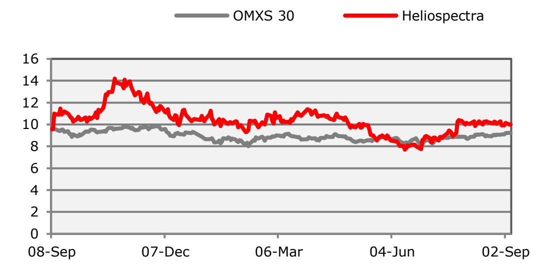
Summary

Heliospectra (HELIO.ST)

Sowing the seeds for growth

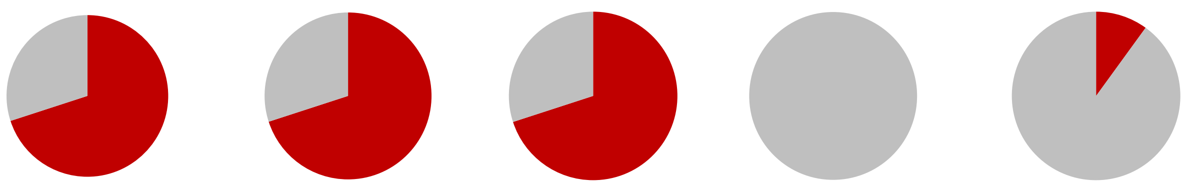
- Heliospectra's report for the second quarter came in mixed with sales below our estimates but continued gross margin improvement
- Heliospectra is well positioned to rapidly grow sales in all its segments with the medical plant segment and AgTech segment to take off first
- A strengthened organization and intensified sales and marketing have resulted in a promising sales pipe, but also higher costs
- Important catalyst going forward include legalization of recreational marijuana in California and successful launch of sensor-1 and the biofeedback system
- We have updated our fair value range and have a fair value range in our **base case of SEK 11 per share**, in our bull and bear case the fair value is SEK 27 and SEK 2 respectively

List:	Nasdaq First North
Market Cap:	190 MSEK
Industry:	Industrial Goods & Services
CEO:	Staffan Hillberg
Chairman:	Andreas Gunnarsson



Redeye Rating (0 – 10 points)

Management | Ownership | Profit outlook | Profitability | Financial strength



7.0 points | 7.0 points | 7.0 points | 0.0 points | 1.0 points

Key Financials

	2014	2015	2016E	2017E	2018E
Revenue, MSEK	3	14	35	56	82
Growth	*540%*	*340%*	*156%*	*60%*	*46%*
EBITDA	-29	-28	-28	-21	-13
EBITDA margin	*-942%*	*-208%*	*-79%*	*-38%*	*-16%*
EBIT	-33	-32	-32	-25	-17
EBIT margin	*-1,058%*	*-236%*	*-92%*	*-45%*	*-21%*
Pre-tax earnings	-34	-34	-34	-28	-21
Net earnings	-34	-34	-34	-28	-21
Net margin	*-1,083%*	*-248%*	*-98%*	*-50%*	*-26%*
Dividend/Share	0.00	0.00	0.00	0.00	0.00
P/E adj.	-6.1	-6.0	-5.6	-6.8	-9.0
EV/S	66.8	15.0	6.3	4.5	3.4
EV/EBITDA	-7.1	-7.2	-7.9	-11.7	-20.7

Share information	
Share price (SEK)	10.2
Number of shares (m)	18.6
Market Cap (MSEK)	190
Net debt (MSEK)	30
Free float (%)	41%
Daily turnover ('000)	19

Analysts:
Joel Westerström
joel.westerstrom@redeye.se

Viktor Westman
viktor.westman@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 – Cyclicality, and 8 – Forthcoming binary events.

Investment case

The Heliospectra share has staged a strong recovery and is up over 30 percent after closing at a 12 months low of SEK 7.8 June 15. Several of the catalysts we pointed out have materialized, including a large order from an AgTech player and a major new order from a marijuana grower. The catalysts and a strong stock market has fuelled Heliospectra's share and it now trades around SEK 10.

Following two quarters with sales below our expectations, we have adjusted our estimates and valuation. Heliospectra has managed to improve its gross margin and resolved supply chain issues. At the same time, expanding the organization and heightened activity in sales and marketing have resulted in higher costs than we anticipated. The intensified efforts leads us to believe that Heliospectra has good prospects to secure additional large orders.

Should Heliospectra manage to rapidly increase sales and turn EBIT-positive in the next three years, there is a considerable upside for investors given the current share price of around SEK 10. Should, on the other hand Heliospectra fail to boost sales despite its ramp-up of sales and marketing – there is considerable downside in the share price. In our base case we envisage a somewhat lower sales growth than we previously expected, though the potential for Heliospectra is by no means gone. We believe the current share price is rather fair given the risk/reward profile of our base, bear and bull scenarios and have a fair value range of SEK 2 – SEK 27 with a fair value in our base case of SEK 11.

Approaching an inflection point as sales focus starts paying-off

Heliospectra is in the middle of a transition from a research company with little focus on sales to a leading global player in the growing market for intelligent lighting solutions. With a strong position in the research market and several important contracts and partnerships in the medical plant segment as well as in the greenhouse cultivation segment, Heliospectra is in pole position to benefit from the growth in the market for LED grow lights – a market projected to grow at a CAGR of 30-40 percent from 2014-2020.

Heliospectra has secured several important contracts in 2015 and 2016. The most notable orders are the SEK 5.7 million order from medical marijuana grower The Grove in Las Vegas and the recently announced SEK 4.6 million order from a leading AgTech company in the US. During 2016 Heliospectra has continued to strengthen its position as a leading supplier of LED grow lights in all its market segments. At the same time costs have increased and we believe Heliospectra needs annual sales of around 120 million to reach break-even.

We see Heliospectra as well positioned to sustain its position as one of the leaders in the market for intelligent lighting systems. Heliospectra is on the verge of its big market breakthrough – that said, individual orders have a large impact on sales and long sales cycles can delay the harvest.

Rapid market growth driven by global trends

The use of LED grow lights address global issues of environmental impact from agriculture and fresh food supply for the urban population. There is a growing interest in control and automation for agriculture to raise productivity and quality. The need for improvements in how we grow everything from vegetables to tobacco is clearly there and the global market for LED grow lights is expected to grow at a CAGR above thirty percent from 2014 – 2020.

LED grow lights are more energy efficient than traditional HIS/HPS lamps traditionally used in greenhouses and growers increasingly replace traditional lighting solutions in commercial greenhouse operations in Europe, North America and Asia. Heliospectra's intelligent lighting systems also provide growers benefits of increased automation and higher plant quality thus making the incentives to switch from HID/HPS even higher.

Medical plant segment booming thanks to legalization

Heliospectra has increased its focus on sales and marketing to target growers of legal marijuana in North America. The market is still very much in its infancy in the US and rapid growth is expected as legalization continues. As the market matures competencies in the industry increase with the inflow of skilled people with ability to make sound financial analysis. LED grow lights provide short payback times on investment for growers of marijuana who can drastically reduce their high electricity costs and increase productivity and quality.

Heliospectra is establishing itself as a well renowned player in the legal marijuana segment and will benefit from the ongoing legalization movement in the US as well as in other countries.

We expect continued losses in 2016-2019 …

The sales processes in the B2B segment often take over a year, with customers testing the equipment for up to nine months before making a decision. The ramp up of production, expansion of the organization and increased spending on marketing and PR lead to high costs. We expect Heliospectra to report net sales of SEK 35 million and a negative EBIT of SEK -32 million for 2016. Heliospectra will need to raise additional capital before reaching break-even. We expect Heliospectra to reach positive EBITDA on a full year basis in 2019 and positive EBIT in 2020.

… but investors should look beyond 2019

Currently, the market is focusing on the losses Heliospectra is showing and on the prospect of additional rights issues. We believe the market's focus will gradually shift when the uncertainty regarding how Heliospectra will secure funding clears. The company's rapidly growing sales and the strong position Heliospectra has in the booming medical marijuana segment in North America will draw investors' interest.

Several catalyst in the next 3-12 months

We see several catalysts for Heliospectra's share in the next twelve months.

- California legalization - California releases the ban on recreational marijuana and thereby creates a huge market for suppliers of ancillary products to the industry
- Secured funding - our fair value is adversely affected by the need for additional financing and there is room for upward adjustments of our valuation if and when new financing is obtained
- Major orders of SEK 5 million+
- Proof-of-concept of partnership with player in agricultural automation through sales success
- Successful commercialization with break-through order on the much anticipated biofeedback system incorporating sensors, software and LED grow lights

Proprietary technology strengthens case

Heliospectra is in the final stages of the development of a biofeedback system allowing autonomous plant growth. The system incorporating LED grow lights, proprietary software and sensors is patented, thus making it harder for competitors to offer growers the same benefits.

An interesting opportunity arises with the introduction of the complete biofeedback system. Heliospectra's patented system and the company's software solutions offer growers the option of integration to lighting systems from competitors. This opens up an opportunity for Heliospectra to capitalize on its IP in multiple ways. We also see Heliospectra as a potential acquisition target for larger players who wish to strengthen their market position within the growing LED-grow light market and get access to Heliospectra's IP.

High potential and high risk

Heliospectra is still at an early stage of its development and going forward there will be both successes and setbacks – very seldom do things go as planned. The major risks associated with an investment in Heliospectra are not technical but commercial. Heliospectra's challenges are its ability to:

- Rapidly grow sales in a competitive market
- Improve gross margins as volumes grow
- Successfully finance its growth

- Protect and capitalize on its IP-portfolio

Once again, major positive catalysts for the Heliospectra share would be continued proliferation of the legislation on medical and recreational use of marijuana in the US and follow-up orders from the major AgTech player that placed an initial order valued at SEK 4.6 million June 30th. For the marijuana market, better access to funding for the growers and legalization in California are especially important.

Delayed harvest as Heliospectra goes after larger orders

Heliospectra released its report for the second quarter 2016 26th August. We had revised our estimates prior to the report following a weaker Q1 than we expected and a spring with fewer announcements of larger orders than we had hoped for. Heliospectra talks about seasonal effects where the second half of the year is a stronger period than the first half. We believe sales will pick up during the second half of the year, but still see a need to revise our estimates in terms of both sales and EBIT.

Whilst we see several positive signs in the report, the sales figures we had in our base case for 2016 will likely not be reached until 2017. Sales cycles seem to be longer than we previously assumed, especially for larger orders. We will elaborate more on the reasons behind our revised estimates in a bit, but first we should mention that we remain cautiously optimistic regarding Heliospectra's future prospects.

Continued high potential

Heliospectra's report shows progress in several areas. Gross margin was stronger than we expected and the main owners of the company show continued belief in Heliospectra. Important order wins, such as the large AgTech order received the 30th June and the order from an Alaskan grower of marijuana announced July 26th, point to a marked improvement in sales during Q3 and Q4. Other important achievements are an improved operational setup and a resolved shortage of LED-components. Combined, we believe the positive developments speak of continued high potential going forward.

Improved gross margin but sales below our estimates

Heliospectra reported net sales of SEK 5.1 million, 29 percent below our estimates of SEK 7.2 million. Total income came in 27 percent below expectations as other operating income came in at SEK 0.5 million, in line with our expectations. We would have liked to see a more marked improvement in sales.

Gross margin improved but sales below estimates

Apart from growing sales, we have stressed the importance of improved gross margins. It is encouraging to see that Heliospectra has managed to further improve its gross margins. Gross margin came in at 32 percent and that is also what we expected.

In Figure 1 on the next page Heliospectra's reported numbers for the second quarter are presented and compared to our estimates.

Heliospectra - Actual vs Redeye's estimates for Q2 2016	Q2 2015	Q2 2016	Q2 2016E	Difference
Net sales	1.9	5.1	7.2	-29%
Other operating income	0.5	0.5	0.5	5%
Total income	**2.3**	**5.7**	**7.8**	-27%
COGS (Commodities)	-1.4	-3.5	-4.9	-29%
GM	*26%*	*32%*	*32%*	*0%*
Other external costs	-5.2	-7.3	-5.8	26%
Staff costs	-2.8	-4.6	-4.5	4%
EBITDA	**-7.1**	**-9.7**	**-7.4**	-32%
D&A	-0.9	-1.1	-0.9	14%
EBIT	**-8.0**	**-10.8**	**-8.3**	-30%
EBIT % of net sales	*-434%*	*-211%*	*-115%*	*84%*
Net financials	-0.1	0.0	-0.4	-88%
Profit before tax (PBT)	**-8.1**	**-10.8**	**-8.7**	-25%
Income tax	0.0	0.0	0.0	0%
Net profit	**-8.1**	**-10.8**	**-8.7**	-25%

Figure 1: Heliospectra Q2 2016, Redeye's estimates vs reported

As can be seen above, overall, the report came in below our expectations.

Longer sales cycles weigh on sales

At this stage in Heliospectra's development, where individual orders can have a major impact on quarterly sales, quarterly figures are hard to estimate with a high degree of precision. That said, the entire deviation from our estimates cannot be explained by the timing of major orders. This is the second quarter in a row where Heliospectra's sales come in well below our estimates.

Supply chain issues in the first half of 2016 led to delays but are now resolved

We believe a combination of circumstances have weighed on sales. During the first quarter there were some shortage of LED-component in the market. We believe the component shortage combined with changes in the supplier base of Heliospectra led to longer lead-times. As Heliospectra books revenues after delivery and installation, a certain portion of the revenues were most likely delayed. On the positive side – according to Heliospectra, no orders were lost due to the supply chain issues. The component shortage previously experiences should now be resolved.

As for the changes of supplier of LED-components for certain models, from what we understand the supplier change from Philips to Osram is now completed and the required update of the optics for those models should also be implemented – in other words, production with the new and (improved) supply chain setup is up and running. We have also noted that some customer reviews have complained about Heliospectra not using

Osram, by many seen as the supplier of the highest quality LED-components. Osram-inside might be another argument for some growers to opt for a LED grow light from Heliospectra.

The average order size is increasing for all segments but the sales cycles are longer

If the supply chain issues is a transitory explanation, at least as long as there is no new component shortage, the longer sales cycles will weigh on sales also going forward. The Q2 report confirms what we suggested in our preview - the average order sizes are increasing but the sales cycles are longer.

So what do we mean by longer sales cycles? Well, what we essentially see happening is that there is a growing interest in LED-grow lights, but when it comes to ordering larger quantities customers take more time to evaluate and decide upon the investment.

In Figure 2 below, we illustrate how we expect Heliospectra's sales composition to evolve.

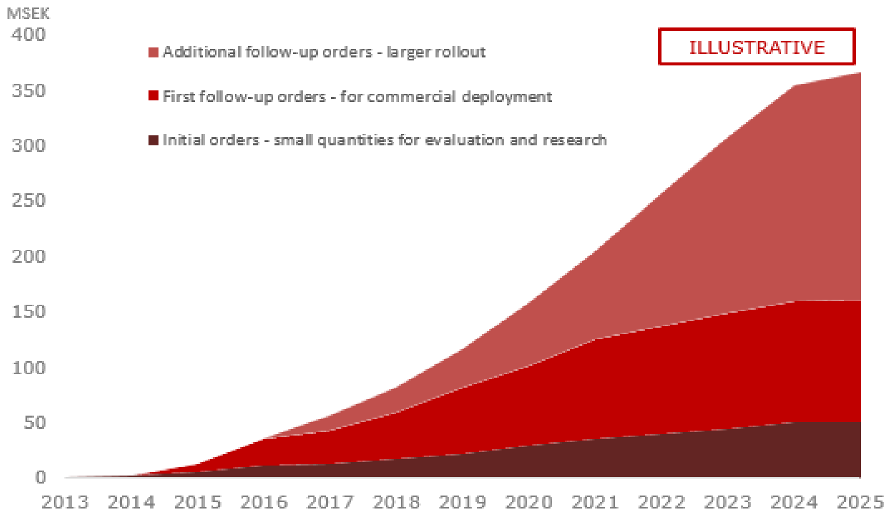


Figure 2: Illustrative sales composition by order type for Heliospectra

Initially, a large share of sales should come from smaller initial orders, typically 1-100 lamps for either research applications or evaluation purposes.

What we can see is that several customers, such as the unnamed AgTech player and The Grove (the Las Vegas medical marijuana grower that placed a large order in 2015), has ordered their first follow-up orders for commercial deployments after having previously placed smaller orders. The follow-up orders are typically at least a factor of 5-10 times larger than the initial orders.

Additional follow up orders to significantly contribute to revenues in the coming years

Thus far we have not seen any major additional follow up orders announced. It seems customers need some time to evaluate and run their first commercial installation before placing major orders for expanding their installations. In the coming years we expect a significant contribution to Heliospectra's revenues from additional follow-up orders from customers such as the large AgTech player. When announcing the order from Dow or Monsanto – Heliospectra is not disclosing which of the two companies – the press release indicated that the customer was planning to replace all its HPS-lamps with LED-grow lights over time.

Continued gross margin improvement

During Q4 2015 Heliospectra posted record sales of SEK 7.6 million, but the gross margin came in at a mere 8.5 percent. Prior to Heliospectra's Q1 report we emphasized the importance of improved gross margins.

Heliospectra managed to improve it gross margin by over 20 percentage points from Q4 to Q1 for a gross margin of 29 percent. The improvement continued in Q2 with an additional three percentage point increase for a gross margin of 32 percent.

In the below graph Heliospectra's gross margin and net sales for the last six quarters are shown.

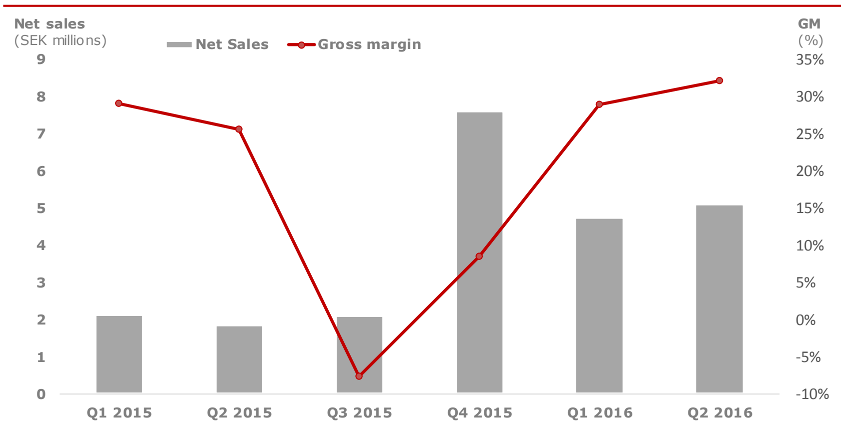


Figure 3: Net sales and gross margin, Q1 2015 – Q2 2016

As can be seen above, the gross margin took a deep dive in Q3 2015. This likely had to do with customer returns and is not reflecting the gross margins of the products sold in the quarter. In Q4 2015 the low gross margin was explained by large discounts given to The Grove in exchange for co-marketing.

What we wanted to see was for Heliospectra to show higher gross margins as continued low gross margins could be an indication of very limited pricing power stemming from low differentiation and a need to price itself in to the market. The higher gross margins reported for H1 2016 ease our worries regarding Heliospectra's pricing power and how it differentiates itself from competitors. Once again, the continued gross margin improvement is a key positive takeaway from the Q2 report – especially in light of supply chain issues and changes of supplier of LED-components for the LX60-series.

Also, we want to make the reader aware that we use the term gross margin a bit sloppily here, when we talk about gross margins for Heliospectra we refer to net sales less commodities cost divided by net sales, to be correct, amortization of capitalized development cost as well as purchasing costs should be added, though the structure of Heliospectra's income statement does not allow us to break those figures out properly.

Costs continue to increase as Heliospectra ramps up

Intensified sales and marketing costly

Heliospectra's costs, other than COGS, came in 16 percent higher than our estimates driven by higher other external costs than we expected. Other external costs came in at SEK -7.2 million and staff costs came in at SEK -4.6 million, 26 percent and 4 percent higher than our expectations respectively.

The higher-than-expected level of other external costs is a consequence of continued organizational ramp-up as well as sales and marketing costs for participation in trade fairs and the like. The reason why the growing organization affects other external costs is that Heliospectra has several people who work as consultants. We had previously calculated with somewhat lower external costs as some consultants, especially in the US, were employed by Heliospectra. What has happened is that Heliospectra in ramping up its organization has engaged new consultants

As we have said before – we believe it makes perfect sense to aggressively grow the sales and marketing staff and increase spend on sales on marketing at this stage of Heliospectra's development. What we want to see is that the efforts lead to booming sales. We do not mean that Heliospectra should be reckless with how it spends money, only that the right way forward is to make sure the potential in the market is captured.

Thus far the sales numbers have been somewhat disappointing, though we see positive signs and we will give Heliospectra the benefit of the doubt before we start questioning its increased spending on sales and marketing.

Cash position temporarily solved...

We have previously pointed the need for Heliospectra to secure additional financing and one of the options we discussed was to obtain financing from the main owners. It turns out we were right in assessing that Gösta Welandson, Midroc New Technology and Industrifonden would be willing to offer continued support should additional financing be needed.

Main owners have provided bridge financing

It is almost mandatory for CEOs of young high-tech companies to be optimistic regarding the future of their companies. It is therefore very positive to also get external validation in the form of continued support from Heliospectra's main owners. Stiftelsen Industrifonden, Midroc New Technology AB (Mohammed Al Amoudi) and Weland AB, supported Heliospectra with a bridge loan of SEK 12.2 million in Q2 and in July, Midroc New Technology AB and Weland AB contributed an additional SEK 7.8 million through an additional bridge loan.

At the end of Q2, Heliospectra had SEK 4.6 million in cash. Cash flow from operating activities was SEK -13.4 million for the second quarter and SEK -10.6 million for the first half of 2016. Cash flow from investments totaled SEK -1.4 million during the second quarter for a free cash flow of SEK -14.8 million. During the second quarter SEK 12.2 million in bridge financing was obtained and in the third quarter an additional bridge loan of SEK 7.8 million has strengthened Heliospectra's cash position.

The exact terms of the bridge loans are not disclosed, but we understand that Heliospectra has arranged the loans on its own which should eliminate some of the fees that would have otherwise been incurred. We estimate the interest on the loans to around 10 percent. The interest payable should follow the market price on similar loans and we will include the interest as well as some structuring fees in our estimates for H2 2016.

…though additional financing will be needed in 2016

Financing alternatives:
- *Directed share issue*
- *Rights issue*
- *Extension of bridge financing*

The SEK 20 million in bridge loans obtained from Heliospectra's three largest shareholders mature at the latest December 31, 2016, hence, new financing needs to be secured to pay back the bridge loan and to finance Heliospectra's operations going forward. Whilst the financing does not eliminate the need to raise additional capital, it certainly give Heliospectra the opportunity to raise cash on more favorable terms should the company's expectation of a stronger second half of 2016 materialize.

Heliospectra has been active in presenting itself to investors through its US-partner Viridian Cannabis Advisors, an investment bank focused on the growing cannabis industry in USA. We believe Heliospectra is seeking investments from professional US-investors and would welcome a directed share issue that can contribute not only monetary support, but also allow Heliospectra to tap into valuable networks. A rights issue, where existing shareholders gets the opportunity to participate, is also a very viable option for Heliospectra.

We would like to see Heliospectra raise enough capital to allow execution of its strategy where we see a continued ramp-up of sales, marketing along with a strengthened operations team. Raising money is always a question of timing and Heliospectra's CEO, Staffan Hillberg, has indicated that the second half of 2016 will be better in terms of sales. Given the main owners

We expect to find out more on how Heliospectra plans to finance itself going forward in the coming month/months

willingness to support Heliospectra with bridge financing, an additional option, should the timing to raise money not be deemed beneficial, is to extend the bridge financing for an additional time period. An extension of the bridge financing would mean additional financial costs and would also be dependent on the creditors' willingness to provide an extension.

We expect to find out more on how Heliospectra plans to finance itself going forward in the coming month/months.

Heliospectra has potential to boost its growth going forward

The management and board of Heliospectra express optimism but do not provide any guidance. In the Q2 report it concludes that the company stands well positioned for accelerated sales and deliveries. Staffan Hillberg expressed a similar view when he participated at a seminar for small- and micro caps in Stockholm, Sweden June 13, 2016. Hillberg also noted a certain seasonality in sales where the second half of 2016 is expected to be stronger than the first half.

Sowing the seeds in H1 to reap the harvest in H2

Heliospectra has intensified its sales and marketing in H1 2016, especially towards the legal marijuana market in North America.

Participation in several (10+) conferences and trade shows has given new sales leads. The events that Heliospectra specifically mentions in its report are "8th International Symposium on Light Horticulture" and "GreenTech 2016". Apart from gathering new sales leads and making new connections, Heliospectra had the opportunity to present research findings on the biofeedback system it is developing.

Heliospectra continues to have a strong presence in on- and offline fora and in August it exhibited at Agricontrol 2016, a leading event on sensing, control and automation for agriculture. Online presence is especially important to penetrate the marijuana market. Growers tend to discuss and give each other advice online. Heliospectra aims to create brand awareness and promote the use of LED-grow lights and for that it needs ambassadors who can spread the word about the advantages with LED grow lights in general and Heliospectra's system in particular. Heliospectra offered The Grove discounts in exchange for co-marketing and we have seen a lot of media attention around the large installation. Another ambassador is Franca Strainhunter, a Spanish marijuana profile who travel the world to find the best strains. He collaborates with Heliospectra and recently posted a video using Heliospectra grow lights. The video has attracted some hundred thousand views and we have high hopes that the ambassadors will contribute to speed up market penetration for Heliospectra in both the medical and recreational marijuana market.

Heliospectra says that the on- and offline events have been successful but does not share much detail on its sales pipeline. What we are told is that the activity in terms of received RFQs (Request For Quotation) is steadily increasing. Even more positive, the hit rate is also going up. To us it seems that Heliospectra's efforts are paying off – H2 should mark the start of harvest season for Heliospectra and we expect positive news flow in the coming months.

Operations scaled up to accommodate growth

Heliospectra has built a stronger organization in the US. Caroline Nordahl Wells, a co-founder of rivalling LED grow light manufacturer LumiGrow, took the position as VP Sales and Marketing for Heliospectra's North American operations. Apart from Caroline, the team has been strengthened with additional resources to provide customers technical support and cultivation expertise. In addition to new employees, several consultants work for the company on an hourly basis – the exact number is not given in the Q2 report.

As we have previously mentioned, supply chain issues relating to changing supplier of LED-components for the LX60-series and a shortage of LED components resulted in delays as well as additional costs early 2016. From what we understand there is no longer a shortage of LED components. When it comes to change of supplier of LED components, it resulted in a need to also change the optics of the lamps. The project should now be completed and the updated version of the lamps are being shipped to customers.

Operational excellence is an important area for Heliospectra in order to reach economies of scale as it ramps up production and a senior resource has joined Heliospectra to ensure best practice in procurement and logistics. We believe the additions to Heliospectra's organization has strengthened the company's platform for continued growth going forward.

Attractive long term opportunities

The market for intelligent lighting solutions incorporating LED grow lights, software and sensors is propelled by several mega trends and is projected to experience double digit growth in the coming years.

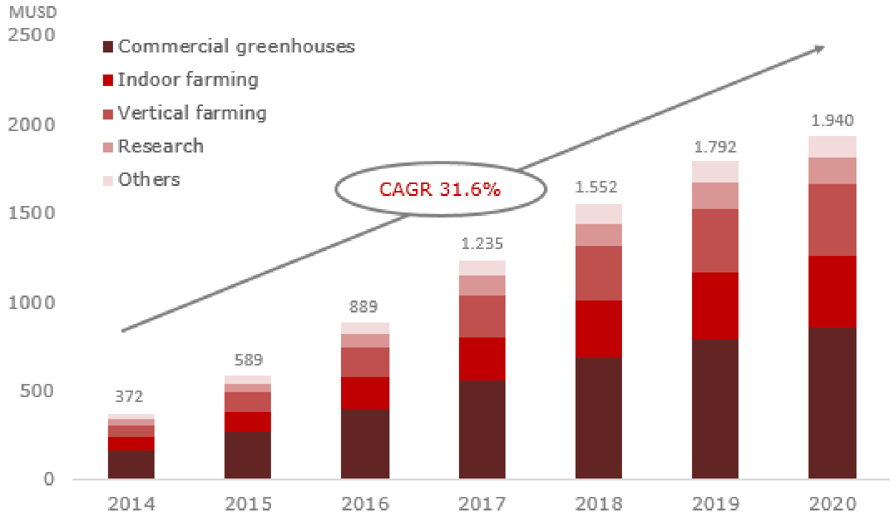


Figure 4: LED grow light market by segment, 2014-2020
Source: Redeye Research, Marketsandmarkets

There is a global need for more efficient food production, an increasing awareness of the emissions from farming and growing customer demand for local produce.

Sales and marketing efforts leveraged as knowledge and people move between traditional greenhouse cultivation, legal marijuana cultivation and plant research

Heliospectra is primarily targeting professional customers in the following segments:

- Medical plants – primarily growers of legal marijuana
- Greenhouse cultivation - including traditional greenhouses but also vertical farming
- Research – research facilities and AgTech companies

One clear trend is that people and knowledge move between the segments - good news for Heliospectra whose marketing efforts and reputation in one segment is transferred to the other segments it is targeting. The effect of marketing, sales and research directed towards one segments is leveraged as it also benefit the other segments. The segments share many similarities but also have their distinct drivers and dynamics.

The greenhouse cultivation segment is the largest segment for LED grow lights. Globally there are more than 50 million HPS lamps in use and if only a fraction of the HPS lamps were to be replaced with LED grow lights it would result in extremely large volumes. Large players, for example Philips, are eyeing the market but it is still in its infancy. Traditional growers are conservative when it comes to adopting new technology. LED grow lights can lead to considerable energy savings and cut labor costs. Despite this, adoption is rather slow.

The initial investment is higher for LED grow lights than for HPS lamps and for greenhouse growers with limited financial resources this often result in a decision not to replace the HPS lamps in existing facilities. For new installations it is a trade-off between CAPEX and OPEX where many go for higher OPEX despite a short payback time for LED grow lights.

The market potential is huge and in many parts of the world the use of supplemental lighting in greenhouses is still at a low level. This means there is potential for new installations should the use of LED grow lights rise in those geographies.

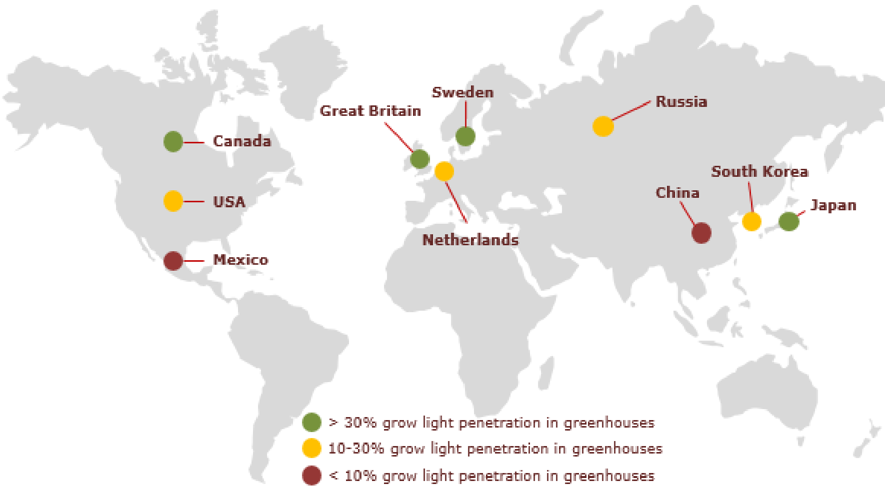


Figure 5: Use of grow lights in greenhouses, Source: Redeye Research

Despite the huge potential we see that it will take some time for LED grow lights to reach beyond the early adopters. An especially interesting sub-segment is vertical farming where Heliospectra works with fresh herb producer SPISA.

A good strategy for targeting the greenhouse cultivation segment should be to partner with suppliers of control and automation systems. Heliospectra has established relationships with Hoogendorn and several other suppliers of control and automation systems for greenhouses. The idea is to cross sell and bundle solutions.

Traditional greenhouse cultivation in general and marijuana production in particular contributes significantly to greenhouse gas emissions and regulations on energy usage could speed up the transition from HPS to LED. In Colorado where recreational marijuana is legalized there have been serious problems with electricity outages caused by high electricity usage as the grid capacity is not designed to accommodate the high energy consumption of the marijuana grow facilities. In the US as a whole it is estimated that marijuana growers consume 1-2 percent of the total electricity. The problem is growing and regulation would boost the use of LED grow lights.

The medical plant segment, at the moment mainly consisting of the marijuana sub-segment, is affected by the following trends and drivers:

- Continued legalization of medical and recreational marijuana
- Access to financing
- Regulation regarding location, design and energy consumption of grow facilities
- Differentiated energy pricing
- Influx of skilled people/professionalization

An important event will be the California ballot taking place November 8, 2016. Legalization of recreational marijuana is up on the ballot and if approved, the measure proposed would allow individuals 21 years and older to possess, transport and use marijuana for recreational purposes. The campaign is backed by amongst others former Facebook president Sean Parker.

The status of marijuana legalization in USA is shown below.

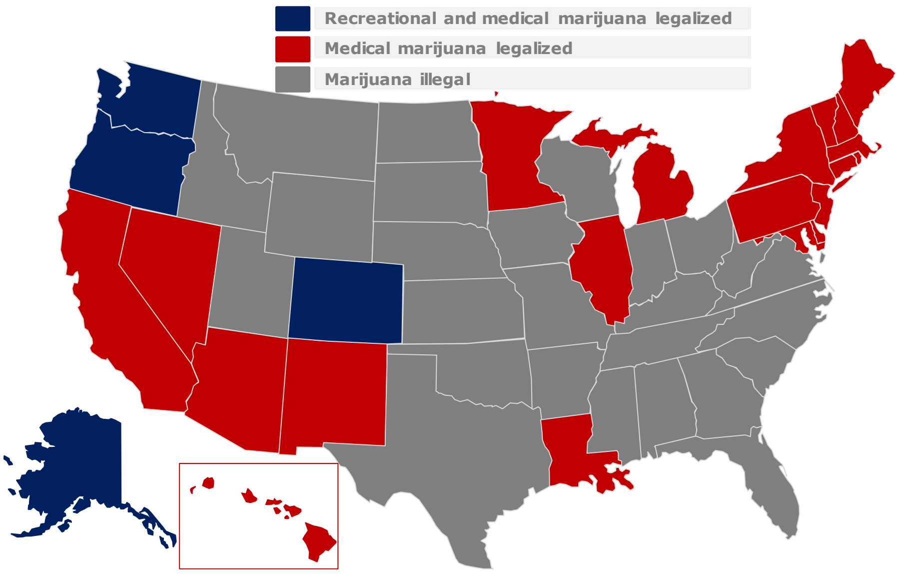


Figure 6: Marijuana legalization status in USA as of May 25, 2016

So far four states have legalized recreational and medical marijuana. Should California follow it would mean a lot for the LED grow light market. California is the world's 6th largest economy and Heliospectra is already in contact with several players who have shown interest in the company's LED grow lights if large scale marijuana grow facilities were to be legalized.

The access to bank financing is an issue that is prevalent also in states where marijuana is legalized. This is because marijuana is still illegal on federal level. As the market grows we believe the financing situation will improve even if no proliferation of the regulations takes place on federal level.

The research segment, including AgTech, is larger than one might be led to think as several AgTech companies have large greenhouse and indoor grow facilities. Heliospectra has numerous customers ranging from Google to NASA and the recent order from Dow or Monsanto (Heliospectra has only disclosed that the company is a major AgTech company in the US) hints of the huge potential.

The research segment is great as the customers have access to financing, favor professional companies and value the advanced features that Heliospectra can offer. Furthermore, the research segment is less price sensitive and typically they also have sustainability goals that promote LED grow lights over traditional HPS lamps.

The geographic markets Heliospectra focuses on are North America and Europe. Other geographies have great potential, but Heliospectra does not have the organization and resources needed to sell and market its product everywhere. There is a project running in the Middle East, but things tend to take time and we see it as a bonus if something good comes out of it.

Other applications for LED grow lights: Heliospectra has received an order from an Algae producer and it is positive to see application of LED grow lights in new areas. In the longer term these new areas could hold significant potential for Heliospectra but we do not expect them to contribute significantly to Heliospectra's sales in the coming years. Until we see large scale algae production and other new areas of application for LED grow lights being employed commercially on a larger scale, we place them in our bucket for interesting research.

Favorable market position established

Heliospectra informs us that its hit rate is going up. Many times Heliospectra is the basis of design for new grow facilities and in applications for research grants/funding.

As mentioned, Heliospectra targets professional growers rather than hobby growers. After discussing with people in the industry in the US our notion that Heliospectra has a strong position in the LED grow light industry is confirmed. The fiercest competition comes not from other LED light manufacturers but from companies like Gavita who aggressively target the marijuana industry with its HPS lamps.

There are several other manufacturers offering LED grow lights. Many of the competitors target smaller growers and lack the foundation in research and the technical competencies of Heliospectra. Philips mainly target the greenhouse cultivation segment and does not have the same technical sophistication in its product line as compared to Heliospectra. Furthermore, it seems Philips is unwilling to target the marijuana market. VC backed Illumitex employs several former Philips managers and aggressively targets the marijuana segment.

In our view the worst competition is by far that from traditional HPS lamps. It would be positive if Philips helped build the market and we also see a possibility for Heliospectra to deliver its software to Philips and other competing LED grow light manufacturers.

In terms of relative market position Heliospectra is strongest in the research and AgTech segment. We see a good chance the lead will be further strengthened as new research on Heliospectra's biofeedback system has recently been published and as Heliospectra has won several prestigious orders from e g NASA.

With the major order from The Grove and several orders from growers in Colorado, Alaska and Washington State Heliospectra is amongst the top players in the professional legal marijuana segment.

Heliospectra has, according to Staffan Hillberg, also built a reputation as the go-to-guys when it comes to solving customers' more complex problems related to lighting and best practice in growing.

With sensor 1 in its final stages of development and sensor 2 scheduled for commercial launch in 2017 Heliospectra will extend its offering effectively taking additional steps towards a supplier of advanced lighting systems. We believe this will further strengthen Heliospectra's competitive position.

Revisited SWOT-analysis

A useful way to depict the company's internal capabilities and the external environment is to summarize the strengths, weaknesses, opportunities and threats in a SWOT-diagram. SWOT is an abbreviation for Strengths, Weaknesses, Opportunities and Threats. We included the below diagram in our initial report earlier this year and we believe it is still valid.

Internal	**Strengths** • Strong in R&D • Partnerships • System integration capabilities • IP protected biofeedback system • Partnerships with research institutions	**Weaknesses** • Small player • Products require competent customers and/or education of the customers • Small organization and dependency on key personnel • Limited number of distributors
External	**Opportunities** • Add-on services for existing segments, for example financing, consulting and managed grow • Well-positioned in fast growing legal marijuana market and research segment • Replacement of HID/HPS lamps in commercial greenhouses	**Threats** • Larger players can price smaller companies out of the market • Regulatory issues • Tradition amongst growers to use HPS • New technologies and improvements in archaic lighting technologies

Revised financial estimates

Following the record sales posted for Q4 2015, we had high hopes for Heliospectra to reach sales of close to SEK 50 million for FY 2016. In hindsight we were too optimistic and we have revised our estimates to reflect longer sales cycles and higher costs. We have basically moved our sales estimates one year forward and change our cost estimates to reflect the cost level we have seen during the past two quarters.

Updated quarterly (Q3'16-Q4'16) and yearly (2016-2020) estimates

	Q3 2016E	Q4 2016E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E
Net sales	11.1	14.0	35.0	56.0	82.0	116.4	158.4
Other operating income	0.5	0.5	2.0	2.0	2.0	1.5	1.5
Total income	**11.6**	**14.5**	**37.0**	**58.0**	**84.0**	**117.9**	**159.9**
COGS	-7.4	-9.2	-23.5	-34.4	-49.2	-67.5	-90.3
GM	*33%*	*35%*	*33%*	*39%*	*40%*	*42%*	*43%*
Other external costs	-4.5	-6.0	-24.0	-25.0	-26.0	-27.0	-28.0
Staff costs	-4.1	-4.6	-17.3	-19.0	-20.9	-22.6	-24.3
EBITDA	**-4.5**	**-5.3**	**-27.8**	**-20.5**	**-12.1**	**0.8**	**17.3**
D&A	-1.1	-1.1	-4.3	-4.8	-4.0	-4.1	-4.2
EBIT	**-5.5**	**-6.4**	**-32.1**	**-25.3**	**-16.1**	**-3.3**	**13.1**
EBIT margin (% of net sales)							
Net financials	-0.9	-1.1	-2.1	-2.6	-4.0	-5.0	-5.3
Profit before tax (PBT)	**-6.4**	**-7.5**	**-34.2**	**-27.8**	**-20.2**	**-8.3**	**7.8**
Income tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	**-6.4**	**-7.5**	**-34.2**	**-27.8**	**-20.2**	**-8.3**	**7.8**
EPS	**-0.3**	**-0.4**	**-1.8**	**-1.5**	**-1.1**	**-0.4**	**0.4**
Shares (millions)	18.6	18.6	18.6	18.6	18.6	18.6	18.6
Changes to previous estimates (%, SEK million)							
Net Sales (%)	-18%	-13%	-26%	-33%	-32%	-31%	-29%
EBITDA (SEK million)	-1.1	-2.6	-11.6	-17.9	-21.1	-23.9	-32.1
EBIT (SEK million)	-1.2	-2.7	-11.9	-18.5	-20.8	-23.4	-31.5

Figure 7: Revised financial estimates

Valuation

Following our revised estimates, we have updated our valuation of Heliospectra. For our valuation we use a discounted cash flow model (DCF model). As mentioned, we still see great potential in Heliospectra, but money today is more worth than money in the future, especially when applying an elevated required rate of return in a DCF valuation.

For Heliospectra we have a required rate of return of 15.1 percent in all our scenarios. The required rate of return is given by our Redeye rating rather than calculated using the CAPM-formula.

Base case valuation

In our base case valuation we have a fair value per share of SEK 11. In Figure 8 below our assumptions underlying our valuation in our base case are presented.

Heliospectra: Valuation assumptions in Base case

Assumptions	**2016-25**	**DCF valuation**	
CAGR Sales	39.0%	WACC	15.1%
EBIT margin (weighted avg	14.1%	NPV of FCF	40
ROIC (average)	46.1%	NPV of terminal value	170
ROE (average)	-87.6%		
		EV	210
Terminal		Net cash	-3
Terminal FCF growth rate	3.5%	Adjustment for divider	0
EBIT margin (terminal)	24.7%	**DCF value**	**207**
EV/SALES exit multiple	1.7x	**Fair value per share**	**11.1**
EV/EBIT exit multiple	6.6x	Current share price	10.2
		Potential/Risk	**9%**

Figure 8: Valuation assumptions in our base case

We have lowered the fair value in our base case from SEK 14 to 11, about 20 percent. The reason to our adjustment is the delay of about a year we see in reaching our estimated sales figures. We also expect higher costs compared to our previous estimates. Combined, these two factors lead us to expect Heliospectra to show positive EBITDA from 2019 and positive EBIT from 2020 as we believe Heliospectra needs revenues of about 120 million to break even.

Bear case valuation

In our bear case valuation we assume that California will not legalize marijuana and that the major AgTech player delays the replacement of its HPS lamps for LED grow lights.

We further assume that Heliospectra will fail to successfully market its sensor system, both sensor 1 and the complete biofeedback system. In our bear Heliospectra has a long term EBIT margin of 15 percent and positive

EBIT from 2021. In our bear case scenario net sales reach SEK 223 million in 2025. No explicit value is assigned to Heliospectra's IP in our bear case.

Heliospectra: Valuation assumptions in Bear case			
Assumptions	**2016-25**	**DCF valuation**	
CAGR Sales	32.2%	WACC	15.1%
EBIT margin (weighted avg	1.1%	NPV of FCF	-44
ROIC (average)	-1.2%	NPV of terminal value	80
ROE (average)	-31.3%		
		EV	37
Terminal		Net cash	-3
Terminal FCF growth rate	3.5%	Adjustment for divider	0
EBIT margin (terminal)	15.5%	**DCF value**	**34**
EV/SALES exit multiple	1.3x	**Fair value per share**	**1.8**
EV/EBIT exit multiple	8.0x	Current share price	10.2
		Potential/Risk	**-82%**

Figure 9: Valuation assumptions in our bear case

Bull case valuation

In our bull case we assume rapidly increasing sales following a legalization of recreational marijuana in California and major follow-up orders from the AgTech segment. We further assume that Heliospectra successfully takes its biofeedback system to market.

We expect stronger gross margins from economies of scale and OPEX increasing at a moderate pace. We have a terminal EBIT margin of 30 percent in our bull case. The high profitability is a consequence of a scalable business model and an increasing share of sales from software and value added services.

Heliospectra: Valuation assumptions in Bull case			
Assumptions	**2016-25**	**DCF valuation**	
CAGR Sales	46.0%	WACC	15.1%
EBIT margin (weighted avg	24.6%	NPV of FCF	172
ROIC (average)	97.7%	NPV of terminal value	332
ROE (average)	45.6%		
		EV	504
Terminal		Net cash	-3
Terminal FCF growth rate	3.5%	Adjustment for divider	0
EBIT margin (terminal)	30.0%	**DCF value**	**501**
EV/SALES exit multiple	2.0x	**Fair value per share**	**26.9**
EV/EBIT exit multiple	6.6x	Current share price	10.2
		Potential/Risk	**164%**

Figure 10: Valuation assumptions in our bull case

Sensitivity analysis

We use a DCF (Discounted Cash Flow) model for our valuation and our required rate of return for all cases is 15.1 percent. The elevated required rate of return is a consequence of the level of risk we see for investors. The risk free interest rate is set to 3.5 percent and on top of that a risk premium is added based on how the company scores in our Redeye rating. The risk free rate of 3.5 percent might seem high in the current economic environment, on the other hand it acts as an additional margin of safety for investors.

The consequence from an elevated required rate of return on our fair value range is that cash flows that lie far out in the future are heavily discounted. It also means that our valuation is sensitive to changes in the required rate of return. In the table below we show how the fair value in our base case changes when increasing/decreasing the required rate of return/WACC (Weighted Average Cost of Capital) by two and four percentage points respectively. WACC is plotted in the left hand column and ranges from 11.1 percent to 19.1 percent. We also show the sensitivity of our fair value to a two and four percentage point increase/decrease in EBIT margin from 2020-2025. The EBIT margin in 2025 is the one that applies to the calculation of the terminal value in the DCF model.

Fair value estimate - sensitivity					
EBIT margin 2020 - terminal (pp change) and WACC					
	-4%	-2%	0%	+2%	+4%
19.1%	4.9	5.3	5.8	6.5	7.4
17.1%	7.1	7.4	8.0	8.9	9.9
15.1%	10.1	10.4	**11.1**	12.2	13.5
13.1%	14.5	14.8	15.7	17.0	18.7
11.1%	21.6	21.8	22.9	24.7	27.0

Figure 11: Sensitivity to changes in EBIT margin and WACC in our base case

As seen in the above table, changes in WACC and EBIT margin both affect the fair value, though not to an equal extent – the valuation is more sensitive to changes in WACC as a large part of the value of future cash flows come from cash flows far out in time.

Updated fair value range

Our updated fair value of Heliospectra ranges from SEK 2 per share in our base case to SEK 27 per share in our bull case.

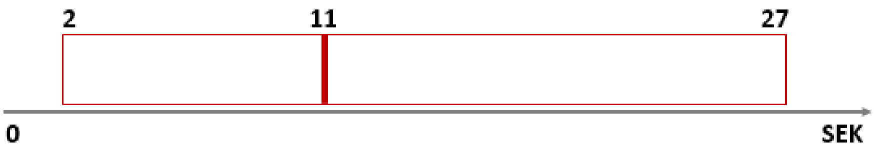


Figure 12: Fair value range, SEK

Our fair value of Heliospectra in our **base case is SEK 11.**

In our **bear case**, we see a fair value of **SEK 2 per share.**

In our **bull case** we see a fair value of **SEK 27 per share.**

Key catalyst

The following key catalysts are the ones we deem most important for Heliospectra in the next 12 months.

- California legalization - California releases the ban on recreational marijuana and thereby creates a huge market for suppliers of ancillary products to the industry
- Secured funding - our fair value is adversely affected by the need for additional financing and there is room for upward adjustments of our valuation if and when new financing is obtained
- Major order of SEK 5 million+
- Proof-of-concept of partnership with player in agricultural automation through sales success
- Successful commercialization with break-through order on the much anticipated biofeedback system incorporating sensors, software and LED grow lights

Appendix I: Updated ownership

Only minor changes to the list of owners have taken place during the second quarter. Avanza Pension, consisting of endowment insurances from multiple Avanza customers, have increased its holding by a few thousand shares, and the opposite is true for Nordnet Pensionsförsäkring. The top three owners, Gösta Welandson, Stiftelsen Industrifonden and Mohammed Al Amoudi (Midroc New Technology), have kept their ownership intact during the second quarter. In the below table ownership information as per June 30, 2016 is presented.

Rank	Name	Shares	Capital	Votes
1	Gösta Welandson	6,895,802	37.03%	37.03%
2	Stiftelsen Industrifonden	2,034,000	10.92%	10.92%
3	Mohammed Al Amoudi	2,027,250	10.89%	10.89%
4	Avanza Pension	818,216	4.39%	4.39%
5	Nordnet Pensionsförsäkring	405,079	2.18%	2.18%
6	Magowny Invest AB	340,691	1.83%	1.83%
7	Piba AB	311,000	1.67%	1.67%
8	Chrilotte AB	260,800	1.40%	1.40%
9	Kent Gustafson	260,800	1.40%	1.40%
10	Rolf Johansson	260,800	1.40%	1.40%
	Others	5,007,758	26.89%	26.89%
	Total	**18,622,196**	**100.00%**	**100.00%**

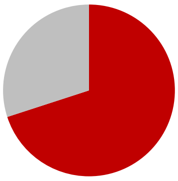
Summary Redeye Rating

The rating consists of five valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 2 points. The maximum score for a valuation key is 10 points.

Rating changes in the report

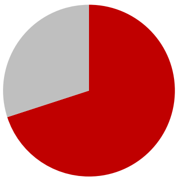
We have raised Heliospectra’s growth outlook one point, from six to seven. The raised rating reflects the high market potential as well as Heliospectra’s strong position in the segments it operates in. On financial strength, we have lowered our rating by one point as the need to raise additional capital is obvious. The reason Heliospectra is still awarded one point is the willingness from its main owners to provide financial support, for example through bridge financing.

Management 7.0p



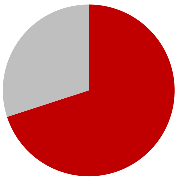
Heliospectra has an experienced management team led by CEO Staffan Hillberg who has held his position for 5+ years. Management has shown it has the ability to adapt Heliospectra's offering to match changes in customer demand and at the same time deliver on strategic initiatives. Despite the increase in costs seen thus far in 2016, we believe Heliospectra uses its funds in a responsible manner that promotes shareholder value in the longer term. To mandate a higher rating Heliospectra's leadership should show it can consistently deliver on its strategic goals. Furthermore, even though Heliospectra is active in its communication with investors, an increased transparency regarding the financial and strategic goals of the company should be a priority for management.

Ownership 7.0p



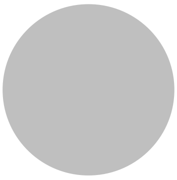
Heliospectra has a list of shareholders many small technology companies can only dream of. Heliospectra's largest shareholder is Gösta Welandson, a Swedish billionaire who has shown great commitment and engagement in supporting Heliospectra. Other major shareholders include the publicly funded VC Industrifonden and private venture investor Midroc New Technology. The major shareholders provide support as well as capital and have a good reputation in the financial markets. The board and CEO hold a decent amount of shares, however, we would like to see top management, most notably CEO Staffan Hillberg, as well as the board showing more commitment in Heliospectra through increased shareholdings in the company. With a stronger commitment from senior management and the board a higher ownership rating would be given.

Profit outlook 7.0p



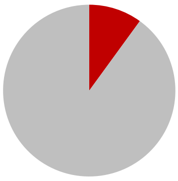
Heliospectra is active in a fast growing market and has secured important partnerships in all of its market segments. With a strong position in the research, AgTech and marijuana segments and a positive trend in the greenhouse cultivation segment, Heliospectra is well positioned for strong growth. Competitive advantages are secured by proprietary technology and first mover advantages. Heliospectra has a business model that will provide significant leverage should the introduction of software, services and sensors succeed. To raise the rating we would like to see a successful introduction of sensors and an ability to charge customers for software. We would also like to see Heliospectra cement its position as a leader in the LED grow light industry through increased sales and a return on equity (ROIC) exceeding our discount rate for a prolonged time period.

Profitability 0.0p



Heliospectra is currently losing money and even though we envisage Heliospectra showing profits in the future we want to see money in the bank before we give any credit. An upgrade to our profitability rating would require the company to at least show positive EBIT on a rolling twelve months basis.

Financial strength 1.0p



Heliospectra will have to raise additional capital to fund its growth. In order to raise Heliospectra's rating we want to see a situation where Heliospectra is no longer dependent on additional funding from its shareholders in order to fund its continued expansion. The reason we do not give a zero rating is that Heliospectra has main shareholders who multiple times have shown willingness to support the company financially through both debt and equity financing.

REDEYE

DCF valuation		Cash flow, MSEK	
WACC (%)	15.1 %	NPV FCF (2016-2018)	-63
		NPV FCF (2019-2025)	103
		NPV FCF (2026-)	170
		Non-operating assets	19
		Interest-bearing debt	-22
		Fair value estimate MSEK	207
Assumptions 2016-2022 (%)			
Average sales growth	39.5 %	**Fair value e. per share, SEK**	**11.1**
EBIT margin	-16.4%	Share price, SEK	10.2

Income statement	2014	2015	2016E	2017E	2018E
Net sales	3	14	35	56	82
Total operating costs	-32	-42	-63	-77	-95
EBITDA	**-29**	**-28**	**-28**	**-21**	**-13**
Depreciation	-1	-1	0	0	0
Amortization	-3	-3	-4	-3	-4
Impairment charges	0	0	0	0	0
EBIT	**-33**	**-32**	**-32**	**-25**	**-17**

Balance	2014	2015	2016E	2017E	2018E
Assets					
Current assets					
Cash in banks	6	19	4	5	7
Receivables	4	7	5	8	11
Inventories	4	7	5	7	8
Other current assets	0	0	0	0	0
Current assets	**14**	**33**	**14**	**20**	**25**
Fixed assets					
Tangible assets	2	1	1	1	1
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	0	0	0
O intangible rights	15	16	17	18	18
O non-current assets	0	0	0	0	0
Total fixed assets	**17**	**17**	**18**	**19**	**20**
Deferred tax assets	0	0	0	0	0
Total (assets)	**32**	**50**	**32**	**39**	**45**

Free cash flow	2014	2015	2016E	2017E	2018E
Net sales	3	14	35	56	82
Total operating costs	-32	-42	-63	-77	-95
Depreciations total	-4	-4	-4	-4	-4
EBIT	**-33**	**-32**	**-32**	**-25**	**-17**
Taxes on EBIT	0	0	0	0	0
NOPLAT	**-33**	**-32**	**-32**	**-25**	**-17**
Depreciation	4	4	4	4	4

Capital structure	2014	2015	2016E	2017E	2018E
Equity ratio	51%	56%	-19%	-87%	-122%
Debt/equity ratio	60%	77%	-564%	-196%	-169%

Growth	2014	2015	2016E	2017E	2018E
Sales growth	540%	340%	156%	60%	46%
EPS growth (adj)	97%	1%	1%	-19%	-24%

Profitability	2014	2015	2016E	2017E	2018E
ROE	-271%	-153%	0%	0%	0%
ROCE	-149%	-85%	-82%	-84%	-49%
ROIC	-220%	-164%	-103%	-104%	-62%
EBITDA margin	-942%	-208%	-79%	-38%	-16%
EBIT margin	-1058%	-236%	-92%	-45%	-21%

Data per share	2014	2015	2016E	2017E	2018E
EPS	-1.81	-1.82	-1.83	-1.49	-1.13
EPS adj	-1.81	-1.82	-1.83	-1.49	-1.13
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	0.26	0.16	1.63	3.29	4.62
Total shares	13.79	18.62	18.62	18.62	18.62

Valuation	2014	2015	2016E	2017E	2018E
EV	207.7	205.9	220.3	251.1	275.9
P/E	-6.1	-6.0	-5.6	-6.8	-9.0
P/E diluted	-6.1	-6.0	-5.6	-6.8	-9.0
P/Sales	65.6	14.8	5.4	3.4	2.3
EV/Sales	66.8	15.0	6.3	4.5	3.4
EV/EBITDA	-7.1	-7.2	-7.9	-11.7	-20.7

Share performance		Growth/year	14/16e
1 month	-1.0 %	Net sales	235.5 %
3 month	20.7 %	Operating profit adj	-1.3 %
12 month	6.8 %	EPS, just	0.7 %
Since start of the year	-2.9 %	Equity	�

Shareholder structure %	Capital	Votes
Gösta Welandson	37.0 %	37.0 %
Stiftelsen Industrifonden	10.9 %	10.9 %
Mohammed Al Amoudi	10.9 %	10.9 %
Avanza Pension	4.4 %	4.4 %
Nordnet Pensionsförsäkring	2.2 %	2.2 %
Magowny Invest AB	1.8 %	1.8 %
Piba AB	1.7 %	1.7 %
Chrilotte AB	1.4 %	1.4 %
Kent Gustafson	1.4 %	1.4 %
Rolf Johansson	1.4 %	1.4 %

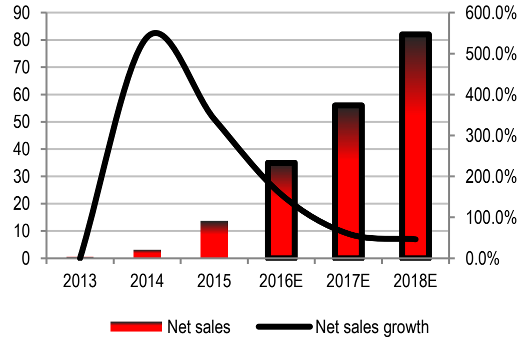
Share information	
Reuters code	
List	Nasdaq First North
Share price	10.2
Total shares, million	18.6
Market Cap, MSEK	189.9

Management & board	
CEO and IR	Staffan Hillberg
CFO	Håkan Bengtsson
COO	Chris Steele
Chairman	Andreas Gunnarsson

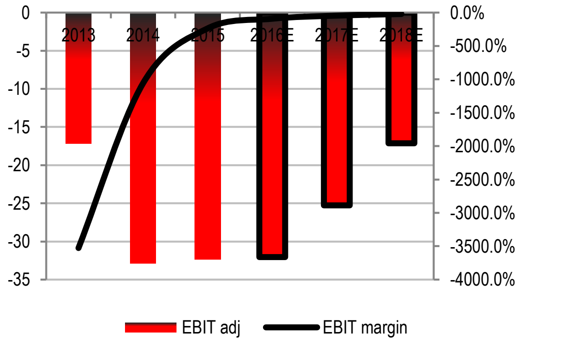
Financial information	
Q3 report	October 28, 2016
FY 2016 Results	February 24, 2017

Analysts	Redeye AB
Joel Westerström	Mäster Samuelsgatan 42, 10tr
joel.westerstrom@redeye.se	111 57 Stockholm
Viktor Westman	
viktor.westman@redeye.se	

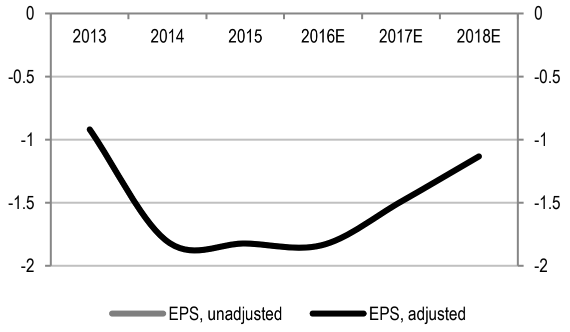
Revenue & Growth (%)



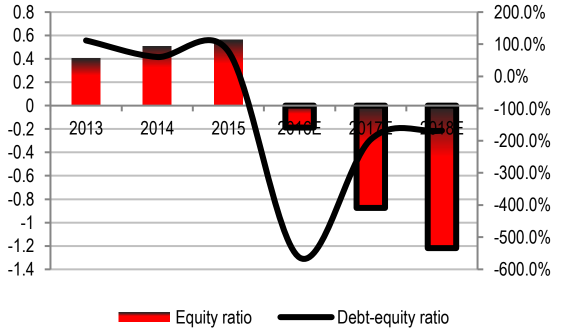
EBIT (adjusted) & Margin (%)



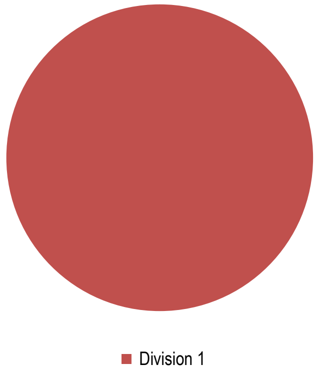
Earnings per share



Equity & debt-equity ratio (%)



Sales division



Geographical areas

Conflict of interests

X. Joel Westerström owns shares in the company : Yes
X. Viktor Westman owns shares in the company : No

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

Company description

Heliospectra specializes in intelligent lighting systems for plant research, greenhouse cultivation and controlled environment agriculture. The company is a global leader in LED grow lights for advanced research applications and has patented technology.

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Redeye Rating (2016-09-12)

Rating	Management	Ownership	Profit outlook	Profitability	Financial Strength
7,5p - 10,0p	42	42	20	7	17
3,5p - 7,0p	70	62	91	35	45
0,0p - 3,0p	6	14	7	76	56
Company N	118	118	118	118	118

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