

MedCap

Another step in the right direction

Quarterly review

MedCap's Q1 net sales of SEK 199m was 3% higher than our expectations thanks to a faster integration of the latest acquisition, Scandinavian Nutrients. Profitability also surpassed our expectations with EBITDA of SEK 16.9m, implying 173% growth y/y. All business areas were profitable and the development in MedTech stands out, with 24% sales growth and a 2 pp EBITDA margin improvement y/y. Uptake in the Nordic speciality pharma portfolio is advancing and upcoming new product launches could support meaningful sales growth and margin improvements within Specialty Pharma

Valuation and estimate changes

We make positive estimate revisions to reflect our assumptions for higher margin in MedTech, faster integration of Scandinavian Nutrients and recent transactions with minority shareholders. Based on a discounted cash flow approach (DCF), with variations in sales growth, EBIT (earnings before interest and taxes) margin and weighted average cost of capital (WACC) assumptions, we derive an equity value per share between SEK 35 and SEK 59.

Quality assets with defensive attributes

An investment in MedCap gives exposure to defensive assets in the Nordic Life Science segment. In the past couple of years, it has built a profitable investment portfolio of leading Nordic niche companies in the fields of MedTech, Pharma Trading and Specialty Pharma.

In the past two years, MedCap has invested heavily in establishing a speciality pharma franchise. These investments have burdened earnings, but the underlying trend shows promising signs. Between 2016/17 and 2022/23, we estimate a combined sales CAGR for Specialty Pharma and MedTech of 6.9%.

Key data

Key data	
Country	Sweden
Bloomberg	MCAP SS
Reuters	MEDCAP.ST
Share price	39.7
Free float	95%
Market cap (m)	SEK 532
Website	www.medcap.se
Next report date	23 February 2018

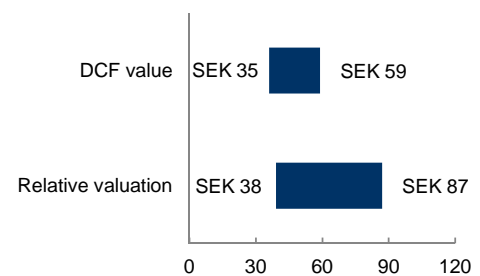
Absolute and relative performance



Estimate changes

	17/18E	18/19E	19/20E
Sales	-1%	-3%	-4%
EBITDA	9%	7%	5%

Valuation approach



Source: Thomson Reuters and Nordea Markets

Summary table - key figures								
SEKm	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18E	2018/19E	2019/20E
Net sales	349	826	853	817	852	773	803	834
- growth		137%	3%	-4%	4%	-9%	4%	4%
EBIT (adj.)	20	31	11	32	3	43	65	83
- margin	5.9%	3.7%	1.3%	3.9%	0.3%	5.6%	8.2%	9.9%
EPS	1.41	1.84	0.63	1.45	0.03	2.21	3.63	4.70
- growth		30%	-66%	129%	neg.	neg.	64%	30%
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E	14.9	23.1	43.6	21.0	n.m.	17.9	10.9	8.4
EV/EBIT	14.0	22.6	41.0	17.5	n.m.	15.0	9.2	6.6
EV/Sales	0.8	0.8	0.5	0.7	0.6	0.8	0.8	0.7
RoE	9.9%	11.3%	3.6%	7.1%	0.1%	10.4%	15.0%	16.6%
Div. yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	3.3%	-4.7%	-4.3%	-15.5%	11.1%	1.0%	7.9%	10.7%
ND/EBITDA	0.6	3.1	2.1	2.3	3.2	1.3	0.5	-0.1

Source: Company data and Nordea Markets

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Quarterly review

MedCap reported Q2 net sales of SEK 199m for August to October, compared with SEK 222m in the same quarter of the last financial year. The EBITDA (earnings before interest, taxes, depreciation and amortisation) result was SEK 16.9m, which represents 173% growth y/y. The sales decline can be explained by the restructuring of Pharma Trading, while the main businesses, Specialty Pharma and MedTech, increased sales by 22% y/y.

EBITDA grew by 173% y/y

MedCap reported net sales in Q1 2017/18 of SEK 199m for August to October, compared with SEK 222m for the same period last year. EBITDA increased by 173% y/y to SEK 16.9m, implying an EBITDA margin of 8.5% for the quarter.

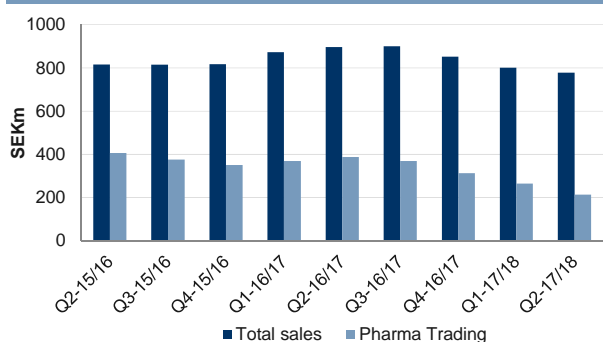
MedCap acquired shares from minority shareholders in Inpac

On 8 November, after the end of the financial period, MedCap announced the acquisition of shares representing the remaining 28.9% of the subsidiary Inpac from its minority owners. MedCap now has an ownership of 95-100% in all of its subsidiaries.

New reporting standard to reflect calendar year

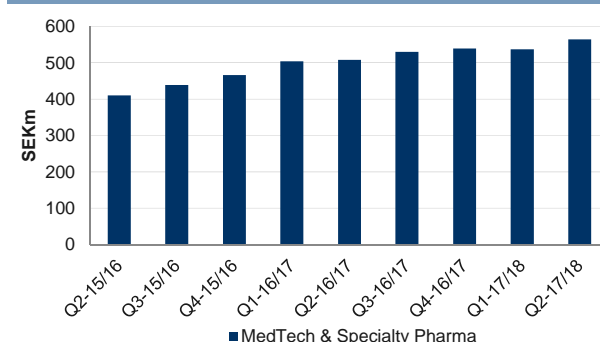
Also, note that the company decided at its annual general meeting to change its reporting from a split fiscal year (May-April) to reflect a normal calendar year (January to the end of December). This will come into effect by the beginning of next year, meaning that the current quarter will only include two months (November and December). We will adjust our estimates to reflect this in conjunction with the next report.

Group vs. Pharma Trading rolling LTM sales



Source: Company data and Nordea Markets

Specialty Pharma and MedTech rolling LTM sales



Source: Company data and Nordea Markets

Companies within MedTech continues to deliver solid results

MedTech

Sales increased by 24% y/y in MedTech, boosted by sales growth in Abilia and Inpac AirContainer. EBITDA was SEK 14.4m in the period, an increase of 35% compared with last year. The operating margin (EBITDA) strengthened from 17% to 19%, thanks to product mix and operational leverage from the higher sales.

Scandinavian Nutrients added SEK 4m to MedTech sales in the quarter

The largest holding, Abilia, continues to report a solid sales trend and higher margins thanks to a better sales mix and lower costs. Inpac also reported strong sales, helped by the acquisition of Scandinavian Nutrients, which contributed SEK 4m in sales during the quarter. Scandinavian Nutrients is a producer of health and nutritional supplements and reported sales of SEK 46m and gross profit of around SEK 16m in 2016. Note that the company had a one-off cost of SEK 1m due to the move of Scandinavian Nutrients' assets to Inpac's production facility in Lund.

Specialty Pharma

Specialty Pharma reported sales of SEK 74m, which was an improvement of 20% compared with last year. EBITDA increased to SEK 4.5m from SEK 0.3m last year, implying an EBITDA margin of 6%.

Improved product mix could improve margins over time

Uptake in the Nordic speciality pharma portfolio is increasing each month, albeit from a low starting point, and now represents a third of total sales in the segment. The company will continue to focus its efforts on newly launched products to reach their full sales potential. It will also be seeking to expand and scale the platform and reach critical mass through new partners and internally developed products. It was announced during the quarter that Cresemba, one of the major products in the portfolio, is now also being reimbursed by TLV in Sweden.

Limited need for further investments implies good scalability

As large investments were made last year to build the sales organisation, it limits the need for additional resources, which implies good scalability and higher margins in the future. The company states in the report that it expects a meaningful improvement in sales and profitability in the current and next fiscal year.

Pharma Trading

Pharma Trading reported sales of SEK 46m for the quarter versus SEK 98m a year ago. Following last year's restructuring measures, the segment has returned to profitability and reported EBITDA of SEK 0.5m compared with a loss of SEK 2m in Q1 last year.

We expect less future earnings volatility in Pharma Trading

The planned restructuring has successfully reduced earnings volatility and operational risks. It has also reduced the working capital need and the inventory was SEK 22m at the end of October, which is SEK 42m less than a year ago. Although the segment still made a meaningful contribution to group sales, we do not expect any major profit contribution in the future and it therefore has a limited impact on our valuation.

Estimate changes

We lift our long-term margin assumptions for MedTech after solid delivery in recent quarters

We lift our 2017/18E EBITDA estimate thanks to higher profitability in Q2 than we had anticipated. We also raise our long-term margin assumptions for MedTech after the strong development during the last quarters. Our sales estimates are down slightly to reflect lower sales within Pharma Trading, while we raise our sales estimates for MedTech and Specialty Pharma slightly.

We expect MedTech's solid trend to continue, aided by the acquisition of Scandinavian Nutrients, which could add about SEK 40-50m in revenue on an annual basis.

We see the largest margin potential over time within Specialty Pharma

The Specialty Pharma business has been burdened by investments, but the underlying development still shows promising signs and sales are growing each month. In the near term, we expect new product launches and increased sales in the existing portfolio, which implies a clear scope for the business area to lift group margins once product sales reach critical mass. Benchmarking with similar companies, we suggest that Specialty Pharma should have the potential to reach higher margins than MedTech in the long run.

The estimate changes lift the upper and lower end of our valuation range

In Pharma Trading, we expect further refocusing on the most profitable items and lower earnings volatility ahead.

The estimate changes impact our DCF valuation positively and lift the lower and upper ends of our valuation range to SEK 35 and SEK 59, respectively.

Estimate revisions			
	17/18E	18/19E	19/20E
Sales	-1%	-3%	-4%
EBITDA	9%	7%	5%

Source: Nordea Markets

Factors to consider when investing in MedCap

An investment in MedCap gives exposure to defensive assets in the Nordic Life Science segment, a market that is favoured by demographic factors such as an ageing and growing population. MedCap has, in a relatively short time period, built a profitable portfolio of companies in the fields of MedTech, Pharma Trading and Specialty Pharma. Growth has been aided by a series of acquisitions historically made at transaction multiples as low as 3-5x EBITDA. Since 2015, MedCap has also invested heavily in building a speciality pharma franchise and we see signs that the company could reap the benefits of these investments over the coming years.

We consider the following factors to be key when evaluating an investment in MedCap:

We have identified a number of key themes describing the investment case in MedCap

- Experienced management and prominent main shareholders, including Bure Equity and the serial entrepreneur Bengt Julander.
- Defensive assets favoured by changing demographics, such as a growing and ageing population in the Nordics.
- Invested heavily in building a speciality pharma franchise, which shows promising signs and has an interesting pipeline that could benefit growth in the coming years.
- Restructuring of the trading operations could reduce the capital need, increase earnings visibility and improve the margin profile of the group.

Key risk factors

- MedCap is dependent on its ability to attract, keep and motivate key personnel, including top management.
- Its clear M&A agenda could bring a risk of overpaying or incurring high costs related to integrating new acquisitions.
- Medical technology products and pharmaceuticals are exposed to different types of regulatory approval, ie patent processes and product liability issues.
- MedCap is, to some extent, reliant on general market conditions in the Nordics, and Sweden in particular (constituting 73% of sales in 2016/17). A full description of the main risk factors we find relevant for MedCap is provided on page 20.

The right team

As companies grow and stakeholders increase, the concept of corporate governance becomes an increasingly integral part of the business. Yet it is often overlooked among many micro caps as a majority lack the tools and knowledge on how to implement optimal structures. As such, many growth companies are subject to pitfalls regarding financial, legal and ethical aspects. We therefore argue that it is among one of the most important characteristics to consider when investing in smaller growth companies.

MedCap was founded with the vision to become one of the leading investors in the Nordic Life Science SME segment. The company has grown rapidly in the past ten years, helped by a lean investment organisation consisting of a number of key individuals, including CEO Karl Tobieson, who has extensive industry background and relevant experience for a transaction-based operating model. In addition to an experienced executive management team, MedCap has a strong shareholder base including Bure Equity, with its strong track record in building quality growth companies, and successful entrepreneur Bengt Julander.

Experienced management and main owners

Shareholder structure as of April 30, 2017	
Shareholder	Ownership
Bure Equity	22.7%
Bengt Julander	22.7%
Karl Tobieson	5.0%
JP Morgan Bank Luxembourg	3.8%
Kenth-Olov Norman	2.3%
DFM Fastigheter AB	1.6%
Staffan Dufva	1.3%
Thomas Eklund	1.0%
Others	39.6%
Total	100.0%

Source: Company data

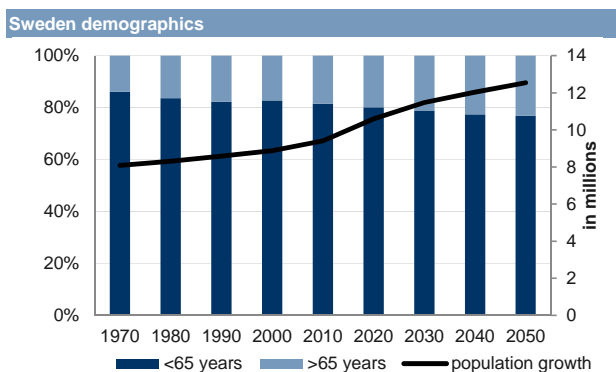
Quality assets with defensive attributes

The key structural growth driver of MedCap is favourable demographics, as this affects demand for the company’s three business areas: MedTech, Specialty Pharma and Pharma Trading. SCB forecasts that the number of individuals above 65 years in Sweden will grow by 50% and reach three million people in the next 30-40 years.

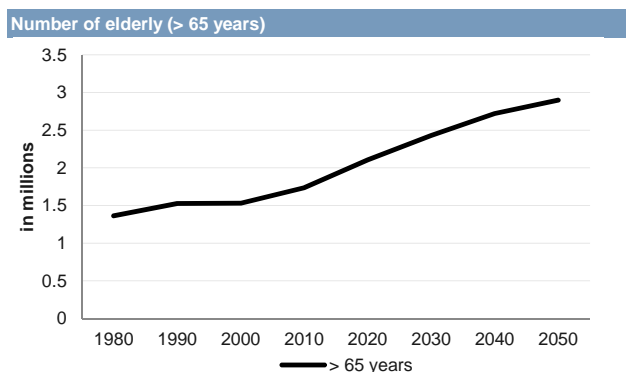
Structural growth in underlying market

Investment portfolio consisting of defensive assets

In a sector context, our analysis suggests that MedCap has an attractive investment portfolio, including businesses with defensive attributes and leading positions in their local market or niche, which could be favoured by the demographic tailwinds. We also believe there is potential to expand to other markets, either organically or through platform acquisitions (historically done at usually 3-5x EBITDA).



Source: SCB and Nordea Markets



Source: SCB and Nordea Markets

Sweden life expectancy								
	1980	1990	2000	2010	2020	2030	2040	2050
Men	73	75	77	80	81	83	84	86
Women	79	80	82	83	85	86	87	88
Average	76	78	80	81	83	84	86	87

Source: SCB and Nordea Markets

Specialty Pharma – the potential growth engine

Since 2015, MedCap has invested heavily in building up a profitable specialty pharma franchise with the potential to be a growth engine in the coming years. Investments have burdened short-term earnings. However, the underlying development shows promising signs and product sales are growing each month and gradually increasing its earnings contribution.

Investing in future growth

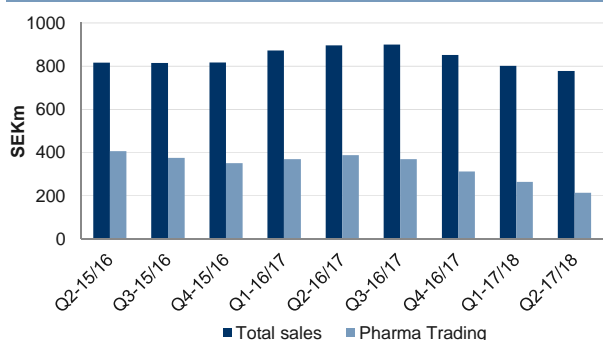
Product sales are growing each month

Our research implies that more products will be registered in the near term, which increases the long-term earnings potential as most major investments have already been taken to build the sales platform. An additional earnings driver is the potential to sign new partnership deals.

Ideal partner for distribution deals in the Nordics

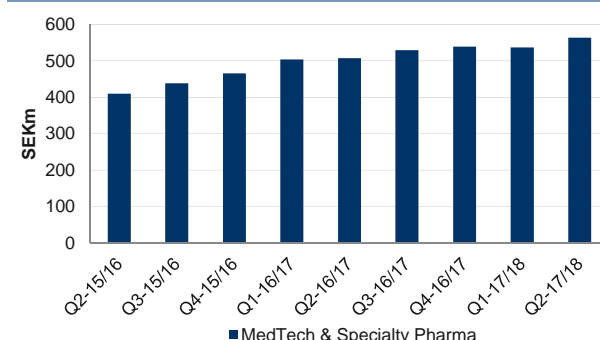
Unimedic has well-established relationships with Nordic pharmacies, making it an ideal partner for distribution deals. One example is the licence agreement with Martindale Pharma that was extended to include a portfolio of emergency care products after successful commercialisation of the company’s adrenaline ampoule products.

Group vs. Pharma Trading rolling LTM sales



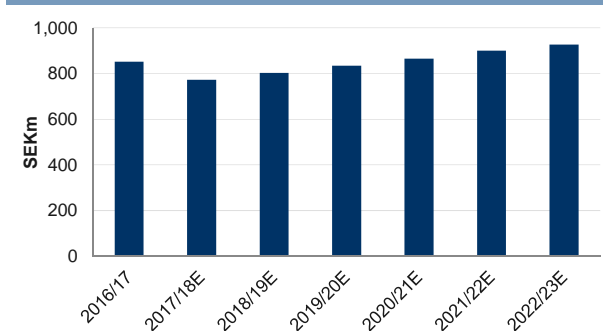
Source: Company data and Nordea Markets

Specialty Pharma and MedTech rolling LTM sales



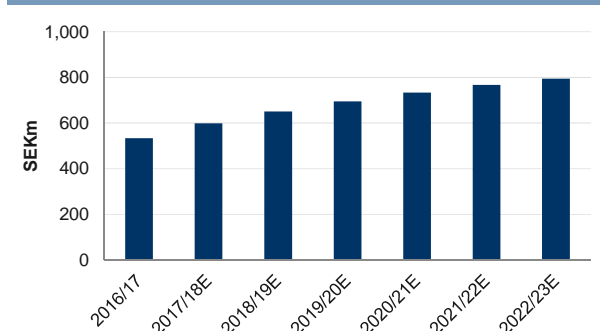
Source: Company data and Nordea Markets

Estimated group revenue



Source: Company data and Nordea Markets

Estimated group revenue, excl. Pharma Trading



Source: Company data and Nordea Markets

Look beyond weakness in Trading

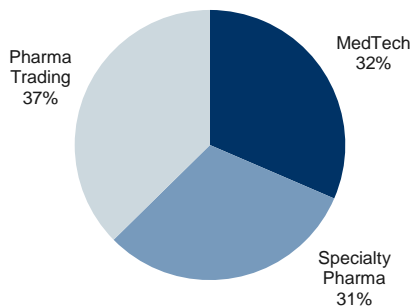
Increased earnings visibility in new reporting structure

A year ago, MedCap announced a change to its segment reporting, which we argue has increased future earnings visibility. The main advantage of the new structure is that the trading operations, which have lower margins than the group average, report on a standalone basis and this could offer more insight into the earnings potential and progress within Specialty Pharma. We believe that Specialty Pharma, over time, could achieve even higher margins than MedTech.

Sales mix set to improve

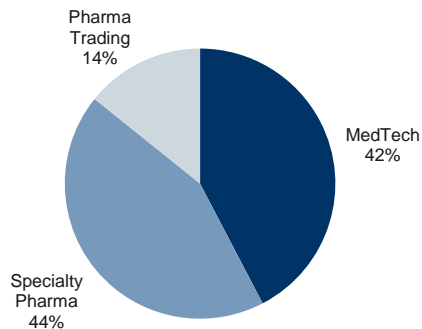
Management has also streamlined the trading operations and focused the product offering on the most profitable product categories. We consider this a sensible strategy as it implies lower operating costs, a reduced working capital need and potentially less earnings volatility. The sales mix should also improve, implying higher group margins. Based on our assumptions, EBITDA margins could expand to 14.0% in 2022/23E from 3.6% in 2015/16. Sales growth for the group will be hampered by the restructuring, but the earnings contribution is limited and we forecast a solid development for the remaining businesses.

Sales by business area 2016/17



Source: Company data and Nordea Markets

Estimated sales by business area 2022/2023E



Source: Company data and Nordea Markets

Our DCF valuation indicates an fair value range of SEK 35-59 per share

Valuation

Based on the assumption that the company can deliver in line with our expectations, we estimate a fair value range of SEK 35-59 per share based on variations in sales growth, EBIT margins and WACC. We derive our fair value from our fundamental DCF framework. As a reference we also provide a relative valuation, indicating an equity value of SEK 38-87 per share.

A full description of the risk factors we find most relevant for MedCap is provided on page 20

Risk factors

We believe MedCap will continue to make acquisitions in the future. The company’s future sales and profit growth is thus somewhat dependent on management’s ability to source and complete new deals. Other potential risks related to acquisitions are that of overpaying and of integrating new acquisition targets.

Another risk is that MedCap relies on a number of key employees, and losing their knowledge could affect operations. We also see risks related to producing pharmaceuticals and medical technology products, such as product liability.

Some of MedCap’s holdings are also dependent on permits from and registration with government agencies, ie the dental and pharmaceutical benefits agency (TLV). Not being able to receive or maintain the required permits could affect its operations.

Finally, MedCap is somewhat dependent on general market conditions in the Nordics, particularly in Sweden (73% of total sales in 2016/17). We provide a full description of the main risk factors we find relevant for MedCap on page 20.

Further information

We provide a more in-depth description of the company’s acquisition model, business areas, underlying market and historical financials in our initiation report published in April 2017. The full report can be accessed via this [link](#).

Valuation

Primarily using a fundamental DCF valuation and assuming a WACC of 8.0%-10.0%, we derive an equity value range of SEK 35 to SEK 59 per share. This implies a 2018/19E EV/EBITDA valuation of 6x-10x and 2018/19E P/E of 10x-16x. We note that our valuation is based on a long-term analysis and is not linked to a near-term assessment of the performance of the company. Based on the current share price and our estimates, MedCap trades at 2018/19E EV/EBITDA of 7x and 2018/19E P/E of 11x.

Our valuation approach is primarily based on a DCF framework

One of the most common ways to value the attractiveness of an investment opportunity is the discounted cash flow (DCF) method. A DCF model discounts all available cash flows for equity, bond and non-equity holders at the weighted average cost of capital (WACC). In other words, WACC represents a blended cost of capital for all invested capital in the company. In fundamental terms, a DCF framework is built on three parts:

- Discounting the company's free cash flow at WACC
- Identifying the value of debt and other non-equity claims on the enterprise value
- Deducting all claims to determine the value of the common equity. The fair value per share is then simply calculated by dividing the equity value by the number of outstanding shares

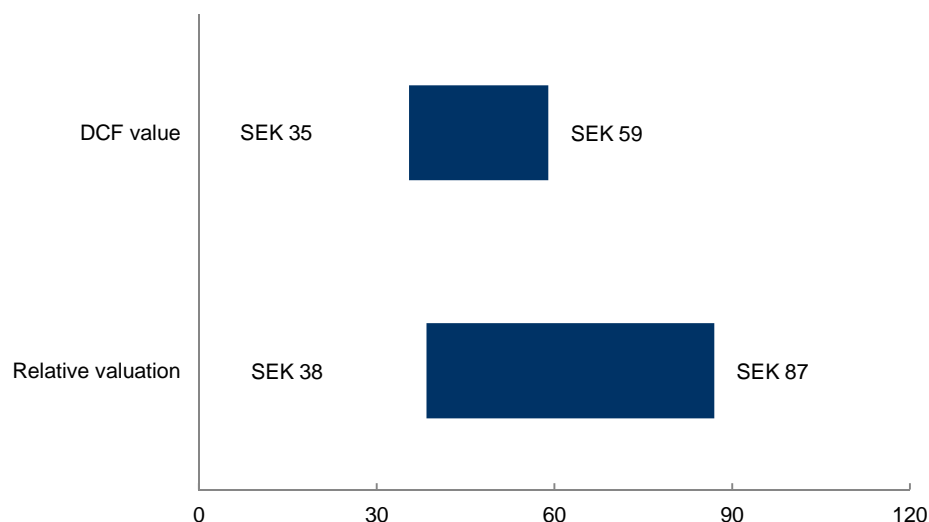
A DCF valuation is commonly considered among academics and practitioners to be the best way to capture the underlying fundamental drivers of a company such as cost of capital, growth rates, reinvestment rates etc. If applied correctly, it represents the best way to approximate the true intrinsic value of a company. A main appeal of a DCF framework compared with other valuation methodologies is that it also focuses on streams of cash rather than accounting earnings. Its main disadvantage is its relative sensitivity to changes in input values.

We derive an equity value of SEK 35 to SEK 59 per share for MedCap

We rely primarily on our fundamental DCF framework to derive an equity valuation range of SEK 35 to SEK 59 per share, which implies a 2018/19E EV/EBITDA valuation of 6x-10x. Our valuation does not incorporate any potential value from future acquisitions.

We also provide a relative valuation, but note that none of MedCap's competitors is among these peers and so this should be treated more as a sanity check. Based on a relative valuation we derive an equity value range between SEK 38 to SEK 87 per share.

Summary different valuation approaches



Source: Nordea Markets

Our DCF valuation indicates a fair value range of SEK 35-59 per share

Fundamental valuation

In the table below, we set out the general assumptions that we use to calculate our DCF value. Based on the assumption that MedCap can deliver broadly in line with our forecasts, with variations in sales growth, EBIT margin and WACC assumptions, we arrive at a fair equity value range of SEK 35 to SEK 59 per share. In the terminal period, we model WACC equal to ROIC and 2.5% growth.

DCF valuation		
DCF value	Value	Per share
NPV FCFF	549-861	41-64
(Net debt)	-96	-7
Time value	32-41	2-3
(Market value of minorities)	-21	-2
DCF Value	465-785	35-59

Source: Nordea Markets

WACC assumptions					
Averages & assumptions	2017-22	2023-27	2028-42	2043-47	Sust.
Sales growth, CAGR	3.7%	3.0%	3.0%	2.5%	
EBIT-margin, excl. associates	9.3%	9.3%	6.5%	3.6%	
Capex/depreciation, x	1.2	1.0	1.0	1.0	
Capex/sales	3.6%	3.6%	3.6%	2.0%	
NWC/sales	22.1%	22.1%	22.1%	22.0%	
FCFF, CAGR	53.7%	0.2%	-2.4%	-5.8%	2.5%

Source: Nordea Markets

To highlight the sensitivity of the DCF valuation, we also provide sensitivity matrices modelling variations in revenue growth, margin assumptions and cost of capital.

WACC

We apply a range of cost capital (WACC) of 8.0%-10.0% as the input for our DCF valuation. The assumptions behind our WACC are outlined in the table below.

We apply a WACC range of 8.0%-10.0%

WACC assumptions	
WACC components	
Risk-free interest rate	1.5%
Market risk premium	5.5%
Forward looking equity beta	1.5-2.0
Cost of equity	9.8%-12.5%
Cost of debt	3.5%
Tax-rate used in WACC	22.0%
Equity weight	75%
WACC	8.0%-10.0%

Source: Nordea Markets

DCF sensitivity

In the table below, we provide a sensitivity analysis of the DCF valuation, with varying EBIT margins and sales growth rates.

Our DCF value with varying EBIT margins and sales growth rates

		Sales growth vs EBIT margin				
		Sales growth change				
		-1.0pp	-0.5pp	50	0.5pp	1.0pp
EBIT margin change	+1.0pp	48	49	50	51	53
	+0.5pp	45	46	47	48	50
		43	44	45	46	47
	-0.5pp	41	41	42	43	44
	-1.0pp	38	39	39	40	41

Source: Nordea Markets

Below we also illustrate how the equity value varies with changes in WACC and sales growth.

Our DCF value with different WACC and sales growth assumptions

		WACC vs sales growth				
		WACC				
		8.0%	8.5%	9.0%	9.5%	10.0%
Sales gr. change	+1.0pp	55	50	47	43	40
	+0.5pp	53	49	46	43	40
		52	48	45	42	39
	-0.5pp	51	47	44	41	38
	-1.0pp	49	46	43	40	38

Source: Nordea Markets

In addition we provide a sensitivity table illustrating how the equity value varies with changes in EBIT margin assumptions and WACC.

Our DCF value with different WACC and EBIT margin assumptions

		WACC vs EBIT margin				
		WACC				
		8.0%	8.5%	9.0%	9.5%	10.0%
EBIT margin change	+1.0pp	59	54	50	46	43
	+0.5pp	55	51	47	44	41
		52	48	45	42	39
	-0.5pp	48	45	42	39	37
	-1.0pp	45	42	39	37	35

Source: Nordea Markets

Valuation multiples

We contend that a relative valuation based on EV/EBIT and P/E provides the best benchmark for valuing MedCap for the following reasons:

- EV/EBIT is neutral to a company's financial gearing. It captures the operations' capital intensity to the extent that depreciation levels approximately correspond to sustainable capex levels
- P/E is often used to compare companies and to consider the differences in tax rates and financing costs. However, it is biased towards lower multiples for companies with high financial gearing. We believe that certain adjustments should be applied when using P/E in order to appropriately value the company
- FCF yield underpins capital intensity and favours asset-light operating models. We use FCF yield as a sanity check for the multiples above and prefer a cash flow analysis using a DCF model rather than a one-year snapshot, which could be distorted by factors such as temporary changes in working capital

We rely on EV/EBIT and P/E multiples for our relative valuation

Peer group valuation

We find the discounted cash flow method to be the most flexible and accurate to value most companies. However, a stringent relative valuation comparing multiples to a carefully selected peer group could provide a useful check for the DCF forecast. There are three main considerations we find necessary for an accurate relative valuation approach:

- Finding the right multiple. We prefer enterprise value based multiples such as EV/EBIT or EV/EBITA for comparing different companies. P/E is also a commonly used multiple but should be used with caution as it does not differentiate between companies with different capital structures.
- Consistency in calculations and adjustments of multiples.
- Finding the right peer group. Companies selected for the peer group should have similar growth outlooks and return on capital. The most common starting point is to use industry peers.

We complement our analysis with a relative valuation as a sanity check

It is difficult to find perfect peers for MedCap, as the company operates in a variety of niche segments of the Life Science market with different prospects for growth and profitability. To avoid company specifics distorting the picture, we use a broad and blended universe of companies with similar financial profiles and growth outlooks to MedCap's different business areas, ie pharmaceutical and medical technology companies. In total we include 15 listed peer companies. We adjust MedCap's numbers to reflect earnings in calendar year 2018.

We use a broad European universe for our relative valuation

To derive our fair value equity range for MedCap we use the 2018E P/E and 2018E EV/EBIT multiples of our peer group. Based on these multiples we arrive at a range of 13x-33x P/E and 12x-24x EV/EBIT. This equates to a value per share between SEK 38 and SEK 87, using the lowest and highest value of the two multiples.

Peer group valuation (calendarised)															
	Price	MCAP	Perf.	EV/EBITDA			EV/EBIT			P/E			FCF yield		
	(Local)	(EUR)	12m	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
Medtech															
AddLife AB	170.0	405	23%	0.0	18.0	16.1	0.0	27.5	24.2	NaN	24.6	22.4	n/a	3.9%	4.5%
Bastide Le Confort	44.9	330	96%	11.8	9.8	8.0	29.1	23.8	18.2	38.4	32.3	25.2	2.2%	2.9%	4.3%
Getinge	150.6	3,862	11%	9.8	9.5	8.4	17.2	15.7	12.9	15.6	17.9	15.3	5.0%	5.4%	7.6%
LivaNova PLC	50.0	3,580	11%	24.8	n/a	n/a	42.7	n/a	n/a	18.4	n/a	n/a	0.9%	n/a	n/a
Medtech average		2,044	35%	11.6	12.4	10.8	22.2	22.3	18.4	24.1	24.9	20.9	2.7%	4.1%	5.5%
Pharma															
Bachem Holding AG	135.7	791	62%	15.1	12.9	10.9	21.3	18.4	15.0	48.0	41.1	33.3	n/a	0.8%	3.3%
Consort Medical	1134.0	632	13%	12.5	11.6	10.9	17.3	15.5	14.1	20.9	19.0	17.2	4.6%	3.4%	4.0%
Ergomed plc	191.5	92	35%	33.9	23.2	13.0	54.8	30.7	16.5	47.0	34.3	19.7	-0.4%	0.8%	2.6%
Fagron NV	11.0	789	25%	13.3	12.3	11.3	18.4	15.5	13.7	27.1	16.6	13.1	3.2%	8.1%	8.4%
Moberg Pharma	27.1	48	-51%	10.9	11.9	12.4	13.5	23.1	23.8	10.1	n/a	n/a	n/a	3.5%	-2.9%
Orexo	42.8	149	9%	27.5	19.5	11.2	35.4	31.4	14.2	53.5	73.0	18.7	1.6%	1.9%	6.0%
Recipharm	89.3	429	-29%	10.3	11.0	9.1	19.2	35.1	19.3	24.4	65.3	23.1	n/a	-7.5%	10.7%
Siegfrid Holding AG	305.3	1,102	46%	14.1	11.3	9.8	29.0	19.4	15.9	36.7	23.9	18.9	n/a	2.9%	3.2%
SOBI	115.3	3,170	18%	18.7	14.7	10.6	27.9	19.7	13.0	36.5	26.4	17.0	0.2%	2.6%	4.0%
Pharma average		800	14%	17.4	14.3	11.0	26.3	23.2	16.2	33.8	37.4	20.1	1.8%	1.8%	4.4%
Other															
Haemato AG	5.1	112	-2%	8.9	n/a	n/a	11.0	15.6	11.6	12.0	18.2	13.1	6.9%	n/a	n/a
Oriola KD Oyj	2.9	546	-32%	7.3	9.0	8.0	10.9	14.6	12.4	11.9	16.6	13.9	0.0%	3.3%	7.9%
Other Average		329	-17%	8.1	9.0	8.0	11.0	15.1	12.0	12.0	17.4	13.5	3.5%	3.3%	7.9%
Average		1,111	17%	15	13	11	23	22	16	29	31	19	2.4%	2.5%	4.9%
Median		632	14%	12	12	11	21	21	15	26	25	19	2.0%	2.9%	4.4%
Min		48	-51%	0	9	8	0	15	12	10	17	13	-0.4%	-7.5%	-2.9%
Max		3,862	96%	34	23	16	55	35	24	54	73	33	6.9%	8.1%	10.7%
MedCap (Nordea)	39.7	54	20%	13.6	9.6	7.3	41.5	18.0	10.4	79.1	26.8	12.6	2%	3%	6%

Source: Nordea Markets and Thomson Reuters

Peer group comparison (calendarised)													
	Sales growth			EBIT margin			EBIT growth			Adj. EPS growth			
	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E	
Medtech													
AddLife AB	n/a	n/a	7%	n/a	7%	7%	n/a	n/a	14%	n/a	n/a	10%	
Bastide Le Confort	12%	22%	18%	7%	7%	8%	-93%	26%	27%	11%	22%	25%	
Getinge	-1%	1%	1%	10%	11%	14%	-7%	9%	22%	3%	-12%	17%	
LivaNova PLC	25%	n/a	n/a	10%	n/a	n/a	47%	n/a	n/a	62%	n/a	n/a	
Medtech average	12%	11%	9%	9%	9%	10%	-18%	18%	21%	25%	5%	17%	
Pharma													
Bachem Holding AG	17%	11%	14%	20%	21%	22%	23%	15%	23%	24%	17%	23%	
Consort Medical	18%	5%	4%	13%	13%	14%	13%	12%	9%	15%	11%	9%	
Ergomed plc	27%	30%	17%	4%	5%	8%	-48%	78%	86%	-53%	29%	74%	
Fagron NV	-10%	4%	10%	15%	17%	18%	-25%	19%	13%	-68%	64%	26%	
Moberg Pharma	18%	29%	-7%	21%	9%	10%	94%	-42%	-3%	44%	-101%	20%	
Orexo	15%	-7%	20%	6%	7%	13%	-125%	13%	121%	-115%	-27%	290%	
Recipharm	35%	16%	5%	9%	4%	7%	27%	-45%	82%	-24%	-63%	182%	
Siegfrid Holding AG	53%	7%	6%	7%	9%	11%	9%	50%	22%	-14%	54%	26%	
SOBI	60%	23%	23%	21%	24%	29%	603%	42%	51%	499%	38%	55%	
Medtech average	26%	13%	10%	13%	12%	15%	63%	16%	45%	34%	3%	78%	
Other													
Haemato AG	32%	-1%	10%	4%	3%	4%	27%	-29%	34%	35%	-34%	39%	
Oriola KD Oyj	2%	-5%	3%	4%	3%	3%	0%	-25%	18%	1%	-28%	19%	
Other Average	17%	-3%	6%	4%	3%	3%	13%	-27%	26%	18%	-31%	29%	
Average	21%	11%	9%	11%	10%	12%	37%	10%	37%	30%	-2%	57%	
Median	18%	11%	9%	10%	9%	10%	11%	15%	22%	13%	5%	26%	
Min	-10%	-7%	-7%	4%	3%	3%	-125%	-45%	-3%	-115%	-101%	9%	
Max	60%	30%	23%	21%	24%	29%	603%	78%	121%	499%	64%	290%	
MedCap (Nordea)	1%	-5%	-1%	3%	2%	4%	-50%	134%	96%	-57%	196%	113%	

Source: Nordea Markets and Thomson Reuters

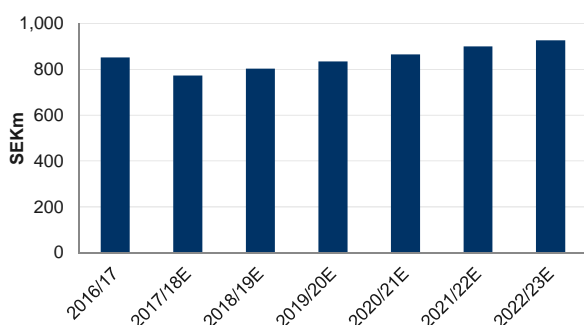
Estimates

Our research implies that MedCap as a group could deliver a revenue CAGR of 1.4% for 2016/17 to 2022/23E, aided by favourable demographics and company-specific factors. On a business area level, we model falling sales for Pharma Trading and solid development for the remaining business. Adjusted for the trading operations, we estimate a sales CAGR of 6.9% between 2016/17 and 2022/23E. On account of an improved sales mix forecast we expect meaningful margin improvements, translating into an EBITDA CAGR of 27.4% for our forecast period.

Growth driven by MedTech and Specialty Pharma

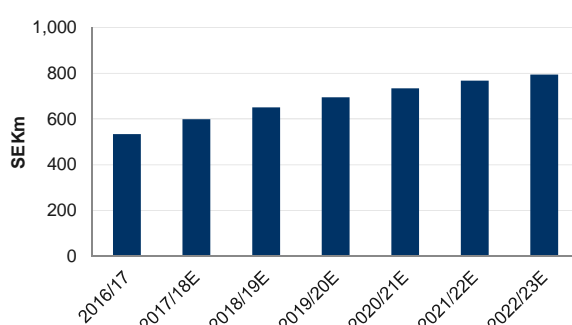
We believe that MedCap as a group could deliver revenue CAGR of 1.4%, aided by favourable demographics for 2016/17-2022/23E. We expect the sales mix to be gradually more tilted towards Specialty Pharma and MedTech, as a result of falling sales in Pharma Trading. Adjusting for the trading operations, we estimate sales CAGR of 6.9% between 2016/17 and 2022/23E.

Estimated group revenue



Source: Company data and Nordea Markets

Estimated group revenue, excl. Pharma Trading

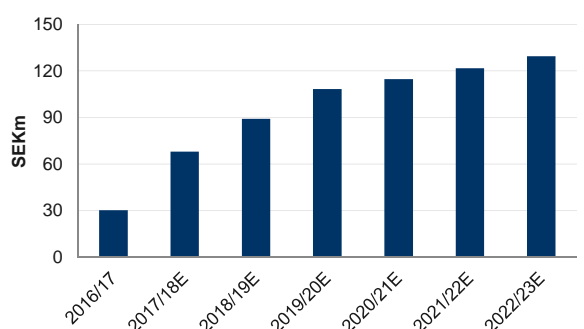


Source: Company data and Nordea Markets

Our research implies a meaningful improvement in profitability

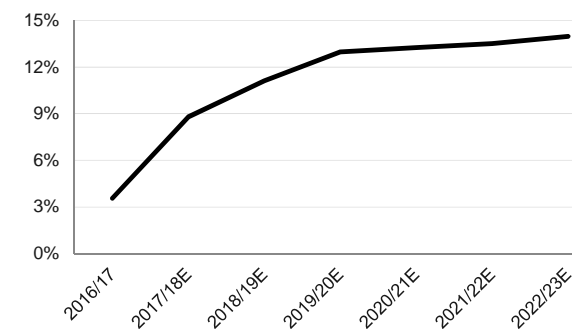
We estimate that the revenue CAGR of 1.4% could result in an EBITDA CAGR of 27.4%, mainly driven by a gradually more favourable sales mix. For 2022/23E we estimate EBITDA of SEK 130m, implying an EBITDA margin of 14.0%, versus an EBITDA margin of 3.6% in 2016/17. The margin boost can be explained by growth in Specialty Pharma, improved margins in MedTech and falling sales in the margin-dilutive Pharma Trading, translating into higher profitability for the group.

Estimated group EBITDA



Source: Company data and Nordea Markets

Estimated group EBITDA margin



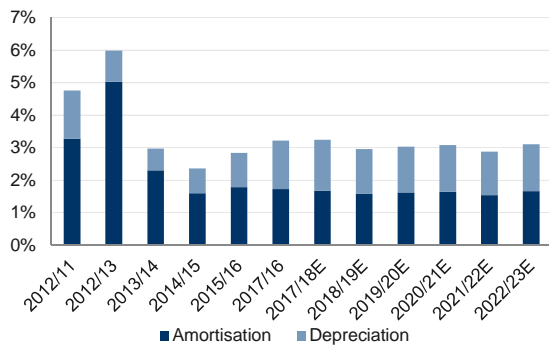
Source: Company data and Nordea Markets

We model capex levels to match amortisation and depreciation

Depreciation and amortisation relative to sales has averaged 3.7% between 2010/11 and 2016/17, peaking at 6% in 2012/13. During our forecast period we expect depreciation and amortisation relative to sales to be around 3%, which is largely in line with capex.

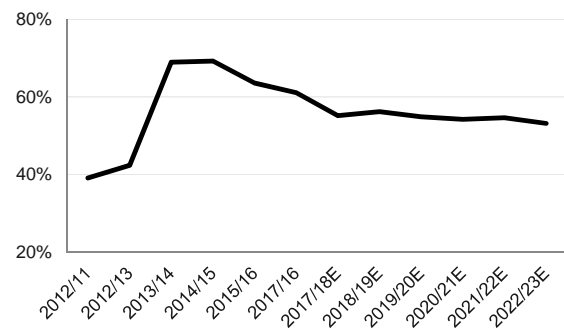
Raw materials are the largest cost item (61% relative to sales in 2016/17), followed by personnel costs (20%) and other external costs (15%). We expect raw material costs to gradually decline relative to sales, due to falling sales in Pharma Trading, while we assume a flat development relative to sales for other cost items.

Amortisation and depreciation relative to sales



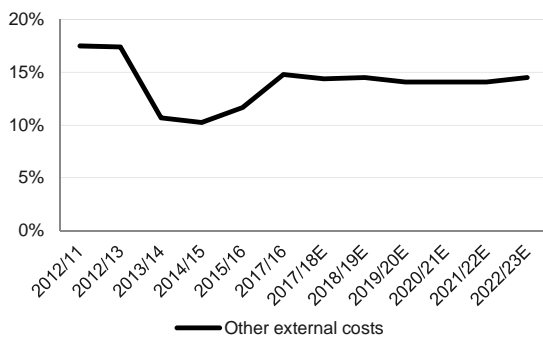
Source: Company data and Nordea Markets

Raw materials relative to sales



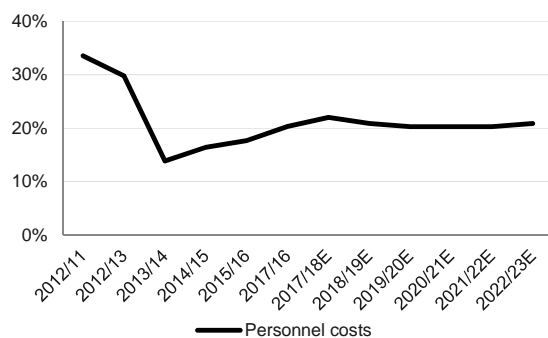
Source: Company data and Nordea Markets

Other external costs relative to sales



Source: Company data and Nordea Markets

Personnel costs relative to sales



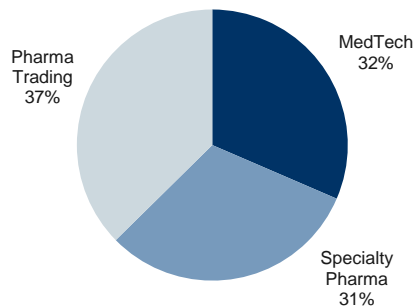
Source: Company data and Nordea Markets

Financial forecasts per business area

We forecast a gradual shift in sales mix

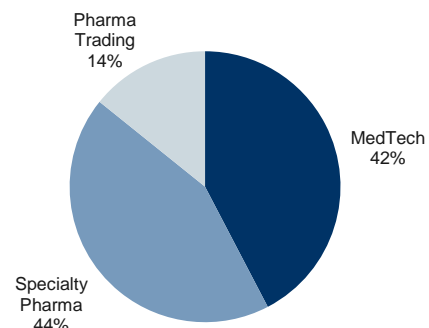
The Pharma Trading operation is MedCap’s largest sales constituent today, but has been struggling with profitability, and management has expressed an ambition to streamline these operations. We model a gradual sales decline within Pharma Trading and expect its revenue share to decrease from about 37% in 2016/17, down to 14% in 2022/23E.

Sales by business area 2016/17



Source: Company data and Nordea Markets

Estimated sales by business area 2022/2023E



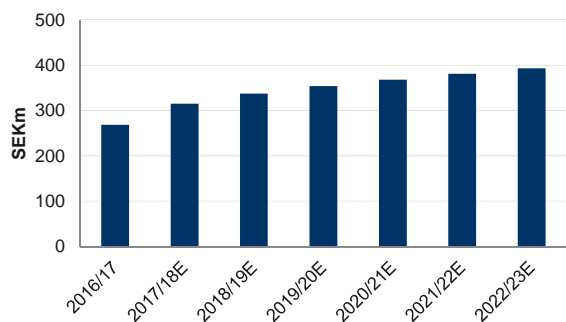
Source: Company data and Nordea Markets

MedTech

Continued solid execution in MedTech

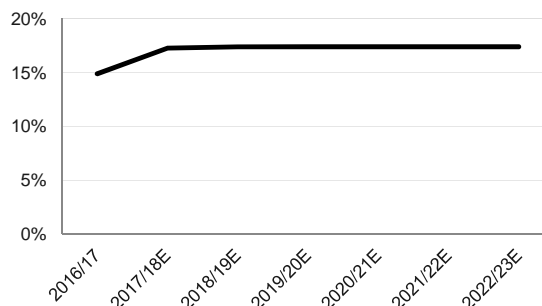
We estimate that MedTech could reach revenue of SEK 315m in 2017/18E, representing y/y growth of 18%. Within our forecast period (2016/17 to 2021/22E), we expect a revenue CAGR of 6.6%, translating into an EBITDA CAGR of 9.4%. Recent acquisitions will be the near-term growth drivers, while favourable demographics could aid long-term growth expectations and also offer the potential to expand into new markets. We also expect there to be some room for margin improvements.

MedTech estimated sales



Source: Company data and Nordea Markets

MedTech estimated EBITDA margin



Source: Company data and Nordea Markets

Specialty Pharma

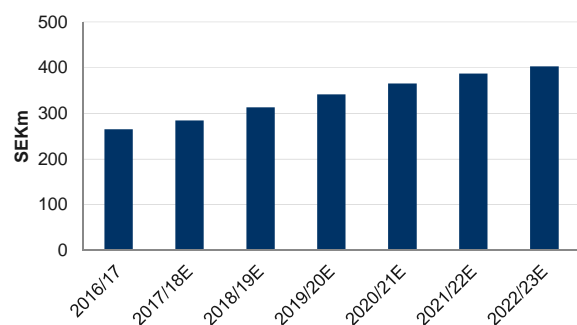
We expect accelerating product sales to gradually offset a higher cost level

We expect Specialty Pharma to be the key growth driver of the group, aided by new partnerships and internally developed pharmaceuticals. Unimedic has invested heavily in establishing a profitable specialty pharma franchise, which has been a drag on profitability in past quarters. We expect that to continue in the near term owing to elevated investment levels associated with the pipeline of new products that could be registered in the Nordics. Underlying development looks promising, however, and product sales are growing each month. We expect to see more signs of accelerating product sales in the coming quarters, gradually offsetting the higher cost level.

Sales mix to improve through less dependency on CDMO

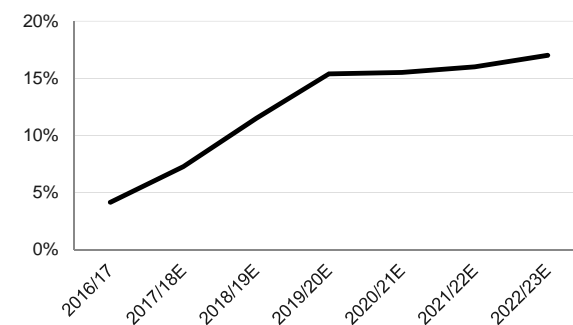
Between 2016/17 and 2022/23E we expect revenue and EBITDA CAGR of 7.2% and 35.6% respectively. We expect Unimedic could grow faster than the underlying pharmaceutical market through market share gains via the product pipeline and new partnerships. We also see scope for margin improvements as a result of the strong growth in specialty pharma, which operates with higher gross margins than contract manufacturing.

Specialty Pharma estimated sales



Source: Company data and Nordea Markets

Specialty Pharma estimated EBITDA margin



Source: Company data and Nordea Markets

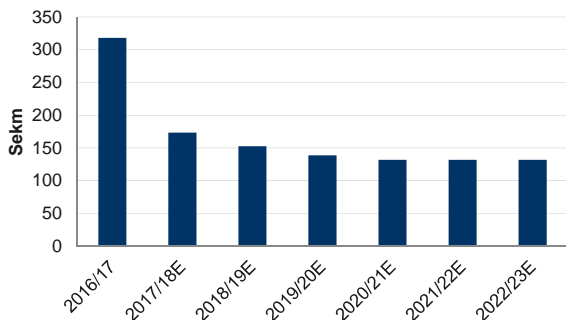
Pharma Trading

We model a long-term sustainable EBITDA margin of 2.5% for the trading operations

Management has streamlined the offering within the trading operations, which has resulted in lower sales. We estimate that sales during the forecast period could fall from SEK 312m in 2016/17 down to SEK 173m in 2017/18E.

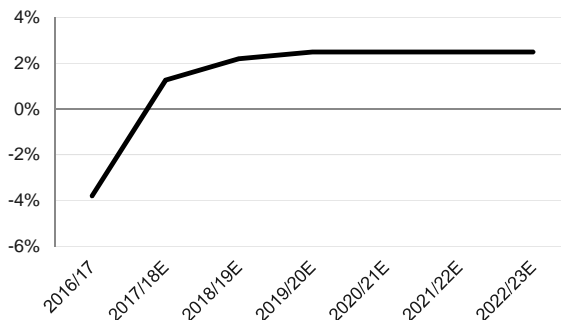
We estimate that the segment could return to profitability in 2017/18E. Over time we estimate that the business could reach a sustainable EBITDA margin of around 2.5%.

Pharma Trading estimated sales



Source: Company data and Nordea Markets

Pharma Trading estimated EBITDA margin



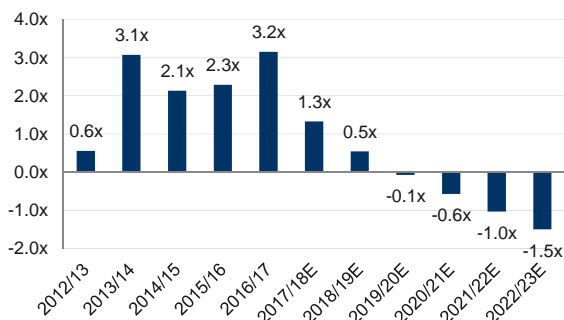
Source: Company data and Nordea Markets

Balance sheet

Lower leverage supported by improving cash flows

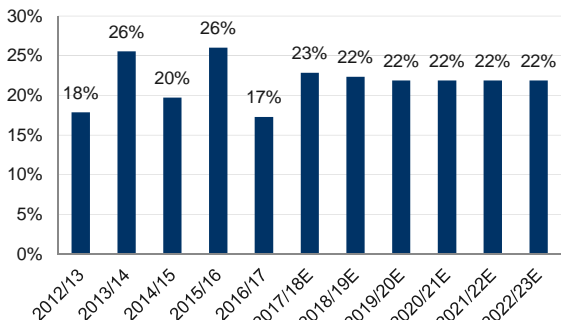
MedCap’s leverage is currently elevated compared with the five-year average net debt/EBITDA of 1.7x, but assuming no new acquisitions, we expect it to decrease in the coming years. We estimate that the company could be in a net cash position as early as at the end of 2019/20E, assuming no new acquisitions.

Estimated net debt to EBITDA



Source: Company data and Nordea Markets

Estimated net working capital to sales



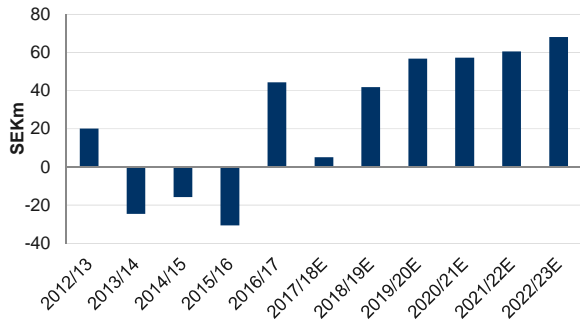
Source: Company data and Nordea Markets

Cash flow

For 2016/17 to 2022/23E, we estimate a FCF CAGR of 7%

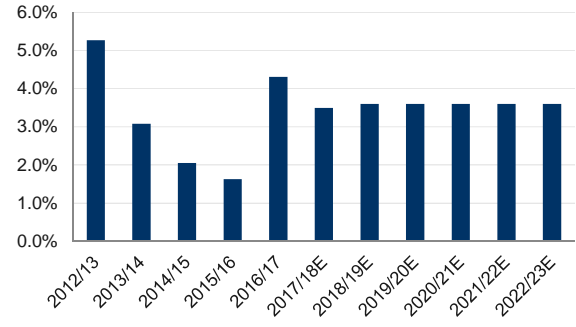
For 2016/17-2022/23E we estimate a free cash flow CAGR of 7%. In terms of capex, we estimate an increase relative to historical levels owing to rather low investment levels in 2014/15 and 2015/16.

Estimated FCF before acquisitions and divestments



Source: Company data and Nordea Markets

Estimated capex relative to sales



Source: Company data and Nordea Markets

Detailed estimates

MedCap - Detailed estimates										
SEKm	13/14	14/15	15/16	16/17	17/18E	18/19E	19/20E	20/21E	21/22E	22/23E
Sales	826	853	817	852	773	803	834	865	900	927
growth (%)	136.7%	3.2%	-4.2%	4.3%	-9.2%	3.8%	3.9%	3.7%	4.0%	3.0%
EBITDA	55	31	55	30	68	89	108	115	122	130
margin (%)	6.7%	3.6%	6.8%	3.6%	8.8%	11.1%	13.0%	13.3%	13.5%	14.0%
Net income	22	9	19	0.4	30	49	63	67	73	77
EPS	1.84	0.63	1.45	0.03	2.21	3.63	4.70	5.03	5.48	5.76
Sales										
MedTech	192	188	209	268	315	337	354	368	381	393
Specialty Pharma	210	184	264	265	285	313	341	365	387	403
Pharma Trading	423	481	344	318	173	153	139	132	132	132
Sales growth										
MedTech	10%	-2%	11%	28%	18%	7%	5%	4%	3%	3%
Specialty Pharma	21%	-13%	44%	1%	7%	10%	9%	7%	6%	4%
Pharma Trading		14%	-29%	-7%	-46%	-12%	-9%	-5%	0%	0%
Adj. EBITDA										
MedTech	32	18	25	40	54	59	62	64	66	68
Specialty Pharma	21	7	29	11	21	36	53	57	62	68
Pharma Trading	8	12	11	-12	2	3	3	3	3	3
Adj. EBITDA margin (%)										
MedTech	17%	10%	12%	15%	17%	17%	17%	17%	17%	17%
Specialty Pharma	10%	4%	11%	4%	7%	12%	15%	16%	16%	17%
Pharma Trading		2%	3%	-4%	1%	2%	3%	3%	3%	3%
Group costs & eliminations										
Sales	0	0	0	0	0	0	0	0	0	0
Group costs	-6	-6	-9	-9	-10	-9	-9	-9	-10	-11
Group costs / sales	-0.7%	-0.7%	-1.1%	-1.0%	-1.3%	-1.1%	-1.1%	-1.1%	-1.1%	-1.1%

Source: Company data and Nordea Markets

MedCap - Quarterly estimates					
SEKm	Q1 17/18	Q2 17/18	Q3 17/18E	Q4 17/18E	2017/18E
Sales	188	199	193	194	773
growth (%)	-21.1%	-10.6%	-5.5%	3.4%	-9%
EBITDA	14	17	18	19	68
margin (%)	7.3%	8.5%	9.3%	9.6%	8.8%
Net income	4	6	9	9	30
EPS	0.30	0.48	0.68	0.71	2.21
Sales					
MedTech	72	78	81	85	315
Specialty Pharma	68	74	70	73	285
Pharma Trading	49	47	42	36	173
Sales growth					
MedTech	20%	24%	15%	12%	18%
Specialty Pharma	-1%	20%	6%	6%	7%
Pharma Trading	-56%	-52%	-38%	-16%	-46%
Adj. EBITDA					
MedTech	11	14	14	15	54
Specialty Pharma	5	5	6	6	21
Pharma Trading	0	0	1	1	2
Adj. EBITDA margin (%)					
MedTech	16%	19%	17%	17%	17%
Specialty Pharma	7%	6%	8%	8%	7%
Pharma Trading	-1%	1%	2%	2%	1%
Group costs & eliminations					
Sales	0	0	0	0	0
Group costs	3	3	2	3	10
Group costs / sales	-1%	-1%	-1%	-1%	-1%

Source: Company data and Nordea Markets

Risk factors

Below, we list the main risk factors we find relevant for MedCap. The main risks we see relate to the acquisition model, the company's ability to keep key employees, general economic conditions and stricter regulation.

Potential risks stemming from acquisitions

Acquisitions and ability to acquire

We believe MedCap will continue to make acquisitions in the future. The company's future sales and profit growth is therefore, to some extent, dependent on management's ability to source and complete new deals. Furthermore, there is risk involved in integrating new businesses and the fact that MedCap could potentially overpay.

MedCap is dependent on a number of key employees

Dependency on key employees

MedCap's future success is dependent on the management's ability to motivate and keep employees, as well as attract new talent. The company relies on a number of key employees, and losing their knowledge could affect operations.

Main FX exposure to EUR, GBP, PLN and NOK

Currency exposure

As MedCap has business in different markets, currency movements could have a negative impact on results. The company is mainly exposed to movements in the EUR, GBP, PLN and NOK against the SEK. Cross Pharma is also indirectly exposed to currency movements, as a strong EUR or GBP against the SEK usually affects demand for parallel importing.

Large exposure to Sweden

General economy and geographical footprint

MedCap's future sales are, to some extent, dependent on general market conditions. The company is mainly exposed to the Nordic countries and an economic downturn in the region could affect its sales and profitability. Market conditions in Sweden are particularly important, as the country accounted for 73% of sales in 2016/17.

Dependent on a couple of key customers

Customer concentration

MedCap has a couple of key customers, primarily ApoPharm Distribution AB, which comprised 18% of sales in 2016/17. If MedCap were to lose these contracts, it could have a significant impact on business. MedCap also collaborates with a number of suppliers and distributors, and if contracts are terminated, there is a risk of supply chain disruptions, at least in the short term.

Patents and trademarks are integral for future growth

Patents and trademarks

Patents and trademarks are important for the future growth prospects of MedCap. Therefore, the company could be exposed to different types of infringements, despite efforts to defend its immaterial rights. In addition, there is a chance that MedCap is unable to patent new products and technologies in the future.

Stricter regulation could affect operations

Regulatory risks and product liability

MedCap develops pharmaceuticals and medical technology products and, as such, is exposed to the risk of product liability issues. The company considers its current insurance to be adequate to handle potential adverse events and liabilities. In addition, some of MedCap's holdings are dependent on permits and registrations at government agencies, such as the dental and pharmaceutical benefits agency (TLV). As such, there is a risk that the company will not be able to receive or maintain the required permits. Furthermore, stricter regulations could require new investments or increase costs.

Reported numbers and forecasts

Income statement												
SEKm	11/12	12/13	13/14	14/15	15/16	16/17	17/18E	18/19E	19/20E	20/21E	21/22E	22/23E
Net revenue	307	349	826	853	817	852	773	803	834	865	900	927
Revenue growth		13.5%	136.7%	3.2%	-4.2%	4.3%	-9.2%	3.8%	3.9%	3.7%	4.0%	3.0%
EBITDA	31	41	55	31	55	30	68	89	108	115	122	130
Depreciation and impairments PPE	-5	-3	-5	-14	-9	-13	-12	-11	-12	-12	-12	-13
EBITA	26	38	50	17	47	18	56	78	96	102	110	116
Amortisation and impairments	-10	-18	-19	-6	-15	-15	-13	-13	-14	-14	-14	-15
EBIT	16	20	31	11	32	3	43	65	83	88	96	101
of which associates	0	0	0	0	0	0	0	0	0	0	0	0
Associates excl. from EBIT	0	0	0	0	0	0	0	0	0	0	0	0
Net financials	-3	-1	-4	1	-7	-4	-4	-2	-1	-0	-0	-0
Pre-Tax Profit	14	20	27	12	26	-1	39	64	82	88	96	101
Reported taxes	-3	-4	-0	-2	-4	2	-9	-14	-18	-19	-21	-22
Net profit from cont. operations	11	15	26	9	22	1	31	50	64	69	75	79
Discontinued operations	2	2	-0	0	0	0	0	0	0	0	0	0
Minority interest	-2	-0	-4	-1	-2	-1	-1	-1	-1	-1	-1	-1
Net profit to equity	11	17	22	9	19	0	30	49	63	67	73	77
EPS	0.91	1.41	1.84	0.63	1.45	0.03	2.21	3.63	4.70	5.03	5.48	5.76
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent												
EBITDA	10.1%	11.9%	6.7%	3.6%	6.8%	3.6%	8.8%	11.1%	13.0%	13.3%	13.5%	14.0%
EBITA	8.6%	10.9%	6.0%	2.0%	5.7%	2.1%	7.2%	9.7%	11.6%	11.8%	12.2%	12.5%
EBIT	5.3%	5.9%	3.7%	1.3%	3.9%	0.3%	5.6%	8.2%	9.9%	10.2%	10.6%	10.9%
Adjusted earnings												
EBITDA (adj.)	31	41	55	31	55	30	68	89	108	115	122	130
EBITA (adj.)	26	38	50	17	47	18	56	78	96	102	110	116
EBIT (adj.)	16	20	31	11	32	3	43	65	83	88	96	101
EPS (adj.)	0.91	1.41	1.84	0.63	1.45	0.03	2.21	3.63	4.70	5.03	5.48	5.76
Adjusted profit margins in percent												
EBITDA (adj.)	10.1%	11.9%	6.7%	3.6%	6.8%	3.6%	8.8%	11.1%	13.0%	13.3%	13.5%	14.0%
EBITA (adj.)	8.6%	10.9%	6.0%	2.0%	5.7%	2.1%	7.2%	9.7%	11.6%	11.8%	12.2%	12.5%
EBIT (adj.)	5.3%	5.9%	3.7%	1.3%	3.9%	0.3%	5.6%	8.2%	9.9%	10.2%	10.6%	10.9%
Performance metrics												
CAGR last 5 years												
Net revenue	n.a.	n.a.	n.a.	n.a.	27.7%	25.0%	-1.6%	-1.5%	0.5%	0.4%	3.9%	3.7%
EBITDA	n.a.	n.a.	n.a.	n.a.	15.6%	-7.5%	5.3%	30.2%	18.3%	39.5%	15.7%	9.8%
EBIT	n.a.	n.a.	n.a.	n.a.	18.4%	-38.8%	8.6%	56.4%	26.7%	135.2%	22.2%	11.4%
EPS	n.a.	n.a.	n.a.	n.a.	12.3%	-62.8%	4.7%	54.7%	34.2%	268.9%	25.4%	12.3%
DPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average EBIT margin	n.a.	n.a.	4.6%	3.4%	3.5%	2.6%	2.9%	3.8%	5.6%	6.8%	9.0%	10.0%
Average EBITDA margin	n.a.	n.a.	8.6%	6.8%	6.8%	5.8%	5.8%	6.7%	8.6%	9.9%	12.0%	13.0%

Source: Company data and Nordea Markets

Valuation ratios - adjusted earnings												
SEKm	11/12	12/13	13/14	14/15	15/16	16/17	17/18E	18/19E	19/20E	20/21E	21/22E	22/23E
P/E (adj.)	17.5	14.9	23.1	43.6	21.0	n.m.	17.9	10.9	8.4	7.9	7.2	6.9
EV/EBITDA (adj.)	6.9	7.0	12.6	14.5	10.2	17.0	9.5	6.8	5.1	4.3	3.6	2.8
EV/EBITA (adj.)	8.1	7.6	14.0	25.7	12.0	29.4	11.5	7.7	5.7	4.8	4.0	3.2
EV/EBIT (adj.)	13.1	14.0	22.6	41.0	17.5	n.m.	15.0	9.2	6.6	5.6	4.5	3.6
Valuation ratios/reported earnings												
P/E	17.5	14.9	23.1	43.6	21.0	n.m.	17.9	10.9	8.4	7.9	7.2	6.9
EV/Sales	0.7	0.8	0.8	0.5	0.7	0.6	0.8	0.8	0.7	0.6	0.5	0.4
EV/EBITDA	6.9	7.0	12.6	14.5	10.2	17.0	9.5	6.8	5.1	4.3	3.6	2.8
EV/EBITA	8.1	7.6	14.0	25.7	12.0	29.4	11.5	7.7	5.7	4.8	4.0	3.2
EV/EBIT	13.1	14.0	22.6	41.0	17.5	n.m.	15.0	9.2	6.6	5.6	4.5	3.6
Dividend yield (ord.)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	6.4%	3.3%	-4.7%	-4.3%	-15.5%	11.1%	1.0%	7.9%	10.7%	10.8%	11.4%	12.8%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea Markets

Balance sheet												
SEKm	11/12	12/13	13/14	14/15	15/16	16/17	17/18E	18/19E	19/20E	20/21E	21/22E	22/23E
Intangible assets	150	168	176	174	204	213	217	222	227	232	238	243
of which R&D	0	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	117	126	120	117	109	118	122	127	132	136	142	147
of which goodwill	33	42	56	57	95	95	95	95	95	95	95	95
Tangible assets	25	18	27	25	36	37	35	35	35	35	35	35
Shares associates	0	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	2	0	4	4	4	5	0	0	0	0	0	0
Other non-int. bearing assets	0	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	1	1	1	1	1	2	0	0	0	0	0	0
Total non-current assets	177	187	208	204	245	256	252	257	262	266	273	277
Inventory	55	65	172	112	140	127	115	120	124	129	134	138
Accounts receivable	41	55	187	146	179	120	147	149	150	156	162	167
Other current assets	9	12	12	13	22	17	21	21	22	23	24	25
Cash and bank	28	46	21	75	51	43	48	35	36	66	126	194
Total current assets	133	178	393	345	392	307	331	324	333	374	447	524
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	311	365	601	549	637	563	582	581	595	640	719	802
Shareholders equity	160	185	209	267	282	271	301	349	412	480	553	630
of which preferred stock	0	0	0	0	0	0	0	0	0	0	0	0
of which Equity of hyb. debt	0	0	0	0	0	0	0	0	0	0	0	0
Minority interest	10	10	13	14	26	21	22	24	25	26	28	29
Total Equity	170	195	222	281	308	292	323	373	437	506	581	659
Deferred tax	31	31	27	25	21	15	15	15	15	15	15	15
Long term int. bearing debt	20	23	29	12	55	19	138	83	28	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0	0
Total non-curr. liabilities	51	54	56	37	77	35	153	98	43	15	15	15
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	26	26	86	52	69	52	47	49	51	53	55	57
Other current liabilities	36	44	75	50	60	65	59	61	64	66	69	71
Short term interest bearing debt	27	46	163	129	123	119	0	0	0	0	0	0
Total current liabilities	89	115	323	231	251	236	106	110	115	119	124	127
Liab.for assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	311	365	601	549	637	563	582	581	595	640	719	802
Balance sheet and debt metrics												
Net debt	19	23	170	66	127	96	90	49	-8	-65	-126	-194
Working capital	43	62	211	168	212	147	177	179	182	189	197	203
Invested capital	220	249	419	372	457	404	428	436	444	455	469	480
Capital employed	221	249	278	318	385	327	476	471	480	521	596	674
ROE	6.9%	9.9%	11.3%	3.6%	7.1%	0.1%	10.4%	15.0%	16.6%	15.1%	14.2%	13.1%
ROIC	6.0%	6.8%	8.8%	2.2%	6.4%	1.0%	8.0%	11.8%	14.7%	15.3%	16.2%	16.6%
ROCE	7.4%	8.2%	11.1%	3.4%	8.3%	0.9%	9.0%	13.9%	17.3%	16.9%	16.1%	14.9%
Net debt/EBITDA	0.6	0.6	3.1	2.1	2.3	3.2	1.3	0.5	-0.1	-0.6	-1.0	-1.5
Interest coverage	4.2	8.6	4.7	3.8	4.8	0.7	12.2	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	51.6%	50.8%	34.8%	48.6%	44.3%	48.1%	51.6%	60.1%	69.3%	75.0%	76.9%	78.6%
Net gearing	11.2%	11.8%	76.8%	23.6%	41.1%	32.7%	28.0%	13.0%	-1.8%	-12.9%	-21.7%	-29.5%

Source: Company data and Nordea Markets

Cash flow statement												
SEKm	11/12	12/13	13/14	14/15	15/16	16/17	17/18E	18/19E	19/20E	20/21E	21/22E	22/23E
EBITDA (adj.) for associates	31	41	55	31	55	30	68	89	108	115	122	130
Paid taxes	-6	-4	-10	-9	-9	-3	-9	-14	-18	-19	-21	-22
Net financials	-3	3	-4	1	-2	-3	-4	-2	-1	0	0	0
Change in Provisions	0	0	0	0	0	0	0	0	0	0	0	0
Change in other LT non-IB	3	2	-5	0	1	-2	6	0	0	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0	0
Other adj. to reconcile to cash flow	4	5	2	4	-4	0	0	0	0	0	0	0
Funds from operations (FFO)	29	46	38	26	40	22	62	74	90	95	101	107
Change in NWC	0	-8	-37	-24	-55	59	-29	-3	-3	-7	-8	-6
Cash flow from op. (CFO)	29	39	1	2	-14	81	32	71	87	89	93	101
Capital Expenditure	-17	-18	-26	-18	-16	-37	-27	-29	-30	-31	-32	-33
Free Cash Flow before A&D	12	20	-25	-16	-31	44	5	42	57	57	61	68
Proceeds from sale of assets	0	10	1	0	0	0	0	0	0	0	0	0
Acquisitions	0	-22	0	0	-33	0	0	0	0	0	0	0
Free cash flow	12	8	-24	-16	-63	44	5	42	57	57	61	68
Dividends paid	0	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	13	0	10	0	55	0	0	0	0	0	0	0
Net change in debt	0	0	1	-3	29	-36	0	-55	-55	-28	0	0
Other financing adjustments	0	0	0	0	11	-17	0	0	0	0	0	0
Other non-cash adjustments	-27	9	-11	73	-56	0	0	0	0	0	0	0
Change in cash	-2	17	-24	54	-24	-8	5	-13	2	29	61	68
Cash flow metrics												
Capex/D&A	135.4%	88.1%	103.9%	87.2%	57.5%	133.8%	107.9%	121.8%	118.8%	117.1%	125.2%	116.0%
Capex/Sales	-6.4%	-5.3%	-3.1%	-2.1%	-1.6%	-4.3%	-3.5%	-3.6%	-3.6%	-3.6%	-3.6%	-3.6%
Key information												
Share price year end (current)	16	21	43	28	31	30	40	40	40	40	40	40
Market cap	186	254	515	369	409	399	532	532	532	532	532	532
Enterprise value	215	288	698	449	562	516	645	604	549	493	434	367
Diluted no. of shares, year-end (m)	11.6	12.1	12.1	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4

Source: Company data and Nordea Markets

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