

# Heliospectra

Sector: Industrial Goods &amp; Services

## Fueling up

### Q4'18 affected by change of external manufacturer

Heliospectra reported net sales of SEK 11.1m in Q4, which was in level with our forecast. The gross margin of 31% was, however, lower than expected. Together with increased cost of staff and external costs, the company reported EBITDA below our estimate (SEK -11.3m vs. est. -7.3m). CEO Ahmadian mentions that the gross margin has been affected by its change of manufacturer. It has also affected its ability to manage new incoming orders, which possibly could explain the lower number of order announcements during H2'18.

Heliospectra's full-year sales growth in 2018 was 26% while its order intake grew by 9%. However, the company has not managed to improve its profitability, which mainly is due to the low gross margin. Heliospectra has undertaken measures to improve the gross margin, which should come into effect in 2019 where a gross margin around 40% is expected.

### Raising SEK 52.7m through preferential rights issue

The most significant news regards the announcement of a preferential rights issue bringing proceeds of SEK 52.7m. The issue is fully underwritten by its major owners Weland Group and Midroc – once again showing their commitment and support. Its capital need was obvious, and we have a positive view of the transaction (fair discount, fully underwritten and reasonable size). Following the rights issue, we have increased our financial strength rating by 1p.

### Forecast and rights issue adjustments lead to an updated fair value range

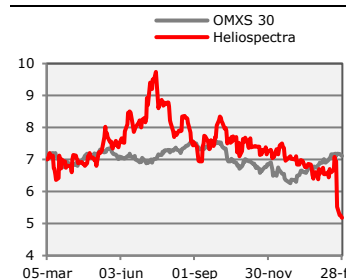
We have lowered our estimates for 2019 given its recently reported order intake and announced orders with delivery in Q1. Although valuing the change of contract manufacturer, it has stalled the company's order intake during Q4'18, which will affect its revenues in the beginning of 2019. After adjusting the model according to the rights issue (increased number of shares and estimated proceeds), we arrive at an updated fair value range starting with SEK 1.5 per share in bear case to SEK 10 per share in bull case, with a fair value of SEK 6 per share in base case.

KEY FINANCIALS (SEKm)	2017	2018	2019E	2020E	2021E	2022E
Net sales	36	45	57	90	131	161
EBITDA	-29	-31	-29	-17	-1	11
EBIT	-33	-33	-31	-20	-4	8
EPS (adj.)	-0.9	-0.9	-0.7	-0.4	-0.1	0.2
EV/Sales	3.0	5.2	3.8	2.6	1.8	1.4
EV/EBITDA	-3.8	-7.7	-7.4	-13.8	-195.1	20.2
EV/EBIT	-3.3	-7.1	-6.8	-11.8	-58.5	27.4
P/E	-4.4	-7.4	-7.5	-11.7	-58.2	28.5

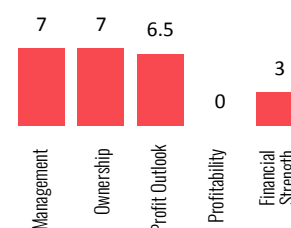
### FAIR VALUE RANGE

BEAR	BASE	BULL
1.5	6.0	10.0

### VERSUS OMXS30



### REDEYE RATING



### KEY STATS

Ticker	HELIO
Market	First North
Share Price (SEK)	5.1
Market Cap (MSEK)	180
Net Debt 19E (MSEK)	-25
Free Float	56 %
Avg. daily volume ('000)	90

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## Q4'18 result burdened by temporary weakened gross margin

Heliospectra reported net sales of SEK 11.1m in Q4, which thereby was in level with our forecast. As earlier mentioned, its quarterly sales are subject to variance depending on delivery of individual orders. The gross margin of 31.4% was, however, a disappointment. CEO Ahmadian states that it was negatively affected by the change of manufacturer and that the undertaken efforts should lead to higher margins going forward.

CEO Ahmadian further mentioned that the change of manufacturer has spurred problems to manage incoming orders, which possibly could explain the decreased number of order announcements during H2'18. Apart from increased gross margins, the new manufacturer should further be able to improve the production efficiency and reducing delivery times. The change of manufacturer did not spur any delivery problems and Heliospectra has been able to deliver all orders as expected.

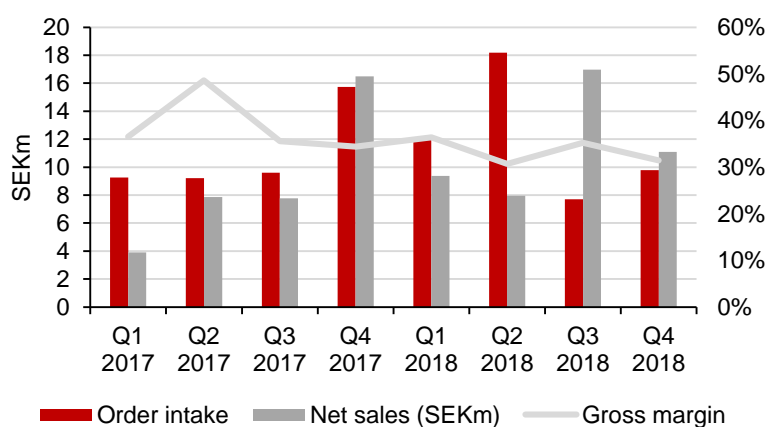
Heliospectra: Actual vs Estimates				
(SEKm)	Q4'17	Q4'18E	Q4'18A	Diff. (%)
Net sales	16.5	12.0	11.1	-8%
Gross margin (%)	34%	36%	31%	-5%
EBITDA	-6.4	-7.3	-11.3	-55%
EBIT	-7.5	-8.1	-12.0	-49%

Source: Redeye Research

Both external and personnel costs came in above our forecast, which together with the weakened gross margin resulted in an operating loss larger than expected. Thus, Heliospectra's full-year sales amounted to SEK 45.4m in 2018 (26% y/y growth). The reported order intake was SEK 47.8m, corresponding to 9% growth. Its costs have, however, also grown in relation to its sales during the year, reflected by the reported EBIT of SEK -33.3m (-33.1m in 2017).

Apart from highlighting its work of changing contract manufacturer, Ahmadian further puts emphasis on its work of getting customers to pay in advance of delivery, hence improving working capital and reducing risk ending up with unsecure receivables. The latter is positive, as customers in this industry sometimes could have financing problems (reflected by the annulled order in H2'18).

### Order intake, sales and gross margin



Source: Redeye Research

The total cash flow amounted to SEK -7m in Q4, whereof SEK 6.5m in working capital change, implying that Heliospectra held SEK 11.2m in cash by the end of the year.

Heliospectra has made progress during 2018, showing its ability to attract larger orders, helioCORE is gaining traction and it has further partnered up with ABB which potentially could result in larger orders going forward.

Our take on the report is slightly negative due to the increased costs. However, it is important to keep in mind that it also was temporarily affected by its change of contract manufacturer and we expect substantial gross margin improvements going forward. In an interview held after the report, CEO Ahmadian stated that the company should be able to achieve a gross margin in excess of 40% going forward.

In our preview, we argued that its cash flow and current level of cash would be in focus as the company was about to run out of capital. After releasing the report, Heliospectra addressed this by announcing a preferential rights issue.

### **Preferential rights issue**

The company will issue up towards 11.7m shares at a price of SEK 4.5, i.e. at a discount of approximately 35% compared to the levels before the announcements (SEK 6.9 per share). The issue will thus bring proceeds of SEK 52.7m and lead to a dilution of around 33% for non-participating existing shareholders.

Its major shareholders Weland Group and Midroc has committed to subscribe for their pro-rata shares (44.5%) and guaranteed the remaining 55.5%. Hence, the rights issue is fully underwritten. Apart from supporting the company in the issue, the parties have also offered bridge financing of SEK 10m to support its short-term needs.

The issue was unavoidable in view of its current cash position and negative cash flows. The discount is fair and it is, especially, positive that its strong principal owners once again show their commitment to support Heliospectra.

Apart from securing its financial needs, the company mentions that approximately 40% of the proceeds will be used for a strategic repositioning, aiming to increase the share of recurring revenues through helioCORE and helioCARE. It is positive as it will bring recurring revenues and make Heliospectra less dependent on deliveries of LED light systems.

Concerning helioCORE, it seems like the solution is gaining traction. Looking at the order announcements in H2'18, 3 out of 8 orders also contained helioCORE. The solution was further recognized by American Society of Agricultural and Biological Engineers in 2019. We are upbeat about the prospects, arguing that the solution should bring great value for the company's customers (increased quality and yield while giving growers an ability to predict yield).

The company has not maintained its pace in order announcements in H2 compared to H1'18. This is also reflected by the reported order intake, which amounted to SEK 17.5m in H2'18, compared to SEK 30.3m in H1'18. According to the company, it has been affected by the change of manufacturer where it had to decline incoming requests in Q4.

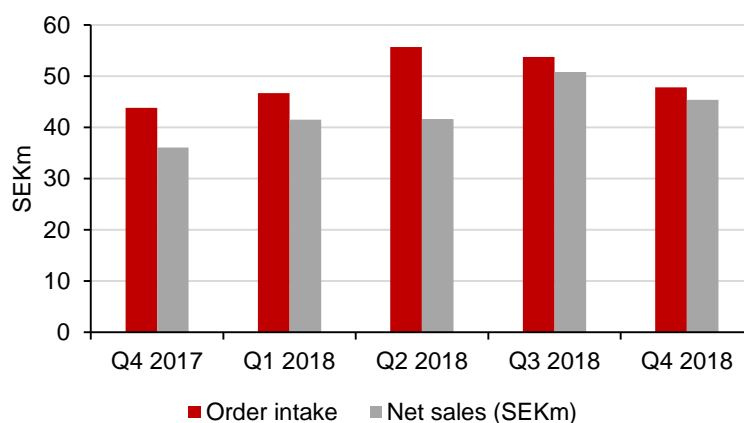
CEO Ahmadian remains focused on securing orders in the double-digit figures. We find this trustworthy in view of the company's ability to attract the orders from Griffin Greenhouse (together amounting to SEK 16m) during the year.

*helioCORE gaining traction*

## Estimates

Given its reported order intake of 47.8m in 2018 and reported sales of SEK 45.4m, the company should have at least SEK 2.5m remaining for delivery in 2019. In addition, the company has announced an order worth SEK 2m with delivery in Q1. Hence, we believe that Heliospectra should be able to report revenues around SEK 6.5m in Q1'19.

### Reported order intake and sales (TTM)



Source: Redeye Research

As highlighted in our comment on the report, we find our earlier estimate of SEK 75m too high given the decreased order intake towards the end of 2018. Although finding the company's explanation trustworthy, the company has yet not announced the orders necessary to deliver substantial sales during H1'19. We have, therefore, reduced our H1'19 estimate to SEK 17m while leaving our H2'19 estimates unchanged, leading to an updated FY19 estimate of SEK 57m (from SEK 75m). We have also reduced our 2020 estimate to SEK 90m (previously SEK 107m) and 2021 to SEK 131m (earlier SEK 147m).

We remain confident of the company's ability to secure larger (exceeding SEK 10m) orders going forward. As argued, the company has shown this during 2018 and we believe that CEO Ahmadian is going to secure orders of double-digit values in 2019. It is, thus, fully possible that the company would beat our estimates by announcing a number of substantial orders, but we believe that it currently is somewhat too optimistic to expect such orders for delivery already during H1'19.

Heliospectra: Base case estimates									
(SEKm)	2017	2018	Q1'19E	Q2'19E	Q3'19E	Q4'19E	2019E	2020E	2021E
Net sales	36.0	45.4	6.5	11.0	17.5	22.0	57.0	90.1	130.6
CoGS	-22.3	-30.1	-4.0	-6.5	-10.5	-13.2	-34.2	-51.3	-71.8
Gross margin (%)	40%	34%	39%	41%	40%	40%	40%	43%	45%
OPEX	-43.2	-46.3	-13.5	-13.5	-10.5	-14.5	-52.0	-56.9	-62.0
EBITDA	-28.8	-30.5	-9.2	-9.3	-4.6	-5.6	-28.6	-17.2	-1.2
EBIT	-33.1	-33.3	-9.9	-10.0	-5.3	-6.3	-31.3	-20.0	-4.1
Growth (%)	56%	26%	-31%	38%	3%	99%	26%	58%	45%
EBIT margin (%)	-90%	-72%	-119%	-92%	-32%	-28%	-54%	-22%	-3%

Source: Redeye Research

Regarding gross margin, CEO Ahmadian has stated that the change of manufacturer solely should result in a gross margin in excess of 40%. In addition, it should be somewhat boosted by the helioCORE and helioCARE offerings. However, we interpret the revenues from helioCORE to still be rather low in relation to sales of lights. We expect helioCORE to make a larger impact on its margins in 2021 and beyond when the company is estimated to have a larger installed base.

At the same time, we interpret the recently launched Siera lightbars to be somewhat more aggressively priced which will have an adverse effect on the gross margin. Therefore, we estimate a gross margin of 40% for 2019.

It is yet unsure what the partnership with ABB will bring. The company is hopeful about it resulting in larger orders, but we choose a somewhat more cautious stance, not expecting any substantial revenues during the upcoming year. It should, however, be mentioned that the upside potential could be huge.

Hence, we expect continued losses over the next two years. We have increased our cost of staff forecast based on the outcome in 2018 while also expecting increased costs following its increased efforts in Canada. On EBITDA-level, we do not expect the company to reach break-even until 2022 when sales exceed SEK 130m.

The above entails that Heliospectra would be able to reach break-even with the proceeds from the rights issue. We have improved our financial strength rating by 1p as the capital raised in the rights issue should cover its losses during the two upcoming years, under the assumption of high sales growth in 2019-2020.

## Valuation

We use a discounted cash flow model (DCF) for valuation purposes. The applied discount rate (WACC) is 13.2% (lowered from 13.8% due to rating changes), which is based on a number of parameters that together form Redeye's rating model.

As the rights issue is fully underwritten by the two largest shareholders Weland Group and Midroc, we have adjusted our model according to the transaction conditions. We have increased the number of shares by 11.7m and added estimated net proceeds of about SEK 49m to its cash position.

## Base case

Our valuation in base case is based on the forecast presented in the earlier section as well as the long-term assumptions presented below. In brief, we expect high growth over the coming three years following an increased number of larger orders. We are further expecting gross margin improvements from its change of contract manufacturer as well as an increasing installed base of helioCORE.

Although expecting the company's cost to increase following increased focus on Canada, the company has its organization in place and it should be able to leverage on volumes as sales takes off. However, this requires that Heliospectra shows solid gross margin improvements as it currently needs very high levels of sales to reach break-even.

<b>Heliospectra: Base-case assumptions</b>			
<b>Assumptions:</b>	<b>2019-2021</b>	<b>2022-</b>	<b>DCF-value</b>
CAGR Sales	42.2%	14.2%	WACC 13.2%
EBIT margin (avg)	-27%	19.2%	PV of FCF 99
			PV of Terminal Value 122
<b>Terminal</b>			Sum PV 222
Terminal growth of FCF		2.0%	Net cash* 10
EBIT-margin (terminal)		18.0%	Est. issue proceeds 49
			<b>DCF-value 280</b>
			<b>Fair value per share 6.0</b>
			Shareprice today 5.1
			<b>Potential/Risk 17%</b>

\*As per year-end 2018

We forecast the company to reach sales exceeding SEK 125m by 2021 and to reach break-even by 2022. From there, the company should be able to show increased profitability, expecting an average long-term operating margin of around 19%. Hence, the case relies on its ability to win substantially larger orders and a successful launch of helioCORE, which will bring both recurring revenues and high margins.

Our assumptions result in a **fair value of SEK 6 per share in base case** (from previously SEK 7 per share). The difference is primarily explained by the rights issue, which will increase the number of shares by 33%. At the same time, we have reduced our sales estimates 2019-21, lowered our discount rate and also added the estimated issue proceeds.

The updated number of shares, issue proceeds and WACC have also led to new fair values in our negative bear case and our positive bear case. Our long-term assumptions in respective case is, however, left unchanged. Hence our updated fair value range starts with SEK 1.5 per share in bear case and ends with SEK 10 per share in bull case, with a fair value of SEK 6 per share in base case.

#### Updated fair value range

### Bear Case 1.5 SEK

Lower sales growth in all segments delays break-even.

We further incorporate lower return of the recently introduced products and solutions (HelioCORE and HelioCARE).

Based on the assumption of sales growth (CAGR) of 27% between 2019 and 2021 as well as a lower long-term growth (14.6% 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%).

### Base Case 6.0 SEK

Over the next two years, Heliospectra wins several orders in the greenhouse cultivation segment, mainly in Europe, and the medical plants segment following the legalization in the Americas.

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.

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 our 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 19%. In our terminal period, we assume an average EBIT-margin of 18%.

### Bull Case 10.0 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 the 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.

We assume higher gross margins thanks to a successful introduction of HelioCORE and, eventually, the patented complete biofeedbacksystem. This will, however, be slightly offset by lower gross margins in orders of significant sizes.

Based on an average gross margin of 51% beyond 2020. Greater revenues and margins ultimately result in a higher operating margin. In bull case, we estimate a long-term average operating margin around 22%.

## 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 its strong research background and several important contracts and partnerships, Heliospectra is on the verge of its big market breakthrough. The company has managed to grow its order intake substantially during the previous 18 months and has recently shown its ability to secure orders exceeding SEK 10m (through Griffin Greenhouse). We expect the average order size to continue to increase following an inflow of substantially larger orders from large commercial growers of food and cannabis.

**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 HID/HPS lamps traditionally used in greenhouses and growers increasingly replace traditional lighting solutions in commercial greenhouse operations. Heliospectra's intelligent grow light systems also provide growers benefits of increased automation, higher crop quality and shortened grow cycles, thus strengthening the incentives to switch from HID/HPS.

Heliospectra has established itself as a well-renowned player in the legal marijuana segment and will benefit from the ongoing worldwide legalization movement. The market is still in its infancy and rapid growth is expected as the legalization continues. LED grow lights provide short payback times on investment for growers who can increase 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. The company's strong offering is further illustrated by the recent launch of the control system HelioCORE, allowing customers to forecast the yield of the crops. HelioCORE now seems to be gaining traction, and we expect the company's installed base to grow at a rapid pace over the coming three years bringing recurring revenues and improved margins.

### Bear points (counter-thesis)

**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.

### **Successful introduction of HelioCORE**

A successful introduction of the recently launched control system HelioCORE has 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 a first step towards commercialization of the biofeedback system.



## 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 increased financial strength by 1p as the company will strengthen its cash position through the fully underwritten preferential rights issue.

#### **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. We would like to see Heliospectra cement its position as a leader in the LED grow light industry through increased sales for a prolonged time period before increasing our rating.

#### **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: 3.0**

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. The company recently announced a rights issue that will bring gross proceeds of SEK 52.7m, thereby accommodating its needs for 2019 and 2020.

INCOME STATEMENT	2017	2018	2019E	2020E	2021E
Net sales	36	45	57	90	131
Total operating costs	-65	-76	-86	-107	-132
EBITDA	-29	-31	-29	-17	-1
Depreciation	-1	0	0	0	0
Amortization	-4	-2	-2	-2	-2
Impairment charges	0	0	0	0	0
EBIT	-33	-33	-31	-20	-4
Share in profits	0	0	0	0	0
Net financial items	0	0	0	0	0
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-33	-33	-32	-20	-4
Tax	0	0	0	0	0
Net earnings	-33	-33	-32	-20	-4

BALANCE SHEET	2017	2018	2019E	2020E	2021E
<b>Assets</b>					
<i>Current assets</i>					
Cash in banks	41	11	26	5	3
Receivables	10	7	10	16	20
Inventories	8	6	9	13	14
Other current assets	0	0	0	0	0
Current assets	58	24	45	34	37
<i>Fixed assets</i>					
Tangible assets	1	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	15	15	16	17	17
0 non-current assets	0	0	0	0	0
Total fixed assets	16	17	17	18	19
Deferred tax assets	0	0	0	0	0
Total (assets)	74	40	63	51	56
<b>Liabilities</b>					
<i>Current liabilities</i>					
Short-term debt	0	1	1	1	1
Accounts payable	15	15	20	29	37
0 current liabilities	0	0	0	0	0
Current liabilities	16	15	20	29	37
Long-term debt	2	1	1	1	1
0 long-term liabilities	9	9	9	10	10
Convertibles	0	0	0	0	0
Total Liabilities	26	25	30	40	48
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	48	15	32	12	8
Minority interest (BS)	0	0	0	0	0
Minority & equity	48	15	32	12	8
Total liab & SE	74	40	63	51	56

FREE CASH FLOW	2017	2018	2019E	2020E	2021E
Net sales	36	45	57	90	131
Total operating costs	-65	-76	-86	-107	-132
Depreciations total	-4	-3	-3	-3	-3
EBIT	-33	-33	-32	-20	-4
Taxes on EBIT	0	0	0	0	0
NOPLAT	-33	-33	-32	-20	-4
Depreciation	4	3	3	3	3
Gross cash flow	-29	-31	-29	-17	-1
Change in WC	-1	4	-1	-1	3
Gross CAPEX	-2	-3	-4	-3	-4
Free cash flow	-32	-29	-34	-22	-2

CAPITAL STRUCTURE	2017	2018	2019E	2020E	2021E
Equity ratio	65%	38%	51%	23%	14%
Debt/equity ratio	5%	9%	5%	13%	20%
Net debt	-38	-10	-25	-3	-1
Capital employed	10	5	7	8	6
Capital turnover rate	0.5	1.1	0.9	1.8	2.4

GROWTH	2017	2018	2019E	2020E	2021E
Sales growth	56%	26%	26%	58%	45%
EPS growth (adj)	-28%	0%	-28%	-36%	-80%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	13.2 %	NPV FCF (2018-2020)	-4
		NPV FCF (2021-2027)	139
		NPV FCF (2028-)	136
		Non-operating assets	11
		Interest-bearing debt	-1
		Fair value estimate MSEK	280
Assumptions 2017-2023 (%)			
Average sales growth	32.0 %	Fair value e. per share, SEK	6.0
EBIT margin	-2.5 %	Share price, SEK	5.1

PROFITABILITY	2017	2018	2019E	2020E	2021E
ROE	-51%	-105%	-136%	-94%	-43%
ROCE	-46%	-99%	-127%	-86%	-37%
ROIC	-170%	-336%	-584%	-274%	-49%
EBITDA margin	-80%	-67%	-51%	-19%	-1%
EBIT margin	-92%	-73%	-56%	-22%	-3%
Net margin	-92%	-73%	-56%	-23%	-3%

DATA PER SHARE	2017	2018	2019E	2020E	2021E
EPS	-0.94	-0.95	-0.69	-0.44	-0.09
EPS adj	-0.94	-0.95	-0.69	-0.44	-0.09
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-1.09	-0.28	-0.53	-0.07	-0.03
Total shares	35.11	35.11	46.82	46.82	46.82

VALUATION	2017	2018	2019E	2020E	2021E
EV	109.0	236.7	214.9	236.3	238.3
P/E	-4.4	-7.4	-7.5	-11.7	-58.2
P/E diluted	-4.4	-7.4	-7.5	-11.7	-58.2
P/Sales	4.1	5.4	4.2	2.7	1.8
EV/Sales	3.0	5.2	3.8	2.6	1.8
EV/EBITDA	-3.8	-7.7	-7.4	-13.8	-195.1
EV/EBIT	-3.3	-7.1	-6.8	-11.8	-58.5
P/BV	3.1	16.2	7.5	20.6	31.9

SHARE PERFORMANCE		GROWTH/YEAR	16/18E
1 month	-22.0 %	Net sales	25.8 %
3 month	-29.9 %	Operating profit adj	-2.1 %
12 month	-29.7 %	EPS, just	-14.8 %
Since start of the year	-27.1 %	Equity	-18.6 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Gösta Welandson med bolag	34.4 %	34.4 %
Mohammed Al Amoudi	10.1 %	10.1 %
Greg Dingizian	5.7 %	5.7 %
Avanza Pension	5.1 %	5.1 %
Corporation The Bank Of New York Mellon	4.1 %	4.1 %
Piba AB	1.1 %	1.1 %
Magowmy Invest AB	1.0 %	1.0 %
Andreas Arnewid	0.9 %	0.9 %
Nordnet Pensionsförsäkring	0.9 %	0.9 %
Kent Gustafson	0.7 %	0.7 %

SHARE INFORMATION	
Reuters code	HELIQ.ST
List	Nasdaq First North
Share price	5.1
Total shares, million	46.8
Market Cap, MSEK	239.7

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

FINANCIAL INFORMATION	
Q1 report	April 26, 2019
Q2 report	August 23, 2019

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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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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 (2019-03-03)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	48	46	19	11	20
3,5p - 7,0p	88	85	118	41	55
0,0p - 3,0p	13	18	12	97	74
Company N	149	149	149	149	149

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### CONFLICT OF INTERESTS

Dennis Berggren 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.