

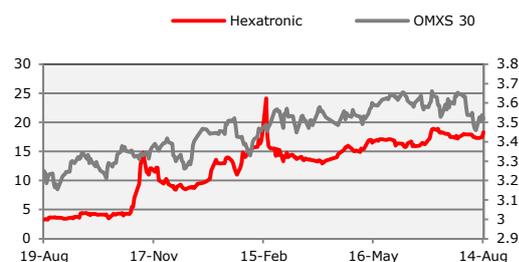
Summary

Hexatronic

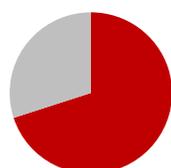
A high-tech acquisition

- Hexatronic has acquired Proximon AB, a high-tech producer of fiber optical dispersion compensation modules.
- The price tag for Proximon amounts to about 55 MSEK, which is a reasonable price based on current earnings. Proximon overall have higher product margins than Hexatronics other subsidiaries because of the high technology level.
- We have revised our estimated future margin and sales levels with reason of the acquisition, this yields a higher estimated fair value of 24.5 (21.2). We continued to argue that Hexatronic is a growth company at an attractive valuation.

List: 475 MSEK
 Market Cap: 475 MSEK
 Industry: Telecommunication Equipment
 CEO: Gert Nordin
 Chairman: Göran Nordlund

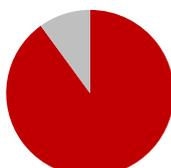

Redeye Rating (0 – 10 points)

Management



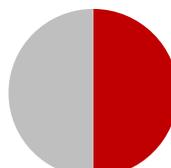
7.0 points

Ownership



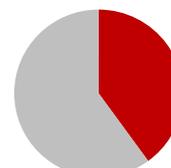
9.0 points

Growth prospect



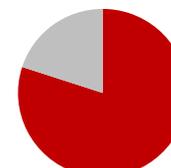
5.0 points

Profitability



4.0 points

Financial strength



8.0 points

Key Financials

| | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|------------------|-------|-------|--------|--------|--------|
| Revenue, MSEK | 39 | 71 | 462 | 641 | 718 |
| Growth | 0% | 81% | 551% | 39% | 12% |
| EBITDA | 1 | 4 | 53 | 77 | 85 |
| EBITDA margin | 1% | 6% | 12% | 12% | 12% |
| EBIT | 0 | 3 | 48 | 67 | 75 |
| EBIT margin | 0% | 4% | 10% | 11% | 11% |
| Pre-tax earnings | 0 | 2 | 47 | 67 | 75 |
| Net earnings | 0 | 2 | 36 | 52 | 59 |
| Net margin | 0% | 3% | 8% | 8% | 8% |
| Dividend/share | 0.00 | 0.00 | 0.00 | 0.00 | 0.89 |
| EPS adj. | -0.01 | 0.18 | 1.38 | 1.97 | 2.23 |
| P/E adj. | 0.00 | 77.62 | 13.06 | 9.16 | 8.09 |
| EV/S | 0.01 | 2.96 | 1.03 | 0.71 | 0.58 |
| EV/EBITDA | 0.60 | 48.91 | 8.90 | 5.88 | 4.92 |

Share information

| | |
|-----------------------|------|
| Share price (SEK) | 18.0 |
| Number of shares (m) | 26.4 |
| Market Cap (MSEK) | 475 |
| Net cash (MSEK) | 2 |
| Free float (%) | 30% |
| Daily turnover ('000) | 30 |

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

Redeye Rating: Background and definitions

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

Company Qualities

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

We categorize a company's qualities on a ten-point scale based on five valuation keys; 1 – Management, 2 – Ownership, 3 – 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 – Cyclicity, and 8 – Forthcoming binary events.

A new addition to the Hexatronic family

Hexatronic has acquired the company Proximion AB, a developer of high-technology fiber optics components.

The price tag for the company is clearly reasonable in terms of transaction multiples and the high technology level of the company. Proximion has previously demonstrated good profitability. We believe that Proximion is a good industrial fit into Hexatronics existing portfolio of subsidiaries. The product mix improves slightly, increasing our estimated future margin levels and contributing to shareholder value.

The acquisition contributes to shareholder value

Proximion - A high-tech company

The main product of Proximion is called a Dispersion Compensation Module, which is placed at the finishing- or receiver node or at the network optical amplifier nodes. A simplified explanation of what Proximions modules do is that they are used to ensure that the optical light in the fiber cables "arrive" at the same time so that there are no delays. This is primarily used for submarine cables or longer onshore cables. You can say that Proximion develops products that are used to improve fiber networks in different ways. They aim to improve the power budget, reduced lag, and increase the transmission performance.

High-tech company with a long history

Proximion was originally spun off from the Institute of Optical Research in 1998. After a bankruptcy in 2003 and a corporate restructuring in 2008 the tides turned. Sales doubled each year to peak around 116 MSEK in 2010. Basically Proximion made large investments to be able to meet the high demand but when the investments were finished the demand dropped and in 2012 the company filed for bankruptcy again. In 2013 the company reemerges with a new CEO, Martin Åberg, and new investors such as Erik Sellin, CEO of Balder. The company had at its peak around 60 employees and now after the reconstruction around 30. The company is now more suited for the turn over levels is profitable, cash flow positive and with a low need of working capital.

The deal

Hexatronic pays a purchase price of 55 MSEK and finances the purchase with new shares and cash. There is also an additional earn out of 8 MSEK, if Proximion delivers on certain financial targets. Proximion has around about 18 MSEK in cash, thus the enterprise value for Proximion is about 37 MSEK. The company has a guidance of 30-35 MSEK in revenue and EBITDA margin of 20% for 2014. The transaction multiples that Hexatronic pays is EV/S multiple of 1.05X and an EV/EBITDA multiple of 5.3x.

55 MSEK purchase price, reasonable priced

Hexatronic will hold an extraordinary general meeting regarding proposed decisions on a rights issue for the purchase of Proximion at the 29:th of

70% of the shareholders are already backing the proposal

august. The Board proposes a rights issue of a minimum of 1 889 126 and a maximum of 2 073 684 shares, the new shares are issued at the price of 19 SEK. 70% of the shareholders are backing the proposal. In our valuation we have added a dilution of 2 073 684 shares. The transaction will be completed by the 1 of September; as such Proximion will not affect the full year result 13/14 for Hexatronic.

We do find this acquisition as strategically important for Hexatronic, as Proximions offering adds a new part in the value chain that Hexatronic previously did not reach. Overall the products of Proximion have a high technological level compared to a lot of Hexatronics other products, thus we find that the acquisition will be beneficial to Hexatronics product mix.

Proximion forecast and estimates

Proximion expected turnover for 2014 around 30-35 MSEK with a good profitability

In the press release following the acquisition Proximion states that they expect a turnover of 30-35 million SEK and EBITDA margin of 20% for the year 2014. For the financial year 2014/15, that ends the 31:th of august 2015 we expect that the revenue of Proximion to be in the region of 38 MSEK and our estimate is an EBITDA of around 11 MSEK. We find it likely that the gross profit is relative stable and that the company won't hire a lot of new employees as such we estimate the SG&A cost to be about the same levels as in 2013.

PROXIMION

| Income statement (MSEK) | | |
|-------------------------|-----------|-----------|
| Year | 2013 | 2014/15E |
| Revenues | 43 | 38 |
| Revenues growth y/y | - | -13% |
| Gross profit | 36 | 31 |
| Gross profit margin | 83% | 81% |
| SG&A | 20 | 20 |
| % of sales | 46% | 53% |
| EBITDA | 16 | 11 |
| EBITDA margin | 37% | 28% |
| EBIT | 16 | 10 |
| EBIT margin | 36% | 27% |
| EBT | 15 | 10 |
| Tax rate | 22% | 22% |
| Net Profit | 11 | 7 |
| Net Profit margin | 26% | 20% |

Source: Hexatronic, Proximion & Redeye Research

Our revised expected revenue for Hexatronic is in the region of 641 MSEK for the year 2014/15. The Proximion acquisition is estimated increase the gross profit margin from 46% to 48% and the EBITDA margin from 11% to 12%. We find it likely that the acquisition will lead to a higher D&A due to the intangibles acquired. This does not affect the cash flows of Hexatronic but it does affect the net profit. We estimate that the acquisition will contribute with about 5 MSEK in net profit for year 2014/15.

We revise our revenue estimate from 603 MSEK to 641 MSEK for 2014/15

HEXATRONIC

| Income statement (MSEK) | | |
|-------------------------|--------------|--------------|
| Year | 2014/15E Old | 2014/15E New |
| Revenues | 603 | 641 |
| Revenues growth y/y | 31% | 39% |
| Gross profit | 277 | 308 |
| Gross profit margin | 46% | 48% |
| SG&A | 211 | 231 |
| % of sales | 35% | 36% |
| EBITDA | 66 | 77 |
| EBITDA margin | 11.0% | 12.0% |
| EBIT | 60 | 67 |
| EBIT margin | 10% | 11% |
| EBT | 60 | 67 |
| Tax rate | 22% | 22% |
| Net Profit | 47 | 52 |
| Net Profit margin | 7.8% | 8.2% |

Source: Redeye Research

Long term forecast revisions

We have not adjusted our growth rates for Hexatronic, mainly the product mix and thus leading to a higher overall EBITDA margin. We could argue that a high growth for Proximion would lead to an increasing EBITDA margins over time. But we find that the limiting historical information makes the growth rates hard to predict. We assume that Proximion will grow at the same rate as the entire Hexatronic group. Our growth rates are unchanged but the EBITDA margin is increased by 1 percentage point.

Unchanged growth rates but higher margin levels

Hexatronic, income statement

| MSEK | 2011/12 | 12/11 | 13/14E | 14/15E | 15/16E | 16/17E | 17/18E | 18/19E | 19/20E | 20/21E | 21/22E | 22/23E |
|---------------------------------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenues | 39 | 71 | 462 | 641 | 718 | 804 | 900 | 981 | 1070 | 1166 | 1271 | 1385 |
| COGS | -29 | -47 | -257 | -333 | -373 | -418 | -468 | -510 | -556 | -606 | -661 | -720 |
| Gross Profit | 11 | 24 | 205 | 308 | 344 | 386 | 432 | 471 | 513 | 560 | 610 | 665 |
| SG&A | -10 | -20 | -152 | -231 | -258 | -281 | -315 | -343 | -374 | -408 | -445 | -485 |
| EBITDA | 1 | 4 | 53 | 77 | 85 | 108 | 114 | 120 | 133 | 146 | 160 | 168 |
| D&A | 0 | -1 | -5 | -10 | -9 | -23 | -19 | -12 | -15 | -18 | -20 | -25 |
| EBIT | 1 | 6 | 48 | 67 | 75 | 84 | 95 | 108 | 118 | 128 | 140 | 142 |
| Finans Net | 0 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | 0 |
| Profit before tax | 1 | 5 | 47 | 67 | 75 | 84 | 94 | 107 | 117 | 128 | 139 | 142 |
| Tax | 0 | 0 | -11 | -15 | -16 | -18 | -21 | -24 | -26 | -28 | -31 | -31 |
| Net profit | 1 | 5 | 36 | 52 | 58 | 65 | 73 | 84 | 91 | 99 | 108 | 111 |
| Growth rates and margins | | | | | | | | | | | | |
| Revenue growth | n.m. | 81% | 551% | 39% | 12% | 12% | 12% | 9% | 9% | 9% | 9% | 9% |
| Gross profit margin | 27% | 34% | 44% | 48% | 48% | 48% | 48% | 48% | 48% | 48% | 48% | 48% |
| EBITDA-Margin | 2% | 6% | 12% | 12% | 12% | 13% | 13% | 12% | 12% | 13% | 13% | 12% |
| EBIT-Margin | 3% | 8% | 10% | 11% | 11% | 11% | 11% | 11% | 11% | 11% | 11% | 10% |

Source: Redeye Research

Valuation

The increased estimated EBITDA margin and higher topline yields a higher estimated fair value of 24.5 (21.2) SEK per share. We have accounted for the dilution and the cash consideration for the purchase of Proximion. We find this acquisition as positive and beneficial for Hexatronics shareholders as it strengthens their market position and increases the shareholder value of the company. According to our fair value the company would trade at an EV/EBITDA 14/15E of 9.5X, which we find reasonable. The EV/EBITDA 13/14E is somewhat higher at 13.9X, but this is due to the large increase in EBITDA for the year 15/16 as the HC&I acquisition will be included for the full year and not just during three quarters as for the year 13/14. We still find Hexatronic as a growth company at a reasonable price. We find it likely that the reason for Hexatronics undervaluation is that the “new” Hexatronic still a young company. The market wants to see that the company can deliver good results. Assuming Hexatronic continues to perform as they have done, we find it likely that market will notice this and value the company close to our fair value estimate.

Our fair value estimate is increased to 24.5 SEK per share

| Base-case | | |
|---------------------------------|------------|-----------------------------------|
| Assumptions: | 2013/15-23 | DCF-Value |
| CAGR Sales | 13.0% | EV 732.0 |
| EBITDA-margin | 12.3% | Net debt 21.4 |
| Terminal Growth of FCF | 5.5% | DCF-value 710.6 |
| Present value of FCF | 256 | Dilution effect 10% |
| Present value of Terminal Value | 476 | Value per share 24.5 |
| | | <u>Discount rate</u> |
| | | WACC 10.5% |
| | | <u>Implied multiple valuation</u> |
| | | EV/EBITDA 13/14E 13.9 |
| | | EV/EBITDA 14/15E 9.5 |

Source: Redeye Research

Market implied growth and margins

According to our sensitivity analysis today's share price, around 18 SEK per share implies roughly a 2-3% drop in EBITDA margin levels and a 1-3% drop in the year on year growth rates compared to our estimates. This means that the market implied future EBITDA margin is in the region of 10-11% and the average year on year growth of 9-12%, according to our valuation model. In our view the market is underestimating the profitability of Hexatronic. The new addition of Proximion should at least contribute with a 1% higher EBITDA margin going onwards and the implied growth rates are too low, the company has a goal of 20% year on year growth. All these estimates are for the coming 10 years period.

Market implied EBITDA margin around 10% and Y/Y growth of 9%

| Sensitivity analysis - Profitability & Growth, SEK per share | | | | | | | | | |
|--|-----|-----|-----|-----|-------------|----|----|----|----|
| Change in EBITDA margin levels | | | | | | | | | |
| | -4% | -3% | -2% | -1% | 0% | 1% | 2% | 3% | 4% |
| -4% | 14 | 15 | 17 | 18 | 20 | 21 | 23 | 24 | 26 |
| -3% | 15 | 16 | 18 | 19 | 21 | 23 | 24 | 26 | 27 |
| -2% | 15 | 17 | 19 | 20 | 22 | 24 | 25 | 27 | 29 |
| -1% | 16 | 18 | 19 | 21 | 23 | 25 | 27 | 29 | 31 |
| 0% | 16 | 18 | 20 | 22 | 24.5 | 26 | 28 | 30 | 32 |
| 1% | 17 | 19 | 21 | 24 | 26 | 28 | 30 | 32 | 34 |
| 2% | 18 | 20 | 23 | 25 | 27 | 30 | 32 | 34 | 37 |
| 3% | 19 | 21 | 24 | 26 | 29 | 31 | 34 | 36 | 39 |
| 4% | 20 | 22 | 25 | 28 | 30 | 33 | 36 | 38 | 41 |

Source: Redeye Research

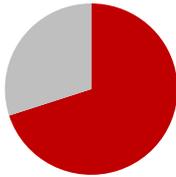
Summary Redeye Rating

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 in this report.

Management 7.0p



Hexatronic has a strong management team of entrepreneurial people with plenty of skin in the game. CEO and chairman have significant experience from the telecom industry and have held their positions for several years. Staff at other key positions, that joined the group through last year's acquisitions, are also intact. In terms of delivering on guidance or targets, the track record is not entirely convincing and leaves room for further potential

Ownership 9.0p



Top scores in almost all subcategories for our Ownership rating. The entire board and top management have large stakes in the company. Over 50 percent of the shares are held by active owners, including Chairman of the board and CEO. The only thing missing in order to get a full score is a large institutional owner.

Growth prospect 5.0p



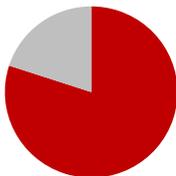
The rating for Growth Outlook is only average, in spite of good overall market prospects. The reason is mainly the competitive situation. Product differentiation appears to be difficult, thus price will always be an issue. Hexatronic is a small player compared to some of the dominant multinational companies. Surely that means growth opportunities but also challenges.

Profitability 4.0p



Our rating for profitability is not forward looking and historically, last 3-5 years, profitability has been mediocre. Return on equity has averaged below 10 percent and EBITDA-margin between a high of 5 per cent and negative numbers. However, this will most likely improve. Hexatronics own target is an EBITDA-margin of at least 10 per cent.

Financial strength 8.0p



The net cash position is positive and the business is cash generating and profitable. Consequently Hexatronic scores high in most subcategories for Financial Strength. It is merely the size of the company that does not fulfill the requirement for a top grade. Reaching their 500 MSEK turnover goal set for year 2017, will improve our rating. But full score requires a 10 bn SEK turnover.

| Income statement | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|-----------------------|----------|----------|-----------|-----------|-----------|
| Net sales | 39 | 71 | 462 | 641 | 718 |
| Total operating costs | -39 | -67 | -409 | -564 | -633 |
| EBITDA | 1 | 4 | 53 | 77 | 85 |
| Depreciation | 0 | -1 | -5 | -10 | -9 |
| Amortization | 0 | 0 | 0 | 0 | 0 |
| Impairment charges | 0 | 0 | 0 | 0 | 0 |
| EBIT | 0 | 3 | 48 | 67 | 75 |
| Share in profits | 0 | 0 | 0 | 0 | 0 |
| Net financial items | 0 | -1 | -1 | -1 | 0 |
| Exchange rate dif. | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 0 | 2 | 47 | 67 | 75 |
| Tax | 0 | 0 | -11 | -15 | -17 |
| Net earnings | 0 | 2 | 36 | 52 | 59 |

| Balance | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|---------------------------|-----------|------------|------------|------------|------------|
| Assets | | | | | |
| <i>Current assets</i> | | | | | |
| Cash in banks | 0 | 35 | 9 | 24 | 58 |
| Receivables | 6 | 125 | 115 | 160 | 179 |
| Inventories | 7 | 113 | 125 | 162 | 187 |
| Other current assets | 1 | 7 | 7 | 7 | 7 |
| Current assets | 14 | 280 | 257 | 353 | 432 |
| <i>Fixed assets</i> | | | | | |
| Tangible assets | 0 | 9 | 29 | 26 | 29 |
| 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 | 21 | 21 | 21 |
| O intangible rights | 1 | 0 | 0 | 0 | 0 |
| O non-current assets | 0 | 0 | 0 | 0 | 0 |
| Total fixed assets | 1 | 9 | 50 | 47 | 50 |
| Deferred tax assets | 0 | 0 | 0 | 0 | 0 |
| Total (assets) | 15 | 289 | 307 | 400 | 482 |

| Liabilities | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|------------------------------|-----------|------------|------------|------------|------------|
| <i>Current liabilities</i> | | | | | |
| Short-term debt | 0 | 0 | 0 | 0 | 0 |
| Accounts payable | 1 | 74 | 127 | 169 | 189 |
| O current liabilities | 2 | 41 | 18 | 26 | 29 |
| Current liabilities | 3 | 115 | 146 | 194 | 218 |
| Long-term debt | 1 | 56 | 8 | 0 | 0 |
| O long-term liabilities | 0 | 16 | 16 | 16 | 16 |
| Convertibles | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 4 | 188 | 170 | 211 | 234 |
| Deferred tax liab | 0 | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 11 | 101 | 137 | 189 | 248 |
| Minority interest (BS) | 0 | 0 | 0 | 0 | 0 |
| Minority & equity | 11 | 101 | 137 | 189 | 248 |
| Total liab & SE | 15 | 289 | 307 | 400 | 482 |

| Free cash flow | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|----------------------------|------------|------------|-----------|------------|-----------|
| Net sales | 39 | 71 | 462 | 641 | 718 |
| Total operating costs | -39 | -67 | -409 | -564 | -633 |
| Depreciations total | 0 | -1 | -5 | -10 | -9 |
| EBIT | 0 | 3 | 48 | 67 | 75 |
| Taxes on EBIT | 0 | 0 | -11 | -15 | -17 |
| NOPLAT | 0 | 3 | 37 | 52 | 59 |
| Depreciation | 0 | 1 | 5 | 10 | 9 |
| Gross cash flow | 1 | 4 | 42 | 62 | 68 |
| Change in WC | -11 | -8 | 28 | -33 | -21 |
| Gross CAPEX | -1 | -9 | -47 | -6 | -13 |
| Free cash flow | -12 | -13 | 24 | 23 | 35 |

| Capital structure | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|-----------------------|-------|-------|--------|--------|--------|
| Equity ratio | 74% | 35% | 45% | 47% | 51% |
| Debt/equity ratio | 7% | 56% | 5% | 0% | 0% |
| Net debt | 0 | 21 | -2 | -24 | -58 |
| Capital employed | 12 | 122 | 136 | 165 | 190 |
| Capital turnover rate | 2.6 | 0.2 | 1.5 | 1.6 | 1.5 |

| Growth | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|------------------|-------|---------|--------|--------|--------|
| Sales growth | 0% | 81% | 551% | 39% | 12% |
| EPS growth (adj) | 0% | -2,290% | 664% | 43% | 13% |

| DCF valuation | | Cash flow, MSEK | |
|--------------------|--------|--------------------------|-----|
| Risk premium (%) | 7.0 % | NPV FCF (2013-2015) | 70 |
| Beta | 1.0 | NPV FCF (2016-2022) | 212 |
| Risk-free rate (%) | 3.5 % | NPV FCF (2023-) | 386 |
| Interest premium | 6.0 % | Non-operating assets | 35 |
| WACC (%) | 10.5 % | Interest-bearing debt | -56 |
| | | Fair value estimate MSEK | 646 |

Fair value e. per share, SEK **24.5**
Share price, SEK 18.0

| Profitability | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|---------------|-------|-------|--------|--------|--------|
| ROE | 0% | 4% | 31% | 32% | 27% |
| ROCE | 2% | 3% | 32% | 40% | 34% |
| ROIC | 0% | 26% | 30% | 39% | 36% |
| EBITDA margin | 1% | 6% | 12% | 12% | 12% |
| EBIT margin | 0% | 4% | 10% | 11% | 11% |
| Net margin | 0% | 3% | 8% | 8% | 8% |

| Data per share | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|----------------|-------|-------|--------|--------|--------|
| EPS | -0.01 | 0.18 | 1.38 | 1.97 | 2.23 |
| EPS adj | -0.01 | 0.18 | 1.38 | 1.97 | 2.23 |
| Dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.89 |
| Net debt | 0.03 | 1.58 | -0.06 | -0.90 | -2.21 |
| Total shares | 11.90 | 13.50 | 26.42 | 26.42 | 26.42 |

| Valuation | 11/12 | 12/13 | 13/14E | 14/15E | 15/16E |
|-------------|-------|-------|--------|--------|--------|
| EV | 0.4 | 210.3 | 473.8 | 451.8 | 417.1 |
| P/E | 0.0 | 77.6 | 13.1 | 9.2 | 8.1 |
| P/E diluted | 0.0 | 77.6 | 13.1 | 9.2 | 8.1 |
| P/Sales | 0.0 | 2.7 | 1.0 | 0.7 | 0.7 |
| EV/Sales | 0.0 | 3.0 | 1.0 | 0.7 | 0.6 |
| EV/EBITDA | 0.6 | 48.9 | 8.9 | 5.9 | 4.9 |
| EV/EBIT | 2.6 | 72.5 | 9.9 | 6.7 | 5.5 |
| P/BV | 0.0 | 1.9 | 3.5 | 2.5 | 1.9 |

| Share performance | | Growth/year | 12/14E |
|-------------------------|---------|----------------------|-----------|
| 1 month | 2.9 % | Net sales | 242.78 % |
| 3 month | 7.8 % | Operating profit adj | 1,776.7 % |
| 12 month | 453.9 % | EPS, just | ◆ |
| Since start of the year | 82.7 % | Equity | 250.8 % |

| Shareholder structure % | Capital | Votes |
|-------------------------|---------|--------|
| Gert Nordin | 0.0 % | 25.4 % |
| Göran Nordlund | 0.0 % | 13.0 % |
| Jonas Nordlund | 0.0 % | 10.7 % |
| Erro Holding AB | 0.0 % | 8.6 % |
| Vision Invest sprl | 0.0 % | 4.1 % |
| Xingu förvaltning | 0.0 % | 2.0 % |
| Champe AB | 0.0 % | 1.5 % |
| Anders Ljung | 0.0 % | 0.9 % |
| Leif Karlsson | 0.0 % | 0.8 % |
| Peter Lo Curzio | 0.0 % | 0.8 % |

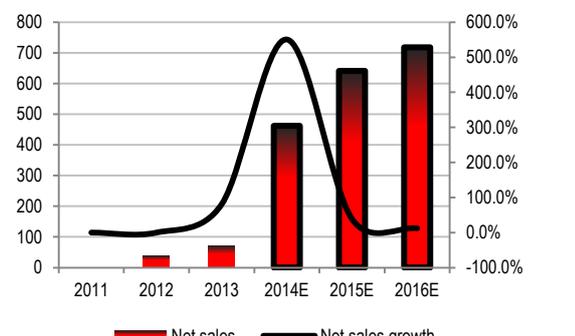
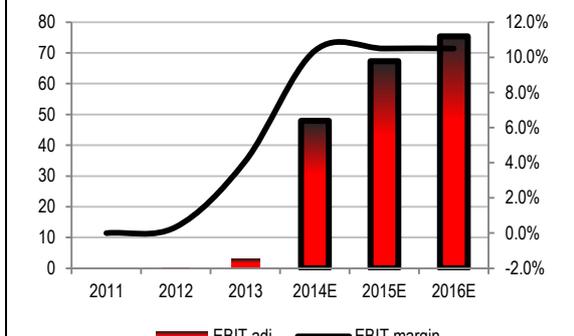
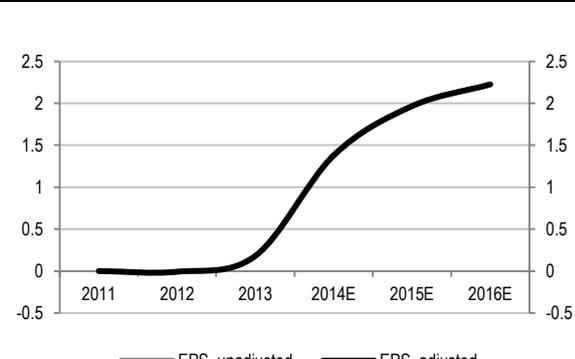
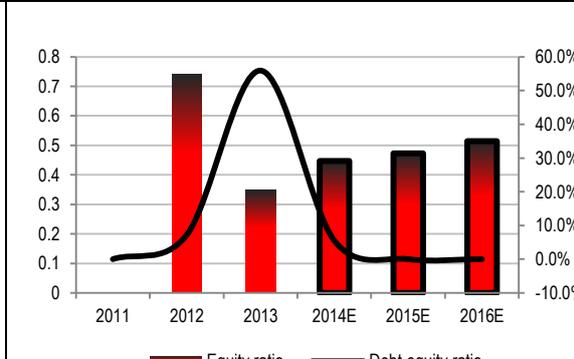
| Share information | |
|-----------------------|-------|
| Reuters code | |
| List | |
| Share price | 18.0 |
| Total shares, million | 26.4 |
| Market Cap, MSEK | 475.5 |

| Management & board | |
|--------------------|----------------|
| CEO | Gert Nordin |
| CFO | |
| IR | |
| Chairman | Göran Nordlund |

| Financial information | |
|-----------------------|------------------|
| FY 2014 Results | October 27, 2014 |

| Analysts | Redeye AB |
|--------------------------------|------------------------------|
| Kristoffer Lindström | Mäster Samuelsgatan 42, 10tr |
| kristoffer.lindstrom@redeye.se | 111 57 Stockholm |

Henrik Alveskog
henrik.alveskog@redeye.se

| Revenue & Growth (%) | EBIT (adjusted) & Margin (%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-------------------|------------------|------|------|-------|------|------|-------|------|------|---------|-------|------|---------|-------|------|---------|-------|------|---------|--|------|--------------|-------------------|------|------|-------|------|-------|--------|------|-------|--------|-------|-------|--------|-------|-------|--------|-------|-------|--------|
|  <p>Net sales (bars) and Net sales growth (line) from 2011 to 2016E. Net sales are shown in red bars, and Net sales growth is shown as a black line. The left y-axis represents Net sales (0 to 800), and the right y-axis represents Net sales growth (-100.0% to 600.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net sales</th> <th>Net sales growth</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>~100</td> <td>~0.0%</td> </tr> <tr> <td>2012</td> <td>~50</td> <td>~0.0%</td> </tr> <tr> <td>2013</td> <td>~80</td> <td>~100.0%</td> </tr> <tr> <td>2014E</td> <td>~480</td> <td>~500.0%</td> </tr> <tr> <td>2015E</td> <td>~650</td> <td>~100.0%</td> </tr> <tr> <td>2016E</td> <td>~720</td> <td>~100.0%</td> </tr> </tbody> </table> | Year | Net sales | Net sales growth | 2011 | ~100 | ~0.0% | 2012 | ~50 | ~0.0% | 2013 | ~80 | ~100.0% | 2014E | ~480 | ~500.0% | 2015E | ~650 | ~100.0% | 2016E | ~720 | ~100.0% |  <p>EBIT adj (bars) and EBIT margin (line) from 2011 to 2016E. EBIT adj is shown in red bars, and EBIT margin is shown as a black line. The left y-axis represents EBIT adj (0 to 80), and the right y-axis represents EBIT margin (-2.0% to 12.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EBIT adj</th> <th>EBIT margin</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>~10</td> <td>~0.0%</td> </tr> <tr> <td>2012</td> <td>~10</td> <td>~0.0%</td> </tr> <tr> <td>2013</td> <td>~5</td> <td>~2.0%</td> </tr> <tr> <td>2014E</td> <td>~48</td> <td>~10.0%</td> </tr> <tr> <td>2015E</td> <td>~68</td> <td>~10.0%</td> </tr> <tr> <td>2016E</td> <td>~75</td> <td>~10.0%</td> </tr> </tbody> </table> | Year | EBIT adj | EBIT margin | 2011 | ~10 | ~0.0% | 2012 | ~10 | ~0.0% | 2013 | ~5 | ~2.0% | 2014E | ~48 | ~10.0% | 2015E | ~68 | ~10.0% | 2016E | ~75 | ~10.0% |
| Year | Net sales | Net sales growth | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011 | ~100 | ~0.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012 | ~50 | ~0.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013 | ~80 | ~100.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014E | ~480 | ~500.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015E | ~650 | ~100.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016E | ~720 | ~100.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | EBIT adj | EBIT margin | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011 | ~10 | ~0.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012 | ~10 | ~0.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013 | ~5 | ~2.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014E | ~48 | ~10.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015E | ~68 | ~10.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016E | ~75 | ~10.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  <p>EPS, unadjusted (line) and EPS, adjusted (line) from 2011 to 2016E. The left y-axis represents EPS, unadjusted (-0.5 to 2.5), and the right y-axis represents EPS, adjusted (-0.5 to 2.5).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EPS, unadjusted</th> <th>EPS, adjusted</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>~0.0</td> <td>~0.0</td> </tr> <tr> <td>2012</td> <td>~0.0</td> <td>~0.0</td> </tr> <tr> <td>2013</td> <td>~0.0</td> <td>~0.0</td> </tr> <tr> <td>2014E</td> <td>~1.5</td> <td>~1.5</td> </tr> <tr> <td>2015E</td> <td>~2.0</td> <td>~2.0</td> </tr> <tr> <td>2016E</td> <td>~2.2</td> <td>~2.2</td> </tr> </tbody> </table> | Year | EPS, unadjusted | EPS, adjusted | 2011 | ~0.0 | ~0.0 | 2012 | ~0.0 | ~0.0 | 2013 | ~0.0 | ~0.0 | 2014E | ~1.5 | ~1.5 | 2015E | ~2.0 | ~2.0 | 2016E | ~2.2 | ~2.2 |  <p>Equity ratio (bars) and Debt-equity ratio (line) from 2011 to 2016E. Equity ratio is shown in red bars, and Debt-equity ratio is shown as a black line. The left y-axis represents Equity ratio (0 to 0.8), and the right y-axis represents Debt-equity ratio (-10.0% to 60.0%).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Equity ratio</th> <th>Debt-equity ratio</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>~0.0</td> <td>~0.0%</td> </tr> <tr> <td>2012</td> <td>~0.75</td> <td>~50.0%</td> </tr> <tr> <td>2013</td> <td>~0.35</td> <td>~55.0%</td> </tr> <tr> <td>2014E</td> <td>~0.45</td> <td>~10.0%</td> </tr> <tr> <td>2015E</td> <td>~0.48</td> <td>~10.0%</td> </tr> <tr> <td>2016E</td> <td>~0.52</td> <td>~10.0%</td> </tr> </tbody> </table> | Year | Equity ratio | Debt-equity ratio | 2011 | ~0.0 | ~0.0% | 2012 | ~0.75 | ~50.0% | 2013 | ~0.35 | ~55.0% | 2014E | ~0.45 | ~10.0% | 2015E | ~0.48 | ~10.0% | 2016E | ~0.52 | ~10.0% |
| Year | EPS, unadjusted | EPS, adjusted | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011 | ~0.0 | ~0.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012 | ~0.0 | ~0.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013 | ~0.0 | ~0.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014E | ~1.5 | ~1.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015E | ~2.0 | ~2.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016E | ~2.2 | ~2.2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | Equity ratio | Debt-equity ratio | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011 | ~0.0 | ~0.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012 | ~0.75 | ~50.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013 | ~0.35 | ~55.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014E | ~0.45 | ~10.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015E | ~0.48 | ~10.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016E | ~0.52 | ~10.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales division | Geographical areas | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Conflict of interests Kristoffer.Lindström owns shares in the company : No Henrik.Alveskog 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. | Company description The Hexatronic group of companies are active in the optical fiber infrastructure market. They offer a complete line of products for passive and complementary active products for optical networks. Home market is Skandinavia and main costumers are large telecom operators such as Telia and Telenor. Partners like ABB and Ericsson give Hexatronic access to the world market. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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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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