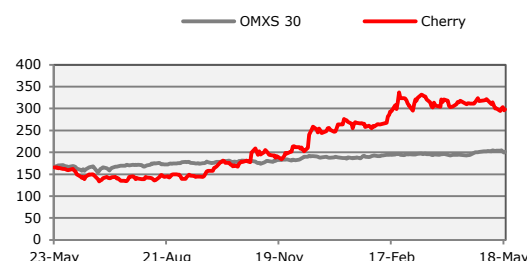
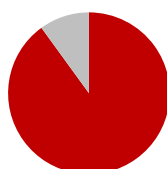


Summary
Cherry (CHERB.ST)
Value expansion continues

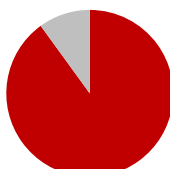
- Cherry started 2017 in the same way as they ended 2016, at a high phase. Net sales for Q1'17 was in line with our high expectations and the profitability outperformed. Game Lounge saw a significant pick-up in revenues; Yggdrasil continues to deliver and signed ten new customers during the period. Come On! (earlier Cherry iGaming) grew heavily and XCaliber signed their first client.
- Cherry continues to impress us and following the strong report we have made some positive forecast adjustment. We continue to see further margin expansion as Cherry's increase their presences throughout the value chain.
- Our forecast and rating adjustment leads to an increased estimated Fair Value, in Base-case, of 408 (382) SEK per share. We believe that the market continues to underestimate Cherry's long-term prospects.

List:
Market Cap:
Industry:
CEO:
Chairman:

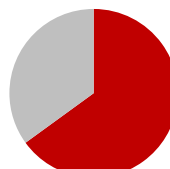
Aktietorget
6,119 MSEK
Betting/Entertainment
Anders Holmgren
Morten Klein


Redeye Rating (0 – 10 points)
Management


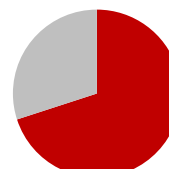
9.0 points

Ownership


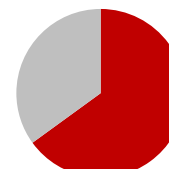
9.0 points

Profit outlook


6.5 points

Profitability


7.0 points

Financial strength


6.5 points

Key Financials

	2015	2016	2017E	2018E	2019E
Revenue, MSEK	527	1,102	2,635	3,432	4,118
Growth	55%	109%	139%	30%	20%
EBITDA	36	149	535	857	1,117
EBITDA margin	7%	13%	20%	25%	27%
EBIT	13	626	377	701	843
EBIT margin	3%	57%	14%	20%	20%
Pre-tax earnings	7	649	260	567	732
Net earnings	2	610	213	504	653
Net margin	0%	55%	8%	15%	16%
Dividend/Share	0.00	0.00	0.00	12.22	15.86
EPS adj.	0.12	4.86	10.33	24.45	31.71
P/E adj.	304.7	8.0	28.8	12.1	9.4
EV/S	1.3	6.8	3.2	2.2	1.7
EV/EBITDA	18.9	50.2	15.5	8.9	6.4

Share information

Share price (SEK)	297.0
Number of shares (m)	20.6
Market Cap (MSEK)	6,119
Net debt (MSEK)	1,623
Free float (%)	30 %
Daily turnover ('000)	7

Analysts:
Kristoffer Lindstrom
Kristoffer.lindstrom@redeye.se

Johan Svantesson
Johan.svantesson@redeye.se

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

Redeye Rating: Background and definitions

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

Company Qualities

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

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

Strong profitability

Estimate vs outcome				
MSEK	Q1'16	Q1'17A	Q1'17E	Dif.
Net sales	177	541	561	-4%
EBITDA	26	83	81	3%
EBIT**	18	52	45	14%
Net sales growth	86%	205%	217%	
EBITDA-margin	14%	15%	14%	
EBIT-margin	10%	10%	8%	
Segments				
Revenues				
Restaurant Casino	39	37	41	-11%
Growth	10%	-5%	7%	
iGaming - ComeOn	119	453	475	-5%
Growth	104%	281%	300%	
Yggdrasil Gaming*	11	27	26	5%
Growth	522%	142%	131%	
PB Marketing*	9	24	19	27%
Growth	39%	183%	124%	
EBIT				
Restaurant Casino	4	3	3	-9%
margin	10%	7%	7%	
Cherry iGaming	8	31	38	-19%
margin	7%	7%	8%	
Yggdrasil Gaming	6	11	5	121%
margin	49%	39%	19%	
PB Marketing	4	13	6	102%
margin	42%	54%	34%	

*Exclusion of Internal Revenues

Source: Redeye Research, Cherry

During the first quarter of 2017 Cherry reported net sales just 4% below our estimate and grew by massively 205%, of which 44% was organic. The profitability was better than expected, primarily driven by high margins for both Yggdrasil and Game Lounge. Cherry continues to deliver, and our view of the case is intact following the report. Some key happenings during the quarter were the appointment of [Anders Holmgren](#) as CEO, the Swedish government's proposal for [re-regulating the gambling market in Sweden](#). After the quarter had ended, [XCaliber signed](#) their first external customer and Cherry acquired a minority stake in [Highlight Games](#). At the AGM in May Morten Klein, the major shareholder was elected [Chairman and the board approved a share split of 5:1](#). The company has also [postponed their listing plans on Nasdaq Stockholm](#) as Cherry instead focus on the integration of acquisitions and further develop their core business. You can also read our updated [Investment Thesis](#).

As always we will dig into the different business areas; [Online Gaming \(ComeOn!\)](#), [Game Development \(Yggdrasil Gaming\)](#), [Performance-based Marketing \(Game Lounge\)](#), [Game Technology \(XCaliber\)](#) and [Restaurant Casino](#) further down in the research report.

Investment Thesis

Cherry is one of the most diversified iGaming companies in Europe with operations in almost the whole value chain. The Cherry Group has a strong focus on entrepreneurship with all subsidiaries within the Group run as separate and independent units, often by their original founders. The company has a solid track record as an incubator of casino companies with Betsson and Netent being the most noteworthy. Furthermore Cherry has a deep focus on creating shareholder value through smart capital allocation. The sale of Automatgruppen and acquisition of Yggdrasil, Game Lounge, Almor, and ComeOn is some examples where management has added value through M&A during the last couple of years.

The key ingredient in the investment Case of Cherry is; their expansion throughout the iGaming value chain risk reduction due to their diversified business units, entrepreneurial and innovative DNA, capital allocation skills, the structural growth of iGaming and.

Value chain expansion and risk reduction: In 2012 Cherry took the strategic decision to expand within the iGaming value chain. At that time the company operated a B2C casino operator and had their Restaurant Casino business. Now Cherry is active as a Game supplier, Affiliate supplier, Platform supplier and had expanded their B2C offering substantially. As the company now controls a larger part of the value chain the profitability and growth opportunities has grown considerably. Despite the success for both Yggdrasil (Game Development) and Game Lounge (Affiliate), the companies are still just at the beginning of their growth journey. The newly launched platform supplier, XCaliber, holds substantial potential. As the company now controls their value chain, their B2C brands can fully take advantage of new channels and build their brand awareness to an even greater extent. The fact that Cherry has operations within five different business segments reduces the risk compared to a pure player.

Entrepreneurial and innovative DNA: Cherry has always had a thirst for innovation and doing things their own way. When the company initiated their new strategic decision of expanding in the value chain most said it was the wrong move to make. In hindsight, we know that Cherry made the right choice. Yggdrasil continuously creates industry first innovation. All segments within the Cherry family are run as separate companies with their own management teams, which are often the founders of the companies. This leads to a decentralized organization where innovation can thrive.

Capital Allocation: Profound capital allocation skills should not be underestimated. Cherry continues to do value adding acquisitions and focus their capital on strengthening their position

in the industry further. Both the Chairman and CEO has substantial shareholdings; this leads to a focus on building long-term wealth and not the typical short-minded focus many public companies suffer from.

iGaming growth: Cherry operates in an industry driven by substantial structural forces which will continue for many years to come. Digital gambling in Europe is still less than 20% of the total gambling market, but are steadily growing by roughly 8% per year. The digitalization of gambling will not come into stop but rather increase.

We believe the market continues to underestimate the long-term prospects for Cherry

We believe the market continues to underestimate the long-term prospects for Cherry. The highly successful Yggdrasil and Game Lounge are only at the begging of their growth story and their uptake in revenues will lead to increased margins for the Group. As such; we believe that Cherry's sustainable margin levels will increase the coming year's due to the expansion of Yggdrasil, Game Lounge, and XCaliber. We also find it likely that the margins within the operator business ComeOn! will expand as more and more synergies between the "old" Cherry iGaming and ComeOn unfolds. We also state that the market put too little premium on the management's shareholder friendliness.

Ani-thesis and risk factors with Bear Points

- Competition for competence is fierce, hard times to acquire the right competences could stall the expansion of the company.
- Most of Cherry's subsidiaries are led by their founders. If key personal should decide to leave and do something else this could harm the subsidiaries operations substantially.
- Cherry has been picky when it comes to acquisitions, still acquiring companies takes time and poses a risk that the money spent do not create value. However, we are confident in management's capabilities.
- Regulations pose a risk for an iGaming company. Many markets in Europe are still unregulated. New legalization which hurts the industry could dampen the business for Cherry.

Ander Holmgren as the CEO

As we previously has discussed we see Anders Holmgren as an excellent choice for the CEO position. Anders is a board member since 2015 and has extensive experience in the iGaming industry as one of the founders of Betsson where he also served as CEO of Betsson Malta and Board Member of Betsson. His most recent task within Betsson was the establishment of Betsson in Asia. We will here briefly describe Anders past positions. In conjunction with the Q4 report we had an interview with Anders. See it [here](#).

CEO**Cherry AB**

Jan 2017 – Current

Executive Director**Gamewin AB: Investment Company**

Dec 2011 – Current

Non-Executive Director**Yggdrasil Holding**

2015 – Current

Non-Executive Director**Cherry AB**

2015 – Jan 2017

Co-Founder, CEO and Executive Director, Board Member**Betsson AB**

Nov 2000 – Aug 2011

*Anders is one of the
largest shareholders in
Cherry*

Anders holds 351 000 shares valued at about SEK 100m, something we find as highly positive. Anders is an entrepreneur to his core and most likely have a leadership style focused on delegation, which is perfect for Cherry as the company now consists of five diversified business segments that all operate with a high grade of independence under the “Cherry umbrella.”

A regulation of the Swedish iGaming market

After the quarter had ended, the Swedish government released their report regarding the re-regulation of the gambling market. The new regime is set to come into force in 2019, and the government proposes a Gross Gaming Revenue tax of 18% on online gambling and a licensing system. The proposed tax rate was in line with expectations. Overall Cherry believes that the proposal is well-balanced and that they believe it could become a reality given that there are no larger adjustments to the proposed framework.

The new regime is set to come into force in 2019, and the government proposes a Gross Gaming Revenue tax of 18%

GGR tax rates on games Europe		
Country	Tax rate	Lic. system introduced
Estonia	5%	2010
Lithuania	10%	2016
Belgium	11% +21% VAT	2011 (VAT 2016)
Latvia	15%	2015
UK	15%	2014
Sweden	18%	2019
Denmark	20%	2012
Italy	20%	2006
Portugal	15-30%	2017
Spain	25%	2011
Czech Republic	35%	2016
Greece	35%	2015
France	65%	2010

Source: Redeye Research

The proposal was not that favorable for Cherry's Restaurant Casino. The increase of maximum bet was not what the company had hoped for, and at the same time the employers' fees for young has increased, and the government proposes an increased excise duty for gaming tables. If the proposals within restaurant gambling take effects, , smaller gaming locations will suffer but overall we believe that Cherry Spelglädje will gain from the regulation as the stakes playing with today is 50 SEK and most likely will be 100 SEK going forward.Cherry had however hoped for a stake of 200 SEK compared to the proposal 111 SEK.. On the other hand, the business only stands for roughly 6% of the Group's total revenue and there will be new opportunities to run i.e. Poker tournaments.

We at Redeye have previously discussed that we found a rate below 20% as likely and that any higher would lead to a low acceptance among the gambling operators. The proposed tax rate is the lower spectrum of European countries that has re-regulated their iGaming markets. We believe the newly proposed Swedish gambling tax regime will also act as an important guideline for other European countries that is looking to re-regulate their markets.

The proposed GGR rate was as expected and we see no reasons to make any larger forecast adjustments for Cherry's operator business. In our projections, we have already taken height regarding a slight margin pressure the coming years, due to the ongoing re-regulation of the European market.

Overall the proposed tax regime must be seen as positive for the industry and might indicate where other countries will settle with their re-regulated GGR taxes. The new system is set to come into force during early 2019, for that to be possible no larger adjustments can be made to the proposal.

XCaliber sign their first external contract

After the period ended XCaliber signed their first external customer. Read the PM [here](#). The client is a smaller Fantasy Sport company called FSport. XCaliber will provide Fantasy Sports platform FSport with its leading affiliate system, Omarsys, for performance-based digital marketing over a three-year contract.



As FSport is still in their early phase, we do not expect any larger financial contribution during 2017 from the deal. Still, it acts as an important strategic step to sing a first external customer. In our forecast, we expect the segment would have three clients signed and two live by the end of 2017. We note that XCaliber is ahead of schedule.

Highlight Games

Just prior the AGM Cherry announced that they had purchased 25% of the shares in Highlight Games, with an option to acquire 26% more during an 18 month period. Read the PM [here](#). For the first 25%, Cherry is paying GBP 2.4m.

Highlight Games was founded in 2014 and develop innovative, sport-focused and IP-protected virtual games for network gaming operators as well as free games. Today the company's main product is called SOCCER BET and has content from the major European football leagues. In addition to exclusive football rights, the company is planning to launch games sought in other sports, to the virtual and sports betting market 2017 and beyond.

Cherry believe that their segment Game Development with their success story Yggdrasil can help fuel Highlight to the next level. We will treat the stake in Highlight Games as an unconsolidated associate company and value it at cost.

At Redeye we always emphasize the importance of shareholdings from board members and key personnel

Morten Klein as Chairmen, share split and postponed listing

At the AGM Morten Klein was elected as the Chairman of the board. Morten is a major shareholder and is also part of the Group Management as head of Business Development and Partnership. The appointment comes as no surprise, and we see no one more suitable for the position than Morten Klein. At Redeye we always emphasize the importance of shareholdings from board members and key personnel. Now the Cherry's CEO has holdings exceeding SEK 100m, and the Chairman have stocks with a value of more than SEK 850m. It is hard to find a company with a more shareholder-friendly focus than Cherry.

Morten Klein has been one of the key people behind the strategic decisions Cherry initiated in 2012 to diversify and enter a larger part of the iGaming value chain. We have interviewed Morten a couple of times, and we advise a reader to listen to one of those interviews to understand his vision for Cherry. You can find one of the interviews [here](#). Cherry also proposed and approved a share split of 5:1 at the AGM.

Cherry will list their share on Nasdaq Stockholm, if that happens tomorrow, in one year or two does not matter according to us.

Cherry has also informed the market that the planned listing on Nasdaq Stockholm has been postponed. Earlier the company had communicated that they aimed for a listing during H1 2017 and now instead says after summer 2017, due to the integration work following the acquisitions and the acquired stake in Highlight Games have taken a lot of management's time. Cherry will list their share on Nasdaq Stockholm, if that happens tomorrow, in one year or two does not matter according to us. What is important is continuing building their business and thus generating value for the shareholders.

Online Gaming - ComeOn! – Investments in marketing

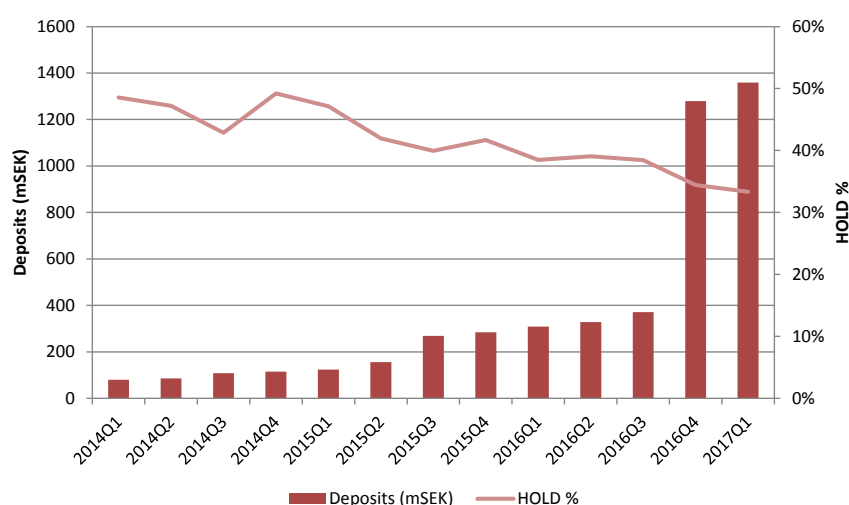
Estimate vs outcome, Online Gaming - ComeOn!				
MSEK	Q1'16	Q1'17A	Q1'17E	Dif.
Net Sale	119	453	475	-5%
Other OPEX	-74	-194	-209	
EBITDAM	45	259	266	-3%
Marketing expenses	-33	-202	-200	
EBITDA	12	57	67	-15%
D&A	-4	-26	-29	
EBIT	8	31	38	-19%
Net sales growth		281%	300%	
EBITDAM margin	38%	57%	56%	
EBITDA margin	10%	13%	14%	
EBIT margin	7%	7%	8%	

Source: Redeye Research, Cherry

As expected the Online Gaming business area (ComeOn!) made significant investments in marketing during the period, which will drive a continued strong organic uptake in the coming quarters. The marketing expenses amounted to 45% of revenues; we had 42% in our projections. Higher than expected marketing is of no concern to us, and we find it likely that the investment rate will continue at a high phase. The incorporation work between ComeOn and the “old Cherry iGaming” continues, and the company keeps find both income and cost synergies. We believe that the integration still drives some extraordinary costs. Both customers and deposits continue to rise significantly.

The iGaming segment made significant investments in marketing during the period

Quarter, iGaming - ComeOn!: Deposits (mSEK) & HOLD %



Source: Cherry & Redeye Research

We also note that the Hold during the quarter amounted to 33% (38% last year) which might indicate a relatively low sportsbook margin and many mid-sized bets and winnings in the casino. Fluctuation in the sports margin depends on sports results, and casino margin can sometimes be weak due to outliers.

Next quarter

We expect to see EBIT margins in the region of 7-16% during the coming quarters, as the marketing investments continue at relatively high levels. For Q2'17 we anticipate net sales of SEK 525m, growth of 310%, with and EBIT-margin of 10%.

Detailed estimate, quarter										
mSEK	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17E	Q3'17E	Q4'17E	2017E
Net sales	119	128	143	441	831	453	525	585	639	2203
Other OPEX	-74	-76	-79	-185	-414	-194	-226	-252	-268	-940
EBITDAM	45	52	64	255	417	259	300	334	371	1263
Marketing exp.	-33	-47	-46	-168	-294	-202	-215	-228	-230	-876
EBITDA	12	5	18	88	123	57	84	105	141	387
D&A	-4	-4	-4	-30	-42	-26	-32	-35	-38	-131
EBIT	8	1	14	58	81	31	53	70	102	256
Net sales growth	104%	96%	33%	272%	137%	281%	310%	310%	45%	437%
EBITDAM margin	38%	41%	45%	58%	50%	57%	57%	57%	58%	57%
EBITDA margin	10%	4%	13%	20%	15%	13%	16%	18%	22%	18%
EBIT margin	7%	1%	10%	13%	10%	7%	10%	12%	16%	12%

Source: Redeye Research

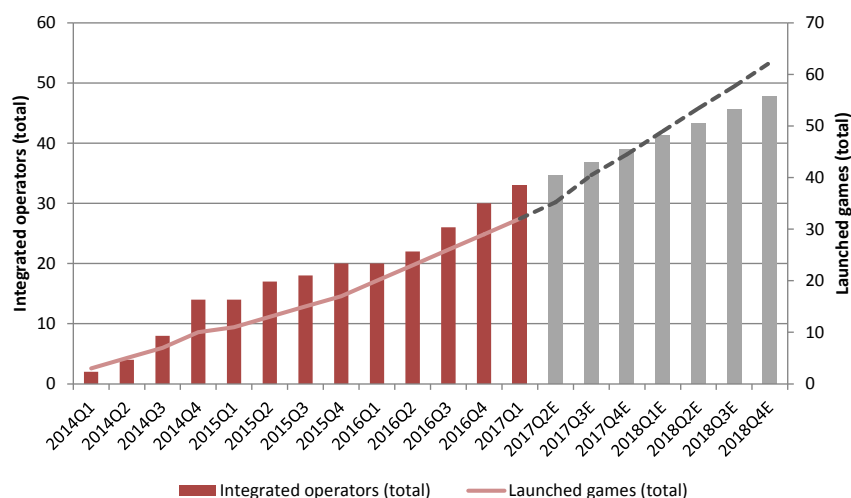
Game Development – Expanding and building for the future

Estimate vs outcome, Game Development				
MSEK	Q1'16	Q1'17A	Q1'17E	Dif.
Sales	14	33	35	-6%
to Cherry	-3	-6	-10	
Net sale	11	27	26	5%
OPEX	-6	-20	-28	
EBITDA	8	13	7	79%
D&A	-2	-3	-3	
EBIT	6	11	5	121%
Sales growth		135%	149%	
Net sales growth		142%	131%	
EBITDA margin	56%	40%	21%	
EBIT margin	39%	32%	14%	

Source: Redeye

Game Development (Yggdrasil Gaming) delivered an organic uptake of whopping 142% (based on net sales), almost spot on to our projections. The profitability beat our estimate by a wide margin, and the company reported an EBIT margin of 32%. We thought the organizational investments would be higher and expected a larger cost from the ICE conference.

Yggdrasil Gaming: Integrated operators (total) & Launched games (total)



Source: Cherry & Redeye Research

Ten new license agreements have been signed

Yggdrasil launched three new game titles and initiated a new business concept called Yggdrasil dragons during the quarter. Ten new license agreements have been signed including William Hill, Marathonbet, and bwin, who is Yggdrasil Gaming's first partner in Italy. After the period ended Yggdrasil went live with their first games in Italy. We expect to see a continued strong uptake in revenue due to the expanding game portfolio and new integrated operators.

Next quarter

The revenue level will continue to rise during Q2'17. The company continues to invest in the organization which might dampen the near-term profitability and creates margin fluctuations. For example, the company is establishing both their Group company with an HQ and a game studio in Stockholm. For the next quarter, we anticipate a net sales level of SEK 32m with an EBIT of SEK 14m.

Detailed estimate, quarter										
mSEK	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17E	Q3'17E	Q4'17E	2017E
Sales	14	20	21	32	87	33	39	45	56	173
to Cherry	-3	-3	-3	-10	-19	-6	-7	-8	-9	-30
Net sales	11	17	18	22	68	27	32	37	47	143
OPEX	-6	-10	-12	-19	-47	-20	-22	-26	-31	-99
EBITDA	8	10	9	13	40	13	16	19	25	74
D&A	-2	-3	-3	-4	-13	-3	-3	-3	-4	-12
EBIT	6	7	6	9	27	11	14	16	21	62
Net sales growth	522%	944%	339%	171%	334%	142%	90%	106%	111%	110%
*EBITDA margin	56%	49%	44%	42%	46%	40%	42%	43%	44%	43%
*EBIT margin	39%	34%	28%	29%	31%	32%	35%	36%	37%	36%
Integrated operators	20	22	26	30		33	35	37	39	
Game portfolio	20	23	26	29		32	35	40	45	
Rev Game & Oper. (kSEK)	28	33	27	26		26	26	25	27	

Source: Redeye Research

*Based on total sales

Performance-based Marketing – Investments during Q4'16 paid off

Estimate vs outcome, PBM				
MSEK	Q1'16	Q1'17A	Q1'17E	Dif.
Sales	10	30	25	21%
to Cherry	-1	-6	-5	
Net sale	9	24	19	27%
OPEX	-6	-20	-28	
EBITDA	5	15	8	79%
D&A	-2	-3	-3	
EBIT	4	13	6	102%
Sales growth		202%	149%	
Net sales growth	161%	183%	124%	
EBITDA margin	46%	49%	33%	
EBIT margin	37%	43%	26%	

Source: Redeye

The investment conducted during Q4'16 seems to have paid off

Performance-based Marketing (PBM) with Game Lounge at the helm reported a net sales growth of 183%, quarter on quarter the income rose by 77%. The profitability was also high, and the segment delivered an EBIT margin of 43%. The investment conducted during Q4'16 seems to have paid off, and we expect to see a high investment rate in the coming quarters. The launch in Japan did not affect the income levels but likely drove some costs.

The investment phase during Q1 continued at a high level, and we believe that the extensive marketing efforts during the last two quarters will boost the growth rate the coming period. As stated before; in our estimates, we only make conservative assumptions regarding the success in the Japan. If we see a significant traction from that market, we will have to adjust our estimates upwards. The reported margin levels will be highly depended on the investment rate from the company. For Q2'17 we project net sales of SEK 35m with and EBIT of SEK 15m.

Detailed estimate, quarter										
mSEK	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17E	Q3'17E	Q4'17E	2017E
Sales	10	13	16	19	57	30	35	40	44	150
to Cherry	-1	-1	-2	-5	-10	-6	-6	-7	-8	-27
Net sales	9	11	13	14	47	24	29	33	37	123
OPEX	-5	-9	-10	-13	-38	-15	-19	-21	-22	-77
EBITDA	5	3	6	5	19	15	17	20	22	73
D&A	-1	-1	-1	-2	-5	-2	-2	-2	-2	-7
EBIT	4	2	5	4	14	13	15	18	20	66
Net sales growth	161%	207%	168%	97%	-62%	77%	20%	15%	10%	163%
*EBITDA margin	46%	26%	37%	28%	33%	49%	47%	49%	50%	49%
*EBIT margin	37%	18%	30%	20%	25%	43%	42%	45%	46%	44%

Source: Cherry and Redeye Research

Restaurant – Mixed feelings regarding re-regulation

Estimate vs outcome, Restaurant casino				
MSEK	Q1'16	Q1'17A	Q1'17E	Dif.
Net Sales	39	37	41	-11%
OPEX	-34	-34	-37	
EBITDA	5	4	4	-14%
D&A	-1	-1	-1	
EBIT	4	3	3	-9%
Net sales growth		-5%	7%	
EBITDA margin	12%	9%	10%	
EBIT margin	10%	7%	7%	

Source: Redeye Research

Restaurant casino (Cherry Spelglädje) income deviated to some degree from our forecast, but the impact on the Group level is very limited. Calendar effects mainly explain the drop in revenue as Q1 is normally the weakest quarter during the year. The proposal from the government regarding increased minimum bets was not what Cherry had hoped. Our projections are not based on an increased minimum stake, we have always treated it as a positive option, and thus it will not affect our forecast. The thing that affects the segment the most is the previously raised employers' fees for young and the proposed increased excise duty for gaming tables from today's level of 2000 SEK to 5000 SEK. This will dampen the margins for Cherry's gaming tables. The stakes is proposed to be raised from today's 73 SEK to 111. In theory the stakes played with is 50 SEK today and will in many gaming locations be 100 SEK going forward which in mitigate the increased tax but might lead to smaller gaming venues to shut down. Also new games will be able to launch as Poker tournament is proposed to be allowed. Cherry Spelglädje is the only player that today could offer this both internally and towards other operators. However in this stage hard to predict how much this will increase sales and margins.

Long-term estimate for the Restaurant casino

We have decreased our long-term margins assumptions slightly downwards. Long-term we find an EBIT-margin in the region of 6-7% and top-line growth of around 4% as sustainable.

Detailed estimate, long term											
mSEK	2014	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Revenues	148	161	157	162	168	175	182	189	197	205	211
Total OPEX	-135	-146	-144	-150	-156	-163	-170	-177	-184	-192	-197
EBIT	13	16	13	12	13	12	12	12	13	13	14
Net sales growth	16%	9%	-3%	3%	4%	4%	4%	4%	4%	4%	3%
EBIT margin	9%	10%	9%	7%	8%	7%	7%	7%	7%	7%	7%

Source: Redeye Research

Gaming Technology - XCaliber – A first customer signed

XCaliber signed their first external customer during the period and today do not report any external revenues. The cost amounted to roughly SEK 10.2m. Internal sales to the ComeOn segment was SEK 8.8m, EBITDA came in at SEK -1.4m.

Financials for XCaliber

XCaliber signed their first external customer during the period

Like we have previously stated; projecting future income and profit levels for XCaliber must be seen as highly speculative given the early stage for the business area. As always the best medicine when in doubt is to be conservative. We believe, and average client for XCaliber will generate roughly SEK 6m in revenues. Gaming Innovation who operates the competitive iGaming Cloud has an average yearly income per customer of about SEK 4m. However, we believe XCaliber will focus mostly on large clients and see 6 million as a sound estimate. The numbers of customers integrated are at best a rough guesstimate. We model a slow start with a strong ramp-up during 2018. By the end of 2018, we believe the platform will have roughly seven external clients.

By Q1'2017 we believe the segment will produce quarterly revenues of about SEK 9.2m (including internal sales to Cherry). We model a gradually increasing profitability with black numbers by Q3'2018.

Detailed estimate, quarter										
mSEK	Q1'17	Q2'17E	Q3'17E	Q4'17E	2017E	Q1'18E	Q2'18E	Q3'18E	Q4'18E	2018E
Sales	8.8	9.2	10.5	12.2	41	11.4	13.0	14.3	15.6	54
to Cherry	-8.8	-9.2	-9.2	-9.0	-36	-8.7	-9.7	-10.4	-10.9	-40
Net sales	0.0	0.0	1.3	3.2	4	2.8	3.3	4.0	4.8	15
OPEX	-10.2	-10.1	-10.5	-12.2	-43	-12.6	-13.0	-12.9	-13.3	-52
EBITDA	-1.4	-0.9	0.0	0.0	-2	-1.1	0.0	1.4	2.3	3
D&A	-0.1	-0.3	-0.4	-0.4	-1	-0.4	-0.5	-0.6	-0.7	-2
EBIT	-1.5	-1.2	-0.4	-0.4	-4	-1.6	-0.5	0.8	1.6	0
Net sales growth						-13%	20%	20%	20%	236%
*EBITDA margin	-16%	-10%	0%	0%	-6%	-10%	0%	10%	15%	5%
*EBIT margin	-17%	-13%	-4%	-3%	-9%	-14%	-4%	6%	10%	1%
Integrated clients	0	0	1	2		2	3	5	7	
Rev per client (mSEK)	0.0	0.0	1.3	1.6		1.4	1.5	1.5	1.6	

Source: Redeye Research

*Based on total sales

The Cherry Group

In the report, Cherry also confirms their guidance for 2017 and expects revenues of SEK 2.6-2.7bn and EBITDA of SEK 550-600m.

Detailed estimate, quarter										
mSEK	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17E	Q3'17E	Q4'17E	2017E
Net sales	177	192	214	519	1102	541	624	700	770	2635
OPEX	-160	-186	-192	-449	-987	-490	-545	-597	-627	-2259
EBITDA	26	15	31	106	178	83	117	146	189	535
D&A	-8	-9	-9	-36	-171	-31	-38	-43	-46	-534
*EBIT	18	6	21	70	115	52	78	103	143	377
Net sales growth	86%	80%	39%	204%	645%	205%	225%	227%	48%	139%
EBITDA margin	14%	8%	14%	20%	16%	15%	19%	21%	25%	20%
EBIT margin	10%	3%	10%	14%	10%	10%	13%	15%	19%	14%

Source: Cherry & Redeye Research

*EBIT effect from the revaluation of ComeOn is excluded (Q4 2016)

For Q2, we expect net sales of SEK 624m with an EBIT margin of 13%. Discussion about estimates can be seen in each segments section.

Long-term we expect to see a significant increase in revenues in the coming years, led by substantial growth of Yggdrasil, entry into new markets, mobile gambling growth and the product broadening within Online Gaming. We expect to see a margin expansion as the revenue share for the highly profitable Yggdrasil will increase substantially. Compared to our last update ComeOn is now consolidated entirely which also leads to higher long-term margins.

Detailed estimate, long term											
mSEK	2014	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Revenues	334	527	1102	2635	3432	4118	4681	5211	5659	6070	6498
Total OPEX	-367	-513	-987	-2259	-2731	-3275	-3684	-4098	-4476	-4835	-5167
*EBIT	-33	14	115	377	701	843	997	1113	1182	1236	1331
Net sales growth	162%	58%	109%	139%	30%	20%	14%	11%	9%	7%	7%
EBIT margin	-10%	3%	10%	14%	20%	20%	21%	21%	21%	20%	20%

Source: Redeye Research

*EBIT effect from the revaluation of ComeOn is excluded (2016)

Estimate changes

In the table below we summarize our estimate changes following the report. We have only made some minor adjustments.

Estimate changes			
MSEK	2017E	2018E	2019E
Revenues			
Old	2 635	3 416	4 094
New	2 635	3 432	4 118
% change	0%	0%	1%
EBIT			
Old	414	714	823
margin	16%	21%	20%
New	377	701	843
margin	14%	20%	20%
% change	-9%	-2%	2%

Source Redeye Research

Valuation

DCF Valuation

Our estimated CAGR amounts to roughly 21% between the years 2016-2026. We believe that entry into new market regions, mobile growth, and Yggdrasil will support the high growth rates. We estimate an increasing margin due to rapid growth within the highly profitable Yggdrasil and increased revenue share for PBM. The margin expansion is somewhat offset by greater presence in re-regulated markets within the iGaming segment. In the terminal year, we model an FCF growth of % and an EBIT margin of 18%, which we find as a conservative assumption to make. Our terminal valuation indicates an “exit” multiple, based on EBIT, of 8x. Cherry has substantial minority holdings in Almor, Yggdrasil, and Moongate, which we value at SEK 280m and are deducted from our DCF valuation. Due to our estimate changes and rating adjustments our Fair value estimate, in Base-case, is revised upwards to 408 (382) SEK per share.

Growth driven by expected high mobile growth, product broadening, entry into new regions and Yggdrasil

Cherry: Base-case			
Assumptions	2016-26	DCF-value	
CAGR Sales	20%	WACC	8.1%
EBIT margin (avg)	20%	Net present value FCF	6 225
ROIC (avg)	40%	Net present value of Terminal	4 776
Terminal		EV	11 000
Terminal growth FCF	2.0%	Net debt	-2 333
Terminal EBIT margin	18%	Value assos. Companies	20
Exit EV/EBIT multiple	8x	Value minorities	-280
		DCF-value	8 407
		Estimated Fair value	408
		Today's share price	300.0
		Potential/Risk	36%

Source: Redeye Research

Today's share price levels indicate increasingly higher expectations on Cherry's future fundamental performance. However, as our valuation implies, we see some potential and that the market still has yet to grasp the growth journey that Yggdrasil will undergo and the full effect of the ComeOn acquisition.

Fair value estimate, in Base-case, of 408 SEK per share

Relative valuation

The table below illustrates a comparison of comparable competitors.

Peer valuation											
		EV/Sales		EV/EBIT			SALES CAGR	EBIT CAGR	EBIT margin		
Company	EV (MSEK)	2017E	2018E	2017E	2018E	2019E	16-19E	16-18E	2017E	2018E	2019E
Operators											
Ladbrokes	37 947	1.3x	1.3x	11x	9x	9x	21%	12%	12%	14%	14%
William Hill	33 284	1.7x	1.6x	11x	10x	10x	5%	5%	16%	16%	16%
GVC	26 278	2.9x	2.7x	14x	12x	12x	9%	10%	21%	22%	22%
Kindred	20 217	2.7x	2.3x	n.m	15x	16x	16%	-1%	17%	16%	13%
Betsson	12 520	2.7x	2.4x	13x	13x	14x	11%	-2%	21%	19%	16%
888	9 790	2.0x	1.9x	15x	13x	12x	13%	13%	13%	14%	14%
Rank	9 562	1.1x	1.1x	10x	10x	9x	1%	7%	11%	11%	12%
Leovegas	4 507	2.3x	1.8x	22x	13x	11x	32%	39%	11%	13%	13%
Mr Green	1 142	1.0x	0.8x	12x	7x	6x	20%	43%	8%	12%	12%
Median	12 520	2.0x	1.8x	13x	12x	11x	13%	10%	13%	14%	14%
Suppliers											
PlayTech	32 418	3.8x	3.4x	11x	10x	9x	15%	11%	33%	33%	34%
NetEnt	16 519	9.7x	8.4x	26x	23x	20x	15%	15%	37%	37%	37%
Evolution Gaming	13 932	8.5x	6.8x	27x	23x	19x	30%	17%	32%	30%	30%
Gaming Innovation	5 042	4.5x	3.3x	54x	14x	10x	53%	133%	8%	24%	28%
NYX Gaming	3 254	2.1x	2.0x	n.m.	7x	6x	72%	n.m.	24%	27%	30%
Kambi	2 426	3.9x	3.2x	27x	16x	14x	19%	39%	14%	20%	19%
Median	15 225	6.5x	5.1x	27x	15x	12x	23%	16%	33%	32%	32%
Affiliate marketing											
Catena Media	5 667	8.6x	6.6x	19x	14x	13x	38%	23%	46%	48%	45%
XL Media	2 483	2.2x	2.0x	8x	7x	7x	16%	11%	26%	27%	27%
*Net Gaming Europe	617	4.2x	3.4x	n.m	7x	6x	62%	n.m	52%	52%	52%
Median	2 483	4.2x	3.4x	14x	7x	7x	38%	17%	46%	48%	45%
Peer Group median	12 520	4.2x	3.4x	14x	12x	11x	23%	16%	33%	32%	32%
Cherry	7 470	2.8x	2.2x	20x	11x	9x	55%	50%	14%	20%	20%

Source: Bloomberg & Redeye Research
*Redeyes own estimates

Gaming suppliers commonly are valued at higher multiples than Operators

We have divided our peer table into three groups, with affiliate companies as a new addition following the updated segment structure of Cherry: The valuation levels vary due to business characteristics, profitability and growth prospects. Gaming suppliers commonly are valued at higher multiples than Operators by the markets, as these companies most often are highly profitable with sticky and growing revenue streams protected by strong switching costs. Affiliate companies generally are valued at relatively low earnings multiples given the somewhat risky income streams; however the margin levels can often be extremely high.

We believe a high valuation, based on multiples, is justified for Cherry because of the substantial growth in earnings the coming years. We believe the EBIT margin will expand from 14% during 2017 to 20% 2018. A premium for Cherry's profound capital allocation skills should also be justified according to us.

Supportive Sum-Of-The-Parts

A Sum-Of-The-Parts valuation might be the best way visualizes the underlying value of the operating segments of Cherry. We use it as a supportive valuation technique to our DCF. The SOTP are based on a multiple valuation of the business unit's projected EBIT for 2018 (2019 for XCaliber). We rather use EBIT a few years out instead of current or next year as most of Cherry's segments are currently in a high growth phase; as such the margin during 2018 is closer to the "underlying" profitability level. Since our last SOTP we have added a Capital allocation premium post of 2x EBIT. We believe Cherry's track record possible future value adding acquisitions and shareholder-friendly focus warrants a premium.

SOTP valuation				
Segment	*EBIT 2018	EBIT Multiple	Value	Disc. Value
Online Gaming	482	15x	7 223	6 373
Game Development	122	25x	3 041	2 683
P-b Marketing	97	8x	775	684
Gaming Tech. (on 2019E)	11	12x	127	104
Restaurant Casino	13	8x	102	90
Capital alloc. Premium	723	2x	1 447	1 181
Sum				11 115
EV	11 115			
Net debt	-2 333			
Value minorities	-280			
SOTP value	8 502			
Per share	413			

Source: Redeye Research

For Gaming Technology we are using our estimates for 2019

The multiples we are using are based on current valuation levels of peer's but also on our projected fundamental development. EBIT multiples are derived by looking at future growth rates, margins, ROIC, CAP, and WACC. We believe our chosen multiples to be fair and in some cases relatively conservative. Our SOTP valuation indicates a value per share of 413 SEK, which is almost the same as our DCF of 408 SEK.

Scenario valuation & Fair value range

Bull-case valuation

Fair value estimate of 530 SEK per share in our Bull-case

In our Bull Case, we assume that we Cherry succeeds beyond our expectations with the launch of the new gaming services in a number of markets, Yggdrasil enters a important partnerships and expand their product portfolio to new segments, such as land-based gaming. The company succeeds in optimizing the mobile operations which makes a greater growth for the iGaming possible. In this scenario, we assume that Yggdrasil will grow handsomely and representing an increasingly larger part of the entity's total turnover. In our Bull-case, we assume an average operating margin of 22%, and a growth rate 23%. Our estimated Fair value in Bear-case amounts to 530 SEK per share or 77% above the current share price.

Cherry: Bull-case			
Assumptions	2016-26	DCF-value	
CAGR Sales	23%	WACC	8.1%
EBIT margin (avg)	22%	Net present value FCF	7 341
ROIC (avg)	42%	Net present value of Termina	6 146
Terminal		EV	13 487
Terminal growth FCF	2.0%	Net debt	-2 333
Terminal EBIT margin	19%	Value assos. Companies	24
Exit EV/EBIT multiple	8x	Value minorities	-263
		DCF-value	10 914
		Estimated Fair value	530
		Today's share price	300.0
		Potential/Risk	77%

Source: Redeye Research

Bear-case valuation

Fair value estimate of 178 SEK per share in our Bear-case

In our Bear-case, we assume that Cherry experience weakness within iGaming, due to increased competition which leads to a reduced ability to retain existing customers, and non-favorable regulations. Cherry experiences issues with the overseas establishments and the company's penetration into the mobile market weakens, which leads to investment losses as well as declining sales. In this scenario Yggdrasil is still expected to contribute to the margin as well as the growth, but to a lesser degree. In our Bear-case we assume an average operating margin of 18%, and the growth rate is more or less in line with the market growth of 10%. Our estimated Fair value in Bear-case amounts to 178 SEK per share or 41% below the current share price.

Cherry: Bear-case			
Assumptions	2016-26	DCF-value	
CAGR Sales	10%	WACC	8.1%
EBIT margin (avg)	18%	Net present value FCF	4 443
ROIC (avg)	34%	Net present value of Termina	1 836
Terminal		EV	6 280
Terminal growth FCF	2.0%	Net debt	-2 333
Terminal EBIT margin	16%	Value assos. Companies	14
Exit EV/EBIT multiple	9x	Value minorities	-297
		DCF-value	3 663
		Estimated Fair value	178
		Today's share price	300.0
		Potential/Risk	-41%

Source: Redeye Research

Cherry: Fair value range



We estimate a Fair value range from 178-530 SEK per share with a Base-case at 408 SEK per share. Our Fair value range and the current share price indicate some potential from current share price levels.

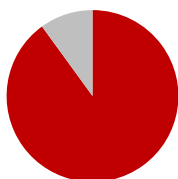
Summary Redeye Rating

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

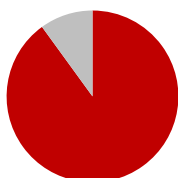
Changes in rating model lead to a new Rating.

Management 9.0p



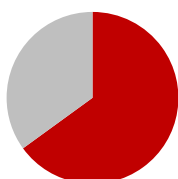
Cherry's management possesses an extensive experience in the gaming industry, both as a gaming operator and game developer. CEO Anders Holmgren is one of the largest owners of the company with extensive expertise in the industry, and the majority shareholder Morten Klein also has deep understanding and skill in developing successful gaming companies. We assess that Cherry is well positioned to further its growth and profitability in the future.

Ownership 9.0p



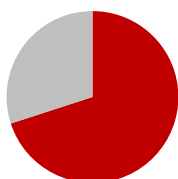
Cherry obtains a high ownership rating due to the substantial list of able and like-minded owners who share a view of long-term success, of which some also have representation on the board. The company does, however, lack larger institutional owners which have a negative impact on our rating. A potential reason for the lack of interest from institutional investors is likely the listing on Aktietorget. The company has announced that they target to move to Nasdaq after summer 2017.

Profit outlook 6.5p



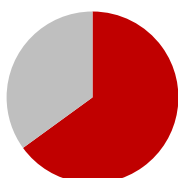
Cherry is placed for substantial growth opportunities in the online segment as they have acted as a game supplier, Gambling operator, technology partner and an affiliate partner. The acquisition of ComeOn will lead to a massive revenue uptake but also a margins expansion due to economics of scale and Cherry is now the third largest player in the Nordics. We see a substantial growth ahead for Yggdrasil, large opportunities for both Game Lounge and the newly established XCaliber. Competition is nonetheless significant, and that is where the importance of a strong balance sheet in terms of cash comes into play, to be able to compete with the larger organizations.

Profitability 7.0p



The long-term potential for increased profitability has improved due to the strong development of Yggdrasil, and the ComeOn acquisition. Cherry is currently in a growth stage and is building upon its existing operations, which can temporarily lower the reported profits due to growth investments. ComeOn's profound track-record regarding profitable growth has a positive effect on our rating.

Financial strength 6.5p



Cherry has a sound financial position and focuses on optimizing the capital leverage through the use of bond financing. The revenue streams are diversified and not sensitive to the business cycle, which reduces the financial risk. We believe that Cherry still, after the purchase of ComeOn, have room on their balance sheet to make opportunistic acquisitions.

Income statement	2015	2016	2017E	2018E	2019E
Net sales	527	1,102	2,635	3,432	4,118
Total operating costs	-491	-954	-2,100	-2,575	-3,001
EBITDA	36	149	535	857	1,117

Depreciation	0	0	0	0	0
Amortization	-23	-34	-158	-156	-275
Impairment charges	0	511	0	0	0
EBIT	13	626	377	701	843

Share in profits	0	22	0	0	0
Net financial items	-6	2	-117	-134	-111
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	7	649	260	567	732

Tax	-1	-14	-26	-45	-59
Net earnings	2	610	213	504	653

Balance	2015	2016	2017E	2018E	2019E
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Assets					
<i>Current assets</i>					
Cash in banks	34	306	263	343	717
Receivables	87	341	527	686	824
Inventories	0	0	0	0	0
Other current assets	0	0	0	0	0
Current assets	120	647	790	1,030	1,540

<i>Fixed assets</i>					
Tangible assets	11	21	29	34	39
Associated comp.	0	0	0	0	0
Investments	0	1	1	1	1
Goodwill	0	2,563	2,563	2,563	2,563
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	168	700	692	686	618
O non-current assets	0	0	0	0	0
Total fixed assets	179	3,284	3,284	3,284	3,220
Deferred tax assets	0	0	0	0	0

Total (assets)	300	3,932	4,074	4,313	4,760
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Liabilities					
<i>Current liabilities</i>					
Short-term debt	11	2,182	436	51	0
Accounts payable	129	276	659	858	1,030
O current liabilities	0	0	0	0	0
Current liabilities	140	2,458	1,095	909	1,030

Long-term debt	2	457	1,750	1,671	1,596
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	141	2,915	2,845	2,580	2,626

Deferred tax liab	1	29	29	29	29
Provisions	0	0	0	0	0

Shareholders' equity	114	936	1,148	1,652	2,054
Minority interest (BS)	43	52	52	52	52
Minority & equity	157	988	1,200	1,704	2,106

Total liab & SE	300	3,932	4,074	4,313	4,760
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Free cash flow	2015	2016	2017E	2018E	2019E
Net sales	527	1,102	2,635	3,432	4,118
Total operating costs	-491	-954	-2,100	-2,575	-3,001
Depreciations total	-23	477	-158	-156	-275
EBIT	13	626	377	701	843
Taxes on EBIT	0	0	0	0	0
NOPLAT	13	626	377	701	843

Depreciation	23	-477	158	156	275
Gross cash flow	36	149	535	857	1,117
Change in WC	22	-108	198	40	34
Gross CAPEX	-137	-2,628	-158	-156	-211

Free cash flow	-79	-2,587	575	741	941
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Capital structure	2015	2016	2017E	2018E	2019E
Equity ratio	52%	25%	29%	40%	44%
Debt/equity ratio	11%	282%	190%	104%	78%
Net debt	-21	2,333	1,923	1,379	879
Capital employed	136	3,321	3,123	3,083	2,985
Capital turnover rate	1.8	0.3	0.6	0.8	0.9

Growth	2015	2016	2017E	2018E	2019E
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Sales growth	55%	109%	139%	30%	20%
EPS growth (adj)	-104%	24,949%	-66%	137%	30%

DCF valuation		Cash flow, MSEK	
WACC (%)	8.1 %	NPV FCF (2017-2019)	1851
		NPV FCF (2020-2026)	4361
		NPV FCF (2027-)	4707
		Non-operating assets	49
		Interest-bearing debt	-2639
		Fair value estimate MSEK	8328

Assumptions 2017-2023 (%)		Fair value e. per share, SEK	408.2
Average sales growth	14.9 %	Share price, SEK	297.0
EBIT margin	19.9 %		

Profitability	2015	2016	2017E	2018E	2019E
ROE	2%	116%	20%	36%	35%
ROCE	10%	34%	11%	21%	24%
ROIC	30%	461%	11%	22%	27%
EBITDA margin	7%	13%	20%	25%	27%
EBIT margin	3%	57%	14%	20%	20%
Net margin	0%	55%	8%	15%	16%

Data per share	2015	2016	2017E	2018E	2019E
EPS	0.12	29.93	10.33	24.45	31.71
EPS adj	0.12	4.86	10.33	24.45	31.71
Dividend	0.00	0.00	0.00	12.22	15.86
Net debt	-1.49	114.58	93.33	66.93	42.69
Total shares	14.00	20.37	20.60	20.60	20.60

Valuation	2015	2016	2017E	2018E	2019E
EV	679.5	7,470.3	8,298.9	7,670.6	7,133.4
P/E	304.7	8.0	28.8	12.1	9.4
P/E diluted	304.7	8.0	28.8	12.1	9.4
P/Sales	1.0	4.4	2.3	1.8	1.5
EV/Sales	1.3	6.8	3.2	2.2	1.7
EV/EBITDA	18.9	50.2	15.5	8.9	6.4
EV/EBIT	51.1	11.9	22.0	10.9	8.5
P/BV	4.5	5.2	5.3	3.7	3.0

Share performance		Growth/year	15/17e
1 month	-4.7 %	Net sales	123.6 %
3 month	-11.9 %	Operating profit adj	432.2 %
12 month	79.5 %	EPS, just	829.7 %
Since start of the year	18.1 %	Equity	176.5 %

Shareholder structure %	Capital	Votes
Klein Group AS	16.9 %	14.5 %
Danske Bank Int. S.A.	14.8 %	9.8 %
Kgi AS	4.6 %	3.0 %
Familjen Hamberg	4.4 %	13.1 %
Audere Est Facere As	4.4 %	2.9 %
Familjen Kling	3.9 %	12.7 %
Försäkringsbolaget Avanza	3.4 %	2.3 %
Handelsbanken Luxembourg	3.4 %	4.1 %
Svea Ekonomi AB	2.4 %	1.5 %
Familjen Lundström	2.2 %	5.0 %

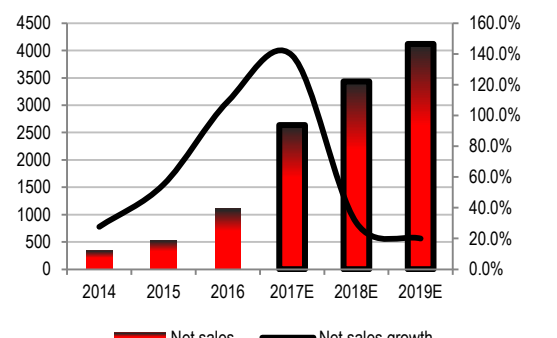
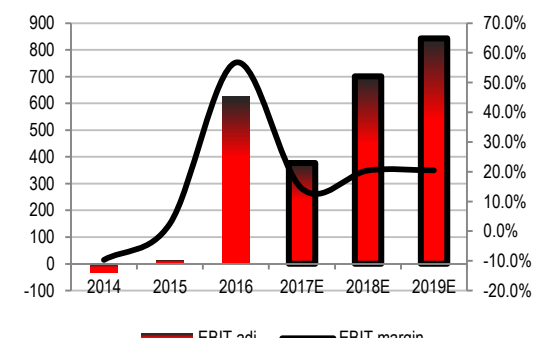
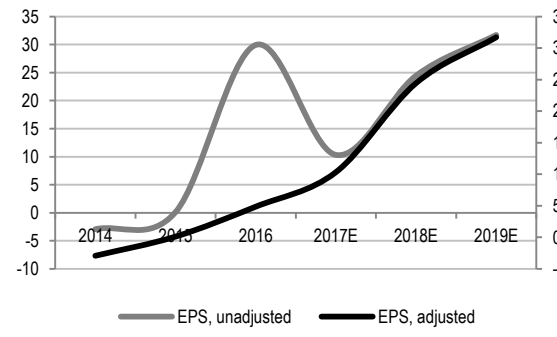
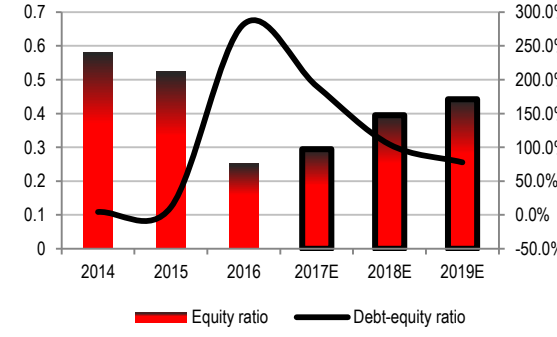
Share information	
Reuters code	
List	Aktietorget
Share price	297.0
Total shares, million	20.6
Market Cap, MSEK	6119.0

Management & board	
CEO	Anders Holmgren
CFO	Christine Rankin
IR	Carolina Haglund Strömliid
Chairman	Morten Klein

Financial information	
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Analysts	Redeye AB
Kristoffer Lindstrom	Mäster Samuelsgatan 42, 10tr
Kristoffer.lindstrom@redeye.se	111 57 Stockholm

Johan Svantesson
Johan.svantesson@redeye.se

Revenue & Growth (%)	EBIT (adjusted) & Margin (%)
 <p>Net sales (red bars) and Net sales growth (black line) from 2014 to 2019E. Net sales grow from ~300 to ~4200, while growth peaks at ~140% in 2016 and ends at ~50% in 2019E.</p>	 <p>EBIT adj (red bars) and EBIT margin (black line) from 2014 to 2019E. EBIT adj grows from ~50 to ~850, while margin peaks at ~55% in 2016 and ends at ~20% in 2019E.</p>
Earnings per share	Equity & debt-equity ratio (%)
 <p>EPS, unadjusted (grey line) and EPS, adjusted (black line) from 2014 to 2019E. Unadjusted EPS peaks at ~30 in 2016, while adjusted EPS grows steadily to ~32 in 2019E.</p>	 <p>Equity ratio (red bars) and Debt-equity ratio (black line) from 2014 to 2019E. Equity ratio fluctuates between 0.2 and 0.6, while debt-equity ratio peaks at ~250% in 2016 and ends at ~100% in 2019E.</p>
Sales division	Geographical areas
Conflict of interests	Company description
<p>Kristoffer. Lindström. owns shares in the company Cherry: Yes Johan. Svantesson. owns shares in the company : No</p> <p>Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.</p>	<p>Cherry is a Swedish innovating and fast growing gaming company established in 1963. The business strategy is to create shareholder value by owning and developing fast-growing and profitable businesses within the gaming and casino industry. Cherry operates within five diversified business areas, Online Gaming through Cherry iGaming, Performance-based Marketing through Game Lounge, Gaming Technology through XCaliber, Game Development through Yggdrasil Gaming and Restaurant Casino through Cherry Spelglädje. The objective is to grow organic in combination with strategic acquisitions of fast-growing companies. Cherry employs around 900 people and has more than 4,600 shareholders. The Company's B-shares are listed on AktieTorget.</p>

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Redeye Rating (2017-05-24)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	44	44	17	11	21
3,5p - 7,0p	70	62	98	34	45
0,0p - 3,0p	13	22	13	83	62
Company N	127	128	128	128	128

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