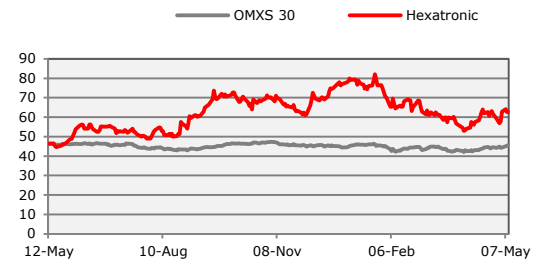


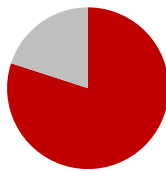
**Summary**
**Hexatronic (HTRO)**
**Outperformance in the USA**

- The reported figures during the first quarter beat our projections on all accounts. The Nordic market has been affected, as we knew it would, by the harsh winter but the company expects to see an uptake in volumes the coming months.
- The main reasons for the outperformance to our estimates was the stronger than expected development within the newly acquired US-based Blue Diamond Industries. The company delivered both results and sales above our expectations, and we remain highly confident that we will see a strong development ahead.
- We only make some minor adjustments in our projections and reiterate our Fair value of 78 SEK per share in our Base-case. We continue to view Hexatronic as an attractive quality growth company riding on strong secular growth trends. The journey has just started.

List:  
 Market Cap: 2,275 MSEK  
 Industry: Telecommunication Equipment  
 CEO: Henrik Larsson Lyon  
 Chairman: Anders Persson

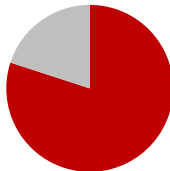

**Redeye Rating (0 – 10 points)**

Management



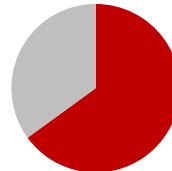
8.0 points

Ownership



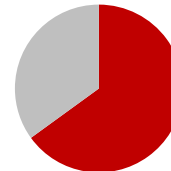
8.0 points

Profit outlook



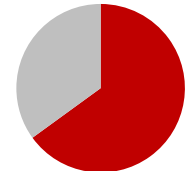
6.5 points

Profitability



6.5 points

Financial strength



6.5 points

**Key Financials**

	2016	2017	2018E	2019E	2020E
Revenue, MSEK	1,032	1,299	1,593	1,889	2,228
Growth	65%	26%	23%	19%	18%
EBITDA	110	151	185	227	299
EBITDA margin	11%	12%	12%	12%	13%
EBIT	89	122	140	175	238
EBIT margin	9%	9%	9%	9%	11%
Pre-tax earnings	70	116	133	165	230
Net earnings	54	90	105	130	180
Net margin	5%	7%	7%	7%	8%
Dividend/Share	0.00	0.29	0.34	0.42	0.58
EPS adj.	1.61	2.41	2.81	3.48	4.85
P/E adj.	13.9	31.9	22.4	18.1	13.0
EV/S	0.8	2.1	1.5	1.2	1.0
EV/EBITDA	7.5	18.3	12.9	10.4	7.7

**Share information**

Share price (SEK)	62.9
Number of shares (m)	36.2
Market Cap (MSEK)	2,275
Net debt (MSEK)	114
Free float (%)	78%
Daily turnover ('000)	110

**Analysts:**

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**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.

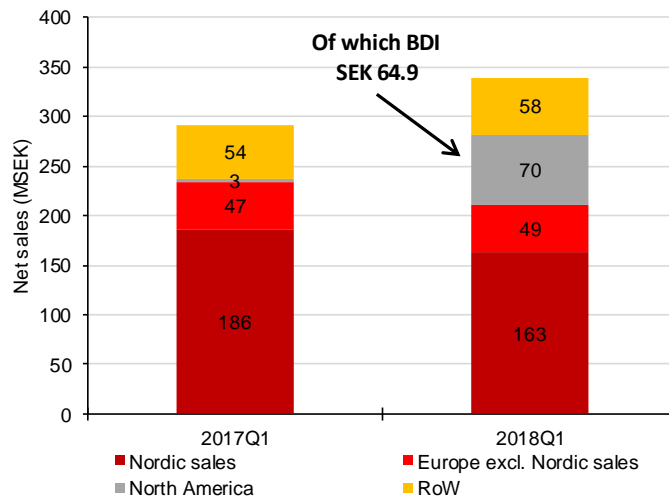
## Estimate beat

Estimate vs. Outcome				
MSEK	2017 Q1	2018 Q1E	2018 Q1	Diff
<b>Net sales</b>	<b>291</b>	<b>326</b>	<b>339</b>	<b>4%</b>
other income	0.0	0	1	
COGS	-164	-186	-187	
<b>Gross Profit</b>	<b>127</b>	<b>140</b>	<b>153</b>	<b>9%</b>
SG&A	-106	-122	-129	
<b>EBITDA</b>	<b>21</b>	<b>18</b>	<b>25</b>	<b>37%</b>
Net sale Growth		12%	16%	
Gross Profit margin	44%	43%	45%	
EBITDA margin %	7%	6%	7%	

Source: Hexatronic Group & Redeye Research

The reported figures during the first quarter were strong than our projections on every level. The Nordic market has been, as we knew it would, affected by the harsh winter but the company expects to see an uptake in volumes the coming months. The Group managed to deliver an EBITDA margin of 7%; this is no small feat during the weakest quarter of the year. The most positive surprise was the healthy development of the newly acquired US-based Blue Diamond Industries (BDI). Organically the Group showed a slight decline of 6% on the net sales level.

### Hexatronic: Net sales development Q/Q

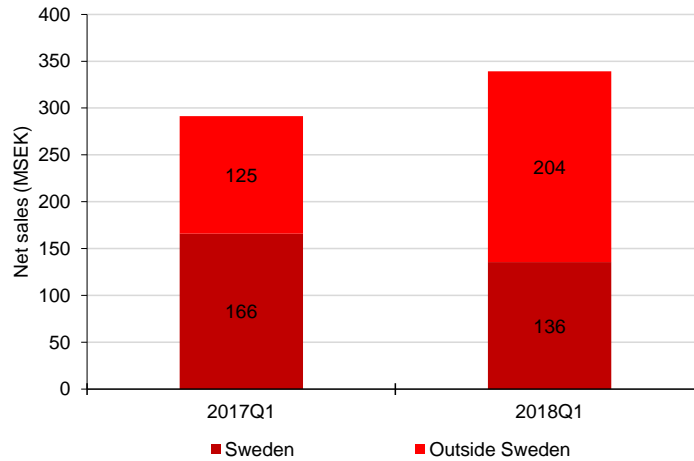


Source: Hexatronic Group

The main reasons for the outperformance to our estimates was the stronger than expected development within the newly acquired US-based Blue Diamond Industries (BDI). BDI produced net sales of SEK 64.9m during Q1. Seasonality wise the first quarter is usually BDI's weakest, so the sales level was very strong and can be put in relation to the company's full-year

net sales of SEK 250m during 2017. Our expectations were in the range of SEK 50-55m. Thanks to the acquisition of BDI and favorable development in New Zealand the Swedish market stood for only 40% of sales during the period; this can be compared to 57% the same quarter last year.

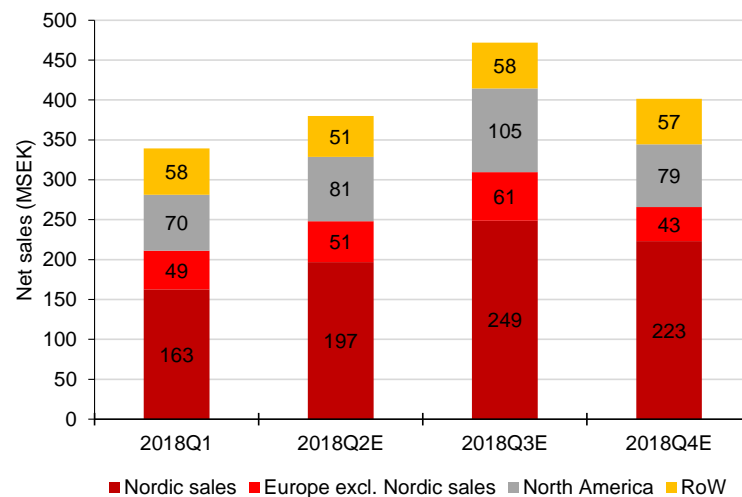
**Hexatronic: Net sales Sweden and outside of Sweden**



Source: Hexatronic Group

The international expansion and lowering the dependency of Sweden is one of the primary pillars of our Investment Case, thus far the company is undoubtedly moving in the right direction. Since Hexatronic now discloses their geographic mix at a deeper level, we will model our sales forecast based on the regions.

**Hexatronic: Net sales development per region 2018E**



Source: Hexatronic Group

**Nordics:** We assume a market for fiber investments is relatively in line with last year regarding volume. During Q1 the region had an annual

decline of 12%. We expect that the sales will increase during Q2 and Q3 just as the usual seasonality pattern looks like for Group.

**Europe excl. Nordics:** Europe excluding the Nordics today mostly consists of sales in the UK. Hexatronic continues to see favorable market development in both the UK and Germany. Just as we wrote in our last research report, these markets are enormous, and there will be billions of dollars invested during the coming decade in fiber infrastructure. In the UK Hexatronic has a 30 men strong subsidiary in place to take the opportunity of the expanding market and the company just recently hired a sales manager and established a new subsidiary in Germany. We model increasing volumes throughout the year mostly due to an expanding market in the UK.

**North America:** In North America, there are mainly two income streams. One is from BDI, and the other is from system sales within Hexatronic Inc. The Q1 figures were solid, and BDI's sales amounted to SEK 64.9m. As we understand it, the company usually follows the same seasonality patterns as the Group as a whole. i.e., Q1 weaknesses and high seasons during Q2 and Q3 with Q4 a little lower than the peak periods. As such we believe the sales figures we be higher, compared to Q1'18, during the coming two quarters in the magnitude of about 15-30%. During the summer Hexatronic will also deliver a significant sea-cable order of SEK 33m to Crosslake Fibre for projects in North America, as such we model a boost in sales during Q2 but mostly in Q3. We believe that the system sales will be relatively flat during the year with more significant pick-ups in 2019.

**Rest of the world:** Rest of the World (RoW) mostly consists of New Zealand and sales to Asia. We model a continued strong development thanks to the ongoing fiber infrastructure expansion in New Zealand and Hexatronic's leading position in the region.

### **Big deal in the UK signals the potential**

In late April a large M&A deal within the UK fiber space was announced. AIM-listed CityFibre (ticker "CITY") received an offer to be acquired by a newly established company backed by Antin Infrastructure Partners and West Street Global Infrastructure Partners; the later is one of a series of funds managed by Goldman Sachs within its Merchant Banking Division. The cash offer values CityFibre to approx. GBP 540m, a premium of 92% compared to the close price prior the offer announcement. CityFibre is not directly comparable company to Hexatronic, but we believe the deal is a clear signal of the coming fiber market ramp up.

CityFibre is an independent provider of wholesale fiber infrastructure, providing full fiber connectivity services through designing, building, owning, and operating fiber optic network infrastructure. It is very similar to Swedish IP-Only. The current revenue and earnings of CityFibre are low;

the value lies in the expanding network they are building. In November 2017 the company signed a strategic FTTH partnership with Vodafone. Under the agreement, CityFibre will provide full-fiber connectivity in the first phase to a minimum of one million UK homes in twelve cities, with the potential to extend this to up to five million UK homes by 2025.

### **And the construction is on its way**

As we stated in our most recent research update on Hexatronic; UK is a market that will explode in the coming years, and the offer to buy-out CityFibre illustrates the massive potential for fiber optics players. In April CityFibre made yet another positive announcement regarding the development phase of their Vodafone roll-out. The next wave of cities will be; Coventry, Edinburgh, Huddersfield and Stirling. In the press release the company states the following:

*“Construction work has already started in Milton Keynes just five months after Vodafone and CityFibre first announced their strategic partnership to deliver full fibre to at least 1 million UK homes and businesses. Construction is set to begin in subsequent cities in the coming months.”*

We do not know if Hexatronic is an actual supplier to CityFibre or not. However we view the news regarding the development as a clear sign of a market that will grow significantly the coming years.

### **So what’s the deal of the Swedish market?**

Hexatronic states that they believe that the Swedish market will develop in line with last year and that the demand will pick up at the end of April. With a Nordic perspective, both Norway and Finland are expected to grow. A key concern among investors has been some rumors circulating about IP-Only, which is one of the key players in Sweden for building out the fiber infrastructure. The rumors mostly relate to the development of individual projects and that the company made a sizeable strategic oversight of the project portfolio during the winter.

Lately, we have noticed some positive press releases from the operator. For example, the company has announced that more than 3 500 customers had their connections finalized in three different regions during the first two months of the year. During 2017 the telecom operator sold their connectivity solution to more than 130 000 customers. Here is a quote from the company regarding their fiber investments on Öland;

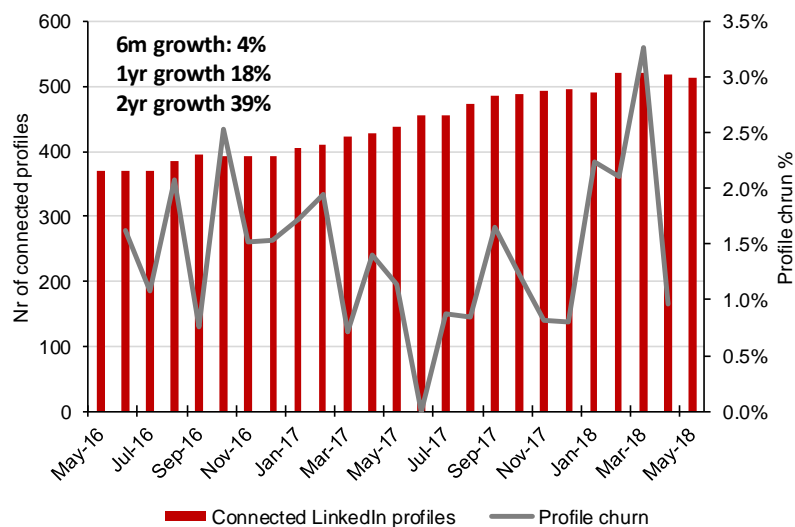
*“We have a challenging industry issue in slow state management and in addition thousands of land contracts that need to be collected, but there is nothing that challenges our overall goals. 2018 will be the year we build **the most fiber connections on the countryside** on Öland, just as we do in the whole country”.*

The statement basically states that IP-Only expect to build more fiber connections during 2018 than 2017, which was a record year for the industry.

**IP-Only: No alarming signs from employee figures**

One way to monitor a company’s health is to look closer at hiring and employee churn. If IP-Only has been dramatically decreasing their staff count, it might be a sign of trouble ahead. We do not have access to the actual employee figures, but the next best thing; connected profiles to LinkedIn. The number of employees that is connected to LinkedIn can be seen as a proxy for the overall development of the company staff structure.

**IP-Only connected LinkedIn profiles**



Source: LinkedIn & Redeye Research

We see no alarming sing in the data we have gathered. Overall the number of linked profiles continues to climb and has grown 4% during the last 6 months and 18% during the past year. The profile churn varies a little but at very low rates. IP-Only is backed by EQT who owns 91% of the company. Ylnopi Holding AB (556932-8056) is the Holding company of the telecom operator had filed for a new share issue to Bolagsverket (BSV). See link [here](#). We contacted BSV to get more details, and the issue amounts to approximately SEK 100m. We do not know if IP-Only receives some additional credit funding or something else, but at least the amount raised is nothing alarming according to us.

The combination of; Hexatronic’s view of the market, IP-Only’s positive communication and statements, LinkedIn data on employees and the relatively small amount raised makes us confident in our beliefs and estimates for the Nordic region. Overall we expect to see minor drops in volume in Sweden, mostly due to the cold weather making the “year” shorter, but we do not expect any larger declines.

### Next quarter and estimate adjustments

At the beginning of Q2, the organic order book was 4% lower compared to the same time last year. When including the acquisition of BDI the order book stood 17% higher, this signals that we will most likely see a top-line uptake during the coming quarter. Hexatronic expects to see an increase in volumes during late April and May. We believe BDI will produce even higher sales figures thanks to the peak-season approaching.

For Q2 we expect revenues in the region of SEK 380m corresponding to a growth of roughly 10%, we model a small organic drop due to the softer Swedish market but with an increasing top-line thanks to the BDI acquisition. We expect to see EBITDA margins in the region of 11%, lower than last year but still higher than the company's financial goal of 10%.

Next quarter estimates		
MSEK	2017 Q2	2018 Q2E
Net sales	346	380
EBITDA	49	42
EBIT	42	31
Net sales growth	25.9%	9.8%
EBITDA margin	14.2%	11.0%
EBIT margin	12.2%	8.2%

Source: Redeye Research

Forecast adjustments		
MSEK	2018E	2019E
<b>Revenues</b>		
Old	1 590	1 876
New	1 593	1 889
% change	0%	1%
<b>EBITDA</b>		
Old	187	234
New	185	227
% change	-1%	-3%
<b>EBITDA-margin</b>		
Old	11.8%	12.5%
New	11.6%	12.0%

Source Redeye Research

As a whole, we have only made some minor adjustments to our projections. Hexatronic is a long-term growth case riding on the digitalization of the world. We see significant opportunity for Hexatronic to grow in international markets the coming decade. The focus on the UK and the USA will likely intensify thanks to favorable market conditions. We view an acquisition in Germany and possibly the UK during the year as more likely than not.



## Valuation

We reiterate our Base-case valuation of 78 SEK per share. Overall we believe that during 2018 there will be a somewhat softer Swedish market, but that we will see a substantial up-take from international growth regions. We view further acquisitions as more likely than not, but this is something we do not account for in our projections.

Key case model assumptions:

- CAGR sales 13% next ten years
- Average EBITDA margin of 14% coming ten years
- Terminal growth rate of 2%
- Terminal EBITDA margin of 15%

Our Base-case is based on the assumption 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. Our valuation implies an EV/EBITDA exit multiple of 7x, which we find as a conservative assumption to make.

<b>Hexatronic Group: Base-case</b>			
<b>Assumptions</b>	<b>2017-27</b>	<b>DCF-value</b>	
CAGR Sales	13%	WACC	9.0%
EBITDA margin (avg)	14%	Net present value FCF	793
ROIC (avg)	35%	Net present value of Termin	2 213
<b>Terminal</b>		EV	3 006
Terminal growth FCF	2.0%	Net debt	-92
Terminal EBITDA margin	15%	Value assos. Companies	0
Exit EV/EBITDA multiple	7x	Value minorities	0
		<b>DCF-value</b>	<b>2 914</b>
		<b>Estimated Fair value</b>	<b>78</b>
		Today's share price	63.0
		<b>Potential/Risk</b>	<b>23%</b>

Source: Redeye Research

We view the valuation as increasingly attractive; we believe that the market in the short-term will focus on the softer Swedish market and less on the real opportunity that exists abroad, this might create a truly exciting investment possibility for the savvy investor.

### Valuation discrepancy should disappear

Our Base-case fair value implies an EV/EBIT 2018E multiple of about 21.5x. This is still lower than the international peer's trade at. The comparable group consisting of fiber optical equipment companies, which trade at a median of EV/EBIT18E of 26. We believe a higher multiple to be motivated

Peer valuation, international fiber optical companies								
Company	Curr.	EV (MSEK)	EV/S 18E	EV/S 19E	EV/EBIT 18E	EV/EBIT 19E	Sales CAGR 17-20E	EBIT % 18E
Fiberhome Telecom Tech CO-A	CNY	48 386	1.4x	1.1x	31.3x	24.7x	25%	4%
Clearfield INC	USD	1 327	2.0x	1.8x	35.9x	23.3x	9%	6%
O-net Communications Group	HKD	4 928	1.8x	1.5x	15.5x	12.3x	24%	12%
Huber & Suhner AG-REG	CHF	8 955	1.3x	1.2x	21.0x	18.8x	5%	6%
<b>Average</b>			<b>1.6x</b>	<b>1.4x</b>	<b>25.9x</b>	<b>19.8x</b>	<b>16%</b>	<b>7%</b>
<b>Median</b>			<b>1.6x</b>	<b>1.3x</b>	<b>26.1x</b>	<b>21.0x</b>	<b>16%</b>	<b>6%</b>
<b>Hexatronic Group</b>	SEK	<b>2393</b>	<b>1.5x</b>	<b>1.3x</b>	<b>17.2x</b>	<b>13.7x</b>	<b>20%</b>	<b>9%</b>
<i>at Base-case</i>		<i>3 005</i>	<i>1.9x</i>	<i>1.6x</i>	<i>21.5x</i>	<i>17.2x</i>		

Source: Bloomberg & Redeye Research

### The investment case of Hexatronic

- Hexatronic is establishing themselves outside of the Nordics. Investors have their focus on the current main market, which will mature by 2020. Excellent opportunity's lies in the UK, USA, and Germany as investments in fiber infrastructure will continue for a decade and more.
- Structural forces drive the growth of Hexatronic. 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.

### Structural forces of increased data consumption

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 are needed. A focus in the coming years will be the establishment of new market regions. As the fiber infrastructure market matures, new growth regions will become increasingly important. The investors mainly focus on the current main market, which will mature by about 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. In these new market regions, Hexatronic will focus on selling their system of Fiber products called Matrix with higher margins. The system selling approach will lead to increased

profitability when the international sales take off. By the end of 2017, Hexatronic acquired Blue Diamond Industries (BDI), we believe this raises the possibilities of a real break-through in the important US market. The company's market presence increases and now can produce domestic plastic duct, which would not be feasible to ship from Sweden or New Zealand for larger orders. We see clear signs that the UK market is really taking off and there is a vast need for investments in fiber infrastructure on the island economy.

An important part of our Investment Thesis is the fact that structural forces drive the growth of Hexatronic. These significant and ongoing Thematic trends are the increased digital consumption, i.e., enhanced usage of data. Overall we find that 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.

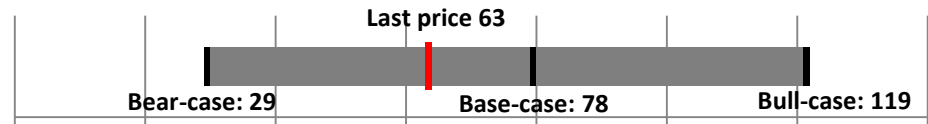
**Bear-points (counter-arguments to our Thesis):**

- A dampened economy could lead to less investments in the fiber infrastructure
- Low price Chinese supplier still have a focus on their domestic market; this could shift over the coming years as the large Asian market matures
- New technologies like high-speed alternatives (less likely) to fiber or breakthroughs in data compression (possible) could lead to a smaller need of investments in the infrastructure of fiber

## Scenario valuation

### Hexatronic: Fair value range

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### Bull-case assumptions: 119 SEK per share

Key case model assumptions:

- CAGR sales 16% next ten years
- Average EBITDA margin of 17% coming ten years
- Terminal growth rate of 2%
- Terminal EBITDA margin of 15%

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 after that. In this scenario, we also model an increase their profitability due to scalability, and successful international expansion. The large increase in global sales leads to a higher capacity utilization of Hexatronic's production units and increased long-term margins.

### Bear-case assumptions: 29 SEK per share

Key case model assumptions:

- CAGR sales 9% next ten years
- Average EBITDA margin of 11% coming ten years
- Terminal growth rate of 2%
- Terminal EBITDA margin of 10%

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 with competitors expanding their offerings. Lower growth, profitability and no acquisitions this give rise to a lower ROIC and lower terminal growth rates.

## Summary Redeye Rating

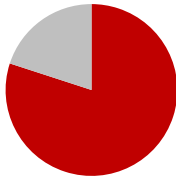
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The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

### Rating changes in the report

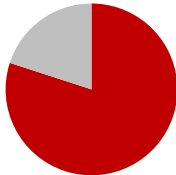
No changes in Rating.

Management 8.0p



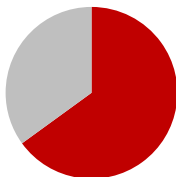
Hexatronic has a strong management team of entrepreneurial people with plenty of skin in the game. CEO have significant experience from the telecom industry. Staff at other key positions, that joined the group through last year's acquisitions, are also intact. The company has delivered so far on their financial goals.

Ownership 8.0p



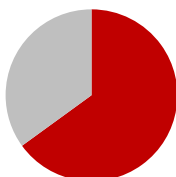
Hexatronic receives high scores in our ownership Rating. The CEO, Henrik Larsson-Lyon owns a significant stake in the company and Hexatronic has some of the most renowned institutional owners that focus on the small cap universe. The largest shareholder is the hedge-fund Accendo Capital, which is also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

Profit outlook 6.5p



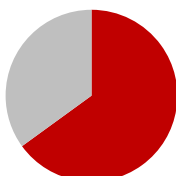
The rating for Growth Outlook is only average, in spite of good overall market prospects. The reason is mainly the competitive situation. Product differentiation appears to be difficult, thus price will always be an issue. Hexatronic is a small player compared to some of the dominant multinational companies. 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. Overall we view Hexatronic's profitability levels as compelling and improving.

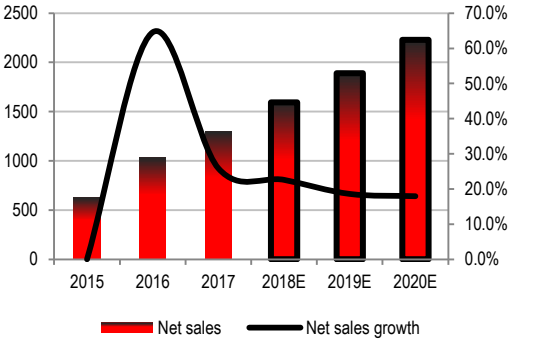
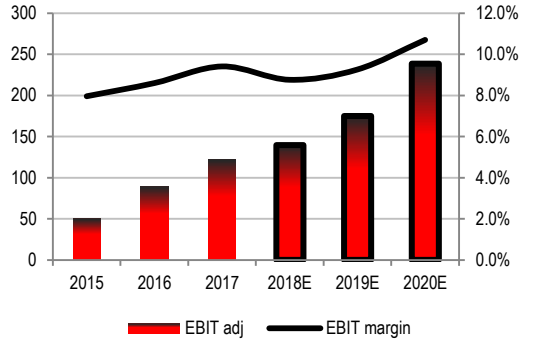
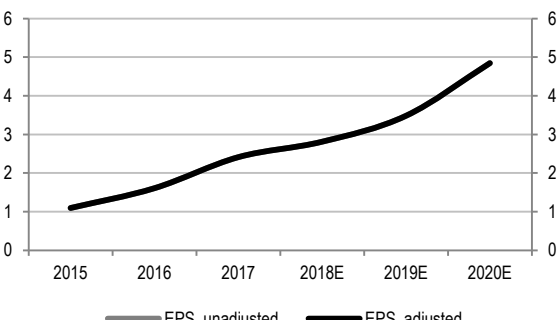
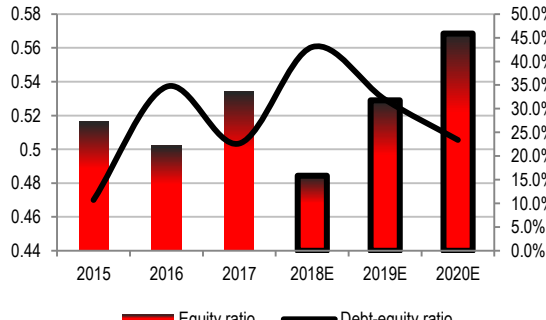
Financial strength 6.5p



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	2016	2017	2018E	2019E	2020E
Net sales	1,032	1,299	1,593	1,889	2,228
Total operating costs	-923	-1,148	-1,407	-1,662	-1,929
<b>EBITDA</b>	<b>110</b>	<b>151</b>	<b>185</b>	<b>227</b>	<b>299</b>
Depreciation	-21	-29	-46	-48	-57
Amortization	0	0	0	-4	-4
Impairment charges	0	0	0	0	0
<b>EBIT</b>	<b>89</b>	<b>122</b>	<b>140</b>	<b>175</b>	<b>238</b>
Share in profits	0	0	0	0	0
Net financial items	-19	-6	-6	-10	-9
Exchange rate dif.	0	0	0	0	0
<b>Pre-tax profit</b>	<b>70</b>	<b>116</b>	<b>133</b>	<b>165</b>	<b>230</b>
Tax	-16	-26	-29	-36	-49
<b>Net earnings</b>	<b>54</b>	<b>90</b>	<b>105</b>	<b>130</b>	<b>180</b>
Balance	2016	2017	2018E	2019E	2020E
<b>Assets</b>					
<i>Current assets</i>					
Cash in banks	40	108	105	116	152
Receivables	196	204	255	283	334
Inventories	207	237	295	359	423
Other current assets	21	15	18	22	26
<b>Current assets</b>	<b>464</b>	<b>564</b>	<b>673</b>	<b>780</b>	<b>935</b>
<i>Fixed assets</i>					
Tangible assets	80	94	159	189	245
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	113	119	219	214	210
O intangible rights	0	0	0	0	0
O non-current assets	0	0	0	0	0
<b>Total fixed assets</b>	<b>194</b>	<b>213</b>	<b>378</b>	<b>403</b>	<b>455</b>
Deferred tax assets	0	0	0	0	0
<b>Total (assets)</b>	<b>657</b>	<b>777</b>	<b>1,051</b>	<b>1,183</b>	<b>1,391</b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
Short-term debt	26	24	0	0	0
Accounts payable	104	141	175	189	223
O current liabilities	77	92	112	133	157
<b>Current liabilities</b>	<b>207</b>	<b>256</b>	<b>287</b>	<b>322</b>	<b>380</b>
Long-term debt	89	71	219	200	185
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
<b>Total Liabilities</b>	<b>296</b>	<b>326</b>	<b>506</b>	<b>522</b>	<b>565</b>
Deferred tax liab	32	35	35	35	35
Provisions	0	0	0	0	0
Shareholders' equity	330	415	509	626	791
Minority interest (BS)	0	0	0	0	0
<b>Minority &amp; equity</b>	<b>330</b>	<b>415</b>	<b>509</b>	<b>626</b>	<b>791</b>
<b>Total liab &amp; SE</b>	<b>657</b>	<b>777</b>	<b>1,051</b>	<b>1,183</b>	<b>1,391</b>
Free cash flow	2016	2017	2018E	2019E	2020E
Net sales	1,032	1,299	1,593	1,889	2,228
Total operating costs	-923	-1,148	-1,407	-1,662	-1,929
Depreciations total	-21	-29	-46	-52	-61
<b>EBIT</b>	<b>89</b>	<b>122</b>	<b>140</b>	<b>175</b>	<b>238</b>
Taxes on EBIT	0	0	0	0	0
<b>NOPLAT</b>	<b>89</b>	<b>122</b>	<b>140</b>	<b>175</b>	<b>238</b>
Depreciation	21	29	46	52	61
<b>Gross cash flow</b>	<b>110</b>	<b>151</b>	<b>185</b>	<b>227</b>	<b>299</b>
Change in WC	-105	19	-57	-62	-61
Gross CAPEX	-89	-48	-211	-77	-113
<b>Free cash flow</b>	<b>-84</b>	<b>122</b>	<b>-83</b>	<b>88</b>	<b>125</b>
Capital structure	2016	2017	2018E	2019E	2020E
Equity ratio	50%	53%	48%	53%	57%
Debt/equity ratio	35%	23%	43%	32%	23%
Net debt	75	-14	114	84	33
Capital employed	405	401	623	710	824
Capital turnover rate	1.6	1.7	1.5	1.6	1.6
Growth	2016	2017	2018E	2019E	2020E
Sales growth	65%	26%	23%	19%	18%
EPS growth (adj)	47%	50%	17%	24%	39%

DCF valuation	Cash flow, MSEK				
WACC (%)	9.0 %				
Assumptions 2017-2023 (%)					
Average sales growth	15.1 %	<b>Fair value e. per share, SEK</b>			<b>78</b>
EBIT margin	11.0 %	Share price, SEK			62.9
Profitability	2016	2017	2018E	2019E	2020E
ROE	19%	24%	23%	23%	25%
ROCE	25%	26%	23%	23%	27%
ROIC	39%	30%	35%	28%	34%
EBITDA margin	11%	12%	12%	12%	13%
EBIT margin	9%	9%	9%	9%	11%
Net margin	5%	7%	7%	7%	8%
Data per share	2016	2017	2018E	2019E	2020E
EPS	1.61	2.41	2.81	3.48	4.85
EPS adj	1.61	2.41	2.81	3.48	4.85
Dividend	0.00	0.29	0.34	0.42	0.58
Net debt	2.22	-0.38	3.08	2.27	0.89
Total shares	33.68	37.51	37.19	37.19	37.19
Valuation	2016	2017	2018E	2019E	2020E
EV	825.7	2,768.6	2,389.6	2,359.5	2,308.1
P/E	13.9	31.9	22.4	18.1	13.0
P/E diluted	13.9	31.9	22.4	18.1	13.0
P/Sales	0.7	2.2	1.5	1.2	1.1
EV/Sales	0.8	2.1	1.5	1.2	1.0
EV/EBITDA	7.5	18.3	12.9	10.4	7.7
EV/EBIT	9.3	22.6	17.1	13.5	9.7
P/BV	2.3	6.7	4.5	3.6	2.9
Share performance	Growth/year				15/17e
1 month	12.1 %	Net sales			24.2 %
3 month	-4.3 %	Operating profit adj			25.4 %
12 month	35.6 %	EPS, just			32.3 %
Since start of the year	-18.3 %	Equity			24.2 %
Shareholder structure %	Capital				Votes
Accendo Capital	12.9 %				12.9 %
Jonas Nordlund	8.3 %				8.3 %
Handelsbanken Fonder	5.2 %				5.2 %
Fondita Fonder	5.0 %				5.0 %
Chirp AB	4.9 %				4.9 %
Göran Nordlund	4.3 %				4.3 %
Swedbank Robur Fonder	3.7 %				3.7 %
Nordea Fonder	3.5 %				3.5 %
Avanza Pension	3.3 %				3.3 %
Henrik Larsson Lyon	2.2 %				2.2 %
Share information					
Reuters code					
List					
Share price					62.9
Total shares, million					36.2
Market Cap, MSEK					2275.2
Management & board					
CEO					Henrik Larsson Lyon
CFO					Lennart Sparud
IR					
Chairman					Anders Persson
Financial information					
Analysts					<b>Redeye AB</b>
Kristoffer Lindstrom					Mäster Samuelsgatan 42, 10tr
kristoffer.lindstrom@redeye.se					111 57 Stockholm
Havan Hanna					
havan.hanna@redeye.se					

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)																																										
 <p>Net sales (red bars) and Net sales growth (black line) from 2015 to 2020E. Net sales growth peaks in 2016 at approximately 65%.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net sales</th> <th>Net sales growth</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>~600</td> <td>~0%</td> </tr> <tr> <td>2016</td> <td>~1000</td> <td>~65%</td> </tr> <tr> <td>2017</td> <td>~1300</td> <td>~30%</td> </tr> <tr> <td>2018E</td> <td>~1600</td> <td>~25%</td> </tr> <tr> <td>2019E</td> <td>~1900</td> <td>~20%</td> </tr> <tr> <td>2020E</td> <td>~2200</td> <td>~15%</td> </tr> </tbody> </table>	Year	Net sales	Net sales growth	2015	~600	~0%	2016	~1000	~65%	2017	~1300	~30%	2018E	~1600	~25%	2019E	~1900	~20%	2020E	~2200	~15%	 <p>EBIT adj (red bars) and EBIT margin (black line) from 2015 to 2020E. EBIT margin fluctuates between 8% and 11%.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EBIT adj</th> <th>EBIT margin</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>~50</td> <td>~8.0%</td> </tr> <tr> <td>2016</td> <td>~90</td> <td>~9.0%</td> </tr> <tr> <td>2017</td> <td>~120</td> <td>~10.0%</td> </tr> <tr> <td>2018E</td> <td>~140</td> <td>~8.5%</td> </tr> <tr> <td>2019E</td> <td>~170</td> <td>~9.5%</td> </tr> <tr> <td>2020E</td> <td>~240</td> <td>~11.0%</td> </tr> </tbody> </table>	Year	EBIT adj	EBIT margin	2015	~50	~8.0%	2016	~90	~9.0%	2017	~120	~10.0%	2018E	~140	~8.5%	2019E	~170	~9.5%	2020E	~240	~11.0%
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<b>Sales division</b>	<b>Geographical areas</b>																																										
<b>Conflict of interests</b> <b>Kristoffer. Lindström. owns shares in the company Hexatronic: Yes</b> <b>Havan. Hanna. owns shares in the company Hexatronic : Yes</b> Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.	<b>Company description</b> 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.																																										

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**Redeye Rating (2018-05-13)**

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	46	44	17	10	20
3,5p - 7,0p	76	69	106	34	48
0,0p - 3,0p	14	23	13	92	68
Company N	136	136	136	136	136

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