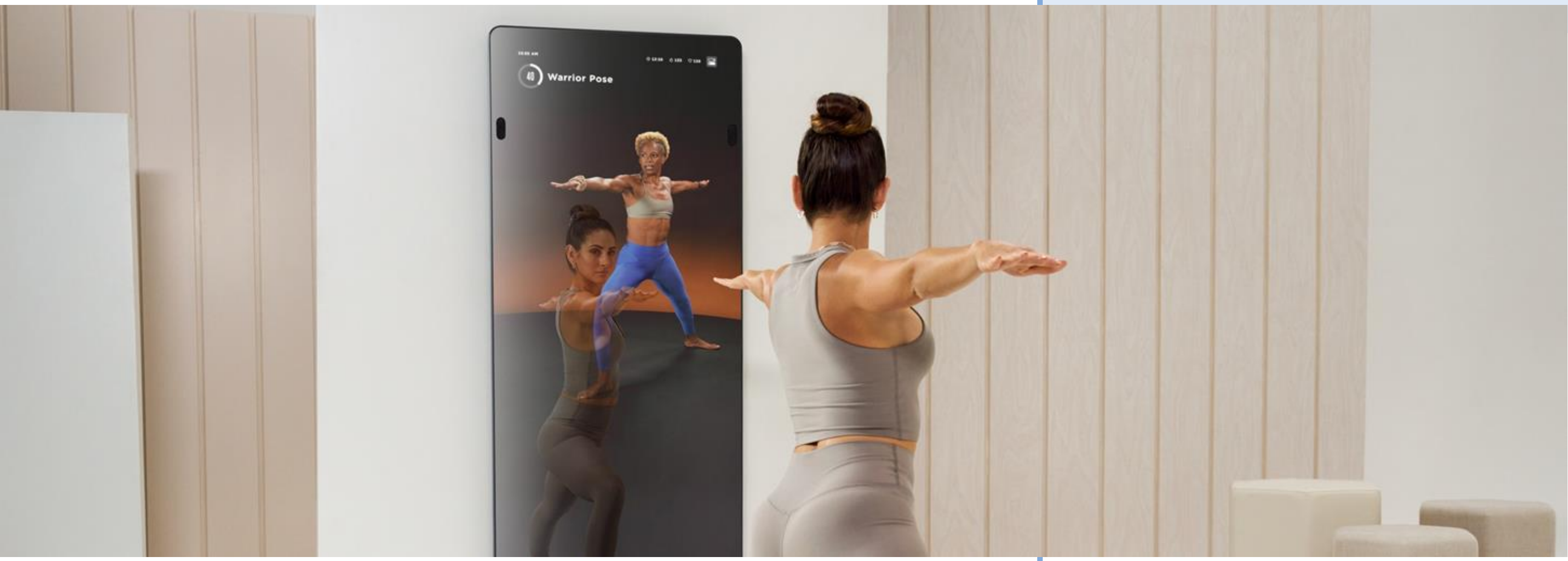
AlsterResearch

Interactive Strength Inc

United States of America | Technology | MCap USD 21.3m

20 October 2023

INITIATION



Strength training for investors; Initiate with Spec. BUY

What's it all about?

Interactive Strength Inc is active in the field of luxurious and premium smart home gyms with its existing brand FORME and CLMBR, which is expected to be acquired in Q4 2023. The fitness industry has seen an incredible boom over the past decade and therefore, sports, gyms and fitness have become not just an activity to train and exercise but also, they became complete lifestyle experience. Especially during the pandemic, when studios and clubs were closed, home exercise and mainly smart home fitness have taken on a new importance. With an innovative and revolutionary product offering, we believe that Interactive Strength is just getting on the starting block for a successful future. However, due to the early stage of the company and hence still a high burn rate, which should command in further cash injections, we initiate coverage with a Spec. BUY rating and a PT of USD 2.30 offering an upside potential of 119.0%.

Spec. BUY (INITIATION)

Target price	**USD 2.30 (na)**
Current price	USD 1.05
Up/downside	119.0%

ResearchHub

SCAN ME

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IMPORTANT. Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

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Interactive Strength Inc

United States of America | Technology | MCap USD 21.3m | EV USD 28.5m

Spec. BUY (INITIATION)

Target price	**USD 2.30 (na)**
Current price	USD 1.05
Up/downside	119.0%

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Strength training for investors; Initiate with Spec. BUY

Interactive Strength, Inc. is a luxury digital fitness company, operating business with two brands FORME and CLMBR. The company provides premium smart home gyms and innovative vertical climbing machines with a differentiated offering of virtual personal training and real-time fitness classes. The services can be accessed either through the hardware or through apps from any device. FOMRE shipped its first products in late 2022, as supply bottlenecks led to a delayed market entry, resulting in low sales volumes in 2022. However, there are no longer any bottlenecks.

Important M&A of CLMBR. Interactive Strength recently announced that it has entered into a definitive agreement to acquire substantially all of the assets of CLMBR, Inc., the maker of the first-to-market connected vertical climber. The combined companies, together with the B2B revenue supported by the acquired sales and distribution partnership with WOODWAY, a state-of-the-art treadmill manufacturer, is expected to have a significant impact and to boost the topline to USD 20m in 2024E and to reach break-even at the end of 2024E.

Serving luxurious clients Overall, luxury fitness clients are willing to pay a premium for the best fitness experiences that meet their own needs and demands. They are looking for a holistic approach to their health and wellness and appreciate the high-quality services that only luxury fitness offerings and personalized 1:1 training and coaching can provide. This is evidenced by the reported average annualized recurring revenue per household, which more than tripled year-on-year to USD 1,650.

Membership creates a sticky business model. Once customers are committed to the company's products, the churn rate remains low, as after a larger investment in hardware, there is little reason to switch to alternative offerings. This supplies Interactive Strength with an attractive share of annual recurring revenue (ARR).

Conclusion. We believe an investment in Interactive Strength allows investors to participate in a young, dynamic, and promising business model. In the relatively new smart home fitness market, the company serves the luxury segment that is not afraid to spend higher amounts on their own well-being, even in a recession. We therefore see attractive growth opportunities, however, due to its early stage and hence, still high burn rate, which should result in further capital requirements, we initiate coverage with a Spec. BUY recommendation and a PT of USD 2.30.

Interactive Strength Inc	2021	2022	2023E	2024E	2025E
Sales	0.3	0.7	1.0	18.1	26.5
Growth yoy	na	110.8%	45.4%	1,726.3%	46.6%
EBITDA	-35.0	-47.7	-6.2	-1.6	0.7
EBIT	-37.1	-53.8	-8.3	-4.1	-3.7
Net profit	-32.8	-58.2	-5.5	-2.4	-2.0
Net debt (net cash)	1.8	7.1	11.2	14.6	18.8
Net debt/EBITDA	-0.1x	-0.1x	-1.8x	-9.2x	28.6x
EPS reported	-2.29	-4.06	-0.27	-0.12	-0.10
DPS	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	na	na	-339.4%	41.0%	42.0%
EBITDA margin	na	na	-625.1%	-8.8%	2.5%
EBIT margin	na	na	-839.4%	-22.5%	-14.0%
ROCE	-212.1%	na	-26.2%	-13.1%	-11.0%
EV/EBITDA	-0.7x	-0.6x	-5.3x	-22.6x	61.2x
EV/EBIT	-0.6x	-0.5x	-3.9x	-8.8x	-10.8x
PER	na	na	-3.9x	-9.0x	-10.9x
FCF yield	-255.4%	-234.5%	-39.4%	21.6%	22.9%

Source: Company data, AlsterResearch; report incl. CLMBR Inc. (M&A to be closed in Q4 23)

Source: Company data, AlsterResearch

High/low 52 weeks	8.50 / 0.86
Price/Book Ratio	-5.5x

Ticker / Symbols

ISIN	US45840Y1047
WKN	A3D60R
Bloomberg	TRNR

Changes in estimates

		Sales	EBIT	EPS
2023E	old	1.0	-8.3	-0.27
	Δ	0.0%	na%	na%
2024E	old	18.1	-4.1	-0.12
	Δ	0.0%	na%	na%
2025E	old	26.5	-3.7	-0.10
	Δ	0.0%	na%	na%

Key share data

Number of shares: (in m pcs)	20.31
Book value per share: (in USD)	-0.19
Ø trading volume: (12 months)	25,000

Major shareholders

block.one	23.6%
Apeiron Investment Group	22.1%
Bradley James Wickens	12.0%
Free Float	37.0%

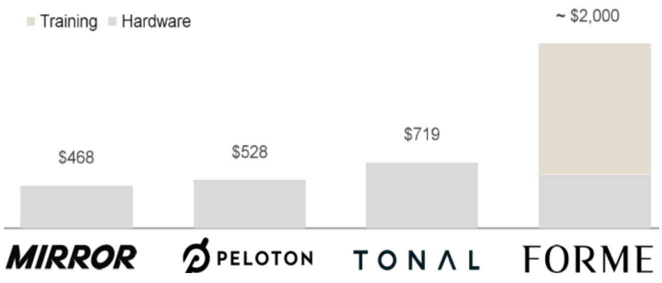
Company description

Interactive Strength, Inc., is a digital fitness platform that combines smart home gyms with live virtual personal training and coaching. The company delivers at-home fitness experience through connected hardware products, focused on strength training. In addition to the company's connected fitness hardware products, Interactive Strength offers personal training and health coaching through Video On-Demand, Custom Training, and Live 1:1 virtual personal training.

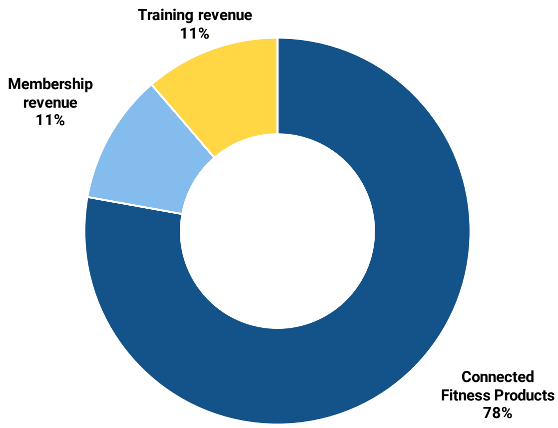
Investment case in six charts

Products & Services

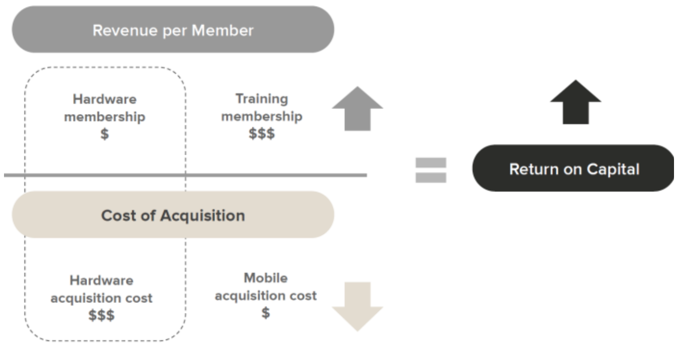
FORME average recurring revenue potential



Segmental breakdown in %

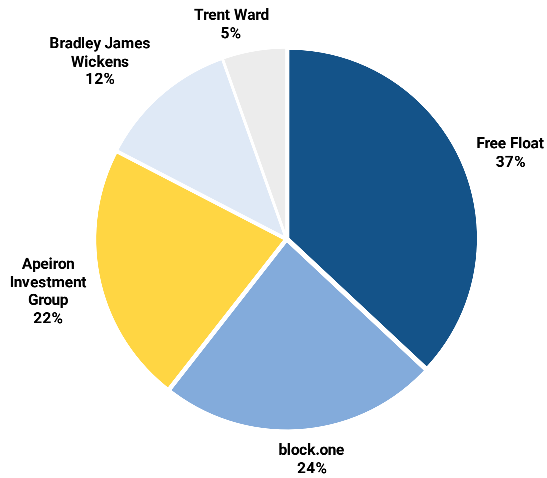


Focus on Return on Capital



In-house personal trainers

Major Shareholders



Source: Company data, AlsterResearch

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Company background

In a Nutshell

Interactive Strength is a well-known American exercise equipment and media company that was founded in 2017. The company is known for its premium smart home gym FORME Studio and FORME Lift, which are mirrored cable machines, equipped with screens that allow users to access live and on-demand fitness classes as well as 1:1 personal fitness training. Of course, the home gym sector experienced a huge hype in the past pandemic years, as Covid opened a totally new market of sport and fitness products. However, due to supply chain bottlenecks during the pandemic, FORME was not able to begin shipments until late 2022. Recently, the company reported on the acquisition of CLMBR, a manufacturer of innovative and connected vertical climbing machines that offer an efficient and effective full-body strength and cardio workout.

For luxury fitness customers, the environment in which they work out plays a decisive role. They prefer first-class gyms or private fitness areas equipped with state-of-the-art equipment and appealing design. Discretion and privacy are also important factors for luxury fitness clients, which is why the home gym is so attractive. These are the crucial factors that make Interactive Strength meaningful to its clients.

The interactive platform offers a wide range of workout classes, including strength training, yoga, meditation, and many more. Users can participate in these classes from the comfort of their homes while being led by professional instructors in real-time or choosing from a selection of pre-recorded classes.

The company offers an immersive and interactive workout experience that connects users to a community of fellow fitness enthusiasts and provides real-time performance metrics during workouts. In addition, the subscription-based membership gives users access to an extensive library of recorded classes and video content.

FORME Lift – innovative and connectcabel mirrow offers 1:1 personal training

Source: Company data; AlsterResearch

Products & services

Interactive Strength offers hardware combined with services and memberships. A FORME Membership allows usage for the entire household with up to 5 members. This is comparable to a Netflix membership, which offers FOMRE a sticky razor blade business model with recurring revenues in the long-run.

The FORME equipment is a full-length mirror with elegant, award-winning design. The mirror comes with an immersive sound system and full 4k HD touchscreen, which allows an app-free navigation. The screen offers access to the entire FORME VOD (video on demand) catalog, and an integrated camera enables the 1:1 personal trainer to support the client and provide helpful tips.

Together with the screen, the video on demand platform comes along with a content library which covers a wide range of categories, including strength, yoga, Pilates, mind, barre, recovery, fitness, HIIT, golf, cardio, boxing, and several other topics.

Products – FORME Studio and FORME Lift

FORME Studio is a home smart gym with a touchscreen for an app-free navigation. It is tech designed to bring customers closer to the experts, right from home. Price: USD 2,495	**FORME Lift** is the advanced version of FORME Studio designed to elevate members' strength-training experience from home. Comparable to FORME Studio it is offering a wide variety of custom, self-guided and on-demand workouts. The cable-based resistance arms come along with 200 lbs of total resistance (100 lbs per arm). Price: USD 5,995

Source: Company data; AlsterResearch

Products & services

CLMBR is the first vertical climbing machine with a large-format touch display with on-demand, instructor-led classes comparable to FORME. CLMBR's design is compact and easy to move which offers a perfect handling for commercial or in-home training. The machine has an open structural design that supports a natural athletic posture. It also offers the latest user interface technology and state-of-the-art app that provides on-demand climbing classes and displays key metrics to maximize the user's experience.

In contrast to traditional fitness machines, CLMBR stands out by providing an efficient and highly effective full-body workout that combines strength and cardio training. This versatile equipment is available for direct consumer purchase on and is also tailored for businesses such as gyms, fitness studios, hotels, and physical therapy facilities.

Products – FORME Studio and FORME Lift

Source: Company data; CLMBR; AlsterResearch

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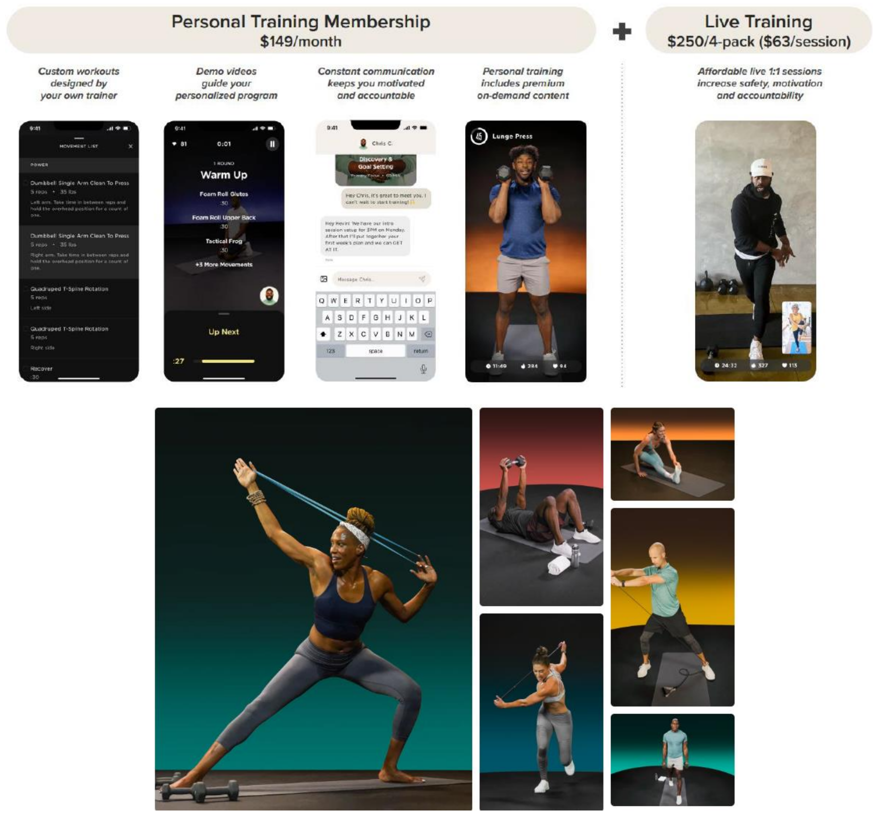
Services and Memberships

FORME's membership offers complete access to the video library at a monthly subscription fee of USD 149. Additionally, members have the option to upgrade their subscriptions for participation in live 1:1 personal training program, which can be booked per USD 250 / 4 sessions. Those who choose the live training will go through an onboarding process, where they will be matched with professional trainers according to their preferences and selection criteria. CLMBR comes along with a membership plan as well. Depending on the plan chosen, the monthly fee is USD 9.99 or USD 39.99. According to CLMBR's own information, over 7,225 users have already registered an account.

Live Training and VOD library plattform lift the product offer



Source: Company data; AlsterResearch

The transformation of personal training through digitization

Personal training has long been recognized as a highly effective method for achieving fitness goals, providing tailored guidance, and improving overall well-being. Traditionally, personal training sessions were conducted in a one-on-one setting, where a certified trainer worked closely with their clients to design customized workout plans and offer real-time feedback. However, the digital revolution in connection with the pandemic has brought about significant changes in the fitness industry, leading to the advent of digitized 1:1 personal training.

Benefits of digitization attract both trainers and clients
Both sides benefit from various advantages, which are outlined below.

Accessibility and convenience: One of the key benefits of digital personal training is its accessibility and convenience. Clients can schedule sessions around their own time zones and fit workouts seamlessly into their busy schedules. They can also work with trainers of their choice, regardless of their geographic location.

Flexibility and Customization: Digitalization allows personal trainers to create customized workout plans, track progress, and modify routines based on real-time data. This level of flexibility ensures that clients receive personalized attention and are more likely to stay committed to their fitness program.

Affordability: Remote training sessions tend to be more cost-effective than traditional in-person training, making fitness coaching more budget-friendly for a broader range of individuals which creates a larger market.

Enhanced Motivation: Digitized platforms incorporate features such as virtual communities and goal tracking, which foster a sense of camaraderie among clients and boost motivation levels.

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Management

		
Trent Ward Co/Founder and CEO Former positions: Citadel, Wharton	Deepak Mulchandani Chief Technology Officer Former positions: Peloton, Savant	Mike Madigan Chief Financial Officer Former positions: XPO, PwC

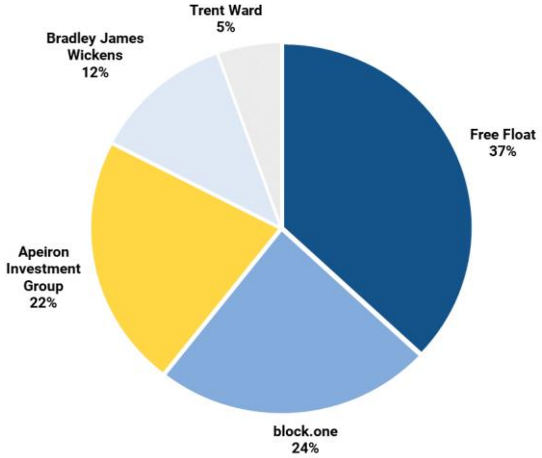
Source: Company data; AlsterResearch

Shareholders

Interactive Strength Inc. announced on May 2 the closing of its initial public offering of a total of 1,500,000 shares at a price of USD 8.00 per share. The shares began trading on the Nasdaq Global Market on April 28, 2023, under the ticker symbol "TRNR".

The existing shareholders agreed to a lock-up as part of the IPO. The investors have agreed to hold the shares for at least 18 months (until November 2024). However, the lockup will expire if the share price exceeds USD 12.00. The current shareholder structure – pre M&A transaction of CLMBR - is as follows:

Shareholder structure



Source: Company data; AlsterResearch

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Quality

Customers

Interactive Strength sells its products into two market segments: B2B and B2C

Business-to-business
In the B2B activities, customers are gyms, hotels, health centers and corporates worldwide. In this market segment, the Interactive Strength is trying to be positioned as a premium and luxurious brand, giving operators (e.g., of hotels or gyms) the confidence to trust the reliability and longevity of equipment and helping them to position their own offerings as premium as well. It is due to the early stage of the company that until now only a small number of locations have been equipped. However, with FORME's recently announced cooperation with a European hotel chain, this is expected to change soon. We believe, there is much more to come and in addition, B2B contracts come along with an upfront payment, which is supportive for the cash flow development. However, as CLMBR has already started its business in 20219, it is more present in its markets due to the sales cooperation.

Business-to-customer – the largest customer group
In the B2C segment, Interactive Strength sells directly to the end consumer. Starting FORMEs offerings in 2022, first shipments took place at the end of 2022. Since then, the products are used already in more than 300 private homes, which represent the largest group of customers for the time being. Being active in the luxury smart home fitness market, its products are priced at the very upper end of the scale. For example, the hardware of both products FORME Studio and FORME Studio Lift are priced at USD 2,495 and USD 5,995 respectively. CLMBR was founded in 2019 has a track record already. According to CLMBR's own information, over 7,225 users have already registered an account. The climbing machines are offered in two versions. The base version costs USD 3,495, while the plus version is a little more expensive USD 3,895.

Luxury fitness customers are a unique target group that places a high value on quality, comfort, and exclusivity when it comes to their fitness needs. These discerning customers are looking for premium fitness experiences that exceed their expectations and provide them with a sense of luxury and well-being. According to Interactive Strength, the average customer is middle age, quite wealthy and has a comfortable home with ample room for a work-out space. The gender ratio is almost balanced.

These fitness customers are looking for customized training plans that meet their individual needs and goals. Personalized support from highly qualified trainers and coaches is essential for them to achieve maximum results and avoid injuries. This is why FORME's USP is the personalized 1:1 training offered by FORME's coaches. With over 50 coaches, each client has a wide selection to choose from. Once customers are committed to the company's products, the churn rate remains low, as after a larger investment in hardware, there is little reason to switch to alternative offerings.

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Competition

In general, the fitness industry is characterized by a lot of competition among equipment providers. Interactive Strength for example faces competition from companies like Peloton, Life Fitness or Echelon, which already joined the smart home fitness market. However, Interactive Strength tries to stay ahead of competition by constant innovation of its offering and sets itself apart with 1:1 on demand personal training – a unique selling point (USP) of Interactive Strength – and its focus on strength training. Furthermore, the company stands out from other manufacturers due to its luxurious design, the very high quality of equipment, as well as the user-friendly operation of devices.

In addition, Interactive Strength differentiate itself from the competition with FORME's the state-of-the-art technology used to simulate weightlifting with electronic motors. This innovation offers the user a whole new training experience, as the weight resistance is adaptively based on the athlete's abilities. But furthermore, the company enables access to on-demand 1:1 personal training beside of large amount of pre-recorded fitness videos with different trainings beside strength training. And with a membership, clients gain access to the full range of the video on demand library.

However, it must be mentioned that several competitors already entered the market. In our view, Tonal and its armed smart home gym is almost 100% comparable to FORME. Further competitors are in place, but with smaller differences when it comes to product characteristics or the business model. Just to name a few, there is The Mirror (subsidiary of lululemon athletica inc.), The Vault (product of Nordic Track), JAXJOX, Tempo Studio, Speediance, Vitruvian Trainer or Gymera. But having said that, we believe there are four key factors that differentiate FORME from the competition:

- FORME Lift uses so called **adaptive weights** instead of real dumbbells.
- FORME offers **online 1:1 personal training**.
- FORME is based on **modern technology**.
- FORME's mirrors are **design award winning**.

In addition, the market as a whole is still in its infancy. Smart fitness is quite new, so market share and market share gain are not yet important, but rapid and efficient market penetration is. For now, we believe there is enough room for growth for all providers.

Suppliers

Outsourcing as key strategy

Interactive Strength's strategy relies on outsourcing of its manufacturing and production, which is why the company is able to focus their resources on main topics like the design, development, quality, marketing, and sales. In addition, this strategy provides the flexibility needed to react to new market opportunities, which could occur with further technical improvement of the components. Furthermore, it helps the company to run an asset-light business model.

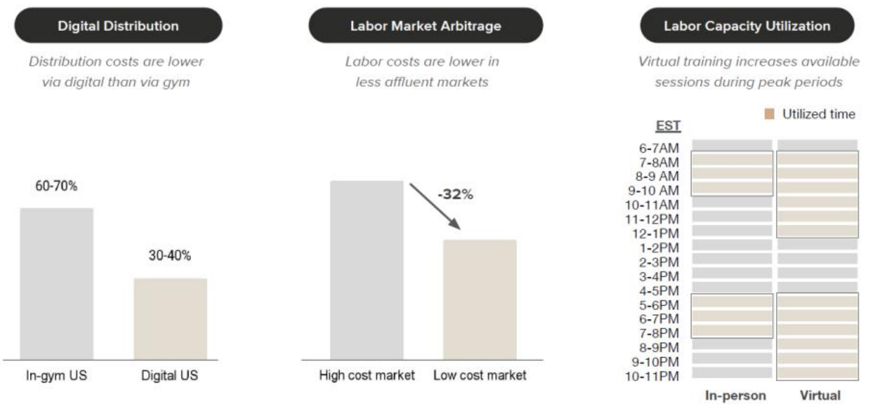
Adaptive digital weights created by electronic motors.

FORME Lift uses electric motors that are normally used in e-bikes. The supplier is the Taiwanese bicycle manufacturer Giant. Giant is a well-known bicycle manufacturer that produces a wide range of e-bikes, which are equipped with different electric motors to assist with pedaling. Giant has been in the electric bike market for a long time and is recognized for producing high-quality products. This makes the company a perfect fit for providing motors to Interactive Strength. However, due to supply chain bottlenecks during the pandemic, Giant was not able to deliver these motors which is the reason for a delayed market entry of Interactive Strength. Having said that, bottlenecking no longer exists.

A huge base of personal trainers in the wake of the digital revolution.

The digitization of personal training involves the integration of technology into the fitness coaching process. With the aid of fitness apps, wearable devices, video conferencing, and online platforms, personal trainers can now reach their clients remotely. This shift in approach has enabled a broader reach, breaking down geographical barriers and making expert guidance accessible to individuals from all corners of the world.

Accessibility and pricing for a better capacity utilization



Source: Company data; AlsterResearch

As a conclusion, we can note that digitalization brings a strong development to the luxury area of personal training. In particular, trainers are able to better control their capacities in the daily routine and to better utilize their own capacities. This gives them a price advantage that they can pass on to their clients, which helps trainers keep their schedules full. A classic win-win situation through the use of scaling.

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Theme

Acquisition of CLMBR
Interactive Strength announced that it has entered into a definitive agreement to acquire substantially all of the assets of CLMBR, Inc., the maker of the first-to-market connected vertical climber. According to Interactive Strength, the combined business is anticipated to generate more than USD 20m in revenue in 2024E and be cashflow positive. But more important, the adjusted EBITDA is expected to turn positive potentially as early as the fourth quarter of 2024E. CLMBR war found in 2019 and based in Denver, Colorado.

On track in 2023

Interactive Strength reported more than tripling its average annualized recurring revenue per household, and the company now generates an annual average of USD 1,650 per household (USD 490 end of Q1 23). It is establishing itself in the luxury fitness market segment, which accounts for only 32% of the fitness market (measured in memberships) but stands for more than 70% of the market revenue.

Financial flexibility gained

The company secured a senior loan in June for up to USD 15m. When combining these financial resources from the loan with the proceeds from the IPO, the Company should be well financed into 2024.

European expansion via SIGNA and Aethos

Interactive Strength has entered the European market through a strategic alliance with SIGNA Sports United (SSU). SIGNA is a global specialist sports e-commerce company headquartered in Berlin and listed on the New York Stock Exchange. The company owns and operates businesses and brands focused on sports like in in the field of bike, tennis, outdoor and team sports. With its more than 80 online sites and multi-channel brands and together with its partners and its 500 shops, the group serves over 6m customers worldwide and therefore has a strong commercial positioning. This partnership makes a perfect fit, as it helps Interactive Strength with fulfillment and logistics capabilities to market its products across Europe.

In addition, Interactive Strength announced a cooperation Aethos Hotels, a European hotel chains with seven hotels in Italy, Portugal, Spain, and France. The integration of FORME Studio starts with the first hotel in Italy. We believe this cooperations are just the starting point of the European role out as they underline Interactive Strength’s positioning in the luxury market segment. With Interactive Strength’s offerings, hotels can enlarge and complement the extensive wellbeing programming that is offered to guests.

Distribution partnership with leading integrated fitness services provider

In early August, Interactive Strength announced a distribution partnership with The Risher Companies (TRC), one of the leading fitness services companies in the US. TRC is one of the largest fitness center consulting and equipment procurement firms servicing real estate clients with nearly 200 projects in the last year. This commercial channel plays an important role in Interactive Strength’s growth story, as business clients provide higher average recurring revenue, multi-year contracts, larger volumes, and lower acquisition costs, which all together support Interactive Strength on its way to break even.

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SWOT analysis

Strengths

- High-quality products for the luxurious fitness market with recession-independent clients.
- Attractive revenue model with high share of recurring revenues.
- Interactive fitness platform offers a unique and engaging workout experience, combining live and on-demand classes
- Standalone offering with One-to-One fitness training.
- Dynamic and experienced management team.
- Product portfolio grows via CLMBR acquisition.

Weaknesses

- Interactive Strength was founded in 2017 and did not launch its products until 2021.
- At this stage, Interactive Strength small and loss-making with potentially cash demand.
- Interactive Strength's exercise equipment and subscription services come with premium price points, making them less accessible to budget-conscious consumers.
- The company's business model heavily relies on subscription revenue, which could pose challenges if user retention rates decline or if competition intensifies.
- Interactive Strength has faced market access challenges during pandemic.

Opportunities

- Market penetration and US growth strategy.
- Expansion in Europe - first collaborations announced.
- Expected sound market environment for fitness products.
- Growth in its user base by attracting fitness enthusiasts and individuals looking for convenient and effective workout solutions.
- The company could expand its product line to include other fitness-related equipment or offerings.
- Interactive Strength could form further strategic partnerships to enhance its services and target new customer segments (e.g., further hotels)
- Acquired distribution partnership with WOODWAY offers faster growth.

Threats

- The company operates in a competitive market environment with several players in place
- Easy to copy business model with various companies offering similar exercise equipment and digital fitness solutions.
- Economic downturns or uncertainties can affect consumer spending.
- Rapid advancements in technology and new entrants in the market may pose a threat Interactive Strength's position as first mover in the connected fitness industry.

Growth

Strong market growth of home fitness expected.

The global fitness equipment market was valued at USD 11.6 billion in 2020 and is expected to reach USD 14.8 billion by 2028, growing at **a CAGR of 3.3% from 2021 to 2028** (*source: Allied Market Research*). Within this market, the subsegment of at-home fitness equipment market is expected to grow even stronger, at a CAGR of 7.8% from 2021 to 2027 (*source: Research and Markets*).

The major drivers influencing the market growth include.

- increasing urbanization, sedentary lifestyles, and hectic schedules
- increasing incidence of lifestyle diseases such as obesity, diabetes, heart disease or hypertension
- increasing health awareness and a trend towards self-care and self-improvement (life hacking)
- a rise in disposable income in developing countries.

Covid's significant impact on the fitness market.

Memberships in fitness clubs declined significantly as lockdowns and entry restrictions prevented people from working out. For example, in Europe, memberships dropped by 15.4% in 2020 (source: European Health and Fitness Market Report 2021), while 2023 has seen a strong rebound. Many fitness clubs only survived thanks to generous government support. However, as a consequence of financial distress in the past years, demand for new equipment from gyms and other commercial users (including corporate offices, hotels, hospitals and medical centers and public institutions) has been very soft in 2020 to 2022. But this is expected to change again.

A new landscape for the fitness equipment market

The fitness equipment market has witnessed a significant transformation in the wake of the Covid-19 pandemic. With gyms forced to shut down worldwide due to lockdown measures, a remarkable shift towards home-based workouts emerged. Despite these challenges, the "home" segment of the fitness equipment market experienced a remarkable 25% growth in 2020 compared to the average year-on-year growth between 2017 and 2019. This trend is projected to continue with a compound annual growth rate (CAGR) of 7.8% from 2021 to 2027.

The overall fitness equipment market, valued at USD 10 billion in 2020, is expected to see remarkable progress, with projections indicating a CAGR of 11% from 2021 to 2027, reaching an estimated value of USD 25 billion.

Positioned in luxury personal training of fitness

A significant driving force behind this growth is the connected fitness industry, which has taken the market by storm. Prominent players like peloton, Lululemon's acquisition of Mirror, and the rising popularity of brands such as Tonal, and Zwift have spearheaded the surge in "Home Fitness" adoption. The innovative and interactive nature of connected fitness has resonated with consumers, making it a compelling and lasting choice for fitness enthusiasts.

Interactive Strength is looking to become a leader in the personal training and premium smart home gym segment of the fitness industry, with the luxury part of fitness accounting for about 70% of total market size. The global online fitness market is predicted to grow from USD 14.9 billion to USD 250 billion between 2022 and 2032, at a compound annual growth rate (CAGR) of 32.7% during the forecast period. We believe, as consumers increasingly seek convenience, personalized workouts, and engaging fitness experiences, the trend towards home-based fitness to continue to grow, shaping the future landscape of the fitness equipment market.

More markets to grow – Expansion into Europe

FORME began its expansion plan into Europe recently, collaborating with Aethos hotels to bring its FORME's smart gym mirrors and its personal trainer service to Italy and Portugal and to Aethos customers and club members. It also partnered with SIGNA Sports United, a European specialist sports company with over 80 online services sites and 6 million customers.

Interactive Strength's M&A offers a faster break-even

Interactive Strength has entered into an agreement to acquire the fitness equipment company CLMBR. If realized (likely in Q4 2023; beginning of 2024 at the latest), the potential transaction is expected to accelerate Interactive Strength 's growth trajectory. Increased commercialization would result in immediate expansion, creating a dynamic and profitable foundation for the future.

Together with CLMBR and based on internal projections, combined gross revenues are expected to reach USD 20m in FY 2024. More importantly, the combined business could be cash flow positive by the end of 2024 (Q4 2024). Based on this forecast, the combined business could achieve positive adjusted EBITDA, as the transaction is accompanied by significant cost synergies.

The plan is to pay the purchase price of USD 16.9m with debt and in own shares (c. 6m), which are subject to a lock-up agreement until at least the end of October 2024. This is similar to the pre-IPO shareholders which also agreed into a look-up. From our point of view, this is similar to the pre-IPO shareholders who also agreed to a look-up. From our perspective, this transaction is a perfect fit. Both companies will offer a broader range of products, target the same customers and be able to combine their sales strategies.

Growth table (USDm)	2022	2023E	2024E	2025E
Sales	0.7	1.0	18.1	26.5
Sales growth	110.8%	45.4%	1,726.3%	46.6%
EBITDA	-47.7	-6.2	-1.6	0.7
EBITDA margin	-7,001.5%	-625.1%	-8.8%	2.5%
EBIT	-53.8	-8.3	-4.1	-3.7
EBIT margin	-7,903.4%	-839.4%	-22.5%	-14.0%
Net profit	-58.2	-5.5	-2.4	-2.0

Source: Company data; AlsterResearch

The following table displays the quarterly performance of **Interactive Strength Inc.**

	Q1 2022	Q2 2022	Q1 2023	yoy	Q2 2023	yoy
Total Households (at end of period)	115	140	204	77%	226	61%
Total Members (at end of period)	115	140	235	104%	231	65%
Annual Recurring Revenue ARR (in USD)	58.000	65.000	364.000	528%	371.000	471%
Average ARR per Household (in USD)	490	483	1.650	237%	1.570	225%
Net Dollar Retention Rate (in %)	NM	NM	176		251	
Net Loss (in USDm)	-12,7	-24,7	-16,0		-13,6	
Adjusted EBITDA (in USDm)	-1,1	-20,6	-4,4		-5,7	

Source: Company data; AlsterResearch

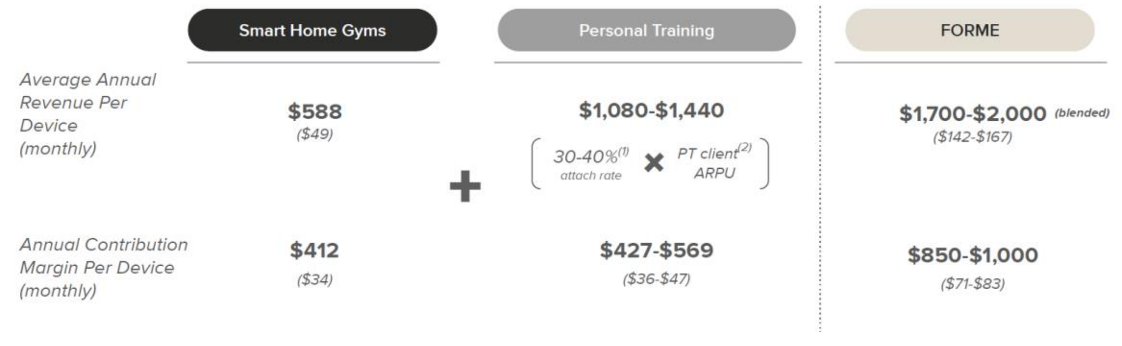
AlsterResearch

Financials

Interactive Strength's differentiation

Interactive Strength differentiates itself from competitors by its higher and attractive recurring revenues per household. The average annualized recurring revenue per household has developed nicely to USD 1,650 in the first half year 2023. This is reflecting the impact of the strategy to introduce higher revenue training services to its users. We believe this focus on generating significantly higher recurring revenue per customer than other players (e.g., Peloton) will be the biggest driver toward future profitability.

Installed hardware enables attractive Recurring Revenue

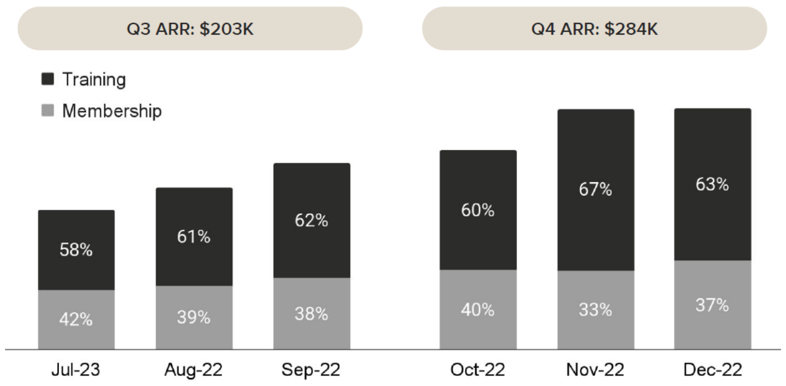


Source: Company data; AlsterResearch

Annual Recurring Revenue is the key

Interactive Strength has a sticky and attractive business model which is based on monthly subscription fees that go hand in hand with benefits for the company and investors. The ARR provides Interactive Strength with a more stable and predictable revenue stream compared to one-time sales generated from its device sales. In addition, ARR are a proof of strong customer retention and loyalty, which can be perceived as a sign of customer satisfaction and winning products and services. Interactive Strength, still on little volumes, steadily improves its share of recurring revenues.

Installed hardware enables attractive Recurring Revenue



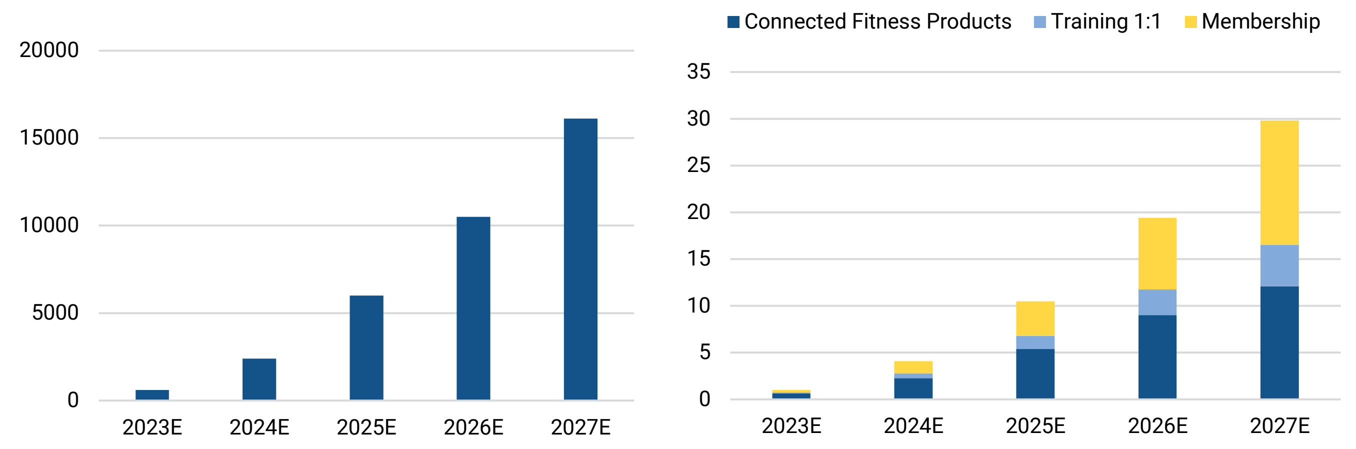
Source: Company data; AlsterResearch

Peloton is the benchmark with 3 million sold devices

Interactive Strength shipped its first FORME devices in the second half of 2022 and successfully marketed its products. It is due to supply chain bottlenecks in the last years, that currently just 300 devices are in place, and we believe this figure to develop nicely in the upcoming year. That said, supply chain issues do not exist anymore.

With comparable offerings such as Peloton, which was installed roughly three million times, we see a realistic opportunity to ship the FORME hardware more than 10,000 times within the next 3-4 years. This would also be in line with CLMBR, who have placed their hardware in the market over 7200 times. Taking FORMES potential development into account, the installed base could grow steadily to a volume of more than 15,000 in the mid-term. The anticipated FORME revenue development per business activity is depict as well.

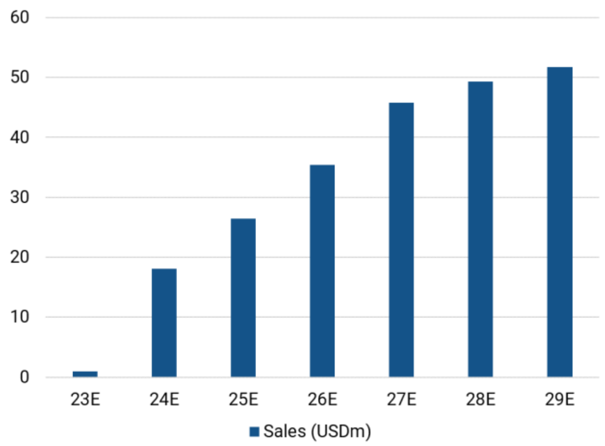
FORME: expected installed base (left chart; in pieces) and corresponding top-line development (right chart; in USDm)



Source: AlsterResearch

CLIMBR
We believe that a 50% gross profit margin can be achieved on the service offerings over the long term. Once the training content is created for the video platform, the operating and streaming costs are minimal. For the individual 1:1 training, we assume a 50:50 deal with the trainers. Hence, this is a very profitable razor-blade business. On the hardware side, we expect that there is almost no margin to be made. However, since the mirrors are the basis for selling the long-term memberships, every unit sold drives the business. Running an asset-light business model allows FORME to scale operating costs.

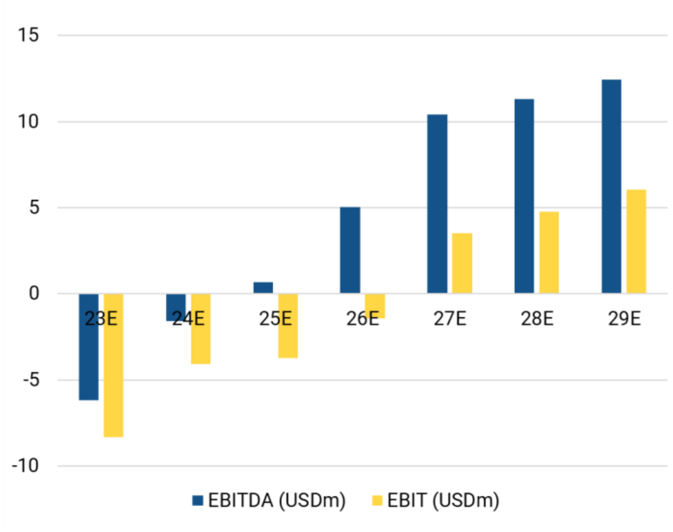
Topline development after CLMBR-transaction



Source: Company data; AlsterResearch

Still a long way to profitability
We believe that a 50% gross profit margin can be achieved on the service offerings over the long term. Once the training content is created for the video platform, the operating and streaming costs are minimal. For the individual 1:1 training, we assume a 50:50 deal with the trainers. Hence, this is a very profitable razor-blade business. On the hardware side, we expect that there is almost no margin to be made. However, since the mirrors are the basis for selling the long-term memberships, every unit sold drives the business. Running an asset-light business model allows FORME to scale operating costs.

EBITDA and EBIT assumtions for the combined company FORME and CLMBR



Source: Company data; AlsterResearch

Valuation

DCF Model

The DCF model results in a **fair value of USD 2.25 per share**:

Top-line growth: We expect Interactive Strength Inc to grow revenues at a CAGR of 77.2% between 2023E and 2030E. The long-term growth rate is set at 2.5%.

ROCE. Returns on capital are developing from -26.2% in 2023E to 18.8% in 2030E.

WACC. Starting point is a historical equity beta of 1.25. Unlevering and correcting for mean reversion yields an asset beta of 0.83. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 15.0%. With pre-tax cost of borrowing at 5.0%, a tax rate of 20.0% and target debt/equity of 2.0 this results in a long-term WACC of 7.7%.

DCF (USDm) (except per share data and beta)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal value
NOPAT	-6.0	-2.9	-2.6	-1.0	2.5	3.3	4.2	5.2	
Depreciation & amortization	2.1	2.5	4.4	6.4	6.9	6.5	6.4	6.4	
Change in working capital	-2.1	3.9	2.0	3.6	2.8	1.2	0.8	0.8	
Chg. in long-term provisions	-2.8	0.7	0.7	0.2	0.5	0.2	0.1	0.1	
Capex	-0.6	-8.1	-9.3	-8.9	-6.9	-7.1	-7.5	-7.9	
Cash flow	-9.4	-3.9	-4.8	0.4	5.8	4.1	4.0	4.7	93.5
Present value	-9.2	-3.6	-4.1	0.3	4.3	2.9	2.7	2.9	55.0
WACC	7.1%	7.1%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.7%

DCF per share derived from	
Total present value	51.1
Mid-year adj. total present value	52.8
Net debt / cash at start of year	7.1
Financial assets	9.4
Provisions and off b/s debt	na
Equity value	45.7
No. of shares outstanding	20.3
Discounted cash flow / share	**2.25**
upside/(downside)	**114.2%**
Share price	**1.05**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2023E-2030E)	77.2%
Terminal value growth (2030E - infinity)	2.5%
Terminal year ROCE	18.8%
Terminal year WACC	7.7%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	20.0%
Equity beta	1.25
Unlevered beta (industry or company)	0.83
Target debt / equity	2.0
Relevered beta	2.16
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	15.0%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1.5%	2.0%	2.5%	3.0%	3.5%
2.0%	0.9	1.1	1.2	1.3	1.5
1.0%	1.3	1.5	1.6	1.8	2.1
0.0%	1.8	2.0	2.2	2.6	3.0
-1.0%	2.4	2.8	3.2	3.7	4.4
-2.0%	3.4	4.0	4.7	5.7	7.2

Share of present value	
2023E-2026E	-32.7%
2027E-2030E	24.9%
terminal value	107.7%

Source: AlsterResearch

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between USD -3.51 per share based on 2023E and USD 5.53 per share on 2027E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in USDm	2023E	2024E	2025E	2026E	2027E
EBITDA	**-6.2**	**-1.6**	**0.7**	**5.0**	**10.4**
- Maintenance capex	0.1	0.1	0.2	0.3	0.5
- Minorities	0.0	0.0	0.0	0.0	0.0
- tax expenses	-2.1	-0.9	-0.8	-0.1	1.3
= Adjusted FCF	**-4.2**	**-0.8**	**1.3**	**4.9**	**8.7**
Actual Market Cap	**21.3**	**21.3**	**21.3**	**21.3**	**21.3**
+ Net debt (cash)	11.2	14.6	18.8	17.7	11.4
+ Pension provisions	0.0	0.0	0.0	0.0	0.0
+ Off b/s financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	0.0	0.0	0.0	0.0	0.0
- Acc. dividend payments	0.0	0.0	0.0	0.0	0.0
EV Reconciliations	11.2	14.6	18.8	17.7	11.4
= Actual EV'	**32.5**	**35.9**	**40.1**	**39.0**	**32.8**
Adjusted FCF yield	**-12.9%**	**-2.2%**	**3.2%**	**12.4%**	**26.4%**
base hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
Fair EV	**-60.1**	**-11.4**	**18.2**	**69.3**	**123.8**
- EV Reconciliations	11.2	14.6	18.8	17.7	11.4
Fair Market Cap	**-71.3**	**-26.0**	**-0.5**	**51.6**	**112.3**
No. of shares (million)	20.3	20.3	20.3	20.3	20.3
Fair value per share in USD	**-3.51**	**-1.28**	**-0.03**	**2.54**	**5.53**
Premium (-) / discount (+)	**-434.2%**	**-222.0%**	**-102.5%**	**142.0%**	**426.7%**

Sensitivity analysis fair value						
	5.0%	-4.7	-1.5	0.3	3.9	8.0
	6.0%	-4.0	-1.4	0.1	3.1	6.5
Adjusted hurdle rate	**7.0%**	**-3.5**	**-1.3**	**-0.0**	**2.5**	**5.5**
	8.0%	-3.1	-1.2	-0.1	2.1	4.8
	9.0%	-2.9	-1.2	-0.2	1.8	4.2

Source: Company data; AlsterResearch

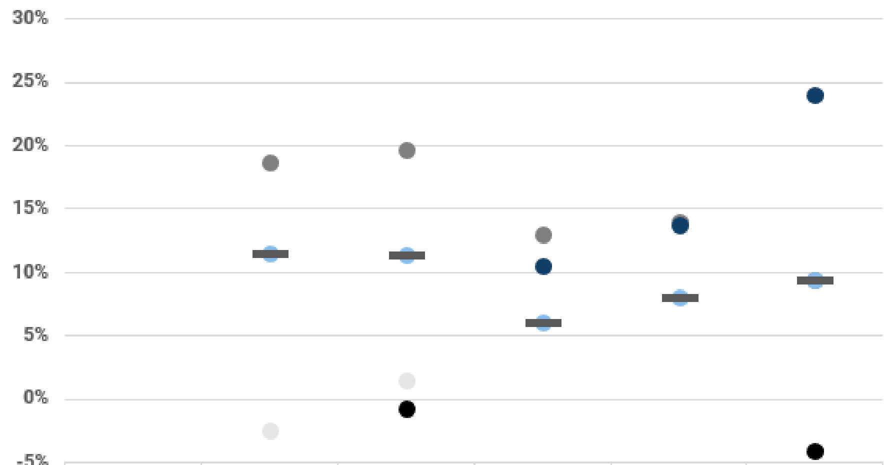
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

AlsterResearch

Peer group analysis

A peer group or comparable company ("comps") analysis is a methodology that calculates a company's relative value — how much it should be worth based on how it compares to other similar companies. Given that **Interactive Strength Inc** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of Interactive Strength Inc consists of the stocks displayed in the chart below. As of 20 October 2023 the median market cap of the peer group was USD 1,477.7m, compared to USD 21.3m for Interactive Strength Inc. In the period under review, the peer group was more profitable than Interactive Strength Inc. The expectations for sales growth are lower for the peer group than for Interactive Strength Inc.

Peer Group – Key data



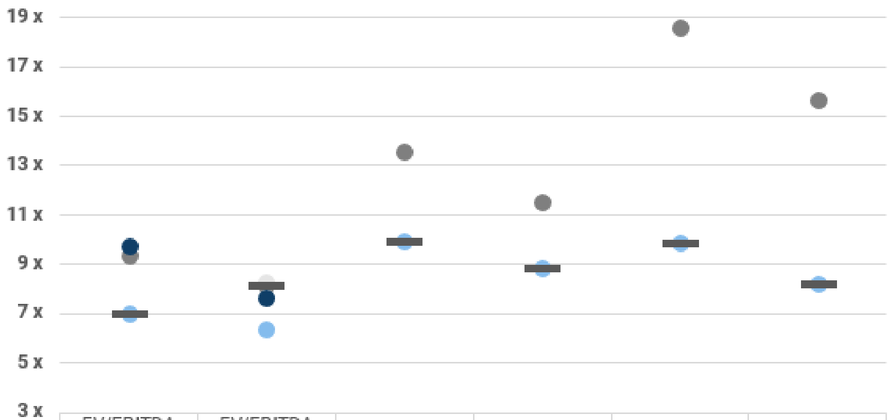
20-Oct-23	Market Cap (EURm)	EBITDA margin 2023	EBITDA margin 2024	EBIT margin 2023	EBIT margin 2024	Sales CAGR 2022-2025
Peloton Interactive Inc	1.623	-7,4%	-0,7%	-42,8%	-14,6%	-4,0%
Technogym SpA	1.478	18,8%	19,6%	13,0%	14,0%	9,4%
Beachbody Company Inc	80	-2,4%	1,6%	-18,5%	-14,0%	-5,5%
Basic Fit NV	1.798	39,5%	41,7%	10,5%	13,8%	24,0%
Abeo SA	115	11,5%	11,4%	6,1%	8,0%	9,5%
Interactive Strength Inc	21	-625,1%	-8,8%	-839,4%	-22,5%	219,5%
Peer Group Median	1.478	11,5%	11,4%	6,1%	8,0%	9,4%

Source: Sentieo, AlsterResearch

AlsterResearch

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2023, EV/EBITDA 2024, EV/EBIT 2023, EV/EBIT 2024, P/E 2023 and P/E 2024. Applying these to Interactive Strength Inc results in a range of fair values from USD -4.61 to USD -0.97.

Peer Group – Multiples and valuation



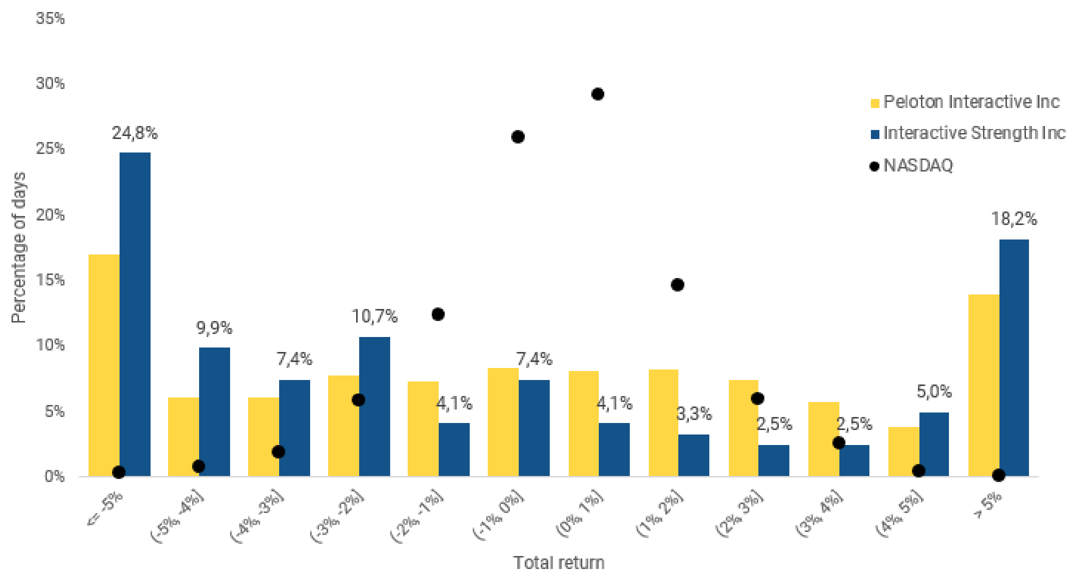
20-Oct-23	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2023	EV/EBIT 2024	P/E 2023	P/E 2024
Peloton Interactive Inc	-125,5x	31,9x	-6,3x	-8,9x	-3,8x	-5,0x
Technogym SpA	9,4x	8,2x	13,5x	11,5x	18,6x	15,7x
Beachbody Company Inc	-5,4x	8,3x	-0,7x	-0,9x	-0,8x	-1,3x
Basic Fit NV	9,8x	7,7x	36,7x	23,1x	43,7x	21,4x
Abeo SA	7,0x	6,4x	9,9x	8,8x	9,9x	8,2x
Interactive Strength Inc	-5,3x	-22,6x	-3,9x	-8,8x	-3,9x	-9,0x
Peer Group Median	7,0x	8,2x	9,9x	8,8x	9,9x	8,2x
Fair Value (EUR)	-2,69	-1,19	-4,61	-2,32	-2,66	-0,97

Source: Sentieo, AlsterResearch

Risk

A peer group or comparable company ("comps") analysis is a methodology that calculates a company's relative value — how much it should be worth based on how it compares to other similar companies. Given that **Interactive Strength Inc** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of Interactive Strength Inc consists of the stocks displayed n the below. As of 20 October 2023 the median market cap of the peer group was USD 1,477.7m, compared to USD 21.3m for Interactive Strength Inc. In the period under review, the peer group was more profitable than Interactive Strength Inc. The expectations for sales growth are lower for the peer group than for Interactive Strength Inc.

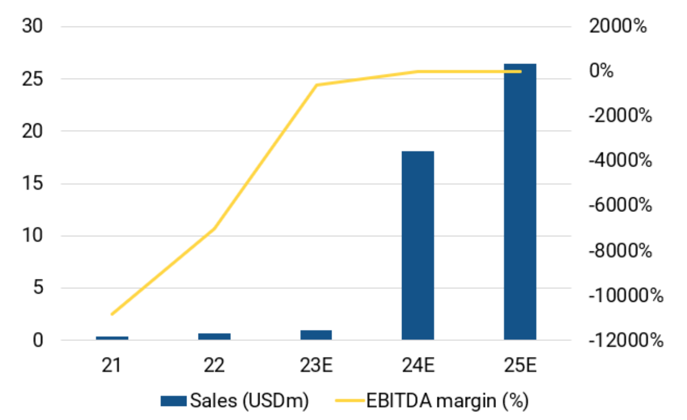
Risk – Daily Returns Distribution (trailing 3 years)



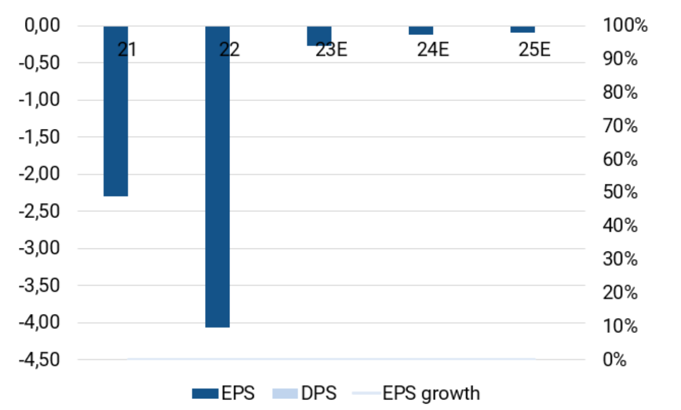
Source: Sentieo, AlsterResearch

Financials in six charts

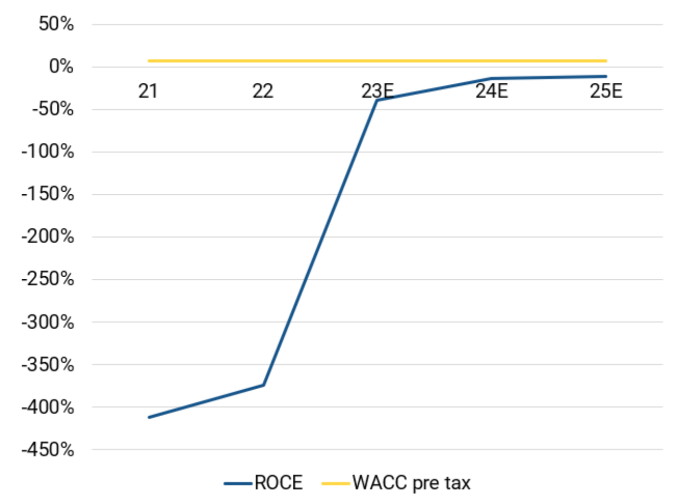
Sales vs. EBITDA margin development



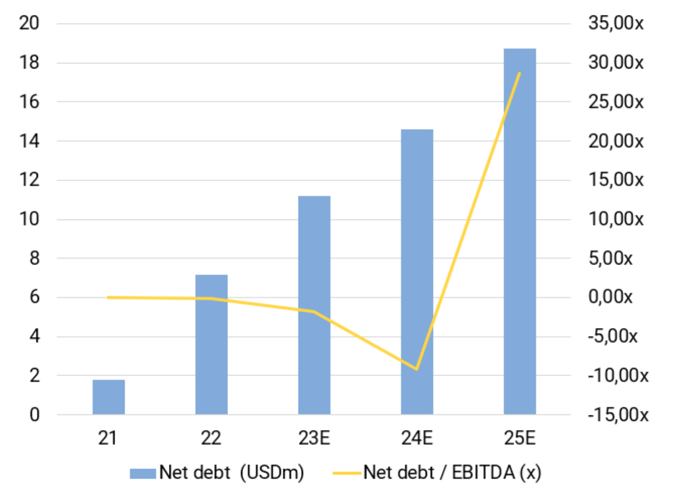
EPS, DPS in USD & yoy EPS growth



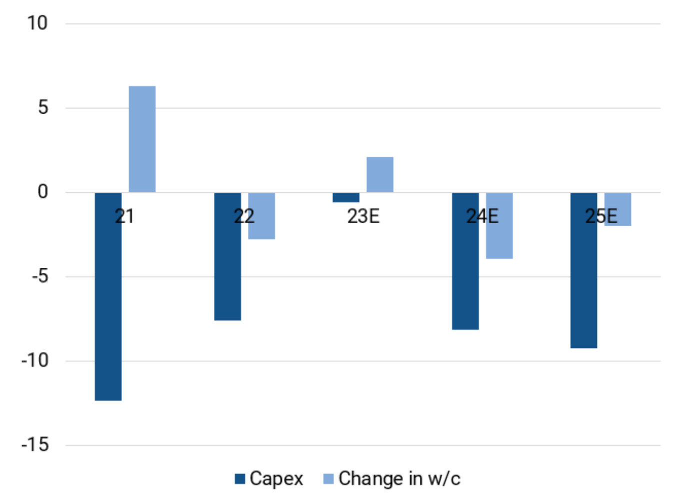
ROCE vs. WACC (pre tax)



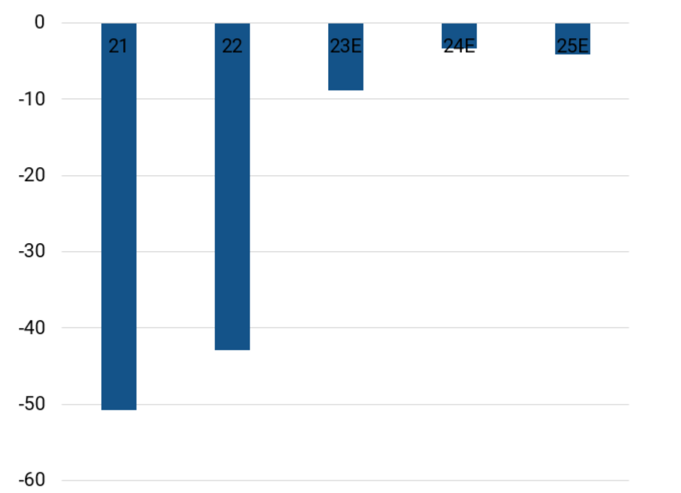
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in USDm



Free Cash Flow in USDm



Source: Company data; AlsterResearch

Financials

Profit and loss (USDm)	2020	2021	2022	2023E	2024E	2025E
Sales	**0.0**	**0.3**	**0.7**	**1.0**	**18.1**	**26.5**
Sales growth	NaN%	Infinity%	110.8%	45.4%	1,726.3%	46.6%
Cost of sales	0.4	5.2	9.5	4.3	10.7	15.4
Gross profit	**-0.4**	**-4.8**	**-8.9**	**-3.4**	**7.4**	**11.1**
SG&A expenses	8.1	16.0	25.5	3.4	6.6	8.2
Research and development	8.0	16.3	20.0	1.5	2.7	4.0
Other operating expenses (income)	0.0	0.0	-0.5	0.1	2.2	2.6
EBITDA	**-0.0**	**-35.0**	**-47.7**	**-6.2**	**-1.6**	**0.7**
Depreciation	0.1	0.7	1.1	0.1	0.1	0.2
EBITA	-0.1	-35.7	-48.8	-6.3	-1.7	0.4
Amortisation of goodwill and intangible assets	0.0	1.4	5.0	2.0	2.3	4.1
EBIT	**-0.1**	**-37.1**	**-53.8**	**-8.3**	**-4.1**	**-3.7**
Financial result	3.8	4.3	-4.4	0.7	0.8	0.9
Recurring pretax income from continuing operations	3.7	-32.8	-58.2	-7.6	-3.3	-2.8
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	3.7	-32.8	-58.2	-7.6	-3.3	-2.8
Taxes	-1.5	0.0	0.0	-2.1	-0.9	-0.8
Net income from continuing operations	5.2	-32.8	-58.2	-5.5	-2.4	-2.0
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**5.2**	**-32.8**	**-58.2**	**-5.5**	**-2.4**	**-2.0**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	5.2	-32.8	-58.2	-5.5	-2.4	-2.0
Average number of shares	14.33	14.33	14.33	20.31	20.31	20.31
EPS reported	**0.36**	**-2.29**	**-4.06**	**-0.27**	**-0.12**	**-0.10**

Profit and loss (common size)	2020	2021	2022	2023E	2024E	2025E
Sales	**na**	**100%**	**100%**	**100%**	**100%**	**100%**
Cost of sales	na	1,599%	1,402%	439%	59%	58%
Gross profit	**na**	**-1,499%**	**-1,302%**	**-339%**	**41%**	**42%**
SG&A expenses	na	4,955%	3,747%	340%	37%	31%
Research and development	na	5,046%	2,931%	150%	15%	15%
Other operating expenses (income)	na	0%	-77%	10%	12%	10%
EBITDA	**na**	**-10,822%**	**-7,001%**	**-625%**	**-9%**	**2%**
Depreciation	na	231%	168%	15%	1%	1%
EBITA	na	-11,053%	-7,169%	-640%	-10%	2%
Amortisation of goodwill and intangible assets	na	447%	734%	200%	13%	16%
EBIT	**na**	**-11,500%**	**-7,903%**	**-839%**	**-23%**	**-14%**
Financial result	na	1,334%	-647%	73%	4%	3%
Recurring pretax income from continuing operations	na	-10,166%	-8,550%	-767%	-18%	-11%
Extraordinary income/loss	na	0%	0%	0%	0%	0%
Earnings before taxes	na	-10,166%	-8,550%	-767%	-18%	-11%
Taxes	na	1%	0%	-215%	-5%	-3%
Net income from continuing operations	na	-10,167%	-8,550%	-552%	-13%	-7%
Result from discontinued operations (net of tax)	na	0%	0%	0%	0%	0%
Net income	**na**	**-10,167%**	**-8,550%**	**-552%**	**-13%**	**-7%**
Minority interest	na	0%	0%	0%	0%	0%
Net profit (reported)	**na**	**-10,167%**	**-8,550%**	**-552%**	**-13%**	**-7%**

Source: Company data; AlsterResearch

AlsterResearch

Balance sheet (USDm)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (exl. Goodwill)	**3.1**	**11.0**	**13.2**	**11.7**	**16.6**	**20.4**
Goodwill	0.0	0.0	0.0	16.9	16.9	16.9
Property, plant and equipment	0.7	2.2	1.4	1.4	2.2	3.3
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
FIXED ASSETS	**3.8**	**13.2**	**14.6**	**30.0**	**35.7**	**40.6**
Inventories	0.0	2.1	4.6	2.4	4.4	5.5
Accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	-0.0	-0.0	0.0	0.0	0.0	0.0
Liquid assets	0.7	5.6	3.8	6.8	4.4	4.2
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	1.3	1.2	1.4	0.0	0.2	0.3
CURRENT ASSETS	**2.1**	**8.9**	**9.8**	**9.2**	**9.0**	**10.0**
TOTAL ASSETS	**5.9**	**22.1**	**24.4**	**39.2**	**44.6**	**50.5**
SHAREHOLDERS EQUITY	**-13.4**	**10.1**	**-2.7**	**13.5**	**11.1**	**9.2**
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.5	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	4.7	0.0	3.0	0.2	0.9	1.6
Non-current liabilities	**4.7**	**0.5**	**3.0**	**0.2**	**0.9**	**1.6**
short-term liabilities to banks	9.3	6.9	11.0	18.0	19.0	23.0
Accounts payable	4.1	2.1	7.7	7.2	8.2	8.8
Advance payments received on orders	0.0	0.0	0.0	0.1	0.9	1.3
Other liabilities (incl. from lease and rental contracts)	0.4	0.3	0.5	0.1	2.7	4.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.8	2.1	4.9	0.1	1.8	2.6
Current liabilities	**14.6**	**11.5**	**24.2**	**25.5**	**32.6**	**39.8**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**5.9**	**22.1**	**24.4**	**39.2**	**44.6**	**50.5**

Balance sheet (common size)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (excl. Goodwill)	**53%**	**50%**	**54%**	**30%**	**37%**	**40%**
Goodwill	0%	0%	0%	43%	38%	33%
Property, plant and equipment	12%	10%	6%	4%	5%	6%
Financial assets	0%	0%	0%	0%	0%	0%
FIXED ASSETS	**64%**	**60%**	**60%**	**77%**	**80%**	**80%**
Inventories	1%	9%	19%	6%	10%	11%
Accounts receivable	0%	0%	0%	0%	0%	0%
Other current assets	-0%	-0%	0%	0%	0%	0%
Liquid assets	12%	26%	16%	17%	10%	8%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	23%	5%	6%	0%	0%	1%
CURRENT ASSETS	**36%**	**40%**	**40%**	**23%**	**20%**	**20%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**-229%**	**46%**	**-11%**	**34%**	**25%**	**18%**
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	0%	2%	0%	0%	0%	0%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	80%	0%	12%	1%	2%	3%
Non-current liabilities	**80%**	**2%**	**12%**	**1%**	**2%**	**3%**
short-term liabilities to banks	159%	31%	45%	46%	43%	46%
Accounts payable	71%	10%	32%	18%	18%	17%
Advance payments received on orders	0%	0%	0%	0%	2%	3%
Other liabilities (incl. from lease and rental contracts)	7%	1%	2%	0%	6%	8%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	13%	10%	20%	0%	4%	5%
Current liabilities	**250%**	**52%**	**99%**	**65%**	**73%**	**79%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

AlsterResearch

Cash flow statement (USDm)	2020	2021	2022	2023E	2024E	2025E
Net profit/loss	-11.2	-32.8	-58.2	-5.5	-2.4	-2.0
Depreciation of fixed assets (incl. leases)	0.1	0.7	1.1	0.1	0.1	0.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	1.4	5.0	2.0	2.3	4.1
Others	-3.7	-1.5	14.0	-2.8	0.7	0.7
Cash flow from operations before changes in w/c	-14.8	-32.1	-38.0	-6.2	0.8	3.1
Increase/decrease in inventory	-0.0	-3.4	-2.4	2.2	-2.0	-1.1
Increase/decrease in accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts payable	0.4	-1.2	3.9	-0.6	1.0	0.7
Increase/decrease in other w/c positions	0.3	-1.7	1.3	-3.7	4.9	2.4
Increase/decrease in working capital	0.7	-6.3	2.8	-2.1	3.9	2.0
Cash flow from operating activities	**-14.1**	**-38.4**	**-35.3**	**-8.3**	**4.7**	**5.1**
CAPEX	-3.3	-12.4	-7.6	-0.6	-8.1	-9.3
Payments for acquisitions	0.0	0.0	0.0	-16.9	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	**-3.3**	**-12.4**	**-7.6**	**-17.5**	**-8.1**	**-9.3**
Cash flow before financing	-17.4	-50.8	-42.9	-25.7	-3.4	-4.2
Increase/decrease in debt position	8.6	14.3	9.1	7.0	1.0	4.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	4.1	2.6	21.7	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	8.5	3.5	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.4	-0.2	-0.1	0.0	0.0	0.0
Cash flow from financing activities	**16.7**	**21.8**	**11.7**	**28.7**	**1.0**	**4.0**
Increase/decrease in liquid assets	-0.7	-29.0	-31.2	3.0	-2.4	-0.2
Liquid assets at end of period	**0.0**	**1.7**	**0.2**	**3.2**	**0.8**	**0.6**

Source: Company data; AlsterResearch

Regional sales split (USDm)	2020	2021	2022	2023E	2024E	2025E
Domestic	0.0	0.0	0.0	0.0	0.0	0.0
Europe (ex domestic)	0.0	0.0	0.0	0.0	0.0	0.9
The Americas	0.0	0.3	0.7	1.0	17.2	25.2
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**0.0**	**0.3**	**0.7**	**1.0**	**18.1**	**26.5**

Regional sales split (common size)	2020	2021	2022	2023E	2024E	2025E
Domestic	na	0.0%	0.0%	0.0%	0.0%	0.0%
Europe (ex domestic)	na	0.0%	0.0%	0.0%	0.3%	3.4%
The Americas	na	100.0%	100.0%	100.0%	95.0%	95.0%
Asia	na	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	na	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**na**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

AlsterResearch

Ratios	2020	2021	2022	2023E	2024E	2025E
Per share data						
Earnings per share reported	0.36	-2.29	-4.06	-0.27	-0.12	-0.10
Cash flow per share	-0.99	-2.68	-2.46	-0.41	0.23	0.24
Book value per share	-0.94	0.70	-0.19	0.66	0.55	0.45
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	2.9x	-0.5x	-0.3x	-3.9x	-9.0x	-10.9x
P/CF	-1.1x	-0.4x	-0.4x	-2.5x	4.6x	4.4x
P/BV	-1.1x	1.5x	-5.5x	1.6x	1.9x	2.3x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-93.9%	-255.4%	-234.5%	-39.4%	21.6%	22.9%
EV/Sales	Infinityx	71.6x	41.8x	32.9x	2.0x	1.5x
EV/EBITDA	-9,967.9x	-0.7x	-0.6x	-5.3x	-22.6x	61.2x
EV/EBIT	-213.6x	-0.6x	-0.5x	-3.9x	-8.8x	-10.8x
Income statement (USDm)						
Sales	0.0	0.3	0.7	1.0	18.1	26.5
yoy chg in %	NaN%	Infinity%	110.8%	45.4%	1,726.3%	46.6%
Gross profit	-0.4	-4.8	-8.9	-3.4	7.4	11.1
Gross margin in %	-Infinity%	-1,499.1%	-1,302.2%	-339.4%	41.0%	42.0%
EBITDA	-0.0	-35.0	-47.7	-6.2	-1.6	0.7
EBITDA margin in %	-Infinity%	-10,822.0%	-7,001.5%	-625.1%	-8.8%	2.5%
EBIT	-0.1	-37.1	-53.8	-8.3	-4.1	-3.7
EBIT margin in %	-Infinity%	-11,500.3%	-7,903.4%	-839.4%	-22.5%	-14.0%
Net profit	5.2	-32.8	-58.2	-5.5	-2.4	-2.0
Cash flow statement (USDm)						
CF from operations	-14.1	-38.4	-35.3	-8.3	4.7	5.1
Capex	-3.3	-12.4	-7.6	-0.6	-8.1	-9.3
Maintenance Capex	0.0	0.0	0.0	0.1	0.1	0.2
Free cash flow	-17.4	-50.8	-42.9	-8.8	-3.4	-4.2
Balance sheet (USDm)						
Intangible assets	3.1	11.0	13.2	28.6	33.5	37.3
Tangible assets	0.7	2.2	1.4	1.4	2.2	3.3
Shareholders' equity	-13.4	10.1	-2.7	13.5	11.1	9.2
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	14.0	7.4	14.0	18.2	19.9	24.6
Net financial debt	8.6	1.8	7.1	11.2	14.6	18.8
w/c requirements	-4.1	-0.1	-3.2	-4.9	-4.7	-4.7
Ratios						
ROE	-38.8%	-326.1%	2,130.4%	-40.5%	-21.4%	-21.3%
ROCE	-26.3%	-212.1%	-478.1%	-26.2%	-13.1%	-11.0%
Net gearing	-63.9%	17.9%	-261.6%	83.0%	131.3%	204.7%
Net debt / EBITDA	-2,858.3x	-0.1x	-0.1x	-1.8x	-9.2x	28.6x

Source: Company data; AlsterResearch

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