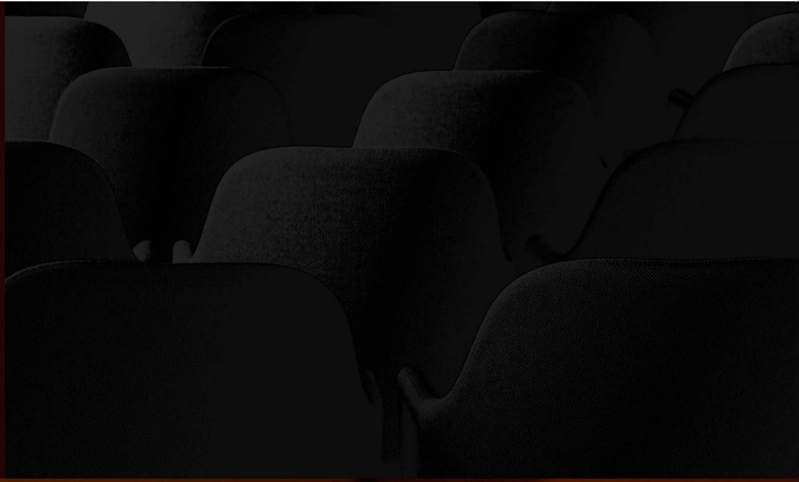
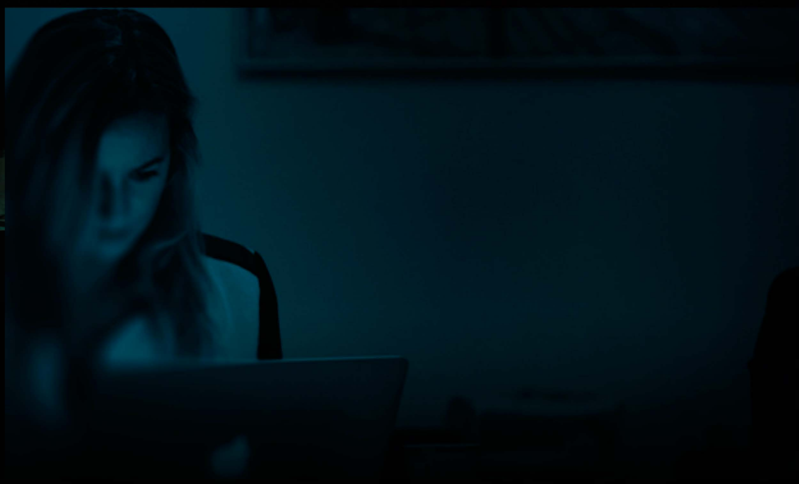
SWEDISH TECHNOLOGY REPORT 2018

ALLIGATOR BIOSCIENCE
BIOINVENT INTERNATIONAL
CANTARGIA
ELOS MEDTECH
EUROCINE VACCINES
GENOVIS
HANSA MEDICAL
IMMUNICUM
INDEX PHARMACEUTICALS
IRLAB THERAPEUTICS
ISOFOL MEDICAL
LIDDS
MOBERG PHARMA
NANOLOGICA
NUEVOLUTION
OREXO
PLEDPHARMA
PROMORE PHARMA
RESPIRATORIUS
SANIONA
SCIBASE HOLDING
SENZIME
SPAGO NANOMEDICAL
SPRINT BIOSCIENCE
SYNTHETICMR
TARGOVAX
XVIVO PERFUSION

A3
ADDNODE GROUP
ALLGON
ANOTO
AVTECH SWEDEN
AXICHEM
BAMBUSER
BREDBAND2
CHERRY
CINNOBER FINANCIAL TECHNOLOGY
CLAVISTER HOLDING
DORO
ENEA
ERICSSON
FINGERPRINT CARDS
FORMPIPE SOFTWARE
G5 ENTERTAINMENT
GLOBAL GAMING 555
HELIOSPECTRA
HEXATRONIC
IMINT IMAGE INTELLIGENCE
INVISIO COMMUNICATIONS
LAGERCRANTZ GROUP
MR GREEN & CO
MYTASTE
MYCRONIC
NEONODE INC
NITRO GAMES
NOKIA OYJ
OPUS GROUP
PAYNOVA
PHOTOCAT
POLYGIENE
POWERCELL
SENSYS GATSO GROUP
SMART EYE
STILLFRONT GROUP
SYSTEMAIR
TALKPOOL
THQ NORDIC
WAYSTREAM HOLDING
WEST INTERNATIONAL
XMREALITY
ZETADISPLAY

REDEYE



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Executive Summary

Redeye tech team consists of 8 analysts, which probably makes it the biggest team in the Nordics fully dedicated to tech companies. The team covers around 50 of the most promising tech companies listed on the different exchanges in Stockholm. In this Swedish technology report, we summarize the main drivers and trends we see in the market. We also look into the expectations and valuations and compare them to the global tech sector. Finally, we do a scanning of our universe and highlight five companies that we find particularly interesting going into 2018.

Technology Market Drivers, M&A and IPOs

Swedish Tech is hot – we take a closer look at some key areas that are especially strong, promising and interesting: Cybersecurity, Gaming, AI and IoT are areas relevant for a big number of Swedish companies.

Lower M&A activity in the tech sector in 2017

The global M&A activity in the tech sector dropped in 2017 but is expected to rebound in coming years. However, a number of companies in Redeye's universe have shown a high M&A activity. Stillfront Group completed the largest deal while Addnode Group made most transactions. Tech deals add value for the acquirer approximately 50 percent of the time. In general, the market rewards first-time tech acquirers in the short term. However, in the longer term serial tech-target acquirers outperform, while less experienced companies underperform one year after acquisition.

47 Swedish tech IPO's

Half of the IPO's ended the year higher

2017 was another busy year in terms of IPO's with 47 tech companies listed during the year. The total capital raised during the IPO's remained strong, amounting to SEK 2.6bn (approx. SEK 1.5bn in 2016). The median firm was listed at a P/S'16 multiple of 12.3x at an average post-money valuation of SEK 322m. Returns of IPO investments during the year were rather evenly distributed, where approximately half (23) of the listed shares generated positive returns. The mean excess return (vs. OMX Stockholm Technology PI) amounted to 8.7%, while the median return was 0%.

The Market expectations regarding tech companies

Global tech outperformed Nordic and Swedish companies

During 2017 shares of global tech companies outperformed their Nordic and Swedish peers, once again, with an average share price gain of 45 percent compared to 22 and 29 percent respectively. The global tech companies looked slightly undervalued at the end of 2016 but this now seems to have been fully corrected following an increase of over 20 percent in their EV/sales and EV/EBITDA multiples.

The global tech companies are expected to have a CAGR EBITDA growth of 39 percent during 2017-2019, compared to 19 and 24 percent for the Nordic and Swedish peers respectively. Still, the Nordic tech companies as a group have the highest valuations even though Swedish peers have higher margins and stronger, historical as well as estimated, growth.

Half of the Swedish top 20 tech companies are now active within the increasingly important betting/gaming sector. The expected CAGR growth and EBITDA margin during 2017-2019 for the other, non-betting/gaming Swedish tech companies are 8 and 15 percent, compared to 15 and 24 percent if gaming/betting companies were to be included. Excluding the betting/gaming companies, Swedish tech shares during 2017 performed minus 3 percent instead of +29 percent for the whole group.

Gaming/betting companies outperformed the rest

Redeye screening

In our screening we present four different strategies that combine our Redeye Rating, valuation range and financial projections in a variety of ways to generate unique output. The strategies are Growth At a Reasonable Price (GARP), Deep Value, Growth Junkies and Jockey Stocks.

Screening should not be seen as a portfolio suggestion, but instead as a smart way to narrow down the "research subjects." Qualitative factors and timing must also be taken into account. Redeye focuses on key catalysts for timing and risk limitation. Catalysts are defined as triggers that are likely to materialize in the near future with a valuation impact. Our screens do not "capture" these possible catalytical events and must be evaluated case by case, which we do in our portfolio of top picks.

Top picks 2018:
Cherry
Enea
Opus
THQ Nordic
West International

Some companies are found in the output of multiple screens. Most notable are; Allgon, Cherry, Enea and Polygiene. Our five top picks for 2018; **Cherry, Enea, Opus, THQ Nordic and West International** all occurred in our screenings. Just like last year, our picks for 2018 are more tilted towards the growth side rather than Deep Value.

Redeye Top Picks Portfolio

Portfolio performance in 2017 slightly better than OMXSPI

Redeye's Top Picks portfolio aims to provide investment ideas for long-term positive returns relative to risk. Management is active and the portfolio consists of companies found in Redeye Universe where we perceive current risk/reward to be most attractive. Our Top Picks-portfolio ended the year 7.4 percent higher. The comparative index OMXSPI appreciated 5.9 percent for the same period and our Top Picks-portfolio thereby outperformed the index by 2.5 percent.

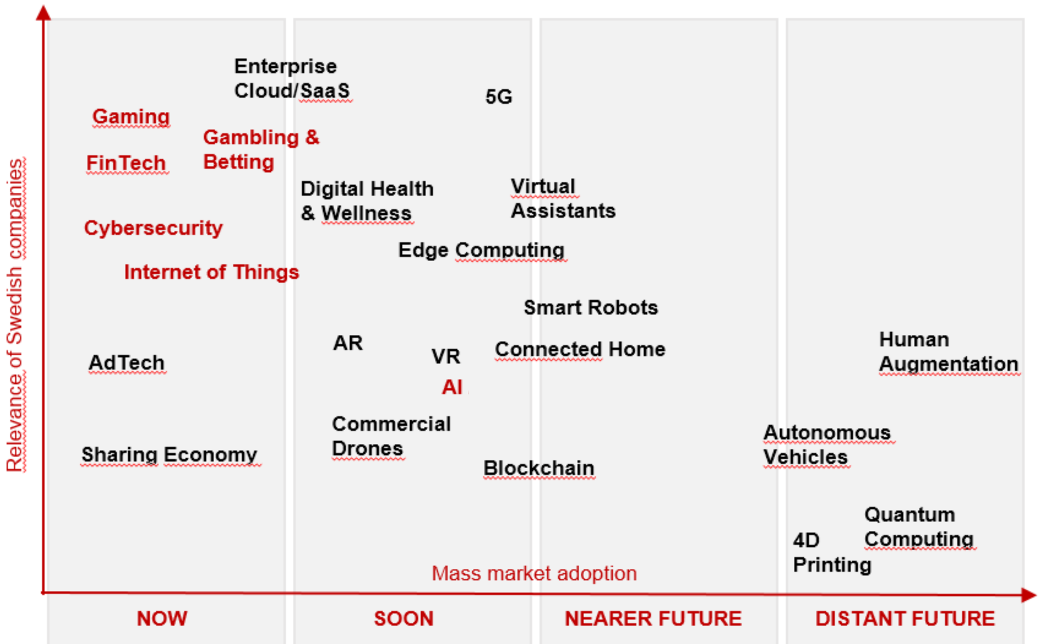
We have made adjustments to our holdings and present the new structure for the 2018 Top Picks portfolio on page 29. We have included two new companies and excluded two others. Finally, we draw special attention to five companies: **Cherry, Enea, Opus, THQ Nordic and West International** with high quality, strong management and positive growth prospects. Brief motivations are provided for these holdings on pages 30-31.

Technology Market Drivers

Summary

- Swedish Tech is hot – we highlight key areas that are especially promising in the near term future and relevant for a big number of Swedish companies: Cybersecurity, Gaming, Internet of Things and AI.

The chart below maps Redeye's assessment of prominent global drivers and themes in the Tech market. We assess them along two dimensions. Firstly the commercial, mass market adoption status of products and businesses based on the individual driver. This is mainly based on market researchers' expectations. And secondly, the perceived relevance for Swedish companies - which is mainly based on the number of Swedish companies and their role in the area. The market drivers and themes marked in red are some of the ones that we currently see as most relevant to the Swedish Tech landscape, four of them are described in some detail in the following section.



Cybersecurity

The shift to cloud computing, increased network connectivity, regulation and public spending initiatives, and the growing complexity of disruptive cyber-attacks, are all drivers supporting a growing cybersecurity need.

Cybersecurity spending is estimated to grow at an annual rate of 7.5 percent through 2020, to reach USD 114 billion (more than twice the rate of overall IT spending) – which is almost pale compared to the estimated 6 trillion USD cybercrime cost by 2021. Security products related to cloud, mobile,

Companies to watch:

Clavister
Yubico
Verisec
Advenica
Detectify
Eyeonid
F-Secure
Cognosec

IoT, and specialised threats are some of the fastest growing areas within the space. Financial and Insurance companies are the biggest customer segments.

The human factor is still (and will continue to be) a huge issue. For example 95 percent of all security incidents involve human error and up to 600,000 laptop computers are lost annually in U.S. airports

Enterprises are transforming their security spending strategy, moving away from prevention-only approaches to focus more on detection and response. This is strongly coupled to the leveraged used of AI and big data driven security solutions to identify security issues before they can be exploited. Another trend is the "platform approach" where one vendor ideally covers all security needs with one single solution (a very difficult endeavour though). Lastly although different companies cover different solutions and have different end-markets, all segments are transitioning either to a cloud-based subscription model, or attempting to better secure the cloud.

Gaming

Companies to watch:

G5 Entertainment
Nitro Games
Paradox Interactive
Starbreeze
THQ Nordic
Stillfront Group
Rovio Entertainment
Nitro Games

The video game industry provides investors the opportunity to benefit from an ongoing secular growth trend. Some of these factors are globally improved living standards, demographic shifts, digitalization and the smartphone era.

The market is expected to show robust growth in the coming years. The growth is structural and therefore less cyclical than many industries. Mobile is expected to be the strongest growing segment (CAGR mobile 17 % while CAGR all segments 7 %) and is expected to generate nearly SEK 500 billion in 2019, thereby reaching the same revenue as for console and PC combined. Hence, total market is expected to reach revenues of around SEK 1 trillion in 2019.

Historically, Gaming has been one of the sectors where Nordic and Swedish companies have performed strongly, and been able to play a driving role in the global market, proven by a number of cross-border acquisitions. According to Dataspelsbranschen, there were 236 registered businesses in Sweden with a focus on game development. These companies generated revenues of approximately SEK 12bn. Over the past five years, revenues have grown annually by 60%.

The main secular forces behind the growth of the video game industry will continue for many years and we will see further growth in the mobile games segment and a broader breakthrough. VR and AR game concepts are two emerging trends. Pokémon Go brought AR to the mainstream for the first time, but so far VR is waiting for its breakthrough. Finally Esports momentum and popularity will continue – competitive gaming soon has a larger audience than ordinary sports. New industries emerge such as Game betting companies and different streaming services.

Internet of Things (IoT)

Companies to watch:

Ericsson
Axis
Enea
Acconeer
Plejd
IAR Systems
Allgon
Fingerprint Cards

Internet of Things has been a hot topic for many years and most people in the IT world know Ericsson's and Cisco's predictions about 50 bn connected devices world wide by 2020. But the IoT area has disappointed – we are at less than 10% of that at present and only growing slowly.

It is important to note that IoT will be a much more slowly developing area than consumer products (e.g. iPhone). With a "pure" consumer product an individual buys it and then immediately starts using it. With IoT it is normally a business buying it, and they need to deploy sensors, software, analytics, and often new ways of working. These support systems need to grow and develop expertise themselves. And according to Dell the full potential of IoT requires adding intelligence to every stage, examples are smarter data gathering at the edge (industrial IoT continues to be the most widely adopted use case for edge computing), smarter compute at the core and deeper learning at the cloud.

In Sweden, a big number and range of companies are active around the Internet of Things – be it in sensors (Acconeer) and other hardware (Plejd), embedded systems (Enea, IAR), smart buildings and energy management (Ngenic, Connode, Wireless Maingate), location tracking (Wittra), fleet management (Telliq, Automile), retail solutions (Shopjoy), drones (CybAero, Intuitive Aerial, Smartplanes), network and connectivity (Allgon, Enea) or platform solutions (Springworks).

There is no doubt that IoT will happen (although it will remain slowly growing). In 2018 there will be a significant push from some operators as they roll out their LTE-based IoT solutions. This push will help stimulate the market and the eco-system. Concerning the operators they will only find a 2-3 percent revenue uplift from IoT according to analysts. Instead the value will be spread across the analytics, support systems and experts that make it all happen.

Artificial Intelligence (AI)

A megatrend that continues to be at the forefront of tech discussions, conferences and development. Even if Swedish companies may not be prominent or leading in this field, AI will be an integral part of every major company in the future. Swedish companies (and others) will need to cope with this evolution, a failure to incorporate these technologies in organisations will come with setbacks.

Deloitte predicts that the usage of these technologies by enterprises will double in 2018 and become fully mainstream over the long term. International data Corporation (IDC) forecasts that spending on AI and Machine Learning (ML) will grow from $12 billion in 2017 to $57.6 billion by 2021.

Looking at ML, adoption is still in its early phases. Some of the factors holding back the adoption of ML are: qualified practitioners are in short supply, tools and frameworks are immature and the fact that it is time-consuming and costly to obtain the large data sets often needed. But advancements in: automating data science, reducing the need of data and accelerated training should make ML easier, cheaper and faster the coming years.

Tech IPO's of 2017

Summary

- 2017 was another busy year in terms of IPO's where about 47 tech companies were listed during the year. The total capital raised during the IPO's remained strong, amounting to an impressive SEK 2.6bn. The median firm was listed at a P/S'16 multiple of 12.3x at an average post-money valuation of SEK 322m.

- Returns of IPO investments during the year were rather evenly distributed, where approximately half (23) of the listed shares generated positive returns. The mean excess return (compared to OMX Stockholm Technology PI) amounted to 8.7%, while the median return was 0%.

Firms included:

24SevenOffice
Acconeer
Acosense
Aerowash
Aspire Global
Awardit
Ayima
Bambuser
Boozt
Bublar
ChromoGenics
Climeon
Cloudrepublic
Compare-IT
DevPort
Enersize
Fram Skandinavien
Global Gaming
H&D Wireless
Hoylu
Indentive
Lyko Group
MAG Interactive
Mantex
MenuCard
Mips
MobiPlus
Nitro Games
North Net Connect
OmniCar
Realfiction Holding
Scandinavian Airport & Road Systems
Scout Gaming Group
SECITS Holding
Sonetel
Spintso International
Tangiamo Touch Technology
TC Connect
TerraNet Holding
Time People Group
Toadman Interactive
Touchtech
Unibap
Urb-it
Qiiwi Interactive
XMReality
Zaplox

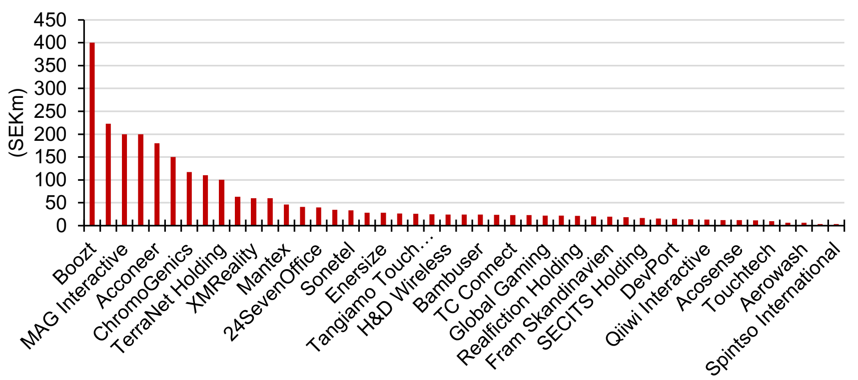
The inflow of new public companies remained strong during 2017, where the number of initial public offerings among tech companies amounted to 47 (38 in 2016) on the Swedish exchanges Nasdaq Stockholm, Nasdaq First North, AktieTorget and Nordic GM. The IPO's were evenly distributed between the first (25) and second (22) half of 2017 and the greatest monthly seasonal effects are found in December and May where 10 (21%) and 9 (19%) of the firms were listed.

The most common tech industry subgroups in 2017 were applications software (9) and entertainment software (8), indicating that a great share of the new public tech firms offerings are software based.

Capital raised

Not only did the number of new public tech companies increase compared to last year, but also the average level of capital raised which amounted to SEK 55m (compared to SEK 46m in 2016). The average measure is slightly skewed due to the firms that raised significant amounts of capital, illustrated by the median firm which raised about SEK 24m.

Capital raised



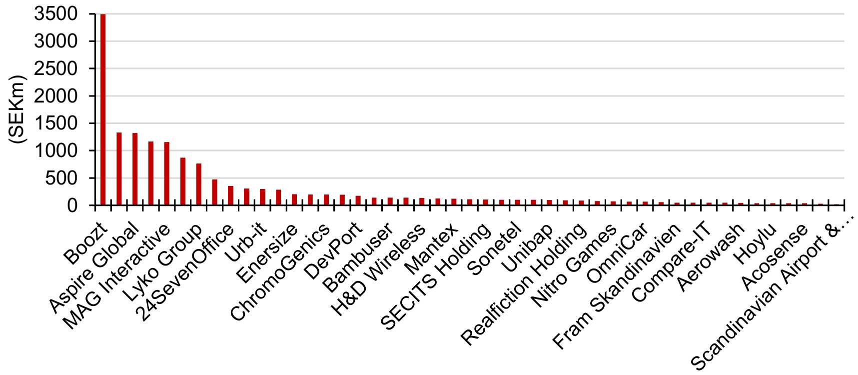
Source: Redeye Research

The e-commerce companies Boozt and Lyko were the greatest fund raisers, receiving amounts of SEK 400m and SEK 223m respectively. The total capital raised among the 47 IPO's during 2017 amounted to an astonishing SEK 2.6bn (SEK 1.5bn in 2016).

Valuations

There was a great variance in valuations among the tech firms listed in 2017, illustrated by the post-money valuations ranging from SEK 21m to SEK 3.5bn. The average post-money valuation amounted to SEK 322m, while the median tech company was valued at SEK 110m. The corresponding pre-money measures amounted to SEK 267m and SEK 80m, respectively.

Post-money valuations



Source: Redeye Research, Company docs, Bloomberg

The largest tech firms, in terms of post-money valuations, that went public in 2017 were Boozt (SEK 3.5bn), ClimeOn (SEK 1.3bn) and Aspire Global (SEK 1.3bn).

Financials

The average tech company listed in 2017 had average revenues of SEK 66m the year before going public (fiscal year 2016), where three of the listed companies had no revenues in 2016. The median company was listed at a P/Sales'16 multiple of 12.3x.

A majority (62%) of the firms exhibited negative earnings before interest rates and taxes the year before going public, illustrated by the average level of EBIT amounting to SEK -3m. As a majority of the firms showed negative earnings in 2016, so was the median P/E multiple (based on the IPO price). The median P/E multiple among the firms with positive earnings was 65x.

Performance

Approximately half (23) of the new public tech companies exhibited positive returns calculated as the percentage difference between the IPO offer price and the closing price the 29th of December. The same number of firms, 23, outperformed the OMX Stockholm Technology price index during the same period.

The mean excess return (using OMX Stockholm Technology PI) amounted to 8.7% while the median excess return was 0%. Noteworthy is that only 9 out of 47 firms closed within an interval of +/- 10% of the IPO offer price at year end, indicating that the valuations of tech firms listed in 2017 were subject to great variance.

The top 3 best performing shares during the year were Omnicar, Realfiction Holding and Unibap which generated excess returns of 181%, 181% and 155% respectively.

Sources used: Bloomberg, Nasdaq, AktieTorget, Nordic Growth Market, Avanza and company documents (reports, IPO prospectus and memorandums).

M&A in the technology sector

Summary

- The global M&A activity dropped in 2017 but is expected to rebound in coming years. However, a number of the tech companies in Redeye's universe have shown a high M&A activity. Stillfront Group completed the largest deal while Addnode Group completed most transactions.

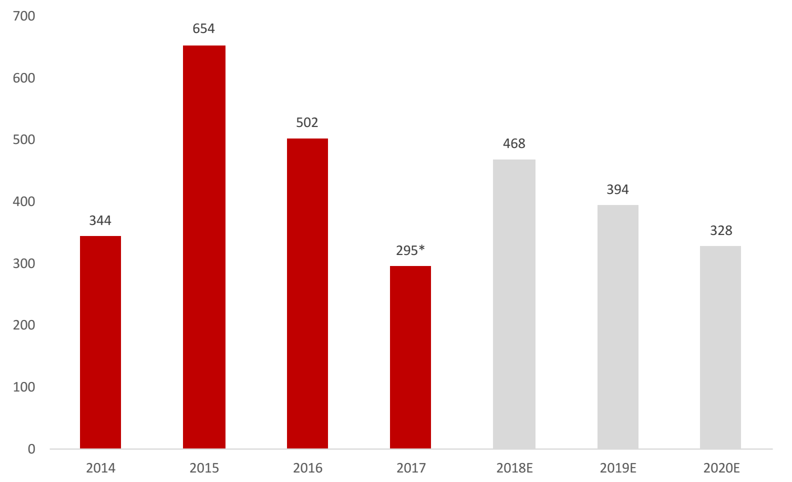
- In recent years, tech giants have shown a high M&A activity, but 2017 indicated that big tech companies such as Microsoft, Apple, and Facebook have slowed down their M&A activity.

- Technology is not just for tech companies anymore. The biggest factor driving tech M&A is the rise in acquisitions of tech targets by companies from other sectors.

- Tech deals add value for the acquirer approximately 50% of the time. In general, the market rewards first-time tech acquirers in the short term. However, in the longer term serial tech-target acquirers outperform, while less experienced companies underperform one year after acquisition.

Global M&A

Global M&A, Technology & Telecom (USDbn)



*Source: Baker McKenzie & Oxford Economics , *numbers are from mid of November 2017*

The M&A activity in the global tech and telecom sector dropped in 2017, yielding deal values of about USD 295 billion. Nevertheless, several trends of embedding new technology across sectors, plus activist investment in tech firms by emerging markets such as China and Saudi Arabia suggest deal values to rebound in the next years. More specifically, the pervasive expansion of emerging technologies across industries, including foodtech, fintech, and the automotive sector, is expected to drive M&A activity. Also, more cross-sector deals involving technology is expected to be a main driver in the next couple of years.[1]

M&A in Redeye's universe

M&A activity in Redeye's Tech universe

Acquirer	Target	Deal Size	Earnouts
Allgon	IIOX	SEK 5m	-
Allgon	Satsmission AB	SEK 22.5m	SEK 10.5m
Addnode Group	inPort	Unknown	Unknown
Addnode Group	MCAD	Unknown	Unknown
Addnode Group	Apricon	Unknown	Unknown
Addnode Group	Adtollo	Unknown	Unknown
Addnode Group	Intrinsys	SEK 119m	SEK 43m
Addnode Group	SWG	SEK 132m	SEK 62m
Addnode Group	Forsler & Stjerna	Unknown	Unknown
Addnode Group	Inforstrait	Unknown	Unknown
Crowdsoft	Flowscape	SEK 90m	-
Cinnober	Anoca Software	Unknown	Unknown
Fingerprint	Delta ID	SEK 938m	SEK 124m
Opus Group	Autologic Diagnostics	GBP 8m	-
THQ Nordic	Black Forest Games	EUR 0.9m	EUR 0.45m
THQ Nordic	Pieces Interactive	SEK 2.8m	-
THQ Nordic	Experiment 101	SEK 75.3m	*
Stillfont Group	Goodgame Studios	EUR 270m	-
Stillfont Group	eRepublik Labs	EUR 7.5m	EUR 13m
Stillfont Group	OFM	EUR 0.639m	-
Talkpool	Technetix NV	EUR 0.75m	EUR 0.3m (conditional on realized income)
Talkpool	LCC Pakistan	USD 5.2m	-
Mr Green	Dansk Underholding	EUR 9m	EUR 0.65m
Mr Green	Evoke Gaming	EUR 7m	EUR 1.5m
ZetaDisplay	Seasam	SEK 43.9m	-
ZetaDisplay	LiveQube	NOK 13.9m (excl. net cash SEK 3.8m)	NOK 3.9m
ZetaDisplay	QYN	SEK 83.3m (excl. net cash SEK 4.4m)	SEK 53.2m
Tieto	Avega	SEK 40 per share, valuation SEK 462m	-
EQT	DGC	SEK 250 per share, valuation approx. SEK 2.3bn	-

Source: Redeye Research

*The earnout will be calculated as a small percentage of THQ Nordic's net proceeds from Biomutant during the first 36 months after release, after deduction of 150% of both total consideration paid and game development costs.

In 2017, a number of tech companies in Redeye's universe have shown a high M&A activity. Stillfront Group completed the largest deal while Addnode Group completed most transactions. Also, THQ Nordic and ZetaDisplay showed a high M&A activity during the year. In addition, Avega and DCG, were bought by EQT and Tieto. The deals valued Avega at SEK 462 million and DCG at approximately SEK 2.3 billion.

General trends and expectations

Trends

Technology is not just for tech companies anymore. Today, nearly every industry is affected by digital and mobile technologies. Other advances, such as robotics and additive manufacturing are also taking hold. Technology impacts everything from supply chains to customer engagement, and the advent of even more advanced technologies, such as artificial intelligence (AI) and the Internet of Things, portends more far-reaching change.[2]

A main factor driving tech M&A is the rise in acquisitions of tech targets by companies from other sectors. The share of acquirers of tech targets from outside the tech industry has grown to around 70% of all tech transactions – indicating that tech is important for every industry. Further, three of the

[1] Baker McKenzie & Oxoford Economics, Global Transactions Forecast, 2017, p. 16.
[2] BCG, The 2017 M&A Report, The Technology Takeover, 2017, p. 3.

biggest trends that are driving the M&A activity is the rise of Industry 4.0, a big increase in cloud computing and cloud-based solutions, and the search for mobile tech and software.[3]

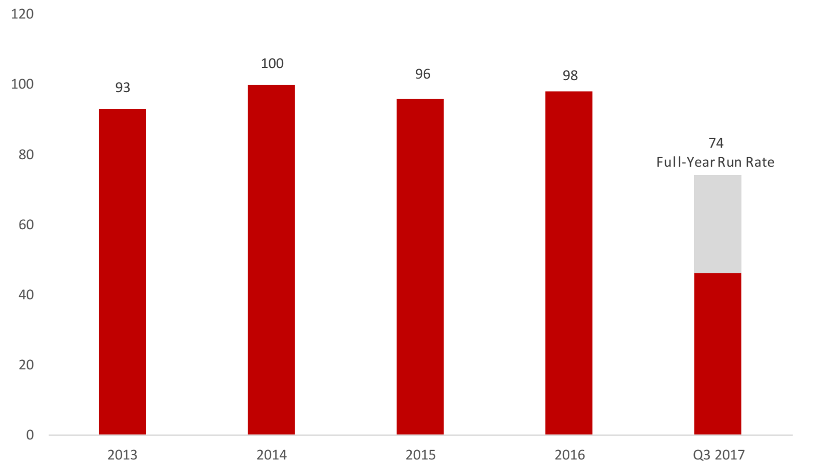
Nowadays, acquiring technology assets is the new No.1 driver of M&A, ahead of expanding customer bases in existing markets or adding to products or services. Also, digital strategy is expected to be a driving force behind M&A deals for the coming year. Combined, acquiring technology or a digital strategy accounted for about a third of all M&A deals being pursued.[4]

Big tech is slowing down acquisition activity

In recent years, tech giants have shown a high M&A activity, but 2017 indicated that big tech companies such as Microsoft, Apple, and Facebook have slowed down their M&A activity. Until August 2017, the top 10 tech companies have made 46 acquisitions, which indicates approximately 74 acquisitions through the end of 2017. This results in a 25% drop from 2016 numbers. While deals saw a slight uptick from 2015 to 2016, the rate of acquisitions has seen an overall decline since a peak of 100 in 2014. Companies included in the numbers are Apple, Google, Microsoft, Facebook, Amazon, General Electric, Oracle, Intel, Cisco Systems and IBM. Note that telecommunications companies such as AT&T or Comcast were not included.

Four of the big tech companies are bucking the downward trend. On the other hand, until August 2017 Amazon, Apple, Cisco, and Microsoft were on track to make more acquisitions than in 2016. A lot of the recent focus for companies has been in the artificial intelligence space, with the largest deal being Intel's USD15 billion+ acquisition of Mobileye. [5]

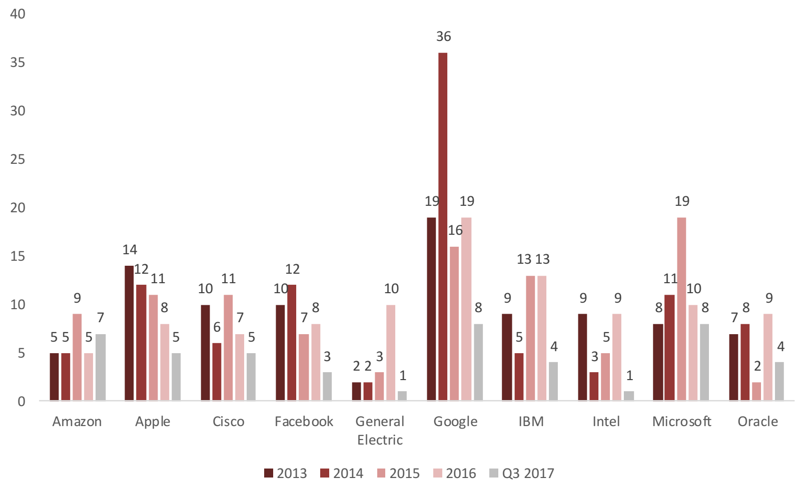
M&A activity of large tech players



Source: CB Insights

[3] BCG, The 2017 M&A Report, The Technology Takeover, 2017, pp. 15-17.
[4] Deloitte, The state of the deal, M&A trends 2018, 2017, p. 7.
[5] CB Insights, Big Tech Is Slowing Down Acquisition Activity, August 16 2017.

M&A activity of large tech players



Source: CB Insights

Doing M&A deals right

Tech deals add value for the acquirer approximately 50% of the time, and has, thereby, about the same success rate as M&A deals in other sectors. In general, the market rewards first-time tech acquirers in the short term, meaning that new acquirers earn the largest returns at the announcement. However, in the longer term experience counts. This means that serial tech-target acquirers outperform, while less experienced companies underperform one year after acquisition.

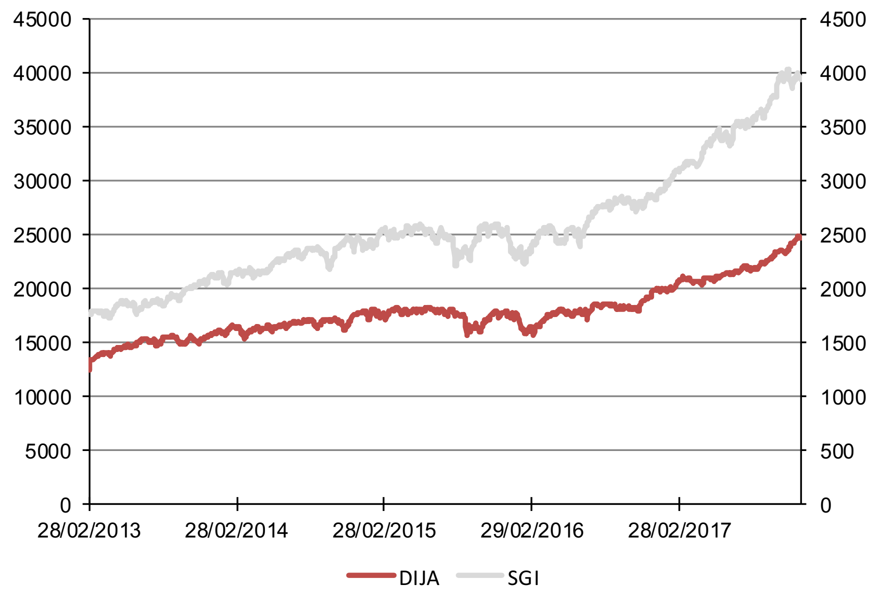
Keys for a successful tech acquisition includes following a focused strategy, develop a tailor-made M&A process for tech targets, and build the right corporate organization to find, execute and integrate innovative tech firms.[6]

[6] BCG, The 2017 M&A Report, The Technology Takeover, 2017, pp. 21-23.

Market Expectations

In this section we have investigated the consensus estimates[1] and valuations for the major listed technology companies (hereafter "tech companies") globally as well as in the Nordic region and in Sweden. In general, tech has continued to be a strong sector pick for investors outperforming Dow Jones by a wide margin during the past five years, as indicated by S&P's global tech index (SGI) in the graph below.

S&P Global 1200 Information Technology Sector Index & DIJA



Source: Redeye Research, Bloomberg

The tech companies in our selection are separated into two groups; more mature companies with expected sales growth CAGR below 10 percent during 2017-2019 and fast growers with revenues expected to show double digit growth. The selection includes 20 leading, major companies in each region and is primarily based on market cap size but also to some extent sales, earnings and growth of the selected companies.

Leading global technology companies

In the table on the next page we present our list of the top 20, leading, global tech companies listed by market cap size. Some honourable mentions for players not quite making our global list are PayPal, AMD, Electronic Arts, Salesforce and Nintendo. It should also be noted that telecom carrier beasts such as AT&T, Verizon and China Mobile etc. are not on the list despite their size as we consider telecom carriers "not tech enough".

Platform companies within social media and e-commerce & IT conglomerates remain hotter valuation-wise than traditional hardware and software. Investors value growth the most and put the highest cash

[1] A few of the selected companies have already reported full year 2017. In those cases the 2017E estimate is instead related to the company's next estimate period.

flow/EBITDA multiples (note that EBITDA is only a quick and dirty cash flow indicator) on players like Amazon, Tencent and Netflix. These three players are expected to grow sales faster than the peer group with strong scalability as their current margins are lower than the average.

Leading Global Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap USD bn	Share pr. 1 yr ch.	P/E 18E	P/E 19E	EV/EBITDA 18E	EV/EBITDA 19E	EV/S 18E	EV/S 19E	CAGR grow. rev. 17-19E	EBITDA avg. 17-19E	Growth R12M EBITDA	Growth R12M Sales
Group 1: Fast growers (10 % or more)													
ALPHABET INC-CL A	Web Portals/ISP	743	33%	21.8	18.0	12.2	10.5	6.1	5.1	18%	49%	-7%	-2%
AMAZON.COM INC	E-Commerce/Products	573	58%	75.2	49.3	23.0	17.4	2.6	2.1	25%	11%	-4%	-2%
FACEBOOK INC-A	Internet Content-Entmnt	529	55%	22.0	18.3	15.6	12.3	9.2	7.3	29%	60%	75%	57%
TENCENT HOLDINGS LTD	Internet Applic Sftwr	513	123%	39.0	30.3	27.9	21.8	10.0	7.7	35%	37%	5%	4%
ALIBABA GROUP HOLDING-	E-Commerce/Products	470	107%	27.0	21.1	21.0	16.2	9.1	7.1	32%	44%	16%	26%
TAIWAN SEMICONDUCTOR	Semicon Compo-Intg Circu	206	30%	16.2	14.2	8.1	7.3	5.4	4.8	12%	66%	16%	12%
NVIDIA CORP	Electronic Compo-Semicon	121	95%	36.8	29.6	29.2	23.8	10.6	9.0	17%	36%	29%	12%
BAIDU INC - SPON ADR	Web Portals/ISP	84	44%	25.9	20.3	19.7	15.7	4.8	4.0	22%	25%	11%	8%
NETFLIX INC	Internet Content-Entmnt	87	58%	n/a	48.2	48.1	31.2	6.0	5.0	24%	13%	n/a	20%
Mean: group 1			**67%**	**33.0**	**27.7**	**22.8**	**17.4**	**7.1**	**5.8**	**24%**	**38%**	**18%**	**15%**
Median: group 1			**58%**	**26.5**	**21.1**	**21.0**	**16.2**	**6.1**	**5.1**	**24%**	**37%**	**13%**	**12%**
Group 2: Maturing companies (less than 10 % growth)													
APPLE INC	Computers	876	48%	14.2	13.7	8.3	8.0	2.6	2.5	2%	31%	46%	12%
MICROSOFT CORP	Applications Software	663	37%	22.9	19.8	12.8	11.2	5.3	4.9	8%	42%	12%	22%
SAMSUNG ELECTRONICS (	Electronic Compo-Semicon	312	42%	7.2	6.9	3.0	2.9	1.0	1.0	9%	33%	22%	8%
INTEL CORP	Electronic Compo-Semicon	219	28%	14.3	13.9	8.3	8.1	3.6	3.5	3%	42%	-49%	-5%
ORACLE CORP	Enterprise Software/Serv	193	21%	14.7	13.6	9.3	8.8	4.4	4.2	4%	47%	59%	55%
CISCO SYSTEMS INC	Networking Products	192	27%	15.0	14.0	9.0	8.8	3.2	3.1	3%	35%	19%	11%
INTL BUSINESS MACHINES	Computer Services	143	-8%	11.1	10.7	8.8	8.9	2.3	2.2	0%	25%	21%	7%
SAP SE	Enterprise Software/Serv	137	13%	20.9	18.7	14.9	13.4	4.7	4.3	7%	32%	16%	12%
BROADCOM LTD	Electronic Compo-Semicon	109	50%	13.1	12.2	9.2	8.3	5.4	5.0	6%	59%	5%	4%
TEXAS INSTRUMENTS INC	Electronic Compo-Semicon	104	43%	22.8	21.8	14.2	13.8	6.7	6.5	4%	47%	42%	7%
QUALCOMM INC	Semicon Compo-Intg Circu	96	0%	17.1	17.1	12.7	n/a	3.3	3.4	1%	n/a	59%	48%
Mean: group 2			**27%**	**15.7**	**14.8**	**10.0**	**9.2**	**3.9**	**3.7**	**4%**	**39%**	**23%**	**17%**
Median: group 2			**28%**	**14.7**	**13.9**	**9.2**	**8.8**	**3.6**	**3.5**	**4%**	**38%**	**21%**	**11%**
Mean (total)			**45%**	**22.9**	**20.4**	**15.8**	**13.0**	**5.3**	**4.6**	**13%**	**39%**	**20%**	**16%**
Median (total)			**42%**	**20.9**	**18.2**	**12.7**	**11.2**	**5.1**	**4.6**	**8%**	**38%**	**18%**	**12%**

Source: Redeye Research, Bloomberg

We note that software players (SAP, Microsoft & Oracle) as a group has about the same valuation as the semiconductor manufacturers (i.e. NVIDIA, TSMC, Intel, Broadcom, Qualcomm & Texas Instruments). For 2018 these groups have average P/E and EBITDA multiples of 20x and 12-13x respectively, dropping to 18x and 11-12x in 2019. The EV/sales multiples are estimated at about 5x. The semiconductor manufacturers are expected to grow somewhat faster with stronger EBITDA margins of about 50 percent compared to 40 percent for the software players. One possible explanation is that investors believe that sticky software sales will scale better than semiconductor revenue, meaning lower earnings growth uncertainty.

Leading Nordic technology companies

The Nordic top 20 tech companies are positioned within a variety of different subsectors but with an overweight in betting/gaming, telecom infrastructure and IT consulting. Following strong growth and an increase in market cap of over 100 percent, Evolution Gaming joins the Nordic list together with newly listed Rovio and Evry. Axis is removed as it is being acquired by Canon and Fingerprint Cards is disqualified due to its market cap drop of over 70 percent. NNIT also did not make the cut. Some other Nordic players that did not quite make the list for this year but might be worth keeping an eye on include Thin Film Electronics, IDEX, Vaisala and Bittium.

In 2017 only four companies made it to the Nordic fast growers list (10+ % CAGR sales growth) while this year we see seven fast growers, including Evolution Gaming and Rovio. Most notably, F-Secure and Opera Software switched from the maturing list to the fast grower list.

Following the adjustments described above our list of the major Nordic tech players looks like the following:

Leading Nordic Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap SEK bn	Share pr. 1 yr ch.	P/E 18E	P/E 19E	EV/EBITDA 18E	EV/EBITDA 19E	EV/S 18E	EV/S 19E	CAGR grow. rev. 17-19E	EBITDA avg. 17-19E	Growth R12M EBITDA	Growth R12M Sales
Group 1: Fast growers (10 % or more)													
KINDRED GROUP PLC	Internet Gambling	27	38%	18.0	19.5	13.6	14.4	2.9	2.6	16%	21%	33%	33%
EVOLUTION GAMING GROU	Gambling (Non-Hotel)	21	121%	27.8	23.5	20.2	16.8	8.8	7.3	27%	44%	73%	57%
NETENT AB	Entertainment Software	14	-15%	21.2	18.9	15.1	13.4	7.2	6.4	14%	48%	17%	16%
NORDIC SEMICONDUCTOR	Electronic Compo-Semicon	7	23%	33.8	20.7	18.7	12.2	3.0	2.5	21%	16%	-18%	17%
ROVIO ENTERTAINMENT O'	Entertainment Software	7	n/a	19.7	12.1	9.9	7.6	1.9	1.7	14%	21%	n/a	n/a
F-SECURE OYJ	Computer Data Security	6	18%	36.0	23.3	19.7	13.7	2.9	2.6	10%	15%	n/a	8%
OPERA SOFTWARE ASA	Applications Software	5	-28%	35.4	20.3	8.1	6.3	0.9	0.8	11%	9%	n/a	-28%
Mean: group 1			**26%**	**27.4**	**19.8**	**15.0**	**12.0**	**4.0**	**3.4**	**16%**	**25%**	**26%**	**17%**
Median: group 1			**20%**	**27.8**	**20.3**	**15.1**	**13.4**	**2.9**	**2.6**	**15%**	**21%**	**25%**	**17%**
Group 2: Maturing companies (less than 10 % growth)													
NOKIA OYJ	Applications Software	229	-13%	14.1	12.2	7.9	6.3	0.9	0.9	0%	13%	211%	12%
ERICSSON LM-B SHS	Networking Products	180	1%	31.6	18.9	11.7	7.3	0.9	0.9	-3%	8%	n/a	-9%
HEXAGON AB-B SHS	Machinery-General Indust	148	24%	21.5	19.8	14.4	13.6	4.7	4.5	6%	32%	3%	7%
SCHIBSTED ASA-CL A	Publishing-Newspapers	54	17%	31.7	25.7	17.8	15.0	3.3	3.1	6%	18%	109%	5%
SAAB AB-B	Aerospace/Defense	43	16%	20.7	17.1	11.6	10.3	1.3	1.2	8%	11%	-1%	3%
NETS A/S	Commercial Serv-Finance	43	33%	18.2	16.9	12.9	12.1	4.8	4.6	5%	37%	n/a	n/a
GN STORE NORD A/S	Wireless Equipment	39	37%	20.3	17.9	15.9	14.5	3.2	3.0	7%	20%	11%	16%
MODERN TIMES GROUP-B	Cable/Satellite TV	24	29%	21.0	19.0	14.2	13.2	1.5	1.4	8%	10%	18%	13%
TIETO OYJ	Computer Services	19	1%	15.0	14.4	10.0	9.6	1.3	1.3	4%	13%	1%	4%
SIMCORP A/S	Transactional Software	19	1%	24.8	22.1	19.0	17.1	5.2	4.8	9%	27%	n/a	13%
ATEA ASA	E-Services/Consulting	12	54%	17.5	15.2	10.4	9.4	0.4	0.4	4%	4%	14%	3%
EVRY AS	Computer Services	11	n/a	10.1	9.3	9.0	8.1	1.2	1.2	3%	13%	n/a	n/a
BASWARE OYJ	Internet Applic Sftwr	6	31%	n/a	105.1	63.8	36.3	4.4	3.9	9%	6%	n/a	1%
Mean: group 2			**19%**	**20.5**	**24.1**	**16.8**	**13.3**	**2.6**	**2.4**	**5%**	**16%**	**46%**	**6%**
Median: group 2			**20%**	**20.5**	**17.9**	**12.9**	**12.1**	**1.5**	**1.4**	**6%**	**13%**	**13%**	**5%**
Mean (total)			**22%**	**23.3**	**22.3**	**16.0**	**12.8**	**3.0**	**2.7**	**9%**	**19%**	**36%**	**10%**
Median (total)			**20%**	**21.0**	**19.3**	**14.3**	**12.7**	**2.9**	**2.6**	**8%**	**16%**	**17%**	**8%**

Source: Redeye Research, Bloomberg

Shares of the Nordic tech companies continue to underperform their global peers, with 23 percentage points compared to 36 in 2016. From a growth perspective this looks reasonable as the expected average CAGR EBITDA and sales growth rate is 20 and 4 percentage points higher for the global companies compared to the Nordic players. The average CAGR growth for the maturing Nordic group (less than 10 % CAGR sales growth) and the whole Nordic group is 5 and 9 percent, which is the same as last year.

Leading Swedish technology companies

As for the Swedish companies, apart from Axis (acquired by Canon), Starbreeze and Net Insight are removed from the list compared to last year, following free falls in their respective share prices. Starbreeze has suffered from delays, higher burn rate than expected and an important game launch that flopped. Net Insight's reduced market cap can be explained by a profit warning from lower customer investments due to changes in the market and too high expectations on the Tata deal. The three companies mentioned are replaced by the gaming/betting companies Leo Vegas, THQ, and G5. Storytel would have made the list had there been consensus estimates for the company. Some other companies close to making the list worth mentioning are especially Hexatronic, Invisio, Fortnox and Vitec.

Fingerprint Cards, Betsson and Mycronic have changed group from the fast growers to the group with slower CAGR sales growth of less than 10 percent. As can be seen in the table below all three have had significant negative stock returns as their share prices were hit hard when the stock market stopped to perceive them as fast growers.

Following the aforementioned changes we end up with the following 20 major, listed, Swedish tech companies:

Leading Swedish Tech Companies: Consensus Estimates & Valuation

Company	Industry	Mkt cap SEK bn	Share pr. 1 yr ch.	P/E 18E	P/E 19E	EV/EBITDA 18E	EV/EBITDA 19E	EV/S 18E	EV/S 19E	CAGR grow. rev. 17-19E	EBITDA avg. 17-19E	Growth R12M EBITDA	Growth R12M Sales
Group 1: Fast growers (10 % or more)													
KINDRED GROUP PLC	Internet Gambling	27	38%	18.0	19.5	13.6	14.4	2.9	2.6	16%	21%	33%	33%
EVOLUTION GAMING GROU	Gambling (Non-Hotel)	21	121%	27.8	23.5	20.2	16.8	8.8	7.3	27%	44%	73%	57%
NETENT AB	Entertainment Software	14	-15%	21.2	18.9	15.1	13.4	7.2	6.4	14%	48%	17%	16%
PARADOX INTERACTIVE AB	Entertainment Software	10	85%	26.8	22.7	15.2	12.5	9.3	7.8	24%	61%	n/a	n/a
LEOVEGAS AB	Internet Gambling	9	134%	19.7	17.2	15.0	13.0	2.4	2.0	37%	15%	322%	49%
THQ NORDIC AB	Entertainment Software	7	151%	25.8	22.7	12.7	10.6	6.8	5.7	41%	53%	n/a	n/a
HMS NETWORKS AB	Networking Products	6	64%	30.1	25.3	19.8	17.2	4.6	4.1	13%	23%	66%	33%
CHERRY AB	Internet Gambling	5	2%	20.5	15.7	11.0	9.0	2.5	2.2	17%	22%	849%	n/a
CLX COMMUNICATIONS AB	Communications Software	4	-27%	23.8	18.3	11.6	9.7	1.2	1.1	11%	10%	n/a	n/a
TOBII AB	Computers-Peripher Equip	4	-45%	n/a	n/a	n/a	30.6	2.6	2.1	18%	-2%	n/a	5%
KAMBI GROUP PLC	Internet Gambling	3	-30%	35.1	42.5	13.1	12.2	3.6	3.2	17%	25%	-27%	3%
G5 ENTERTAINMENT AB	Toys	3	149%	20.5	14.6	10.4	6.9	2.1	1.7	21%	21%	n/a	122%
Mean: group 1			**52%**	**24.5**	**21.9**	**14.3**	**13.9**	**4.5**	**3.9**	**21%**	**28%**	**190%**	**40%**
Median: group 1			**51%**	**23.8**	**19.5**	**13.6**	**12.7**	**3.3**	**2.9**	**18%**	**23%**	**66%**	**33%**
Group 2: Maturing companies (less than 10 % growth)													
ERICSSON LM-B SHS	Networking Products	180	1%	31.6	18.9	11.7	7.3	0.9	0.9	-3%	8%	n/a	-9%
HEXAGON AB-B SHS	Machinery-General Indust	148	24%	21.5	19.8	14.4	13.6	4.7	4.5	6%	32%	3%	7%
SAAB AB-B	Aerospace/Defense	43	16%	20.7	17.1	11.6	10.3	1.3	1.2	8%	11%	-1%	3%
MODERN TIMES GROUP-B :	Cable/Satellite TV	24	29%	21.0	19.0	14.2	13.2	1.5	1.4	8%	10%	18%	13%
BETSSON AB	Internet Gambling	9	-27%	10.2	10.5	8.3	8.4	2.0	1.8	9%	24%	n/a	13%
MYCRONIC AB	Lasers-Syst/Components	8	-14%	10.4	15.1	6.8	9.5	2.4	2.6	2%	30%	n/a	60%
FINGERPRINT CARDS AB-B	Identification Sys/Dev	5	-75%	15.6	12.8	7.6	6.5	1.2	1.1	8%	15%	-68%	-38%
HIQ INTERNATIONAL AB	Computer Services	3	5%	19.2	17.6	13.7	12.6	1.7	1.6	6%	13%	2%	9%
Mean: group 2			**-5%**	**18.8**	**16.3**	**11.0**	**10.2**	**2.0**	**1.9**	**6%**	**18%**	**30%**	**23%**
Median: group 2			**3%**	**19.9**	**17.3**	**11.7**	**9.9**	**1.6**	**1.5**	**7%**	**14%**	**3%**	**13%**
Mean (total)			**29%**	**22.0**	**19.4**	**12.9**	**12.3**	**3.4**	**3.0**	**15%**	**24%**	**98%**	**24%**
Median (total)			**11%**	**21.0**	**18.9**	**13.1**	**12.4**	**2.5**	**2.1**	**13%**	**21%**	**24%**	**15%**

Source: Redeye Research, Bloomberg

Most sectors on the Swedish top list are similar to the Nordic ones with the most obvious difference being the big Swedish sector of gaming and betting. Half of the Swedish major tech companies are active within these two areas and three out of four of the fastest growing companies are betting/gaming companies.

Thus, it comes as no surprise that Paradox, Net Entertainment and Evolution Gaming have the highest valuations, looking at EV/sales. The stock market is slightly more optimistic on Ericsson's prospects compared to last year while remaining just as sceptic when it comes to Fingerprint Card's chances of solving its problems, only awarding a 2019 EV/EBITDA multiple of 6x. Looking at the fast growing group, the stock market is significantly more negative when it comes to G5 (7x EV/EBITDA for 2019E) compared to its peers. Investors seem to perceive G5 as a one trick pony emphasizing that 80 percent of the company's revenue during the last year has come from one, single game (Hidden City).

Since the Nordic tech growth, as mentioned, to a large extent is driven by betting/gaming we also look at how the rest of the rest of the tech companies performed (excl. betting/gaming). On average the Swedish non-gaming/betting tech shares performed -3 percent (+6 % excluding the outlier Fingerprint Cards) compared to 30 percent for the whole group. The expected average CAGR growth and EBITDA margin for this group is 8 and 15 percent compared to 15 and 24 percent when gaming/betting companies are included. In other words, the success of Swedish tech companies as a cluster is largely dependent on the performance in the gaming/betting sector. 2017 was a year of revenge and bounce back for the betting sector following decreasing share prices of on average -20 percent for the five largest betting companies during 2016.

Concluding remarks

Comparing the three tables above we first note a major difference in average share performance where global tech stocks have continued to perform considerably stronger than both corresponding Nordic and Swedish groups; 45 percent compared to 22 and 29 percent (see the summarizing tables of the average and median multiples and stock price movements below). This trend also mirrors how S&P's global tech index gained about 40 percent in 2017 while e.g. OMX Stockholm Technology index only increased 12 percent, i.e. a much larger difference than the USD/SEK appreciation. The strong global performance seems to be a general theme though as NASDAQ rose 28 percent in 2017 while e.g. the Swedish OMXS30 only gained 4 percent.

Average Valuation Multiples & Share Performance Per Region

Region	Share pr.	P/E		EV/EBITDA		EV/S		CAGR grow.	EBITDA	Growth R12M	
	1 yr ch.	18E	19E	18E	19E	18E	19E	rev. 17-19E	avg. 17-19E	EBITDA	Sales
Leading Global Tech Companies	**45%**	**22.9**	**20.4**	**15.8**	**13.0**	**5.3**	**4.6**	**13%**	**39%**	**20%**	**16%**
Fast growers	67%	33.0	27.7	22.8	17.4	7.1	5.8	24%	38%	18%	15%
Maturing companies	27%	15.7	14.8	10.0	9.2	3.9	3.7	4%	39%	23%	17%
Leading Nordic Tech Companies	**22%**	**23.3**	**22.3**	**16.0**	**12.8**	**3.0**	**2.7**	**9%**	**19%**	**36%**	**10%**
Fast growers	26%	27.4	19.8	15.0	12.0	4.0	3.4	16%	25%	26%	17%
Maturing companies	19%	20.5	24.1	16.8	13.3	2.6	2.4	5%	16%	46%	6%
Leading Swedish Tech Companies	**29%**	**22.0**	**19.4**	**12.9**	**12.3**	**3.4**	**3.0**	**15%**	**24%**	**98%**	**24%**
Fast growers	52%	24.5	21.9	14.3	13.9	4.5	3.9	21%	28%	190%	40%
Maturing companies	-5%	18.8	16.3	11.0	10.2	2.0	1.9	6%	18%	30%	23%

Source: Redeye Research, Bloomberg

Median Valuation Multiples & Share Performance Per Region

Region	Share pr.	P/E		EV/EBITDA		EV/S		CAGR grow.	EBITDA	Growth R12M	
	1 yr ch.	18E	19E	18E	19E	18E	19E	rev. 17-19E	avg. 17-19E	EBITDA	Sales
Leading Global Tech Companies	**42%**	**20.9**	**18.2**	**12.7**	**11.2**	**5.1**	**4.6**	**8%**	**38%**	**18%**	**12%**
Fast growers	58%	26.5	21.1	21.0	16.2	6.1	5.1	24%	37%	13%	24%
Maturing companies	28%	14.7	13.9	9.2	8.8	3.6	3.5	4%	38%	21%	4%
Leading Nordic Tech Companies	**20%**	**21.0**	**19.3**	**14.3**	**12.7**	**2.9**	**2.6**	**8%**	**16%**	**17%**	**8%**
Fast growers	20%	27.8	20.3	15.1	13.4	2.9	2.6	15%	21%	25%	17%
Maturing companies	20%	20.5	17.9	12.9	12.1	1.5	1.4	6%	13%	13%	5%
Leading Swedish Tech Companies	**11%**	**21.0**	**18.9**	**13.1**	**12.4**	**2.5**	**2.1**	**13%**	**21%**	**24%**	**15%**
Fast growers	51%	23.8	19.5	13.6	12.7	3.3	2.9	18%	23%	66%	33%
Maturing companies	3%	19.9	17.3	11.7	9.9	1.6	1.5	7%	14%	3%	13%

Source: Redeye Research, Bloomberg

The Nordic tech companies have the highest valuations (excl. EV/sales), slightly higher than their global peers, even though they had the worst share performance, only gaining 22 percent. The valuation multiples for the

Nordic group, however, are relatively unchanged from last year, meaning higher estimates. All but one company contributed positively to the rolling 12 month EBITDA growth of 36 percent.

The EV/EBITDA and EV/S multiples for the global tech companies are over 20 percent higher than last year, fuelled by a growth in rolling 12 month EBITDA and sales of 10 and 9 percentage points (see the table below). Thus, the global tech companies overall have performed very well and it appears as if investors have discounted even stronger growth ahead. The average rolling 12 month EBITDA growth for global companies was slower than the average share price performance though, as opposed to the Nordic and Swedish peers. In our 2017 tech report we wrote that global companies looked a little undervalued and this seems to have been corrected now.

Changes From 2017 in Average Valuation Multiples & Share Performance Per Region (%)

Region	Share pr. 1 yr ch. (ppt)	P/E 18E (%)	P/E 19E (%)	EV/EBITDA 18E (%)	EV/EBITDA 19E (%)	EV/S 18E (%)	EV/S 19E (%)	CAGR grow. rev. 17-19E (ppt)	EBITDA avg. 17-19E (ppt)	Growth R12M EBITDA (ppt)	Growth R12M Sales (ppt)
Leading Global Tech Companies	**7%**	**11%**	**-9%**	**24%**	**24%**	**23%**	**25%**	**-1%**	**4%**	**10%**	**9%**
Fast growers	10%	6%	-25%	18%	21%	14%	16%	-4%	2%	-2%	5%
Others	-1%	7%	7%	21%	17%	33%	32%	0%	5%	19%	10%
Leading Nordic Tech Companies	**20%**	**7%**	**0%**	**-9%**	**6%**	**11%**	**9%**	**0%**	**0%**	**1%**	**-20%**
Fast growers	38%	31%	-42%	-53%	-22%	-1%	-2%	-1%	0%	-79%	-59%
Others	11%	-7%	33%	35%	22%	16%	15%	0%	-1%	40%	-7%
Leading Swedish Tech Companies	**14%**	**11%**	**-12%**	**-15%**	**1%**	**3%**	**0%**	**15%**	**15%**	**-48%**	**-19%**
Fast growers	39%	22%	-15%	-19%	5%	3%	2%	21%	21%	-81%	-23%
Others	-23%	-5%	-3%	-9%	-2%	10%	1%	5%	5%	-15%	-4%

Source: Redeye Research, Bloomberg

We also notice that Swedish tech companies are valued lower than their Nordic peers (excl. EV/S) despite better margins and stronger historical as well as estimated growth. The Swedish tech companies e.g. had the fastest growth of all, similar to last year's report, growing sales by 24 percent and EBITDA with 98 percent (39 % excluding the outlier Cherry) on a rolling 12 month, compared to 10 and 36 percent for the Nordics. So, are there any good, fundamental reasons why the faster growing Swedish companies are valued 14 percent lower on P/E 18E and 23 percent on EV/EBITDA 19E compared to their Nordic peers? One possible explanation is the size difference. After a long stock market rally investors is to a larger extent turning to large cap and blue chips. The average market cap of the selected 20 Nordic companies is 60 percent higher than the Swedish companies.

The global tech players, like last year, have significantly higher EBITDA margins and higher EV/S multiples. The reason this is not reflected in the earnings multiples could be that EBITDA for the Nordic but especially the Swedish tech companies are growing substantially faster than the global peers.

Redeye Screening

Key conclusions regarding screening

- In our screening, we present four different strategies that combine our Redeye Rating, valuation range and financial projections in a variety of ways to generate unique output. The strategies are Growth At a Reasonable Price (GARP), Deep Value, Growth Junkies and Jockey Stocks.

- Screening should not be seen as a portfolio suggestion, but instead as a smart way to narrow down the "research subjects." An investor must also take into account qualitative factors that are not possible to quantitate in raw numbers, and timing. Redeye focuses on key catalysts for timing and risk limitation. Catalysts are defined as triggers that are likely to materialize in the near-future with a valuation enhancement. Our screens do not "capture" these possible catalytically events and must be evaluated case by case, which we do in our portfolio construction of top picks.

- Some companies are found in the output of multiple screens. Most notable are; Allgon, Cherry, Enea, and Polygiene. Our five top picks for 2018; THQ Nordic, Cherry, Enea, Opus and West International all occurred in our screenings. Just like last year, our picks for 2018 are all more tilted to the growth side.

Review of last year's screen output

In this chapter, we include last year's screen output and the return of those stocks during 2017. In the table below, we include the top 10 companies in each strategy that we presented in last years tech-report. Best performance was seen in GARP with a solid result. Deep value came in second. An interesting note is that two companies within "Deep value" were acquired during 2018; DGC One and Avega. Growth junkies and Jockey Stocks both produced decent performance, in-line with the overall market.

Stock return of screen output during 2017

GARP	Return	Deep value	Return	Growth junkies	Return	Jockey Stocks	Return
Invisio	22%	Mycronic	-12%	Fingerprint	-75%	Opus	0%
Hexatronic	116%	Allgon	-34%	Invisio	22%	Polygine	-9%
Allgon	-34%	Avega	74%	Allgon	-34%	Mycronic	-12%
Stillfront	145%	DGC	92%	Avtech	10%	West International	114%
Avtech	10%	Opus	0%	Neonode	-50%	Cherry	-1.5%
West International	114%	Systemair	0%	Stillfront	145%	Allgon	-34%
Clemondo	-39%	Nokia	-11%	Photocat	2%	Doro	-15%
Neonode	-50%	Mr Green	82%	Cherry	-2%	Enea	-12%
Heliospectra	4%	Paynova	-42%	Paynova	-42%	Systemair	0%
Photocat	2%	Sensys Gatso	-7%	West International	114%	Avega	74%
Average return	**29%**		**14%**		**9%**		**10%**

Source: Redeye Research

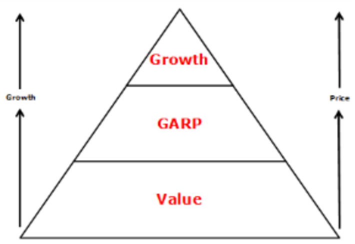
Our universe of companies

The screens are based on the 45 tech companies that currently exist in the Redeye Universe. Redeye has full research coverage of these companies where we present quarterly research updates, more extended analysis, ongoing comments, investment thesis, valuation range, company ratings and more.

Tech companies in Redeye Universe

		Valuation range			Redeye Rating				
Company	Share price	Bear-case	Base-case	Bull-case	Management	Ownership	Profit outlook	Profitability	Financial strenght
Addnode Group	75.6	48	78	97	9.0	8.0	5.0	7.0	6.0
Allgon	8.5	11	21	27	8.0	8.0	6.0	3.0	5.0
AllTele	19.8	14	21	32	6.0	8.0	3.5	3.5	6.5
Anoto Group AB	4.2	1	4	12	3.0	1.0	7.5	0.0	3.0
Avtech	4.1	2	4.9	11	5.0	8.0	6.5	0.0	5.0
aXichem	18.0	3.5	6.8	13.6	7.0	8.0	5.0	0.0	1.0
Bambuser	2.0	2	5.6	10	7.0	6.0	5.5	0.0	3.0
Bredband2	1.2	0.5	1	1.8	8.0	7.0	5.5	6.0	7.5
Cherry	59.3	33	79	99	9.0	9.0	6.5	7.0	6.5
Cinnober	86.4	43	86	130	8.0	10.0	6.5	6.0	6.0
Clavister	23.6	12	41	89	6.0	4.0	6.5	0.0	4.0
Doro	44.2	50	86	118	6.0	6.0	6.5	4.5	7.5
Enea	85.6	63	116	204	8.0	1.0	7.0	9.0	7.5
Ericsson	54.8	46	52	68	5.0	7.0	5.5	5.0	6.0
Fingerprint Cards	16.1	10	24	48	5.0	2.0	6.0	6.0	7.5
Formpipe Software	14.0	9	15	20	7.0	6.0	6.5	6.0	6.0
G5 Entertainment	362.6	130	397	562	8.0	7.0	6.5	7.0	7.5
Global Gaming	34.9	17	41	69	7.0	4.0	6.0	7.0	7.0
Heliospectra	6.3	2	7	14	6.0	7.0	6.5	0.0	3.0
Hexatronic	79.9	32	72	105	8.0	8.0	6.5	6.5	6.5
Imint	33.1	15	37	64	7.0	1.0	6.5	0.0	2.0
Invisio	81.5	28	72	90	9.0	9.0	8.5	8.0	6.0
Lagercrantz	83.6	64	93	127	8.0	8.0	5.0	9.0	8.0
Mr Green	56.0	39	65	100	7.0	9.0	6.5	7.0	6.0
Mycronic	88.7	52	119	145	8.0	7.0	7.0	8.0	8.0
myTaste	3.2	2.2	5.4	12.1	7.0	8.0	5.5	0.0	4.0
Neonode	0.8	0.8	1.7	4.1	4.0	7.0	7.5	0.0	2.0
Nitro Games	56.6	33	56	170	6.0	10.0	5.0	0.0	3.0
Nokia	4.0	4	5	6	7.0	3.0	5.5	6.5	9.0
Opus Group	6.7	6.1	9.9	15.4	8.0	7.0	7.5	6.0	6.0
Paynova	0.4	0.7	1.2	2.8	7.0	5.0	5.0	0.0	2.0
Photocat	17.0	10	22	51	6.0	10.0	6.0	0.0	1.0
Polygiene	12.0	6	16	22	9.0	6.0	6.5	6.0	5.0
Powercell	40.0	9	31	55	6.0	9.0	6.5	0.0	2.0
Sensys Gatso Group	1.3	0.5	1	1.9	4.0	4.0	8.0	1.0	4.0
Smart Eye	46.2	26	76	156	7.0	9.0	8.0	0.0	2.0
Stillfront	190.0	67	162	224	7.0	6.0	5.5	7.0	8.0
Systemair	122.6	101	146	185	8.0	8.0	5.0	6.5	8.0
TalkPool	37.3	26	38	49	8.0	9.0	4.5	2.0	4.0
THQ Nordic	86.0	38	81	152	8.0	9.0	7.0	6.0	8.0
Verisec	93.0	50	113	190	8.0	9.0	6.5	6.0	5.5
Waystream	10.7	7	15	20	7.0	7.0	4.0	2.5	3.0
West International	13.9	9	15	28	8.0	7.0	6.0	3.0	4.0
XMReality	8.9	6.5	14.5	23	8.0	5.0	5.5	0.0	3.0
ZetaDisplay	23.3	8	19	29	8.0	8.0	6.5	3.0	3.5

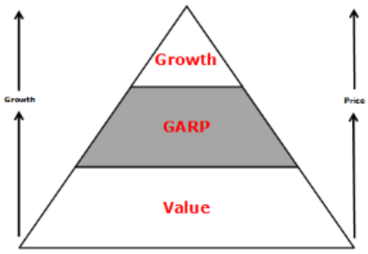
Source: Redeye Research



The screening

Screening is one of the most valuable tools for investors to generate possible investment ideas. At Redeye we believe investors have to look further than just reported numbers and classic valuation multiples. We put significant emphasis on quality factors like; management skill, ownership by insiders, competitive position, growth opportunities and more. All these quality factors can be understood throughout our proprietary Redeye Rating (see Appendix: Research & Rating). Besides the quality judgment of companies, an investor also needs to know what the current valuation levels imply about the prospects of the business in question. Our screening combines our proprietary Redeye Rating, financial forecasts, and Valuation Range. We here present four different strategies that combine these three elements in a variety of ways to generate unique outputs. The strategies are Growth At a Reasonable Price (GARP), Deep Value, Growth Junkies and Jockey Stock's all of which are explained below.

GARP



The GARP strategy is a combination of both value and growth investing: it looks for companies that are somewhat undervalued and have solid sustainable growth potential. At Redeye we believe a reasonable price is a price that is below our Base-case valuation. The Base-case value is determined by a relatively likely scenario modeled by our analyst. The valuation is based on the expected Free Cash Flow (FCF) for the next ten years, discounted at a WACC derived by our Redeye Rating, usually between 9-15%. In this strategy we also want the growth to be high, but not too high, for the next few years, looking at companies that are expected to grow at a CAGR of 10-35% for the next three years. After the first criteria, of a low price and projected high growth, we will rank the output and choose the top companies based on their average Redeye Rating.

Criteria: *Price < Base-case* and *sales CAGR of 10-45% for the coming three years*. **Ranking**: *Weighted Redeye Ranking*

Screening output GARP

GARP screen output

	Criteria parameter		Ranking parameter	
Company	3 year forward CAGR	Distance to Base	Redeye rating	Screen Rank
Mycronic	10%	34%	7.5	1
Cherry	45%	33%	7.4	2
Lagercrantz	12%	11%	7.2	3
Mr Green	19%	16%	6.9	4
Polygiene	30%	34%	6.3	5
Enea	13%	36%	6.3	6
Allgon	29%	146%	6.1	7
West International	39%	8%	5.9	8
Smart Eye	41%	65%	5.6	9
AllTele	11%	6%	5.5	10

Source: Redeye Research

Deep value

Value investing is about buying a stock for substantially less than what the company is worth (i.e., its intrinsic value). Deep value investing seeks to purchase stocks at an even greater discount to their intrinsic value.

Value investors assert that "Mr. Market" often inefficiently prices stocks in the short-term for various reasons (e.g., forced stock sales, bad publicity, lack of analyst coverage, etc.). Once disciplined value investors have performed the required fundamental analysis of the business, given to you by our analysts, they will arrive at an estimate of the “intrinsic value” of the stock. This intrinsic value is then compared to the current price of the shares and if there is enough of a discount, value investors will strongly considering purchasing the stock.

Some deep value stocks might be value traps, i.e., stocks that always look cheap on paper. One good way to address this issue is by looking at management's ownership and overall quality of the team. Our Deep value strategy screens for companies that trade close to our Bear-case valuation, i.e., the fundamental implied expectations are low. Our first criteria are that the share will sell no more than 30% above the Bear-case. After this, we will rate the output based on our management rating in a way to decrease the risk of a value trap.

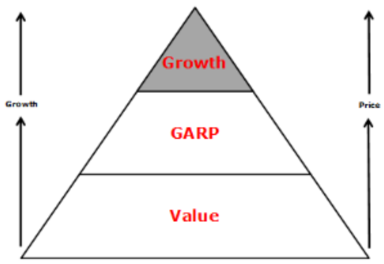
Criteria: *Price 30% > Bear-case or lower.* **Ranking:** *Highest ranked based on management rating*

Screening output Deep value

Deep value screen output

Company	Criteria parameter Distance to Bear	Ranking parameter Management rating	Screen Rank
Lagercrantz	-23%	8	1
Allgon	29%	8	2
Enea	-26%	8	3
Opus Group	-9%	8	4
Systemair	-18%	8	5
ZetaDisplay	-66%	8	6
Bambuser	0%	7	7
Nokia	-1%	7	8
Paynova	-12%	7	9
Doro	13%	6	10

Source: Redeye Research



Growth junkies

Growth investing is the pursuit of increasing one's wealth through long- or short-term capital appreciation. Growth investing is typically considered to be the "offensive" portion of an investment portfolio. When it comes to stocks, "growth" means that the company has substantial potential for capital appreciation. Our Growth junkie screen will look for businesses that are forecasted to grow with over a CAGR of 25% for the next three years and with a high-profit outlook rating. We will then rank the output based on the average Redeye rating and distance to Base-case. Even though we want hyper growth, we still want a relatively fair price.

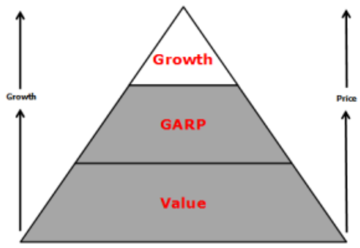
Criteria: Three-*year sales CAGR>25%* and *Profit outlook rating >5.* **Ranking:** *Average Redeye rating* and *distance to Base-case*, combined score.

Screening output Growth junkies

Growth junkies screen output					
	Criteria parameter		Ranking parameter		
Company	3 year forward CAGR	Profit outlook	Redeye rating	Distance to Base	Screen Rank
Cherry	45%	6.5	7.4	33%	1
Allgon	29%	6.0	6.1	146%	2
Polygiene	30%	6.5	6.3	34%	3
Smart Eye	41%	8.0	5.6	65%	4
G5 Entertainment	52%	6.5	7.1	9%	5
THQ Nordic	54%	7.0	7.7	-6%	6
Bambuser	73%	5.5	4.6	179%	7
Global Gaming	127%	6.0	6.1	17%	8
Neonode	31%	7.5	4.5	95%	9
Clavister	39%	6.5	4.6	74%	10

Source: Redeye Research

Jockey stocks



Jockey investing is attempting to find a smart allocator of shareholder capital that can create exceptional returns for investors, ideally early in the game. We will here look at the companies that have the highest management rating in our universe. Our ranking will be based on net insider buying during the last 12 months and their relative distance to the Base-case valuation. We believe this strategy to be a combination of GARP and value as most insider buying happen at relatively low levels when the underlying fundamentals are under-appreciated by the market.

Criteria: *Management rating >8.* **Ranking:** *Twelve-month net insiders' buy and distance to Base-case, combined score top 5.*

Screening output Jockey stocks

Jockey stocks screen output				
	Criteria parameter	Ranking parameter		
Company	Management rating	Distance to Base	Insider net buy (msek)	Screen Rank
XMReality	8.0	63%	0.8	1
Cherry	9.0	33%	10.0	2
Systemair	8.0	19%	14.0	3
Mycronic	8.0	34%	2.3	4
G5 Entertainment	8.0	9%	3.0	5
Allgon	8.0	146%	0.0	6
Opus Group	8.0	48%	0.0	7
Bredband2	8.0	-13%	3.5	8
Polygiene	9.0	34%	-2.2	9
Enea	8.0	36%	-5.1	10

Source: Redeye Research

Top Picks portfolio

Summary

- Redeye's Top Picks portfolio is actively managed and consists of stocks from Redeye's Universe of Tech and Life Science companies. The underlying strategy relies on high-conviction cases found through Redeye's fundamental analysis. The inclusion and portfolio size of each respective holding depends on the attractiveness in the company qualities, risk/reward ratio and catalysts. Redeye's Top Picks portfolio aims to provide a basis for investment ideas for long-term positive returns relative to risk.

- The Top Picks portfolio increased 7.4% during 2017, while the comparative index OMXSPI appreciated 5.9% for the same period. Our portfolio thereby outperformed index with 2.5%. Over three years the Top Picks portfolio rose 72.8% while OMXSPI index returned 22.1%. Our Top Picks-portfolio thereby outperformed by 50.7% over three years.

- Going into 2018, given our somewhat cautious outlook, we have raised the hurdle for portfolio inclusions on qualitative factors and have recently replaced two holdings in our Top Picks portfolio. These are presented in this chapter. Finally, we are briefly commenting on our current tech holdings in Top Picks.

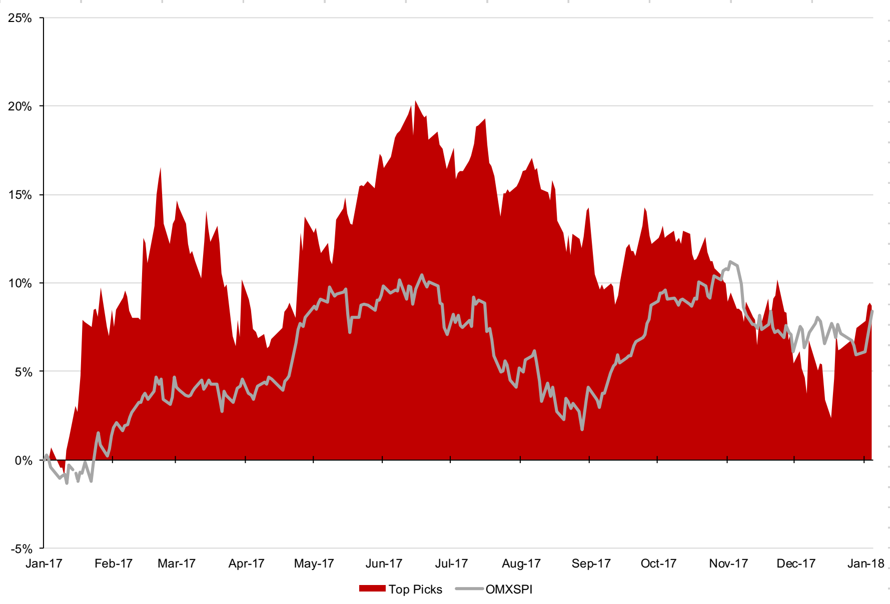
- Redeye Premium members can follow the development continuously and receive a weekly portfolio update.

Portfolio performance in 2017

Redeye's Top Picks portfolio ended the year 7.4% higher. The comparative index OMXSPI appreciated 5.9% for the same period and our portfolio thereby outperformed index by 2.5%. Globally, 2017 was a strong year with markets on average returning about 20% in US dollar, indeed OMXSPI returned 18.2 %. The difference between SEK and USD return is attributed to the performance of the latter. The fundamental backdrop is that a large portion of Swedish corporate profits are foreign currency denominated, hence a strengthening SEK will naturally act as headwind as currency translation losses occur and therefore mask the underlying global strength.

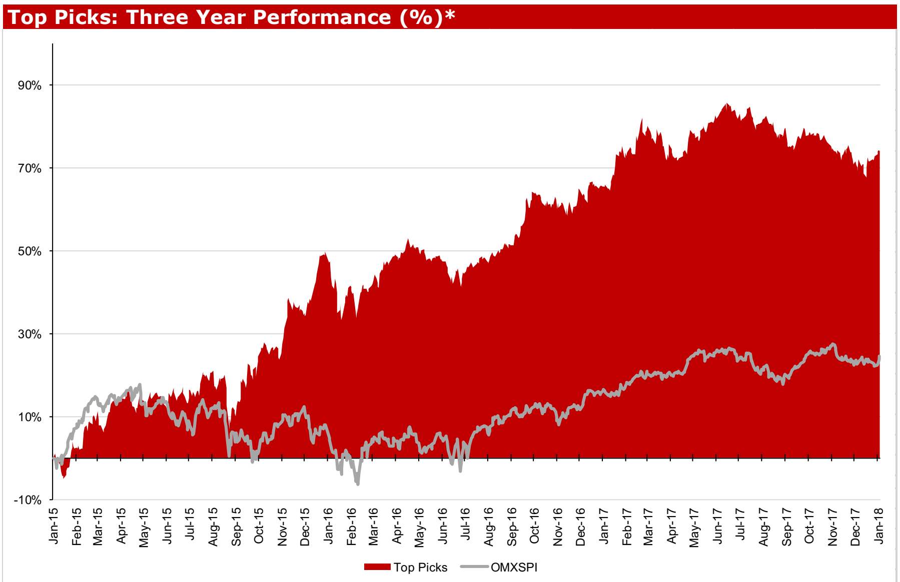
Below, we show the performance of our Top Picks portfolio and OMXSPI index over one and three-years. A description of the investment criteria for our Top Picks portfolio is presented at the end of this chapter and for other relevant portfolio information; https://www.redeye.se/member/top-picks

Top Picks: One Year Performance (%)*



Source: Redeye Research, Nasdaq OMX

Top Picks: Three Year Performance (%)*



Source: Redeye Research, Nasdaq OMX

Performance in 2017

The best performing stocks in our portfolio 2017 were West International, SyntheticMR and Genovis. myTaste and Paynova did not meet our expectations and have contributed negatively to our annual return.

West International was one of the winners during 2016 and rose another 123% last year. We increased our position at the beginning of 2017 and have gained about 200% in total return. West has continued to deliver on its strategy, with several orders and collaborations both in Sweden and abroad.

The medtech firm SyntheticMR also rewarded us with a 123% return during 2017. It was included in Top Picks at the beginning of 2017, just before the market discovered the stock. The company has impressed with strong growth and high margins, after signing agreements and serving major customers without significant corresponding cost increases. During 2017, SyntheticMR also attracted several institutional investors, triggered by strong business performance and its market capitalization increasing to a Micro cap (> USD 50m) as defined by MSCI (Morgan Stanley Capital International). Thus qualifying as institutional grade in many larger funds.

A company that underperformed last year was myTaste, which changed its strategy since the main business area did not develop as expected. New acquisitions in the affiliate segment could prove us wrong but we lack conviction and we have therefore divested the position. A rights issue during the fall put additional pressure on the stock, which depreciated 68% in 2017. Paynova also raised capital during the year and declined by 45%. Our major potential catalyst, the large healthcare client, did not play out.

The individual stock performances last year are listed in the table below.

Company	Included in 2017	Price Performance	
		Since inclusion*	2017
Alligator Bioscience	November 30, 2017	1%	-33%
Cherry	September 20, 2017	-8%	-2%
Elos Medtech		-28%	-34%
Enea	September 12, 2017	16%	-15%
Genovis		12%	27%
Opus Group		-6%	0%
SyntheticMR		126%	123%
THQ Nordic	December 21, 2017	14%	139%
West International		197%	123%

** Share price as of January 9th, 2018*

Top Picks portfolio for 2018

Below, we present the current positions in the Top Picks portfolio. At the end of last year we divested our positions in myTaste and Paynova, as we regard them speculative rather than strong quality companies. Instead we have added gaming firm THQ Nordic, managed by the exceptional CEO Lars Wingefors. THQ will release several game titles during 2018 and we believe the management can continue to exceed general expectations.

Another stock we have included in our portfolio recently is Alligator Bioscience, which in our opinion is one of the best picks in the sector. Although we recognize the uncertainty of investing in early stage biotech companies, we believe the market is too cautious about its potential and disregarding the financial cushion that its strong cash position provides.

Recognizing the long economic recovery in Sweden and globally, we are of the view that the world economy has entered a mature stage. Full employment is about to be reached and it is subsequently impacting monetary policies of central banks facing potential pick up in inflation. Top Picks, consequently, has adopted a somewhat more cautious stance and raised the hurdle for inclusion. This means a focus on companies that can sustain growth and prosper in harsher economic conditions as well. The portfolio currently has about 20% in cash, giving flexibility should our bottom up approach provide strong conviction cases with attractive risk reward.

In the table below, the current Top Picks portfolio is presented.

Top Picks Portfolio 2018						
Company	**Share (%)**	**Price***	**Base Case**	**Upside (%)**	**Bull Case**	**Bear Case**
Alligator Bioscience	5%	25.35	44	74%	70	20
Cherry	9%	53.2	76	43%	136	26
Elos Medtech	7%	75.2	150	99%	182	110
Enea	6%	85.6	124	45%	186	65
Genovis	11%	3.55	5.2	46%	11.5	2.3
Opus Group	9%	6.65	9.9	49%	15.4	6.1
SyntheticMR	9%	282	315	12%	455	140
THQ Nordic	6%	91.8	96	5%	155	44
West International	18%	13.35	15	12%	28	9
Cash	21%					
Total	**100%**					

** Shareprice as of January 9th, 2018*

Our 5 top tech picks

In this section we describe what makes the following five tech companies attractive investment ideas. All companies in our portfolio and the Redeye Universe are briefly described in the appendix of this report.

Cherry
Cherry is a diversified online gambling company with strong management and promising growth prospects. The integration of the acquired operator ComeOn has caused a temporary setback, but the business should soon be back on track as management issues have been resolved. A resumption of stock performance is expected as the recovery becomes more evident. Meanwhile the subsidiaries Yggdrasil (game development) and Game Lounge (affiliate) are growing rapidly with high margins. Anders Holmgren, CEO, is a major shareholder and also a founder of Betsson. Chairman of the Board, Morten Klein, is the second largest shareholder. We expect Cherry to expand in all its businesses and continue to create shareholder value.

Enea
Another company led by a management with strong track record is Enea, a software company with a history of profitable acquisitions. Enea has transformed from an IT consultant to Software as a Service (SaaS) business, which is now representing the bulk of its revenues. Stability is also provided by long contract periods. The share has been under pressure as the stock market has been concerned about deteriorating business with Ericsson and Nokia. Enea has also faced legal disputes with one of its largest customers. In our opinion, the litigation should rather be regarded as a positive option since the downside by now is zero and upside could be about SEK 1 billion. We regard current valuation multiples as attractive and new acquisitions could add further margin of safety. Over time we expect the market to focus on the prospering parts of Enea that are driving its expansion.

Opus Group
Key reasons to invest in Opus is the stable, profitable, yet somewhat unglamorous vehicle testing business. This has high entry barriers and long contract periods of 8-10 years. Opus is aiming to enter new markets and win new contracts, although not fully substantiated protests from competitors also have resulted in contract cancellations during 2017. We regard this as part of the competitive nature of the industry and not a factor affecting Opus specifically. To counter such conditions, key is geographical reach and a diversified client list, which we believe Opus has. The company also has a competitive technology and is improving margins with its leasing business. Should 2018 become a more "normal" year, the overly pessimistic concerns in our view should abate. To conclude, we regard Opus as a relatively defensive case with promising long-term prospects.

THQ Nordic
Lars Wingefors is founder, CEO and the largest shareholder of THQ. Under his leadership, the company has established a strong games portfolio generating high growth and earnings. An increased focus on producing its own games, instead of publishing others, is positive for margins. We expect THQ to deliver a strong Q4'17 report and the pipeline for 2018 looks very promising to us. At Redeye Tech Seminar 2017, Lars Wingefors declared that he expects to carry out more attractive acquisitions. Given the strong performance last year, we are aware that general expectations have been raised but believe that THQ successfully will execute its strategy and seize opportunities in value adding businesses, thus provide stronger performance sustained over a longer period.

West International
The market capitalization of West International is still relatively low, around SEK 300 million. We find the company interesting as it has turned to profitability and is benefiting from previous years investments in its technical solutions. West is delivering payment solutions to physical stores and is moving up in the value chain, which has a positive effect on margins. The company has achieved the highest regulatory safety certification, which provide protection from new competitors. We believe 2018 will be an important inflexion point in West International's global expansion.

Investment strategy

Redeyes Top Picks portfolio aims to provide a basis of investment ideas for long-term positive returns relative to risk. Management is active and the portfolio consists of a selection of companies from the Redeye Universe where we perceive current risk/reward to be most attractive.

The underlying strategy relies on high-conviction cases, which are found through Redeye's fundamental research. Focus is on value companies where we see opportunities for good returns with reduced risk over a period of at least two years. The investment approach is bottom up, rather than top-down. The underlying, and unrealized, value and catalysts should therefore emanate from within the company rather than from macro factors.

The selection process does not only rely on potential upside in the share price but also on our Redeye Rating. The rating model evaluates important success factors such as experience and track record of company management, the quality of ownership, profit outlook, profitability and financial strength of the company. A company holding in the Top Picks-portfolio is divested if the investment conditions have changed, if the share has appreciated and realized its full value or if the holding can be replaced by other companies with better upside potential.

The holdings in the Top Picks portfolio also follow some basic guidelines. A position may not exceed 30% of the portfolio's total value and not more than 20% of the portfolio's total value at initial purchase. A holding should also not be less than 5% of the portfolio value at initial purchase but can be lower if it has decreased due to negative return. The companies in the portfolio should have proven business models, high growth potential and preferably be close to, or already deliver, profitability.

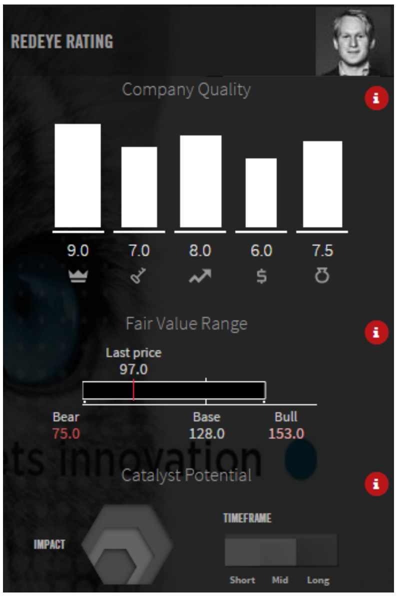
The portfolio is primarily suitable for investors with an investment horizon of at least two years. The portfolio invests primarily in small and medium-sized companies listed on stock markets characterized by high risk but also potential for high return. As the portfolio's investments are concentrated in a limited number of markets, it has a higher risk than an alternative that distributes holdings across several different markets. Shares in small and medium-sized companies may also have lower liquidity and thereby higher risk than larger companies in terms of trading.

Redeye Premium members can follow the development continuously and receive a weekly portfolio update.

Personal notes

Personal notes

Appendix: Research & Rating



Making educated investment decisions

How we cut the deck when it comes to investing

Our proprietary rating system is developed to encourage investors to look deeper into the business characteristics and valuation dynamics before investing in it. There are three key pillars behind our investment philosophy; **business quality**, **margin of safety** and **catalysts**. We have developed unique tools to give investors an accurate picture on each of these three characteristics. These tools will guide the decision making process while taking emotion out of the equation. We briefly introduce the tools below.

Focus on Business Quality

To search for companies with better chances of surviving and potential for achieving long-term stable profit growth, Redeye look at a set of clearly defined fundamental criteria that rate companies based on their quality characteristics. Company Qualities is our tool to illustrate and rate business quality. The rating is based on soft and hard criteria that are grouped into five categories, each represented by a bar in the graphic down to the left.

The company qualities rating

Each category is assessed based on a number of quantitative and qualitative questions structured into different sub-categories or key factors. Each key factor is allocated a number of points and weighted differently according to how important they are deemed to be. The total number of points for these key factors make up the rating for each category respectively, based on a scale that ranges from 0 to 10. The overall rating for each category is indicated by the size of the bar shown in the chart.

Management/Leadership

Our Leadership rating represents an assessment of the ability of the board and management to lead the company in the best interests of the shareholders. Companies need highly qualified management to execute a plan to generate shareholder value. A good board and management can make a mediocre business concept profitable, while a poor one can even lead a strong company into crisis. The factors used to assess a company's management are:

- Execution, Capital Allocation, Communication, Experience, Compensation

Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market in general over time. The factors used to assess Ownership are for example:

- Ownership structure, Owner commitment, Institutional ownership, Abuse of power, Reputation

Profit Outlook

Our Profit Growth Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth or resiliency. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are:

- Business model, Sales potential, Market growth, Market position, Durable competitive advantages

Profitability History

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years:

- Return on total assets, Return on equity, Net profit margin, Free cash flow, and Operating profit margin

Financial Stability/Strength

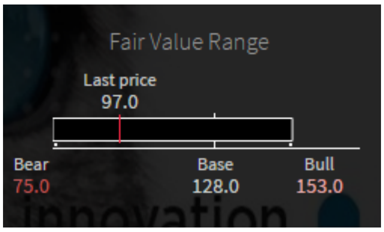
Our Financial Stability rating represents an assessment of a company's operational risks and ability to pay in the short and long term. The core of a company's financial stability is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial stability is based on a number of key ratios and criteria:

- Times-interest-coverage ratio, Debt-to-equity ratio, Quick ratio, Current ratio, Product and customer concentration, Size, Dependence on capital markets, Cyclicality of operations, and Other company-risk factors

The fair Valuation Range approach/Margin of Safety

Account for the unforeseen

Never count on making a good sale at a high price. Instead, purchase the stock at a lower attractive price so that even a mediocre sale gives good results. The entrance strategy is actually more important than the exit strategy. At Redeye it all comes down to our Valuation Range, where we argue that a reasonable margin of safety is achieved when a stock is purchased at price below or on par with our bear-case.



In order to better assess the risk/reward we use a valuation range, which ranges from a bull-case (upside) to a bear-case (downside) scenario. It is critical to ensure that the scenarios are within the realm of reasonableness, and not once-in-a-century events. Looking more closely at the bear-case scenario will help you to have a more balanced view than just focusing on the potential upside in the bull-case scenario, i.e. a sobering reminder that the bull-case always faces a headwind.

When to buy

A vital element to achieving outstanding returns in the long run is having the discipline to avoid investing in companies until their shares are available at a price that provides a good margin of safety. Fortunately, the bipolar nature of the stock market ensures the reliable delivery of these opportunities to the patient investor. At Redeye, margin of safety is heavily conscious of what can go wrong, not what the discount is to fair value. We argue that a reasonable margin of safety is achieved when a stock is purchased at a price below or on par with our bear-case. When you pay significantly less than what the company is worth, you have less potential to fall prey to the market noise and hype. A discount to fair value will not only cushion mistakes, but also provide an enhancement to returns as the margin of safety gap closes.

When to sell

The bull-case serves your sell discipline in order to identify a potential exit. The key here is to really think long-term in the bull-case and be patient. Patient enough to hold good investments at least until the market is willing to recognise its full potential. Once you have taken a position, the bull-case will help you to avoid premature selling. A position in a company should be sold entirely when the share price reflects the bull-case or when cash is needed to take advantage of a superior opportunity elsewhere.

A word about risk

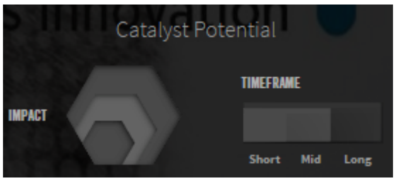
A common mistake investors make is to equate share price volatility with risk. Share price volatility is only a risk for those investors who lack confidence in a fair value or have patience to hold on at least until the markets are willing to recognise the true value. A much better definition of investing risk is the permanent loss of capital. Investors can reduce the incidence of permanent losses of capital by estimating what a company is worth and then paying a lot less. Investors should always be more concerned with the return of their money, rather than the return on their money.

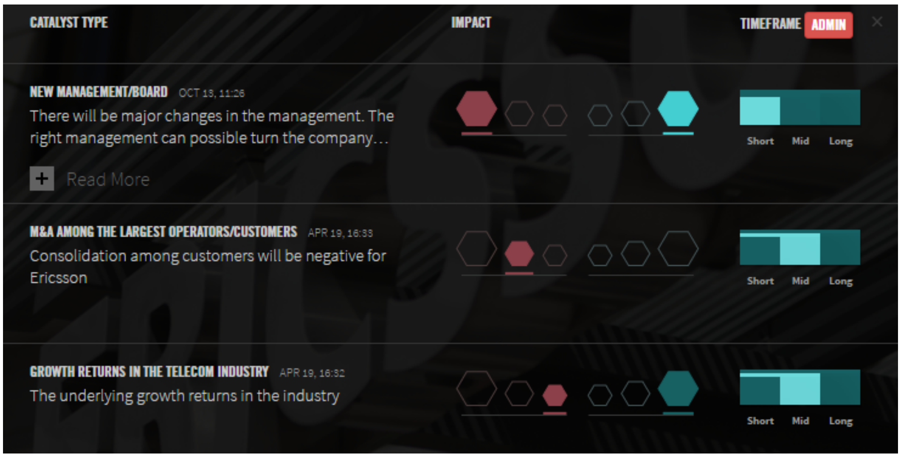
Share price volatility works both ways and to investors who have a margin of safety built into what they are buying and holding, price fluctuations will become opportunities to buy cheap and sell dear. Fundamentals generally don't change from day to day, so market moves are often driven by emotions. Remember that sharp market pullbacks are the best hunting seasons for bargain stocks and that some stocks are cheap for good reasons. If few or no attractive investment opportunities are available, you should protect your capital by moving a significant proportion of it into the safety of cash.

The Key Catalysts approach

Look for catalysts

It is important to look beyond the numbers and seek a likely catalyst, which would unlock value, and estimate how long it will take for the catalyst to play out. These events, or Key Catalysts, reduce risk by narrowing the gap between price and value in a more predictable way. This is particularly important when investing in a low-quality business where time is like a ticking bomb stacked against the company.





At Redeye we define Key Catalysts as an event or a series of events that are expected to bring about change within a timeframe of 3 years. A difference that ultimately will unlock shareholder value or take a serious turn for the worse. This is very important since it will give you a heads up on what signs to watch for, which will help you make better decisions when positive or negative news comes down the road.

REDEYE

How to use key catalyst

The Key Catalysts table is divided into five different elements that are described below:

Expected catalyst

Description of potential events, which could be catalysts to cause the stock to perform significantly different than its peers or the broader market. It explains how the catalysts are expected to affect our model assumptions, the change to the financial forecast (i.e. firm cash flow, growth, profitability or risk) or investor sentiment.

Expected data range

Estimate of when the event is about to happen, could be short or long term in duration.

Potency

Estimate the potency of the event to move the share price up or down rated on a scale of 0 to 3 as shown in the figure below.

Scale	Definition
3 - Major	Major impact on the share price by affecting the sentiment and valuation in both short and long term
2 - Moderate	Moderate impact on the share price by affecting the sentiment and/or valuation in both short and long term
1 - Minor	Minor impact on share price by affecting the sentiment and/or and valuation in short term
0 - Negligible	Negligible impact on share price

Likelihood (up & down)

Estimate the likelihood for respectively up- and downside scenario to occur rated on a scale of 0 to 3 as shown in the figure below.

Rating	Definition
3 - Highly Likely	It is highly likely that the scenario will occur
2 - Possible	There is a possible/even chance that the scenario will occur
1 - Unlikely	It is unlikely that the scenario will occur
0 - Extreme	The scenario is extremely unlikely to occur

Personal notes

REDEYE

Publication date

January 12 2018

A3 ATRE

Company page

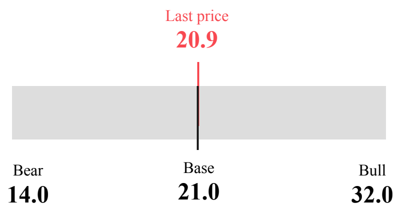
https://www.redeye.se/company/a3

Redeye Rating

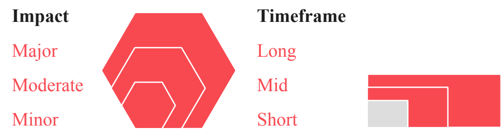
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

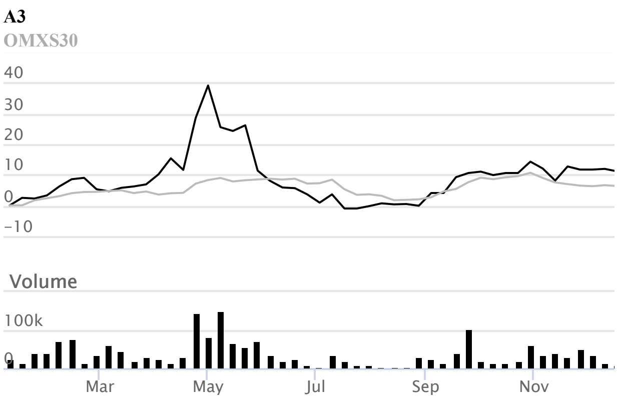


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Johan Hellström
Chairman	Thomas Nygren

Share information

Share price (SEK)	20.9
Number of shares (M)	32.9
Market cap (MSEK)	680
Net debt (MSEK)	77

Analyst

Havan Hanna

havan.hanna@redeye.se

Conflict of interests

Havan Hanna owns shares in A3: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	694	856	901	952
Growth	*-11.6%*	*-11.3%*	*23.2%*	*5.3%*
EBITDA	80	76	91	116
EBITDA margin	*11.5%*	*8.9%*	*10.1%*	*12.2%*
EBIT	35	22	32	57
EBIT margin	*5.1%*	*2.6%*	*3.6%*	*6.0%*
Pre-tax earnings	31	18	25	50
Net earnings	31	21	23	39
Net margin	*4.5%*	*2.5%*	*2.5%*	*4.1%*
Dividend/Share	1.50	1.50	1.50	1.50
EPS adj.	1.17	0.65	0.69	1.20
P/E adj.	17.9	32.2	30.1	17.5
EV/S	0.9	0.9	0.8	0.8
EV/EBITDA	7.7	9.9	8.4	6.4

Last updated: 2017-12-07

Owner	Equity	Votes
Mark Hauschildt	46.8%	46.8%
On Top Of It AB	8.4%	8.4%
Wilderness Consulting Sweden AB	8.4%	8.4%
Sfö Holding Söder AB	5.1%	5.1%
Pemberton Holding Limited	4.0%	4.0%
Öhman Fonder	3.1%	3.1%
Ola Norberg	3.0%	3.0%
Hans Hellspong	2.4%	2.4%
Thomas Nygren	1.6%	1.6%
Stefan Häge	1.5%	1.5%

Company description

A3 (former AllTele) is a challenger on the Swedish telecommunications and broadband market, and the stock has been traded on Nasdaq OMX Stockholm, Small Cap since 15 June 2009. A3 currently has one of the market's broadest product portfolios for retail customers and small and medium-sized companies, including fixed telephony, mobile telephony, broadband, internet services, TV and cloud-based business services. In 2016, sales and EBIT amounted to SEK 694 million and SEK 35 million respectively.

Investment case

- Acquired a fast growing fiber operator (T3)
- “New tech” customer base mitigates negative growth
- Cross-selling opportunities
- New strategy (Q1’2017) – an IT company

New tech customer base mitigates negative growth

T3 has experienced strong growth, averaging 25 percent per annum in the past 5 years, and achieved EBITDA of close to SEK 20 million SEK 170 million in sales during 2016. T3 contributes with a fast-growing fibre business that will be able to counteract former AllTeles negative growth in older access types. As of December 7, 2017, AllTele changes its name to A3.

Over the past 13 quarters, since Q2 2013, former AllTele has lost an average of 2 percent of its customer base in every quarter, including acquisitions. Market churn in old tech has clearly been a tough struggle for some considerable time, and this is now alleviated (in overall terms) with the acquisition of rapidly-growing T3. The combination of T3’s rapid growth and former AllTele’s stagnant/slightly declining sales means that A3 has returned to a long-awaited moderate growth in total revenues. Continued strong growth for T3 is a key factor in the investment case. We believe that T3’s track record, focus and corporate culture suggest that it should at least be able to match the market growth for fibre.

Cross-selling opportunities

There are clear cross-selling opportunities. A3’s corporate offering is expanded to include the capability of cloud, hosting and colo, one of the few things that former AllTele has neither offered nor attempted to offer. T3’s data centre venture is profitable despite its newness. A3 can in turn offer mobile services, mobile broadband and switching solutions to T3 customers, which could particularly (but not exclusively) help T3 in its corporate venture.

New strategy – an IT company

The "new" A3 presented its strategy during the report for the first quarter of 2017. Products are divided into two product areas, Sunrise (growth areas) and Sunset (areas with negative growth, mainly copper-based services). Naturally, focus is on Sunrise and especially on corporate and IT services. Above all, the strategy is unique to the company's two closest competitors, Bredband2 and Bahnhof. Competition in this category looks different, with actors like ATEA, Elgiganten, Dustin, etc. In terms of competition, A3 is unique as the company comes from the telecom side - whether it's an advantage is too early to recall but if the strategy plays out well, the potential is big.

The main **risks** are linked to:

Continued integration problems: There is a considerable integration risk considering former AllTeles weak historical track record regarding the integration of acquisitions. The new strategy (IT company) will also partly be driven by acquisitions, A3 has already acquired two smaller IT companies.

Price pressure: Telecom operators differs mainly with price, which is rarely good in the long run. Bigger players with more resources and higher margins are better qualified in terms of the price pressures than A3, which instead comes from several long-term restructuring programs. However, consolidation in the industry, not least in the form of the T3 acquisition, should lower the risk for price pressure.

Network fees: Network owners' fees also represent a potential risk that should be carefully taken into account. The network fees are monitored by Post och Telestyrelsen (PTS), but may still pressure the gross margin.

Catalyst types

Growth within Sunrise

Growth within Sunrise has not accelerated yet - integration, strategy work and operational restructuring have probably taken place at the expense of growth. The result of this work should be shown in 2018 and have a positive impact on the stock.

The corporate side

Although profitability is secondary here and now, the company's ability to mitigate gross margin pressures will be important in the long-term. Increased corporate sales will be central to improve gross margins as the corporate side has higher gross margins but also to drive growth.

Personal notes

Publication date

January 12 2018

Addnode Group ANOD B

Company page

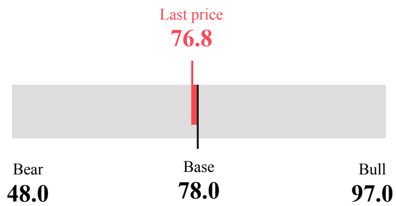
https://www.redeye.se/company/addnode-group

Redeye Rating

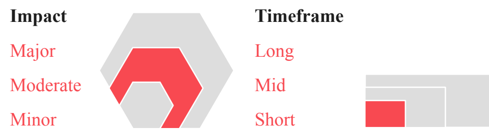
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

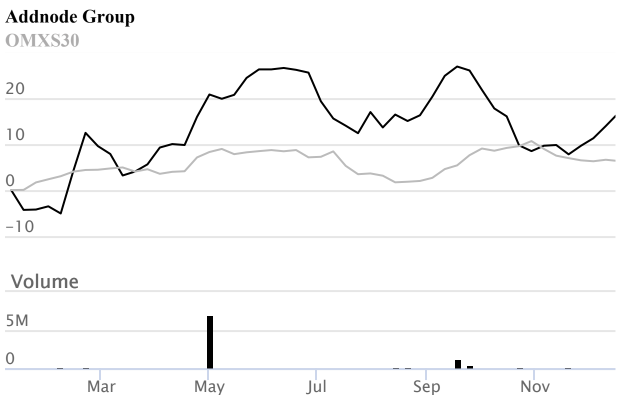


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Johan Andersson
Chairman	Staffan Hanstorp

Share information

Share price (SEK)	76.8
Number of shares (M)	30.4
Market cap (MSEK)	2,337
Net debt (MSEK)	378

Analyst

Johan Svantesson
johan.svantesson@redeye.se

Conflict of interests

Johan Svantesson owns shares in Addnode Group: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	2,195	2,514	2,747	2,897
Growth	*16.5%*	*15.5%*	*14.5%*	*9.3%*
EBITDA	185	199	277	318
EBITDA margin	*8.5%*	*7.9%*	*10.1%*	*11.0%*
EBIT	114	111	191	233
EBIT margin	*5.2%*	*4.4%*	*7.0%*	*8.0%*
Pre-tax earnings	109	103	186	233
Net earnings	82	79	145	181
Net margin	*3.8%*	*3.2%*	*5.3%*	*6.3%*
Dividend/Share	2.25	2.35	3.00	3.50
EPS adj.	2.70	2.61	4.78	5.97
P/E adj.	28.4	29.4	16.1	12.9
EV/S	1.1	1.1	1.0	0.9
EV/EBITDA	13.0	13.6	9.8	8.3

Last updated: 2017-11-04

Owner	Equity	Votes
Dick Hasselström	24.4%	27.2%
Staffan Hanstorp & Jonas Gejer	12.4%	23.9%
Swedbank Robur Fonder	9.6%	7.4%
Lannebo Fonder	7.7%	5.9%
Handelsbanken Fonder	5.0%	3.8%
Didner & Gerge Fonder	3.3%	2.6%
Fjärde AP Fonden	2.9%	2.3%
Martin Gren	2.6%	2.0%
Öhman Fonder	2.3%	1.8%
Tredje Ap-Fonden	1.3%	1.0%

Company description

Addnode Group was established in 2003 and is listed on Nasdaq OMX Stockholm. In 2016 Addnode had a turnover of SEK 2.2 billion, with an EBITDA of SEK 113million. Addnode Group is divided into three business areas: Design Management, Product Lifecycle Management, Process Managemen. The business segments operate in different regions with about 25 different brands. Operating margin varies considerably between the various business areas where the most profitable can perform up to 20 percent. Addnode Group uses a very decentralized management model where the individual subsidiaries are run by management teams to maintain an entrepreneurial spirit. A key growth strategy in Addnode Group is to grow through acquisitions, which they managed to do successfully in recent years. The company's own financial goals is to reach a growth of 10% per year (both organically and through acquisitions), an EBITA margin of 10% and at least 50% of profit after tax will be distributed to shareholders.

Investment case

- Addnode has a history of highly successful acquisitions due to their prime focus on a fair price, good people, and management in place. We believe the market underestimate the value enhancement coming acquirement's will bring to the shareholders.
- In recent years the company has initiated a strategy called “Nordic plus.” We believe the markets outside of the Nordics poses great organic growth opportunities for Addnode, something the company previously has been lacking; this could motivate an increased valuation.
- Addnode focus on developing and selling proprietary developed add-on software, as a complement to their more standardized third-party offering. Increased revenue from their proprietary software would benefit the profitability to a great extent.

Recurring revenue amounts to more than 50% of sales

Addnode Group differs from the traditional IT consulting company since it builds its business around their proprietary software and third-party software. As a result, Addnode has a high share of recurring revenue, which is expected to continue to grow in the coming quarters. These qualities make us believe that the company should be valued at a higher premium compared to its industry peers and that it rather should be valued in line with software companies. A repositioning of Addnode Group from an IT consulting company to being more comparable to a software company should be able to drive the valuation of the company.

Addnode has carried out more than 40 acquisitions since 2003

Addnode Group has for a long time been one of our favorites in the IT consulting sector. The company is one of the few IT consultants that has successfully managed to grow through acquisitions, which is an important feature since most IT consulting firms have found it difficult to grow organically in recent years. With its three different business areas, the company has managed to identify interesting niches. It has taken a leading Nordic position in most of these niche markets, and this is the company's ambition for all of its business areas. The strategy has now been expanded and is called "Nordic plus", where the plus at the moment stands for the UK and Germany. The three different business areas reduce the risk in the company. Finally, we believe that the company is well positioned for a healthy growth in the coming years.

Catalyst types

International expansion

Continued international expansion. Addnode acquired their first company in GB, in 2014 and Germany during 2015. The announcement of additional acquisitions in GB, Germany or other markets may potentially increase general market exposure and growth opportunities.

Personal notes

Publication date

January 12 2018

Allgon ALLG B

Company page

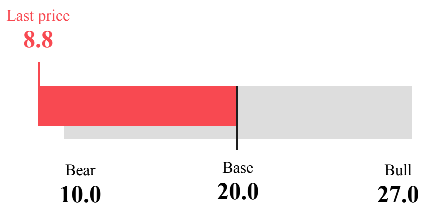
https://www.redeye.se/company/allgon

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

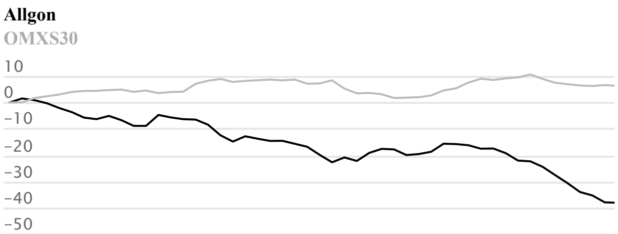
FAIR VALUE RANGE

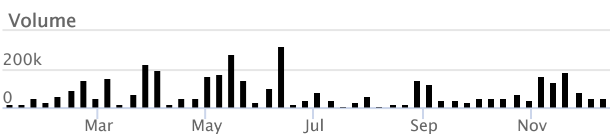


CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Johan Hårdén
Chairman	Sven von Holst

Share information

Share price (SEK)	8.8
Number of shares (M)	21.1
Market cap (MSEK)	179
Net debt (MSEK)	15

Analyst

Dennis Berggren
dennis.berggren@redeye.se

Conflict of interests

Dennis Berggren owns shares in Allgon : No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	140	209	254	291
Growth	*33.8%*	*21.3%*	*49.4%*	*21.7%*
EBITDA	-18	12	20	26
EBITDA margin	*Neg*	*5.6%*	*8.0%*	*8.9%*
EBIT	-24	5	13	20
EBIT margin	*Neg*	*2.4%*	*5.0%*	*7.0%*
Pre-tax earnings	-25	2	10	19
Net earnings	-25	3	10	19
Net margin	*Neg*	*1.3%*	*4.0%*	*6.5%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.34	0.13	0.52	0.95
P/E adj.	-6.6	66.6	17.0	9.3
EV/S	1.3	0.9	0.7	0.6
EV/EBITDA	-10.1	16.8	9.3	6.6

Last updated: 2017-11-16

Owner	Equity	Votes
Verdane Capital	37.4%	37.4%
Tibia Konsult AB	13.2%	13.2%
Svenska Handelsbanken AB for PB	10.3%	10.3%
Jan Robert Pärsson	2.9%	2.9%
Bo Lengholt	2.1%	2.1%
Kmh Viken AB	1.9%	1.9%
Erik Yngve Andersson	1.7%	1.7%
Avanza Pension	1.7%	1.7%
Elementa	1.6%	1.6%
Charlotte O Bric	1.4%	1.4%

Company description

The Allgon group is a Swedish company group consisting of Åkerströms, Smarteq, Wireless System Integration, Satmission and Allgon Supply. The group's niche companies develop and sell industrial IoT-solutions, digital communication systems, cloud-based infrastructure and wireless solutions for demanding environments. The global customer base is found within the automotive, mobile- and telecom, transportation, construction and broadcasting sectors.

Investment case

- The current share price implies rather low expecations of the company. We expect this to change as Allgon delivers high sales growth and improved profitability.
- Increased profitability in all segments: Allgon has recently performed several activities in Åkerströms to increase the company's profitability. Togheter with the existing potential synergies, we see great opportunities for Allgon to increase the profitiability in all segments.
- High potential upside: Our estimated fair value range of 10-27 SEK per share implies that there is a great potential upside given that Allgon delivers according to our expectations.

Allgon was a favorite stock for many retail investors in the late nineties. After numerous parts of the business were sold, what remained of Allgon on the Swedish stock exchange conducted relatively inconspicuous activities under the Smarteq brand. Success with its major customer Volvo AB turned to disappointment when Volvo chose to walk away from Smarteq's antennas. The Allgon name is back, but now as a group of companies offering a broader portfolio of wireless communication solutions for industry and with a plan to grow aggressively. We argue that the market's expectations on Allgon are too low and we further argue that the market fails to see where Allgon is heading. We believe the market's perception will change as the group starts to deliver on its objectives and intensifies its focus on market communications. The market for wireless industrial solutions is predicted to grow strongly, and Allgon is well positioned to benefit from this expansion. Interesting areas include smart metering, infrastructure for electric cars, and the ongoing digitalization of industry, with more and more machines and processes being connected.

There are also good opportunities for Allgon to strengthen its international presence. Chinese industry, in particular, is increasingly starting to move toward greater automation and more intense consideration of health and safety, where the Allgon group's solutions are well positioned. In May 2015 Allgon acquired the aftermarket business of antenna manufacturer Kathrein, which, in addition to a number of products, gave Allgon access to a strong distribution network with great potential to also sell products other than those included in the acquisition of the aftermarket business.

Take part in a growth journey

Allgon's aim is to grow both organically and through acquisitions, and we see good opportunities for value-creating acquisitions as well as organic growth. Allgon is at an early stage of its growth journey, this gives investors an opportunity to take a position with a high potential upside, although associated with rather high risk. Of course there are plenty of challenges, and it takes hard work to successfully integrate acquisitions and to realize synergies. Allgon currently wants to acquire primarily companies with sales in the order of SEK 30-100 million. Minor acquisitions can often demand as much time and resources Allgon as larger ones, and given Allgon's small organization it will have to be careful in choosing what acquisitions to make. Despite the challenges we see great opportunities for Allgon going forward. The company has a healthy outlook on how to work with acquisitions. The idea is to acquire companies that can benefit from the shared resources of the Allgon group in supply chain excellence as well as and in marketing, sales and distribution, while allowing them to retain a high degree of autonomy.

Attractive opportunity to invest

We see great opportunities for the existing companies to grow and improve their profitability. Not least, we believe the ongoing efforts to scale up international sales for both the antenna business and Åkerströms will lead to strong revenue growth. The recent acquisitions of WSI and Satmission will further bolster sales growth and add to the company's profitability. We believe Allgon's intensified focus on enhancing profitability will improve earnings from 2018 and forward. The share is currently overlooked by the bulk of investors. We believe the market will discover Allgon in future, leading to a revaluation, and there are plenty of short-term and medium-term catalysts that could trigger this revaluation.

Challenges and potential risks

The greatest risk of an investment is that Allgon fails to deliver on expectations. We believe that the company's greatest challenge is to continue to generate sales growth while enhancing the profitability in all segments. To summarize, we find the following challenges for Allgon:

- **Efficiently integrate acquired companies in the group** - Acquisitions of new companies are not easy as things seldom turns out exactly as planned. Even if the companies are operated with high degrees of autonomy, they are to be included in the Allgon group. We find it especially important to acquire companies that envisage clear advantages of being incorporated in the Allgon group.
- **Increase profitability in all segments** – Allgon recently returned to show positive earnings. We believe that Allgon's challenge is to continue to increase the profitability in all segments.
- **Achieve organic sales growth in underlying companies** – Even if Allgon has a strategy to grow through acquisitions, it is important to achieve organic sales growth in all companies belonging to the Allgon group. We find this especially important as there exist potential economies of scale in the underlying companies.

Catalyst types

Additional acquisitions

Allgon intends to pursue a strategy involving both organic and acquired growth. Provided that acquisitions follow an industrial and strategic logic and that financing is obtained in a shareholder friendly way, we believe the market's reaction will be positive.

Personal notes

REDEYE

Publication date

January 12 2018

Anoto ANOT

Company page

https://www.redeye.se/company/anoto

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

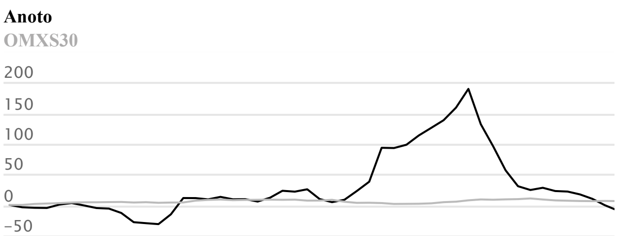
COMPANY QUALITY

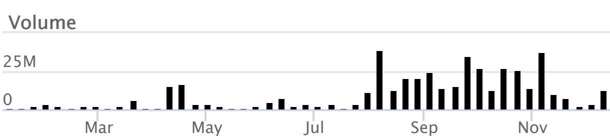
FAIR VALUE RANGE

CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Joonhee Won
Chairman	Jörgen Durban

Share information

Share price (SEK)	5.2
Number of shares (M)	102.1
Market cap (MSEK)	510
Net debt (MSEK)	32

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Anoto: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	236	211	340	429
Growth	*36.6%*	*22.2%*	*-10.5%*	*61.2%*
EBITDA	-170	-6	69	113
EBITDA margin	*Neg*	*Neg*	*20.2%*	*26.2%*
EBIT	-240	-14	54	93
EBIT margin	*Neg*	*Neg*	*16.0%*	*21.6%*
Pre-tax earnings	-246	-38	42	90
Net earnings	-243	-36	42	90
Net margin	*Neg*	*Neg*	*12.4%*	*20.9%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.13	-0.02	0.41	0.81
P/E adj.	-39.1	-240.9	12.5	6.4
EV/S	40.5	41.8	1.6	1.2
EV/EBITDA	-56.2	-1,447.9	8.1	4.5

Last updated: 2017-11-12

Owner	Equity	Votes
Avanza Pension	6.0%	6.0%
Dimensional Fund Advisors	4.9%	5.3%
Nordnet Pensionsförsäkring	2.8%	2.8%
Swedbank Försäkring	0.6%	0.6%
Annika Lindh	0.4%	0.4%
Mikael Bengtsson	0.4%	0.4%
Handelsbanken Liv Försäkring AB	0.4%	0.4%
Livförsäkringsbolaget Skandia	0.4%	0.4%
Torbjörn Jönsson	0.3%	0.3%
Tommy Krister Mickelsson	0.3%	0.3%

Company description

Anoto is a global, combined hardware and software company within digital writing and pattern technology. Anoto's old pen hardware business in education, note taking and forms remains important in order to reach a profitable revenue base. The R&D focus now, however, is on licensing the pattern technology for customers in various industries in the need for unique patterns. In addition to the uniqueness Anoto states that its pattern is fully invisible in comparison with competing technologies.

Investment case

- Massive cost cuts will be visible in H2'17
- Highly scalable ADNA business can move the needle
- ADNA orders are the main driver of the share price
- The stock market discounts a larger ADNA potential than us

Massive cost cuts will be visible in H2'17

Following massive cost cuts bringing down the number of employees from around 180 to 40 Anoto now has a stable base to reach break-even from the following three applications: education (Pen Generations & TStudy), note taking for students and other retail purposes (Livescribe) and forms (Enterprise Solutions). We do not see huge, double digit growth potential ahead in any of these three cash cow segments but each of them has rather stable sales and is expected to reach break-even levels in 2017.

Highly scalable ADNA business can move the needle

The profits from the three cash cow segments segments will be used to invest in monetizing Anoto's pattern – the so called Anoto DNA (ADNA), which is what could really move the needle of the scale, given the potential of quintillion units. Our bear and bull fair value range is therefore completely dependent on ADNA"s total success or failure respectively. One thing that is for sure is that the market for ADNA is immature. We therefore suspect that building the eco system for these brand new application areas could take longer than expected as the customers require education, partnerships need to be closed etcetera. Competitors, especially Digimarc, which has been addressing the market for patterns for a longer period have first mover advantages.

ADNA orders are the main driver of the share price

Needless to say, ADNA orders are the most important driver for the Anoto share.

The stock market discounts a larger ADNA potential than us

ADNA's enormous potential addressable market has a strong sex appeal for the stock market but the uncertainty around ADNA is high as the first deal is still pending and there is a lack of information around the area, especially in how Anoto should catch up with first movers like Digimarc. In this kind of environment the stock market is therefore prone to speculate on the prospects of ADNA, which can be for the good as well as the bad. At the moment the stock market is discounting a higher ADNA potential than our base case of SEK 4.

Bear points - the most important risks and counter arguments

In this subsection we pay attention to and rank the, according to us, most severe counter arguments against our investment case (for details see our latest analysis update):

- **Discontinuation of ADNA**
- **Need to raise capital during a severe financial crisis**

Catalyst types

Adna orders

Anoto DNA is the new business area and a scalable one with license margins of 100 percent. Orders verifying that this strategy is correct will move the share price.

Need to raise further capital

Delays in Anoto's large, potential deals will force Anoto to raise further capital. It should be noted, however, that the company did not burn any cash in Q2'17 but given the historical failures we do not rule out the financing risk just yet

Personal notes

Avtech Sweden AVT B

Company page

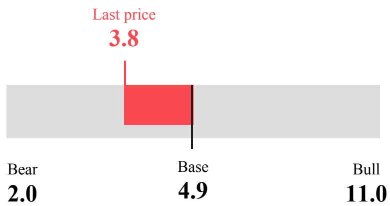
https://www.redeye.se/company/avtech-sweden

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL

Impact

Major

Moderate

Minor

Timeframe

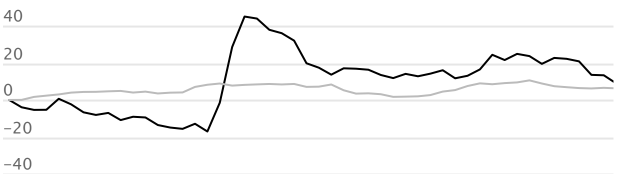
Long

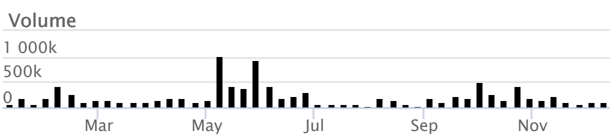
Mid

Short

Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Christer Fehrling
Chairman	Bo Redeborn

Share information

Share price (SEK)	3.8
Number of shares (M)	56.5
Market cap (MSEK)	220
Net debt (MSEK)	-19

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Avtech Sweden: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates	
	2016	**2017E**	**2018E**	**2019E**
Revenue, MSEK	12	16	30	48
Growth	*2.7%*	*-18.8%*	*35.5%*	*82.9%*
EBITDA	-8	1	9	18
EBITDA margin	*Neg*	*9.0%*	*30.1%*	*38.1%*
EBIT	-11	-3	2	12
EBIT margin	*Neg*	*Neg*	*7.7%*	*25.0%*
Pre-tax earnings	-11	-3	2	12
Net earnings	-11	-3	2	10
Net margin	*Neg*	*Neg*	*6.1%*	*20.0%*
Dividend/Share	0.00	0.00	0.03	0.14
EPS adj.	-0.20	-0.05	0.03	0.17
P/E adj.	-19.1	-74.3	116.9	22.4
EV/S	15.7	11.9	6.5	4.0
EV/EBITDA	-24.7	133.0	21.7	10.5

Last updated: 2017-10-25

Owner	Equity	Votes
Avanza Pension	16.8%	7.1%
Lars Lindberg	8.0%	28.5%
Christer Fehrling	4.8%	6.1%
Peter Muth	2.6%	1.1%
Mats Tonsjö	2.6%	1.1%
Lars Bäckvall	2.4%	1.7%
Cda Förvaltning AB	2.0%	0.8%
Johnny Olsson	1.8%	0.8%
Nordnet Pensionsförsäkring	1.7%	0.7%
Lars Wahlund	1.7%	0.7%

Company description

AVTECH is the current world-leader in software solutions for full flight and time-based operations. After years of significant research and commercialization issues, the company has materialized a 5 year contract for the Aventus NowCast product with Southwest Airlines (SWA), proving its commercial viability with one of the largest commercial airlines in the world. The contract with Southwest is and will be paramount to enhance its cash flow in the coming years. The contract is also important in order to extend the product portfolio into new segments and to successfully attain several other related customers in its procurement processes within the segments of low-cost airlines, legacy carriers and cargo airlines.

Investment case

- The announced product shift in 2016 to Aventus Full Flight is a significant driver of value as the fuel savings can be between 7-30 times larger than Aventus Descent. This scenario is likely due to AVTECH's existing relation to SWA and the almost non-existent competition.
- By far the most important factor for this company and the stock is essentially its speed in securing new contracts to ensure a strong position in the market for full flight systems which would lead to fulfillment of expectations.
- The partnership with Met Office creates a long term value in AVTECH. The product Aventus Nowcast becomes more valuable on the market at the same time as cost is reduced for AVTECH. This collaboration will also create value in additional services to the Aventus Nowcast service.
- The company's largest single risk is that of full flight planning system providers searching for less competitive arenas and successfully developing equivalent products. Other significant risks include prolonged procurement processes due to regulatory or organizational circumstances.

AVTECH is the current world-leader in software solutions for full flight and time-based operations. After years of significant research and commercialization issues, the company has materialized a 5 year contract for the Aventus NowCast product with Southwest Airlines (SWA), proving its commercial viability with one of the largest commercial airlines in the world. The contract with Southwest is and will be paramount to enhance its cash flow in the coming years.

The announced product shift in 2016 to Aventus Full Flight is a significant driver of value as the fuel savings can be between 7-30 times larger than for Aventus Descent. Thus the total EBIT from a key contract such as Southwest alone from all flight segments, can be between SEK 10 – 30 million in a yearly basis, in the lower interval symbolizing conservative assumptions and more optimistic in the higher intervals.

By far the most important factor for this company and the stock is essentially its speed in securing new contracts to ensure a strong position in the market for full flight systems which would lead to fulfillment of expectations. Furthermore, AVTECH has been able to develop a competitive edge, although temporary, by focusing its efforts on the specialization in small undeveloped niche segments. 10 contracts of various sizes are estimated to be attained in the next 6-24 months according to our analysis.

In 2016 a partnership agreement with Met Office, United Kingdom's national weather service, was announced. The partnership creates a long term value in AVTECH. The product Aventus Nowcast becomes more valuable on the market at the same time as cost is reduced for AVTECH. This partnership will also create value in additional services to the Aventus Nowcast product creating data delivery with extreme weather condition information from turbulence, extreme winds, thunders and lightnings.

In 2017 a collaboration project between Met Office, EasyJet and the airport at Gatwick in London was annonced. The purpose of the project is to improve the efficiency of arriving aircrafts to Gatwick using AVTECH's product Aventus as a timing tool in so called Time Based Operations. This deepens the relationship with Met Office and EasyJet. It will also prove AVTECH's as a solution in the eco system between aircrafts and airports which is one of the company's biggest visions.

The company's largest single risk is that of full flight planning system providers searching for less competitive arenas and successfully developing equivalent products, thereby bypassing the patent protection. This would significantly impair the projected intake of contracts and revenue estimates. Other significant risks include; prolonged procurement processes due to regulatory or organizational circumstances, risk of significant estimation deviation due to limited pricing transparency of current contracts, and the possibility of extended procurement processes due to priorities of cost-savings actions.

Catalyst types

Commercial agreement with lufthansa group subsidiary

As communicated in the press release were the commercial agreement between AVTECH and Lufthansa Cargo was annonced: "each airline in the group independently decides if they will join the signed agreement". This should mean that each subsidiary does not have to evaluate the product for 12 months like Lufthansa Cargo. It is more likely there will be no need at all to evaluate the product which means a commercialization with a subsidiary could be imminent. In this business this however means 3-12 months.

Ramp up with easyjet

The ramp up with easyJet started in June 2017. We think the contract will generate approximately SEK 4 million the first 12 months. A success with EasyJet contract is of important on two levels. The most obvious part is that it improves AVTECH's financial strength. In addition it also doubles the number of key customers, reducing the risk across the whole business while improving bargaining position in future collaborations.

Contract extension

Southwest extends its Aventus NowCast Descent agreement in to Aventus Full Flight. There are two major reasons for this; Southwest does have a clear intention of an flight phase efficiency system and that Airlines generally want to standardize its systems. A contract with SWA for Aventus Full Flight would come to a substantial benefit in future procurement processes with other airlines.

Publication date

January 12 2018

Axichem AXIC A

Company page

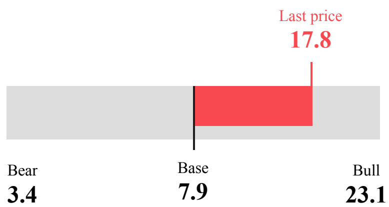
https://www.redeye.se/company/axichem

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

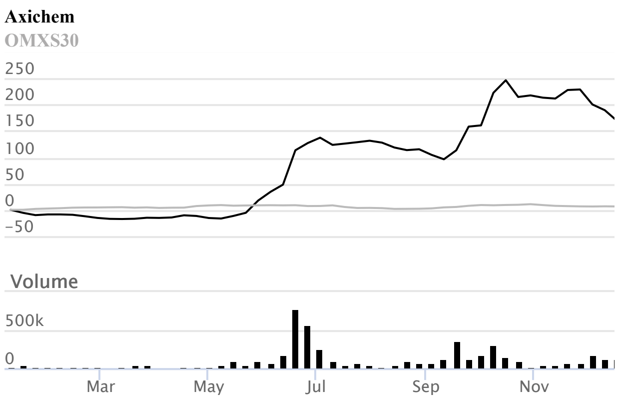
FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Torsten Helsing
Chairman	Jan Gustavsson

Share information

Share price (SEK)	17.8
Number of shares (M)	14.8
Market cap (MSEK)	256
Net debt (MSEK)	19

Analyst

Johan Svantesson
johan.svantesson@redeye.se

Conflict of interests

Johan Svantesson owns shares in Axichem: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	0	0	5	17
Growth	*33.8%*	*-99.2%*	*25.0%*	*>100%*
EBITDA	-6	-7	-4	2
EBITDA margin	*Neg*	*Neg*	*Neg*	*12.0%*
EBIT	-6	-7	-4	0
EBIT margin	*Neg*	*Neg*	*Neg*	*2.3%*
Pre-tax earnings	-6	-7	-4	0
Net earnings	-6	-7	-3	0
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	-0.46	-0.23	-0.03
P/E adj.	N/A	-38.6	-76.7	-677.5
EV/S	805.3	55,131.1	53.8	17.3
EV/EBITDA	-0.5	-41.4	-72.3	144.5

Last updated: 2017-12-04

Owner	Equity	Votes
LMK-bolagen & Stiftelse	15.5%	15.5%
Manakin Ltd.	12.4%	12.4%
Avanza Pension	9.0%	9.0%
Danica Pension	4.7%	4.7%
Nordnet Pensionsförsäkring	2.7%	2.7%
AB Redotem	2.6%	2.6%
Bengt Jaller	2.5%	2.5%
Joachim Kuylenstierna	2.4%	2.4%
Pierre Sahlstrand	2.0%	2.0%
Per Vasilis	1.7%	1.7%

Company description

aXichem's business model is to develop, patent and market natural analogue industrial compounds. The company works primarily with Phenylcapsaicin, a synthetically produced and patented capsaicin with wide applications in a variety of areas, such as feed supplements, marine anti-fouling paint and individual pharmaceuticals.

Investment case

- Product potential: aXichem has completed trials in which aXiphen® demonstrated high potential in terms of salmonella prevention and increased the growth of chickens by 5-9% compared with the control group. Studies have also shown that aXiphen® inhibits salmonella in pigs.
- There has been a major revaluation of the share: This is most likely due to the positive results communicated by the company in connection with the completed studies. We believe, however, that there is uncertainty as sales have not yet begun.
- The importance of regulatory approval: Because Novel Food approval has been postponed, GRAS has become important for the company. Unsuccessful or delayed GRAS approval could result in delayed commercialisation.
-

Product potential

aXiphen® as an additive in animal feed has two main benefits. It inhibits salmonella and accelerates the growth of chickens. The fact that aXiphen® inhibits salmonella should mean that the product is particularly interesting for chicken breeders and pig farmers. To put salmonella in perspective, social costs in the US alone are estimated at almost USD 3 billion annually. In addition, aXiphen® helps to accelerate the growth of chickens, which in our opinion makes the product even more interesting. For example, nearly 120 million tonnes of chicken are produced annually, with a global value in excess of USD 315 billion (Statista, National Chicken Council).

Completed studies with interesting results

In 2016, the company focused on producing data proving the effectiveness of its product as a component of chicken feed. A comprehensive field study was conducted in collaboration with the College of Veterinary Medicine at South China Agricultural University and the Department of Biology at the University of Bergen. The final report was positive and exceeded previous studies in the preventive effect of aXiphen® against salmonella and the compound's properties as a growth promoter for chickens. More specifically, aXichem conducted two studies in China. In the first study, the climate became too cold to confirm any salmonella effects, but showed that chickens fed aXiphen® had a weight gain of about 5 percent compared to chickens that did not receive aXiphen® in their feed. To evaluate the salmonella effect a new study was made. That study showed a growth increase averaging 9 percent and a clear positive effect when it came to reducing the presence of salmonella. The result of the study showed no salmonella in either the caecum or the spleen in the chickens that received aXiphen® in their feed. This can be compared to 28% and 8% in the control group. In addition, during the first half of 2017 aXichem announced positive results from the tests carried out by the company together with feed manufacturers in Europe. The tests were carried out in both chicken breeding and pig farming. In chicken breeding, the tests showed positive results on both the growth of chickens and as a salmonella inhibitor. In the pigs, aXiphen® was used as a salmonella inhibitor, which also showed a good result.

Regulatory agreements in sight

At the beginning of 2017, we wrote that with Novel Food approval in sight the fundamentally important factors were beginning to fall into place. Now, the goal is to have an application ready before the end of the year. This will then go through the process required for approval, which means that the timetable has been revised and there is still a relatively high level of uncertainty regarding aXichem and its sales. On the plus side, the company has announced that it has applied for GRAS approval, which means it aims to sell in the US market. GRAS makes it possible to reach the market via a shorter route. The GRAS dossier is now ready and the review work has been completed, which means that aXichem is waiting for publication of an expert-reviewed article.

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Counter thesis

Despite the potential of the product and the interesting results from the studies, there are uncertainties and risks with an investment in the company. We have summarised the most obvious ones below in our counter thesis.

Further delay in regulatory approvals: This would entail delayed commercialisation. We have adjusted our initial forecast with approval in mid-2017 to now expect approval in 2018.
Sales are delayed: If sales do not get started this will impact the company and additional funding may become necessary (see below).
Additional financing need: aXiphen® commercialisation would require both good marketing skills and large amounts of cash initially. If the company fails to receive orders, there is a risk that a new issue will be necessary in 2018.

Catalyst types

GRAS approval
We expect GRAS approval for food in early 2018. Feed approval is expected 3-4 months thereafter. GRAS approval will allow aXichem to launch sales in the US market.

Commercial breakthrough
aXichem has conducted a number of studies on its aXiphen® product. We believe that a major commercial breakthrough is approaching and we regard this as a significant potential catalyst for the company. At the current share price (about SEK 16-19 per share), however, we argue that the stock market expects sales in the near future.

Novel Food approval
Novel Food approval would mean that aXichem is allowed to sell aXiphen® as an additive in animal feed and dietary supplements in Europe. The completed dossier was expected to be submitted by the end of December, which means that an approval could be in place by mid-2018. In a pessimistic scenario, we expect the approval to be in place by the end of 2018.

REDEYE

Publication date

January 12 2018

Bambuser BUSER

Company page

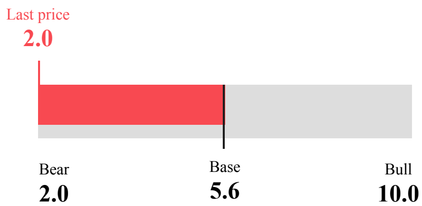
https://www.redeye.se/company/bambuser

Redeye Rating

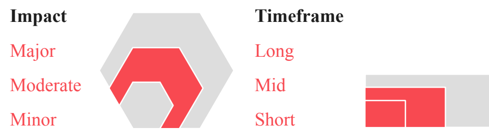
Leadership Ownership Profit outlook Profitability Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

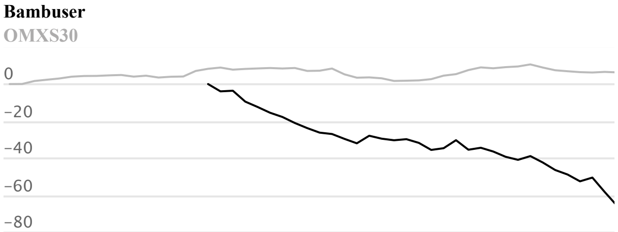


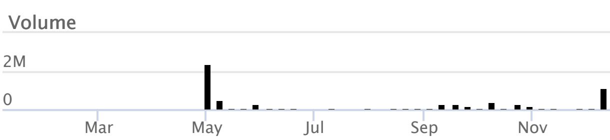
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Hans Eriksson
Chairman	Ingrid Bojner

Share information

Share price (SEK)	2.0
Number of shares (M)	15.2
Market cap (MSEK)	30
Net debt (MSEK)	-7

Analyst

Dennis Berggren
dennis.berggren@redeye.se

Conflict of interests

Dennis Berggren owns shares in Bambuser: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	6	7	14	30
Growth	*-18.2%*	*-16.1%*	*31.4%*	*87.5%*
EBITDA	0	-15	-17	-3
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-3	-20	-17	-5
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-3	-20	-17	-5
Net earnings	-3	-17	-17	-5
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.00	-1.11	-1.10	-0.32
P/E adj.	N/A	-1.8	-1.8	-6.2
EV/S	-1.7	1.0	1.6	0.9
EV/EBITDA	24.4	-0.5	-1.4	-8.5

Last updated: 2017-11-14

Owner	Equity	Votes
ALMI	17.7%	17.7%
Ligerism AB	10.6%	10.6%
Hans-Fredrik Eriksson	7.9%	7.9%
LMK-bolagen & Stiftelse	7.4%	7.4%
Associated Press Tv News LTD	6.7%	6.7%
Muirfield Invest Aktiebolag	4.7%	4.7%
Rothesay Limited	4.7%	4.7%
Jkf Invest AB	4.0%	4.0%
Avanza Pension	4.0%	4.0%
Nordnet Pensionsförsäkring	3.9%	3.9%

Company description

Bambuser is a software developer headquartered in Stockholm. The company offers solutions for mobile live video streaming through their IRIS platform. Bambuser is targeting businesses within media and field service industry as well as application developers.

Investment case

- Live video is booming: We believe that great opportunities opens up as more actors grasp the potential of live video. We argue that the market disregards the possibilities arising from the field service segment where larger orders will generate high reoccurring revenues.
- Well positioned with an unique turnkey solution: Bambuser is well positioned to benefit from the arising interest in mobile live video solutions by offering a platform that is easy to use and with the efficient back end infrastructure needed to provide live broadcasts to large audiences.
- Our DCF-valuation suggests a fair value of SEK 5.6 per share in our base case, indicating a significant upside. We see a fair value of SEK 2 per share in our bear case, whereas our bull case assumptions results in a fair value of SEK 10 per share.

Live video is attracting immense interest after having large social media actors paving the way for the format by opening up their platforms for user generated real-time video content. Live video is gaining popularity as it is perceived to be a convenient, interactive and informative practice to deliver documentation, events and stories. Increased popularity and technological development is estimated to make live video internet traffic grow 15-fold between 2016 and 2021.

Bambuser's solution opens up great opportunities for news agencies to cover breaking news stories which is of vital importance for the media industry. By adopting a solution that only requires a smartphone and cellular connection to broadcast live content to a large audience, media companies are maximizing its chances to be first in delivering breaking news from the scene.

Field service companies grasping the potential of live video possess possibilities of efficiency gains by incorporating live video solutions in their documentation processes and cutting costs by reducing the need of on-site support while simultaneously providing a solid resource for internal training. We believe that the market disregards the opportunities arising from this segment, where we see potential for large reoccurring revenues given that Bambuser efforts in targeting the segment is paying off.

The increased interest in live video further incur opportunities for application developers to improve their offering by investing in a mobile live video streaming solution while keeping focus on their core business.

Well positioned with an unique turnkey solution focused on mobile streaming

Bambuser is well positioned to benefit from the growing interest in mobile live video solutions after spending almost 10 years in developing software for mobile live video broadcasts. The company has established a platform for mobile live video with an efficient backend infrastructure handling the stability and scalability needed to stream live video content to large audiences. The platform further give clients full control of content in which they freely can setup the distribution of content, implying that clients are given an opportunity to maximize both their reach and advertisement revenues while simultaneously strengthening their own brand. Bambuser is unique in its offering of a complete turnkey solution for mobile live video that is easy to use and does not require any hardware on the client side. The company is further unique in its complete specialization in a mobile solution while competitors are offering a broad selection of products. Bambuser's business model is scalable which opens up for high margins.

Bambuser has, given the size of the company, an experienced board of directors, possessing broad industry expertise and with large holdings of Bambuser shares. Noteworthy is that CEO holds about 8% of the outstanding shares, indicating a strong conviction of the company's future.

Counter thesis – bear points

Although we find the market of live video streaming promising, there are certain risks related with an investment in Bambuser:

- Failed commercial breakthrough - Bambuser is in an early stage of business and needs to ramp up its sales activities to increase revenues in order to meet the goal of becoming cash flow positive on 12 months rolling basis during the second half of 2018. There is always a risk that a company in this stage of business will fail in achieving a quick ramp up.
- Increased competition and potential price pressure - We find it reasonable to expect new entrants on the market of live video streaming solutions as live video continue to increase in popularity. An increasing number of competitors will most likely lead to a price pressure on mobile live video solutions. Bambuser is also facing the risk of losing clients if potential entrants offer solutions of similar or better quality.
- No distinct long-term competitive advantage - It is vital for Bambuser to rapidly make themselves a name by utilizing its temporary competitive advantage in its offering of a turnkey solution for mobile live video streaming. This is very important as we currently see no distinct long-term competitive advantage.

Catalyst types

Increased inflow of iris dev clients

A strong inflow of IRIS Dev clients would prove a high demand of the Dev solution, which we find important in the current stage. It would lead to great license revenues, but primarily provide the solid base needed to see greater effects of revenues based on data usage.

Large order from the field service segment

We see a larger order from the field service segment as a potential short run catalyst. We find this to be of particular importance as it would prove that the segment is ready and interested in adopting live video solutions.

Increased competition and price pressure

On the downside, we find it reasonable to expect new entrants on the market of live video streaming solutions as live video continue to increase in popularity. An increasing number of competitors will most likely lead to a price pressure on mobile live video solutions. Bambuser is also facing the risk of losing clients if potential entrants offer solutions of similar or better quality.

REDEYE

Publication date

January 12 2018

Bredband2 BRE2

Company page

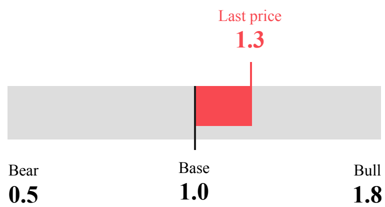
https://www.redeye.se/company/bredband2

Redeye Rating

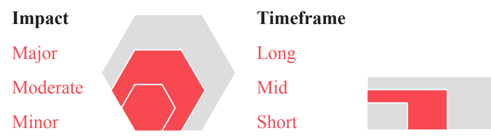
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



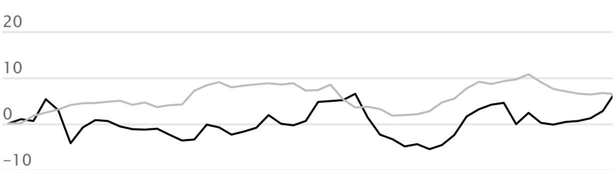
CATALYST POTENTIAL

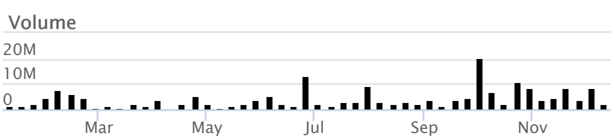


Turn page for catalyst specifics

Snapshot

Bredband2
OMXS30





Marketplace	First North Stockholm
CEO	Daniel Krook
Chairman	Anders Lövgren

Share information

Share price (SEK)	1.3
Number of shares (M)	701.0
Market cap (MSEK)	890
Net debt (MSEK)	-104

Analyst

Havan Hanna
havan.hanna@redeye.se

Conflict of interests

Havan Hanna owns shares in Bredband2: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	451	525	609	692
Growth	*21.7%*	*24.0%*	*16.4%*	*16.0%*
EBITDA	54	65	83	102
EBITDA margin	*12.0%*	*12.4%*	*13.6%*	*14.7%*
EBIT	34	44	57	76
EBIT margin	*7.6%*	*8.4%*	*9.4%*	*11.0%*
Pre-tax earnings	34	44	57	76
Net earnings	26	34	46	59
Net margin	*5.7%*	*6.5%*	*7.5%*	*8.6%*
Dividend/Share	0.03	0.03	0.04	0.04
EPS adj.	0.04	0.05	0.07	0.08
P/E adj.	34.0	25.9	19.2	14.8
EV/S	1.8	1.5	1.3	1.1
EV/EBITDA	15.1	12.1	9.3	7.5

Last updated: 2017-11-03

Owner	Equity	Votes
Lövgren, Bo Anders	14.3%	14.3%
Vildmarksstugor i Norrland AB	13.3%	13.3%
Danielsson, Leif	8.7%	8.7%
DCAP i Sverige AB	6.4%	6.4%
GWD Group AB	4.1%	4.1%
Östberg, Ulf	3.8%	3.8%
Försäkrings AB Avanza Pension	3.7%	3.7%
SEB Life International Assurance	2.6%	2.6%
Gustavus Capital	2.2%	2.2%
Marand Group AB	1.9%	1.9%

Company description

Bredband2 supplies communication services to consumers and corporate customers throughout Sweden, and offers internet, voice, data centres and mobile broadband. The company is Sweden's third-largest provider of internet access using fibre technology, with around 200,000 broadband customers. Its focused positioning in the fast-growing fibre market is a competitive advantage for the company. However Bredband2 is still a small player with the usual drawbacks arising from this, such as in terms of financial muscle. On the other hand, the company's business model is based on leasing into the networks of other providers, which means Bredband2 avoids upfront investments in so-called passive infrastructure. Bredband2 has instead built up active infrastructure in more than 80 percent of the Swedish metropolitan networks that are open to the market. It is from this infrastructure in the consumer market that the company has targeted growth in the corporate market for the past year or so. Bredband2 was founded in 1989 and is traded on First North. In 2016 the company, with its approximately 90 employees, had sales of SEK 451 million and EBIT of SEK 34 million.

Investment case

- Should grow two-digit for several years to come
- Scale start to yield results in the form of margin expansion
- Competition has recently decreased due to industry consolidation
- Valuation at base case amounts to SEK 1.0 per share and fair value range SEK 0.5-1.

Telecom operator Bredband2 is surfing the fibre wave in a telecoms market where outdated broadband technology (generally coax and ADSL) is being rapidly replaced with fibre broadband. The government's target is for fibre penetration of 80-90 percent by 2020, and more than half of this has been achieved to date. As the only operator with entirely fibre technology, Bredband2 is positioned to take great advantage of this change. Continuing to grow on the corporate side, where fibre penetration is still significantly lower than in the consumer market (around 40 percent), will be critical to the success of Bredband2.

Bredband2's main competitive advantage is linked to the company being an agile, smaller provider with the right technical positioning in relation to its competitors. At the same time the company's 9 percent market share means it has achieved the necessary scale for volume growth to render good margin expansion. However, any pricing pressure from large, or small, competitors could put margins at risk so needs to be countered, something that the company has so far managed admirably. Pricing trends are a key assumption in our various valuation scenarios.

Competition has recently decreased because of industry consolidation, and has also led to rising average revenue (ARPU). The big providers are not yet particularly feeling the impact of the smaller players in the broadband market because of the rapid market growth, but if they start to be affected there will be an increased danger of a price war. Increased competition could also lead to higher costs in areas such as marketing to recruit new customers. We believe Bredband2 has the right positioning and focus, and we therefore believe the company has a good chance to continue to grow at a double-digit pace for the next few years, which is not priced in by the market.

Catalyst types

Sector rotation (flight to defensive stocks)
Bredband2's non-cyclical recurring revenue is an attractive choice in a shaky stock market.

Industry consolidation
The industry is consolidating. Bredband2's strong position in fibre could make the company an attractive takeover candidate.

Margin expansion
The company already has high revenue growth, and this is now beginning to gradually filter down to the bottom line, which we believe will lead to an upward revaluation.

Personal notes

Publication date
January 12 2018

Cherry CHER B

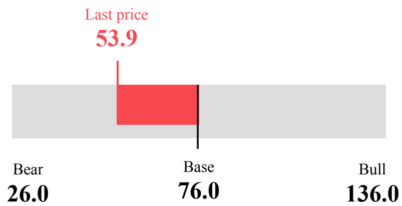
Company page
https://www.redeye.se/company/cherry

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

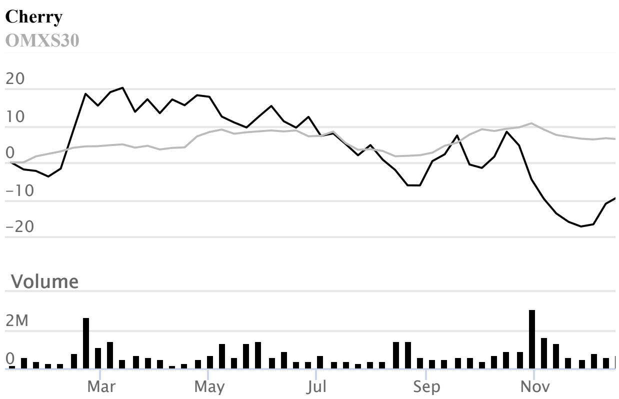
FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Anders Holmgren
Chairman	Morten Klein

Share information

Share price (SEK)	53.8
Number of shares (M)	103.8
Market cap (MSEK)	5,481
Net debt (MSEK)	1,251

Analyst

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Conflict of interests

Kristoffer Lindström owns shares in Cherry: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	1,102	2,252	2,765	3,345
Growth	*55.1%*	*>100%*	*>100%*	*22.8%*
EBITDA	149	414	663	893
EBITDA margin	*13.5%*	*18.4%*	*24.0%*	*26.7%*
EBIT	626	278	519	691
EBIT margin	*56.8%*	*12.4%*	*18.8%*	*20.7%*
Pre-tax earnings	649	156	398	581
Net earnings	610	94	348	515
Net margin	*55.3%*	*4.2%*	*12.6%*	*15.4%*
Dividend/Share	0.00	0.00	1.69	2.49
EPS adj.	29.93	0.91	3.38	4.99
P/E adj.	1.8	59.1	15.9	10.8
EV/S	3.1	3.1	2.5	2.0
EV/EBITDA	23.1	16.9	10.3	7.4

Last updated: 2017-11-19

Owner	Equity	Votes
Prunus Avium LTD	25.0%	17.4%
Morten Klein	14.1%	12.8%
Avanza Pension	4.4%	3.1%
Bjørn Grene	3.7%	2.6%
Per Hamberg	3.5%	11.4%
Arild Karlsen	2.9%	2.0%
Svenska Handelsbanken AB for PB	2.8%	3.6%
Lars Kling	2.5%	7.6%
Cail	2.2%	3.2%
Svea Ekonomi AB	1.9%	1.3%

Company description

Cherry has been around since 1963. It has evolved into a powerhouse incubator of innovation within the casino industry where both Betsson and Cherry can be mentioned. The company is now active in five segments within online gambling. The five segments are Game Development, Performance-Based Marketing, Online casino operations, Platform development and restaurant casinos.

Investment case

- By grabbing a larger part of the value chain, Cherry can generate better profitability, reduce risk and create value for their shareholders
- The diversified business units reduce the risk compared to most peers. The market focus on short-term issues within ComeOn and misses the gems of Yggdrasil an Game Lounge
- A proven track-record in creating value through smart acquisitions should warrant a premium
- The transition from land-based gambling to online still, and will continue, create growth opportunities and an increasing market.

A diversified bet on iGaming

The Cherry Group has a strong focus on entrepreneurship with all subsidiaries within the Group run as separate and independent units, often by their original founders. The company has a solid track record as an incubator of casino companies with Betsson and Netent being the most noteworthy. Furthermore Cherry has a deep focus on creating shareholder value through smart capital allocation. The sale of Automatgruppen and acquisition of Yggdrasil, Game Lounge, Almor, and ComeOn! is some examples where management has added value through M&A during the last couple of years.

- **Value chain expansion and risk reduction:** In 2012 Cherry took the strategic decision to expand within the iGaming value chain. Cherry is now active as a Game supplier, Affiliate supplier, Platform supplier and had expanded their B2C offering substantially. As the company now controls a larger part of the value chain the profitability and growth opportunities has grown considerably wiht reduces business risks. Despite the success for both Yggdrasil (Game Development) and Game Lounge (Online Maketing), the companies are still just at the beginning of their growth journey.
- **Entrepreneurial and innovative DNA:** Cherry has always had a thirst for innovation and doing things their own way. When the company initiated their new strategic decision of expanding in the value chain most said it was the wrong move to make. All segments within the Cherry family are run as separate companies with their own management teams, which are often the founders of the companies. This leads to a decentralized organization where innovation can thrive.
- **Capital Allocation:** Profound capital allocation skills should not be underestimated. Cherry continues to do value adding acquisitions and focus their capital on strengthening their position in the industry further. Both the Chairman and CEO has substantial shareholdings; this leads to a focus on building long-term wealth and not the typical short-minded focus many public companies suffer from.
- **iGaming growth:** Cherry operates in an industry driven by substantial structural forces which will continue for many years to come.
- **ComeOn! turn-around** – A turn-around is highly dependable on the agility of the employees and the vision and steadiness of the management. One key concern for us is if the weak result and poor execution have led to dissatisfaction among the employees. We have found no evidence that suggests an increased employee turn-over or overall discontent among the staff. This makes us believe a turn-around is indeed plausible and relatively straightforward to commence.

We believe the market continues to underestimate the long-term prospects for Cherry. The highly successful Yggdrasil and Game Lounge are only at the begging of their growth story and their uptake in revenues will lead to increased margins for the Group. We also find it likely that the margins within the operator business ComeOn! will expand as the current problems are fixed.

Ani-thesis and risk factors with Bear Points

- A deeper problem in ComeOn! than the first impression indicates.
- Most of Cherry's subsidiaries are led by their founders. If key personal should decide to leave and do something else this could harm the subsidiaries operations substantially.
- Cherry has been picky when it comes to acquisitions, still acquiring companies takes time and poses a risk that the money spent do not create value.
- Regulations pose a risk for an iGaming company. Many markets in Europe are still unregulated. New legalization which hurts the industry could dampen the business for Cherry.

Catalyst types

Comeon! trun around
We argue that the market will put short-term pressure on the valuation of Cherry and ignore the growing gems of Yggdrasil and Game Lounge, this will create an opportunity for a savvy investor. We believe the problems with ComeOn! will be handled by the new management relatively swiftly and that we will see improving growth and profitability starting from the end of Q1’18.

Eps boost through game lounge option exercise
Has announced they will exercise the of the option to acquire additional 44% of the shares in Game Lounge at a price of roughly 5x 2017 EBIT, which are significantly below the valuation levels where comparable companies trade. After the option is exercised, the minority interest for Cherry will dramatically decrease and thus enhance the reported EPS, which could lead to a higher valuation of the company.

Yggdrasil surpassing expectations and spun-off
Yggdrasil continues to exceed our expectations and gain market share from the well-established game developers. We estimate that Yggdrasil would be valued as a separate company in the range of SEK 2-3 bn. The company is maturing and now has established a Parent company in Stockholm, this could mean that Yggdrasil is preparing for a separate listing. Today we find that the market is missing our of the quality and value of the subsidiary if this continues we believe Cherry’s management would propose a spin-off.

Personal notes

REDEYE

Cinnober Financial T... CINN

Company page

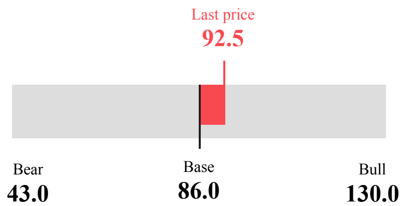
https://www.redeye.se/company/cinnober-financial-technology

Redeye Rating

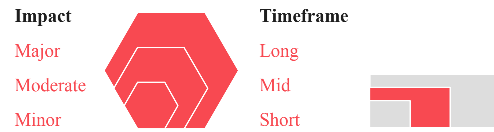
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



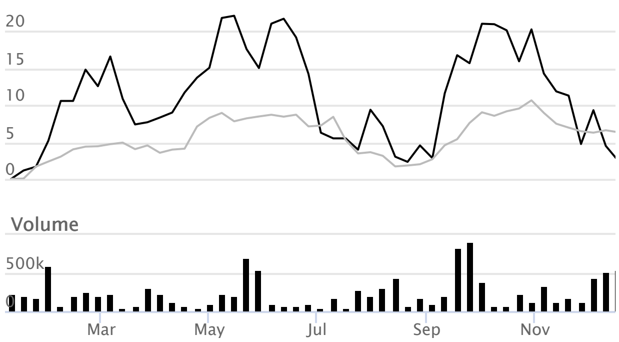
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Cinnober Financial Technology
OMXS30



Marketplace	First North Stockholm
CEO	Veronica Augustsson
Chairman	Nils-Robert Persson

Share information

Share price (SEK)	92.5
Number of shares (M)	22.4
Market cap (MSEK)	2,070
Net debt (MSEK)	-130

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Cinnober Financial Technology: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E	2019E
			Redeye Estimates	
Revenue, MSEK	356	397	508	635
Growth	*15.6%*	*10.8%*	*11.6%*	*28.0%*
EBITDA	12	-61	24	67
EBITDA margin	*3.2%*	*Neg*	*4.7%*	*10.6%*
EBIT	9	-63	20	64
EBIT margin	*2.6%*	*Neg*	*4.0%*	*10.0%*
Pre-tax earnings	11	-62	22	65
Net earnings	7	-58	17	51
Net margin	*2.0%*	*Neg*	*3.3%*	*8.0%*
Dividend/Share	2.00	2.00	2.00	2.00
EPS adj.	1.10	-2.59	0.76	2.25
P/E adj.	84.1	-35.7	122.2	41.0
EV/S	1.6	4.8	3.8	3.3
EV/EBITDA	48.0	-31.4	81.9	30.7

Last updated: 2017-11-07

Owner	Equity	Votes
Nils-Robert Persson	15.1%	15.1%
Swedbank Robur Fonder	9.7%	9.7%
Handelsbanken Fonder	4.8%	4.8%
Peter Lenti	4.3%	4.3%
Peter Snellman	4.3%	4.3%
Gunnar Lindell	4.2%	4.2%
Nordnet Pensionsförsäkring	2.6%	2.6%
Staffan Persson	2.5%	2.5%
Lannebo Fonder	2.3%	2.3%
Humle Fonder	2.2%	2.2%

Company description

Cinnober is fundamentally a software company with about 65 percent recurring revenues. The company supplies mainly clearing and trading systems, with some of the world's largest exchanges among its customers. Right now Cinnober is advantageously positioned for the regulatory consequences of the Markets in Financial Instruments Directive (MiFID) in Europe, the new MiFID II regulatory framework, which is expected to enter into force in 2018, and the Dodd-Frank regulations in the United States. These regulations are giving rise to additional requirements for transparency, security and risk management that are driving demand for Cinnober's innovative solutions. Clearing systems are increasingly required by the European Market Infrastructure Regulation (EMIR), and the company has, therefore, shifted its focus to real-time clearing solutions. Cinnober is a market leader in this segment and is a competitive supplier to exchanges and clearing houses. Cinnober will in the future stand on four legs, with two of these being clearing systems and trading systems. The two new legs are reporting services and client clearing.

Investment case

- In coming years, Cinnober is expected to increasingly transform into a more purely software company with a significantly better operating margin than at present.
- We expect a flying start for the reporting services in 2018, with the MiFID II regulations that come into force in January 2018 as the driving catalyst.
- The client clearing business area is expected to become much bigger and address many times a larger market than the company focuses on today.

In coming years, Cinnober is expected to increasingly transform into a more purely software company with a significantly better operating margin than at present. The reasons for this transformation are the two new business areas: reporting services and client clearing. The reporting services are provided by its subsidiary Simplitium, which finds its eligibility in the new regulations brought about by MIFID II. We expect a flying start for the reporting services in 2018, with the MiFID II regulations that come into force in January 2018 as the driving catalyst. The client clearing business area is expected to become much bigger and address many times a larger market than the company focuses on today. For this reason, Cinnober has set up a subsidiary that conducts only operations for client clearing. However, international commercial banks, which are the primary customers, are sluggish when it comes to new and innovative technological solutions, but given the cost savings made possible by these systems, we nonetheless anticipate stable growth in the coming years, starting in 2018.
Both newly established business areas are expected to lead strong margin expansion for Cinnober in coming years, as the company increasingly becomes a pure software provider.

The future looks tougher for trading systems, as regulation, lower trading volumes, saturated technology and consolidation result in a more competitive environment and also lower demand for trading systems. Tighter regulation means lower trading volumes and therefore less investment in trading systems until regulatory changes and relaxations are introduced. Given this level of regulation, it will be important for Cinnober to optimise its systems to comply with regulatory demands that are often unique to individual markets, in order to attract customers.

The big risk for Cinnober is that of customers such as marketplaces, exchanges and banks using their own internal systems rather than customised systems. If this were the case it would have an impact on revenue from software development and would have major consequences in terms of sales. In addition, there have been buy-ups in the past during which the company's customers have switched systems. This represents a risk even though it is reduced now that the company's largest customers in terms of sales often have a long history of national ownership.

Catalyst types

Mifid ii will provide explosive revenue growth in 2018
We expect explosive growth and improved profitability for subsidiary Boat's reporting services and its TRADEcho product by 2018, when banks and brokerages will be forced to find a solution to adapt to MiFID II. Since Cinnober already has proven technology for this, it can deliver a solution without any major investment. MiFID II therefore gives Cinnober a golden opportunity to profit from the platform the company has built up.

Progress for newly formed client clearing company
Advances for the new client clearing business area will be important fuel for the Cinnober stock in coming years. A strong partner and a solid team will be critical building blocks, while customer intake will be the rocket fuel. This business has the potential to become Cinnober's largest if it gets enough wind in its sails.

New business areas will lead to improved operating margin
Cinnober's profitability should improve in the beginning of 2018. As revenues in the new business areas start to form a greater proportion of total revenues, the operating margin should improve.

Personal notes

Clavister Holding CLAV

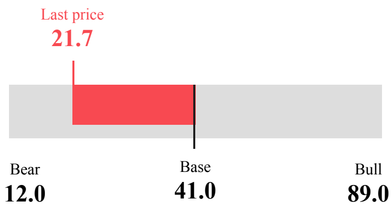
Company page
https://www.redeye.se/company/clavister-holding

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



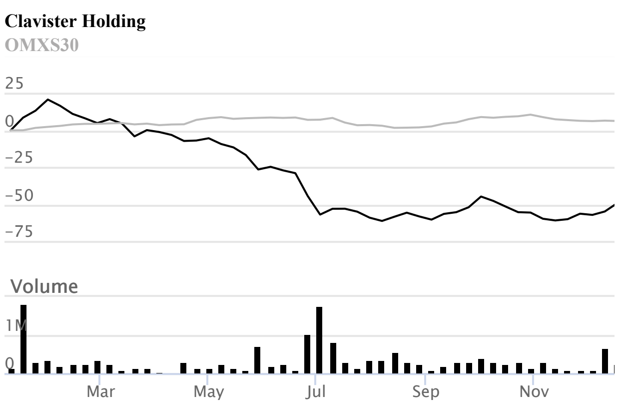
CATALYST POTENTIAL

Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	John Vestberg
Chairman	Viktor Kovacs

Share information

Share price (SEK)	21.7
Number of shares (M)	23.6
Market cap (MSEK)	516
Net debt (MSEK)	80

Analyst

Havan Hanna
havan.hanna@redeye.se

Conflict of interests

Havan Hanna owns shares in Clavister Holding: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E	2019E
			Redeye Estimates	
Revenue, MSEK	77	92	139	208
Growth	*3.1%*	*20.4%*	*18.9%*	*50.7%*
EBITDA	-57	-56	-25	25
EBITDA margin	*Neg*	*Neg*	*Neg*	*12.0%*
EBIT	-71	-77	-43	1
EBIT margin	*Neg*	*Neg*	*Neg*	*0.5%*
Pre-tax earnings	-70	-83	-48	-5
Net earnings	-56	-69	-48	-5
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-2.72	-2.95	-2.02	-0.22
P/E adj.	-8.0	-7.4	-10.8	-100.3
EV/S	5.2	5.9	4.3	3.0
EV/EBITDA	-7.1	-9.7	-23.4	24.8

Last updated: 2017-11-01

Owner	Equity	Votes
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	14.5%	14.5%
PENSION, DANICA	6.1%	6.1%
ÅLANDSBANKEN I ÄGARES STÄLLE	5.7%	5.7%
FONDITA NORDIC MICRO CAP SR	4.4%	4.4%
NORDNET PENSIONSFÖRSÄKRING AB	4.4%	4.4%
RGG ADM-GRUPPEN AB	3.8%	3.8%
JP MORGAN SECURITIES LLC, W9	3.3%	3.3%
ALCUR	2.4%	2.4%
FONDITA 2000+	2.4%	2.4%
AMF AKTIEFOND SMÅBOLAG	2.3%	2.3%

Company description

Clavister develops, manufactures and sells network security solutions for mobile network operators and enterprises. The company's solutions are based on proprietary software. It is within the new industry, telecom, which the potential for "game changing" deals lies. Customers within the enterprise sector are municipalities, retailers, banks, service providers, etc. In the telecom sector, Clavister targets telcos (partnerships) with mobile operators as final customers.

In 2015 Clavister entered a partnership with Nokia Networks. More specifically Clavisters security virtual network function (VNF) is an integral part of the Nokia NetGuard Security portfolio that protects network infrastructure. In short Nokia NetGuard Security is Nokia's answer to the expected rollout of virtualized security solutions. Clavisters first order for the virtual telecom solution from Nokia was received in mars 2017, and today, total orders amounts to five.

Clavisters software is licensed primarily based on capacity, which means that Clavisters revenues increase in parity with the data in the network. To achieve optimal flexibility in a dynamic and cloud-based infrastructure, Clavister offers a flexible business model that enables scale-up and scale-out in a cost effective manner. The business model is based on the required total throughput and capacity, with unlimited number of deployed security VNF (instead of capacity per single VNF compared to other VNF business models). Compared to physical network security appliances, entry-level investments and total cost of ownership are lowered. Clavister has 160 employees, with head office in Örndksöldsvik.

Investment case

- Entering an industry with substantial growth opportunities
- Well positioned in the industry transformation (NFV)
- The market underestimates the long-term business value
- Our DCF indicates a base case of SEK 41 per share and a fair value range of SEK 12-89 per share.

Even though Clavister has developed and provided security software with a focus on firewalls to the enterprise sector for twenty years, the investment case is strongly coupled to the new sector, telecom. Clavister is listed on Nasdaq First North with revenues of SEK 77.3m in 2016.

We still see potential in the enterprise sector, but it is within telecom, which the potential for "game changing" deals lies. Today the enterprise and telecom sector accounts for 97 respectively 3 percent of total revenue. Telecom is estimated to be the bigger sector from 2021 (total sales SEK 547m, of which telecom SEK 366m).

The market opportunity for network function virtualization (NFV) and the commitments made across the telecom industry to the network transformation is well documented. However, security is one of the largest concerns impacting the broad adoption of NFV – representing a window of opportunity for Clavister.

The following factors indicates that Clavister will be one of the winners within this transformation;

- The partnership with Nokia (integral part of Nokia NetGuard Security since June 2015), which is non-exclusive though;
- Clavister's unique business model (based on the required total throughput and capacity instead of capacity per single VNF compared to competitors); and
- The leading product (purpose built for virtualization and highest performance on the market).

We believe the market is underestimating the long-term business value of the six commercial orders at place within telecom (and future orders). This is due to the 'multidimensional' business model. Another contributing factor is that the "real value" of a business is 3-6 years away from the initial order, affecting the short-term negatively, but entailing high long-term growth. The market has not fully understood these dynamics and consequently undervaluing the company.

It is hard to put estimates (and consequently price target) on a company so dependent on a structural change within an industry – NFV is the "enabler" for the whole case. Virtual adoption is forecasted to reach 80 percent 2020 (according to 3rd part analysts). If Clavister can deliver in line with our expectations, we estimate a base case of **SEK 41 per share**. Fair value range amounts to **SEK 12-89 per share**.

Our CAGR sales forecast for the periods 2016-2020 and 2020-2026 results in sales of SEK 321m by 2020 respectively SEK 925m by 2026. We expect a cash flow positive (SEK ~36m) Clavister in 2020. During 2020-2026, gross margin amounts to 86 percent, on average and reaches 84 percent in the terminal period. OPEX amounts on average to 57 percent of sales during the same period (61% in the terminal period). The investment need (Cap. Dev. Expenses) amounts to 18 percent of sales during 2016-2026.

The biggest risks are coupled to the NFV adoption, dependence on Nokia (and other partnerships) and the fact that the business model and Clavisters position in the ecosystem within telecom has yet to prove its sustainability (still too early to draw any safe conclusions). A failure would jeopardize the entire investment case.

Catalyst types

New orders for the virtual telecom solution
Orders for the virtualized telecom solution will alter our valuation if they surprise us positively/negatively.

New partnerships within telecom
New partnerships within telecom (necessarily not telcos, but integrators, distributors, etc.) will lower the risk for Clavister.

Nfv adoption
Network function virtualizatoin (NFV) adoption is the 'enabler'for the whole case. Virtual adoption is forecasted to reach 80 percent 2020 (according to 3rd part analysts). Data confirming these forecasts should impact Clavister positevely.

Personal notes

REDEYE

Publication date

January 12 2018

Doro DORO

Company page

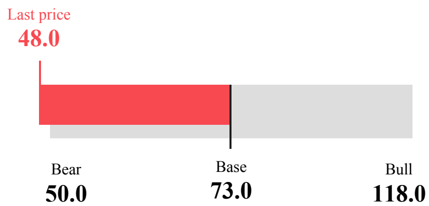
https://www.redeye.se/company/doro

Redeye Rating

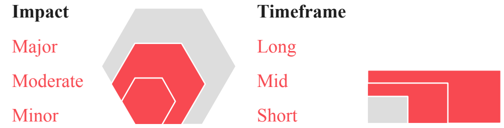
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ Stockholm
CEO	Robert Puskaric
Chairman	Johan Andsjö

Share information

Share price (SEK)	48.0
Number of shares (M)	23.8
Market cap (MSEK)	1,080
Net debt (MSEK)	95

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Doro: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	1,969	1,955	2,057	2,183
Growth	*43.9%*	*7.1%*	*-0.7%*	*5.2%*
EBITDA	121	153	208	218
EBITDA margin	*6.1%*	*7.8%*	*10.1%*	*10.0%*
EBIT	47	87	124	126
EBIT margin	*2.4%*	*4.5%*	*6.0%*	*5.8%*
Pre-tax earnings	39	87	124	121
Net earnings	30	66	93	91
Net margin	*1.5%*	*3.4%*	*4.5%*	*4.2%*
Dividend/Share	1.00	0.91	1.29	1.26
EPS adj.	1.30	2.76	3.91	3.83
P/E adj.	36.8	17.4	12.3	12.5
EV/S	0.7	0.7	0.6	0.5
EV/EBITDA	10.7	8.5	5.9	5.4

Last updated: 2017-10-28

Owner	Equity	Votes
Accendo Capital	14.0%	14.0%
Rite Ventures	8.1%	8.1%
Humle Fonder	3.5%	3.5%
Origo Fonder	3.4%	3.4%
Avanza Pension	3.2%	3.2%
Nordea Fonder	3.1%	3.1%
Dimensional Fund Advisors	2.6%	2.6%
Bengt Julander	2.5%	2.5%
Theodor Jeansson	2.3%	2.3%
Thomas Eklund	1.7%	1.7%

Company description

Doro is a more than 40 years old Small Cap company, developing and manufacturing telecommunication products for seniors (people with the age of 65 or older) since year 2007. The products, typically traditional feature phones and smartphones, are sold in more than 30 countries. Doro's leading position is based on a wide and global distribution network and a strong brand that the target group can trust. This has resulted in a niche market share of some 50 percent in Western Europe, but Doro is number one in several other markets as well. The major weakness in the business model is that Doro sells hardware with short life cycles and is dependent on constantly developing better products. However, Doro is increasingly focusing on growing the Care area, i.e. telecare and mobile health, meaning recurring service revenue.

Investment case

- Underrated strong niche position
- Margin expansion will move the share
- Wide margin of safety

Underrated strong niche position

Doro is a growth company, although yet not valued as one as the market continues to misunderstand Doro. With over 20 percent organic CAGR sales growth since several years back Doro is a market leader in a narrow niche market that is overlooked by pretty much every other phone manufacturer. If Doro would only continue to grow in half of that pace the Company would still inarguably be a great investment. However, it is far from easy or intuitive to understand the key to Doro's success in the market of technology adapted for seniors. Many have therefore been waiting a long time, in vain, for larger Asian players to decisively enter the market to wipe out Doro with better scale of economics etc. Our best guess is that Doro's strongest competitive advantage is the focus on a viable small niche. Virtually all major telecom carriers (i.e. Doro's customers) believe that seniors is a segment to be considered, although usually there appear to be room for senior phones from only one phone manufacturer and then, for whatever reason, Doro is typically considered better than its competitors. One illustrative example is Fujitsu. Following several years of selling more senior phones in Japan than Doro in total, Fujitsu made a decisive, yet failed, attempt to enter the European market partnering up with telecom carrier giant Orange. Fujitsu's failure, albeit stars aligned, indicates that replacing Doro would be far from that walk in the park that many investors loosely state. All in all, we believe the stock market is too quick to dismiss Doro's growth prospects.

Margin expansion will move the share

Doro's fast growth has not been enough for the investors who want to see increasing margins as well; something we believe is likely and rather imminent due to the scalability in fixed costs.

Wide margin of safety

In relation to our reasonably pessimistic scenario of SEK 50 per share and our base case of SEK 73 today's share price provide a wide margin of safety with a larger upside than downside.

Bear points

Intensified competition in Care

Doro Care's growth is the key to higher profitability. In Q2'17 the connections had a zero growth from Q1 as Tunstall offered a lower price than Doro Care in a large tender. We do not expect this to turn into a trend as Tunstall is not in a suitable position for price wars but if it still does it would be negative for the sales in Doro Care

More external events

Doro has a history of screwing up due to unexpected events (e.g. the Care appeal in 2016 and the hedging failure in 2015), meaning there is a risk for additional, external, negative events affecting the profitability

Catalyst types

Margin expansion

Doro's fast growth has not been enough for the investors who wants to see increasing margins, which we believe is likely due to opex scalability.

Foreign expansion of doro care (caretech)

The Caretech acquisition is Doro's chance to build more sticky revenue and endurable competitive advantages. Doro's foreign care expansion will lead to margin and multiple expansion.

Personal notes

Publication date

January 12 2018

Enea ENEA

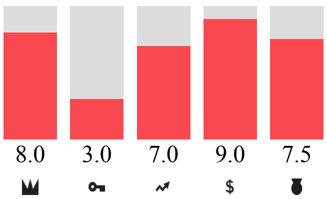
Company page

https://www.redeye.se/company/enea

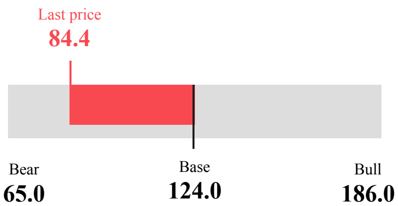
Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY



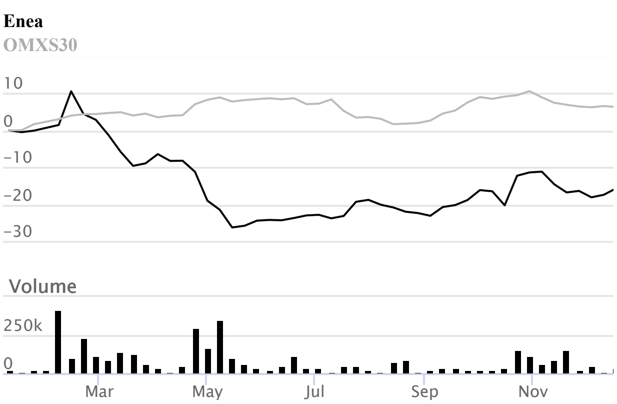
FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Anders Lidbeck
Chairman	Anders Skarin

Share information

Share price (SEK)	84.0
Number of shares (M)	19.7
Market cap (MSEK)	1,674
Net debt (MSEK)	-398

Analyst

Viktor Westman

viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Enea: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E (Redeye Estimates)	2019E (Redeye Estimates)
Revenue, MSEK	501	594	647	718
Growth	*12.1%*	*4.1%*	*18.6%*	*8.8%*
EBITDA	137	138	182	207
EBITDA margin	*27.3%*	*23.3%*	*28.1%*	*28.8%*
EBIT	119	116	154	172
EBIT margin	*23.7%*	*19.5%*	*23.8%*	*24.0%*
Pre-tax earnings	124	114	152	170
Net earnings	95	95	127	340
Net margin	*18.9%*	*16.0%*	*19.7%*	*47.3%*
Dividend/Share	2.00	2.50	3.00	8.80
EPS adj.	5.94	5.42	6.59	17.59
P/E adj.	14.1	15.5	12.7	4.8
EV/S	2.5	2.0	1.9	1.5
EV/EBITDA	9.2	8.5	6.7	5.3

Last updated: 2017-11-02

Owner	Equity	Votes
Per Lindberg	37.5%	37.5%
Swedbank Robur Fonder	7.7%	7.7%
DNB Fonder	5.5%	5.5%
C WorldWide Asset Management	4.1%	4.1%
Origo Fonder	3.2%	3.2%
Skandia Fonder	2.3%	2.3%
Enea Aktiebolag	1.8%	1.8%
DNB Asset Management SA	1.1%	1.1%
Avanza	0.8%	0.8%

Company description

Enea is a globally leading software company in real-time operating systems (RTOS) with approximately 10 percent of the global market. Enea's extensive experience in telecoms has resulted in five billion calls per day being dependent on the company's technology since it is installed in more than half of the world's 8 million base stations and in 75 percent of 4G base stations. The company's competitive disadvantage lies mainly in its dependence on large customers. Ericsson and Nokia account for about 45 percent of revenues.

Enea has transitioned its business model to software as a service, which has resulted in more stable recurring revenues. Customers pay a term-based licence fee per engineer when developing their products using Enea's technology. In some cases, the company also earns royalties on each unit sold that incorporates Enea technology. Its consultancy arm applies normal project payments or hourly rates. Enea invests over 20 percent of its revenues in R&D, especially in open source and NFV. The open source business model is based on sales of associated software, support and maintenance.

The company is listed in the Small Cap category.

Investment case

- The stock market has failed to appreciate Qosmos and the acquisition track record of Enea's management
- The stock market underestimates the position of Qosmos
- The stock market expects Enea to lose its arbitration
- The arbitration is a key catalyst that provides an interesting binary risk/reward

The stock market has failed to appreciate Qosmos and the acquisition track record of Enea's management

Our assertion is that the Qosmos acquisition could compensate for the loss of Ericsson, but that the stock market has not yet grasped the importance of Qosmos. Enea's revenues from Ericsson and Nokia have fallen from 58 percent of the total in 2013 to 46 percent. This has long been a substantial risk, now being remedied by Qosmos, which by our calculations will represent revenues as large as those from Ericsson in 2017. A relevant counter argument is that the acquisition was made to hide an even steeper decline in Ericsson revenues, but this does not take away the fact that Qosmos is a good company (see below). Enea's management has an unusually successful track record in building software companies worth billions based on acquisitions. Telelogic was bought by IBM for SEK 5.2 billion. We believe the successes of previous acquisitions stem from the following:

- **Patience & price awareness**
  Enea has been clear for several years that it has evaluated acquisitions but that the companies have not been good enough or cheap enough.
- **Good knowledge of the acquisition targets**
  Like the Centered Logic acquisition, Enea knows Qosmos well after a long-term partnership, and should have a good knowledge of the company's competitive advantages etc.
- **Laissez-faire approach to integration**

Enea does not intend to interfere with Qosmos. The acquisition is based on one plus one equals two (not three), which reduces the risk. In other words, it sees Qosmos as a good standalone business.

The stock market underestimates the position of Qosmos

Deep packet inspection (DPI) is a structurally growing market that is predicted to grow by around 20 percent annually. OEMs previously managed DPI in house, but as the number of protocols and applications constantly expands it becomes increasingly difficult to keep up with developments. Qosmos identified this trend early on, and was the pioneer in carving out its own niche within embedded DPI aimed at OEM customers. Qosmos has retained all its focus on this core competence and now has 75 percent of this fast-growing niche, which is gradually extending from current penetration levels of only a few percentage points of the total market. The high market share and successful execution have given Qosmos a self-propelling head start. Qosmos has more customers to learn from and therefore greater market experience than its competitors.

The stock market expects Enea to lose its arbitration

Enea's arbitration proceedings (against, we guess, Ericsson) represent an option of up to SEK 900 million in a one-off payment together with a 100 percent increase in royalties, equivalent to around SEK 100 million per year. The immediate downside is zero but there is a risk of the customer cutting back volumes whether the outcome is positive or negative. However, we should remember that this would be nothing new and such cutbacks are both included in our estimates and, we believe, factored into the market's valuation. Our interpretation of the market reaction to the arbitration is that investors not only assume that Enea will lose, but also believe it will eventually lead to accelerated cutbacks by this customer.

The arbitration is a key catalyst that provides an interesting binary risk/reward

The arbitration process, regardless of outcome, will lead to a sharp change in value and share price given the large amounts at stake. We therefore assume a positive outcome in our bull case and the opposite in our bear case, while the base case assumes a conciliated settlement. Our scenario analysis in relation to the share price gives an even distribution of upside and downside given our value in the base case of SEK 124 per share and in our bear case of SEK 65 per share. If Enea wins the arbitration procedure, we see a bull case of SEK 186. Apart from the binary special situation of the arbitration we assume that average annual growth of 15 percent for Qosmos will drive the stock.

Catalyst types

Decision from the arbitration process
Enea is in arbitration with a major customer. A decision will come on February 28 at the latest. A negative outcome means status quo while a positive decision could result in a one-time payment of SEK 900 million plus over 100 procent higher royalt equivalent to about SEK 100 million a year.

Acquisition
Enea has a very clear acquisition agenda. We expect that Enea (as we discuss in our research) has good opportunities to make more value-creating acquisitions, similar to the purchase of Qosmos. During 2017 Eneas has raised money twice, despite a large cash posoition, which according to us means that the next acquisition is getting closer.

Publication date

January 12 2018

Ericsson ERIC B

Company page

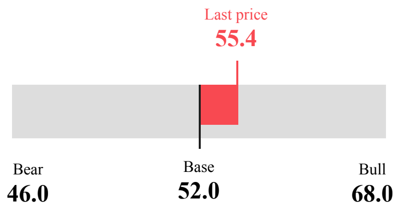
https://www.redeye.se/company/ericsson

Redeye Rating

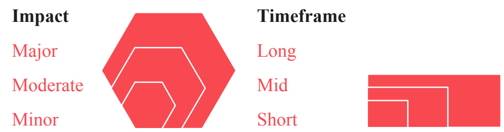
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

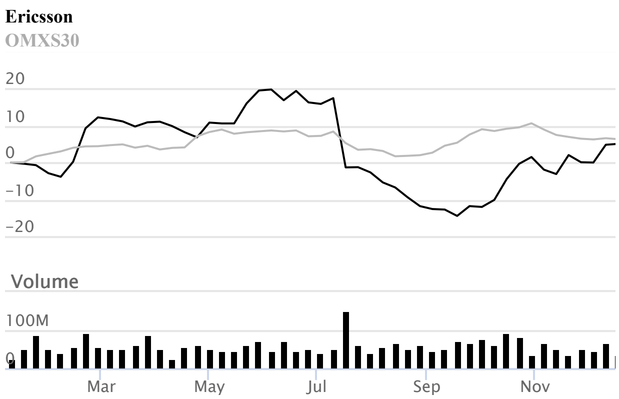


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Börje Ekholm
Chairman	Leif Johansson

Share information

Share price (SEK)	55.4
Number of shares (M)	3,334.2
Market cap (MSEK)	184,379
Net debt (MSEK)	-11,396

Analyst

Greger Johansson
greger.johansson@redeye.se

Conflict of interests

Greger Johansson owns shares in Ericsson: No

Financials

	2016	2017E	2018E	2019E
			Redeye Estimates	
Revenue, MSEK	222,608	201,676	192,230	190,744
Growth	*8.3%*	*-9.8%*	*-9.4%*	*-4.7%*
EBITDA	15,418	-6,023	12,390	20,376
EBITDA margin	*6.9%*	*Neg*	*6.5%*	*10.7%*
EBIT	6,299	-21,497	2,310	11,876
EBIT margin	*2.8%*	*Neg*	*1.2%*	*6.2%*
Pre-tax earnings	4,026	-22,284	1,910	11,576
Net earnings	1,716	-18,668	1,137	7,903
Net margin	*0.8%*	*Neg*	*0.6%*	*4.1%*
Dividend/Share	1.00	0.75	1.10	1.40
EPS adj.	2.84	1.87	2.25	3.22
P/E adj.	19.5	29.7	24.6	17.2
EV/S	0.7	0.9	0.9	0.8
EV/EBITDA	10.2	-30.0	13.7	7.8

Last updated: 2017-10-23

Owner	Equity	Votes
Investor	6.6%	22.2%
Cevian Capital	6.4%	3.8%
Dodge & Cox	3.5%	2.0%
Hotchkis & Wiley Capital Management LLC	3.4%	2.0%
Vanguard	3.2%	1.9%
AMF Försäkring & Fonder	2.8%	2.7%
Swedbank Robur Fonder	2.7%	1.6%
Industrivärden	2.6%	15.2%
PRIMECAP	2.5%	1.5%
BlackRock	2.2%	1.3%

REDEYE

Company description

Ericsson, with a history of over 140 years and operations in 180 countries, is one of three large global players in the mobile networks market. Ericsson's main business areas are Networks (mainly mobile), Digital Services, Managed Services and Other, with the first two areas responsible for the majority of revenues. Ericsson had a turnover in 2016 of roughly SEK 222 billion and an adjusted EBIT margin of around 6%.

Ericsson has faced a tough market in recent years, with negative growth triggering major cost cutting, divestment of Sony Mobile and EMP/modems, and changes in senior management. This has also activated investments in new growth areas such as Cloud Services, IP Networks, TV/Media, OSS/BSS and Industry/Society. However, these new areas have not performed well.

Ericsson is headquartered in Kista (Stockholm), Sweden, and has roughly 110,000 employees. The company's share is listed on NASDAQ.

Investment case

- Ericsson has underdelivered and the market has been in decline during several year which make the expectations on the company fairly low (especially on the margin)
- Ericsson is still top 3 in the world (in telecommunication equipment) with a solid customer base
- We expect more effect from the cost cutting program announced and this could increase the margin and the low valuation (EV/S clearly under 1x).
- Our DCF-model generates an limited upside and a fair value of SEK 52 while our downside is somewhat low.

Depressed company and a very tough market…
Ericsson has faced a very tough market in the past couple of years, with its key customers (operators) holding back their investment due to slow growth and sliding margins. The markets for mobile communication and mobile networks have contracted in recent years, while Ericsson still believed there would be a lot of growth. The company started several new initiatives (Cloud Services, Media etc.) and was very late in adjusting its organization. We still believe it has several quarters, maybe even years, to go before it achieves a reasonable cost base. This should take the company back to a more realistic EBIT margin of 8–10% in a few years' time.

Ericsson has also a new CEO, Börje Ekholm and a new major shareholder, Christer Gardell, who we hope will take a new grip on the company and start to execute the newly announced strategy. However, the CEO has limited experience of leading a large global company in crisis and has also sat on Ericsson's board in recent years while it has failed to turn the company around.

…but still top 3 in the world…
Ericsson is still one of the world's three largest mobile network players, with a market share of around 30%. In addition, the other two players, Chinese Huawei and Finnish/ French Nokia Alcatel each have market shares of around 30-35% but have their own problems. Huawei is still facing difficulties getting into America, Japan and some other markets, while Nokia Alcatel is in the midst of a very large merger.
The market going forward will open up the tightly closed traditional telecom sector with new technologies, such as 5G, SDN/NFV and Cloud. This means that players like IBM, Intel, Juniper, Cisco and HP may now have a shot at this huge potential. Ericsson has a challenge to hinder these new competitors while still investing wisely and utilizing its core expertise. Ericsson's edge is in the radio interface and Systems which, together with an offer in Services (recurring and rather stable revenues but slightly lower operating margin and one offs), should be enough to deliver a much better margin going forward.

…and fairly low expectations
After a rough 2016 and 2017, the share has tumbled and confidence in both the management team and the Ericsson share are low. The valuation (P/S multiple well below 1x) indicates a lack of confidence in the company. If we examine estimates for a few years forward, we believe the market could potentially be too low in its assessment. Although we do not expect any growth going forward, we still estimate that Ericsson can return to a 9–10% operating margin and a decent dividend. In addition, this is still lower than it delivered in 2015.

Bear Points:

There are naturally some major risks in this investerment scenario, such as:

- continued negative revenue growth
- cost cutting taking too long
- the potential for the new strategy to falter
- and the company has to conduct a share issue

Catalyst types

M&a among the largest operators/customers
Consolidation among customers will be a negative thing Ericsson

Large contracts/business deals
Deals in bn USD for 4G, 5G, services etc.

Cutting cost/improved operational efficiencies
Ericsson cost cutting program proceed better than expected and/or they announce further cost cutting

Growth returns in the telecom industry
The underlying growth returns in the industry. We expect it to be earliest in 2019.

Cisco buy ericsson
This would be a good match between the two companies

Publication date

January 12 2018

Fingerprint Cards FING B

Company page

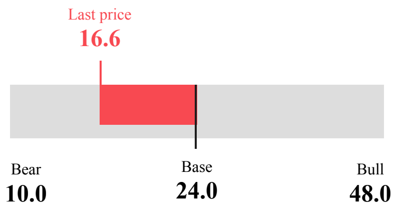
https://www.redeye.se/company/fingerprint-cards

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

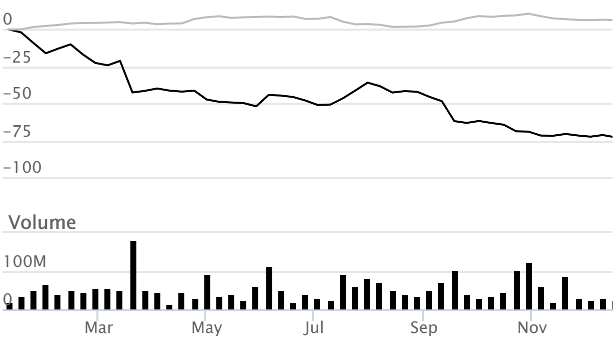


CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

Fingerprint Cards
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Christian Fredrikson
Chairman	Jan Wäreby

Share information

Share price (SEK)	16.7
Number of shares (M)	314.0
Market cap (MSEK)	5,169
Net debt (MSEK)	-1,378

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Fingerprint Cards: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates	
	2016	**2017E**	**2018E**	**2019E**
Revenue, MSEK	6,638	3,094	3,462	3,821
Growth	*>100%*	*>100%*	*-53.4%*	*11.9%*
EBITDA	2,661	311	513	749
EBITDA margin	*40.1%*	*10.1%*	*14.8%*	*19.6%*
EBIT	2,613	242	376	631
EBIT margin	*39.4%*	*7.8%*	*10.9%*	*16.5%*
Pre-tax earnings	2,614	229	376	609
Net earnings	2,035	173	294	475
Net margin	*30.7%*	*5.6%*	*8.5%*	*12.4%*
Dividend/Share	0.00	0.17	0.28	0.45
EPS adj.	6.48	0.55	0.94	1.51
P/E adj.	2.6	30.3	17.8	11.0
EV/S	0.6	1.3	1.1	1.0
EV/EBITDA	1.5	13.0	7.5	4.9

Last updated: 2017-11-07

Owner	Equity	Votes
Avanza Pension	5.3%	4.5%
Vanguard	1.9%	1.6%
Velociraptor LTD	1.9%	15.9%
Nordnet Pensionsförsäkring	1.8%	1.5%
Danica Pension	1.1%	1.0%
BlackRock	1.1%	0.9%
Magnus Unger	1.0%	0.8%
Folksam	1.0%	0.8%
Ålandsbanken Fonder	1.0%	0.8%
Handelsbanken Liv Försäkring AB	0.7%	0.6%

Company description

Fingerprint Cards (FPC) develops and sells biometric solutions as it is transitioning from selling just components like fingerprint sensors to being more of a provider of biometric systems. It has global reach and multiple geographical locations as the world's number one fingerprint sensor supplier (55-60 % market share excl. Apple in 2016) and one of Europe's largest fabless semiconductor companies. The fingerprint sensors are at the moment sold to distributors or module manufacturers that sells the fingerprint modules to primarily smartphone OEMs but growth from coming verticals will include e.g. PCs, tablets, automotive, smart cards and IoT. Besides selling the hardware FPC also provides various software solutions across the value chain. FPC attributes its success to proven volume capacity (shipping 1 million sensors a day at the end of 2016), low power consumption and cost effieient production costs.

Investment case

- Major stock market distrust from missed targets, insider crime accusations etc.
- Trust needs to be restored by beating consensus
- Upside potential in base case but still a considerable downside risk

Major stock market distrust from missed targets, insider crime accusations etc.

We are not overly surprised by the negative trend for the share price given all the negative news such as profit warnings, insider crime accusations, fines from NASDAQ Stockholm Disciplinary Board due to shortcomings in the information disclosure and so on and so on. All these factors add up to a major distrust towards FPC, which should not go away anytime soon. As investors do not trust FPC they also tend to ignore e.g. the market leadership and the advantageous position with access to capacity as well as the strategic transition moving from selling semiconductor components to providing biometric solutions (e.g. own algorithm, Delta ID, SoC etc.). We also feel that the mistrust for FPC make investors neglect FPC's solid position in the new verticals that will contribute to a fast total market growth. The coming new segments may be way delayed but it does not mean that FPC does not have the partnerships necessary etc.

Trust needs to be restored by beating consensus

All trust has vanished. Forget about the number of launched smartphone models, bid rumours, Samsung orders, stock repurchases, Delta ID or other value-adding acquisitions, etcetera. Figures above consensus expectations is what is required to break the downward spiral for the share price. We need one or more likely multiple, strong "one finger salute" reports that beat earnings consensus.

Upside potential in base case but still a considerable downside risk

There is upside potential in relation to our base case of SEK 24 per share relation but despite the major fall for the FPC shares we still see a considerable downside risk in our reasonably pessimistic scenario of SEK 10.

Bear points

In this subsection we acknowledge and rank the, according to us, most serious risks and counter arguments against our investment case, for serious investors to keep an eye on.

1. Vertical integration in China
A general trend in China seems to be state-backed vertical integration. We see a risk that the customers in China get access to national good enough products, which could cause ASP decline from price pressure, or worse, loss of market shares.

2. Face recognition
Apple has decided to scrap Touch ID in its latest flagship smartphone the iPhone X. If the other smartphone manufacturers to a large extent follow suit FPC needs to somehow find a way to provide face recognition (regardless if the iris technology from the acquisition of Delta ID is a lot better than face recognition).

Catalyst types

Customers adopt face recognition
If Apple's Face ID becomes a success it could make FPC's customers pone to quickly also move over to face recognition and thus scrap their fingerprint sensors.

Commercial success/considerable volumes from smartcards
If the market sees that the smart card segment is taking off, for example due to a major deal with IDEAMIA or Gemalto it would have a major impact on the share. Not only would it contribute financially, but also make FPC less dependent on the mobile device segment. We expect to hear about further progress and see volumes pick up in 2018.

Personal notes

Publication date

January 12 2018

Formpipe Software FPIP

Company page

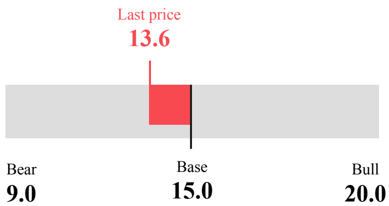
https://www.redeye.se/company/formpipe-software

Redeye Rating

Leadership · Ownership · Profit outlook · $ Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL

Impact

Major

Moderate

Minor

Timeframe

Long

Mid

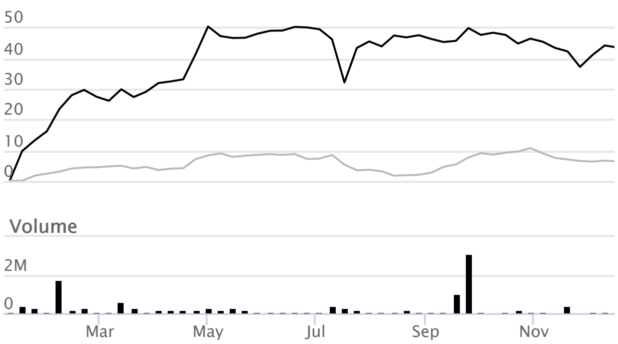
Short

Turn page for catalyst specifics

Snapshot

Formpipe Software

OMXS30



Marketplace	NASDAQ Stockholm
CEO	Christian Sundin
Chairman	Bo Nordlander

Share information

Share price (SEK)	13.6
Number of shares (M)	51.9
Market cap (MSEK)	716
Net debt (MSEK)	-3

Analyst

Johan Svantesson
johan.svantesson@redeye.se

Conflict of interests

Johan Svantesson owns shares in Formpipe Software: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	379	387	408	435
Growth	*13.6%*	*8.4%*	*2.3%*	*5.3%*
EBITDA	88	85	93	105
EBITDA margin	*23.3%*	*21.9%*	*22.9%*	*24.2%*
EBIT	30	36	48	61
EBIT margin	*7.8%*	*9.4%*	*11.8%*	*14.1%*
Pre-tax earnings	25	32	44	58
Net earnings	22	24	34	45
Net margin	*5.8%*	*6.2%*	*8.4%*	*10.3%*
Dividend/Share	0.30	0.30	0.30	0.30
EPS adj.	0.43	0.46	0.66	0.87
P/E adj.	31.9	29.5	20.5	15.7
EV/S	2.0	1.9	1.7	1.5
EV/EBITDA	8.4	8.7	7.5	6.3

Last updated: 2017-11-19

Owner	Equity	Votes
Martin Gren	10.3%	10.3%
Handelsbanken Fonder	7.0%	7.0%
Avanza Pension	6.5%	6.5%
Swedbank Robur Fonder	6.0%	6.0%
Humle Fonder	4.9%	4.9%
Andra Ap-Fonden	4.6%	4.6%
Thomas Wernhoff	3.9%	3.9%
Carnegie Fonder	2.9%	2.9%
SEB Fonder inkl. Lux	2.1%	2.1%
Christian Sundin	1.7%	1.7%

Company description

Formpipe Software provides ECM (Enterprise Content Management) solutions to public sector clients in Sweden and Denmark as well as the global Life Science industry.The company is since 2010 listed on the OMX Small Cap stock exchange. As of early 2016, Formpipe has around 240 employees and is headquartered in Stockholm, but also has a big part of its workforce in Denmark. The company has a turnover of over 350 MSEK with an EBIT-margin of around 6-8% the last years, which is well below historical averages and productivity software peers.

The ECM market comprises systems that capture, process, store, archive and deliver information in a systematic way. This allows companies, organizations and public authorities to manage the continuously increasing flow of information in a connected, digital world. Through using ECM solutions, they can therefore increase their productivity, efficiency and even reduce risks in their business.Formpipe's key market segments, the Swedish and Danish public sector, are regarded as relatively advanced in their use of ECM solutions. They are ahead of the private sector, mostly due to regulatory pressure.

Formpipe's key competitors in the Nordics are Software Innovation (NO, part of Tieto Group), Ida Infront (SE, part of Addnode Group), KMD (DK), SBYS (DK) and Essvision. We see Formpipe however in a leading position in their key customer and product segments.

Investment case

- Formpipe has a stable customer base which primarily consists of public sector actors in Sweden and Denmark, with a strong base of recurring revenues which creates stability in the business.
- Formpipe has several organic and acquisition-based growth opportunities. Furthermore, growth opportunities exist both in existing as well as new markets, such as the Life Science sector.
- On the negative side, Formpipe’s has not seen the expected turnaround on EBIT level yet. Mainly due to continued investments in new products and markets.
- DCF generates a fair value of 15 SEK.

Formpipe’s solutions help its clients to manage an ever increasing flow of information, which is a strong underlying driver for the business. The firm has a stable customer base which primarily consists of public sector actors in Sweden and Denmark, with a strong base of recurring revenues which creates stability in the business. Growth opportunities exist both in existing as well as new markets, such as the Life Science sector.

Formpipe has several organic and acquisition-based growth opportunities. Cross-selling can be realized by bringing solutions from the Swedish to the Danish market and vice versa, which is a result of the Traen acquisition in 2012. We expect such cross-selling to contribute slowly, but positively to growth and profitability going forward. In addition, Formpipe has created an offer targeted at the Life Science sector (Platina QMS), which can be a future growth driver for the firm. The Life Science industry shares many parallels with the public sector as it is highly regulated by rules and regulations, not least from the US FDA (Food and Drug Administration). Life Science is, however, a highly globalized market, which could be of importance for Formpipe since current public sector solutions are rather customized to individual geographic markets. We see Formpipe's acquisition of UK-based GXPi, a provider of compliance management solutions to the Life Science sector, as a confirmation for this, since the UK is one of the hubs for Life Science within Europe and globally. At the same time, it became obvious that the new Life Science team will take longer to contribute positively to EBITDA than previously expected - both because it takes longer to close first bigger sales and because setting up base in the US required additional investments.

Another product-based opportunity is Formpipe's solution for long-term archiving, where Formpipe has started to see promising market traction. The product had been developed for several years before, and the market - despite clear incentives to adopt such solutions - has been rather slow, but since mid-2015 Formpipe has won a number of smaller and bigger contracts in the segment.

In summary, we consider Formpipe as a stable company with high recurring revenues. On the negative side, Formpipe’s has not seen the expected turnaround on EBIT level yet. Mainly due to continued investments in new products and markets, but also affected by delays in the commercial success of new products compared to initial plans, and challenges in the efficiency of the Danish operations. However, Formpipe has a steady growth in recurring revenues, and since the scalability is high, we believe that this will allow the company to increase its margin on a mid-term basis. In addition, Formpipe´s solid market position of many of its products, long contracts, the increasing trend towards cloud-based software usage and existing efficiency opportunities in the company, makes us even more optimistic about Formpipe’s future.

Counter thesis

- Increased competition: Formpipe may face increased competition from both local players as well as international firms, and players from consulting and product backgrounds joining forces, like Tieto and Norwegian Software Innovation.
- Lower investment interest: The public sector might face reduced budgets over time and therefore might have less economic freedom to invest in systems such as Formpipe’s.
- Lack of profitability improvement: According to the sensitivity analysis, the market expects a profitability improvement on a mid-term Therefore, it is important that Formpipe continues to improve its EBIT-margin.

Catalyst types

Positive ebitda contribution from new life science team
Currently not priced in the stock and partly in our value assessment.

Increase in saas orders
The shift towards more SaaS orders may affect sales and earnings negatively in the short run. However, we believe that the shift will have a positive impact on profitability in the long term.

New acquisitions for geographic and/or product expansion
FPIP historically used M&A to grow. Net debt is at levels again allowing for new M&A, which can boost geo and/or product based growth.

Personal notes

REDEYE

Publication date

January 12 2018

G5 Entertainment G5EN

Company page

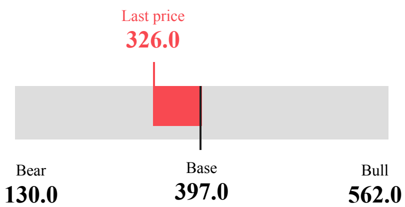
https://www.redeye.se/company/g5-entertainment

Redeye Rating

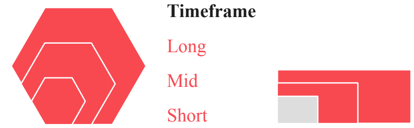
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



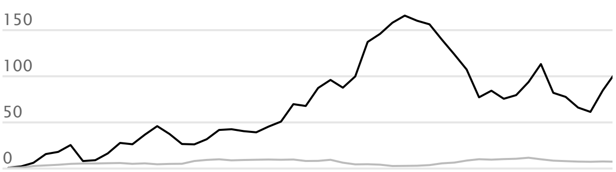
CATALYST POTENTIAL

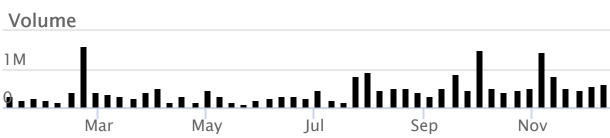


Turn page for catalyst specifics

Snapshot

G5 Entertainment
OMXS30





Marketplace	NASDAQ Stockholm
CEO	Vladislav Suglobov
Chairman	Petter Nylander

Share information

Share price (SEK)	326.0
Number of shares (M)	8.8
Market cap (MSEK)	2,886
Net debt (MSEK)	-204

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in G5 Entertainment: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	517	1,113	1,508	1,809
Growth	*47.9%*	*34.5%*	*>100%*	*35.4%*
EBITDA	81	172	307	371
EBITDA margin	*15.7%*	*15.4%*	*20.4%*	*20.5%*
EBIT	38	113	193	259
EBIT margin	*7.4%*	*10.1%*	*12.8%*	*14.3%*
Pre-tax earnings	38	112	193	259
Net earnings	33	94	155	200
Net margin	*6.4%*	*8.4%*	*10.3%*	*11.1%*
Dividend/Share	0.75	1.00	1.50	2.00
EPS adj.	3.77	10.68	17.57	22.72
P/E adj.	86.5	30.5	18.6	14.3
EV/S	5.4	2.5	1.8	1.4
EV/EBITDA	34.7	16.2	8.7	6.8

Last updated: 2017-12-21

Owner	Equity	Votes
Swedbank Robur Fonder	8.9%	8.9%
Wide Development Ltd	7.1%	7.1%
Purple Wolf Ltd	6.0%	6.0%
Proxima Ltd	6.0%	6.0%
Tommy Svensk	4.6%	4.6%
Avanza Pension	4.5%	4.5%
Rite Ventures	2.6%	2.6%
Nordnet Pensionsförsäkring	2.4%	2.4%
SEB Fonder	2.2%	2.2%
Daniel Eriksson	1.1%	1.1%

Company description

G5 Entertainment was founded in 2001 and is a developer and publisher of casual free-to-play games for smartphones and tablets with loyal players all over the world. The company has its headquarter in Stockholm, Sweden, with development offices in Moscow and Kharkov, Ukraine. There is also a procurement and licensing office in Malta and a small sales and marketing office in San Francisco, USA. In total, G5 has nearly 300 employees.G5 has developed a business model that is both successful and scalable, which is reflected in the company's history. Together with the underlying driving forces and current trends in the mobile games industry the company will likely continue to develop its strong position with mobile casual free-to-play games.

Investment case

- Exceptional growth - Global revenues emanating from mobile games in 2016 were USD 36.7 billion, thereby growing 18 percent over the previous year. However, the growth rate of G5 Entertainment was almost twice that pace, namely 34.5 percent.
- Dominant in their niche - G5 has found its niche within the target group of women aged 35 years and older. According to research, this target group is loyal, affluent and women usually make more in-app purchases than men.
- We expect G5 to maintain high revenue growth of 37 percent CAGR over the next four years. The biggest contribution comes from our expectation of a strong 2017 with an estimated revenue growth of roughly 100 percent.

Exceptional growth

Global revenues emanating from mobile games in 2016 were USD 36.7 billion, thereby growing 18 percent over the previous year. However, the growth rate of G5 Entertainment was almost twice that pace, namely 34.5 percent. Revenues in the mobile games industry are expected to grow by a CAGR of 17 percent over the next three years and reach USD 58 billion in 2020. If G5 continues to outperform in line with the company's impressive track record, we can look forward to exceptional growth in the coming years.

Dominant in their niche

With over 500 games releases on the Apple App store each day, competition is fierce. However, G5 has found its niche within the target group of women aged 35 years and older. According to research, this target group is loyal, affluent and women usually make more in-app purchases than men. G5's focus is primarily casual puzzles, often combined with atmospheric exploration and to some extent interactive drama. All of these elements in a game are popular among women. The company's "Hidden Object" games are the company's big cash cows representing around 80 percent of total company revenue. The genre is best explained as casual puzzles with a framework of storytelling and mystery which appeal to the female audience. G5 Entertainment has in the past few years become the dominant player in their niche of Hidden Objects games and their titles are the highest grossing in the genre.

The growth saga continues

We expect G5 to maintain high revenue growth of 37 percent CAGR over the next four years. The biggest contribution comes from our expectation of a strong 2017 with an estimated revenue growth of roughly 100 percent. Our financial projections in our Base Case scenario relies on a number of factors that should support continued high growth.

Big gets bigger - the company's dominant position in its niche breeds further success
EBIT-margin gradually goes up - driven by huge investments in in-house developed games with lower royalty cost
Geographic expansion - the player base in Asia is expected to continue to grow
Fast growing segment - Revenues from the mobile phone segment is expected to increase
A strategic bet in Match 3 puzzle games - Expected new, niched puzzle games in the Match 3 genre will broaden the game portfolio and attract new female customers.

Investment risks

Due to the low diversification in the games portfolio, the potential impact of the highly successful Hidden City's decline would affect total revenues dramatically.

Mobile games have limited life cycles. It is therefore important to a gaming developer/publisher to deliver new attractive content when old titles reach maturity. The high growth in the industry could also attract competitors to make similar games to G5's.

Catalyst types

Big in japan

Further increased market share in Asia, especially Japan, China and Korea.

Low diversification in games portfolio

Due to the low diversification in the games portfolio, the impact of the highly successful Hidden City's decline will affect total revenues dramatically. In the search for the next big hit amongst G5's games, massive UA-spending will, however, continue in 2018. This two things will both lead to a slower revenue growth and lower profitability.

Ebit-margin gradually goes up

EBIT-expansion driven by investments in in-house developed games with lower royalty cost.

Increased market shares from smartphones

Revenues from the mobile phone segment is expected to increase.

REDEYE

Publication date

January 12 2018

Global Gaming 555 GLOBAL

Company page

https://www.redeye.se/company/global-gaming-555

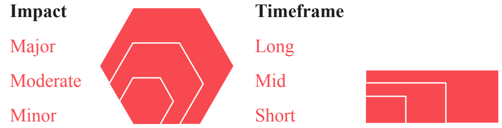
Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

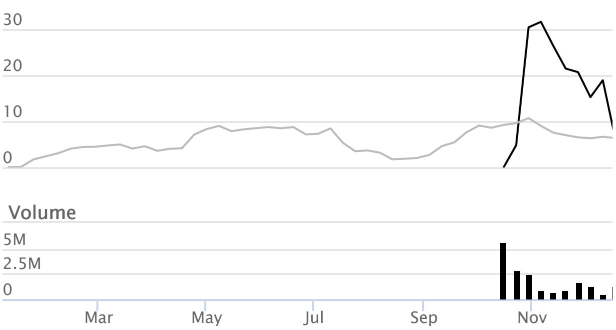
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Global Gaming 555
OMXS30



Marketplace	First North Stockholm
CEO	Stefan Olsson
Chairman	Peter Eidensjö

Share information

Share price (SEK)	34.4
Number of shares (M)	39.7
Market cap (MSEK)	1,408
Net debt (MSEK)	-210

Analyst

Johan Svantesson
johan.svantesson@redeye.se

Conflict of interests

Johan Svantesson owns shares in Global Gaming 555: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E (Redeye Estimates)	2019E (Redeye Estimates)
Revenue, MSEK	97	467	986	1,134
Growth	*>100%*	*78.7%*	*>100%*	*>100%*
EBITDA	12	115	168	186
EBITDA margin	*12.1%*	*24.6%*	*17.1%*	*16.4%*
EBIT	12	115	167	182
EBIT margin	*12.1%*	*24.6%*	*17.0%*	*16.1%*
Pre-tax earnings	12	115	167	182
Net earnings	10	101	147	160
Net margin	*10.6%*	*21.6%*	*14.9%*	*14.1%*
Dividend/Share	0.15	0.00	0.00	0.00
EPS adj.	0.27	2.55	3.71	4.04
P/E adj.	129.2	13.5	9.3	8.5
EV/S	13.6	2.7	1.2	0.9
EV/EBITDA	112.5	11.1	6.9	5.4

Last updated: 2017-12-10

Owner	Equity	Votes
CBLDN-POHJOLA BANK PLC CLIENT A/C	18.1%	18.1%
CLEARSTREAM BANKING S.A., W8IMY	17.8%	17.8%
TIAINEN, AHTI	10.7%	10.7%
BANQUE INTERNATIONALE A LUX	8.3%	8.3%
Swedbank AS (Estonia)	5.6%	5.6%
HÖGLUND, OLA	3.4%	3.4%
Catella Bank S A	2.5%	2.5%
HAMBERG FÖRVALTNING AKTIEBOLAG	2.1%	2.1%
Nordea Bank AB(Publ), Nordea Bank Finland ABP	2.0%	2.0%

Company description

Global Gaming is an online Gambling company delivering and developing B2C and B2B services for online casinos. Today, the company provides eight traditional online casinos in addition to the "no registration casino" Ninja Casino, which was launched at the end of 2016. Moreover, the company has developed a proprietary platform that delivers full-service solutions for the company's own brands as well as external online casinos.

Investment case

- Potential catalysts in the near-term: Continued successful marketing efficiency and geographical expansion will result in high growth and are, therefore, two catalysts that could close the gap between our Base case and current share price.
- Innovates the online casino industry with the brand Ninja Casino: Ninja Casino is the newest and fastest growing brand within the Global Gaming group and is differentiated from traditional online casinos as it does not require the usual registration process.
- The structural growth of online gambling: The online gambling market in Europe is still less than 20% of the total gambling market and is expected to grow by roughly 7% in the coming years.

Current share price indicates relatively conservative expectations on the future

The financial forecast for a company like Global Gaming is no easy task. The company operates in a highly competitive and changing industry, meaning that Global Gaming faces new competitors each and every day. Even so, the company is an innovative challenger offering a no-registration solution with its brand Ninja Casino. However, compared to peers and our rather conservative DCF-valuation, the current trading level (SEK 31 per share) indicates relatively low expectations on Global Gaming's future. Of course, there are risks related to the company in terms of competition from other online casinos, regulations of markets, short history and that a lot of the revenues rely on the brand Ninja Casino. Nevertheless, we argue that the company has the opportunity to launch new brands aimed at special target groups, expand Ninja Casino geographically, and vertically by adding a betting solution.

Innovates the online casino industry with the brand Ninja Casino

Ninja Casino is the newest and fastest growing brand within the Global Gaming group and is differentiated from traditional online casinos as it does not require the usual registration process. The technology behind Ninja Casino makes it possible for the player to log in via electronic-ID (BankID). This means that Ninja Casino is as safe as a traditional online casino, but with a seamless experience. The seamlessness is reflected in the possibility to play without registration, and in the cash out process - that instantly sends the winnings to the player's bank account.

The structural growth of online Gambling – mobile as a key driver

The online casino industry has shown strong growth in recent years, and there are an increasing amount of online casinos that operates and competes about the players. Nevertheless, the structural growth of the iGaming industry still expects to continue in the coming years. More precisely, the online gambling market in Europe is still less than 20% of the total gambling market and is expected to grow by roughly 7% in the coming years. Further, about 70% of Ninja Casino's customers play via their smartphone. In 2005, mobile gambling accounted for only 1% of the total market, which has grown to 32% by the end of 2016. Moreover, online gambling via the mobile expects to grow at a CAGR of 14.9% in the coming years and account for 46.3% of the total market in 2021.

Counter-Thesis - Bear Points

Competitor launching a similar casino solution as Ninja Casino

We believe that the biggest threat to Global Gaming is related to competitors launching a brand with a similar no-registration solution as Ninja Casino has today.

It is more or less all about Ninja Casino

At the moment, Ninja Casino is the main driver for Global Gaming's rapid growth. This means that the company is dependent that the brand continues to deliver.

Dependent on an external payment provider

Today, Ninja Casino is dependent on the payment provider Trustly, meaning that Global Gaming is exposed to a substantial risk if something happens with the cooperation.

Regulation of online gambling

Global Gaming operates in markets which likely will face regulation in the near future (2019 in Sweden).

Catalyst types

Expands geographically
The company has been rather clear that they are exploring new markets. Therefore, we expect a launch of Ninja Casino in at least one additional country in 2018. The geographical expansion and the launch of new brands will drive sales, but also create a wider revenue stream.

Continued successful marketing efficiency
The marketing efficiency has been above expectations, which we believe is explained by the unique solution. Does the company report strong marketing efficiency in coming quarters, we expect the relative performance of the company's share to be good.

Expands vertically
Global Gaming has the opportunity to expand into other verticals, such as betting or bingo. The betting market in the Nordic region expects to show a CAGR of approximately 7% during coming years.

Launching new brands - targeting new customers
A launch of new brands will drive sales, but also create a wider revenue stream. This, in turn, will have a positive impact on the risk.

Acquisitions
The success with Ninja Casino has made it possible for Global Gaming to be open to M&A activities.

Personal notes

REDEYE

Publication date

January 12 2018

Heliospectra HELIO

Company page

https://www.redeye.se/company/heliospectra

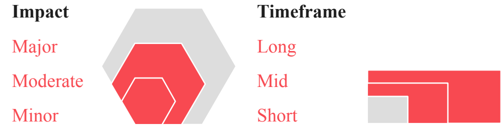
Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

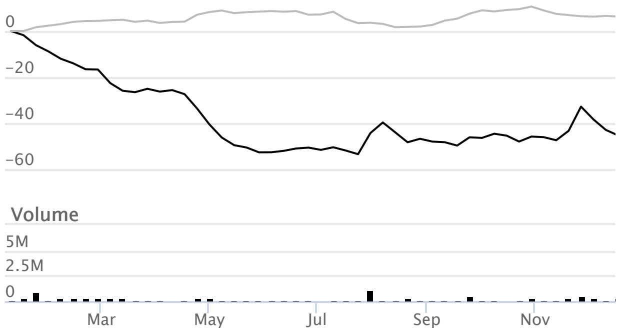
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Heliospectra
OMXS30



Marketplace	First North Stockholm
CEO	Ali Ahmadian
Chairman	Andreas Gunnarsson

Share information

Share price (SEK)	7.9
Number of shares (M)	35.1
Market cap (MSEK)	271
Net debt (MSEK)	-6

Analyst

Dennis Berggren
dennis.berggren@redeye.se

Conflict of interests

Dennis Berggren owns shares in Heliospectra: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	23	31	58	84
Growth	*>100%*	*68.4%*	*34.5%*	*87.1%*
EBITDA	-38	-28	-19	-10
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-43	-32	-23	-14
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-46	-32	-23	-14
Net earnings	-46	-32	-23	-14
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.30	-0.92	-0.65	-0.39
P/E adj.	-6.1	-8.6	-12.2	-20.1
EV/S	9.3	7.6	4.7	3.4
EV/EBITDA	-5.6	-8.5	-14.4	-29.1

Last updated: 2017-10-30

Owner	Equity	Votes
Gösta Welandson	34.4%	34.4%
Mohammed Al Amoudi	10.1%	10.1%
Stiftelsen Industrifonden	6.8%	6.8%
Avanza Pension	5.5%	5.5%
Piba AB	1.1%	1.1%
Magowny Invest AB	1.0%	1.0%
Chrilotte AB	0.7%	0.7%
Rolf Johansson	0.7%	0.7%
Kent Gustafson	0.7%	0.7%
Henry Dunkers Donationsfond & Stiftelser	0.7%	0.7%

Company description

Heliospectra specializes in intelligent lighting systems for plant research, greenhouse cultivation and controlled environment agriculture. The company is a global leader in LED grow lights for advanced research applications and has patented technology.

Investment case

- Heliospectra's current share price implies expectations of rather low revenue growth. We believe that Heliospectra needs to secure somewhat larger orders from either commercial greenhouse growers or the medical marijuana segment to exceed the price implied expectations.
- Possibility to gain market shares: The market for LED grow light is projected to grow rapidly. Heliospectra is well positioned to harvest from this booming market.
- Strong technological offering: Heliospectra possess a strong offering which add significant value to clients cultivations. The strength of the company's offering is proven by the recently introduced automatic control system.

Approaching an inflection point as sales focus starts paying-off

Heliospectra is in the middle of a transition from a research company with little focus on sales to become a leading global player in the growing market for intelligent lighting solutions. With a strong position in the research market and several important contracts and partnerships in the medical plant segment as well as in the greenhouse cultivation segment, Heliospectra is in pole position to benefit from the growth in the market for LED grow lights – a market projected to grow at a CAGR of 30-40 percent from 2014-2020. Heliospectra is on the verge of its big market breakthrough – that said, individual orders have a large impact on sales and long sales cycles can delay the harvest.

Rapid market growth driven by global trends

The use of LED grow lights address global issues of environmental impact from agriculture and fresh food supply for the urban population. There is a growing interest in control and automation for agriculture to raise productivity and a need for improvements in how we grow everything from vegetables to tobacco.

LED grow lights are more energy efficient than traditional HIS/HPS lamps traditionally used in greenhouses and growers increasingly replace traditional lighting solutions in commercial greenhouse operations in Europe, North America and Asia. Heliospectra's intelligent lighting systems also provide growers benefits of increased automation and higher plant quality thus making the incentives to switch from HID/HPS even higher. If Heliospectra manage to secure large orders from commercial growers in the cultivated greenhouse segment there are reasons to believe that Heliospectra will draw more investor attention.

Medical plant segment booming thanks to legalization

Heliospectra has established itself as a well renowned player in the legal marijuana segment and will benefit from the ongoing legalization movement in the US as well as in other countries. The market is still very much in its infancy in the US and rapid growth is expected as legalization continues not only in the U.S but also in other parts of the world. As the market matures competencies in the industry increase with the inflow of skilled people with ability to make sound financial analysis. LED grow lights provide short payback times on investment for growers of marijuana who can drastically reduce their high electricity costs and increase productivity and quality.

Proprietary technology strengthens case

Heliospectra have strong intellectual property rights in their biofeedback system allowing autonomous plant growth. The system incorporating LED grow lights, proprietary software and sensors is patented, thus making it harder for competitors to offer growers the same benefits. Heliospectra's patented system and the company's software solutions offer growers the option of integration to lighting systems from competitors. This opens up an opportunity for Heliospectra to capitalize on its IP in multiple ways.

Strong ownership

Heliospectra has major shareholders which provide the support and capital strength needed to fund future growth, which has been illustrated multiple times through their willingness to support the company financially through both debt and equity financing.

Bear points

Heliospectra is still at an early stage of commercialization and we believe that the major challenges for the company are:

- Rapidly grow sales in a competitive market
- Improve gross margins as volumes grow
- Need of additional funding due to delayed breakthrough
- Protect and capitalize on its IP-portfolio

Catalyst types

Successful introduction of cortex

A successful introduction of the recently announced control system Cortex has potential to generate sales growth by attracting new clients and increasing revenues from existing clients. Our interpretation is that the introduction of Cortex should be seen as a first step towards commercialization of the biofeedback system.

Major order of sek 10 million+

We believe additional follow up orders from existing customers could be several times the size of the initial orders. We see good potential for further follow-up orders from the undisclosed AgTech players and from the marijuana growers who have previously placed large orders, for example The Grove. We also see a great potential of large orders from the commercial greenhouse segment, where an order of SEK 10 million+ would make us, as well as the market, more confident in Heliospectra's ability to generate high long-term sales growth.

Commercialisation of biofeedback system

A successful commercialization with a break-through order on the much anticipated biofeedback system incorporating sensors, software and LED grow lights would highlight the uniqueness of Heliospectra's solutions and help the market assign a value to the company's IP.

Personal notes

REDEYE

Publication date

January 12 2018

Hexatronic Group HTRO

Company page

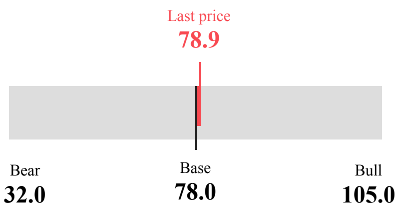
https://www.redeye.se/company/hexatronic-group

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

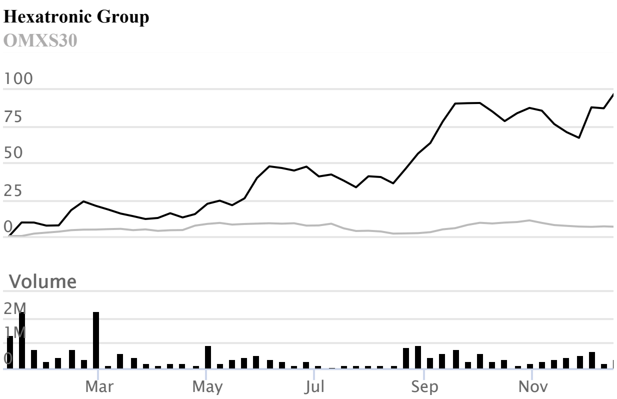
FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Henrik Larsson Lyon
Chairman	Anders Persson

Share information

Share price (SEK)	78.9
Number of shares (M)	36.2
Market cap (MSEK)	2,771
Net debt (MSEK)	156

Analyst

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Conflict of interests

Kristoffer Lindström owns shares in Hexatronic Group: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E	2019E
			Redeye Estimates	
Revenue, MSEK	1,032	1,322	1,771	2,036
Growth	*0.0%*	*64.6%*	*28.1%*	*33.9%*
EBITDA	110	159	237	277
EBITDA margin	*10.6%*	*12.0%*	*13.4%*	*13.6%*
EBIT	89	123	197	229
EBIT margin	*8.6%*	*9.3%*	*11.1%*	*11.2%*
Pre-tax earnings	70	118	188	231
Net earnings	54	90	147	176
Net margin	*5.2%*	*6.8%*	*8.3%*	*8.7%*
Dividend/Share	0.00	0.29	0.00	0.00
EPS adj.	1.61	2.40	3.92	4.70
P/E adj.	49.1	32.8	20.1	16.8
EV/S	2.6	2.3	1.8	1.5
EV/EBITDA	24.9	18.9	13.2	10.9

Last updated: 2017-12-05

Owner	Equity	Votes
Accendo Capital	12.9%	12.9%
Jonas Nordlund	8.3%	8.3%
Göran Nordlund	5.3%	5.3%
Fondita Fonder	5.0%	5.0%
Chirp AB	4.9%	4.9%
Handelsbanken Fonder	4.0%	4.0%
Nordea Fonder	3.7%	3.7%
Swedbank Robur Fonder	3.6%	3.6%
Avanza Pension	2.9%	2.9%
Henrik Larsson Lyon	2.2%	2.2%

Company description

Hexatronic is present in the industry of communication solutions for fiber optic communications. The main market that the company operates in is the so called FTTH (Fiber-To-The-Home). The company is a supplier of products through the whole infrastructure of fiber optics. The main customers are the largest network suppliers, telecom companies and installers. The company operates mainly in the Northern European markets, but also delivers significant volumes to the rest of the world.

Hexatronic is listed on Nasdaq Stockholm since 2016 before that it was listed on NGM, Aktietorget and Nasdaq First North. In 2014 Hexatronic bought Ericssons cable factory in Hudiksvall, Sweden, to broaden its offer of fiber cable products. The company competes in two sub-markets within the Fibre cable industry; Land solutions and Submarine solutions. Most companies in the optical fibre business is only present in one or two parts of the infrastructure and not throughout the whole as Hexatronic, this is the compan's main advantage as they want to develop system deliveries instead of in single product deliveries. Hexatronic want to grow their business by gaining market share by delivering systems and by acquiring companies with an international presence.

Investment case

- Hexatronic is establishing them self outside of the Nordics. The investors mainly focuses on the current main market, which will mature by 2020. Excellent opportunity's lies in the UK, USA, Germany, and New Zealand as investments in fiber infrastructure will continue for a decade and more.
- The growth of Hexatronic is driven by structural forces. The company is a profitable growth business but not valued as one, mainly because they are overlooked by investors. We believe the valuation will increase as most investors underestimate long-term structural growth.
- In the new market regions such as UK, USA, and possible soon Germany Hexatronic will focus on selling their system of Fiber products called Matrix with higher margins. This will lead to increased profitability when the international sales take off.

For Hexatronic to be able to live up to their financial goals of a yearly growth rate of 20% and an EBITDA margin of 10-12%, the company need to utilize and nurture its existing customer base that the company gained through the acquisition of Ericsson's optical fiber cable business and make smart acquisitions. In our view the recent acquisitions of TD Fiber and Proxiomion have strenghted the company substantially.

Hexatronic is present in a growing industry, but to be able to live up to a growth rate of 20% it is likely that future acquisitions is needed. We believe that the company wants to expand on an international basis by acquiring companies with large customer bases. Making these acquisitions at attractive price tags will be crucial for value creation in the next few years.

The company today is quite small. This is an advantage as Hexatronic might be overlooked by the investment community. It is reasonable to believe that the company will grow at a healthy rate and with a good profitability, when the size of the company increases, due to larger sales and profits, the value of the company will also do so. We believe that more and more analyst will take up coverage of Hexatronic in the future and the company likely will get more attention in the media. Hexatronic listed their share on Nasdaq Stockholm Small cap during December 2015 and will likley be moved to Mid Cap, which should attract more investors. Hexatronic is a profitable growth company that is not valued as one.

Catalyst types

Breakthought deal in the usa

Hexatronic is increasing there presence in the USA with the acquisition of BDI and that there MATRIX system is now approved by a major US telecom operator. We see the possibility of a larger breakthrough order or deal with the "unnamed" US telecom operator as both likely and value adding.

Continued growth of fiber infrastructure investments

The growth of infrastructure investment in fiber will be substantial over the coming years. Due to the large need of higher internet capacity with the reason of changed consumer behavior. The overall market growth will increase the revenue levels of Hexatronic.

Gained market share

Hexatronics system based offering could lead to a higher market share as the company competes with a better service than their competitors. This could result in a high revenue growth.

Personal notes

IMINT Image Intellig... IMINT

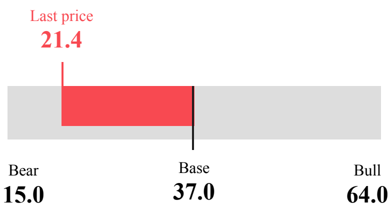
Company page
https://www.redeye.se/company/imint-image-intelligence

Redeye Rating

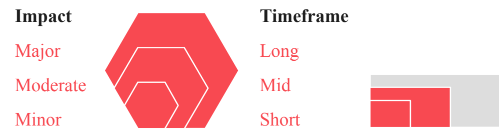
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

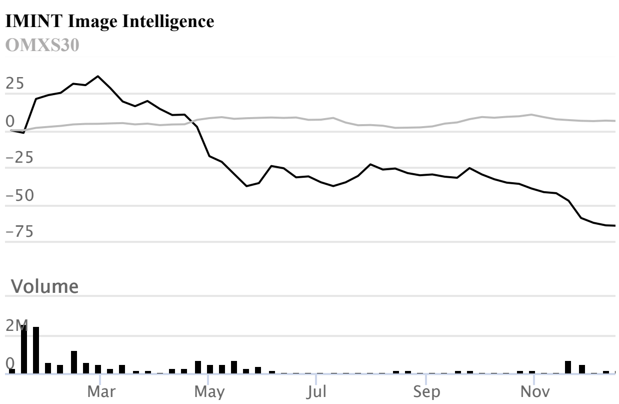


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	Aktietorget
CEO	Andreas Lifvendahl
Chairman	Katarina Bonde

Share information

Share price (SEK)	21.4
Number of shares (M)	8.9
Market cap (MSEK)	190
Net debt (MSEK)	-39

Analyst

Dennis Berggren
dennis.berggren@redeye.se

Conflict of interests

Dennis Berggren owns shares in IMINT Image Intelligence: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E (Redeye Estimates)	2019E (Redeye Estimates)
Revenue, MSEK	2	20	48	86
Growth	*-98.2%*	*>100%*	*>100%*	*>100%*
EBITDA	-6	-1	19	40
EBITDA margin	*Neg*	*Neg*	*39.3%*	*46.0%*
EBIT	-8	-7	11	28
EBIT margin	*Neg*	*Neg*	*23.1%*	*32.7%*
Pre-tax earnings	-8	-7	11	28
Net earnings	-8	-7	11	28
Net margin	*Neg*	*Neg*	*23.1%*	*32.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.92	-0.77	1.24	3.18
P/E adj.	-23.3	-27.8	17.3	6.7
EV/S	59.7	7.9	3.2	1.5
EV/EBITDA	-21.5	-175.7	8.0	3.2

Last updated: 2017-11-29

Owner	Equity	Votes
Avanza Pension	10.6%	10.6%
Hans Thomsen	3.4%	3.4%
Nordnet Pensionsförsäkring	3.2%	3.2%
Öjvind Norberg	2.8%	2.8%
Uppsala Universitet Holding AB	2.4%	2.4%
Claes Thomsen	2.1%	2.1%
Simon Mika	1.8%	1.8%
Andreas Lifvendahl	1.8%	1.8%
Göran Källebo	1.7%	1.7%
ALMI	1.7%	1.7%

Company description

Imint Image Intelligence is a software company based in Uppsala Sweden. The company provides software for analyzing, optimizing and enhancing video in real-time. The company is primarily targeting mobile device OEMs in Asia and has license agreements with a number of customers.

Investment case

- Efforts are starting to pay off: Imint currently have agreements with several giant smartphone manufacturers such as Huawei and Vivo, which proves the strengths of the Vidhance platform.
- Video enhancement software is expected to experience strong growth. Imint is well positioned to benefit from this by offering the Vidhance platform to smartphone OEMs.
- Offering that opens up for great margins: We believe that Imint has potential to exhibit very high margins given that the company faces no marginal cost of additional sold phones with Vidhance.

Refocusing from niche segments to mass-market

Imint was founded in 2007 and has its roots in scientific research conducted at Uppsala University and The Swedish University of Agricultural Sciences. The initial research group sought to offer innovations in the field of real-time enhancement of aerial surveillance video. The targeted clients were global niche players within the market for Unmanned Aerial Vehicles (UAV), the Swedish Armed Forces and the Defense Industry. Due to a growing interest in its technology from a number of smartphone OEMs, Imint's board decided in 2013 to pursue opportunities within the mobile device segment. Imint's technology received positive response at the Mobile World Congress (MWC) in Barcelona and in 2014 the first version of the software package Vidhance Mobile was launched. Since then, Imint has intensified its commercial efforts and grown its organization to target the global market for analyzing, optimizing and enhancing video in real-time.

Operating in a rapidly growing segment

We expect the market for video enhancement software to experience strong growth. Increased bandwidth, more powerful hardware in smartphones and strong growth in online advertising are key drivers. Media consumption and content creation is changing with live video and user created content being two key trends. Smartphone OEMs, not least emerging Asian players, wish to differentiate their offerings and enhancing their video capabilities is a focus area. Imint's Vidhance solution is well positioned to benefit from the developments in the market as its software enhances the video capabilities of the devices as well as enhances the customer experience.

On the verge of a major breakthrough

The efforts are starting to pay off with a number of signed licensing deals thus far. One landmark deal was when its first product with Vidhance video stabilization became available on the consumer market in Huawei's Mate 9-model. Apart from the announced deals, several ongoing dialogues have potential to add additional volumes. One example is the recent announcement of a signed development agreement with an undisclosed Chinese smartphone manufacturer. With the announcement of license deals with leading OEM's such as Huawei and Vivo, Imint has shown that its Vidhance software is a commercial product.

Risks

- **Imint's features rapidly become commoditized**

We believe that there is a risk that Imint's features become commoditized, implying a rapid price pressure on offered features which will lead to lower royalty revenues for Imint.

- **Failure to close agreements with Vidhance included in new phones**

Imint's does not only have to convince clients to integrate Vidhance in additional product launches, but also to include additional Vidhance features in order to increase the average royalty charged per sold unit.

Catalyst types

Additional deals with leading smartphone oems

We believe that additional deals with leading smartphone OEMs will have positive impacts on the share price. We find an agreement also covering use of live auto zoom to be of particular importance as it would strengthen the case for long term growth.

Imints features become commoditised

Imints features become commoditised and this leads to falling royalty prices and sinking volumes

Launch of products in new business segments

Imint is continuously examining new business opportunities, illustrated by the increased efforts in standardizing the Vidhance offering. Examples of areas of application outside smartphones are found in the recently announced agreement with Kontigo Care and the Samsung development project.

Personal notes

REDEYE

Publication date
January 12 2018

Invisio Communicatio... IVSO

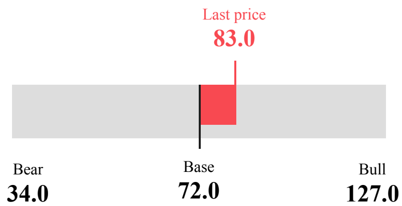
Company page
https://www.redeye.se/company/invisio-communications

Redeye Rating

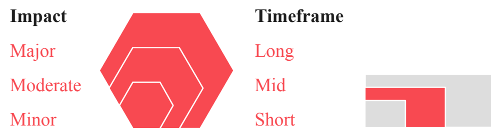
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



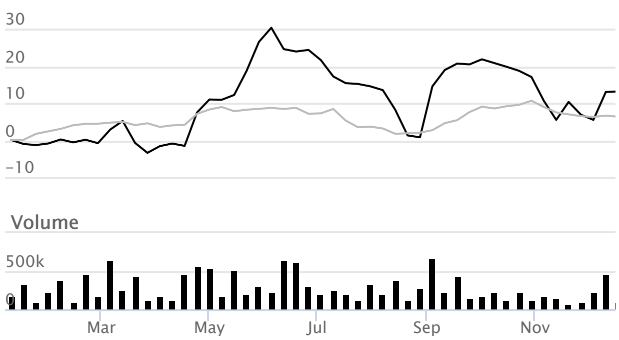
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Invisio Communications
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Lars Højgård Hansen
Chairman	Lars Röckert

Share information

Share price (SEK)	82.5
Number of shares (M)	44.1
Market cap (MSEK)	3,590
Net debt (MSEK)	-255

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Invisio Communications: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	330	340	401	501
Growth	*14.0%*	*43.6%*	*3.1%*	*17.9%*
EBITDA	98	74	96	152
EBITDA margin	*29.7%*	*21.8%*	*24.0%*	*30.2%*
EBIT	90	70	89	143
EBIT margin	*27.4%*	*20.5%*	*22.3%*	*28.5%*
Pre-tax earnings	90	70	89	143
Net earnings	92	67	86	111
Net margin	*27.8%*	*19.8%*	*21.6%*	*22.2%*
Dividend/Share	0.00	0.50	1.00	1.26
EPS adj.	2.14	1.53	1.96	2.53
P/E adj.	38.5	53.9	42.1	32.6
EV/S	10.3	10.1	8.4	6.6
EV/EBITDA	34.8	46.3	35.2	21.9

Last updated: 2017-11-02

Owner	Equity	Votes
Patinex AG	17.3%	17.3%
Lage Jonason	17.0%	17.0%
Handelsbanken Fonder	6.6%	6.6%
Swedbank Robur Fonder	6.2%	6.2%
Erik Åfors	4.6%	4.6%
La Financière de l'Echiquier	2.8%	2.8%
Karin Lindahl	2.7%	2.7%
Avanza Pension	2.6%	2.6%
Fjärde AP-fonden	2.3%	2.3%
Allianz Global Investors	1.8%	1.8%

Company description

Since 2007, Invisio has developed and sold communication equipment for professional users, mainly the military. Its strategic realignment away from the consumer market has resulted in strong growth. Invisio's scalable business model is based on the company selling hardware and adaptations to local military conditions through its distribution partners. However, its manufacturing is outsourced. Invisio's customers are special forces and regular armies. Orders from special forces take place on an ongoing basis while regular armies order through procurement processes. Invisio's existing customers are around ten Western nations, usually in NATO. The company intends to win procurements in the approximately 50 military modernisation programmes ongoing worldwide. A competitive advantage is its understanding of military needs along with its proximity to the world-leading Danish hearing aid industry, which means good knowledge of how the equipment should fit for the user to want to have it on for long periods. Invisio's reference customers are also an important parameter. Since autumn 2013 the company has been selling to the US Army, but for a long time prior to that it has sold to special forces like Delta Force and the Navy Seals. One disadvantage is that Invisio has no patent protection that would prevent competitors from developing equivalent offerings, but the barriers are high since both procurements and contracts stretch over many years.

Investment case

- From leading special forces and US Army to rollout in major NATO armies
- Invisio controls a niche market with high barriers
- The stock market has discovered the high quality of Invisio…
- …but major procurements can be settled overnight

From leading special forces and US Army to rollout in major NATO armies

Invisio has gone from sales of small batches of equipment for leading special forces to delivering on a broad front to the entire armies of seven countries. The breakthrough came in late 2013 with the US Army (known as the TCAPS programme). Strongly driven by a desire to prevent hearing damage costs amounting to several billion US dollars, the US Army has in several phases placed orders totalling over SEK 300m. The demanding US Army is naturally the best possible reference customer. With TCAPS as a reference, Invisio now aims to win the other 40-50 procurement processes within military modernisation programmes that the company is participating in. Following extensive and rigorous TCAPS testing, Invisio has become NATO certified, and we therefore believe that Invisio's products will gradually become the standard in other NATO countries. Given its contracts with the regular armies of Britain, Canada and Australia, the company is already well underway.

Invisio controls a niche market with high barriers

Confidentiality is extensive, but we are not aware of Invisio having lost any procurement since 2007. The numerous and major transactions that the company is regularly winning therefore indicate that Invisio has an attractive and comprehensive range of hearing protection and communication that no one can today match. The procurement processes generally last several years, but happily so do the contracts once they are won. The protracted and tough procurements also mean it is difficult to be subsequently rejected provided things are done correctly. Since it is not possible to join the 40-50 procurements retrospectively, we believe that Invisio will dominate the military market over the next few years, and will do everything to strengthen this position. Any company then wanting to threaten Invisio would of course be able to produce an equivalent offer, but would have to be very long-term and focused, and have large resources, while the annual size of this niche market represents a question mark. But Invisio is not standing still, and has for a decade been an established speaking partner to the world's leading military units given its relatively unique combined expertise in audiology and military communications.

The stock market has discovered the high quality of Invisio…

Invisio has the highest rating in Redeye's universe of companies, which means absolute top quality in terms of management, ownership, profit outlook, profitability and financial strength. Unfortunately this is also something the stock market has discovered, and the market's valuation is therefore just above our base case of SEK 72. We therefore currently have approximately the same view as the market in terms of growth prospects, given the information that is known. However, companies of the same high calibre as Invisio are usually able to constantly surprise on the upside and develop into real compounders, which leads us in to what could drive the share.

… but major procurements can be settled overnight

Of the approximately 50 procurements that Invisio is involved in, we estimate that a number are worth in excess of SEK 100m, and that several of these could be settled more or less overnight, which, according to our interpretation, could cause the share price to surge further. Invisio has repeatedly put us on the back foot by delivering one major order after another, and we see a not-insignificant risk of this continuing.

Catalyst types

Order regarding the new intercom solution

Invisio launched a new product category in September 2017. Given R&D in close co-operation with the customers and users we expect a breakthrough order in 2018 with deliveries starting in the end of 2018.

Order from tcaps

A number of future orders from the US Army (TCAPS) is discounted in the share price but a faster or larger roll-out than expected is a catalyst.

Orders from the 50 modernization programs

Invisio is at the moment, since a few years back, participating in procurment processes in around 50 military modernization programs of various size across the world. Our assumption is that a few of these contracts basically could be awarded over night

Personal notes

REDEYE

Publication date
January 12 2018

Lagercrantz Group LAGR B

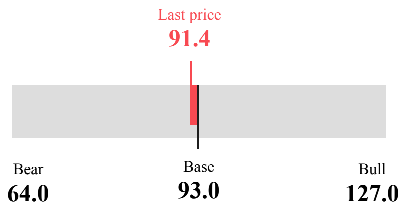
Company page
https://www.redeye.se/company/lagercrantz-group

Redeye Rating

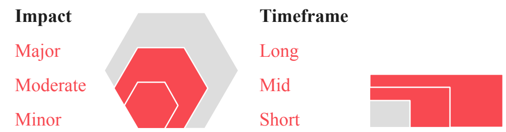
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Lagercrantz Group
OMXS30

Marketplace	NASDAQ Stockholm
CEO	Jörgen Wigh
Chairman	Anders Börjesson

Share information

Share price (SEK)	91.4
Number of shares (M)	69.5
Market cap (MSEK)	6,347
Net debt (MSEK)	771

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Lagercrantz Group: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	3,096	3,469	3,875	4,363
Growth	*7.4%*	*1.3%*	*12.0%*	*11.7%*
EBITDA	452	495	570	644
EBITDA margin	*14.6%*	*14.3%*	*14.7%*	*14.8%*
EBIT	361	391	458	526
EBIT margin	*11.7%*	*11.3%*	*11.8%*	*12.1%*
Pre-tax earnings	351	371	435	495
Net earnings	274	289	335	381
Net margin	*8.9%*	*8.3%*	*8.6%*	*8.7%*
Dividend/Share	2.00	2.10	2.30	2.50
EPS adj.	4.02	4.25	4.92	5.60
P/E adj.	22.7	21.5	18.6	16.3
EV/S	2.2	2.0	1.8	1.6
EV/EBITDA	15.2	14.1	12.3	10.9

Last updated: 2017-10-25

Owner	Equity	Votes
Lannebo Fonder	11.9%	8.4%
SEB Fonder	11.1%	7.8%
Swedbank Robur Fonder	9.1%	6.4%
Didner & Gerge Fonder	7.0%	4.9%
Handelsbanken Fonder	6.0%	4.2%
Odin Fonder	4.7%	3.3%
Fidelity	3.8%	2.7%
Anders Börjesson & Tisenhult-Gruppen	3.8%	16.1%
Lagercrantz Group Aktiebolag	2.3%	1.6%
Tom Hedelius	2.1%	14.5%

Company description

Lagercrantz has a long history together with two other listed companies: B&B Tools (previously Bergman & Beving) and Addtech. Lagercrantz started in 1938 and was acquired by Bergman & Beving in 1967. Lagercrantz and Addtech were spun off in 2001 and have since been listed on Nasdaq Stockholms main market. Lagercrantz got the businesses within electronics, IT and Communication.

The strategic focus during the last decade is characterized by the changes that took place in the wake of the IT- and telecom crisis, during the first years of the new millennium. The product life cycles of electronic components became shorter and production was moving east. Lagercrantz new strategy is oriented towards higher value added products and an expansion into new market niches. Acquisitions have always been a natural part of the groups' evolution and focus is primarily on proprietary products rather than trading companies. Today the group has some 40 subsidiaries, just over 1 300 employees and a turnover of approximately SEK 3 bn with an EBIT-margin of around 10 percent.

Investment case

- Long and strong track record in acquiring small companies and gradually improving profitability. With Lagercrantz as the new owner the companies have better opportunities to expand into new markets and grow their business.
- The companies are normally purchased at around 5x EBIT and since Lagercrantz is trading substantially higher each acquisition triggers a revaluation of the the share.
- At the moment we do not foresee any major revaluation. However the share offers a good exposure to successful nordic small caps and is an interesting alternative to savings in mutual funds.

Lagercrantz is able to showcase an impressively long track record of improving profitability and continuous growth. Its growth is certainly driven mainly by acquisitions, but with good cash flows and stable revenues all its acquisitions have been self-financed and its balance sheet gives further room for expansion. The company's financial target is to achieve average annual profit growth of 15 percent, which it has managed to deliver over the past ten years.

Its acquisition strategy is based on buying smaller companies with a strong position in their specific niches. These typically have sales of around SEK 50-100 million, and are well managed and profitable with limited risk. Its aim is to continue to build up a large portfolio of successful companies, and Lagercrantz has undoubtedly succeeded in this in recent years. Since 2012, Lagercrantz has bought about 20 companies and the pace has been particularly high since 2015. All the companies, as far as we can tell, have had stable and really good profitability. Operating margins are on around 15-20 percent. The acquisitions have also been made at clearly reasonable prices, equivalent to approximately five times operating profit.

It has been possible to buy these companies cheaply due to their relatively small size and dependence on personnel. The operations are then valued at a higher mutiple once they are part of Lagercrantz. However, these higher valuations once they are part of the Lagercrantz group are not just sleight of hand since the companies have greater opportunity to develop with their new owners. This applies particularly to the smaller product companies, which have often lacked the knowledge, capital or, in some cases, the courage to expand into new markets.

This stock offers good exposure to successful Nordic small caps. To some extent, it can therefore be regarded as a very interesting alternative to mutual funds, and the share has clearly outperformed the stock market index in recent years. Lagercrantz has a good proven ability to buy and develop companies, and provides good potential to generate high returns over time, particularly given that its dividends are also generous and have risen in line with profits over a prolonged period. The share has traded up to new peak levels, and deservedly so. In the short term, the share could possibly make further gains if the company announces any major acquisitions. In the longer term, we also envisage that improved profitability and organic growth could drive the valuation.

Bear points:

- Organic growth has been weak during the last couple of years, which management has adressed. If we do not se an improvement during 2018 it is probably a sign of structural problems within the group.
- Big bad acquisitions. If Lagercrantz were to acquire a big company that runs into severe problems it would cost money as well as management resources. The organization is rather streamlined and if there is a need for restructuring it may have consequenses for the rest of the group. And obviously also the stock markets confidence.
- In the trading business there is always a risk for loosing a supplier, even if your relationsship has been excellent. Suppliers can for example find new market channels through acquisitions.

Catalyst types

More of the same (acquisitions)
Focus on buying relatively small companies with proprietary products and good profitability at fairly low multiples has been successful. More acquisitions like this are likely and will continue to drive value.

Organic growth will drive margins
Several subsidiaries with proprietary products have a good potential to expand into new markets. Lagercrantz organic growth and margins should benefit from this since these companies are more profitable than group average.

REDEYE

Publication date

January 12 2018

Mr Green & Co MRG

Company page

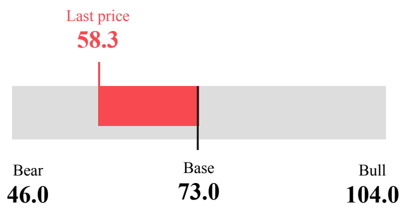
https://www.redeye.se/company/mr-green-co

Redeye Rating

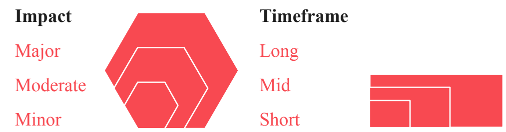
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

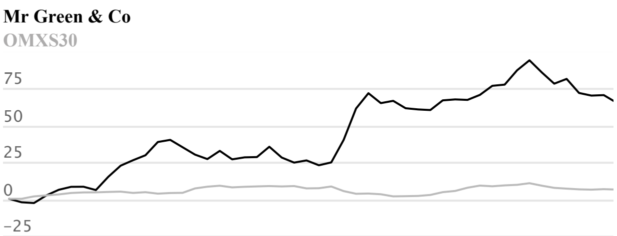


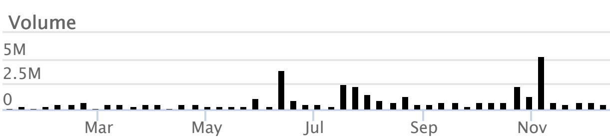
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Per Norman
Chairman	Kent Sander

Share information

Share price (SEK)	58.3
Number of shares (M)	40.8
Market cap (MSEK)	2,349
Net debt (MSEK)	-773

Analyst

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Conflict of interests

Kristoffer Lindström owns shares in Mr Green & Co: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	925	1,181	1,378	1,582
Growth	*20.3%*	*16.6%*	*27.7%*	*16.7%*
EBITDA	87	181	263	301
EBITDA margin	*9.5%*	*15.3%*	*19.1%*	*19.0%*
EBIT	19	111	183	218
EBIT margin	*2.1%*	*9.4%*	*13.3%*	*13.8%*
Pre-tax earnings	19	111	183	218
Net earnings	33	105	168	201
Net margin	*3.6%*	*8.9%*	*12.2%*	*12.7%*
Dividend/Share	0.00	0.00	1.50	2.50
EPS adj.	0.92	2.57	4.11	4.91
P/E adj.	63.4	22.7	14.2	11.9
EV/S	2.0	1.6	1.2	0.9
EV/EBITDA	20.9	10.7	6.1	4.6

Last updated: 2017-11-02

Owner	Equity	Votes
Avanza Pension	15.8%	15.8%
Henrik Bergquist	15.6%	15.6%
Hans Fajerson	13.9%	13.9%
Fredrik Sidfalk & Bolag	10.4%	10.4%
Svenska Handelsbanken AB for PB	10.2%	10.2%
Mikael Pawlo	3.7%	3.7%
Tredje Ap-Fonden	3.1%	3.1%
Handelsbanken Liv Försäkring AB	2.3%	2.3%
Lars Christensen	2.2%	2.2%
Trollborg Tommy	2.1%	2.1%

Company description

Mr Green & Co is an investment company operating online casinos. The main holdings are registered in Malta; Mr Green is an online casino with some 200 games in seven different languages. Turnover in 2016 amounted to SEK 925m with an EBITDA of SEK 87m. Mr Green & Co is since the end of 2016 listed on Nasdaq Stockholm. The company was founded in 2007 by Fredrick Sidfalk, Henrik Berquist and Mikael Pawlo. Mr Green's competitive advantage lies within its unique and well-established brand. Management and owners behind the company also have an impressive track record in the industry

Investment case

- Currently, the market implies a low future growth of the company, in-line with the past year's downward trend. However, we see the increased marketing activity, enhanced product offering, continued mobile growth and acquisition potential as main drivers which the market underestimates.
- The market focus on the past and not the future. The company is not the same as it was a couple of years back. Both the management team and the board is almost entirely new and has been acting in the best of interest of shareholders.
- In 2014, 2015 and 2016, they were affected by one-off effects which distort the reported numbers. The underlying profitability at a maturity state of the company is much higher than what the historical financials might imply.

Mr Green has underperformed the rest of the gambling operators when it comes to shareholder return the last few years. Some investors view Mr Green as the "black sheep" and focus their capital in other related gambling companies. We believe the market is too focused on the past and not looking at where the company is headed. In our view the discount to peers, and our fair value estimate comes from the markets wrongful view on; The growth, management capabilities, upcoming tax re-regulations, and weak historical profitability. We here present our view on these areas:

Growth will be driven by

- Increased marketing activity
- Increased product offering with the sportsbook launch and more.
- Mobile gambling growth
- Entrance into new markets.
- Continued growth of the online gambling market, driven by digitalization
- Consolidation of the market, acquisition opportunities

Both management and the board has been strengthened significantley during the past years to brind the company to the next level. In 2014, 2015 and 2016, Mr Greens earnings were affected by one-off effects, which distort the reported numbers. The underlying profitability at a maturity state of the company is much higher than what the historical financials might imply. The Upcoming re-regulation of the European Online Gambling market will change the landscape in the coming years. We argue that Mr Green is already well prepared for re-regulation! ome investors might argue that the upcoming regulations will evaporate Mr Green's profits. However, we find that this will not be the case as the company is already ahead of the curve and is currently taxed at a high level because of the orthodox tax regime in Austria.

Conclusion: We regard the valuation as attractive given the current share price levels, and that the current share price implies a far too negative future fundamental performance of Mr Green despite strong prospects.

Catalyst types

Positive growth trend shift

The trend in revenue growth have been on a downward slope for a long time; the negative trend was broken in Q3'16, and we believe the transition to be sustainable. During H2 2015 and H1 2016 the marketing has been on hold due to the platform change. This will change in the coming quarters, and we see higher marketing activity going forward, leading to an increased revenue growth. With the introduction of the sportsbook, launched in H1 2016, Mr Green will tap into a previously unprocessed customer group creating new income streams. We deem it likely that an upwards valuation should occur if Mr Green continue to report an uptake in revenue growth.

Entrance into new markets

Mr Green strategy is to increase their presence in re-regulated markets. In July 2015, the company acquired a local gambling license in the UK which is one of the largest sports betting markets in the world. We also see the possibility to enter new markets such as Brazil and other countries in Latin America. Market entrances could be viewed positively by the market and increase the valuation levels of Mr Green.

An acquisition target

Mr Green is when viewed in comparison to peers and our valuation range, priced at low levels. Still, the company holds one of the best now gambling brands in Europe and is a top-tier operator. A larger player wanting to expand their presence could offer possible view Mr Green as an attractive acquisition target.

REDEYE

Publication date

January 12 2018

Mycronic MYCR

Company page

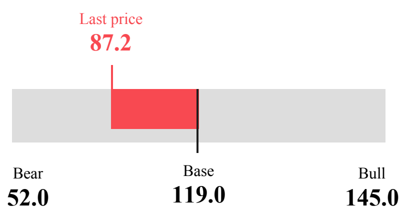
https://www.redeye.se/company/mycronic

Redeye Rating

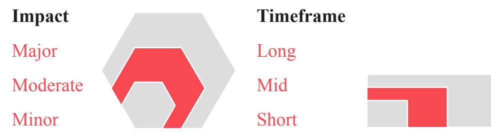
Leadership | Ownership | Profit outlook | Profitability | Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

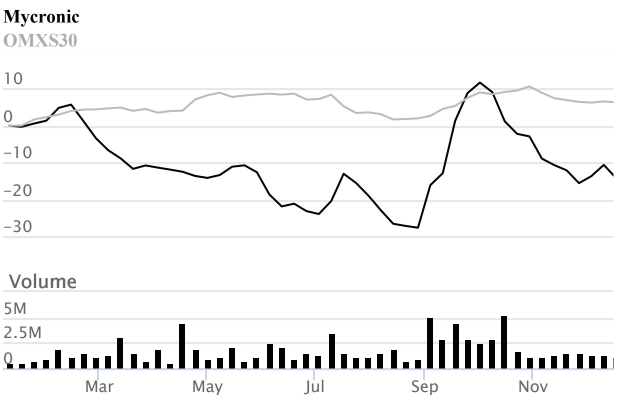


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Lena Olving
Chairman	Patrik Tigerschiöld

Share information

Share price (SEK)	87.2
Number of shares (M)	97.9
Market cap (MSEK)	8,519
Net debt (MSEK)	-1,172

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Mycronic: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	2,319	2,842	3,437	3,109
Growth	*23.0%*	*27.8%*	*22.5%*	*20.9%*
EBITDA	698	796	1,250	809
EBITDA margin	*30.1%*	*28.0%*	*36.4%*	*26.0%*
EBIT	691	767	1,217	768
EBIT margin	*29.8%*	*27.0%*	*35.4%*	*24.7%*
Pre-tax earnings	689	760	1,218	769
Net earnings	526	567	913	577
Net margin	*22.7%*	*20.0%*	*26.6%*	*18.6%*
Dividend/Share	2.00	2.70	5.00	2.95
EPS adj.	5.37	5.79	9.33	5.89
P/E adj.	16.2	15.1	9.3	14.8
EV/S	3.6	2.8	2.1	2.3
EV/EBITDA	11.9	9.9	5.9	8.7

Last updated: 2017-11-15

Owner	Equity	Votes
Bure Equity	29.9%	29.9%
Fjärde AP-fonden	8.7%	8.7%
Swedbank Robur Fonder	8.0%	8.0%
Handelsbanken Fonder	4.9%	4.9%
Andra AP-fonden	2.8%	2.8%
Catella Fonder	2.7%	2.7%
Avanza Pension	2.2%	2.2%
SEB Fonder	1.9%	1.9%
Vanguard	1.7%	1.7%
Dimensional Fund Advisors	1.6%	1.6%

Company description

The Mid Cap company Mycronic develop systems for electronics manufacturing and sells these systems either directly or through distribtuion partners to hundreds of customers worldwide. Mycronic has been around for about 30 years but its modern history started when the pattern generator manufacturer Micronic acquired Mydata that manufactured systems for surface mounting. Ever since the Mydata acquisition Mycronic is divided into two business areas: Pattern Generators (PG) and Assembly Solutions (AS) where the recent acquisitions of Axxon and AEi are included in the AS segment. R&D is primarily located at the headquarter in Stockholm, Sweden. Mycronic's primary strength is its market share of 100 percent of mask writers for display applications. Consequently, every smartphone and tablet etc. has been manufactured by the help of Mycronic's technology. Our belief is that this is a niche segment that is not big enough to attract another supplier. In the AS business area Mycronic only has a share of 1-2 percent of the total surface mount technology market but within the company's niche (high mix) its market share is over 20 percent. Investments for several billion SEK have been made resulting in a large number of patents, which also in a way points to Mycronic's weakness. The technology risk forces the company to maintain its high investments to stay relevant.

Investment case

- The stock market misunderstands the Assembly Solutions investments
- The stock market believes that Pattern Generators is at its peak
- Prexision orders of USD 12-45 million apiece will drive the share price

The stock market misunderstands the Assembly Solutions investments

One factor holding back the Mycronic share price is the insecurity around how the acquisitions of AEi and Axxon will contribute but perhaps primarily the unprofitability in general in business area Assembly Solutions (AS). Gross margins have consistently been stable and the reason behind the reported losses is instead higher R&D costs. During 2015-2016 Mycronic in total invested SEK 500 million in R&D only in surface mount technology and we believe that a major part of this is related to the Jet Printer and the Jet Dispenser respectively. The price performance that these two offer compared to traditional technology implies an opportunity to penetrate several brand new segments in an addressable market of USD 500 million. The Axxon acquisition is an important part of this equation. Furthermore, Mycronic has a strong secular tailwind from the trend towards increasingly smaller and more and more advanced electronics. This trend favours Mycronic’s strong niche position in the production of the most advanced PCBs requiring high flexibility and reasonably fast changeovers. Bottom line, we are not particularly worried regarding if the R&D costs in AS will result in profits. The other counter argument is rather tougher.

The stock market believes that Pattern Generators is at its peak

The other share price pressure factor we have identified is the volatile sales of advanced display photomask writers in the Pattern Generators (PG) segment. Evident from history the PG sales and operating profits are very volatile given the single digit volumes of sold PG systems per annum and the prices of USD 12-45 million per unit with extremely strong gross margins of up to 90 percent, according to our estimates.

The counter argument is therefore that as PG has peaked at delivery of 5 systems in 2016 and another expected 6 systems for 2017 substantially deteriorated earnings and even larger share price reactions await. It is an undisputed fact that years with lower PG demand sooner or later will affect Mycronic. However, one can oppose the argument that such a downturn will be equal to the long dry out of orders during 2006-2013 given continuing display R&D and therefore increasingly longer photo mask writing times leading to higher PG demand. Besides more, larger and increasingly advanced display models the photomask writing times are also affected by the utilization ratio. About two thirds of the ordered mask writers for display applications since year 2000 was delivered by more than 10 years ago. Despite Mycronic’s strong order intake during 2015-2016 half of the installed base of approximately 75 systems is still over 10 years old. Basically all of these systems are covered by service contracts with best effort commitments as the customers are well aware of the end of life issues regarding the components. Even though there is a risk for setbacks and negative earnings growth in 2018 in relation to 2016 and 2017 given the weak order intake lately our conclusion from the reasoning above is that the future of PG is stable.

Prexision orders of USD 12-45 million apiece will drive the share price

Prexision orders (e.g. P-800, P-80, P-10, P8 or P8R) alternatively a long-term absence of such orders will drive the share price up or down respectively as one Prexision, depending on which model, can have a price of anything between USD 12-45 million.

Catalyst types

P-800 order

Mycronic launched the P-800 during the sprint of 2016 and received its first order from Photronics during the fall of 2017. Our belief is that at least a few of the competitors will feel a need to join the race

P-10 order

The demand for large displays is growing, which leads to an increased demand for Mycronic's P-10. About 30 display fabs are under construction/planned in. Due to e.g. the issues in the transport of photo masks and high Chinese tariffs we assume that a local photomask industry will be built in China , which means a need for Mycronic's mask writers.

REDEYE

Publication date

January 12 2018

myTaste TASTE

Company page

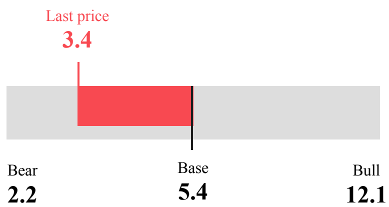
https://www.redeye.se/company/mytaste

Redeye Rating

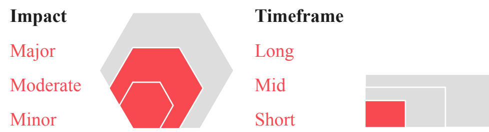
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

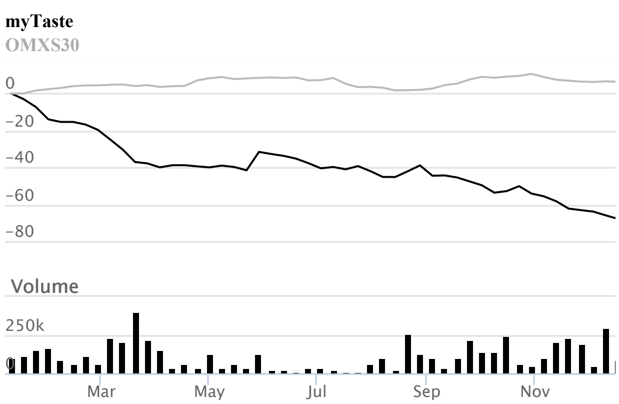


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Jonas Söderqvist
Chairman	Fredrik Burvall

Share information

Share price (SEK)	3.4
Number of shares (M)	22.0
Market cap (MSEK)	70
Net debt (MSEK)	12

Analyst

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Conflict of interests

Kristoffer Lindström owns shares in myTaste: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	44	32	47	59
Growth	*0.8%*	*-12.8%*	*-27.8%*	*46.6%*
EBITDA	6	1	11	19
EBITDA margin	*12.8%*	*1.7%*	*23.0%*	*32.3%*
EBIT	-1	-7	5	9
EBIT margin	*Neg*	*Neg*	*11.2%*	*15.1%*
Pre-tax earnings	-1	-8	5	8
Net earnings	-1	-8	4	6
Net margin	*Neg*	*Neg*	*8.1%*	*10.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.07	-0.35	0.17	0.27
P/E adj.	-48.6	-9.6	19.8	12.6
EV/S	1.7	2.8	1.9	1.5
EV/EBITDA	13.1	159.7	8.1	4.5

Last updated: 2017-11-24

Owner	Equity	Votes
Jonas Söderqvist	24.0%	24.0%
Henrik Kvick	22.7%	22.7%
Andreas Friis	21.4%	21.4%
Avanza Pension	2.9%	2.9%
Hyvät Lehdet Rsm Oy	2.3%	2.3%
Nordnet Pensionsförsäkring	1.3%	1.3%
Hegel AB	0.8%	0.8%
Maida Vale Capital AB	0.7%	0.7%
Mikael Lind	0.6%	0.6%
Jens Kristian Jepsen	0.5%	0.5%

Company description

myTaste Group (name change from 203 Web Group during 2016) is a digital media house with headquartered in Stockholm, Sweden. The company excels in constructing scalable and auto-generated web products. The concepts behind the products are language independent, which means they can be applied on a multinational level and are today represented in 48 markets spread out all over the world. myTaste were founded in 2003, and their share is traded on Nasdaq Stockholm First North. For the year 2016, the Group reported net sales of SEK 44m with a negative EBIT of SEK -1.5m. myTaste Group have two divisions; myTaste and Shopello. The primary focus is on myTaste with the transition of website visitors to app users to fuel future growth and value creation.

myTaste; myTaste is one of the world's largest food sites with social functionality. The primary source of income is advertising. The segment consists of the Group's food-related sites; myTaste, Matklubben, Vinklubben, and Bodegashop.com. The most notable competitive advantages of myTaste are the networking effect; through the food blog network, adding scalability and user generated social content.

Shopello; Shopello is an e-commerce platform which promotes other web shops products and receives revenue through the mediation of traffic. The segment includes, besides Shopello, Allannonser.se and Mobler.se which are two of the Group's wholly owned partner sites.

Investment case

- Opportunity in the e-commerce affiliate market, a vast and fragmented market
- Small lead marketing companies have development and significant risk exposure to Google; these factors lead most often to a relatively low acquisition price for highly profitable companies
- myTaste wants to create a portfolio of these businesses and thus reducing the direct google risk and leverage their technical know-how
- The key factor behind the investment case of the myTaste platform is the continued growth of the app user base and subsequently the evolution of a true social network for online recipes

We find that the investment case in myTaste Group rests on two pillars: Opportunity in the e-commerce affiliate market within the Shopello segment and the evolution of myTaste into a social network for online cooking and recipes. We view the myTaste network as a more long-term opportunity, and will focus our case summary on Shopello.

A market up for grabs - Shopello

The company has identified a vast and fragmented market of e-commerce affiliates. Most of the smaller lead marketing companies today have limited resources when it comes to technical development and has a significant risk exposure to Google; these factors lead most often to a relatively low acquisition price for highly profitable companies. myTaste wants to create a portfolio of these businesses and thus reducing the direct google risk and leverage their technical know-how. The development capacity within the Group is large as the company has put significant resources behind the evolution of the myTaste platform.

In short, the opportunity for Shopello is:

- A market driven by the structural forces that today is only starting out, in Sweden the e-commerce stand for roughly 8% of the total retail market
- Identify acquisition targets through Shopello's affiliate network; the company has already identified over 50 in Sweden
- Reduced google risk through a portfolio leading to higher valuation of the whole than separately (The casino affiliate market is a prime example)
- Synergies in the Shopello network, i.e., better rates. When the can offer e-merchants larger volumes
- Cross marketing and merging email databases both existing email lists on Shopello but also the myTaste platform
- Cost cutting to implement Shopello’s affiliate network when acquiring sites from the “”
- Geographical expansion, the business model is extremely scalable, and new sites in other countries are relatively easy to set up.
- Leverage technical knowhow to develop apps, browser plugins and the like to improve the customer experience
- Data gathering where e-commerce vendors has a high willingness to pay

Bear points (Counterarguments to our thesis)

- The app market is highly competitive, and the need for more than one recipe app per user is low. The rise of competitive apps could leave myTaste behind. The company’s focus on social functions is what differentiates them from their peers.
- Acquisitions in general most often need a healthy financial market, a downturn could lead to less possibilities to acquire more exiting companies within the Shopello segment.

Catalyst types

Improved fundamental performance leading to changed market perception

The acquisitions within Shopello should lead to an gradually enhanced growth and profitability. When a company turns profitable the market perception can change and lead to a higher valuation , wh

REDEYE

Publication date

January 12 2018

Neonode Inc

Company page

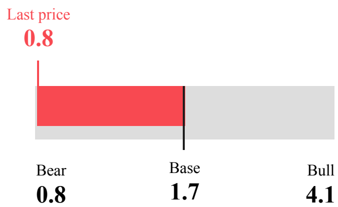
https://www.redeye.se/company/neonode-inc

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

Marketplace	NASDAQ US
CEO	Thomas Eriksson
Chairman	Ulf Rosberg

Share information

Share price ()	0.8
Number of shares (M)	58
Market cap (M)	47
Net debt (M)	-4

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Neonode Inc: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates	
	2016	**2017E**	**2018E**	**2019E**
Revenue, MUSD	10	10	13	23
Growth	*>100%*	*-8.1%*	*-3.5%*	*28.7%*
EBITDA	-4	-4	-2	2
EBITDA margin	*Neg*	*Neg*	*Neg*	*9.1%*
EBIT	-5	-5	-4	1
EBIT margin	*Neg*	*Neg*	*Neg*	*3.4%*
Pre-tax earnings	-5	-5	-4	1
Net earnings	-5	-5	-4	1
Net margin	*Neg*	*Neg*	*Neg*	*3.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.11	-0.09	-0.06	0.01
P/E adj.	N/A	N/A	N/A	N/A
EV/S	N/A	N/A	N/A	N/A
EV/EBITDA	N/A	N/A	N/A	N/A

Last updated: 2017-11-21

Owner	Equity	Votes
Ulf Rosberg	6.0%	6.0%
Peter Lindell	6.0%	6.0%
Per Bystedt	5.4%	5.4%
AWM Investment Company	5.3%	5.3%
Royce & Associates	3.8%	3.8%
Thomas Eriksson	3.6%	3.6%
Vanguard Group	2.5%	2.5%
Mats Dahlin	2.0%	2.0%
Blackrock	1.8%	1.8%
Andreas Bunge	1.3%	1.3%

Company description

First and foremost, Neonode, in a broader perspective, not only works with technology for touch displays but with human interaction in numerous ways. It is therefore important not to pigeonhole Neonode into solely touch display applications. Neonode pursues a multimodal approach and will integrate different types of sensors on its platform and use its own production technology and distribution network to be the front end. In addition, Neonode is surface independent, meaning it does not even need displays or glass. The new business model for Neonode's touch technology will be manufacturing and selling of hardware modules instead of just licenses. The modules together with the ramp-up of new car and printer models on the won platforms is the key parts of the growth strategy. Besides its many technology competitive advantages Neonode has wide barriers to entry in its automotive focus (see further the investment case section.

Listing: Listed on NASDAQ since 2007Locations: Headquarter in Stockholm, Sweden but global sales reach

Investment case

- No stock market trust regarding the new module based business model
- Short term focus and neglection of the strong position in automotive
- Break-even and large module deals to drive the stock price
- Substantial margin of safety

No stock market trust regarding the new module based business model

Neonode is transitioning its business model from selling licenses to hardware modules, which will increase the addressable market more than fivefold and double the gross profit per unit. Our belief is therefore that Neonode is facing a strong growth and that the associated change in investor perception will have major effects on the share. The stock market does not agree with us. We interpret this as a general mistrust towards Neonode's management who is seen as infamous target missers that only talk and do not execute. We believe this public image will change along with reports showing growth and profitability.

Short term focus and neglection of the strong position in automotive

In addition to the distrust against Management we believe that the stock market compared to us has a shorter horizon, focusing on AirBar and neglecting the strong position in automotive. Neonode's patented technology has key competitive advantages against today's dominating technologies (projected capacitive & resistive) when it comes to performance features as low cost, power consumption, best image quality and extreme adaptability. It works on all surfaces and in all temperatures and environments. Neonode's technology is therefore a perfect match for automotive – its key growth area. In automotive, there are substantial barriers to entry as car manufacturers don't accept even a 3 ppm defective rate. A supplier therefore has to pass up to 5 years of demanding tests to qualify as a part of a platform. Neonode has passed these tests for customers deploying new automotive platforms and therefore its modules should be installed in every new model for the next decade. The stock market, however, does not fully grasp the implications of Neonode's success in achieving qualified vendor status of the global automotive OEMs, the new technology acceptance or the ramp-up process of Neonode's customers. Approximately half of the 36 car models where Neonode's technology is installed are currently shipping. This will increase significantly in the coming years as new customer car models incorporate Neonode's technology and the existing customers' Neonode based touch platforms expand across their entire model line-ups. All in all, Neonode and its strong automotive position together with the new hardware module-based business model is positioned to hit the point of inflection, i.e. a noticeable, positive turning point in the investment case and the stock market's appreciation.

Break-even and large module deals to drive the stock price

We expect financial reports with black figures to change the perception of investors and move the stock. In addition, large module contracts similar to the USD 11 million deal in the fall of 2016 are important for the share.

Substantial margin of safety

We do not see Neonode as a high risk, high expectations play as it already has the customers, the traction and the ramp-up in existing and coming models to support a substantial growth. Thus, our base case of USD 1.7 per share in relation to our reasonably pessimistic scenario of USD 0.8 implies a substantial margin of safety.

Catalyst types

Major module deals
In the fall of 2016 Neonode received a module deal of in total USD 11 million related to door handle modules for one car model. Similar deals would have a major impact on the share price. We especially believe that a design win for the steering wheel together with Autoliv is close due to the long qualification period.

Break-even
We expect the reaching of break-even in 2018 which would be an important milestone for the stock market to grasp that Neonode has left the losses behind and hit the point of inflection.

REDEYE

Publication date

January 12 2018

Nitro Games NITRO

Company page

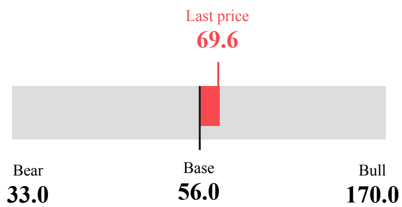
https://www.redeye.se/company/nitro-games

Redeye Rating

Leadership | Ownership | Profit outlook | Profitability | Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

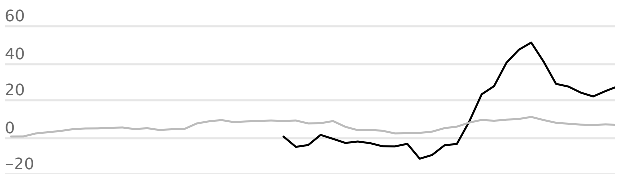


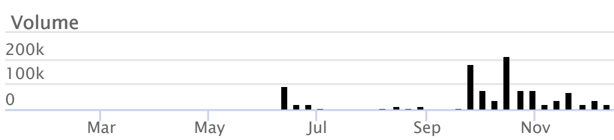
CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

Nitro Games
OMXS30





Marketplace	First North Stockholm
CEO	Jussi Tähtinen
Chairman	Antti Villanen

Share information

Share price (SEK)	69.6
Number of shares (M)	2.3
Market cap (MSEK)	162
Net debt (MSEK)	-1

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Nitro Games: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates	
	2016	**2017E**	**2018E**	**2019E**
Revenue, MEUR	1	2	3	6
Growth	*0.0%*	*-55.9%*	*>100%*	*84.6%*
EBITDA	-1	-1	-1	1
EBITDA margin	*Neg*	*Neg*	*Neg*	*9.7%*
EBIT	-1	-2	-1	0
EBIT margin	*Neg*	*Neg*	*Neg*	*7.9%*
Pre-tax earnings	-1	-2	-1	0
Net earnings	-1	-2	-1	0
Net margin	*Neg*	*Neg*	*Neg*	*6.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.74	-0.98	-0.37	0.15
P/E adj.	-94.0	-70.8	-186.0	472.5
EV/S	169.2	92.7	50.4	28.8
EV/EBITDA	-244.4	-111.3	-295.6	295.9

Last updated: 2017-11-24

Owner	Equity	Votes
Jacob Ehrnrooth	17.6%	17.6%
Savox Investments S.A.(Ehrnrooth)	14.7%	14.7%
Swedbank Robur Fonder	9.7%	9.7%
Antti Villanen	5.6%	5.6%
Feat Invest AB (Biehl)	5.4%	5.4%
Ajoranta Group AB	5.0%	5.0%
Avanza Pension	4.9%	4.9%
Luxus Micro Cap S.A	3.9%	3.9%
Jussi Tähtinen	3.1%	3.1%
Carl Johan Biehl	2.5%	2.5%

Company description

Nitro Games is a mobile game developer and as of recent a publisher with a decade of experience in developing games for the mid-core user segment. Nitro Games has a long history of stable cash flows from developing contracts from bigger publishers which minimise risk in the business model. Currently a majority of Nitro Games 30 employees are working with a mobile game that will be published by Wargaming.net, the creators behind “World of Tanks” the seventh highest grossing game on PC in 2016.

Nitro Games second business area is developing and publishing mobile games. Nitro Games has adapted its business model closely after market conditions. The company utilizes its own NG Platform -technology that allows it to develop and publish high-end mobile games with impressive graphics and modular design under a short period of time. This is, as well as the company’s MVP-process, are according to Nitro Games, unique strengths as they allow a cost-effective development of the games portfolio.

Investment case

- Nitro Games first released game “Medals of War” shows at this early stage promising KPI’s. The game has good loyalty-metrics (called retention) and is estimated to have healthy monetization, meaning average acquired users is profitable. A significant revenue boost is therfore possible in 2018.
- The most interesting thing announced in the partnership with Netmarble is the fact that Netmarble will have rights of first refusal for publishing in Asia. At this point a deepened partnership of this kind is likely and have a potential initial revenue of EUR 0.8-1.2 million.
- If the game becomes successful the partnership agreement with Wargaming could generate stable income (royalty) for Nitro Games the coming years with an approximate value of EUR 1 million or more.

Nitro Games has a long history of stable cash flows from developing contracts from bigger publishers which minimise risk in the business model. Currently a majority of Nitro Games 30 employees are working with a mobile game that will be published by Wargaming.net, the creators of “World of Tanks” the seventh highest grossing game on PC in 2016. The game has been one of the most successful free to play PC-games for several years.

The third-party game development services described above is expected to grow steadily the next coming years, this alone creates a high underlying value in the company which justifies about half the existing market cap.

Nitro Games second business area is developing and publishing mobile games. Nitro Games has adapted its business model closely after market conditions. One of the biggest values in Nitro Games is the self-developed NG Platform. The platform has been in development for over 4 years. With the NG Platform combined with a proven creative process Nitro Games can launch a mobile game in 5-10 months, typically this takes 6-18 months for most other mobile game companies. Therefore Nitro Games can minimise the amount of time and money spent in every single project minimising risk.

The NG Platform combined with Nitro Games creative-process, and the overall experienced personnel is the company’s biggest competitive advantage. Nitro Games two last games have both been selected by Apple as an editor’s pick which is unusual and a proof of quality in the products developed by the company.

Nitro Games and Netmarble EMEA have signed a Game Distribution and Servicing Agreement recently. We believe the stock market do not understand the potential long term value of this agreement. Netmarble is the highest grossing mobile games publisher in Korea. In China and Japan, the publisher’s games are top 5 amongst the highest grossing games.

Investment risks

According to a research made by Deloitte approximately 2.5 percent of the mobile game companies made over EUR 1 million in 2016. Most mobile game developers struggle with bad monetisation in their games.

The probability that it will take 2 years before Nitro Games will release a top grossing game is relatively high. We estimate the probability of this scenario is about 40-50 percent. We believe the stock will be volatile on investor’s hopes increasing risk in the stock.

It is also possible that the company never will succeed in the self-publishing mobile games industry. However, Nitro Games third-party development services are reducing the potential downside in the stock. This is our Bear-case scenario with a probability of 25 percent.

Catalyst types

More cash from wargaming

The partnership agreement between Nitro Games and Wargaming.net has an approximate communicated value of EUR 1.5 million. The two companies have since May 2017 been collaborating to co-develop a free-to-play mobile game that will be published by Wargaming. We believe Nitro Games will have an additional variable income connected to the generated revenue from this mobile game. If the game becomes successful the partnership agreement could generate stable income for Nitro Games the coming years with an approximate value of EUR 1 million or more.

The gateway to asia

Currently the agreement with Netmarble only applies to the game “Medals of War” for publishing in Turkey, Middle-East and Africa. The publishing deal generated an initial revenue of EUR 0.2 million for Nitro Games. However the most interesting thing announced in this partnership is the fact that Netmarble will have rights of first refusal for publishing in Asia, including China, Japan and Korea which is the biggest and fastest growing markets amongst mobile games. So a big potential catalyst for the stock is of course if new publishing deals for those countries would be signed. At this point a deepened partnership of this kind is likely and have a potential initial revenue of EUR 0.8-1.2 million. We believe a deal of this kind is possible, which in this case means a profitability of 30-40 percent.

A good start

Nitro Games first released game “Medals of War” shows at this early stage promising KPI’s. The game has good loyalty-metrics (called retention) and is estimated to have healthy monetization, meaning average acquired users is profitable. Nitro Games is estimated to spend EUR 0.5-1 million on user acquisition the next 6-8 months which has a potential of a revenue of EUR 0.8 – 1.7 million.

REDEYE

Publication date

January 12 2018

Nokia Oyj NOKIA

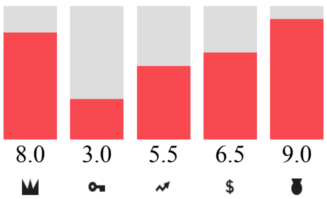
Company page

https://www.redeye.se/company/nokia-oyj

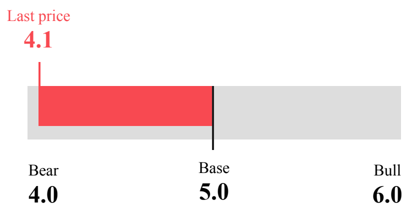
Redeye Rating

Leadership | Ownership | Profit outlook | Profitability | Capital strength

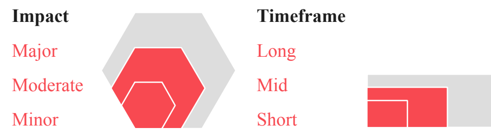
COMPANY QUALITY



FAIR VALUE RANGE

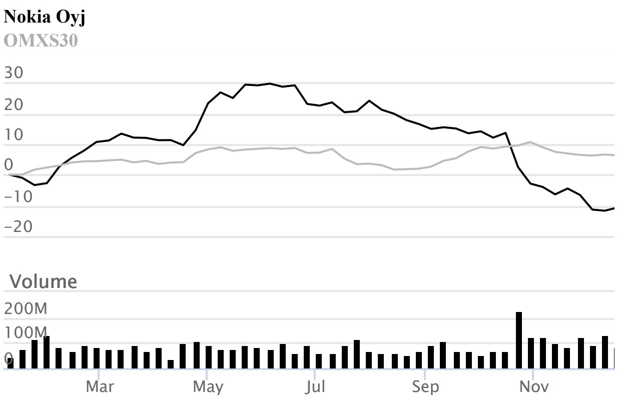


CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Helsinki
CEO	Rajeev Suri
Chairman	Risto Siilasmaa

Share information

Share price (EUR)	4.1
Number of shares (M)	5,839.4
Market cap (MEUR)	23,521
Net debt (MEUR)	-3,899

Analyst

Greger Johansson
greger.johansson@redeye.se

Conflict of interests

Greger Johansson owns shares in Nokia Oyj: No

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MEUR	23,615	22,790	22,005	22,301
Growth	*-1.8%*	*88.9%*	*-3.5%*	*-3.4%*
EBITDA	440	1,348	2,178	3,030
EBITDA margin	*1.9%*	*5.9%*	*9.9%*	*13.6%*
EBIT	-1,100	-76	822	1,724
EBIT margin	*Neg*	*Neg*	*3.7%*	*7.7%*
Pre-tax earnings	-1,370	-545	582	1,534
Net earnings	-766	-905	388	1,064
Net margin	*Neg*	*Neg*	*1.8%*	*4.8%*
Dividend/Share	0.17	0.19	0.21	0.23
EPS adj.	0.27	0.33	0.37	0.39
P/E adj.	14.8	12.2	11.0	10.4
EV/S	0.8	0.8	0.9	0.8
EV/EBITDA	41.4	13.3	8.6	6.1

Last updated: 2017-10-26

Owner	Equity	Votes
BlackRock	4.0%	4.0%
Nokia Oyj	3.8%	3.8%
Vanguard	2.6%	2.6%
Norges Bank	1.8%	1.8%
Oppenheimer	1.0%	1.0%
Varma Mutual Pension Insurance Company	1.0%	1.0%
DNCA Finance S.A	1.0%	1.0%
Franklin Templeton	0.9%	0.9%
Invesco	0.9%	0.9%
Standard Life	0.8%	0.8%

Company description

Nokia, with 150 years of history, has dramatically changed in the past couple of years. Its Devices & Services business was sold to Microsoft (2014), its HERE map services (2015) were divested, and its huge acquisition of Alcatel/Lucent (2015/2016) has really changed the company to its core. Nokia's goal once the integration of Alcatel is completed is for it to be able to offer the market a true end-to-end solution for communications.

The company currently has two major business areas, Nokia Networks and Nokia Technologies. Nokia Networks, with revenues of some EUR 22 billion, comprises Mobile Networks, Fixed Networks, Global Servixes, IP/Optical Networks and Applications & Analytics. The other business area, Nokia Technologies, which includes patents and licensing agreements, has revenues of some EUR 1-1.4 billion but very high operating margins of 55–65%. Nokia's total turnover in 2016 was EUR 23.6 billion, with an adjusted operating margin of around 9%.

Nokia is headquartered in Espoo (Helsinki), Finland, and has approximately 100,000 employees. The company's share is listed at the Nasdaq Helsinki Stock Exchange and at the New York Stock Exchange.

Investment case

- We think the merger with Alcatel will create an a strong end-to-end offer
- Nokia has a strong leadership team that has done several large mergers
- Nokia is one of the three largest mobile network players in the word, with a market share of around 30-35%. With Alcatel, Nokia will also be one of the major players in fixed line/routing.
- Our DCF shows a decent upside and EV/S-valuation is still clearly lower than 1x.

Major integration with Alcatel creating an end-to-end offer
Nokia gained control of Alcatel in early 2016, resulting in a full-service communication supplier of fixed networks, mobile networks, services, analytics, patents/licensing, etc. Nokia will therefore become a more complete end-to-end company than, for example, Ericsson. Nokia is one of the three largest mobile network players in the word, with a market share of around 30–35%. With Alcatel, Nokia will also be one of the major players in fixed line/routing. However, it will be a huge task to complete the integration without losing time and people.

Nokia has previous experience from large-scale mergers and acquisitions, and although it had some issues with Siemens Networks, we believe it has gained valuable knowledge and skills for how to integrate a large networking player like Alcatel. Nokia has already started a major integration and has initiated a huge cost-cutting program. The cost-cutting program is expected to generate approximately EUR 1.2 billion in annual cost savings, to be achieved in full by 2018. After a few quarters of control, it is apparent that these processes (integration and cost cutting) seem to be proceeding rather well, and we believe they could be achieved more quickly than the market expects.

Strong management but weak owners
When embarking on major turnarounds, mergers and acquisitions, and cost cutting, it is usually very important to have owners/board/leadership that can quickly take all the necessary decisions. Unfortunately, there are no leading shareholders in Nokia (the largest shareholders owns 4% of the company), but fortunately we think the leadership team is great.

An important success factor for leading this complicated integration process, and at the same navigating in a declining market, is the leadership team. We believe that Nokia in general, and CEO Rajeev Suri specifically, have a very clear picture of what they want to do. And at the same time, Nokia has always been very good in its communication with the stock market. Mr. Suri has been at Nokia for several years and has gained the trust of the investment community. In addition, we consider the guidance that Nokia gives (vs. Ericsson's limited guidance) is as well balanced and as good as it could be.

Somewhat modest expectations
Since the market for mobile networks has been rather grim for some time, and is expected to remain so in 2018. The valuation (P/S multiple somewhat below 1x) indicates a fairly low level of confidence in the company. If we examine the financial estimates for a few years forward, we believe the market has lowered its estimates and expectations. Although we do not expect any growth going forward, we still estimate that Nokia can return to a 11–12% operating margin and a decent dividend.

Bear Points:

There are naturally some major risks in this investerment scenario, such as:

- continued negative revenue growth
- cost cutting taking too long
- additional problems with the integration

Catalyst types

M&a among the largest operators
Consolidation among customers will be negative for Nokia

Share buybacks
Nokia increase the buyback program

Cutting cost/improved operational efficiencies
Nokia announce further cost cutting

Integration of alcatel/lucent
The integration process proceeds better than expected

Growth returns in the telecom industry
The underlying growth returns in the industrt

Large contracts/business deals (bn usd) in 4g, 5g, services
Large deals in bn USD for 4G, 5G, services

Personal notes

REDEYE

Publication date

January 12 2018

Opus Group OPUS

Company page

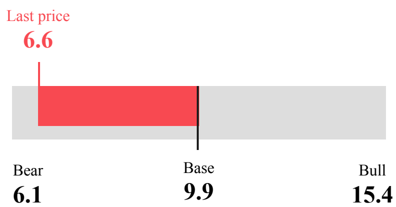
https://www.redeye.se/company/opus-group

Redeye Rating

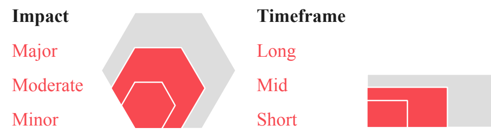
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



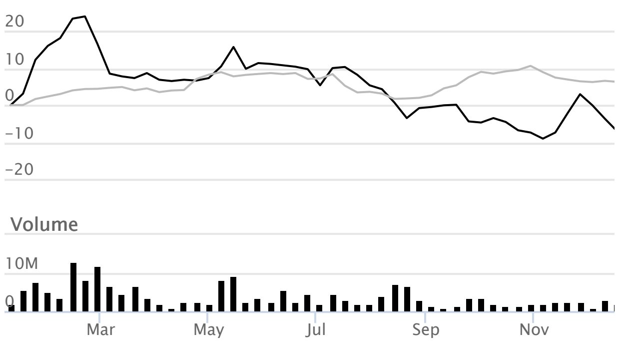
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Opus Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Lothar Geilen
Chairman	Katarina Bonde

Share information

Share price (SEK)	6.6
Number of shares (M)	290.3
Market cap (MSEK)	1,913
Net debt (MSEK)	888

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Opus Group: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	1,698	1,848	2,077	2,245
Growth	*12.6%*	*2.8%*	*8.9%*	*12.4%*
EBITDA	332	321	376	443
EBITDA margin	*19.6%*	*17.4%*	*18.1%*	*19.7%*
EBIT	149	121	145	206
EBIT margin	*8.8%*	*6.5%*	*7.0%*	*9.2%*
Pre-tax earnings	145	38	54	115
Net earnings	85	60	39	82
Net margin	*5.0%*	*3.3%*	*1.9%*	*3.7%*
Dividend/Share	0.12	0.12	0.14	0.16
EPS adj.	0.30	0.21	0.13	0.28
P/E adj.	22.4	31.9	49.8	23.4
EV/S	1.5	1.5	1.4	1.2
EV/EBITDA	7.8	8.7	7.5	6.2

Last updated: 2017-11-15

Owner	Equity	Votes
RWC Fonder	15.2%	15.2%
Kommandoran	14.6%	14.6%
Lothar Geilen	6.8%	6.8%
Avanza Pension	6.6%	6.6%
Andra AP-fonden	6.4%	6.4%
Dimensional Fund Advisors	2.7%	2.7%
Nordnet Pensionsförsäkring	1.4%	1.4%
Schroders	1.3%	1.3%
COGEFI Gestion	1.0%	1.0%
Per Hamberg	0.9%	0.9%

Company description

Opus was founded in the early 90's in Gothenburg where their head office is still situated. During the first years the strategy was to provide AB Svensk Bilprovning with equipment for emission testing as the catalytic converters were introduced in the market. Step by step Opus extended its offering and costumer base and grew internationally. The big change, from an equipment supplier to a service provider, came in 2008 when Opus aquired Systech, a US based vehicle testing company. Since then revenues from vehicle testing programs has grown substantially, more than 25 per cent annually during 2008-16, excluding the acquisitions of Envirotest and the Swedish operations. Equipment is today a minor part of their business.

Opus currently operates a number of testing programs in North and South America, Sweden and Pakistan. Sweden is an open market, but in reality it is an oligopoly since the barriers of entry are rather high. In North America the authorities give exclusive rights to run testing programs usually for a period of 8-10 years. In both cases revenues are stable and EBITDA-margins around 20 per cent. The company has around 2 000 employees at their facilites in North- and South America, Sweden and Pakistan. The shares are listed on Nasdaq Stockholms Main market.

Investment case

- A number of new businesses are at this point running with low or negative profits, but will be gradually improve as volumes pick up. These are primarily EaaS, the testing programs in Pakistan and South America, Autologic and Drew Tech's RAP and Fastlign.
- The risk for Opus loosing some of its current programs in the US should not be ignored. The bigger contracts are not due for renewal in several years but these procurements are sometimes difficult to predict.
- Opus seems to have a number of new deals in their pipeline for 2017-18. Both new markets and new clients in current markets. If they take substantial steps towards their five year growth plan we will most likely see a revaluation of the company.

Over the past four years, Opus has nearly quadrupled its revenue while considerably boosting its margins. The growth comes both from a couple of major acquisitions and several new contracts gained in the US market. The next few years are unlikely to be as dramatic, but there are still plenty of growth opportunities. The company's own growht target is to double its revenues between 2016 and 2021. The fact that Opus has won several contracts suggests it has a competitive offering and is well regarded by its customers. References are extremely important in the vehicle inspection business. Of course there is also a risk of losing existing contracts from time to time, but with its track record there is a greater probability of it instead managing to win new business. This means that, over time, Opus should be able to continue to grow and capitalise on its market-leading position.

The stock market has certainly become aware of the company, but has probably not dared to factor in the journey being able to continue for a good while yet. Vehicle inspection is a typically Western phenomenon, but the problem of substandard vehicles is far greater in developing countries. In the long term there is huge potential for further growth in these countries, and Opus has the products, experience and ambition to participate. The risks in a country like Pakistan, where Opus recently started up, are obviously higher than in the US. But with more new establishments the risk becomes diversified while growth prospects improve. This is maybe the primary reason why they raised their margin target and aim for 25 percent EBITDA-margin by year 2021.

In the US and Western Europe, the overall market has been relatively unchanged in size in recent years, but now there are some factors that point to growth in the coming decade. One of these is a new EU directive covering more stringent controls on electronic safety systems. Safety features in modern vehicles are based on multiple systems and sensors that interact to give the desired outcome. This means that tests are becoming more sophisticated and require a higher level of technology at inspection stations. This perfectly suits Opus since it is a technology-oriented company with its own development. Another growth factor was illustrated by the VW scandal. Realistically, authorities will increasingly turn to independent third parties to carry out relevant measurements, rather than relying on laboratory testing by automobile manufacturers. It remains to be seen whether the cheating of emissions measurements was mainly limited to VW, but it is clear that the prospects for the vehicle inspection industry have been improved by this issue floating to the surface. In the US, Environmental Protection Agency (EPA) tightened the standards for ground-level ozone not very long ago. This means that a number of areas in the United States must improve their air quality. Many states and counties have no vehicle inspection at all, which would appear to be the obvious first step, but of course not the only one. Since then the Trump administration has forced EPA to take a different course, which has caused uncertainty and confusion. Fortunately most states seem a lot more interested in doing something about the air quality than the federal government.

Bear points:

- Some of the new countries that Opus has entered, e.g. Pakistan, are unstable in several aspects. The amount of business coming from these markets is not extensive so far, which limits the effect of any potential damage, if things go sour.
- Opus could loose some of its current contracts in the US. If that happens it might be interpreted as if they haven't delivered according to the clients expectations. Or that prices are under preassure. Even if the size of the contract is modest these signals could be clearly negative.

Catalyst types

Full impact from current business
Throughout the group there are currently a number of activities paving the way for better profits in the coming years: 1) The rental business in California, Georgia and other upcoming states will gradually feed through. 2) Testing programs in Pakistan and Chile are now stepping up 3) Drew Tech's RAP and Fastlign gaining traction.

Better transparency
Opus division Vehicle Inspection International includes a number of different businesses. It has been difficult to track and understand how these different units actually have performed. Starting 2018, Opus ambition is to report some businesses separately providing more transparency to the market.

Winning new contracts
Opus has a proven track record, particularly in the US market, giving them good chances of winning new contracts. Each year some contracts are usually renegotiated and new programs are implemented in some states or counties.

REDEYE

Publication date

January 12 2018

Paynova PAY

Company page

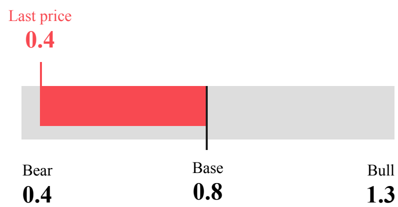
https://www.redeye.se/company/paynova

Redeye Rating

Leadership Ownership Profit outlook Profitability Capital strength

COMPANY QUALITY

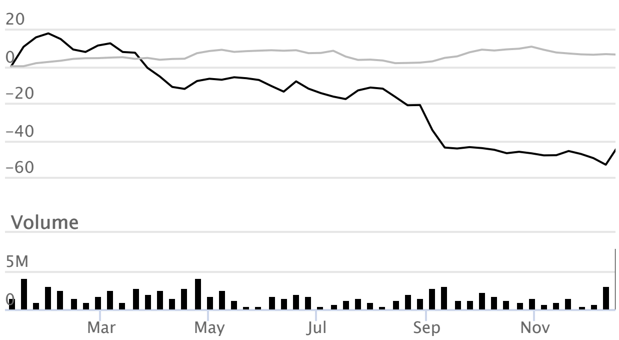
FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot



Marketplace	Nordic Growth Market
CEO	Daniel Ekberger
Chairman	Anders Persson

Share information

Share price (SEK)	0.4
Number of shares (M)	339.7
Market cap (MSEK)	135
Net debt (MSEK)	27

Analyst

Tomas Otterbeck
tomas.otterbeck@redeye.se

Conflict of interests

Tomas Otterbeck owns shares in Paynova: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	30	34	55	81
Growth	*1.2%*	*12.8%*	*12.8%*	*61.5%*
EBITDA	-18	-13	-1	14
EBITDA margin	*Neg*	*Neg*	*Neg*	*17.7%*
EBIT	-19	-21	-7	10
EBIT margin	*Neg*	*Neg*	*Neg*	*12.0%*
Pre-tax earnings	-19	-22	-9	8
Net earnings	-19	-22	-9	8
Net margin	*Neg*	*Neg*	*Neg*	*9.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.07	-0.06	-0.03	0.02
P/E adj.	-5.3	-6.3	-15.3	17.5
EV/S	3.8	4.9	3.0	1.8
EV/EBITDA	-6.5	-12.9	-116.0	10.1

Last updated: 2017-11-06

Owner	Equity	Votes
Origo Fonder	8.8%	8.8%
Avanza Pension	8.7%	8.7%
Nordnet Pensionsförsäkring	5.8%	5.8%
Kjell-Ake Sundqvist	4.1%	4.1%
Theodor Jeansson	3.8%	3.8%
Daniel Ekberger	3.8%	3.8%
Bjarne Ahlenius	3.6%	3.6%
Robert Norling	3.4%	3.4%
Christina Ivstam	2.4%	2.4%
Gevriye Oygun	1.7%	1.7%

Company description

When Paynova was founded in January 2000, the company was offering an electronic payment solution marketed under the brand name, the Paynova Wallet. Paynova was listed on the Nordic Growth Market in February 2004.

In February 2013, with the hiring of Daniel Ekberger as new acting CEO, Paynova entered a new phase. Mr Ekberger initiated a comprehensive analysis of Paynovas business model and the on-line payment universe. Toghether with newly hired Robert Norling as Head of Sales and Marketing, a new value proposition and long term strategy was developed. To emphasize the new focus on consumer credits, Paynovas new service offering is marketed under the brand name, Invoice as a Service. By adding the handling of invoices and installments, Paynova can now offer e-retailers a complete ”full-service payments solution”. The full service payments solution includes everything the e-retailer needs in order to manage the entire payment operation in terms of payment processing, customer support, fraud detection, etc.

An important feature to Paynovas offering is that it is independent and that Paynovas clients keep the ownership of the consumer relation throughout the whole payment process. Another crucial difference is that Paynova and their clients enter a partnership in which the proceeds are shared. Instead of just being an outsourced service the client is paying for, Paynovas offering will increase the profit for their client.

Investment case

- Paynovas new focus on "Invoice as a service" has much higher revenue potential. Industry participants are talking about a rough estimate of SEK 20 on average for invoice and SEK 200 in total for instalments in comparison to processing direct payments were the revenue per transaction is about SEK 1.
- There is a value in both the existing processing platform and the newly developed consumer credit platform. Acquiring a proven payment platform would be interesting for many banks. Using the valuation on DIBS gives a value of approximately SEK 100 million for the existing platform for processing.
- Competitive business model: Paynovas service is enabling e-retailers to receive a share of the proceeds from consumer credit and to keep the ownership of the customer. The latter is important since the payment process can be used as a sales tool and increase repeat sales.

A rapidly growing market

Paynova is operating in a market with high structural growth. Purchasing of goods and services on the Internet is growing rapidly due to increasing penetration of connected devices, ease of use and increased security. E-commerce in Sweden has grown by ten times since 2013 and this structural growth shows no signs of abating.

Competitive business model

To be successful on-line, the handling of payments is an important factor for e-retailers. To address this, Paynova has developed a consumer credit service which enables the e-retailers to grow sales and increase profit margins substantially. In short, Paynovas service is enabling e-retailers to receive a share of the proceeds from consumer credit and to keep the ownership of the customer. The latter is important since the payment process can be used as a sales tool and increase repeat sales.

Higher profitability

Since Daniel Ekberger took the helm in February 2013 Paynova has transformed from a PSP into a Fin Tech company fully focused on consumer credit solutions. The new Consumer Credit offering, “Invoice as a service”, was launched and marketed towards existing and new clients in the beginning of 2015. The reason for launching Invoice as a service is the much higher revenue potential compared to processing direct payments. Industry participants are talking about a rough estimate of SEK 20 on average for invoice and SEK 200 in total for instalments in comparison to processing direct payments were the revenue per transaction is about SEK 1.

Proven platform

There is a value in both the existing processing platform and the newly developed consumer credit platform. Acquiring a functioning payment platform would be interesting for both local and international companies that want to expand in the Nordics. Using the valuation on DIBS gives a value of approximately SEK 100 million for the existing platform for processing. As the potential value of the consumer credit platform is much higher, it is fair to argue that the downside is limited

Investment risk

Paynova is still in many ways a start-up, since the company was rebuild in 2013. Since a majority of the cash flow is coming from a minority of its client the financial situation is not optimal. The ability to obtain new clients is therefore of highest importance. Until the company reaches a positive cash flow there is additional risk for more targeted rights issues which will create a dilution for existing owners.

Catalyst types

Agreement with major health care company

In November 2015, Paynova announced that they had signed an agreement to deliver consumer credit services for a dominant player in the health care sector in the Nordic region. The implementation of the platform has been initiated during Q2 2016. The client is the dominant player within its segment and has a 75% reach in a market that has an annual turnover of as much as 15 bn SEK. The clients business is well suited for consumer credit. CEO Daniel Ekberger is therefore expecting this client to be a potentially larger revenue contributor than Paynovas largest client, SJ. The agreements however takes longer time than expected and should start in the end 0f 2017 or in the beginning of 2018.

Sj consumer credit increase

SJ is by far the largest client among Paynovas 200 clients. The agreement with SJ to offer consumer credit will therefore have a large impact on short term revenues. 80% of clients will pay using direct processing (credit card, direct bank transfer), 15% will pay using invoice and 5% will pay using installments. Consumer credit revenues will increase gradually from launch in 2016 until full maturity in 2017.

Publication date

January 12 2018

Photocat PCAT

Company page

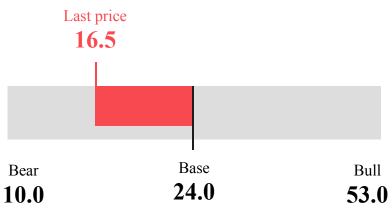
https://www.redeye.se/company/photocat

Redeye Rating

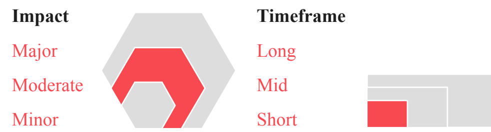
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



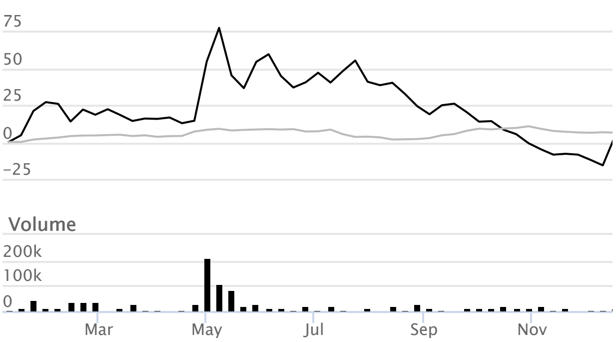
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Photocat
OMXS30



Marketplace	First North Stockholm
CEO	Michael Humle
Chairman	Mette Therkildsen

Share information

Share price (SEK)	16.5
Number of shares (M)	3.0
Market cap (MSEK)	51
Net debt (MSEK)	0

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Photocat: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E (Redeye Estimates)	2019E (Redeye Estimates)
Revenue, MDDK	5	6	13	25
Growth	*-30.6%*	*82.1%*	*17.8%*	*>100%*
EBITDA	-7	-6	-5	0
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-10	-9	-6	-1
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-10	-9	-6	-2
Net earnings	-10	-9	-6	-2
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-4.14	-2.24	-1.62	-0.46
P/E adj.	-4.0	-7.4	-10.2	-35.8
EV/S	7.8	9.2	5.1	2.9
EV/EBITDA	-5.5	-9.0	-12.8	-481.6

Last updated: 2017-11-07

Owner	Equity	Votes
Photocat Holding ApS	32.0%	32.0%
Strategic Investments A/S	21.5%	21.5%
CAPNOVA Invest Zealand	10.2%	10.2%
LMK Forward	9.7%	9.7%
Michael Humle	4.3%	4.3%
Michael Lönn	2.4%	2.4%
Steen Ornslund	1.3%	1.3%
Kenneth Nord	0.7%	0.7%
Mette Terkildsen	0.7%	0.7%

Company description

Photocat is a Danish company based in Roskilde close to Copenhagen. Operations started in 2005 when SCF Technologies A/S started developing photo catalytic material. Photocat was founded in 2009 and shortly thereafter acquired the R&D part of the materials division of SCF Technologies. The three founders of Photocat: Henrik Jensen, Theis Renberg and Michael Humle worked at SCF Technologies prior to 2009. All three are still partners and holding key positions in Photocat. The company has approximately 12 employees, sales of DKK 7 million and a loss of DKK 8 million in 2016. The shares were listed on First North in November 2015.

The company has developed a wide range of recipes for different applications and customer needs. The material, a transparent solution of titanium dioxide, is sold primarily to industrial clients who integrate it into their products that are marketed to the end customer. In some of their first projects Photocat was also involved in the installation process. But the idea is not to deal with the last part of the distribution chain which would require a much larger organisation.

Investment case

- Photocat has acquired a number of new clients that will add substantial volumes in the next years. Most of this business will also be repetitive since the clients have launched their own products and brands that they market towards the end costumers.
- Photocat has really high gross margins of around 70%. Over head is limited and operational leverage will be significant once the volymes pick up.
- The company is still undiscovered in the stock market. Investors have clearly not discounted the potential that we see, both in the medium and long term.
- For Photocat to be a real jackpot winner there will probably need to be action by authorities to create demand from the public sector. These things can take time, and political decisions are almost always difficult to predict.

Photocat has developed and patented a number of formulations of titanium dioxide (TiO_2) adapted for different materials and environments. These have proven to provide much greater effect than products previously available in the market. Tests and comparisons have been performed by both customers and competitors. In the European market there has been some interest in TiO_2 and its potential to improve air quality for about 10 years, after the first products were launched. Until now, however, only fairly limited results have been achieved in terms of efficiency in reducing NOx for any noticeable difference to be made. Photocat's products, however, are several times more efficient than those that have been available to date, which means there is now an opportunity to cost-effectively improve the air in all urban environments.

The company has in recent years developed products that are now on the brink of a major market launch. Photocat looks set to get a flying start, having won a number of contracts during the autumn and winter of 2015/16. Most of these are also of a recurring nature since Photocat's customers have launched their own products and brands that are marketed to end-customers.

High Gross Margins
Photocat has very good gross margins, estimated at about 70 percent. Its organisation is also small and trim. Some recruitment will be made in marketing, but no investment will be necessary to multiply volumes several times over from current levels. The company should therefore be well placed to obtain substantial gearing in profits as volumes rise. The share is almost entirely unknown in the market, and investors have certainly not become aware of the potential that we see, both on a one-year horizon and in the longer term.

For Photocat to be a real jackpot winner there will probably need to be action by authorities to create demand from the public sector. These things can take time, and political decisions are almost always difficult to predict. Nonetheless, everything suggests that Photocat should still have a sufficiently large and attractive market among private-sector customers; sufficient in the sense that it can grow for a long time and generate good profitability. Even though it has more or less only just left the starting blocks, it has already won a number of large and important customers and has several legs to stand on. Business has been won with manufacturers of products including concrete paving blocks, bitumen roofing felt and laminate flooring. These customers are in Germany, Scandinavia, Canada and Spain. The spread across multiple customer groups and countries naturally reduces the market vulnerability.

Bear Points:

- A company such as Photocat is nonetheless vulnerable because of its dependence on individual employees and its size.
- Several of its industry peers are global companies with significant resources. If demand in Photocat's market segment takes off, competition will certainly increase, but given the starting point this should, if anything, be seen as a pleasant problem. The size of the potential market means, without a doubt, that there will be room for a number of providers. However tougher competition may impact profitability more than we have anticipated.

Catalyst types

Support from public authorities
Strong commitments from the public arena that give tangible support for photo catalytic building material in urban areas. Europe and North America are the markets most relevant to Photocat and it could be implemented through legislation, directives or subsidies.

Rights issue
Given its low cash position Photocat may have to raise more capital in the near future. Depending on how this will be communicated and executed it will appear as either positive (expansion and growth oriented) or negative (cost covering and restoring balance sheet).

New business
Orders from additional large customers or a breakthrough in a new country. We expect this kind of progress step by step in the coming years.

Personal notes

REDEYE

Publication date

January 12 2018

Polygiene POLYG

Company page

https://www.redeye.se/company/polygiene

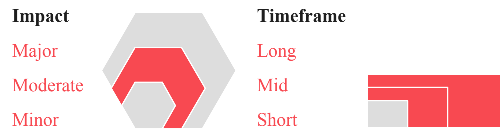
Redeye Rating

Leadership | Ownership | Profit outlook | Profitability | Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Polygiene
OMXS30

Marketplace	First North Stockholm
CEO	Ulrika Björk
Chairman	Richard Tooby

Share information

Share price (SEK)	11.4
Number of shares (M)	20.5
Market cap (MSEK)	235
Net debt (MSEK)	-16

Analyst

Havan Hanna
havan.hanna@redeye.se

Conflict of interests

Havan Hanna owns shares in Polygiene: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E	2019E
			Redeye Estimates	
Revenue, MSEK	61	80	104	136
Growth	*47.6%*	*19.4%*	*30.0%*	*30.5%*
EBITDA	-2	-6	3	16
EBITDA margin	*Neg*	*Neg*	*2.9%*	*12.1%*
EBIT	-2	-6	3	16
EBIT margin	*Neg*	*Neg*	*2.9%*	*12.1%*
Pre-tax earnings	-2	-6	3	16
Net earnings	-2	-6	2	13
Net margin	*Neg*	*Neg*	*2.3%*	*9.4%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.11	-0.27	0.12	0.63
P/E adj.	-104.9	-41.8	97.4	18.1
EV/S	3.3	2.7	2.1	1.5
EV/EBITDA	-86.0	-38.8	70.7	12.2

Last updated: 2017-11-13

Owner	Equity	Votes
Richard Tooby	10.1%	10.1%
JP Morgan Bank Luxembourg	9.4%	9.4%
Erik A i Malmö AB	6.6%	6.6%
Clearstream Banking S.A. Luxembourg	6.2%	6.2%
JPM Chase NA	4.6%	4.6%
Christian von Uthmann	4.4%	4.4%
Jonas Wollin	4.0%	4.0%
Lennart Holm	3.9%	3.9%
Aktia Fund Management	3.9%	3.9%
Mats Georgson	3.4%	3.4%

Company description

Polygiene's brand is based on its Polygiene Odor Control Technology, with a strategy built on ingredient branding similar to that of Gore-Tex or Windstopper. The company is currently the leading ingredient brand in the sport and outdoor segment, and focuses on premium brands for all kinds of clothing (sports, leisure, fashion, work), footwear and home textiles. Its customers (often called partners by the company) include Adidas, Patagonia, Athleta and Hugo Boss. The list of partners has increased from around 25 (2009) to more than 100 (2016).

The additive itself is based on silver salt (silver chloride) made from recycled silver, and is currently used for textiles, foam, plastic or paint. In addition to its additive and ingredient branding, the company uses a comprehensive solution in order to work with the entire value chain and strengthen its competitiveness. These activities include application training for customers' textile factories, brand training for customers' employees, consumer surveys, responsibility for customer support and complaints related to the Polygiene brand, and labels.

The company employs 20 people and is headquartered in Malmo. In addition, the company has agents and distributors in over 20 locations worldwide and an advisory board. In 2016 sales were SEK 61 million and EBIT SEK -2 million. Polygiene has been traded on First North Stockholm since March 2016.

Investment case

- Polygiene - an Ingredient Brand
- The winner takes it all
- Question marks regarding profitability
- Base case valuation amounts to SEK 16 per share and fair value range to SEK 6-22

Polygiene builds a brand (Ingredient Brand, like Gore-Tex) based on the functionality of permanent odor control technology (Polygiene Odor Control Technology). So far, no competitor has succeeded in building a similar comprehensive solution (working with the entire value chain) or equally strong brand. We consider this to be the company's competitive advantage.

An established fact for ingredient brand strategies involves the leading brand gaining large market dominance. If the company manages to retain its leading position in sport and outdoor, and to conquer the same position in the more recently addressed segments of lifestyle, footwear and home textiles, there is a good chance that the next Swedish export could be a small company listed on First North.

Today, the market has questions about the profitability. In our forecasts, loss in 2017 and low profitability during 2018 are incorporated as a result of increased market investments and recruitment. By 2019, a higher profitability level (12% in EBIT margin) is expected, as the scalability of fixed costs makes a mark. For a long-term owner, we therefore see today's price levels as attractive.

At base case, we see average sales growth of 19 percent per year during the forecast period 2016-2026. We then expect the company to reach a maturation phase and grow by 2 percent. In the same period, we expect an average EBIT margin of 13 percent, the long-term EBIT margin amounts to 13 percent. The WACC is 10.8 percent.

The biggest risks are related to the debate about chemicals in textiles, the rapid growth (it is always a challenge to grow at a fast pace while maintaining both quality and profitability) and the fact that odor control market is a relatively new market that still has to prove its existence. Today it is too early to determine if odor control is here to "stay".

Catalyst types

New partnerships with world-leading brands
We expect new partnerships across all segments going forward, but partnerships with new brands with the same status as Adidas would raise the valuation.

Margin expansion
Improved margins would confirm the scalability of fixed costs.

Personal notes

REDEYE

Publication date

January 12 2018

PowerCell Sweden PCELL

Company page

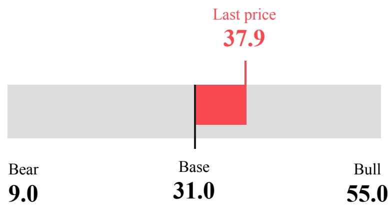
https://www.redeye.se/company/powercell-sweden

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL

Impact

Major

Moderate

Minor

Timeframe

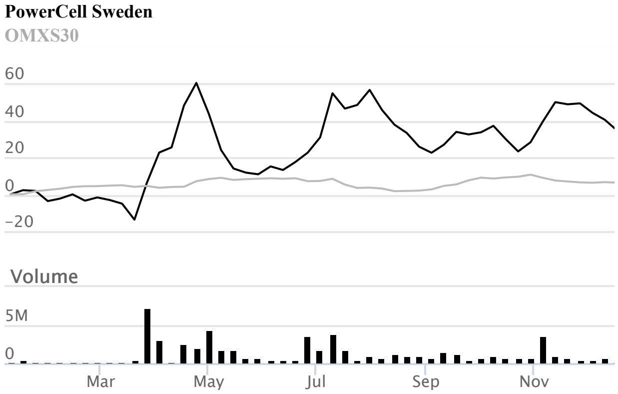
Long

Mid

Short

Turn page for catalyst specifics

Snapshot



Marketplace	First North Stockholm
CEO	Per Wassén
Chairman	Magnus Jonsson

Share information

Share price (SEK)	37.7
Number of shares (M)	51.9
Market cap (MSEK)	1,994
Net debt (MSEK)	-157

Analyst

Henrik Alveskog

henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in PowerCell Sweden: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	12	31	200	308
Growth	*>100%*	*>100%*	*>100%*	*>100%*
EBITDA	-60	-53	-15	17
EBITDA margin	*Neg*	*Neg*	*Neg*	*5.7%*
EBIT	-66	-57	-15	17
EBIT margin	*Neg*	*Neg*	*Neg*	*5.7%*
Pre-tax earnings	-66	-56	-13	19
Net earnings	-66	-56	-13	19
Net margin	*Neg*	*Neg*	*Neg*	*6.1%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.46	-1.07	-0.25	0.36
P/E adj.	-25.8	-35.2	-148.9	104.4
EV/S	133.7	57.0	9.0	6.0
EV/EBITDA	-27.0	-32.9	-120.0	106.0

Last updated: 2017-12-18

Owner	Equity	Votes
Fouriertransform Aktiebolag	17.8%	17.8%
Mohammed Al Amoudi	17.8%	17.8%
Finindus	12.6%	12.6%
Avanza Pension	6.8%	6.8%
Nordnet Pensionsförsäkring	1.7%	1.7%
Länsförsäkringar	0.7%	0.7%
BNP Paribas Investment Partners	0.6%	0.6%
Swedbank Försäkring	0.5%	0.5%
Palcmills Oy	0.4%	0.4%
Vigo Carlund	0.4%	0.4%

Company description

Operations started as an R&D project within the Volvo Group in 1993. Powercell as a company was founded in 2008. The year after the ownership base was broadened with a rights issue to Midroc New Technologies, Fouriertransform and Finindus of Belgium. In December 2014 Powercell made an IPO and listed its shares on Nasdaq First North.

Since year 2016 Powercell has started launching its products in the market. Up until mid 2017 revenues have been somewhat sporadic and comes mainly from sales of prototypes. Deliveries of larger volumes started in Q3 2017 which means more stable revenues going forward. The last couple of years the company has shown a loss of some SEK 60 million due to costs related to product developement. Powercell made a directed rights issue in the spring 2017 and expect current funding to be enough to take them to break-even. Powercell has some 50 employees, primarily within development, construction and design, which is conducted in facilities adjacent to the head office in Gothenburg.

Investment case

- More orders for serial deliveries of stacks (S1 or S2). New business from renowned clients would confirm that Powercell has competitive products and would also be important steps towards stable earnings.
- New deals with vehicle manufacturers for the S3-stack (apart from Nikola). The S3-stack is primarily developed for the automobiles and small commercial vehicles. Additional deals with vehicle manufacturers would be clearly positive as it removes at least some of the uncertainty we have today.
- A break-through for the diesel reformer and PowerPac. Originally the system was developed as a power supply to telecom stations in developing countries, but there are certainly other markets for it too. Many with great potential.

The market for fuel cells has grown substantially over the last few years and the products are now used in a wide range of applications. The industry is still at an early commercial stage and demand is to a great extent supported by government subsidies. Hence it is hard to estimate the potential size and growth rates of this market. It is also still difficult to assess Powercells USP's. There is apparently a great interest for their products and they have delivered a big number of prototypes that have been tested by many different types of customers.

The most important confirmation of Powercells competitive edge is the large order from Chinese company Wuhan Tiger. However we still don't know how profitable it will be. The fact that Nikola Motor is chosing Powercell as preferred supplier to the Nikola II is also encouraging and a testimonial to its quality. Since there are a number of other companies out there who also offer fuel cell stacks its important to identify Powercells competitive edge. So far we don't really have a clear picture here.

Earlier Powercell focused on developing a diesel reformer and the PowerPac system. This project has so far not been able to bring the products to the market and now appears to be put on hold. Otherwise the PowerPac would have given Powercell a clear USP and opened up a large potential market for replacing diesel generators with fuel cells.

Share price reflects rather high expectations

Since there is significant uncertainty regarding the fuel cell market on a global scale as well as Powercells competitive advantage, our valuation range is also very wide. There is no doubt potential, but that has already been factored in by the stock market. Powercell and other sector collegues in the fuel cell segment have valuations that reflect rather high expectations. With the large order from Wuhan Tiger, sales will pick up substantially during 2018. We expect to see more business similar to this one in China during next year and believe that Powercell will reach break-even in 2019. Thus the share can grow into its current valuation. Primary value drivers for the near future are commercial successes in terms of major orders or close cooperations with companies within the vehicle industry.

Bear points:

- If it turns out that Powercell cannot offer competitive prices at high volume production.
- If several other manufacturers kan offer similar products which means Powercell has to compete with low prices.
- If their Chinese business partners terminate the cooperation with Powercell.
- If Powercell doesn't present any more substantial orders during 2017-18.

Catalyst types

Volume orders for fuel cell stacks

Additional volume orders for both S1 and S2 from industrial clients will confirm that Powercell has a competitive offering.

Launching the powerpac

The Powerpac, including the diesel reformer, is one of Powercells major USPs and competitive edge. The commercial launch appears however to be postponed.

Contract with oem for s3-stack

Powercell is developing the S3-stack primarily for the vehicle industry. An additional agreement with an OEM (apart from Nikola) or a global subsupplier would be clearly positive.

Publication date

January 12 2018

Sensys Gatso Group SENS

Company page

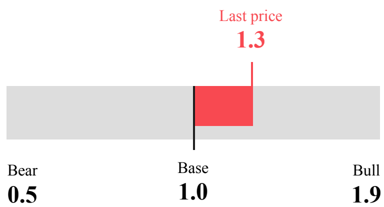
https://www.redeye.se/company/sensys-gatso-group

Redeye Rating

Leadership   Ownership   Profit outlook   Profitability   Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

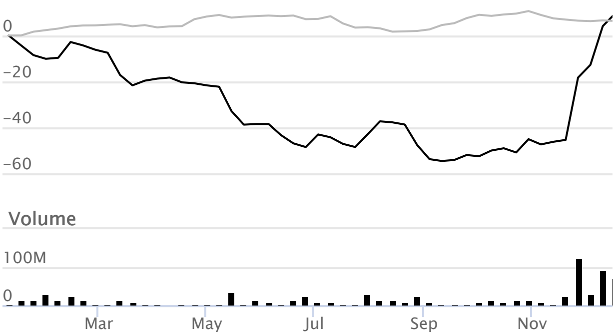


CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

Sensys Gatso Group
OMXS30



Marketplace	NASDAQ Stockholm
CEO	Ivo Mönnink
Chairman	Claes Ödman

Share information

Share price (SEK)	1.3
Number of shares (M)	844.9
Market cap (MSEK)	1,090
Net debt (MSEK)	68

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Sensys Gatso Group: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E (Redeye Estimates)	2019E (Redeye Estimates)
Revenue, MSEK	437	279	359	497
Growth	*>100%*	*9.7%*	*-36.0%*	*28.6%*
EBITDA	25	-32	7	97
EBITDA margin	*5.8%*	*Neg*	*2.1%*	*19.6%*
EBIT	-23	-70	-29	57
EBIT margin	*Neg*	*Neg*	*Neg*	*11.5%*
Pre-tax earnings	-30	-82	-33	57
Net earnings	-24	-74	-33	54
Net margin	*Neg*	*Neg*	*Neg*	*10.9%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.04	-0.09	-0.04	0.06
P/E adj.	-34.8	-14.7	-33.5	20.2
EV/S	2.1	4.0	3.2	2.2
EV/EBITDA	36.5	-35.1	156.1	11.3

Last updated: 2018-01-10

Owner	Equity	Votes
Gatso Special Products Bv	17.6%	17.6%
Avanza Pension	4.9%	4.9%
Inger Bergstrand	2.9%	2.9%
Nordnet Pensionsförsäkring	2.1%	2.1%
Swedbank Försäkring	1.1%	1.1%
AMF Försäkring & Fonder	1.0%	1.0%
Livförsäkringsbolaget Skandia	0.9%	0.9%
Per Hamberg	0.8%	0.8%
Arding Language Services Aktiebolag	0.6%	0.6%
Jan Kihlberg	0.5%	0.5%

Company description

Traffic safety company Sensys Gatso was formed when Sensys Traffic acquired its Dutch competitor Gatso in summer 2015. The new company is the market leader with approximately a quarter of the market sales for traffic safety systems, particularly speed cameras and traffic light monitoring cameras. However, much of Sensys Gatso's focus when it comes to growth will be placed on its other business area, Managed Services, where the company operates its own traffic safety systems and issues and administers fines. The company's size and its new position as the market number-one are important factors in achieving greater credibility with its customers. There are entry barriers through the type approval procedures, which often differ from country to country.

Locations: Sensys Gatso Group has subsidiaries in Australia, Germany, the Netherlands, Sweden and the United States, as well as in the United Arab Emirates

Investment case

- Sluggish market over many years factored in
- Stock market doubts the company's competitiveness
- Share price normally driven by big deals
- Share price between base and bull cases

Sluggish market over many years factored in

With the share price having fallen from its peaks of SEK 5.5 in 2015 and around SEK 3 in 2016, the stock market has priced in Trump pressure and the weak market for road safety solutions persisting for a very long time to come. However, it should be noted that the company claims the market could quickly turn at any time. It is hard to decide which picture is most accurate, but we do not think it completely wrongheaded to anticipate a weak market in the coming years. Furthermore, in May 2017 it was announced that Sensys is being forced to switch off its cameras on Iowa's highways in anticipation of a judicial review (the Iowa scheme accounts for 37 % of the company's operator revenues). Given the high margins and long contracts with repeat revenue, the company's operator business is a critical factor in its growth and the performance of the share. Now that political risks have materialised, stock market confidence in the operator business has been eroded and investors seem to also believe that it will fail. We see this as something of an overreaction given the more-than 10 years of focused efforts by Gatso in this segment, with good results (until now).

Stock market doubts the company's competitiveness

Sensys Gatso has repeatedly emphasised that the market is slow due to external factors and that it is not losing market share to competitors. Broadly this seems to be correct, but our interpretation of the share price reaction is that investors are clearly not buying this claim. Even if the company were to lose some market to Jenoptik or Redflex the competitive picture would, in our opinion, be far from disastrous since there are entry barriers for the small local providers in the form of unique type approval procedures in each country, and because size and stability are important requirements for customers, to assure reliable long-term delivery.

Share price normally driven by big deals

The share has always been driven by announcements of major deals, such as the movement from SEK 1.3 to over SEK 5.5, which was largely driven by the gigantic North African order worth SEK 165 million. That said, relatively strong wider order inflow naturally played a part. The business will remain volatile, and the pendulum has now swung a good way in the negative direction. There are a number of major potential deals, such as Iran or Japan, that could arrive in the near term. And we should not entirely rule out new operator contracts even though this market currently appears challenging.

Share price between base and bull cases

We see eventual upside in relation to our bull case of SEK 1.9 per share. However, if the market remains weak and the company continues to lose money at the same pace, we see a risk of the share being depressed to a bear case of SEK 0.5.

Catalyst types

New orders similar to oklahoma

The uninsured vehicles enforcement program in Oklahoma is a new business area for Sensys, which looks very promising Sensys receives as much as 80 USD per citation in Oklahoma. About 25 percent of the cars in Oklahoma are uninsured and in other states these figures seems similar, meaning great potential for Sensys.

Large system orders

The share price is largely driven by the announcement of major orders. For the next quarters We especially see larger orders from Sweden, France, Japan and the Netherlands.

Personal notes

Smart Eye SEYE

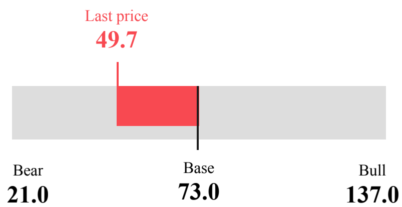
Company page
https://www.redeye.se/company/smart-eye

Redeye Rating

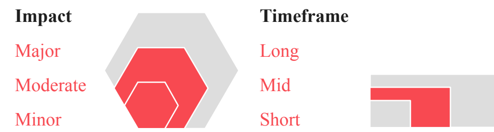
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

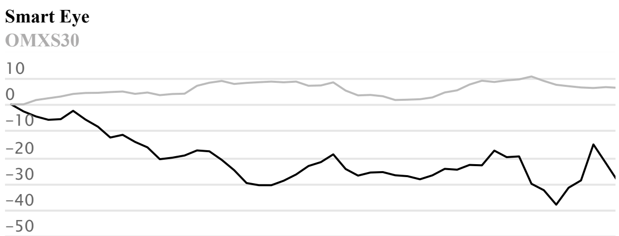


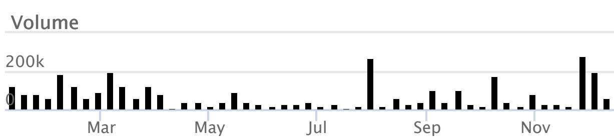
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	First North Stockholm
CEO	Martin Krantz
Chairman	Anders Jöfelt

Share information

Share price (SEK)	49.7
Number of shares (M)	9.9
Market cap (MSEK)	485
Net debt (MSEK)	-29

Analyst

Viktor Westman
viktor.westman@redeye.se

Conflict of interests

Viktor Westman owns shares in Smart Eye: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	41	51	69	114
Growth	*13.0%*	*8.4%*	*24.4%*	*36.0%*
EBITDA	0	-22	-27	-1
EBITDA margin	*0.0%*	*Neg*	*Neg*	*Neg*
EBIT	0	-33	-39	-13
EBIT margin	*0.0%*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-1	-33	-40	-13
Net earnings	-1	-33	-40	-13
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.15	-3.30	-3.90	-1.32
P/E adj.	-326.3	-15.1	-12.7	-37.6
EV/S	8.6	9.5	6.9	4.5
EV/EBITDA	N/A	-21.6	-17.5	-701.1

Last updated: 2017-12-12

Owner	Equity	Votes
Fouriertransform Aktiebolag	16.0%	16.0%
Mats Krantz	11.7%	11.7%
Linda Jöfelt	8.7%	8.7%
Anders Jöfelt	8.7%	8.7%
Martin Krantz	8.4%	8.4%
Stavern Helse Og Forvaltning AS	3.5%	3.5%
Danica Pension	3.5%	3.5%
Nordnet Pensionsförsäkring	2.9%	2.9%
Handelsbanken Fonder	2.5%	2.5%
Tenvik Diagnostikk Og Forvaltning AS	2.0%	2.0%

Company description

Smart Eye provides eye tracking software for especially automotive applications but addresses customers in defence, aircraft and academic research as well. In the Research Instruments segment, where Smart Eye has a market share of 4-5 percent, it provides systems consisting of hardware, software and accessories. Our investment case, however, is fully based on the Applied Solutions segment, which is an OEM business where Smart Eye provides tier 1 automotive suppliers with algorithms and software for embedding eye tracking in products that are later sold to the car OEM manufacturers. When a car model with Smart Eye's technology is launched Smart Eye will receive a royalty based license fee per car. Within Applied Solutions Smart Eye has won 3 of the 6 design winst that are known to us. The automotive market has high barriers to entry as it is costly and time consuming to develop products that meet the customers' high standards and switching costs are high, meaning important competitive advantages for Smart Eye.Listing: Stockholm Stock Exchange (First North) since year 2016.Locations: HQ in Sweden. Office in Detroit and one more foreign office planned.

Investment case

- In pole position within eye tracking for autonomous cars
- Impatient & short term focused stock market
- Design wins to move the share price

In pole position within eye tracking for autonomous cars

Courtesy of the (semi) autonomous cars and traffic safety, the market for driver monitoring systems (DMS) is about to explode with an expected CAGR volume growth of 201 percent during 2017-2025. This expected growth is a well-known fact but we believe many do not understand Smart Eye's strong positioning. Smart Eye has devoted 18 years to this very niche (whereof 16 years of actual sales) and e.g. invested SEK 70 million in CAPEX (and even more over the P&L) during only the last four years. Consequently, Smart Eye is in pole position, as proven by its design wins win ratio of 50 percent (3 out of 6). It is not just the 50 percent win ratio that is important though. Smart Eye has a strong bridgehead in Germany where BMW, Mercedes-Benz and Audi together sell about 75-80 percent of all premium cars worldwide, which is important as the 8-9 million premium cars are first in line to have driver monitoring. Competition is limited to one other player and the customers' own solutions. However, we believe it is unlikely that the customers in the long run are willing to put up with all investments and maintain the focus necessary for in house sourcing.

Impatient & short term focused stock market

Smart Eye's first design wins with new customers are in general worth a lot more than meets the eye as they in general are platform based. The platforms should usually (although not automatically) yield additional new car models for every year over the platforms' lives. For Smart Eye this creates a very foreseeable and stable revenue stream for many years to come as the large switching costs provide solid barriers to entry. The stock market however, as always, only sees the coming few quarters, meaning significant potential for long term investors.

Design wins to move the share price

Given the car OEMs struggle to roll out semi-autonomous cars around 2020 we expect a steady news flow going forward with design wins from already won procurements as well as RFQ's in progress, which should drive the share price. If the market forecast of 2.6 million cars by 2020 should hold we believe we should see around 20-30 design wins within the next quarters as one car model on average means volumes of 50 000. We would especially like to see design wins outside of Germany in e.g. Japan or US.

Catalyst types

Need for capital raising

Judging from our current estimates Smart Eye will need one more raise of capital before reaching profitability. We assume that Smart Eye will make a private placement to an institution and try to do so in conjunction with one larger design win, meaning ratherlimited downside risk.

Design wins

Given the car OEMs struggle to roll out semi-autonomous cars around 2020 we expect a steady news flow going forward with design wins from already won RFQs as well as RFQ's in progress, which should drive the share price. If the market forecast of 2.6 million cars by 2020 should hold we believe we should see another 40-50 design wins within the next quarters as one car model on average means volumes of 50 000.

Personal notes

Stillfront Group SF

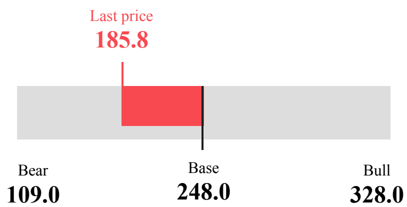
Company page
https://www.redeye.se/company/stillfront-group

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL

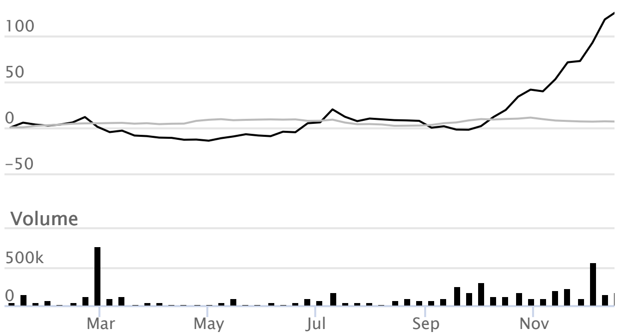
Impact
Major
Moderate
Minor

Timeframe
Long
Mid
Short

Turn page for catalyst specifics

Snapshot

Stillfront Group
OMXS30



Marketplace	First North Stockholm
CEO	Jörgen Larsson
Chairman	Annete Brodin Rampe

Share information

Share price (SEK)	184.8
Number of shares (M)	6.4
Market cap (MSEK)	1,201
Net debt (MSEK)	-101

Analyst

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Conflict of interests

Kristoffer Lindström owns shares in Stillfront Group: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

			Redeye Estimates		
	2016	**2017E**	**2018E**	**2019E**	**2020E**
Revenue, MSEK	95	161	1,503	1,761	1,973
Growth	*71.2%*	*69.8%*	*>100%*	*17.2%*	*12.0%*
EBITDA	34	55	413	593	698
EBITDA margin	*36.1%*	*34.2%*	*27.5%*	*33.7%*	*35.4%*
EBIT	25	28	307	462	564
EBIT margin	*26.0%*	*17.6%*	*20.5%*	*26.2%*	*28.6%*
Pre-tax earnings	23	16	207	367	479
Net earnings	19	8	148	270	356
Net margin	*20.3%*	*5.0%*	*9.8%*	*15.3%*	*18.1%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	3.45	0.35	6.34	11.59	15.30
P/E adj.	53.6	531.3	29.1	15.9	12.1
EV/S	10.5	27.1	2.8	2.2	1.8
EV/EBITDA	29.1	79.1	10.2	6.6	5.1

Last updated: 2017-12-07

Owner	Equity	Votes
FKL Holding GmbH	14.5%	14.5%
Swedbank Robur Fonder	7.7%	7.7%
Avanza Pension	4.6%	4.6%
Nordnet Pensionsförsäkring	4.0%	4.0%
Prioritet Finans	3.9%	3.9%
Idinvest Partners	3.6%	3.6%
Idecap AB	3.2%	3.2%
Hubertus Thonhauser	2.6%	2.6%
Niclas Eriksson	2.3%	2.3%
Ketil Skorstad	2.0%	2.0%

Company description

Stillfront Group consists of five studios in five different countries with around 100 highly skilled and experienced game professionals. The company combines the indie studios' agility with a professional public structure in order to attain synergies and efficiency. Stillfront has global reach with more than 300 000 monthly active users from over 100 countries. The comapny listed their shares on Nasdaq Stockholm First North during 2016.

Investment case

- Strong focus on risk: Stillfront has a distinct focus on creating good risk adjusted return to their shareholders. We find that the market do not put enough premium on this ability.
- Upcoming releases yer to be discounted: Stillfront holds a strong pipeline of upcoming releases, which the market under-prices according to us. We find that both Siege Titan Wars and the mobile porting of Bytro will be major future growth drivers.
- We believe Stillfront's other core assets will benefit greatly from Goodgames marketing expertise and vast network of active players, likely boost the overall performance of the Group.

Focus on risk and return creates an advantage

We believe Stillfront will continue to deliver significant growth as the company focus on bringing low-risk titles to the market. We also expect underlying growth in the gaming market and an increase in revenues from mobile. Stillfront now, like their peers, report according to IFRS. This will reveal the underlying profitability and show the discount to peers more clearly. Another major trigger would be if Siege: Titan Wars becomes a success. We will have more visibility on this in H1 2017. Other potential catalysts lies in the launch of Bytro's mobile titles and launch of the in-house title at Coldwood. Finally, a potential trigger is when Stillfront makes additional acquisitions. The acquisition of Goodgames takes the company to a whole new level, We believe Stillfront's other core assets will benefit greatly from Goodgames marketing expertise and vast network of active players, likely boost the overall performance of the Group. The risks lies in the success of new launches. Stillfront has stable underlying revenue generation from existing titles but in order for the share price to appreciate significantly they have to deliver on at least some of these title launches. We find Stillfront conservatively valued and consider the company as an attractive risk-reward from an investment perspective and that the market both underprices the company's ability to deliver risk adjusted earnings to their shareholders and the upcoming game launches.

The largest risks and counterarguments to our investment case (Bear points)

- Title risks: Despite a focus on their game portfolio there is always a title risk when it comes to a gaming company. The largest risk will always lie in titles where the company has invested the most. Siege: Titan Wars and the upcoming in-house title at Coldwood will be/are games where Stilfront will have conducted relatively large investments in.
- The risk of acquisitions: Stillfront has a clear focus on acquiring companies. Acquisitions always come at a risk for paying too much for a company that might not deliver on expectations. Stillfront continues to be cautious and extremely picky when it comes to game quality and price tag. Still, this is something an investor must continue to monitor.
- Bottlenecks: Stillfront is still a small company and keeps their HQ tight to reduce costs. The focus on keeping costs low are great for shareholders, but can also create various bottlenecks as most investment decisions run through the HQ. An overload of work for the small HQ can lead to missed opportunities.

Catalyst types

Call of war now cross-platform

In late October of 2017 Call of War by Bytro Labs was released on Steam. The number of users is increasing steadily, and according to Steamspy, the game had over 120k registered users by the start of 2018. The company also launched a native Android app on Google Play by the end of November. Call of War is now true cross-platform title. Players can use a desktop (Steam), mobile app, mobile browser and desktop browser to engage in the gameplay, which should lead to an increased engagement ratio of players and likely increased monetization.

War and peace above expectations

In October 2017. eRepublik Labs published War and Peace. Stillfront has stated that it is the best launch to date with strong KPIs, about 3x the monetization metrics that of World at War. The title remains strong with Gross Ranks exceeding its predecessor. Given the strong KPIs, an intensified marketing can lead to much higher income levels than the market is expecting.

Siege: titan wars global launched

Siege: Titan Wars is a mobile game developed by Simutronics. The game is in its launch phase, with a marketing plan in Asia. Today's valuation indicates that the market is not "pricing" a success, or has. This creates an interesting risk/reward situation with a limited negative reaction if the consumers do not approve the game.

Coldwood a little forgotten

It has been quiet around Coldwoods Unravel II, to be honest, we would have expected EA to announce the game release date already. We do not know the exact time of the release, but it would amaze us if the title does not come out during 2018. Coldwood is also developing an in-house title which could hold massive potential. We find that the market has forgotten Coldwood a little, more news flow regarding Unravel II and the in-house title will most likely lead to enhanced investor attention, and thus also the valuation.

Goodgame synergies

The acquisition of Goodgames takes the company to a whole new level, We believe Stillfront's other core assets will benefit greatly from Goodgames marketing expertise and vast network of active players, likely boost the overall performance of the Group

Personal notes

REDEYE

Publication date

January 12 2018

Systemair SYSR

Company page

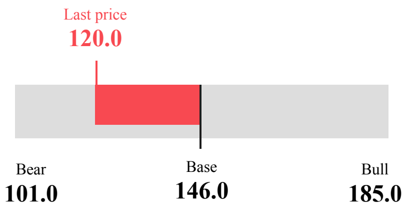
https://www.redeye.se/company/systemair

Redeye Rating

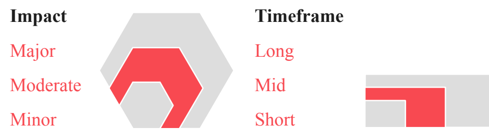
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

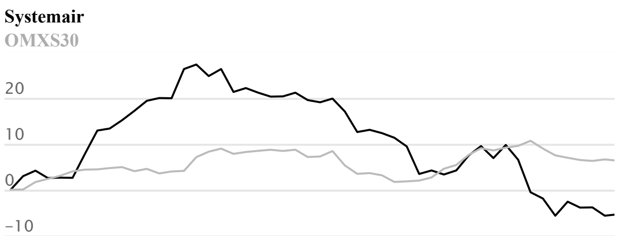


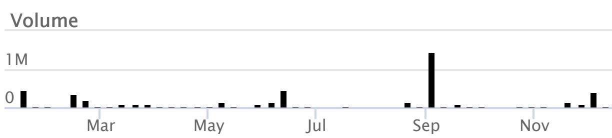
CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot





Marketplace	NASDAQ Stockholm
CEO	Roland Kasper
Chairman	Gerald Engström

Share information

Share price (SEK)	120.0
Number of shares (M)	52.0
Market cap (MSEK)	6,386
Net debt (MSEK)	1,027

Analyst

Henrik Alveskog
henrik.alveskog@redeye.se

Conflict of interests

Henrik Alveskog owns shares in Systemair: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	6,864	7,471	7,996	8,562
Growth	*3.9%*	*12.3%*	*8.8%*	*7.0%*
EBITDA	626	682	843	962
EBITDA margin	*9.1%*	*9.1%*	*10.6%*	*11.2%*
EBIT	439	482	640	788
EBIT margin	*6.4%*	*6.5%*	*8.0%*	*9.2%*
Pre-tax earnings	410	443	599	736
Net earnings	294	319	437	537
Net margin	*4.3%*	*4.3%*	*5.5%*	*6.3%*
Dividend/Share	2.00	2.30	2.70	3.00
EPS adj.	5.66	6.13	8.40	10.33
P/E adj.	21.2	19.6	14.3	11.6
EV/S	1.1	1.0	0.9	0.8
EV/EBITDA	12.2	11.2	8.6	7.2

Last updated: 2017-12-08

Owner	Equity	Votes
Gerald Engström	41.3%	41.3%
Ebm-Papst AB	21.3%	21.3%
Swedbank Robur Fonder	5.6%	5.6%
Alecta Pensionsförsäkring	4.4%	4.4%
Nordea Fonder	3.4%	3.4%
Fidelity	3.3%	3.3%
Didner & Gerge Fonder	2.5%	2.5%
Handelsbanken Fonder	2.3%	2.3%
Lannebo Fonder	2.2%	2.2%
AFA Försäkring	1.5%	1.5%

Company description

Systemair was founded in 1974 by Gerald Engstöm who is still main owner and since 2015 chairman of the board. The original product and business idea was a round duct fan that improved the air flow in ventilation systems. Since then, step by step, the company has added to their range and today Systemair probably has the most extensive offering in the European market. Availability and reliable deliveries are important key values. That means a broad range of standard products should always be ready for delivery. The products must be robust and easy to install and operate. Systemair is also a quality brand but they are not into tailor made solutions.

The group has some 20 production facilities in Europe, Asia and North America. More than 5 000 employees and subsidiaries in more than 40 countries on all continents. In fiscal year 2016/17 turnover amounted to SEK 6.9 billion and pre-tax profits SEK 410 million. Head office is Skinnskatteberg, Sweden. The shares are listed on Nasdaq Stockholm main market since year 2007.

Investment case

- For the moment we consider the valuation to be fairly reasonable.
- Systemair's own target of 12 percent annual growth and 10 percent EBIT-margin is not at all impossible to reach although our assumtions are more conservative. If they reach their targets there is substantial potential for revaluation.
- Good growth opportunities for the foreseeable future and a history of stable profitability make Systemair an interesting long term investment. However, it doesn't appear to be clearly undervalued and we do see any short term major catalysts.

This company is, and always has been, truly growth oriented. Since the early 1990's its sales have increased in every year except 2009, when the banking and financial crisis hit. Its growth has certainly come partly from acquisitions, but organic growth has also been really good, on average around 6-7 percent over the past 10 years. Despite its expansion, which has sometimes involved the acquisition of unprofitable companies and entering into new markets, Systemair has never shown a full-year loss. Its profitability has naturally varied, but not as much as other manufacturing industries.

For a couple of years its operating margin has slipped down to around 6 percent, mainly because some of its new units have yet to show adequate profitability. During the company's historical profitability peaks in 2006-08, its margins were around 12-13 percent and Systemair is well placed to get there again. In its current corporate structure, the level of technology and the product mix is better than ever. If these margin gains are fully achieved, it would represent an improvement in profits exceeding 50 percent. The market has factored in hardly any of this.

Even with more conservative assumtions of sustained profitability, the share is attractive thanks to the company's good groth prospects. The need for energy efficient ventilation is increasing in several parts of the world, even in northern Europe which is a mature market. The EU directive on energy savings in buildings plus requirements on the working environment are spurring a growing market for Systemair, which was an early investor in energy-efficient solutions. In the longer term, however, the major growth will certainly come from regions outside Europe. In several of these (Eastern Europe, the Middle East and parts of Latin America), Systemair has already established strong positions. The stock has something of a premium valuation, which is also well deserved thanks partly to historical strong growth and stable profits, but also because ot the good long-term growth prospects for the ventilation industry and Systemair's strong market position.

Bear points:

- Regarding some of the their largest acquisitions, the Airwell companies in Italy and France and Menerega, Systemair under estimated the challenges of restoring profitability. Regarding these companies there is still a risk for setbacks.
- The company's is focused on reaching the 10 percent EBIT-margin target. If we do not see ant progress this ambition will certainly be questioned.

Catalyst types

Turn around in the under performers
A few units within the group are loss making or at least performing poorly. These are primarily the Airwell companies in France and Italy and the subsidiary Menerga. All of these should be able to reach double digit margins which would drive group EBIT margins towards their own target of 10 per cent.

Major acquisitions
Systemair acquires a number of smaller companies as a natural part of their expansion strategy. If they were to buy something more substantial (annual sales > SEK 300 m) it would call for some attention. Most likely they are able to buy these companies at lower multiples than their own.

Personal notes

REDEYE

Publication date

January 12 2018

TalkPool TALK

Company page

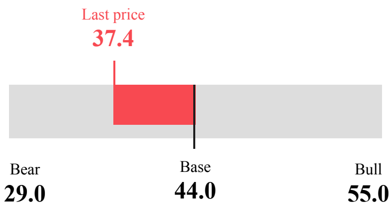
https://www.redeye.se/company/talkpool

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Erik Strömstedt
Chairman	Magnus Sparrholm

Share information

Share price (SEK)	37.4
Number of shares (M)	4.9
Market cap (MSEK)	180
Net debt (MSEK)	4

Analyst

Anton Wester
anton.wester@redeye.se

Conflict of interests

Anton Wester owns shares in TalkPool: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	12	16	27	29
Growth	*16.9%*	*11.8%*	*36.6%*	*69.4%*
EBITDA	0	0	2	2
EBITDA margin	*Neg*	*0.7%*	*5.9%*	*6.1%*
EBIT	0	0	1	1
EBIT margin	*Neg*	*Neg*	*4.7%*	*5.0%*
Pre-tax earnings	-1	-1	1	1
Net earnings	-1	-1	1	1
Net margin	*Neg*	*Neg*	*2.7%*	*2.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.22	-0.15	0.15	0.17
P/E adj.	-170.2	-242.2	245.1	220.0
EV/S	9.8	11.4	6.7	6.3
EV/EBITDA	-309.4	1,704.7	115.1	103.1

Last updated: 2017-12-05

Owner	Equity	Votes
Magnus Sparrholm	48.1%	48.1%
Erik Strömstedt	8.8%	8.8%
IT Talks Sweden AB	3.4%	3.4%
KPR Capital	2.0%	2.0%
Ludwig Fresenius	1.0%	1.0%
Lena Sparrholm	0.7%	0.7%
Comperte AB	0.5%	0.5%

Company description

Talkpool was founded in the early 2000's by Magnus Sparrholm and is now publicly listed on Nasdaq First North since 24 May 2016. The Company's head office is in Chur, Switzerland, and the total number of employees is approximately 1,350, including the acquisition of LCC.

From the outset, Talkpool has been an independent specialist that builds, maintains and improves telecom network services (TNS) worldwide. The Company is currently operating in various markets including Europe, Africa, the Caribbean, the Middle East and Latin America. Talkpool's strategy is to have a global presence supported by local hubs that provide local knowledge and expertise. Through cherry-picked acquisitions, a Global Partnership Platform and continued development of IoT-solutions, Talkpool will be able to reach niche areas and thus generate higher margins than the general TNS-market.

Investment case

- Profitable core business paving the way: TNS has historically provided very stable sales, with recurring revenue of 40-50%. Going forward, we believe that TNS will grow by 5% annually to 2025.
- The exponential growth of IoT: the market of IoT is growing at an impressive rate. The Swedish market of IoT is ready for a nationwide implementation of IoT and that Talkpool will benefit from this growing market.
- Value creation through M&A: Talkpool has a good track record of M&A activity. We believe that Talkpool will continue to acquire companies in areas where price pressure is not as intense as in TNS.

Profitable core business paving the way

Talkpool has been active in Telecom Network Services (TNS) since early 2000 and now has an established global presence. This business area has historically provided very stable revenue, with recurring revenue at 40-50% from Operation and Maintenance. Talkpool has an impressive client portfolio, consisting of the biggest operators and vendors, like Huawei and Telenor. Lately, the Company has shown strong growth potential in TNS with the award of two major turnkey contracts with Digicel (USD 7m annually) and Deutsche Telecom (potential of reaching EUR 5m annually) In addition, the global framework agreement with Digicel is going to increase Talkpool's sales substantially. The stable revenue from TNS has enabled Talkpool to finance its next big business area, Internet of Things (IoT).

The exponential growth of IoT

According to Ericsson, the entire IoT-market is expected to grow by 21% CAGR by 2022, from 16 bn to 29 bn devices. Currently, including the acquisition of LCC Pakistan, Talkpool has IoT-sales of EUR 1m. We believe that Talkpool will use its product portfolio to launch its IoT-products in the Middle East while using LCC IoT-solutions in areas like Haiti. We also think that EBIT margin of 20% over the long term.

Value creation through M&As

Talkpool acquired Camouflage in 2016 and Technetix in early 2017. Since Talkpool acquired these companies they have shown impressive growth, both in revenue and profit. In Q2 17 Camouflage increased its profit more than six-fold and doubled revenue, while Technetix doubled its profit. The latest acquisition of LCC Pakistan will double revenue and improve the overall margins, as LCC had revenues of EUR 9.9m and an EBITDA margin of 15% (EUR 1.5m) in 2016. Now, thanks to the acquisition of LCC, Talkpool will be exposed to the fastest-growing TNS-market.

Bear points

- **Price pressure from operators**

Talkpool's current client portfolio consists of two customers that account for 50% of revenue. If one of them decided to choose another TNS-provider, there would be huge negative impact on Talkpool's business. Talkpool has felt price drop, which we believe average 2-4% annually. We thus believe that it is highly possible that price pressure will continue. This will make it a challenge for Talkpool to achieve its financial target of an EBIT margin of 8% in the TNS-segment.

- **Slow ramp-up in IoT**

As we see it, the IoT-market is ramping up, in line with Ericsson's Mobility Report. However, the development of the IoT-market has taken longer than the market initially thought. Talkpool also stated in its latest interim report, Q2 2017, that the IoT-market is not developing as they had expected. At present, most IoT-solutions are highly customised which is a threshold for continued rapid growth. IoT-market growth will suffer if the market does not adopt a technology standard.

- **Impairments are part of the business**

If the Company does not comply with requirements set out in contractual terms and conditions could result in impairments and higher costs related to the project. This might result in heavy losses and impact the development of Talkpool. However, Talkpool has historically not been required to take major impairments.

Catalyst types

Further acquisitions
We believe that Talkpool, with background of their successful M&A activity, will continue to acquire companies in areas where price pressure is not as intense as in TNS.

Successful integration of lcc
If the acquisition of LCC works out fine there is a great possibility that Talkpool will show strong results in the near future.

New big turnkey agreements
Talkpool recently announced that they are the main global supplier for Digicel. We believe that there is a possibility to reach new market which are going to increase sales and margins within the TNS-segment.

Large internet of things project
We assume that Talkpool is well positioned in the ongoing Smart City transformation. Furthermore, if a nationwide IoT-network occurs the investment towards IoT-solutions will increase substantially. For these reasons, we believe that the Company is well positioned in the ongoing industrial transformation in Smart Cities and Smart Industry.

Publication date

January 12 2018

THQ Nordic THQN B

Company page

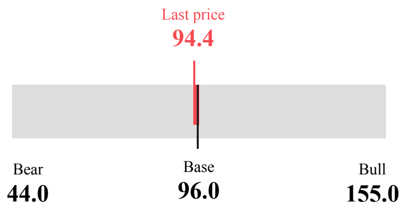
https://www.redeye.se/company/thq-nordic

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE

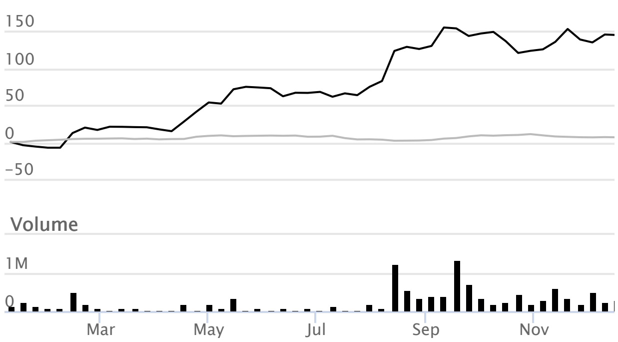


CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

THQ Nordic
OMXS30



Marketplace	First North Stockholm
CEO	Lars Wingefors
Chairman	Kicki Wallje-Lund

Share information

Share price (SEK)	94.4
Number of shares (M)	79.2
Market cap (MSEK)	7,084
Net debt (MSEK)	-682

Analyst

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Conflict of interests

Kristoffer Lindström owns shares in THQ Nordic: Yes

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	302	509	873	1,107
Growth	*0.0%*	*41.8%*	*68.5%*	*71.6%*
EBITDA	132	269	439	570
EBITDA margin	*43.9%*	*52.9%*	*50.3%*	*51.4%*
EBIT	95	198	329	428
EBIT margin	*31.5%*	*38.9%*	*37.6%*	*38.7%*
Pre-tax earnings	93	196	325	428
Net earnings	72	153	253	334
Net margin	*23.8%*	*30.0%*	*29.0%*	*30.2%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	1.00	1.92	3.19	4.21
P/E adj.	94.5	49.1	29.6	22.4
EV/S	22.1	13.5	7.8	6.0
EV/EBITDA	50.3	25.6	15.5	11.7

Last updated: 2017-12-07

Owner	Equity	Votes
Lars Wingefors	45.5%	59.0%
Xagonus AB	9.8%	12.8%
Swedbank Robur Fonder	8.6%	4.3%
Handelsbanken Fonder	5.7%	2.8%
CMB Holding AB	3.4%	4.4%
Didner & Gerge Fonder	2.3%	1.2%
Lumarisimo AB	2.0%	2.6%
Martin Larsson	1.7%	0.9%
RAM Fonder	1.7%	0.8%
Familjen Olsson med stiftelse	1.6%	0.8%

Company description

THQ Nordic has since Lars Wingefors founded the company in 2011, established a strong platform and product portfolio under high growth and profitability. The company has approximately 100 employees and 270 full-time developers. The most important events in the company's history are the acquisition of Austrian listed company JoWooD in 2011 and the US listed company THQ in 2013. Both of these businesses had incurred financial insolvency, which in this case means that the firm made these acquisitions out of their bankruptcy estate. This is also the simplest core of Lars Wingefors's entrepreneurial business, when he sees an opportunity in buying something cheaper than he can sell it, he most certainly is interested.

Since the company actively focus on growing their IP portfolio. Today the collection is comprised of 80+ different game franchises, which in the gaming industry is called intellectual property (IP). The game portfolio generates the lion share of the company's revenue; in 2016 71 percent of income and 81 percent of gross profits came from their own IPs. The remaining part of sales and profit comes from global physical distribution.

Investment case

- The major part of the portfolio potential is still untapped. The strong shareholder focus should create a premium valuation
- Significant development projects will be released in the years 2017, 2018 and 2019. This will take revenues to completely new levels
- THQ Nordic's core strategy is to acquire IPs at depressed prices and then enhancing their value, thus keeping risks at low and create significant investment returns for shareholders

We find that THQ Nordic is an attractive growth case where the market has yet to understand the inherent value of the assets and what the future will bring for the company. We believe that the short history of the company as a publically traded entity and an overall low understanding of the Gaming industry has created an opportunity to acquire shares in the company at a fair/low price compared to future fundamentals.

Untapped portfolio potential

A large part of the IP portfolio is currently being developed and do not generate any income today. This will change over the coming years when the company releases their first internally developed IPs and sequels to their strongest game franchises. We believe that the company will now move up to the next level, which could also boost business opportunities and proposals from players in the industry. A large part of these assets will start generating income during late 2017 and 2018. During 2017 the company released their first sequels, but 2018 will be even more major as we will see releases from three of THQ's key franchises.

Focus on long-term value and buying cheap

THQ Nordic is what we like to call an owner-operator company where the founders, in total controlling more than 60% of capital, are focused on creating long-term value for the fellow shareholders. The team of the company and the business mind of Lars Wingefors, largest owner (50% of the shares) and founder should not be underestimated.

THQ Nordic's core business strategy is to buy IPs, companies and game franchises at depressed prices and then enhancing their value. In those cases management has patiently waited for the right opportunities. The approach creates low investment needs in relation to potential financial success and less risk. We can take the THQ IP portfolio acquisition, described thoroughly further down in the analysis, as an example. The asset was acquired for about SEK 40m, we approximate that between 2013 and 2016 the IPs has generated roughly SEK 400m in revenues, that's about 10 times the initial investment (development and marketing excluded). Our forecast does not factor in possible future value-adding acquisitions of IPs or companies, but it is a fact that THQ Nordic will continue to acquire, and will do so with bravura.

Counterarguments (Bear-points)

- **Title risks of larger releases** – Despite THQ's extensive portfolio there is always some title risk when releasing larger Disappointing releases and/or reviews could dampen investors' enthusiasm and hurt the company's financials.
- **Rising competition in bidding for acquisitions –** As THQ Nordic is entering a new level as a company, so will the future acquisitions in terms of size and target reputation. Going from an unknown player to a more established company might make it harder to find cheap deals.
- **Management is highly critical –** Just as much we love a strong and committed management team, it is also a fact that relying on few key individuals also poses a risk.

Catalyst types

Large releases of sequels and a new ip
THQ Nordic has during the past 2-3 years been developing their first sequels on the franchises acquired from the IP asset of the US THQ. The company will release major content during Q4 2017, which will bring the income levels to new heights.

Secret project disclosed
One of the large development projects remains undisclosed. This title has the same type of budget as Darksiders 3 have, which should imply a similar sales potential. When THQ Nordic disclosed that there were making the third installment of the Darksiders series the market reacted positively. We believe the same reaction will follow the company reveals what the secret project are.

Darksiders 3 reviews and release
Darksiders 3 will be released during 2018 and is this first sequel to the company's most prominent franchises. The release will create a significant boost in sales. Reviews of the title will also be highly relevant as it can be an indicator of the success rate.

More value adding acquisitions
THQ Nordic has a strong focus on acquiring IPs, franchises, and companies at low prices. They can do this by utilizing one of the best characteristics of a great investor; patience. Larger acquisitions of well-known IPs could and should enhance the valuation of the company.

Personal notes

Publication date

January 12 2018

Waystream Holding WAYS

Company page

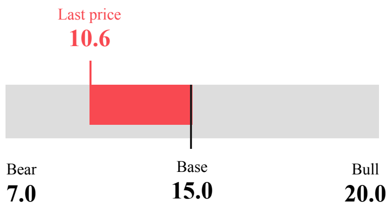
https://www.redeye.se/company/waystream-holding

Redeye Rating

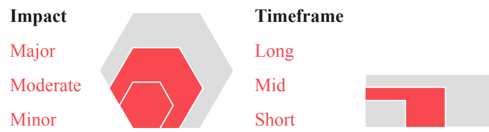
Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL



Turn page for catalyst specifics

Snapshot

Marketplace	First North Stockholm
CEO	Mats Öberg
Chairman	Peter Kopelman

Share information

Share price (SEK)	10.6
Number of shares (M)	6.8
Market cap (MSEK)	72
Net debt (MSEK)	6

Analyst

Havan Hanna
havan.hanna@redeye.se

Conflict of interests

Havan Hanna owns shares in Waystream Holding: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	60	83	108	140
Growth	*5.6%*	*6.3%*	*38.4%*	*30.0%*
EBITDA	9	7	13	24
EBITDA margin	*14.7%*	*8.3%*	*12.4%*	*16.8%*
EBIT	0	-2	3	11
EBIT margin	*0.1%*	*Neg*	*2.4%*	*7.8%*
Pre-tax earnings	0	-2	2	10
Net earnings	0	-3	2	8
Net margin	*Neg*	*Neg*	*1.6%*	*5.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-0.07	-0.40	0.25	1.20
P/E adj.	-150.6	-26.8	41.8	8.8
EV/S	1.3	0.9	0.7	0.5
EV/EBITDA	9.1	11.4	5.9	3.2

Last updated: 2017-11-26

Owner	Equity	Votes
Fiber Access Np Management Intresse	21.1%	21.1%
Severin Invest AB	13.2%	13.2%
Robert Idegren Holding AB	10.3%	10.3%
Dahltec AB	10.1%	10.1%
Nordnet Pensionsförsäkring	9.0%	9.0%
Avanza Pension	7.2%	7.2%
Stefan Tegenfalk	7.1%	7.1%
Theodor Jeansson	2.8%	2.8%
Mh Köhler Invest AB	2.0%	2.0%
Swedbank Försäkring	1.5%	1.5%

Company description

Waystream is a Swedish company that sells software-based routers and switches for fibre broadband networks. The company's CEO is Mats Öberg and its chairman is Peter Kopelman. The company has 28 employees and is headquartered in Kista. Its customers are operators and others that deploy fibre networks to users such as metropolitan networks, utilities and service providers.

Two of its activities will play a significant role looking forward – the launch of its new MPC480 platform and international expansion. MPC480 allows Waystream to create a complete offering and expand its customer base to include major players (Tier 2).

Waystream distinguishes itself as a flexible and customer-oriented supplier. Its flexible business model is based on the option of separate software licenses (using the company's own operating system, iBOS) that add functionality to meet customer needs. We see this flexibility as one of the company's main competitive advantages. Sales in 2016 amounted to SEK 60 million and EBIT was SEK 0 million. Waystream has been listed on First North Stockholm since November 2015.

Investment case

- International expansion should enable higher growth.
- New product platform (MPC480) will attract larger customers and allow a more complete product-offering.
- Switching to operational sales focus in 2017 should increase the growth rate the coming years.
- Base case amounts to SEK 15 per share and fair value range to SEK 7-20.

The investment case rests mainly on a successful launch of MPC480 and international expansion. MPC480 is already being actively marketed, and the company has several ongoing projects internationally, we believe there are a number of potential opportunities for future business.

Other factors (in addition to MPC480 and international expansion) expected to contribute to growth are strong structural expansion for fibre deployment in Europe, the company's flexible business model and a shift from product development to sales.

Since Waystream's IPO in November 2015 the share price has been under intense pressure. There was great interest in the stock, and there was a sense of high expectations among investors. Following the listing and subsequent interim reports, which did not meet the market's high (in our opinion) expectations, the share price has more than halved. We believe the market has misjudged the company given the following factors:

– Future growth depends on the product launch and foreign expansion, which still lie in the company's future.

– As a result of the IPO and focus on product development, Waystream has been unable to focus on sales during 2015-2016. The company switched to an operational sales focus in 2017, which has shown in the numbers where growth in sales on a R12m basis amounts to ~40 percent.

This means we see opportunities for Waystream that may not have been recognised by the market, largely due to the short-term misjudgements listed above. The company is run by experienced and skilled management that faces a journey of growth opportunities. With the backdrop of its share price decline, we believe the risk-reward in the company is currently good.

The greatest risks are related to:

– Company size. In competition with giants like Cisco, Huawei, HP, Alcatel Lucent/ Nokia and Juniper it is a challenge to convince a potential customer to buy from Waystream (despite competitive products).

– Shifting from product development to sales within the organisation. A challenge that should not be underestimated.

Catalyst types

New customers in existing markets (mainly sweden)
Two customers (Fibra in Sweden and Fibia in Denmark) each account for around 30 percent of total sales, while the company's eight largest customers account for 80 percent. Waystream needs greater customer growth than it has historically demonstrated, partly to diversify risk but also to increase sales growth.

Establishment in new geographic markets
Establishment in new geographic markets, particularly in Europe.

Sales to major customers
The launch of the new MPC480 product platform enables the company to address larger customers (Tier 2) than before. A breakthrough deal with any of these customers, which have bigger networks and higher investment costs, will be important for both future sales growth and the validation of MPC480.

Personal notes

REDEYE

Publication date

January 12 2018

West International WINT

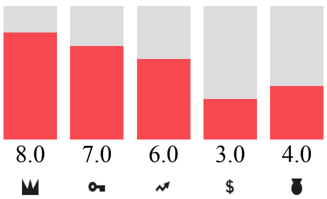
Company page

https://www.redeye.se/company/west-international

Redeye Rating

Leadership | Ownership | Profit outlook | Profitability | Capital strength

COMPANY QUALITY



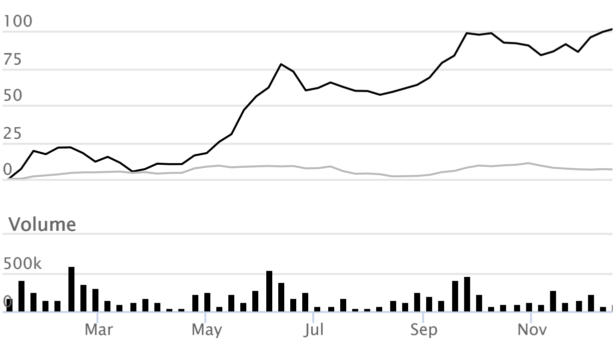
FAIR VALUE RANGE

CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

West International
OMXS30



Marketplace	First North Stockholm
CEO	Sten Karlsson
Chairman	Christina Detlefsen

Share information

Share price (SEK)	13.2
Number of shares (M)	22.5
Market cap (MSEK)	293
Net debt (MSEK)	-14

Analyst

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Conflict of interests

Kristoffer Lindström owns shares in West International: Yes

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	2018E (Redeye Estimates)	2019E (Redeye Estimates)
Revenue, MSEK	77	98	150	218
Growth	*11.2%*	*2.0%*	*27.5%*	*53.3%*
EBITDA	6	14	22	38
EBITDA margin	*7.8%*	*14.3%*	*14.5%*	*17.3%*
EBIT	3	9	15	30
EBIT margin	*4.0%*	*9.1%*	*10.2%*	*13.8%*
Pre-tax earnings	3	9	15	30
Net earnings	2	7	14	24
Net margin	*2.9%*	*7.3%*	*9.2%*	*10.8%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.09	0.30	0.58	0.99
P/E adj.	140.5	43.5	22.5	13.2
EV/S	3.8	3.0	2.0	1.4
EV/EBITDA	48.6	21.2	13.7	7.8

Last updated: 2017-12-04

Owner	Equity	Votes
Nordnet Pensionsförsäkring	16.6%	16.6%
Avanza Pension	8.3%	8.3%
Malte Roggentin	8.3%	8.3%
Per Jörgen Roland Nordlund (med bolag)	5.9%	5.9%
Göran Sparrdal	4.7%	4.7%
Ejderholmen AB	3.2%	3.2%
Sten Karlsson (med bolag)	3.0%	3.0%
Elementa	2.8%	2.8%
Roger Andersson	2.4%	2.4%
Livförsäkringsbolaget Skandia	1.9%	1.9%

Company description

West supplies transaction and payment solutions to merchants, end customers of the company's products include ÖoB, Polarn and Pyret and JC. The company has been listed on Nasdaq Stockholm First North since 2007. West International has evolved from being a pure hardware company and distributor to be more of a software company through transaction and payment solutions.

West International is active in the POS (Point-Of-Sales) industry. POS means all components required for merchants handle transactions and payments by customers. This includes everything from card terminals, self-checking, cash register software, receipt fees to cash registers in the cash registers. West operates within three subcategories to the POS industry; Card terminals, Self-service, and Cash-handling equipment. The company is now conducting investments to step up the value chain as well as an international expansion to attractive emerging markets

Investment case

- Global expansion not yet discounted: Today's valuation indicates that the market has not yet understood the opportunities with the expansion abroad and the sales growth and profitability that it will lead to.
- Moving up the value chain leads to improved profitability: The company invests in its technical platform, which means that West will soon be able to make money on transaction volumes, which will lead to increased profitability and the possibility of more rapid international expansion.
- High entry barriers: West operates in a market where there are major obstacles for new companies to establish themselves. Primary competitive advantages are heavy technology investments, long start-up times in new markets and lock-in effects.

Moving up the value chain

West is a company that has changed sharply in recent years. Thanks to investments in the Card Terminal segment, the company has significantly improved its profitability in terms of a gross margin expansion. The company has managed to achieve significant traction with their competitive offering and is now one of the largest PoS suppliers in Sweden. West's Card Terminals are at the forefront of technology, security, and function and are competitively priced. We believe that the company has excellent opportunities to continue to gain market share in Sweden and we see a strong expansion abroad in the coming years. The international development and the launched payment gateway will lead to increased profitability as the company takes a step in the value chain.

High barriers to entry

In Sweden, in addition to West, there are only 3-4 other players in the Card Terminal market. The most prominent player is Verifone and Ingenico is number two. These two players strongly dominate the world market. One of the main reasons why there are only a few players in such a big market is that existing players, such as West, are protected by high barriers to entry. The regulatory requirements on Card Terminals are very high. The terminals must be approved according to the card companies regulations and a number of regional and international safety standards. This creates real barriers to entry. There is also a strong lock-in effect with customers, which creates high switching costs. Customers to West are PSPs. A PSP has developed software in the form of a gateway that needs to be integrated with the software in the card terminal provided by West; then they must be certified together according to different security standards. After a PSP, which sells the terminal to merchants, has begun to sell a terminal from a supplier, they would prefer to avoid changing it. This leads to a lock-in effect on West's customers as they do not like to change a supplier of terminals. T

Expansion abroad drives growth

West has a clear goal and strategy with international expansion. The company has already established itself in a number of geographic markets where sales potential is high and entered strategic partnerships. We believe the expansion in new markets regions will be the most significant driver of growth the coming years.

We believe that the stock market has not yet revealed how much sales potential is actually at West. The company is still relatively undiscovered, in particular, it has gone a long way since one of Sweden's largest card terminals supplier is a small company listed on First North.

Counter-arguments (Bear points)

- Risk of relying on a partner: West's expansion abroad is clearly dependent on their partners succeeding as the company has no own sales in the new markets. The company cannot control the amount of effort the partner makes.
- New regulations can affect and change: The banking industry as a whole undergoes a number of changes. New laws and regulations may lead to complications in the establishment of new markets or possibly simplification for competitors.
- Subdued technology investments: Continued investment in payment infrastructure is important to West. Should the economic decline, there is a risk that planned expenditures by West end customers will be postponed in the future.

Catalyst types

International expansion
Further international expansion för their card terminals to more countries is the largest value catalysts for West. The expansion will lead to higher turnover levels for the Card Terminals segment, which will create higher margins and increase the future cash flow.

Acquisition
The payment business is overfloaded with M&A. Mostly larger PSPs such as Cidron Superpay and Nets are acquiring smaller players. It is reasonable to believe that West might be acquired by a larger player such as Nets that recently bought PayZone which is a close partner to West.

REDEYE

Publication date

January 12 2018

XMReality XMR

Company page

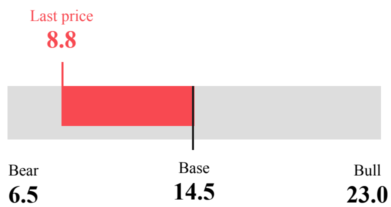
https://www.redeye.se/company/xmreality

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot

XMReality
OMXS30

Marketplace	First North Stockholm
CEO	Johan Castevall
Chairman	Claes Nylander

Share information

Share price (SEK)	8.8
Number of shares (M)	14.6
Market cap (MSEK)	129
Net debt (MSEK)	-23

Analyst

Dennis Berggren
dennis.berggren@redeye.se

Conflict of interests

Dennis Berggren owns shares in XMReality: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	5	6	17	44
Growth	*>100%*	*45.9%*	*17.3%*	*>100%*
EBITDA	-9	-20	-23	-7
EBITDA margin	*Neg*	*Neg*	*Neg*	*Neg*
EBIT	-10	-22	-25	-10
EBIT margin	*Neg*	*Neg*	*Neg*	*Neg*
Pre-tax earnings	-10	-22	-26	-10
Net earnings	-10	-22	-26	-10
Net margin	*Neg*	*Neg*	*Neg*	*Neg*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	-1.20	-1.48	-1.75	-0.66
P/E adj.	-7.3	-5.9	-5.0	-13.2
EV/S	10.5	12.8	6.2	2.7
EV/EBITDA	-6.0	-3.9	-4.5	-16.8

Last updated: 2017-11-20

Owner	Equity	Votes
Handelsbanken Fonder	7.9%	7.9%
AMF Försäkring & Fonder	7.5%	7.5%
ALMI Invest	6.9%	6.9%
Lars Svensson	5.7%	5.7%
Torbjörn Gustafsson	5.5%	5.5%
Per Carleberg	5.5%	5.5%
Avanza Pension	4.1%	4.1%
Claes Nylander	3.8%	3.8%
C WorldWide Asset Management	3.3%	3.3%
Nordnet Pensionsförsäkring	2.6%	2.6%

REDEYE

Company description

XMReality has developed and offered augmented reality solutions since 2007. The company is offering software and hardware for remote guidance towards field service companies where clients either implement the solution throughout their internal service organization or in their service offering towards clients.

Investment case

- AR market expected to grow rapidly: Large global enterprises are currently evaluating or using AR based solutions in their service organizations. Estimates suggest that the total total AR/VR market is expected to grow at a CAGR of 198% between 2015 and 2020.
- Scalable business model: XMReality's solution is offered towards customers that incorporate XMReality's solution in their own offering. The company further faces fractional marginal costs of adding additional users to the platform.
- Good potential for large roll-outs: We believe that the market disregards the good potential for large scale implementations within existing customers organizations during the coming years.

AR market is growing rapidly

From being a technology regarded as science fiction, AR solutions are now being adopted by enterprises. The consumer and enterprise driven demand of AR solutions is increasing rapidly, illustrated by estimates suggesting that the total AR/VR market will grow at a CAGR of 198% during 2015-2020.

AR based solutions open up opportunities for improved service processes in field service organizations. Reports indicate that the industry now is ready to adopt AR-technologies on a larger scale, where industrial maintenance is expected to spur some of the largest AR investments in 2017, related to the trend of digitalizing industry processes (Industry 4.0). The interest from large global industrials is proven by XMReality’s current list of clients including actors such as Atlas Copco Rock Drills, Bosch Rexroth and Siemens Industry Turbomachinery.

Technological advantage with strong industrial focus

There are numerous competitors targeting field service companies with different AR-based solutions for knowledge sharing. XMReality, however, has a short term competitive advantage in its offering of a software solution that incorporates hands overlay, is deployable in areas of weak network capacity and is supported on smartphones, tablets and smartglasses.

Remote guidance adds value to customers by increasing the mobility of the clients support organization and rationalizing their operational efficiency by improving first time fix rates. It further provides opportunities for significant costs savings, illustrated by the client Bombardier which reported savings of SEK 20k in a single service session. The solution also provides a solid resource for internal training which is an important factor for companies dealing with an aging workforce.

Scalable offering

XMReality’s business model is highly scalable where the company faces negligible marginal cost of adding additional licensed users to the platform. The scalability of the company’s offering is further illustrated by the offering towards industrial companies that will incorporate XMReality’s solution in their service offering. This further constitutes for potential lock-in effects given that clients incorporate XMReality’s solution in their large-scale service operations. Several large clients are currently running evaluations and tests of XMReality’s Remote Guidance solution and we believe that the market disregards the potential of large scale software roll-outs within existing client organizations during the coming years.

Counter-thesis (bear points)

- **New competitor(s) with superior solution**

Our belief is that there is a risk of potential superior solutions introduced by competitors. The AR/VR market has traditionally been affected by high M&A volumes and there is further a possibility that XMReality’s competitive situation will be affected by this.

- **Price pressure**

XMReality applies a premium price strategy that could be difficult to retain if new competitors are able to offer solutions with similar value proposition as XMReality. This becomes even more relevant in the long-run if the technology becomes a standardized solution within industrial service operations. It is therefore important that XMReality retain its technological advantage through successful development of its software.

- **Delayed ramp-up**

We believe that the greatest risk with an investment in an early stage is that XMReality’s great prospects never come to materialize or is delayed due to inflexibility among large clients’ organizations that increases the duration of large scale implementations.

Catalyst types

Large scale software roll-out
We see great potential in a large roll-out of XMReality’s Remote Guidance solution throughout a large client’s service organization after running tests for a long period. Apart from yielding recurring revenues and high margins, it would indicate that the industry truly is ready to adopt the solution and run it on a larger scale.

New channel partner(s)
There is further potential for a new channel partner(s) that incorporate XMReality’s solution in their offering toward clients. We, however, believe this to be more relevant as the company has shown larger volumes of software sales.

New technology partner(s)
We believe that new technological partners in hardware developers such as Microsoft or RealWear would strengthen XMReality’s case. Such a partnership would increase the potential user base and further strengthen XMReality’s positioning as a leading provider of industrial AR-solutions.

Personal notes

Publication date

January 12 2018

ZetaDisplay ZETA

Company page

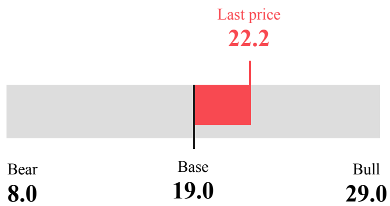
https://www.redeye.se/company/zetadisplay

Redeye Rating

Leadership · Ownership · Profit outlook · Profitability · Capital strength

COMPANY QUALITY

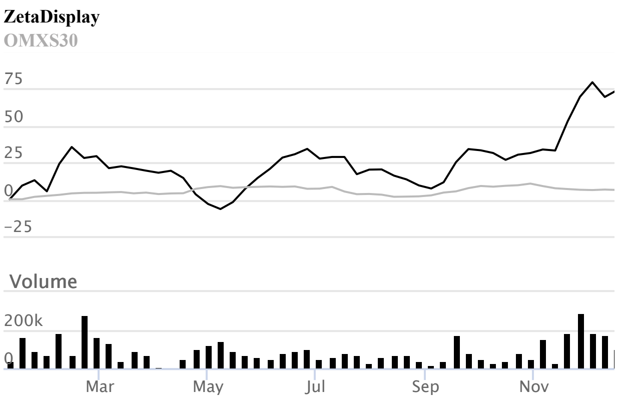
FAIR VALUE RANGE



CATALYST POTENTIAL

Turn page for catalyst specifics

Snapshot



Marketplace	NASDAQ Stockholm
CEO	Leif Liljebrunn
Chairman	Mats Johansson

Share information

Share price (SEK)	22.2
Number of shares (M)	19.2
Market cap (MSEK)	423
Net debt (MSEK)	58

Analyst

Johan Svantesson
johan.svantesson@redeye.se

Conflict of interests

Johan Svantesson owns shares in ZetaDisplay: No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Financials

	2016	2017E	Redeye Estimates 2018E	2019E
Revenue, MSEK	142	203	292	328
Growth	*76.8%*	*37.7%*	*42.3%*	*44.0%*
EBITDA	14	22	50	56
EBITDA margin	*9.7%*	*10.8%*	*17.2%*	*17.1%*
EBIT	9	11	37	48
EBIT margin	*6.0%*	*5.4%*	*12.7%*	*14.5%*
Pre-tax earnings	7	8	34	45
Net earnings	4	-1	27	35
Net margin	*2.8%*	*Neg*	*9.2%*	*10.7%*
Dividend/Share	0.00	0.00	0.00	0.00
EPS adj.	0.30	-0.03	1.12	1.51
P/E adj.	74.2	-730.3	19.8	14.7
EV/S	2.3	2.3	1.6	1.4
EV/EBITDA	23.7	21.1	9.5	8.2

Last updated: 2017-11-10

Owner	Equity	Votes
Mats Johansson	10.4%	10.6%
Virala Oy AB	6.6%	6.7%
Anders Pettersson	6.3%	6.0%
Martin Gullberg	5.1%	5.3%
Magari Venture AS (tidigare Pronto Holding AS)	5.0%	5.2%
Prioritet Capital AB	4.9%	5.0%
Nordea Fonder AB	4.9%	5.0%
Anders Moberg	4.9%	4.4%
AMF Fonder	4.5%	4.4%
Mats Leander	4.0%	4.1%

Company description

ZetaDisplay is a Swedish digital signage company offering communication at the point of purchase. The business model is based on delivering a complete media platform to customers primarily in retail and services. The complete offering includes software, licenses, associated services and digital systems, and is delivered through the Last Meter Marketing concept and trademark. The company is currently active in Sweden, Finland, Norway, Denmark, Benelux and the Baltics.

Investment case

- Higher share of recurring revenues: The continued development of recurring revenues will be interesting to follow as we consider it to be the most important value driver in the company.
- Competent management and board: The company's management and board have both technical knowledge from the industry and extensive sales experience, which we consider to be important conditions for growing and continuing to gain market share.
- Our valuation range indicates a DCF value of SEK 8-29 per share, with a Base Case of SEK 19.

Profitable growth in focus

ZetaDisplay is a complete supplier of digital signage. The company's offering consists primarily of a media platform intended to create value for the customer by increasing sales revenues and helping the customer to strengthen its profile and brand by building customer loyalty and customer satisfaction at the point of sale. Expectations for the digital signage market have historically been too high, but the digitalisation wave in retail means that there is now increasing interest in digital signage. Given this, ZetaDisplay aims to participate in the growing willingness to invest in digital signage solutions. Through carefully selected and executed acquisitions, the company has accelerated its growth and shown profitability since 2015. The company has reduced both personnel costs and other costs as a share of sales, which shows that it has a scalable business model and can grow without increasing costs at the corresponding rate.

Market with potential

The willingness to invest in digital signage solutions is expanding and becoming increasingly clear as retail and services invest a larger proportion of their budgets in digital communications. The global digital signage market was valued at USD 17 billion in 2015 and is expected to have an average growth rate of 7 percent per year over the period 2015-2020, with slightly higher growth in Europe (MarketsandMarkets). Hardware prices have fallen in recent years, which in combination with improved technology is expected to drive growth in the area. Furthermore, digital communication is expected to become an increasingly natural part of new store concepts being developed, and as a result of the fact that few shops have invested in the technology there are opportunities for ZetaDisplay to expand. The business model is based on three different revenue types: services, software and licenses, and digital systems. The focus is on increasing recurring revenues, and the company has succeeded. This increasingly gives ZetaDisplay the character of a software company. The continued development of recurring revenues will be interesting for investors to follow as we consider it to be the most important value driver in the company.

Interesting future ahead

In 2017, ZetaDisplay completed three acquisitions and therefore continues to deliver on its stated acquisition strategy. During the second quarter ZetaDisplay acquired Finnish Seasam, during the third quarter an agreement was reached to acquire Norwegian company LiveQube, and after the third quarter Dutch company QYN was acquired. The Seasam, LiveQube and QYN acquisitions had total sales in 2016 in excess of SEK 97 million with total EBITDA of over SEK 16 million. Furthermore, ZetaDisplay continuously looks at different types of digital signage related companies. The digital signage market is fragmented and many of the companies are currently only locally established, which makes the market suitable for consolidation.

Counter thesis

Financing cost of acquisitions (completed and future): The company has, through its acquisition strategy, issued preference shares and raised loans. Should it prove that the profitability of completed acquisitions differs from expectations, this may be problematic for the company.

Acquisition risk: The company has a stated acquisition strategy, which means potential acquisition risk. These risks include integration problems, an acquired company failing to meet expectations, and the difficulty in finding acquisitions that meet set requirements.

Lower growth than expected: Today's stock price assumes continued strong growth. Therefore, it is important for the company to win new business while retaining and establishing long-term relationships with existing customers.

Catalyst types

Failed profitability improvement

The company's financial objective is to reach an EBIT margin of 15 percent by 2020. Our sensitivity analysis indicates that profitability improvement has been factored into today's share price. Should there be any delays in profitability improvements this may adversely affect the share price.

Additional acquisition at attractive valuation

The company has a stated acquisition strategy and another profitable acquisition at an attractive valuation would justify a higher value of the share.

Communicates greater share of recurring revenues

The business model is based on three different revenue types: services, software and licenses, and digital systems. The focus is on increasing recurring revenues, and the company has succeeded. This increasingly gives ZetaDisplay the character of a software company. The continued development of recurring revenues will be interesting for investors to follow as we consider it to be the most important value driver in the company.

THE REDEYE TECHNOLOGY TEAM

ERIK KRAMMING

CLIENT MANAGER & HEAD OF TECHNOLOGY. Erik has a Master of Science in finance from Stockholm University. His previous work has included a position at Handelsbanken Capital Markets. At Redeye, Erik works with Corporate Broking for the Technology team.

GREGER JOHANSSON

CLIENT MANAGER & CO-HEAD TECHNOLOGY. Greger has a background from the telecom industry, both from large companies as well as from entrepreneurial companies in Sweden and USA. He also spent 15+ years in investment banking. Furthermore, at Redeye Greger advise growth companies within the technology sector on financing, equity storytelling and getting the right shareholders/investors (Corporate Broking). M.Sc.EE and M.Sc.Econ.

JOHAN EKSTRÖM

CLIENT MANAGER. Johan has a Master of Science in finance from the Stockholm School of Economics, and has studied e-commerce and marketing at the MBA Haas School of Business, University of California, Berkeley. Johan has worked as an equity portfolio manager at Alfa Bank and Gazprombank in Moscow, as a hedge fund manager at EME Partners, and as an analyst and portfolio manager at Swedbank Robur. At Redeye, Johan works in the Corporate Broking team with fundamental analysis and advisory in the tech sector.

ERIK ROLANDER

CLIENT MANAGER. Erik has a Master's degree in finance from Linköpings Universitet. He has previously worked as a tech analyst and product manager for Introduce.se which is owned and operated by Remium. At Redeye, Erik works with Corporate Broking for the Technology team.

HAVAN HANNA

ANALYST. With a university background in both economics and computer technology, Havan has a an edge in the work as an analyst in Redeye's technology team. What especially intrigues Havan every day is coming up with new investment ideas that will help him generate above market returns in the long run.

THE REDEYE TECHNOLOGY TEAM

HENRIK ALVESKOG

ANALYST. Henrik has an MBA from Stockholm University. He started his career in the industry in the mid-1990s. After working for a couple of investment banks he came to Redeye, where he has celebrate 10 years as an analyst.

KRISTOFFER LINDSTRÖM

ANALYST. Kristoffer Lindström has both a BSc and an MSc in Finance. He has previously worked as a financial advisor, stockbroker and equity analyst at Swedbank. Kristoffer started to work for Redeye in early 2014, and today works as an equity analyst covering companies in the tech sector with a prime focus on Gaming and iGaming.

VIKTOR WESTMAN

ANALYST. Viktor read a Master's degree in Business and Economics, Finance, at Stockholm University, where he also sat his Master of Laws. Viktor previously worked at the Swedish Financial Supervisory Authority and as a writer at Redeye. He today works with equity research at Redeye and covers companies in IT, telecoms and technology.

JOHAN SVANTESSON

ANALYST. Johan has a degree from Uppsala University and University of Melbourne. He today works with equity research at Redeye and covers companies in IT and technology. Before university, Johan was a professional soccer player in Gefle.

TOMAS OTTERBECK

ANALYST. Tomas Otterbeck gained a Master's degree in Business and Economics at Stockholm University. He also studied Computing and Systems Science at the KTH Royal Institute of Technology. Tomas was previously responsible for Redeye's website for six years, during which time he developed its blog and community and was editor of its digital stock exchange journal, Trends. Tomas also worked as a Business Intelligence consultant for over two years. Today, Tomas works as an analyst at Redeye and covers software companies.

THE REDEYE TECHNOLOGY TEAM

DENNIS BERGGREN

ANALYST. Dennis Berggren is an equity analyst within Redeye's technology team, holding a Master's degree in Economics of Innovation and Growth from KTH Royal Institute of Technology and a Bachelor's degree in Economics from Stockholm University.

ANTON WESTER

ANALYST. Anton read a Master’s degree in business and Economics, Finance, at Linköping University. Prior to Redeye, Anton worked at Danske Bank and was the Head of Financial Analysis for Börsgruppen at Linköping. Today Anton works as an equity analyst covering companies in the tech sector.

Personal notes

Personal notes

REDEYE

DISCLAIMER

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Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

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Redeye Rating (2018-01-08)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	44	42	18	10	24
3,5p - 7,0p	73	67	100	36	43
0,0p - 3,0p	16	24	15	87	66
Company N	133	133	133	133	133

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OUR STRENGTHS ARE OUR AWARD-WINNING RESEARCH DEPARTMENT, EXPERIENCED ADVISERS, A UNIQUE INVESTOR NETWORK, AND THE POWERFUL DISTRIBUTION CHANNEL REDEYE.SE.

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