COMPANY ANALYSIS 15 May 2014

Summary

Doro (DORO.ST)

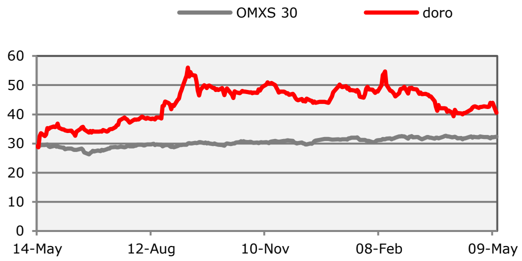
Overreaction after sales drop

- Sales reached SEK 233 million compared to our expected SEK 260. As for EBIT our forecast was SEK 14 million and the outcome SEK 5 million. This was due to a declining Nordic market and large depreciations from investments in smartphones.

- The EBITDA margin was stable from last year amounting to 7 percent. The gross margin was up 3 percentage points to 41 percent due to product mix.

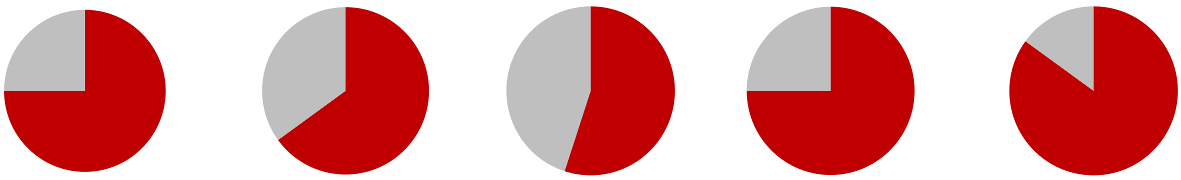
- Our revised estimates provide a new DCF value of SEK 46. This suggests that investors are not counting on Doro being able to make the shift to smartphones. However, we are confident with management's strategy. We thus believe that Doro is undervalued, although we expect a weak second quarter.

List:	Small Cap
Market Cap:	809 MSEK
Industry:	Telecommunications
CEO:	Jérôme Arnaud
Chairman:	Bo Kastensson



Redeye Rating (0 – 10 points)

Management | Ownership | Growth prospect | Profitability | Financial strength



7.5 points | 6.5 points | 5.5 points | 7.5 points | 8.5 points

Key Financials

	2012	2013	2014E	2015E	2016E
Revenue, MSEK	838	1,143	1,172	1,310	1,450
Growth	*12%*	*36%*	*3%*	*12%*	*11%*
EBITDA	83	114	111	140	173
EBITDA margin	*10%*	*10%*	*9%*	*11%*	*12%*
EBIT	61	79	67	114	140
EBIT margin	*7%*	*7%*	*6%*	*9%*	*10%*
Pre-tax earnings	50	78	64	114	140
Net earnings	53	61	50	91	108
Net margin	*6%*	*5%*	*4%*	*7%*	*7%*
Dividend/share	0.00	1.50	1.80	2.20	2.60
EPS adj.	2.73	3.08	2.42	4.38	5.19
P/E adj.	9.16	16.23	16.04	8.88	7.49
EV/S	0.41	0.80	0.60	0.53	0.48
EV/EBITDA	4.14	7.98	6.35	4.94	3.98

Share information	
Share price (SEK)	38.9
Number of shares (m)	20.8
Market Cap (MSEK)	809
Net debt (MSEK)	-105
Free float (%)	80 %
Daily turnover ('000)	112

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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 – Growth 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.

Growth Outlook

Our Growth 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 Growth Outlook are: 1 – Strategies and business model, 2 – Sale potential, 3 – Market growth, 4 – Market position, and 5 – Competitiveness.

Profitability

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

Financial Strength

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

Organic sales and order intake fell

Organic sales down 15 percent, mostly because of weak sales in the Nordics

Sales for the first quarter was lower than our expected SEK 260 million, coming in at SEK 233 million. Compared to last year, sales rose by 12 percent. However, the organic growth amounted to -15 percent. This is explained by sales decreases by 25 and 40 percent year-over-year in the Nordics and North America.

EBIT was strong due to a good product mix

EBIT amounted to SEK 5 millon, and thus lower than the forecasted 14 million. Partly this was due to the unexpectedly large negative growth in the important Nordic region, which accounted for 38 percent of EBIT (before overhead costs) during 2013. Redeye also underestimated the depreciation charges from the large investments in smartphones. Nonetheless, EBITDA was up from last year's SEK 14 million to 16 million, despite higher marketing costs. This was due to a better product mix, which resulted in a strong gross margin of 41 percent, compared to the full year 2013 gross margin of 38 percent.

Doro - Expected vs. Outcome

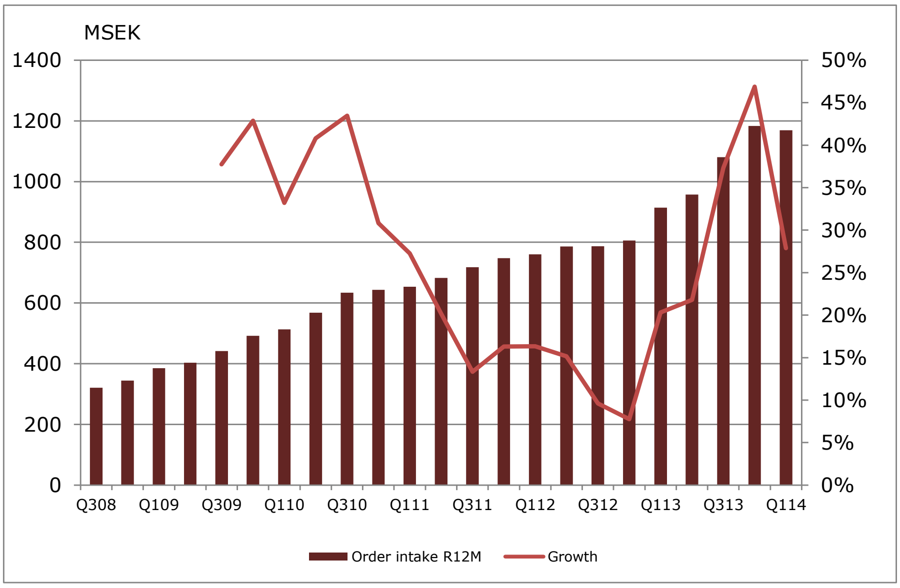
SEKm	Q1'13	Q1'14E	Outcome	Diff
Sales	208.9	260.0	233.0	-10%
EBITDA	14.2	20.0	16.0	-20%
EBIT	7.7	14.4	4.7	-67%
PTP	7.9	14.0	3.1	-78%
EPS, SEK	0.38	0.53	0.09	-82%
Salesgrowth	22.6%	24.5%	11.5%	
Grossmargin	38.4%	38.1%	40.9%	
EBIT margin	3.7%	5.5%	2.0%	
EPS growth (y/y)	196%	40%	-75%	

Source: Doro, Redeye Research

The order intake was down 6 percent

The order bookings decreased by 6 percent, compared to the first quarter of 2013, despite the fact that the order bookings included 2013 year's acquisition of the German supplier IVS. The order intake has not fallen from year-over-year in any single quarter since at least year 2009. From Q4 to Q1, the order bookings fell by 25 percent, compared to an increase of 18 percent last year. It is important to note that the order bookings of Doro usually varies a lot on a quarterly basis. In addition Doro highlighted in Q4 that Q1 2013 was unusually strong and would be hard to match for 2014, so it is still a bit too early to get worried. The order bookings are also still up 28 percent on a 12 month rolling basis, as the graph on the next page shows.

Order bookings and growth in order bookings R12M

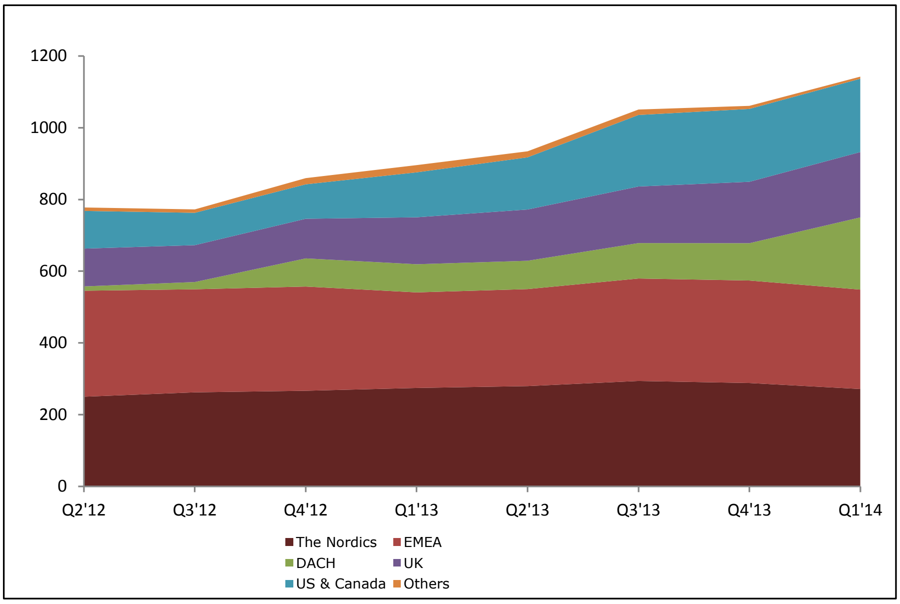


Source: Doro, Redeye Research

Sales in EMEA and DACH are now each about 50 percent larger than the Nordics

As mentioned, sales from the Nordics and North America were disappointing as they amounted to -25 and -40 percent, and SEK 42 and 25 million respectively. EMEA (Europe, the Middle East and Asia) and DACH (Germany, Austria and Switzerland) reached sales of SEK 62 and 64 million, and are now larger than the Nordics with 26 and 28 percent respectively of the Company's sales. UK amounted to SEK 39 million, which was 16 percent of total sales and about the same level as the Nordics. The graph below shows sales per segment on a 12 month rolling basis.

Sales per segment R12M

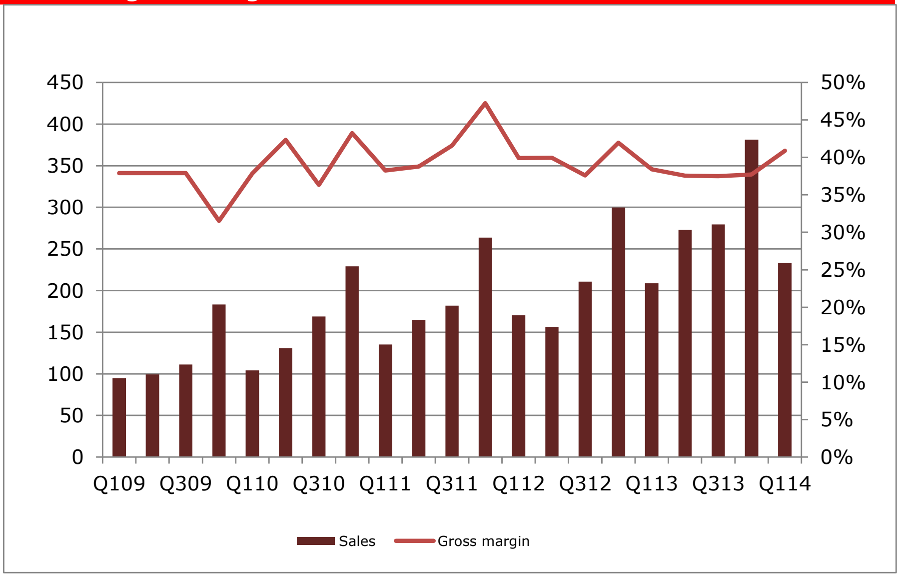


Source: Doro, Redeye Research

The gross margin was up 3 percentage points

The gross margin for Q1 increased from 38 percent last year to 41 percent, which is strong considering the integration of the IVS acquisition. According to the Company the 41 percent gross margin is explained by a better product mix.

Sales and gross margin



Source: Doro, Redeye Research

Market hesitation towards the new smartphones

The transition to smartphones is a critical factor

Doro stated in their Q4 presentation that last two quarter's rather weak performance in the Nordic market was the result of a transition to smartphones. According to Doro, half of the senior population are requesting a smartphone as their next phone, whilst only a fifth of them have one today. This kind of prediction of the market's future needs is pointed out by Doro as the largest challenge for Doro at present.

Still slow welcoming of the new smartphones

A second Doro smartphone named Doro Liberto 810 was therefore launched during Q4. The launch of Liberto 810 took place in the Nordics, since the Nordic population tend to be faster in adapting to and demanding technological changes. For the first quarter of 2013, the Company reports that sales of the Liberto 810 and it's predecessor has still not been able to compensate for the reduced market for feature phones in the Nordics. This is also reflected in the rapidly sinking sales. The sales for Q3, Q4 and Q1 in the Nordics are down by 8, 17 and 25 percent.

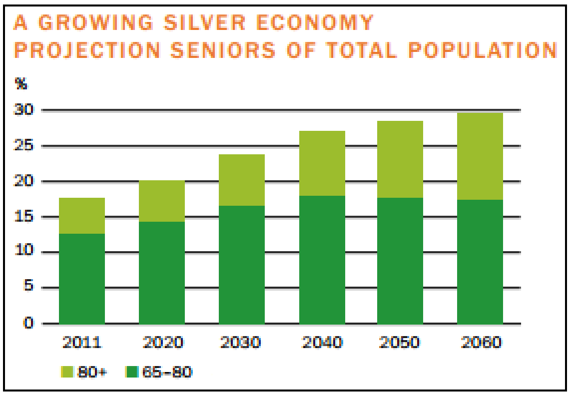
The Nordic home market was also the most important driver of EBIT during 2013, as already mentioned. Doro has stated that smartphones have better margins. However, when studying the Nordic segment of Doro we find that the EBIT margin (before central overhead costs) was down 7 percentage points from last year. Before that, the Nordic EBIT margin fell 0.9 and 3.3 percentage points on a year-over-year basis during Q4 and Q3.

The Company expects the smartphone sales, and thus EBIT as well, to increase gradually during the year. It might still be a bit early to determine whether the new Liberto 810 will be a success story or not, but the history of Doro's first smartphone Doro PhoneEasy 740 is certainly not an indicator of success, judging from the Nordic sales and EBIT. According to Doro this phone was "too much between feature phone and smartphone design", making it hard to reach popularity within the target group.

Golden market potential in the silver economy

Good growth opportunities in terms of a fast growing market…

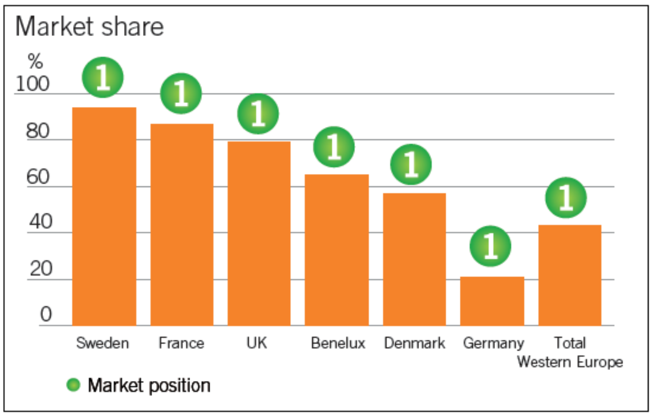
The market for Doro is a fast growing derivative of demography known as the "silver economy". Six years from now the senior population (people with the age of 65 or older) of the world is expected to have increased from 550 to 700 million people. This trend is likely to continue for a long time, as can be seen in the following graph.



Source: Doro, Eurostat

…a leading position….

Being the market leader in many regions, Doro has a strong hold on this market, as the graph below points out.



Source: Doro

…and a low penetration rate

In addition, Doro's penetration rate is still very modest, even in their home market, the Nordics, where it amounts to only 17 percent. In the DACH, EMEA, and UK regions the penetration rate is around 2-3 percent, whereas in North America it is as low as 1 percent. In summary, there is no doubt that Doro has a good growth potential.

No threat from the Asian giants so far

Still no sight of major threats on the competitive landscape

In the previous section, it was evident that Doro is operating on a favorable market. This is because of the market's high growth, combined with the low penetration ratio. New entrants are therefore a natural concern and people have for long waited for Asian giants like Samsung or Huawei, for example, to enter the market with their economics of scale, to wipe out Doro. On this issue, Doro argues that the Company sees no significant movements on their market niche from the big Asian companies at present. This statement is consistent with the stable gross margin (see the third graph in the first section). In our research, we find no intensified competition among phones adapted to seniors. However, there are an increasing amount of senior apps. Doro could soon be in the middle of a price war with sinking EBIT margins if new entrants want to get a piece of the growing senior phones market.

Among the competitors at present, Doro is the superior market leader thanks to the Company's growing supply chain and brand strength. The distribution network consists of major retailers and department store chains all over the world, for example Vodafone, TeliaSonera, Rogers, and many others, as can be seen below. The distributor list reflected in the graph is not complete and is continuously updated. The retailer giant Wal-Mart is for example not included in the image below, neither the leading Austrian operator Telekom Austria (A1). The recent agreement with A1 was made in May 2014. Doro, during this announcement, proclaimed that they expect more distribution agreements in the near future.

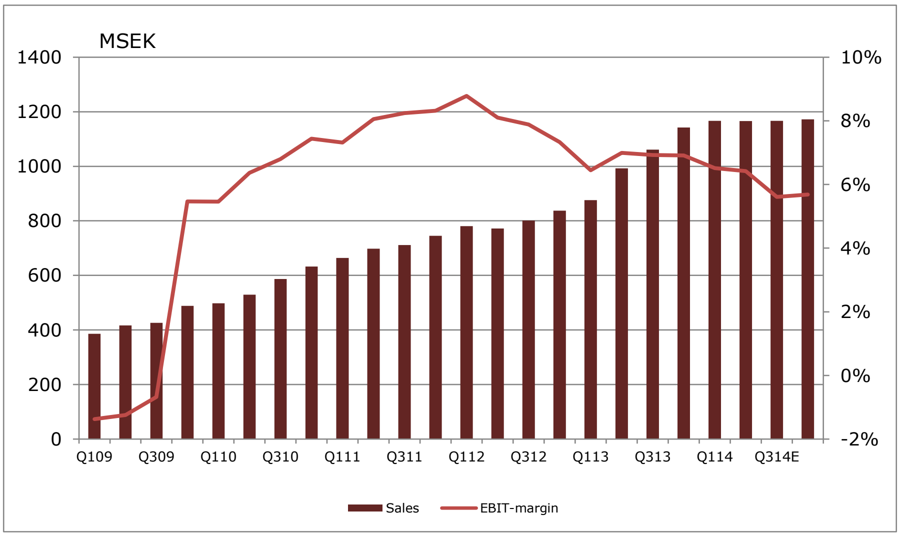
Source: Doro

Forecast adjustments

The Company stated in their Q1 comments that the product mix effect of the first quarter is expected to be maintained during the second quarter, indicating a gross margin of some 41 percent. This level is nonetheless probably not sustainable for the rest of 2014. In addition, the gross margin could still be temporarily hurt by the integration of IVS (which from this quarter was fully consolidated), although this is not a long term effect according to Redeye. We expect the gross margin to be about 38 percent during the next few years, before recovering to above 40 percent again. With an increasing gross margin follows higher EBIT margins.

Doro is continuing to make large investments in R&D. Therefore we are forecasting increased operating expenses and depreciations for 2014 and 2015, lowering EBIT. This can be seen in the graph below.

Sales and EBIT margin R12M 2009-2014E



Source: Doro, Redeye Research

We have made changes for 2014 and 2015 in our estimates, since the smartphone transition seems to be more problematic and take longer than we first thought. We have forecasted a sales growth of 2,6 percent for 2014 and a recovering growth of 12 percent during 2015. The EBIT margin is expected to be 6 percent for 2014 and 9 percent for 2015.

Forecast adjustments

(SEKm)		2014E	2015E
Sales	Old	1265	1380
	New	1172	1310
% change		-7%	-5%
EBIT	Old	115	152
	New	67	114
% change		-42%	-25%
Profit before tax	Old	113	151
	New	64	112
% change		-44%	-25%
Earnings per share	Old	4.3	5.8
	New	2.4	4.3
% change		-44%	-25%

Source: Redeye Research, Doro

For our more detailed estimates see the table below. We expect earnings per share at 2,4 for 2014 and 4,3 for 2015.

Doro - Detailed estimates

SEKm	Q1'12	Q2'12	Q3'12	Q4'12	2012	Q1'13	Q2'13	Q3'13	Q4'13	2013	Q1'14	Q2'14	Q3'14	Q4'14	2014E	2015E
Sales	170.4	156.5	210.8	299.8	837.5	208.9	273.0	279.4	381.2	1142.5	233.0	272.4	279.9	386.6	1171.9	1310.0
EBITDA	17.5	9.2	21.6	34.7	83.1	14.2	25.3	29.5	44.8	113.8	16.0	27.4	21.9	45.6	110.9	144.0
EBIT	12.6	4.6	16.2	28.0	61.4	7.7	17.5	20.3	33.5	79.0	4.7	16.4	10.9	34.6	66.6	113.6
PTP	3.0	6.6	11.8	28.2	49.6	7.9	17.2	20.1	33.2	78.4	3.1	15.9	10.5	34.2	63.7	112.5
EPS, SEK	0.13	0.31	1.33	0.96	2.73	0.38	0.63	0.77	1.26	3.08	0.09	0.61	0.40	1.32	2.42	4.33
Sales growth	26%	-5%	16%	14%	12%	23%	74%	33%	27%	36%	12%	0%	0%	1%	3%	12%
EBIT margin	7.4%	2.9%	7.7%	9.3%	7.3%	3.7%	6.4%	7.3%	8.8%	6.9%	2.0%	6.0%	3.9%	9.0%	5.7%	8.7%
Earnings growth (y/y)	-45%	-20%	-55%	-14%	-34%	163%	161%	70%	18%	58%	-61%	-7%	-48%	3%	-19%	77%

Source: Doro, Redeye Research

Valuation

For the valuation of the Doro share we are using a discounted cash flow valuation (DCF) including a base case together with a bull and a bear case as complements. Multiples are also analyzed.

DCF valuation

A WACC of 12 percent has been applied…

We have applied a discount rate (WACC) of 12 percent. For the period 2015-2021, we have assumed annual growth and an operating margin of 7 percent each. We have applied an average tax rate of 23 percent for the period 2015-2022, taking into account the deferred tax assets.

…giving a DCF value of SEK 46 per share.

Consequently our DCF valuation indicates a fair value of **SEK 46 per share**. Our view of Doro's long-term growth opportunities combined with margin improvement is still strong.

DCF valuation	Per share	Total
Net cash	3.8	79
DCF 2014-2018	7.7	160
DCF 2019-2022	8.5	177
DCF 2023	26.3	547
Noplat at 2023		138
Noplat at 2023		0
DCF-värde	**46.2**	**1496**

Source: Redeye Research, Doro

Bull case

The market does not expect Doro to show sustained growth of 15 percent annually and profitability of 10 percent. In an optimistic scenario, the share is worth about SEK 65.

Historically Doro grew sales by more than 20 percent annually between 2009 and 2013. The EBIT margin during the period was steady around 7 percent. Our DCF valuation provides an indication that the market currently does not count on Doro being able to show sustained sales growth of 15 percent annually. Consensus neither expect a sustained operating margin of 10 percent, which is the objective of Doro. If we assume that Doro succeeds in showing annual average growth of 15 percent for the period 2015-2025 at an average operating margin of 10 percent, all else being equal, our DCF valuation indicates that the share is worth around SEK 65 per share.

The aforementioned assumptions are not unreasonable but impose very high requirements that the Company will deliver high growth over many years into the future, linked to strong profitability. We consider this a challenging scenario, but not impossible. Doro is a structural growth case, facing many years of good growth, given that the world population of people who are 65 years of age or older is growing and demands for mobile phones adapted to the needs of the target group are likely to increase. Doro has been very successful in expanding to new geographical markets and rapidly established a leader position within these markets.

Bear case

In a bear case the smartphone-related decline in the Nordics can spread to the other geographical segments, giving the same fast decline as we experienced in the last three quarters in several markets. At the same time competition can intensify as Samsung or some other big Asian player decides to decisively enter the growing senior market, by designing phones customized for the elderly. This potential entrant or entrants could then use scale of economics to initiate a price war. In this worst case scenario with EBIT margins sinking to 4 percent, and lower growth, the DCF value of Doro could be estimated to around SEK 25.

Valuation by multiples

Based on our forecasts, Doro is trading at a P/E of 16 and an EV/EBITDA of 6 for 2014. For 2015 we expect the multiples to be P/E 9 and EV/EBITDA 5. Today's market expectations about the earnings for 2015 seems to be that Doro stops growing entirely. This is a careful valuation, considering the fact that we are talking about a market leader on a fast growing market with a market penetration amounting to only 1-3 percent, on all markets except the Nordics. In addition Doro has historically proved that the Firm has the ability to rapidly expand their business model successfully worldwide.

Valuation conclusion

In summary, our conclusion is that the share of Doro is undervalued according to our DCF calculations as well as looking at multiple analysis. Judging from the bull and bear case, in relation to the current share price, the upside seems to be almost two times the potential downside. However, more risk averse investors should perhaps await the report for the second quarter, which we believe can be challenging for Doro.

Investment case

Doro develops and sells technology that facilitates the lives of the senior population. Until recently this was mostly a question of traditional feature phones. In the beginning of 2014 the number of smartphones sold passed the sales of conventional feature phones. According to Doro's research, half of the senior population are requesting a smartphone as their next phone, whilst only a fifth of them have one today. This transition is a critical factor for Doro, and thus the Company invests heavily in development of easy-to-use smartphones. The Company's first smartphone, from 2012, was somewhat a failure. According to Doro this phone was designed as something in the middle of a smartphone and a feature phone, and did not reach popularity in the target group. In the end of 2013 Doro launched its second smartphone, Doro Liberto 810, and another one is planned to be announced in the end of 2014.

The second key factor to success is to manage the competition, and especially potential new entrants from the mobile phone manufacturing companies. For example Samsung and Huawei have until now channelled their efforts towards the mainstream market. The old idea of fear of new entrants is due to the attraction of a growing market with a low penetration ratio. There are however yet no signs of arising competition in the senior market and Doro is still the superior number one in most of its markets. Between 2008 and 2013 the sales of Doro grew more than 20 percent annually.

We expect a growth and EBIT margin of 7 percent each, for year 2015 to 2021. The current market valuation of Doro, on the other hand, indicates that consensus does not believe that Doro will cope with the smartphone transition or the competition. However, Doro has built a strong brand that the seniors feel confident with. This brand is also used to provide services in the fast growing telecare industry, the third critical factor for Doro. In addition, Doro has its best competitive advantage in the Company's large, expanding, distribution network. This network consists of major retailers and department store chains all over the world, for example Vodafone, TeliaSonera and Rogers. All in all, we believe that Doro has a good potential to succeed in its mission and that the current share price thus is undervalued.

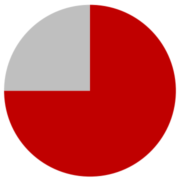
Summary Redeye Rating

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

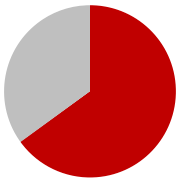
We have made no changes.

Management 7.5p



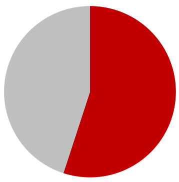
Management has focused on the right segment, which to a large extent has been responsible for transforming the company. Focused efforts in the Care segment and increased distribution demonstrate industrial competence. In order for us to increase this parameter Doro would have to show increased margins over time.

Ownership 6.5p



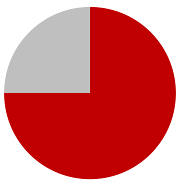
Doro has a few institutions as major shareholders which gives certain credibility. Also, the board members and members of the management have holdings in the company providing a valuable incentive. For us to increase this rating parameter we would like to see a major shareholder taking a larger share position.

Growth prospect 5.5p



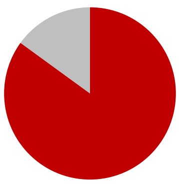
The company is growing market share in the growth area - Care. The distribution network has been extended considerably. The market in general is not growing in value, although the senior segment is. Focused efforts in Care look like providing good growth over the upcoming years. For us to increase this parameter we would like the new business to show increased growth.

Profitability 7.5p



An increased proportion of Care sales will improve profitability and economies of scale through increased sales. The company's currency sensitivity is an element of concern, which can have either a positive or negative effect on an individual quarter. For us to increase this we would like to see an increase in ROA/ROE as well as net margin.

Financial strength 8.5p



The company's financial situation has progressed from ok to strong. Trading in the share has improved considerably although liquidity remains weak and the company is listed on the Swedish Small Cap list.

Income statement	2012	2013	2014E	2015E	2016E
Net sales	838	1,143	1,172	1,310	1,450
Total operating costs	-754	-1,029	-1,061	-1,170	-1,277
EBITDA	**83**	**114**	**111**	**140**	**173**
Depreciation	-6	-3	-23	-5	-6
Amortization	-16	-32	-22	-21	-27
Impairment charges	0	0	0	0	0
EBIT	**61**	**79**	**67**	**114**	**140**
Share in profits	0	0	0	0	0
Net financial items	-12	-1	-3	0	0
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	**50**	**78**	**64**	**114**	**140**
Tax	3	-18	-13	-23	-32
Net earnings	**53**	**61**	**50**	**91**	**108**

Balance	2012	2013	2014E	2015E	2016E
Assets					
Current assets					
Cash in banks	141	124	127	142	158
Receivables	162	245	212	236	262
Inventories	91	130	141	158	174
Other current assets	29	22	29	33	36
Current assets	**423**	**521**	**510**	**569**	**630**
Fixed assets					
Tangible assets	13	7	20	25	30
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	26	142	142	142	142
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	33	57	89	113	132
O non-current assets	1	1	1	1	1
Total fixed assets	**72**	**207**	**251**	**281**	**305**
Deferred tax assets	21	21	17	14	10
Total (assets)	**516**	**749**	**778**	**864**	**945**
Liabilities					
Current liabilities					
Short-term debt	0	0	0	0	0
Accounts payable	123	165	176	197	218
O current liabilities	84	116	94	105	116
Current liabilities	**206**	**282**	**270**	**302**	**334**
Long-term debt	2	45	23	26	37
O long-term liabilities	3	24	24	24	24
Convertibles	0	0	0	0	0
Total Liabilities	**211**	**351**	**317**	**353**	**396**
Deferred tax liab	0	0	0	0	0
Provisions	97	111	111	111	111
Shareholders' equity	209	287	349	401	438
Minority interest (BS)	0	0	0	0	0
Minority & equity	**209**	**287**	**349**	**401**	**438**
Total liab & SE	**516**	**749**	**778**	**864**	**945**

Free cash flow	2012	2013	2014E	2015E	2016E
Net sales	838	1,143	1,172	1,310	1,450
Total operating costs	-754	-1,029	-1,061	-1,170	-1,277
Depreciations total	**-22**	**-35**	**-44**	**-27**	**-33**
EBIT	61	79	67	114	140
Taxes on EBIT	4	-18	-14	-23	-32
NOPLAT	**65**	**61**	**53**	**91**	**108**
Depreciation	22	35	44	27	33
Gross cash flow	**87**	**96**	**97**	**117**	**141**
Change in WC	-42	-40	4	-13	-13
Gross CAPEX	-25	-170	-88	-56	-57
Free cash flow	27	-34	17	51	75

Capital structure	2012	2013	2014E	2015E	2016E
Equity ratio	40%	38%	45%	46%	46%
Debt/equity ratio	1%	16%	7%	7%	9%
Net debt	-140	-79	-105	-116	-120
Capital employed	70	208	245	285	318
Capital Turnover rate	1.6	1.5	1.5	1.5	1.5

Growth	2012	2013	2014E	2015E	2016E
Sales growth	12%	36%	3%	12%	11%
EPS growth (adj)	-14%	13%	-21%	81%	19%

DCF valuation		Cash flow, MSEK	
Risk premium (%)	5.6 %	NPV FCF (2013-2015)	113
Beta	1.5	NPV FCF (2016-2022)	265
Risk-free rate (%)	2.0 %	NPV FCF (2023-)	505
Interest premium	5.0 %	Non-operating assets	124
WACC (%)	12.0 %	Interest-bearing debt	-45
		Fair value estimate MSEK	962
Assumptions 2015-2021 (%)			
Average sales growth	7.2 %	**Fair value e. per share, SEK**	**46.2**
EBIT margin	7.2 %	Share price, SEK	38.9

Profitability	2012	2013	2014E	2015E	2016E
ROE	27%	25%	16%	24%	26%
ROCE	32%	29%	19%	29%	31%
ROIC	209%	88%	25%	37%	38%
EBITDA margin	10%	10%	9%	11%	12%
EBIT margin	7%	7%	6%	9%	10%
Net margin	6%	5%	4%	7%	7%

Data per share	2012	2013	2014E	2015E	2016E
EPS	2.73	3.08	2.42	4.38	5.19
EPS adj	2.73	3.08	2.42	4.38	5.19
Dividend	0.00	1.50	1.80	2.20	2.60
Net debt	-7.21	-3.99	-5.03	-5.58	-5.78
Total shares	19.35	19.74	20.81	20.81	20.81

Valuation	2012	2013	2014E	2015E	2016E
EV	344.2	908.3	704.7	693.2	689.1
P/E	9.2	16.2	16.0	8.9	7.5
P/E diluted	9.2	16.2	16.0	8.9	7.5
P/Sales	0.6	0.9	0.7	0.6	0.6
EV/Sales	0.4	0.8	0.6	0.5	0.5
EV/EBITDA	4.1	8.0	6.4	4.9	4.0
EV/EBIT	5.6	11.5	10.6	6.1	4.9
P/BV	2.3	3.4	2.3	2.0	1.8

Share performance		Growth/year	12/14e
1 month	-3.5 %	Net sales	18.29 %
3 month	-22.6 %	Operating profit adj	4.2 %
12 month	34.1 %	EPS, just	-5.7 %
Since start of the year	-11.6 %	Equity	29.3 %

Shareholder structure %	Capital	Votes
Försäkringsbolaget Avanza Pension	8.9 %	8.9 %
Clearstream Banking	7.4 %	7.4 %
Nordea fonder	6.0 %	6.0 %
Originat AB	3.6 %	3.6 %
Catella fonder	2.3 %	2.3 %
Clients Account	2.2 %	2.2 %
FCP Objectif Inv. Microcap	2.1 %	2.1 %
Hajskäret Invest	2.0 %	2.0 %
Kastensson Holding	1.9 %	1.9 %
Nordnet Pensionsförsäkring	1.8 %	1.8 %

Share information	
Reuters code	DORO.ST
List	Small Cap
Share price	38.9
Total shares, million	20.8
Market Cap, MSEK	809.4

Management & board	
CEO	Jérôme Arnaud
CFO	Christian Lindholm
IR	Jérôme Arnaud
Chairman	Bo Kastensson

Financial information	
Q2 report	August 21, 2014
Q3 report	November 07, 2014
FY 2014 Results	February 12, 2015

Analysts	Redeye AB
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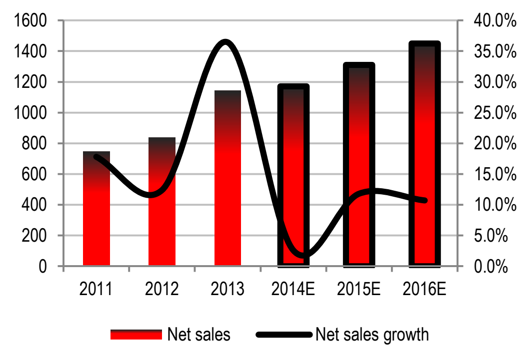
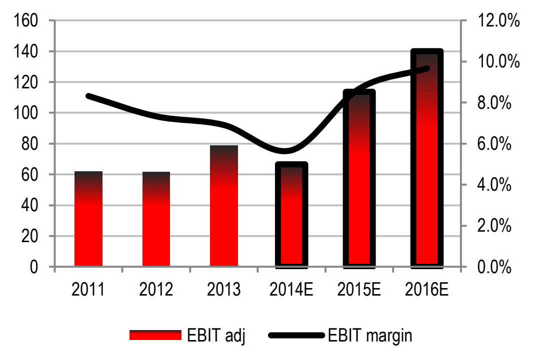
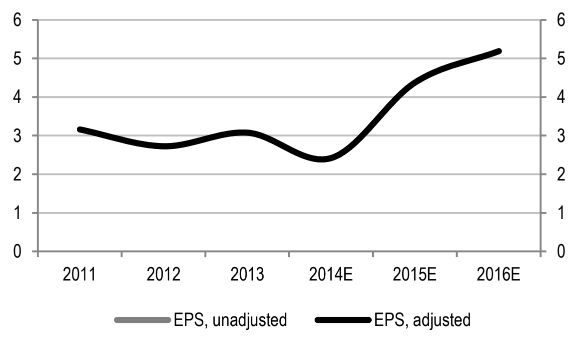
Revenue & Growth (%)



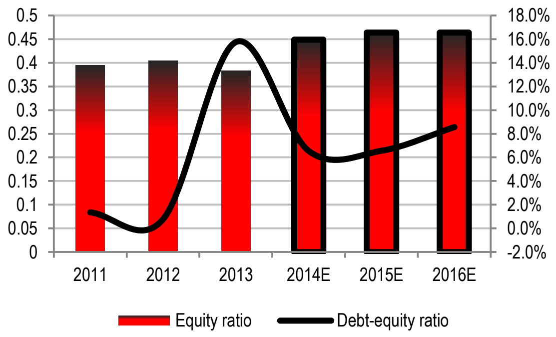
EBIT (adjusted) & Margin (%)



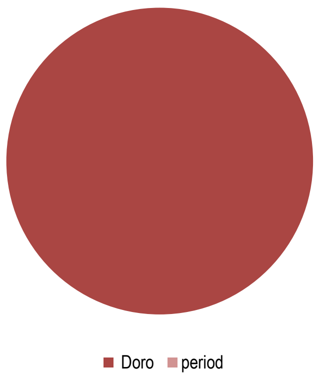
Earnings per share



Equity & debt-equity ratio (%)



Sales division



Geographical areas

Conflict of interests

Viktor Westman owns shares in Doro : No

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Company description

Doro markets telecom and consumer electronics products in Europe. Product range consists mainly of wire spirit and wireless landlines and mobile phones for the elderly. Care segment is the area that the company is focusing increasingly on.

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Redeye Rating (2013-12-12)

Rating	Management	Ownership	Growth Prospect	Profitability	Financial Strength
7,5p - 10,0p	18	14	8	9	16
3,5p - 7,0p	39	46	27	41	41
0,0p - 3,0p	9	6	31	16	9
Company N	66	66	66	66	66

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