EDISON

TerraNet

China calling

FY17 results

Software & comp services

TerraNet's 2017 earnings show the group continuing to move closer to generating licence revenues from its technology portfolio, while keeping a tight control over costs. China is proving a key market for the group: Chinese tech giants, Tencent Gaming and Alipay, and cellphone manufacturers, Oppo and Vivo, are shortly to begin trialling TerraNet's software. Furthermore, the recent launch of the Android Oreo 8.1 operating system should enable the group to resume its launch of proximal connectivity SDKs in China later this year. Year-end cash reserves were SEK62.4m ($7.6m). Our forecasts suggest this will be sufficient to fund the business until late 2018. Helped by lower than forecast cash burn in 2017 and the prospect of lower capex and WC outflows, we have increased our valuation range for the shares from SEK12.6-14.4 to SEK13.4-15.4.

Year end	Revenue* (SEKm)	EBITDA (SEKm)	EPS** (SEK)	Net operating cash flow (SEKm)	Net debt/ (cash) (SEKm)	EV/revenue (x)
12/16	2.7	(25.0)	(3.3)	(22.3)	(4.4)	122.3
12/17	5.6	(57.1)	(2.9)	(53.5)	(62.4)	58.6
12/18e	21.7	(68.2)	(3.0)	(61.8)	7.2	15.0
12/19e	74.8	(32.1)	(1.6)	(33.9)	51.0	4.4

Note: *External revenues excluding own work capitalised. **Normalised, excluding amortisation of acquired intangibles and share-based payments.

High-potential China trials with Tencent and Alipay

TerraNet has created a diversified stable of products based on different applications of its proprietary know-how in off-grid (outside Wi-Fi or cellular networks) mobile communication and content streaming, vehicle positioning, platooning, V2X communications and proximal connectivity software. The group has been highly successful in developing innovative use cases for its technology and attracting leading global businesses to its products. The latest, encrypted off-grid mPay services, fits these criteria well on both grounds.

China proximal connectivity back on the rails

The recent launch of the Android Oreo 8.1 operating system has put the group back on the rails with regard to proximal connectivity software sales in China, which were seriously disrupted by the delayed launch of the required Google operating system after the initial launch in mid-2017. The group plans roadshows in Q318 and is looking to generate sales of its software development kits (SDKs) in Q418.

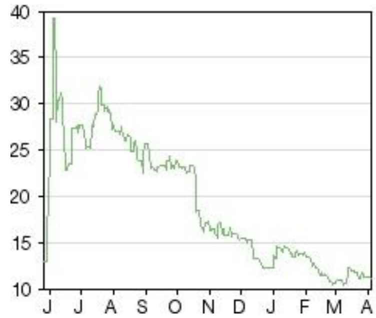
Valuation: DCF valuation increased to SEK13.4-15.4

TerraNet's 2017 results showed revenues, capex and expenses on a lower than forecast growth trajectory, resulting in a 2% lower EBITDA loss of SEK57.1m and a SEK 8.3m higher than expected year-end 2017 cash balance. Although we have increased our 2018 loss expectations on a push back in revenue expectations, we have reduced ongoing forecast capex and WC outlays, leading to a higher valuation range of SEK13.4-15.4 from SEK12.6-14.4 per share. This is based on our expectation of successful monetisation of key prospects as set out in this note. We note TerraNet's lack of recurring revenues, as is typical of an early-stage company, and its need for SEK 7m in equity funding by end 2018, based on our forecasts.

4 April 2018

Price	**SEK11.0**
Market cap	**SEK264m**
	SEK/US$8.22
Net cash (SEKm) at 31 December 2017	62.4
Shares in issue	24.0m
Free float	41%
Code	TERRNT
Primary exchange	Nasdaq First North
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	0.8	(16.9)	N/A
Rel (local)	1.4	(13.5)	N/A
52-week high/low		SEK39.2	SEK10.4

Business description

TerraNet is an early commercialisation-stage firm with patented software technology enabling intelligent machine-to-machine communications and data streaming without external networks. Products include chip integration software, IoT, V2V, headsets comms, multimedia streaming and GriDD.

Next events

Q118	16 May 2018
H118	22 August 2018

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Edison profile page

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2017 results: Expanding aggressively, costs controlled

TerraNet reported a 109% increase in external revenues in 2017 to SEK5.6m (2016: SEK2.7m). The industrial IoT segment was the main driver of growth, contributing SEK5.3m or 95% of group revenues. These arose principally from new and ongoing contracts for non-recurring engineering work, which have the potential to lead to product sales and/or recurring revenues in the areas of auto positioning, headsets, multimedia, Wi-Fi networking and platooning. These projects are also part of the wider strategy to further integrate TerraNet's offering into large V2X leaders/OEMs.

Exhibit 1: Earnings summary

SEKm	Q416	Q417	Change	2016	2017	Change	2017
	Actual	Actual	(%)	Actual	Actual	(%)	Forecast
External revenues	**1.2**	**1.3**	**8.7**	**2.7**	**5.6**	**108.7**	**6.5**
Own work capitalised	**0.8**	**1.9**	**132.5**	**5.1**	**7.2**	**41.4**	**9.8**
Personnel costs	(2.6)	(6.5)	153.8	(8.1)	(25.3)	213.6	(28.4)
Other opex	(7.6)	(11.4)	50.9	(24.7)	(44.5)	80.4	(46.2)
Total opex	(10.1)	(17.9)	76.9	(32.8)	(69.9)	113.2	(74.6)
EBITDA	**(8.1)**	**(14.8)**	**81.3**	**(25.0)**	**(57.1)**	**128.3**	**(58.3)**
EBITDA margin	(6.8)	(11.4)	66.7	(9.4)	(10.3)	9.4	(9.0)
Normalised operating profit	**(20.5)**	**(16.1)**	**(21.6)**	**(37.6)**	**(58.6)**	**56.1**	**(65.4)**
Normalised PBT	(20.5)	(16.1)	(21.4)	(37.6)	(58.7)	56.2	(65.4)
Reported net income	(20.5)	(16.1)	(21.4)	(37.6)	(58.7)	56.2	(65.4)

Source: TerraNet

Consumer IoT revenues were a lower SEK0.3m, reflecting the typically long sales cycles of consumer IoT businesses, as well as delays to the launch of proximal connectivity in China in 2017 and the relative rarity of funded NRE work in the segment compared to Industrial IoT. We believe that consumer IoT revenues were generated during the year from Wi-Fi positioning, multimedia streaming and cellular data capacity trading (GriDD).

In total, 2017 revenues were 14% below our forecast, principally reflecting lower than our expected NRE revenue from the consumer IoT area, most especially the Wi-Fi IoT contract with Quantenna.

The group nevertheless performed well in terms of cost control. Opex, up 75% y-o-y, was 7% lower than we had forecast, helped by lower "other opex", leading to a 2% lower than forecast EBITDA loss of SEK57.1m. The 126% increase in opex during the year reflected the ramp-up in the number of projects and trials during the year. A widening and deepening of work on new product development in 2017, as well as SEK1.5m in patent outlays also led to capitalised development costs rising to SEK7.2m, from SEK1.9m the previous year.

Exhibit 2: Segment revenue breakdown

SEKm	2017	2018e	2019e	2020e
Consumer IoT Segment				
Chip Integration - consumer	0.1*	8.0	43.5	76.8
Multimedia	0.1*	1.4	5.1	8.9
GriDD	0.1*	0.0	0.0	0.0
Consumer IoT external revenue	**0.3**	**9.4**	**48.6**	**85.7**
Change (%)		3,182	416	76.4
Industrial IoT segment				
Auto IoT	1.7*	4.9	3.4	8.5
Audio IoT	1.2*	3.9	15.1	10.9
Other IoT	2.4*	3.5	7.7	16.7
Total Industrial IoT segment	**5.3**	12.3	26.2	36.2
Change (%)		133	113	37.9
Group external revenue	**5.6**	**21.7**	**74.8**	**121.9**
Change (%)	108.7	290.1	244.3	62.9

Source: TerraNet, Edison Investment Research. Note: *Edison estimate.

Cash burn in 2017 (operating and investing outflows) was slightly less than expected (2%), rising 123% to SEK62.4m. This resulted in higher than expected total cash at the year-end of SEK62.4m ($7.8m) and no interest-bearing debt on the balance sheet. With wound-down marketing activity in the fourth quarter after very active summer months, cash burn fell to SEK13.2m compared with the quarterly average of SEK18.6m over the first nine months of the year.

Employee numbers during 2017 increased from nine to 20. The group supplements its workforce with consultants, which totalled 17 at year-end, bringing the total manpower strength to 37. We understand that staff levels still sit around this level.

Business update

TerraNet can point to a number of key successes over the last year, which should help drive earnings going forward. In January the group reached agreement for trials of TerraNet's off-grid mPay technology to take place in China with major local mPay, ISPs and mobile phone firms, which we discuss below. In February, the group was also able to secure an order for SEK1.2m in NRE work on off-grid communications from an international conglomerate.. This entails providing offline connectivity to machine-to-machine communications and, we believe, furthers the group's growth potential in sectors requiring remote M2M communications, such as mining and natural resources.

During Q417 the group was able to reach agreement for non-recurring engineering work for development of its technology in active vehicle safety, tactical radio headsets and offline data transfers with firms including Alfa Laval, Saab Defense and Orange. The latter trial was completed in October, but has not yet resulted in new order flows, leading us to adjust our forecasts down.

One of the most recent developments is also the launch of the Android Oreo 8.1 operating system by Alphabet and Google. The operating systems will enable mobile phones to work with apps providing location-specific services. This has therefore now opened up potential for TerraNet to sell its proximal connectivity SDKs to app developers in China to enable them to create location-reactive apps. This should also enable them to commence sales to Chinese cellphone manufacturers of software integrated into the Qualcomm Snapdragon chip, which will enable their phones to offer contextual awareness services. TerraNet intends to launch roadshows in the third quarter of this year and commence sales in Q4. The group is now familiar to Chinese app developers following similar roadshows with Qualcomm in 2017 before the roll-out of the software was hit by delays to the launch of Oreo 8.1.

Off-grid mPay: China giant Alipay testing TerraNet tech

In January mPay giant Alipay (part of the Alibaba Group) signed a letter of intent with TerraNet to trial its off-grid mPay solution. This trial represents a substantial opportunity for TerraNet as Alipay is the world's leading mPay provider, with mPay transaction volumes in 2016 of $1.6tn (exceeding Visa, Mastercard and American Express combined). As a major mPay player with a dominant 54% share of the Chinese mPay market (source: Analysys International data, Q117), success with Alipay has the potential to open doors for TerraNet's product with smaller mPay providers around the globe.

TerraNet's mPoS technology works by enabling two parties with mobile phones to effect a transaction and instantly transfer cash to the vendor, with the transaction being updated to central databases when one of the parties re-enters cellular range.

The use case for the technology is the ability for people to send and receive money (sending and receiving money from friends and family is big in China), as well as buying and selling goods and services via mobile devices wherever they are. This includes sales of duty free and other items in aeroplanes not equipped with Wi-Fi, as well as at rural markets and areas where Wi-Fi network coverage is intermittent or unreliable.

According to McKinsey, payment transaction revenues in the Asia Pacific region are set to grow at a CAGR of 8% annually between 2015 and 2021. China is a particularly key market, with mobile payments having already overtaken payment by cash as well as card transactions. The Chinese payments market alone is forecast to achieve US$250bn in net new payments revenue (ie fees on the transactions, not the transactions themselves) by 2021, equivalent to 40% of the global total of US$640bn.

While growth in the already advanced Chinese market is expected to lag the Asia Pacific average, the outlook for the business payments market in China is enhanced by relatively low competition, especially in relation to the congested consumer payments market.

Promising mPay market in China and developing countries

Currently more than 65% of the Chinese population regularly use mPay services, with annualised mobile payments in China reaching US$15.4tn over the first 10 months of 2017, according to data from the Chinese Ministry of Industry and Information Technology. According to a GSMA report from September 2017, 4G covers 70% of the China land mass, but the network extends to 99% of the population. Nevertheless, according to GSMA research, in 2017 mobile internet penetration at 61% lagged mobile phone penetration (based on unique subscribers) of 78%.

From these data we see two key market segments for off-grid mPay. The first is enabling mPay transactions for mobile subscribers without mobile broadband subscriptions, and the second for populations located outside 4G coverage.

The addressable market for the first segment in 2017 should have been c 17% of the population based on the above mobile phone penetration of 78% less mobile internet penetration of 61%. Nevertheless, we see this market shrinking rapidly over the next few years. GSMA forecasts mobile internet penetration to reach 81% in 2020 in a sharp catch-up on mobile phone penetration, which is likely to be only 1-2pp above this number based on GSMA’s targeted mobile phone penetration for 2025 of 85%.

The second potential market is for the population located outside network coverage. In this segment we would include the 1% of the Chinese population currently outside 4G network coverage and people temporarily off-grid such as passengers on flights looking to make transactions. According to the Civil Aviation Authority there were 549m passenger flights in China in 2017 which, assuming for ballpark purposes that 5-10% undertook a transaction using off-grid mPay for $20, would represent 5.5m transactions and transaction volumes of $550m to $1.1bn.

Taking into account the 1% of the population outside 4G, we would expect higher poverty levels and lower levels of smartphone ownership to have a sharply negative impact on average transaction volumes compared with the Chinese average. Based on the above-mentioned market size of $15.4tn and assuming 90% lower average transaction volumes would give rise to potential for the off-grid technology to increase Chinese mobile payments by c 0.1% or $15.4bn per annum.

As to the potential transaction fees, we note that with a highly concentrated market, a third-party platform could expect to generate below average fees. Assuming that owners of the technology are able to derive a fee of 0.1% on these off-grid transactions, which represents approximately half the typical fee for non-transaction risk platforms in the UK (based on Edison’s industry knowledge), we would estimate potential annual market revenues for off-grid flights at $0.6-1.1m (SEK4.9-9.9m) and a larger $15m (SEK127m) pa for the market for populations outside 4G network areas. We believe that TerraNet is in a good position to take a large share of this market if it attracts either of the large payment providers as a customer.

We see the potential for success in China to lead to fast take-up of the technology in other emerging markets such as India, Africa, Indonesia, Vietnam and the Philippines. In these markets mobile population coverage is well below that of China and mPay is not as advanced. We expect that the Chinese operators will look to take the lead in rolling out services in a number of countries, which could result in even more rapid adoption of TerraNet's technology.

We will look to add off-grid mPay forecasts to our models if completion of the current trials results in agreement with one or more of the major tech firms to implement the technology in China.

Google launch opens way to proximal connectivity relaunch…

In late 2017, Google launched its new Android operating system, Oreo 8.1. The system contains driver routers for Wi-Fi Aware relating to discovery and synchronisation, which opens the way for the creation of proximal connectivity apps. Proximal connectivity apps tailor their content for the user's location – for example, if the user has registered an interest in buying a particular pair of shoes on their app, it alerts them if they come into the range of a store stocking the brand. It also enables peer-to-peer discovery – person A can stream video content from/send payments to/play video games with person B, even if person A does not have access to a cellular network.

With Google not present in China, it will be left to Chinese developers to create apps to serve Chinese demand, which is likely to be fed by the launch of new apps sold via Google Play abroad. TerraNet's SDKs were developed to work with software developed by TerraNet, which sits on the high-end Qualcomm Snapdragon chip, giving it a competitive advantage over other software.

…and sales of off-grid games/mobile streaming technology

TerraNet is also looking to benefit from the launch of proximal connectivity in China with sales of in-house developed games and off-grid video streaming technology. TerraNet's MeshBrick offline peer-to-peer/peer-to-many gaming feature is currently being trialled by Tencent Gaming with a view to incorporating it into some of its games. Tencent Gaming is part of the Tencent group and the world's largest interactive game provider with over 200 million registered users.

Additionally, Oppo and Vivo, China's leading smartphone manufacturers, are trialling TerraNet's meshmedia and video streaming applications for offline use. In addition to integration into smartphones (the two companies have annual sales of c 80m units), there is potential for the technology to be integrated into other electronic products, particularly the DVD and Blue-ray units, which are manufactured by the companies.

According to the China Internet Network Information Centre (CNNIC), 22.6% of the Chinese population currently use live streaming services, with 53% of these following gaming live streaming. As mentioned in our discussion of mPay services, we expect increasing numbers of mobile subscribers to sign up to broadband services, reducing the size of the natural market of mobile phone subscribers without mobile data packages. Nevertheless, in China (unlike other countries where broadband accessibility is poor), we believe that the key advantage of the off-grid model is significant potential savings on data transmission to users. As such, we see the market as being most sensitive to mobile data pricing, rather than availability of broadband per se or uptake of mobile broadband packages by mobile subscribers.

TerraNet plans to relaunch its products in roadshows with Qualcomm to developers and the Chinese tech giants in Q318 and expects to start generating licence fee revenues in Q418.

Forecast revision

Following the release of 2017 results, we have revised our earnings forecasts as summarised in Exhibit 3.

The key changes arise from:

1. The elimination of revenue forecasts for GriDD, which is software that enables off-grid trading of the surplus data of cellphone users. The elimination follows the absence of a follow-on order after the completion of a product trial by mobile operator Orange in October 2017 added to a lack of marketing bandwidth at TerraNet to bring in new prospects. This change reduces revenues by SEK11m in 2018 and SEK34m in 2019. We will monitor the situation to potentially reinstate revenues from GriDD if justified by further developments.
2. A 50% reduction in our forecast of non-recurring, chip-integration revenues from Wi-Fi systems software from Quantenna for 2018 and 2019. This follows a lower than expected revenue contribution from consumer IoT, of which Quantenna was expected to comprise a major component. This translates into a reduction in revenues of SEK3.8m in 2018 and SEK4.2m in 2019.
3. A SEK2.9m or 75% reduction in our forecast of proximal connectivity-related chip integration, NRE and SDK sales revenues in China in 2018 to reflect later than originally expected initial sales of software in Q418.
4. A reduction of SEK8m in 2019 auto IoT segment revenues as we assume a one-year delay to 2020-21 in the commencement of deliveries on 2018-19 orders.

Exhibit 3: Change in forecast

	Revenues (SEKm)			EBITDA* (SEKm)			EPS* (SEK)		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2017	N/A	5.6	N/A	N/A	(57.1)	N/A	N/A	(2.86)	N/A
2018e	39.7	21.7	(45.2)	(70.7)	(68.2)	(3.5)	(3.16)	(3.01)	(4.7)
2019e	121.2	74.8	(38.3)	(24.4)	(32.1)	31.5	(1.2)	(1.58)	36.0

Source: Edison Investment Research. Note: *Normalised, continuing operations.

Earnings outlook

Notwithstanding the above changes, our forecasts are still largely based on the financial and industry models and methodology detailed in our initiation report, Proximal solutions, multiple applications, published on 30 May 2017.

With regard to our earnings estimates, we note that management has instituted a new board policy of not providing any comment on future earnings prospects. While TerraNet's goal is to translate current NRE revenues to recurring revenue contracts, we note that to date the company's revenues have entirely consisted of non-recurring revenues, and the group has yet to conclude a contract to generate recurring revenues. As a consequence, earnings visibility at present is minimal.

It should also be noted that our model assumes that a number of events take place to bring about the realisation of our forecasts. These assume:

Chip integration: the sale to Chinese mobile phone manufacturers of 13m units of contextual awareness software loaded on to Snapdragon chips in 2019, rising to 28m in 2020, is forecast to generate revenues of SEK21m and SEK41m, respectively. We assume NRE revenues in relation to these transactions will reach SEK1.5m this year, rising to SEK4-5m in 2019 and 2020. We assume NRE revenues from Chinese app developers will grow from SEK1m this year to SEK10m in 2020.

Multimedia: our forecasts for multimedia assume that the group is able to launch apps for sale to customers of YuppTV, ObjectOne (Telugo) and one new firm. The revenues therefore consist principally of revenues from sales of freemium apps, with sales volumes of 2m units this year, rising to 7m in 2019 and 11m in 2020. We assume pricing of $0.1 (SEK0.8) per app in advertising revenue.

Audio IoT: we assume a fall back in NRE work in 2018 to SEK0.3m as projects relating to the incorporation of TerraNet's technology into headsets and scanners translate into licence contracts. We assume unit prices of approximately $10 and volumes of c 30k this year, rising to 185k in 2019 before falling back (assuming a number of major key contracts have been filled) to 150k in 2020.

Auto IoT: we expect NRE revenues to remain the mainstay of the auto IoT segment in 2018, but we assume that the group signs contracts in 2019 that enable it to commence generating licence revenues from its positioning and multi-hop as well as its V2V/V2X technology in 2020/21. For further information, please see the assumptions set out in our initiation report published on 30 May 2017.

Balance sheet

Management has warned that it expects another year of negative cash flow in 2018 as it continues to work to bring multiple products to market. We forecast cash burn of SEK69.7m, resulting in the need for further equity or debt funding of SEK7m by year-end and further capital injections of SEK44m in 2019 and SEK 9m in 2020.

Valuation

TerraNet's 2017 results showed both revenues and expenses following a lower growth trajectory than we forecast, resulting in a 2% lower than expected EBITDA loss of SEK57.1m. Lower than expected cash outflows in 2017 resulting in a higher starting cash balance boosted our DCF valuation by SEK0.34 per share. Further positive impetus was provided by reduced forecasts of EBITDA loss and cash outflow for 2018, and lowered long-term capex forecasts after the group was able to achieve significant capex efficiencies in 2017, while still producing impressive results in terms of new product releases and trials. These changes contributed to an increase in our TerraNet DCF valuation to SEK13.4-15.4 per share from the previous SEK12.6-14.4. We believe that the group has strong growth potential from a number of prospective technologies, but also note its lack of recurring revenues, as is typical of an early-stage company. We further note the group's need for further equity funding by end 2018 on our forecasts. Evidence that the assumptions presented above are being met should lend confidence to our forecasts and therefore valuation.

Exhibit 4: DCF valuation

SEKm	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e
Revenue	21.7	74.8	121.9	194.1	228.0	254.8	274.5	303.5	349.5
Change (%)	290.1	244.3	62.9	59.3	17.5	11.7	7.7	10.6	15.1
EBITDA	(68.2)	(32.1)	(3.2)	45.7	61.0	73.7	81.7	98.6	128.3
EBITDA margin (%)	(313.9)	(42.9)	(2.6)	23.5	26.8	28.9	29.8	32.5	36.7
Change in working capital	6.4	(1.8)	(0.9)	(2.4)	0.6	0.4	0.6	(0.3)	(1.2)
Chg. In working capital/sales	0.3	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	(0.0)	(0.0)
Capex (own work capitalised)	(7.9)	(8.7)	(9.5)	(10.5)	(11.5)	(12.7)	(14.0)	(15.4)	(16.9)
Capex/sales	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)
Free cash flow	(69.7)	(42.6)	(13.6)	32.8	50.1	61.4	68.3	61.8	82.2
Terminal value									735.4
Total cash flow	(69.7)	(42.6)	(13.6)	32.8	50.1	61.4	68.3	61.8	817.6
Enterprise value	283.8		**Debt adjustment**				**Key assumptions**		
Net debt/(cash) adj. for equity issues	(62.4)		Net debt/(cash) end 2017			(62.4)	WACC (%)		15.0
Equity valuation	346.2		Cash from share issues to date			0.0	Terminal growth rate (%)		3.0
Number of shares (m)	24.0		Adjusted net debt/(cash)			(62.4)			
Company value (SEK/share)	14.4								

Source: TerraNet, Edison Investment Research estimates

Exhibit 5: Financial summary

SEKm	2015	2016	2017	2018e	2019e	2020e
31-December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue	0.4	2.7	5.6	21.7	74.8	121.9
Own work capitalised	3.3	5.1	7.2	7.9	8.7	
Personnel costs	(7.4)	(8.1)	(25.3)	(40.9)	(50.6)	(61.9)
Other operating expenses excl. D&A	(13.5)	(24.7)	(44.5)	(56.9)	(64.9)	(72.7)
EBITDA	(17.2)	(25.0)	(57.1)	(68.2)	(32.1)	(3.2)
Normalised operating profit	(18.0)	(37.6)	(58.6)	(72.2)	(36.7)	(8.4)
Amortisation of acquired intangibles	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit	(18.0)	(37.6)	(58.6)	(72.2)	(36.7)	(8.4)
Net Interest	0.0	0.0	(0.0)	0.1	(1.2)	(2.5)
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	(18.0)	(37.6)	(58.7)	(72.2)	(37.9)	(10.9)
Profit Before Tax (reported)	(18.0)	(37.6)	(58.7)	(72.2)	(37.9)	(10.9)
Reported tax	0.0	0.0	0.0	0.0	0.0	0.0
Profit After Tax (norm)	(18.0)	(37.6)	(58.7)	(72.2)	(37.9)	(10.9)
Profit After Tax (reported)	(18.0)	(37.6)	(58.7)	(72.2)	(37.9)	(10.9)
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	(18.0)	(37.6)	(58.7)	(72.2)	(37.9)	(10.9)
Net income (reported)	(18.0)	(37.6)	(58.7)	(72.2)	(37.9)	(10.9)
Basic average number of shares outstanding (m)	7.5	11.3	20.5	24.0	24.0	24.0
EPS - basic normalised (SEK)	(2.40)	(3.34)	(2.86)	(3.01)	(1.58)	(0.45)
EPS - diluted normalised (SEK)	(2.40)	(3.34)	(2.86)	(3.01)	(1.58)	(0.45)
EPS - basic reported (SEK)	(2.40)	(3.34)	(2.86)	(3.01)	(1.58)	(0.45)
Dividend (SEK)	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	N/A	584.4	108.7	290.1	244.3	62.9
Gross Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
Normalised Operating Margin	N/A	N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets	30.3	23.3	30.5	33.4	36.4	39.7
Intangible Assets	30.2	23.3	30.5	33.4	36.4	39.7
Tangible Assets	0.0	0.0	0.0	0.0	0.0	0.0
Investments & other	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets	6.8	7.3	67.1	5.8	9.4	39.8
Stocks	0.0	0.0	0.0	0.0	0.0	0.0
Debtors	1.6	2.3	3.8	2.4	8.2	13.4
Cash & cash equivalents	5.2	4.4	62.4	2.8	(1.0)	22.9
Other	0.0	0.6	1.0	0.6	2.1	3.5
Current Liabilities	(9.3)	(7.8)	(16.0)	(31.1)	(75.1)	(119.3)
Creditors	(3.4)	(5.9)	(7.5)	(9.9)	(11.7)	(13.7)
Tax and social security	(5.5)	0.0	0.0	0.0	0.0	0.0
Short term borrowings	0.0	0.0	0.0	(10.0)	(50.0)	(90.0)
Other	(0.4)	(1.9)	(8.5)	(11.2)	(13.4)	(15.6)
Long Term Liabilities	(3.1)	(2.7)	0.0	0.0	0.0	0.0
Long term borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	(3.1)	(2.7)	0.0	0.0	0.0	0.0
Net Assets	24.6	20.0	81.5	8.1	(29.3)	(39.8)
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	24.6	20.0	81.5	8.1	(29.3)	(39.8)
CASH FLOW						
Op Cash Flow before WC and tax	(17.2)	(25.0)	(57.1)	(68.2)	(32.1)	(3.2)
Working capital	3.9	2.7	3.7	6.4	(1.8)	(0.9)
Exceptional & other	0.0	0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	0.0	0.0
Net operating cash flow	(13.3)	(22.3)	(53.5)	(61.8)	(33.9)	(4.1)
Capex	(6.8)	(5.6)	(8.7)	(7.9)	(8.7)	(9.5)
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0	0.0
Net interest	0.0	0.0	(0.0)	0.1	(1.2)	(2.5)
Equity financing	21.3	29.4	129.5	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(2.3)	(9.3)	0.0	0.0	0.0
Net Cash Flow	1.3	(0.8)	58.0	(69.6)	(43.8)	(16.1)
Opening net debt/(cash)	(3.9)	(5.2)	(4.4)	(62.4)	7.2	51.0
FX	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements	0.0	0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)	(5.2)	(4.4)	(62.4)	7.2	51.0	67.1

Source: TerraNet, Edison Investment Research. Note: Our model indicates that TerraNet will require further equity funding in 2018. For illustrative purposes we show this funding as debt in our balance sheet forecasts.

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