OptiCept

Extensive report

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Inderes corporate customer

Enable economic growth in a climate-friendly way

OptiCept Technologies provides solutions that enhance shelf life and quality in the food and plant industry. Through its innovative technology, which initially seems competitive, the company is actively addressing significant global sustainability challenges. However, the realization of broader commercial success, along with the timing of such a breakthrough, is dependable on future additional financing based on our estimates and involves considerable risk. Consequently, we anticipate a weak risk/return ratio over the next 12 months, despite our optimistic scenario supporting potential significant upside. In light of this, we are initiating coverage of OptiCept with a Reduce recommendation and a target price of SEK 2.2 per share.

OptiCept commercializes products that contribute to a more sustainable world

In recent years, OptiCept has developed and commercialized products based on two technology platforms, vacuum impregnation within the PlantTech business area and pulsed electric field within the FoodTech business area. The products provide both financial benefits for the customer, better products for the consumer, and less impact on our environment. The company now has commercial customers within both business areas, but since it is in the early phase revenue is still modest.

The business model should be scalable, but is not proven yet

OptiCept's business model is based on two main revenue streams. In FoodTech, the revenue mainly consists of one-time machinery equipment sales, but in the long-term also of a higher share of continuous aftermarket services and spare parts. In PlantTech, OptiCept leases the machines and charges its customers a volume-based fee. We believe that the margin profiles of the revenue streams differ significantly as the usage-based sales margin could be very high while the sales margin for equipment sales is clearly lower, in our view.

Estimating OptiCept's business is very challenging, and scenarios are very wide

Due to the company being in an early commercialization phase, predictability is very weak and the planned structure and focus of the company's business may change significantly over time. We include a neutral scenario in our estimates, where commercialization and business scaling are achieved. We believe that our estimates rely on a realistic but very high-risk scenario of OptiCept's business growth (revenue CAGR 41% in 2022-2032e). As part of the valuation, we have also looked at a scenario in line with the company's short-term targets and a scenario with slower commercialization than we expect.

Significant potential, yet facing short-term financing challenges

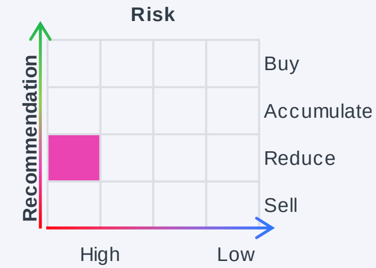
OptiCept's fundamental-based valuation is very challenging, as possible scenarios relies on assumptions that carry high uncertainty. As a result, our fair value estimate range for the share is wide, SEK 1.5-2.7. While we find OptiCept to be an interesting company with large potential, given our belief that the company will require additional financing in the short term, we do not believe it is worth it for an investor to take on the potential dilution risk with current valuation. However, in an optimistic scenario current valuation could provide a solid expected return even with current valuations.

Recommendation

Reduce

2.2 SEK

Share price:
2.3 SEK



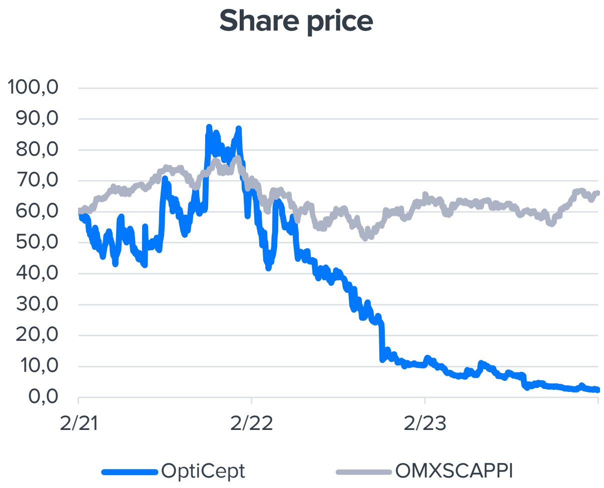
Key indicators

	2022	2023e	2024e	2025e
Revenue	10.5	10.2	27.3	67.5
growth-%	136%	-3%	168%	147%
EBIT adj.	-89.7	-68.6	-39.9	-35.3
EBIT-% adj.	-854.5 %	-672.9 %	-145.8 %	-52.3 %
Net Income	-100.1	-78.6	-48.9	-42.3
EPS (adj.)	-4.68	-1.96	-1.07	-0.92
P/E (adj.)	neg.	neg.	neg.	neg.
P/B	0.5	0.3	0.3	0.3
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
EV/S	13.7	9.6	4.2	2.3

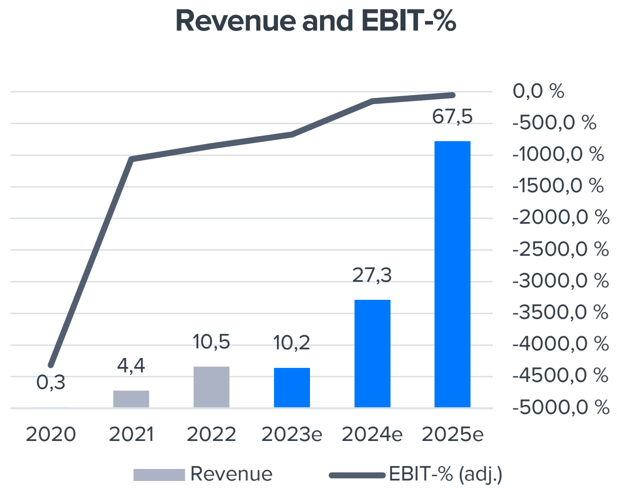
Source: Inderes

Guidance

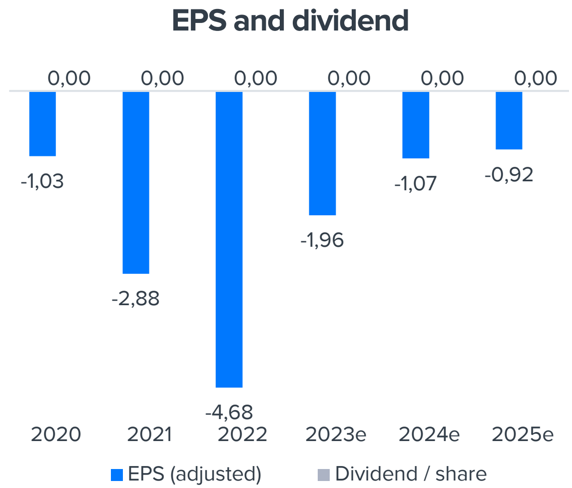
(OptiCept provides no guidance)



Source: Millistream Market Data AB



Source: Inderes



Source: Inderes

Value drivers

- Proven technology to extend the shelf life and enhance the quality of food and plants
- Growing markets driven by significant trends such as sustainability
- Optionality and scalable business model
- Short payback period for customers lowers the barrier to invest in the technology

Risk factors

- Challenges of breaking into conservative markets raise the risk level
- Growth strategy eats away on cash assets and requires additional funding
- Competing solutions and emerging rivals
- The business model proves ineffective and demand is weak

Valuation	2023e	2024e	2025e
Share price	2.30	2.30	2.30
Number of shares, millions	40.2	45.9	45.9
Market cap	92	92	92
EV	98	115	153
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	0.3	0.3	0.3
P/S	9.1	3.4	1.4
EV/Sales	9.6	4.2	2.3
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Contents

OptiCept in brief

Summary and key figures

OptiCept develops and provides products that enhance biological processes, leading to increased extraction from raw materials, extended shelf life, reduced waste, and improved quality.

2011
Year of establishment

2014 & 2020
Listed on Spotlight Stock market in 2014 and Nasdaq First North Growth Market in 2020

9.9 MSEK
Revenue LTM per Q3'23

29.7 MSEK
Order book per Q3'23

-87.3 MSEK
EBIT LTM per Q3'23

50-70 BNSEK
Overall addressable market size

28
Average number of employees per Q3'23

Source: Inderes, OptiCept

Following an extensive research phase, OptiCept has shifted its focus towards commercialization

Key events in history

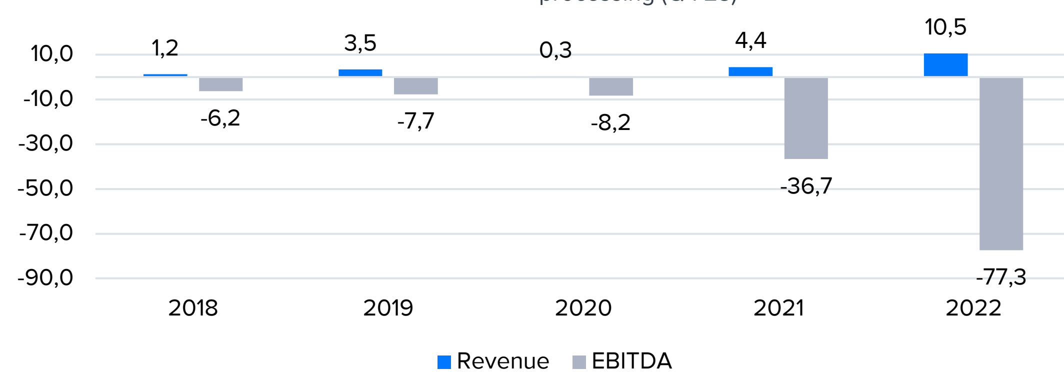
2011-2020

- OptiCept, formerly OptiFreeze, was founded to develop solutions for extending the shelf life and improving the quality of diverse food products
- Following successful results, OptiCept expands its technology to include the treatment of cuttings and cut flowers
- OptiCept technology receives patent for its two main treatment methods, Pulsed Electric Field (PEF) and Vacuum Infusion (VI)
- The business operates at a loss and relies predominantly on new issuances and debt financing for funding
- In 2018, OptiCept sold the first OptiBoost system

2021-

- OptiCept launched OptiBoost for cut flowers in stores, which was the start of commercial rollout (Q2'21)
- OptiCept merged with ArcAroma AB, and focused on the business areas PlantTech and FoodTech (Q2'21)
- The company takes important steps towards the commercialization of WineCept within FoodTech (Q3'21)
- OptiCept scales up sales of OliveCept within FoodTech and receives its first order from China (Q1'22)
- OptiCept conducts industrial tests with JuiceCept technology at Dole, one of the world's largest producers of high-quality fresh fruit (Q2'23)
- OptiCept secures a commercial agreement within PlantTech, partnering with two South American customers for cutting treatment (Q3'23)
- OptiCept partners with FPS Food Process Solutions Corp for collaborative research, production, and commercialization of PEF applications in solid food processing (Q4'23)

Revenue and EBIT development, MSEK



Source: Inderes, OptiCept
*Until 2019, figures are K3 accordant and starting from 2020 IFRS accordant.

Company description and business model 1/5

High risk tech company with large potential

OptiCept Technologies, formerly OptiFreeze, initiated operations in 2011, focusing on developing FoodTech solutions to extend shelf life and enhance food quality. Building on successful outcomes, OptiCept expanded its technological reach to PlantTech, encompassing the treatment of cuttings and cut flowers. In spring 2021, OptiCept merged with ArcAroma AB and integrated the CEPT-system to enhance extraction from pumpable materials like olive oil, juice, and wine.

Following an extensive R&D phase, the company has successfully made commercial deals in both the FoodTech and PlantTech area. While the company has progressed in commercializing its technology, we still see it as an early-stage growth company that seeks a sustainable long-term business model to fully exploit the commercial value of its technology.

Two technologies – several application areas

OptiCept products are based on two technology platforms, VI (vacuum impregnation technology) within PlantTech and PEF (Pulsed Electric Field technology) within FoodTech. The company's CEPT technology (Controlled Environment Pulsed electric fields Treatment), a refined PEF variant, enhances extraction, extends shelf life, and improves the quality of liquid (e.g., olive oil, juice and wine) and solid foods (e.g., potatoes and carrots). VI utilizes vacuum impregnation technology to enhance cut flowers and cuttings with nutrient solutions, resulting in prolonged vase life, higher survival rates, improved quality, reduced waste, and increased sales. (discussed in more detail in each business area section).

While the product areas are quite different and currently used separately, we believe potential synergies exist by having them within the same company. This integration optimizes resource utilization, including overhead, technology, engineers, installation and support teams, and service personnel, promoting increased scalability.

A more streamlined approach to commercialization

In the early R&D phase, the company was somewhat scattered, exploring diverse application areas for its technologies. This resulted in a high cost structure. Consequently, OptiCept has strategically narrowed its focus to areas where it holds commercial contracts, ongoing projects, and is closest to achieving cash flow – currently OliveCept within FoodTech and OptiBoost for cut flowers and cuttings within PlantTech.

To prioritize other product areas, the company seeks partners willing to contribute operationally and financially to the commercialization process. Presently, this collaborative approach is evident in the partnerships with Dole for juice and FPS for potatoes. We view this shift positively, as the company is now concentrated on areas closer to generating cash flow. However, the modular nature of the technology, coupled with its applicability across various products, allows OptiCept to swiftly transition from development to market. This agility provides valuable optionality in OptiCept's business model, enabling the company to establish new revenue streams and create a more diversified and resilient business.

OptiCept – application areas

Source: Inderes, OptiCept

Company description and business model 2/5

Outsourced production seems justified

OptiCept's systems are manufactured by Swedish contract manufacturers, while the production and distribution of the patented nutrient solution are made by OptiCept's partner Prebona. Our perspective is that relying on external manufacturing can pose challenges in maintaining consistent quality across diverse locations. On the flip side, establishing in-house production facilities would require substantial investments in PP&E and personnel, tying up valuable capital. Additionally, outsourcing production empowers OptiCept to swiftly and efficiently scale its operations in response to increasing demand. Considering OptiCept's early-growth stage, marked by a lack of profitability, we believe that the outsourcing-driven operating model seems justified.

From the initial customer inquiry to a finished product, the company estimates a timeframe of 3-4 months. Additionally, transport time to deliver the system to the customer, varying based on the route, can add up to an extra two months. Consequently, the overall delivery time for a complete system stands at approximately 4-6 months. To address these long delivery times and enhance responsiveness to growing demand, OptiCept strategically maintains an inventory to swiftly meet rising demand. However, this proactive approach comes at the cost of increased working capital. It's a trade-off between minimizing delivery times and managing the financial aspects of inventory.

Revenue streams from various sources

Historically, OptiCept's income has primarily come from OliveCept systems and payments made by companies utilizing its technology for evaluations. These revenues are typically project-based, as the assessment of the technology is a one-time occurrence before deciding on implementation. The growth OptiCept seeks is based on large-scale commercialization of its products, so if growth is successful, the role of small and non-recurring revenue streams from evaluations would probably reduce.

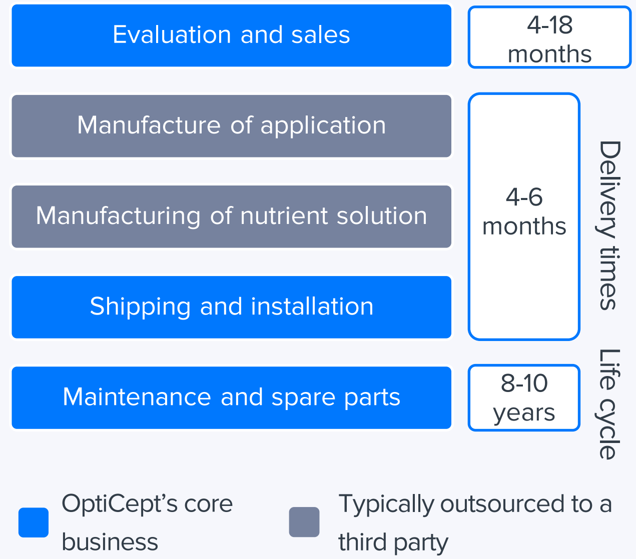
In 2022, the company achieved successful commercialization of its technology in both FoodTech and PlantTech, although in modest quantities initially. If the strong growth targeted by the company is successful, we anticipate that revenue streams will include a combination of recurring and non-recurring income. In FoodTech, we expect mainly one-time equipment sales, but in the long-term also a higher share of continuous aftermarket services and spare parts. In PlantTech, where customers lease the machine and pay per treatment, we expect primarily recurring revenues, although with potentially lower volumes in the initial stages.

We note that assessing the structure and nature of the company's long-term revenue streams is at best an educated guess at the moment. The planned structure and focus of the company's business may change significantly over time.

Revenue model

PlantTech	FoodTech
• License model • Machine delivery – no investment needed • Payment per treatment with a min. fee/volume	• Mostly traditional sales contract, but can be volume based
• Fee – SEK ~0.25-0.39 per treatment, depending on volume • Aftermarket services included in fee	• 1 Balder installation – 3.2 MSEK • Aftermarket services – ~0.3 MSEK per year

Business process



Source: Inderes, OptiCept

Company description and business model 3/5

Market	**OptiCept's addressable markets 50-70 BNSEK** PlantTech 10-20 BNSEK, FoodTech 40-50 BNSEK	
Business areas	**PlantTech** Q3'23 R12: 49%	**FoodTech** Q3'23 R12: 51%
Functions	Product development; Sales & marketing	Installation & maintenance
Distribution	Own sales functions	Partners/agents
Customer segments	PlantTech Growers Forestry companies Wholesalers & retail stores Industrial companies	FoodTech Olive oil producers Food & beverages companies
Revenue model	Recurring revenue, pay per treatment	Mostly fixed revenue, pay per machine

Source: Inderes, OptiCept

Company description and business model 4/5

Cost structure is relatively scalable

We believe OptiCept's business is relatively scalable by nature. The company doesn't disclose specific figures regarding the profitability of its machines. Nonetheless, we estimate that the revenue streams from the Balder machine in the FoodTech business area have a gross margin of approximately 40-60%, which in our view is in line with typical margin levels in sales of production machinery. However, this margin depends on variables such as freight costs and whether the sales are direct or through partners/agents.

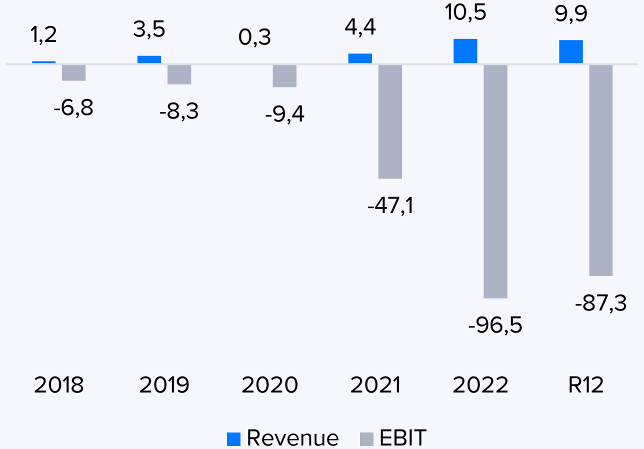
According to OptiCept, the list price for one Balder machine is approximately 3.2 MSEK, which means that the estimated COGS for one machine is around 1.3-1.9 MSEK. As the company grows, we anticipate that OptiCept will enhance its share of continuous aftermarket and service revenue, potentially leading to higher margins.

For the Saga machine (cuttings) in PlantTech, we estimate the fixed cost for one machine at approximately 0.5-1.0 MSEK. When spread over the eight-year lifespan, this corresponds to ~0.1 MSEK per year. The Saga machine has a minimum capacity of 10 million cuttings per year, depending on the customer's internal conditions. If fully utilized, and with a royalty fee of approximately SEK 0.25 per treatment (the lower end of the range), the margin could be as high as 95%. However, additional costs include the nutrient solution provided by third party and aftermarket services included in the royalty fee. Furthermore, the gross margin for one machine may be initially lower due to lower volumes. We assume a somewhat lower margin for Freja (cut flowers system) compared to Saga due to its bigger size, and thus increased stainless steel requirements. Thus, we believe that the overall gross margin level within PlantTech is around 70-80%. We note that this level would be untypically high for production machinery sales. However, we see that the clear expected cost savings for the customer and usage-based business model make these levels possible.

During 2022, total operational costs amounted to 111 MSEK, adjusted for non-recurring costs related to the preparations for the listing change to Nasdaq Stockholm. The cost of goods sold item accounted for 21% of OptiCept's operational costs in 2022. These mainly consisted of costs for machines and spare parts, as well as direct material and costs related to capitalized development projects. Most of OptiCept's costs are fixed and highly personnel-dependent. During 2022, personnel costs accounted for some 28% of operational costs and consisted mainly of salaries and indirect salary costs. Other external expenses that are partly personnel-related represented 34% of costs. These mainly include costs related to sales activities, R&D costs, administrative expenses, and office expenses.

Depreciation and amortization (2022: 17% of costs) are also a significant cost item and consist mainly of depreciation of capitalized product development costs, PP&E, other intangibles, and rentals (especially facilities, IFRS 16).

Revenue & EBIT, 2018-Q3'23 R12



Revenue distribution, Q3'23 R12

Source: Inderes, OptiCept

Company description and business model 5/5

As OptiCept is in the early stages of commercialization, the company is incurring high development expenses, primarily related to personnel costs associated with the creation of new or enhanced products. Since the company anticipates that these investments will contribute to higher revenues in the future, OptiCept treats these expenses as an asset in the balance sheet, reflecting them as a cost reduction in the income statement. These expenses are later accounted for through depreciation once the developed product is market-ready. This approach ensures that income and expenses align within the same reporting period, preventing the company from facing substantial losses during the development phase.

However, it's essential to note that this accounting method may present a more favorable view of both the equity ratio and overall results than is truly reflective. Consequently, we emphasize the importance of closely monitoring cash flow, as it provides a "realer" picture of the company's financial standing.

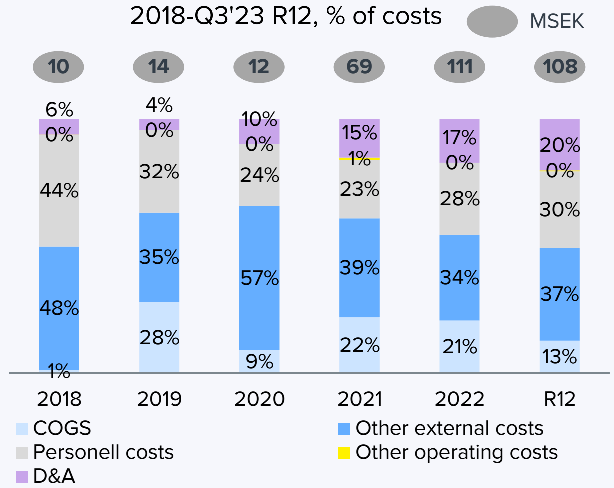
During 2023, OptiCept has implemented cost-saving measures that have been initiated with care to ensure that they do not affect its ability to run existing projects or enter into new contracts. OptiCept has managed to successively decrease its external costs and personnel costs in the latter part of 2023. As the company's size class grows, we believe that there will be scalability practically in the entire personnel, from the purchasing/supply chain to sales and product development. The exception in our opinion is application specialists who go out to the customer and find the right treatment method, although we believe that application specialists are currently designed for a higher revenue level. We also believe that go-to-market and sales through partnerships will help improve scalability. So, in principle, the company's business is quite scalable. However, due to still high fixed costs, the company's revenue needs to multiply to turn the business profitable and visibility into this is still weak.

Cash is allocated to growth

OptiCept's capital allocation is currently mainly focused on continued commercialization of product development and technology. The company has financed its negative cash flow with several equity issues and debt. Given OptiCept's burn rate in late 2023 and the cash position, including the cash provided to the company during Q4'23 through the directed issue and redemption of warrants, we believe that the company must grow relatively heavily to avoid further external capital raising (discussed in more detail in the estimate section).

Operational* cost structure

2018-Q3'23 R12, % of costs

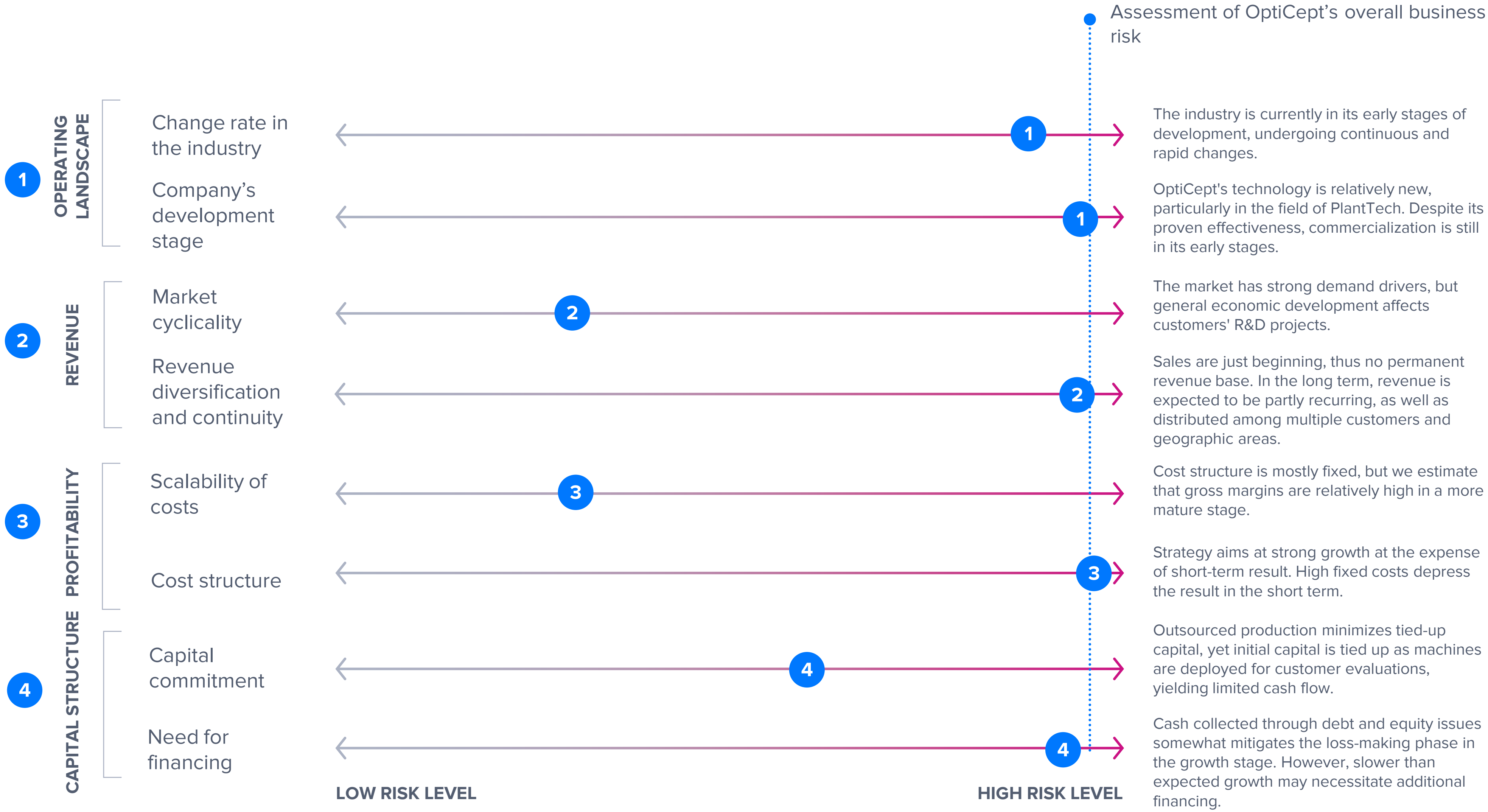


Source: Inderes, OptiCept

* Expenses recorded in the income statement before EBIT, adj. for non-recurring items

Until 2019, figures are K3 accordant and starting from 2020 IFRS accordant.

Risk profile of the business model



Source: Inderes

PlantTech 1/6

OptiBoost – for cut flowers

OptiCept has been developing vacuum impregnation (VI) technology since 2017 and has protected its innovations with several patents. The system, named Freja, comprises one main unit and three chambers. In the initial phase, pressure changes remove gas from blade air spaces, while in the second phase, gradual pressure adjustments enable a nano-based nutrient solution to enter specific tissue fractions. The Freja system treats 40,000 roses per hour, enhancing flower quality, extending vase life, and consequently reducing waste.

OptiCept brings added value to the whole value chain

With 15-25% of cut flowers wasted annually, OptiCept seeks to transform the entire floral value chain, benefiting growers, wholesalers, and retail stores. Typically, OptiCept's direct customers are growers or wholesalers who have the machine installed and provides the payment to OptiCept. In contrast, retail stores often function as indirect customers, paying a higher price to the wholesaler and potentially ordering larger volumes. It's important to highlight that in some instances, a single actor may encompass various stages within the value chain.

Sales pipeline has been long

Within cut flowers, OptiCept has its own sales representation in Sweden and the Netherlands. OptiCept's sales organization is focused on the most important markets in Europe, and the company also does R&D at the customer's site in other markets of interest, such as South America and Africa.

The sales pipeline has historically been long, and we believe that evaluations can take around 6-12 months before a binding order is signed. This is because there is no "one-solution-fits-all" since conditions differ depending on where in the world the cut flower has been produced, and it takes time to find the right treatment method. Additionally, complexity arises from the involvement of multiple stakeholders in the process. The grower influences treatment decisions, the distributor must approve and implement the technology, and the retail chain assesses its value and investment worthiness.

One commercial contract and several evaluations ongoing

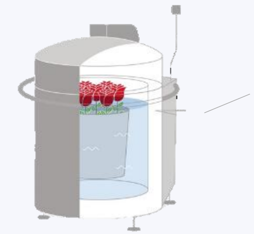
OptiCept currently has one commercial deal with APH that treats all the roses for Dagab, who is responsible for assortment, purchasing and logistics for around 600 own and collaborating stores within Axfood. The company aims to replicate this success across Europe, collaborating with wholesalers, like APH, for commercial tests with end customers (retail stores). Ongoing evaluations involve wholesalers and retailers in Europe, and growers globally, particularly in South America.

It is evident that the company has a promising pipeline, with several projects positioned for commercialization. However, we recognize that making a substantial breakthrough in the cut flowers market requires a dedicated investment of time and continuous R&D. The trajectory toward achieving a more expansive commercial success entails not only the commitment of OptiCept but also a collaborative effort with its customers.

FREJA

40,000/h
Capacity of the machine

30 seconds
Cut flowers are exposed to vacuum and impregnated wit a nutrient solution



Boost quality

- Longer consumer vase life – an average increase of 30-70%
- Fresher green leaves
- Enhanced coloring
- Better opening of the flowers

Increase sustainability

- Less waste in retail

Improve business

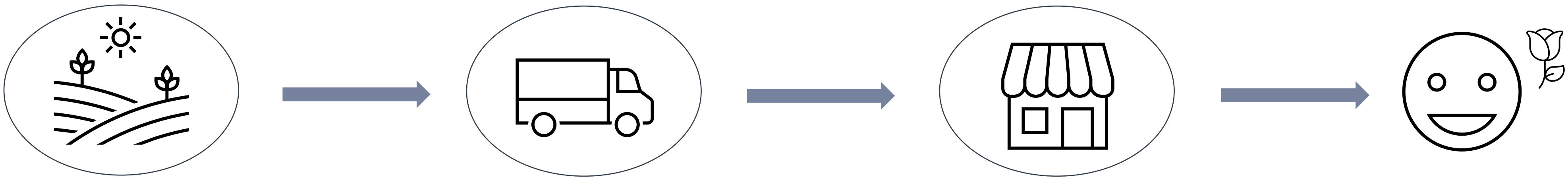
- More flexible handling for wholesalers
- Better quality means consumers are willing to pay more
- Increased sales

Source: Inderes, OptiCept

Value chain and example customers/ongoing projects

paying customer | OptiCept indirect customer | OptiCept direct potential customer

Growers → **Wholesalers** → **Retailers** → **Consumer**



Growers
- Boosts quality
- Shelf life for more efficient transportation
- Lower transport costs and waste

Wholesalers
- Add services (treating roses for retail)
- Increase the value of their role in the value chain

Retailers
- Better product
- Higher price
- Longer shelf life in the store
- Less waste

Consumer

Ultimately, the end consumer enjoys a better product with higher quality and longer vase life

FLORES FUNZA

APH → DAGAB → Axfood

APH → Spira → coop

FLAMINGO GROUP INTERNATIONAL → Interflora

The Elite Flower

EQR

ONE FLORA GROUP

Note: Examples provided are derived from publicly available information and represent ongoing projects.
Source: Inderes, OptiCept

PlantTech 2/6

The market consists of different segments

According to Markets and Markets, the global cut flower market, valued at around 380 BNSEK in 2022, is expected to reach 475 BNSEK by 2027 with a CAGR of about 4.6%. According to OptiCept, worldwide production is estimated at 30-40 billion cut flowers annually. OptiCept's revenue model, charging about SEK 0.25-0.39 per treated stem, could theoretically yield global revenues of 8-10 BNSEK if all cut flowers were treated, though we find this very unrealistic. However, considering OptiCept’s current ongoing projects, the company anticipates addressable annual revenues of approximately 500 MSEK. We believe this figure serves as a more realistic indicator of long-term addressable revenues.

The market for cut flowers can be divided into two addressable segments, including:

- Growers
- Wholesalers and retailers

The last segment is currently key for OptiCept. Despite the higher volume within the grower segment, OptiCept has made better progress in implementing its technology at the wholesaler and retailer levels. This progress is underscored by the company's existing commercial contract, and several ongoing projects, within this segment.

Growers

Cut flowers are predominantly cultivated and exported in East Africa, Asia, South America, and the Netherlands, where the Netherlands stands as the largest global producer of cut flowers. Growers currently struggle with two primary challenges that we anticipate will drive the demand for OptiCept's technology: logistical and storage issues, as well as transportation challenges.

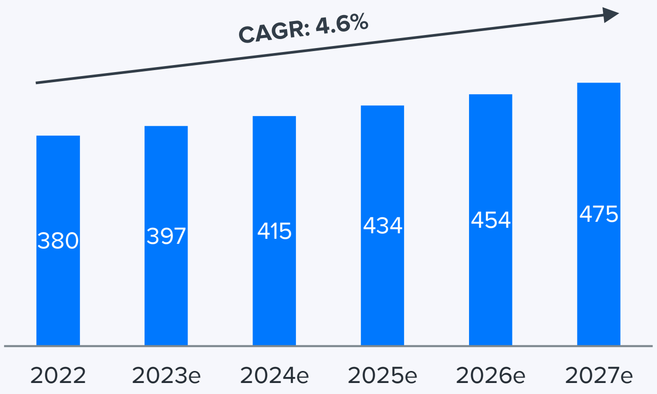
Logistical and Storage:

After harvesting, flowers require proper handling and post-harvest treatment, involving cooling, pruning, grading, bundling, proper packing, and storage in cold rooms. This long and complex process occupies extensive cold room space, leading some growers to lose market share due to insufficient storage capacity. The process is time-consuming and poses a risk of harvesting flowers before they are fully hydrated. If OptiCept were to replace the hydration step, it could reduce treatment time to approximately 30 seconds, ensuring each flower receives the necessary liquid and nutrition for transport. This efficiency enhancement would save growers time, increase space availability, and improve overall operational efficiency.

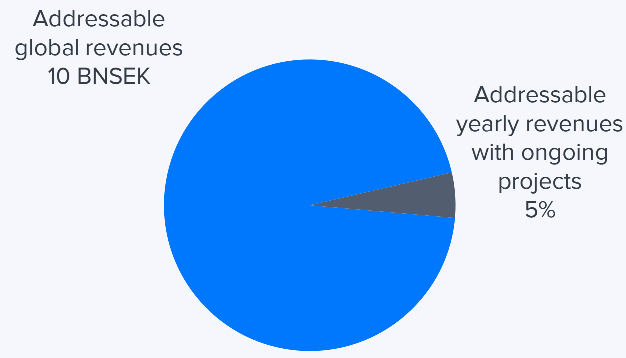
Transportation:

The flower industry is marked by prolonged and costly transport and significant wastage. There is an increasing demand among growers for sustainable farming and streamlined transport chains. The average shelf life of cut flowers is merely four days, with an estimated 10% waste during transportation to the final market. The urgency of transport often leads to the use of energy-intensive and emission-generating methods, such as air transport followed by refrigerated trucks, proving to be costly for growers. OptiCept's ability to increase the lifespan of cut flowers by an average of 50% positions the company to assist growers in transitioning to more

Global cut flowers market (MSEK)



Addressable global revenues



Source: Inderes, OptiCept, MarketsandMarkets

PlantTech 3/6

efficient and profitable transport alternatives, even exploring options like sea freight to reduce costs without compromising quality.

Wholesalers and retailers

According to Markets and Markets, the US, UK, and Germany are major importers of cut flowers, with Europe consuming over 50% of global flowers. Roses dominate the European markets, aligning with OptiCept's strategy to commercialize its technology with roses before expanding to other cut flowers. While traditional florists are common, the last decade has seen supermarkets and unconventional outlets like gas stations gain market share in flower sales. According to the company, supermarkets in the UK claim nearly 60% of cut flower sales with Germany, Scandinavia, and the Netherlands following at 20-25%. This supermarket trend is anticipated to grow as more supermarkets offer diverse flower and plant selections. Online sales of flowers and plants are also rising, becoming the fastest-growing market channel.

The primary challenge faced by wholesalers and retailers today is waste. Approximately 15-25% of produced cut flowers end up as waste, never reaching the end consumer. This poses various consequences, creating a significant issue in terms of waste management from a sustainability standpoint. Economically, the concern extends to the costs associated with handling and, more importantly, the revenue lost due to wastage for wholesalers and retailers.

Competitive landscape

As far as we know, there are currently no direct competitors to OptiCept's technology for cut flowers, likely due to its innovativeness and recent introduction to the market. While there may be other companies and research groups globally exploring potential solutions with similar effects, it's challenging to evaluate the attractiveness of these prospective competitors. However, over the years OptiCept has accumulated extensive knowledge and secured patents that could shield it from emerging rivals.

A common product in today's market aimed at prolonging the lifespan of cut flowers is the small plastic bag of flower food commonly included with bouquets. These packets, containing a blend of sugar, citric acid, and bleach, contribute to extending flower freshness by approximately three days. However, we observe that many end consumers may not use these packages, leading to environmental waste. Rather than viewing this product as a direct competitor, we see it as a complementary option to OptiCept's technology. However, OptiCept's treatment method can also serve as a substitute for this product, resulting in positive environmental effects through reduced plastic usage. Nonetheless, we believe that the main challenge for OptiCept lies in successfully establishing this new technology within an industry dominated by major players, known for its conservatism, where the current processes have persisted for decades.

Drivers and barriers to growth

+ Growers seek sustainable farming and streamlined transport chains

+ New approaches to efficiency processing

+ The need to reduce waste, considering both sustainability and economic perspectives

+ Innovations are helping to drive market growth by making production more efficient and sustainable

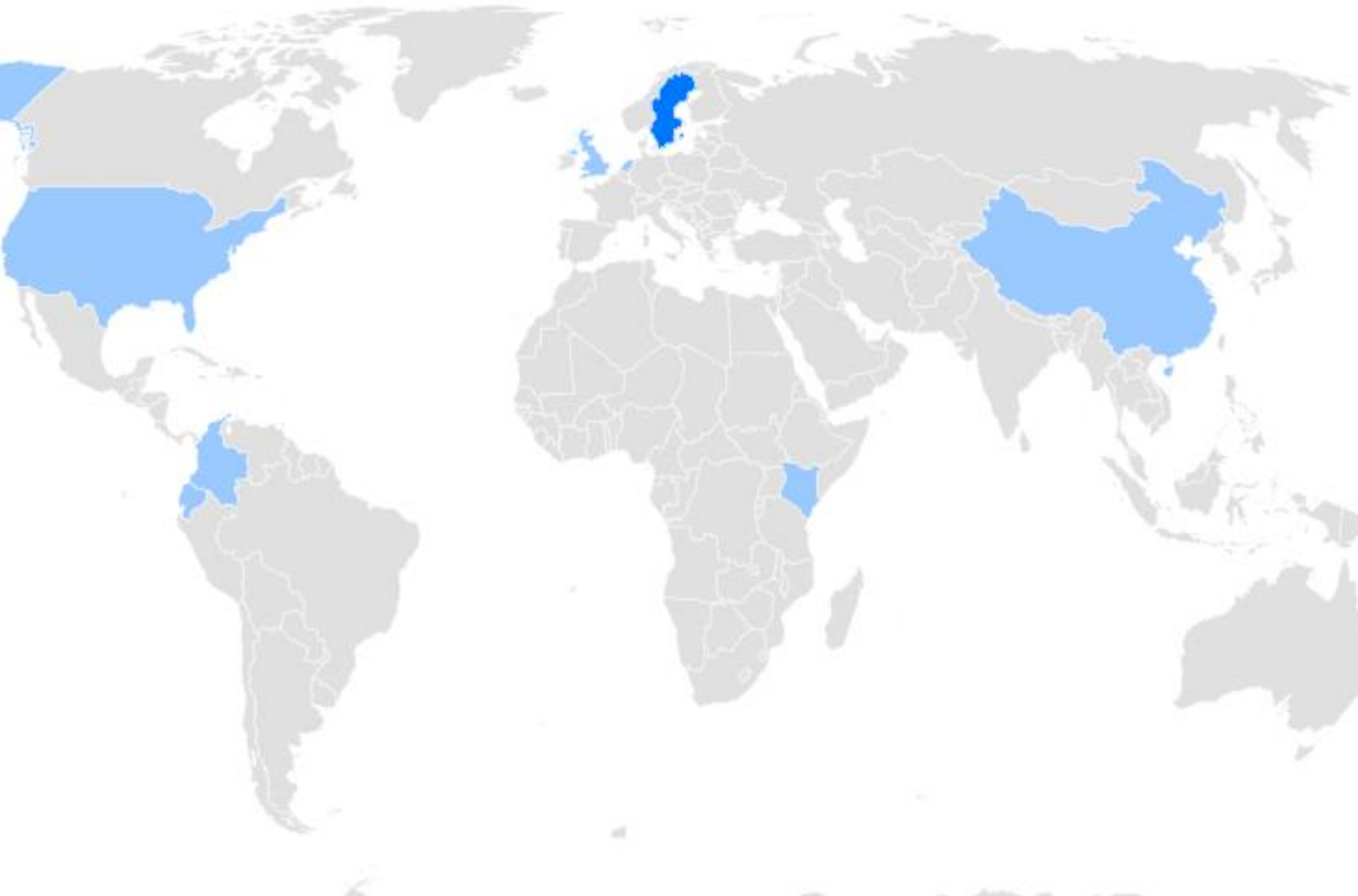
- A supply chain marked by complexity, with interdependence among all stakeholders

- The industry is defined by well-established traditional processes, posing challenges for the acceptance of new technologies

- Limited natural resources such as water, soil, and arable land

Source: Inderes, OptiCept

Geographical markets for cut flowers



China

- Areas for cut flowers cultivation has grown from 16 to 1,000 hectares in a decade

Ecuador

- Third largest exporter of cut flowers in the world
- Ongoing tests with EQR

USA

- End-market for most of the growers in Latin America

Kenya

- Kenya exports around 70% of its flowers to Europe

Sweden

- Signed commercial contract with APH for treatment of all Dagab's roses
- Ongoing tests with Spira and other retailers in Scandinavia

United Kingdom

- One of the biggest markets for cut flowers
- Ongoing tests with Flamingo and MM Flowers

Colombia

- Second biggest flower producer in the world
- Ongoing tests with The Elite Flower Group and Flores Funza

The Netherlands

- Largest exporter of flowers
- A hub of wholesalers and distributors
- Ongoing tests with One Flora Group, one of the largest companies within the floral industry

Source: Inderes, OptiCept

PlantTech 4/6

OptiBoost – for cuttings

The OptiBoost vacuum impregnation technology is also used to improve the rooting and growth of cuttings, and thereby decreases losses clone cuttings propagation. This technology is applicable to a range of cutting types, including ornamental (such as Geranium, Hortensia, Dahlia), high-value (coffee and tea), and forest cuttings (eucalyptus, acacia, camelia). Given the successful commercialization of this technology in forest cuttings, we anticipate that OptiCept will direct its focus toward this application area in the forthcoming years.

The OptiBoost for cuttings machine, called Saga, treats up to 400 cuttings in 40 seconds. A single machine can cover an annual range of 10-30 million cuttings, depending on the customer's internal conditions. We consider this efficiency level quite good, given that a single machine can accommodate the annual planting requirements of major entities like CMPC, one of the world's largest pulp and paper companies.

Dedicated sales function in core markets

OptiBoost for cuttings sales involves a dual strategy: internal sales and key partnerships like NorthMerge and BCC for forest cuttings, ensuring a local presence in key markets such as South America. For high-value plants, OptiCept collaborates with Guangxhi Academy in China, emphasizing R&D and a local test center for the ASEAN market. In ornamental cuttings, a strategic alliance with Syngenta Flowers, a preferred customer, aims to introduce OptiBoost within their business for mutual growth.

While we acknowledge that partnering means sharing profits and affects overall profitability, we believe that it serves as a strategic go-to-market approach for OptiCept. As a small organization, collaboration with partners provides access to expertise and market reach that would be challenging alone. This efficiency allows OptiCept to focus on core strengths while leveraging the diverse capabilities of strategic partners.

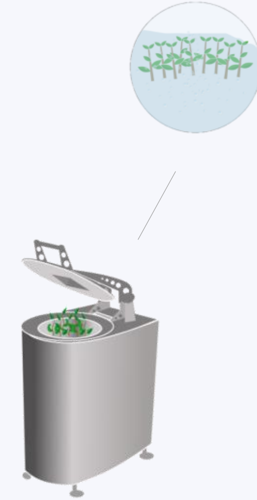
The sales process starts with evaluation tests

OptiCept initiated its exploration of applying OptiBoost technology to cuttings in 2020. Since then, the company has secured two commercial contracts and engaged in discussions and tests with some additional companies. Unlike for example OptiBoost for cut flowers, the sales pipeline has been relatively swift, owing in part to the streamlined decision-making process.

Typically, the sales journey starts with the potential customer expressing interest in evaluating the technology. Subsequently, OptiCept and the customer enter into an evaluation agreement, with the customer paying a fee ranging from approximately 0.7 to 1.0 MSEK. This fee grants them access to the machine for testing on a specified quantity of cuttings. The evaluation period, lasting approximately 4-6 months, involves testing various nutrient solutions and vacuum pressures on a specific number of clones to find the optimal solution.

SAGA

- Increased survival rate and decreased loss rate
- Improved rooting quality
- Increase capacities of the nurseries
- 100% boosting accuracy
- Increased rooting rate
- Better quality



Key partnerships

BCC Plant the Planet, NorthMerge	Forest
syngenta	Ornamentals
Chinese Academy of Forestry	High value plants

Source: Inderes, OptiCept

PlantTech 5/6

Taking into account past evaluations and considering some customers' preferences for extended growth periods to ensure sustained quality, we estimate the overall timeframe from initial contact to a commercial deal to be generally within the range of 4-8 months. However, this duration depends on evaluation outcomes and the specific requirements of each customer.

Concentrated revenues at an early stage

As the business for cuttings is in its early stages, OptiCept's revenues are currently concentrated on two commercial contracts secured in the South American market during the latter half of 2023. Additionally, ongoing evaluations with forest companies in both the South American and Chinese markets are underway. In the Chinese market, initial tests have indicated an average increase in rooting for acacia by 12-33% after 45 days. We believe this enhancement adds significant value for the growers.

Typical customers mainly comprise industry-leading forest companies

OptiCept's target customer base includes industry leaders involved in forest cultivation for diverse applications, utilizing wood in their production processes. Solutions are supplied directly to the nursery facilities to increase yield and enhance the overall efficiency of plant production. The focus is on companies at the forefront of the industry seeking to transition from seed propagation to a reliance on cuttings. Geographically, OptiCept strategically focuses on important markets like South America, Asia and Africa, where eucalyptus, acacia and camelia cuttings are predominantly cultivated and where OptiBoost technology has undergone extensive testing.

In our view, penetrating industry leaders may be time-consuming due to the complexity of large companies with multiple units requiring approval for new technologies. However, successfully establishing OptiCept's technology with an industry leader can position OptiCept to influence the broader market, facilitating the sale of its technology to other significant players. Although sales with smaller forest companies may offer a quicker go-to-market, the potential volumes with larger industry players offer higher growth potential.

OptiCept for cuttings ongoing projects & revenue streams

Projects	Yearly cuttings	Status	Revenue stream's importance (2024 → long-term)*
CMPC	20 million	Commercial deal	High → Medium
Aperam	30-50 million	Commercial deal	High → Medium
Klabin	120 million	Ongoing evaluation	Low → High
Guangxhi Academy of Forestry	200 million	Ongoing evaluation	No income/low → High

Typical customer for cuttings

- Front runner in the industry
- Forest market
- Going from seed to cuttings
- Focus on South America, Asia and Africa

* Inderes assessment regarding importance of revenue streams based on initiation time, lead times, and customer volumes.

Source: Inderes, OptiCept

PlantTech 6/6

The market for cuttings

According to the Food and Agriculture Organization, the world's plantation forests cover roughly 131 million hectares, constituting around 3% of the global forest area. South America takes the lead with 99% of its planted-forest area being of the plantation type, playing a crucial role in local ecosystems and primeval forest preservation. These forests contribute significantly to sustainable forestry, offering resources like timber and paper while safeguarding vital ecosystems like the Amazon rainforest. Trees in these plantations are propagated through seeding or cuttings, with a growing preference for cultivation through cuttings.

While cultivating trees from cuttings presents advantages such as faster growth initiation and consistent quality, challenges arise in ensuring successful rooting. Forestry companies grapple with significant losses of unrooted cuttings, especially with superior clones. Maintaining optimal moisture levels, addressing diseases and pests, and achieving the right balance of light, moisture, and shade during the critical early stage of 30 to 60 days are crucial. Failures in root development and losses from diseases like Botrytis pose substantial risks during this period.

OptiCept's technology plays a vital role in enhancing plant strength and accelerating growth, offering multiple benefits to the forest industry. OptiCept generally enhances the survival and rooting of various cuttings, with a particular focus on improving high-yielding varieties that are typically challenging to root. This could potentially result in a shift towards more efficient and higher-yielding forest plantations for its customers. Robust plants result in fewer new plantings, saving both costs and effort for growers. Additionally, these resilient plants exhibit enhanced resistance to pests and diseases, contributing to overall forest health. Opting for these robust plants reduces the need to harvest from the wild, contributing to the preservation of nature.

Addressable global cuttings

OptiCept estimates that the global market quantity of cuttings is approximately 10 billion annually, corresponding to a value of approximately 2.5 BNSEK per year. While addressing the entire market seems unrealistic, considering ongoing projects and commercial contracts, OptiCept could reach about 1 billion cuttings annually, corresponding to some 250 MSEK in long-term addressable revenues.

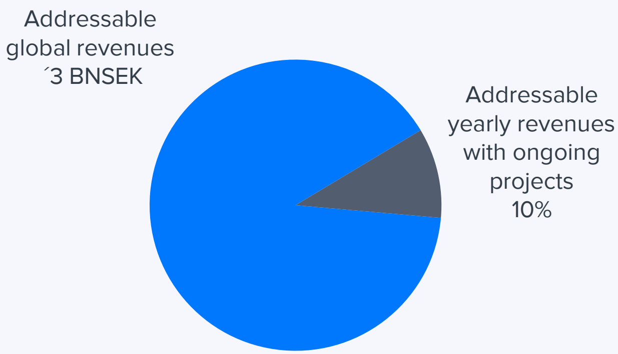
Competitive landscape

In terms of competition, OptiCept stands out with its Vacuum Impregnation technology, facing no direct competitors. The cultivation of plants from seeds might be perceived as a competitor to OptiCept's technology for cuttings. Conversely, it could lead to an increased use of cuttings and a reduction in seed utilization in the future. While some companies offer rooting hormones for cuttings, the regulatory challenges associated with synthetic plant hormones in certain countries give OptiCept a competitive edge. Nevertheless, we recognize that the true challenge lies in achieving large-scale commercialization and gaining a leading position in the market, especially if competitors start to develop similar products.

Drivers and barriers to growth

+ Growers face significant losses of unrooted cuttings
+ Increased use of cuttings over seeds
+ Environmental preservation
+ The need to reduce diseases and pest for overall forest health
- Growing concerns about deforestation and biodiversity conservation
- Climate change and natural disasters

Addressable global revenues



Source: Inderes, OptiCept

FoodTech 1/4

The CEPT technology has several applications across various product areas

PEF (Pulsed Electric Field) technology has a long history of application in various fields, including medical, environmental, and food technology. In food processing, PEF utilizes high-voltage, low-energy electric pulses to disrupt cell membranes, enhancing extraction and flavor, and increasing productivity. The technology is versatile, finding application in various products, including for example olive oil, juice, potatoes, and wine. Moreover, by intensifying the effect, the technology eliminates microorganisms like bacteria and yeast, prolonging product shelf life and reducing the need for traditional heating methods like pasteurization.

OptiCept's FoodTech solutions are based on a patented technology called CEPT (Controlled Environment Pulsed Electric Field Treatment), an advanced form of PEF that creates, controls and applies pulses more efficiently. The company offers four machines with capacities of up to 10 tons per hour for both solid and liquid foods. This adaptability enables the same machine to be utilized for various products, eliminating the need for additional development costs when entering new product areas.

Currently, OptiCept focuses on specific product areas, including olive oil, potatoes, and juice, which will be explored further in this section.

OliveCept – several advantages and a short payback period

The OliveCept system is integrated into existing product lines, offering optimal benefits when applied in the initial stage of the process—right after the crusher and before malaxation (the process of slowly churning or mixing milled olives). This strategic integration into the producers' product lines empowers olive oil producers to increase extraction yield using the same amount of raw material.

The advantages extend to improving quality, enhancing taste, color, and nutrition, while simultaneously boosting productivity and thus reducing operational costs. The increased extraction yield ensures a short payback time for the producer. OptiCept anticipates an average payback time for customers within 1-4 harvest seasons, depending on production capacity, thereby lowering the threshold for adoption, in our view.

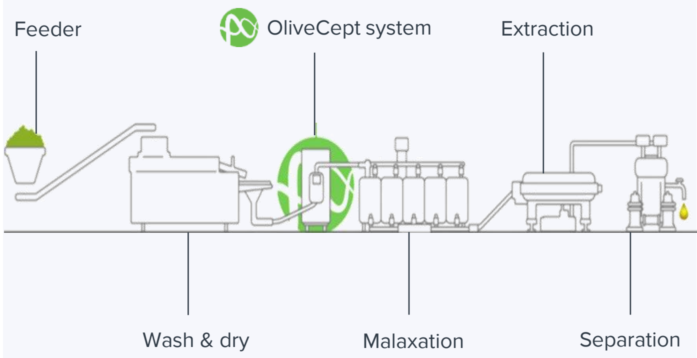
Local sales representation

OptiCept runs its own sales representation in Spain, with a local office concentrating on important European markets. Moreover, the company collaborates with several sales agents in key markets like France, Morocco, Greece, and Tunisia. These agents not only facilitate sales but are also capable of handling installations for customers.

Challenges in the sales process

The sales process typically involves OptiCept entering into an evaluation agreement with the customer, who rents an OliveCept system for a relatively modest fee during the harvest season (October to February). Because the harvest season is short, and olive oil producers have been hit by two dry seasons in 2022-2023, many evaluations have been delayed.

OliveCept – production line



Example of ROI for average producer

Production	Kilos	Tons/hour	Hours	Days
Olives	100	5	18	60

OliveCept – recovering 1% point in production yield

Oil, extra kilos	Kilos	SEK/kilos	Total extra revenue
SEK	1	34	~1.8 million

ROI = 50-60%, given that one Balder machine requires an investment of ~3.2 MSEK

Source: Inderes, OptiCept

FoodTech 2/4

We identify two primary challenges in this scenario. Firstly, if the evaluations cannot be concluded within the brief harvest season, commercial discussions are deferred to the subsequent harvest season, extending the sales pipeline by a year. Additionally, as OptiCept owns the machines, it ties up valuable capital for the company during this period.

Strategic approach

OptiCept's strategy is to introduce OliveCept technology to key players in the European market. Currently, we estimate that the company has around 15-20 OliveCept systems deployed at customer sites for evaluations during the harvest season 2023-2024, primarily in Spain, Portugal, and France.

Olive oil producers typically adopt a cooperative structure, which requires time to establish, in our view. However, we believe that once the technology is integrated, it opens good opportunities for scalability within cooperatives, given their structure of multiple companies with equal influence.

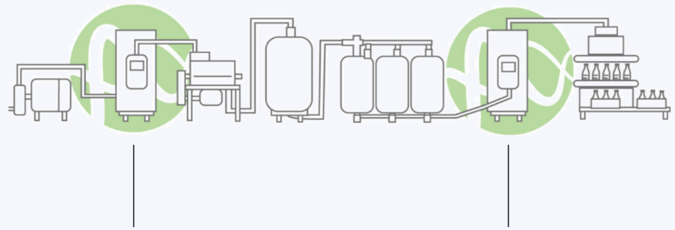
JuiceCept – partnership with Dole to commercialize the technology

JuiceCept follows a similar process to OliveCept, utilizing the same machine for raw material treatment. The treatment can be integrated into existing production lines or combined by installing two separate units for a two-step processing approach. The technology has the potential to enhance efficiency, quality, and sustainability in juice production.

In early 2022, OptiCept formed a strategic partnership with Dole, a global leader in fresh produce, operating in 30 countries with 40,000 employees and 162 facilities. The joint project, co-financed by both parties, aligns with OptiCept's focus on developing technology with global partners. The collaboration with Dole aims to validate the technology in their extraction process and explore the extraction of valuable substances from juice production by-products.

After successful outcomes, the project is now progressing into commercial discussions. OptiCept anticipates potential initial revenue of approximately ~20 MSEK from the deployment of up to 6 Balder machines. Although we see this as promising both financially and as a precedent for other prominent juice producers, we recognize that the technology is still in its early stages, and the commercialization of new product lines often demands more time than initially expected.

JuiceCept – production line



Key advantages

- Up to 10-15% increased yield
- Improved quality
- Better efficiency
- increase in shelf-life by up to 21 days
- Short ROI for the producers of ~50-100%

Source: Inderes, OptiCept

FoodTech 3/4

CEPT technology for solid food – partnership with FPS

OptiCept collaborates with the Canadian company FPS, a global leader in turnkey equipment for freezing, cooling, frying, and food handling, for solid food processing. This partnership involves OptiCept supplying its CEPT application, named Jörd, for processing solid foods to FPS and its customers. In return, FPS provides the device responsible for handling the food. Prior to commercialization, both FPS and OptiCept need to undertake some development work. FPS will drive and finance the development of scaling up OptiCept's system from handling 10 to 80 tons per hour to meet future needs. In turn, OptiCept will assemble 3-4 systems in parallel to provide sufficient energy for FPS's application. The goal for OptiCept and FPS is to have a fully developed product ready for sale in Q1'24. However, even if successful, we anticipated that the initial volumes will be relatively low as the sales pipeline would likely start building through pilot projects.

The companies plan to initially commercialize the new products for processing potatoes, a staple whose usage is growing, particularly in China and India, where it is increasingly replacing rice. This growth is fueled by various factors, including rising disposable incomes, a growing population, a large and expanding young demographic, urbanization, and increasing demand from developing regions.

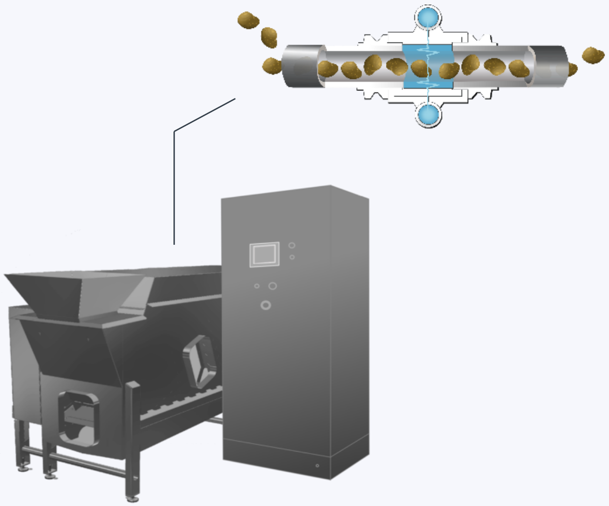
Large potential, but introducing a new product often takes time

Based on the estimated number of processing lines and the average selling price of a PEF unit (ranging from 4 to 10 MSEK), this corresponds to an addressable market of approximately 30 BNSEK, according to OptiCept. However, we find it unrealistic to cover this entire potential, considering the established presence of PEF technology and existing competitors in the market. Furthermore, assessing the competitiveness of the product under development is currently challenging.

Despite these challenges, we believe that a competitive environment supports OptiCept and FPS in this case. On one hand, the market is large enough to accommodate more players, and on the other hand, there is a well-established understanding of what PEF is. Consequently, the knowledge gap, which might otherwise be a significant obstacle in other industries where OptiCept is active, is not a major hindrance in this case. Additionally, collaborating with FPS, which possesses expertise, a global presence, and a large network, provides OptiCept with a shorter time to market, even if it entails sharing profits equally.

Overall, we view the risk/reward in the partnership as favorable for OptiCept, with the financial risk likely to be relatively small. FPS is expected to cover the majority of costs, and the potential for high earnings for OptiCept in the long run is considered high if the products gain a foothold in the market, in our view.

CEPT for solid food – Jörd



Key advantages

- Improved extraction of potato juice and reduced waste
- Enhanced texture and quality of potato-based products such as fries and chips
- The technology has the potential to extend the shelf life of food products and thus reducing food waste
- The technology operates at low temperatures, reducing energy consumption and preserving the nutritional content of potatoes

Source: Inderes, OptiCept

FoodTech 4/4

Market	**Addressable FoodTech market of prioritized areas: 50 BNSEK**		
Prioritized areas	**Potatoes** Addressable market: 30 BNSEK	**Olive oil** Addressable market: 10 BNSEK	**Juice** Addressable market: 10 BNSEK
Key markets			
Drivers & barriers	↗ Rising consumption of convenience food ↗ Increased population and changing eating habits of consumers ↘ High storage and transportation cost of processed potato ↘ Health issues associated with consumption of processed food	↗ Growing awareness of the health advantages of olive oil usage ↗ Increased population ↘ Environmental-related factors that cause price fluctuations ↘ Short seasons	↗ Increasing health awareness is driving the demand for fruit juice ↗ Rising disposable incomes and changing dietary patterns ↘ Availability and cost fluctuations of raw materials ↘ Stringent regulations related to food safety
Competitors within PEF	elea	pulsemaster	HEAT AND CONTROL
Advantages & disadvantages	+ OptiCept's advanced PEF technology presents more energy-efficient solutions	- The competitors are well-established and have already commercialized their products	= Comparable capabilities and positive effects, such as enhanced extraction and extended shelf life

Source: Inderes, OptiCept

Investment profile 1/2

OptiCept’s investment profile

Investing in OptiCept exposes the investor to an early-stage growth company, in our view. The value of the company relies purely on the expectation of considerable business potential that lies several years down the road with its realization carrying substantial uncertainty. The profile makes the company high-risk as there is very low visibility into future profits and the business model is still practically untested. On the other hand, if the commercialization is successful, the value creation potential is considerable. Consequently, we feel that the investment horizon needs to be very long.

OptiCept's risk profile differs from other early-stage growth companies due to the proven functionality of its technologies. Additionally, the company has already secured commercial customers across all focus areas, including large, and to some extent, world-leading companies, serving as a proof of concept. From our perspective, the risk is more centered on increasing volumes within the existing customer base rather than facing significant product development risks.

We believe OptiCept’s value development is currently primarily driven by the news flow on machinery sales within OliveCept, which constitutes a significant portion of the backlog. As commercialization advances, we anticipate that a higher volume of treatments within PlantTech and increased sales within FoodTech, along with aftermarket services, will play a key role in the company’s value formation.

Key positive value drivers

The expansive global market, driven by significant trends such as sustainability, offers a promising road for long-term growth. OptiCept's technology addresses substantial challenges in the food and plant sectors, mitigating high wastage that not only incurs costs but also consumes the planet’s resources.

Competitive and cost-efficient solutions enable OptiCept to grab the opportunity the market offers. The technology not only contributes to a reduced impact on the environment and climate, but also to several financial benefits for its customers such as; increased extraction, extended shelf life, reduced waste, and improved quality. Consequently, the short payback period for customers lowers the barrier to invest in the technology.

A scalable business model makes OptiCept’s value creation potential big if growth succeeds. We believe the company’s business has high margins.

The diversified application areas and modular nature of the technology enable OptiCept to swiftly transition from development to market. This agility provides valuable optionality in OptiCept's business model, enabling the company to establish new revenue streams and create a more diversified and resilient business.

Credible partners help OptiCept operationally and financially to commercialize its business. In the solid food sector, the company has a partner in FPS, which we believe can support OptiCept in opening the market.

Key negative value drivers and risks

The business model may prove to be inoperable and the demand for services could be weak, especially since the commercialization of the business is still in its initial stages. This could lead to poor profitability, and assumptions regarding business development may turn out to be incorrect. Finding a new business model in such a situation may require significant time and capital.

The traditionally conservative food and flower industry tends to be slow in adopting technology. Even though OptiCept has initiated the commercialization of its technology and has already acquired paying customers, it may take more time than anticipated for the company to achieve high-volume sales. However, the company already has solid customer references in both PlantTech and FoodTech.

Falling behind the ambitious objectives would have a considerable effect on the valuation that relies on growth. These risks materialized to a significant extent in 2022-2023 due to the weak development of short-term growth and the company missing its financial targets.

Competing technologies and/or new solutions can take market shares although we believe that OptiCept has an edge in several verticals.

OptiCept has a negative cash flow as cash has been allocated to growth. The company is currently in the commercialization phase, which is expected to involve substantial costs. Therefore, we estimate that the company will need funding during 2024.

Investment profile 2/2

1. **Proven technology to extend the shelf life and enhance the quality of food and plants**

2. **Growing markets driven by significant trends such as sustainability**

3. **Optionality and scalable business model**

4. **Challenges of breaking into conservative markets raise the risk level**

5. **Growth strategy eats away on cash assets and requires additional funding**

Potential

- The technology addresses major global sustainability issues
- Competitive and cost-effective solutions for extending the lifespan and reducing waste in the food and floral sectors
- Short payback period for customers lowers the barrier to invest in the technology
- Scalable business model

Risks

- Slower than expected progress due to knowledge gap of new technology in a conservative industry
- Falling behind ambitious objectives and drop in valuation that relies on successful commercialization
- Competing solutions and emerging rivals
- The business model proves ineffective and demand is weak

Source: Inderes

Strategy

OptiCept's strategic objectives

Prioritize business opportunities

- OptiCept has strategically concentrated its efforts on areas where it holds commercial contracts, has ongoing projects, and is closest to achieving cash flow
- Within these prioritized business areas, OptiCept's strategic approach involves successfully concluding existing evaluations and working collaboratively with industry leaders to exert influence on the global market

Collaborate with partners

- Within its prioritized business areas, OptiCept engages in collaborations with partners in manufacturing and to some extent in sales
- For other product areas that are not focus areas/For other product areas outside the focus areas, the company seeks partners who are willing to contribute both operationally and financially to the commercialization process

Streamline the organization

- OptiCept's goal is to streamline the organization and reduce costs, without negatively affecting prioritized business areas
- The company's goal is to reach positive EBITDA results for the full year 2024, which means that OptiCept needs to secure revenues of 85-90 MSEK during the year, according to the company

Inderes' comments on OptiCept's strategic objectives

- Historically, we perceive OptiCept's focus as somewhat scattered, attributed to the company exploring various application areas for its technologies. Developing the technology for multiple end-products simultaneously led to an excessively high cost structure. Consequently, we view it positively that OptiCept has narrowed its focus to areas closer to positive cash flow
- The markets in which OptiCept operates are highly conservative, posing challenges for increasing the adoption of its technologies. However, successfully winning industry leaders as customers can position OptiCept to influence the broader market. This strategy, although time-consuming due to the complexity of large companies, holds the potential for a significant impact

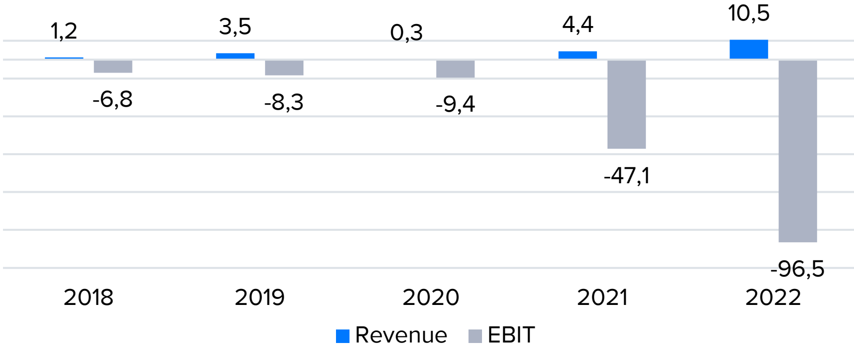
- Collaborations with global players help establish widespread acceptance for the company's technology on a global scale, without imposing a significant financial burden on the company
- This partnership approach, coupled with the technology's applicability across various product areas, allows OptiCept to swiftly transition from development to market. This can enable the company to establish new revenue streams and create a more diversified and resilient business
- On the other hand, this means that visibility regarding revenue drivers is quite limited. If a particular product area proves to have a significant impact, the company can then allocate resources accordingly

- Given OptiCept's decision to streamline its focus to a few prioritized areas, we believe that there are good opportunities for the company to cut costs in areas such as R&D and overhead that were previously allocated to non-prioritized business areas
- While we recognize potential opportunities for the company to optimize its organization and consequently decrease costs, we hold the view that OptiCept's financial goal of achieving positive EBITDA in 2024 might be overly optimistic
- The company does not have any long-term financial targets

Source: Inderes, OptiCept

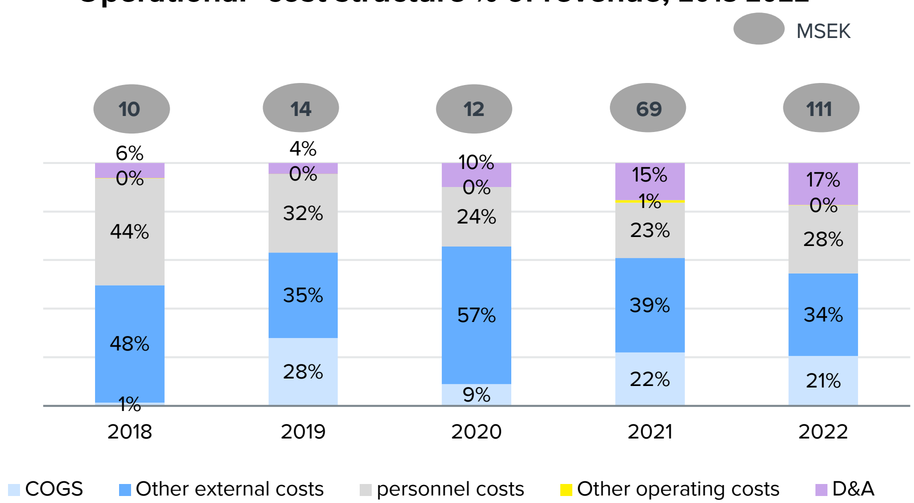
Economic situation and historical development 1/2

Revenue and EBIT (MSEK), 2018-2022



- Annual growth of OptiCept's revenue (CAGR) has been about 70% in 2018-2022, although from small volumes.
  - Until 2021, OptiCept's revenue has in practice been generated by payments made by potential customers utilizing OptiCept's technology. These revenues are typically project-based, as the assessment of the technology is a one-time occurrence before deciding on implementation. In addition, the company generated small revenues from FoodTech applications.
  - Starting from 2022, there has also been limited recurring royalty income within PlantTech. However, these revenues are still small and the company seeks to increase them in the future.
- Measured by EBIT, profitability has been on a negative trend in 2018-2022.
  - Until 2022, OptiCept primarily invested in technology development and research, aiming to commercialize new products like Balder and Saga. The cost base was notably high in 2022, driven by factors such as expenses related to the planned listing change and repossessed OliveCept machines. However, in 2023, OptiCept initiated a reduction in its cost base, resulting in a bit more reasonable level by Q3'23 (run rate: 80 MSEK).

Operational* cost structure % of revenue, 2018-2022



Source: Inderes, OptiCept

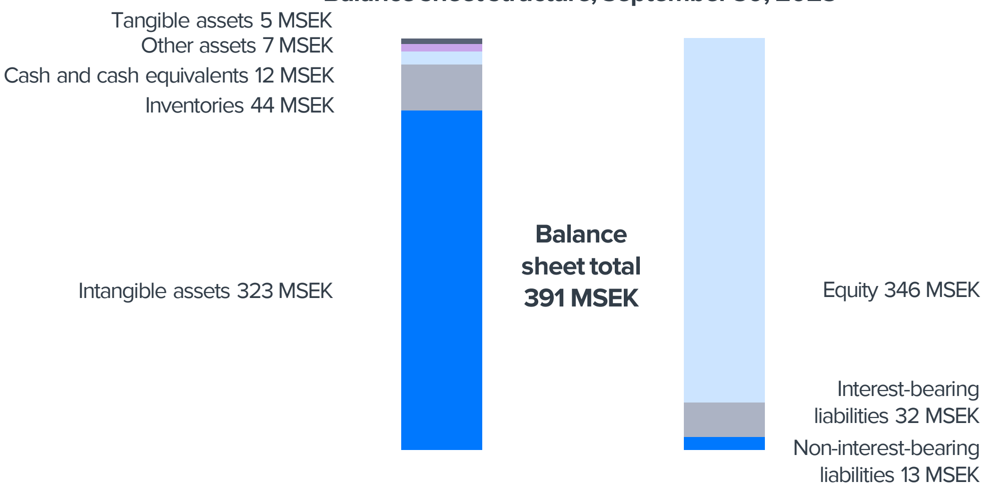
* Expenses recorded in the income statement before EBIT, adj. for non-recurring items

Until 2019, figures are K3 accordant and starting from 2020 IFRS accordant.

- We believe that OptiCept's cost structure is mostly fixed and therefore scalable.
  - The company's operational costs have increased strongly during 2018-2022. Costs focus on fixed overhead items and personnel costs account for a high share of costs (28% in 2022).
  - Since 2022, we believe that OptiCept has shifted its investment from being heavily weighted towards R&D to the commercialization of its technology, while still maintaining some investment in R&D. Additionally, starting from 2020, the company has reported IFRS figures instead of K3, making the figures from the recent years more relevant for examining the company's cost structure.
  - For the company to grow, consistent investments in fixed costs are necessary, which means its revenue must significantly increase to make the business profitable. However, visibility into this growth is still weak.

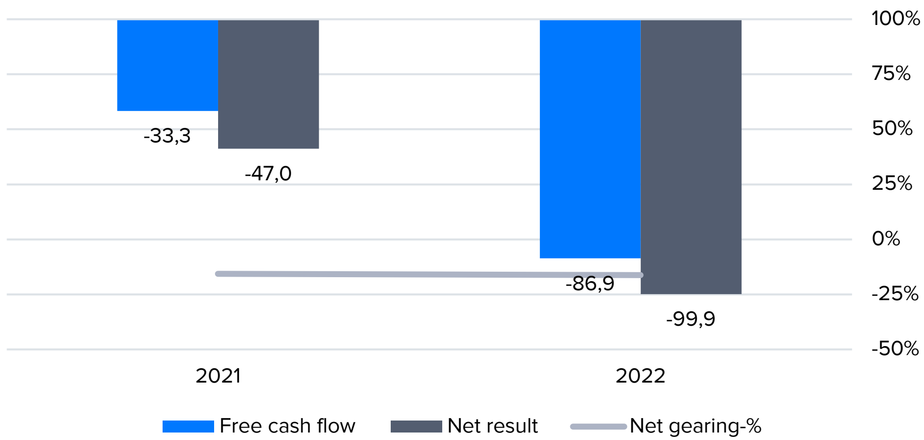
Economic situation and historical development 2/2

Balance sheet structure, September 30, 2023



- OptiCept's balance sheet (09/30/23) poses a high risk due to a significant portion being comprised of goodwill. Intangible assets, totaling 323 MSEK, form a substantial majority of the company's balance sheet, with goodwill representing 66% of the total.
  - Goodwill is subject to write-down if the company's performance deteriorates. Although a goodwill impairment charge is non-cash and doesn't directly impact cash flows, it does signify a previous management mistake that affects the company's track record in capital allocation. The company's goodwill stems from the merger with ArcAroma, and a write-down would destroy shareholder value, as the company is valued lower than previously estimated.
  - Cash and cash equivalents (12 MSEK) was strengthened after the period (Q3'23) through a directed issue and redemption of warrants, resulting in an additional ~27 MSEK for the company. We consider the cash position resulting from this to provide the company with a fairly good financial standing. However, we believe that substantial growth is necessary for the company to avoid further external capital raising.
  - OptiCept's balance sheet is primarily funded by equity (346 MSEK), accumulated through various equity issues. The company's interest-bearing liabilities (32 MSEK) are not notably significant relative to its balance sheet.

Free cash flow, net result (MSEK), & net gearing (%), 2021-2022



Source: Inderes, OptiCept

- OptiCept's cash flow is still highly negative.
  - The company's business is in the investment phase, which pushes the result into red (2022 net result -100 MSEK).
  - OptiCept's cash flow is clearly negative (2022 free cash flow -87 MSEK).
    - The company's depreciation and amortization exceed its capital expenditures (2022 capex 13.5 MSEK; depreciation 16.8 MSEK).
    - OptiCept recorded a write-down of 2.4 MSEK in 2022, which pushed net result more into red than cash flow.
  - Outsourced production minimizes tied-up capital initially, but the deployment of machines for customer evaluations ties up initial capital, resulting in limited cash flow. In the longer term, however, we anticipate that OptiCept's core business won't significantly tie up substantial capital, though we expect some commitment to net working capital. This, of course, depends entirely on the structure of the company's long-term business model.

Estimates 1/5

Growth potential is high, but predictability is low

OptiCept operates in the FoodTech market, where the growth outlook is generally strong. We believe that the company's technology offers a cost-effective method for enhancing food extraction while simultaneously improving quality. Furthermore, we estimate that OptiCept's vacuum impregnation technology is currently the only available way of significantly extending the lifespan of cut flowers, thereby reducing waste. In principle, we can see a market niche for OptiCept and good preconditions for growth.

However, OptiCept is trying to break into conservative markets such as the olive oil industry and flower industry with new technology, and it is not self-evident that the company can benefit from market growth. It is also very challenging to assess the timing of a possible wider commercial breakthrough with higher sales volumes. Our estimates contain several uncertain assumptions the accuracy of which will only be determined over time. The assumptions concern both revenue, as well as required growth investments, and the cost structure of the business.

Our estimates are based on a realistic but high-risk scenario of the company's growth in the current situation. Investors should be aware of the exceptionally high risks of our estimates, because it is fully possible that the company will not succeed in making a substantial commercial breakthrough. In addition to the neutral scenario included in our estimates, we also outline a significantly more positive (i.e. the company's financial targets are met) and more negative scenario (i.e. commercialization fails at least in the short term) in the valuation.

Key estimate drivers

We model OptiCept's revenue through its two business areas: FoodTech and PlantTech. In the FoodTech segment, our revenue estimate includes assumptions about machinery sales volume, pricing, and aftermarket sales. For PlantTech, our revenue estimates include assumptions about the number of treatments and the pay per treatment.

In our neutral scenario, we have chosen to focus most on the company's focus areas. Although application areas such as juice and potatoes are close to a focus area and shows large potential, we believe they are still too distant from the commercialization phase. Consequently, the visibility is low, and it becomes challenging to estimate what the revenue model will look like. Nevertheless, if the company successfully commercializes another area, we will put more focus on that in our estimates.

In our model, we estimate OptiCept's profitability and earnings growth at the group level, as the company does not disclose the distribution of earnings. However, our profitability estimates include assumptions about different margin profiles, the development of the number and average salary of personnel, and the ratio of other expenses to revenue. Notably, predictability is weak for the first parameter, given that the company has not yet reached volume sales, resulting in fluctuating gross margins over the years, predominantly remaining negative. The depreciation development is based on our estimates of the level of product development capitalization.

Drivers for income statement estimates

Estimate	Key parameters
Revenue	**FoodTech** • Machinery sales volume • Pricing • Aftermarket sales **PlantTech** • Number of treatments • Payment per treatment
Costs	• Sales margin % (sales mix) • Number of personnel • Personnel costs per person • Other operating expenses

Source: Inderes

Estimates 2/5

Key assumptions underlying the estimates

So far, OptiCept has announced contracts for a total of 8 OliveCept machines with 6 customers on the Iberian Peninsula, all of which are already under commercial agreements. In late 2023, the company has 17 applications at customer sites. To translate these installations into revenue, a general improvement in extraction of 3-5 percentage points is typically required. In some cases, negotiations on commercial terms are also necessary.

In the long term, our estimate of the number of machines is based on the potential customer base of around 400 OliveCept systems, as indicated by OptiCept. This estimate may be revised as we receive more data on the progress of evaluations leading to commercial contracts. We anticipate that the average price per machine will increase as OptiCept fulfills earlier orders for less expensive machines (such as Idun, Thor, and Odin) and shifts towards manufacturing and selling the higher-priced Balder machine (listed at 3.2 MSEK), which offers greater capacity.

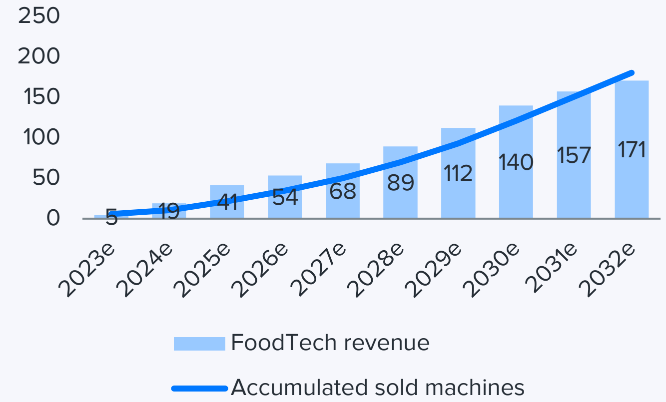
Regarding royalty sales within PlantTech, we expect sales to initially depend on treatments for cut flowers, with a gradual shift towards treatments of cuttings. The company currently has one commercial machine for cut flowers with APH, which we anticipate will generate important revenue in the short term. Additionally, the company delivered two systems for cuttings in late 2023, contributing to an expected increase in royalty revenue over the next few years. In the long term, we foresee the company focusing on materializing current evaluations and growing the existing customer base rather than actively seeking new customers. Consequently, our estimate on the number of treatments is based on a potential customer base that allows the company to reach a total of approximately 3 billion cut flowers and cuttings annually.

We anticipate a gradual rise in the number of personnel throughout the forecast period, as we foresee the necessity for OptiCept to expand its installation team and application specialists concurrently with revenue growth. However, we believe that OptiCept's existing organizational structure is well-equipped to manage higher volumes, particularly given the installation team's ability to handle machinery in both FoodTech and PlantTech. Furthermore, in the long term, personnel costs are a cost item that should scale if OptiCept succeeds in implementing its business model.

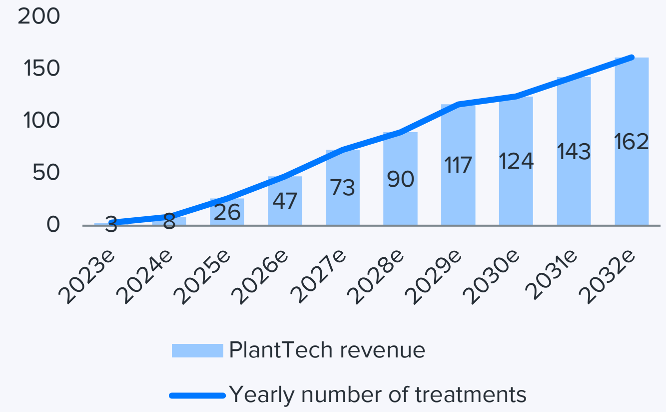
We expect that other operating expenses will be at a high level during business ramp-up, while in the long run as revenue grows the item should scale quite well. However, considering OptiCept's profile as an innovative food and plant technology company, we do not expect other operating expenses to fall below a 30% revenue share even in the long term since R&D requires some investments both in personnel and other external costs.

We estimate OptiCept's investment to be at a quite high level in the short and medium term, as we expect most development work to be capitalized. As PlantTech revenue grows, the company is expected to invest in fixed assets, as the leased machines are accounted for as OptiCept's assets. However, given the machines' high capacity and cost-effectiveness in manufacturing, we estimate that fixed investments will be moderate in the long term.

Development of total FoodTech revenue and accumulated sold machines (MSEK)



Development of total PlantTech revenue and yearly number of treatments (MSEK)



Source: Inderes

Estimates 3/5

In both the medium and long term, we estimate intangible depreciation to be around 30% of revenue, resulting in a lower EBIT-% compared to EBITDA-%. It is important to note that our estimates do, naturally, not include potential acquisitions, e.g., related to PEF technology. Possible acquisitions could increase depreciation of intangible assets.

2023 is still the ramp-up stage, but growth acceleration is around the corner

In the next few years, OptiCept will focus on building its organization, advancing product development, expanding its current customer base, and translating evaluations into commercial agreements. Over the past 12 months, OptiCept's revenue amounted to 9.9 MSEK, with an EBIT of -87.3 million, reflecting its early growth stage.

Year to date (i.e., Q1-Q3'23), OptiCept's revenue is some 8.3 MSEK and EBIT of around -50.5 MSEK. For the full year 2023, we anticipate a relatively flat growth compared to 2022. This estimate is influenced by the fact that a significant portion of the total order book (Q3'23: 30 MSEK) is tied to OliveCept systems undergoing evaluation from October 2023 to February 2024. However, we expect continued revenue generation in PlantTech for cut flowers to support overall revenue in 2023, despite initially low volumes in cuttings due to machines being shipped to customers late in 2023.

We estimate that the cost structure will be lower in 2023 compared to 2022, due to cost-saving measures that took effect especially in Q3'23, and a more focused business approach in specific areas. By the end of 2023, we anticipate OptiCept to have around 23 MSEK in cash assets, primarily attributed to the cash provided through a directed issue and the redemption of warrants in late 2023.

Expecting high growth in 2024

In 2024, we anticipate a significant growth in the number of OptiCept's commercial machines in the FoodTech segment. This estimate is based on the ongoing evaluations of the OliveCept system conducted during the 2022/2023 and 2023/2024 olive seasons, which are progressing towards commercial contracts. However, market indicators and the company's statements suggest that European olive oil production in the 2023/2024 crop year will likely fall well below the five-year average, though it is expected to surpass the historical low of the previous season. Consequently, we anticipate the approval and recognition of approximately six machines as revenue in 2024, while newer installations may require an additional season for evaluation.

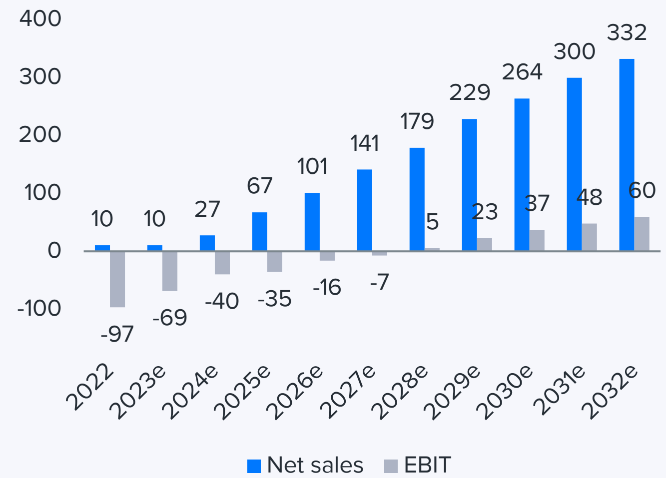
It is important to note that if OptiCept fails to meet customer requirements, particularly in achieving a general improvement in extraction of 3-5 percentage points, the company may need to reclaim some machines, which means that the company will continue to tie up capital. In total, we estimate OptiCept's revenue to amount to 27.3 MSEK. This figure aligns with the company's order book of around 30 MSEK by Q3'23, which basically means that we expect that OptiCept will convert nearly the entire order book into revenues during 2024. Revenue distribution is expected to be dominated by FoodTech, constituting approximately 70% of total revenue. However, PlantTech, especially within cuttings, is projected to experience growth in 2024 as volumes with CMPC and Aperam scale up.

Estimated long-term distribution of OptiCept's revenue streams

As % of revenue

PlantTech	FoodTech
40-50%	50-60%

Revenue and EBIT estimates (MSEK)



Source: Inderes

Estimates 4/5

Given that OptiCept has already incurred most of the costs associated with the machines in FoodTech, as reflected in the company's COGS and the substantial increase in inventory over the past few years, we believe that the company can achieve a high sales margin for these OliveCept machines. Additionally, we anticipate the cost structure to be largely in line with the operational costs run rate in Q3'23, when cost savings measures took effect. However, it's important to note that while variable costs are expected to decrease, we still anticipate some increases in personnel costs and other external costs from the Q3'23 run rate level.

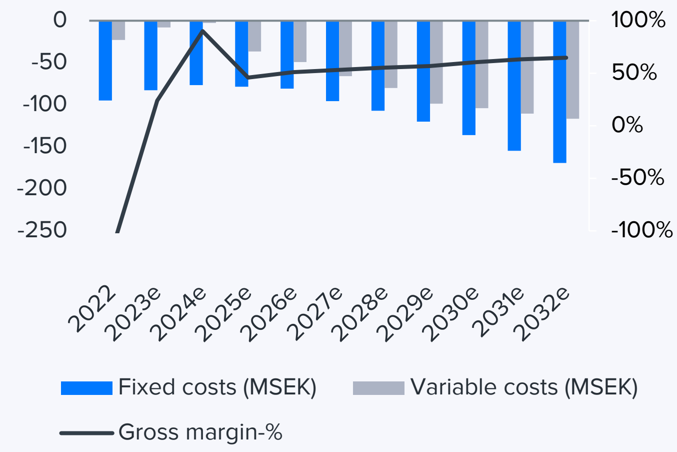
Need for additional financing

While we anticipate a clear improvement in OptiCept's profitability in 2024 and the release of capital from a reduced inventory of OliveCept machines, we believe the company will require additional financing during the year. In our financial model, this need is currently reflected as additional debt. In practice, however, we consider equity financing a more likely option, because when cash flow is reversed debt may not be available with reasonable conditions. We estimate that the company might need some 60-70 MSEK in new capital to support its strategic initiatives, but naturally, the capital can be acquired in smaller slots. We find it likely, however, that the company will receive the necessary additional funding one way or another at this stage if commercialization progresses at least to some extent in line with our estimates. Therefore, the currently likely need for additional funding is a risk for existing investors, mainly in terms of price. We believe the company could avoid the need for additional funding by accelerating growth significantly faster than our current expectations, which would extend the current cash flow.

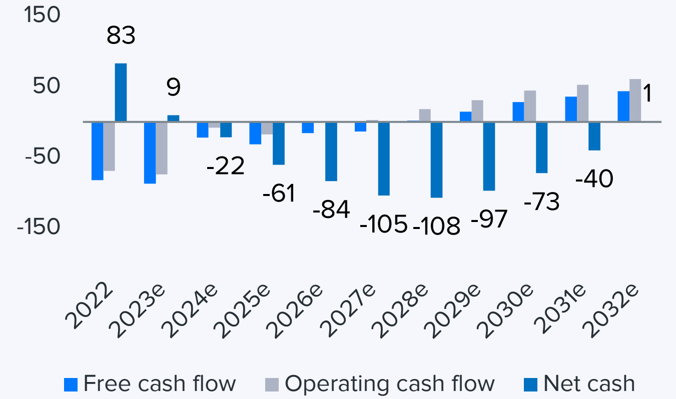
It is also important to consider that OptiCept holds a convertible loan, amounting to approximately 15 MSEK at the end of 2023. This basically means that the lender possesses the right, though not the obligation, to offset part or all of the outstanding claim against shares during the term of the credit facility. In early 2024, the lender converted 5 MSEK through a rights issue, resulting in an increase in the number of shares by about 2 million (5% dilution). The remaining debt (approximately 10 MSEK) must be fully repaid no later than October 31, 2024. Given our belief that OptiCept will require new capital in 2024 and considering the lender's 15% discount on the volume-weighted average price (VWAP) of OptiCept's share, we find it likely that the lender will convert the debt into shares.

As the conversion price per share corresponds to a 15% discount of the VWAP for OptiCept's share during the 15 trading days preceding the call for conversion, we currently cannot assess the exact conversion price. Therefore, we base our estimate on the 15% discount of the VWAP for OptiCept's share during the last 15 trading days instead (updated on the same day as the research report is released). Consequently, we estimate an 10% increase in the number of shares compared to the current number (including those issued in early 2024) in the company. It's important to note, however, that it is unlikely that the VWAP will be precisely the same in late 2024.

Key cost estimates (MSEK)



Development of net cash and cash flow (MSEK)



Source: Inderes

Estimates 5/5

Subscription warrants may not provide additional cash

OptiCept has outstanding subscription warrants issued in connection with a private placement in late 2023, with the potential to generate a maximum of 28.6 MSEK. The subscription price for these warrants is SEK 7.0 per share, and the subscription period is set to expire at the end of March 2025. The total size of the subscription warrants is approximately 4.1 million shares, representing an increase of about 9% compared to the current number of shares in the company if fully utilized. However, given that the subscription price significantly exceeds the current share price, we anticipate that the warrants may not be converted to shares upon expiration.

Continued growth and improved profitability in 2025-2032

We anticipate an approximate annual growth rate of about 38% during 2025-2028. For this growth to materialize, OptiCept should experience substantial order book growth in 2024. Since the order book comprises 100% of the value from signed agreements and 50% of the anticipated value from written agreements of the Letter of Intent type, we believe it offers valuable insights into the anticipated future growth.

In 2029-2032, we expect the relative growth rate to follow a slowing trend of 11-28%. Growth is anticipated to be particularly driven by increased revenue within existing projects. In FoodTech, where olive oil producers commonly use cooperative structures, offering scalability when technology is established, we expect OptiCept to expand OliveCept installations with existing customers. By the end of 2032, we estimate the company to have around 220 OliveCept systems installed, representing approximately 55% of the currently identified potential customer base. Additionally, we estimate that aftermarket revenue will constitute about 30% of total FoodTech revenue, a figure we find reasonable for a machinery equipment sales company.

In PlantTech, we anticipate high growth between 2025-2032 driven by an increased number of treatments per machine and new installations to meet the anticipated high customer demand. By the end of 2032, we estimate the company to reach a total of approximately 650 million treatments annually, representing a 20-25% share of the currently identified potential customer base. At the group level, we estimate that revenue will be roughly evenly distributed by the end of 2032.

We expect the cost of goods sold to stabilize between 2025 and 2032 as a percentage of sales, compared to the significantly low COGS -% in 2024, attributed to costs accrued in previous years and extended evaluations. However, due to our belief that the high-margin revenue from PlantTech will experience a higher growth percentage relative to FoodTech during this period, constituting an increasingly significant portion of total revenue, we anticipate an increase in the sales margin. Additionally, we foresee OptiCept's personnel costs and other expenses continuing to grow. Nevertheless, as we estimate revenue to outpace the growth in the cost structure, we expect OptiCept to improve its profitability and achieve positive EBITDA in 2026.

Long-term estimates

As OptiCept is in an early commercialization phase, we expect the company to be growing still in 2032 so we have stretched our estimated cash flow model further than usual until 2036. We expect the company's growth to be on a downward trend of 3-8% per year in 2033-2036. Our revenue estimate for 2036 is approximately 412 MSEK, translating to a 1-2% share of the addressable market (excluding non-focus areas). While our estimates suggest the company may only capture a small percentage of the market, we emphasize that our assumptions include expectations of substantial commercial success.

After 2036, we expect OptiCept's growth to be saturated to 2.5% and profitability (EBIT-%) to decrease from the 2033 peak (20%) to about 18%. This rate reflects perfect competition in the terminal (ROIC-% is roughly WACC-%). Furthermore, with long-term gross margins of around 60-65%, we believe this profitability is realistic for the company. Profitability, however, is fully conditional on the success of growth, as the high gross margins will only be reflected in profitability when revenue increases to a significant size.

Income statement

Income statement	2020	2021	2022	H1'23	H2'23e	2023e	2024e	2025e	2026e
Revenue	**0.3**	**4.4**	**10.5**	**7.2**	**3.0**	**10.2**	**27.3**	**67.5**	**101**
Group	0.3	4.4	10.5	7.2	3.0	10.2	27.3	67.5	101
EBITDA	**-10.4**	**-36.7**	**-77.3**	**-22.9**	**-26.2**	**-49.1**	**-18.3**	**-15.5**	**1.5**
Depreciation	-1.5	-10.4	-19.2	-9.9	-9.6	-19.5	-21.6	-19.8	-17.5
EBIT (excl. NRI)	**-11.9**	**-47.1**	**-89.7**	**-32.8**	**-35.8**	**-68.6**	**-39.9**	**-35.3**	**-16.0**
EBIT	**-11.9**	**-47.1**	**-96.5**	**-32.8**	**-35.8**	**-68.6**	**-39.9**	**-35.3**	**-16.0**
Group	-11.9	-47.1	-96.5	-32.8	-35.8	-68.6	-39.9	-35.3	-16.0
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	0.0	-0.2	-5.8	-5.0	-5.1	-10.0	-9.0	-7.0	-7.0
PTP	**-11.9**	**-47.3**	**-102.3**	**-37.7**	**-40.9**	**-78.6**	**-48.9**	**-42.3**	**-23.0**
Taxes	0.0	0.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**-11.9**	**-47.3**	**-100.1**	**-37.7**	**-40.9**	**-78.6**	**-48.9**	**-42.3**	**-23.0**
EPS (adj.)	**-1.03**	**-2.88**	**-4.68**	**-0.94**	**-1.02**	**-1.96**	**-1.07**	**-0.92**	**-0.50**
EPS (rep.)	**-1.03**	**-2.88**	**-5.02**	**-0.94**	**-1.02**	**-1.96**	**-1.07**	**-0.92**	**-0.50**

Key figures	2020	2021	2022	H1'23	H2'23e	2023e	2024e	2025e	2026e
Revenue growth-%	-92.1 %	1515.8 %	136.5 %	-4.1 %	0.0 %	-2.9 %	168.2 %	146.8 %	49.5 %
Adjusted EBIT growth-%		296.9 %	90.4 %	-12.4 %	-31.5 %	-23.5 %	-41.9 %	-11.4 %	-54.6 %
EBITDA-%	-3776.2 %	-826.3 %	-736.2 %	-317.6 %	-874.3 %	-481.3 %	-66.8 %	-22.9 %	1.5 %
Adjusted EBIT-%	-4321.4 %	-1061.4 %	-854.5 %	-455.4 %	-1195.1 %	-672.9 %	-145.8 %	-52.3 %	-15.9 %
Net earnings-%	-4338.9 %	-1059.1 %	-951.2 %	-525.4 %	-1364.5 %	-772.2 %	-178.7 %	-62.7 %	-22.8 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**338**	**332**	**326**	**318**	**313**
Goodwill	257	257	257	257	257
Intangible assets	73.8	68.7	63.2	56.8	50.6
Tangible assets	7.0	6.4	5.4	4.2	4.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.2	0.2	0.2	0.2	0.2
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**97.6**	**141**	**76.9**	**52.4**	**69.4**
Inventories	16.4	30.8	43.3	32.8	37.1
Other current assets	5.7	8.6	8.6	8.6	8.6
Receivables	7.5	6.7	2.0	8.2	16.9
Cash and equivalents	68.0	94.7	22.9	2.7	6.7
Balance sheet total	**436**	**473**	**403**	**371**	**382**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**406**	**396**	**347**	**313**	**271**
Share capital	1.8	2.7	3.6	4.1	4.1
Retained earnings	-90.8	-56.3	-135.0	-183.9	-226.2
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	495	450	478	493	493
Minorities	-0.2	0.1	0.1	0.1	0.1
Non-current liabilities	**7.6**	**26.4**	**20.0**	**14.4**	**38.3**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	3.1	1.9	0.7	9.9	33.8
Convertibles	0.0	20.0	14.8	0.0	0.0
Other long term liabilities	4.5	4.5	4.5	4.5	4.5
Current liabilities	**21.9**	**50.8**	**36.1**	**43.4**	**73.0**
Interest bearing debt	3.4	10.1	13.1	14.9	33.8
Payables	6.6	21.8	4.1	9.6	20.2
Other current liabilities	11.8	18.9	18.9	18.9	18.9
Balance sheet total	**436**	**473**	**403**	**371**	**382**

Valuation and recommendation 1/5

The value of OptiCept is tied to the potential of an uncertain future

We believe that OptiCept's medium-term equity story relies on achieving a breakthrough in volume sales within the FoodTech and PlantTech sectors. We estimate that the opportunity is currently favorable, given the company's successful acquisition of commercial customers in both focus areas, including several large and, to some extent, world-leading companies. However, there are associated risks that need to be considered, such as heightened competition, potential delays in customer adoption of the technology, and a potential decrease in the company's investment opportunities, which could extend the timeline for achieving significant volume sales. We expect that the company’s chances for long-term success may weaken if it fails to achieve a breakthrough in sales within the next few years.

In our view, it is crucial to evaluate OptiCept's valuation by assessing the potential for value creation in its business, the likelihood of realizing that potential, and the market's readiness to reflect this in the share’s price. We believe that OptiCept's valuation, especially in terms of market pricing, is and will be sensitive to the prevailing market conditions. Investors' willingness to price value based on long-term potential can vary significantly, influenced by factors such as interest rates and their general risk appetite. The market sentiment has become noticeably more cautious in recent years in this regard.

The return consists of changes in value

We expect OptiCept to continue to be a cash-consuming growth company for a long time, so the return on the share will consist of changes in the value of the share in the foreseeable future and no dividends are expected. Thus, OptiCept is only suited for the portfolio of growth investors that tolerate high risk and are patient.

High required return

if OptiCept successfully executes its commercialization strategy, achieving high-volume sales across all business areas, and the business model proves to be working, the company's growth prospects are confirmed. We estimate that this success could generate significant shareholder value over the next few years compared to the current market capitalization, even if the cash flows do not turn positive in the medium term. A successful acceleration in growth would encourage investors to place greater emphasis on the company's scalable growth potential, thereby increasing OptiCept's overall value.

Conversely, in a negative scenario where commercialization efforts fail or take an extended period to achieve high-volume sales, there is a high risk of substantial capital destruction, as the company lacks a robust foundation for valuation. Furthermore, in a weak scenario, meeting additional financing needs would pose a high dilution risk for shareholders. Therefore, the range of possible scenarios is extensive.

Valuation	2023e	2024e	2025e
Share price	2.50	2.50	2.50
Number of shares, millions	40.2	45.9	45.9
Market cap	100	100	100
EV	106	123	161
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	0.3	0.3	0.4
P/S	9.9	3.7	1.5
EV/Sales	10.4	4.5	2.4
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %
Source: Inderes			

Source: Inderes

Valuation and recommendation 2/5

Given the considerable variability in OptiCept's future scenarios, the company's risk profile is deemed very high. We believe that to offset this high risk, the required return must be set at a similarly high level, ensuring that the potential return is sufficient to compensate for the high risks.

In addition to utilizing the DCF model, we incorporate the required return into OptiCept's valuation when evaluating the current value of the company's potential market cap in the coming years. OptiCept's valuation is highly responsive to fluctuations in the required return, which is a variable factor that evolves over time due to the company's development and external influences.

In essence, we estimate that OptiCept's risk profile, and the subsequent impact on the required return, can be influenced by factors such as growth, securing new commercial contracts, successful commercialization, enhanced visibility into existing partnerships, declining interest rates, an increased investor appetite for risk, and a lower burn rate than expected. Conversely, adverse developments like slower growth than anticipated, accelerated burn rate, higher interest rates, and a weaker investor willingness to take risks would elevate the risk level.

Considering OptiCept's risk profile, we have set the cost of equity at 15% and the weighted average cost of capital, which considers some long-term debt leverage, at 14%. We believe these rates align with current market return expectations for high-risk companies. Given the sensitivity of OptiCept's valuation to changes in the required return, we also provide a sensitivity analysis for variations in the required return across different scenarios in our DCF models. This enables investors to evaluate various estimate and required return scenarios.

Challenging valuation in the short term

OptiCept's profitability is clearly negative due to front-loaded growth investments. Consequently, we use sales-based multiples, specifically the EV/S ratio, in this case. However, considering OptiCept's early-stage commercialization, sales-based multiples do not offer substantial support for the current and upcoming years. The EV/S ratio for OptiCept in 2023 stands at 10x, a level we view as very high at this stage, despite the company's substantial market potential and a scalable business model. Even if OptiCept achieves the anticipated growth, the estimated EV/S multiple for 2024 remains elevated at 4x from our perspective. Furthermore, OptiCept's 2024 net sales multiple is approximately 260% higher than that of its peer group comprising of similar stage companies. However, forming a relevant peer group for OptiCept at its current developmental stage poses challenges. Despite numerous companies involved in equipment development for various industries, differences in business models, maturities, and target markets limit their comparability to OptiCept.

Consequently, our valuation approach is not solely driven by peer comparisons. Instead, it serves as a benchmark when evaluating expected growth and potential margin levels.

Estimated future valuation ranges

2025e and 2027e

2025e, MSEK	Pessimistic	Neutral	Optimistic
Net sales	40.5	67.5	114.7
EV/S, LTM	2.5	3.0	3.5
EV/S, NTM	x	2.0	x
EV	101	202	402
Net debt	68	61	28
MCAP	34	142	373
Per share	0.7	3.1	8.1
Discounted to present value	**0.6**	**2.4**	**6.3**

2027e, MSEK	Pessimistic	Neutral	Optimistic
Net sales	84.7	141.2	263.4
EV/S, LTM	2.0	2.5	3.0
EV/S, NTM	x	2.0	x
EV	169	353	790
Net debt	115	105	50
MCAP	55	248	740
Per share	1.2	5.4	16.1
Discounted to present value	**0.7**	**2.8**	**7.4**

Source: Inderes

Valuation and recommendation 3/5

If growth materializes, the medium-term outlook becomes more positive

In addition, we made three scenarios using 2025 and 2027 net sales. The neutral scenarios are in line with our estimates. In the optimistic scenario, OptiCept will achieve its 2024 target of positive EBITDA and 85-90 MSEK in revenue. We still believe, however, that the company will need additional funding because of its high investments that put pressure on free cash flow. In the optimistic scenario, we expect OptiCept's long-term revenue to be about 50% higher and EBIT some 75% higher in 2037 than in the neutral scenario. Thus, revenue reaches ~600 MSEK and EBIT-% 22% in 2037.

In a pessimistic scenario, we have cut OptiCept's long-term revenue by about 20% and EBIT some 35%. Thus, in the scenario, revenue reaches ~330 MSEK in 2037 and EBIT-% 15%.

We believe that with 2025 net sales the acceptable EV/S ratio could be ~3x-4x, considering the company's business model, development phase, expected growth and partly peer valuation. This resulted in a present value of SEK 2.4 per share in our neutral scenario with our required return (range SEK 0.6-6.3 per share). Thus, the valuation picture looks somewhat more attractive looking into 2025 than in the short term, but the estimate risk is also higher in this scenario since the time horizon is longer.

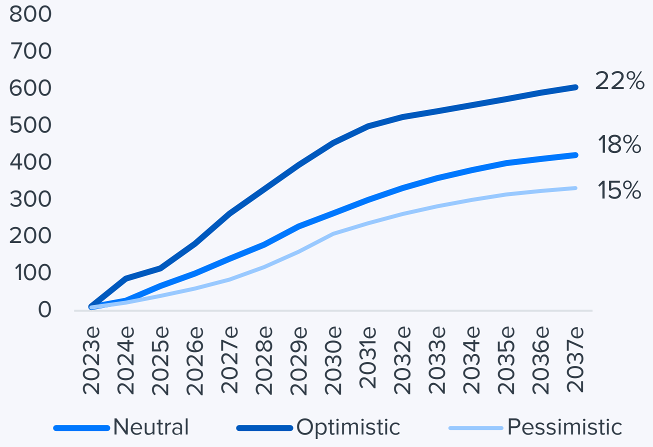
We have also looked into valuations in 2027, using scenarios based on the same assumptions as mentioned before. Considering 2027 net sales, we believe that an acceptable EV/S ratio would range between 2x to 3x. This assessment considers a slower sales growth outlook compared to 2025 and the higher estimate risks compared to the 2025 estimates.

In our neutral scenario, with the application of our required return, this results in a present value of SEK 2.8 per share. Notably, this valuation is roughly consistent with the 2025 scenario, largely due to a significant increase in debt. Given that both the 2025 and 2027 scenarios anticipate OptiCept securing additional funding at its current share price, an assumption that may not materialize, we find it justified to include a slight safety margin in the valuation.

DCF estimates include substantial uncertainty

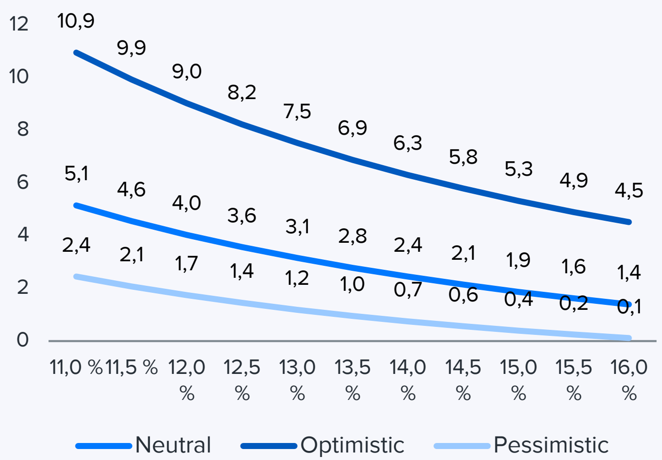
In OptiCept's valuation, the DCF illustrates the long-term potential. At the company's current development stage, the assumptions of the model contain significant uncertainty and cash flows focus on a period over a decade away, so we do not feel that they offer clear support for short-term valuation. Instead, we feel that the short-term valuation is driven mostly by the ratio between the company's growth rate and growth investments, as well as the building of future growth potential through growing the existing customer base and new commercial agreements.

EBIT and revenue in DCF-scenarios and EBIT-% in 2037e



Sensitivity of the DCF value to the WACC

SEK per share, WACC-%



Source: Inderes

Valuation and recommendation 4/5

Number of shares is likely to increase

We determine the DCF model with different scenarios, which are the same scenarios that we describe earlier. We point out, however, that our DCF model is based on the company's current number of shares, although in all our DCF scenarios we expect that the company will need additional equity financing to carry out the growth investments required by our estimates (i.e., we expect the number of shares to increase).

The increase in the number of shares can also be significant if the financing needs are within our 60-70 MSEK estimate range and the price is at around the current share price. At this point we can not estimate the form and cost of the required financing, thus our model is based on the company's current number of shares. We therefore believe that a certain discount must be applied to the DCF value until the visibility of the divisor improves. We have used a sensitivity analysis to outline the required capital and potential increase in the number of shares with different share prices. The convertible loan has not been considered in the number of shares as its maturity date extends to late 2024. However, due to the conversion price being set at -15% to the VWAP, the overall dilution is not anticipated to be significantly substantial. Additionally, the subscription warrants expiring in March 2025 have not been included in the number of shares in the DCF model. These warrants are only considered likely to be exercised in the optimistic scenario, given their strike price of SEK 7.0 per share. The subscription warrants would cause about a 9% drop in the value of the model.

DCF is roughly in line with the current share price

The neutral scenario is in line with our current estimates, which we describe in more detail in the Estimates section of this report. The equity value of OptiCept under our DCF model in the neutral scenario is 98 MSEK or SEK 2.4 per share. We feel that in light of the neutral scenario, OptiCept's share is currently quite expensive given the high required return, tolerance of the model and the likely growth pressure in the number of shares.

In the optimistic scenario, OptiCept's value per share is SEK 4.5-10.9, with a base case of SEK 6.3 per share. We believe this scenario requires that OptiCept reaches commercial breakthroughs in all business areas, including those close to a focus area, and/or that the company reaches a market-leading position and high-volume sales in one or two of the business areas.

In the pessimistic scenario, OptiCept's value per share is in the range of SEK 0.1-2.4 with a base case of SEK 0.7 per share. In the pessimistic scenario, market creation would be slower than in our neutral scenario and OptiCept's market share would be quite limited despite investments. The pessimistic scenario would probably also require more capital than our neutral scenario.

Impact of potentially raised equity and share price on number of new shares

Increase in number of shares-%

	Raised equity (MSEK)				
Share price (SEK)	60.0	65.0	70.0	75.0	80.0
1.50	87%	94%	102%	109%	116%
2.00	65%	71%	76%	82%	87%
2.50	52%	57%	61%	65%	70%
3.00	44%	47%	51%	54%	58%
3.50	37%	40%	44%	47%	50%
4.00	33%	35%	38%	41%	44%
4,50	29%	31%	34%	36%	39%
5.00	26%	28%	31%	33%	35%
5.50	24%	26%	28%	30%	32%

Source: Inderes

Valuation and recommendation 5/5

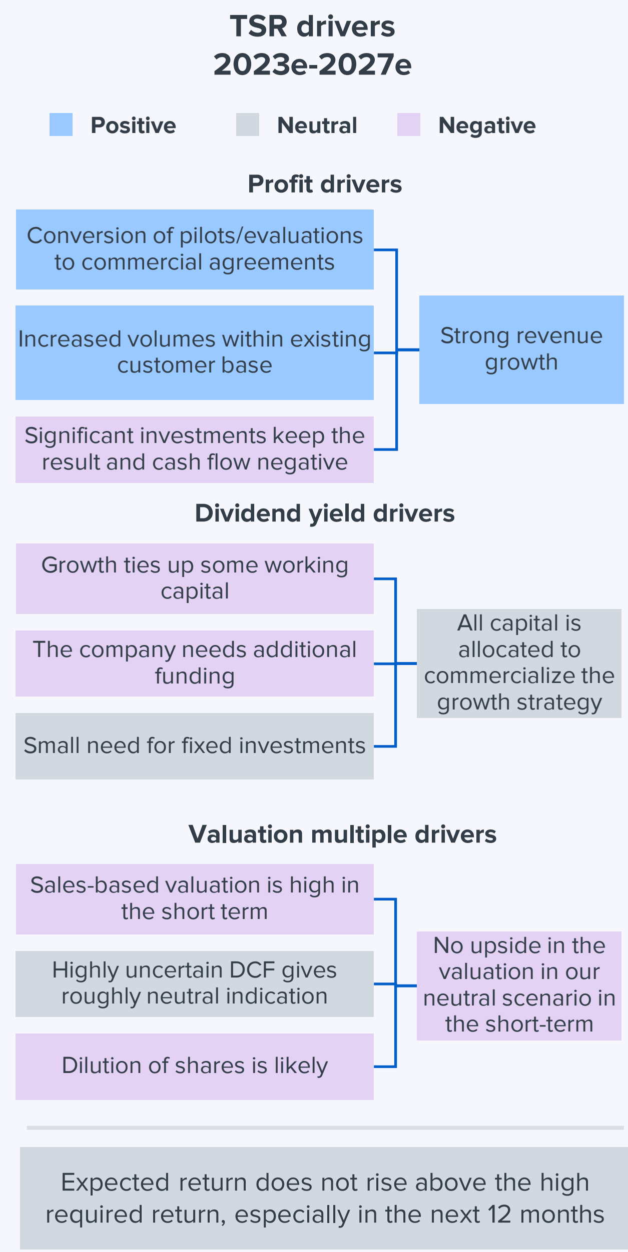
Valuation summary

OptiCept's valuation relies on assumptions that carry high uncertainty. Despite using insights from peers and utilizing the DCF model, it remains subject to unpredictable factors. In our view, the fair value of OptiCept's share with current assumptions is around SEK 1.5-2.7 per share. At the lower end of the range, we believe that the market would give a quite low probability for OptiCept being successful in reaching a wider commercial breakthrough with high sales volumes and building a scalable business model. However, even at the lower end the share has no support levels, so there is a risk of a substantial loss of capital, even if we believe an expected return close to the lower end of the range is rather good compared to the risks in light of current information. On the other hand, at the top end of the range expectations are higher and we believe that the return/risk ratio would be negative, at least in the short term.

We feel that the stock market is currently rather skeptical about OptiCept's financial targets, due to the recent progress and existing order backlog. If the company reaches the required 85-90 MSEK, OptiCept would be valued at 2024 EV/S 1.3, which we find rather low given the company's current development stage. However, as it seems now either we or the market are confident that the company is going to reach those levels. In our opinion, it is not unreasonable to require concrete proof from the company considering its current development stage and the scale of the objectives. On the other hand, we believe the stock market gives a reasonable probability for the commercialization of the company's business being successful and OptiCept turning profitable.

We find OptiCept to be a very interesting company, at an interesting stage, as the company is in the early commercialization phase that addresses major global sustainability issues. We do, however, believe that investors should demand a considerable growth potential to bear the significant risk and uncertainty, as a possible failure would depress the share price considerably. In addition, we estimate that the company will need further financing, so we feel that the risks are too great to rely on the potential. Thus, we initiate our coverage of OptiCept with a Reduce recommendation and a target price of SEK 2.2 per share.

We wait for clear steps from the company toward building large scale business which would lower the share's risk level through better visibility to growth and reaching positive cash flows. In concrete terms, this would mean, e.g., convert pilots to revenue, increase volumes within existing customer base and thus turning revenue into clear growth, as well as securing financing at least for the medium-term.



Source: Inderes

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	17.5	23.8	55.4	87.9	10.4	**2.50**	**2.50**	**2.50**	**2.50**
Number of shares, millions	9.88	11.1	11.6	16.3	19.9	**40.2**	**45.9**	**45.9**	**45.9**
Market cap	173	263	643	1435	207	**100**	**100**	**100**	**100**
EV	166	250	622	1373	144	**106**	**123**	**161**	**184**
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
P/E	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
P/FCF	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
P/B	11.5	11.6	18.4	3.5	0.5	**0.3**	**0.3**	**0.4**	**0.4**
P/S	>100	75.6	>100	>100	19.7	**9.9**	**3.7**	**1.5**	**1.0**
EV/Sales	>100	71.7	>100	>100	13.7	**10.4**	**4.5**	**2.4**	**1.8**
EV/EBITDA	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**>100**
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.	**neg.**	**neg.**	**neg.**	**neg.**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**

Source: Inderes

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Merus Power Oyj	33	34			85.8		1.2	1.2					2.7
Enwave Corp	22	20		8.4		12.3	0.8	1.0					0.5
Nederman Holding	563	691	13.1	12.8	9.0	9.0	1.3	1.2	17.8	16.2	2.1	2.4	2.6
Gea Group	6404	6194	10.7	10.3	8.1	7.8	1.1	1.1	15.0	14.2	2.8	2.9	2.6
OptiCept (Inderes)	**9**	**9**	**-1.5**	**-3.1**	**-2.2**	**-6.7**	**10.4**	**4.5**	**-1.3**	**-2.3**	**0.0**	**0.0**	**0.3**
Average			**11.9**	**10.5**	**34.3**	**9.7**	**1.1**	**1.1**	**16.4**	**15.2**	**2.4**	**2.7**	**2.1**
Median			**11.9**	**10.3**	**9.0**	**9.0**	**1.2**	**1.2**	**16.4**	**15.2**	**2.4**	**2.7**	**2.6**
Diff-% to median			***-113%***	***-130%***	***-124%***	***-175%***	***801%***	***283%***	***-108%***	***-115%***	***-100%***	***-100%***	***-89%***

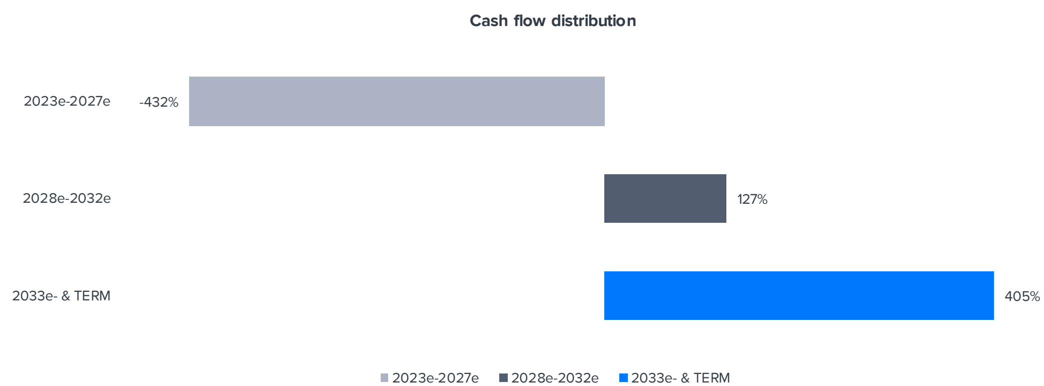
Source: Refinitiv / Inderes

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e	TERM
Revenue growth-%	136.5 %	-2.9 %	168.2 %	146.8 %	49.5 %	39.9 %	26.8 %	27.8 %	15.4 %	13.6 %	10.8 %	8.0 %	6.0 %	5.0 %	3.0 %	2.5 %	2.5 %
EBIT-%	-919.3 %	-672.9 %	-145.8 %	-52.3 %	-15.9 %	-5.0 %	3.0 %	10.0 %	14.0 %	16.0 %	18.0 %	20.0 %	20.0 %	20.0 %	20.0 %	18.0 %	18.0 %
EBIT (operating profit)	**-96.5**	**-68.6**	**-39.9**	**-35.3**	**-16.0**	**-7.1**	**5.4**	**22.9**	**37.0**	**48.0**	**59.8**	**71.8**	**76.1**	**79.9**	**82.3**	**75.9**	
+ Depreciation	19.2	19.5	21.6	19.8	17.5	16.4	16.1	15.9	15.0	15.4	15.7	15.9	16.2	16.4	16.7	15.5	
- Paid taxes	2.2	0.0	0.0	0.0	0.0	0.0	0.1	-3.9	-7.3	-9.7	-12.5	-15.4	-16.3	-17.1	-17.7	-16.7	
- Tax, financial expenses	-0.1	0.0	0.0	0.0	0.0	0.0	-1.3	-1.1	-0.9	-0.9	-0.7	-0.4	-0.4	-0.4	-0.4	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	5.8	-25.6	9.8	-2.3	-1.6	-7.0	-2.4	-3.3	0.5	-0.5	-1.8	-4.0	-3.2	-2.9	-1.8	-1.5	
Operating cash flow	**-69.5**	**-74.7**	**-8.4**	**-17.8**	**-0.1**	**2.3**	**17.9**	**30.5**	**44.4**	**52.3**	**60.5**	**67.9**	**72.3**	**75.9**	**79.1**	**73.2**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-13.5	-13.0	-14.0	-14.0	-16.0	-16.0	-16.2	-16.4	-16.6	-16.8	-17.0	-17.2	-17.4	-17.6	-16.0	-16.0	
Free operating cash flow	**-83.0**	**-87.7**	**-22.4**	**-31.8**	**-16.1**	**-13.7**	**1.7**	**14.1**	**27.8**	**35.5**	**43.5**	**50.7**	**54.9**	**58.3**	**63.1**	**57.2**	
+/- Other	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-82.7	-87.8	-22.4	-31.8	-16.1	-13.7	1.7	14.1	27.8	35.5	43.5	50.7	54.9	58.3	63.1	57.2	511
Discounted FCFF		**-88.7**	**-19.9**	**-24.7**	**-11.0**	**-8.2**	**0.9**	**6.5**	**11.2**	**12.6**	**13.5**	**13.9**	**13.2**	**12.3**	**11.6**	**9.3**	**82.8**
Sum of FCFF present value		35.3	124	144	169	180	188	187	180	169	157	143	129	116	104	92.1	82.8
Enterprise value DCF		**35.3**															
- Interest bearing debt		-31.9															
+ Cash and cash equivalents		94.7															
-Minorities		0.0															
-Dividend/capital return		0.0															
Equity value DCF		**98.1**															
Equity value DCF per share		**2.44**															

WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	6.0 %
Equity Beta	2.00
Market risk premium	4.75%
Liquidity premium	3.00%
Risk free interest rate	2.5 %
Cost of equity	**15.0 %**
Weighted average cost of capital (WACC)	**14.0 %**

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	0.3	4.4	10.5	**10.2**	**27.3**
EBITDA	-10.4	-36.7	-77.3	**-49.1**	**-18.3**
EBIT	-11.9	-47.1	-96.5	**-68.6**	**-39.9**
PTP	-11.9	-47.3	-102.3	**-78.6**	**-48.9**
Net Income	-11.9	-47.0	-99.9	**-78.7**	**-48.9**
Extraordinary items	0.0	0.0	-6.8	**0.0**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	39.3	435.8	473.3	**402.9**	**370.8**
Equity capital	35.0	406.3	396.1	**346.8**	**313.0**
Goodwill	0.0	257.2	257.2	**257.2**	**257.2**
Net debt	-20.7	-61.4	-62.8	**5.6**	**22.1**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	-10.4	-36.7	-77.3	**-49.1**	**-18.3**
Change in working capital	0.2	-12.2	5.8	**-25.6**	**9.8**
Operating cash flow	-10.1	-48.9	-69.5	**-74.7**	**-8.4**
CAPEX	-6.9	-333.3	-13.5	**-13.0**	**-14.0**
Free cash flow	-17.0	-377.5	-82.7	**-87.8**	**-22.4**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	>100	>100	13.7	**10.4**	**4.5**
EV/EBITDA (adj.)	neg.	neg.	neg.	**neg.**	**neg.**
EV/EBIT (adj.)	neg.	neg.	neg.	**neg.**	**neg.**
P/E (adj.)	neg.	neg.	neg.	**neg.**	**neg.**
P/B	18.4	3.5	0.5	**0.3**	**0.3**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	-1.03	-2.88	-5.02	**-1.96**	**-1.07**
EPS (adj.)	-1.03	-2.88	-4.68	**-1.96**	**-1.07**
OCF / share	-0.87	-3.00	-3.49	**-1.86**	**-0.18**
FCF / share	-1.46	-23.12	-4.16	**-2.18**	**-0.49**
Book value / share	3.01	24.90	19.90	**8.63**	**6.82**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	-92%	1516%	136%	**-3%**	**168%**
EBITDA growth-%	35%	254%	111%	**-37%**	**-63%**
EBIT (adj.) growth-%	43%	297%	90%	**-24%**	**-42%**
EPS (adj.) growth-%	36%	180%	62%	**-58%**	**-46%**
EBITDA-%	-3776.2 %	-826.3 %	-736.2 %	**-481.3 %**	**-66.8 %**
EBIT (adj.)-%	-4321.4 %	-1061.4 %	-854.5 %	**-672.9 %**	**-145.8 %**
EBIT-%	-4321.4 %	-1061.4 %	-919.3 %	**-672.9 %**	**-145.8 %**
ROE-%	-41.3 %	-21.3 %	-24.9 %	**-21.2 %**	**-14.8 %**
ROI-%	-40.1 %	-21.0 %	-23.0 %	**-17.1 %**	**-11.2 %**
Equity ratio	89.1 %	93.2 %	83.7 %	**86.1 %**	**84.4 %**
Gearing	-59.2 %	-15.1 %	-15.8 %	**1.6 %**	**7.0 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2024-02-02	Reduce	2.2 kr	2.3 kr

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