

Heliospectra

Sector: Industrial Goods & Services

Brings new innovative solutions

Strong order intake

Heliospectra reported net sales of SEK 8m in Q2, which was in line with our expectations (estimate: SEK 8m). The company's costs increased somewhat during the quarter, resulting in EBIT of SEK -9.8m (estimate: SEK -8m). As expected, Heliospectra reported a strong order intake. The order intake during H1'18 amounted to SEK 30.3m, corresponding to an increase of 64% compared to H1'17.

New products and partnership with ABB

The company keeps bringing new innovative solutions for growers. Apart from HelioCORE and Technical Services, Heliospectra has also announced a new line of lightbars for commercial vertical farming facilities. The company has further entered into a partnership with ABB, yielding improved opportunities for global sales. Our interpretation is that Heliospectra is increasing its efforts to become an integrated solution provider, partnering up with ABB (provides electrification and installations for growers), broadening its product portfolio and also introducing consultancy services.

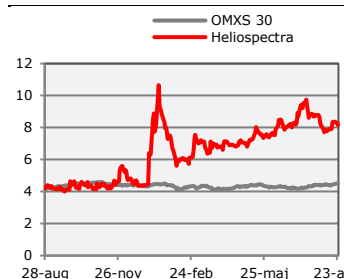
Limited effect on estimates and valuation

The report brought no major news and had a limited effect on our estimates and valuation. We have made slight adjustments to our short-term forecast based on its recently reported orders. Our fair value range remains unchanged, and we reiterate our fair value of SEK 7.4 per share in base case.

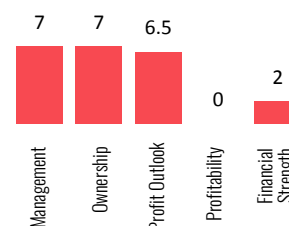
FAIR VALUE RANGE

| BEAR | BASE | BULL |
|------|------|------|
| 2.0 | 7.4 | 13.4 |

VERSUS OMXS30



REDEYE RATING



KEY STATS

| | |
|--------------------------|-------------|
| Ticker | HELIO.ST |
| Market | First North |
| Share Price (SEK) | 7.6 |
| Market Cap (MSEK) | 265 |
| Net Debt 18E (MSEK) | -14 |
| Free Float | 56 % |
| Avg. daily volume ('000) | 20 |

ANALYSTS

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| KEY FINANCIALS (MSEK) | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|-----------------------|------|------|-------|-------|-------|-------|
| Net sales | 23 | 36 | 56 | 84 | 120 | 156 |
| EBIT | -43 | -33 | -26 | -16 | 3 | 23 |
| EBITDA | -38 | -29 | -23 | -12 | 6 | 25 |
| EPS (adj.)(SEK) | -1.3 | -0.9 | -0.7 | -0.5 | 0.1 | 0.6 |
| EV/Sales | 9.0 | 3.0 | 4.7 | 3.3 | 2.3 | 1.7 |
| EV/EBIT | -4.9 | -3.3 | -10.1 | -17.8 | 82.0 | 11.7 |
| EV/EBITDA | -5.4 | -3.8 | -11.4 | -22.6 | 45.0 | 10.4 |
| P/E | -5.9 | -4.4 | -10.6 | -17.4 | 93.4 | 12.1 |

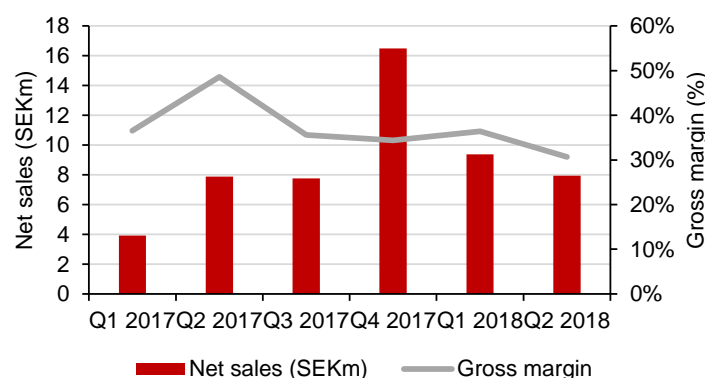
Source: Redeye Research

Sales and strong order intake as expected

Strong order intake growth

Heliospectra reported net sales of SEK 8m in Q2, which was in line with our estimate (SEK 8m). We believe that a majority of the revenues consist of the previously communicated orders towards 5 Leters DOO and Kew Royal Botanic gardens. As expected, the company reported strong growth of its order intake, amounting to SEK 30.3m during January-June (growth of 64% compared to H1'17).

Heliospectra: Sales and gross margin



Source: Redeye Research

The company's costs increased somewhat during the quarter, where the cost of commodities, staff costs, and external costs amounted to SEK 16.8m (our estimate: 15.5m). The gross margin was 31%, which was lower than expected (38%). It is, however, possible that the gross margin will vary between the quarters depending on the size of individual orders. Heliospectra has stated that the company currently is emphasizing on increasing its production efficiency in its "top light"-platform, meaning that the company is making the platform more standardized, which will imply opportunities to reduce its production costs. We are expecting the gross margin to increase going forward following the introduction of new products as well as increased scale and production efficiency.

| Heliospectra: Actual vs Estimates | | | | |
|-----------------------------------|-------|--------|--------|-----------|
| (SEKm) | Q2'17 | Q2'18E | Q2'18A | Diff. (%) |
| Net sales | 7.9 | 8.0 | 8.0 | 0% |
| Gross margin (%) | 49% | 38% | 31% | -19% |
| EBITDA | -7.3 | -7.0 | -9.2 | -31% |
| EBIT | -8.3 | -8.0 | -9.8 | -23% |

Source: Redeye Research

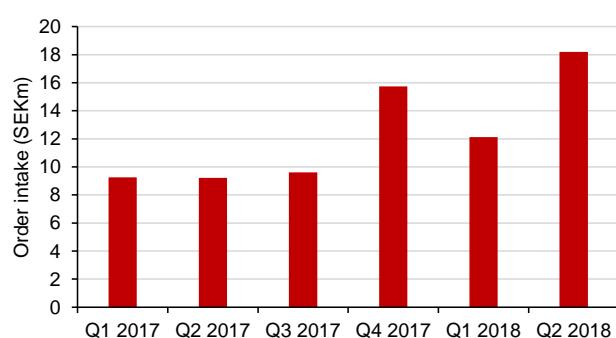
Its reported EBIT of SEK -9.8m, came in below our expectations, which is explained by our expectations of lower costs. The total cash flow during H1'18 amounted to SEK -14.5m, implying that Heliospectra had SEK 26.1m in cash by the end of June. Although we expect to see substantially greater revenues during H2, the company must manage to keep increasing its order intake during the coming year to avoid raising additional capital. The company does, at the same time, seem to be positively developing with increased sales opportunities. We, therefore, believe that it is reasonable that the company keeps investing to maximize its potential long-term gains.

All in all, we regard the recent development as positive. The company has managed to increase the average order size, launched new products that open up for new revenue streams and entered into an interesting partnership with ABB. We believe that the report and recent news show that Heliospectra is developing well and we have, therefore, not made any larger adjustments to our estimates.

Order intake

The best evidence of the company's positive development is in its reported order intake, amounting to approximately SEK 18m in Q2. This implies a record-high, which mainly is explained by the orders from Griffin Greenhouse Supplies. The graph below illustrates that the intake has increased substantially since Q3 2017 but that there is some variation between the quarters due to the timing of individual orders.

Heliospectra: Reported order intake



Source: Redeye Research

The largest orders came through Griffin Greenhouse Supplies (distributor), where the customer's aggregated order values amount to approximately SEK 16.2m. We have earlier stated that we believe that there was potential for larger orders, which Heliospectra now has shown. Heliospectra has announced five individual orders with order values exceeding SEK 3.5m YTD, compared to last year where the company only announced one order above SEK 3.5m. The company has also received four additional orders since the end of Q2 (excluded in the reported order intake), amounting to approximately SEK 4.1m. Together with the reported intake during January – June, the total order intake YTD amounts to SEK 34m (excluding the orders that not have been announced). This corresponds to about 95% of the company's revenues during 2017.

Order intake YTD corresponds to 95% of the revenues in FY2017

Orders announced during 2018

| Date | Customer | Order value (SEKm) | Delivery |
|------------|--------------------------------|--------------------|----------|
| 2018-01-03 | Canadian customer | 5.5 | Q1 |
| 2018-03-08 | AcquiFlow (Canada) | 0.5 | Q1 |
| 2018-03-20 | Griffin Greenhouse Supplies | 5.8 | Q3 |
| 2018-03-29 | Kew Royal Botanic Gardens | 1.7 | Q2 |
| 2018-04-05 | Griffin Greenhouse Supplies | 4.6 | Q3 |
| 2018-04-23 | Griffin Greenhouse Supplies | 5.8 | Q3 |
| 2018-04-30 | 5 Leters DOO | 1.5 | Q2 |
| 2018-06-04 | 5 Leters DOO | 1.5 | Q2 |
| 2018-06-14 | Medical 420 | 3.7 | Q3/Q4 |
| 2018-08-08 | Ljusgårda AB | 1.3 | Q3/Q4 |
| 2018-08-13 | 5 Leters DOO | 1.6 | Q3 |
| 2018-08-14 | Australian Cannabis Researcher | 0.7 | Q4 |
| 2018-08-17 | King Abdullah University | 0.5 | Q3/Q4 |

Source: Redeye Research

As visible in the table above, a majority of the orders announced during 2018 are within the cannabis segment, especially in North America. Our interpretation is that this will segment will remain a focus area during the coming year given the great opportunities arising from the legalization of cannabis in Canada.

Recent events

Partnership with ABB

During mid of May, Heliospectra announced that the company had entered a partnership with ABB with the intention of developing and integrating its solutions to deliver complete growing solutions for commercial growers in the Middle East and Africa. ABB will contribute with its strong expertise in electrification and automation while Heliospectra will deliver its intelligent LED grow light systems. We find the partnership very interesting given the parties' strong expertise and that it takes place in a region characterized by harsh growing conditions. If successful, it is further possible that the companies could take the partnership to new geographical regions over time.

Greatly improved sales opportunities in the Middle East

Apart from increasing its sales opportunities in a new geographical region, we believe that Heliospectra continues to strengthen its position. This time by entering a partnership with ABB, a distinguished global actor within electrification (an essential part of constructing growing facilities).

Launching new lightbars

Apart from launching its control system Heliocore, the company has also launched a new series of lightbars for vertical farming facilities. According to the information provided by Heliospectra, the lightbars will come in five different spectrums (for different phases and plants). The company has stated that the lightbars will be commercially launched during Q3. The new lightbars were showcased at Cultivate'18 (the largest horticulture fair), where it faced great interest according to the company.

Extended management team

Heliospectra has continued to recruit new staff during the period. During July, the company announced the recruitment of two new members of the management team. One of the recent recruits is Hanna Rüdél, which will take on the role of Vice President of Heliospectra Technical Services. Hanna brings extensive experience from the food industry and worked at MicVac (developing industrial solutions for the production of prepackaged meals) before joining Heliospectra.

The second position regards the position of VP Sales and Marketing, which will be held by Thorbjörn Leu. Before joining Heliospectra, Thorbjörn held the position as VP Sales and Business Development at Parans Solar Lightning. Both Hanna and Thorbjörn seem to have relevant experiences from the food and tech industries. We believe that the recruitments indicate that Heliospectra is gearing up. Hanna and Thorbjörn joined Heliospectra in August.

Estimates

As mentioned in our first comment following the report, the company is developing as expected, and we see no point in making any greater adjustments to our current estimates.

Based on the order intake presented in the earlier section, we know that Heliospectra should report substantial growth in Q3 given that all orders are delivered according to plans. The company has announced orders worth about SEK 17.8m for delivery in Q3 and additional orders worth SEK 5.6m that should be visible in both Q3 and Q4 revenues. We, therefore, believe that the company has good chances of reporting sales of about SEK 21m in Q3.

Expecting record-high sales in Q3

We expect that a greater part of the previously mentioned Q3/Q4 orders will be delivered in Q4 and that the company will announce additional large orders during the coming months. Given its strong order intake in H1'18 and the great opportunities for larger orders from the cannabis segment in North America, especially in Canada, we find that we have reason to expect continued strong growth in Q4. Our sales estimate for 2018 amounts to SEK 56m, corresponding to annual growth of 54%. It, however, requires that Heliospectra continues to sign larger orders with delivery in Q4.

| Heliospectra: Base case estimates | | | | | | | | | |
|--|-------------|-------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|
| (SEKm) | 2016 | 2017 | Q1'18 | Q2'18 | Q3'18E | Q4'18E | 2018E | 2019E | 2020E |
| Net sales | 23.1 | 36.0 | 9.4 | 8.0 | 21.0 | 17.2 | 55.5 | 83.9 | 120.0 |
| CoGS | -15.8 | -22.3 | -6.0 | -5.5 | -14.2 | -11.0 | -36.6 | -48.7 | -63.6 |
| Gross margin (%) | 32% | 40% | 36% | 31% | 32% | 36% | 34% | 42% | 47% |
| EBITDA | -38.4 | -28.8 | -6.1 | -9.2 | -1.8 | -5.9 | -23.0 | -12.3 | 6.1 |
| EBIT | -42.8 | -33.1 | -6.8 | -9.8 | -2.6 | -6.6 | -25.8 | -15.5 | 3.3 |
| Growth (%) | 68% | 56% | -43% | -15% | 164% | -18% | 54% | 51% | 43% |
| EBIT margin (%) | -163% | -90% | -67% | -127% | -12% | -38% | -45% | -18% | 3% |

Source: Redeye Research

Based on the reasoning in the previous section, we believe that the company will manage to increase its gross margin through increased production efficiency. We also expect the gross margin to increase following the introduction of HelioCORE and Technical Services as we believe that the company continues to increase the value-added of its solutions and that the company, therefore, should be able to charge higher prices. Improving its gross margin is a crucial challenge for Heliospectra as it must reach substantially higher sales to become cash flow positive with its current cost structure.

We further believe that its recently introduced products and services will bolster its long-term growth. By introducing new innovative lightbars, Heliospectra increases the potential of penetrating a greater share of the market for vertical growing. It is also important to acknowledge that the recently introduced solutions continue to strengthen its positioning as a leading supplier of lighting solution for growers.

Apart from potentially increasing its gross margins, HelioCORE will also yield recurring revenues as it is based on a licensing model. Heliospectra has recently announced its first order containing HelioCORE, where its customer King Abdullah University of Science and Technology will use the solution for a speed breeding program. Heliospectra has earlier stated that customers using HelioCORE has managed to shorten the plants' growth cycle and increased the yield of the plants. As additional customers continue to achieve similar positive results, we believe that Heliospectra's solutions will gain more traction, strengthening its position furtherly and resulting in a greater inflow of new customers.

Regarding its cost items, we expect an increase in the cost of staff following recent recruitments while external costs are expected to remain at the level that Heliospectra has shown to date. The same applies to D&A, which are expected to amount to SEK 0.7-0.8 per quarter (mainly amortization of its intangible assets). This ultimately leads to EBIT expectations around SEK -26m for FY2018.

We have not made any larger adjustments to our long-term estimates. Heliospectra has delivered according to our expectations up to date, and we believe that the company has great potential to show continued growth during the coming years. There is great opportunities for large orders from the cannabis segment, still potential for larger orders from the food segment while the company also has bolstered its chances of sales in a new region (Middle East), which could lead to substantial revenues if everything turns out well.

Valuation

In valuing the company, we use a discount rate of 13.8%. The discount rate (WACC) we use is based on a number of different parameters that together form Redeye's rating model. The underlying factors aim at capturing the company-specific risk and take into account everything from management and owners to market position and the balance sheet. However, we ignore the stock's liquidity and volatility, which differentiates our calculation of WACC from most others.

Base case

As mentioned earlier, we have not made any larger adjustments based on the Q2 report. Heliospectra seems to be on the right track, illustrated by its order intake and launch of new innovative products. The great momentum for sales of LED grow lights towards large-scale growers of cannabis in North America remains, and we believe that the company will continue to announce substantial orders during the coming year.

Our valuation is based on the estimates and reasoning in the previous section, where we expect the company to continue showing high growth during the two coming years, which is illustrated by our sales CAGR of about 50%. We further expect the company to show high long-term growth given that it succeeds with its recent launches.

| Heliospectra: Base-case assumptions | | | | |
|--|------------------|--------------|-----------------------------|------------|
| Assumptions: | 2018-2020 | 2021- | DCF-value | |
| CAGR Sales | 49.3% | 15.1% | WACC | 13.8% |
| EBIT margin (avg) | -21% | 23.0% | PV of FCF | 121 |
| | | | PV of Terminal Value | 100 |
| Terminal | | | | |
| Terminal growth of FCF | | 2.0% | Sum PV | 221 |
| EBIT-margin (terminal) | | 18.0% | Net cash* | 38 |
| | | | DCF-value | 259 |
| | | | Fair value per share | 7.4 |
| | | | Shareprice today | 7.56 |
| | | | Potential/Risk | -2% |

*As per 2017-12-31

Regarding profitability, we expect Heliospectra to increase its gross margins during the coming years following increased efficiency in production and its launch of new products. Our base case is based on an average EBIT-margin of 23% beyond 2021 and a terminal EBIT-margin of 18%. The above assumptions imply that our **fair value in base case remains unchanged at SEK 7.4 per share.**

Bear Case 2 SEK

Lower sales growth in all segments delays break-even. We further incorporate lower return of the recently introduced products and solutions (HelioCORE and Technical Services).

Based on the assumption of sales growth (CAGR) of 30% between 2018 and 2020 as well as a lower long-term growth (13.5% beyond 2021).

Heliospectra fails to mitigate price pressure on hardware by achieving economies of scale, thus resulting in lower gross margins. In our negative bear case, we assume a long-term gross margin of about 40%:

The above assumptions of lower sales growth and gross margin ultimately result in lower expected operating margin (long-term EBIT-margin averaging about 12%).

Additional funding is needed before break-even is reached.

Base Case 7.4 SEK

In our most realistic base case, we expect that Heliospectra will continue to show strong growth during the coming years.

In the short term, we continued strong order intake from the medical plants segment following the legalization in North America.

We assume the average order size to increase furtherly. We expect Heliospectra to win several orders within the greenhouse cultivation segment where we believe that the order size could be substantially larger.

Incorporates successful introduction of recently launched products and services. HelioCORE will boost sales, lead to an increased base of recurring revenues and improved margins.

We expect the company to improve its gross margin during the coming years following the launch of recently launched solutions and increased operational efficiency. In base case, we assume a long-term gross margin up towards 50%.

Increased revenues and improved gross margin will lead to an average operating margin of around 18% during our forecast period.

Bull Case 13.4 SEK

Higher sales growth in all segments from the rapid adoption of LED lighting in the greenhouse cultivation segment and higher market shares in the medical plants segment. We also assume a greater increase in average order size following significantly larger orders.

Based on a scenario where Heliospectra keeps its position as the leading supplier of intelligent LED growing lights. In our bull case, we estimate an average annual sales growth (CAGR) of 18.5% beyond 2021.

Greater returns of new products and services, leading to higher sales and improved margins.

We assume higher gross margins thanks to a successful introduction of HelioCORE and, eventually, the patented complete biofeedback system. This will, however, be slightly offset by lower gross margins in orders of significant sizes. Based on an average gross margin of 52% beyond 2020.

Greater revenues and margins ultimately result in a higher operating margin. In bull case, we estimate a long-term average operating margin exceeding 23%.

Investment Case

Approaching an inflection point as sales start taking off. Heliospectra has transitioned from being a research company with little focus on sales to become a leading global player in the growing market for intelligent lighting solutions. With a strong position in the research market and several important contracts and partnerships in the medical plant segment as well as in the greenhouse cultivation segment, Heliospectra is in pole position to benefit from the growth in the market for LED grow lights – a market projected to grow at a CAGR of 30-40 percent from 2014-2020. Heliospectra is on the verge of its big market breakthrough, illustrated by the company's strong order intake growth during the recent months.

Rapid market growth driven by global trends. The use of LED grow lights address global issues of environmental impact from agriculture and fresh food supply for the urban population. There is a growing interest in control and automation for agriculture to raise productivity and a need for improvements in how we grow everything from vegetables to tobacco. LED grow lights are more energy efficient than traditional HIS/HPS lamps traditionally used in greenhouses and growers increasingly replace traditional lighting solutions in commercial greenhouse operations in Europe, North America and Asia. Heliospectra's intelligent lighting systems also provide growers benefits of increased automation and higher plant quality thus making the incentives to switch from HID/HPS even higher.

If Heliospectra manages to secure large orders from commercial growers in the cultivated greenhouse segment, there are reasons to believe that Heliospectra will draw more investor attention. The company has established itself as a well-renowned player in the legal marijuana segment and is expected to benefit from the ongoing legalization movement in North America. The market is still in its infancy, and rapid growth is expected as legalization continues not only in NA but also in other parts of the world. LED grow lights provide short payback times on investment for growers of marijuana who can increase the productivity and quality of its plants while also reducing operational costs.

Proprietary technology strengthens the case. Heliospectra has a strong product portfolio, which positions the company as a leading supplier of intelligent LED grow light solutions. Heliospectra's products bring clear value to the company's customers by allowing for increased quality of the crops while also lowering energy costs. The company's strong offering is further illustrated by the recent launch of the control system HelioCORE, which also allow customers to forecast the yield of the crops. Heliospectra has strong intellectual property rights in the complete biofeedback system allowing for full autonomous plant growth. The system incorporating LED grow lights, proprietary software and sensors is patented, thus making it harder for competitors to offer growers the same benefits. It is, however, yet unsure when we will see an introduction of the complete biofeedback system.

Bear points (counter-thesis)

- **Risk of needing additional funding**

There is a risk that Heliospectra will need to raise additional capital before reaching break-even. However, if Heliospectra continues to show strong positive development, we see no obstacle to its ability to borrow the necessary capital. The company also has major shareholders which previously has shown a willingness to support Heliospectra financially.

- **Failure to scale up operations and improve margins**

One of Heliospectra's greatest challenges is to improve its gross margin as it requires significant sales to reach break-even. The company is currently undertaking efforts in increasing its operational efficiency, but there is a risk of delayed break-even if the company fails in scaling up its operations.

- **Failure to grow sales in a competitive market**

Although Heliospectra is regarded as one of the leading companies in the market for LED grow lighting solutions, it must continue improving its offering to remain competitive. The company also has to succeed in convincing growers that its solutions truly add greater value than alternative solutions. There is also a risk that larger competitors could try to bleed out smaller actors by dropping prices.

Catalysts

Major order of SEK 10 million+

We believe additional follow up orders from existing customers could be several times the size of the initial orders. We see good potential for further follow-up orders from the undisclosed AgTech players and from the marijuana growers who have previously placed large orders, for example The Grove. We also see a great potential of large orders from the commercial greenhouse segment, where an order of SEK 10 million+ would make us, as well as the market, more confident in Heliospectra's ability to generate high long-term sales growth.

| IMPACT | | | | | |
|----------|------------|----------|---------------|--|------------|
| Downside | | Upside | | | Time Frame |
| Potency | Likelihood | Potency | Likelihood | | |
| Minor | Possible | Moderate | Highly likely | | Mid |

Successful introduction of HelioCORE

A successful introduction of the recently launched control system HelioCORE has the potential to generate sales growth by attracting new clients and increasing revenues from existing clients. Our interpretation is that the introduction of HelioCORE should be seen as the first step towards commercialization of the biofeedback system.

| IMPACT | | | | | |
|----------|------------|----------|------------|--|------------|
| Downside | | Upside | | | Time Frame |
| Potency | Likelihood | Potency | Likelihood | | |
| Minor | Unlikely | Moderate | Possible | | Mid |

Commercialization of biofeedback system

Successful commercialization with a break-through order on the much-anticipated biofeedback system incorporating sensors, software and LED grow lights would highlight the uniqueness of Heliospectra's solutions and help the market assign a value to the company's IP.

| IMPACT | | | | | |
|----------|------------|----------|---------------|--|------------|
| Downside | | Upside | | | Time Frame |
| Potency | Likelihood | Potency | Likelihood | | |
| Minor | Unlikely | Moderate | Highly likely | | Long |

Summary Redeye Rating

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

Rating changes in the report

No rating changes.

Management: 7.0

CEO Ahmadian seems to have the commercial and international focus that Heliospectra currently needs. To mandate a higher rating Heliospectra's leadership we would like to see an increased transparency regarding the financial goals of the company as well as an increased average tenure among the management team.

Ownership: 7.0

Heliospectra has a list of shareholders many small technology companies can only dream of. Heliospectra's largest shareholder is Gösta Welandson who has shown great commitment and engagement in supporting Heliospectra. The major shareholders provide support as well as capital and have a good reputation in the financial markets. The board hold a decent amount of shares, however, we would like to see top management as well as the board showing more commitment in Heliospectra through increased shareholdings in the company. With a stronger commitment from senior management and the board a higher ownership rating would be given.

Profit Outlook: 6.5

Heliospectra is active in a fast-growing market and has secured important partnerships in all of its market segments. With a strong position in the research, AgTech and marijuana segments and a positive trend in the greenhouse cultivation segment, Heliospectra is well positioned for strong growth. Competitive advantages are secured by proprietary technology and first mover advantages. Heliospectra has a business model that will provide significant leverage should the introduction of software, services, and sensors succeed. To raise the rating we would like to see a successful introduction of sensors and an ability to charge customers for software. We would also like to see Heliospectra cement its position as a leader in the LED grow light industry through increased sales for a prolonged time period.

Profitability: 0.0

Heliospectra is currently losing money and even though we envisage Heliospectra showing profits in the future we want to see money in the bank before we give any credit. An upgrade to our profitability rating would require the company to at least show positive EBIT on a rolling twelve months basis.

Financial Strength: 2.0

In order to raise Heliospectra's rating we want to see a situation where Heliospectra is no longer dependent on additional funding from its shareholders in order to fund its continued expansion. Heliospectra, however, has main shareholders who multiple times have shown a willingness to support the company financially through both debt and equity financing.

| INCOME STATEMENT | 2016 | 2017 | 2018E | 2019E | 2020E |
|-----------------------|------|------|-------|-------|-------|
| Net sales | 23 | 36 | 56 | 84 | 120 |
| Total operating costs | -61 | -65 | -78 | -96 | -114 |
| EBITDA | -38 | -29 | -23 | -12 | 6 |
| Depreciation | 0 | 0 | 0 | 0 | 0 |
| Amortization | -4 | -4 | -2 | -3 | -3 |
| Impairment charges | 0 | 0 | 0 | 0 | 0 |
| EBIT | -43 | -33 | -26 | -16 | 3 |
| Share in profits | 0 | 0 | 0 | 0 | 0 |
| Net financial items | -3 | 0 | 0 | 0 | 0 |
| Exchange rate dif. | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | -46 | -33 | -26 | -16 | 3 |
| Tax | 0 | 0 | 0 | 0 | 0 |
| Net earnings | -46 | -33 | -26 | -16 | 3 |

| BALANCE SHEET | 2016 | 2017 | 2018E | 2019E | 2020E |
|----------------------------|------|------|-------|-------|-------|
| Assets | | | | | |
| <i>Current assets</i> | | | | | |
| Cash in banks | 73 | 41 | 17 | 1 | 1 |
| Receivables | 6 | 10 | 11 | 15 | 22 |
| Inventories | 8 | 8 | 8 | 13 | 16 |
| Other current assets | 0 | 0 | 0 | 0 | 0 |
| Current assets | 87 | 58 | 36 | 28 | 38 |
| <i>Fixed assets</i> | | | | | |
| Tangible assets | 2 | 1 | 1 | 1 | 2 |
| Associated comp. | 0 | 0 | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Goodwill | 0 | 0 | 0 | 0 | 0 |
| Cap. exp. for dev. | 0 | 0 | 0 | 0 | 0 |
| 0 intangible rights | 17 | 15 | 15 | 13 | 12 |
| 0 non-current assets | 0 | 0 | 0 | 0 | 0 |
| Total fixed assets | 18 | 16 | 16 | 14 | 14 |
| Deferred tax assets | 0 | 0 | 0 | 0 | 0 |
| Total (assets) | 105 | 74 | 52 | 42 | 52 |
| Liabilities | | | | | |
| <i>Current liabilities</i> | | | | | |
| Short-term debt | 0 | 0 | 0 | 0 | 0 |
| Accounts payable | 13 | 15 | 19 | 25 | 34 |
| 0 current liabilities | 0 | 0 | 0 | 0 | 0 |
| Current liabilities | 13 | 16 | 19 | 25 | 34 |
| Long-term debt | 11 | 2 | 2 | 2 | 0 |
| 0 long-term liabilities | 0 | 9 | 9 | 9 | 9 |
| Convertibles | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 24 | 26 | 30 | 36 | 42 |
| Deferred tax liab | 0 | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 82 | 48 | 22 | 7 | 9 |
| Minority interest (BS) | 0 | 0 | 0 | 0 | 0 |
| Minority & equity | 82 | 48 | 22 | 7 | 9 |
| Total liab & SE | 105 | 74 | 52 | 42 | 52 |

| FREE CASH FLOW | 2016 | 2017 | 2018E | 2019E | 2020E |
|-----------------------|------|------|-------|-------|-------|
| Net sales | 23 | 36 | 56 | 84 | 120 |
| Total operating costs | -61 | -65 | -78 | -96 | -114 |
| Depreciations total | -4 | -4 | -3 | -3 | -3 |
| EBIT | -43 | -33 | -26 | -16 | 3 |
| Taxes on EBIT | 0 | 0 | 0 | 0 | 0 |
| NOPLAT | -43 | -33 | -26 | -16 | 3 |
| Depreciation | 4 | 4 | 3 | 3 | 3 |
| Gross cash flow | -38 | -29 | -23 | -12 | 6 |
| Change in WC | 12 | -1 | 2 | -3 | -1 |
| Gross CAPEX | -5 | -2 | -3 | -1 | -3 |
| Free cash flow | -31 | -32 | -24 | -15 | 2 |

| CAPITAL STRUCTURE | 2016 | 2017 | 2018E | 2019E | 2020E |
|-----------------------|------|------|-------|-------|-------|
| Equity ratio | 77% | 65% | 43% | 15% | 18% |
| Debt/equity ratio | 13% | 5% | 9% | 31% | 0% |
| Net debt | -62 | -38 | -15 | 1 | -1 |
| Capital employed | 19 | 10 | 8 | 8 | 9 |
| Capital turnover rate | 0.2 | 0.5 | 1.1 | 2.0 | 2.3 |

| GROWTH | 2016 | 2017 | 2018E | 2019E | 2020E |
|------------------|------|------|-------|-------|-------|
| Sales growth | 68% | 56% | 54% | 51% | 43% |
| EPS growth (adj) | -29% | -28% | -22% | -39% | -119% |

| DCF VALUATION | | CASH FLOW, MSEK | |
|---------------------------|--------|------------------------------|-----|
| WACC (%) | 13.8 % | NPV FCF (2018-2020) | -34 |
| | | NPV FCF (2021-2027) | 143 |
| | | NPV FCF (2028-) | 112 |
| | | Non-operating assets | 41 |
| | | Interest-bearing debt | -2 |
| | | Fair value estimate MSEK | 259 |
| Assumptions 2017-2023 (%) | | | |
| Average sales growth | 29.6 % | Fair value e. per share, SEK | 7.4 |
| EBIT margin | 3.3 % | Share price, SEK | 7.6 |

| PROFITABILITY | 2016 | 2017 | 2018E | 2019E | 2020E |
|---------------|-------|-------|-------|-------|-------|
| ROE | -83% | -51% | -73% | -110% | 37% |
| ROCE | -60% | -46% | -69% | -94% | 37% |
| ROIC | -138% | -170% | -261% | -197% | 43% |
| EBITDA margin | -167% | -80% | -41% | -15% | 5% |
| EBIT margin | -185% | -92% | -47% | -19% | 3% |
| Net margin | -199% | -92% | -47% | -19% | 2% |

| DATA PER SHARE | 2016 | 2017 | 2018E | 2019E | 2020E |
|----------------|-------|-------|-------|-------|-------|
| EPS | -1.30 | -0.94 | -0.74 | -0.45 | 0.08 |
| EPS adj | -1.30 | -0.94 | -0.74 | -0.45 | 0.08 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net debt | -1.77 | -1.09 | -0.41 | 0.04 | -0.02 |
| Total shares | 35.11 | 35.11 | 35.11 | 35.11 | 35.11 |

| VALUATION | 2016 | 2017 | 2018E | 2019E | 2020E |
|-------------|-------|-------|-------|-------|-------|
| EV | 208.3 | 109.0 | 260.8 | 276.5 | 274.5 |
| P/E | -5.9 | -4.4 | -10.6 | -17.4 | 93.4 |
| P/E diluted | -5.9 | -4.4 | -10.6 | -17.4 | 93.4 |
| P/Sales | 11.7 | 4.1 | 5.0 | 3.3 | 2.3 |
| EV/Sales | 9.0 | 3.0 | 4.7 | 3.3 | 2.3 |
| EV/EBITDA | -5.4 | -3.8 | -11.4 | -22.6 | 45.0 |
| EV/EBIT | -4.9 | -3.3 | -10.1 | -17.8 | 82.0 |
| P/BV | 3.3 | 3.1 | 12.3 | 42.1 | 29.0 |

| SHARE PERFORMANCE | | GROWTH/YEAR | 16/18E |
|-------------------------|---------|----------------------|---------|
| 1 month | -10.1 % | Net sales | 55.2 % |
| 3 month | 3.4 % | Operating profit adj | -22.3 % |
| 12 month | 86.2 % | EPS, just | -24.7 % |
| Since start of the year | 79.0 % | Equity | -47.6 % |

| SHAREHOLDER STRUCTURE % | CAPITAL | VOTES |
|----------------------------|---------|--------|
| Gösta Welandson med bolag | 34.4 % | 34.4 % |
| Mohammed Al Amoudi | 10.1 % | 10.1 % |
| Avanza Pension | 6.1 % | 6.1 % |
| Piba AB | 1.1 % | 1.1 % |
| Andreas Arnwid | 1.1 % | 1.1 % |
| Magowny Invest AB | 1.0 % | 1.0 % |
| Nordnet Pensionsförsäkring | 0.9 % | 0.9 % |
| Chrilotte AB | 0.7 % | 0.7 % |
| Rolf Johansson | 0.7 % | 0.7 % |
| Kent Gustafson | 0.7 % | 0.7 % |

| SHARE INFORMATION | |
|-----------------------|--------------------|
| Reuters code | HELIQ.ST |
| List | Nasdaq First North |
| Share price | 7.6 |
| Total shares, million | 35.1 |
| Market Cap, MSEK | 265.4 |

| MANAGEMENT & BOARD | |
|--------------------|--------------------|
| CEO | Ali Ahmadian |
| CFO | Magnus Svensson |
| IR | Ali Ahmadian |
| Chairman | Andreas Gunnarsson |

| FINANCIAL INFORMATION | |
|-----------------------|------------------|
| Q2 report | October 26, 2018 |

| ANALYSTS | |
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Redeye Rating and Background 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.

Redeye Equity Research team

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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.

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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 (2018-08-28)

| Rating | Management | Ownership | Profit outlook | Profitability | Financial Strength |
|--------------|------------|-----------|----------------|---------------|--------------------|
| 7,5p - 10,0p | 44 | 45 | 18 | 10 | 19 |
| 3,5p - 7,0p | 80 | 73 | 108 | 34 | 48 |
| 0,0p - 3,0p | 15 | 21 | 13 | 95 | 72 |
| Company N | 139 | 139 | 139 | 139 | 139 |

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CONFLICT OF INTERESTS

Dennis Berggren 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.