

Health Care Equipment & Services, Sweden

Key data

Price*:	SEK29.6
Country:	Sweden
Bloomberg:	ZENI:SS
Reuters:	ZENI.TE
Free float	100.0%
Market cap (SEKm)	137
Net debt (current YE) (SEKm)	-9
No. of shares (m)	4.6
Next event:	Q2: 17-Aug

* Price as at close on 21 May 2018

CEO:	Mats Palerius
CFO:	Mats Palerius

Company description

Zenitor is a Swedish medtech company offering a complete system including a thumb EKG and a software backbone used for spontaneous and systematic screening for atrial fibrillation, the single most significant indicator for stroke. Zenitor's thumb EKG has been validated by several large scientific studies. A key conclusion from the studies is that systematic screening using Zenitor's product is more efficient than using the prevailing method, the Holter EKG. Several countries are considering national screening programmes for atrial fibrillation but are awaiting additional scientific support. Conclusions from the large Swedish 'Strokestop' study could provide such scientific support in the next couple of years.

Ownership structure

Sonny Norström	14.9%
Mats Palerius	14.2%
Ydrehall AS	13.8%
Humle Fonder	8.9%
Handelsbanken Fonder	8.9%

Source: Holdings.se 21 May 2018

Estimate changes

	2018E	2019E	2020E
Sales	-0.6%	0.2%	0.2%
EBITDA	-2.4%	-2.0%	2.7%
EBIT (adj.)	-1.0%	-0.2%	0.8%
EPS (adj.)	-1.0%	-0.2%	0.8%

Source: Danske Bank Equity Research estimates

Analyst(s)

Oscar Stjerngren

This material should be viewed as marketing material and does not constitute independent research

Important disclosures and certifications are contained from page 14 of this report

Zenitor

UK screening project order is the main attraction

Sales growth returned in Q1 and, although it was a touch below our estimate, we see several drivers for improved growth in coming quarters. The key news last week was Zenitor's supplier agreement in the world's largest stroke screening project – an important validation for the product, as the UK's National Health service (NHS) is very influential in the European healthcare sphere.

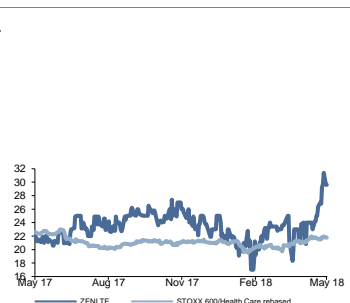
- **Sales growth returned in Q1**, although it was slightly lower than we expected. We believe the transition from a model of initial payment plus service revenue towards 'pay-per-use' slows growth slightly. Looking ahead, we expect revenues from Finland's Oulu Heart Center project, along with a slow ramp-up of the UK screening project to support growth.
- **UK screening project.** The key event this week was the SEK7m order from the world's largest atrial fibrillation screening project in the UK. The project involves up to 40,000 people and Zenitor was chosen as equipment supplier in global competition. Key is the validation from Cambridge University and, ultimately, the UK's NHS. We believe this project could be a large-scale test ahead of a national stroke screening programme. Besides increasing the chances of becoming a supplier for a potential national screening programme in the UK, we believe this supplier award improves the chances of success in other ongoing tenders. We estimate the potential market value from national screening programmes in Zenitor's main markets to be SEK1.3bn. We estimate that the potential in new markets yet to be entered (France, Italy and Spain) is similar.
- **Estimate changes.** We have mainly fine-tuned our estimates following the report.

Key financials

Year-end Dec (SEK)	2016	2017	2018E	2019E	2020E
Revenues (m)	17	18	22	28	39
Revenues growth	14.2%	7.3%	16.5%	31.0%	40.0%
EBITDA (m)	-2	-3	-2	-2	2
EBIT adj. (m)	-2	-3	-3	-2	2
EBIT growth	66.8%	-69.8%	9.5%	7.6%	n.m.
Pre-tax profit (m)	-2	-2	-3	-2	2
EPS adj.	-0.38	-0.46	-0.49	-0.41	0.36
DPS	0.00	0.00	0.00	0.00	0.12
Dividend yield					0.4%
FCF yield (incl. recurr capex)	-8.3%	-0.5%	-2.3%	-3.0%	-0.5%
EBIT margin (adj.)	-9.5%	-15.1%	-11.7%	-8.3%	5.7%
Net debt/EBITDA (x)	-1.5	-1.8	3.7	1.7	-1.2
ROIC	-31.3%	-37.9%	-30.7%	-22.8%	15.5%
EV/sales (x)	5.0	6.0	7.3	5.8	4.2
EV/EBITDA (adj.) (x)	n.m.	n.m.	n.m.	n.m.	69.0
EV/EBIT (adj.) (x)	n.m.	n.m.	n.m.	n.m.	72.3
P/E (adj.) (x)	n.m.	n.m.	n.m.	n.m.	82.7
P/BV (x)	17.1	37.6	9.3	10.7	9.5

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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Q1 update

Summary

Sales growth returned in the quarter after a Q4 18 that had tough comparables. The transition from a payment model with an initial payment and subsequent subscription income to a pay-per-use payment model hampers short-term sales growth slightly. We are confident growth will pick up as the year progresses, supported by an extension of the co-operation with the Oulu Heart Center in Finland and a roll-out of the large UK screening project in the summer of 2018. We also believe the positive response from the UK-based stroke screening in conjunction with flu vaccination could bring in similar deals in Q3 18 (when flu vaccination takes place). We believe the increased sales efforts on the back of the recent share issue, combined with the validation by the NHS-backed screening project in the UK, increases the likelihood of additional order releases.

The deviations from our estimates were minor in monetary terms, as although the variations in percentage terms may appear large, the absolute values are low.

Zenikor - Q1 18 deviation of actual from estimated results

SEKm	Q1 18A	Q1 18E	Deviation	Q1 17
Sales	5.1	5.6	-7%	5.0
Sales growth	2%	10%	-8.2	19%
EBITDA	-0.4	-0.9	-57%	0.2
EBIT	-0.4	-0.9	-55%	0.2
EBIT margin	-7.7%	-15.8%	8.1	3.4%
PTP	-0.5	-0.9	-40%	0.2
Net profit	-0.5	-0.9	-40%	0.2
EPS (SEK)	-0.09	-0.18	-47%	0.04
Net debt (cash)	-11.4	-11.5	-1%	2.1

Source: Company data, Danske Bank Equity Research

Our estimate revisions post the report are very minor. In our view, the UK project will add support to growth, in particular in 2019. However, the award of such projects was the basis for our accelerating growth profile, so at this point we leave our sales growth estimates largely unchanged.

Key figures by quarter and year

SEKm	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18E	Q3 18E	Q4 18E	2018E	2019E	2020E	2021E
Sales	17.2	5.0	5.2	3.4	4.8	18.5	5.1	5.9	4.2	6.3	21.5	28.2	39.4	57.2
Sales growth	14%	19%	14%	21%	-14%	7%	2%	14%	22%	31%	17%	31%	40%	45%
EBITDA	-1.6	0.2	0.1	-1.8	-1.2	-2.7	-0.4	-0.5	-1.7	0.1	-2.4	-2.2	2.4	11.6
EBIT	-1.6	0.2	0.1	-1.8	-1.2	11.1	-0.4	-0.5	-1.7	0.1	-2.5	-2.3	2.3	11.5
EBIT margin	-9.5%	3.4%	2.1%	-54.1%	-25.6%	60.2%	-7.7%	-8.6%	-41.1%	1.5%	-11.7%	-8.3%	5.7%	20.1%
PTP	-1.7	0.2	0.1	-1.1	-1.3	-2.1	-0.5	-0.5	-1.7	0.1	-2.5	-2.3	2.3	11.5
Net profit	-1.7	0.2	0.1	-1.1	-1.3	-2.1	-0.5	-0.5	-1.7	0.1	-2.5	-2.3	2.0	10.3
EPS (SEK)	-0.37	0.04	0.02	-0.24	-0.28	-0.45	-0.11	-0.09	-0.30	0.02	-0.46	-0.41	0.36	1.82
Net debt (cash)	2.4	2.1	2.6	1.3	4.9	4.9	-11.4	-11.2	-9.9	-8.9	-8.9	-3.8	-2.9	-8.2

Source: Company data, Danske Bank Equity Research

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UK screening project

On 16 May, Zenicor announced that it had been chosen as a supplier to the world's largest atrial fibrillation screening project to prevent stroke. The study is led by Professor Jonathan Mant at Cambridge University and is backed by the National Institute for Health Research (NIHR). NIHR is the UK NHS's research unit. The NHS is one of the, if not the, most influential healthcare services in Europe; hence, this supplier award offers very important validation for Zenicor's product and system. Zenicor was chosen over global competitors such as Alivecor and our impression is that it was Zenicor's experience in similar large-scale studies that was the determining factor for it receiving the order. Some 40,000 people above 65 years of age are invited to the study, which is due to start in the summer of 2018 and will end in 2021. The Swedish Strokestop study, the largest completed study, invited 13,331, with 7,173 participants (53.8%). If we apply the same participation rate to the UK project, the price per screened patient would be SEK325.

Estimated market value of national screening programmes

We see a high likelihood that the NHS is executing this project as a large-scale test ahead of potential national screening projects for stroke. We also believe there is a high chance that the Swedish Socialstyrelsen will commence similar national screening programmes on the back of follow-up data from the Strokestop study. We estimate what this market could be worth in the table below. If we start with a population of 10m (Sweden) and assume people above 65 years of age (20% of population) are screened, this would mean 2m people. Recent studies have shown that the use of biomarkers could reduce the population to be studied by 35%. This brings us to 1.3m people to be screened. If we in turn assume that 75% of this group submit to screening, the total number reduces further to 1.0m. Assuming the same price as in the UK (SEK325 per screening) and that it takes 4.5 years to screen the population, the total market value for a national screening would be SEK70m. Translating this into a value per capita per year, it comes to SEK7.0.

Market value estimate - national screening Sweden

Inhabitants Sweden (m)	10.0
>65 years (m) (20%)	2.0
Biomarker reduction (35%)	1.3
Success rate (75%)	1.0
Price/person (SEK)	325
Market value (SEKm)	317
No. of years for national screening	4.5
Market value per year Sweden (SEKm)	70.4
Per capita Sweden (SEK)	7.0

Source: SCB, Danske Bank Equity Research estimates

We calculated this as a per capita number in order to be able to translate the potential market value to Zenicor's focus markets and the large markets that are the likely next step to approach. We reach a potential market value of SEK1.3bn for Zenicor's focus markets, and SEK1.2bn for the next step. Note that this calculation is for national screenings only, not symptomatic or stroke patient screenings that are currently the main segments. How much of the market Zenicor will be able to capture, and when broader national screenings are likely to take place, are uncertain. The supplier agreement in the UK is, however, an important validation.

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Market potential - national screenings

Potential mkt value (SEKm)	Potential mkt value (SEKm)	Million inhabitants
Sweden	70	10
Finland		5
Norway		5
Switzerland	59	8
Austria	61	9
UK	465	66
Germany	584	83
Sum focus mkts	1,313	
France	472	67
Spain	331	47
Italy	430	61
Sum next step mkts	1,232	

Source: Danske Bank Equity Research estimates

Regarding the timing for national screenings we believe Sweden and the UK are likely to be frontrunners, based on recent activity in terms of larger studies funded by national means. The updated guidelines from the European Stroke Organization (ESO) call for national plans to prevent stroke, and one aspect of this is a potential national screening process. The overall target set by ESO is to reduce the number of strokes by 10% by 2030. As the aggregated cost of direct and indirect costs is estimated by the ESO to amount to EUR45bn across Europe, the potential for both reduced suffering and monetary savings is significant.

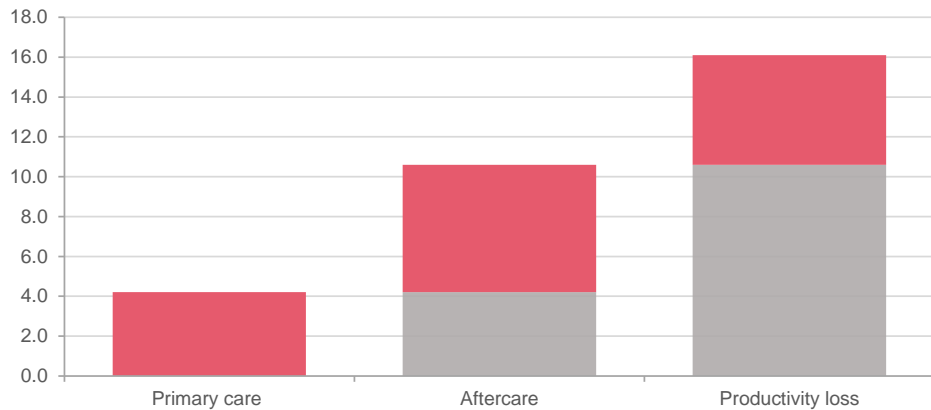
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Executive summary

Stroke – a global problem

Every year an average of 15m people suffer from strokes worldwide. In Sweden alone, around 30,000 of the 10m inhabitants suffer from strokes every year. The total cost to Swedish society is SEK16.1bn per year for new stroke patients alone. In the US, the American Heart Association estimates the aggregated cost of stroke to be USD40bn per year (as of 2014). The definitions of costs probably differ, but the conclusions are fairly similar, that stroke costs society c.SEK1,000-1,600 per capita annually.

Costs for new stroke patients (Sweden, 2012, SEKbn)



Source: Hjärt-Lungfonden, Danske Bank Equity Research

There is a high correlation between atrial fibrillation (AF) and increased risk of stroke. Once AF is detected, anticoagulants can be prescribed that reduce the risk of a stroke by up to 70%. The savings for society from early detection of AF are, consequently, significant. The problem is that AF appears with irregular frequency, and can take days, sometimes weeks, to reappear. This is the key reason why regular EKG monitoring at hospital, and so-called Holter monitors that patients bring home for 24 hours, are not sufficient to detect AF. In addition, a high percentage of patients do not feel the arrhythmia. For such patients, the AF can be detected through a longer period of monitoring (normally two weeks).

Zenitor's products provide part of the solution

Zenitor manufactures a handheld EKG device with an integrated GSM transmitter. The key to Zenitor's product is the combination of simplicity, both for the patient and the hospital, and providing a fully integrated system. The system is split into two parts: hardware, the thumb EKG; and software, a web-based backbone support system for the hospital. The strength, and value we argue, lies in the system – the software and how Zenitor's system interacts with the healthcare system. The doctor does not need any software as they can log in directly to Zenitor's system. Each device has an ID that is registered with the patient before they borrow the device.

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Zenikor's thumb EKG



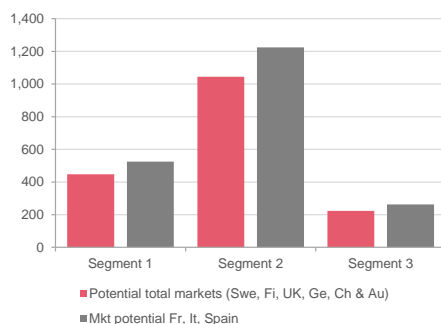
Source: Zenicor

Besides having an innovative product integrated with an easy-to-use software, the key to commercial success, we argue, is scientific support. Zenicor's product and system have been validated by several academic studies, most importantly the world's largest AF study, 'Strokestop'.

Market expected to expand rapidly in the coming decade

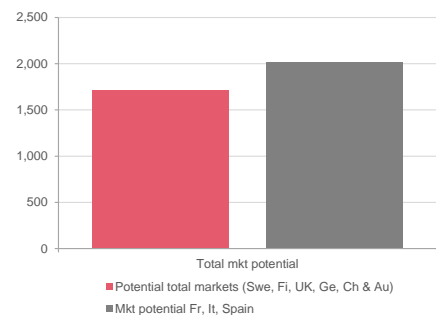
The market is split into three segments, with the bulk of the current revenues derived from the first segment, while the most significant upside lies in the second and third segments, we argue. Segment one is symptomatic screening, i.e. using Zenicor's device as a follow-up for patients seeking care for some form of heart arrhythmia. Segment two is opportunistic screening of asymptomatic risk groups and broader, possibly national, screening of pre-defined risk groups. Segment three is the smallest and relates to opportunistic screening of patients suffering from stroke, i.e. to prevent relapse. An example of segment two could be screening of risk groups in conjunction with other medical events (such as flu vaccination), or national screening of pre-defined risk groups.

Market potential by segment (SEKm)



Source: Danske Bank Equity Research estimates

Total market potential for AF screening (SEKm)



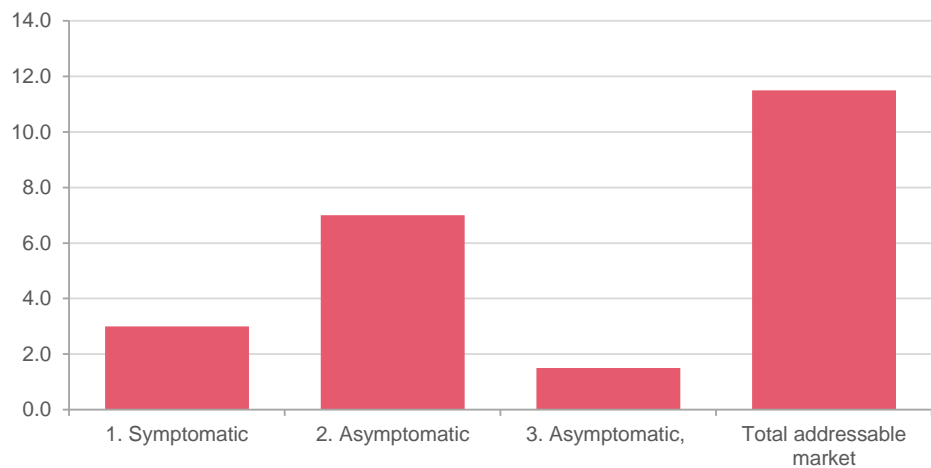
Source: Danske Bank Equity Research estimates

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The markets for opportunistic, asymptomatic screening are slowly opening up. For example, in pilot projects in the UK, patients have been screened for AF in conjunction with receiving the flu vaccine (at three vaccination clinics in Bradford). In the short to medium term, we expect this market to continue to expand. The most significant upside would result if national opportunistic screening programmes for risk groups were introduced, we believe. Our conclusion is that national healthcare authorities, such as the UK's NHS and the Swedish Socialstyrelsen, are awaiting additional scientific evidence before potentially going ahead with national screening. In our view this is more of a formality, but it is understandable that solid academic support would be needed for such important decisions. We believe the final results from the 'Strokestop' study could provide such evidence, and that national screening programmes are likely to commence in 2020. We see this as a significant potential growth driver for Zenicor.

We estimate the market potential per capita from combining segments 1-3 to be SEK11.5. Applying this to Zenicor's current focus markets (Sweden, Finland, Germany, the UK, Switzerland and Austria), we reach a combined market value of SEK1.7bn. Medium term, the company is looking to expand its focus to France, Italy and Spain, which we estimate would roughly double the size of the total addressable market in Europe to SEK3.7bn. Zenicor has a high share of the market in Sweden, at c.30-40% we estimate, which demonstrates in our view that the business model works.

Market potential per capita/year (Sweden, SEK)



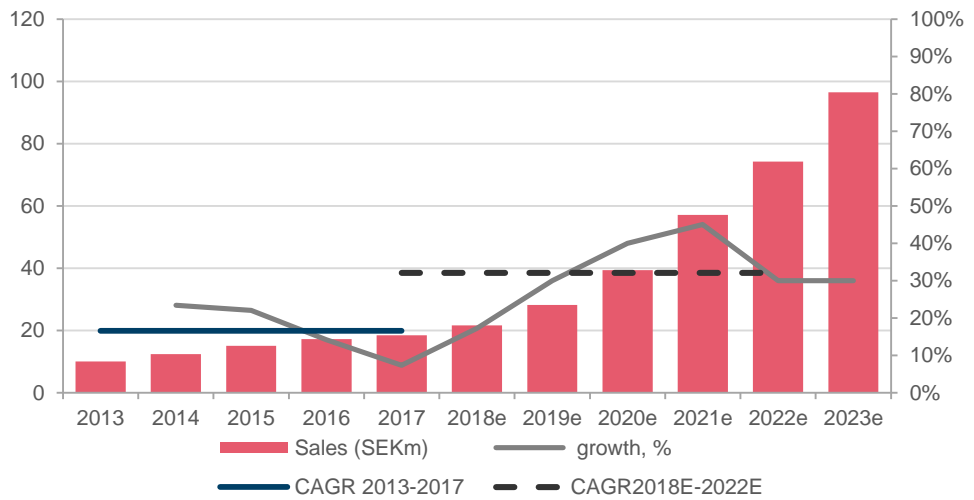
Source: Danske Bank Equity Research estimates

Estimates

The company's sales CAGR over 2013-17 was 17%, and we see several short-term factors to help drive sustained, or slightly increased, growth. The expansion of screening projects in the UK and Finland are examples of such short-term drivers. In the medium term, we expect further similar screening projects to be added, driving growth in asymptomatic screening. Further to a deeper penetration of existing markets, we expect the capital raising will be spent on an accelerated expansion of the company's sales force. For the coming five-year period, we expect an increase in the sales CAGR to 32%. Although this may appear high, we are starting from a low base in terms of absolute sales. The company targets SEK80m in sales in 2021 and in our estimates we have the company reaching this level in 2023. Also, our 32% CAGR compares to the company's long-term growth target of 50%.

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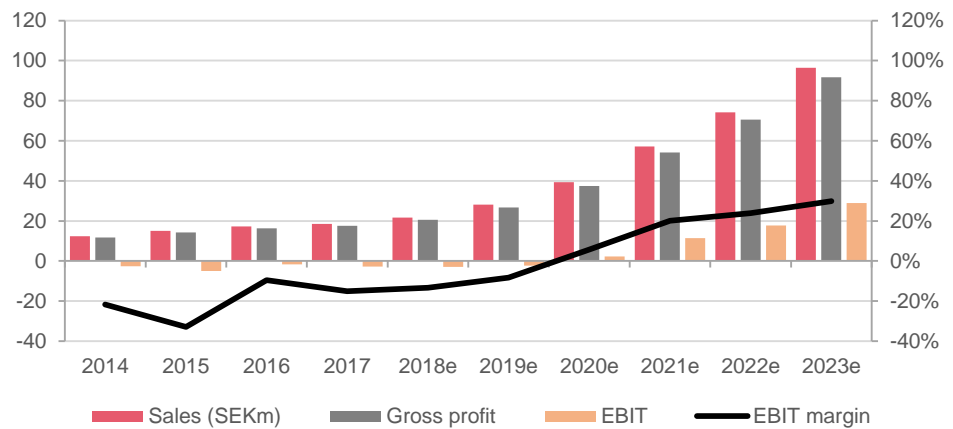
Zenikor - sales growth forecasts



Source: Company data, Danske Bank Equity Research estimates

We estimate very high gross margins at 94-96% given the low production cost for the device in relation to a subscription-based sales model, whereby we estimate revenues of close to SEK70k to be generated over five years. The cost driver is mainly expansion of the sales force, we argue. We expect Zenikor to turn profitable from 2020.

Profitability development (SEKm)



Source: Company data, Danske Bank Equity Research estimates

Valuation

When valuing a company like Zenikor in an attractive market with good growth prospects, but in the early stages of its development phase, we need to look two to four years out to determine what kind of sales and margins the company could deliver. We have established that we see a high need for the company's products, and that there is a high probability of market growth. In this market, Zenikor has an established position in terms of scientific support from several studies. Also, the company has, and should accelerate, its position in the market and has a proven revenue model.

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Healthcare peer table (1 of 2)

Healthcare peers	Ccy	Price (lcl ccy)	Ticker (BBG)	Mkt cap (lcl ccy)	EV/sales (x)				
					2017	2018E	2019E	2020E	2021E
Biotage AB	SEK	104	BIOT SS	6,730	8.8	7.3	6.5	6.0	
Vitrolife AB	SEK	139.22	VITR SS	15,112	14.2	12.7	11.1	10.2	
Sectra AB Class B	SEK	207.5	SECTB SS	7,910	6.2	5.9	5.5	0.0	
Ambu A/S Class B	DKK	179.8	AMBUB DC	43,813	19.5	17.4	15.0	11.8	
CellaVision AB	SEK	155.4	CEVI SS	3,707	11.5	10.4	9.0	7.9	
Boule Diagnostics AB	SEK	309	BOUL SS	1,500	3.4	3.3	2.9	2.9	
Xvivo Perfusion AB	SEK	103		2,698	16.9	13.5	9.5	6.8	
iRhythm Technologies, Inc.	USD	69.015	IRTC US	1,629	16.7	12.4	9.1	6.9	
Zenico Medical Systems AB	SEK	29.8	ZENI SS	168	6.0	7.4	5.8	4.2	2.8
Median (excl. iRhythm & Zenico)					8.8	7.3	6.5	7.4	
Average (excl. iRhythm & Zenico)					9.6	8.6	7.6	7.6	

Note: Prices as at 16.20 CEST on 18 May 2018.

Source: FactSet (for peers), Danske Bank Equity Research estimates (for Zenico)

Healthcare peer table (2 of 2)

Healthcare peers	Ccy	Price (lcl ccy)	EV/EBIT (x)					P/E (x)				
			2017	2018E	2019E	2020E	2021E	2017	2018E	2019E	2020E	2021E
Biotage AB	SEK	104	48.9	36.7	29.9	26.2		48.6	37.8	31.9	30.9	
Vitrolife AB	SEK	139.22	43.5	37.5	32.0	27.9		85.6	49.8	43.3	37.8	
Sectra AB Class B	SEK	207.5	32.8	31.0	28.4	0.0		47.1	42.0	38.6	0.0	
Ambu A/S Class B	DKK	179.8	101.8	77.5	61.1	42.7		139.6	119.2	79.8	54.0	
CellaVision AB	SEK	155.4	37.5	34.3	26.9	22.4		53.2	43.9	36.5	30.6	
Boule Diagnostics AB	SEK	309	53.0	20.0	18.0	15.7		39.6	27.2	25.0	21.3	
Xvivo Perfusion AB	SEK	103	354.1	111.3	52.4	29.5		251.2	117.6	64.1	37.2	
iRhythm Technologies, Inc.	USD	69.015	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
Zenico Medical Systems AB	SEK	29.8	-40.0	-63.0	-70.4	72.8	13.9	-49.8	-60.7	-72.1	83.2	16.4
Median (excl. iRhythm & Zenico)			43.5	34.3	28.4	22.4		48.6	42.0	36.5	30.6	
Average (excl. iRhythm & Zenico)			49.0	36.9	30.6	21.3		63.7	49.6	39.9	27.6	

Note: Prices as at 16.20 CEST on 18 May 2018.

Source: FactSet (for peers), Danske Bank Equity Research estimates (for Zenico)

We have used a combination of several methods in our valuation approach to Zenico and are working with a relatively high discount rate to reflect the risks for a small player facing intensified competition as the market develops. We have combined a DCF valuation with a peer multiple valuation, but find the sales multiple in relation to peers most relevant. Valuing Zenico on sales multiples, EV/Sales20E of 6.5x (a slight discount to peers at 7.4x), we reach a value of SEK45 per share, and applying cautious and optimistic scenarios we reach a range of SEK42-49. Given the company's asset-light model, scientific validation of the product and growth above peers' over the forecast period, we find a valuation in line with peers justified. Our DCF indicates a value of SEK63, but in light of the strong expected sales growth, and inherent uncertainty in the DCF valuations of high-growth companies, we rely on the sales multiple valuation.

Scenario valuation table

2020E	EV/Sales	Mkt cap (SEKm)	Per share (SEK)	Potential upside
Bull	5.0	277.3	49.2	65%
Base	6.5	256.4	45.5	53%
Bear	7.5	239.2	42.4	42%
Current share price		168.0	29.8	

Source: FactSet, Danske Bank Equity Research estimates

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Risks

Zenicor operates in a competitive industry, with several potential competing products and technologies. The technology is proven and superior to most prevailing methods for AF screening, supported by several independent studies. Having said that, there is always a risk of new entrants, or existing players developing stronger propositions. There are several global players with strong financial resources that could increase their marketing efforts to expand their shares in Zenicor's home markets.

The company needs to continue investing in marketing in order to drive volumes, while trimming costs in order to remain competitive. There is a risk that increased spending would not result in the expected top-line growth, hence requiring additional capital injections.

A key demand driver for Zenicor is preventive screening for AF. We see a high likelihood of more broad-based screening, but these decisions lie outside of the company's control. National healthcare systems tend to be slow in adopting new technology, and medical professionals can be slow in implementing new technical solutions.

There is a currency risk as Zenicor reports in Swedish krona but sales, to an increasing extent (30% of total sales but 50% of sales growth), are outside of Sweden. Costs are predominantly in Swedish krona. The 30% of revenues not in SEK are mainly in EUR and GBP (with a minor exposure to NOK and CHF, we believe).

Company summary

Sales breakdown, geographical areas

n.a.

Sales breakdown, divisions

n.a.

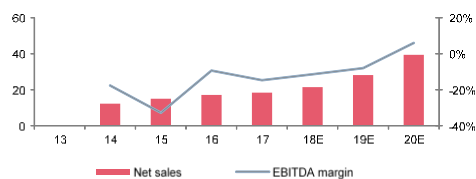
Company information

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Sweden
www.Zenicor.com

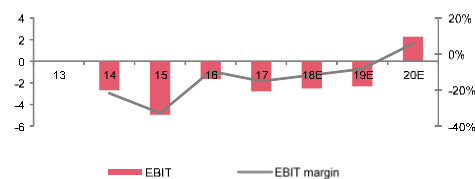
Main shareholders

Name	Votes (%)	Capital (%)
Sonny Norström and companies (co-founder)	14.9%	14.9%
Mats Palerius (CEO and co-founder)	14.2%	14.2%
Ydrehall AS	13.8%	13.8%
Humle Fonder	8.9%	8.9%
Handelsbanken Fonder	8.9%	8.9%

Net sales and EBITDA margin (SEKm)



EBIT and EBIT-margin (SEKm)



P/E NTM

n.a.

EV/Sales NTM

n.a.

Source: FactSet, Company data, Danske Bank Equity Research estimates

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Summary tables

INCOME STATEMENT										
Year end Dec, SEKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net sales				12	15	17	18	22	28	39
Cost of sales & operating costs				-15	-20	-19	-21	-24	-30	-37
EBITDA				-2	-5	-2	-3	-2	-2	2
EBITDA, adj.				-2	-5	-2	-3	-2	-2	2
Depreciation				-1	-0	-0	-0	-0	-0	-0
EBITA				-3	-5	-2	-3	-3	-2	2
EBIT incl. EO, bef. ass.				-3	-5	-2	-3	-3	-2	2
EBIT, adj.				-3	-5	-2	-3	-3	-2	2
Financial items, net	0	0	0	-0	-0	-0	1	0	0	0
Pre-tax profit				-3	-5	-2	-2	-3	-2	2
Taxes										-0
Net profit, rep.				-3	-5	-2	-2	-3	-2	2
Net profit, adj.				-3	-5	-2	-2	-3	-2	2
CASH FLOW										
SEKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EBITDA				-2	-5	-2	-3	-2	-2	2
Change in working capital				1	-1	-5	2	-1	-3	-3
Net interest paid				-0	-0	-0	1			
Taxes paid				-0	-0					-0
Other operating cash items										
Cash flow from operations				-2	-6	-7	-0	-4	-5	-1
Capex				-0	-0	-0	-0	-0	-0	-0
Div to min										
Free cash flow				-2	-6	-7	-0	-4	-5	-1
Disposals/(acquisitions)										
Free cash flow to equity				-2	-6	-7	-0	-4	-5	-1
Dividend paid										
Share buybacks										
New issue common stock				11				18		
Incr./(decr.) in debt										
Minorities & other financing CF				-10	-0	4	-0			
Cash flow from financing				11	-0	4	-0	18	0	0
Disc. ops & other										
Incr./(decr.) in cash				10	-6	-3	-1	14	-5	-1
BALANCE SHEET										
SEKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Cash & cash equivalents				10	4	1	0	14	9	8
Inventory				2	1	3	4	4	6	7
Trade receivables				2	3	4	4	5	7	9
Other current assets				1	1	2	3	3	5	6
Goodwill				1						
Other intangible assets										
Fixed tangible assets					0	0	0	0	0	1
Associated companies				0	0	0	0	0	0	0
Other non-current assets				0	0	0	0	0	0	0
Total assets				15	9	11	12	28	27	31
Shareholders' equity				12	7	5	3	18	16	18
Of which minority interests										
Current liabilities				3	2	3	4	4	6	8
Interest-bearing debt				1	0	3	5	5	5	5
Pension liabilities										
Oth non-curr. liabilities										
Total liabilities				4	3	6	9	10	11	13
Total liabilities and equity				15	9	11	12	28	27	31
Net debt				-9	-3	2	5	-9	-4	-3
Working capital				2	3	7	7	9	11	14

Source: Company data, Danske Bank Equity Research estimates

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Summary tables

PER SHARE DATA	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
No. of shares, fully diluted (y.e.) (m)					4.5	4.5	4.6	5.6	5.6	5.6
No. of shares, fully diluted (avg.) (m)					4.5	4.5	4.5	5.1	5.6	5.6
EPS (SEK)					-1.12	-0.38	-0.46	-0.49	-0.41	0.36
EPS adj. (SEK)					-1.12	-0.38	-0.46	-0.49	-0.41	0.36
DPS (SEK)					0.00	0.00	0.00	0.00	0.00	0.12
CFFO/share (SEK)					-1.4	-1.6	-0.1	-0.7	-0.9	-0.1
Book value/share (SEK)					151	111	0.61	3.8	2.77	3.13
MARGINS AND GROWTH	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EBITDA margin				-17.6%	-32.7%	-9.3%	-14.6%	-11.3%	-7.9%	6.0%
EBITA margin				-21.8%	-32.9%	-9.5%	-15.1%	-11.7%	-8.3%	5.7%
EBIT margin				-21.8%	-32.9%	-9.5%	-15.1%	-11.7%	-8.3%	5.7%
EBIT adj margin				-21.8%	-32.9%	-9.5%	-15.1%	-11.7%	-8.3%	5.7%
Sales growth					22.0%	14.2%	7.3%	16.5%	31.0%	40.0%
EBITDA growth					n.m.	67.6%	-69.3%	9.8%	8.3%	n.m.
EBITA growth					-84.4%	66.8%	-69.8%	9.5%	7.6%	n.m.
EPS adj growth						65.9%	-21.1%	-6.2%	15.8%	n.m.
PROFITABILITY	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
ROIC (after tax, incl. GW, adj.)				-19.8%	-16.2%	-31.3%	-37.9%	-30.7%	-22.8%	15.5%
ROIC (after tax, excl. GW, adj.)				-24.6%	-17.2%	-31.3%	-37.9%	-30.7%	-22.8%	15.5%
ROE (adj.)				-47.9%	-54.2%	-29.2%	-54.1%	-24.3%	-13.9%	12.1%
ROIC (adj.) - WACC				-208.8%	-173.2%	-40.4%	-46.9%	-39.8%	-31.8%	6.4%
MARKET VALUE	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Share price (SEK)				10.2	9.20	18.9	23.0	29.6	29.6	29.6
No. shares reduced by buybacks (m)					4.5	4.5	4.6	5.6	5.6	5.6
Mkt cap used in EV (m)					41	84	107	167	167	167
Net debt, year-end (m)				-9	-3	2	5	-9	-4	-3
MV of min/ass and oth (m)				-0	-0	-0	-0	-0	-0	-0
Enterprise value (m)					38	86	111	158	163	164
VALUATION	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EV/sales (x)					2.5	5.0	6.0	7.3	5.8	4.2
EV/EBITDA (x)					n.m.	n.m.	n.m.	n.m.	n.m.	69.0
EV/EBITA (x)					n.m.	n.m.	n.m.	n.m.	n.m.	72.3
EV/EBIT (x)					n.m.	n.m.	n.m.	n.m.	n.m.	72.3
P/E (reported) (x)					n.m.	n.m.	n.m.	n.m.	n.m.	82.7
P/E (adj.) (x)					n.m.	n.m.	n.m.	n.m.	n.m.	82.7
P/BV (x)					6.10	17.1	37.6	9.30	10.7	9.47
EV/invested capital (x)										
Dividend yield										0.40%
Total yield (incl. buybacks)										0.40%
FCFE-yield					-15.04%	-8.27%	-0.46%	-2.28%	-3.05%	-0.54%
FINANCIAL RATIOS	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net debt/EBITDA (x)				4.1	0.6	-15	-18	3.7	17	-12
Net debt/equity (x), year-end				-0.8	-0.5	0.5	1.7	-0.5	-0.2	-0.2
Dividend payout ratio					0.0%	0.0%	0.0%	0.0%	0.0%	33.0%
Interest coverage (x)				-22.7	n.m.	-28.0	-6.0			
Cash conversion (FCF/net profit)					n.m.	n.m.	n.m.	n.m.	n.m.	-44.3%
Capex/sales					0.4%	0.5%	0.3%	0.7%	0.7%	0.7%
NWC/sales					17.3%	21.4%	40.6%	39.8%	39.8%	35.4%
QUARTERLY P&L			Q1 17	Q2 17	Q3 17	Q4 17	Q1 18E	Q2 18E	Q3 18E	Q4 18E
Sales (m)			5	5	3	5	5	6	4	6
EBITDA (m)			0	0	-2	-1	-0	-1	-2	0
EBIT before non-recurring items (m)			0	0	-2	-1	-0	-1	-2	0
Net profit (adj.) (m)			0	0	-1	-1	-1	-1	-2	0
EPS (adj.) (SEK)			0.00	0.00	0.00	-7.07	-2.87	-2.79	-9.34	0.32
EBITDA margin			3.4%	2.1%	-54.1%	-23.7%	-7.7%	-8.6%	-41.1%	2.9%
EBIT margin (adj.)			3.4%	2.1%	-54.1%	-25.6%	-7.7%	-8.6%	-41.1%	15%

Source: Company data, Danske Bank Equity Research estimates

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Report completed: 21 May 2018 at 20:26 CEST

Report disseminated: 21 May 2018 at 23:40 CEST

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