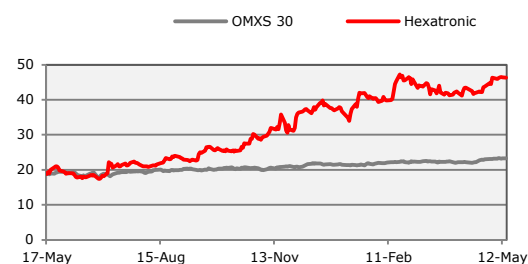


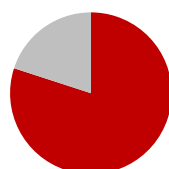
**Summary**
**Hexatronic (HTRO.ST)**
**The outperformance continues**

- Hexatronic continues to outpace our projections. During the quarter, net sales increased by 51%, of which 33% was organic. The profitability during the period was also higher than anticipated. The organic order backlog, at the beginning of April, was 37% higher than the same period last year; this indicates that the “high-season” will be fruitful.
- The market for fiber investments remains strong and will so for many years to come. Hexatronic’s international expansion continues, and the company is well positioned for long-term growth.
- We have adjusted our forecast upwards as the company continues to show strong progress. Our Fair value estimate, in Base-case, is raised to 57 (53) SEK per share. Our valuation range is also increased.

List: 1,677 MSEK  
 Market Cap: 1,677 MSEK  
 Industry: Telecommunication Equipment  
 CEO: Henrik Larsson Lyon  
 Chairman: Anders Persson

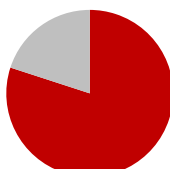

**Redeye Rating (0 – 10 points)**

Management



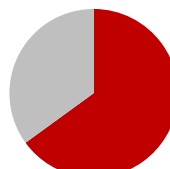
8.0 points

Ownership



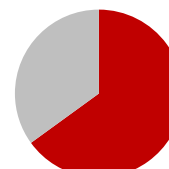
8.0 points

Profit outlook



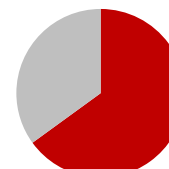
6.5 points

Profitability



6.5 points

Financial strength



6.5 points

**Key Financials**

	14/15	15/16	*16/17E	2018E	2019E
Revenue, MSEK	627	891	1,679	1,475	1,696
Growth	26%	42%	88%	-12%	15%
EBITDA	64	81	187	175	208
EBITDA margin	10%	9%	11%	12%	12%
EBIT	50	63	153	136	166
EBIT margin	8%	7%	9%	9%	10%
Pre-tax earnings	49	55	126	122	159
Net earnings	37	42	98	95	124
Net margin	6%	5%	6%	6%	7%
Dividend/Share	0.00	0.00	0.29	0.00	0.00
EPS adj.	1.10	1.25	2.62	2.53	3.31
P/E adj.	9.9	17.9	17.7	18.3	14.0
EV/S	0.5	0.8	1.1	1.1	1.0
EV/EBITDA	5.3	9.2	9.7	9.6	7.9

**Share information**

Share price (SEK)	46.4
Number of shares (m)	36.1
Market Cap (MSEK)	1,677
Net debt (MSEK)	50
Free float (%)	77 %
Daily turnover ('000)	50

**Analysts:**

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Henrik Alveskog  
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**\*16 months**

**Important information:** All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

## Redeye Rating: Background and definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

### Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

### Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

### 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 index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

### Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. 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: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

### Profitability

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: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

### Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength 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 strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicity, and 8 – Forthcoming binary events.

## Above as always

Hexatronic Group outperformed, yet again, our estimates during Q1 and showed a significant organic uptake. Profitability wise Hexatronic delivered strong results despite the apparent seasonality effects during the winter months.

*Hexatronic Group outperformed, yet again, our estimates during Q1*

Estimate vs. Outcome				
	Dec'15- Mar'17	Dec'16- Mar'17 Estimate	Dec'16- Mar'17 Actual	Diff
<b>MSEK</b>				
<b>Net sales</b>	<b>246</b>	<b>322</b>	<b>373</b>	<b>16%</b>
other income	3.0	2.5	0.0	
COGS	-143	-180	-205	14%
<b>Gross Profit</b>	<b>106</b>	<b>144</b>	<b>168</b>	<b>17%</b>
SG&A	-96	-125	-139	11%
<b>EBITDA</b>	<b>10</b>	<b>19</b>	<b>30</b>	<b>60%</b>
Net sale Growth %		31%	52%	
Gross Profit margin %	43%	45%	45%	
EBITDA margin %	4.2%	5.8%	7.9%	

Source: Hexatronic Group & Redeye Research

*The company grew by 51% during the first quarter of 2017*

As the quarter was extended with one month, the period was harder than usual to “guesstimate”. Even so, the company produced net sales clearly above our estimate. The acquisitions of OpticReach, Hexatronic New Zealand, ICT Education and Iftac contributed, but the main part of the growth was organic. Our estimates are based on the tertiary of Dec'16-Mar'17. When looking on the first quarter in isolation Hexatronic produced net sales of SEK 291.3m, growth of 51%, and an EBITDA of SEK 21m. 33% of the sales uptake was organic.

What surprised us the most was the stronger than expected profitability, the EBITDA exceeded our forecast by a whopping 60%. The winter season is by far Hexatronic's weakest quarter, as the number of FTTH installations go down due to weather conditions. We have previously argued that an uptake in countries outside of the Nordics will lead to a reduced seasonality pattern for Hexatronic, so we believe the improved margins indicate a healthy development in the UK and New Zealand.

Hexatronic continues its work on optimizing the working capital and the Cash Conversion improved to a large extent during the period. Working capital as a part of net sales was reduced to 25% from 31% the same period last year; this is highly critical for the Company's cash flow generating capabilities. During the quarter the company has been building some inventory prior the “high season,” nothing alarming according to us – instead it clearly shows that Hexatronic expects a very strong market moving forward.

At the beginning of the next quarter the organic order backlog stood 37% higher than the same period last year, this indicates a continued strong growth for Hexatronic in the coming quarters. Due to the continued strong organic development, we, once again, adjust our projections upwards in this update.

### Corning and Verizon in large fiber deal

*A large deal between Corning and Verizon*

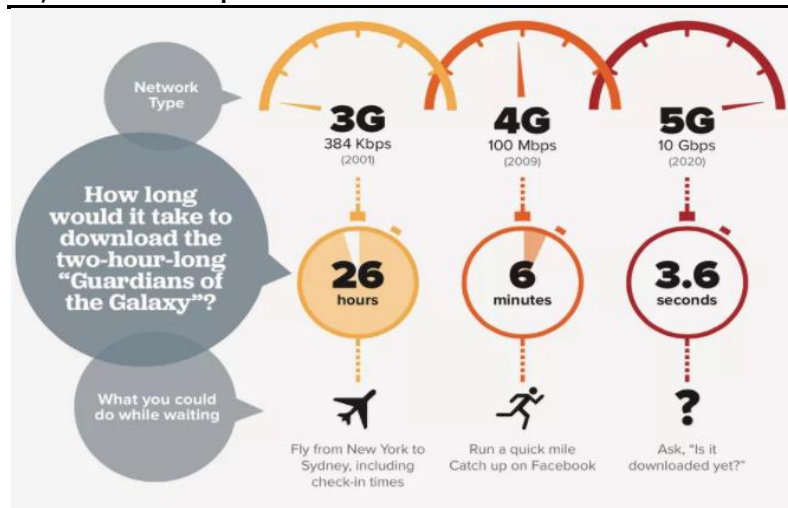
A big happening in April within the fiber industry was the announced deal between Verizon and Corning. The former has agreed to purchase up to 37.2 million miles of optical fiber and related hardware over the next three years with a minimum purchase commitment of USD1.05bn from Corning. Verizon is planning to use that fiber to boost capacity and lower latency in its wireless network. The phase of fiber investments is picking up in the USA. An interview with the CEOs of both Verizon and Corning on CNBC can be seen [here](#).

### 5G will be a major driver

Verizon will use the bought fiber to make improvements in the 4G network, increase the deployment speed of 5G and deliver high-speed FTTH.

Verizon currently is piloting what it calls 5G wireless home Internet. For 5G to work the density of fiber connection needs to be high. The CEO of Corning states that we will need 2 to 6 times more fiber than FTTH does to create a true 5G network. For intelligent transportation grids, smart electric grid management, water system management or autonomous cars to work we will need a working 5G network.

#### 3G, 4G and 5G comparison.



Source: CNET

In our view, it is clear that 5G will continue to drive the need for fiber to an even greater extent than FTTH has been doing. More importantly, we believe Hexatronic is very well positioned as a supplier of fiber components to 5G networks. As communicated in [September](#) 2016, Hexatronic supports

the Urban ICT Arena project in Kista (together with Telia, Cisco, Intel, Citycon among others) that aims to develop and integrate innovative technical solutions in information and communication technologies, primarily fiber infrastructure for 5G and other wireless technologies. We believe that Hexatronic is a central support player in this co-operation and that it will lead to a strong advantage when the 5G roll out begins.

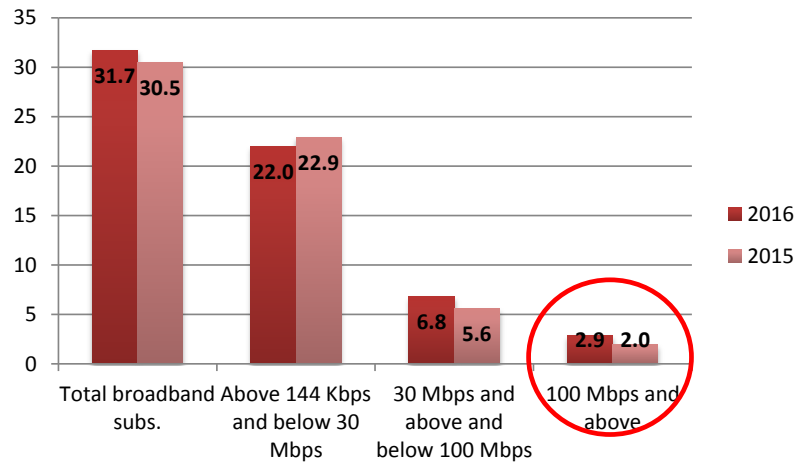
### Germany, the next logic step for Hexatronic?

*We believe the company is looking closely at opportunities in Germany.*

Hexatronic continues to build a solid ground to secure long-term growth. We would not be surprised if we see an announcement regarding a deal in the USA during 2017 and both New Zealand and the UK are growing massively. What will the next step be for Hexatronic? We believe the company is looking closely at opportunities in Germany.

Investment in high-speed broadband is still just getting started. Only about 3 million people have an internet connection with a speed of 100 Mbps or faster.

#### **Fixed broadband subscriptions total & by speed, Germany**



Source: European Commission

Large investments in the infrastructure will most likely continue for a decade and more. One example is that the regional utility and telecoms company EWE has revealed plans to invest more than EUR 1bn (in the deployment of fiber-optic networks in the northwest of the country over the next ten years).

In the USA Hexatronic set up their own company, in the other international markets they have acquired companies instead. We believe the later approach will be the case to create a head-start in the German market.

## MATRIX, the system offering is here

*system based approach simplifies it for customers, but also increase Hexatronic's profitability on their products*

We have long talked about that Hexatronic wants to start selling systems instead of single products. A system based approach simplifies it for customers, but also increase Hexatronic's profitability on their products. We believe the system offering will become popular in new growth



markets. Hexatronic calls their system "Fiber Access MATRIX" and is a complete system of products and solutions for FTTH installation. The offering consists of with excellent installation characteristics and high quality. The Fiber Access MATRIX system is designed and developed to ensure the lowest total cost of ownership, highest capacity and best possible scalability and flexibility. The full catalog can be downloaded [here](#).

## Estimate changes and the coming quarter

### Full year revisions

Hexatronic's organic growth continues to outperform our projections. Our short-term projections remain relatively intact, as we want to continue to be conservative. In the mid-term we have adjusted our assumed growth upwards. We believe there is a significant opportunity for Hexatronic to grow in international markets the coming decade and that the company has the power to do so. We have confidence in that the international expansion will create better capacity utilization, and in combination with increased gross profit margins and operational leverage we should see increasing margins the coming years. As discussed earlier, 16/17E is also affected by the extended financial year as it stretches for 16 months instead of 12.

*Hexatronic's growth will continue*

Forecast adjustments		
MSEK	16/17E	2018E
<b>Revenues</b>		
Old	1 610	1 460
New	1 679	1 475
% change	4.3%	1.0%
<b>EBITDA</b>		
Old	186	187
New	187	175
% change	0%	-6%
<b>EBITDA-margin</b>		
Old	11.6%	12.8%
New	11.1%	11.9%

Source Redeye Research

Long-term, we see strong growth prospects for Hexatronic with the aforementioned market trend and future needs of investment in fiber infrastructure.

### Q2 estimates – Continued strong organic uptake

We usually base our estimates on an assumed yearly growth rate, i.e., how much the company will grow compared to the same period last year. As Hexatronic now no longer report with a split financial year we do not have the exact numbers on last year's Q2. We will base our assumptions on Q3 16/17 instead which corresponds to the months March-May.

<b>Next quarter estimates</b>		
<b>MSEK</b>	<b>16/17 Q3</b>	<b>2017 Q2</b>
<b>Revenues</b>	<b>257</b>	<b>335</b>
<b>EBITDA</b>	<b>26</b>	<b>41</b>
<b>EBIT</b>	<b>22</b>	<b>35</b>
Revenue Growth	43%	n.m.
EBITDA margin	10.1%	12.3%
EBIT margin	8.4%	10.4%

Source: Redeye Research

For Q2 we expect revenues in the region of SEK 335m. We are entering the “high-season”, and the organic order backlog was 37% higher when the company entered April compared to last year. The acquisitions of IFTAC and ICT will also lead to increased revenue levels. Through the higher volumes, the operational leverage will kick in, and we anticipate an EBITDA in the region of SEK 41m corresponding to and margin of 12.3%.

## Valuation

*Our fair value is raised to 57 SEK per share in our Base-case*

Our estimated Fair Value, in Base-case, per share is adjusted upwards to 57 (53) SEK per share, due to increased improved market outlook and Rating changes. In our valuation, we are accounting for a dilution effect from the outstanding stock options. To summarize: We believe that Hexatronic will experience significant growth for many years to come driven by the structural growth of the market for fiber infrastructure. We expect that the company will expand to new growth regions, and therefore increase their sustainable margin level. We estimate a CAGR of sales in the region of 16% between the years 2016-25 and an average EBITDA-margin of 13% during the period. Our valuation implies and EV/EBITDA exit multiple of 7x, which we find as a conservative assumption to make.

Hexatronic Group: Base-case			
Assumptions	2016-25	DCF-value	
CAGR Sales	16%	WACC	9.0%
EBITDA margin (avg)	13%	Net present value FCF	391
ROIC (avg)	34%	Net present value of Term	1 744
<b>Terminal</b>		EV	2 134
Terminal growth FCF	2.0%	Net debt	1
Terminal EBITDA margin	14%	Value assos. Companies	0
Exit EV/EBITDA multiple	7x	Value minorities	0
		<b>DCF-value</b>	<b>2 135</b>
		<b>Estimated Fair value</b>	<b>57</b>
		Today's share price	46.0
		<b>Potential/Risk</b>	<b>24%</b>

Source: Redeye Research

Our estimated Fair Value implies a potential/margin of safety of 25% from today's share price levels. We see a period of strong growth in the coming years and increasingly attractive long-term prospects due to the international expansion.

### Valuation discrepancy to international peers for no reason (update)

Our Base-case fair value implies an EV/EBIT 2018E (as 2016/07 will be an extended year 2018 is better to use in comparison) multiple of about 13.3x. Compared to international peers this is still conservative. The peer group consisting of fiber optical equipment companies trade at a median of EV/EBIT18E of 15.6x. We believe a higher multiple is motivated given the company's attractive growth prospects.

Peer valuation, international fiber optical companies								
Company	Curr.	EV (MSEK)	EV/S 17E	EV/S 18E	EV/EBIT 17E	EV/EBIT 18E	Sales CAGR 15-18E	EBIT % 18E
Fiberhome Telecom Tech CO-A	CNY	36 453	1.1x	0.9x	21.6x	17.3x	23%	5%
Clearfield INC	USD	10 672	1.5x	1.4x	19.9x	19.8x	5%	7%
O-net Communications Group	HKD	4 859	1.6x	1.3x	14.2x	10.2x	30%	12%
Huber & Suhner AG-REG	CHF	1 538	1.7x	1.5x	19.7x	18.3x	18%	8%
<b>Average</b>			<b>1.4x</b>	<b>1.3x</b>	<b>18.9x</b>	<b>16.4x</b>	<b>19%</b>	<b>8%</b>
<b>Median</b>			<b>1.5x</b>	<b>1.3x</b>	<b>19.8x</b>	<b>17.8x</b>	<b>21%</b>	<b>8%</b>
<b>Hexatronic Group at Base-case</b>	SEK	<b>1801</b> <b>2 134</b>	<b>1.1x</b> <b>1.3x</b>	<b>1.2x</b> <b>1.4x</b>	<b>11.8x</b> <b>14.0x</b>	<b>13.2x</b> <b>15.6x</b>	<b>24%</b>	<b>9%</b>

Source: Bloomberg & Redeye Research



### **The investment case of Hexatronic**

- Hexatronic is establishing themselves outside of the Nordics. Investors has their focus 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.

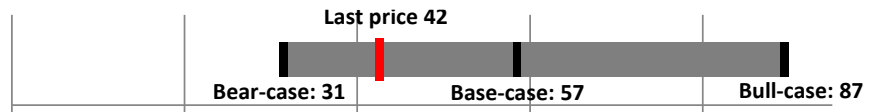
For Hexatronic to be able to live up to their financial goals of a yearly growth rate of 20% and an EBITDA margin of 10-12%, the company need to utilize and nurture its existing customer base that the company gained through the acquisition of Ericsson's optical fiber cable business and make smart acquisitions. In our view the recent acquisitions of TD Fiber and Proxiomion have strengthen 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 2016, which should attract more investors. Hexatronic is a profitable growth company that is not valued as one, mainly because the company is overlooked by investors.

**Hexatronic: Fair value range**

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Hexatronic currently trades 25% of our Base-case. The share has had a strong run from the low level of around 10 SEK per share, but we find that today’s share price still implies a good enough margin of safety to our estimates.

**Bull-case assumptions**

In our Bull-case we assume that the company can live up to their goal of about 20% annual growth during the next couple of years and sustain a high growth rate. In this scenario we also model an increase their profitability due to scalability, and a successful international expansion. The large increase in international sales leads to a higher capacity utilization of Hexatronic’s production units.

**Bear-case assumptions**

In our Bear-case we assume a slower future demand for fiber due to financial distress in the market thus reducing the investments done by the telecom operators and new entrants gaining market share, like Nexans and Draka expanding their offerings. Lower growth, profitability and no acquisitions this give rise to a lower ROIC and lower terminal growth rates.

## Summary Redeye Rating

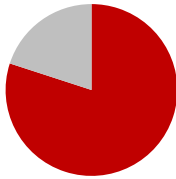
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The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

### Rating changes in the report

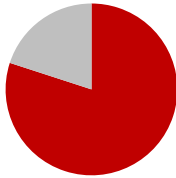
Updated rating model lead to a new Rating.

Management 8.0p



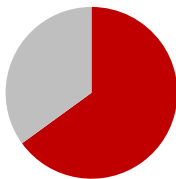
Hexatronic has a strong management team of entrepreneurial people with plenty of skin in the game. CEO have significant experience from the telecom industry. Staff at other key positions, that joined the group through last year's acquisitions, are also intact. The company has delivered so far on their financial goals but we would like to see further transparency on subsidiary/segment level as Hexatronics corporate structure becomes more and more complex.

Ownership 8.0p



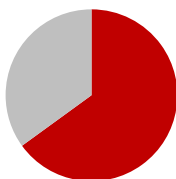
Hexatronic receives high scores in our ownership Rating. The CEO, Henrik Larsson-Lyon owns a significant stake in the company and Hexatronic has some of the most renowned institutional owners that focus on the small cap universe. The largest shareholder is the hedge-fund Accendo Capital, which is also an active member of the board.

Profit outlook 6.5p



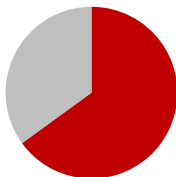
The rating for Growth Outlook is only average, in spite of good overall market prospects. The reason is mainly the competitive situation. Product differentiation appears to be difficult, thus price will always be an issue. Hexatronic is a small player compared to some of the dominant multinational companies. Surely that means growth opportunities but also challenges.

Profitability 6.5p



The last few years both the margins and return on capital has strengthened. Our rating for profitability focus mostly historical numbers and Hexatronic in its current form has only a few years of operation history. Overall we view Hexatronic's profitability levels as compelling and improving.

Financial strength 6.5p



In our view Hexatronic is very financial stable and receives a good score in most subcategories for Financial Strength. We see some risks for new rights issues given the strong focus on acquisitions, still if the acquisition is done at good prices and creates value this will not be an issue.

Income statement	14/15	15/16	16/17E	2018E	2019E
Net sales	627	891	1,679	1,475	1,696
Total operating costs	-564	-810	-1,492	-1,299	-1,488
<b>EBITDA</b>	<b>64</b>	<b>81</b>	<b>187</b>	<b>175</b>	<b>208</b>
Depreciation	-14	-18	-34	-37	-41
Amortization	0	0	0	-2	-2
Impairment charges	0	0	0	0	0
<b>EBIT</b>	<b>50</b>	<b>63</b>	<b>153</b>	<b>136</b>	<b>166</b>
Share in profits	0	0	0	0	0
Net financial items	-1	-8	-27	-15	-7
Exchange rate dif.	0	0	0	0	0
<b>Pre-tax profit</b>	<b>49</b>	<b>55</b>	<b>126</b>	<b>122</b>	<b>159</b>
Tax	-11	-13	-27	-27	-34
<b>Net earnings</b>	<b>37</b>	<b>42</b>	<b>98</b>	<b>95</b>	<b>124</b>

Balance	14/15	15/16	16/17E	2018E	2019E
<b>Assets</b>					
<i>Current assets</i>					
Cash in banks	46	51	84	74	85
Receivables	137	168	319	280	322
Inventories	164	198	386	339	407
Other current assets	8	15	27	24	28
<b>Current assets</b>	<b>356</b>	<b>431</b>	<b>817</b>	<b>717</b>	<b>842</b>
<i>Fixed assets</i>					
Tangible assets	43	81	168	162	187
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	82	93	93	91	89
O intangible rights	0	0	0	0	0
O non-current assets	0	0	0	0	0
<b>Total fixed assets</b>	<b>126</b>	<b>174</b>	<b>261</b>	<b>254</b>	<b>276</b>
Deferred tax assets	0	0	0	0	0
<b>Total (assets)</b>	<b>482</b>	<b>605</b>	<b>1,078</b>	<b>971</b>	<b>1,118</b>

Liabilities					
<i>Current liabilities</i>					
Short-term debt	0	0	0	0	0
Accounts payable	73	102	202	177	203
O current liabilities	99	117	220	193	222
<b>Current liabilities</b>	<b>172</b>	<b>219</b>	<b>422</b>	<b>370</b>	<b>426</b>
Long-term debt	27	50	222	82	50
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
<b>Total Liabilities</b>	<b>199</b>	<b>269</b>	<b>644</b>	<b>453</b>	<b>475</b>
Deferred tax liab	27	30	30	30	30
Provisions	7	5	5	5	5
Shareholders' equity	249	301	399	483	608
Minority interest (BS)	0	0	0	0	0
<b>Minority &amp; equity</b>	<b>249</b>	<b>301</b>	<b>399</b>	<b>483</b>	<b>608</b>
<b>Total liab &amp; SE</b>	<b>482</b>	<b>605</b>	<b>1,078</b>	<b>971</b>	<b>1,118</b>

Free cash flow	14/15	15/16	16/17E	2018E	2019E
Net sales	627	891	1,679	1,475	1,696
Total operating costs	-564	-810	-1,492	-1,299	-1,488
Depreciations total	-14	-18	-34	-39	-42
<b>EBIT</b>	<b>50</b>	<b>63</b>	<b>153</b>	<b>136</b>	<b>166</b>
Taxes on EBIT	0	0	0	0	0
<b>NOPLAT</b>	<b>50</b>	<b>63</b>	<b>153</b>	<b>136</b>	<b>166</b>
Depreciation	14	18	34	39	42
<b>Gross cash flow</b>	<b>64</b>	<b>81</b>	<b>187</b>	<b>175</b>	<b>208</b>
Change in WC	-19	-23	-150	-38	-58
Gross CAPEX	-126	-66	-122	-31	-65
<b>Free cash flow</b>	<b>-81</b>	<b>-8</b>	<b>-85</b>	<b>182</b>	<b>85</b>

Capital structure	14/15	15/16	16/17E	2018E	2019E
Equity ratio	52%	50%	37%	50%	54%
Debt/equity ratio	11%	17%	56%	17%	8%
Net debt	-19	-1	138	9	-35
Capital employed	230	300	537	492	572
Capital turnover rate	1.3	1.5	1.6	1.5	1.5

Growth	14/15	15/16	16/17E	2018E	2019E
Sales growth	26%	42%	88%	-12%	15%
EPS growth (adj)	-35%	13%	110%	-3%	31%

DCF valuation		Cash flow, MSEK	
WACC (%)	9.0 %	NPV FCF (2017-2019)	69
		NPV FCF (2020-2026)	322
		NPV FCF (2027-)	1743
		Non-operating assets	51
		Interest-bearing debt	-50
		Fair value estimate MSEK	2135
Assumptions 2017-2023 (%)			
Average sales growth	9.9 %	<b>Fair value e. per share, SEK</b>	<b>56.9</b>
EBIT margin	10.2 %	Share price, SEK	46.4

Profitability	14/15	15/16	16/17E	2018E	2019E
ROE	21%	15%	28%	22%	23%
ROCE	26%	20%	31%	23%	27%
ROIC	62%	27%	51%	25%	34%
EBITDA margin	10%	9%	11%	12%	12%
EBIT margin	8%	7%	9%	9%	10%
Net margin	6%	5%	6%	6%	7%

Data per share	14/15	15/16	16/17E	2018E	2019E
EPS	1.10	1.25	2.62	2.53	3.31
EPS adj	1.10	1.25	2.62	2.53	3.31
Dividend	0.00	0.00	0.29	0.00	0.00
Net debt	-0.57	-0.03	3.69	0.23	-0.94
Total shares	33.93	33.68	37.51	37.51	37.51

Valuation	14/15	15/16	16/17E	2018E	2019E
EV	336.7	750.1	1,815.2	1,685.6	1,641.7
P/E	9.9	17.9	17.7	18.3	14.0
P/E diluted	9.9	17.9	17.7	18.3	14.0
P/Sales	0.6	0.8	1.0	1.2	1.0
EV/Sales	0.5	0.8	1.1	1.1	1.0
EV/EBITDA	5.3	9.2	9.7	9.6	7.9
EV/EBIT	6.7	11.9	11.9	12.4	9.9
P/BV	1.4	2.5	4.2	3.5	2.8

Share performance		Growth/year	15/17e
1 month	6.7 %	Net sales	63.6 %
3 month	2.4 %	Operating profit adj	74.8 %
12 month	146.8 %	EPS, just	54.1 %
Since start of the year	25.4 %	Equity	26.6 %

Shareholder structure %	Capital	Votes
Accendo Capital	13.7 %	13.7 %
Jonas Nordlund	9.8 %	9.8 %
Göran Nordlund	6.8 %	6.8 %
Chirp AB	4.9 %	4.9 %
Swedbank Robur Fonder	4.5 %	4.5 %
Nordea Fonder	3.7 %	3.7 %
Swedbank Försäkring	3.7 %	3.7 %
Avanza Pension	3.2 %	3.2 %
Danica Pension	2.1 %	2.1 %
AMF Aktiefond Småbolag	1.6 %	1.6 %

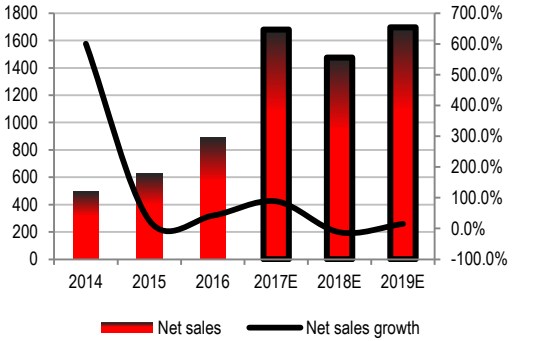
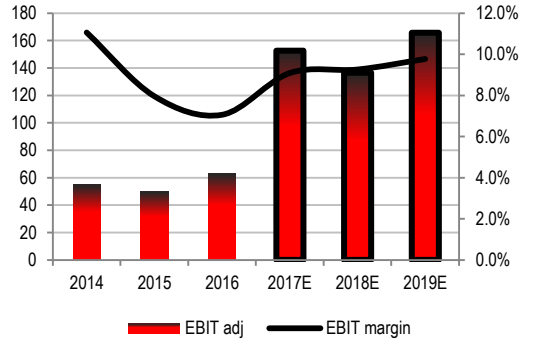
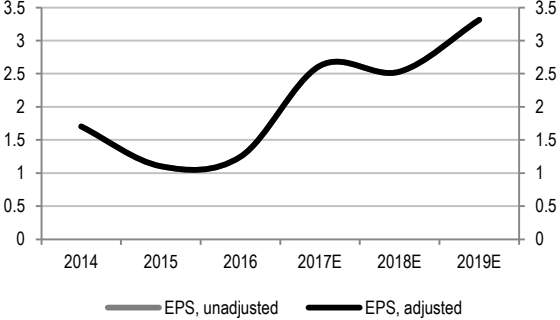
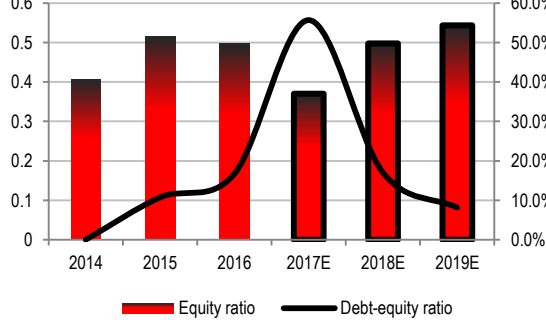
Share information	
Reuters code	
List	
Share price	46.4
Total shares, million	36.1
Market Cap, MSEK	1676.9

Management & board	
CEO	Henrik Larsson Lyon
CFO	Lennart Sparud
IR	
Chairman	Anders Persson

Financial information

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Henrik Alveskog  
henrik.alveskog@redeye.se

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)																																										
 <p>Net sales (bars) and Net sales growth (line) from 2014 to 2019E. Net sales are shown in SEK million on the left axis (0-1800), and growth is in % on the right axis (-100.0% to 700.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net sales (SEK million)</th> <th>Net sales growth (%)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>~500</td> <td>~600.0%</td> </tr> <tr> <td>2015</td> <td>~600</td> <td>~20.0%</td> </tr> <tr> <td>2016</td> <td>~900</td> <td>~100.0%</td> </tr> <tr> <td>2017E</td> <td>~1700</td> <td>~450.0%</td> </tr> <tr> <td>2018E</td> <td>~1500</td> <td>~10.0%</td> </tr> <tr> <td>2019E</td> <td>~1750</td> <td>~150.0%</td> </tr> </tbody> </table>	Year	Net sales (SEK million)	Net sales growth (%)	2014	~500	~600.0%	2015	~600	~20.0%	2016	~900	~100.0%	2017E	~1700	~450.0%	2018E	~1500	~10.0%	2019E	~1750	~150.0%	 <p>EBIT adj (bars) and EBIT margin (line) from 2014 to 2019E. EBIT adj is shown in SEK million on the left axis (0-180), and margin is in % on the right axis (0.0% to 12.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EBIT adj (SEK million)</th> <th>EBIT margin (%)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>~55</td> <td>~11.0%</td> </tr> <tr> <td>2015</td> <td>~50</td> <td>~7.0%</td> </tr> <tr> <td>2016</td> <td>~65</td> <td>~7.0%</td> </tr> <tr> <td>2017E</td> <td>~155</td> <td>~10.0%</td> </tr> <tr> <td>2018E</td> <td>~140</td> <td>~10.0%</td> </tr> <tr> <td>2019E</td> <td>~170</td> <td>~10.0%</td> </tr> </tbody> </table>	Year	EBIT adj (SEK million)	EBIT margin (%)	2014	~55	~11.0%	2015	~50	~7.0%	2016	~65	~7.0%	2017E	~155	~10.0%	2018E	~140	~10.0%	2019E	~170	~10.0%
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<p><b>Kristoffer. Lindström owns shares in the company Hexatronic: Yes</b>  <b>Henrik. Alveskog owns shares in the company Hexatronic: No</b></p> <p>Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.</p>	<p>The Hexatronic group of companies are active in the optical fiber infrastructure market. They offer a complete line of products for passive and complementary active products for optical networks. Home market is Skandinavia and main costumers are large telecom operators such as Telia and Telenor. Partners like ABB and Ericsson give Hexatronic access to the world market.</p>																																										

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**Redeye Rating (2017-05-17)**

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	44	44	17	11	21
3,5p - 7,0p	70	62	98	34	44
0,0p - 3,0p	13	22	13	83	63
Company N	127	128	128	128	128

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