ADDvise

Seasonally slow quarter

Quarterly review and estimate changes

For the seasonally slow third quarter, ADDvise reported net sales of SEK 47.4m, implying 12% y/y growth, which was below our estimate of SEK 54.8m. Adjusted EBITDA fell from SEK 2.4m last year to SEK 0.5m, while the order book was up by 27% y/y.

The company states that slow public tender processes in Sweden have delayed orders, while unfavourable FX and lower project margins within Labs impacted profitability. We cut our 2017 estimates to reflect timing effects within the project business and a delayed closing of the Germa acquisition, while we make only minor adjustments to our long-term forecasts.

An acquisition story unfolding

An investment in ADDvise offers exposure to defensive assets in a market favoured by demographic factors. Based on the favourable fundamentals, we see opportunities for ADDvise to capture organic growth in the coming years through its Lab and Healthcare units, which both have direct exposure to these market dynamics.

Acquisitions are an integral part of the business model and the company has proved its ability to rapidly grow sales by acquiring and integrating targets. Its decentralised business model is highly scalable and we model a front-end loaded sales CAGR of 14.7% between 2016 and 2024E. Increased scale also allows for higher profitability, partly due to synergies, but also because of lower financial costs. Our research implies that the adjusted EBITDA margin could expand from 4.7% in 2016 to 9.7% in 2024E.

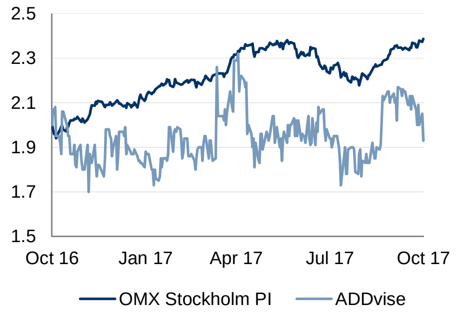
Valuation

Based on a discounted cash flow approach (DCF), with variations in sales growth, EBIT (earnings before interest and taxes) margin and weighted average cost of capital (WACC) assumptions, we derive an equity value per share of between SEK 1.4 and SEK 4.6.

Key data

Country	Sweden
Bloomberg	ADDVB SS
Reuters	ADDVB.ST
Share price	1.90
Free float	n.a.
Market cap (m)	SEK 92
Website	www.addvisegroup.com
Next report date	23 February 2018

Absolute and relative performance



	-1M	-6M	-12M	YTD
Absolute	-3%	-10%	2%	8%
Relative	-5%	-12%	-10%	-3%

Source: Thomson Reuters

Estimate changes

	2017E	2018E	2019E
Sales	-5%	-1%	0%
EBITDA	-21%	-6%	0%

Source: Nordea Markets

Summary table - key figures

SEKm	2012	2013	2014	2015	2016	2017E	2018E	2019E
Net sales	100	120	138	147	195	244	326	377
- growth		20%	15%	6%	33%	25%	34%	16%
EBIT (adj.)	-2	4	4	-4	5	11	21	27
- margin	-1.8%	3.6%	3.2%	-2.7%	2.8%	4.6%	6.4%	7.1%
EPS	-0.52	-0.44	-0.41	-0.73	0.01	-0.11	0.15	0.26
- growth		-15%	-8%	79%	neg.	n.m.	-229%	79%
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	13.0	7.3
EV/EBIT	n.m.	76.9	51.0	406.4	n.m.	21.2	11.8	9.6
EV/Sales	0.4	0.8	1.0	0.9	0.9	0.9	0.8	0.7
RoE	-38.1%	-41.7%	-36.1%	-116.0%	1.2%	-10.0%	11.4%	17.6%
Div. yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-56.6%	-63.2%	-97.2%	-27.2%	-101.6%	-62.9%	-21.2%	-13.0%
ND/EBITDA	11.6	14.9	19.3	19.2	5.8	9.5	6.0	5.1

Source: Company data and Nordea Markets

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Quarterly review

ADDvise reported Q3 net sales of SEK 47.4m compared with SEK 42.2m in the same quarter of last year. The sales growth was mainly attributable to the acquisition of Hettich Labinstrument, which was consolidated at the beginning of 2017. The adjusted EBITDA (earnings before interest, taxes, depreciation and amortisation) result was SEK 0.4m, implying an EBITDA margin of 1.0%. Q3 is usually seasonally slow and profitability suffered from a combination of adverse FX effects, slower sales than anticipated and margin writedowns in projects within Labs.

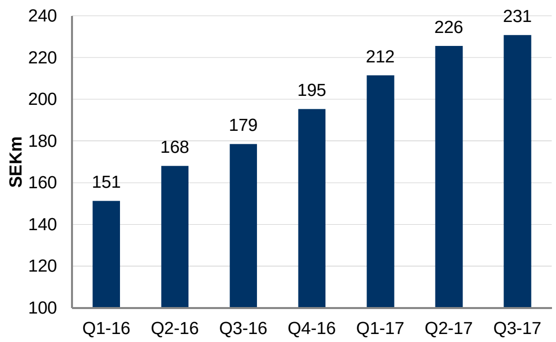
Sales of SEK 47.4m in the quarter were lower than expected

ADDvise reported net sales for Q3 2017 of SEK 47.4m compared with SEK 42.2m for the same period last year. This represents growth of 12.2% but was below our estimate of SEK 54.8m. The main sales contributor compared with last year was the acquisition of Hettich Labinstrument which was consolidated on 31 January 2017. Sales for the LTM period ending in Q3 were SEK 230.8m, which represents 29% growth y/y.

Order intake weakened due to slow public procurements

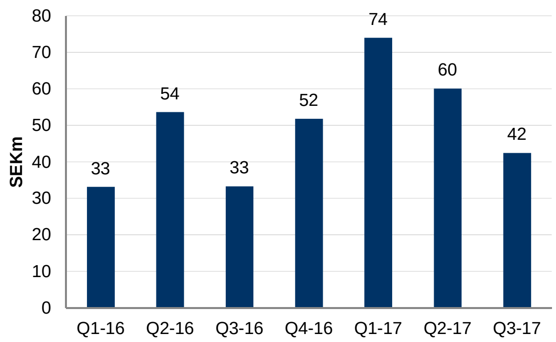
Orders for the third quarter came in at SEK 42.4m, an increase of 27.3% y/y. This brings the year-to-date accumulated order intake to SEK 176.5m, which represents a 47.2% increase y/y. The third quarter, which is usually a softer quarter, thus saw a reduced order delta and the company states that this is due to the longer decision processes in the public sector in Sweden, which impact the timing of orders and revenue.

Sales, rolling LTM as of Q3 2017



Source: Company data and Nordea Markets

Quarterly order intake

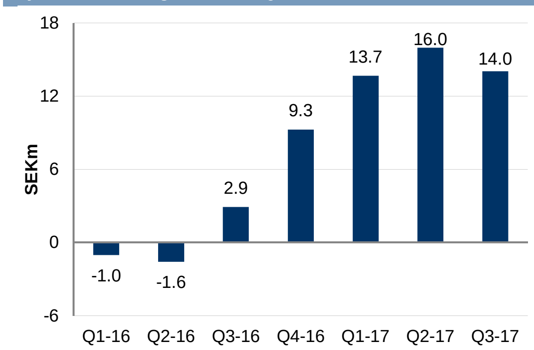


Source: Company data and Nordea Markets

Adverse FX and downward project revisions weighed on results

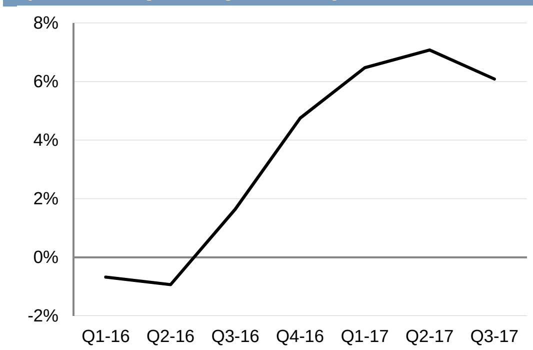
Profitability was also somewhat slow in the quarter due to lower top-line growth than anticipated, an adverse FX impact from a weaker USD and margin writedowns within Labs. Adjusted EBITDA was SEK 0.5m in the quarter, compared to SEK 2.4m last year. The FX impact can mainly be attributed to Healthcare and the subsidiaries Surgical Tables and Sonesta, which have a majority of their sales in the US. Adjusted EBITDA for the LTM period was SEK 14.0m, which was an increase from the SEK 2.9m seen in the preceding 12-month period.

Adj. EBITDA, rolling LTM as of Q3 2017



Source: Company data and Nordea Markets

Adj. EBITDA margin, rolling LTM as of Q3 2017



Source: Company data and Nordea Markets

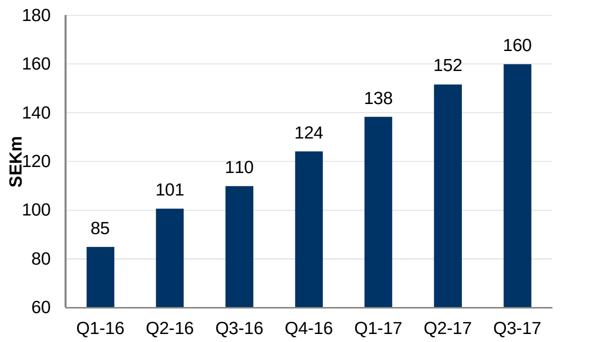
Business unit performance

Lab

Lab grew 33%, but with a negative EBITDA contribution

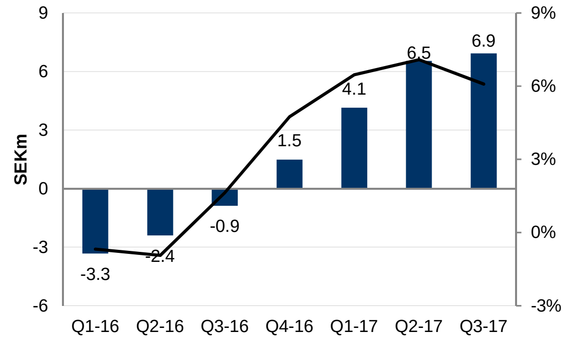
The Lab business unit reported sales of SEK 33.1m, representing growth of 33% y/y but coming in below our estimate of SEK 37.1m. Profitability on the EBITDA level in the business unit was SEK -0.2m, an improvement on the SEK -0.5m reported for last year's third quarter. Sales for the LTM period in Lab were SEK 159.9m, which represents 46% growth y/y.

Lab - Sales, rolling LTM as of Q3 2017



Source: Company data and Nordea Markets

Lab - Adj. EBITDA, rolling LTM as of Q3 2017



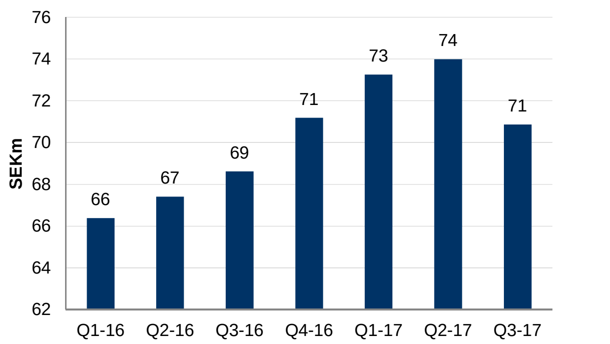
Source: Company data and Nordea Markets

Healthcare

Healthcare saw declining sales and EBITDA

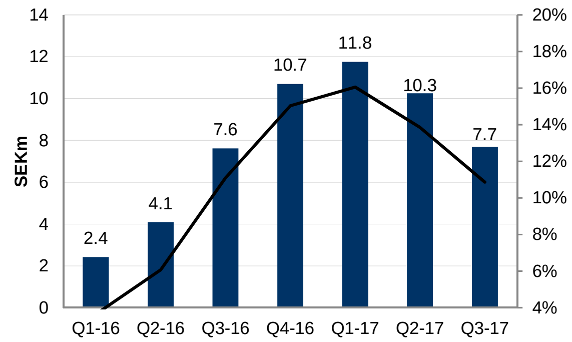
Healthcare sales came in at SEK 14.3m for the quarter, which implies a decrease of 18% y/y and was below our estimate of SEK 17.7m. EBITDA for the Healthcare business unit was reported at SEK 0.6m, compared with SEK 3.1m in Q3 2016, and was also below our estimate of SEK 1.7m. Sales for the LTM period in Healthcare was SEK 70.9m, which represents 3% growth y/y.

Healthcare - Sales, rolling LTM as of Q3 2017



Source: Company data and Nordea Markets

Healthcare - Adj. EBITDA, rolling LTM as of Q3 2017



Source: Company data and Nordea Markets

Bond refinancing to boost bottom line going forward

Refinancing lowers interest from 10% to 7.25% while adding to M&A firepower

On 15 October, the company announced that its new secured bond offer was oversubscribed and that it had issued SEK 120m instead of the planned SEK 100m due to high demand. The new bond with a five-year maturity, a yield of 7.25% and a limit of SEK 240m will lower the company's financial costs by SEK 2.4m on an annual basis, given an equal loan size. The current bond will be repaid in November at 101% of the face value. The cost of this refinancing, which came in at about SEK 3m, will be charged in Q4 2017. Only SEK 0.9m will hit Q4 cash flow as compensation for the early redemption, while the remaining cost is related to advisory fees.

Estimate changes

Delayed closure of Germa deal impacts near-term estimates

We lower our 2017 estimates to reflect the delay in project orders and consolidation of the pending Germa acquisition. We assume that the acquisition will be closed by 1 December, which implies full transaction costs in Q4 but only one month of sales and earnings contribution from Germa. Overall, the estimate changes lower both the upper and lower ends of our valuation range slightly.

We expect orders to bounce back

We expect Healthcare to be boosted by the pending Germa acquisition but lower our estimates for Q4 2017 due to the delayed closing of the deal. The rebound in the USD should provide some support for the business area. In Labs, we expect a bounce back in project orders, although the timing of large public procurement processes is uncertain.

Report triggered limited changes to long-term assumptions

We make insignificant changes to our long-term estimates, as we believe the quarter has limited impact for the future outlook. The refinancing of the bond has added firepower to the balance sheet and we expect the company to continue its M&A strategy and use its liquidity to finance new acquisitions in 2018.

Estimate revisions

	2017E	2018E	2019E
Sales	-5%	-1%	0%
EBITDA	-21%	-6%	0%

Source: Nordea Markets

Factors to consider when investing in ADDvise

An investment in ADDvise gives exposure to defensive assets in the Life Science segment, a market that is favoured by demographic factors such as an ageing and growing population. To further leverage on the structural growth prospects, ADDvise has an ambitious agenda to increase sales through its acquisition-driven business model. Since the strategy was initiated in 2010, the company has had a sales CAGR of above 30%. Increased scale also allows ADDvise to improve its margins by capitalising on synergies, due to the scalability of the decentralised business model and reduced financing costs, which will gradually contribute positively to the bottom line.

We consider the following factors to be key when evaluating an investment in ADDvise:

We have identified a number of key themes describing the investment case in ADDvise

- Defensive assets favoured by changing demographics, such as a growing and ageing population in the Nordics, leading to solid organic growth prospects for decades to come.
- Acquisitions are an integral part of the business model and will also be the key to reaching the company's growth targets. ADDvise has a well-specified M&A model, which allows smooth integration and gradual synergy extraction.
- Newly adopted long-term financial targets show the company's high ambition for annual revenue growth to exceed 20%. Acquisitions will underpin this growth story and we estimate a sales CAGR of 14.7% between 2016 and 2024E, with quite front-end loaded contributions from acquisitions.
- Profitability is, according to our forecasts, expected to increase, partly via synergies but also through lower financial costs for the group. The new financial targets also open the door for potential dividends over time.

Key risk factors:

- ADDvise is dependent on its ability to attract, keep and motivate key personnel, especially its top management.
- The company's clear M&A agenda could bring the risk of overpaying or incurring high costs related to integrating new acquisitions.
- Related to its growth strategy, the company's financial position and future funding needs are key to reaching its ambitious targets.
- ADDvise is, to some extent, reliant on general market conditions in the Nordics, and Sweden in particular (constituting 70% of sales in 9M 2017).

Structural factors support long-term growth

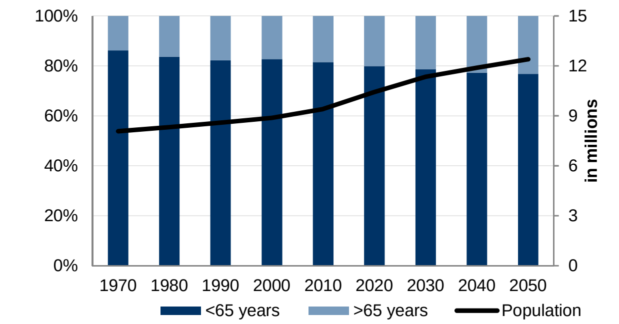
Structural growth in the underlying market

The key structural growth driver of ADDvise's operations is favourable demographics, as this affects demand for both of the company's business units: Lab and Healthcare. SCB forecasts that the number of individuals above 65 years of age in Sweden will grow by 50% and reach three million in the next 30-40 years. In the next few years alone, Sweden will see large cohorts of baby boomers turning 80.

Global medtech market estimated to grow at 5% p.a. until 2020

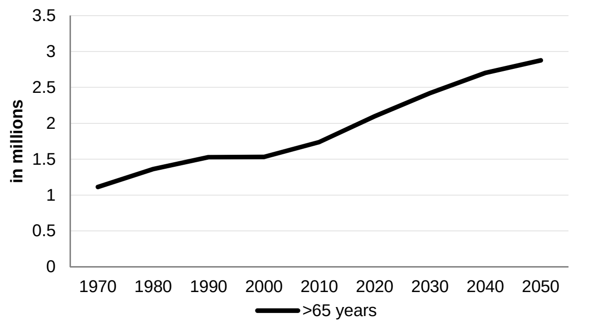
In a global setting, ADDvise states that the medtech market is estimated to grow at an annual rate of 5% until 2020. In addition, an increasing amount of research activities is being migrated to labs, meaning that new facilities need to be constructed and that existing facilities need to be modernised, supporting demand in business unit Lab. In our estimates we have assumed an organic growth contribution of 2% annually, based on historical numbers and the focus on rather mature businesses.

Sweden demographics



Source: SCB and Nordea Markets

Number of elderly (> 65 years)



Source: SCB and Nordea Markets

Sweden life expectancy

	1980	1990	2000	2010	2020	2030	2040	2050
Men	73	75	77	80	81	83	84	86
Women	79	80	82	83	85	86	87	88
Average	**76**	**78**	**80**	**82**	**83**	**84**	**86**	**87**

Source: SCB and Nordea Markets

Scale advantages from a decentralised business model

Acquisitions will continue to be the key driver of future growth

ADDvise has been on a transformation journey with rapidly increasing sales since its acquisition strategy was introduced in 2010. Helped by the well-specified business model, the company aims to continue to grow, and further acquisitions will be integral in the future, as the company pursues its newly adopted financial targets.

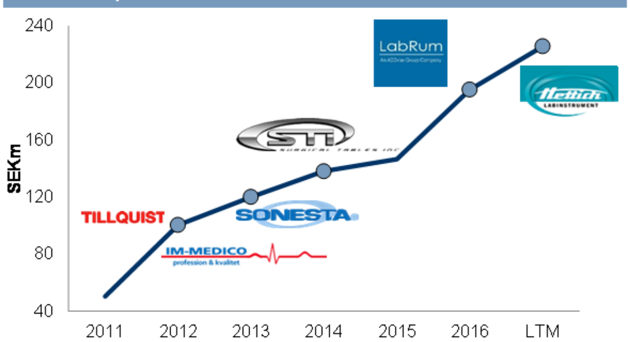
The new growth strategy has yielded a sales CAGR of above 30% between 2011 to 2016

ADDvise targets Life Science companies with revenue of SEK 30-100m within its niche markets, Lab and Healthcare. Its targets are mature companies with strong cash flows and mainly B2B sales. While Sweden is ADDvise's primary market, the search for acquisitions is on a global scale, as evidenced by the acquisition of the US company Surgical Tables Inc in 2014. ADDvise is continuously working with an extensive list of potential additions to the group and sources its targets primarily through dealers and advisors. Historically, it has executed 1-2 transactions per year and the company has, on the back of these acquisitions, seen a sales CAGR of 31.2% between 2011 and 2016. Multiples paid have varied depending on the target company, but have on average been about 4x EV/EBITDA.

A well-specified model to integrate companies and gradually recover synergies

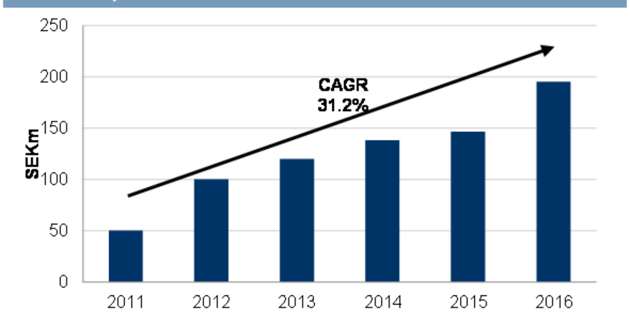
ADDvise's acquisition model includes a methodical integration process to allow gradual synergy recognition. As the company operates in a decentralised fashion, this allows a high degree of operational control for the subsidiaries, enabling them to benefit from ADDvise's scale while focusing on their core competencies within their niche markets. It also frees up time and allows senior management to focus on identifying and completing new deals.

Historical acquisitions and sales



Source: Company data and Nordea Markets

Sales development and CAGR



Source: Company data and Nordea Markets

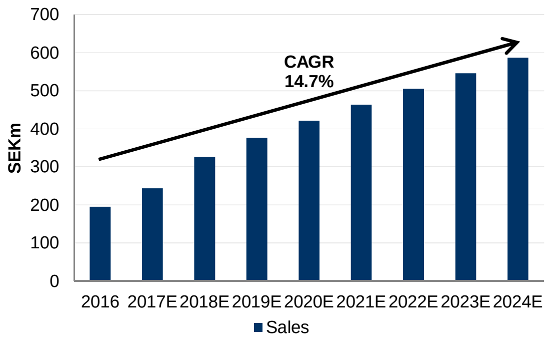
Ambitious financial targets

Ambitious target of 20% annual sales growth

ADDvise adopted long-term financial targets for the first time in September 2017. We believe that these targets further demonstrate the company's strong ambition to grow its top line with increasing profitability. These targets include an ambitious revenue goal of annual growth exceeding 20%. Considering that the organic growth has been in the low single-digits historically, acquisitions are likely to continue to be on top of management's agenda and represent the bulk of the targeted sales increase.

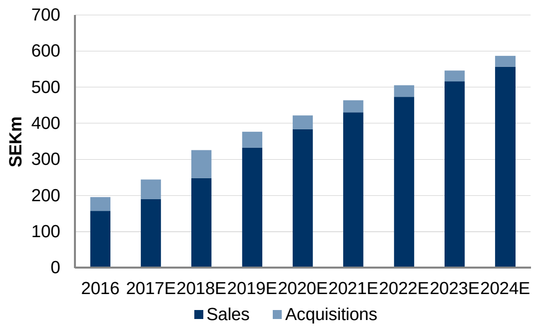
We model a sales CAGR of 14.7% for the period between 2016 and 2024E, as ADDvise continues to deliver on its strategy and pursues acquisitions to complement its offering and expand its geographical reach.

ADDvise estimated sales



Source: Company data and Nordea Markets

ADDvise estimated sales split



Source: Company data and Nordea Markets

Profitability on the rise

EBITDA margin has improved

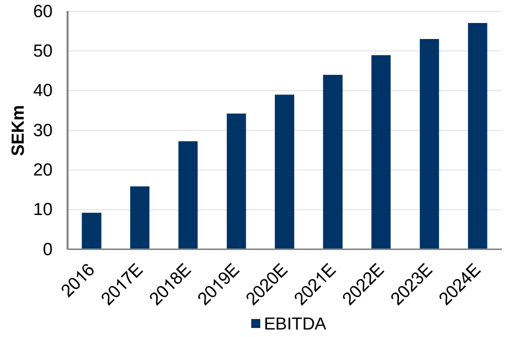
ADDvise's EBITDA margin development has followed a positive trend, going from 0.1% in 2011 to 3.4% in 2016 (adjusted for revaluation of acquisition related earn-outs), helped by its new growth strategy. The increasing profitability is mainly the result of the scalable business model and synergies realised from its earlier acquisitions. Its long-term financial target of a 10% EBITDA margin also indicates that the company sees further margin upside ahead.

..but the company sees additional upside

Another advantage from scaling up the business is on the funding side. The company recently refinanced its SEK 87m bond and in the process lowered its interest rate from 10% to 7.25%. The new 5-year bond was to be issued at a nominal amount of SEK 100m, including a potential tap-on of up to SEK 240m. Due to high demand, the company decided to issue 120m, and the additional proceeds will be available to finance potential acquisitions. The company estimates that this refinancing will save SEK 2.4m (given same bond size) annually in interest costs, which will trickle down to the bottom line. This might also open up for potential dividends in the future and the company has indicated an ambition to return up to 25% of the pre-tax profit to its shareholders in the future.

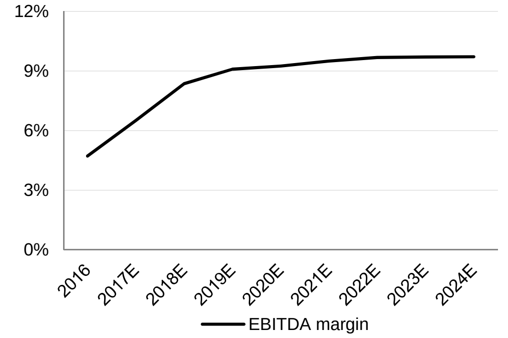
If the company is able to deliver on its growth ambitions, we see further potential to reduce financial costs due to scale benefits and lowered leverage. One example could be access to other financing sources such as bank lending. After year three, ADDvise is able to redeem its new bond without paying any penalty costs. In our model, we have assumed interest costs to come down to 5% from 2021E and onwards. This is based on expectations of increased profitability, lower leverage and access to other financing sources, including bank loans.

ADDvise estimated EBITDA



Source: Company data and Nordea Markets

ADDvise estimated EBITDA margin



Source: Company data and Nordea Markets

Valuation

Our DCF valuation indicates a fair value range of SEK 1.4-4.6 per share

Based on the assumption that the company can deliver in line with our expectations, we estimate a fair value range of SEK 1.4-4.6 per share based on variations in sales growth, EBIT margins and WACC. We derive our fair value from our fundamental DCF framework.

Risk factors

A full description of the risk factors we find most relevant for ADDvise is provided on pages 19-20

ADDvise relies on a number of key employees, especially its CEO and large shareholder Rikard Akhtarzand, and losing their knowledge could affect operations.

As ADDvise has clear M&A agenda, the company's future sales and profit growth is thus dependent on management's ability to source and complete new deals. Other potential risks related to acquisitions are those of overpaying and of integrating new acquisition targets.

Related to its acquisition-driven growth strategy is the company's financial position and future funding needs. ADDvise has a growth-oriented business model, which is dependent on securing sufficient funding. Failure to do so might affect its plans for future growth. The company recently refinanced its outstanding bond of SEK 87m and a 10% yield with a bond of SEK 120m and a 7.25% yield.

Recent acquisitions have largely been financed by the proceeds from the first bond issuance, but also by a number of equity issues, which potentially dilute the holdings of existing shareholders. To be able to deliver on its growth targets, the company might need additional funding and failure to secure such financing might affect the operations.

Further information

We provide a more in-depth description of the company's acquisition model, business areas, underlying market and historical financials in our initiation report published in October 2017. The full report can be accessed via this link.

Valuation

Primarily using a fundamental DCF valuation and assuming a WACC of 8.0-10.0%, we derive an equity value range of SEK 1.4-4.6 per share. This implies a 2019E EV/EBITDA valuation of 7.5-10.9x and 2019E P/E of 5.4-17.7x. Note that our valuation is based on a long-term analysis and is not linked to a near-term assessment of the performance of the company. Based on the current share price and our estimates, ADDvise trades at 2019E EV/EBITDA of 7.5x and 2019E P/E of 7.3x.

Our valuation approach is primarily based on a DCF framework

One of the most common ways to value the attractiveness of an investment opportunity is the discounted cash flow (DCF) method. A DCF model discounts all available cash flows for equity, bond and non-equity holders at the weighted average cost of capital (WACC). In other words, WACC represents a blended cost of capital for all invested capital in the company. In fundamental terms, a DCF framework is built on three parts:

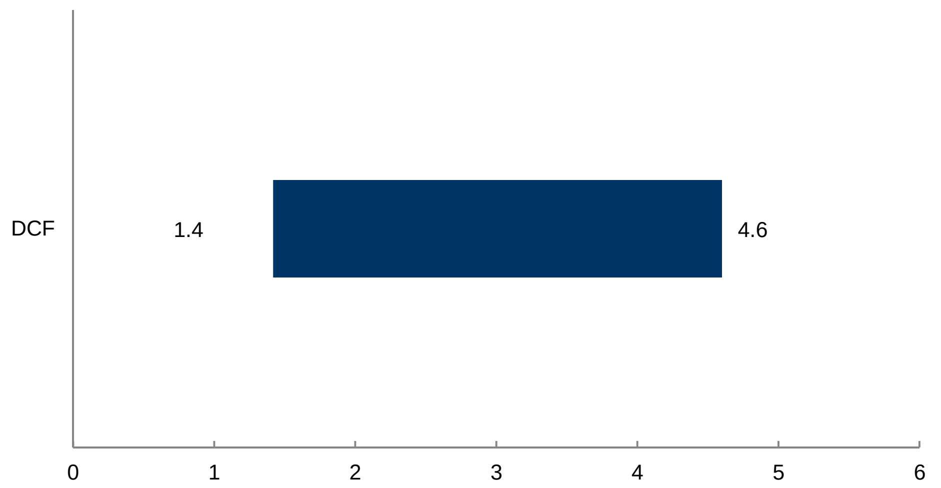
- Discounting the company's free cash flow at WACC.
- Identifying the value of debt and other non-equity claims on the enterprise value.
- Deducting all claims to determine the value of the common equity. The fair value per share is then simply calculated by dividing the equity value by the number of outstanding shares.

A DCF valuation is commonly considered among academics and practitioners to be the best way to capture the underlying fundamental drivers of a company such as cost of capital, growth rates, reinvestment rates etc. If applied correctly, it represents the best way to approximate the true intrinsic value of a company. The main appeal of a DCF framework compared with other valuation methodologies is that it also focuses on streams of cash rather than accounting earnings. Its main disadvantage is its relative sensitivity to changes in input values.

We derive an equity value of SEK 1.4 to SEK 4.6 per share for ADDvise

We rely primarily on our fundamental DCF framework to derive an equity valuation range of SEK 1.4-4.6 per share, which implies a 2019E EV/EBITDA valuation of 7.5-10.9x. Our valuation does incorporate assumptions of future acquisitions. We also provide a relative valuation approach, but note that none of ADDvise's competitors is among these peers, so this should be treated more as a sanity check. ADDvise is also considerably smaller than the companies used in our peer valuation.

DCF valuation



Source: Nordea Markets

Fundamental valuation

Our DCF valuation range is based on variations in sales, EBIT margin and WACC assumptions

In the following table we set out the general assumptions that we use to calculate our DCF value. Based on the assumption that ADDvise can deliver broadly in line with our forecasts, with variations in sales growth, EBIT margin and WACC assumptions, we arrive at a fair equity value range of SEK 1.4-4.6 per share. In the terminal period, we model WACC equal to ROIC and 2.5% growth.

DCF valuation

DCF value	**Value**	**Per share**
NPV FCFF	160-289	3.7-6.7
(Net debt)	-105	-2.5
Time value	5-14	0.1-0.3
DCF Value	**60-198**	**1.4-4.6**

Source: Nordea Markets

Averages & assumptions

Averages and assumptions	**17-24**	**25-27**	**28-32**	**33-37**	**38-42**	**43-47**	**Sust.**
Sales growth, CAGR	13.4%	6.0%	4.0%	4.0%	3.0%	2.5%	
EBIT-margin, ex. associaties	7.2%	7.2%	6.8%	6.4%	5.0%	1.7%	
Capex/depreciation, x	1.0	1.0	1.0	1.0	1.0	1.0	
Capex/sales	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
NWC/sales	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	
FCFF, CAGR	-191.0%	4.5%	4.2%	2.6%	-1.7%	-22.0%	2.5%

Source: Nordea Markets

WACC

We apply a WACC range of 8.0-10.0%

We apply a range of cost capital (WACC) of 8.0-10.0% as the input for our DCF valuation. The assumptions behind our WACC are outlined in the following table.

WACC assumptions

WACC components	
Risk-free interest rate	1.5%
Market risk premium	5.5%
Forward looking equity beta	1.5-2.0
Cost of equity	9.5%-12.2%
Cost of debt	6.0%
Tax-rate used in WACC	22.0%
Equity weight	70%
WACC	**8.0%-10.0%**

Source: Nordea Markets

DCF sensitivity

In the table below, we provide a sensitivity analysis of the DCF valuation, with varying EBIT margins and sales growth rates.

Our DCF value with varying EBIT margins and sales growth rates

Sales growth vs EBIT margin

				Sales growth change		
		-1.0pp	**-0.5pp**		**+0.5pp**	**+1.0pp**
EBIT margin change	**+0.5pp**	2.9	3.1	3.3	3.5	3.8
	+0.3pp	2.6	2.8	3.0	3.2	3.4
		2.4	2.5	2.7	2.9	3.1
	-0.3pp	2.1	2.3	2.4	2.6	2.7
	-0.5pp	1.9	2.0	2.1	2.3	2.4

Source: Nordea Markets

Below we also illustrate how the equity value varies with changes in WACC and sales growth.

Our DCF value with different WACC and sales growth assumptions

WACC vs sales growth						
		WACC				
		8.0%	8.5%	9.0%	9.5%	10.0%
Sales gr. change	+1.0pp	4.3	3.7	3.1	2.6	2.1
	+0.5pp	4.1	3.4	2.9	2.4	2.0
		3.8	3.2	2.7	2.2	1.8
	-0.5pp	3.6	3.0	2.5	2.1	1.7
	-1.0pp	3.4	2.9	2.4	1.9	1.6

Source: Nordea Markets

In addition, we provide a sensitivity table illustrating how the equity value varies with changes in EBIT margin assumptions and WACC.

Our DCF value with different WACC and EBIT margin assumptions

WACC vs EBIT margin						
		WACC				
		8.0%	8.5%	9.0%	9.5%	10.0%
EBIT margin change	+0.5pp	4.6	3.9	3.3	2.8	2.3
	+0.3pp	4.2	3.6	3.0	2.5	2.1
		3.8	3.2	2.7	2.2	1.8
	-0.3pp	3.5	2.9	2.4	2.0	1.6
	-0.5pp	3.1	2.6	2.1	1.7	1.4

Source: Nordea Markets

Valuation multiples

We rely on EV/EBIT and P/E multiples for our relative valuation

We contend that a relative valuation based on EV/EBIT and P/E provides the best benchmark for valuing ADDvise for the following reasons:

- EV/EBIT is neutral to a company's financial gearing. It captures the operations' capital intensity to the extent that depreciation levels approximately correspond to sustainable capex levels.

P/E is often used to compare companies and to consider the differences in tax rates and financing costs. However, it is biased towards lower multiples for companies with high financial gearing. We believe that certain adjustments should be applied when using P/E in order to appropriately value the company.

Peer group valuation

We complement our analysis with a relative valuation as a sanity check

We find the DCF method to be the most flexible and accurate to value most companies. However, a stringent relative valuation comparing multiples to a carefully selected peer group could provide a useful check for the DCF forecast. There are three main considerations we find necessary for an accurate relative valuation approach:

- Finding the right multiple. We prefer enterprise value based multiples such as EV/EBIT or EV/EBITA for comparing different companies. P/E is also a commonly used multiple but should be used with caution as it does not differentiate between companies with different capital structures.
- Consistency in calculations and adjustments of multiples.
- Finding the right peer group. Companies selected for the peer group should have similar growth outlooks and return on capital. The most common starting point is to use industry peers.

We use a broad European universe for our relative valuation

It is difficult to find perfect peers for ADDvise, as it operates in a niche market as a supplier to healthcare and research facilities. To complicate matters further, ADDvise's aggressive M&A-driven growth strategy is pursued by only a few other similar peers.

To avoid company specifics distorting the picture, we use a broad and blended universe of companies with similar financial profiles and growth outlooks to ADDvise, ie medtech companies or peers with explicit acquisition agenda (Indutrade, Addtech and Volati). In total we include 10 listed peer companies.

We would like to highlight that ADDvise is significantly smaller than its peers, with a market cap of just 1% of the peer group average. This could warrant a valuation discount to the peer group, as smaller companies usually experience lower liquidity and operate in more narrow markets, which make them more exposed to exogenous factors.

Based on our estimates for 2018E, ADDvise trades at discounts to the peer group average of 34% on P/E and 21% on EV/EBIT. Our forecasts suggest that ADDvise should grow faster than its peer group both in terms of sales and EBIT. Of the peer group companies, we find Addlife to be most comparable based on its M&A-driven business model and Life Science focus.

Peer group valuation (calendarised)

	Price	MCAP	Perf.	EV/EBITDA			EV/EBIT			P/E			FCF yield		
	(Local)	(EUR)	12m	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
Companies															
Healthcare															
Addlife	165.0	399	19%	n.a.	15.9	15.1	n.a.	23.4	n.a.	n.a.	22.3	20.9	n.a.	4.4%	4.8%
Bastie Le Confort Medical	46.2	335	109%	11.4	9.4	7.7	28.0	23.2	n.a.	38.9	33.1	26.3	2.1%	2.7%	4.3%
Getinge	164.8	4,196	14%	10.3	9.9	8.6	18.0	15.8	12.9	16.7	18.2	15.5	4.6%	5.1%	7.2%
LivaNova plc	73.9	3,058	30%	14.6	13.5	12.8	16.6	15.9	14.7	24.7	22.8	21.1	1.8%	3.4%	4.5%
MedCap	37.8	48	24%	13.6	10.3	7.8	41.5	21.0	11.8	75.9	31.9	14.9	2.1%	3.0%	4.4%
Average Healthcare		1,607	39%	12.5	11.8	10.4	26.0	19.9	13.2	39.1	25.6	19.7	2.6%	3.7%	5.0%
Trading companies															
Addtech	185.5	1,212	48%	18.1	15.5	14.1	23.0	18.7	n.a.	27.8	21.3	18.7	1.1%	3.5%	4.7%
Indutrade	232.2	2,869	40%	18.7	15.9	14.4	24.0	20.6	18.3	26.6	20.4	21.2	2.2%	3.0%	4.4%
Lagercrantz	89.0	601	10%	13.2	11.9	10.8	16.4	15.1	n.a.	23.1	20.9	18.5	1.2%	2.4%	3.7%
Lifco	300.0	2,642	33%	20.0	16.8	15.7	23.5	20.3	18.9	27.8	22.5	20.9	3.2%	3.1%	5.0%
Volati	64.0	629	-3%	15.8	11.6	10.3	20.2	15.2	13.4	23.6	19.7	18.3	2.0%	0.9%	6.0%
Average Trading companies		1,591	26%	17.2	14.3	13.1	21.4	18.0	16.9	25.8	20.9	19.5	2.0%	2.6%	4.8%
Average (all companies)		**1,599**	**32.4%**	**15.1**	**13.1**	**11.7**	**23.5**	**18.9**	**15.0**	**31.7**	**23.3**	**19.6**	**2.3%**	**3.2%**	**4.9%**
Median		921	27.2%	14.6	12.7	11.8	23.0	19.5	14.0	26.6	21.8	19.8	2.1%	3.1%	4.6%
Min		48	-3.5%	10.3	9.4	7.7	16.4	15.1	11.8	16.7	18.2	14.9	1.1%	0.9%	3.7%
Max		4,196	109%	20.0	16.8	15.7	41.5	23.4	18.9	75.9	33.1	26.3	4.6%	5.1%	7.2%
ADDvise (Nordea)	1.9	9	-4%	10	15	9	33	20	12	n.m.	n.m.	13	n.m.	-63%	-21%

Source: Nordea Markets and Thomson Reuters

Peer group comparison (calendarised)

	Sales growth			EBIT margin			EBIT growth			Adj. EPS growth		
	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
Companies												
Healthcare												
Addlife	n.a.	n.a.	5.4%	n.a.	7.5%	7.5%	n.a.	n.a.	5.3%	n.a.	n.a.	6.5%
Bastie Le Confort Medical	11.5%	19.6%	16.6%	7.5%	7.7%	8.3%	8.1%	23.5%	26.3%	11.8%	20.2%	24.9%
Getinge	-0.9%	0.9%	1.1%	10.4%	11.7%	14.2%	-7.0%	13.9%	22.2%	3.4%	-8.1%	17.3%
LivaNova plc	2.3%	1.2%	1.0%	18.0%	18.6%	19.8%	34.1%	4.5%	7.8%	36.6%	8.3%	8.1%
MedCap	1.4%	-4.4%	0.7%	3.0%	1.5%	3.1%	-49.6%	99.9%	98.8%	-57.4%	137.6%	114.0%
Average Healthcare	4%	4%	5%	10%	9%	11%	-4%	35%	32%	-1%	40%	34%
Trading companies												
Addtech	0.9%	9.0%	6.8%	8.1%	9.1%	9.4%	15.2%	22.7%	11.0%	23.8%	30.6%	13.5%
Indutrade	9.3%	14.8%	8.1%	10.3%	10.4%	10.8%	7.6%	16.2%	12.9%	12.6%	30.5%	-3.6%
Lagercrantz	2.6%	6.0%	8.3%	11.2%	11.5%	11.7%	12.9%	8.8%	10.8%	12.9%	10.4%	13.1%
Lifco	14.9%	9.8%	6.4%	14.0%	14.7%	14.9%	16.0%	15.5%	7.5%	20.7%	23.7%	7.4%
Volati	n.a.	34.0%	26.1%	9.2%	9.1%	8.2%	n/a	33.0%	13.7%	n.a.	20.1%	7.4%
Average Trading companies	6.9%	14.7%	11.1%	10.5%	11.0%	11.0%	12.9%	19.2%	11.2%	17.5%	23.0%	7.6%
Average (all companies)	**5.2%**	**10.1%**	**8.0%**	**10.2%**	**10.2%**	**10.8%**	**4.7%**	**26.4%**	**21.6%**	**8.0%**	**30.4%**	**20.9%**
Median	2.5%	9.0%	6.6%	10.3%	9.7%	10.1%	10.5%	16.2%	11.9%	12.7%	20.2%	10.6%
Min	-0.9%	-4.4%	0.7%	3.0%	1.5%	3.1%	-49.6%	4.5%	5.3%	-57.4%	-8.1%	-3.6%
Max	14.9%	34.0%	26.1%	18.0%	18.6%	19.8%	34.1%	99.9%	98.8%	36.6%	137.6%	114.0%
ADDvise (Nordea)	33%	25%	34%	2.8%	4.6%	6.4%	n.m.	-24%	92%	n.m.	n.m.	79%

Source: Nordea Markets and Thomson Reuters

Estimates

Our research implies that ADDvise could deliver a revenue CAGR of 14.7% for the period 2016 to 2024E, aided by favourable demographics and acquisitions. On a business unit level, we model a gradual sales mix shift in favour of Healthcare. On account of sales leverage through synergies, we expect an EBITDA CAGR of 25.6% for our forecast period. We expect the company to near its long-term profitability target over time, implying an EBITDA margin of 9.7%.

Main growth contribution derives from M&A

We estimate that ADDvise could deliver a revenue CAGR of 14.7%, aided by acquisitions, for the period 2016-24E. This implies group sales of SEK 587m in 2024E. In terms of sales composition, we model an annual organic growth contribution of 2% throughout our forecast period, while the remaining growth derives from M&A. We assume that ADDvise will add about 1-1.5x acquisitions per year with sales of SEK 30-100m, which is in line with historical numbers. The estimated acquisitions are split evenly between the two business areas, Lab and Healthcare.

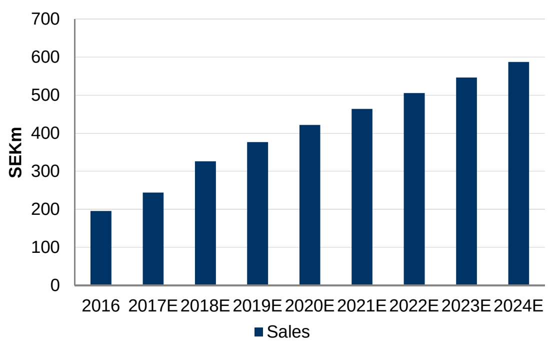
Our research implies improving profitability

We estimate that the revenue CAGR of 14.7% could result in an EBITDA CAGR of 25.6% during our forecast period, helped by synergy extraction in the acquired companies. We assume average EBITDA margins for the acquired companies in Lab and Healthcare of 6 % and 9%, respectively, which are below the group average. According to our forecasts, we expect ADDvise to be able to acquire companies at an EV/EBITDA multiple of about 4x, based on the historical multiples for its previous acquisitions.

We expect ADDvise to near its margin target over time

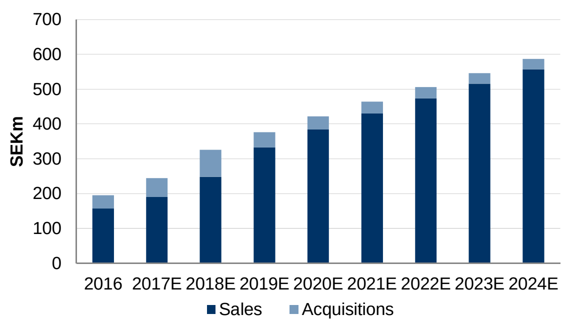
For 2024, we estimate EBITDA of SEK 57m, implying an EBITDA margin of 9.7%, versus an adjusted EBITDA margin of 4.7% in 2016. This is fully in line with ADDvise's long-term financial target. The margin boost can be explained by synergy extraction both in terms of revenue, by enabling the potential to take on larger orders, and costs, ie supply chain improvements and reduced overhead costs.

ADDvise estimated sales



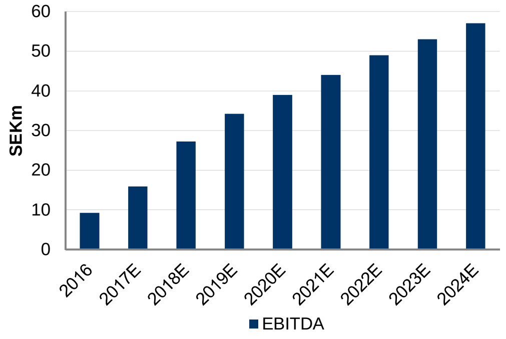
Source: Company data and Nordea Markets

ADDvise estimated sales split



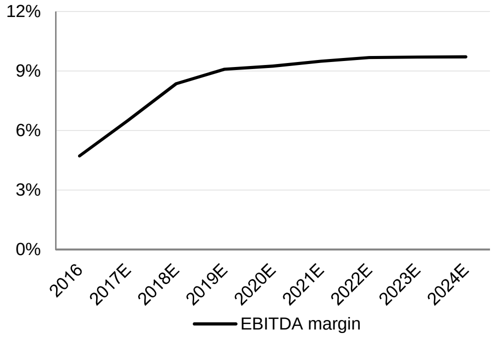
Source: Company data and Nordea Markets

ADDvise estimated EBITDA



Source: Company data and Nordea Markets

ADDvise estimated EBITDA margin

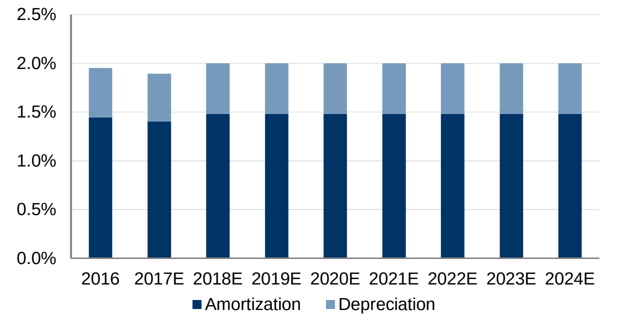


Source: Company data and Nordea Markets

Capex levels to match amortisation and depreciation

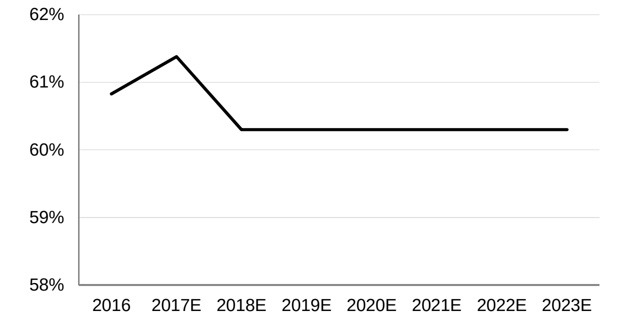
Depreciation and amortisation relative to sales averaged 2.0% between 2011 and 2016, peaking at 3.0% in 2012. During our forecast period, we expect depreciation and amortisation relative to sales to be around 2.0%, which is in line with capex. We estimate SG&A to come down slightly, due to scalability in the business model and potential to take out overhead costs in the acquired companies.

Amortisation and depreciation relative to sales



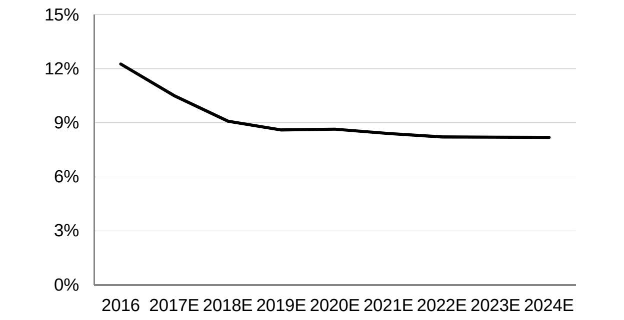
Source: Company data and Nordea Markets

Raw material costs relative to sales



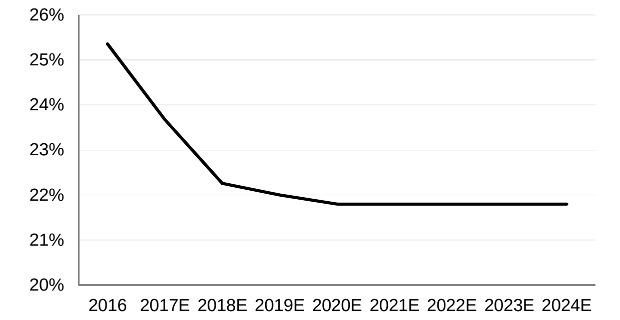
Source: Company data and Nordea Markets

Other external costs relative to sales



Source: Company data and Nordea Markets

Personnel costs relative to sales



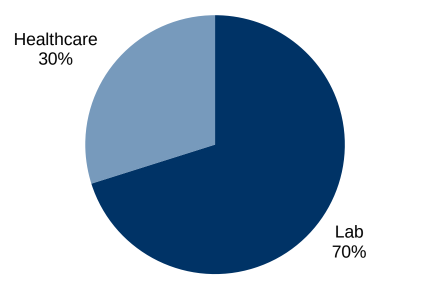
Source: Company data and Nordea Markets

Financial forecasts per business unit

We model a gradual sales mix shift in favour of Healthcare

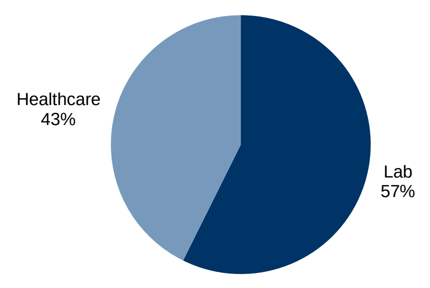
The Lab business unit is ADDvise's largest sales constituent today but has been struggling with profitability. We model a gradual shift in the sales mix in favour of Healthcare, driven by acquisitions, and expect its share of revenue to increase from about 30% in 2017E, to 43% in 2024E.

Estimated sales by business unit 2017E



Source: Company data and Nordea Markets

Estimated sales by business unit 2024E



Source: Company data and Nordea Markets

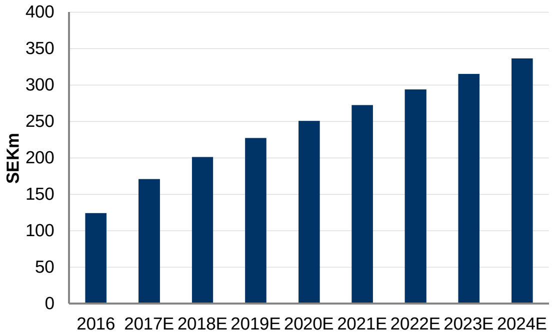
Lab

Acquisitions are the main growth driver for Lab

We estimate that Lab could reach revenue of SEK 171m in 2017E, aided by the acquisition of Hettich Labinstrument, representing y/y growth of 38%. Within our forecast period (2017E to 2024E), we expect a revenue CAGR of 10.2%, yielding an EBITDA CAGR of 18.4%. Acquisitions will be the main growth driver, while favourable demographics and potential to expand geographically with its customers outside the Nordics could aid long-term growth prospects.

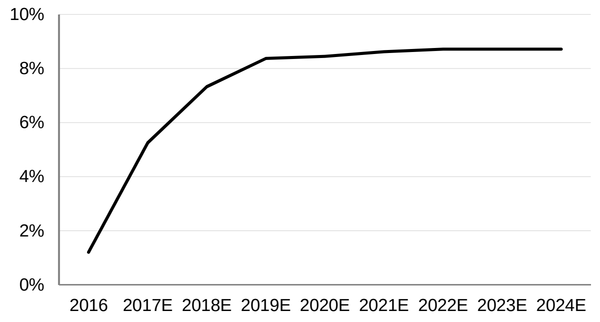
An increasing share of research is also being conducted in laboratories, which fosters the need for new facilities and refurbishments. Furthermore, we see some room for margin improvements through centralisation of group functions and streamlining, once the most recent acquisitions are fully integrated.

Lab estimated sales



Source: Company data and Nordea Markets

Lab estimated EBITDA margin



Source: Company data and Nordea Markets

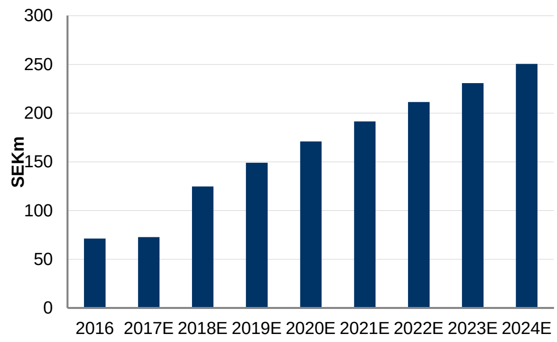
Healthcare

Pending acquisition of AB Germa could be a near-term growth driver

We estimate that Healthcare could reach revenue of SEK 73m in 2017E, aided by the pending acquisition of AB Germa, representing y/y growth of 3%. Within our forecast period (2017E to 2024E), we expect a revenue CAGR of 19.3%, giving an EBITDA CAGR of 24.7%.

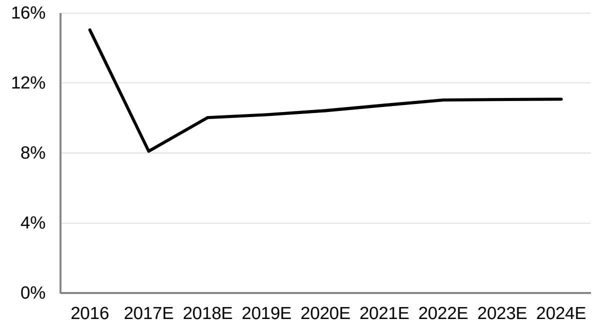
As in the Lab unit, acquisitions will be the primary growth driver, both on a product level and through geographical expansion, while favourable demographics could aid long-term growth expectations. We also see scope for reduced overhead costs, supply chain improvements and continued internationalisation by increasing sales outside the Nordics, where growth has been solid.

Healthcare estimated sales



Source: Company data and Nordea Markets

Healthcare estimated EBITDA margin



Source: Company data and Nordea Markets

Balance sheet

Lower leverage supported by improving cash flows

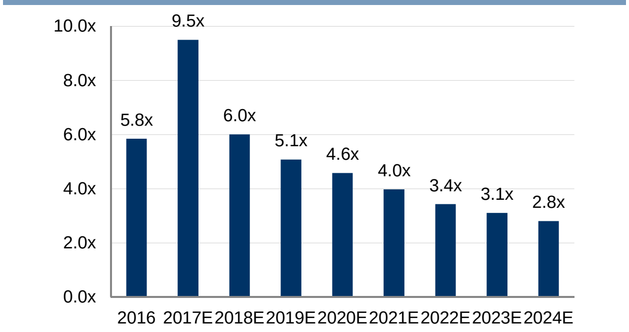
ADDvise's leverage is currently elevated at net debt/EBITDA of 5.8x in 2016, but we expect it to decrease in the coming years. Based on improving cash flows, we expect that net debt/EBITDA will gradually decrease despite further acquisitions. According to our forecasts, ADDvise will reach its financial target for the capital structure, ie net debt/EBITDA below 3x, in 2024E.

New bond will reduce interest costs

In terms of financial costs, the company refinanced its outstanding bond in October with a new secured bond maturing in 2022. The new SEK 120m bond will carry annual interest of 7.25%, paid on a quarterly basis. It replaces the SEK 87m bond, which carried 10% interest, lowering the annual interest paid by the company by SEK 2.4m, given an equal loan size, starting in 2018.

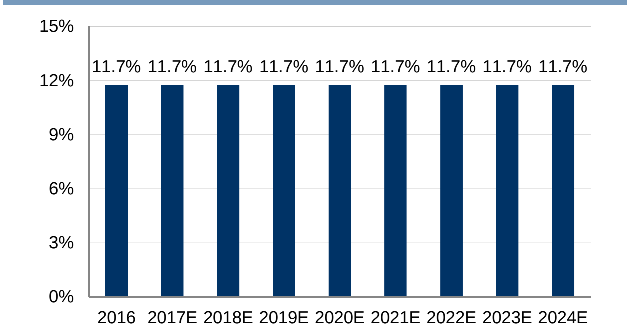
If the company is able to deliver on its growth ambitions, we see further potential to reduce financial costs due to scale benefits and lowered leverage. One example could be access to other financing sources such as bank lending. After year three, ADDvise is able to redeem its new bond without paying any penalty costs. In our model, we have assumed interest costs to come down to 5% from 2021E and onwards.

Estimated net debt to EBITDA



Source: Company data and Nordea Markets

Estimated net working capital relative to sales



Source: Company data and Nordea Markets

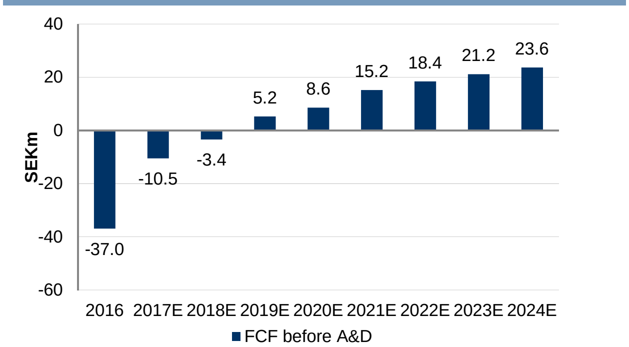
Cash flow

We expect a meaningful improvement in operational cash flows

We expect a meaningful improvement in FCF before acquisitions in 2017E, to SEK -11m from SEK -37m in 2016. The main driver will be working capital, as 2016 was impacted by a switch from factoring to invoice discounting; ie using accounts receivable as collateral for loans.

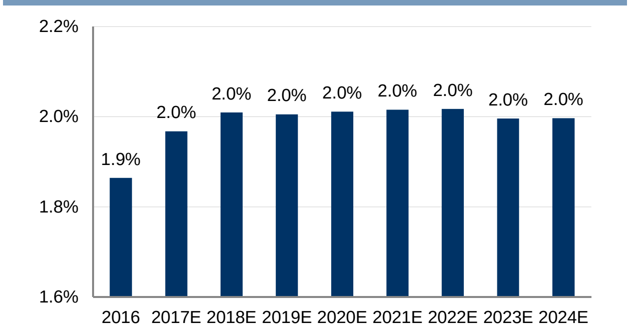
In terms of capex, we estimate a small increase relative to sales owing to slightly low investment levels in 2016.

Estimated FCF before acquisitions and divestments



Source: Company data and Nordea Markets

Estimated capex relative to sales



Source: Company data and Nordea Markets

Detailed estimates

ADDvise - Detailed estimates											
SEKm	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Sales	138	147	195	244	326	377	422	464	506	546	587
growth (%)	15.0%	6.2%	33.2%	24.9%	33.6%	15.5%	12.0%	10.0%	9.0%	8.0%	7.5%
organic (%)	1.1%	-7.6%	5.1%	-2.8%	1.7%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
acquired (%)	13.3%	12.3%	25.8%	27.6%	31.9%	13.5%	10.0%	8.0%	7.0%	6.0%	5.5%
FX (%)	0.6%	1.4%	2.3%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adj. EBITDA	7	0	9	16	27	34	39	44	49	53	57
margin (%)	5.0%	0.1%	4.7%	6.5%	8.4%	9.1%	9.2%	9.5%	9.7%	9.7%	9.7%
Adj. net income	-3	-15	-9	-2	6	11	14	20	23	26	28
Adj. EPS	-0.26	-1.01	-0.30	-0.06	0.15	0.26	0.32	0.47	0.54	0.60	0.66
Sales											
Lab	74	74	124	171	201	227	251	272	294	315	337
Healthcare	64	73	71	73	125	149	171	191	211	231	251
Sales growth											
Lab		0%	68%	38%	18%	13%	10%	9%	8%	7%	7%
Healthcare		13%	-2%	2%	71%	20%	15%	12%	10%	9%	9%
Adj. EBITDA											
Lab	4	-2	1	9	15	19	21	24	26	27	29
Healthcare	7	5	11	6	13	15	18	21	23	26	28
Adj. EBITDA margin (%)											
Lab	5%	-3%	1%	5%	7%	8%	8%	9%	9%	9%	9%
Healthcare	11%	6%	15%	8%	10%	10%	10%	11%	11%	11%	11%

Source: Company data and Nordea Markets

ADDvise - P&L quarterly and annual estimates											
SEKm	**Q1 2016**	**Q2 2016**	**Q3 2016**	**Q4 2016**	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017E**	**2017E**	**2018E**	**2019E**
Sales	**46**	**54**	**42**	**53**	**62**	**68**	**47**	**66**	**244**	**326**	**377**
Lab	29	36	25	34	44	50	33	45	171	201	227
Healthcare	16	18	17	20	18	19	14	22	73	125	149
growth (%)	11.4%	44.9%	33.1%	45.9%	35.5%	26.1%	12.2%	24.8%	24.9%	33.6%	15.5%
Adj. EBITDA	**0**	**3**	**2**	**3**	**4**	**6**	**1**	**5**	**16**	**27**	**34**
margin (%)	0.1%	6.2%	5.8%	6.4%	7.2%	8.3%	1.1%	7.0%	6.5%	8.4%	9.1%
Adj. EBIT	**-1**	**2**	**2**	**2**	**3**	**5**	**-1**	**3**	**11**	**21**	**27**
margin (%)	-1.8%	4.3%	3.6%	4.5%	5.5%	6.7%	-1.3%	5.0%	4.6%	6.4%	7.1%
Net financials	-3	-3	-3	-3	-4	-3	-4	-6	-17	-13	-12
EBT	**-6**	**6**	**0**	**0**	**-1**	**1**	**-4**	**-3**	**-6**	**8**	**14**
Taxes	0	-1	0	0	0	0	0	1	1	-2	-3
Net income	-6	5	1	0	-1	1	-4	-2	-5	6	11

Source: Company data and Nordea Markets

Risk factors

Below, we list the main risk factors we find relevant for ADDvise. The purpose of this is not to provide a comprehensive picture of all the risks that the company may be subject to, but rather to highlight those that we find most relevant. The main risks we have identified relate to the financial position, operating model and dependency on key employees.

Financial position and capital needs

ADDvise might need additional funds to finance its growth agenda

ADDvise has a growth-oriented business model, which is dependent on securing sufficient funding. At present, the company has an outstanding bond with a face value of SEK 120m. Historically, the company has made use of a variety of sources to fund acquisitions, including debt, new shares and earn-outs.

In October 2017, the company refinanced its SEK 87m bond with a new secured bond of SEK 120m, which could potentially be expanded to a maximum of SEK 240m in case of acquisitions. The new bond matures in October 2022, has a nominal rate of 7.25% and shares in Hettich Labinstrument and Surgical Tables Inc are used as collateral.

Acquisition strategy

Inherent risks in the acquisition processes

Since ADDvise's growth strategy is largely dependent on a steady flow of new companies, there are risks related to the acquisition process. One key risk is that ADDvise could potentially overpay for companies in relation to their future financial performance. To reduce this risk, ADDvise makes use of an extensive due diligence process. Another key risk related to acquisitions is the integration risk. Due to the fact that it is difficult to determine this risk before the integration process is initiated, ADDvise's strategy is to gradually integrate its subsidiaries, which could be a mitigating factor.

Competition

Few competitors currently have the same full service offering

The market of supplying medical equipment and related services is a competitive niche with many competitors. However, ADDvise states that overall there are few competitors in its key markets that have full service offerings. However, competition can be quite intense for particular products. There is also a risk that new companies enter the market or that existing players develop new products that raise their competitive edge. Both of these scenarios could affect ADDvise's sales. To maintain its competitive edge, ADDvise might also need to make additional investments or lower its prices.

Customer concentration

Exposed to industry dynamics but limited customer specific risks

ADDvise's customers are to a large extent in the healthcare segment, which is generally a stable market but the company could be exposed to industry fluctuations in the event of a downturn. Some of ADDvise's customers are large public and private companies, but no single customer constitutes more than 15% of the total revenue.

Currency fluctuations

Limited currency exposure

ADDvise is affected by currency risks, but as the company has both assets and liabilities in different currencies the exposure is rather balanced. In its 2016 annual report, the company states that a 5% change in its underlying currencies versus the SEK would affect the pre-tax profit by SEK 0.042m. The company has a policy of avoiding currency risk by hedging currency exposure or using currency clauses in its customer contracts. Its main exposures in terms of sales and cost are in SEK, NOK, USD and EUR.

Suppliers

Products needs to fulfil certain quality requirements

ADDvise uses a number of different suppliers for its products and services. Significant disturbances, quality issues or other adverse events with a major supplier can result in additional costs, and a change of supplier could lead to disturbances in the supply chain. The manufacturing of certain medtech products also needs to fulfil certain quality standards and other regulatory requirements.

Concentration of ownership and conflict of interest

CEO is also a board member and among the largest shareholders

Rikard Akhtarzand, who is the CEO, is also on the board of directors and is one of the main shareholders of ADDvise. As of 30 June 2017, he held shares representing about 16% of the voting power. As such, there could potentially be a governance issue putting the CEO's interests ahead of those of minority shareholders.

General economy and specifically Sweden's economy

Sweden represent-ed 66% of group revenue in 2016

ADDvise is to some extent exposed to the general economy and Sweden in particular, which constituted 70% of group sales in 9M 2017. In case of an economic downturn in the region, this could potentially lead to delayed investments from its customers, affecting ADDvise's sales.

Hiring and maintaining key employees

Attracting and retaining key personnel is integral for ADDvise's future success

ADDvise's future success is dependent on its ability to keep, motivate and attract key personnel. This includes senior management and in particular Rikard Akhtarzand, who is the CEO, a member of the board and one the largest owners. Loss of key individuals could impact operations and the growth strategy outlined by senior management and the main owners. As the company grows, it may also need to add new capabilities and attract future employees with certain qualities and characteristics.

Reported numbers and forecasts

Income statement												
SEKm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
Net revenue	**50**	**100**	**120**	**138**	**147**	**195**	**244**	**326**	**377**	**422**	**464**	**506**
Revenue growth		99.5%	19.6%	15.0%	6.2%	33.2%	24.9%	33.6%	15.5%	12.0%	10.0%	9.0%
EBITDA	0	1	3	5	4	18	15	27	34	39	44	49
Depreciation and impairments PPE	0	-0	-1	-1	-1	-1	-1	-2	-2	-2	-2	-3
EBITA	0	1	3	5	4	17	14	26	32	37	42	46
Amortisation and impairments	-1	-2	-1	-2	-3	-3	-3	-5	-6	-6	-7	-7
EBIT	-1	-2	1	3	0	14	11	21	27	31	35	39
of which associates	0	0	0	0	0	0	0	0	0	0	0	0
Associates excl. from EBIT	0	0	0	0	0	0	0	0	0	0	0	0
Net financials	-0	-2	-6	-7	-11	-13	-17	-13	-12	-13	-9	-9
Pre-Tax Profit	**-1**	**-4**	**-4**	**-5**	**-11**	**1**	**-6**	**8**	**14**	**18**	**26**	**30**
Reported taxes	1	-0	0	-0	-0	-1	1	-2	-3	-4	-6	-7
Net profit from cont. operations	-0	-4	-4	-5	-11	0	-5	6	11	14	20	23
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	-0	-4	-4	-5	-11	0	-5	6	11	14	20	23
EPS	**-0.08**	**-0.52**	**-0.44**	**-0.41**	**-0.73**	**0.01**	**-0.11**	**0.15**	**0.26**	**0.32**	**0.47**	**0.54**
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent												
EBITDA	0.5%	1.2%	2.6%	3.8%	3.0%	9.2%	6.3%	8.4%	9.1%	9.2%	9.5%	9.7%
EBITA	0.8%	0.7%	2.1%	3.3%	2.4%	8.7%	5.8%	7.8%	8.6%	8.7%	9.0%	9.2%
EBIT	-1.1%	-1.8%	1.0%	2.0%	0.2%	7.3%	4.4%	6.4%	7.1%	7.2%	7.5%	7.7%
Adjusted earnings												
EBITDA (adj.)	0	1	6	7	0	9	16	27	34	39	44	49
EBITA (adj.)	0	1	6	6	-1	8	15	26	32	37	42	46
EBIT (adj.)	-1	-2	4	4	-4	5	11	21	27	31	35	39
EPS (adj.)	-0.08	-0.52	-0.14	-0.26	-1.01	-0.30	-0.06	0.15	0.26	0.32	0.47	0.54
Adjusted profit margins in percent												
EBITDA (adj.)	0.5%	1.2%	5.1%	5.0%	0.1%	4.7%	6.5%	8.4%	9.1%	9.2%	9.5%	9.7%
EBITA (adj.)	0.8%	0.7%	4.6%	4.5%	-0.5%	4.2%	6.0%	7.8%	8.6%	8.7%	9.0%	9.2%
EBIT (adj.)	-1.1%	-1.8%	3.6%	3.2%	-2.7%	2.8%	4.6%	6.4%	7.1%	7.2%	7.5%	7.7%
Performance metrics												
CAGR last 5 years												
Net revenue	n.a.	n.a.	n.a.	n.a.	30.6%	18.1%	19.4%	24.0%	26.6%	21.2%	17.4%	11.6%
EBITDA	n.a.	n.a.	n.a.	n.a.	104.0%	96.3%	49.7%	51.3%	67.0%	21.2%	30.0%	15.8%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	71.6%	66.5%	205.4%	21.1%	34.0%	17.0%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-28.9%	n.a.	n.a.	132.4%	n.a.	39.0%
DPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average EBIT margin	n.a.	n.a.	-0.4%	0.4%	0.3%	2.4%	3.5%	4.6%	5.6%	6.6%	6.7%	7.2%
Average EBITDA margin	n.a.	n.a.	1.7%	2.4%	2.5%	4.6%	5.5%	6.7%	7.7%	8.6%	8.7%	9.2%

Source: Company data and Nordea Markets

Valuation ratios - adjusted earnings												
SEKm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
P/E (adj.)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	13.0	7.3	5.9	4.1	3.5
EV/EBITDA (adj.)	37.5	31.5	15.7	20.0	1434.0	19.1	14.4	9.0	7.5	6.7	5.9	5.1
EV/EBITA (adj.)	25.1	53.4	17.2	21.9	n.m.	21.4	15.6	9.6	7.9	7.1	6.2	5.4
EV/EBIT (adj.)	n.m.	n.m.	22.4	31.5	n.m.	32.5	20.3	11.8	9.6	8.5	7.4	6.5
Valuation ratios/reported earnings												
P/E	n.m.	n.m.	n.m.	n.m.	n.m.	171.6	n.m.	13.0	7.3	5.9	4.1	3.5
EV/Sales	0.2	0.4	0.8	1.0	0.9	0.9	0.9	0.8	0.7	0.6	0.6	0.5
EV/EBITDA	37.5	31.5	31.2	26.5	28.3	9.8	14.8	9.0	7.5	6.7	5.9	5.1
EV/EBITA	25.1	53.4	37.8	29.9	34.9	10.3	16.1	9.6	7.9	7.1	6.2	5.4
EV/EBIT	n.m.	n.m.	76.9	51.0	406.4	12.4	21.2	11.8	9.6	8.5	7.4	6.5
Dividend yield (ord.)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.2%
FCF yield	0.9%	-56.6%	-63.2%	-97.2%	-27.2%	-102%	-62.9%	-21.2%	-13.0%	-6.1%	3.7%	8.2%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea Markets

Balance sheet												
SEKm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
Intangible assets	8	28	51	73	78	122	159	173	189	203	215	227
of which R&D	0	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	1	2	25	30	34	36	36	36	36	36	36	36
of which goodwill	7	26	26	43	43	86	123	137	153	167	179	191
Tangible assets	2	2	6	8	7	7	10	10	10	10	10	10
Shares associates	0	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0	0
Other non-int. bearing assets	0	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	1	1	0	0	0	0	0	0	0
Total non-current assets	**10**	**30**	**57**	**82**	**86**	**129**	**169**	**183**	**199**	**213**	**225**	**237**
Inventory	3	10	11	15	15	20	25	34	39	44	48	53
Accounts receivable	6	11	12	23	8	39	49	65	75	84	92	101
Other current assets	3	8	6	40	14	12	14	19	22	25	27	30
Cash and bank	3	9	3	7	5	25	4	3	4	11	13	8
Total current assets	**14**	**38**	**33**	**85**	**43**	**96**	**93**	**121**	**141**	**164**	**181**	**191**
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**24**	**68**	**89**	**167**	**129**	**224**	**262**	**305**	**340**	**377**	**407**	**428**
Shareholders equity	**9**	**10**	**11**	**15**	**4**	**46**	**52**	**58**	**69**	**83**	**103**	**127**
of which preferred stock	0	0	0	0	0	0	0	0	0	0	0	0
of which Equity of hyb. debt	0	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0
Total Equity	9	10	11	15	4	46	52	58	69	83	103	127
Deferred tax	0	0	0	0	0	0	0	0	0	0	0	0
Long term int. bearing debt	1	23	39	72	84	94	151	167	179	191	190	178
Pension provisions	0	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0	0
Total non-curr. liabilities	**1**	**23**	**41**	**80**	**84**	**94**	**151**	**167**	**179**	**191**	**190**	**178**
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	6	14	15	19	19	22	28	37	43	48	53	57
Other current liabilities	8	20	13	17	16	26	32	43	49	55	61	66
Short term interest bearing debt	0	0	9	35	5	36	0	0	0	0	0	0
Total current liabilities	**14**	**35**	**37**	**72**	**40**	**84**	**60**	**80**	**92**	**103**	**113**	**124**
Liab.for assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**23**	**68**	**90**	**167**	**129**	**224**	**262**	**305**	**340**	**377**	**407**	**428**
Balance sheet and debt metrics												
Net debt	-2	14	46	100	85	105	146	164	174	179	176	170
Working capital	-2	-6	2	41	3	23	29	38	44	50	54	59
Invested capital	8	24	59	123	89	152	198	222	244	262	280	296
Capital employed	10	33	52	95	89	141	202	225	248	274	293	304
ROE	-6.0%	-38.1%	-41.7%	-36.1%	-116%	1.2%	-10.0%	11.4%	17.6%	18.3%	21.7%	20.3%
ROIC	-3.1%	-13.8%	0.1%	1.1%	-2.3%	8.9%	4.8%	7.7%	9.0%	9.4%	10.0%	10.5%
ROCE	-5.7%	-5.3%	2.4%	2.9%	0.3%	10.1%	5.3%	9.2%	10.8%	11.2%	11.9%	12.8%
Net debt/EBITDA	-7.9	11.6	14.9	19.3	19.2	5.8	9.5	6.0	5.1	4.6	4.0	3.5
Interest coverage	-2.1	-0.9	0.2	0.4	0.1	1.1	0.6	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	39.5%	14.2%	12.8%	8.9%	3.3%	20.4%	19.7%	19.0%	20.3%	22.0%	25.4%	29.6%
Net gearing	-21.8%	146.2%	399%	674.1%	n.m.	229.1%	282.2%	281.7%	251.4%	215.4%	170.4%	133.7%

Source: Company data and Nordea Markets

Cash flow statement												
SEKm	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**
EBITDA (adj.) for associates	0	1	3	5	4	18	15	27	34	39	44	49
Paid taxes	0	0	0	0	0	-2	1	-2	-3	-4	-6	-7
Net financials	0	-2	-6	-7	-11	-11	-17	-13	-12	-13	-9	-9
Change in Provisions	0	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	0	0	2	6	-7	0	0	0	0	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0	0
Other adj. to reconcile to cash flow	1	0	-2	-6	0	-14	0	0	0	0	0	0
Funds from operations (FFO)	**0**	**-1**	**-3**	**-2**	**-14**	**-9**	**0**	**13**	**19**	**22**	**29**	**33**
Change in NWC	1	8	-3	-7	10	-25	-6	-10	-6	-5	-5	-5
Cash flow from op. (CFO)	1	7	-6	-9	-4	-33	-6	3	13	17	25	29
Capital Expenditure	-1	-2	-2	-10	-7	-4	-5	-7	-8	-8	-9	-10
Free Cash Flow before A&D	**0**	**5**	**-8**	**-19**	**-10**	**-37**	**-10**	**-3**	**5**	**9**	**15**	**18**
Proceeds from sale of assets	0	0	0	-18	0	0	0	0	0	0	0	0
Acquisitions	0	-19	-23	0	0	-35	-41	-14	-16	-14	-12	-12
Free cash flow	0	-14	-32	-36	-11	-71	-51	-17	-11	-5	3	7
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	5	4	6	8	0	41	11	0	0	0	0	0
Net change in debt	-3	16	14	63	-18	40	20	16	12	12	-1	-12
Other financing adjustments	0	0	6	1	0	0	0	0	0	0	0	0
Other non-cash adjustments	1	0	-1	-32	26	11	0	0	0	0	0	0
Change in cash	3	7	-7	4	-2	20	-21	-1	1	7	2	-5
Cash flow metrics												
Capex/D&A	111%	72%	136%	405%	164%	95%	104%	100%	100%	101%	101%	101%
Capex/Sales	1.8%	2.1%	2.1%	7.3%	4.6%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Key information												
Share price year end (current)	2.6	3.1	4.7	3.1	2.6	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Market cap	12	24	50	37	40	70	82	82	82	82	82	82
Enterprise value	10	38	96	138	125	176	228	246	256	261	258	251
Diluted no. of shares, year-end (m)	4.5	7.7	10.6	11.9	15.2	37.0	43.0	43.0	43.0	43.0	43.0	43.0

Source: Company data and Nordea Markets

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Issuer review

This report has been reviewed, for the purpose of verification of fact or sequence of facts, by the issuer of the relevant financial instruments mentioned in the report prior to publication. The review has led to changes of facts in the report.

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