

Hexatronic

Sector: Telecommunication Equipment

M&A master class

A quarter as expected

The Q3 figures came in almost exactly as expected. The company grew their net sales by 20% and had an EBITDA margin of 10.6%. The growth was in full driven by the earlier acquisitions of BDI, PQMS, Gordon Franks Training, and Smart Awards. The acquisition-driven up-take amounted to 32%, and on a comparable basis, Hexatronic's net sales dropped by 12%. The organic drop was according to expectations as the company had an exceptionally strong H2 during 2017 with soaring volumes in Sweden

The focus on Sweden creates an opportunity, growth returns in 2019

We believe the market continues to focus on Sweden, but that will change as the company will show organic growth in their main Nordic country during the next year. We find that BDI is a perfect example of Hexatronic's strong M&A capabilities. Without the acquisition, conducted at attractive multiples, the net profit drop would have been significant for the Group; we believe this shows that the management team is undoubtedly competent in doing M&A's that adds value. The latest acquisitions of German-based Opternus GmbH makes a strategic sense and is conducted at an attractive valuation

Low growth expectations implied, attractive valuation

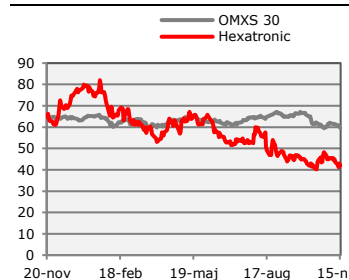
We continue to believe that the market misses the significant opportunity that lies in the growth regions and puts too much focus on the short-term weakness in the Swedish market. 2018 is a "middle-year" in Sweden, but we believe this will change during 2019 as the volumes will likely land on normal levels. We also find that the latest acquisition of Opternus GmbH is directly value-adding. The success in international markets continues, and significant orders could materialize in the UK in near-term. We increase our Base-case valuation to 75 SEK (73) per share, indicating a significant potential from today's level.

KEY FINANCIALS (SEKm)	2016	2017	2018E	2019E	2020E	2021E
Net sales	1032	1299	1571	2028	2398	2758
EBITDA	110	151	145	213	268	345
EBIT	89	122	101	163	220	290
EPS (adj.)	1.6	2.4	1.9	3.1	4.2	5.7
EV/Sales	0.8	2.1	1.2	0.9	0.8	0.6
EV/EBITDA	7.5	18.3	12.8	8.2	6.3	5.1
EV/EBIT	9.3	22.6	17.8	11.1	7.6	6.0
P/E	13.9	31.9	21.2	13.0	9.2	7.6

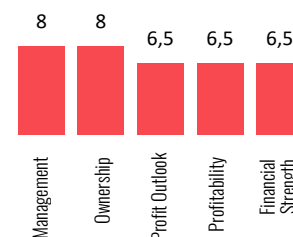
FAIR VALUE RANGE

BEAR	BASE	BULL
28.0	75.0	120.0

VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	HTRO
Market	Nasdaq
Share Price (SEK)	43.5
Market Cap (MSEK)	1579
Net Debt 18E (MSEK)	316
Free Float	78 %
Avg. daily volume ('000)	100

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Spot-on our estimates

The Q3 figures came in almost exactly as expected. The company grew their net sales by 20% and had an EBITDA margin of 10.6%. The growth was in full driven by the earlier acquisitions of BDI, PQMS, Gordon Franks Training, and Smart Awards. The acquisition-driven up-take amounted to 32%, and on a comparable basis, Hexatronic's net sales dropped by 12%. The organic drop was all according to expectations as the company had an exceptionally strong H2 during 2017 as the volumes in Sweden soared.

Looking at the different regions, the only deviance we saw compared to our projections was a lower volume in Other Europe and higher in Rest of the World. The lower sales in Other Europe is explained by a larger part of the SEK 70m FFTH order in the UK was expected to be delivered during Q3, we will now shift our projections of volumes to the coming quarters. A strong market in New Zealand likely drove the outperformance in Rest of The World.

The investment case of Hexatronic

In the latest updates, we have highlighted the major opportunities available to Hexatronic internationally – by now few people should doubt these opportunities. One legitimate question is whether Hexatronic will succeed in its international expansion. According to us, there is no doubt that the company is well positioned to succeed internationally. Above all, four factors contribute to this assessment:

- **The competitive product portfolio** - Hexatronic can offer something most competitors cannot, namely a system sales approach. The benefit to the customer are many, and we believe this will be a key differentiator. The air-blown technique Hexatronic base their product offering is also one of the most flexible and most cost-effective techniques on the market.
- **Ability to find value-adding acquisitions (capital allocation)** – Blue Diamond Industries (BDI) is a great proof of this, without the acquisition of the US-based Duct manufacturer the effect on the Group financials from the slow-down in Sweden would have been much larger. Read more about the BDI [here](#).
- **Already showing significant success** – We believe that the order in the UK, BDI's development, strong sales in New Zealand and now an attractive German acquisition shows that the international venture is already successful. We see no reason why it wouldn't continue.
- **From a small player to a market leader in Sweden** - However, maybe above all, Hexatronic is the market leader in Sweden – a country that has been one of the fiber “pioneers” and where competition is very tough. The company has extensive knowledge that will be vital to international customers.

Estimate vs. Outcome				
MSEK	2017 Q3	2018 Q3E	2018 Q3	Diff
Net sales	337	401	404	1%
of which Nordic	237	166	168	1%
Other Europe	42	78	67	-14%
North America	2	95	99	4%
RoW	56	63	69	11%
other income	2.0	1.0	1.0	
COGS	-193	-225	-225	
Gross Profit	146	178	180	1%
SG&A	-103	-137	-137	
EBITDA	43	40	43	6%
Net sale Growth		19%	20%	
Gross Profit margin	43%	44%	45%	
EBITDA margin %	13%	10%	11%	

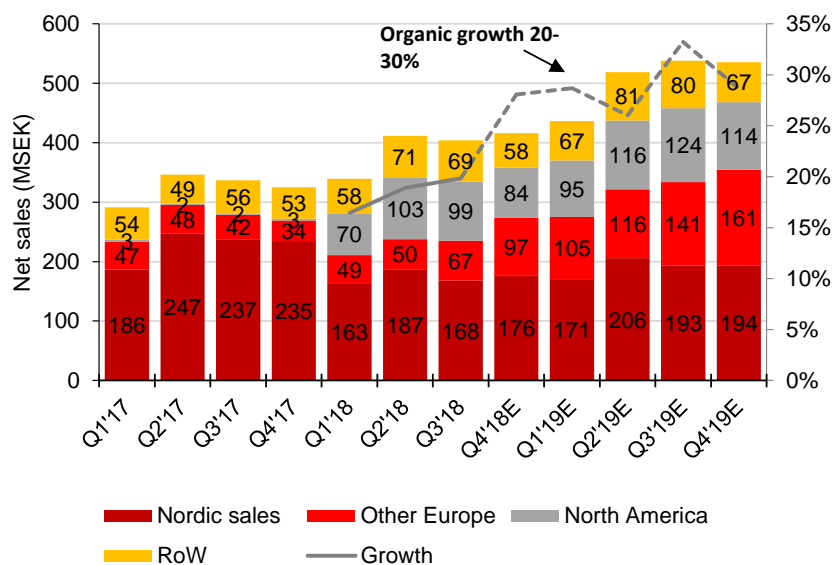
Source: Hexatronic Group & Redeye Research

Key drivers during 2019 that will trigger a revaluation

Most industry players estimate a turnaround for the Swedish fiber market during 2019, growth between 10-20% is expected. IP-Only has implemented several improvement measures; the most important may be that the company now will build in incremental steps and with more control, and not build extremely fast and wide (one of the main factors behind the this year's problems). This is an important step which sets quality and cost control, in front of an unrealistic timetable and speed. All in all, IP-Only's ambition is to build more connections than ever during 2019, 20% more than this year. Moreover in Transtema's Q3'18 report one can read that the company's dialogue with one of the largest customers (read IP-Only) is now constructive and Transtema is looking forward to the possibilities of resuming fiber construction.

The weakness in the Swedish market and the short-term focus of the investment community has led to a rough year for the share of Hexatronic. As we have stated earlier, this focus misses the significant international opportunities and also completely overshadows the positive developments in these regions. As the Swedish market is expected to return to growth 2019, a major concern should disappear, and focus shift to the most important long-term metric – the international markets (the international expansion is a core element in our Investment Case for Hexatronic). We see this development as a big revaluation trigger going forward.

Hexatronic: Net sales development per region



Source: Redeye Research

At the current levels we regard Hexatronic as clearly attractive, we believe the market continues to focus on Sweden, but that will change as the company will show organic growth in their main Nordic country during the next year. We here present our view for 2019 and what we believe will trigger a revaluation.

- UK market expected to take off in 2019, SEK 70m system order, delivery in Q3-Q4. Larger system-orders for 2019 is expected. We believe actual order value over 3-5 years could amount to SEK 300-500m
- The USA highly profitable and the market is growing fast. Hexatronic's key operator client has specified processes to directly match the air blown fiber-solutions as it reduces installation costs by 30-40%.

- The acquisition in Germany is just the starting point, made at attractive multiples and the cross-selling synergies are significant
- New Zealand continues to have strong growth; the company is now looking into Australia
- Comparable figures in Q1 and Q2 are rather soft; this will lead to organic growth in Sweden again
- Hexatronic is focused on reducing their cost base to increase the operational leverage, could lead to increasing margins during 2019
- More value-adding M&A deals will come, the track-record talks for its self

To this, we want to add our reasoning why we believe Hexatronic is an attractive long-term case:

- Hexatronic is establishing themselves outside of the Nordics in new growth regions
- Structural forces of increased data consumption are driving the long-term growth of Hexatronic
- Long-term margins should increase as capacity utilization improves and system selling kick-in
 - More mature Prysmian Telecom has about 20% EBITDA margin
- Low growth expectation implied by current valuation
 - We believe that the current share price implies expectations of 8-10% growth, we expect 20%+ of organic growth during 2019 and strong growth prospects for many years
- The valuation is attractive which lead to a margin of safety.
 - Trades at roughly 11x our conservative 2019E EBIT and far below our Base-case of 75 SEK per share

There is always risk involved, here are the things investor need to pay close attention to according to us:

- The Swedish markets continue to be dull
 - Management expects a volume growth of 10% during 2019, a lot still needs to be done to meet government goals, and IP-Only has raised SEK +2bn for further investments
- Price pressure in Sweden
 - A less competitive market and lower growth could lead to price pressure. An obvious risk, however, the Swedish share of Group revenue continues to decrease
- No order in the UK is won and no traction in the USA
 - Always a risk, however growth expectations in the share is currently low so the effect on the valuation would be limited

Attractive valuation

As stated earlier, we continue to believe that the market misses the significant opportunity the growth regions and puts too much focus on the short-term weakness in the Swedish market. 2018 is a "middle-year" in Sweden, but we believe this will change during 2019 as the volumes will likely land on normal levels. We also find that the latest acquisition of Opeternus Gmbh is directly value-adding. The success in international markets continues, and significant orders could materialize in the UK in near-term. We increase our Base-case valuation to **75 SEK (73)** per share, indicating a significant potential from today's level.

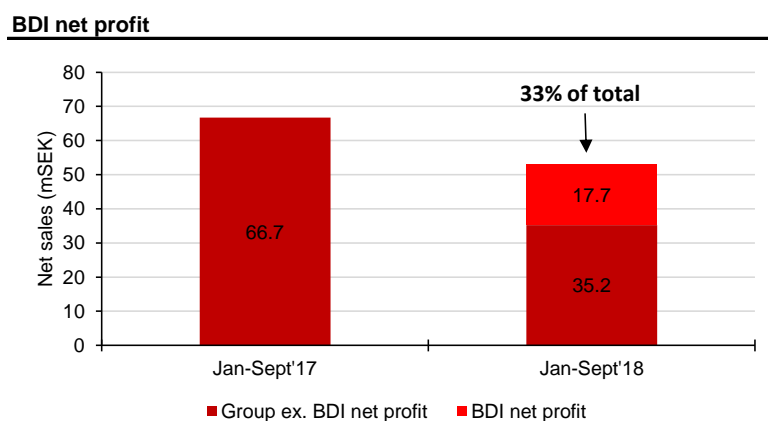
The USA delivers

Blue diamond Industries (BDI) continue to be a major growth and profit contributor. BDI had net sales of SEK 89m, up from about SEK 81m in Q2 and SEK 65m in Q1. We believe that the company will produce net sales in the region of SEK 76m during the last quarter of the year, corresponding to an annual uptake of roughly 26%. If the EBITDA margin is about the same as last year, and we have no reason to believe anything else, then Hexatronic acquired the company for 4.0-4.6x 2019 EBITDA. Attractive for a company growing with more than 20% annually.

BDI net sales development						
Period	2017	Q1'18	Q2'18	Q3'18	Q4'18E	2018E
Net sales	248	65	81	89	76	312
Growth						26%

Source: Redeye Research

For the 9-month period, BDI produced a net profit of SEK 17.7m, that is roughly 30% of the Group total, impressive to say the least. We believe that BDI is a perfect example of Hexatronic's strong M&A capabilities. Without the acquisition, conducted at attractive multiples, the net profit drop would have been significant for the Group; we believe this shows that the management team is undoubtedly competent in doing M&A's that add value.



Source: Redeye Research

System sales continue to increase

We estimate that the system sales in North America amounted to roughly SEK 10m during the quarter, up from about SEK 2.2m in Q3 last year. These are relatively small volumes, but Hexatronic continues to be optimistic and sees increasing volumes during 2019.

Sales mix in North America							
Period	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18
BDI	0	0	0	0	64.9	81.0	89.4
Other sales*						14.0	
System sales	3.4	2.3	2.2	3.1	5.2	8.5	10.0
Total North America	3.4	2.3	2.2	3.1	70.1	103.5	99.4

Source: Redeye Research

*Delivery of seacable to Canada

Acquisition in Germany

One major event after the period ended was the acquisition of the German-based based Opternus GmbH, which adds about 10% on the top-line and creates significant cross-selling opportunities for Hexatronic's other products. We view the purchase as an important stepping stone in the continued international expansion of the company. We know that the company has been looking at M&A opportunities in the country for a while, it's satisfying to see that the management delivers on their plan.

Opternus is the market leader in sales of fiber welding and measuring instruments. A position that creates good opportunities for cross-selling Hexatronics wide offer thanks to Opternus established relationships with a large number of German network owners and installers.



Hexatronic is paying EUR 10m on a debt-free basis with an additional earn-out of EUR 2.5m, based on future financials. During the trailing twelve months (TTM) the company has generated about EUR 15m with an EBITDA of EUR 2.2m corresponding to a margin of 14.6%. As to our understanding Opternus has produced growth of 10-15% in the last years. The multiplies paid is attractive and equates to 4.5-5.7x TTM EBITDA. The acquisition is being financed by a combination of a senior bank loan and utilization of a revolving credit facility with Danske Bank. Read more about the acquisition on the following [link](#).

More on the German market

In our research update from 12th March 2018, we wrote about the opportunity abroad. Among other things, we highlighted the development in Germany. With the acquisition of Opternus GmbH in Germany we think it is worth repeating the information.

According to the new Chancellor-general Helge Braun, the German government will only promote fiber broadband going forward. The government is moving away from its previous target of 50 Mbps service for all by the end of 2018, which was based on upgrades to the copper network. Instead, it would adopt a new funding strategy (of 12 billion Euro) for encouraging broadband expansion, not based on old technology. *Any new lines promoted with subsidies in a region or neighborhood would have to be fiber.* According to us, the last sentence is very important; unlike the past – when expansion based on copper was subsidized, it is now only fiber that applies. We see this shift as one of the most important pillars for driving the German fiber market.

Looking at the telecom giant in Germany, Deutsche Telekom, the Group offers speeds of up to 250 Mbit/s to around ten million households. The Group installed 1.3 million new lines with this speed in the third quarter alone. They aim to offer speeds of up to 250 Mbit/s to 28 million households in 2019. It should be noted though that Deutsche Telekom is initially installing fiber to the curb. In a second step, the optical fiber is extended from the curb to the home. The Group communicates that starting in 2021, we aim to connect up to two million [FTTH](#) lines per year.

Next quarter and estimate adjustments

On a comparable basis, the order book was 24% lower at the beginning of Q4 when compared to last year. The drop is expected as the order-booking surged during Q3 and Q4 last year. Opternus is now included in our projections and consolidated from the 1st of November. We expect that significant part of the SEK 70m order in the UK will be delivered during the period. For Q4 we expect revenues in the region of SEK 416m. We expect to see EBITDA margins in the region of 9%.

Next quarter estimates		
MSEK	2017 Q4	2018 Q4E
Net sales	325	416
EBITDA	38	38
EBIT	30	25
Net sales growth	6.5%	28.1%
EBITDA margin	11.7%	9.0%
EBIT margin	9.4%	6.1%

Source: Redeye Research

Forecast adjustments		
MSEK	2018E	2019E
Revenues		
Old	1 553	1 828
New	1 571	2 028
% change	1%	11%
EBITDA		
Old	155	196
New	145	213
% change	-7%	9%
EBITDA-margin		
Old	10.0%	10.7%
New	9.2%	10.5%

Source Redeye Research

We have added Opternus to our projections and moved some of the income from the large UK order to Q1'19. We also now make an assumption, still a conservative one, that Hexatronic will receive follow-up orders in the UK. We argue that it's possible that that the actual order frame-work could amount to SEK 300-500m over a three-year period. Hexatronic is a long-term growth case riding on the digitalization of the world. We see significant opportunity for the company to grow in international markets in the coming decade. The focus on the UK, Germany and the USA will likely intensify thanks to favorable market conditions. Further acquisitions are expected, but not something we cannot account for our projections.

Valuation

We continue to believe that the market misses the significant opportunity the growth regions and puts too much focus on the short-term weakness in the Swedish market. 2018 is a “middle-year” in Sweden, but we believe this will change during 2019 as the volumes will likely land on normal levels. We also find that the latest acquisition of Opeternus GmbH is directly value-adding. The success in international markets continues, and significant orders could materialize in the UK in near-term. We increase our Base-case valuation to **75 SEK (73)** per share, indicating a significant potential from today's level.

Bear Case 28.0 SEK

CAGR sales 9% next ten years
Average EBITDA margin of 10% coming ten years
Terminal growth rate of 2%
Terminal EBITDA margin of 8%

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.

Base Case 75.0 SEK

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

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 8x, which we find as a conservative assumption to make.

Bull Case 120.0 SEK

CAGR sales 16% next ten years
Average EBITDA margin of 15% coming ten years
Terminal growth rate of 2%
Terminal EBITDA margin of 14%

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.

Peer valuation

Our Base-case fair value implies an EV/EBIT 2019E multiple of about 19.4x. 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/EBIT19E of 21. We believe a higher multiple to be motivated given the strong growth prospects for Hexatronic.

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	47 615	1.5x	1.2x	35.0x	28.2x	21%	4%
Clearfield INC	USD	1 364	2.1x	1.8x	31.6x	32.6x	10%	7%
O-net Communications Group	HKD	3 600	1.2x	1.0x	12.0x	8.9x	26%	10%
Huber & Suhner AG-REG	CHF	10 399	1.3x	1.3x	16.9x	14.9x	7%	8%
Average			1.5x	1.3x	23.9x	21.2x	16%	7%
Median			1.4x	1.3x	24.2x	21.6x	15%	7%
Hexatronic Group	SEK	1884	1.2x	0.9x	18.7x	11.6x	23%	6%
<i>at Base-case</i>		3 151	2.0x	1.6x	31.3x	19.4x		

Source: Bloomberg & Redeye Research

Catalysts

Breakthrough deal in the USA

Hexatronic is increasing their presence in the USA with the acquisition of BDI and that their 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.

Follow-up order in the UK

The order of SEK 70m in the UK during 2018 was just the start, and we view this as a test of Hexatronic's products. We believe the company is in negotiation with a significantly larger multiyear order frame-work, we believe the order value could be SEK 300-500m over the coming years.

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.

Summary Redeye Rating

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

Management: 8.0

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: 8.0

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: 6.5

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: 6.5

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: 6.5

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	1,571	2,028	2,398
Total operating costs	-923	-1,148	-1,418	-1,793	-2,106
EBITDA	110	151	145	214	268
Depreciation	-21	-29	-44	-51	-41
Amortization	0	0	0	-8	-8
Impairment charges	0	0	0	0	0
EBIT	89	122	101	163	220
Share in profits	0	0	0	0	0
Net financial items	-19	-6	-11	-20	-20
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	70	116	89	142	198
Tax	-16	-26	-21	-31	-48
Net earnings	54	90	70	114	155

BALANCE SHEET	2016	2017	2018E	2019E	2020E
Assets					
<i>Current assets</i>					
Cash in banks	40	108	47	101	120
Receivables	196	204	251	304	360
Inventories	207	237	291	385	456
Other current assets	21	15	18	23	28
Current assets	464	564	607	815	963
<i>Fixed assets</i>					
Tangible assets	80	94	157	203	240
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	399	391	383
Intangible rights	0	0	0	0	0
Non-current assets	0	0	0	0	0
Total fixed assets	194	213	556	594	623
Deferred tax assets	0	0	0	0	0
Total (assets)	657	777	1,163	1,408	1,586
Liabilities					
<i>Current liabilities</i>					
Short-term debt	26	24	11	58	50
Accounts payable	104	141	173	203	240
Current liabilities	77	92	111	143	169
Current liabilities	207	256	295	403	459
Long-term debt	89	71	352	373	335
Long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	296	326	647	776	793
Deferred tax liab	32	35	35	35	35
Provisions	0	0	0	0	0
Shareholders' equity	330	415	481	597	758
Minority interest (BS)	0	0	0	0	0
Minority & equity	330	415	481	597	758
Total liab & SE	657	777	1,163	1,408	1,586

FREE CASH FLOW	2016	2017	2018E	2019E	2020E
Net sales	1,032	1,299	1,571	2,028	2,398
Total operating costs	-923	-1,148	-1,418	-1,793	-2,106
Depreciations total	-21	-29	-44	-59	-48
EBIT	89	122	109	176	244
Taxes on EBIT	0	0	0	0	0
NOPLAT	89	122	109	176	244
Depreciation	21	29	44	59	48
Gross cash flow	110	151	153	235	292
Change in WC	-105	19	-53	-91	-67
Gross CAPEX	-89	-48	-387	-96	-78
Free cash flow	-84	122	-287	48	147

CAPITAL STRUCTURE	2016	2017	2018E	2019E	2020E
Equity ratio	50%	53%	41%	42%	48%
Debt/equity ratio	35%	23%	76%	72%	51%
Net debt	75	-14	316	329	265
Capital employed	405	401	797	926	1,022
Capital turnover rate	1.6	1.7	1.4	1.4	1.5

GROWTH	2016	2017	2018E	2019E	2020E
Sales growth	65%	26%	21%	29%	18%
EPS growth (adj)	43%	50%	-15%	63%	40%

DCF VALUATION	CASH FLOW, MSEK	
WACC (%)	9.0 %	
Assumptions 2017-2023 (%)		
Average sales growth	16.8 %	Fair value e. per share, SEK
EBIT margin	10.0 %	Share price, SEK
		75
		43.5

PROFITABILITY	2016	2017	2018E	2019E	2020E
ROE	19%	24%	17%	23%	26%
ROCE	25%	26%	16%	19%	23%
ROIC	39%	30%	27%	22%	26%
EBITDA margin	11%	12%	10%	12%	12%
EBIT margin	9%	9%	7%	9%	10%
Net margin	5%	7%	5%	6%	7%

DATA PER SHARE	2016	2017	2018E	2019E	2020E
EPS	1.61	2.41	2.05	3.35	4.71
EPS adj	1.61	2.41	2.05	3.35	4.71
Dividend	0.00	0.29	0.25	0.40	0.56
Net debt	2.22	-0.38	8.48	8.82	7.09
Total shares	33.68	37.51	37.31	37.31	37.31

VALUATION	2016	2017	2018E	2019E	2020E
EV	825.7	2,768.6	1,895.0	1,907.6	1,843.3
P/E	13.9	31.9	21.2	13.0	9.2
P/E diluted	13.9	31.9	21.2	13.0	9.2
P/Sales	0.7	2.2	1.0	0.8	0.7
EV/Sales	0.8	2.1	1.2	0.9	0.8
EV/EBITDA	7.5	18.3	12.4	8.1	6.3
EV/EBIT	9.3	22.6	17.4	10.8	7.6
P/BV	2.3	6.7	3.3	2.6	2.1

SHARE PERFORMANCE	GROWTH/YEAR		16/18E
1 month	-0.2 %	Net sales	23.4 %
3 month	-11.3 %	Operating profit adj	10.8 %
12 month	-33.6 %	EPS, just	13.0 %
Since start of the year	-43.5 %	Equity	20.7 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Accendo Capital	12.8 %	12.8 %
Jonas Nordlund	8.2 %	8.2 %
Handelsbanken Fonder	7.9 %	7.9 %
Chirp AB	4.9 %	4.9 %
Fondita Fonder	4.9 %	4.9 %
Swedbank Robur Fonder	3.7 %	3.7 %
Avanza Pension	3.3 %	3.3 %
Göran Nordlund	3.0 %	3.0 %
Nordea Fonder	3.0 %	3.0 %
Henrik Larsson Lyon	2.2 %	2.2 %

SHARE INFORMATION	
Reuters code	
List	
Share price	43.5
Total shares, million	36.3
Market Cap, MSEK	1578.7

MANAGEMENT & BOARD	
CEO	Henrik Larsson Lyon
CFO	Lennart Sparud
IR	
Chairman	Anders Persson

FINANCIAL INFORMATION	

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Redeye Rating and Background 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.

Redeye Equity Research team

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Disclaimer

Important information

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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Recommendation structure

Redeye does not issue any investment recommendations for fundamental analysis. However, Redeye has developed a proprietary analysis and rating model, Redeye Rating, in which each company is analyzed and evaluated. This analysis aims to provide an independent assessment of the company in question, its opportunities, risks, etc. The purpose is to provide an objective and professional set of data for owners and investors to use in their decision-making.

Redeye Rating (2018-11-19)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	44	47	19	10	21
3,5p - 7,0p	89	80	116	37	50
0,0p - 3,0p	13	19	11	99	75
Company N	146	146	146	146	146

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CONFLICT OF INTERESTS

Kristoffer.Lindström. owns shares in the company Hexatronic : Yes

Havan. Hanna. owns shares in the company Hexatronic : Yes

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