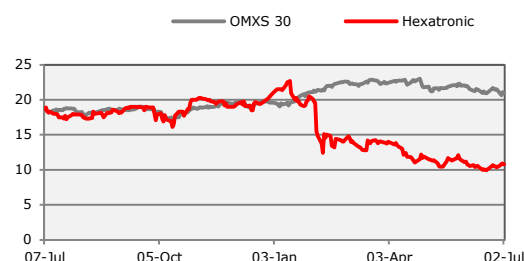


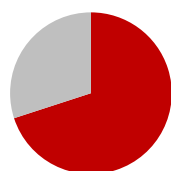
Summary
Hexatronic (HTRO)
Untapped growth potential

- Hexatronic's report for the third quarter was in line with our estimates. The company reported revenues of 182 MSEK and an EBITDA of 17 MSEK.
- The acquisition of TD Fiberoptik has delivered results that are above both ours and the company's expectations. Hexatronic now have an expanded product range approved by Skanova, this is an untapped growth potential and will likely drive the organic growth going onward.
- We have revised our margin expectations slightly downwards as the underlying margins, adjusted for non-recurring effects, have been lower than expected the last quarters. Our fair value estimate (in a Base-case) is revised to 18 (21) SEK per share indicating a potential of 65% from today's share price levels. We find the share as attractively valued with low expectations of future value creation imbedded by the current share price, creating a good risk reward opportunity.

List: 351 MSEK
 Market Cap: 351 MSEK
 Industry: Telecommunication Equipment
 CEO: Henrik Larsson-Lyon
 Chairman: Göran Nordlund

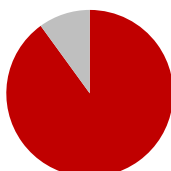

Redeye Rating (0 – 10 points)

Management



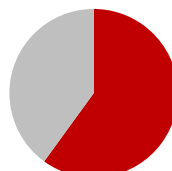
7.0 points

Ownership



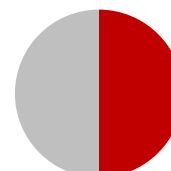
9.0 points

Growth prospect



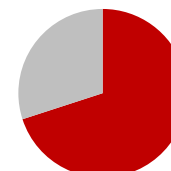
6.0 points

Profitability



5.0 points

Financial strength



7.0 points

Key Financials

	12/13	13/14	14/15E	15/16E	16/17E	Share information	
Revenue, MSEK	71	497	627	715	801	Share price (SEK)	10.8
<i>Growth</i>	81%	601%	26%	14%	12%	Number of shares (m)	32.7
EBITDA	4	60	60	68	80	Market Cap (MSEK)	351
<i>EBITDA margin</i>	6%	12%	10%	10%	10%	Net debt (MSEK)	2
EBIT	3	55	46	56	67	Free float (%)	30 %
<i>EBIT margin</i>	4%	11%	7%	8%	8%	Daily turnover ('000)	30
Pre-tax earnings	2	54	43	50	61	Analysts:	
Net earnings	2	41	33	39	47	Kristoffer Lindström	
<i>Net margin</i>	3%	8%	5%	5%	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	0.96	1.11	1.36	henrik.alveskog@redeye.se	
P/E adj.	109.3	11.2	11.2	9.7	7.9		
EV/S	3.7	0.9	0.7	0.6	0.5		
EV/EBITDA	61.5	7.2	7.6	6.6	5.3		

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 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.

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.

Untapped growth potential

We still find the share as attractively valued

Hexatronic's report for the third quarter was in line with our expectations. The company reported a slightly higher revenue growth, but a little lower EBITDA-margin than we had expected. The acquisition of TD Fiberoptik seems to be on track and the subsidiary presented a higher revenue level than we had expected. Hexatronic now also have an expanded product range that is approved by Skanova, this is very positive as it will create new customers and likely a higher organic growth in the future. The underlying organic growth was negative, as anticipated, but the adjusted EBITDA-margin was also slightly below our estimate, which have lead to some smaller margin assumption adjustments. Hexatronic now follow the IFRS accounting principles and is preparing for a listing on Nasdaq Stockholm Small cap.

Overall, we find the report as a good one and we still find the share's of Hexatronic as attractively valued given the likely future prospects for the company.

Quarterly deviations

A quarter in line with our estimates

Hexatronic reported sales of 182 MSEK, corresponding to a growth of 7%. The growth was driven by the acquisitions of TD Fiberoptik and Proximion as the company had a negative organic growth of about -22%. We had expected an organic decline of about -19% compared to last years Q3. During the last year Hexatronic had some headwind from orders they gained from Ericsson through the acquisition and most likely some larger sea cable orders boosting both revenue and profits. That's why we don't see the large decline in the organic growth as very alarming because the point of comparison is at a high level. Hexatronic also commented that they felt a lower than expected demand during the first period of the quarter but with a strong finish. Overall, we can also note that TD Fiberoptik had revenues that was almost 40% higher than we had expected.

Estimate vs. Outcome				
MSEK	13/14 Q3	14/15 Q3E	14/15 Q3A	Diff
Revenues	170	175	182	4%
of which Proximion		8	8	
of which TD Fiber		30	41	
Revenues exkl acq.	170	138	132	
COGS	93	93	97	4%
Gross Profit	77	82	85	3%
adj Gross Profit			83	
SG&A	58	65	68	5%
EBITDA	19	18	17	-4%
adj. EBITDA			15	-12%
D&A	3	5	4.0	
EBIT	15	12	13	5%
NET profit	12	9	9	9%
EPS	0.5	0.3	0.3	-11%
Revenue Growth %		3%	7%	
of which organic		-19%	-22%	
Gross Profit margin %	45%	47%	47%	
adj. Gross Profit margin %			46%	
EBITDA margin %	11.1%	10.0%	9.3%	
adj. EBITDA margin %			8.5%	
EPS Growth (YoY)		n.m	n.m	

Source: Hexatronic Group & Redeye Research

We see the quarter, gross margin as representative of the future

Hexatronic reported a gross margin of 47%. The result was affected by a positive effect of 2.5 MSEK from the inventory discount, an adjusted gross margin corresponds to about 46%. The margin levels were well in line with our expectations and we see this quarter's levels as representative of the future.

Further down the income statement Hexatronic reported an EBITDA of 17 MSEK which corresponds to an EBITDA-margin of 9.3%, during the quarter Hexatronic had about 1 MSEK in a non-recurring costs related to the acquisition of TD Fiberoptik. The Adjusted EBITDA, when accounting for the positive effect of the inventory discount and the non-recurring related acquisition costs, add up to about 15 MSEK which corresponds to an EBITDA-margin of 8.5%.

Net working capital – Lower levels ahead

We have the NWC under watch, but don't see the development as alarming

By the end of the quarter the inventory rose to 158 MSEK, up from 126 in Q3. Most of the increase in inventory comes from the acquisition of TD Fiberoptik that is now consolidated on the balance sheet. We expect the inventory to be lower at the end of next quarter, as the inventory should be sold off during the summer period. We find it likely that the company has been stockpiling the inventory ahead of the vacation period as the factory in HC&I am closed during July.

Skanova – Untapped growth potential

During the quarter Hexatronic have gained some new customers. The primary reason is that Hexatronic now have an expanded product range that is approved by Skanova. This approval is of high importance as Skanova is the main contractor of fiber development from TeliaSonera. Telia will invest about 9 billion SEK in fiber during the period 2015-2018. We see this as a large and untapped growth potential for Hexatronic as the offering to Skanova contractors now can be amplified. A large part of the market that Hexatronic couldn't address before is now open!

Now with IFRS – Nasdaq Stockholm Small cap ahead

Hexatronic now reports according to the IFRS standard. IFRS reporting is necessary for a listing on Nasdaq Stockholm Small cap. The main effect for Hexatronic is that they no longer will write off their acquisition over a period of five years. As such the future D&A will be lower than before. This is something we have previously mentioned and now have accounted for in our forecast. The listing on Nasdaq Stockholm Small cap is something we see as highly positive as it will likely lead to a higher institutional interest for the company and likely higher valuation levels in our view.

Next quarter estimates

The revenue growth for the next quarter will be driven by the acquisitions of both TD Fiberoptik and Proximion. We expect the revenues in the region of 166 MSEK, which corresponds to a growth rate of 22%. The fourth quarter is expected to be slightly weaker than Q3 as the summer vacation will likely affect the investment activity in fiber infrastructure negatively.

*Positive effects from TD
Fiberoptik and Proximion*

Next quarter estimates		
MSEK	13/14 Q4	14/15 Q4E
Revenues	140	166
COGS	82	86
Gross profit	59	79
SG&A	43	65
EBITDA	16	15
EBIT	15	11
Net profit	11	8
Revenue Growth		18%
Gross profit margin	41.7%	48.0%
EBITDA margin	11.4%	9.0%

*166 MSEK in revenue
expected for the next
quarter*

Source: Redeye Research

We expect a gross profit of 79 MSEK, which corresponds to a gross profit margin of about 48%. We see a likely gross margin level close to the reported margin during Q3, as we find the product/company mix as representative of the future mix.

We estimate the SG&A to be about 65 MSEK for the coming quarter. We expect the EBITDA to be in the region of 15 MSEK which corresponds to a margin of 9%. This is in line with the adjusted EBITDA-margin level for Q3.

Full year revisions

We have revised our full year estimate for 2014/15E and 2015/16E. For the full year we expect revenues of 627 MSEK. We have also lowered our estimate of future growth slightly as the company's organic growth the last few quarters have been under below estimates. Still, we see great growth prospect for Hexatronic with the added Skanova approval and a strong underlying market of fiber infrastructure investments for many years to come.

*The adoption of IFRS will
lead to higher EPS*

Forecast adjustments		
MSEK	14/15E	15/16E
Revenues		
Old	625	751
New	627	715
% change	0.3%	-4.8%
EBITDA		
Old	61	77
New	60	68
% change	-2%	-12%
EBIT		
Old	45	55
New	47	56
% change	3%	2%
EPS (diluted)		
Old	0.86	1.03
New	0.99	1.17
% change	15%	13%

Source Redeye Research

We expect the company to report an EBITDA-margin for the full year of about 9.5%, which corresponds to an EBITDA of 61 MSEK. The underlying EBITDA-margin, when accounting for non-recurring effects were below our estimates the last few quarters, also the SG&A have been higher than we have expected. This leads us to revise our margin expectations slightly going forward.

Our EBIT and EPS effected by the new adoption of IFRS with lower expected future D&A. We expect an EBIT for 2014/15E of 45 MSEK and for 2015/16E 56 MSEK. The EPS forecast is adjusted upwards because of the new accounting principles.

Long term forecast

Our long term forecasts of revenue growth rates and EBITDA-margin levels are revised slightly downwards. Mainly driven by a slower organic growth and a lower underlying margin the last few quarters. Still, we do see good long term prospects for Hexatronic as larger demand for data capacity will drive the long term investment in the fiber infrastructure for many years to come and the possibility that the Skanova approval can add new customers to the company and fuel the organic growth.

Hexatronic, income statement												
Base-case												
MSEK	12/11	13/14	14/15E	15/16E	16/17E	17/18E	18/19E	19/20E	20/21E	21/22E	22/23E	23/24E
Revenues	71	497	627	715	801	897	986	1075	1172	1277	1392	1469
COGS	-47	-294	-330	-388	-440	-493	-542	-591	-644	-702	-766	-808
Gross Profit	24	203	297	327	360	403	444	484	527	575	626	661
SG&A	-20	-143	-237	-259	-280	-314	-345	-376	-410	-447	-487	-529
EBITDA	4	60	60	68	80	90	99	107	117	128	139	132
D&A	-1	-5	-13	-12	-13	-14	-15	-16	-16	-16	-16	-9
EBIT	6	55	47	56	67	76	84	92	101	112	123	123
Finans Net	-1	-1	-2	-4	-4	-3	-1	0	1	2	3	3
Profit before tax	5	54	45	52	64	73	83	92	102	114	126	127
Tax	0	-13	-10	-11	-14	-16	-18	-20	-23	-25	-28	-28
Net profit	5	41	35	41	50	57	65	72	80	89	98	99
Growth rates and margins												
Revenue growth		601%	26%	14%	12%	12%	10%	9%	9%	9%	9%	6%
Gross profit margin	34%	41%	47%	46%	45%	45%	45%	45%	45%	45%	45%	45%
EBITDA-Margin	6%	12%	10%	10%	10%	10%	10%	10%	10%	10%	10%	9%
EBIT-Margin	8%	11%	7%	8%	8%	8%	9%	9%	9%	9%	9%	8%
CAPEX	1	10	57	14	16	16	18	16	15	13	14	18
NWC	18	119	138	172	192	215	247	269	293	281	313	352

Source: Redeye Research, Hexatronic Group

Valuation

Our fair value is unchanged at 18 MSEK per share in our Base-case

Our fair value estimate is negatively affected by our estimate revisions to a small degree. Our fair value estimate in our Base-case is lowered to 18 (21) SEK per share. In our valuation we are using a dilution effect from the outstanding stock options. We estimate a CAGR of sales in the region of 11% between the years 2014/15-23 and an EBITDA-margin of about 9.8%. Our valuation implies and EV/EBITDA exit multiple of 8x and a ROIC in perpetuity close to our estimated WACC, which we find as a conservative assumption to make.

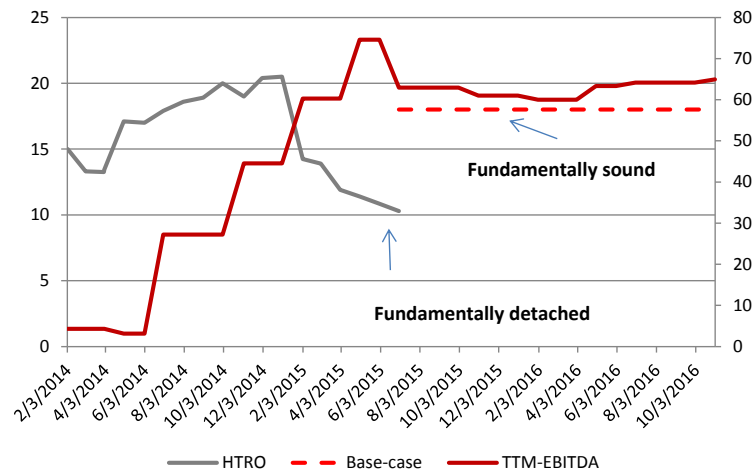
Base-case			
Assumptions:	2014/15-23	DCF-Value	
CAGR Sales	11.4%	WACC	10.3%
EBITDA-margin	9.8%	Present value of FCF	215
Avreage RONIC	9%	Present value of Terminal Value	416
Avreage Reinvestment rate	48%		
Terminal		EV	631
Terminal Growth of FCF	5.5%	Net debt	2
Reinvestment rate in perpetuity	50%	DCF-value	633
RONIC in perpetuity	11%	Value per share	18
Implied EV/EBITDA Exit multipel	8x	Today's share price	11
		Margin of saftey	67%
Multiple valuations (Actual, Implied, Comparables & Exit)			
Actual multipel valuation		Implied multipel valuation	
EV/SALES2014/15E	0.6x	Implied EV/SALES2014/15E	1.0x
EV/EBITDA2014/15E	6x	Implied EV/EBITDA2014/15E	11x
EV/EBITDA2015/16E	5x	Implied EV/EBITDA2015/16E	9x

Source: Redeye Research

Our Base-case fair value implies an EV/EBITDA 2014/15E multiple of about 11x which we find as fair when compared to international peers. Our fair value of 18 SEK per share is about 66% above today's share price. Today the company is trading at about 6x next year's EBITDA and 5x 2015/16E EBITDA, we regard this to be too low for a company of Hexatronic's characteristics. We regard the share as attractively priced at current levels with quite low future expectations of value creation embedded in the share price. The low expectations should limit the downside risk in Hexatronic from current levels.

Detached from fundamentals

HTRO share price, Trailing/estimate 12 month EBITDA



Source: Redeye Research & Bloomberg

The valuation of Hexatronic is somewhat of a puzzle. The company continues to perform good, but the market is not recognizing this. In the chart above we can clearly see the detachment from fundamentals of the share price. In the beginning of 2014 the share price correlated to a great degree with the increasing EBITDA, on a 12 month rolling basis when reported. Today the market implies that the fundamentals of Hexatronic will deteriorate, we do not think that is the case and our Base-case valuation of 18 SEK per share seems be a much more fundamentally sound level.

Valuation range

The share currently trades at our Bear-case level and 66% of our Base-case. Today's share price implies low expectations of the future performance of Hexatronic's fundamentals, almost deterioration. Buying a share with low expectations embedded in the price might often be very rewarding, as disappointments will not hurt the share price that much, but positive news will have a large impact on the valuation. We rate Hexatronic as a quality company with quality management in a growth industry. As such, we find a valuation close to our Bear-case valuation to be too conservative for a company such as Hexatronic.

Case scenario valuation range		
Case	Fair Value	Risk/Potential
Bull-case	31	184%
Base-case	18	65%
Bear-case	10	-8%

Source: Redeye Research

Internal catalysts for value creation

Hexatronic have stated that they see some cost synergies between them and TD Fiberoptik. If these synergies can be capitalized on this will most likely lead to an improved gross margin going onward, which will increase the cash flows and thus also 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.

The system based offering could lead to higher market share

The growth of infrastructure investment in fiber will be substantially over the coming years. Due to the large need of higher internet capacity with reason of changing consumer behaviour. 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 the Nasdaq Stockholm Small cap. This will increase the possibility for institutional investors to buy the shares of the company. If a more institutional investor is likely to buy the shares of the company a higher valuation might be generated.

Listing on Nasdaq Stockholm 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.

Sensitivity analysis

In this sensitivity analysis, we have varied the variations 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)				
		-4%	-2%	0%	+2%	+4%
Growth rate (pp change Y/Y)	-8%	4	10	16	22	27
	-4%	2	10	17	24	31
	0%	0	10	18	27	36
	4%	-2	9	20	30	41
	8%	-6	8	21	34	48

The valuation of Hexatronic is sensitive to changes in the EBITDA-margins; still a level around 8% supports a share price in the region of today’s levels about 10 SEK per share. But we find it crucial that the margin levels can be sustained around the company’s goal of 10-11%.

We have also 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	9.3%	20	21	23	25	27
	9.8%	17	19	20	22	23
	10.3%	16	17	18	19	21
	10.8%	14	15	16	18	19
	11.3%	13	14	15	16	17

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 around today's share price levels. Today we estimate a growth around 12% 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

Margin of about 7% and growth of about 8-10% justifies today's share price

Market implied growth rates and EBITDA margins

Our sensitivity analysis indicates that today's share price will imply forward EBITDA margin in the region of 7% which we find too conservative. We find that a growth rate between 8-10% justifies today's share price with the lower margin assumptions. Thus, clearly below the company's goal of 20% year on year growth and an EBITDA margin of 10%. The share price is highly sensitive to future margin assumptions. Today's share price implies deteriorating fundamentals, almost value destroying growth. We find the market implied fundamentals as too conservative.

		Implied Share Price								
		EBITDA Margin (Average)								
		7.3%	7.9%	8.6%	9.2%	9.8%	10.4%	11.1%	11.7%	12.3%
8.5%	10	12	13	15	17	19	20	22	24	
9.2%	10	12	14	15	17	19	21	23	25	
10.0%	9	12	14	16	18	20	21	23	25	
10.7%	9	12	14	16	18	20	22	24	26	
11.4%	9	12	14	16	18	20	23	25	27	
12.2%	9	12	14	16	18	21	23	25	28	
12.9%	9	12	14	16	19	21	24	26	28	
13.6%	9	12	14	17	19	22	24	27	29	
14.4%	8	11	14	17	19	22	25	28	30	

Källa: Redeye Research

Investment case

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

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

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

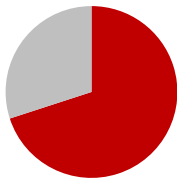
Summary Redeye Rating

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

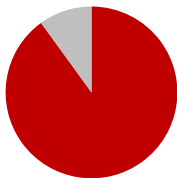
No rating changes.

Management 7.0p



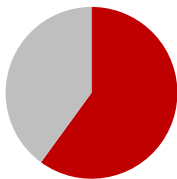
Hexatronic has a strong management team of entrepreneurial people with plenty of skin in the game. CEO and chairman have significant experience from the telecom industry. Staff at other key positions, that joined the group through last year's acquisitions, are also intact. The company has delivered so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

Ownership 9.0p



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

Growth prospect 6.0p



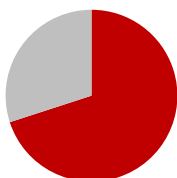
The rating for Growth Outlook is only average, in spite of good overall market prospects. The reason is mainly the competitive situation. Product differentiation appears to be difficult, thus price will always be an issue. Hexatronic is a small player compared to some of the dominant multinational companies.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

Profitability 5.0p



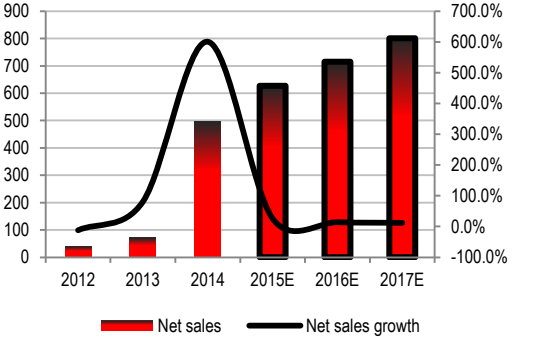
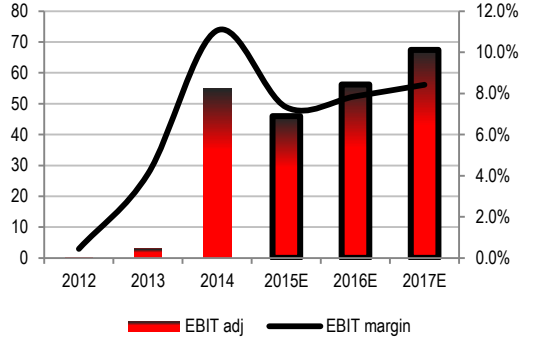
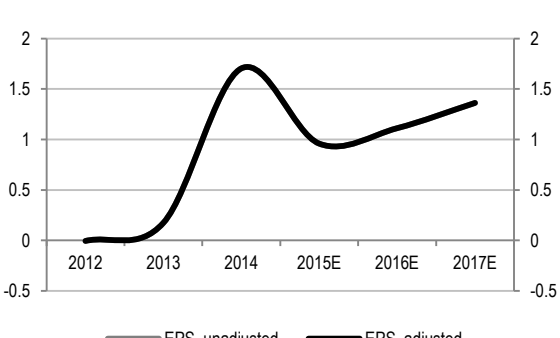
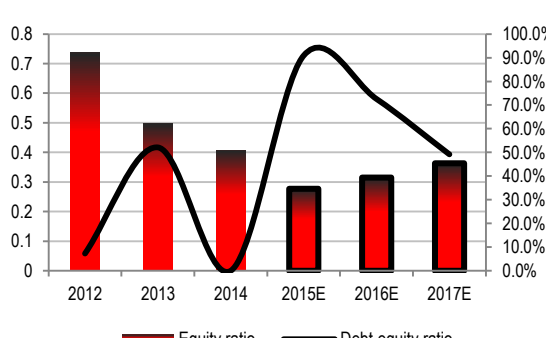
Our rating for profitability is not forward looking and historically, last 3-5 years, profitability has been mediocre. Last year the profitability in terms of margins and Return on Equity was very good (ROE of 66%). This increases our profitability rating for the company compared to before.

Financial strength 7.0p



In our view Hexatronic is very financial stable and scores high in most subcategories for Financial Strength. The TTM revenue is above 600 MSEK which increases our rating. Still Ericsson stands for a large part of the revenue and 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	12/13	13/14	14/15E	15/16E	16/17E
Net sales	71	497	627	715	801
Total operating costs	-67	-437	-567	-647	-720
EBITDA	4	60	59	68	80
Depreciation	-1	-5	-13	-10	-11
Amortization	-1	0	0	-2	-2
Impairment charges	0	0	0	0	0
EBIT	3	55	46	56	67
Share in profits	0	0	0	0	0
Net financial items	-1	-1	-3	-7	-7
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	2	54	43	50	61
Tax	0	-13	-10	-11	-13
Net earnings	2	41	33	39	47
Balance	12/13	13/14	14/15E	15/16E	16/17E
Assets					
<i>Current assets</i>					
Cash in banks	0	28	31	36	40
Receivables	11	141	194	229	256
Inventories	11	78	125	143	160
Other current assets	3	7	13	14	16
Current assets	26	255	363	422	472
<i>Fixed assets</i>					
Tangible assets	1	5	49	53	59
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	103	101	99
O intangible rights	0	0	0	0	0
O non-current assets	0	0	0	0	0
Total fixed assets	5	13	152	154	157
Deferred tax assets	0	0	0	0	0
Total (assets)	31	268	515	576	630
Liabilities					
<i>Current liabilities</i>					
Short-term debt	0	0	90	100	89
Accounts payable	4	54	113	129	144
O current liabilities	3	54	81	86	96
Current liabilities	7	108	284	314	329
Long-term debt	8	0	40	32	24
O long-term liabilities	0	32	32	32	32
Convertibles	0	0	0	0	0
Total Liabilities	15	140	356	378	385
Deferred tax liab	0	0	0	0	0
Provisions	0	19	16	16	16
Shareholders' equity	15	109	143	181	229
Minority interest (BS)	0	0	0	0	0
Minority & equity	15	109	143	181	229
Total liab & SE	31	268	515	576	630
Free cash flow	12/13	13/14	14/15E	15/16E	16/17E
Net sales	71	497	627	715	801
Total operating costs	-67	-437	-567	-647	-720
Depreciations total	-1	-5	-13	-12	-13
EBIT	3	55	46	56	67
Taxes on EBIT	0	-13	-10	-12	-15
NOPLAT	3	42	36	44	53
Depreciation	1	5	13	12	13
Gross cash flow	4	47	49	56	65
Change in WC	-7	-101	-19	-34	-21
Gross CAPEX	-6	-14	-152	-14	-16
Free cash flow	-9	-67	-121	8	29
Capital structure	12/13	13/14	14/15E	15/16E	16/17E
Equity ratio	50%	41%	28%	32%	36%
Debt/equity ratio	52%	0%	91%	73%	49%
Net debt	8	-28	98	96	72
Capital employed	23	81	241	277	301
Capital turnover rate	2.3	1.9	1.2	1.2	1.3
Growth	12/13	13/14	14/15E	15/16E	16/17E
Sales growth	81%	601%	26%	14%	12%
EPS growth (adj)	-3,554%	880%	-44%	16%	23%
DCF valuation					
WACC (%)	10.3 %				
Cash flow, MSEK					
NPV FCF (2015-2017)					16
NPV FCF (2018-2024)					197
NPV FCF (2025-)					416
Non-operating assets					28
Interest-bearing debt					0
Fair value estimate MSEK					638
Assumptions 2015-2021 (%)					
Average sales growth	8.6 %				
EBIT margin	8.6 %				
Fair value e. per share, SEK					18
Share price, SEK					10.8
Profitability	12/13	13/14	14/15E	15/16E	16/17E
ROE	18%	67%	27%	24%	23%
ROCE	16%	83%	24%	19%	21%
ROIC	26%	181%	44%	18%	19%
EBITDA margin	6%	12%	9%	10%	10%
EBIT margin	4%	11%	7%	8%	8%
Net margin	3%	8%	5%	5%	6%
Data per share	12/13	13/14	14/15E	15/16E	16/17E
EPS	0.17	1.70	0.96	1.11	1.36
EPS adj	0.17	1.70	0.96	1.11	1.36
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	0.57	-1.16	2.83	2.76	2.08
Total shares	13.50	24.34	34.79	34.79	34.79
Valuation	12/13	13/14	14/15E	15/16E	16/17E
EV	264.2	434.2	449.5	447.0	423.5
P/E	109.3	11.2	11.2	9.7	7.9
P/E diluted	109.3	11.2	11.2	9.7	7.9
P/Sales	3.6	0.9	0.6	0.5	0.5
EV/Sales	3.7	0.9	0.7	0.6	0.5
EV/EBITDA	61.5	7.2	7.6	6.6	5.3
EV/EBIT	91.1	7.9	9.8	8.0	6.3
P/BV	16.7	4.2	2.5	1.9	1.5
Share performance		Growth/year			13/15e
1 month		1.9 %	Net sales		197.2 %
3 month		-23.2 %	Operating profit adj		297.9 %
12 month		-43.1 %	EPS, just		134.9 %
Since start of the year		-47.3 %	Equity		204.7 %
Shareholder structure %		Capital		Votes	
Gert Nordin		0.0 %		18.4 %	
Göran Nordlund		0.0 %		12.0 %	
Jonas Nordlund		0.0 %		10.6 %	
Erro Holding AB		0.0 %		8.1 %	
Chirp AB		0.0 %		5.5 %	
Vision Invest		0.0 %		3.3 %	
Share information					
Reuters code					
List					
Share price					10.8
Total shares, million					32.7
Market Cap, MSEK					351.1
Management & board					
CEO					Henrik Larsson-Lyon
CFO					
IR					
Chairman					Göran Nordlund
Financial information					
Analysts					Redeye AB
Kristoffer Lindström					Mäster Samuelsgatan 42, 10tr
kristoffer.lindstrom@redeye.se					111 57 Stockholm
Henrik Alveskog					
henrik.alveskog@redeye.se					

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)																																										
 <p>Net sales (red bars) and Net sales growth (black 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>~750</td> <td>~100.0%</td> </tr> <tr> <td>2017E</td> <td>~850</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	~750	~100.0%	2017E	~850	~100.0%	 <p>EBIT adj (red bars) and EBIT margin (black 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>~45</td> <td>~7.0%</td> </tr> <tr> <td>2016E</td> <td>~55</td> <td>~8.0%</td> </tr> <tr> <td>2017E</td> <td>~65</td> <td>~9.0%</td> </tr> </tbody> </table>	Year	EBIT adj (M SEK)	EBIT margin (%)	2012	~2	~0.0%	2013	~5	~4.0%	2014	~55	~11.0%	2015E	~45	~7.0%	2016E	~55	~8.0%	2017E	~65	~9.0%
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Conflict of interests Kristoffer. Lindström owns shares in the company : Yes Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.	Company description 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 (2015-07-07)

Rating	Management	Ownership	Growth Prospect	Profitability	Financial Strength
7,5p - 10,0p	29	31	14	7	17
3,5p - 7,0p	55	47	70	32	34
0,0p - 3,0p	3	9	3	48	36
Company N	87	87	87	87	87

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