REDEYE

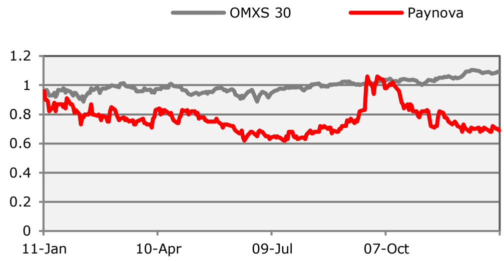
Summary

Paynova (PAY.ST)

Updated projections

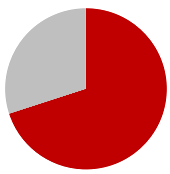
- The consumer credit service for Paynova's largest client SJ has now been fully operational for almost two full quarters. This has given us indications of growth in sales and margin development for the new business model. In this report, we have modified our long-term financial projections and motivated fair value accordingly.
- Updated financial projections has resulted in a new estimated fair value of 1.3 SEK per share in our Base Case scenario. The Bear and Bull Case scenarios implies values of 0.9 SEK and 2.8 SEK respectively.
- Paynova has successfully completed the transition to the new business model and has capacity and operational experience to add new clients without increasing costs significantly. Paynova's is in discussions with large, well-established companies and we believe the chances of adding new clients during the spring is rather high.

List:	Nordic Growth Market
Market Cap:	180 MSEK
Industry:	Information Technology
CEO:	Daniel Ekberger
Chairman:	Anders Persson



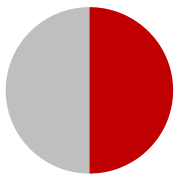
Redeye Rating (0 – 10 points)

Management



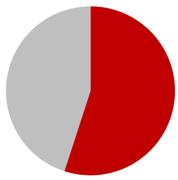
7.0 points

Ownership



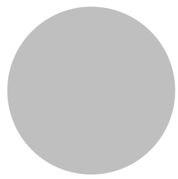
5.0 points

Profit outlook



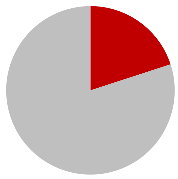
5.5 points

Profitability



0.0 points

Financial strength



2.0 points

Key Financials

	2014	2015	2016E	2017E	2018E
Revenue, MSEK	26	27	30	47	68
Growth	*-4%*	*1%*	*14%*	*55%*	*45%*
EBITDA	-13	-9	-10	0	11
EBITDA margin	*-47%*	*-32%*	*-34%*	*1%*	*16%*
EBIT	-14	-10	-16	-1	9
EBIT margin	*-55%*	*-39%*	*-53%*	*-2%*	*14%*
Pre-tax earnings	-14	-12	-18	-2	8
Net earnings	-14	-12	-18	-2	8
Net margin	*-54%*	*-44%*	*-58%*	*-5%*	*12%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
EPS adj.	-0.09	-0.06	-0.07	-0.01	0.03
P/E adj.	0.0	-14.5	-10.2	-81.0	22.0
EV/S	-0.1	6.5	6.2	4.0	2.2
EV/EBITDA	0.2	-20.2	-18.1	412.5	13.7

Share information	
Share price (SEK)	0.7
Number of shares (m)	253.1
Market Cap (MSEK)	180
Net debt (MSEK)	10
Free float (%)	53 %
Daily turnover ('000)	200

Analyst:
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Redeye Rating: Background and definitions

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

Company Qualities

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

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

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Q3 2016 results

Comments on Q3 results

Revenue for the third quarter came in at 7.4 mSEK which was an increase with 0.5 mSEK vs Q3 2015. However, the quarterly revenue was far below our expectations of SEK 11.8 million which is further explained below. As much as 50% of revenues are now emanating from the new consumer credit offering. EBIT was lower than expected due to depreciation and amortization of SEK -4.1 million. The reason was mainly a non-recurring cost of SEK -3.6 million.

Paynova
q-o-q results

mSEK	Q3 2016	Q3 2015	*Change mSEK*
Transactionbased revenues	6.7	6.2	*0.4*
Other revenues	0.7	0.7	*0.0*
Total Revenues	**7.4**	**6.9**	***0.5***
Direct transaction costs	-0.9	-0.9	*0.0*
Production costs	-1.0	-0.9	*0.0*
Other external costs	-2.1	-2.1	*0.0*
Staff	-5.2	-4.3	*-0.9*
EBITDA	**-1.9**	**-1.4**	***-0.5***
Depreciation&Amortisation	-4.1	-0.4	*-3.6*
EBIT	**-6.0**	**-1.8**	***-4.1***
Financials net	-0.3	-0.7	*0.4*
Tax (22%)	0.0	0.0	
Profit	**-6.2**	**-2.5**	***-3.7***

The reason for the drop in revenue was that SJ excluded the option to pay by direct bank payments on their newly launched web site and app. For Paynova, direct bank payments generate higher revenues per transaction but the profitability is also lower. As SJ represents a large part of Paynovas revenues, the total effect in Q3 was a sharp decrease in revenues but a positive effect on gross margins. We have previously assumed that gross margins would decrease as the share of invoice and instalments increased. However, Paynova showed a gross margin of as much as 79% in Q2 and 74% in Q3. In 2014 and 2015, when Paynovas revenues came from solely from direct payments, gross margins were 71% and 72% respectively. The combination of lower than expected revenue growth and higher gross margins have made us change our long-term financial projections and motivated fair value. This is described in more detail in the next chapter.

EBIT was depressed by non-recurring costs coming from a write-down of immaterial assets, 2,3 mSEK, and a deferred interest payment, 1,3 mSEK. The CEO's comments tells us that breakeven is pushed forward to next year as opposed to previously mentioned, at the end of this year. CEO Daniel Ekberger also declared that the health care client decided to expand its consumer credit offering and this has resulted in a prolonged application process with the financial authorities. We now expect to see the first revenue from this offering in 2017, instead of previously assumed in 2016.

Financial projections

Changes to financial projections

The consumer credit solution for Paynovas largest client SJ has now been fully operational during almost two full quarters. In Q3, both the web site and the app for payments was operational during the whole quarter. This has given us indications of the growth in sales and margin development for the new business model. The observations are mainly two;

1) Revenue progression is not increasing to the same extent as we initially expected
2) The costs as a percentage of sales are lower and margins are higher

We therefore see a need to make adjustments to our short and long term projections.

The good news is that clients are using the consumer credit offering and they are paying with invoice and instalments. In the Q3-report, CEO Daniel Ekberger declared that as much as 50% of revenues are now coming from the new payment service. As explained in previous publications, revenues from processing an invoice is higher compared to what Paynova receives when processing direct payments. So why has not revenues increased to a larger extent in Q3? If you assume that Paynova handles the same amount of transactions (volumes stay the same) and a growing share is paid by invoice (average revenue per transaction increases), this should result in an increase in revenues quarter-to-quarter. However, revenues in Q3 actually decreased vs Q2 2016. The reason is that when SJ launched their new web site they also excluded the payment option of direct bank payments. On the web site and on the app, the customer can now choose between payment through credit card and consumer credit, not bank payments. For Paynova, direct bank payments generate higher revenues but the profitability is also lower. As SJ represents a large part of Paynovas revenues, the total effect in Q3 was a sharp decrease in revenues from direct payments and a positive effect on gross margins.

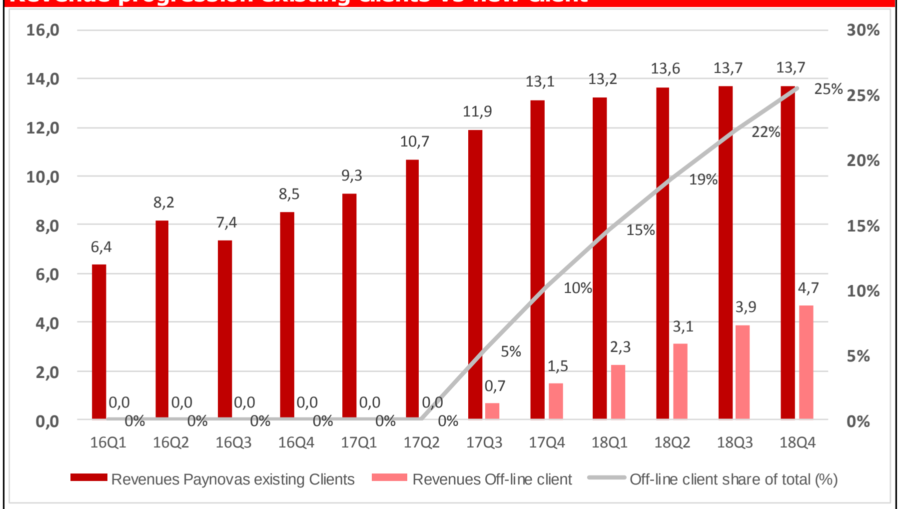
What will then be the revenue progression going forward? As previously mentioned, the lay-out of the payment offering is important to the share of customers choosing invoice or instalments. In the current lay-out, the customer has to scroll down a drop down menu in order to pay by invoice and the risk is that many customers miss this payment option. Competing providers of similar invoice services are aware of this and have therefore designed their check-out process so that invoice and instalments is a pre-elected choice. If the customer doesn't want to pay by invoice they have to make an active choice to click to the next level to find payments by card or bank transfers. We believe that a change to make the payment by invoice more visible on SJs site would have a large impact on the level of invoice payments.

Another way to make the customer aware of the invoice option and chose it more frequently is through marketing campaigns. As Paynova mentioned in their Q3-report, this is continuously being made through on- and off-line marketing to SJs customers. In conclusion, we believe that the share of payments by invoice and instalments will increase over time but at a slower rate and to a lower share of revenues at maturity. We have therefore decreased our growth rate and share of revenues at the mature state for the existing clients.

We have also adjusted for the delay in revenues from the off-line, health care client. We previously assumed to see revenues from the health care client in this quarter, Q4 2016, but we now assume to see the first revenues in Q3 2017. As previously declared, the roll-out and revenue progression will be gradual over several quarters and the revenue potential is still larger than for SJ. Finally, we have not included any revenues from the potential partnership with Amadeus at this stage.

The new revenue assumptions are summarised below.

Revenue progression existing clients vs new client



Source: Redeye

While the revenues were lower than expected in Q3 2016, the margins were actually much higher. Gross margins for the years 2014 and 2015 were 71% and 72% respectively. During these years, Paynovas revenues came solely from traditional payment processing. We assumed that these margins would decrease as the share of invoice and instalments increased. However, Paynova showed a gross margin of as much as 79% in Q2 and 74% in Q3. As mentioned above, one reason for this is that direct bank payments is less profitable and depressed total margins. We still believe gross margins will decrease over time but at a somewhat slower pace and to a higher level at maturity.

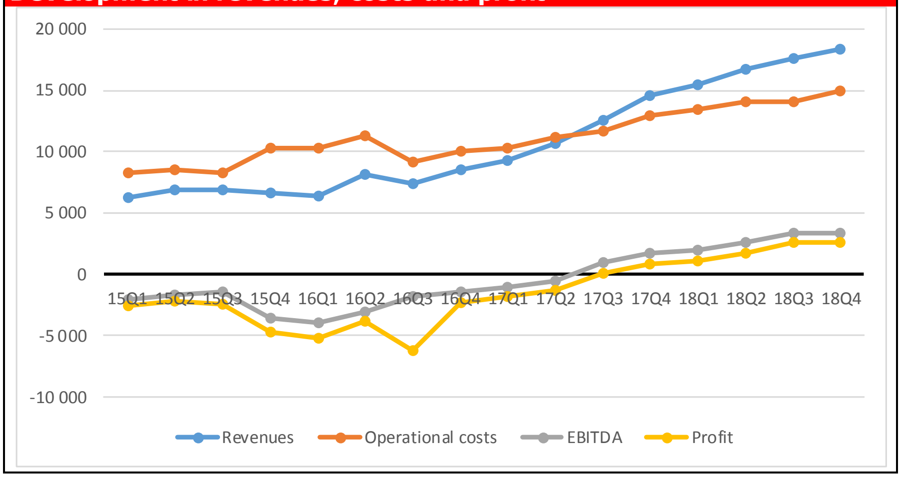
Our new assumptions for revenues, margins and profit are summarised in the table below.

Summary (mSEK)	Q1	Q2	Q3	Q4	2016	Q1	Q2	Q3	Q4	2017	Q1	Q2	Q3	Q4	2018
Revenues	**6,4**	**8,2**	**7,4**	**8,5**	**30,4**	**9,3**	**10,7**	**12,6**	**14,6**	**47,1**	**15,5**	**16,8**	**17,6**	**18,4**	**68,2**
Operational costs	10,4	11,3	9,2	10,0	40,9	10,3	11,2	11,6	12,9	46,0	13,5	14,1	14,2	14,9	56,8
EBITDA	**-4,0**	**-3,1**	**-1,9**	**-1,5**	**-10,5**	**-1,0**	**-0,5**	**0,9**	**1,7**	**1,1**	**2,0**	**2,6**	**3,4**	**3,4**	**11,4**
EBITDA-margin (%)	*-63%*	*-38%*	*-25%*	*-17%*	*-34%*	*-11%*	*-5%*	*7%*	*12%*	*2%*	*13%*	*16%*	*19%*	*19%*	*17%*
EBIT	**-4,5**	**-3,6**	**-6,0**	**-2,0**	**-16,1**	**-1,5**	**-1,0**	**0,4**	**1,2**	**-0,9**	**1,5**	**2,1**	**2,9**	**2,9**	**9,4**
EBIT-margin (%)	*-71%*	*-44%*	*-81%*	*-23%*	*-53%*	*-16%*	*-9%*	*3%*	*8%*	*-2%*	*10%*	*13%*	*17%*	*16%*	*14%*
Profit	**-5,3**	**-3,9**	**-6,2**	**-2,3**	**-17,6**	**-1,9**	**-1,3**	**0,1**	**0,9**	**-2,2**	**1,2**	**1,8**	**2,6**	**2,6**	**8,1**
Profit margin (%)	*-83%*	*-47%*	*-85%*	*-27%*	*-58%*	*-20%*	*-12%*	*1%*	*6%*	*-5%*	*7%*	*11%*	*15%*	*14%*	*12%*

Source: Redeye

As can be seen, positive EBITDA and profitability is now pushed forward to Q3 2017.

Development in revenues, costs and profit

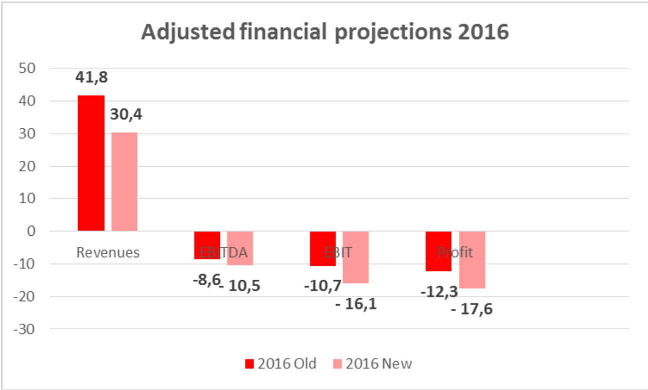


Source: Redeye

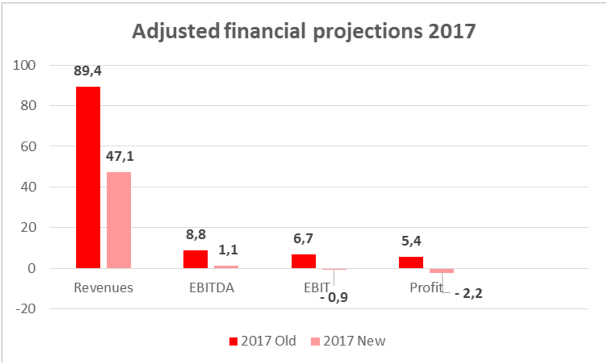
Summary of changes

To make comparisons with our previous assumptions easier, we have summarised the changes for each year below.

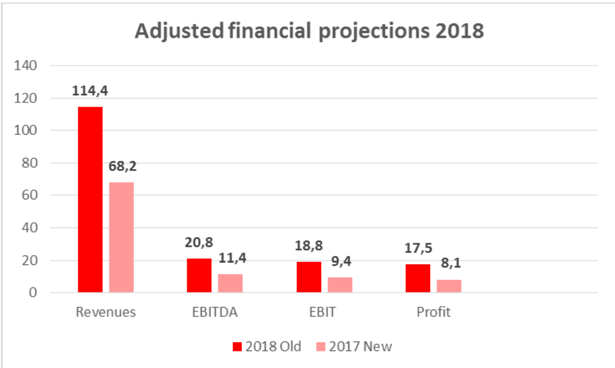
Full Year 2016



Full Year 2017



Full Year 2018



Valuation

Updated DCF-valuation

The base case valuation has been updated with the new assumptions outlined in the Financial Projections chapter. Comments are given below.

DCF valuation		Cash flow, MSEK	
WACC (%)	16,0%	NPV FCF (2016-2018)	37
		NPV FCF (2019-2025)	152
		NPV FCF (2026-)	137
		Non-operating assets	17
		Interest-bearing debt	-20
		Fair value estimate MSEK	323
Assumptions 2016-2022 (%)			
Average sales growth	30,5%	**Fair value e. per share, SEK**	**1,3**
EBIT margin	9,6%	Share price, SEK	0,7

- WACC; The discount rate has been lowered 0,6%, from 16,6% to 16,0%, due to a change in our rating for Ownership from 4,0 to 5,0. The reason for the improved rating is Paynovas first institutional and long-term investor, Origo Quest, which has become the largest owner. The discount rate is still high and the main reason is that the new business model is lacking track record of profitability. However, when Paynova starts showing profitability and recurring revenues from the consumer credit service, the rate will decrease and present value of future earnings will increase.

- Average sales growth 2016-2022 (%); Sales growth is still high in the coming years due to the increase in revenues from SJ and the new health care client. However, updated average sales growth has been decreased 4%, from 34,3% to 30,5%, in 2016-22. Revenue projections will be updated when signed contracts with new large clients are announced.

- EBIT-margin; Paynovas business model is highly scalable which results in margin expansion. The long-term EBIT-margin assumption of 28% in 2022 remains. However, average EBIT-margin in 2016-2022 is lowered almost 6%, from 15.2% to 9,6%, due to the delay in profitability.

- A positive effect for future cash flow comes from the tax shield amounting to 343 mSEK.

The DCF-calculation indicates an estimated value of 1,3 SEK per share.

The discounted cash flow calculation results in an updated fair value in the Base Case scenario of **1,3 SEK per share**.

Updated Bear and Bull Case scenarios

In the **Bear Case scenario** it is assumed that no contracts with new clients are signed. In Paynovas existing client base, the share of consumers paying by credit is 10% instead of 20% used in the base case scenario. Out of these 10%, 8% pays by invoice and 2% by instalments. This leads to a lower revenue growth and a long term EBIT-margin of 16%. The risk remains high and the WACC stays at an elevated level of 16,0%. The negative effect from the delay in profitability and the positive effect from the lower WACC net out. The result is an unchanged, updated DCF-based value **0,9 SEK per share** in our Bear Case scenario.

The Bull and Bear case scenarios indicates values of 2,8 and 0,9 SEK respectively

It should be noted that there is a value in both the existing processing platform and the newly developed consumer credit platform. Acquiring a functioning payment platform would be interesting for both local and international companies that want to expand in the Nordics. Using the valuation on DIBS gives a value of 108 mSEK for the existing platform for processing[1]. As the potential value of the consumer credit platform is much higher, it is fair to argue that the downside is limited even in a bear case scenario.

Paynovas management has high ambitions and sees a number of potential new clients for their consumer credit service. In the **Bull Case scenario** it is assumed that Paynova delivers according to the projections made in the base case for the existing client base (including the new health care client). However, the bull case also includes a number of new clients. New clients are assumed to have a higher share of consumer credit from the start, ie 20%. The aggregated revenue from the new clients amounts to the same magnitude as SJ (the bulk of todays revenues) in the mature state and grows gradually from 2018 and onwards. We have also made conservative revenue assumptions coming from the announced partnership discussion with Amadeus. Finally, having a proven and profitable business model also brings down the WACC which increases the present value of future earnings. All in all, this results in a fair value for the Bull Case scenario of **2,8 SEK per share**. A large contribution to the higher valuation comes from the lower discount rate.

[1] See Initiation Report; "Cashing in on e-commerce"

Investment Case Summary

A rapidly growing market

E-commerce in Sweden has grown by ten times since 2013 and this structural growth shows no signs of abating

Paynova is operating in a market with high structural growth. Purchasing of goods and services on the Internet is growing rapidly due to increasing penetration of connected devices, ease of use and increased security. E-commerce in Sweden has grown by ten times since 2013 and this structural growth shows no signs of abating. However, this evolving market is also exposed to changing consumer patterns driven by technological advancements. E-retailers are exposed to fierce competition on the Internet due to comparison sites, lack of physical distance (”just a click away”) and international competitors entering the domestic markets.

Paynovas service enables e-retailers to receive a share of the proceeds from consumer credit and to keep the ownership of the customer

To be successful on-line, the handling of payments is an important factor for e-retailers. To address this, Paynova has developed a consumer credit service which enables the e-retailers to grow sales and increase profit margins substantially. In short, Paynovas service is enabling e-retailers to receive a share of the proceeds from consumer credit and to keep the ownership of the customer. The latter is important since the payment process can be used as a sales tool and increase repeat sales.

The new Paynova

The new Consumer Credit offering, Invoice as a service, was launched and marketed towards existing and new clients from the beginning of 2015

Since Daniel Ekberger took the helm in February 2013 Paynova has transformed from a PSP into a Fin Tech company fully focused on consumer credit solutions. Mr Ekberger formed a new management team and a new strategy was developed. The first part of the business plan was to restructure the company, integrate the acquired consumer credit platform and finalise the new service offering. This was completed in 2014 and the new Consumer Credit offering, ***Invoice as a service***, was launched and marketed towards existing and new clients from the beginning of 2015.

Entering a phase of growth

The proceeds from invoices and installments is several times higher than for direct payments

Paynova has now implemented the consumer credit service for their largest client SJ, the national railway operator in Sweden. SJs clients are able to pay by invoice or installments, through Paynovas platform, starting from Q2 2016. This will have considerable impact on revenues since the proceeds from invoices and installments is several times higher than for direct payments. Paynova is also conducting a number of pilot tests for other clients which could lead to additional revenue growth in the coming years.

Valuation

Paynova has now completed the implementation, testing and launch of the consumer credit platform for SJ. The project is of paramount importance to Paynova as it is the first large assignment showing the success of the new business model. Paynova can now show the benefits of the revenue sharing model, in actual figures, and this will obviously facilitate the sales process to new clients. Paynova is in discussions with a number of new clients and has signed a contract with a dominant player in the Nordic off-line health care segment.

Updated projections has resulted in an estimated fair value of 1,3 SEK per share. The bear and bull case scenarios indicate values of 0,9 SEK and 2,8 SEK respectively

Updated financial projections outlined in this report has resulted in a new estimated fair value of **1,3 SEK per share** in our Base Case scenario. The Bear and Bull Case scenarios indicate values of **0,9 SEK** and **2,8 SEK** respectively.

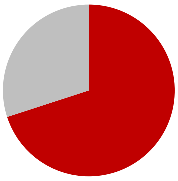
Potential positive triggers, that would lead to adjustments to growth projections and company value, are announcements of additional contracts. One potential negative trigger lies in the fact that SJ is by far the largest among their 200 clients. The development of consumer credit from SJ will therefore have a large impact on future total revenues for Paynova. Risks on the downside would be if the usage of consumer credit among SJs customers will be lower than expected. Announcements of additional contracts from new, large clients would therefore be positive both in terms of higher revenue but also lower company risk.

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.

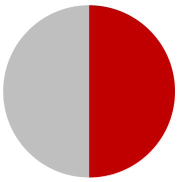
Rating changes in the report

Management 7.0p



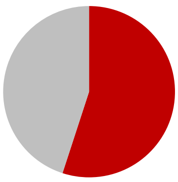
Management has a profound understanding of the fin tech market and has developed a competitive product offering. Managment has also delivered on its new business plan and been consistent in communicating its vision. What brings down the rating is the lack of track record for the new business model and the consumer credit service. When Invoice as a Service is fully operational and the business model delivers recurring revenues this will increase the rating.

Ownership 5.0p



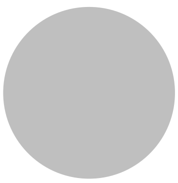
The operative management is showing high conviction by owning as much as 14,8% of the company. The new institutional investment fund Origo Quest has become the biggest shareholder and this has increased the rating from 4,0 to 5,0. The board has a fairly low ownership in the company.

Profit outlook 5.5p



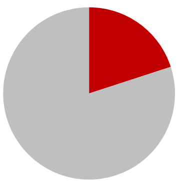
Paynova has a competitive product offering and is operating in a market with high structural growth. The potential to deliver high profit growth is therefore high. However, Paynova doesn't have a dominant position in the market and currently has no recurring income from long term clients in the consumer credit segment.

Profitability 0.0p



Paynova has invested heavily in the restructuring of the company and in product development. Paynova is therefore leaving an unprofitable period and entering a period of improving margins and profitability. When Paynova starts showing positive cash flow and consistency in profits this rating will increase rapidly.

Financial strength 2.0p



Paynova is expecting the proceeds from the last rights issue to cover operational costs until profitability. However, the current lack of profitability and the dependance on one large client lowers the rating. There is also a risk for potential additional rights issues if the implementation for SJ is delayed.

Income statement	2014	2015	2016E	2017E	2018E
Net sales	26	27	30	47	68
Total operating costs	-39	-35	-41	-47	-57
EBITDA	**-13**	**-9**	**-10**	**0**	**11**
Depreciation	0	0	0	0	0
Amortization	-2	-2	-6	-1	-1
Impairment charges	0	0	0	0	0
EBIT	**-14**	**-10**	**-16**	**-1**	**9**
Share in profits	0	0	0	0	0
Net financial items	0	-1	-2	-1	-1
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	**-14**	**-12**	**-18**	**-2**	**8**
Tax	0	0	0	0	0
Net earnings	**-14**	**-12**	**-18**	**-2**	**8**

Balance	2014	2015	2016E	2017E	2018E
Assets					
Current assets					
Cash in banks	3	17	19	30	43
Receivables	5	13	15	23	33
Inventories	0	0	0	0	0
Other current assets	10	5	5	5	5
Current assets	**18**	**35**	**39**	**58**	**82**
Fixed assets					
Tangible assets	0	0	0	1	1
Associated comp.	0	0	0	0	0
Investments	0	4	4	4	4
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	15	26	26	28	3
O non-current assets	0	0	0	0	0
Total fixed assets	**15**	**30**	**30**	**32**	**8**
Deferred tax assets	0	0	0	0	0
Total (assets)	**34**	**65**	**69**	**90**	**89**
Liabilities					
Current liabilities					
Short-term debt	1	9	13	17	6
Accounts payable	7	8	9	15	21
O current liabilities	10	13	15	23	33
Current liabilities	**17**	**30**	**37**	**55**	**60**
Long-term debt	0	11	16	21	7
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	**17**	**41**	**53**	**76**	**67**
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	16	24	17	14	22
Minority interest (BS)	0	0	0	0	0
Minority & equity	**16**	**24**	**17**	**14**	**22**
Total liab & SE	**34**	**65**	**69**	**90**	**89**

Free cash flow	2014	2015	2016E	2017E	2018E
Net sales	26	27	30	47	68
Total operating costs	-39	-35	-41	-47	-57
Depreciations total	-2	-2	-6	-1	-1
EBIT	**-14**	**-10**	**-16**	**-1**	**9**
Taxes on EBIT	0	0	0	0	0
NOPLAT	**-14**	**-10**	**-16**	**-1**	**9**
Depreciation	2	2	6	1	1
Gross cash flow	**-13**	**-9**	**-10**	**0**	**11**
Change in WC	2	2	1	5	7
Gross CAPEX	-10	-16	-6	-4	23
Free cash flow	**-21**	**-23**	**-15**	**2**	**41**

Capital structure	2014	2015	2016E	2017E	2018E
Equity ratio	48%	36%	24%	16%	25%
Debt/equity ratio	6%	85%	173%	268%	56%
Net debt	-2	3	9	8	-31
Capital employed	14	26	26	23	-8
Capital turnover rate	0.8	0.4	0.4	0.5	0.8

Growth	2014	2015	2016E	2017E	2018E
Sales growth	-4%	1%	14%	55%	45%
EPS growth (adj)	0%	-38%	26%	-87%	-467%

DCF valuation		Cash flow, MSEK	
WACC (%)	16.0 %	NPV FCF (2016-2018)	37
		NPV FCF (2019-2025)	152
		NPV FCF (2026-)	137
		Non-operating assets	17
		Interest-bearing debt	-20
		Fair value estimate MSEK	323
Assumptions 2016-2022 (%)			
Average sales growth	30.5 %	**Fair value e. per share, SEK**	**1.3**
EBIT margin	9.6 %	Share price, SEK	0.7

Profitability	2014	2015	2016E	2017E	2018E
ROE	-133%	-59%	-88%	-14%	44%
ROCE	-109%	-34%	-36%	-2%	22%
ROIC	-187%	-74%	-61%	-3%	41%
EBITDA margin	-47%	-32%	-34%	1%	16%
EBIT margin	-55%	-39%	-53%	-2%	14%
Net margin	-54%	-44%	-58%	-5%	12%

Data per share	2014	2015	2016E	2017E	2018E
EPS	-0.09	-0.06	-0.07	-0.01	0.03
EPS adj	-0.09	-0.06	-0.07	-0.01	0.03
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	-0.01	0.01	0.04	0.03	-0.12
Total shares	160.00	213.33	253.06	253.06	253.06

Valuation	2014	2015	2016E	2017E	2018E
EV	-2.3	173.6	188.9	188.1	148.9
P/E	0.0	-14.5	-10.2	-81.0	22.0
P/E diluted	0.0	-14.5	-10.2	-81.0	22.0
P/Sales	0.0	6.4	5.9	3.8	2.6
EV/Sales	-0.1	6.5	6.2	4.0	2.2
EV/EBITDA	0.2	-20.2	-18.1	412.5	13.7
EV/EBIT	0.2	-16.8	-11.8	-209.2	15.8
P/BV	0.0	7.2	10.9	12.6	8.0

Share performance		Growth/year	14/16e
1 month	1.4 %	Net sales	7.3 %
3 month	-27.6 %	Operating profit adj	5.4 %
12 month	-24.5 %	EPS, just	-11.8 %
Since start of the year	-1.4 %	Equity	1.1 %

Shareholder structure %	Capital	Votes
Origo Fonder	9.0 %	9.0 %
Avanza Pension	7.7 %	7.7 %
Nordnet Pensionsförsäkring	5.5 %	5.5 %
Kjell-Åke Sundqvist	4.2 %	4.2 %
Theodor Jeansson	4.0 %	4.0 %
Daniel Ekberger	3.9 %	3.9 %
Bjarne Ahlenius	3.7 %	3.7 %
Robert Norling	3.5 %	3.5 %
Christina Ivstam	2.5 %	2.5 %
Gevriye Oygun	1.9 %	1.9 %

Share information	
Reuters code	PAY.ST
List	Nordic Growth Market
Share price	0.7
Total shares, million	253.1
Market Cap, MSEK	179.7

Management & board	
CEO	Daniel Ekberger
CFO	Bjarne Ahlenius
IR	
Chairman	Anders Persson

Financial information

Analysts	Redeye AB
Tomas Otterbeck	Mäster Samuelsgatan 42, 10tr
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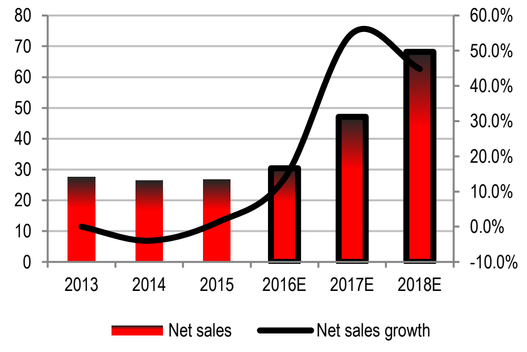
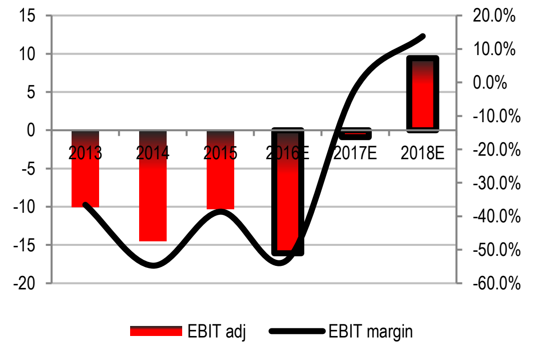
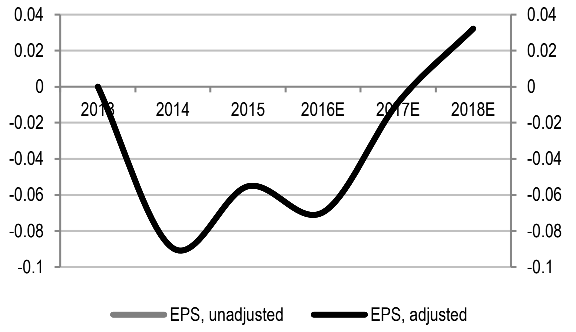
Revenue & Growth (%)



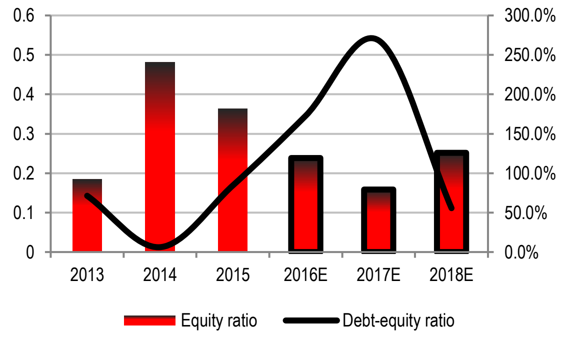
EBIT (adjusted) & Margin (%)



Earnings per share



Equity & debt-equity ratio (%)



Conflict of interests

Tomas Otterbeck owns shares in Paynova : No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.

Company description

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Redeye Rating (2017-01-12)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	41	42	20	8	19
3,5p - 7,0p	73	63	95	36	45
0,0p - 3,0p	9	18	8	79	59
Company N	123	123	123	123	123

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