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COMPANY UPDATE

Software & Services

Fair value: N.A. –.

Share price: SEK0.28

Irisity

Strong domestic market, challenging abroad – Q1 review

Research analysts:

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DNB Carnegie Investment Bank AB

Irisity has begun the year with a sales decline of 9.4% Y/Y due to delays in the international market. The company has seen strong domestic demand, but due to delays expects weak development for the next two quarters before a return to growth towards the end of the year.

A rough start to the year: Sales in the quarter were SEK18.1m, corresponding to a decline of 9.4% Y/Y. MRR in the quarter was SEK4.1m, flat Q/Q and a decline of 6.8% Y/Y. The lacklustre development in MRR is a result of the US government delaying its contract renewal, expected by the company to materialise in Q2 2025. The company guides for growth in MRR in the coming quarters as delays are caught up. Management expects strong domestic demand due to Swedish regulatory changes. However, this does not compensate for a weak international market where, according to the company, customers have prioritised hardware investment due to the looming threat of tariffs. EBITDA in the quarter was SEK-18.8m, down from SEK3.3m in Q1 2024 due to declining sales Y/Y. Given that opex is at an all-time low, Irisity expects strong operational leverage once growth returns towards the end of the year. Operational cash in the quarter was SEK-13.5m and the cash balance was SEK4.3m.

Ongoing transaction: Irisity has proposed a fully secured rights issue amounting to SEK21.1m with a subscription price of SEK0.4. The subscription period will start on 16 May. DNB Carnegie is acting as financial advisor to Irisity in the share rights issue. We therefore remove our fair value range. Our estimates have not been updated and should no longer be relied upon.

Changes in this report				Key figures (SEK)					Share price – 5-year	
	From	To	Chg	2024	2025e	2026e	2027e			
EPS adj. 2025e	-0.81	-0.81	0%	88	111	127	141			
EPS adj. 2026e	-0.59	-0.59	0%	-94	-27	-12	-8			
EPS adj. 2027e	-0.56	-0.56	0%	-230	-150	-136	-132			
				EPS	-2.73	-1.08	-0.83	-0.79		
Upcoming events				EPS adj.	-1.76	-0.81	-0.59	-0.56		
Q2 Report		15 Aug 2025		DPS	0.00	0.00	0.00	0.00		
Q3 Report		14 Nov 2025		Sales growth Y/Y	-25%	26%	14%	11%		
				EPS adj. growth Y/Y	+chg	+chg	+chg	+chg		
Key facts				EBIT margin	-260.7%	-135.3%	-106.9%	-93.7%		
No. shares (m)		167.0		P/E adj.	n.m.	n.m.	n.m.	n.m.		
Market cap. (USDm)		5		EV/EBIT	neg.	neg.	neg.	neg.		
Market cap. (SEKm)		47		EV/EBITA	neg.	neg.	neg.	neg.		
Net IB Debt. (SEKm)		16		EV/EBITDA	neg.	neg.	neg.	neg.		
Adjustments (SEKm)		0		P/BV	0.1	0.1	0.1	0.2		
EV (2025e) (SEKm)		64		Dividend yield	0.0%	0.0%	0.0%	0.0%		
Free float		0.0%		FCF yield	-205.4%	-41.1%	-40.8%	-41.1%		
Avg. daily vol. ('000)		196		Equity/Total Assets	84.2%	77.0%	68.1%	54.7%		
BBG		IRIS SS		ROCE	-34.6%	-25.0%	-28.3%	-37.3%		
Fiscal year end		December		ROE adj.	-22.9%	-20.4%	-23.6%	-32.7%		
Share price as of (CET)	13 May 2025 15:49			Net IB debt/EBITDA	-0.2	-0.6	-2.9	-6.6		

Source: DNB Carnegie (estimates), FactSet, Infront & company data

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Equity story

Near term: within 12M

We believe the main catalyst for the Irisity share price will be the company starting to show that there is a path towards profitability and stable growth. An example of a stepping stone towards this would be if the monthly recurring revenue (MRR) starts to show a return to growth both Y/Y and Q/Q. Other drivers of the share price near term include news regarding new projects or installations. We think the changing Swedish regulation regarding permits for video surveillance implemented in 2025 could lead to an accelerating growth.

Long term outlook: 5Y+

We believe that Irisity is well positioned for several large macro trends. First, we see increased automation of the surveillance business as an important driver for growth for Irisity. We believe that surveillance companies can increase their margins by having fewer manual guards or employees in surveillance centres. Second, we see a growing market for Irisity's applied AI solutions as both cameras and computing power become more accessible, increasing the number of potential projects. Third, we believe that increased uncertainty globally leads to an increased demand for surveillance.

Key risks:

- Liquidity risk: Irisity has a long history of negative cash flows. This has led to a number of equity raises during the last five years.
- Integration risk: We argue that the integration of AgentVi acquired in 2021 did not go according to plan, leading to low synergies and a loss of operational pace. When the latest acquisition of Ultinous is not as big and transformative, there is integration risk.
- FX risk: Irisity reports in SEK but has revenue in a number of currencies and a large cost base in SEK and Israeli shekel.

Company description

Irisity is a provider of software and services for generative AI and deep learning-based AI solutions for video analysis. The company develops and sells software that upgrades ordinary security cameras into intelligent sensors while protecting personal privacy. The technology safeguards people, places and assets by detecting incidents in real time. Detecting intrusions, flames, violence, falls, use of personal protective equipment and abandoned objects, along with quick search and analysis of recorded video and providing statistical data, are parts of the offering.

Key industry drivers

- Increased awareness of security and automation of security
- Adaption of AI in cameras
- Growth of smart cameras

Industry outlook

- The market for AI based video analytics is expected to grow at a CAGR of 23.7% in 2023–28

Largest shareholders, capital

Stockhorn Capital AB	24.0%
Försäkringsaktiebolaget Av:	11.1%
Aktiebolaget Westergyllen	6.1%

Cyclicality

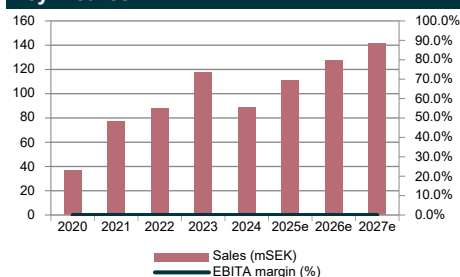
Cyclicality: No
Not cyclical

Key peers

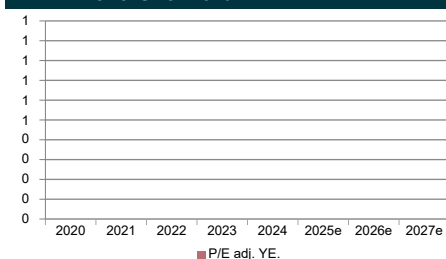
Axis, Securitas, Icetana

Valuation and methodology

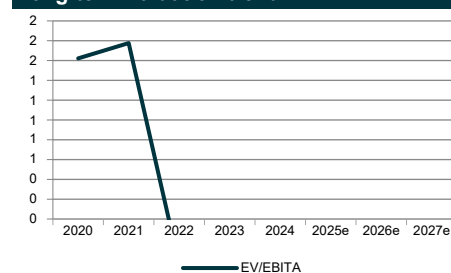
Key metrics



PE 12-months forward



Long-term valuation trend



Source: DNB Carnegie (estimates) & company data

Financial statements

Profit & loss (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Sales	0	0	37	77	88	118	88	111	127	141
COGS	0	0	-15	-22	-18	-17	-22	-18	-19	-21
Gross profit	0	0	22	56	70	101	67	93	108	120
Other income & costs	0	0	-28	-49	-102	-117	-160	-119	-120	-128
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
EBITDA	0	0	-6	6	-32	-16	-94	-27	-12	-8
Depreciation PPE	0	0	0	0	0	0	0	0	0	0
Depreciation lease assets	0	0	0	0	0	0	0	0	0	0
Amortisation development costs	0	0	0	0	0	0	0	0	0	0
Amortisation other intangibles	0	0	-4	-19	-66	-74	-98	-85	-85	-85
Impairments / writedowns	0	0	0	0	0	0	0	0	0	0
EBITA	0	0	-9	-13	-98	-90	-191	-112	-97	-93
Amortization acquisition related	0	0	-10	-13	-49	-50	-39	-39	-39	-39
Impairment acquisition related	0	0	0	0	0	0	0	0	0	0
EBIT	0	0	-19	-26	-147	-141	-230	-150	-136	-132
Share in ass. operations and JV	0	0	0	0	0	0	0	0	0	0
Net financial items	0	0	0	-1	0	-3	-5	-2	-2	0
of which interest income/expenses	0	0	0	-1	0	-3	-5	-2	-2	0
of which interest on lease liabilities	0	0	0	0	0	0	0	0	0	0
of which other items	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	-20	-26	-148	-144	-235	-152	-138	-132
Taxes	0	0	0	3	11	11	12	0	0	0
Post-tax minorities interest	0	0	0	0	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit	0	0	-20	-24	-137	-133	-223	-152	-138	-132
Adjusted EBITDA	0	0	-6	6	-32	-16	-53	-27	-12	-8
Adjusted EBITA	0	0	-9	-13	-98	-90	-151	-112	-97	-93
Adjusted EBIT	0	0	-19	-26	-147	-141	-190	-150	-136	-132
Adjusted net profit	0	0	-10	-11	-88	-82	-144	-114	-99	-93
Sales growth Y/Y	na	na	+chg	110.2%	13.4%	34.1%	-24.9%	25.8%	14.4%	10.9%
EBITDA growth Y/Y	na	na	-chg	+chg	-chg	+chg	-chg	+chg	+chg	+chg
EBITA growth Y/Y	na	na	-chg	-chg	-chg	+chg	-chg	+chg	+chg	+chg
EBIT growth Y/Y	na	na	-chg	-chg	-chg	+chg	-chg	+chg	+chg	+chg
EBITDA margin	nm	nm	-16.2%	8.3%	-36.5%	-14.0%	-105.9%	-23.9%	-9.6%	-5.9%
EBITA margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
EBIT margin	nm	nm	-52.4%	-33.4%	-168.1%	-119.6%	-260.7%	-135.3%	-106.9%	-93.7%
Tax rate	na	na	na	na	na	na	na	na	na	na
Cash flow (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
EBITDA	0	0	-6	6	-32	-16	-94	-27	-12	-8
Paid taxes	0	0	-1	-1	0	0	0	0	0	0
Change in NWC	0	0	-4	-33	-10	-25	26	22	7	5
Non cash adjustments	0	0	0	-1	0	-1	9	0	0	0
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Total operating activities	0	0	-11	-27	-42	-43	-59	-4	-5	-4
Capex tangible assets	0	0	0	0	-1	-1	0	0	0	0
Capitalised development costs	0	0	-10	-15	-25	-26	-34	-13	-12	-16
Capex - other intangible assets	0	0	0	0	0	0	0	0	0	0
Acquisitions/divestments	0	0	0	-74	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Total investing activities	0	0	-10	-90	-26	-27	-34	-13	-12	-16
Net financial items	0	0	0	-1	0	-3	-5	-2	-2	0
Lease payments	0	0	0	0	0	0	0	0	0	0
Dividend paid and received	0	0	0	0	0	0	0	0	0	0
Share issues & buybacks	0	0	47	125	0	55	101	21	0	0
Change in bank debt	0	0	-3	-1	14	8	-10	15	10	10
Other cash flow items	0	0	3	0	0	3	0	0	0	0
Total financing activities	0	0	46	123	13	63	87	34	8	10
Operating cash flow	0	0	-11	-27	-42	-43	-59	-4	-5	-4
Free cash flow	0	0	-21	-44	-69	-73	-97	-19	-19	-20
Net cash flow	0	0	25	6	-55	-7	-6	17	-9	-10
Change in net IB debt	0	0	29	7	-68	-12	4	2	-19	-20
Capex / Sales	nm	nm	0.0%	0.5%	1.6%	0.7%	0.0%	0.0%	0.0%	0.0%
NWC / Sales	nm	nm	-2.9%	6.8%	16.9%	24.7%	29.1%	-0.6%	-11.9%	-14.8%

Source: DNB Carnegie (estimates) & company data

Financial statements, cont.

Balance sheet (SEKm)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Acquired intangible assets	0	0	16	311	310	246	242	203	164	125
Other fixed intangible assets	0	0	43	425	446	383	365	280	195	110
Capitalised development	0	0	0	0	0	0	34	47	59	75
Tangible assets	0	0	2	3	2	2	1	1	1	1
Lease assets	0	0	0	0	0	0	0	0	0	0
Other IB assets (1)	0	0	0	0	0	0	0	0	0	0
Other non-IB assets	0	0	0	34	39	37	34	34	34	34
Fixed assets	0	0	61	772	797	668	676	565	453	345
Inventories (2)	0	0	0	0	0	0	0	0	0	0
Receivables (2)	0	0	8	40	19	27	35	22	20	23
Prepaid exp. & other NWC items (2)	0	0	4	13	27	52	20	24	28	28
IB current assets (1)	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	2	3	0	0	0	0	0
Cash & cash equivalents (1)	0	0	65	71	18	14	8	24	15	6
Current assets	0	0	77	127	66	92	62	71	63	56
Total assets	0	0	138	899	863	760	738	636	516	401
Shareholders' equity	0	0	118	762	739	632	621	490	352	220
Minorities	0	0	0	0	0	0	0	0	0	0
Other equity	0	0	0	0	0	0	0	0	0	0
Total equity	0	0	118	762	739	632	621	490	352	220
Deferred tax	0	0	0	77	65	54	47	47	47	47
LT IB debt (1)	0	0	1	0	11	15	13	28	28	28
Other IB provisions (1)	0	0	0	0	1	0	0	0	0	0
Lease liabilities	0	0	0	0	0	0	0	0	0	0
Other non-IB liabilities	0	0	0	9	10	8	0	0	0	0
LT liabilities	0	0	1	85	87	76	60	75	75	75
ST IB debt (1)	0	0	1	1	4	8	13	13	23	33
Payables (2)	0	0	4	12	5	6	11	17	19	21
Accrued exp. & other NWC items (2)	0	0	10	28	23	32	33	42	48	53
Other ST non-IB liabilities	0	0	4	10	5	7	0	0	0	0
Liabilities - assets held for sale	0	0	0	0	0	0	0	0	0	0
Current liabilities	0	0	19	52	38	52	57	71	89	107
Total equity and liabilities	0	0	138	899	863	760	738	636	516	401
Net IB debt (=1)	0	0	-63	-70	-2	10	18	16	36	55
Net working capital (NWC) (=2)	0	0	-2	13	17	41	10	-12	-18	-23
Capital employed (CE)	0	0	120	807	781	671	660	544	416	294
Capital invested (CI)	0	0	59	751	776	672	618	473	342	213
Equity / Total assets	nm	nm	85%	85%	86%	83%	84%	77%	68%	55%
Net IB debt / EBITDA	nm	nm	10.6	-11.0	0.1	-0.6	-0.2	-0.6	-2.9	-6.6
Per share data (SEK)	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
Adj. no. of shares in issue YE (m)	0.00	0.00	38.30	38.30	38.30	49.23	114.3	167.0	167.0	167.0
Diluted no. of Shares YE (m)	0.00	0.00	38.30	38.30	38.30	49.23	114.3	167.0	167.0	167.0
EPS	na	na	-1.02	-0.62	-3.57	-3.03	-2.73	-1.08	-0.83	-0.79
EPS adj.	na	na	-0.51	-0.28	-2.30	-1.88	-1.76	-0.81	-0.59	-0.56
CEPS	na	na	-0.33	0.22	-0.56	-0.19	-1.06	-0.20	-0.08	-0.05
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	na	na	3.07	19.9	19.3	12.8	5.43	2.93	2.11	1.31
Performance measures	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
ROE	nm	nm	-33.3%	-5.4%	-18.2%	-19.3%	-35.6%	-27.4%	-32.8%	-46.3%
Adj. ROCE pre-tax	na	na	na	-2.8%	-12.4%	-12.4%	-22.6%	-18.5%	-20.2%	-26.3%
Adj. ROIC after-tax	na	na	na	-3.2%	-12.9%	-12.5%	-23.4%	-20.4%	-23.9%	-33.6%
Valuation	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e
FCF yield	0.0%	0.0%	-45.2%	-92.4%	-144.6%	-154.3%	-205.4%	-41.1%	-40.8%	-41.1%
Dividend yield YE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend payout ratio	na	na	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend + buy backs yield YE	nm	nm	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Sales YE	nm	nm	36.40	29.42	2.88	2.19	1.69	0.57	0.65	0.73
EV/EBITDA YE	nm	nm	neg.	>50	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBITA YE	nm	nm	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBITA adj. YE	nm	nm	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBIT YE	nm	nm	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
P/E YE	na	na	nm	nm	nm	nm	nm	nm	nm	nm
P/E adj. YE	na	na	nm	nm	nm	nm	nm	nm	nm	nm
P/BV YE	na	na	11.90	3.08	0.34	0.39	0.21	0.10	0.13	0.22
Share price YE (SEK)	14.3	9.04	36.6	61.2	6.63	5.04	1.15	0.30		

Source: DNB Carnegie (estimates) & company data

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