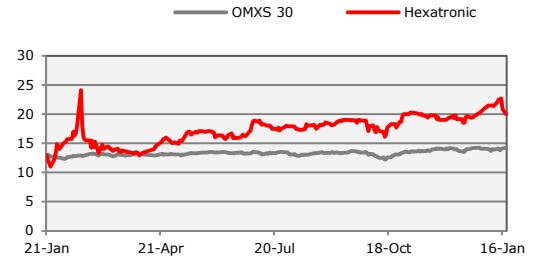


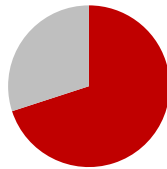
**Summary**
**Hexatronic (HTRO)**
**The international perspective**

- Hexatronic delivered a good report. The turnover was almost in line with our estimate but fell a bit short on the margin levels. Overall the company delivered on their financial goals of an EBITDA margin of 10%.
- The share price has declined after report with almost -14%, this reaction is not justified as the long term prospects are still intact. Comparing to other international fiber companies the multiple valuation is low. Peers trade at EV/EBITDA (TTM) of about 12.6x and Hexatronic at EV/EBITD<sub>2014/15E</sub> of 8.3x.
- Our estimated fair value is revised to 22.2 (24.8) SEK per share; the value is affected negatively due to slightly lower future estimated margin levels and some growth adjustments but positively by working capital changes. Still we find that the market has overreacted and Hexatronic is still considered good value especially with an international perspective.

List: First North  
 Market Cap: 536 MSEK  
 Industry: Telecommunication Equipment  
 CEO: Henrik Larsson-Lyon  
 Chairman: Göran Nordlund

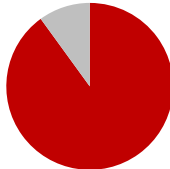

**Redeye Rating (0 – 10 points)**

Management



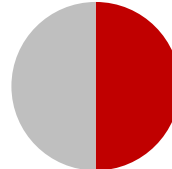
7.0 points

Ownership



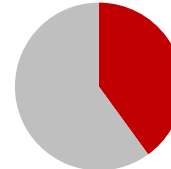
9.0 points

Growth prospect



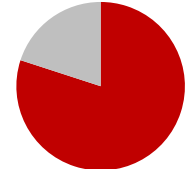
5.0 points

Profitability



4.0 points

Financial strength



8.0 points

**Key Financials**

	12/13	13/14	14/15E	15/16E	16/17E	<b>Share information</b>	
Revenue, MSEK	71	497	609	669	750	Share price (SEK)	20.3
<i>Growth</i>	81%	601%	22%	10%	12%	Number of shares (m)	26.4
EBITDA	4	60	62	66	75	Market Cap (MSEK)	536
<i>EBITDA margin</i>	6%	12%	10%	10%	10%	Net cash (MSEK)	33
EBIT	3	55	51	54	61	Free float (%)	30 %
<i>EBIT margin</i>	4%	11%	8%	8%	8%	Daily turnover ('000)	30
Pre-tax earnings	2	54	51	54	61	Analysts:	
Net earnings	2	41	40	42	48	Kristoffer Lindström	
<i>Net margin</i>	3%	8%	7%	6%	6%	kristoffer.lindstrom@redeye.se	
Dividend/Share	0.00	0.00	0.00	0.00	0.00	Henrik Alveskog	
EPS adj.	0.17	1.70	1.39	1.47	1.67	henrik.alveskog@redeye.se	
P/E adj.	109.3	11.2	14.6	13.8	12.2		
EV/S	3.7	0.9	0.8	0.7	0.6		
EV/EBITDA	61.5	7.2	8.2	7.2	5.9		

**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 – Growth 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 has 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.

### Growth Outlook

Our Growth 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 Growth Outlook are: 1 – Strategies and 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.

## The international perspective

*Lower than expected but overall a strong report*

Hexatronic's report for the first quarter came in a bit below our expectations, but we find the overall report to be a strong one with positive cash flow and EBITDA margins above the company's financial goal. This was the first time the company reported a Q1 in its new form, as such we do not have much to compare the revenue levels with. We expected EBITDA margins of 14%, which was too optimistic. The company had higher gross margin than expected but also had a higher staff cost in relation to sales than our estimate which was the primary reason for the deviation from our estimates.

Estimate vs. Outcome				
MSEK	13/14 Q1	14/15 Q1E	14/15 Q1A	Diff
<b>Revenues</b>	26	158	146	-7%
COGS	20	93	82	-12%
<b>Gross Profit</b>	6	65	65	0%
Staff expenses	3	23	30	29%
Other external expenses	2	20	20	1%
<b>EBITDA</b>	0	22	15	-32%
D&A	0.8	3.0	3.0	
<b>EBIT</b>	1	20	12	-42%
<b>NET profit</b>	-0.5	15	9	-38%
<b>EPS</b>	--	0.5	0.3	-40%
Revenue Growth %		500%	458%	
Gross Profit margin %	23%	41%	44%	
EBITDA margin %	1%	14%	10%	
EPS Growth (YoY)		n.m		

Source: Redeye Research

### Acquisition of Proximion, working capital and outlook for the year

*Improving working capital during the quarter*

The Company states that they find Proximion first quarter as part of Hexatronic group as satisfactory and that the result reached their expectation. Proximion stands for about 6% of the Groups total revenue. The company had a positive cash flow of about 4.9 MSEK during the quarter, the thing that affected the cash flow the most was the lower working capital level with positive effect of 6.1 MSEK. Hexatronic continues to try and improve their working capital by reducing their capital in inventory and accounts receivable and maintain or improve credit terms with suppliers. We have adjusted our estimate of the working capital to some degree after seeing this improvement during the quarter. The company also reported CAPEX of about 1.5 MSEK, regarding IT systems and machines in HC&I.

*The company still sees great potential in the year to come*

The company still sees potential in the fiber optic market with great growth prospects for many years to come. The company will prioritize the continued consolidation of the current group structure. The group will also work hard with the organic growth opportunities that exist in the existing Group. After the quarter ended the company also changed its name from

Hexatronic Scandinavia to Hexatronic Group which better shows the ambition of being an international player in the optical fiber industry.

### **Quarterly estimates vs outcome**

We had expected the revenues to be in the region of 158 MSEK, the company reported revenues of 146 MSEK, and this is 7% below our estimate. As discussed before this was the first time the company reported a Q1 result in its new form, we regard a 7% deviation of our estimate to be almost inline due to the difficulties to forecast an exact revenue levels because of the lacking of historical data. We find the quarter as a good one, not directly strong or weak.

*Revenue level almost in line with our estimate*

The reported gross profit was in line with our estimate of 65 MSEK, but the gross margin came in above our expectations at 44% compared to 41%. We find the reasonable explanation for the stronger margin is related to a better sales mix between the subsidiary companies. We find a gross margin level in the region of 40-44 % likely in the future; this will differ some during the quarters if Hexatronic for example receives high margin affairs within Sea cable and other larger projects or good mix between the subsidiaries.

*Gross profit above our expectations, we see the level 40-44% as likely in the future*

The EBITDA was reported at around 15 MSEK, a deviation of -32% from our estimate of 22 MSEK. We had expected an EBITDA margin of about 14% and the company reported a margin of 10%. Hexatronic had external expenses in line with our estimate but the staff related expense deviated quite a lot compared to our estimate and was also higher when comparing to the Q4 report. By the end of 13/14 the company had 136 fulltime employees, now the company employs 163 people. 19 of these employees come from the Proximion acquisition, but the company had also added about 8 other employees. The parent company added about 4 people to their staff which can be an explanation for the rising staff expense.

*EBITDA margin below our estimate, mainly because of higher staff costs*

Hexatronic is a company that has gone from being a small company to be a relatively large one, this means that Hexatronic most add to some support functions such as financials and IR. Hexatronic also aim to take the step from First North to Nasdaq OMX Small Cap, which also means a higher need for supporting functions for economical reporting and the like to meet the standards of the main list. After discussions with the company we has derived with the conclusion that the lower external expenses compared to Q4 was due to in housing the ERP system, previously the company outsourced this to Ericsson, so basically some cost from external expenses has been moved to staff expenses instead. Also most people employed at Proximion have a high educational level which most often means higher salaries. Overall we find the cost structure is representative of the future.

Overall we find the report as a good one, this was the first time the company reported a Q1 in its new form as such the estimation of revenue levels was relatively uncertain and the company almost met our expectations. The company reported better gross profit margins than we had expected which we find positive but the EBITDA margins was below our estimate as the company had higher staff expense than our forecast, this costs was mainly

related to the staffing up at the parent level and the Proximion acquisition. We have adjusted our expectations of margin levels downwards a bit, mostly with higher expected staff expenses going onward. The company states that they can increase capacity with the current employee structure without hiring more production personnel which increases the possible operational leverage.

### Next quarter estimates – Important quarter to come

*Next quarter is important but items affecting comparability exists*

The next quarter is the first one we can derive with some numbers of the organic growth of Hexatronic. As such we find the next quarter as important to evaluate further growth prospects for Hexatronic. But a few things will affect the comparison. First the Proximion acquisition will positively affect the growth rate of the company, second in Hexatronic's report 13/14 Q2 there where some items affecting comparability amounting to 40 MSEK in revenue and about 10 MSEK in EBITDA. It is important to compare to the adjusted numbers and not the reported ones otherwise the growth levels will not be representative. Hexatronic's Q2 is for the period of the first of December to the 28:th of February, we do expect that the quarter as one of the weaker for the company due to seasonality effects. This could also affect the growth rates due to fewer investments in fiber infrastructure during the winter which makes predictions about the future based on Q2/Q2 growth a bit harder. We estimate that the revenue will be around 136 MSEK, up from the adjusted level of 121 MSEK. This implies a growth rate of 13 %, of this we estimate about 8% organic and the rest related to the acquisition of Proximion. We have adjusted our staff expense estimate upwards which affects the EBITDA margin, which we expect to be in the region of 9%. The EBITDA margins will be higher for Hexatronic during the stronger quarters for the company as the Q3. We estimate an EBITDA of around 12 MSEK for next quarter.

*Revenue of 136 MSEK and EBITDA of 12 MSEK is expected*

Next quarter estimates				
MSEK	13/14 Q2 - Rep.	13/14 Q2 - Adj.	14/15 Q2E	Diff
Revenues	160	121	136	
Gross profit	73	-	60	
EBITDA	25	15	12	
EBIT	25	16	10	
Net profit	19		7	
EPS SEK	1.0		0.3	
Revenue Growth			13%	
Gross profit margin	45.6%		44.0%	
EBITDA margin	15.7%	12.6%	9.0%	

Source: Redeye Research

### Changes in the board of Directors

At the annual general meeting the company elected three new members to the Board, Erik Sellin, Anders Persson and Malin Persson. All which we find as great additions to the board of Directors.

**Erik Selin** – Is the CEO and largest owner of Balder Fastigheter, a public real estate company with a market cap of about 22.5 billion SEK. Erik owned shares through a company in Proximion when it was acquired by Hexatronic. We find it very positive that a person with Erik's reputation and track record of successful entrepreneurship joining the Board of Directors.

Current assignments: CEO of Balder. Board member of Skandrenting AB, SveaReal AS and the West Swedish Chamber of Commerce and Vice Chairman of Collector AB

**Anders Persson** - Anders Persson has many years of experience in the Ericsson Group where he held several other senior positions. Furthermore, Anders worked as vice president of Net Insight

Current assignments: Invisio Communications AB

**Malin Persson** - Professional board member with extensive experience from industrial companies such as SKF, Volvo and ASG.

Current assignments: Hexpol, Getinge, Konecranes and Kongsberg Automotive

**Erik Fischbeck** a former board member and the CEO of the Blue Shift were elected as a deputy. Göran Nordlund is still the Chairman and Gert Nordin is still a Director

The changes in the Board of Directors will alter our rating somewhat, we will provide an updated Redeye rating on the company in the coming updates.

## Long-term forecast

For our long-term forecast we have adjusted our near term margin levels with an increase in the gross profit margin and a slightly higher SG&A. We estimate that an EBITDA margin of around 10-11 % to be sustainable which is about 1-2 percentage points lower than our previous estimate. We also make some adjustments to our near-term growth levels as the consolidation of the Group likely will affect revenue levels to some degree. The company today reports their acquisitions as Goodwill and amortizes them over a five year period. This will change when the company is listed on the main list and adopts their reporting to IFRS. But with the current accounting principles with an amortization over five years will affect the reported EBIT levels quite a bit. This does not however affect the valuation as amortization is not a cash outlay. We have also reduced our estimate of working capital which enhances the valuation of Hexatronic to some degree.

*We have made adjustment to the working capital need and lowered our future margin levels to some degree*

<b>Hexatronic, income statement</b>												
<b>Base-case</b>												
<b>MSEK</b>	<b>12/11</b>	<b>13/14</b>	<b>14/15E</b>	<b>15/16E</b>	<b>16/17E</b>	<b>17/18E</b>	<b>18/19E</b>	<b>19/20E</b>	<b>20/21E</b>	<b>21/22E</b>	<b>22/23E</b>	<b>23/24E</b>
Revenues	71	497	609	669	749	839	923	1006	1097	1196	1303	1375
COGS	-47	-294	-344	-381	-427	-478	-526	-564	-614	-670	-730	-770
<b>Gross Profit</b>	<b>24</b>	<b>203</b>	<b>265</b>	<b>288</b>	<b>322</b>	<b>361</b>	<b>397</b>	<b>443</b>	<b>483</b>	<b>526</b>	<b>574</b>	<b>605</b>
SG&A	-20	-143	-204	-222	-247	-277	-295	-332	-362	-395	-430	-454
<b>EBITDA</b>	<b>4</b>	<b>60</b>	<b>62</b>	<b>66</b>	<b>75</b>	<b>84</b>	<b>102</b>	<b>111</b>	<b>121</b>	<b>132</b>	<b>143</b>	<b>151</b>
D&A	-1	-5	-11	-12	-14	-14	-16	-18	-18	-18	-16	-15
<b>EBIT</b>	<b>6</b>	<b>55</b>	<b>51</b>	<b>54</b>	<b>61</b>	<b>69</b>	<b>85</b>	<b>93</b>	<b>103</b>	<b>114</b>	<b>128</b>	<b>136</b>
Finans Net	-1	-1	-2	0	1	1	1	2	3	3	4	5
<b>Profit before tax</b>	<b>5</b>	<b>54</b>	<b>49</b>	<b>54</b>	<b>61</b>	<b>71</b>	<b>87</b>	<b>95</b>	<b>106</b>	<b>117</b>	<b>132</b>	<b>141</b>
Tax	0	-13	-11	-12	-13	-16	-19	-21	-23	-26	-29	-31
<b>Net profit</b>	<b>5</b>	<b>41</b>	<b>38</b>	<b>42</b>	<b>48</b>	<b>55</b>	<b>68</b>	<b>74</b>	<b>82</b>	<b>91</b>	<b>103</b>	<b>110</b>
<b>Growth rates and margins</b>												
Revenue growth		601%	22%	10%	12%	12%	10%	9%	9%	9%	9%	5%
Gross profit margin	34%	41%	44%	43%	43%	43%	43%	44%	44%	44%	44%	44%
EBITDA-Margin	6%	12%	10%	10%	10%	10%	11%	11%	11%	11%	11%	11%
EBIT-Margin	8%	11%	8%	8%	8%	8%	9%	9%	9%	10%	10%	10%
CAPEX	0	1	10	9	13	11	17	18	15	16	12	13
NWC	11	18	119	116	127	150	168	185	201	219	239	261

Source: Redeye Research

## The Hexatronic Group - Subsidiaries

Today Hexatronic consists of a total of five subsidiaries and a parent company called Hexatronic Group AB. The company does not report per segment but states approximately how much each subsidiaries contributes to the revenue. The company does not report the margin levels but we can get the reported gross profit margins for year 2013/14 from Bolagsverket.

**HC&I** – Develops, produced and sells different fiber cables and fiber cable solutions. HC&I stand for about 60% of revenue and have 119 employees. According to the report filled to Bolagsverket HC&I had an gross profit margin of 48% during 2013/14.

**The Blue Shift** – Develops fiber communication solutions specialized in passive fiber optics. The Blue Shift could be classified as an OEM with large volumes and small margins. The Blue Shift stands for about 17% of the Groups revenue and had an gross profit margin of around 10% during 2013/14. The company employs about 6 people.

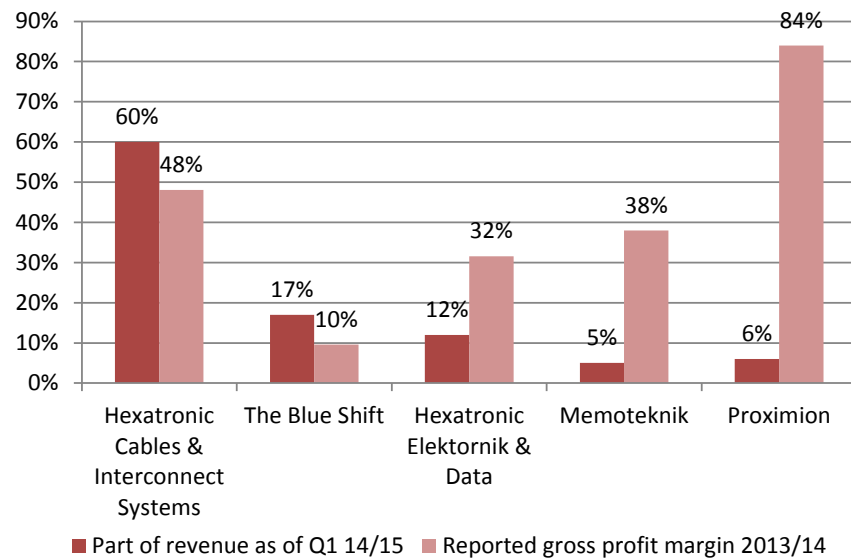
*HC&I an Proximon has the higher gross profit margins*

**HE&D** – The original company within the Group. Markets and delivers passive components for broadband solutions, wiring and connectors and solutions for Data Centers. The company stands for about 12% of revenues and had a gross profit margin in the region of 32% for the year 2013/14. The company had 8 employees by the end of the first quarter.

**Memoteknik** – Develops produces and markets solutions for fiber networks. The company stands for about 5% of revenue and had a gross margin in the region of 38% during 2013/14. Memoteknik has about 6 employees.

**Proximion** –The Company develops fiber network communication products. The high technology levels and patents enable the company to charge high margins for their products. The company stands for about 6% of revenue and had a gross profit margin of about 82% for the period 2013/14. The company has about 19 people employee.

**Subsidiaries - % of Revenue and GP margins**



Source: Redeye Reserach, Hexatronic & Bolagsverket



## Valuation

The changes in our forecast affect our valuation of Hexatronic to some degree. In this update we will also discuss about other listed companies with similar product offerings and their valuation levels.

### International valuation levels

On a gross margin basis the companies is comparable to Hexatronic with margins ranging from 27 - 41%. Huber & Suhner and Fiberhome Telecom is much larger than Hexatronic but OPC, Clearfield and O-Net is clearly comparable on a size basis. Overall we find the peer group comparable to Hexatronic and should indicate relative valuation multiple levels for companies operational in the fiber optical product industry. Hexatronic's two largest competitors, Nexans and Prysmian are not included because they also has a lot of products not related to fiber optics.

*The gross margins of the comparable is relatively close to Hexatronic's*

Gross margin - Fiber comparables										
Company	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
FIBERHOME TELECOM TECH CO-A	24%	24%	26%	27%	25%	26%	24%	24%	25%	27%
CLEARFIELD INC	--	19%	22%	29%	33%	36%	37%	42%	41%	41%
OPTICAL CABLE CORP	39%	39%	34%	38%	40%	34%	35%	36%	38%	34%
O-NET COMMUNICATIONS GROUP	--	--	--	41%	38%	45%	51%	45%	41%	32%
HUBER & SUHNER AG-REG	38%	36%	38%	36%	36%	36%	38%	31%	31%	34%
<b>Median</b>	<b>31%</b>	<b>30%</b>	<b>30%</b>	<b>32%</b>	<b>31%</b>	<b>30%</b>	<b>30%</b>	<b>28%</b>	<b>28%</b>	<b>31%</b>

Source: Bloomberg

### Clearfield Incorporated

Clearfields headquarter is located in Mineapolis, Minnesota USA. The company's shares are traded on the Nasdaq with a ticker CLFD. Clearfield sells their product almost exclusively in the US. According to the FTTH council the US market is assumed to reach maturity in 2019. So there are still great growth prospects for the company. Clearfield designs, manufactures and markets a variety of fiber optic and copper components to the data communication and telecommunication industries. The Company's products include fiber distribution systems, optical components and fiber and copper cable assemblies that serve Fiber-to-the-Home (FTTH), large enterprise, and original equipment manufacturers markets. The company's offering is very much alike Hexatronic's, but diverge on the fact that Hexatronic also offers sub-marine optical cables. But overall the margin levels of Clearfield are relatively in-line with our assumed future margin levels of Hexatronic.

*We find that Clearfield is the best match for Hexatronic as a comparable*

### Optical Cable Corp

Optical Cable Corp manufactures and markets fiber optic cables for high bandwidth transmission of data, video, and audio communications. Their main market is USA which stands for about 70% of sales. As such there should be great growth prospects for the company going forward. The company's headquarters lies in Roanoke, Virginia USA. The company's shares are traded on the Nasdaq with ticker OCC.

**O-Net Communications Group**

O-Net Communications Group has its headquarters in Shenzhen, China and is listed on the Hong Kong Stock exchange with the ticker code 877. The company is a supplier of passive optical networking subcomponents, components, modules and subsystems used in high-speed telecommunications and data communications networks. The Company designs, manufactures and sells its products and develop solutions based upon customers product needs and specifications. O-Net sells their products mainly in the Asian market with China as their largest geographical market that stand for about 42% of sales.

**Fiberhome Telecom Tech**

Fiberhome Telecommunication Technologies designs and manufactures telecommunication products. The company is traded on the Shanghai stock exchange and has its headquarters in China. The Company's products include Integrated Broadband Access Systems (IBAS), fiber optics, fiber cables, wires, and products used in the DWDM (Dense Wavelength Division Multiplexing) systems. About 85% of the company's products is sold in China and the rest is shipped all around the world.

**Huber & Suhner**

Huber & Suhner AG manufactures telecommunications products and polymer systems. The company's shares is traded in Switzerland and the company's headquarters also lies in the country. The Company produces antenna systems, lightning protection, fiber optic cables and connectors, and hybrid cables. The company sells it produces in EMEA, Americas, APAC and in Switzerland.

**Valuation levels**

**EV/EBITDA**

*Historically peers has been value at 12.6x EV/EBITDA*

We has looked at the valuation levels of our peer group during a period of ten years. On average the peer group has traded at an EV/EBITDA multiple of about 12.6x. The lowest median multiple was about 6.0x and the highest of 29.6x.

EV/EBITDA - Fiber comparables											
Company	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TTM
FIBERHOME TELECOM TECH CO-A	21.5x	24.7x	25.0x	89.2x	23.9x	31.0x	57.1x	30.9x	20.0x	25.9x	29.2x
CLEARFIELD INC	--	--	--	--	6.4x	28.2x	17.4x	14.5x	10.9x	20.0x	14.9x
OPTICAL CABLE CORP	9.3x	10.2x	15.8x	7.1x	6.0x	45.3x	8.6x	7.0x	5.2x	12.1x	12.6x
O-NET COMMUNICATIONS GROUP	--	--	--	--	--	--	16.5x	6.3x	7.5x	49.6x	13.5x
HUBER & SUHNER AG-REG	4.0x	5.3x	7.9x	12.3x	5.1x	7.3x	7.4x	7.7x	18.4x	9.0x	8.6x
<b>10 Year avreage multiple</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>	<b>12.6x</b>
<b>Median</b>	<b>6.7x</b>	<b>7.8x</b>	<b>11.9x</b>	<b>12.3x</b>	<b>6.0x</b>	<b>29.6x</b>	<b>16.5x</b>	<b>7.7x</b>	<b>10.9x</b>	<b>16.1x</b>	<b>13.5x</b>

Source: Bloomberg & Redeye Research

**EV/EBIT**

Hexatronic has very little estimate future CAPEX and very little D&A because almost all the tangible assets has been depreciated as such EV/EBIT multiple valuation could be argued to be a better way to value a company as Hexatronic with very low depreciation. The lowest median EV/EBIT

multiple during the period was 9.6x and the highest 38.4x. The average median level during the period is 21.0x.

<b>EV/EBIT - Fiber comparables</b>											
Company	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TTM
FIBERHOME TELECOM TECH CO-A	58.3x	113.2x	107.3x	0.0x	45.3x	42.7x	92.4x	47.8x	30.2x	38.1x	37.0x
CLEARFIELD INC	0.0x	0.0x	0.0x	0.0x	9.6x	38.4x	25.1x	15.9x	11.9x	21.3x	17.6x
OPTICAL CABLE CORP	17.2x	17.6x	58.1x	13.1x	9.6x	0.0x	191.0x	19.7x	7.8x	44.5x	29.8x
O-NET COMMUNICATIONS GROUP	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	17.7x	7.5x	9.8x	0.0x	64.3x
HUBER & SUHNER AG-REG	6.9x	8.8x	10.8x	17.0x	6.9x	12.1x	11.5x	11.2x	54.7x	15.4x	14.4x
<b>10 Year avrage multiple</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>	<b>21.0x</b>
<b>Median</b>	<b>12.0x</b>	<b>13.2x</b>	<b>34.4x</b>	<b>13.1x</b>	<b>9.6x</b>	<b>38.4x</b>	<b>25.1x</b>	<b>15.9x</b>	<b>11.9x</b>	<b>29.7x</b>	<b>27.3x</b>

Source: Bloomberg & Redeye Research

### EV/SALES

The average median multiple during the period was about 1.2x, the highest 1.7x and the lowest 0.7x. One of the value drivers that primarily affect the EV/SALES multiple is the different margin levels, often higher margins lead to higher sales valuation.

<b>EV/SALES - Fiber comparables</b>											
Company	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TTM
FIBERHOME TELECOM TECH CO-A	2.3x	1.9x	1.6x	3.2x	1.4x	2.6x	3.3x	1.9x	1.3x	1.6x	1.7x
CLEARFIELD INC	1.5x	0.5x	1.0x	0.4x	0.4x	1.9x	1.2x	1.7x	1.4x	3.0x	2.6x
OPTICAL CABLE CORP	0.5x	0.7x	0.7x	0.5x	0.6x	0.4x	0.4x	0.4x	0.4x	0.5x	0.5x
O-NET COMMUNICATIONS GROUP	--	--	--	--	--	--	5.5x	1.5x	1.4x	1.5x	1.8x
HUBER & SUHNER AG-REG	0.6x	0.7x	1.3x	1.8x	0.8x	0.9x	1.3x	0.8x	1.1x	1.0x	1.1x
<b>10 Year avrage multiple</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>1.2x</b>
<b>Median</b>	<b>1.0x</b>	<b>0.7x</b>	<b>1.1x</b>	<b>1.2x</b>	<b>0.7x</b>	<b>1.4x</b>	<b>1.3x</b>	<b>1.5x</b>	<b>1.3x</b>	<b>1.5x</b>	<b>1.7x</b>

Source: Bloomberg & Redeye Research

Overall when looking more closely at the company's fundamentals and their valuation levels we do find that the market looks most at growth and not as much at profitability levels such as ROIC.

## DCF valuation Hexatronic

We has made changes in our estimate of future margin levels and also decreased the working capital needs going forward. The revised estimated fair value is 22.2 (24.5) SEK. The margin of safety from today's share price is about 8%, which indicates that the share price is relatively fairly valued. But in an international context the stock still looks cheap. Our fair value implies and EV/EBITDA<sub>2014/15E</sub> of 9.9x compared to today's levels pf 8.2x. When comparing to our fiber comparable company's the multiple do not seem expensive as the 10 year median multiple level of about 12.6x. Overall on an EV/EBIT basis fiber optical company's usually trade at much higher levels then Hexatronic does. We find that Hexatronic is still not priced with a growth premium with at an EV/EBITDA<sub>2014/15E</sub> of 8.3x the valuation is not directly low but definitely not high. When the market uncovers this great little company it is highly likely that the market will value it about the same as the peer group, at around EV/EBITDA of 13.x.

<b>Base-case</b>			
<b>Assumptions:</b>	<b>2014/15-23</b>	<b>DCF-Value</b>	
CAGR Sales	10.7%	WACC	10.5%
EBITDA-margin	10.6%	Present value of FCF	235
Avrage RONIC	39%	Present value of Terminal Value	373
Avrage Reinvestment rate	39%		
		EV	608
		Net debt	28
<b>Terminal</b>		<b>DCF-value</b>	<b>636</b>
Terminal Growth of FCF	5.5%	<b>Value per share</b>	<b>22.2</b>
Reinvestment rate in perpetuity	55%	Today's share price	20.5
RONIC in perpetuity	10%	<b>Margin of saftev</b>	<b>8%</b>
Implied EV/EBITDA Exit multipel	6.7x		
<b>Multiple valuations (Actual, Implied, Comparables &amp; Exit)</b>			
<b>Actual multipel valuation</b>		<b>Implied multipel valuation</b>	
EV/SALES <sub>2014/15E</sub>	0.8x	Implied EV/SALES <sub>2014/15E</sub>	1.0x
EV/EBIT <sub>2014/15E</sub>	10.0x	Implied EV/EBIT <sub>2014/15E</sub>	12.0x
EV/EBITDA <sub>2014/15E</sub>	8.3x	Implied EV/EBITDA <sub>2014/15E</sub>	9.9x
<b>Comparable multipel valuation (Fiber Comps.)</b>		<b>Implied Exit multiples (Terminal year)</b>	
EV/SALES TTM	1.7x	Implied EV/SALES Exit multipel	0.7x
EV/SALES 10 YR Median	1.2x	Implied EV/EBIT Exit multipel	7.4x
		Implied EV/EBITDA Exit multipel	6.7x
EV/EBIT TTM	27.3x		
EV/EBIT 10 YR Median	21.0x		
EV/EBITDA TTM	13.5x		
EV/EBITDA 10 YR Median	12.6x		

Source: Redeye Research

### Catalyst for increased value

A catalyst is an event that most likely will affect the value of the company, either positively or negatively. A catalyst can either be internal or external. Internal catalyst could be changes in the product mix that increases the margins and external could be changes of listing or that the company is included in a stock index.

### Internal catalysts

The high tech acquisition of Proximion could lead to a better future product mix as there are likely selling synergies between Hexatronic's other subsidiaries. This could lead to a strong revenue growth in Proximion and thus increasing the overall margin levels of the company. The increased

*Catalysts is events that increases the value of the company*

margin also leads to increased cash flow that enhances the value of the company.

Hexatronic's system based offering could lead to a higher market share as the company competes with a better service than their competitors. This could lead to a high revenue growth and thus a higher valuation.

*System based offering  
could lead to higher  
market share*

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

### **External catalysts**

The company aims to list their shares at Nasdaq OMX small cap. This will increase the possibility for institutional investors to buy the shares of the company. If more institutional investor is likely to buy the shares of the company a higher valuation might be generated.

*Listing on Nasdaq OMX  
could lead to higher  
valuation levels*

Hexatronic, in its present shape is a relatively new company. We find it likely that a future continued performance of the company will increase the investor awareness and thus increasing the valuation of the company.

## Bear- and Base-case

Redeye uses a scenario based analysis with three different scenarios. Our Base-case is the scenario that we find most likely, Bull-case the most optimistic and Bear-case the most pessimistic.

### Bear-case

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. Our pessimistic Bear-case indicates a price of 11.5 SEK per share, which corresponds to a margin of safety of -44%. The case implies no multiple expansions and a terminal growth of around 3%. The implied multiple valuations are below the lowest level during the 10 year period for our comparable companies.

*Bear-Case valuation of  
11.5 SEK per share*

<b>Bear-case</b>			
<b>Assumptions:</b>	<b>2014/15-23</b>	<b>DCF-Value</b>	
CAGR Sales	6.2%	WACC	10.5%
EBITDA-margin	10.1%	Present value of FCF	181
Avreage RONIC	20%	Present value of Terminal Value	114
Avreage Reinvestment rate	33%		
		EV	295
		Net debt	28
<b>Terminal</b>		<b>DCF-value</b>	<b>324</b>
Terminal Growth of FCF	3.0%	<b>Value per share</b>	<b>11.5</b>
Reinvestment rate in perpetuity	51%	Today's share price	20.5
RONIC in perpetuity	6%	<b>Margin of saftey</b>	<b>-44%</b>
Implied EV/EBITDA Exit multipel	4.2x		
<b>Multiple valuations (Actual, Implied, Comparables &amp; Exit)</b>			
<b>Actual multipel valuation</b>		<b>Implied multipel valuation</b>	
EV/SALES2014/15E	0.9x	Implied EV/SALES2014/15E	0.5x
EV/EBIT2014/15E	10.2x	Implied EV/EBIT2014/15E	5.9x
EV/EBITDA2014/15E	8.4x	Implied EV/EBITDA2014/15E	4.8x

Source: Redeye Research

### Bull-case

In our Bull-case we assume that the company can sustain a higher growth level and a higher EBITDA margin from a better product mix. The assumptions in this scenario are the company continues to make good acquisitions and not overpaying for them. Our fair value estimate in our Bull-case is about 29.8 SEK per share. The implied EV/EBITDA14/15E multiple is 12.4x which is in line with peer group valuations.

*Bull-case valuation of  
29.8 SEK per share*

<b>Bull-case</b>			
<b>Assumptions:</b>	<b>2014/15-23</b>	<b>DCF-Value</b>	
CAGR Sales	12.7%	WACC	10.5%
EBITDA-margin	12.2%	Present value of FCF	308
Avreage RONIC	42%	Present value of Terminal Value	523
Avreage Reinvestment rate	44%		
		EV	831
		Net debt	28
<b>Terminal</b>		<b>DCF-value</b>	<b>859</b>
Terminal Growth of FCF	5.5%	<b>Value per share</b>	<b>29.8</b>
Reinvestment rate in perpetuity	54%	Today's share price	20.5
RONIC in perpetuity	10%	<b>Margin of saftey</b>	<b>45%</b>
Implied EV/EBITDA Exit multipel	6.6x		
<b>Multiple valuations (Actual, Implied, Comparables &amp; Exit)</b>			
<b>Actual multipel valuation</b>		<b>Implied multipel valuation</b>	
EV/SALES2014/15E	0.8x	Implied EV/SALES2014/15E	1.3x
EV/EBIT2014/15E	9.2x	Implied EV/EBIT2014/15E	14.8x
EV/EBITDA2014/15E	7.7x	Implied EV/EBITDA2014/15E	12.4x

Source: Redeye Research

### Sensitivity analysis

In this sensitivity analysis we have varied the variables during the forecast period. The analysis is based on percentage point changes in the EBITDA margin and growth rates.

		Implied Share Price				
		EBITDA Margin (pp change)				
		-2%	-1%	0%	+1%	+2%
WACC	9.5%	16	22	27	33	39
	10.0%	14	19	24	30	35
	10.5%	13	17	22.2	27	32
	11.0%	12	16	20	25	29
	11.5%	11	15	19	23	27

Source: Redeye Research

The valuation of Hexatronic is sensitive to changes in the EBITDA margins; still a level around 10.5-11% supports a share price in the region of 17-19 SEK per share. But we find it crucial that the margin levels can be sustained around the company's goal of 10-12%.

We also have adjusted the assumed growth rates and WACC to see their effect on our fair value estimate.

		Implied Share Price				
		Growth rate (pp change Y/Y)				
		-8%	-4%	0%	+4%	+8%
WACC	9.5%	19	23	27	33	40
	10.0%	17	21	24	29	35
	10.5%	16	19	22.2	26	31
	11.0%	15	17	20	24	28
	11.5%	14	16	19	22	26

Source: Redeye Research

Our model suggests that the company could have quite a large drop in the year on year growth rates and still support a valuation that is around today's share price. Today we estimate a growth around 11% during the period. Given the high growth fiber infrastructure industry this might be somewhat conservative. If the company reaches the goal of 20% growth rate per year this would imply a large revaluation of the share price.

*A high growth could lead to improvement of the valuation*

### Market implied growth rates and EBITDA margins

Our sensitivity analysis indicates that today's share price implies a drop in the growth rate of about 1 percentage point or a lower margin but higher growth.

		Implied Share Price								
		EBITDA Margin (Average)								
		7%	8%	9%	10%	11%	12%	13%	14%	15%
Growth rate (CAGR)	3%	3.9	7.0	10.0	13.0	16.0	19.0	22.0	25.1	28.1
	5%	3.8	7.3	10.6	14.0	17.3	20.7	24.1	27.4	30.8
	7%	3.7	7.5	11.3	15.0	18.8	22.5	26.3	30.1	33.8
	9%	3.5	7.8	12.0	16.2	20.4	24.6	28.8	33.0	37.2
	11%	3.3	8.1	12.8	17.5	22.2	26.9	31.6	36.3	41.0
	13%	3.0	8.4	13.6	18.9	24.2	29.4	34.7	40.0	45.2
	15%	2.6	8.7	14.6	20.5	26.4	32.3	38.1	44.0	49.9
	17%	2.2	9.0	15.6	22.2	28.8	35.4	42.0	48.6	55.2
	19%	1.7	9.3	16.7	24.1	31.5	38.9	46.2	53.6	61.0

Source: Redeye Research

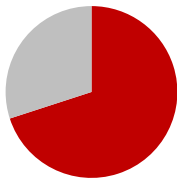
## Summary Redeye Rating

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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.

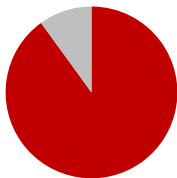
### No rating changes in this update.

Management 7.0p



Hexatronic has a strong management team of entrepreneurial people with plenty of skin in the game. CEO and chairman has significant from the telecom industry. Staff at other key positions, that joined the group through last year's acquisitions, are also intact. In terms of delivering on guidance or targets, the track record is not entirely convincing and leaves room for further potential

Ownership 9.0p



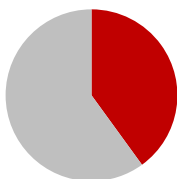
Top scores in almost all subcategories for our Ownership rating. The entire board and top management has large stakes in the company. Over 50 percent of the shares are held by active owners, including Chairman of the board and CEO. The only thing missing in order to get a full score is a large institutional owner.

Growth prospect 5.0p



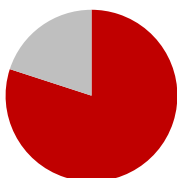
The rating for Growth Outlook is only average, in spite of good overall market prospects. The reason is mainly the competitive situation. Product differentiation appears to be difficult, thus price will always be an issue. Hexatronic is a small player compared to some of the dominant multinational companies.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

Profitability 4.0p



Our rating for profitability is not forward looking and historically, last 3-5 years, profitability has been mediocre. Return on equity has averaged below 10 percent and EBITDA-margin between a high of 5 per cent and negative numbers. However, this will most likely improve. Hexatronics own target is an EBITDA-margin of at least 10 per cent.

Financial strength 8.0p



The net cash position is positive and the business is cash generating and profitable. Consequently Hexatronic scores high in most subcategories for Financial Strength. It is merely the size of the company that does not fulfill the requirement for a top grade. Reaching their 500 MSEK turnover goal set for year 2017, will improve our rating. But full score requires a 10 bn SEK turnover.



Income statement	12/13	13/14	14/15E	15/16E	16/17E
Net sales	71	497	629	705	790
Total operating costs	-67	-437	-560	-625	-703
<b>EBITDA</b>	<b>4</b>	<b>60</b>	<b>70</b>	<b>80</b>	<b>87</b>
Depreciation	-1	-5	-5	-4	-8
Amortization	-1	0	-6	-8	-7
Impairment charges	0	0	0	0	0
<b>EBIT</b>	<b>3</b>	<b>55</b>	<b>59</b>	<b>68</b>	<b>72</b>
Share in profits	0	0	0	0	0
Net financial items	-1	-1	0	0	1
Exchange rate dif.	0	0	0	0	0
<b>Pre-tax profit</b>	<b>2</b>	<b>54</b>	<b>59</b>	<b>68</b>	<b>73</b>
Tax	0	-13	-13	-15	-16
<b>Net earnings</b>	<b>2</b>	<b>41</b>	<b>46</b>	<b>53</b>	<b>57</b>

Balance	12/13	13/14	14/15E	15/16E	16/17E
<b>Assets</b>					
<i>Current assets</i>					
Cash in banks	0	28	35	37	77
Receivables	11	141	176	197	221
Inventories	11	78	101	113	126
Other current assets	3	7	13	14	16
<b>Current assets</b>	<b>26</b>	<b>255</b>	<b>325</b>	<b>362</b>	<b>440</b>
<i>Fixed assets</i>					
Tangible assets	1	5	10	20	24
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	4	8	42	33	27
O intangible rights	0	0	0	0	0
O non-current assets	0	0	0	0	0
<b>Total fixed assets</b>	<b>5</b>	<b>13</b>	<b>52</b>	<b>54</b>	<b>51</b>
Deferred tax assets	0	0	0	0	0
<b>Total (assets)</b>	<b>31</b>	<b>268</b>	<b>377</b>	<b>415</b>	<b>491</b>

<b>Liabilities</b>					
<i>Current liabilities</i>					
Short-term debt	0	0	0	0	0
Accounts payable	4	54	107	85	95
O current liabilities	3	54	63	71	79
<b>Current liabilities</b>	<b>7</b>	<b>108</b>	<b>170</b>	<b>155</b>	<b>174</b>
Long-term debt	8	0	0	0	0
O long-term liabilities	0	32	32	32	32
Convertibles	0	0	0	0	0
<b>Total Liabilities</b>	<b>15</b>	<b>140</b>	<b>202</b>	<b>187</b>	<b>206</b>
Deferred tax liab	0	0	0	0	0
Provisions	0	19	19	19	19
Shareholders' equity	15	109	155	209	265
Minority interest (BS)	0	0	0	0	0
<b>Minority &amp; equity</b>	<b>15</b>	<b>109</b>	<b>155</b>	<b>209</b>	<b>265</b>
<b>Total liab &amp; SE</b>	<b>31</b>	<b>268</b>	<b>377</b>	<b>415</b>	<b>491</b>

Free cash flow	12/13	13/14	14/15E	15/16E	16/17E
Net sales	71	497	629	705	790
Total operating costs	-67	-437	-560	-625	-703
Depreciations total	-1	-5	-11	-12	-15
<b>EBIT</b>	<b>3</b>	<b>55</b>	<b>59</b>	<b>68</b>	<b>72</b>
Taxes on EBIT	0	-13	-13	-15	-16
<b>NOPLAT</b>	<b>3</b>	<b>42</b>	<b>46</b>	<b>53</b>	<b>56</b>
Depreciation	1	5	11	12	15
<b>Gross cash flow</b>	<b>4</b>	<b>47</b>	<b>57</b>	<b>65</b>	<b>71</b>
Change in WC	-7	-101	-1	-50	-20
Gross CAPEX	-6	-14	-49	-14	-12
<b>Free cash flow</b>	<b>-9</b>	<b>-67</b>	<b>7</b>	<b>2</b>	<b>39</b>

Capital structure	12/13	13/14	14/15E	15/16E	16/17E
Equity ratio	50%	41%	41%	50%	54%
Debt/equity ratio	52%	0%	0%	0%	0%
Net debt	8	-28	-35	-37	-77
Capital employed	23	81	120	171	189
Capital turnover rate	2.3	1.9	1.7	1.7	1.6

Growth	12/13	13/14	14/15E	15/16E	16/17E
Sales growth	81%	601%	27%	12%	12%
EPS growth (adj)	-3,554%	880%	-6%	15%	6%

DCF valuation	Cash flow, MSEK				
<b>Profitability</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15E</b>	<b>15/16E</b>	<b>16/17E</b>
ROE	18%	67%	35%	29%	24%
ROCE	16%	83%	45%	38%	31%
ROIC	26%	181%	57%	44%	33%
EBITDA margin	6%	12%	11%	11%	11%
EBIT margin	4%	11%	9%	10%	9%
Net margin	3%	8%	7%	8%	7%

Data per share	12/13	13/14	14/15E	15/16E	16/17E
EPS	0.17	1.70	1.61	1.86	1.97
EPS adj	0.17	1.70	1.61	1.86	1.97
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	0.57	-1.16	-1.23	-1.30	-2.67
Total shares	13.50	24.34	28.71	28.71	28.71

Valuation	12/13	13/14	14/15E	15/16E	16/17E
EV	264.2	434.2	516.8	514.7	475.4
P/E	109.3	11.2	13.0	11.3	10.6
P/E diluted	109.3	11.2	13.0	11.3	10.6
P/Sales	3.6	0.9	1.0	0.9	0.8
EV/Sales	3.7	0.9	0.8	0.7	0.6
EV/EBITDA	61.5	7.2	7.4	6.4	5.5
EV/EBIT	91.1	7.9	8.8	7.6	6.6
P/BV	16.7	4.2	3.6	2.6	2.1

Share performance	Growth/year		12/14e
1 month	6.1 %	Net sales	197.8 %
3 month	18.1 %	Operating profit adj	350.1 %
12 month	49.8 %	EPS, just	204.2 %
Since start of the year	2.5 %	Equity	217.9 %

Shareholder structure %	Capital	Votes
Gert Nordin		22 %
Göran Nordlund		13 %
Jonas Nordlund		11 %
ERRO Holding		9 %
Chirp AB		7 %
Others		38 %

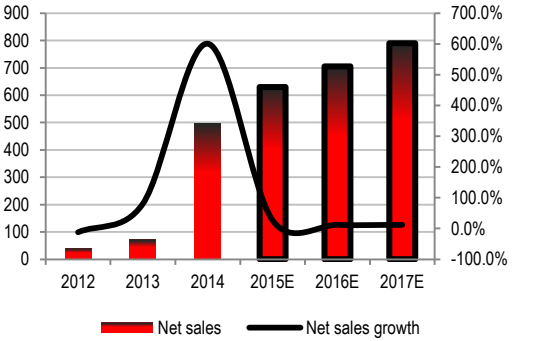
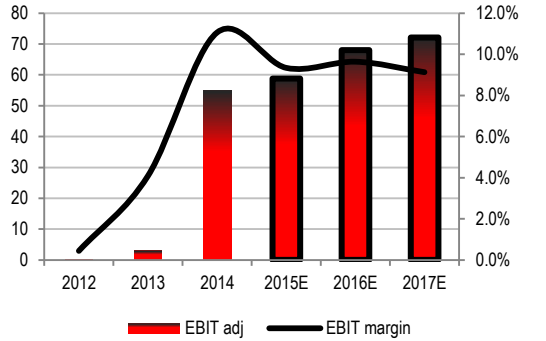
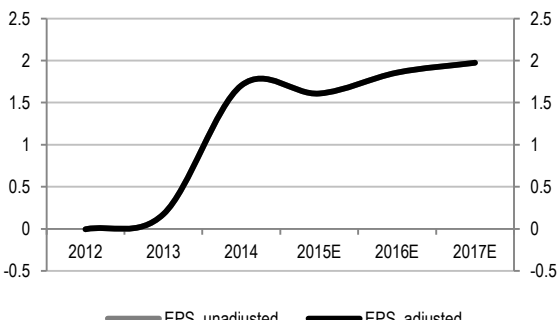
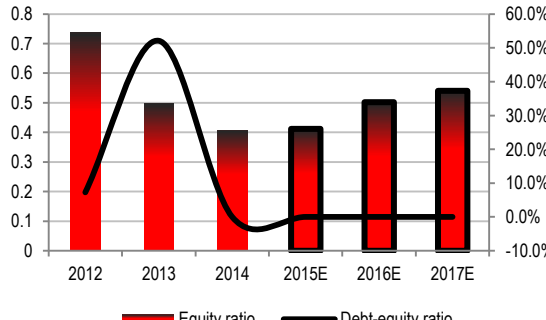
Share information	
Reuters code	
List	
Share price	20.9
Total shares, million	26.4
Market Cap, MSEK	552.1

Management & board	
CEO	Henrik Larsson-Lyon
CFO	
IR	
Chairman	Göran Nordlund

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 2012 to 2017E. Net sales are shown in million SEK on the left axis (0-900), and growth is on the right axis (-100.0% to 700.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net sales (M SEK)</th> <th>Net sales growth (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>~50</td> <td>~0.0%</td> </tr> <tr> <td>2013</td> <td>~80</td> <td>~100.0%</td> </tr> <tr> <td>2014</td> <td>~500</td> <td>~600.0%</td> </tr> <tr> <td>2015E</td> <td>~650</td> <td>~100.0%</td> </tr> <tr> <td>2016E</td> <td>~700</td> <td>~100.0%</td> </tr> <tr> <td>2017E</td> <td>~800</td> <td>~100.0%</td> </tr> </tbody> </table>	Year	Net sales (M SEK)	Net sales growth (%)	2012	~50	~0.0%	2013	~80	~100.0%	2014	~500	~600.0%	2015E	~650	~100.0%	2016E	~700	~100.0%	2017E	~800	~100.0%	 <p>EBIT adj (bars) and EBIT margin (line) from 2012 to 2017E. EBIT adj is shown in million SEK on the left axis (0-80), and margin is on the right axis (0.0% to 12.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EBIT adj (M SEK)</th> <th>EBIT margin (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>~2</td> <td>~0.0%</td> </tr> <tr> <td>2013</td> <td>~5</td> <td>~4.0%</td> </tr> <tr> <td>2014</td> <td>~55</td> <td>~11.0%</td> </tr> <tr> <td>2015E</td> <td>~60</td> <td>~10.0%</td> </tr> <tr> <td>2016E</td> <td>~68</td> <td>~10.0%</td> </tr> <tr> <td>2017E</td> <td>~72</td> <td>~10.0%</td> </tr> </tbody> </table>	Year	EBIT adj (M SEK)	EBIT margin (%)	2012	~2	~0.0%	2013	~5	~4.0%	2014	~55	~11.0%	2015E	~60	~10.0%	2016E	~68	~10.0%	2017E	~72	~10.0%
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 <p>EPS, unadjusted (line) and EPS, adjusted (line) from 2012 to 2017E. Both are shown on the left axis (-0.5 to 2.5).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EPS, unadjusted</th> <th>EPS, adjusted</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>~0.0</td> <td>~0.0</td> </tr> <tr> <td>2013</td> <td>~0.0</td> <td>~0.0</td> </tr> <tr> <td>2014</td> <td>~1.7</td> <td>~1.7</td> </tr> <tr> <td>2015E</td> <td>~1.6</td> <td>~1.6</td> </tr> <tr> <td>2016E</td> <td>~1.8</td> <td>~1.8</td> </tr> <tr> <td>2017E</td> <td>~1.9</td> <td>~1.9</td> </tr> </tbody> </table>	Year	EPS, unadjusted	EPS, adjusted	2012	~0.0	~0.0	2013	~0.0	~0.0	2014	~1.7	~1.7	2015E	~1.6	~1.6	2016E	~1.8	~1.8	2017E	~1.9	~1.9	 <p>Equity ratio (bars) and Debt-equity ratio (line) from 2012 to 2017E. Equity ratio is on the left axis (0 to 0.8), and Debt-equity ratio is on the right axis (-10.0% to 60.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Equity ratio</th> <th>Debt-equity ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>~0.75</td> <td>~0.0%</td> </tr> <tr> <td>2013</td> <td>~0.5</td> <td>~50.0%</td> </tr> <tr> <td>2014</td> <td>~0.4</td> <td>~0.0%</td> </tr> <tr> <td>2015E</td> <td>~0.4</td> <td>~0.0%</td> </tr> <tr> <td>2016E</td> <td>~0.5</td> <td>~0.0%</td> </tr> <tr> <td>2017E</td> <td>~0.55</td> <td>~0.0%</td> </tr> </tbody> </table>	Year	Equity ratio	Debt-equity ratio (%)	2012	~0.75	~0.0%	2013	~0.5	~50.0%	2014	~0.4	~0.0%	2015E	~0.4	~0.0%	2016E	~0.5	~0.0%	2017E	~0.55	~0.0%
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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 : No</b> Redeye performs/has performed services for the Company and receives/has 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 (2015-01-21)**

Rating	Management	Ownership	Growth Prospect	Profitability	Financial Strength
7,5p - 10,0p	23	33	11	7	17
3,5p - 7,0p	52	38	64	31	31
0,0p - 3,0p	2	6	2	39	29
Company N	77	77	77	77	77

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