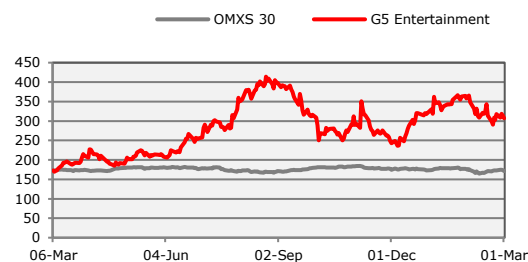


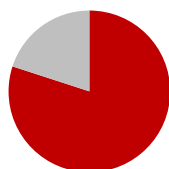
**Summary**
**G5 Entertainment (G5EN.ST)**
**The growth saga continues**

- G5's Q4-report had a lower EBIT than expected. The seasonal pattern was exactly the same as last year's Q4-report and the EBIT-margin slightly higher.
- Since our last research update, two major uncertainties has been solved in the best possible way according to us; the settlement in the MyTona-dispute and the renewal of the agreement with AB Games.
- The management will likely continue to invest in growth, more aggressively than previous estimated. The growth rates for 2018 and 2019 has therefore increased in our financial projection. Our new fair value range is SEK 210-820 (previous SEK 130-560) with a base case of SEK 462 (previous SEK 397).

List:  
 Market Cap: 2,619 MSEK  
 Industry: Gaming  
 CEO: Vladislav Suglobov  
 Chairman: Petter Nylander

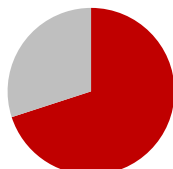

**Redeye Rating (0 – 10 points)**

Management



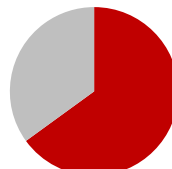
8.0 points

Ownership



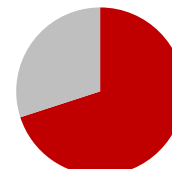
7.0 points

Profit outlook



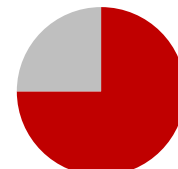
6.5 points

Profitability



7.0 points

Financial strength



7.5 points

**Key Financials**

	2016	2017	2018E	2019E	2020E
Revenue, MSEK	517	1,135	1,589	2,066	2,417
Growth	34%	120%	40%	30%	17%
EBITDA	81	157	261	362	495
EBITDA margin	16%	14%	16%	18%	21%
EBIT	38	102	158	278	342
EBIT margin	7%	9%	10%	13%	14%
Pre-tax earnings	38	102	158	278	342
Net earnings	33	86	126	223	275
Net margin	6%	8%	8%	11%	11%
Dividend/Share	0.75	2.50	3.75	6.50	7.80
EPS adj.	4.13	10.26	15.24	26.49	32.62
P/E adj.	0.0	30.6	20.8	11.8	9.5
EV/S	-0.1	2.2	1.5	1.1	0.9
EV/EBITDA	-0.7	16.2	9.2	6.5	4.3

**Share information**

Share price (SEK)	297.6
Number of shares (m)	8.8
Market Cap (MSEK)	2,619
Net cash (MSEK)	91
Free float (%)	65 %

Analysts:  
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**Important information:** All information regarding limitation of liability and potential conflicts of interest can be found at the end of the report.

**Redeye Rating: Background and definitions**

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

**Company Qualities**

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

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

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

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

**Management**

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

**Ownership**

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

**Profit Outlook**

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

**Profitability**

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

**Financial Strength**

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

## Q4 comments

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G5 Entertainment's Q4-report had a lower EBIT than we expected. The seasonal pattern was exactly the same as last year's Q4-report and the EBIT-margin slightly higher.

Monthly active players have now reached nearly 9 million, while monthly revenue per user (MAGRPPU) has increased to respectable USD 42.7. The increase in MAGRPPU can be explained in the company's strong position in Japan. The CEO also clarified that G5 owns at least a 50% market share in the game genre Hidden Objects, while the company is the 65th largest mobile game publisher. G5's wholly owned game Mahjong Journey has increased in popularity during the year, thus gaining a third place in terms of revenue from Mahjong Solitaire games on mobile.

Estimate vs Actuals:

<b>G5 Entertainment: Estimate</b>			
<b>(SEKm)</b>	<b>2017E-Q4</b>	<b>2017-Q4</b>	<b>Diff</b>
<b>Net sales</b>	<b>356</b>	<b>357</b>	<b>0%</b>
Distribution cost	-107	-108	-1%
Royalty	-84	-69	17%
<b>Gross profit</b>	<b>166</b>	<b>179</b>	<b>8%</b>
UAC	-98	-120	-22%
Other OPEX	-22	-29	-31%
<b>EBITDA</b>	<b>46</b>	<b>31</b>	<b>-33%</b>
D&A	-13	-15	-12%
<b>EBIT</b>	<b>31</b>	<b>16</b>	<b>-48%</b>
<b>EBITDA (%)</b>	12.8%	8.6%	
<b>EBIT (%)</b>	8.6%	4.5%	

*Source: Redeye Research, G5 Entertainment*

The largest difference is found in User Acquisition Cost (UAC), which accounted for 34% of total revenue compared with our 28% estimate. We estimated that the UAC margin would be at the highest level ever in the company's history, but it turned out the company was even more aggressive than we thought. CEO Vlad Suglobov explains in the report very educational how the company deliberately looks at EBIT before UAC to determine optimal investment in growth. If you look at previous patterns in the company's history with regard to investment in growth and how this has paid off in the future in terms of earnings per user, we are confident that the "return on investment" will remain at an advantageous level even this time around.

**Two important uncertainties have disappeared**

Since our last research update, two major uncertainties has been solved in the best possible way according to us. We are talking about the settlement in the MyTona-dispute and the renewal of the publishing agreement with AB Games. G5 most important assets in the games portfolio today is the games “Hidden City” and “The Secret Society” generating the majority of the revenues. The two games have been developed by MyTona and AB Games.

**Settlement in MyTona-dispute**

On December 21 a press release was published were G5, and MyTona has agreed to dismiss their claims under the terms of the settlement. G5 has acquired all rights to the “The Secret Society” game on all platforms in exchange for cash consideration, as well as additional contingent revenue share payments.

G5 shall have been taking over all support and development of the game going forward. G5 estimates that the total consideration to be paid to the MyTona parties may be worth up to USD 6.5 million or more, depending on the performance of the game. Our estimated royalty to MyTona in 2017 is about USD 4-5 million. The deal, therefore, sounds good in our opinion when support and development should be more cost efficient in the hands of G5.

The business deal has only changed our gross margins for G5 in 2018. However in 2019 and forward royalty cost for this games will be zero if we read the press release correctly, which likely will have a positive impact on EBIT-margins. The most important thing will be how the company manage to take the game “The Secret Society” to the next level.

**Hidden City renewal**

In February 23 G5 and AB Games, the developer of Hidden City announced that G5 had exercised its right to renew the publishing agreement regarding the game Hidden City for another term. The agreement is now set to continue through at least February of 2024. All other terms remain in place, including G5’s right to indefinite renewals. According to our estimates, AB Games should have a royalty of 25-30% of gross sales (revenue from the game after platform costs).

## Financial projections

Our estimates for 2018-2020 is as follows:

<b>G5 Entertainment: Estimate</b>							
<b>(SEKm)</b>	<b>Q1'18E</b>	<b>Q2'18E</b>	<b>Q3'18E</b>	<b>Q4'18E</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>
<b>Net Sales</b>	<b>355</b>	<b>383</b>	<b>394</b>	<b>458</b>	<b>1589</b>	<b>2066</b>	<b>2417</b>
<b>Growth YoY (%)</b>	<b>51%</b>	<b>39%</b>	<b>47%</b>	<b>39%</b>	<b>40%</b>	<b>30%</b>	<b>17%</b>
Distribution cost	-107	-115	-118	-137	-476	-620	-725
Royalty	-62	-61	-63	-71	-257	-331	-387
<b>Gross profit</b>	<b>187</b>	<b>207</b>	<b>213</b>	<b>249</b>	<b>856</b>	<b>1115</b>	<b>1305</b>
UAC	-103	-103	-106	-160	-473	-578	-604
<b>UAC(% of sales)</b>	<b>29%</b>	<b>27%</b>	<b>27%</b>	<b>35%</b>	<b>29%</b>	<b>28%</b>	<b>25%</b>
Other OPEX	-28	-27	-30	-37	-121	-165	-193
<b>EBITDA</b>	<b>55</b>	<b>77</b>	<b>77</b>	<b>53</b>	<b>262</b>	<b>372</b>	<b>508</b>
D&A	-21	-23	-24	-28	-95	-119	-153
<b>EBIT</b>	<b>32</b>	<b>52</b>	<b>51</b>	<b>23</b>	<b>159</b>	<b>253</b>	<b>355</b>
<b>EBIT-margin</b>	<b>9%</b>	<b>14%</b>	<b>13%</b>	<b>5%</b>	<b>10%</b>	<b>12%</b>	<b>15%</b>

Source: Redeye Research, G5 Entertainment

In our research note dated December 21, 2017, we increased our estimates for Q4 2017 and beyond. At that time we estimated revenue growth in 2018 at 33% and for 2019 approximately 20%.

Revenue growth can pretty easily be controlled with the tool of User Acquisition. Our feeling of the management's strategy going forward is perhaps a little more aggressive than our previous estimates especially when it comes to growth. As communicated in the Q4-report investments in User Acquisition is favourable for the company which will likely increase UAC the following quarters. In 2018 we, therefore, believe a revenue growth of at least 40% is more likely and around 30% in 2019.

The royalty cost was better than our expectations, giving a gross profit, which was 8% above our estimates. This means that the wholly owned games yielded higher revenues than we expected. From the middle of Q1 2018, "gross profit" will increase even more due to "The Secret Society" is now fully owned by G5. Amortization of the investment made on the game, where the majority is the acquisition, will take place continuously for 24 months which means approximately SEK 6 million increased amortization per quarter during this period according to our estimates. The total payment to MyTona is SEK 50 million or more depending on the success of the game in the years to come.

## Investment Thesis

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### 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".

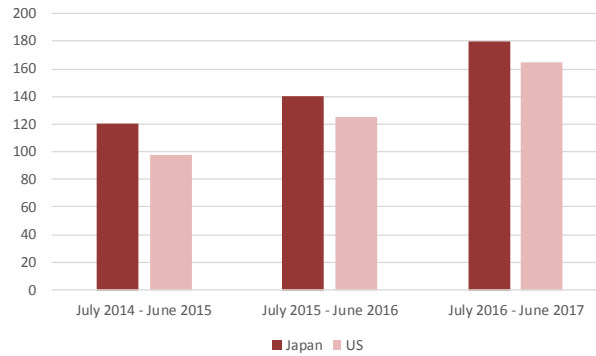
**EBIT margin increases**

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 2017 the CEO announced that revenues from Asia increased from 15 percent to 28 percent of total company revenue. 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 Japan's 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 terms 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.

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).

We believe Asia could generate over 50% of G5's total revenue if the positive growth momentum continues in the years to come.

### **The potential of the mobile phone**

In the past the majority of the revenue from G5's games has come from the iPad (thinkgaming). In order to grow in the segment of the mobile phone, the company has increased their efforts in the past years and optimized their content better for a smaller screen. The company's efforts has paid off in 2016 and 2017 when the mobile phones share of revenue has 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

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### 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 where 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 14% and a CAGR of 23% 2018-2022.

The long term EBIT-margin (year 2026 and beyond) is set to 10% due to the high competition in the mobile games industry and the high dependency of UA-investments.

This leads to a DCF-based value of **SEK 462 per share** (prior SEK 397) 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 15% and an EBIT-margin around 8% in the years 2018-2022.

Three things of high importance for the stability of the company has changes since our last research update.

- The strengths of Hidden City make us believe the game will have a longer LTV than previous expected.
- The uncertainty of losing the partnership with AB Games and Hidden City is gone.
- The uncertainty of the lawsuit with MyTona and the game The Secret Society is also gone.

This leads to a DCF-based value of **SEK 210 per share** (prior SEK 130) 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 35% and an EBIT-margin of 16% in 2018-2022.

The long term EBIT-margin (year 2026 and beyond) is set to 14% due to the company's strong position in it's niche and its loyal and big user base.

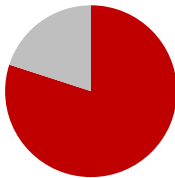
This leads to a DCF-based value of **SEK 820 per share** (prior SEK 560) in our Bull Case scenario.

## Summary Redeye Rating

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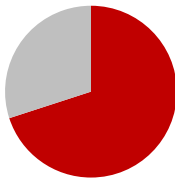
The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

### Management 8.0p



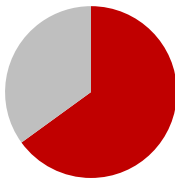
The experienced management has since the smart phones birth delivered high growth and appetizing profitability. The management has been skilled in adapting to the markets driving forces early and started to publish free to play games in 2011, a strategic move that was highly successful.

### Ownership 7.0p



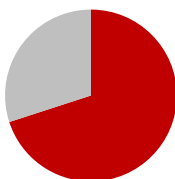
The three founders still has a significant ownership in the company which means 19% of the total capital and votes. The founder and CEO is the largest shareholder of this three. The institutional ownership stands for 14% of the ownership. The ownership amongst The Board of Directors however is relatively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

### Profit outlook 6.5p



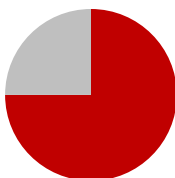
The company has a proven business model with high gross margins around 50% and has shown high organic growth through the years. G5 is expected to grow 100 % in 2017 with a strong position in its niche amongst adult women. The mobile games market is expected to grow with a CAGR of 15% in the years to 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.

Income statement	2016	2017	2018E	2019E	2020E
Net sales	517	1,135	1,589	2,066	2,417
Total operating costs	-436	-978	-1,328	-1,704	-1,921
<b>EBITDA</b>	<b>81</b>	<b>157</b>	<b>261</b>	<b>362</b>	<b>495</b>
Depreciation	0	0	0	-1	-1
Amortization	-40	-52	-95	-72	-139
Impairment charges	-3	-4	-8	-10	-12
<b>EBIT</b>	<b>38</b>	<b>102</b>	<b>158</b>	<b>278</b>	<b>342</b>
Share in profits	0	0	0	0	0
Net financial items	0	0	0	0	0
Exchange rate dif.	0	0	0	0	0
<b>Pre-tax profit</b>	<b>38</b>	<b>102</b>	<b>158</b>	<b>278</b>	<b>342</b>
Tax	-5	-15	-32	-55	-68
<b>Net earnings</b>	<b>33</b>	<b>86</b>	<b>126</b>	<b>223</b>	<b>275</b>

Balance	2016	2017	2018E	2019E	2020E
<b>Assets</b>					
<i>Current assets</i>					
Cash in banks	54	91	221	274	477
Receivables	0	59	32	41	48
Inventories	0	0	0	0	0
Other current assets	43	123	172	224	262
<b>Current assets</b>	<b>97</b>	<b>273</b>	<b>425</b>	<b>539</b>	<b>787</b>
<i>Fixed assets</i>					
Tangible assets	6	8	11	15	17
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	2	0	-8	-18	-30
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	104	115	161	310	363
O non-current assets	0	0	0	0	0
<b>Total fixed assets</b>	<b>112</b>	<b>123</b>	<b>164</b>	<b>307</b>	<b>350</b>
Deferred tax assets	6	26	26	26	26
<b>Total (assets)</b>	<b>215</b>	<b>422</b>	<b>615</b>	<b>872</b>	<b>1,163</b>

Liabilities	2016	2017	2018E	2019E	2020E
<i>Current liabilities</i>					
Short-term debt	0	0	0	0	0
Accounts payable	67	134	222	289	363
O current liabilities	0	18	18	18	18
<b>Current liabilities</b>	<b>67</b>	<b>152</b>	<b>241</b>	<b>308</b>	<b>381</b>
Long-term debt	0	0	0	0	0
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
<b>Total Liabilities</b>	<b>67</b>	<b>152</b>	<b>241</b>	<b>308</b>	<b>381</b>
Deferred tax liab	0	40	40	40	40
Provisions	0	0	0	0	0
Shareholders' equity	148	230	334	524	742
Minority interest (BS)	0	0	0	0	0
<b>Minority &amp; equity</b>	<b>148</b>	<b>230</b>	<b>334</b>	<b>524</b>	<b>742</b>
<b>Total liab &amp; SE</b>	<b>215</b>	<b>422</b>	<b>615</b>	<b>872</b>	<b>1,163</b>

Free cash flow	2016	2017	2018E	2019E	2020E
Net sales	517	1,135	1,589	2,066	2,417
Total operating costs	-436	-978	-1,328	-1,704	-1,921
Depreciations total	-43	-55	-103	-84	-153
<b>EBIT</b>	<b>38</b>	<b>102</b>	<b>158</b>	<b>278</b>	<b>342</b>
Taxes on EBIT	-4	-15	-30	-53	-65
<b>NOPLAT</b>	<b>33</b>	<b>86</b>	<b>126</b>	<b>223</b>	<b>275</b>
Depreciation	43	55	103	84	153
<b>Gross cash flow</b>	<b>76</b>	<b>142</b>	<b>229</b>	<b>307</b>	<b>428</b>
Change in WC	10	-54	67	6	28
Gross CAPEX	-54	-67	-145	-226	-196
<b>Free cash flow</b>	<b>33</b>	<b>21</b>	<b>151</b>	<b>86</b>	<b>260</b>

Capital structure	2016	2017	2018E	2019E	2020E
Equity ratio	69%	54%	54%	60%	64%
Debt/equity ratio	0%	0%	0%	0%	0%
Net debt	-54	-91	-221	-274	-477
Capital employed	94	139	114	250	265
Capital turnover rate	2.4	2.7	2.6	2.4	2.1

Growth	2016	2017	2018E	2019E	2020E
Sales growth	34%	120%	40%	30%	17%
EPS growth (adj)	116%	160%	46%	77%	23%

DCF valuation		Cash flow, MSEK	
WACC (%)	8.7 %	NPV FCF (2018-2020)	421
		NPV FCF (2021-2027)	1239
		NPV FCF (2028-)	2317
		Non-operating assets	91
		Interest-bearing debt	0
		Fair value estimate MSEK	4068
Assumptions 2017-2023 (%)			
Average sales growth	15.8 %	<b>Fair value e. per share, SEK</b>	<b>462.2</b>
EBIT margin	13.9 %	Share price, SEK	297.6

Profitability	2016	2017	2018E	2019E	2020E
ROE	24%	46%	45%	52%	43%
ROCE	28%	54%	56%	65%	54%
ROIC	37%	92%	91%	196%	110%
EBITDA margin	16%	14%	16%	18%	21%
EBIT margin	7%	9%	10%	13%	14%
Net margin	6%	8%	8%	11%	11%

Data per share	2016	2017	2018E	2019E	2020E
EPS	3.77	9.80	14.33	25.32	31.24
EPS adj	4.13	10.26	15.24	26.49	32.62
Dividend	0.75	2.50	3.75	6.50	7.80
Net debt	-6.14	-10.36	-25.07	-31.13	-54.18
Total shares	8.80	8.80	8.80	8.80	8.80

Valuation	2016	2017	2018E	2019E	2020E
EV	-54.1	2,548.8	2,398.3	2,345.0	2,142.1
P/E	0.0	30.6	20.8	11.8	9.5
P/E diluted	0.0	30.6	20.8	11.8	9.5
P/Sales	0.0	2.3	1.6	1.3	1.1
EV/Sales	-0.1	2.2	1.5	1.1	0.9
EV/EBITDA	-0.7	16.2	9.2	6.5	4.3
EV/EBIT	-1.4	25.0	15.2	8.4	6.3
P/BV	0.0	11.5	7.8	5.0	3.5

Share performance		Growth/year	15/17e
1 month	-10.3 %	Net sales	75.3 %
3 month	22.5 %	Operating profit adj	103.5 %
12 month	73.5 %	EPS, just	92.0 %
Since start of the year	-6.4 %	Equity	50.1 %

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 %

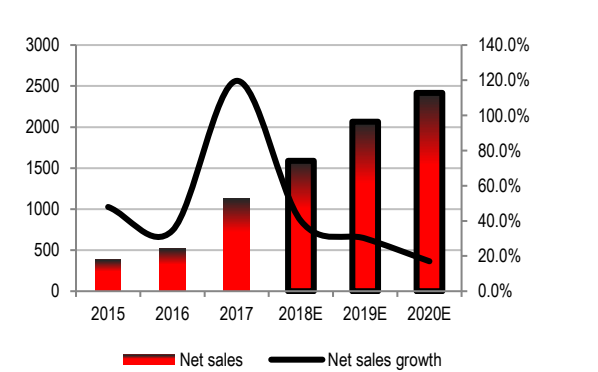
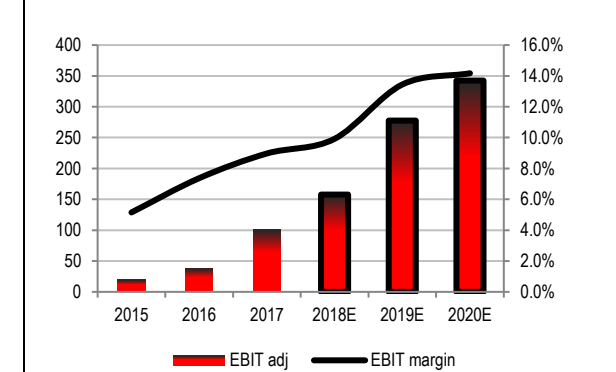
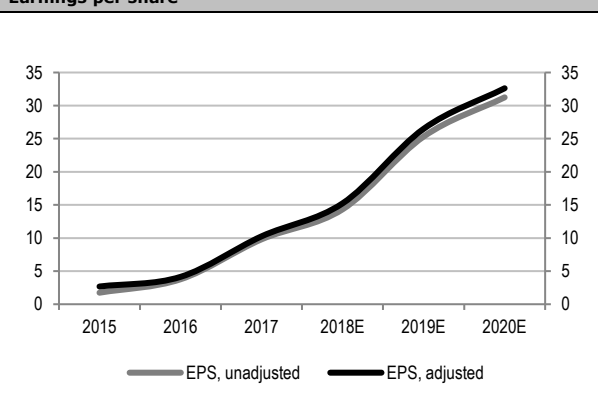
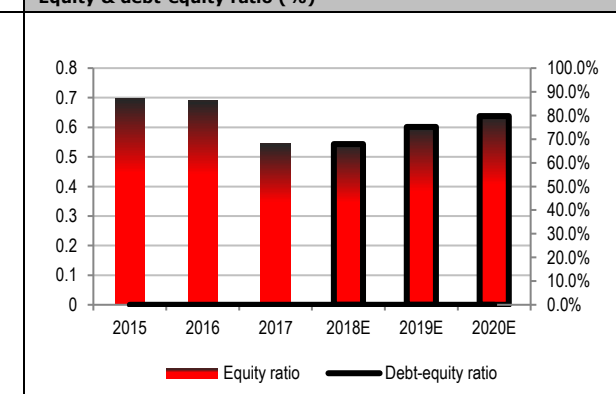
Share information	
Reuters code	G5EN.ST
List	
Share price	297.6
Total shares, million	8.8
Market Cap, MSEK	2618.9

Management & board	
CEO	Vladislav Suglobov
CFO	Stefan Wikstrand
IR	
Chairman	Petter Nylander

Financial information

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Kristoffer Lindström  
kristoffer.lindstrom@redeye.se

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)																																										
 <p>Net sales (red bars) and Net sales growth (black line) from 2015 to 2020E. Net sales are shown in SEK million on the left axis (0-3000), and Net sales growth is shown in % on the right axis (0.0%-140.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net sales (SEK million)</th> <th>Net sales growth (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>~400</td> <td>~40%</td> </tr> <tr> <td>2016</td> <td>~500</td> <td>~25%</td> </tr> <tr> <td>2017</td> <td>~1100</td> <td>~120%</td> </tr> <tr> <td>2018E</td> <td>~1600</td> <td>~50%</td> </tr> <tr> <td>2019E</td> <td>~2100</td> <td>~40%</td> </tr> <tr> <td>2020E</td> <td>~2400</td> <td>~30%</td> </tr> </tbody> </table>	Year	Net sales (SEK million)	Net sales growth (%)	2015	~400	~40%	2016	~500	~25%	2017	~1100	~120%	2018E	~1600	~50%	2019E	~2100	~40%	2020E	~2400	~30%	 <p>EBIT adj (red bars) and EBIT margin (black line) from 2015 to 2020E. EBIT adj is shown in SEK million on the left axis (0-400), and EBIT margin is shown in % on the right axis (0.0%-16.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EBIT adj (SEK million)</th> <th>EBIT margin (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>~20</td> <td>~5%</td> </tr> <tr> <td>2016</td> <td>~40</td> <td>~6%</td> </tr> <tr> <td>2017</td> <td>~100</td> <td>~8%</td> </tr> <tr> <td>2018E</td> <td>~160</td> <td>~10%</td> </tr> <tr> <td>2019E</td> <td>~280</td> <td>~13%</td> </tr> <tr> <td>2020E</td> <td>~340</td> <td>~14%</td> </tr> </tbody> </table>	Year	EBIT adj (SEK million)	EBIT margin (%)	2015	~20	~5%	2016	~40	~6%	2017	~100	~8%	2018E	~160	~10%	2019E	~280	~13%	2020E	~340	~14%
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<p><b>Conflict of interests</b></p> <p><b>Tomas Otterbeck owns shares in the company : Yes</b>  <b>Kristoffer Lindström owns shares in the company : No</b></p> <p>Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.</p>																																											

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**Redeye Rating (2018-03-05)**

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	47	43	18	10	20
3,5p - 7,0p	73	68	104	36	47
0,0p - 3,0p	13	22	11	87	66
Company N	133	133	133	133	133

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