



COMMISSIONED RESEARCH

December 7 2018

FRONTOFFICE NORDIC AB

ANALYSGUIDEN

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High expected return

FrontOffice is an investment company focusing on turnarounds and growth investment. A Turnaround involves taking a company out of a negative trend and make it profitable. The expected return on a turnaround investment is high, but so is the risk.



The investment company, FrontOffice Nordic AB (FrontOffice, the company or FO) invests in listed and non-listed, small and medium sized companies. Investments are made in turnaround cases as well as in growth companies. The subsidiaries KROSS and Svensk Företagsrekonstruktion (SFR) helps companies with insolvency issues. Through the two, the group screen a large amount of companies in need of a turnaround and may select the few with good potential and high expected return on investment.

The company also do growth investments with focus on Fintech-companies with technology that enables faster, more secure money flows at lower cost compared to today's standard systems. These systems are built around blockchains. The Fintech-holdings consist of FTCS and Quickbit, both with good prospects to establish a substantial market positions on their respectively market. FTCS's agreement with Banko BS2 valued up to 300 MSEK per year demonstrate FTCS's ability. We derive a theoretical value increase on investments in FTCS to almost 100 percent. QuickBit is a Swedish public company developing technical solutions for crypto currencies and blockchains. Holdings in Fintech has thus so far been good investments.

In an attempt to value FrontOffice we have summed the value of the groups; (i) investment portfolio and (ii) value of the consultancy services. In our base case, the investment portfolio makes up for about 81 percent out of the sum. To estimate the shareholder value per share we have reduced the sum with net debt and estimated centralized costs for the next 12 months. Using this method, we value the share to 2.6 kronor for the next 6 - 12 months. This corresponds to a discount of 5 percent relative our estimation of the investment portfolio's net value plus value of the consultancy operations. Other listed investment companies traded at an average discount to its net asset value of 9 percent. The deviation is motivated by the group's consultancy operations and slim organization.

Actuals and expectations, base scenario

	MSEK	2017	2018E	2019E	2020E
Net Revenue, FO		10,1	11,3	11,9	12,1
Operating costs, FO		-13,1	-17,4	-15,4	-15,4
Net Asset Value per Share			2,8		
Motivated discount			-5%		

Source: FrontOffice and Jarl Securities (estimates)

COMMISSIONED RESEARCH FRONTOFFICE NORDIC AB December 7, 2018

Date: December 7, 2018
Analyst: Markus Augustsson, Jarl Securities

Company name: FrontOffice Nordic AB (publ)
Exchange/Market: NORDIC MTF
CEO: Johan Lund
Chairman: Tommy Ekholm
Market cap: SEK 43m
Last: 1,5 SEK
About FrontOffice: FrontOffice invests in Turnaround-cases and in growth companies. The investing operation is complemented by consultancy services.

Strengths and opportunities: The consultancy operations give FO a unique insight to potential turnaround-cases. SFR has a good track record of succeeded company reconstructions yielding good preconditions for growth in SFR.

The company's growth investments focus on Fintech, a fast-growing sector. We believe the investments in the sector has been profitable, so far.

FO is an interesting investment for investors seeking exposure to non-listed Fintech companies.

Risks and weaknesses: FO's financial resources are limited. However, the company have access to a credit line of 20 MSEK and holds an investment agreement of up to 52 MSEK.

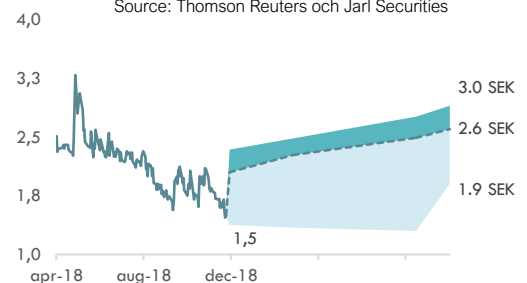
The company's financial ability to take on new investments is limited. In addition, the current investments will likely need further funding.

Revenues in SFR fell in 2017.

Valuation: Bear 1.9 SEK Base 2.6 SEK Bull 3.0 SEK

FRONTOFFICE

Source: Thomson Reuters och Jarl Securities



Temperature

Management and the board



CEO Johan Lund founded the company in 2013. Since then the focus has been to save companies with insolvency issues. During the past year or so investments in growth companies has been added to the investment operations. Realized investments has so far been made with a good percentage return.

Management is evaluated on a scale from 1-10, where grade 1 is the lowest and 10 the highest. Decisive for the grading is the management's experience, industry knowledge, business management skills, stock market confidence and previous accomplishments.

Owners



CEO Johan Lund is the company's largest owner. That gives him a financial incentive to act in the interest of the shareholders.

The owners are evaluated on a scale from 1-10, where grade 1 is the lowest and 10 the highest. Decisive for the grading are the owner's historical company procedures, financial strength, their representation on the board and from previous investments in similar companies or industries. Long-term preference and responsibility towards minor shareholders are also essential criteria.

Financials



As of September 30 2018 the company had SEK 2.2m in cash, which do not cover the operations for long. However, FO has a credit line summing up to SEK 20m devoted to finance the operations as well as some further investments in the current holdings. The company has also signed an investment agreement with GEM guaranteeing new share issues up to a value of SEK 52m.

The financial position is evaluated on a scale from 1-10, where grade 1 is the lowest and 10 the highest. This decision criteria considers the company's profitability, financial situation, future investment commitments and other financial obligations, potential over- and under values in the financial statement and balance sheet.

Potential



The investment portfolio carries high risk but also a high expected return. Changes in the market conditions may result in an increased number of companies with insolvency issues, thus also increase the inflow of potential turn around cases. We see potential for the investment in FTCS to continue drive the value of FrontOffice. Also, Quickbit is interesting. A listing may reduce the liquidity risk, thus increase the value of the holding.

The company's potential is evaluated on a scale from 1-10, where grade 1 is the lowest and 10 the highest. Decisive for the grading is the size of the company's potential in terms of increased profit in relation to the company's trading share price today. In which market, the company operates and the prospects for that market are also decisive factors. A company can achieve a high grading even though the growth projections are modest, provided that the share price today is below the growth projections and vice versa.

Risk



The risk in the investment portfolio is as earlier mentioned high. The majority of the investments is also likely to be in need of further financing from its owners. The transparency of the unlisted holdings is very limited. The diversification in the portfolio is low. We estimate FTCS value to 72 percent of the portfolio's total value, which in turn is estimated to make up for about 82 percent of the company's enterprise value.

The risk is evaluated on a scale from 1-10, where grade 1 is the lowest and 10 the highest. The risk is a combined assessment of all potential risks the company can be exposed to and that affect the share price. The grading is based on a combined assessment of the company's general risk level, stock valuation, the company's competitive situation and estimations of future environmental events that can come to affect the company.



Investment Case

FrontOffice (the company, FrontOffice. FO or the group) is an investment company focusing on turnaround and growth investments. The group includes two business legs; (i) consultancy services within company reconstructions and (ii) investment operations. We believe the investment operations makes up for about 81 percent of the company's enterprise value. The remaining 19 percent is made up by the value in the consultancy service. However, the consultancy operation plays an important role for the group as it helps the investment management to identify interesting turnaround cases.

As mentioned, the investment portfolio carries the majority of the company's value. The Fintech investments, FTCS and Quickbit, has developed the next generation's system for money transfers and payments. The systems are built around blockchain technology which is assumed a great future as value carrier. Today's payments systems are not fully equipped to handle growth in neither online shopping nor international money transfers efficiently. The two companies also have good strategies to take substantial market shares on their respective market in the foreseeable future. FTCS is niched towards specific needs on selected markets and plan to expand over time. The same applies to QuickBit, a Swedish public (non-listed) Fintech-company who has developed a technical solution for crypto currencies and other blockchains for a global market. We believe the Fintech-investments may drive the value of FO, even in the future.

FO has limited funds of SEK 2.2m in cash as of September 30 2018. FO do however have a credit line of up to SEK 20m devoted to finance the operations as well as supporting current investments. The company also holds an investment agreement with GEM with a total value of SEK 52m. (see below).

In our base case we estimate a motivated value per share in FO to 2.6 SEK. This corresponds to a 5 percent discount to what we have estimated to be the motivated value of the investment portfolio plus the value of the fully owned subsidiaries, KROSS and SFR. The share is currently trading at a discount of 46 percent. It should also be noted that lots can happen changing for valuation.

In a bull case we estimate a value per share of 3.0 SEK, corresponding to a discount of 5 percent. In our bear case, the estimated value per share is 1.9 SEK, a discount of 7 percent.

About FrontOffice

FrontOffice, with its subsidiaries, was founded in 2013/14 by CEO Johan Lund who also is the largest owner with a stake corresponding to 20.3 percent of the share capital and 52.5 percent of the votes. Johan has studied business and law at Stockholm University and Lund University between the years 2000 and 2004. See Johan's CV in the right margin.

Marcus Wenner is the CEO of the subsidiary Svensk Företagsrekonstruktion (SFR). SFR is serving as a consultancy agency focusing on insolvencies and company reconstruction. Marcus holds a degree from 2011 in law from Uppsala University. Marcus have had various positions on different law firms with a focus on Corporate Finance. Marcus started at SFR in and took on the role as CEO in January 2017.

Business Model

The investment operations finance and/or invest as a shareholder in listed and non-listed listed companies. Investments can be divided into two separate categories:

- **Turnaround-case**, meaning reversing a negative trend and creating profitability
- **Growth companies** with a focus on Fintech

Equity, through new share issues, has historically been used to net the investments' purchase price. As earlier mentioned, FO also holds a credit line of 20 MSEK, partially designated to support current investments. In addition, an investment agreement was signed in November 2018 with GEM guaranteeing further financial muscles through several small directed share issues. The maximum amount of is set to SEK 52m. The price of every share issue is set to be 90 percent of the 15 last trading days' VWAP before exercising the right of the directed share issue. This type of financing is fairly common among small listed companies and adds some financial security to the operations. With little cash on hand the possibility to take on new larger investments is limited.

FrontOffice takes an active ownership role in its turnaround investments. This includes making strategic improvements to reach profitability. The potential value increase in turnaround case is high, thus adding value to FrontOffice.

Turnaround cases are funneled to the investment operations mainly through Svensk Företagsrekonstruktion. SFR offers consultancy services related to insolvency, company reconstructions and business management, thus SFR gains in depth insight in its clients' businesses. Those clients considered to have the highest probability to do a turnaround is passed on to the investment operations. In other words, SFR's clients constitute a great part of the investment operation's potential investment space. SFR also offer bridge financing for selected companies during the phase of reconstruction, yielding revenues in terms of interest. The bridge financing is provided to keep the clients business up and running during the reconstruction phase, until they are back on track making money. The interest on the bridge financing is at least 10 percent on a yearly basis.

[Johan Lund CV](#)

2005 - SF Anytime

2007 - Founder The Library, a media company (digital video).

2009 – Founder of Renzorato, a company working with machinery development.

2013 – Founder of Svensk Företagsrekonstruktion

2014 – Founder of FrontOffice (publ)

Board of Directors assignment (other than in FrontOffice /SvenskRekonstruktion)

2016 – Chairman of the Board, TheGreatWild

(2016 - 2017) - Abelco Invest Group

(2017 - 2018) - FundeByMe

2018 - FTCS

2018- QuickBit

KROSS (Konsult Rekonstruktion Operating Support System Nordic AB), is FO's second fully owned subsidiary. KROSS has developed a platform which screens large databases to identify companies with a high probability to in the foreseeable future experience financial distress and insolvency. This platform enables SFR to proactively approach potential clients, which in turn may be interesting turnaround opportunities for the investment operations. The illustration the right depicts the company's methodology to identify insolvency cases and turnaround opportunities.

Growth investments is made primarily in Fintech-companies. This type of companies focusses on develop and provide innovative IT-solutions with the purpose to make the bank- and financial industry function with less friction and work more efficient. Klarna, and Tink are two well know examples of Swedish Fintech-companies.

FrontOffice today strive to be opportunistic in its investment operations, both regarding new investments and exits. The company has during its relatively short existence done exits right after the investment has gone public/got listed. An example is the stake in Abeco Investment Group which was sold six months after Abeco was taken public. To sell right after an IPO is a strategy that makes it possible for the company to realize on the theoretical risk premium associated with the liquidity risk which accompanies non-listed companies (in addition to the actual change in value). It should also be noted that FrontOffice have done exits before IPO, with good profitability.

Investment Portfolio and Valuations

The investment portfolio consists of six holdings, out of which one is listed on Nordic MTF. We estimate that the investment portfolio makes up for about 81 percent of the company's enterprise value. The remaining 19 percent is made up of the value in KROSS and SFR.

The value of the investment portfolio should also reflect the value of FO. To value the portfolio's listed holdings we use a method called mark-to-market based on the last paid price in the share. It should also be noted that the liquidity in the share affects what price a larger holding can be sold at – usually it is lower than last paid price unless a strategic buyer is found, and a block trade can be made. Consequently, the mark-to-market method is very theoretical.

Non-listed companies are less straight forward to value. Partially due to lack of transparency in reporting and partially because less transactions are made/made public, relative to listed companies.

The last transaction is many times a good indication of the company's fair value. However, the last transaction is often done at a value which differ from what is fair due to for example strategic reasons. Thus, for larger holdings we have studies transaction in similar companies and complemented the findings with a DCF-model in an average. To take the liquidity risk and other risks associated with non-listed companies we have added a premium to the discount rate corresponding to 50 percent of the actual wacc.

Methodology to identify turnaround opportunities.



Picture below illustrates how we have chosen to value the portfolio's holdings.

Vauation methods

Investment	Valuation Method
Listed Samtrygg	Mark-to-market
Non-listed FTCS Quickbit The Great Wild Stockaboo (Konkurs.se)	Last known transaction, alternatively peer valuation in combination with a DCF-model

Source: Jarl Securities

The table on the next page presents the company's six portfolio holdings, the ownership share in terms of capital and votes as well as the last estimated value per December 7, 2018. Under the heading "Value based on last transaction" shows the value of the holding based on last known transaction. The value of the holdings based on our estimation of the fair value based on selected method is shown under the heading "Motivated value".

The portfolio's total motivated value is estimated based on selected method for each holding to SEK 64m. By deducting investment related debt (today zero) the NAV (Net Asset Value) of the portfolio is estimated to SEK 64m.

Fintech is expected to experience a fast growth during the upcoming years. The growth is driven by changes in consumer habits and technological advancement as well as changes in the regulations governing the financial industry. A well laid out and communicated set of rules and regulations is likely to be positively correlated with growth. This as the amplitude of the unknown is reduced and the willingness to invest increase as an effect.

One of the more well-known technologies arising within the financial industry and the Fintech-sector is blockchains. A blockchain is a technology to store, share and handle information enabling more secure, faster and cheaper money transfers. The crypto currency, Bitcoin, is a renowned for being built on blockchain. Blockchains are also applicable within other industries and important events such as public referendums.

A blockchain stores information in encrypted "blocks". In the context of finance and money transfers the information consist of payments/money transfers. New transactions are added to the chain in chronological order, meaning that the sequence of transactions is easy to follow. All blocks in the chain is connected with code, which also makes the chain of information difficult to modify.

New transactions are initiated by the user, identified with a digital signature. The blockchain is linked in a network of computers called miners. These computers have access to all information in the chain and serve the purpose to control and validate a new transaction. For example, if the initiator of the transaction lacks sufficient funds, the network will reject the transaction. A majority of the miners must also come to the same conclusion before a transaction is accepted. The role of the miner is also to add the new block of transaction information to the chain and inform the user that the transaction has been made. A copy of the blockchain is available to all users, thus downtime is not a problem for the chain as a whole as the chain is decentralized.

Due to the properties of the technology, blockchains enables for faster and less costly international transactions. This since no intermediators (i.e., banks or credit card companies) are involved to clear and settle the transaction. This part is taken care of by the earlier mentioned miners who also compete based on speed.

The technology is also considered as secure as the code connecting the blocks in the chain is intertwined in chronological order, thus the chain is difficult to modify. Also, all transaction needs to be approved by a majority of all miners, which adds an extra layer of confidence to the information in the chain.

With these properties of the technology many experts believe that blockchain will revolutionize the financial industry. The carrier of an intrinsic value does not have to be Bitcoin, but the probability of that it will be based on blockchain is considered to be high.

Holding 1: FTCS AB

Today's traditional banking systems enabling for transactions and money flows are dependent on human imposition/administration for clearing and settlement.

Administration makes international transactions expensive and sometimes impossible to carry through. Also, security gaps exist, which is also

Illustration of a decentralized blockchain



exploited by criminals. The Fintech-company FTCS AB (publ) [FTCS] has developed a complete eWallet-platform focusing on electronic payments and transfers. The platform intends to solve today's problematic issues with national and international payment systems. The goal is to become a leading system provider for fast and secure payments.

FTCS has developed a technical platform targeting two potential market segments; B2C and B2B. For the B2B-segment, FTCS provides solutions for clients in need of fast and secure payment systems. For the B2C-segment FTCS operates through the brand name Intergiro and provides an e-wallet solution for the consumers, as well as the retailer. FTCS has been granted a license from the Swedish Financial Supervisory Authority (Finansinspektionen) to emit electronic money and provide its payment solution in Sweden. This license is also valid in five other European countries though so called "passporting".

The strategy to break through the crowd of competing Fintech-companies is to focus on a specific niche on selected markets. One example is the product called "VoucherPay" which is live in a B2B-agreement with a leading bank in Brazil. This product enables for Brazilians to exchange and pay with Venezuelan Bolivar at a significant lower cost compared to with the older systems which are forcing the bank to charge a large premium to hedge its own risk in the Bolivar. Another example is the B2C platform "Intergiro" making it possible for users to transfer money abroad with little time lag and lower costs compared to alternatives such as Western Union and MoneyGram. An e-wallet function as a traditional bank account and is available online. The main difference is that an e-wallet cannot carry interest.

The business model for the B2B-operations is built on license fees varying with transaction volumes and amounts. This business model is relatively scalable. During the full year 2017 FTCS showed net sales of SEK10.5m. That was a lower number than in 2016 when net sales of SEK 22.7m was presented. The negative growth in net sales is an effect of resource intensive development to shift the B2C-offer to a more holistic e-wallet solution. The operating result before depreciation and amortization year 2017 was negative SEK 10.1m, calculated on net sales.

The company expects strong growth during 2018/2019. In addition to the license granted by Finansinspektionen to emit electronic money, FTCS has also applied for an extended license to be able to approach larger market in Europe. The Payment Services Directive 2 issued by the EU enables Fintech-companies to integrate payments from banks. FTCS technical solution is well adjusted to take advantage of the new directive. FTCS has also applied for "passporting" to all other EU-countries. An approved application makes it possible for FTCS to expand to central Europe and the Mediterranean where traditional banks do not offer services demanded by small med midsized companies.

Interesting for the future is also the license agreement with the Brazilian bank, Banco BS2. At a full implementation the agreement may yield net revenues of up to SEK 300m per year. The implementation is however still in an early stage but proceed according to plan. As the implementation continues at Banco BS2, the presented revenues are also likely to increase.



In addition to FO:s holding in FTCS of 9.98 percent, CEO Johan Lund privately owns another 700 000 shares in FTCS.

We also believe that the costs will increase during the implementations stage. The margins are thus likely to fall initially but expand over time with increased volumes. When the system is fully implemented the project together with Banco BS2 will not only generate revenue but also function as a good reference when approaching new potential clients.

In other words, FTCS is not a turnaround-case, it is an investment in a growth company within the Fintech-sector. New client deals and increased net sales creates a potential value increase in the holding.

Valuation, FTCS: In an attempt to value FTCS we have combined a multiple analysis with a DCF-model. The motivated value of the holding in FTCS (9.98 percent of the capital) is calculated to SEK 46.4m using this method.

FO has invested approximately 23 MSEK in FTCS as of December 2018. The theoretical return is thus around 100 percent. In a base case we have assumed net revenue of SEK 24m during 2018. The CAGR for the period 2018 – 2022 is assumed to be striking 110 percent. We use a discount rate of 15.6 percent including a company specific premium of five percent. This premium is assumed to incorporate all risks accompanied with non-listed companies.

See the table below for valuation of FTCS.

DCF-valuation, FTCS

SEKm	
Disc.rate	15.6%
EV	477.5
Cash	10.0
Debt	-3.7
Shareholder value	483.8
Shareholder value, DCF	484
FO's share of capital	10%
Value holding	48.3
EV/Sales. 2018E	19.7x
EV/EBITDA. 2018E	-

Multiples

Year	Transaction	EV/Sales	Weight
2018	PayPal acquires iZettle	20x	50.0%
2016	Fund raising, Tink	19x	12.5%
2016	Fund raising, Trustly	18x	12.5%
2016	Fund raising, Lendify	16x	12.5%
2015	Fund raising, Sigmastock	16x	7.5%
2014	Fund raising, Klarna	5x	5.0%
Weighted average:		18x	100.0%
Net sales FTCS 2018P. SEKm		24	
Implied EV. FTCS		436	
Assumed net cash, SEKm		6	
Total Shareholder value, SEKm		443	
FrontOffice share		10%	
Shareholder value holding, SEKm		44	

Motivated value, FrontOffice holding in FTCS

Method	Value holding, SEKm
DCF	48.6
Multiple valuation	44.2
Motivated shareholder value	46.4

Source: FTCS and Jarl Securities

Holding 2: Quickbit

QuickBit provide services for trading crypto currencies and a technical solution for retailers online, allowing them to charge their customers in crypto currency.

Retailers online benefit from the use of crypto currencies as the risk for fraud is reduced as well as the costs. The payment is easily done with a regular card at external payment service providers and the clients e-wallet is credited with crypto currency, ready to be used by the user at the retailer.

QuickBit goal is to become a leading provider of payment solutions for crypto currencies. The strategy involves accelerating the usage of crypto currencies by providing new innovative products. The vision is to be the natural chosen partner for retailers online in need of being able to offer its customers to pay with crypto currencies as a carrier of value. The company strives to become the first listed and regulated provider of solutions for payment with crypto currencies which in combination is a unique offer to retailers globally.

The market for e-commerce is growing and is assumed to continue doing so in the foreseeable future. In addition to earlier mentioned advantages of crypto currencies another advantage is that a transaction can be triggered conditioned to a specific event – when a consumer buys a book online the money transfer occurs only when the buyer has received the book. In addition to that, an electronic identification signature (e.g. BankID) is required to initiate a transaction. A stolen credit card is thus not enough to be able to unlawfully consume somebody else's money. These properties reduce the risk of fraud online.

The number of retailers online that accepts crypto currencies is limited. However, some big players such as Microsoft accepts crypto currency. Also, recently CoinPayments, a competitor to Quickbit, signed an agreement with Shopify. This means that all online stores using Shopify's platform can start to accept crypto currency. This agreement is valuable even for Quickbit as it is a large step to make payments with crypto currencies legit on a global basis.

As with FTCS, it is just as important for QuickBit to stand out from the crowd of competitors. The strategy to do so is to build a trustworthy reputation around crypto currencies and as well as it's own operations: QuickBit eu AB (publ) is an operational holding company running its operations from Gibraltar through QuickBit Ltd. Gibraltar is the first country in Europe who has regulated crypto currencies. And by being based in Gibraltar the operations also run in line with set rules and regulations.

QuickBit eu AB (publ) is planning to be listed on a Swedish market place. When this will happen is not known but is likely to bear fruit from several perspectives. From a business perspective the publicity and transparency required from a public company is valuable. The stock market also gives access to an additional source of financing. Also, if M&A should be on the agenda the share (if favorably valued) can be used to pay for the seller.

Valuation, QuickBit: During the first half of 2018, the latest version of the platform handling payment solutions was launched for selected clients. During the third quarter (January – March) of the accounting year 2017/18 net sales of SEK 0.8 m was recorded. The operating result before depreciation and amortization was negative SEK 2.5m

For the full accounting year 2017/18 ending in June 2018 we have assumed net sales of SEK 6.4m and a EBITDA-result of negative SEK 7m. For the current accounting year 2018/2019 ending in June 2019 we estimate net sales of SEK 10.3m.



FrontOffice's holding in Quickbit corresponds to six percent of the share capital and votes. In an attempt to value the position, we have combined a multiple analysis with a DCF-model. Using this method, the value of the holding is estimated to 9 MSEK.

For the DCF-model we have assumed a high CAGR of 105 percent for the estimated period ending accounting year 2021/22. As earlier mentioned non-listed companies holds a premium compared to listed companies, thus we have used the same discount rate for Quickbit as for FTCS, 15.6 percent. If Quickbit goes public this premium is likely to partially fade.

Table below presents a compilation of the valuation.

DCF-valuation, Quickbit

MSEK	
Disc.rate	15.6%
EV	153.2
Cash	2.0
Debt	0.0
Shareholder value	155.2
Shareholder value, DCF	155
FO's share of capital	6%
Value holding	9.3

Multiple analysis

Year	Transaction	EV/Sales	Weight
2018	PayPal acquires iZettle	20x	50.0%
2016	Fund raising, Tink	19x	12.5%
2016	Fund raising, Trustly	18x	12.5%
2016	Fund raising, Lendify	16x	12.5%
2015	Fund raising, Sigmastock	16x	7.5%
2014	Fund raising, Klarna	5x	5.0%
Weighted average:		18x	100.0%
Net sales QB 2018/19P, SEKm		10	
Implied EV, QB		158	
Assumed net cash, SEKm		2	
Total Shareholder value, SEKm		160	
FrontOffice share		6%	
Shareholder value holding, SEKm		9.6	

Motivated value FrontOffice's holding in Quickbit

Method	Value Holding, SEKm
DCF	9.3
Peer valuation	9.6
Motivated value holding	9.5

Source: FTCS and Jarl Securities

Innehav 3: The Great Wild AB

The Great Wild AB (Publ) (TGW) provides services for hunting- and outdoor life interested people. TWG has built a large network of hunters and has developed an app connecting hunting teams with land owners. Individual hunters may also use the app to find free spots in hunting events. The app generated revenues from a membership fee. According to information from Sensortower the app has been downloaded 10 ,000 times for androids and iOS since the launch in 2015.

TGW is one of FrontOffice's turnaround investments that went

through a company reconstruction in 2016. The net sales for the same year was SEK 40k. In October 2017 additional capital was raised through a share issue yielding SEK 5m. The capital was used to market the network with the goal to have 100,000 registered users by the end of 2018. According to management at FO, the goal has been met.

For 2017 net sales was SEK 37k. Thus, the marketing effort gave no direct effect on sales. The operating costs was SEK 8.9m. As of December 31, 2017 capitalized development costs was SEK 5m.

The Great Wild seems to have a good business model but still no significant revenues have been generated. However, the value of the network still carries a great value. To realize the potential of its network, the company has done some additional acquisitions with focus on e-commerce.

TGW has acquired Huntland AB, a rifle smith and exclusive agent for Strasser. During 2017 Huntland AB had net sales of SEK 2m and an operating result of negative SEK 1m. There should be sales synergies connecting the network of hunters with Huntland. The acquisition will be paid with new shares in TGW, but the transaction is conditioned to a finalized company reconstruction of Huntland and that the composition dividend is paid by the previous owner.

TGW has also recently acquired an online store, Jakto.se, selling products to customers interested in hunting and outdoor life. Jakto AB had a turnover of SEK 4.2m during the accounting year 2017/2018. The operating result was negative - SEK 0.3m. The acquisition was paid with new shares in TWG at a value of SEK 3m.

However, FO sold off 12 percent of its holdings in TGW in April 2018. The realized profit was around SEK 3.4m. The implied company valuation from the share issue in conjunction with the transaction of Jakto was SEK 43.5m. FO's remaining holding in TGW corresponds to 9.7 percent of the shares and is thus valued to SEK 4.2m.

Holding 4: Samtrygg Group AB

Samtrygg Group AB (publ) [Samtrygg or ST] has developed a platform mediating rental contracts for housing. The tenants counterparty risk is Samtrygg who also administrate all transactions. Samtrygg's revenue is generated through a markup on the rent, around 10 percent.

Samtrygg is listed on Nordic MTF and is currently trading at a market value of SEK 45m and the historical growth has been impressive. During the full year 2017 the net sales landed at SEK 90.4m and rental expenses was SEK 79.8m. The gross result, net sales less rental expenses was SEK 10.6m. The gross result increased with 16 percent relative 2016. The operating result for 2017 was negative SEK 2.3m.

During the first quarter of 2018 the turnover was SEK 25m, corresponding to a growth of 7 percent. Turnover less rental expenses was SEK 3.4m. The operating result was negative SEK 1.5m. The growth continued during the second quarter with a turnover of SEK 27.7m.

Samtyrugg is listed on NGM, thus FO's holding is valued using the mark-to-market method. FrontOffice holding corresponds to 8.4 percent of the share capital and 2.9 percent of the votes. Based on last transaction in the share on the market we value FO's holding to SEK 3.8m. That corresponds to a theoretical value increase of about 110 percent.

Holding 5: Stockaboo AB

Stockaboo AB (Stockaboo) has developed a community for people interested in investing in stocks. The user may gain access to the community through a mobile application or through the regular browser on the computer.

No financial figures are available for Stockaboo. Plausibly, the intent is to build a large community and generate revenues from selling adds. Stockaboo also do IR-related services for companies, such as video interview. The competition within this field is vast. To create a large user base takes time and a relatively large marketing budget.

FrontOffice holds 30 percent of the share capital and votes. The position was valued at SEK 0.35m based on last transaction in July 2017.

Holding 6: Konkurs.se

Konkurs.se is a domain owned by FO. The domain name is clear and useful for purposes related to company reconstructions and similar. We estimate the value of the domain to SEK 0.1m. The potential value may change when if and when FO can present a strategic plan for the domain.

Fully owned subsidiaries: Svensk Företagsrekonstruktion and KROSS

We have already touched upon the operations under KROSS and SFR, thus we will elaborate on the valuation below.

Given the very close collaboration between KROSS and SFR we value the two as one. During the year 2014 to 2016 SFR have had a great CAGR of 60 percent. The operating result during the same period has varied between 0 to SEK 1.2 m. In 2017 the net sales fell to SEK 8.3m out of which 18 percent was internal invoicing. That implies that the platform developed by KROSS has not delivered the number and quality of leads that makes it possible for SFR to get new contracts instantly. However, the platform may deliver high quality leads that SFR can convert to contracts later on in the future and thus adding to the growth of SFR.

We have valued SFR using a DCF-model. Given that it may take some time to convert the leads generated by KROSS the negative trend can turn positive. Perhaps the change in trend has already come – in October and December 2018 the company informed the market about larger contracts valued at 2.6 respectively SEK 1.3m. With this information we estimate the net sales in SFR for full year 2018, excluding internal invoicing, to SEK 11.3m. That corresponds to a growth rate of 66 percent. For the full estimated period, 2018 to 2021 we model with a GACR of 16 percent.

SFR's expenses related to personnel increase in 2016 as well as in 2017. Reasonably, there is unused staffing capacity that can handle the assumed growth. In our scenario the operating margins increase from 2 percent in 2018 to 12 percent in year 2021.

For the terminal value we model with an operating margin of 20 percent, which is in line with similar business models. The discount rate is set to 15.6 percent. See table below for DCF-valuation. As can be seen we value KROSS and SFR to SEK 15.2m.

DCF-valuation, SFR and KROSS

SEKm	
Disc.rate	15.6%
EV	15.1
Cash	0.1
Debt	0.0
Shareholder value	15.2
Shareholder value, DCF	15.2
FO's share of capital	100%
Value holding	15.2
Disc.rate	1.3x
EV	5.1x

Source: Jarl Securities

Motivated value, FrontOffice

In an attempt to value FrontOffice we have summed up the separate values of the (i) investment operations and (ii) the consultancy operations. In our base scenario the motivated value for FO is 2.6 SEK per share.

In our base case, as we see as the most probable scenario, we value the investment portfolio at SEK 64m. That corresponds to 81 percent of the total value including SFR and KROSS at 79 MSEK. FTCS is the largest holding and is valued at SEK 46m corresponding to 72 percent of the total value of the investment portfolio.

We also model for a more optimistic bull case and a more conservative bear case. For the bull case the assumed revenues in FTCS for year 2018 is increased to SEK 30m from SEK 24m in the base case. That increases the value of the holding in FTCS to SEK 57m. In this case the total shareholder value in FO increases to SEK 85m yielding a value per share of 3.0 SEK.

For the bear case we have assumed net sales of SEK 14m for FTC, down by SEK 10m compared to the base case. Given this scenario the value of FTCS falls to SEK 26.1m compared to SEK 46m in the base case. In this scenario the shareholder value in FO falls to SEK 54m corresponding to a value per share of 1.9 SEK.

See table below for valuation of FrontOffice in three cases.

Valuation, FrontOffice. Three cases

	SEKm	BEAR	BASE	BULL
Tot. value investment portfolio	44.2	64.3	74.9	
Share value of SFR and KROSS	15.1	15.1	15.1	
Sum	59.3	79.4	90.0	
Cash, FO	2.2	2.2	2.2	
Debt, FO	-1.1	-1.1	-1.1	
Centralized costs. NTM	-6.5	-6.5	-6.5	
Total shareholder value, FO	53.9	74.1	84.7	
Outstanding shares, A + B, millions	28.4	28.4	28.4	
Motivated value per share, SEK	1.9	2.6	3.0	
Up-/downside relative last paid (1.5 SEK)	26%	74%	98%	
Net Asset Value (NAV) per share (dec-2018)	2.0	2.8	3.1	
Motivated discount	-7%	-5%	-5%	
Current discount (1.5 SEK) rel. motivated NAV	-27%	-46%	-52%	
Share investment portfolio of total EV	75%	81%	83%	
Share SFR and KROSS of total EV	25%	19%	17%	

Source: Jarl Securities

The motivated NAV discount, reflecting centralized costs and others, is the rebate we believe is motivated compared to our estimation of the NAV or sum of the value in the investment portfolio plus the value of the fully owned subsidiaries.

The share is currently trading at 1.5 SEK corresponding to a NAV discount of 46 percent relative to our estimated NAV.

In the base case we the motivated NAV discount is 5 percent. In table below the average NAV discount is presented for listed investment companies in Sweden. As can be seen the average NAV discount by the end of September was 9 percent.

The lower discount for FO is motivated by the value in the fully owned subsidiaries, KROSS and SFR and a relatively slim and effective organization.

NAV discounts/premiums for investment companies, 2018-09-30

Company	Last. 2018-09-30	NAV/share. 2018-09-30	(-) discount / (+) premium
Bure Equity AB	113.8	125.2	-9%
Creades AB (publ)	261.5	289.0	-10%
Eastnine AB (publ)	92.1	110.2	-16%
Havsfrun Investment AB	18.6	17.9	3%
Industrivarden AB	203.2	236.0	-14%
Investor AB	410.7	487.0	-16%
Kinnevik AB	269.1	286.3	-6%
Investment AB Latour	110.9	108.0	3%
L E Lundbergforetagen AB (publ)	299.6	297*	1%
Svolder AB	102.5	118.0	-13%
Traction AB	177.5	203.0	-13%
Vostok New Ventures Ltd	69.0	98.2	-30%
Investment AB Oresund	141.6	135.0	5%
		Median	-10%
		Average	-9%

*As of 2018-06-30. Source: Bolagsnyheter and Jarl Securities

In addition to the efficiency of the organization, the transparency of the holdings seems to affect the discount. As mentioned before, in the case of FO, the only holding that is listed is Samtrygg.

Also, in general the NAV discounts have increased with the downturn on the stock markets during the last months.

Risks

We believe the value of the investment portfolio makes up for about 81 percent of the company's total enterprise value. The portfolio in turn consist of a few holdings out of which FTCS is estimated to make up for 72 percent of the portfolio value. Changes to the value of FTCS will thus also have great impact on the value of FrontOffice.

Turnaround-cases involves great risk and may result in default instead of turning the negative trend to positive. In case of default the value to the shareholders could be zero. Turnaround-investments should however have a high expected return. In a well-diversified portfolio of turnaround cases an investment company with a good strategy should be able to generate good return on the portfolio on average. FrontOffice's investments in turnaround cases is limited in number and a failure can thus be costly.

Growth investments as well as turnaround investments are usually in need of larger capital injections before they can generate profitability. As shareholder it is important also to be able to provide funding for its holdings. Elsewise the investment/company can have difficulty finding funding or the shareholder that cannot provide funding runs the risk of being diluted. FO's financial resources are scarce. We believe that QuickBit as well as FTCS are in need of

further capital injections that FO may not be able to provide. Realizing profitable positions, such as the position in TWG may free up some funding.

Investments in Fintech has a great potential as the market is growing fast. However, the competition is vast and it's important that FTCS as well as Quickbit can establish strong market positions in the near future. Timing is essential.

FrontOffice runs the risk of having to do fire sales on (some) of its investments to free up working capital with limited cash on hand. Also it is more difficult to sell a non-listed company as the liquidity is limited. A share issue to strengthen the capital base cannot be ruled out.

Ownership

As can be seen in the table below, CEO Johan Lund is the largest shareholder controlling 20.3 percent of the share capital and 52.5 percent of the votes.

Ten largest owners

	Share, capital	Share, votes	Date
Johan Lund	20.3%	52.5%	2018-08-28
Kjetil Myrliid Aasen	7.4%	4.4%	2018-09-30
Avanza Pension	5.4%	3.2%	2018-09-30
Tommy Ekholm	2.7%	1.6%	2018-09-30
Growthzone AB	2.6%	1.6%	2018-09-30
Livförsäkringsbolaget Skandia	2.0%	1.2%	2018-09-30
Christopher Åberg	1.9%	1.1%	2018-09-30
Rolf Åbjörnsson	1.8%	1.1%	2018-09-30
Per Öberg	1.5%	0.9%	2018-09-30
Recall Capital Nordic AB	1.4%	0.9%	2018-09-30

Source: Holdings.se

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