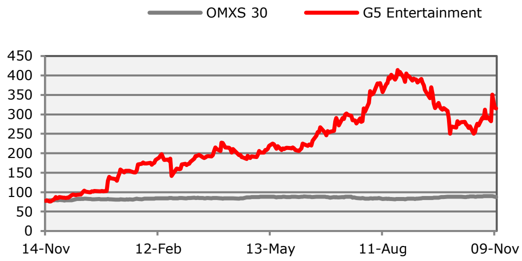
Summary

G5 Entertainment (G5EN.ST)

High growth in the East

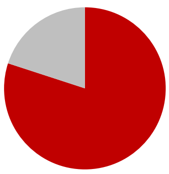
- G5 reported a revenue of SEK 268 million (estimate SEK 293 million). EBIT-margin of 12% was in line with our expectations.
- The company has further increased its market share in Japan. Approximately 20% of total revenue currently comes from Japan, the second biggest mobile gaming market in the world. Expected continued growth in Japan will increase retention and monetization in the games portfolio.
- Some positive changes have been done in our estimates. An expected higher revenue per user would result in increased revenue growth rates in 2018 and 2019. Our new fair value range is SEK 130-560 with a base case of SEK 357 (prior SEK 325).

List:	
Market Cap:	2,776 MSEK
Industry:	Gaming
CEO:	Vladislav Suglobov
Chairman:	Petter Nylander



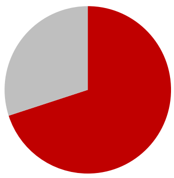
Redeye Rating (0 – 10 points)

Management



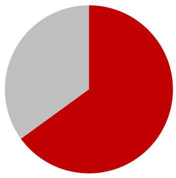
8.0 points

Ownership



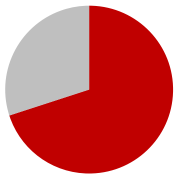
7.0 points

Profit outlook



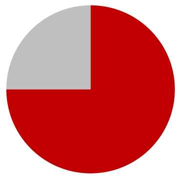
6.5 points

Profitability



7.0 points

Financial strength



7.5 points

Key Financials

	2015	2016	2017E	2018E	2019E
Revenue, MSEK	384	517	1,065	1,342	1,677
Growth	*48%*	*34%*	*106%*	*26%*	*25%*
EBITDA	57	81	178	284	394
EBITDA margin	*15%*	*16%*	*17%*	*21%*	*24%*
EBIT	20	38	122	182	294
EBIT margin	*5%*	*7%*	*11%*	*14%*	*18%*
Pre-tax earnings	20	38	122	182	294
Net earnings	15	33	101	146	228
Net margin	*4%*	*6%*	*10%*	*11%*	*14%*
Dividend/Share	0.00	0.75	1.00	1.50	2.00
EPS adj.	2.68	4.13	11.92	17.31	26.81
P/E adj.	0.0	0.0	26.2	18.2	11.6
EV/S	-0.1	-0.1	2.4	1.8	1.3
EV/EBITDA	-0.6	-0.7	14.3	9.3	5.7

Share information	
Share price (SEK)	315.5
Number of shares (m)	8.8
Market Cap (MSEK)	2,776
Net cash (MSEK)	99
Free float (%)	67 %
Daily turnover ('000)	130

Analysts:
Tomas Otterbeck
tomas.otterbeck@redeye.se

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

Redeye Rating: Background and definitions

The aim of a Redeye Rating is to help investors identify high-quality companies with attractive valuation.

Company Qualities

The aim of Company Qualities is to provide a well-structured and clear profile of a company's qualities (or operating risk) – its chances of surviving and its potential for achieving long-term stable profit growth.

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – Profit Outlook, 4 – Profitability and 5 – Financial Strength.

Each valuation key is assessed based a number of quantitative and qualitative key factors that are weighted differently according to how important they are deemed to be. Each key factor is allocated a number of points based on its rating. The assessment of each valuation key is based on the total number of points for these individual factors. The rating scale ranges from 0 to +10 points.

The overall rating for each valuation key is indicated by the size of the bar shown in the chart. The relative size of the bars therefore reflects the rating distribution between the different valuation keys.

Management

Our Management rating represents an assessment of the ability of the board of directors and management to manage the company in the best interests of the shareholders. A good board and management can make a mediocre business concept profitable, while a poor board and management can even lead a strong company into crisis. The factors used to assess a company's management are: 1 – Execution, 2 – Capital allocation, 3 – Communication, 4 – Experience, 5 – Leadership and 6 – Integrity.

Ownership

Our Ownership rating represents an assessment of the ownership exercised for longer-term value creation. Owner commitment and expertise are key to a company's stability and the board's ability to take action. Companies with a dispersed ownership structure without a clear controlling shareholder have historically performed worse than the market index over time. The factors used to assess Ownership are: 1 – Ownership structure, 2 – Owner commitment, 3 – Institutional ownership, 4 – Abuse of power, 5 – Reputation, and 6 – Financial sustainability.

Profit Outlook

Our Profit Outlook rating represents an assessment of a company's potential to achieve long-term stable profit growth. Over the long-term, the share price roughly mirrors the company's earnings trend. A company that does not grow may be a good short-term investment, but is usually unwise in the long term. The factors used to assess Profit Outlook are: 1 – Business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

Profitability

Our Profitability rating represents an assessment of how effective a company has historically utilised its capital to generate profit. Companies cannot survive if they are not profitable. The assessment of how profitable a company has been is based on a number of key ratios and criteria over a period of up to the past five years: 1 – Return on total assets (ROA), 2 – Return on equity (ROE), 3 – Net profit margin, 4 – Free cash flow, and 5 – Operating profit margin or EBIT.

Financial Strength

Our Financial Strength rating represents an assessment of a company's ability to pay in the short and long term. The core of a company's financial strength is its balance sheet and cash flow. Even the greatest potential is of no benefit unless the balance sheet can cope with funding growth. The assessment of a company's financial strength is based on a number of key ratios and criteria: 1 – Times-interest-coverage ratio, 2 – Debt-to-equity ratio, 3 – Quick ratio, 4 – Current ratio, 5 – Sales turnover, 6 – Capital needs, 7 – Cyclicality, and 8 – Forthcoming binary events.

Q3 comments

G5 Entertainment reported a revenue of SEK 268 million (estimate SEK 293 million). EBIT-margin of 12% was in line with our expectations.

Estimates versus actuals:

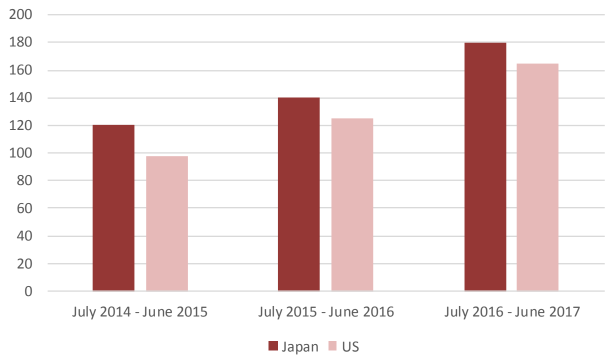
Detailed estimate, quarter				
mSEK	**Q2'17**	**Q3'17E**	**vs Q3'17**	**Diff**
Net sales	**277**	**293**	**268**	**-8%**
Distributor cost	-83	-88	-81	-8%
Royalty	-61	-59	-55	-7%
Gross profit	**133**	**146**	**132**	**-10%**
UAC	-69	-73	-65	-11%
Other OPEX	-24	-18	-20	11%
EBITDA	**40**	**55**	**47**	**-15%**
D&A	-16	-15	-13	-13%
EBIT	**23**	**39**	**33**	**-16%**
EBIT margin	9%	13%	12%	

Source: Redeye Research, G5 Entertainment

The weaker than expected revenue was explained in a weaker dollar in comparison to SEK when a majority of the revenues comes from the United States. In fact, the growth was 6% between the quarters in USD. User Acquisition Cost (UAC) was on the same level as our estimates and royalty were a bit higher. The EBIT-margin was therefore 12% in comparison to our estimates of a 13% EBIT-margin.

Japan – the home of portable gaming

China is the largest country when it comes to IOS Game Revenue. Japan comes in second place, and the US is number three.



Indexed Game Revenue, App Annie

Mobile gaming revenue in Japan grew approximately 35% between July 2016 and June 2017. For three years in a row, Japan has surpassed the US although the US has three times as many smartphone users.

According to a report by App Annie and Japans largest marketing agency, Dentsu, Japanese players access their games twice as much as those in the US.

Japanese players are also the highest-ranking country in term of average numbers of sessions in games per user, also spending twice as much time when they do play.

Casual games such as G5's and RPGs (role-playing games) is most popular. However, RPGs is dominant with 70% of total revenue coming from RPGs and 10% from casual games.

Revenues is concentrated, 40% of total revenue from Japan comes from the top 10 highest grossing mobile games.

As in China, locally developed games perform well, more than 90% of mobile gaming revenue in 2015 went to Japanese countries.

Both in Japan and the US, game downloads have been relatively flat the last four years, yet revenue and usage experience strong gains. Japan has probably the strongest monetisation in the world, especially on a per-user basis.

According to the Q3-report from G5 around 50% of total revenue comes from North America and 26% comes from Asia. In the comments from CEO Vlad Suglobov, 70% of total revenue comes from the US and Japan, which means around 20% of total income comes from Japan. As explained Japan is a country where the Average Revenue per User is high which means a higher UAC per user but also a higher MAGRPPU (Monthly Average Gross Revenue Per Paying User).

The continued high growth in Japan was perhaps the most positive news in the report. In the future, Asia could generate over 50% of G5s total revenue if the positive growth momentum continues in the years to come.

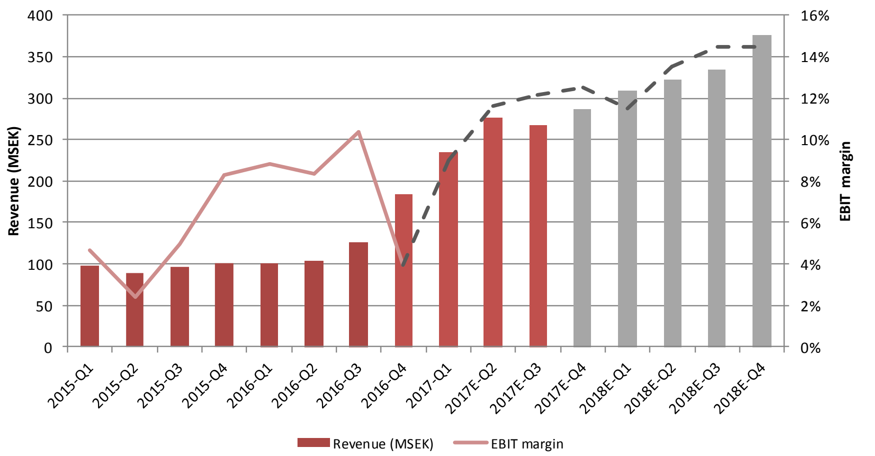
Financial projections

EBIT-expansion

One of the most crucial things about G5 Entertainment DCF-valuation is what EBIT-margin we believe is sustainable for the company in 10 years and beyond. G5 has a scalable business model were profitability tends to go up when revenue is increasing.

Two variables that have a high effect on EBIT-margin is User Acquisition (UAC) and Royalty. G5 Entertainment most popular game the last year is Hidden City which is a licensed product. Licensed product in the games portfolio is the reason for royalty costs that has pending between 20-25% of total revenue. We believe this cost (as a percentage of total revenue) will reduce the coming years when G5's focus is shifting to self-developed games. UAC-cost as a percentage of total revenue, we believe however will be relatively stable at this level (pending between 20-25%). This few percentage has a however massive impact on the EBIT-margin.

G5 Entertainment: Revenue (MSEK) & EBIT margin



Source: G5 Entertainment & Redeye Research

Some guidance from the company

Historically the strongest quarters in the year for G5 Entertainment is Q4 and Q1 (and most other gaming companies as well). In the CEO comments, Vlad gave some light guidance and told investors that the company had seen a nice uplift in October following the release of Halloween updates. Many of the games in the portfolio have renewed their all-time highs for daily revenues with a healthy UAC-cost per user. CFO Stefan Wikstrand also told "Nyhetsbyrån Direkt" he believes the EBIT-margin expansion will likely continue in the future, due to the leverage in the business model.

MAGRPPU (Monthly Average Gross Revenue Per Paying User) was during the quarter at "all-time high", and we believe this trend will continue as G5's player base will become more engaged and therefore more profitable. The higher engagement will mainly come from Japan but also from China and Korea.

G5-s user base or Monthly Average Users (MAU) has in 12 months nearly doubled, from 3.8 million to 7.3 million. This growth rate will be hard to keep up in 2018, as many players will get tired. We, however, believe engaged players in the user base will increase.

In our estimates, MAU will be around 9 million at the end of 2018 and MAGRPPU around USD 42.6.

Our estimates is as follows:

Detailed estimate, quarter

mSEK	Q1'17	Q2'17E	Q3'17	Q4'17E	2017E	2018E
Net sales	**235**	**276**	**268**	**287**	**1 065**	**1 342**
Distributor cost	-70	-83	-81	-86	-321	-403
Royalty	-51	-59	-55	-63	-228	-258
Gross profit	**113**	**133**	**132**	**138**	**516**	**681**
UAC	-60	-70	-65	-69	-264	-312
Other OPEX	-23	-18	-20	-17	-78	-87
EBITDA	**34**	**45**	**47**	**52**	**178**	**282**
D&A	-13	-13	13	-14	-28	-94
EBIT	**21**	**32**	**32**	**36**	**121**	**182**
Net sales growth (Y/Y)	*132%*	*165%*	*113%*	*55%*	*106%*	*26%*
Net sales growth (Q/Q)	*27%*	*18%*	*-3%*	*7%*		
EBIT margin	*9%*	*12%*	*12%*	*13%*	*12%*	*14%*

Source: Redeye Research

Changes in estimates

Earlier we assumed the games portfolio would have a setback at the beginning of 2018 and MAU would decrease from high levels. After some guidance from the company, we estimate more stable growth the coming quarters.

We are conservative and are expecting a 7% revenue growth (Q/Q) in Q4 2017 slightly higher than in Q2, despite the fact that the dollar has strengthened in recent months since Q3. Y/Y growth is estimated to be 106% (prior estimate 114%). However, estimated Y/Y growth for 2018 had been raised to 26% (prior 19%) with an average EBIT-margin of 14-15%.

Investment Thesis

Exceptional growth

Global revenues emanating from mobile games in 2016 were USD 36.7 billion, thereby growing 18 percent over the previous year. However, the growth rate of G5 Entertainment was almost twice that pace, namely 34.5 percent. Revenues in the mobile games industry are expected to grow by a CAGR of 17 percent over the next three years and reach USD 58 billion in 2020. If G5 continues to outperform in line with the company's impressive track record, we can look forward to exceptional growth in the coming years. (NEWZOO 2016 Global Mobile Market Report)

Dominant in their niche

With over 500 games releases on the Apple App store each day, competition is fierce. However, G5 has found its niche within the target group of women aged 35 years and older. According to research, this target group is loyal, affluent and women usually make more in-app purchases than men. G5's focus is primarily casual puzzles, often combined with atmospheric exploration and to some extent interactive drama. All of these elements in a game are popular among women. The company's "Hidden Object" games are the company's big cash cows. This genre of games is estimated to generate around 80 percent of total company revenue. The genre is best explained as casual puzzles with a framework of storytelling and mystery which appeal to the female audience. G5 Entertainment has in the past few years become the dominant player in their niche of Hidden Objects games and their titles are the highest grossing in the genre.

The growth saga continues

We expect G5 to maintain high revenue growth of 37 percent CAGR over the next four years. The biggest contribution comes from our expectation of a strong 2017 with an estimated revenue growth of roughly 100 percent. Our financial projections in our Base Case scenario relies on a number of factors that should support continued high growth.

- **Big gets bigger** - the company's dominant position in its niche breeds further success
- **EBIT-margin increases** - driven by investments in in-house developed games with lower royalty cost
- **Geographic expansion** - the player base in Asia is expected to continue to grow
- **The potential of the mobile phone** - Revenues from the mobile phone segment is expected to increase

Big gets bigger

G5 has found its niche and has a dominant position in the "hidden objects" gaming genre. In such a competitive market as the mobile games industry where for example Apple's Appstore every day receives 500 new games it becomes crucial to find a niche that you can dominate. G5 has in the past two years found their niche with an unusually loyal and cost-effective target audience. When a company reaches a critical mass the positive spiral will likely continue, which is the case for G5. And the positive momentum has good chances to continue, if you as a company can produce more quality content to your audience. Many skeptics thought for example that Supercell and King would lose its momentum and that interest would cool down from users after 1-2 years. So was not the case and their most successful game is still several years later at the top of the "Top Grossing lists".

EBIT margin increases

After great success with the hidden-objects games "The Secret Society" and "Hidden City" both of which are licensed titles, the company will now begin to spend more money on proprietary games, both on marketing and development. With a user base built up in these two games at around 25 million users, the company has a golden opportunity to cross-promote similar proprietary games. For example, we see potential in the new proprietary game “Twin Moons Society” which has started to climb the charts in the last months. Twin Moons is a game which in many ways can be seen as a further development of Hidden City. One of the benefits with In-house developed games is that the company does not have to pay any royalties to the developer, which means that the profitability will increase when the proportion of revenue from proprietary gaming increases.

Risk: Worth adding is that G5 has not yet managed to develop a blockbuster game in the same calibre as Hidden City, which means that the company has a challenge in front of them. G5, however, has in recent years become much better at UA (User Acquisition), which combined with the large user base and increased expertise regarding monetization will likely lead to increased success in self-developed games. G5 has also decided to reduce the share of licensed games which means that the company virtually do not start any new partnerships at all at the moment.

Geographical expansion

At the year-end of 2016 the CEO announced that revenues from Asia increased from 10 percent to 15 percent of total company revenue. As the revenue of the entire industry of mobile gaming in China has doubled in a year, which is four times the growth that the United States turned over the same period, means a stronger position for G5 in China can lead to great growth potential.

However, it is unusual for the mobile games to be equally successful in different markets globally, due to game elements that work well in the Western world often doesn’t work as well in China and Japan, and vice versa.

In China Apple's App Store has a low market share particularly in comparison with Apples position in the West. Rather App Stores from more local players, with Tencent as a leader, has a strong market share.

Reaching out to audiences in Japan and China can therefore be costly for a player like G5 and the risk that the games do not get the same impact as in the West can also be considered to be significant. However G5's games in Asia has grown considerably with targeted marketing efforts during the year, which shows that the company could take further market share in the area.

The potential of the mobile phone

The majority of the revenue from G5's games derive from the iPad (thinkgaming). This is due to the game elements that historically, and in the current situation, are best suited for a larger screen. In order to grow in the segment of the mobile phone, the company has increased their efforts in the past year and optimized their content better for a smaller screen. The company's efforts paid off in 2016 when the mobile phones share of revenue increased. Part of the success for "Hidden City" can therefore be explained by the company´s adjustments of content to be better suited for the mobile phone. As self-developed games to a certain degree will take over the coming years, they have also been enhanced for playing on the mobile phone. For this reason, we believe that the share of revenues from the mobile phone will increase the coming years, which likely will be a major part of the company's overall growth.

Valuation

Base Case scenario

DCF-valuation

The required rate of return used in the DCF-valuation is set to 8.7% which is derived using Redeye's rating model. The long history of strong revenue growth from the company in combination with high ownership from the management is two important factors for the relatively low WACC for a company active in a market that is often characterized by high risk. Despite a history of low diversification in the portfolio, the track record speaks for itself, meaning the management have delivered stable revenue growth with only 1-2 games generating the majority of revenues.

Revenue per user is expected to increase in 2018, one reason for this is a higher market share in Japan another is a more loyal and active user base. A transformation will begin in 2018-2019 were own games will start to take a larger share of revenues from the games portfolio. Royalty costs as a percentage of total sales will, therefore, decrease in 2018-2019 which means an EBIT-margin increase.

This trend will continue in the coming years with an average EBIT-margin around 16% and a CAGR of 19.6% 2018-2022.

This leads to a DCF-based value of **SEK 357 per share** (prior SEK 325) in our Base Case scenario.

Bear Case Scenario

Due to the low diversification in the games portfolio, the impact of the highly successful Hidden City's decline will affect total revenues dramatically. In the search for the next big hit amongst G5's games, massive UA-spending will, however, continue in 2018. This two things will both lead to a slower revenue growth and lower profitability.

The market will, however, show high growth in the upcoming years. This in combination with the company's strong position in their niche and historically successful UA-strategy's will lead to continued growth with a CAGR of 10% and an EBIT-margin around 7% in the years 2018-2022.

This leads to a DCF-based value of **SEK 130 per share** in our Bear Case scenario.

Bull Case Scenario

The growth saga will continue and the company's bet on own games will be successful. G5's dominant position amongst Hidden Objects games is enhanced even further and Monthly Average Users (MAU) will continue to show high growth rates. The geographical expansion in new markets, especially in Asia, is successful and the penetration amongst smartphone owners is improved. The company will also find success in Match 3 puzzle games in the end of 2018 and beyond.

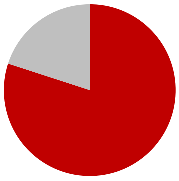
G5 will continue to monetize on their loyal player base with new games and new blockbusters. Royalty-cost will decrease as the proportion of own games in the portfolio increases. G5 will at the same time continue to outgrow the market in general. In this scenario, we estimate a CAGR of 22% and an EBIT-margin of 17-18% in 2018-2022.

This leads to a DCF-based value of **SEK 560 per share** (prior SEK 500) in our Bull Case scenario.

Summary Redeye Rating

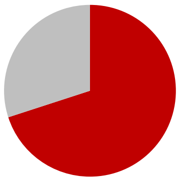
The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

Management 8.0p



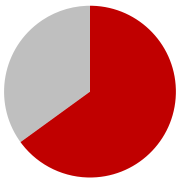
The experienced management has since the smart phones birth delivered high growth and appetizing profitability. The management has been skilled in adapting to the markets driving forces early and started to publish free to play games in 2011, a strategic move that was highly successful.

Ownership 7.0p



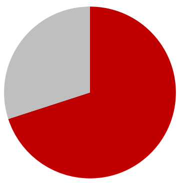
The three founders still has a significant ownership in the company which means 19% of the total capital and votes. The founder and CEO is the largest shareholder of this three. The institutional ownership stands for 14% of the ownership. The ownership amongst The Board of Directors however is relatively low.

Profit outlook 6.5p



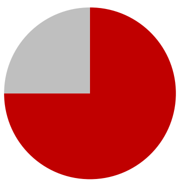
The company has a proven business model with high gross margins around 50% and has shown high organic growth through the years. G5 is expected to grow 100 % in 2017 with a strong position in its niche amongst adult women. The mobile games market is expected to grow with a CAGR of 15% in the years to come and G5 has potential in outgrowing the market as a whole. The company's competitive advantages is however only considered to be temporary in a long term perspective.

Profitability 7.0p



The profitability has the last three years been pending between an EBIT-margin of 5-10% through the quarters. The User Acquisition team can control the profitability in the company relatively well which limits the potential downside in the business.

Financial strength 7.5p



The company has a strong balance sheet with approximately SEK 70 million in cash and cash equivalents. The games portfolio is however not diversified with 1-2 games generating the majority of total revenue.

REDEYE

G5 Entertainment

Income statement	2015	2016	2017E	2018E	2019E
Net sales	384	517	1,065	1,342	1,677
Total operating costs	-327	-436	-887	-1,058	-1,283
EBITDA	**57**	**81**	**178**	**284**	**394**
Depreciation	0	0	0	-1	-1
Amortization	-29	-40	-53	-72	-91
Impairment charges	-8	-3	-4	-7	-8
EBIT	**20**	**38**	**122**	**182**	**294**
Share in profits	0	0	0	0	0
Net financial items	0	0	0	0	0
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	**20**	**38**	**122**	**182**	**294**
Tax	-4	-5	-20	-36	-67
Net earnings	**15**	**33**	**101**	**146**	**228**

Balance	2015	2016	2017E	2018E	2019E
Assets					
Current assets					
Cash in banks	34	54	107	220	403
Receivables	10	0	21	27	34
Inventories	0	0	0	0	0
Other current assets	29	43	88	110	138
Current assets	**73**	**97**	**215**	**357**	**574**
Fixed assets					
Tangible assets	5	6	9	11	13
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	2	2	-1	-8	-16
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	94	104	160	201	252
O non-current assets	0	0	0	0	0
Total fixed assets	**101**	**112**	**167**	**204**	**249**
Deferred tax assets	2	6	6	6	6
Total (assets)	**177**	**215**	**389**	**568**	**829**
Liabilities					
Current liabilities					
Short-term debt	0	0	7	0	0
Accounts payable	53	67	138	188	235
O current liabilities	0	0	0	0	0
Current liabilities	**53**	**67**	**146**	**188**	**235**
Long-term debt	0	0	0	0	0
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	**53**	**67**	**146**	**188**	**235**
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	123	148	243	380	594
Minority interest (BS)	0	0	0	0	0
Minority & equity	**123**	**148**	**243**	**380**	**594**
Total liab & SE	**177**	**215**	**389**	**568**	**829**

Free cash flow	2015	2016	2017E	2018E	2019E
Net sales	384	517	1,065	1,342	1,677
Total operating costs	-327	-436	-887	-1,080	-1,283
Depreciations total	-37	-43	-56	-79	-100
EBIT	**20**	**38**	**122**	**182**	**294**
Taxes on EBIT	-3	-4	-20	-35	-65
NOPLAT	**15**	**33**	**101**	**146**	**228**
Depreciation	37	43	56	79	100
Gross cash flow	**53**	**76**	**158**	**225**	**328**
Change in WC	8	10	5	21	13
Gross CAPEX	-62	-54	-111	-116	-145
Free cash flow	**-1**	**33**	**52**	**130**	**196**

Capital structure	2015	2016	2017E	2018E	2019E
Equity ratio	70%	69%	63%	67%	72%
Debt/equity ratio	0%	0%	3%	0%	0%
Net debt	-34	-54	-99	-220	-403
Capital employed	89	94	144	160	192
Capital turnover rate	2.2	2.4	2.7	2.4	2.0

Growth	2015	2016	2017E	2018E	2019E
Sales growth	48%	34%	106%	26%	25%
EPS growth (adj)	125%	116%	205%	44%	56%

DCF valuation		Cash flow, MSEK	
WACC (%)	8.7 %	NPV FCF (2017-2019)	333
		NPV FCF (2020-2026)	1091
		NPV FCF (2027-)	1673
		Non-operating assets	47
		Interest-bearing debt	0
		Fair value estimate MSEK	3144
Assumptions 2017-2023 (%)			
Average sales growth	17.3 %	**Fair value e. per share, SEK**	**357.3**
EBIT margin	15.4 %	Share price, SEK	301.0

Profitability	2015	2016	2017E	2018E	2019E
ROE	13%	24%	52%	47%	47%
ROCE	17%	28%	61%	58%	60%
ROIC	21%	37%	107%	101%	142%
EBITDA margin	15%	16%	17%	19%	24%
EBIT margin	5%	7%	11%	14%	18%
Net margin	4%	6%	10%	11%	14%

Data per share	2015	2016	2017E	2018E	2019E
EPS	1.74	3.77	11.50	16.55	25.86
EPS adj	2.68	4.13	11.92	17.31	26.81
Dividend	0.00	0.75	1.00	1.50	2.00
Net debt	-3.85	-6.14	-11.27	-25.01	-45.74
Total shares	8.80	8.80	8.80	8.80	8.80

Valuation	2015	2016	2017E	2018E	2019E
EV	-33.9	-54.1	2,549.6	2,428.7	2,246.3
P/E	0.0	0.0	26.2	18.2	11.6
P/E diluted	0.0	0.0	26.2	18.2	11.6
P/Sales	0.0	0.0	2.5	2.0	1.6
EV/Sales	-0.1	-0.1	2.4	1.8	1.3
EV/EBITDA	-0.6	-0.7	14.3	9.3	5.7
EV/EBIT	-1.7	-1.4	21.0	13.3	7.6
P/BV	0.0	0.0	10.9	7.0	4.5

Share performance		Growth/year	15/17e
1 month	7.5 %	Net sales	66.5 %
3 month	-20.6 %	Operating profit adj	147.9 %
12 month	289.6 %	EPS, just	111.1 %
Since start of the year	195.1 %	Equity	40.4 %

Shareholder structure %	Capital	Votes
Swedbank Robur Fonder	8.9 %	8.9 %
Wide Development Ltd	7.1 %	7.1 %
Purple Wolf Ltd	6.0 %	6.0 %
Proxima Ltd	6.0 %	6.0 %
Tommy Svensk	4.6 %	4.6 %
Avanza Pension	4.5 %	4.5 %
Rite Ventures	2.6 %	2.6 %
Nordnet Pensionsförsäkring	2.4 %	2.4 %
SEB Fonder	2.2 %	2.2 %
Daniel Eriksson	1.1 %	1.1 %

Share information	
Reuters code	G5EN.ST
List	
Share price	315.5
Total shares, million	8.8
Market Cap, MSEK	2648.8

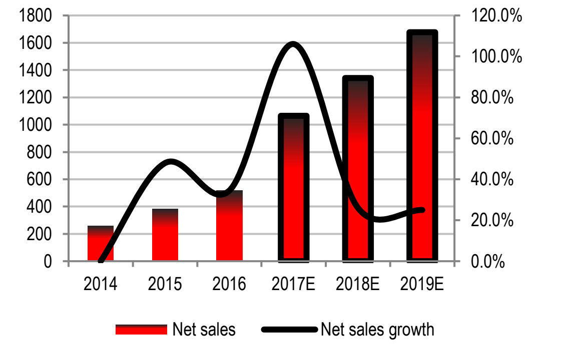
Management & board	
CEO	Vladislav Suglobov
CFO	Stefan Wikstrand
IR	Eric R. Vollmer
Chairman	Petter Nylander

Financial information

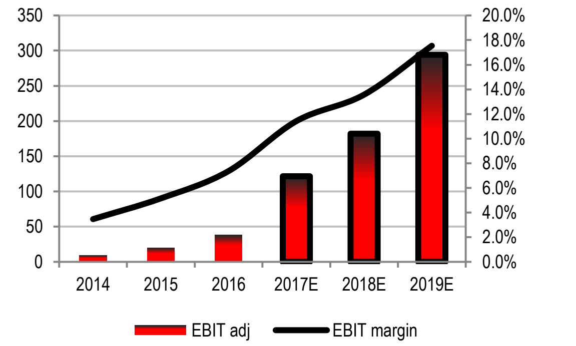
Analysts	Redeye AB
Tomas Otterbeck	Mäster Samuelsgatan 42, 10tr
tomas.otterbeck@redeye.se	111 57 Stockholm

Kristoffer Lindström
kristoffer.lindstrom@redeye.se

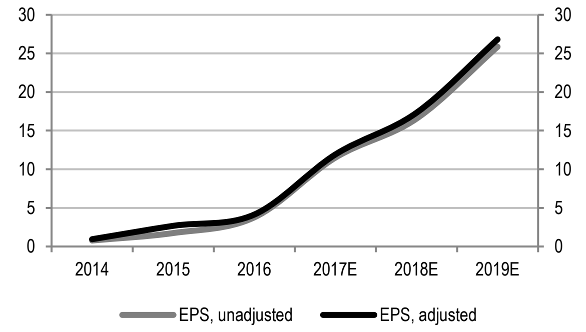
Revenue & Growth (%)



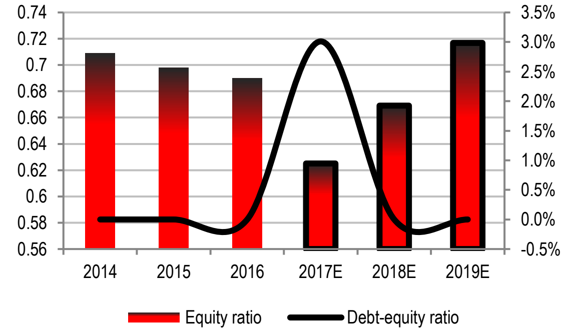
EBIT (adjusted) & Margin (%)



Earnings per share



Equity & debt-equity ratio (%)



Conflict of interests

Tomas Otterbeck owns shares in the company : Yes
Kristoffer Lindström owns shares in the company : No

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

DISCLAIMER

Important information

Redeye AB ("Redeye" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within Corporate Broking, Corporate Finance, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se. Redeye was founded in 1999 and since 2007 has been subject to the supervision of the Swedish Financial Supervisory Authority.

Redeye is licensed to; receive and transmit orders in financial instruments, provide investment advice to clients regarding financial instruments, prepare and disseminate financial analyses/recommendations for trading in financial instruments, execute orders in financial instruments on behalf of clients, place financial instruments without position taking, provide corporate advice and services within mergers and acquisition, provide services in conjunction with the provision of guarantees regarding financial instruments and to operate as a Certified Advisory business (ancillary authorization).

Limitation of liability

This document was prepared for information purposes for general distribution and is not intended to be advisory. The information contained in this analysis is based on sources deemed reliable by Redeye. However, Redeye cannot guarantee the accuracy of the information. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Redeye cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Redeye accepts no liability for any loss or damage resulting from the use of this analysis.

Potential conflict of interest

Redeye's research department is regulated by operational and administrative rules established to avoid conflicts of interest and to ensure the objectivity and independence of its analysts. The following applies:

- For companies that are the subject of Redeye's research analysis, the applicable rules include those established by the Swedish Financial Supervisory Authority pertaining to investment recommendations and the handling of conflicts of interest. Furthermore, Redeye employees are not allowed to trade in financial instruments of the company in question, effective from 30 days before its covered company comes with financial reports, such as quarterly reports, year-end reports, or the like, to the date Redeye publishes its analysis plus two trading days after this date.
- An analyst may not engage in corporate finance transactions without the express approval of management, and may not receive any remuneration directly linked to such transactions.
- Redeye may carry out an analysis upon commission or in exchange for payment from the company that is the subject of the analysis, or from an underwriting institution in conjunction with a merger and acquisition (M&A) deal, new share issue or a public listing. Readers of these reports should assume that Redeye may have received or will receive remuneration from the company/companies cited in the report for the performance of financial advisory services. Such remuneration is of a predetermined amount and is not dependent on the content of the analysis.

Redeye's research coverage

Redeye's research analyses consist of case-based analyses, which imply that the frequency of the analytical reports may vary over time. Unless otherwise expressly stated in the report, the analysis is updated when considered necessary by the research department, for example in the event of significant changes in market conditions or events related to the issuer/the financial instrument.

Recommendation structure

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

Redeye Rating (2017-11-14)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	43	40	17	11	22
3,5p - 7,0p	69	64	96	34	44
0,0p - 3,0p	17	25	16	84	63
Company N	129	129	129	129	129

Duplication and distribution

This document may not be duplicated, reproduced or copied for purposes other than personal use. The document may not be distributed to physical or legal entities that are citizens of or domiciled in any country in which such distribution is prohibited according to applicable laws or other regulations.