups. The first peer group has been illustrated on the first page, consisting of selected globally listed licensing companies within TV, imaging, screens, and selected entertainment. There is a short description of the companies provided below. The second peer group consists of different non-listed holographic and 3D display companies, which are somewhat in the same sector as Realfiction. For this group, we have a summary of each company combined with EV/Sales multiples, which are found through different sources (be aware that we cannot verify these sources).

Overview of selected listed IP-heavy companies within TV, imaging, screens, and entertainment:

Universal Display Corporation is a US-listed manufacturer and developer of organic light-emitting diodes (OLED) technologies and materials. The company was founded in 1994 and currently owns license rights of more than 3,000 issued and pending patents globally. Universal Display Corporation is a successful example of a company with a large patent portfolio that has grown significantly and, at the same time, has a solid EBITDA margin of approx. 50% in 2022. Universal Display Corporation has a market value of approx. USD 8.5bn.

Dolby Laboratories is a British-American technology corporation with technologies that are licensed to consumer electronics manufacturers. The company's technologies are primarily within audio, but it also has technologies such as Dolby Contrast that provide enhanced image contrast to LCD screens with LED backlight units. The company is listed in the United States and has a market value of approx. USD 8.0bn.

InterDigital is a US company founded in 1972. The company develops mobile and video technologies, including solutions for better video delivery and multimedia experiences. InterDigital has licenses and strategic relationships with some of the world's leading technology companies. The company is listed in the United States and has a market value of approx. USD 2.7bn.

Overview of the selected non-listed companies within holographic and 3D display:

Looking Glass Factory has developed an end-to-end holographic platform that can show content in life-like 3D. In February 2023, Accenture Ventures invested in Looking Glass Factory to accelerate the shift from 2D to 3D. According to a report from Accenture, growing consumer and business interest in the metaverse as a creator economy and tool to enhance day-to-day tasks is expected to fuel a USD 1 trillion revenue opportunity by the end of 2025. Looking Glass Factory has raised approx. USD 30.5m over 10 rounds. Sources around Looking Glass Factory can be found in footnote 1.¹

Light Field Lab is a US-based cutting-edge technology company operating in the digital display market. In early 2023, Light Field Lab raised USD 50m to bring its solid-light holograms into the real world. Post-money valuation of the company was USD 200-300m according to estimates from February 2023. Revenues are different depending on sources, however, ZoomInfo estimates that Light Field Lab has revenues of USD 10m. This corresponds to an EV/Sales multiple between approx. 20-30x. Sources around Light Field Lab can be found in footnote 2.²

Leia Inc. acquired Dimeco, a global company within 3D display technology that, among others, supplies 3D screens and eye-tracking to Asus and Acer. The acquisition was in August 2023, and the company was acquired for approx. EUR 32m and had a revenue of approx. EUR 4.5m according to different sources, corresponding to an EV/Sales multiple of approx. 7x. Leia's technology turns 2D images into 3D animations with the use of AI. We do not have any insights about Leia's valuation in recent capital rounds, however, the company has raised approx. USD 155m over time which shows that huge investments are made into the technology. Sources around Leia Inc. can be found in footnote 3.³

¹<https://lookingglassfactory.com/>, <https://newsroom.accenture.com/news/2023/accenture-invests-in-looking-glass-to-accelerate-shift-from-2d-to-3d>, <https://www.cbinsights.com/company/looking-glass-factory/financials>

²<https://www.lightfieldlab.com/>, https://app.dealroom.co/companies/light_field_lab, <https://www.zoominfo.com/c/light-field-lab-inc/408514544>

³<https://www.leiainc.com/>, <https://www.zoominfo.com/c/dimeco/426044612>, <https://www.dealmaker.nl/dealmaker/frederiek-maessen>, https://www.zoominfo.com/c/leia-inc/359368638?fbclid=IwARI_mnlfEtllo0Jg3e_xfonNAfrKeWTKAQM4oLNla7YqXSTHmfZ18fq3kmM